Reports and Financial Statements as of 31 December 2013

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 fully paid up
Tax Code No. 00754850154 – VAT Code 01729640464
Companies Register of Lucca and Lucca R.E.A. No. 00754850154

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CORPORATE BODIES
AND AUDITING FIRM OF SNAI SPA

Board of Directors
(in office from the Shareholders' Meeting held on 26 April 2013 until the Shareholders' Meeting that will approve the financial statements for period ending 31.12.2015)

Chairman and Managing Director **Giorgio Sandi***

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

Executive Responsible for the preparation of the corporate and accounting documents **Marco Codella**

Board of Statutory Auditors
(in office from the Shareholders' Meeting held on 29 April 2011 until the Shareholders' Meeting that will approve the financial statements for period ending 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 Risk Committee chaired by Stefano Campoccia.*
** *Members of the Compensation Committee chaired by Sergio Ungaro.*

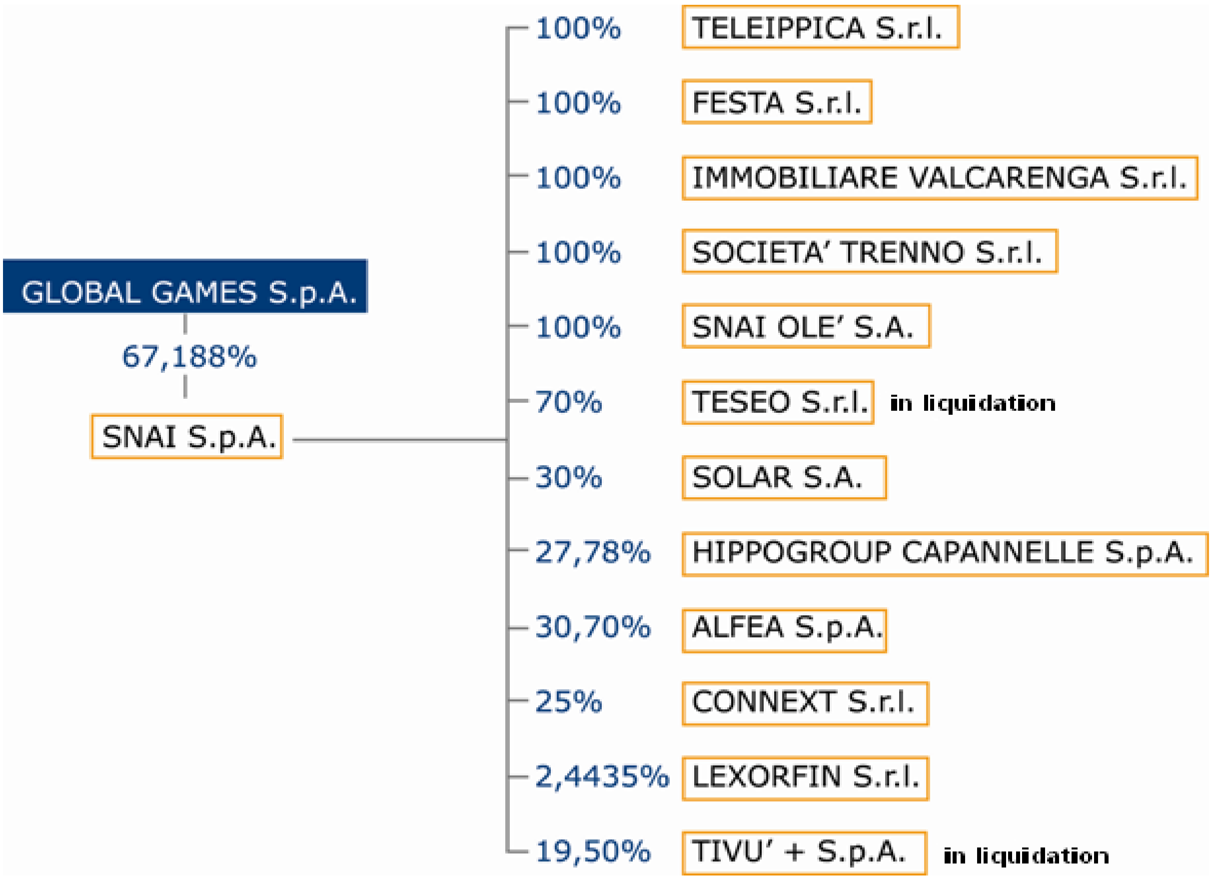
DIRECTORS' REPORT ON THE COMPANY AND THE GROUP

A. SNAI Group

SNAI S.p.A. is the leading operator on the Italian betting market and one of the main operators on the national 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 organisational, 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 2013:

- the payout on sports bets (the percentage of players' winnings) was 78.9%, lower on the average than that of all other operators and media over the years prior to 2012 (which was the highest in the recent history of the Italian market);
- the installation of 5,052 VLT licenses purchased from SNAI was concluded;
- the Virtual Events began in December;
- the amount decided on upon conclusion of the appeals process against ruling 214/2012 of the Court of Auditors relative to the operation of the new-slot network was 30% of the damage calculated in the first degree ruling, amounting to a total of Euro 65.7 million (including interest);
- actions aimed at achieving optimisation of costs continued.

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

- **KPIs**

	Fiscal year		Variations	
figures in thousands of Euro	*2013*	*2012*	*€*	*%*
Revenues	478,763	514,372	(35,609)	(7)
EBITDA	92,588	64,522	28,066	43
EBITDA Adj	97,564	68,935	28,629	42
EBIT	(41,801)	(13,890)	(27,911)	>100
Before tax profit	(100,915)	(56,464)	(44,451)	(79)
Net profit	(94,530)	(42,560)	(51,970)	>100
Diluted earnings (loss) per share	(0.81)	(0.36)	(0.45)	>100

- **EBITDA, EBITDA Adj and EBIT**

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

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

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

EBITDA

	Fiscal year		Variations	
figures in thousands of Euro	*2013*	*2012*	*€*	*%*
EBIT	(41,801)	(13,890)	(27,911)	>100
+ Amortisation of Tangible Assets	19,384	20,413	(1,029)	(5)
+ Amortisation of Intangible Assets	34,955	38,779	(3,824)	(10)
+ Net losses of value	528	556	(28)	(5)
+ Other allocations	2,039	11,529	(9,490)	(82)
Earnings before interest, taxes, depreciation and amortisation and write-downs	**15,105**	**57,387**	**(42,282)**	**(74)**
+ Non-recurring costs	77,483	7,135	70,348	>100
EBITDA	**92,588**	**64,522**	**28,066**	**43**
+ Current portion of the provision for doubtful debts	4,976	4,413	563	13
EBITDA Adj	**97,564**	**68,935**	**28,629**	**42**

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

Before tax profit				
	Fiscal year		*Variations*	
figures in thousands of Euro	*2013*	*2012*	*€*	*%*
EBIT	(41,801)	(13,890)	(27,911)	>100
+ Earnings of companies consolidated using the equity method	(398)	1,451	(1,849)	>100
+ Financial income	1,261	998	263	26
+ Financial expenses	(59,977)	(45,012)	(14,965)	(33)
+ Net gains (losses) on exchange rates	0	(11)	11	100
Before tax profit	**(100,915)**	**(56,464)**	**(44,451)**	**(79)**

B.2 Non-recurring revenues and costs

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

Non-recurring revenues and costs	**SNAI**	**SNAI Group**
thousands of Euro	Fiscal year 2013	Fiscal year 2013
Non-recurring costs		
Costs related to non-recurring consultancies	1,367	1,497
Administrative Sanctions for IU and PREU	3,474	3,474
Capital losses	131	1,678
Allocation to the provision for doubtful debts	4,095	4,095
Leaving incentives	775	2,250
Favourable ruling of the Court of Auditors	63,000	63,000
Other	1,417	1,489
Impact on EBITDA	**74,259**	**77,483**
Amortised costs and other loan repayment costs	12,601	12,601
Interests payable on penalties	2,901	2,901
Commissions payable on bonds	575	575
Impact on the before tax profit	**90,336**	**93,560**

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 of non-recurring costs to the income statement for 2013 is relative to the increased costs incurred in order to make the settlement pursuant to ruling 214/2012, in regard to the operation of the new slot network (Court of Auditors ruling) and other administrative penalties relative to years prior to 2011 and the relative interests, the allocation to the provision for doubtful debts connected to lawsuits, the leaving incentives of some employees, the capital losses on disposal of the Festa business unit which consisted of the total assets used for the outbound activity, the financial impact of the early extinguishment of the previous loan and specific consulting related to the aforementioned costs. The total of non-recurring revenues and costs impacts upon consolidated EBITDA for a total amount of Euro 77.5 million, and the before tax profit of Euro 93.6 million, as better indicated in the table.

B.3 Investments

The SNAI Group has made the following investments:

a. Tangible assets in a total amount of Euro 20,780 thousand, broken down as follows:

	€/000
land and buildings	2,662
plants and machinery	15,069
industrial and commercial equipment	38
other assets	2,991
assets in progress and down payments	20

b. Intangible assets in a total amount of Euro 19,028 thousand, broken down as follows:

	€/000
patents and copyrights	562
concessions, licenses and the like	14,572
other	1,819
assets in progress	2,075

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

The revenues of the Group have decreased by approximately 7%, from Euro 514.4 million in 2012 to Euro 478.8 million in 2013, mainly on account of the combined effect of the increased revenues from sports bets and VLT and the concurrent drop in the revenues of the AWPs together with the increase in the taxation rate on bets collected by the Entertainment Devices. The revenues from sports bets increased compared to the previous year due to a favourable payout which was 78.9% as compared to 82.7% in 2012. This results is also due to the risk management in relation to the acceptance of sports bets, which the company had decided to reinforce in 2013.
The increase in the revenues from the VLTs is due to the significant expansion of the network installed which, at the end of December, resulted in the conclusion of the installation of 5,052 VLT licenses acquired by SNAI (4,956 VLTs were installed in 733 locations, and the remaining VLTs up to the total of 5,052 are currently being moved to high performing locations). Significant signals of increasing revenue were provided by the remote gaming sector, which has been growing continuously in absolute values as well as in terms of market share. Bets on virtual events which resulted in good gaming volumes began at the beginning of December 2013.
The drop in the revenues from AWPs is on the other hand attributable essentially to the lower number of devices following the exit from our network of a significant client who as from 20 March 2013 became a direct licensee, as well as the impact of the increased tax pressure with the PREU that increased to 12.7% and the consequent drop in the percentage of revenues reverting to the Group. The increase in the revenues from the VLTs dropped concurrently with the increase in the PREU from 4 to 5%.
Despite the drops in revenues, Group EBITDA gained + 43% compared to the previous year, from Euro 64.5 million to Euro 92.6 million.
The non-recurring costs amounted to Euro 77.5 million during 2013 as compared to Euro 7.1 million the previous year and they are mainly related to the costs incurred in order to comply with the ruling on appeal of the first degree ruling 214/2012, relative to the operation of the new slot network, which was 30% of the damage calculated in the first degree, or Euro 63 million. The breakdown of the non-recurring costs is shown in paragraph B.2.

The Group's EBIT is negative by Euro 41.8 million as compared to Euro -13.9 million in 2012.

The net result for the Group in fiscal year 2013 is negative in the amount of Euro 94.5 million.

On 8 November 2013 SNAI S.p.A. issued a non-subordinated, non-guaranteed and non-convertible bond of Euro 35 million, of which Euro 15 million are "Series A" bonds and Euro 20 million are "Series B" bonds, which was entirely subscribed. The revenues from the Bond were used to refinance SNAI S.p.A., following the payment by SNAI on 4 and 15 November 2013, of Euro 65.7 million (including interest), paid pursuant to article 14, paragraph 2-ter of Legislative Decree 102 of 31 August 2013 (converted into law on 28 October 2013), in order to settle pursuant to the ruling on appeal of the ruling 214 issued against the company by the Court of Auditors, Lazio Section, on 17 February 2012.

On 4 December 2013, SNAI S.p.A. issued a Bond totalling Euro 480 million with the following characteristics:

- Euro 320 million remunerated at 7.625% and named the Senior Secured Notes expiring on 15 June 2018;
- Euro 160 million remunerated at 12.00% and named Senior Subordinated Notes maturing on 15 December 2018.

The Bonds were initially subscribed by J.P. Morgan, Banca IMI S.p.A., UniCredit AG and Deutsche Bank AG, London Branch, pursuant to a purchase contract signed on the same date with SNAI, and were then placed exclusively with institutional and professional investors. Thereafter, procedures were initiated for the listing of the Bonds on the Euro MTF market which is regulated and managed by the Luxembourg Stock Exchange and for the secondary listing within the ExtraMOT Pro segment organised and managed by Borsa Italiana, which have been completed.

The revenues from the Bonds were used by the Company to (i) refinance a part of the existing bank debt through repayment of the medium – long-term loan granted to the Company by a pool of banks in 2011 and some related derivative instruments used for hedging, (ii) redemption of the Series A Bonds issued by the Company on 8 November 2013.
On 27 November 2013, SNAI signed as a borrower, a contract for a revolving loan of Euro 30 million with UniCredit Bank AG, Milan branch, as the agent and security agent and, inter alios, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and

UniCredit S.p.A. as the lending banks. The Senior Revolving Loan had not been used by the Company as of 31 December 2013.

The net financial indebtedness of the SNAI Group as of 31 December 2013 was equal to Euro 443.4 million, as compared to Euro 369.6 million at the end of 2012. Compared to the closing of the previous year, the net financial indebtedness increased by Euro 73.8 million. The increase is mainly due to the payment made following the conclusion of the appeals process against ruling 214/2012,relative to the operation of the new-slot network with the Court of Auditors setting the amount at 30% of the damage calculated in the first degree ruling, for a total of Euro 65.7 million (including interest). A portion of the remaining increases connected to the payment of taxes and penalties relative to PREU 2010 and the Single Tax of 2009-2010 defined during 2013. Finally, we note an increase in the indebtedness due to the slowdown in the collection of receivables from MIPAAF by the subsidiary Teleippica S.r.l..

The parent company SNAI S.p.A. generated revenues of Euro 465.7 million, down by 6.4% compared to Euro 497.7 million in 2012. EBITDA (as defined in the EBITDA table, par. B.1) is equal to Euro 94.4 million (Euro 67.2 million in 2012), while EBIT is negative by Euro 34.5 million (Euro -7.4 million in 2012). The result for the year is negative by Euro 94.3 million (Euro -46.1 million in 2012) 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 and Income Statement

SNAI S.p.A. - Comprehensive income statement

figures in thousands of Euro	**Fiscal year 2013**	**Fiscal year 2012**
Revenues from sales and services	463,356	493,492
Other revenue and income	2,338	4,230
Variation in inventories of finished and semi-finished products	107	(3)
Raw materials and consumables	(816)	(879)
Costs for services and the use of third party assets	(321,778)	(384,329)
Costs for personnel	(24,656)	(19,855)
Other operating costs	(99,767)	(32,436)
Costs for capitalised internal works	1,337	1,096
Earnings before interest, taxes, depreciation, amortisation and write-downs	**20,121**	**61,316**
Amortisation, depreciation and write-downs	(52,979)	(57,705)
Other allocations	(1,619)	(11,053)
Earnings before interest and taxes	**(34,477)**	**(7,442)**
Income and costs from shareholdings	(6,100)	(6,771)
Financial income	1,687	1,215
Financial expenses	(59,959)	(45,042)
Total financial costs and income	**(64,372)**	**(50,598)**
BEFORE TAX PROFIT	**(98,849)**	**(58,040)**
Income taxes	4,513	11,977
Profit (loss) for the year	**(94,336)**	**(46,063)**
(Loss)/profit on recalculation of the defined benefit plans net of taxes	63	(209)
Other components of comprehensive income that will not subsequently be reclassified as profit/(loss) for the year net of taxes	**63**	**(209)**
Net (loss)/profit from derivatives used as cash flow hedges	2,572	(2,850)
Other components of comprehensive income that will subsequently be reclassified as profit/(loss) for the year net of taxes	**2,572**	**(2,850)**
Profit/(loss) of the comprehensive income statement net of taxes	**2,635**	**(3,059)**
Total net profit (loss) for the year	**(91,701)**	**(49,122)**

SNAI S.p.A. - Balance sheet and financial position

figures in thousands of Euro	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Property, plant and equipment owned	135,810	128,571
Assets under financial lease	9,396	17,273
Total tangible assets	**145,206**	**145,844**
Goodwill	231,088	231,088
Other intangible assets	135,051	151,233
Total intangible assets	**366,139**	**382,321**
Shareholdings in subsidiaries and affiliates	16,705	17,942
Shareholdings in other companies	46	46
Total shareholdings	**16,751**	**17,988**
Deferred tax assets	73,471	62,372
Other non-financial assets	2,204	2,146
Total non-current assets	**603,771**	**610,671**
Current assets		
Inventory	1,303	3,194
Trade receivables	60,656	67,591
Other assets	27,805	36,657
Current financial assets	27,162	14,190
Cash and cash equivalents	43,860	9,589
Total current assets	**160,786**	**131,221**
TOTAL ASSETS	**764,557**	**741,892**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	60,749	60,749
Reserves	105,223	148,651
Profit (loss) for the year	(94,336)	(46,063)
Total Shareholders' Equity	**71,636**	**163,337**
Non-current liabilities		
Severance indemnity	1,509	1,643
Non-current financial liabilities	481,388	344,425
Deferred tax liabilities	53,019	47,496
Provisions for risks and future costs	16,113	24,560
Miscellaneous debts and other non-current liabilities	3,611	1,939
Total non-current liabilities	**555,640**	**420,063**
Current liabilities		
Trade payables	35,112	33,219
Other liabilities	93,706	86,813
Current financial liabilities	8,463	22,360
Current quotas in long-term loans	0	16,100
Total Financial liabilities	**8,463**	**38,460**
Total Current liabilities	**137,281**	**158,492**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**764,557**	**741,892**

SNAI S.p.A. - Cash flow statement

	figures in thousands of Euro	31.12.2013	31.12.2012
A.	**CASH FLOW FROM OPERATIONS FOR THE YEAR**		
	Profit (loss) for the year	(94,336)	(46,063)
	Amortisation, depreciation and write-downs	52,979	57,705
	Write-down and losses on shareholdings	6,100	-
	Net variation in assets (liabilities) for deferred tax assets (liabilities)	(6,576)	(13,991)
	Variation in risk provisions	(8,447)	9,300
	(Capital gains) capital losses from non-current assets (including shareholdings)	126	391
	Net variation in non-current miscellaneous commercial assets and liabilities and other variations	1,616	(4,415)
	Net variation in current commercial assets and liabilities and other variations	26,560	21,517
	Net variation in severance indemnity	(47)	(122)
	CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	**(22,025)**	**24,322**
B.	**CASH FLOW FROM INVESTMENTS**		
	Investments in tangible assets (-)	(17,616)	(15,575)
	Investments in intangible assets (-)	(18,862)	(5,193)
	Payments in coverage of losses from shareholdings	(5,000)	(2,180)
	Liquidation of shareholdings	137	0
	Proceeds received from the sale of tangible, intangible and other non-current assets	97	32
	CASH FLOW GENERATED (ABSORBED) BY INVESTMENTS (B)	**(41,244)**	**(22,916)**
C.	**CASH FLOW FROM FINANCIAL OPERATIONS**		
	Variation of the financial receivables and other financial assets	(12,972)	(8,693)
	Variation in financial liabilities	(20,525)	(35,177)
	Repayment of loan	(4,600)	(5,750)
	Opening/disbursement of loan	57,498	21,000
	Extinguishment of loan	(421,748)	0
	Bond loan	515,000	0
	Repayment of “series A” bonds	(15,000)	0
	Variation in instalment debts owed to PAS for the purchase of "concessions" business units	(113)	(327)
	CASH FLOW GENERATED (ABSORBED) BY FINANCIAL OPERATIONS (C)	**97,540**	**(28,947)**
D.	**CASH FLOWS FROM DISPOSED ASSETS/ASSETS HELD FOR DISPOSAL (D)**	**0**	**0**
E.	**TOTAL CASH FLOW (A+B+C+D)**	**34,271**	**(27,541)**
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	**9,589**	**37,130**
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**	**0**	**0**
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**43,860**	**9,589**

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

	31.12.2013	31.12.2012
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT BEGINNNING OF PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	9,589	37,130
Bank overdrafts	0	0
Operating assets disposed of	0	0
	9,589	**37,130**
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT THE END OF THE PERIOD, DETAILED AS FOLLOWS:		
Cash and cash equivalents	43,860	9,589
Bank overdrafts	0	0
Operating assets disposed of	0	0
	43,860	**9,589**

SNAI S.p.A. - Net financial indebtedness

	(figures in thousands of Euro)	31.12.2013	31.12.2012
A.	Cash	173	99
B.	Other liquidities	43,687	9,490
	- banks	43,679	9,474
	- postal accounts	8	16
C.	Securities held for trading	1	1
D.	**Liquidity (A)+(B)+(C)**	**43,861**	**9,590**
E.	Current financial receivables	7,754	3,948
	- financial account vis-à-vis subsidiaries	7,748	3,941
	- escrow account	6	7
F.	Current bank debts	40	10,038
G.	Current portion of non-current indebtedness	0	16,100
H.	Other current financial debts:	8,423	12,322
	- for interest accrued on bonds	3,661	0
	- financial account vis-à-vis subsidiaries	975	2,278
	- for the purchase of horse racing and sports betting concessions	42	155
	- debts owed to other lenders	3,745	9,889
I.	**Current financial indebtedness (F)+(G)+(H)**	**8,463**	**38,460**
J.	**Current net financial indebtedness (I)-(E)-(D)**	**(43,152)**	**24,922**
K.	Non-current bank debts	0	328,866
L.	Bonds issued	479,214	0
M.	Other non-current debts:	2,174	15,559
	- debts owed to other lenders	2,174	6,153
	- interest rate swap	0	9,406
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**481,388**	**344,425**
O	**Net financial indebtedness (J)+(N)**	**438,236**	**369,347**

B.6 Group Balance Sheet and Income Statement

SNAI Group - Total consolidated income statement

figures in thousands of Euro	**Fiscal year 2013**	**Fiscal year 2012**
Revenues from sales and services	477,535	512,683
Other revenue and income	1,228	1,689
Variation in inventories of finished and semi-finished products	107	(3)
Raw materials and consumables	(1,162)	(1,206)
Costs for services and the use of third party assets	(324,470)	(389,335)
Costs for personnel	(36,891)	(33,840)
Other operating costs	(102,579)	(33,697)
Costs for capitalised internal works	1,337	1,096
Earnings before interest, taxes, depreciation and amortisation and write-downs	**15,105**	**57,387**
Amortisation, depreciation and write-downs	(54,867)	(59,748)
Other allocations	(2,039)	(11,529)
Earnings before interest and taxes	**(41,801)**	**(13,890)**
Income and expenses from shareholdings	(398)	1,451
Financial income	1,267	1,002
Financial expenses	(59,983)	(45,027)
Total financial expenses and income	**(59,114)**	**(42,574)**
BEFORE TAX PROFIT	**(100,915)**	**(56,464)**
Income taxes	6,385	13,904
Profit (loss) for the year	**(94,530)**	**(42,560)**
(Loss)/profit on recalculation of the defined benefit plans net of taxes	76	(711)
Total components of comprehensive income that will not subsequently be reclassified as profit/(loss) for the year net of taxes	**76**	**(711)**
Net (Loss)/profit from derivatives used as cash flow hedges	2,572	(2,850)
Total other components of comprehensive income that will subsequently be reclassified as profit/(loss) for the year net of taxes	**2,572**	**(2,850)**
Total profit/(loss) of the comprehensive income statement net of taxes	**2,648**	**(3,561)**
Total profit (loss) for the year	**(91,882)**	**(46,121)**
Attributable to:		
Profit (loss) for the year pertaining to the Group	(94,530)	(42,560)
Profit (loss) for the year pertaining to Third parties	0	0
Total profit (loss) for the year pertaining to the Group	(91,882)	(46,121)
Total profit (losses) for the year pertaining to Third parties	0	0
Basic earnings (loss) per share in Euro	(0.81)	(0.36)
Diluted earnings (loss) per share in Euro	(0.81)	(0.36)

SNAI Group - Consolidated balance sheet and financial position

figures in thousands of Euro	31.12.2013	31.12.2012
ASSETS		
Non-current assets		
Property, plant and equipment owned	143,378	134,819
Assets under financial lease	9,405	17,294
Total tangible assets	**152,783**	**152,113**
Goodwill	231,531	231,531
Other intangible assets	135,292	151,409
Total intangible assets	**366,823**	**382,940**
Shareholdings measured using the equity method	2,866	3,264
Shareholdings in other companies	46	46
Total shareholdings	**2,912**	**3,310**
Deferred tax assets	75,086	63,879
Other non-financial assets	2,413	2,341
Total non-current assets	**600,017**	**604,583**
Current assets		
Inventory	1,329	3,384
Trade receivables	75,604	91,837
Other assets	26,687	36,364
Current financial assets	19,414	10,249
Cash and cash equivalents	45,499	11,010
Total current assets	**168,533**	**152,844**
TOTAL ASSETS	**768,550**	**757,427**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity pertaining to the Group		
Share capital	60,749	60,749
Reserves	106,128	146,040
Profit (loss) for the year	(94,530)	(42,560)
Total Shareholders' Equity pertaining to the Group	**72,347**	**164,229**
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	**72,347**	**164,229**
Non-current liabilities		
Severance indemnity	4,387	5,190
Non-current financial liabilities	481,388	344,436
Deferred tax liabilities	53,675	48,150
Provisions for future risks and charges	16,617	25,136
Miscellaneous debts and other non-current liabilities	3,623	1,951
Total non-current liabilities	**559,690**	**424,863**
Current liabilities		
Trade payables	37,539	44,239
Other liabilities	91,467	87,901
Current financial liabilities	7,507	20,095
Current portions of long-term loans	0	16,100
Total financial liabilities	**7,507**	**36,195**
Total current liabilities	**136,513**	**168,335**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**768,550**	**757,427**

SNAI Group - Consolidated cash flow statement

	figures in thousands of Euro	**31.12.2013**	**31.12.2012**
A.	**CASH FLOW FROM OPERATIONS FOR THE YEAR**		
	Profit (loss) for the year pertaining to the Group	(94,530)	(42,560)
	Profit (loss) for the year pertaining to third parties	0	0
	Amortisation, depreciation and write-downs	55	59,748
	Net variation in assets (liabilities) for deferred tax assets (liabilities)	(6,686)	(14,414)
	Variation in risk provisions	(8,519)	9,776
	(Capital gains) capital losses from non-current assets (including shareholdings)	86	409
	Portion of results pertaining to shareholdings measured using the equity method (-)	398	(1,451)
	Net variation in non-current miscellaneous commercial assets and liabilities and other variations	2	(4,507)
	Net variation in current commercial assets and liabilities and other variations	24,926	14,516
	Net variation in severance indemnity	(698)	(824)
	CASH FLOW GENERATED (ABSORBED) BY OPERATIONS (A)	**(28,556)**	**20,693**
B.	**CASH FLOW FROM INVESTMENTS**		
	Investments in tangible assets (-)	(20,780)	(16,540)
	Investments in intangible assets (-)	(19,028)	(5,269)
	Proceeds received from the sale of tangible, intangible and other non-current assets	207	37
	CASH FLOW GENERATED (ABSORBED) BY INVESTMENTS (B)	(39,601)	(21,772)
C.	**CASH FLOW FROM FINANCIAL OPERATIONS**		
	Variation of the financial receivables and other financial assets	(9,165)	(9,992)
	Variation in financial liabilities	(19,226)	(33,123)
	Repayment of loan	(4,600)	(5,750)
	Opening/disbursement of loan	57,498	21,000
	Extinguishment of loan	(421,748)	0
	Issue of bonds	515,000	0
	Repayment of bonds	(15,000)	0
	Variation in instalment debts owed to PAS for the purchase of "concession" business units	(113)	(328)
	CASH FLOW GENERATED (ABSORBED) BY FINANCIAL OPERATIONS (C)	102,646	(28,193)
D.	**CASH FLOWS FROM SOLD ASSETS/ASSETS HELD FOR SALE (D)**		
E.	**TOTAL CASH FLOW (A+B+C+D)**	34,489	(29,272)
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**	11,010	40,282
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**		
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**	**45,499**	**11,010**

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

CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT BEGINNNING OF PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	11,010	40,282
Bank overdrafts		
Operating assets disposed of		
	11,010	**40,282**
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL DEBTS AT BEGINNNING OF PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	45,499	11,010
Bank overdrafts		
Operating assets disposed of		
	45,499	**11,010**

SNAI Group - Net financial indebtedness

thousands of Euro	**31.12.2013**	**31.12.2012**
A. Cash	206	204
B. Other cash and cash equivalents	45,293	10,806
bank	*45,284*	*10,789*
- postal accounts	*9*	*17*
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	**45,500**	**11,011**
E. Current financial assets	**6**	**7**
- escrow account	6	7
F. Current bank debts	40	10,038
G. Current portion of non-current indebtedness	0	16,100
H. Other current financial debts	7,467	10,057
- for interest accrued on bonds	3,661	0
- for the purchase of horse racing and sports betting concessions	42	155
- debts owed to other lenders	3,764	9,902
I. current financial indebtedness (F) + (G) + (H)	**7,507**	**36,195**
J. Net current financial indebtedness (I) - (E) -(D)	**(37,999)**	**25,177**
K. Non-current bank debts	0	328,866
L. Bonds issued	479,214	0
M. Other non-current debts	2,174	15,570
- debts owed to other lenders	2,174	6,164
- interest rate swap	0	9,406
N. Non-current financial indebtedness (K) +(L) + (M)	**481,388**	**344,436**
O. Net financial indebtedness (J) + (N)	**443,389**	**369,613**

B.7 Reconciliation of the result for the year ended 31.12.2013 and the shareholders' equity of the group with analogous amounts for the parent company

	Results for year		Shareholders' Equity	
figures in thousands of Euro	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial Statement SNAI S.p.A.	**(94,336)**	**(46,063)**	**71,636**	**163,337**
Excesses in net assets, including the results of operation with respect to the figures related to the consolidated companies	(6,002)	62	(8,582)	(2,593)
- dividends distributed during the year				
Valuation of shareholdings in affiliates using the equity method in which:				
- profit for year	(398)	1,451	799	1,197
- dividends distributed during the year				
Cancellation depreciation/appreciation of shareholdings	6,087	2,511	8,110	2,023
Cancellation of write-down of intragroup receivables	43	43	793	750
Other adjustments	76	(564)	(409)	(485)
Total pertaining to the Group	**(94,530)**	**(42,560)**	**72,347**	**164,229**
Portion pertaining to the minority shareholders				
Total consolidated financial statements	**(94,530)**	**(42,560)**	**72,347**	**164,229**

C. SNAI's Market and performance

C.1 SNAI's performance in the operating context

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

During 2013, the Group collected a total of Euro 5.4 billion and enriched even further its offering of games. Particularly significant is the expansion of the online games offered (casinos and slots), the launch of the complementary betting schedule, the launch and December of betting on virtual events, the installation of the second VLT and the strengthening of the offer through “mobile” applications for smart phones and tablets.

The Company’s activities in the Gaming and Betting segment have been carried out and regulated by licenses issued by the Regulatory Authority AAMS – *Amministrazione Autonoma dei Monopoli di Stato* (in application of Legislative Decree 95 of 6 July 2012, as from 1 December 2012, the *Agenzia delle Dogane* [Customs Agency] incorporated the AAMS and took on the new name of *Agenzia delle Dogane e dei Monopoli*, ADM [Customs and Monopoly Agency]. Hereinafter AAMS or ADM) through 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 3,000 gaming points, of which approximately 2,500 with a direct gaming concession of the Company and the remaining ones with the supply of specialised services to the Company's Concession Holder clients. On this basis, the Company reaffirms its position as leader in the betting sector, with a market share in the year (in terms of gross wagers) of the SNAI brand of 28.9% for sports betting and 56.9% for horse race betting.

The collections of the sports betting segment at the national level in 2013 reached Euro 3,780 million, down by 4.1% compared to 2012.

Horse racing bets were also down: totalisator national horse rating bets dropped by 19.6% compared to 2012, affected adversely by the general crisis that continues to affect the horse racing sector.

As already mentioned, during December, collections began of bets through so-called Virtual Events which were successful in terms of acceptance by customers.

The national collection of the Entertainment Devices segments - ADI (AWPs and VLTs) the amounted to Euro 47.8 billion, down 4.5% compared to the previous year.

The Company has a consolidated position in entertainment devices with wagers of Euro 2.8 billion in 2013. In January 2013 the insulation of the second VLTs platform began (Novomatic).

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 Centre and Television services provided by the companies belonging to the SNAI Group. In the GAD segment, the Company offers on its website online poker tournaments using various modalities and numerous other games such as blackjack, backgammon, burraco, tresette, briscola, scopa, solitaire card games, bingo, dice poker, bets on virtual events, slot machines and other casino games.
The Digital segment has proved to be an important channel in terms of rendering SNAI an increasingly multi-platform business.
The initial days of 2013 marked two significant and new developments which expanded the existing offer in the Casino sector, a fundamental component of online gambling.
On 8 January 2013 additional new slots were presented to those placed on the market on 3 December 2012, which immediately generated an increase both in volume and in margin.
On 14 January 2013, the first SNAI mobile application of casino games was offered to the market, consisting of a roulette which customers immediately showed great interest in.
The developments in the following months were mainly concentrated on increasing the Casino games offering, in particular insofar as the new slot machines segment and the launch and December of the virtual events, including in online form.

The development of Betting on line continues with the launch in May 2013 of a new application dedicated to horse racing.

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

The periodic communication instruments were improved and developed. They include the sending of communications on dedicated themes both for immediate information purposes as well as for in depth information on daily operating issues; a newsletter published periodically which is dedicated to the main initiatives of the Company, the changes in regulations and technology in the sector, events in sponsoring, the presence of sector fairs both at the domestic as well as the international level.

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

C.2 SNAI: market shares

Figures in millions of Euro	*2013*		*2012*		*Delta*
Gaming or betting	**SNAI Brand**	**QM 2013***	**SNAI Brand**	**QM 2012***	**QM**
Snai Horse Race Betting	***306***	***56.9%***	***411***	***57.5%***	***-0.6%***
Totalisator bets	269		377		
Multiple reference bets	8		8		
Fixed quota bets	29		25		
Tris or National Horse Race betting	***130***	***47.1%***	***140***	***47.1%***	***0.0%***
HORSE RACE-BASED GAMING	**436**	***53.6%***	**551**	***54.5%***	***-0.9%***
QF sports betting	***1,094***	***28.9%***	***1.225***	***31.1%***	***-2.2%***
Pool betting for soccer	***5***		***7***		
"Big" bets	***0***		***1***		
betting on simulated events	***9***		***0***		
SPORTS-BASED GAMING	**1,108**	***28.9%***	**1,232**	***30.8%***	***-1.9%***
AWPs + VLTs	**2,828**	*5.9%*	**2,837**	*5.7%*	***0.2%***
Remote skill games	**999**	*7.5%*	**925**	*6.6%*	***0.9%***
TOTAL SNAI	**5,370**	**8.2%**	**5,545**	**8.0%**	***0.2%***

Notes:
The source of the SNAI information is http://blackhawk/controlli/login.php
and Oracle BI (http://192.168.102.21:9704/analytics/saw.dll?Answers&Path)
*The QMs are calculations made by the Company using
AAMS data.

C.2.1 Collection of wagers at SNAI betting acceptance points

In 2013, 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 AND VLTs.

With a market share of 53.6%, SNAI is the undisputed leader in the race betting sector, though the market is undergoing a very marked contraction at the national level, due to the persistence of the crisis in the racing sector and the lower pay out compared to other types of bets, as well as the higher taxes withheld.

The market for sports betting wagers is 28.9%, while that of the Entertainment Devices sector (AWPs and VLTs) is close to 6%.

The collection of the market for sports betting wagers in 2013 (compared to 2012, the year of the UEFA European Championships) has dropped by 4% due to the lower level of attractiveness of the sports events on which to bet.

At the end of 2013, the overall collection of gaming wagers for the SNAI network (betting in the SNAI Points and in the affiliated lottery/betting offices, in the Bersani, Giorgetti and Monti Network gaming points, pool betting, AWPs, VLTs and GAD) amounted to Euro 5.4 billion, as compared to Euro 5.5 billion in 2012.

C.2.2 Horse race betting

Bets made on horse races at points related to SNAI (betting agencies, stores and corners and online) in 2013 amounted to Euro 436 million, a volume that was 21% lower than the 2012 figure (Euro 551 million), in line with the trend on the market of which SNAI is the leader, with a market share of 53.6%.
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 130 million, stabilizing the percentage at 47.1%, while totalisator and fixed quota SNAI bets cover 56.9% of the market, with over Euro 300 million in revenue.

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

Betting on events other than horse races is comprised of gaming on Olympic sports, events related to motor racing (Formula 1, Motomondiale, Superbike), and other events (Miss Italia, Oscars, Sanremo Festival, television reality shows, etc.), as well as recently regulated virtually events which were introduced into the Italian market.
In this segment, SNAI wagers in 2013 were down by 10.1%, from Euro 1,232 million in 2012 to Euro 1,108 million. The market share for fixed quota bets now amounts to 28.9%.

C.2.4 Entertainment devices

On 20 March 2013, a new AWP licensing agreements was signed and the new standard contract drafts were submitted to the AAMS. After approval thereof, contracts were signed with operators and providers.

In 2013, the Company consolidated its presence and position among network concession holders, strengthening the volume percentage in the VLT segment through the introduction of a second platform (Novomatic) beginning from January. With regard to the AWP segment (Amusement with prize), a significant Operator left our network and is among the three new contractors awarded the concession. The devices in question will gradually be replaced. Again with regard to the AWP segment, the Company placed several devices owned by it at selected SNAI Points with the aim of improving the quality of the product in the services offered. The continuous diversification continues in terms of distribution, with contracts concluded with dedicated premises (Arcades) outside the network of SNAI Points, with the aim of improving the average revenue per device, which is normally higher compared to the average in such concerns.
At the end of the period, in the AWP segment the Company had approximately 24,600 authorisations to operate in over 7,450 concerns throughout the country, and owns 5,052 licenses to operate through VLTs in which, at the end of the period under review, it installed 4,956 VLTs in 733 premises. The remaining VLTs of the 5,052 are currently being moved to more successful premises.

In the year under review, the Company redefined its organisational structure, rendering the Commercial and Marketing structures vertical, in order to reinforce production capacity, presence in the territory and supervision of the distribution. Through insertion of figures with consolidated experience in the reference sectors, there has been an effort to increase the skills and credibility as segment operators.

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

The volumes as of 31 December 2013 were Euro 2,828 million as compared to Euro 2,837 million last year, with a significant increase in the revenue from the VLTs, the positive effect of which was offset by the reduction of the revenues from the AWPs.
The overall revenues of the ADI Division (AWPs & VLTs) amount to Euro 251 million against Euro 297 million in 2012. The drop in revenues is almost exclusively due to the increase of taxation on AWPs and VLTs (PREU AWP increased from 11.8% to 12.7%, PREU VLT from 4% to 5%), and the lower number of AWPs to collect from following the exit from our network of a significant client who became a direct concession holder as from 20 March 2013.

C.2.5 Digital area

The digital segment represents an important channel through which SNAI is becoming a multi-channel and multi-platform-based business, with an increasingly broad and diversified range.
Throughout 2013, the Company focused on increasing its Casino game range, particularly for the new online slots segment, and in December, it launched the online version of the virtual events betting.
The further development of the SNAI portal is in progress, in order to improve the customer experience and support a marketing strategy by customer segments.

D. MATERIAL EVENTS

D.1 Non-subordinated, non-guaranteed and non-convertible bond of Euro 35 million

On 8 November 2013 SNAI S.p.A. issued a non-subordinated, non-guaranteed and non-convertible bond of Euro 35 million, of which Euro 15 million are "Series A" bonds and Euro 20 million are "Series B" bonds, which was entirely subscribed. The issuing of the bond was decided upon by the Board of Directors on 5 November 2013.
The "Series A" bonds issued in the amount of Euro 15 million, had the following main features:
- issue price: equal to 100% of the nominal value;
- maturity: 12 months from issue, notwithstanding the redemption and early redemption expectations and the extension option of the maturity date as provided by the Bond regulation;
- coupon (quarterly): 3 month Euribor + 600 bps (with a quarterly increase of a further 50 bps upon maturity, up to a maximum of 800 bps);
- Unit denomination: Euro 1 million and subsequent multiples of Euro 100,000.00.

The "Series B" bonds issued in the amount of Euro 20 million, have the following main features:
- issue price: equal to 96% of the nominal value;
- maturity: 18 months from issue, notwithstanding the redemption and early redemption expectations as provided by the Bond Regulation;
- coupon (quarterly): 3 Euribor + 800 bps (with a quarterly increase of a further 50 bps upon maturity, up to a maximum of 1000 bps);
- Unit denomination Euro 100,000.00 and subsequent multiples of Euro 1,000.00.

The Bond Regulation, which is governed by British law, provides, as is common practice for similar transactions, for commitments by the company aimed at protecting the lenders' credit positions, including the restriction concerning distribution of dividends prior to the maturity or the early redemption of the bonds, limits insofar as the financial indebtedness to be assumed and the execution of specific investments and disposals of the corporate assets. Furthermore, certain default events are provided for, which, in the event of occurrence, could result in the early redemption of the bonds. The bonds are not listed in any regulated market or in multilateral Italian or European community trading systems.

The revenues from the Bond were used to refinance the Company following the payment made on 4 and 15 November 2013, of Euro 65,748 thousand (including interest), paid pursuant to article 14, paragraph 2-ter of Legislative Decree 102 of 31 August 2013 (converted into law on 28 October 2013), in order to settle pursuant to the ruling on appeal of the ruling 214 issued against the company by the Court of Auditors, Lazio Section, on 17 February 2012.

D.2 Bond - Senior Secured and Senior Subordinated Notes - and Senior Revolving Loan

On 27 November 2013 and following the resolution approved by the Board of Directors in its meeting of 20 November 2013 and the completion of the book building activity, SNAI S.p.A. ("SNAI" or the "Company") carried out the pricing of the Euro 320 million issue 7.625% Senior Secured Notes maturing 15 June 2018 (the "Senior Secured Notes") and Euro 160 million 12.00% Senior Subordinated Note maturing 15 December 2018 (the "Senior Secured Notes") and together with the Senior Secured Notes, the "Bonds"). The interests are paid every six months.
The Bond issue and regulation took place on 4 December 2013.
The Bonds were initially subscribed by .P. Morgan, Banca IMI S.p.A., UniCredit AG and Deutsche Bank AG, London Branch pursuant to a purchase contracts signed on 27 November 2013 with SNAI and were then placed exclusively with institutional and professional investors. The Bonds were listed on the Euro MTF market which is regulated and managed by the Luxembourg Stock Exchange and for the secondary listing with the ExtraMOT Pro segment organised and managed by Borsa Italiana.
The revenues from the Bonds were used by the Company to (i) refinance a part of the existing bank debt through repayment of the medium – long-term loan granted to the Company by a pool of banks in 2011 and some related derivative instruments used for hedging, (ii) redemption of the Series A Bonds issued by the Company on 8 November 2013.
In relation to the aforementioned refinancing transactions, SNAI signed on 27 November 2013, as a borrower, a revolving loan contract of Euro 30 million with UniCredit Bank AG, Milan branch as the agent and security agent and, inter alios, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks (the "Senior Revolving Loan"). The Senior Revolving Loan was not used by the Company on the date it was issued or as of 31 December 2013.
We note furthermore that the Senior Secured Notes and the Senior Revolving Loan are secured, among other things by a pledge on SNAI shares issued by the Company's majority shareholder. The relative agreement for the granting of the guarantee between the Company and the majority shareholder, received the binding favourable opinion of the SNAI related parties committee. For more information, please see the prospectus which was published under the terms and conditions set forth by applicable regulations.

D.3 Final ruling of the Court of Auditors relative to the operation of the new slot network

On 15 November 2013, following the confirmation of the Court of Auditors regarding the amount to be paid on appeal of ruling 214/2012 relative to the operation of the new slot network, which was 30% of the amount calculated in the first degree ruling, SNAI paid in addition to the amount of Euro 43,800,821.92 on 4 November 2013, an additional amount of Euro 21,947,876.71.
The ruling was declared final with ruling 46/2014.
In this manner, though confident regarding its own actions and having had to make a further payment which adversely affected the financial results of 2013, the lawsuit which had been ongoing for several years was concluded and this will allow SNAI to finally define its own development strategy without the uncertainty deriving from the ongoing lawsuit.

D.4 Majo award

At the end of the 1990s, a dispute arose between various horse racing concession holders and the Ministry of the Economy and the Ministry of Agricultural Policy regarding the alleged non-fulfilment and delays by the aforementioned Ministries.

This matter was initially concluded with the issuing in 2003 of the so-called “Lodo di Majo” [the Majo award] with which the arbitration tribunal chaired by professor Di Majo that was established to resolve the dispute, ascertained the liability of the aforementioned Ministries and sentenced them to compensate for the damages incurred by the concession holders.
The compensation assigned to SNAI up to 30 June 2006 is equal to Euro 2,498 thousand.
The compensation relative to the years subsequent to that has not yet been determined in its entirety.
The aforementioned Ministries appealed before the Rome Court of Appeals.
At the hearing which was set for 14 December 2012, the decision was postponed.

In addition to these legal issues, on 22 June 2010 Assosnai (the trade union of the concession holders) delivered to the AAMS a memorandum in which it proposed a solution for the dispute which consisted in offsetting the amounts claimed by the horse racing concession holders from the aforementioned Ministries against amounts due by the horse racing concession holders to the AAMS (with express waiver of interests accrued on these payables, monetary revaluation and other executive actions undertaken) and the waiver by the aforementioned Ministries of the ruling before the Rome Court of Appeals.
The AAMS has made a formal request to the Attorney General’s Office regarding the memorandum submitted by Assosnai and informed the latter that the Attorney General’s Office had confirmed that the resolution to the dispute was acceptable.
To date, the settlement has yet to be defined.
However, based on the Decree issued by the AAMS, the offsetting of the receivables from the Majo Award which SNAI carried out in the amount of Euro 2,498 thousand relative to the receivable due to SNAI in its capacity as a concession holder, was authorised.
Based on the authorisation for offsetting above, certain entities who are no longer holders of concessions have assigned their receivables from the Majo Award to SNAI, and to date the latter has been able to offset the entire amount of receivables acquired of Euro 19,065 thousand. The consideration from the receivable assignments was momentarily paid into the current accounts which are blocked awaiting the ruling of the Rome Court of Appeals or in any case the complete definition of the appeal.
With its ruling 2626 of 21 November 2013, the Rome Court of Appeals declared the invalidity of the Majo Award due to a jurisprudence issue consisting in that the arbitral tribunal handed down a ruling on issues on which a compromise was not allowed.
SNAI will appeal this decision.

D.5 Final award of the new concession for entertainment devices – ADI

On 20 March 2013, signature took place of the concession agreement for the realisation and operation of the remote gaming network through Entertainment Devices as provided by article 110 paragraphs 6 of the T.U.L.P.S., pursuant to Regal Decree 773 of 18 June 1931, as subsequently amended and supplemented, as well as the activities and functions connected thereto.

D.6 Tender for Horse Race Television

On 29 January 2013, an Agreement was entered into between ASSI under Temporary Management (absorbed by MIPAAF) and Teleippica, pertaining to the new service for horse racing TV, with a term of 6 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 144.85 thousand. The new service has been active since 29 May 2013.

D.7 Resignation of a member of the Control and Risks Committee and the Managing Director – Shareholders' Meeting of 26 April 2013

On 29 January 2013 Antonio Casari resigned from his position as member of the Control and Risks Committee maintaining his role as Director.
On 13 March 2013, the resignation of the Managing Director Stefano Bortoli was announced effective from the date of the approval of the financial statements for the year ended 31 December 2012 by the Shareholders' Meeting. Due to the above, on the date that the Shareholders’ Meeting approved the financial statements as of 31 December 2012, the consensual termination of the relationship with Stefano Bortoli as well as the automatic resignation of the entire Board of Directors,

pursuant to article 14 of the company's articles of association took effect immediately since another three directors who were appointed by the Shareholders' Meeting resigned from office.
On 26 in April 2013, the SNAI S.p.A. Shareholders' Meeting approved the financial statements for the period ended 31 December 2012 as well as the covering of the losses. The shareholders decided upon the composition of the new Board of Directors, by determining the number of the members and the relative remuneration. The mandate was set for the three year period 2013-2015 and therefore the duration is until the Shareholders' Meeting for approval of the financial statements for the year ended 31 December 2015.
Mr. Giorgio Sandi was confirmed as the Chairman of the Board of Directors and he was also appointed to be the Managing Director.

D.8 Malfunctioning of the VLT Barcrest platform (16 April 2012) - *Disputes related to the entertainment device business: AAMS' complaints of alleged breaches in the operation of the electronic inter-connection network*

These proceedings which aimed to terminate the concession were concluded with provision ref. 2013/8734/Giochi/ADI which was served to the Company on 22 February 2013, pursuant to which the AAMS, based on observations and the documentation provided by the Company, as well as the outcome of the technical verifications and the investigations carried out, established that the concession should not be revoked and should be limited to challenging the application of specific contractual penalties, amounting to a total of Euro 1,465 thousand. The amount of the penalty was allocated to balance sheet reserves for period ended 31 December 2012. With its memorandum 2013/2070/Giochi/ADI of 11 June 2013, served on 18 June 2013, the AAMS served SNAI with the penalty of Euro 1,465 thousand, requesting payment within 60 (sixty) days from the date of service. SNAI settled this amount within the terms indicated.

D.9 Resumption of activities at the Sesana Racetrack in Montecatini Terme

During the first half of the year, the Company sold an unprofitable asset within the training centre of the Montecatini Terme racetrack and suspended the races from the month of April until 29 June 2013, the day on which, beginning with the night time races, exclusively the racing activities resumed again until the end of September. Indeed with application of the "Private and Public" formula and by working with the local public administrations, SNAI carried out a project involving the experimental reopening of the Sesana racetrack for the summer season, thereby providing a strong signal of its intention to relaunch the entire horse racing sector, countering the tendency of other Italian race tracks to close.

D.10 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. This amount was allocated to balance sheet reserves for the year ended 31 December 2012.
On 27 June 2013, SNAI received the final PREU amount for 2010 of Euro 478,743.04 for interests and Euro 2,932,904.43 for reduced penalties. SNAI requested payment in instalments, which request was accepted.

D.11 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 ADM of the anomaly prior to the event.

A few players have initiated legal proceedings seeking payment of their winnings.
SNAI is preparing its defence also in light of the legal precedents favourable to concession holders which had published quotas marred by recognizable errors and appeared in court within the legal deadline requesting that the obligation to pay be cancelled.
In certain cases, on the other hand, players made claims to the Commission regarding the transparency of the games insofar as ADM and requesting payment of the payout. With its rulings 4/2013, 5/2013 and 6/2013 published on 29 April 2013, the Commission accepted three appeals and payment was demanded by ADM. With its appeal to the Lazio TAR (the regional administrative court) on 14 November 2013, SNAI appealed the order with which ADM demanded payment from one of the claimants.
Given the nature and the characteristics of the AAMS orders, SNAI decided not to appeal them while the lawsuit is ongoing before the Judicial Authorities' to obtain the cancellation of the obligation to pay the individuals that submitted claims.

D.12 IV AAMS Penalty

On 20 February 2013, the hearing took place and on 17 June 2013 ruling 6028/2013 was handed down, with which the second section of the Lazio TAR accepted SNAI's appeal and, as a result, cancelled the AAMS order for payment of penalty IV.

By memorandum 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, totalling Euro 8,408,513.86.
On 28 January 2014, SNAI was served ADM's appeal against ruling 6028/2013.
SNAI will counter appeal ruling 6028/2013 insofar as the unfavourable portion.

D.13 Guaranteed minimums

With ruling no. 1054 filed on 30 January 2013, Section II of the TAR accepted 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; concurrently, 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 appealed rulings continued to protect SNAI. This hearing before the Constitutional Court took place on 8 October 2013 and the ruling was postponed.
With its ruling 275 of 20 November 2013, the Constitutional Court declared the unconstitutionality of article 10, paragraph 5.b of Legislative Decree 16/2012 only insofar as the wording "*no higher than 5 percent.*"
Therefore, the interruption which had restricted the definition of the settlement insofar as the outstanding minimums guaranteed with a discount that was supposed to have been "*no higher than 5 percent*" was discontinued.

D.14 Tender for the assignment of 2000 new sports and horse racing store licenses

On 29 May 2013, the final list of the companies awarded the concession for the operation of public games pursuant to article 10, paragraph 9-octies of Legislative Decree 16 of 2 March 2012, converted with amendments into law 44 of 26 April 2012 was published. SNAI S.p.A. was included with a total of 278 licenses. On 3 July 2013, SNAI submitted to ADM the required documentation and on 4 September 2013 the contract was concluded and SNAI became the holder of concession 4501 with 278 licenses for the execution and collection within a physical network of public games of horse racing and sports stores, the exclusive activity of which is the marketing of public games products.

D.15 Binding offer to operator SIS S.r.l.

On 10 October 2013, SNAI S.p.A. made a binding offer subject to the realisation of specific conditions (accepted on that date as well) to SIS - Società Italiana Scommesse S.r.l. which essentially provides for:
- a preliminary agreement with a series of conditions precedent and a price equal to Euro 7 million to be paid by offsetting against the SNAI receivable which is pre-deductible and unsecured (hereinafter the "Preliminary Contract");
- A non-compete agreement with the individual SIS shareholders.

Among the conditions precedent added to the binding offer are:

(a) submission by SIS (with concurrent, full transmission to SNAI of all the relative documentation), by 10 October 2013, before the court of Rome, of the appeal for admission of SIS to the arrangement with creditors, together with the documentation provided under article 161 of the Bankruptcy Law, including a plan drawn up on the basis of the binding offer and the attached Preliminary Contract;
(b) proof of the admission of SIS to the agreement with creditors by 30 October 2013;
(c) proof that authorisation was granted by the competent bodies within the procedure, within the thirtieth calendar day subsequent to SIS' admission to the agreement with creditors, acceptance by SIS of the binding offer and signing, again by SIS, of the Preliminary Contract pursuant to art. 167 of the Bankruptcy Law (this signing was scheduled to take place by 10 December 2013 – the "Signature Date" – before the Notary to be indicated by SNAI in writing).

On 30 October 2013, an addition document was sent to SIS S.r.l. for clarification purposes and more detail regarding certain points.
Furthermore, the term set forth under "b" above has been extended from 30 October 2013 to 20 November 2013.

On 20 November 2013 the condition precedent under "a" was not fulfilled and SIS was not admitted to the agreement with creditors. Negotiations are nevertheless still underway.

D.16 Research and development (2428 of the Italian Civil Code)

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

E. DIRECTORS' ASSESSMENT OF THE BUSINESS AS A GOING CONCERN

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

expenses, (ii) intangible assets of a significant amount as compared to the shareholders' equity which is reduced due to the accumulated losses, (iii) a significant level of indebtedness, with flows assigned to its reduction that are limited by the absorption of liquidity required by the investments that are typical of the business, financial expenses and, to date, the financial effects of the unexpected expenses.
In particular, with regard to the financial statements for the year ended 31 December 2013, the Group incurred a net loss of Euro 94.5 million, which includes, among other things, the effects of the favourable definition by the Court of Auditors of the Euro 65.7 million penalty, including interests, and other costs indicated under paragraph B2 of the directors' report, as a result of which shareholders' equity was reduced to Euro 72.3 million. Net financial indebtedness, which increased by the end of the year to Euro 443.4 million, mainly consists of the bonds issued and subscribed last 4th of December, with which, in the same month, the pre-existing bank loan was repaid early while the reduced penalty levied by the Court of Auditors was paid as well.
The Directors note that the results for the year, net of the effects indicated above, are better compared to those of the previous year, though lower than expectations. The differences compared to the forecasts for the business, are attributed to certain major phenomena: i) revenues from sports bets are essentially in line with expectations, due to a lower collection that was however mitigated by a better payout, which amounted to 78.9%; ii) lower revenues and margins generated by the ADI segment within which there was a reduction of the average coin-in (also applicable to the market as a whole) and a lacklustre performance of the AWPs, attributable mainly to the lower number of devices for collection, due to the exit from our network of a significant operator who is now among the three new contractors awarded the concession agreement; iii) the performance of the skill games, which fell short of expectations in terms of revenues.
Given the above, the Directors have drawn up a new strategic plan for the years 2014-2016 (the "2014-2016 plan" or the "Plan"), which at the end of the three year period provides for significant growth in revenues and margins and a return to positive economic results, shareholders' equity essentially in line with the present, the production of key operating cash flows that are adequate for financing the investments required for the development of the business and the financial expenses generated by the debt during the plan, even if, based on current forecasts, the Group does not appear to be able to generate the necessary resources for complete reimbursement of the bonds in 2018.
The Plan therefore indicates a positive course towards balanced capital, financial position and operating results. Certain uncertainties remain which refer to (1) actual achievement of the operating results and the economic and financial results that are essentially in line with the forecasts of increased revenues and margins from the various businesses, which are necessary also to preserve the Group's shareholders' equity; (2) the Group's ability to reimburse or renegotiate the existing bonds on maturity and, more generally, (3) the volatility connected to the realisation of future events and the characteristics of the reference market, which could negatively affect the ability to realize the plan and therefore the results and the cash flows in the future, on which, among other things, the main valuations made for the preparation of these financial statements are based.
In order to reduce these uncertainties, the Group has set up a series of initiatives which, among other things, will result in benefits from the full and positive effect of the completion of the installation of the 5,052 VLT licenses for which a re-allocation plan is currently underway for 1,000 terminals to locations that are more performing. This is expected to be completed in 2014.
An additional benefit will ensue from the positive effects of the collections of Virtual Event games which, in their initial launch, attracted a high level of attention from bettors with very good results in terms of collections.
An additional positive contribution is expected from the digital compartment including the "mobile" applications.
Finally, the performance of the payouts on sports bets will be handled with more ease thanks to the combined effect of the new operating contract which better aligns SNAI's interests and those of the operators, and the improvement of the automatic controls on the bet acceptance system. Upon reaching the results of the Plan, the directors believe that the Group will be able to collect the necessary resources for reimbursing or replacing the existing debt.
Therefore the Directors believe that the objectives set by the plan are reasonable and that the Group will be able to overcome the uncertainties that have been identified.
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 statements based upon the business as a going concern.

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

Set forth below is a summary of the activities and main events which characterised the management of the individual companies belonging to the Group over the course of 2013.

F.1 SNAI S.p.A.

As of 31.12.2013, the company engages in the following business operations:

- It owns 1 Monti course racing and sports concession (278 store licenses), 1 Bersani sports concession (342 stores and 876 corners), 1 Bersani horse racing concession (94 stores and 2,359 corners), 1 Giorgetti horse racing concession (303 store licenses for horse racing), 1 remote 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", "Giorgetti" and "Monti" 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 this Ministry, to issue the final receipt for the possible collection of winnings ("betting ticket");

- it provides to the SNAI Points, whether operated directly and owned by clients, technical and IT support for the verification game performance, in addition to the management of fixed quota bets (e.g., technical and sports information, the formulation 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;
- it provides the software and computer system for collection of remote bets;
- 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 organisational 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 points of sale (stores and corners), and the realisation 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 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) sector, with a specialisation in contact centre 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.'s SNAI Points, whether operated directly or indirectly.

This company was established to cover administrative and technical needs originating from the external network of sales points, but over time it diversified its range, upon opening a separate operating unit in Rome offering outbound services at a point in time when the market offered significant opportunity for profit (2001-2002).

Over the years, this latter activity constituted a problem within the SNAI Group, because it was totally removed from its core business and also because competition from the globalisation of Call Centre activity and the continually increasing number of competitors, made it impossible for Festa S.r.l. to maintain a competitive position on the market.

Given the reductions in the turnover from external customers, the company's management decided to use the resources within the outbound Rome unit for provision of several services to SNAI Operators. These activities were however of a very small scale and insufficient for the economic sustainability of the structure. The difficulties in the market over the last few years dramatically affected the situation of the outbound segment with continuous drops in turnover due to the crisis. This drop was the destined to increase over the year since in the month of April the turnover from one of the two last remaining customers stopped.

The company's management which had constantly monitored the situation in an attempt to safeguard as many jobs as possible decided, through a resolution of the Board of Directors in July 2012, to begin scouting the market in search of an operating partner in the specific sector of interest to take over all or part of Festa S.r.l.'s outbound activity.

In July 2012 – March 2013, contacts and discussions took place with various large and small scale interlocutors. Thus, the company E-Care, a provider of services that operates through many branches within Italy, was identified as the appropriate company to purchase the business segment.

On 4 June 2013, within the meeting of the Board of Directors, SNAI granted a full mandate to the Chairman to develop and conclude this transaction.

Therefore, all actions aimed at consolidating the transaction were undertaken, as was the due diligence.

On 28 November 2013, the sales contract was drawn up, effective from 1 December 2013.

The revenues for 2013 reached Euro 5,829 thousand (Euro 6,194 thousand in 2012). The revenues essentially originate from the consideration paid for the following services: remote game assistance, Help Desk (Acceptance Point) and the call centre paid by the parent company in the amount of Euro 4,814 thousand, other active contacts to third party clients of Euro 633 thousand and other services rendered to the parent company and other Group companies amounting to Euro 382 thousand.

The year ended with a loss before taxes of Euro 1,412 thousand (there was a profit of Euro 60 thousand in 2012). The net loss amounts to Euro 1,118 thousand (it was Euro 144 thousand in 2012), after taxes amounting to a total of Euro 294 thousand. This result is after amortisation/depreciation of Euro 118 thousand (Euro 134 thousand the previous year) and allocations of Euro 420 thousand (Euro 188 thousand last year) The loss in 2013 is mainly due to the capital loss of Euro 1,547 thousand due to the sale of the aforementioned outbound business unit.

The cash flow absorbed by operations amounted to Euro 1,031 thousand.

F.2.2 Trenno S.r.l.

This company was established following the spinoff of the specific business unit and began operations on 20 September 2006: it operates the 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 centre 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 S.r.l. organizes races in accordance with an established schedule, 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 organisation of horse races, Trenno S.r.l. 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 race tracks 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.).

The revenues amount to a total of Euro 7,638 thousand (Euro 12,836 thousand in 2012) and the Company ends the year with a significant loss of Euro 6,042 thousand (Euro 6,423 thousand in 2012) after amortisation/depreciation of Euro 816 thousand (Euro 1,129 thousand in 2012).

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. While the 2013 Milan gallop race season opened regularly on 20 March 2013, the Company sold an unprofitable asset within the training centre of the Montecatini Terme racetrack and suspended the races from the month of April until 29 June 2013, the day on which, beginning with the night time races, exclusively the racing activities resumed again until the end of September. Indeed with application of the “Private and Public” formula and by working with the local public administrations, SNAI carried out a project involving the experimental reopening of the Sesana racetrack for the summer season, thereby providing a strong signal of its intention to re-launch the entire horse racing sector, countering the tendency of other Italian race tracks to close.

F.2.3 Immobiliare Valcarenga S.r.l.

Also in 2013 , the business operations continued in accordance with the traditional strategies for the support of horse race facilities in operation at Società Trenno S.r.l. by the instrumental lease of its properties.
The financial statements for the year ended 31 December 2013 drawn up on the basis of the Italian accounting standards show a net profit of Euro 23 thousand (Euro 24 thousand the previous year), after amortisation/depreciation of Euro 8 thousand (9 thousand the previous year). The revenues amounted to Euro 89 thousand (Euro 99 thousand in 2012) of which Euro 59 thousand (Euro 59 thousand in 2012) were intragroup.

F.2.4 SNAI Olé SA

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

In 2013, the company did not engage in any business operations. The draft financial statements prepared in accordance with Italian accounting standards show a loss of Euro 111 thousand (Euro 112 thousand in 2012).

F.2.5 Teleippica S.r.l.

The company provides video and audio signal transfer, processing 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 financial statements as of 31 December 2013 show a net profit of Euro 1,195 thousand (Euro 2,199 thousand the previous year) after amortisation/depreciation of Euro 951 thousand (Euro 781 thousand the previous year).

The cash flow generated by the business was Euro 1,859 thousand. The revenues amounted to Euro 11,764 thousand (Euro 12,001 thousand in 2012) of which Euro 2,367 thousand (Euro 2,241 thousand in 2012) were intragroup.

In 2013, most of the company’s revenues were through the contract with MIPAAF the (former ASSI), which expired in June 2011, for television dedicate to horse racing which was extended until the signing of the new contract for television services on 1 June 2013. The company was awarded this contract on 5 December 2012, after winning the relative European call for tenders for a duration of six years from the activation date and a value for the entire period of Euro 53,874 thousand.

F.2.6 SNAI France S.A.S.

On 8 October 2013, the chamber of commerce document regarding the closure in liquidation of SNAI FRANCE S.A.S. was submitted to the Commercial Court and on 25 October 2013, the company was stricken off the French Business Registry.

G. DIRECTLY AFFILIATED COMPANIES

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

SNAI S.p.A. directly holds a shareholding of 27.78%.
HippoGroup Roma Capannelle S.p.A. operates the racetrack of Capannelle, Rome.
The financial statements of Hippogroup Roma Capannelle S.p.A. as at 31 December 2012 showed a loss of Euro 2,484 thousand and shareholders' equity of Euro 6,054 thousand. The pre-closure estimates for 2013 concerning the company envisage a loss of approximately Euro 600 thousand.

G.2 Alfea S.p.A. – Società Pisana per le corse dei Cavalli

SNAI S.p.A. directly holds a shareholding of 30.70%. Alfea S.p.A. operates the racetrack in Pisa.
The financial statements as at 31 December 2012 show a net loss of Euro 543 thousand (as compared to a net profit of Euro 68 thousand in 2011) and the pre-closure estimates for the company in 2013 provide for a loss before taxes of approximately Euro 219 thousand.

G.3 SOLAR S.A.

The affiliate organised 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.

The company holds a total of 25% in the company's share capital which totals Euro 81,6 thousand.
In year 2013, the company Connext Srl managed the technical assistance for the technologies at the points of sale belonging to the SNAI network.
The draft financial statements as of 31 December 2013 show a net loss of Euro 56 thousand (loss of Euro 3 thousand as of 31 December 2012) after amortisation/depreciation of Euro 45 thousand (Euro 38 thousand as of 31 December 2012). The value of production totals Euro 780 thousand (Euro 924 thousand as of 31 December 2012) and the costs of production are equal to Euro 817 thousand (Euro 903 thousand as of 31 December 2012), leaving a net margin (EBIT) of Euro -37 thousand (Euro 21 thousand as of 31 December 2012).

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

H.1 DESCRIPTION OF RISKS

Pursuant to 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 2013. It should be noted that the Group has always been particularly attentive insofar as 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 localisation and start-up of Bersani, Giorgetti and Monti 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 has participated in the call for tenders for the assignment of new store licenses for sports and horse racing betting that provide for the possibility of replacing concessions expired on 30 June 2012, with the new points assigned under the conditions and terms defined in the call for tenders. The assignment phase was concluded on 4 September 2013 with the conclusion of concession agreement 4501 for 278 licenses for sports and horse betting, of which 228 will replace other expired concessions.

With regard to VLT and AWP, 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. Furthermore, the conclusion of the distribution strategy is underway which, based on market studies and analysis, will result in maximizing the profitability of each individual device.
In 2013, the installation process for all the VLT licenses acquired by SNAI S.p.A. was concluded. The business areas now involved are focused on distributing through the distribution network to maximize the profitability of each machine.
Over the course of 2013, the operations related to Skill games were bolstered and registered significant growth. In 2013, the slot online activity was developed which had begun in 2012 and further expanded with games made available on the mobile platform.

In December 2013, the collection activity on Virtual Event bets began, upon conclusion of the authorisation process required by the Agenzia delle Dogane e dei Monopoli.

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

For further description of the risks of non-compliance with legal and regulatory provisions, please see the notes to the financial statements drafted pursuant to IFRS 7 in regard to the risk of non-compliance with regulations and laws; in addition to what is stated above, the company is of the view that such risk is managed through an adequate organisational structure.

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

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

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

Liquidity Risk
Liquidity risk is the risk of unavailability of adequate sources of funding for the Group's operations. The 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. To purchase and renew concessions, as well as maintain and invest in the technological renewal of the distribution network, typically requires cash outflows, and the possibility of not having enough liquidity at the appropriate moment my reflect negatively on the operating results, the business activities, the financial position and the prospects of the Group.

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

Operating Risk
Operating risk is the risk that external events or internal factors may translate into losses. The sector in which the Group operates is strictly regulated and failure to comply with the laws and regulations, or changes to them, can negatively affect the operating result, the business activities, the financial position and the prospects of the Group. A significant portion of the revenues and results originated from business which is regulated through a state concession, which is of a limited nature and can be subject to revocation, thereby negatively affecting the Group's results. Because it operates through state concession, the Group may also be subject to the application of significant penalties in the event of ascertained contractual violations. The Group concessions certain agreements and various services contracts often require, respectively, direct or indirect guarantees in order to guarantee the performance of such agreements and impose upon the Group obligations to pay indemnities for damages that may arise as the result of contractual breach. The receivables arising under bank guarantees and the compensation for material damages as well as potential penalties could have adverse effects on the Group's results of operations, financial conditions or future prospects. Changes to laws and regulations could decrease the margins enjoyed by concession holders, or reduce the number of concessions available, thereby having a negative effect on the Group results.
The part of the business deriving from fixed rate bets can be characterised, in the short term, by uncertainty over the results due to the volatility of the pay-out.
The Group operates in a highly technological environment and any problems in protecting the integrity and security of this environment may result in unexpected expenses and legal damages that could negatively impact the company's brand name and the reputation on which the ability to achieve the result set is based.
Finally, negative publicity surrounding the betting environment by state or local authorities, media or private organisations may damage the reputation of the SNAI brand and consequently have a negative effect on the operating results, the

business activities, the financial position and the prospects of the Group, in the same manner that the Group's operations can be negatively impacted by the illegal collection of bets and illegal gambling.

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. Unfavourable conclusions of such proceedings or significant delays in the resolutions could have adverse effects on the Group's business, its financial condition and its results of operations. For a description of the main legal proceedings and potential liabilities, please see paragraph 28 "Funds for risks and future charges, litigation and potential liabilities" of the Explanatory Notes to the Consolidated Financial statements.

Relations with the Government
The Group's activities are subject to a broad and complex regulatory framework which imposes rules on individual suitability requisites for directors, executives, main shareholders and key employees. The Group is of the view that it has developed procedures which ensure compliance with the regulatory requisites. However, any failure on the part of the Group to comply with or obtain the suitability requirements could lead the regulatory authorities to seek to limit the Group's business operations.
The failure of a company of the Group, or the malfunctioning of any system or machine, in order to obtain or maintain a concession or request an authorisation may have an adverse effect on the Group's 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 that could 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, parent companies and companies subject to common control

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 amount charged is considered to be fair and in any case is no 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 specialised 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 statements for details on all of the relationships which SNAI S.p.A. maintained over the course of 2013 with subsidiaries, affiliates and the parent 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 of 12 March 2010, subsequently amended by resolution no. 17389 of 23 June 2010.

Pursuant to Consob memorandum DEM/10078683 of 24 September 2010, the recommendation to companies is to assess at least every three years whether to carry out a review of the procedure, taking also into account any changes that may have in the meanwhile occurred in terms of the corporate assets as well as the it efficacy of the procedures as demonstrated upon application.
To this end, based on the resolution of the Board of Directors taken at its meeting of 20 November 2013, a committee named the "Related Parties Procedures Committee" was established. It is composed of three independent directors whose task it is to verify the procedure governing the Company transactions with related parties.

The explanatory note to the separate financial statements, in paragraph 31, provides 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

As at 31 December 2013, the SNAI Group employed 674 persons, 57 persons less than 2012.
The decrease is mainly due to the sale of the outbound business unit belonging to FESTA S.r.l., which took place on 1 December 2013.

The staff is divided as follows:

SNAI Group	**31.12.2013**	**31.12.2012**
Executives	22	20
White Collar Employees and Mid-level Managers	581	633
Blue Collar Workers	71	78
Total Employees	**674***	**731****

* of whom 103 are part-time employees and 6 are on maternity leave
* * of whom 153 are part-time employees and 15 are on maternity leave

There are 38 more employees working at the parent company, increasing from the initial 403 employees at the end of 2012 to 441 employees as of 31 December 2013.

SNAI S.p.A.	**31.12.2013**	**31.12.2012**
Executives	19	16
White Collar Employees and Mid-level Managers	415	380
Blue Collar Workers	7	7
Total Employees	**441***	**403****

* of whom 56 are part-time employees and 5 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 C.C.N.L. [*Contratto Collettivo Nazionale di Lavoro* – the National Collective Labor Agreement] for "workers employed in the private metals and mechanical industry and the installation of equipment"; the C.C.N.L. for commerce and the additional protocol for horse betting agencies is applied to the personnel of the directly owned stores.
The operating company Festa S.r.l. applies the commerce C.C.N.L. Teleippica S.r.l. applies the C.C.N.L. for private radio and television employees.
TRENNO S.r.l. which operates in the horse racing sector, applies the C.C.N.L. applicable to racing companies.
It is hereby reiterated that the organisational model adopted is comprised of the following documents: code of ethics, organisational model, job descriptions and management procedures.

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

In 2013, the functional, technical and aesthetic requalification of the SNAI offices located in Porcari took place. The project took into account all the issues related to the safety of the workers, the protection of the environment and the requirements for the comfort and wellbeing of the employees.

The training and awareness initiatives for employees and all workers in general continued insofar as safety in the workplace; the training was also supplemented with the health monitoring plan and the report and disclosure of the documents as required by Legislative Decree 81/2008, as it is currently applicable.
Restructuring and requalification took place within the racing installations run by TRENNO S.r.l. to improve their reception and operating capacity in order to ensure maximum technical and qualitative levels for all who operate therein. In the area of safety, a mobile emergency response unit has been made available at the facilities as a safeguard in the event of accidents during the races or training sessions.

BUSINESS OUTLOOK AND EVENTS THAT HAVE OCCURRED SINCE YEAR END

L.1 Business outlook and updates on Business Plans

Business outlook

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

In 2013, the Group: concluded the installation of all VLT terminals, definitively overcoming the difficulties and delays generated by the discontinuation of the Barcrest platform which took place in 2012 following a serious malfunction; the launch of the Virtual Events took place; the performance of the sports bets was rendered more solid by bringing the payout in line with historic trends (not including 2012) and thereby outperforming the market in this area.
Furthermore, 228 concessions for sports betting were renewed and 50 new licenses were added.

During 2014, 1,000 VLT terminals will be relocated to more efficient locations (mainly arcades) that are able to generate a higher average coin-in per machine. This should allow us to significantly improve our performance in the sector, despite the lacklustre performance of the sector overall.
The management of the sports bets payouts will be improved both through the improvement of automatic controls upon acceptance but also on account of the effects of the new operating contract that contributes to better alignment of SNAI interests with those of the distribution network.
The potential of the Virtual Events launched in December 2013 will be fully exploited and these will also be helpful in reinforcing the distribution network.
Furthermore the objective of improving and reinforcing the online and mobile range including through commercial partnerships with significant sector technological operators will continue to be pursued.

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

The status of the business plan progress

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

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

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

L.2 Events since the end of the year

L.2.1 Option for the purchase of shareholdings

On 8 January 2014, SNAI signed an options contract for the purchase of 51% of the share capital of House Bet S.r.l. which was established on 25 July 2013 to operate an arcade. The option purchase price was Euro 245 thousand, which, in the event that the option is exercised, will be deducted from the price on the date the transfer of the shareholding takes place.

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 data processing manager must report on the implementation or updating of the safety planning document.
During 2013, the SNAI Group began and continues to work on the updating of the program document of security (DPS) which it developed as from the date of issue of Legislative Decree 5 the of 9 February 2012, “Urgent revisions on simplification and development,” insofar as the function of the internal document for discharge of the duties relative to privacy, including the minimum security measures pursuant to attachment B of Legislative Decree 196/03.

N. OTHER INFORMATION

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

The company does not hold, directly or indirectly, through companies of the SNAI Group or fiduciary companies or indirectly through agents, shares of the parent company.
No transaction involving the purchase or sale of shares took place over the course of 2013 or in the first few months of 2014.
Neither SNAI S.p.A. nor other companies of the SNAI Group have ever granted any loan or guarantees either directly or indirectly for the purchase or trading of shares in SNAI S.p.A. or its parent company.
SNAI S.p.A. and the other companies of the Group are not subject to particular risks related to the fluctuation of exchange rates.
Particular attention is paid to the interest rates since insofar as the portion of the bonds which has not been reimbursed ("Series B") of the bond issued on 8 November 2013, is linked to three month Euribor.

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

N.2 Corporate Governance Report

The Report on corporate governance and shareholding structures was approved by the board of directors in its meeting held on 20 March 2013 and published on the website www.snai.it in the "Investor Relations" section.

N.3 Option to take advantage of national tax consolidation

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

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

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 December 2013, in its entirety and as to its individual sections, we invite you to resolve upon:

- *approval of the report, the financial statements and the notes to the financial statements.*

  We request that you approve, together with the directors' report, the financial statement for period ended 31 December 2013 which closes with a net loss of Euro 94,335,706.44;

- *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	94,335,706.44
To be covered by using:	
- Share Premium Reserve	94,335,706.44

The share premium reserve falls to Euro 13,946,362.22 from Euro 108,282,068.66 and there will be no obligation to reconstitute such reserve.

For the Board of Directors
Mr. Giorgio Sandi
(Chairman and Managing Director)

Milan, 20 March 2014

****

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

SNAI S.p.A. - Draft of the Financial Statements as of 31 December 2013 and Explanatory Notes

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

Milan, 20 March 2014

SNAI S.p.A.
Registered Office in Porcari (Lucca) – via L. Boccherini 39 – Share Capital Euro 60,748,992.20 fully paid in
Tax Code 00754850154 - VAT no. 01729640464
Register of Companies in Lucca and Lucca REA no. 00754850154

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SNAI S.p.A. - Comprehensive income statement

amounts in Euro	Note	Fiscal year 2013	of which related parties note 31	of which non-recurring note 33	Fiscal year 2012	of which related parties note 31	of which non-recurring note 33
Revenues from sales and services	3	463,356,082	2,423,962		493,492,457	2,914,194	
Other revenue and income	4	2.337.854	1,721,881		4,230,315	3,636,366	
Change in inventory of finished and semi-finished products	17	107,345			(2,896)		
Raw materials and consumables	5	(816,165)			(878,546)		
Costs for services and use of third party assets	6	(321,778,411)	(9,354,337)		(384,329,539)	(18,367,310)	
Costs of personnel	7	(24,655,706)	(188,178)		(19,855,402)	(13,3041)	
Other operating costs	8	(99,766,687)	(20,688)	(66,250,939)	(32,435,803)	(32,929)	
Capitalised internal construction costs	9	1,338,656			1,096,208		
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes		**20,120,968**			**61,316,794**		
Amortisation and depreciation	10	(52,979,251)			(57,704,906)		
Other provisions	26	(1,618,556)			(11,053,042)		
Profit/(loss) before financial income/expenses, taxes		**(34,476,839)**			**(7,441,154)**		
Gains and expenses from shareholdings		(6,099,756)			(6,771,093)		
Financial income		1,686,977	427,099		1,215,161	238,735	
Financial expenses		(59,959,498)	(125,061)	(2,748,699)	(45,042,189)	(210,022)	
Total financial income and expenses	11	**(64,372,277)**			**(50,598,121)**		
PROFIT/(LOSS) BEFORE TAXES		**(98,849,116)**			**(58,039,275)**		
Income tax	12	4,513,410			11,976,644		
Profit/(loss) for the year		**(94,335,706)**			**(46,062,631)**		
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	23	62,936			(209,216)		
Other comprehensive income which will not be restated under profit/(loss) for the year after taxes		**62,936**			**(209,216)**		
Net (loss)/profit from derivatives as cash flow hedges		2,571,543			(2,849,940)		
Other comprehensive income which will be restated under profit/(loss) for the year after taxes		**2,571,543**			**(2,849,940)**		
Profit/(loss) in comprehensive income statement, after taxes		**2,634,479**			**(3,059,156)**		
Total profit (loss) for the year		**(91,701,227)**			**(49,121,787)**		

SNAI S.p.A. - Balance Sheet

amounts in Euro	Note	31.12.2013	of which related parties note 31	31.12.2012	of which related parties note 31
ASSETS					
Non-current assets					
Property, plant and equipment owned		135,809,767		128,571,025	
Assets held under financial lease		9,396,261		17,273,045	
Total tangible assets	13	**145,206,028**		**145,844,070**	
Goodwill		231,087,971		231,087,971	
Other intangible assets		135,050,860		151,233,387	
Total intangible assets	14	**366,138,831**		**382,321,358**	
Shareholdings in subsidiaries & associates		16,704,844		17,941,746	
Shareholdings in other companies		45,848		46	
Total shareholdings	15	**16,750,692**		**17,987,594**	
Deferred tax assets	16	73,471,309		62,371,811	
Other non-financial assets	19	2,204,137		2,145,844	
Total non-current assets		**603,770,997**		**610,670,677**	
Current assets					
Inventories	17	1,303,185		3,194,643	
Trade receivables	18	60,855,751	818,289	67,590,671	476,317
Other assets	19	27,805,232	2,349,108	36,656,827	1,637,174
Current financial assets	20	27,161,883	7,748,118	14,189,924	3,941,398
Cash and cash equivalents	21	43,860,107		9,589,291	
Total current assets		**160,786,158**		**131,221,356**	
TOTAL ASSETS		**764,557,155**		**741,892,033**	
SHAREHOLDERS' EQUITY AND LIABILITES					
Shareholders' Equity					
Share capital		60,748,992		60,748,992	
Reserves		105,222,221		148,650,374	
Profit/(loss) for the year		(94,335,706)		(46,062,631)	
Total Shareholders' Equity	22	**71,635,507**		**163,336,735**	
Non-current liabilities					
Post-employment benefits	24	1,509,592		1,643,193	
Non-current financial liabilities	25	481,387,840		344,425,305	
Deferred tax liabilities	16	53,018,594		47,496,056	
Provisions for risks and charges	26	16,112,698		24,560,160	
Sundry payables and other non-current liabilities	27	3,611,770		1,938,309	
Total non-current liabilities		**555,640,494**		**420,063,023**	
Current liabilities					
Trade payables	28	35,111,868	1,994,890	33,218,781	1,041,939
Other liabilities	27	93,706,312	5,392,214	86,813,239	2,800,054
Current financial liabilities		8,462,974	974,941	22,360,255	2,278,454
Current portion of long-term borrowings		0		16,100,000	
Total financial liabilities	25	**8,462,974**		**38,460,255**	
Total current liabilities		**137,281,154**		**158,492,275**	
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**764,557,155**		**741,892,033**	

SNAI S.p.A. - Statement of changes in Shareholders' Equity

(amounts in thousands of Euro)

	Note	Share Capital	Negative reserve	Share premium reserve	Extraordinary reserve	Cash Flow Reserve Hedge	Post-employment reserve (TFR) (Ias 19)	Profits (Losses) carried forward	Profit/ (Loss) for the year	Total Shareholders' Equity
Balance as of 01/01/2012		60,749	1,559	195,904	0	(3,969)	35	(225)	(41,594)	212,459
Restated loss for fiscal year 2011				(41,559)				(35)	(41,594)	0
Profit/(loss) for the year									(46,063)	(46,063)
Other aggregate profit/(loss)	23					(2,850)	(209)			(3,059)
Aggregate profit/(loss) as of 31/12/2012						(2,850)	(209)		(46,063)	(49,122)
Balance as of 31/12/2012		**60,749**	**1,559**	**154,345**	**0**	**(6,819)**	**(174)**	**(260)**	**(46,063)**	**163,337**

		Share Capital	Negative reserve	Share premium reserve	Extraordinary reserve	Cash Flow Hedge reserve	Post-employment reserve (IAS 19	Profits (Losses) carried forward	Profit/ (Loss) for the year	Total Shareholders' Equity
Balance as of 01/01/2013		60,749	1,559	154,345	0	(6,819)	(174)	(260)	(46,063)	163,337
Loss for fiscal year 2012	22			(46,063)					46,063	0
Profit/(loss) for the year									(94,336)	(94,336)
Other aggregate profit/(loss)	23					2,572	63			2,635
Aggregate profit/(loss) at 31/12/2013						2,572	63		(94,336)	(91,701)
Balance as of 31/12/2013		**60,749**	**1,559**	**108,282**	**0**	**(4,247)**	**(111)**	**(260)**	**(94,336)**	**71,636**

SNAI S.p.A. - Cash Flow Statement

	amounts in Euro	Note	31.12.2013	of which related parties note 31	31.12.2012	of which related parties note 31
A.	**CASH FLOW FROM OPERATIONS**					
	Profit/(loss) for the year		(94,335,706)		(46,062,631)	
	Amortisation and depreciation	10	52,979,251		57,704,906	
	Write-downs and losses on shareholdings		6,099,756			
	Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	16	(6,576,245)		(13,991,319)	
	Change in provision for risks	26	(8,447,462)		9,300,403	
	(Capital gains) capital losses from non-current assets (including shareholdings)	4.-8	126,467		391,158	
	Net change in sundry non-current trade assets and liabilities and other changes	19.-27	1,615,168		(4,414,925)	(1,134,000)
	Net change in current trade assets and liabilities and other changes	18-19-27-28	26,559,856	2,491,205	21,516,963	8,821,701
	Net change in post-employment benefits	24	(46,792)		(122,240)	
	CASH FLOW FROM (USED IN) FROM OPERATIONS (A)		**(22,025,707)**		**24,322,315**	
B.	**CASH FLOW FROM INVESTMENT ACTIVITIES**					
	Investments in property, plant and equipment (-)	13	(17,616,435)		(15,575,174)	
	Investments in intangible assets (-)	14	(18,861,657)		(5,193,287)	
	Contributions to cover losses in shareholdings	15	(5,000,000)		(2,179,694)	
	Liquidation of shareholdings		137,146		0	
	Proceeds from the sale of tangible, intangible and other non-current assets	4	97,218		32,067	
	CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		**(41,243,728)**		**(22,916,088)**	
C.	**CASH FLOW FROM FINANCING ACTIVITIES**					
	Change in financial receivables and other financial assets	20	(12,971,959)	(3,806,720)	(8,692,902)	1,298,768
	Change in financial liabilities	25	(20,524,556)	(1,303,513)	(35,176,516)	(2,104,548)
	Redemption of financing for acquisition of "concession" assets	25	0	0	0	
	Repayment of financing	25	(4,600,000)		(5,750,000)	
	Opening/disbursement of loans	25	57,498,000		21,000,000	
	Redemption of loans		(421,748,000)		0	
	Entering of a bond loan	25	515,000,000		0	
	Reimbursement of "Facility A" bonds	25	(15,000,000)		0	
	Changes in debts to betting agencies deferred through purchase of "concession" business units	25	(113,234)		(327,178)	
	CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		**97,540,251**		**(28,946,596)**	
D.	**CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)**		**0**		**0**	
E.	**TOTAL CASH FLOW (A+B+C+D)**		**34,270,816**		**(27,540,369)**	
F.	**INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)**		**9,589,291**		**37,129,660**	
G.	**NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY**		**0**		**0**	
H.	**FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)**		**43,860,107**		**9,589,291**	

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

	31.12.2013	31.12.2012
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:		
Cash and cash equivalents	9,589,291	37,129,660
Bank overdrafts	0	0
Discontinued operations	0	0
	9,589,291	**37,129,660**
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	43,860,107	9,589,291
Bank overdrafts	0	0
Discontinued operations	0	0
	43,860,107	**9,589,291**

Interest expenses paid over 2013 amounted to around Euro 27,433 thousand (Euro 20,857 thousand in 2012). Taxes paid over 2013 amounted to around Euro 518 thousand (Euro 52 thousand in 2012).

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 at Via Luigi Boccherini, 39 Porcari (LU) - Italy.

1.1 Managers' estimates related to the going concern requirements

The Company's results of operations and state of affairs is characterized by (i) negative economic results, largely attributable to unforeseeable events, as well as by the significant amount of amortisation/depreciation and financial expenses, (ii) intangible assets of a remarkable amount with respect to a reduced shareholders' equity due to cumulated losses, (iii) a significant indebtedness, with cash flows, intended to its reduction but limited by cash requirements of investments which are typical of the business, as well as by financial expenses and, up to now, by financial effects due to unexpected expenses.
In particular, as regards the financial statements ended 31 December 2013, the Company reported a net loss of Euro 94.3 million, due, among other reasons, to the effects of the settlement of the fine of Euro 65.7 million sentenced by the Court of Auditors, including interest, and other costs highlighted in section B2 of the Directors' Report, resulting in a reduction of Euro 71.6 million in Shareholders' Equity. Net financial indebtedness increased to Euro 438.2 million by year-end and is mainly composed of bond loans issued and subscribed on 4 December 2012, with which, in the same month, the already existing bank loan was redeemed in advance and the reduced fine imposed by the Court of Auditors was paid.
Directors highlight that the results for the year, net of all the above mentioned effects, are better than the previous year, although lower than expectations. The differences over business performance outlook are attributable to some major factors: i) revenues arising from sports betting are substantially in line with expectations thanks to a lower collection which was mitigated by a better payout and are equal to 78.9%; ii) lower revenues and margins generated by the ADI sector for which a reduction of the average coin-in was reported (also at market level) and a low performance of AWPs, mainly attributable to a lower number of operating machines by reason of the exit of an important operator from our network, who has become one of the three new concession holders; iii) the performance of skill games, below expectations in terms of revenues.
Taking account of the above, the Directors prepared a new strategic plan for 2014-2016 fiscal years (the "2014-2016 Plan" or the "Plan"). This Plan foresees that, at the end of the three-year period, there will be a relevant growth in revenues and margins and positive economic results will be achieved, together with a Shareholders' Equity substantially unchanged with respect to the current one, an adequate production of operating cash flows able to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Group is not likely to generate the necessary resources to entirely refund bond loans in 2018.
The Plan therefore defines a positive path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments. These results are however necessary to maintain the Company's Shareholders' Equity, (2) the Company's ability to repay or renegotiate the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the realization of future events and the characteristics of the reference market which might negatively affect the actual implementation of the Plan, therefore averting the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.
In order to mitigate these uncertainties, the Company has implemented a series of initiatives which will lead to benefit, among other, from the full and positive effect of the completed installation of 5052 VLT rights, for which more than 1,000 terminals in better performing locations will be installed by 2014.
A further benefit will derive from the positive effects of the gaming wagers through the Virtual Events which, in the first period from their launching, raised strong interest in bettors with good wagers.
A further positive contribution is also expected from the digital sector, including the "mobile" applications.
Lastly, the payout on sports bets will be more easily managed thanks to the combined effects of the new management agreement which better aligns SNAI's interests with the Operators' ones, as well as of the improved automatic controls on the betting acceptance system. Upon the positive achievement of the Plan objectives, Directors deem that the Company will be able to come up with the necessary resources to refund or replace the existing debts.

Directors therefore deem that the objectives set out in the Plan are reasonable and that the Company will be able to overcome the uncertainties acknowledged.
Based on all the foregoing considerations, the Managers believe that the Company 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 standards

(a) General principles

The financial statements as of 31 December 2013 were prepared on the basis of the IFRS, in force as of such date, issued by the International Accounting Standards Board and endorsed by the European Commission.

The accounting standards adopted in the preparation of these financial statements are in compliance with accounting standards adopted to prepare the financial statements as of 31 December 2012, except for the adoption of the new or revised International Accounting Standards and International Financial Reporting Interpretations. The adoption of such amendments and interpretations did not have any significant effects on the Company's financial position or net result.

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

Amendments and new standards and interpretations
As required by paragraph 28 of IAS 8, the IFRS applied by the Company as from 1 January 2013 are indicated and succinctly described below:

IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income
The amendments to IAS 1 introduce a grouping of the items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to statement of income at a future point in time (e.g., net loss or gain on financial assets available for sale) now have to be disclosed separately from items that will never be reclassified (e.g., revaluation of land and buildings). The amendment concerns only the mode of presentation and has no impact on the Company's financial position or its net earnings.

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information
This amendment to IAS 1 clarifies that, when an entity prepares financial statements that include more than the minimum comparative information requirements in accordance with IFRSs, the comparative information should be provided in the related notes for those additional statements in accordance with IFRSs. The presentation of this voluntary comparative information does not entail a complete reporting in the financial statements, inclusive of all statements.
When an entity applies an accounting principle retroactively, it carries out a retrospective restatement or a reclassification of items involved in the financial statements, and these changes have a material effect on the entity's state of affairs. At the beginning of the prior period the entity should prepare an opening statement of financial position ("third balance sheet"). The amendment clarifies that notes to the third balance sheet are not required.

IAS 12 - Deferred taxation: recovery of underlying assets
This amendment clarifies the determination of deferred taxes on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of an investment property, measured using the fair value model provided under IAS 40, will be recovered through sale. Therefore, the related deferred tax should be measured on a sale basis of the asset. This presumption is rebutted if the investment property can be depreciated and it is held with the aim of using substantially all benefits resulting from the real estate investment over time instead of realizing these benefits with the sale. The amendment has had no impact on the Company's financial position, earnings or disclosures.

IAS 16 - Property, plant and equipment
This amendment clarifies that significant spare parts and machinery devoted to maintenance that fall under the definition of property, plant and equipment are not inventory. The amendment had no impact on the Company.

IAS 32 - Tax effect on distribution to holders of equity investments (Amendment)
This amendment to IAS 32 Financial Instruments: Presentation clarifies that taxes relating to distributions to shareholders must be accounted for in compliance with IAS 12 Income Taxes. The

amendment removes the requirements related to taxes from IAS 32 and requires the entity to apply IAS 12 to any tax connected with distributions to holders of equity investments. The amendment had no impact on the Company's financial statements.

IFRS 7 - Additional disclosure requirements- Offsetting financial assets and financial liabilities - Amendments to IFRS 7
This amendment requires an entity to provide information about rights to offset financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect on an entity's financial position of netting arrangements. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial instruments: presentation in financial statements. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. These amendments had no impact on the Company's financial position or economic performance.

IFRS 13 - Fair value measurement
IFRS 13 introduces a single guideline for all fair value measurement. IFRS 13 does not change the cases in which fair value should be used, but, rather, it provides a guideline on how to determine fair value under IFRS. Pursuant to the guidelines set out by the standard, the Company reviewed the standards applied in fair value measurement, especially inputs used for measurements, like default risk in measuring fair value of liabilities. The application of IFRS 13 had no relevant impact on fair value measurements performed by the Company.
A regards assets and liabilities the fair value of which have been assessed, the required information was disclosed in the explanatory notes to the financial statements.

In addition to amendments and the above-mentioned new standards, two amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards were issued regarding severe hyperinflation and removal of first dates for first time adopters and government grants, effective for annual periods beginning on or after 1 January 2013. These amendments are not relevant for the Company which is not a fist adopter of IFRS.

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

Standards issued but not yet in effect
This section shows the standards which had already been issued at the reporting 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 27 - Separate Financial Statements (revised in 2011)
Following the new IFRS 10 and IFRS 12 standards, IAS 27 is now limited to the accounting requirements for subsidiaries, joint ventures and affiliates in the financial statements. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014.

IAS 28 - Shareholdings in Affiliates and Joint Ventures (revised in 2011)
Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Shareholdings in Affiliates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to affiliates. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014.

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 should not give rise to impacts on the Company's financial position or results of operations and will enter into force for fiscal years starting on or after 1 January 2014.

IFRS 11 - Joint Arrangements
IFRS 11 replaces IAS 31 Shareholdings in Joint Ventures and SIC-13 Jointly Controlled Entities - Contributions in kind by the participants in the control.
IFRS 11 eliminates the option of accounting for subsidiaries jointly using the proportionate consolidation method. Subsidiaries which, in combination, fall under the definition of a joint venture must be accounted for using the equity method instead.
The amendment will have no impact on the Company's financial position or economic performance. This standard will apply to fiscal years beginning on or after 1 January 2014.

IFRS 12 - Disclosures of Shareholdings in Other Companies
IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's shareholdings in subsidiaries, jointly controlled entities, affiliates and structured vehicles. It also provides for new cases of disclosure. This standard will apply to fiscal years beginning on or after 1 January 2014.

Amendments to IAS 36 - Recoverable Amount Disclosure for Non-Financial Assets
These amendments remove the implications on disclosures required by IAS 36 and involuntarily introduced by IFRS 13. Moreover, these amendments require a recoverable amount disclosure of assets of CGUs for which an impairment loss has been reported or reversed during the year. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
The amendments aim to govern situations in which a derivative designated as hedging instrument is novated by a centralized counterparty pursuant to regulations or standards. The hedge accounting can therefore continue irrespective of notation, which would not be allowed without this amendment. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014.

IFRS 9 - Financial instruments
This standard, developed in various phases, relates to classification and measurement of financial instruments and will have an impact above all on the classification of financial assets and hedge accounting. The last development and amendment steps of the standard are still underway for the entire replacement of IAS 39. The standard, if endorsed, will be effective as from 1 January 2015 or in the fiscal year following the year of approval.

Amendments to IAS 19 - Employee Benefits: Employee Contributions
The amendment relates to the simplified accounting of contributions paid by employees or third parties, regardless of the number of employee's working years. The amendment will be effective on or after 1 July 2014.

Annual cycle of IFRS improvements - 2010-2012
Improvements will be effective on or after 1 July 2014 and relate to the following issues:
IFRS 2: Definition of "Vesting Condition"
IFRS 3: Recognition of contingent consideration in a business combination
IFRS 8: Aggregation of operating segments
IFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13: Short-term receivables and payables
IAS 7: Interests received and paid
IAS 16, IAS 38: Revaluation model: proportionate restatement of accumulated amortisation/depreciation
IAS 24: key management personnel

Annual cycle of IFRS improvements - 2011-2013
Improvements will be effective on or after 1 July 2014 and relate to the following issues:
IFRS 1: Meaning of "Effective IFRSs";
IFRS 3: Exceptions in applying the concept of joint ventures;
IFRS 13: Modified application field of paragraph 52 (portfolio exception)
IAS 40: Clarifications on the relation of IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when the investment is classified as investment property or property owner-occupied.

The accounting layouts adopted by the Company for the fiscal year ended on 31 December 2013 have not changed from those adopted on 31 December 2012.

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

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

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

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

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.

(b) Drafting criteria

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 shareholdings 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. 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 Company's capacity to achieve its 2014 budget objectives and its multi-annual plan to 2016.

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 assets, liabilities, costs and income recorded in the financial statements. 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 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 current 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 judgements 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.

Shareholdings in subsidiaries and affiliates

The shareholdings 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.

Affiliates 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 shareholdings in subsidiaries and affiliates 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 shareholdings are tested for impairment whenever there is evidence that an asset may have suffered a loss of value. Whenever there is evidence that the shareholdings in subsidiaries and affiliates 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) Property, Plant and Equipment

Owned assets
Property plant and equipment are carried at cost or deemed cost, less accumulated depreciation and impairment (see principle f). The cost comprises directly attributable ancillary charges and the initial estimate, if any, of costs of disassembly and removal of the asset and site remediation and, finally, an appropriate share of the production costs of in-house built 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 Company recognises such portions as independent assets that have a specific useful economic life and are depreciated accordingly. Similarly, 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 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 in the income statement over the full term of the lease contracts at constant rates.

Depreciation
Property plant and equipment are systematically written down in the income statement at constant rates according to the useful technical-economic life of the relevant assets, which is defined as the residual useful life.
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 assets: 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.
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 depreciated at the lower term as between the useful life of the asset and the term of the concession.

Derecognition
Property, plant and equipment are derecognised from the financial statements when sold, or when no future economic benefits are expected for their 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 indefinite life and is not amortised but rather tested for impairment each year or more frequently (if specific events or changes of circumstances occur that suggest an impairment). 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 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 acquisition or production cost and, thereafter, less any amortisation, which is determined at a constant rate over the estimated useful life.
Research expenses are recognised at cost when incurred.
The other intangible assets consist of capitalised costs of software developed in-house.
The expenses related to self-generated goodwill and trademarks are recognised i 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 Company to check for sudden loss of value. Such testing is performed on each financial reporting date. Intangible assets with a definite useful 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: form 10% to 33%
- concessions, licences, trademarks and similar rights: from 10% to 33%
- horseracing and sports concession and horseracing and sports rights: for concessions being due between June 2016 and March 2022;
- other: at 20%

(f) Impairment of non-financial assets

The Company 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 value of goodwill, of assets with an indefinite lifetime and intangible assets not yet available for use, is estimated on each reporting date of the financial statements.
The recoverable amount is the greater of the fair value of the asset and 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) Shareholdings 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.

Shareholdings in other companies and available-for-sale financial assets
Shareholdings in other companies (with a percentage of ownership less 20%) are measured at fair value and their effects are recognised in shareholders’ equity. If their fair value cannot be reliably determined, the shareholdings 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 shareholders’ equity.
The risk of possible impairment losses exceeding the shareholders’ equity 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 shareholdings 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 shareholdings in other companies and available-for-sale financial assets
At the end of each reporting period, the Company checks its shareholdings 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.
The objective evidence of an impairment would involve a significant or durable reduction in fair value of the instrument below its cost. The term “significant” is valued with respect to the original cost of the instrument and the term “durable” with respect to the period in which the fair value remained lower than the original cost. Whenever an impairment occurs, the cumulative loss - measured based on the difference between purchase cost and current fair value, deducted impairment losses of that financial asset previously recognised in the income statement for the year - is reversed from the statement of other comprehensive income and is recognised in the income statement for the year.

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
Fair value is defined as the price receivable for the sale of an asset or payable to transfer a liability in a normal transaction between market participants at the valuation date.
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 the initial recording, they are assessed at amortised 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.
Short-term payables are not discounted since the effect of discounting the cash flows is immaterial.
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 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 Company 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 Shareholders' 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 irrevocable 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 irrevocable 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 expense or proceeds are recognised or when a expected sale is made. 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 carrying amount of the asset or liability.
If it is believed that the expected 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 expected transaction flows to the income statement.

Classification as current/non-current
The derivatives that are classified as effective hedge instruments, are classified consistently with the hedged underlying element. The derivative is divided into a current portion and non-current portion only if the allocation is expected to be realised.

The derivatives that are not classifiable as "effective hedge instruments" are classified as current or non-current or divided into a current portion and non-current 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 which are not strictly related to the main contract are classified in line with the cash flows of the main contract;

(n) Post-employment benefits (TFR)

Post-employment benefits (TFR) 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 Finance Act [Legge Finanziaria] of 2007 and the related implementing decrees introduced amendments on the subject of the post-employment benefits, including the worker's right to choose the intended use of his or her own post-employment benefits maturing in the supplementary pension fund or the "Treasury Fund" managed by the INPS (Italian national institute of social insurance) In accordance with IAS 19 "Employee Benefits", the obligation representing the post-employment benefits 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 statements, constitutes a defined benefits plan, while the obligation vis-à-vis INPS and the contributions to supplementary pension panels became "defined contribution plans". 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 post-employment benefits remains classified as a "Defined-Benefit Plan".
The surplus or deficits identified by the actuarial calculation are recognised in other components of the Comprehensive Income Statement.
These profits or losses are not restated to income statements in the following years.
Interest on liabilities for defined-benefit plans should be calculated by multiplying liabilities by the discount rate. The Company recognises the following change in net liabilities for defined-benefit plans in the income statement:

- Costs for work services, inclusive of current and past work, profit and losses on non-routine profit and losses;
- Interest expenses.

(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 significant, 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 liabilities.

(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.
Revenue from remote gaming (games of skill/casino/bingo) 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 the cost of the platform and concession fees.
Based on IAS 32 and 39 the collection of fixed-odds bets and “reference-based bets” 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.
It is worth noting that, in application of the Law Decree the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency, hereinafter “AAMS” or “ADM”).
It is also worth noting that the former 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 “former ASSI” or “MIPAAF”).

(r) Financial income and expenses

The financial income and expenses are 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 shareholders’ equity, which is accounted for in shareholders’ 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 shareholdings 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) Assets held for sale 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 company 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. Agreements for services licensed

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.

The Company holds the following concessions on a final basis:

Owner	Qty	Subject matter	Due 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], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.	March 2022	
SNAI S.p.A.	1 Concession Code 4311	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.	1 Concession 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	Operation through the remote collection of the following public games: a) sports concessions; b) horseracing concessions; c) horseracing and sports betting pools; d) national horse race gaming; e) games of skill, including tournament style card games; f) bingo.	September 2020	
SNAI S.p.A.	1 Concession Code 4501	Operation of horseracing and sports public games as per Art. 10, par. 9-octies, of the Law Decree no. 16 of 2 March 2012, converted as amended into Law no. 44 of 26 April 2012.	June 2016	

Note to the main items of the comprehensive income statement

The comparison between values, always expressed in thousands of euros, unless otherwise indicated, is based on the corresponding balances of fiscal year 2012.

3. Revenues from sales and services

The revenue from sales of goods and services, which amounts to Euro 463,356 thousand (versus Euro 493,492 thousand), is broken down as follows:

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Net revenues from the collection of fixed quota and reference sports and horse race bets	144,836	123,928	20,908
Revenue from totalisator, national horseracing & forecast bets	25,368	33,365	(7,997)
Revenue from entertainment machines (ADI)	250,899	296,557	(45,658)
Net revenue from remote gaming (Skill/Casino/Bingo)	25,454	22,348	3,106
Net revenues from virtual events	1,214	-	1,214
Bet collection services	4,770	6,680	(1,910)
Revenue from on-line Bingo services	111	103	8
Revenues from commissions	734	-	734
Revenue from service and assistance contracts	6,073	6,830	(757)
Revenue from horseracing business rental	2,376	2,582	(206)
Revenue from organisation and technology sales	429	111	318
Other revenue from services and chargebacks	1,092	988	104
Total	463,356	493,492	(30,136)

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 2013	Fiscal year 2012
Turnover from fixed-odds sport betting	826,970	886,886
Reimbursement on fixed-odds sport betting	(828)	(2,122)
Winnings on fixed-odds sport betting	(651,567)	(731,896)
Single tax on fixed-odds sport betting	(32,701)	(31,204)
Net revenues from the collection of on fixed-odds sport betting	**141,874**	**121,664**
Turnover from fixed-odds horse race betting	30,759	25,894
Reimbursement on fixed-odds horse race betting	(209)	(187)
Winnings on fixed-odds horse race betting	(23,714)	(20,133)
Single tax on fixed-odds horse race betting	(1,280)	(1,089)
Taxation on fixed-odds horse race betting	(2,594)	(2,221)
Net revenue from the collection of on fixed-odds horse race betting	**2,962**	**2,264**
Total net revenue from the collection of fixed-odds sport and horse race betting	**144,836**	**123,928**

The increase in net revenue from sports betting is due to the reduced payout compared to the prior year. In 2013, the payout on sports betting amounted to approximately 78.9% compared to 82.7% in 2012.
Revenue from totalisator, national horseracing and forecast bets decreased due to the crisis in the horse race sector.

Revenue from concessions for the management of the network of entertainment machines (ADI) amounted to a total of Euro 250,899 thousand, 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. It should be recalled that the concession holders are required to pay to AAMS (pursuant to the Law Decree no. 95 of 6 July

2012. Since 1 December 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The balance sheet shows the amount of Euro 14,064 thousand paid for the "Entertainment machine guarantee deposit" in 2013 (see Note 19).
The guarantee 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 guarantee deposit refunds for 2013. 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 guarantee deposit to be refunded.

The decrease in revenues from ADI is mainly due to the lower number of AWP working devices resulted from the exit form out network of an important client who became a direct concession holder as from 20 March 2013, as well as the higher PREU tax burden to the AWP sector, which increased to 12.7% and affected the revenue percentage pertaining to the Company. The increase in revenues in the VLT sector, attributable to the strong enlargement of the installed network, was reduced by the increased PREU tax rate (from 4% to 5%).

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

thousands of Euro	Fiscal year 2013	Fiscal year 2012
Remote gaming revenue	998,711	923,347
Remote gaming winnings	(965,171)	(893,112)
Flat-rate tax on remote gaming	(8,086)	(7,887)
Total net revenue from remote gaming (Skill/Casino/Bingo)	25,454	22,348

4. Other revenue and income

The other revenue and income item, equal to Euro 2,338 thousand (4,230 thousand in 2012) breaks down as follows:

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Revenues from services and chargebacks to Group companies	621	638	(17)
Rental of assets and chargeback expense	1,096	2,873	(1,777)
Sale of option right	-	17	(17)
Active trading	-	35	(35)
Revenue from compensation and reimbursement for damages	225	133	92
Gains on disposal of assets	5	10	(5)
Other revenue and income	391	524	(133)
Total	2,338	4,230	(1,892)

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

The cost of raw materials and consumables amounted to a total of Euro 816 thousand (Euro 879 thousand in fiscal year 2012), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales. The capitalised assets amount to Euro 6,590 thousand (Euro 5,856 thousand as of 31 December 2012).

6. Costs for services and use of third party assets

Costs of third-party services and leasing/rental expenses amounted to a total of Euro 321,778 thousand (Euro 384,330 thousand), as broken down below:

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Betting acceptance management	78,855	92,363	(13,508)
Entertainment devices services (ADI)	184,567	232,498	(47,931)
Remote gaming management (Skill/Casino/Bingo)	5,706	5,387	319
Remote virtual race management	1,001	-	1,001
Bookmakers	1,819	1,751	68
Information to prepare odds and posters	503	696	(193)
Remote-gaming services	8,529	5,601	2,928
SNAI Point Coordinators	3	45	(42)
Consultancy cost and expense reimbursements	3,361	6,078	(2,717)
Utilities and telephone	6,723	6,608	115
Equipment repair and maintenance	7,637	7,657	(20)
Advertising and promotion	4,973	7,927	(2,954)
IT services	3,574	3,280	294
Installations, logistics and design	1,378	1,784	(406)
Personnel costs for collaborations and other	116	325	(209)
Insurance and guarantees	1,535	1,367	168
Market research	653	613	40
Festa help desk and call centre	2,838	2,823	15
TV and radios services	1,818	1,978	(160)
Services from Group companies	496	298	198
Other services	2,072	1,962	110
Directors' fees	1,380	1,122	258
Statutory Auditors' fees	175	175	-
Reimbursements to directors and auditors	35	28	7
Compensation to audit company	496	520	(24)
Compensation to supervisory board and other boards	111	116	(5)
Rental fees and additional charges	716	714	2
Operating leases and other leasing	708	614	94
Total	321,778	384,330	(62,552)

In particular, the table shows:
- the management fees for accepting bets of Euro 78,855 thousand (Euro 92,363 thousand in 2012) paid to the managers of the horseracing and sports gaming shops and corners; the reduction relative to the prior year is due to less collection made on sports bets in the physical network, partly offset by higher volumes in the telematic channel;
- costs for ADI services (totalling Euro 184,567 thousand compared to Euro 232,498 thousand in 2012) comprise fees paid to third party operators charged of gaming collection and running costs for VLT platforms. The decrease in costs is attributable to the AWP sector and is due essentially to the exit from our network of an important client who became a direct concession holder as from 20 March 2013.

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

7. Costs of personnel

Costs of personnel total Euro 24,656 thousand, compared to Euro 19,855 thousand in 2012, up by Euro 4,801 thousand (+24.18%) primarily due to the advanced resignation of the previous managing director, with consequent payment of the agreed post-employment benefits and other fees due, as well as to the hiring of new strategic personnel.

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Wages and salaries	16,997	13,457	3,540
Social security charges	4,982	4,016	966
Accrual to defined-benefit/defined-contribution plans	1,010	897	113
Reimbursement of expenses and transfers	515	390	125
Costs for personnel training	56	77	(21)
Meal tickets	480	439	41
Gifts to employees	22	35	(13)
Other costs of personnel	594	544	50
Total Personnel Costs	24,656	19,855	4,801

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

The composition of the employees at year-end is illustrated by the following table, which shows an increase of 38 individuals relative to 31 December 2012, mainly due to implementation of the “core business” structures.

	31.12.2012		Hired in the year	Left during the year	31.12.2013		Average no. in period
Executives	16		4	1	19		17
Office workers and middle managers	380		45	10	415		399
Workers	7		-	-	7		7
Total Employees	403	*	49	11	441	**	423

* of whom 46 part-time and 10 on maternity leave

* of whom 56 part-time and 5 on maternity leave

8. Other operating costs

The other operating costs amounted to a total of Euro 99,767 thousand (versus Euro 32,436 thousand).

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Concessions and licenses	15,325	15,459	(134)
Settlement by the Court of Auditors	63,000	-	63,000
Administration fines	3,673	145	3,528
Other taxes and duties	339	342	(3)
Flat-rate municipal tax [I.M.U.]	1,230	1,141	89
% non-deductible VAT	4,360	5,216	(856)
Entertainment expenses	171	130	41
Subscription fees	207	170	37
Provision for doubtful debts	8,814	7,795	1,019
Credit losses	973	126	847
Provision for risks	293	162	131
Stationery, consumables and promotional materials	525	499	26
Ordinary purchases of goods and services	206	382	(176)
Capital losses from sale of assets	131	401	(270)
Other administration and operating costs	520	468	52
Total	99,767	32,436	67,331

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on entertainment machines (ADI) of Euro 8,438 thousand, calculated at 0.30% of the volume wagered and paid to AAMS on a bimonthly basis;
- the concession fee for the marketing of fixed-odds betting on sporting events other than horse racing and on non- sporting events as per Art. 4 of the Convention, approved by Directors Decree 2006/22503 of 30/06/2006 and for the marketing of public gaming concessions "in the exercise of horse racing and sports betting" via the rights awarded through the call for tenders in 2006 ("Bersani rights") and the rights awarded through the call for tenders in 2008 ("Giorgetti rights"), and the rights awarded through the call for tenders in 2012 ("Monti rights"), as provided by the respective concessions, in the amount of Euro 6,026 thousand;
- the concession fee for remote public gaming under the corresponding concessions in the amount of Euro 731 thousand;

The "Settlement by the Court of Auditors" item, equal to Euro 63,000 thousand, relates to payments made, on 4 and 15 November 2013, following the confirmation by the Court of Auditors of the amount for the settlement of the appeal against the unfavourable judgement no. 214/2012 related to the management of the new slot machine network, to the extent of 30% of the damage calculated in the first instance sentence. In this way, although still convinced on the correctness of the Company's conduct and still having to bear a further payment to be charged on the 2013 financial statements, a multi-annual legal dispute is now finally concluded which involved the company SNAI. This settlement will finally enable the company to define its development strategies without having to face uncertainties arising from this outstanding dispute.

Administration fines, equal to Euro 3,673 thousand, primarily relate to the delayed payment of the 2009-2010 flat-rate tax, amounting to Euro 2,746 thousand and the 2004-2005-2006 flat-rate gaming tax (PREU), amounting to Euro 505 thousand.

In 2013, a provision for doubtful debts was recognised in the amount of Euro 8,814 thousand in accordance with the best estimates of recoverability of receivables in previous fiscal years pertaining to the company's typical operations that have proven increasingly difficult to collect in the course of business.

During 2013, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 293 thousand, as provided for by the concession agreement for the building and running of networks for the online management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.

The item "% non-deductible VAT", equal to Euro 4,360 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 VAT on goods and services used promiscuously by all of the business operations, the VAT is deducted subject to the limits of the portion attributable to the operations which produce taxable revenues to which it refers; therefore the cost of non-deductible VAT has been calculated using specific allocation criteria.

9. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 1,337 thousand (Euro 1,096 thousand) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence);
- centralized systems and peripheral terminals for the acceptance of bets;
- centralized systems for the management of relations with AAMS and client invoicing services for entertainment devices;
- centralized systems, gaming interfaces and integration protocols for the collection of remote gaming wagers through SnaiCards;

- networking solutions supporting the Business lines;
- development and strengthening of the company ERP;
- centralized and peripheral systems for the operation of additional services at points of sale;
- centralized systems and web interfaces for the integration and sale of Skill games (tournament poker, cash poker, casino games, slot games) games (tournament poker, cash poker, casino games, slot games);
- web-based solutions for information for the Operator, knowledge base, manuals, how-to, integration with the system for requests for intervention and sourcing of consumables (SnaiPartner);
- viewing systems for the point of sale (new graphics pages, VEDO project);
- centralized systems for the management of contacts with AAMS, reporting, customer services (VLT);
- Gaming control systems (SnaiProfit);
- Implementation of the new company CRM;
- Sales point Management system (MyWeb);
- System for the management of betting for complementary platforms;
- System for the acceptance of bets on Virtual Events;
- Supplement for mobile applications for the collection of remote gaming wagers (Bets and Skills);
- Sales Point control systems for the commercial sector (Control Room AWP/VLT).

10. Amortisation, depreciation and write-downs

The total depreciation and amortisation amounts to Euro 52,979 thousand (Euro 57,705 thousand), as shown in detail below:

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Amortisation of intangible fixed assets	34,877	38,726	(3,849)
Depreciation of property plant and equipment	17,639	18,423	(784)
Write-downs	463	556	(93)
Total	52,979	57,705	(4,726)

For more details on the item “Amortisation and depreciation”, please see please see Notes 13 and 14 on property plant and equipment and intangible fixed assets.

11. Financial income and expenses

Net charges amounted to Euro 64,372 thousand, with an increase of Euro 13,774 thousand, as detailed below:

thousands of Euro	Fiscal year 2013	Fiscal year 2012	Change
Income from shareholdings:	-	97	(97)
Gains on closure of Mac Horse liquidation	-	97	(97)
Expenses from shareholdings:	6,099	6,868	(769)
Write-down of shareholding in Trenno	6,038	1,500	4,538
Write-down of shareholding in Alfea	42	-	42
Write-down of shareholding in SOLAR	6	-	6
Losses on shareholding in Trenno	-	5,368	(5,368)
Losses on shareholding in SNAI France	13	-	13
Other Financial income	1,686	1,215	471
Gains on foreign exchange	1	1	-
Bank interest income	865	618	247
Interest income from subsidiaries	427	222	205
Misc. interest income	393	374	19

Financial expenses	59,959	45,042	14,917
Interest expense on loans	36,795	22,686	14,109
Interest expense on bond loan	4,085	-	4,085
Interest expense on bank accounts	-	243	(243)
Interest expenses to subsidiaries	125	210	(85)
Interest liabilities and charges on leasing	6,802	5,112	1,690
Other interest expense	3,071	210	2,861
Exchange rate losses	2	3	(1)
Loan charges from discounting liabilities	45	76	(31)
Other financial expenses	9,034	16,502	(7,468)
Total financial income and expenses	(64,372)	(50,598)	(13,774)

Financial income includes interest income accrued on bank accounts in the amount of Euro 865 thousand and other interest income for Euro 393 thousand mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses include the following:

- expenses 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 Euro 36,795 thousand of which Euro 14,884 thousand can be attributed to ancillary costs;
- expenses related to the amortised cost method foreseen by IAS 39, and determined applying the method of the actual interest rate on bond loans, issued on 8 November 2013 for Euro 35,000 thousand, of which Euro 15,000 thousand redeemed on 4 December 2013 with the issue of another bond loan for Euro 480,000 thousand (for further details on loans, reference should be made to Note 25), for a total of Euro 4,085 thousand, of which Euro 325 thousand is attributable to ancillary costs;
- interest expenses calculated on financial leasing in the amount of Euro 4,405 thousand and accessory charges on leasing for Euro 2,397 thousand, including non-deductible VAT;
- other financial expenses, including Euro 3,701 thousand for differentials on derivative hedging, Euro 2,361 thousand of commission on bank guarantees, Euro 993 thousand for commission payable on loans, Euro 575 thousand for commission on bond loans and Euro 1,109 thousand of bank charges.

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 2013, constitute a positive component in the amount of Euro 4,513 thousand.

thousands of Euro	Fiscal year 2013	Fiscal year 2012
IRAP [regional production tax]	-	709
Tax on prior years	(2)	(963)
Deferred tax liabilities	6,330	5,597
Deferred tax assets	(12,958)	(16,481)
Use of deferred tax provision	(807)	(2,534)
Reversal of deferred tax assets	2,924	1,695
Total	(4,513)	(11,977)

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the financial statements and the theoretical tax charge (in thousands of Euro):

		Fiscal year 2013		Fiscal year 2012
Profit before tax		(98,849)		(58,039)
Theoretical IRES tax charge	*27.50%*	27,183	*27.5%*	15,961
Theoretical IRAP tax charge	*5.12%*	5,061	*4.2%*	2,438
Total Theoretical tax charge		**32,245**		**18,399**
Fines, penalties and other taxes		(1,219)		(354)
Write-down of shareholdings		(1,678)		(1,476)
Other permanent non-deductible costs		(18,103)		(3,052)
Non-taxable dividends		0		25
Other permanent deductions		21		181
		11,266		13,723
Permanent differences in IRAP (including employees)		(6,755)		(2,709)
		4,511		11,014
Tax and duties for prior year		2		963
Actual tax charge	***-4.6%***	**4,513**	***-20.1%***	**11,977**

For more details about the effects resulting from the tax charge and consolidated tax, refer to what is specified in detail in Note 16 “Receivables for deferred tax assets and deferred tax liabilities” in these Explanatory Notes. The last fiscal year finalised for tax purposes was the year 2008. For more details on tax disputes, please see Note 26.

Notes to the main items of the balance sheet

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of 31 December 2012.

13. Property, plant and equipment

Property plant and equipment as of 31 December 2013 amounted to Euro 145,206 thousand (Euro 145,844 thousand). The change in the fiscal year is due to the combined effect of the depreciation charge for the year (Euro 17,639 thousand), investments (Euro 17,616 thousand), reclassification of accumulated depreciation from the provision for inventory depreciation (Euro 96 thousand), impairment write-downs (Euro 463 thousand) and disposals, net of accumulated depreciation (Euro 56 thousand).

thousands of Euro	Land and buildings	Plant and machinery	Other assets	Assets under construction and advances to suppliers	Total
Cost					
Balance as of 31 December 2012	**135,500**	**123,133**	**21,153**	**-**	**279,786**
Reclassification	(85)	(241)	(33)	359	-
Balance as of 31 December 2012 restated	**135,415**	**122,892**	**21,120**	**359**	**279,786**
Reclassification	84	170	13	(267)	-
Other increases	2,661	11,986	2,969		17,616
Decreases		(402)	(32)		(434)
Balance as of 31 December 2013	**138,160**	**134,646**	**24,070**	**92**	**296,968**
Depreciation and impairment write-down					
Balance as of 31 December 2012	**30,019**	**93,336**	**10,587**	**-**	**133,942**
Annual amortisation	2,965	12,304	2,370		17,639
Write-downs			463		463
Disposals		(361)	(17)		(378)
Reclassification		50	46		96
Balance as of 31 December 2013	**32,984**	**105,329**	**13,449**	**-**	**151,762**
Carrying amounts					
As of 31 December 2012	105,481	29,797	10,566	-	145,844
As of 31 December 2012 restated	105,396	29,556	10,533	359	145,844
As of 31 December 2013	105,176	29,317	10,621	92	145,206

For a better disclosure reclassifications of assets not yet amortised to Assets under construction have been made compared to 31 December 2012.

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

The increases as of 31 December 2013, in the amount of Euro 17,616 thousand, mainly relate to:
- “Land and buildings”, in the amount of Euro 2,661 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [galloping racetrack in Milan];
- additions of Euro 11,986 thousand to Plant and Machinery relate for Euro 1,001 thousand to electro-thermal and electric plant, for Euro 6,072 thousand to technology loaned free of charge to the sales points, for Euro 3,570 thousand to hardware and interconnection network for the sales points, for Euro 1,343 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and to other plant and equipment necessary for the conduct of the various business operations of the Company;
- additions of Euro 2,969 thousand to Other assets relate for Euro 2,570 thousand to furnishings and fittings provided free of charge to sales points and to the begging shops

managed directly by the Group, for Euro 306 thousand to head office furnishings and fittings, for Euro 78 thousand to purchases of motor vehicles and for Euro 15 thousand to sundry assets.

The Financial expenses under "property plant and equipment" were not capitalised because the Company has no qualifying activities as defined by IAS 23.

Leasing

The Company has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various points between now and June 2017. These agreements include redemption and/or extension clauses.
The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historic cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an amortization provision, as of 31 December 2013, of Euro 888 thousand.

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

thousands of Euro	
Total commitment as of 31/12/2013	5,969
of which	
Payments falling due within 12 months	4,456
Payments falling due between 1 to 5 years	1,513
Payments falling due after 5 years	-
Redemption	896

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

14. Intangible assets

Intangible fixed assets as of 31 December 2013 amount to Euro 366,139 thousand (Euro 382,321 thousand); the changes in the fiscal year are due to the combined effect of annual amortisation (Euro 34,877 thousand), investments (Euro 18,862 thousand) and disposals less amortisation (Euro 167 thousand).

thousands of Euro	**Goodwill**	**Concessions, licenses, trademarks and similar rights**	**Industrial patent rights and use of intellectual property**	**Assets under construction and advances to suppliers**	**Other**	**Total**
Cost						
Balance as of 31 December 2012	**254,246**	**396,412**	**13,605**	**17,261**	**11,341**	**692,865**
Reclassification			(1,164)	1,164		
Balance as of 31 December 2012 restated	**254,246**	**396,412**	**12,441**	**18,425**	**11,341**	**692,865**
Reclassification		16,984	1,164	(18,425)	277	-
Other increases		14,572	506	2,001	1,783	18,862
Decreases		(538)				(538)
Balance as of 31 December 2013	**254,246**	**427,430**	**14,111**	**2,001**	**13,401**	**711,189**
Amortisation and impairment write-down						
Balance as of 31 December 2012	**23,158**	**269,463**	**11,202**	**-**	**6,721**	**310,544**
Annual amortisation		32,752	414		1,711	34,877
Write-downs						-
Disposals		(371)				(371)
Balance as of 31 December 2013	**23,158**	**301,844**	**11,616**	**-**	**8,432**	**345,050**

Carrying amounts						
As of 31 December 2012	231,088	126,949	2,403	17,261	4,620	382,321
As of 31 December 2012 restated	231,088	126,949	1,239	18,425	4,620	382,321
As of 31 December 2013	231,088	125,586	2,495	2,001	4,969	366,139

For a better disclosure reclassifications of assets not yet amortised to Assets under construction have been made compared to 31 December 2012.

The investments of Euro 18,862 thousand mainly concern:

- "Concessions, licenses, trademarks and similar rights", amounting to Euro 14,572 thousand, of which Euro 12,606 thousand for rights for the running and collection, through a physical network, of public sports and horse race games (so-called "Monti" rights), Euro 1,116 thousand for incentives to enter a new management agreement, Euro 752 thousand for the issue of the AWP authorisation, and Euro 96 thousand for additional Sap licenses;
- "Industrial patents and intellectual property rights", amounting to Euro 506 thousand, of which the main items are: Euro 319 thousand for software licenses for betting on virtual events and Euro 151 thousand for licenses for operating programmes for administration, finance and control;
- "Other", for Euro 1,783 thousand, of which Euro 1,402 thousand for the implementation of software programmes for betting management and Euro 381 thousand for the implementation of operating software programmes;
- "Assets under construction", amounting to Euro 2,001 thousand, are comprised principally of: Euro 1,514 thousand for "Monti" rights, acquired and not yet activated; Euro 53 thousand for software, developed in-house and still incomplete; Euro 215 thousand for the Customer Service Project; Euro 150 thousand for the New Concept Store.

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

Goodwill amounts to Euro 231,088 thousand, and is allocated to the following cash generating units (CGU):

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

In accordance with international accounting standards, and in particular by IAS 36, goodwill is subjected to impairment testing on an annual basis, or more frequently in the presence of indication of possible permanent losses in value. 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 CGUs 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 CGU and Concessions CGU.

The cash flows for years 2014-2016 of the "Services" CGU and the "Concessions" CGU have been prepared on the basis of the assumptions/forecasts set forth in the 2014 budget and the strategic guidelines for years 2015-2016. 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 (2016), 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 8.66%.

The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount. Sensitivity analyses were also conducted to check the effects of change in certain significant parameters on the impairment test results.

In particular, we note that the excess of the value in use in the "Concessions" CGU, compared to the carrying amount (including the goodwill attributed to it), equal to Euro 197.5 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 2.2 percentage points in the annual payout relative to the value assumed in the budget; (ii) increase of 4.9 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of 2.6%. It should be noted finally that the surplus of value will remain positive even if it is assumed, at equal conditions, that the nine-year concessions will only be renewed up to 2027.

In relation to the "Services" CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 21.6 million, becomes nil with a 10% increase in the discount rate. No change assumptions have been made in the basic assumptions underlying the cash flows, since the latter have not undergone any significant changes and are still in line with forecasts and they are 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.

Based upon the results of the impairment test, the Company has not applied any write-down to the above-mentioned value of goodwill, since no loss of value was found.

15. Shareholdings

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 shareholdings are valued at cost. The company has carried out an analysis to identify any 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 2013.

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

The cash flows for the years 2014-2016 of the Services CGU, the Concessions CGU and Television Services CGU were calculated on the basis of the assumptions underlying the 2014 budget and the multiannual strategic guidelines up to 2016, 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.
The WACC (Weighted Average Cost of Capital) used to discount the cash flows was considered equal to 8.66% (in line with the value used in the prior year).
The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount.

16. Deferred 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.

The table shows that the Company posts deferred tax assets and deferred tax liabilities equal to the net value of deferred taxes assets of Euro 20,453 thousand (net value of deferred taxes liabilities as of 31 December 2012: Euro 14,876 thousand).

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful debts	44,855	27.50%	12,335	12,335	2014 and following
Provision for risks	13,798	32.62%	4,501	4,501	2014 and following
Provision for inventory depreciation	34	27.50%-32.62%	9	9	2014 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	5,279	27.50%-32.62%	1,659	1,659	2014 and following
Interest Rate Swap	5,859	27.50%	1,611	1,611	2014 and following
Interest expense not deducted as per art. 96 of Tuir	62,130	27.50%	17,086	17,086	2014 and following
Other temporary differences	676	27.50%	186	186	2014 and following
Total	132,631		37,387	37,387	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Advances posted	Usable before:
Fiscal year 2008	17,895	27.50%	4,921	4,921	eligible for being carried forward indefinitely
Fiscal year 2009	10,200	27.50%	2,805	2,805	eligible for being carried forward indefinitely
Fiscal year 2010	29,060	27.50%	7,992	7,992	eligible for being carried forward indefinitely
Fiscal year 2011	27,186	27.50%	7,476	7,476	eligible for being carried forward indefinitely
Fiscal year 2012	34,422	27.50%	9,466	9,466	eligible for being carried forward indefinitely
Fiscal year 2013	75,453	27.50%	20,750	3,424	eligible for being carried forward indefinitely
Total	194,216		53,409	36,084	
Total Deferred tax assets				**73,471**	

The changes in deferred tax assets:

thousands of Euro	31.12.2012	Provisions	Utilisation	31.12.2013
Prepaid tax assets	62,372	15,475	(4,376)	73,471

As of 31 December 2013, the directors of SNAI S.p.A. confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss resulting from the national tax consolidation scheme. The above-mentioned recoverability is based on the predictions of future positive results in the business plans.
Note that the Company recognised deferred tax assets in the amount of Euro 3,424 thousand on the tax loss resulting from the tax consolidation, against recordable benefits of Euro 20,750 thousand. This was due to the fact that the possible deduction, for IRES tax purposes, the amounts paid by the Company for the settlement of the legal dispute with AAMS at the Court of Auditors, equal to Euro 63,000 thousand, is subordinated to the acceptance of a request which will be submitted to the Tax Authorities.
It is worth noting that total receivables on tax losses amounted to Euro 36,084 thousand.

The "difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets", of Euro 5,279 thousand with tax effect of Euro 1,659 thousand, relates mainly to leasing contracts stipulated in 2007 and prior years (Euro 3,575 thousand with tax effect of Euro 1,166 thousand).

It should be recalled that over the course of June 2013, the Company, in its capacity as consolidating company, renewed its adherence to the national tax consolidation scheme pursuant to articles 117 and thereafter of the Presidential Decree 917/1986 for the three year period of 2013-2015. The Società Trenno S.r.l. took part in such option. The consolidated companies Festa S.r.l., Immobiliare Valcarenga S.r.l. e Teleippica S.r.l. adhered to the tax consolidation, for which the option is still in force for the 2012-2014 three-year period.
The adoption of consolidated taxation may have some beneficial effects on the Group's tax burden, including the possibility of immediate full or partial application of tax losses for the period incurred by the companies participating in the consolidation scheme to reduce the income possessed by the other consolidated companies and to recover the excess interest expense not deducted by the consolidated companies due to the excess of gross operating income (GOI) of the other Companies participating in the consolidation scheme.
As of 31 December 2013, due to the impact of the taxable income transfers related to fiscal year 2013, the Company recognised accounts receivable against the consolidated companies of a total amount of Euro 453 thousand: Euro 436 thousand related to Teleippica S.r.l. and Euro 17 thousand related to 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 Euro 2,517 thousand: Euro 2,160 thousand to the consolidated Società Trenno S.r.l. and Euro 357 thousand to Festa S.r.l..
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.
Benefits deriving from the transfer of tax losses from the Company will be paid within 90 days from reception by the Company of the request sent by the consolidated company, irrespective of the fact that these losses have been actually used.
The consolidated companies' tax liability with respect to the Inland Revenue Office remains in effect if a higher taxable income for the parent company is assessed as a result of miscalculations in the taxable income reported by the consolidated companies.

Temporary differences	Amount	Rate	Tax impact	Deferred tax liabilities recorded
Tax amortisation of goodwill (former SnaiServ.-SpazioGioco)	(10,769)	27.50%-32.62%	(3,328)	(3,328)
Tax amortisation of goodwill on betting agencies	(116,098)	27.50%-32.62%	(36,792)	(36,792)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(39,362)	27.50%-32.62%	(12,825)	(12,825)
Post-employment benefits	(3)	27.50%	(1)	(1)
Other temporary differences	(265)	27.50%	(73)	(73)
Total deferred tax liabilities	**(166,497)**		**(53,019)**	**(53,019)**

The changes in the provision for deferred tax liabilities are shown below:

thousands of Euro	31.12.2012	Provisions	Utilisation	31.12.2013
Provision for deferred tax liabilities	47,496	6,330	(807)	53,019

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 business segments acquired, are considered business combinations and therefore are recorded using the acquisition method specified by 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.
Goodwill is not subject to amortisation but to impairment review on at least an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, 917/1986, which gives rise to deferred tax liabilities.
The “difference between the carrying amount and the fiscal value of property, plant and equipment” of Euro 39,362 thousand with tax impact of Euro 12,825 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 38,611 thousand with tax impact of Euro 12,595 thousand).

17. Inventories

Compared with 31 December 2012, inventories increased by Euro 1,892 thousand. The composition of the “Inventories” item is shown below:

thousands of Euro	31.12.2013	31.12.2012	Change
Raw materials	14	79	(65)
Work in progress	8	81	(73)
Finished products/goods	1,281	3,035	(1,754)
Total	1,303	3,195	(1,892)

The value of inventories is shown net of the provisions for inventory depreciation which, as of 31 December 2013, amounted to Euro 34 thousand. The following table shows the changes in the provision for inventory depreciation.

thousands of Euro	31.12.2012	Provisions	Utilisation	Reclassification	31.12.2013
Provision for inventory depreciation					
Raw materials	77	-	(67)	(9)	1
Work in progress	3	-	-	-	3
Finished products/goods	64	-	(28)	(6)	30
Total	144	0	(95)	(15)	34

18. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.12.2013	31.12.2012	Change
Current trade receivables:			
- from customers	100,632	100,635	(3)
- under collection and in portfolio	1,374	1,032	342
- from subsidiaries	812	439	373
- from parent Global Games S.p.A.	6	6	-
- Provision for doubtful debts	(42,168)	(34,521)	(7,647)
Total	60,656	67,591	(6,935)

Trade receivables included the balances as of 31 December 2013 due from operators for accepting bets (Bets and ADIs), net of the compensation due to those operators.
Trade receivables from customers also include the receivables subject to legal action in the amount of Euro 46,055 thousand (Euro 44,496 thousand).

The provision for doubtful debts was determined by evaluating the amount of potentially uncollectible receivables, analysing the specific conditions of the debtors and any guarantees given to the Company and by properly evaluating the chances of recovery of overdue receivables and disputes under litigation. Considering the company-backed guarantees obtained from debtors, directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

The changes in the provision for doubtful trade debts were as follows:

thousands of Euro	individually	collectively	total
As of 1 January 2012	29,078	773	29,851
Provisions for the year	6,125		6,125
Reclassification	935	(773)	162
Utilisation of provision	(1,617)		(1,617)
As of 31 December 2012	34,521	-	34,521
Provisions for the year	8,710		8,710
Reclassification	-		-
Utilisation of provision	(1,063)		(1,063)
As of 31 December 2013	42,168	-	42,168

As of 31 December 2013, the analysis of trade receivables overdue but not written down is as follows:

			Overdue but not written down		
thousands of Euro	Total	Not yet due/in bonis	0-90 days	90-180 days	>180 days
Total 2013	60,656	28,069	4,210	1,470	26,907
Total 2012	67,591	30,340	10,963	1,303	24,985

19. Other assets

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

thousands of Euro	31.12.2013	31.12.2012	Change
Other non-current assets			
Tax receivables:			
- from Inland Revenue Office for tax refund	62	62	-
- from Inland Revenue Office for taxes under dispute	114	73	41
- from tax office for taxes on assets	54	54	-
	230	189	41
Receivables from others:			
- Guarantee deposit	1,464	1,412	52
Trade receivables:			
- Assets/valuables in portfolio	510	545	(35)
Total other non-current assets	2,204	2,146	58

The increase in guarantee deposits comprise, among other, Euro 500 thousand related to the deposit paid to the company P4Pay S.r.l. for the guarantee on the PostePay cards, and Euro 500 thousand deposited in court, in favour of a customer, as a result of the malfunction of the VLT Barcrest platform. For further details, please refer to the section “Disputes brought by customers claiming to hold “alleged” winning tickets as a result of the malfunction of the VLT Barcrest platform”, included in Note 26.

Other current assets are composed as follows:

thousands of Euro		31.12.2013	31.12.2012	Change
Other current assets				
	Tax Receivables:			
-	- from Inland Revenue Office for IRES down payment /credit	725	918	(193)
-	- from Inland Revenue Office for IRAP down payment/credit	587	1,213	(626)
-	Other tax receivables	935	162	773
		2,247	2,293	(46)
Receivables from subsidiaries		2,346	1,631	715
Receivables from others:				
-	Entertainment machine guarantee deposit	14,064	14,181	(117)
-	Advance concession payment to AAMS	1,208	988	220
-	Receivables from AAMS for winnings on National Horse Races	104	81	23
-	Guarantee deposit for remote gaming (Skill/Bingo)	252	336	(84)
-	Receivables from Skill Games	41	180	(139)
-	Other receivables from Betting Acceptance Points	137	135	2
-	Receivables for AAMS positions related to purchases of business units	296	296	-
-	Receivables from AAMS in connection with Di Majo Award	-	9,940	(9,940)
-	Receivables from undue payment of interest and sanctions on flat-rate gaming tax (PREU)	2,114	2,114	-
-	Receivables from reimbursement of fees on guarantee	16	48	(32)
-	Receivables from Bluline electronic exchange	226	226	-
-	Welfare entities	56	55	1
-	Sundry receivables	3,307	1,889	1,418
-	Provision for doubtful debts from others	(2,145)	(2,196)	51
		19,676	28,273	(8,597)
Adjustment accounts				
-	Accrued income	16	16	-
-	Prepayments	3,520	4,444	(924)
		3,536	4,460	(924)
Total other current assets		27,805	36,657	(8,852)

The entertainment machines guarantee deposit of Euro 14,064 thousand (Euro 14,181 thousand) relates to 0.5% on the gaming transactions generated by the entertainment machines (AWP and VLT) in 2013, as described in greater detail in Note 3, “revenues from sales of goods and services.”

The Advance concession payment to AAMS, of Euro 1,208 thousand, includes the amounts paid in advance to AAMS for 2013 and relates to the concession fee for horse race. These receivables will be offset with the payments due for the year 2014. Further detail thereof is provided in Note 8.

In 2012, the Receivables from AAMS in connection with Di Majo 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. After reaching an agreement between the majority of participants in the award, SNAI S.p.A. undertook to act on behalf of the concession holders in handling the compensation that AAMS is to pay. The Di Majo Award was declared void and ineffective by the Appeal Court in Rome on 21 November 2013 (for further details reference is made to Notes 26 and 27). Receivables from AAMS in connection with Di Majo Award acquired by third parties, amounting to Euro 19,065 thousand, were used to offset fortnightly payments to AAMS, as from August 2012 and partially netted. As of 31 December 2012, the remaining amount not yet offset was equal to Euro 9,940 thousand. After the abovementioned sentence, as of 31 December 2013 Euro 2,948 thousand of these receivables were classified under trade receivables and the remaining amount, equal to Euro 16,117 thousand, under financial assets in escrow accounts (see Note 20).

The item “receivables from subsidiaries” in the amount of Euro 2,346 thousand includes the receivables from the subsidiaries Festa (Euro 707 thousand), Teleippica (Euro 1,460 thousand), Trenno (Euro 92 thousand) and Immobiliare Valcarenga (Euro 81 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 debts from third parties:

thousands of Euro	*individually*
As of 1 January 2012	2,799
Provisions for the year	353
Reclassification	(162)
Utilisation of provision	(794)
As of 31 December 2012	2,196
Provisions for the year	102
Reclassification	-
Utilisation of provision	(153)
As of 31 December 2013	2,145

Among the prepaid expenses, the table shows:
- Euro 2,888 thousand (Euro 3,818 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;
- Euro 459 thousand (Euro 356 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 Euro	31.12.2013	31.12.2012	Change
Current financial assets			
Shareholding former Soc. Fiorentina Corse Cavalli for exchange	1	1	-
Escrow account	6	7	(1)
Bank accounts	16,297	6,459	9,838
Unavailable bank current account balance	3,110	3,782	(672)
Financial current account with subsidiaries	7,748	3,941	3,807
Total other current financial assets	27,162	14,190	12,972

The escrow accounts were opened in order to manage the sums arising out of the netting between the amounts receivable from AAMS under the Di Majo award, and the liabilities for the collection of bets, due every two weeks (the “former ASSI fifteen-days payments”) (for further details see Note 19). The balances of these bank current accounts are unavailable while waiting for AAMS’s decisions after the judgement of the Milan Court of Appeal of 21/11/2013, which stated that the arbitration award issued on 26/05/2003 (known as “Di Majo Award) was void and ineffective.
The unavailable amounts on bank current accounts relate to amounts which are temporarily unavailable because of enforcement order of third party’s claims. It is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order.
Escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 35).

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

thousands of Euro	31.12.2013	31.12.2012	Change
Società Trenno S.r.l.	5,190	2,821	2,369
Teleippica S.r.l.	2,558	1,113	1,445
SNAI France S.a.	-	7	(7)
Total financial current accounts vis-à-vis subsidiaries	7,748	3,941	3,807

The account receivable against SNAI Olè in the nominal amount of Euro 791 thousand has been written down 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 Euro	31.12.2013	31.12.2012	Change
Demand-deposit bank and postal accounts	43,687	9,490	34,197
Cash on hand	173	99	74
Cash and cash equivalents	43,860	9,589	34,271
Bank overdrafts	-	-	-
Net cash and cash equivalents	43,860	9,589	34,271

22. Shareholders' Equity

The shareholders' equity in SNAI S.p.A. as of 31 December 2013, fully subscribed and paid in, amounts to Euro 60,748,992.20 and consists of 116,824,985 ordinary shares (116,824,985 ordinary shares as of 31 December 2012).
The holders of ordinary shares are entitled to receive such dividends as are resolved upon from time to time and are entitled to cast one vote at the Company's meeting for each share they hold.

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

The number of shares and share capital are unchanged with respect to 31 December 2012. The shares issued are all ordinary shares.
No shares are held by the company directly or via its subsidiaries or affiliates.

Reserves

Legal Reserve
The legal reserve amounts to Euro 1,559 thousand.
Share premium reserve
The share premium reserve, equal to Euro 108,282 thousand, was created following the share capital increase resolved on 14 September 2006, and concluded on 15 January 2007. The amount of that increase, of Euro 219,535 thousand, has been reduced by the ancillary charges, net of the tax effect related to the capital 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 fiscal year, as resolved by the shareholders' meeting of 29 April 2011; Euro 41,559 thousand to make up the loss of the 2011 fiscal year, as resolved by the shareholders' meeting of 27 April 2012 and Euro 46,063 thousand to make up the loss of the 2012 fiscal year, as resolved by the shareholders' meeting of 26 April 2013.

Cash Flow Hedge Reserve
The cash flow hedge reserve was negative for Euro 4,247 thousands and consisted of derivatives being taken directly to equity (see Note 32).

Reserve for the remeasurement of post-employment benefits (IAS 19)
The reserve for the remeasurement of post-employment benefits (IAS 19) is negative for Euro 111 thousand and is formed by recognition of actuarial gains/losses as of 31 December 2013.

Profit (loss) carried forward
As of 31 December 2013, the profit (loss) carried forward amounted to a loss of Euro 260 thousand.

23. Other comprehensive income/(loss)

The other components of comprehensive income relate to the recognition of derivatives directly in cash flow hedge reserve in shareholders' equity (for further detail see Notes 25 and 32) and to IAS 19 Employee Benefits.

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

thousands of Euro		Fiscal year 2013	Fiscal year 2012
Hedge derivatives:			
Adjustment to fair value interest rate swap		3,547	(3,931)
Tax impact		(975)	1,081
	(a)	2,572	(2,850)
Re-measuring of defined-benefit plans for employees (IAS 19):			
Actuarial gains/(losses)		87	(288)
Tax impact		(24)	79
	(b)	63	(209)
Total gain/(loss) for the year	(a+b)	2,635	(3,059)

24. Post-employment benefits

The Employee termination indemnities as of 31 December 2013 amounted to Euro 1,510 thousand against Euro 1,643 thousand as of 31 December 2012.

The following table shows the movements therein:

	thousands of Euro
Balance as of 01.01.2013	1,643
Utilisation	(90)
Financial expenses	44
Actuarial loss/(gain)	*(16)*
Actuarial loss/(gain) from change in demographic ass.	*-*
Actuarial loss/(gain) from change in fin. assumptions	*(71)*
Total actuarial loss/(gain)	(87)
Balance as of 31.12.2013	1,510

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

The main assumptions adopted are summarized in the following table:

Summary of Technical Economic Bases Financial assumptions

Financial assumptions	
Annual discount rate	3.17%
Annual inflation rate	2.00%
Rate of increase in post-employment benefits (TFR)	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 General Accounting Office of the State
Disability	INPS tables by age and gender
Retirement	100% achievement of requirements of the General Compulsory Insurance

Table of annual frequency of Turnover and Advances on TFR

Company	**Advances**	**Turnover**
SNAI S.p.A.	2.50%	4.00%

The sensitivity analysis for each actuarial assumption at year-end is given hereunder while highlighting the effects (in absolute terms) which would have occurred upon reasonable possible changes in actuarial assumptions on that date

Sensitivity analysis of the main evaluation parameters as of 31.12.2013
(amounts in thousands of Euro)

Change in assumptions	**Balance**
+1% on turnover rate	1,516
-1% on turnover rate	1,502
+1/4% on inflation rate	1,534
-1/4% on inflation rate	1,485
+1/4% on discount rate	1,474
-1/4% on discount rate	1,547

The average financial duration of the bond for defined-benefit plans as of 31 December 2013 equal to around 10 years.

The following table shows expected disbursements related to the plan:

	Expected disbursements
Years	**thousands of Euro**
1	117
2	111
3	108
4	101
5	96

25. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	31.12.2013	31.12.2012	Change
NON-CURRENT FINANCIAL LIABILITIES			
Secured bank loans	-	328,866	(328,866)
Bond loan	479,214	-	479,214
Payables for financial leasing	2,174	6,153	(3,979)
Interest Rate Swap	-	9,406	(9,406)
Total non-current financial liabilities	481,388	344,425	136,963

CURRENT FINANCIAL LIABILITIES

Current portion of senior bank loans	-	16,100	(16,100)
Secured bank loans	-	9,000	(9,000)
Due to “Betting Acceptance Points” for the purchase of horse race and sports Concessions business units	42	155	(113)
Payables for financial leasing	3,745	9,889	(6,144)
Due to banks	40	1,038	(998)
Due for interest on bond loans	3,661	-	3,661
Financial current account with Immobiliare Valcarenga S.r.l.	245	221	24
Financial current account with Festa S.r.l.	730	2,057	(1,327)
Total current financial liabilities	8,463	38,460	(29,997)

The financial liabilities include:

- The bond loans stipulated on 8 November and 4 December 2013 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 479,214 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These charges, equal to Euro 21,111 thousand, include professional fees related to the stipulation of the contracts, as well as the tax payable on the assumption of the loan, whose Euro 325 thousand have been charged to the income statement for the fiscal year 2013;
- financial liabilities for financial lease contracts, totalling Euro 5,919 thousand, mainly relate to the residual balances on contract for the acquisition of a building situated in Porcari (Lucca) and of technology for use in bet collection sales points, described in greater detail in Note 13, “Property, plant and equipment”;

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

On 8 November 2013, SNAI entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds (“Facility A” and “Facility B”), the issue of which was resolved on 5 November 2013 by the Company’s Board of Directors.

The “Facility A” bonds, issued in the amount of Euro 15,000 thousand, featured the following characteristics:

- issue price: equal to 100% the nominal value;
- Maturity: 12 months from issue, except advance reimbursement and redemption provisions and the option to extend the maturity date as set out by the regulation on the Bond Loan;
- coupon (quarterly): 3-month Euribor + 600 bps (with quarterly increase of further 50 bps until maturity, up to 800 bps maximum).

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

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

The regulation regarding Bond Loans, governed under the British law, provides that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the expiration or the advanced redemption of bonds, as well as restrictions in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advance redemption of bond/notes. The bonds/notes are not listed on any regulatory market nor in any Italian and EU multilateral systems for negotiations.

Gains from the Bond Loan have been utilised to refinance the company after the payment, made on 4 and 15 November 2013, of Euro 65,748 thousand (including interest) pursuant to Art. 14, par. 2-ter of Law Decree no. 102 of 31 August 2013 (converted in Law on 28 October 2013) for the settlement of the unfavourable appeal ruling no. 214 against the Company issued by the Lazio Section of the Court of Auditors on 17 February 2012.

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

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

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

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

On 27 November 2013, the Company entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as of 31 December 2013.

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

The loans subscribed in March 2011 were redeemed on 4 December 2013. The two hedging agreements on Interest Rate Swap transactions, were terminated in advance. These agreements were signed to hedge the interest rate on the redeemed loan.

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

amounts in thousands of Euro

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	**Date**	Disbursed amount
Senior Secured Notes	320,000	4 and 6 months	6 months	15.06.2018	Bullet	04.12.2013	320,000
Senior Subordinated Notes	160,000	5 years	6 months	15.12.2018	Bullet	04.12.2013	160,000
Facility B bonds	20,000	1 and 6 months	3 months	08.05.2015	Bullet	08.11.2013	20,000
Senior Revolving Facility	30,000		1, 3 or 6 months	15.06.2018	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Total	530,000				Total amount disbursed as of	31.12.2013	500,000

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

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

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

As of 31 December 2013, the provisions for risks and charges amounted to Euro 16,113 thousand; the changes in those provisions are detailed in the following table:

thousands of Euro	Tax disputes, litigations and contractual risks	Technological renewals	Total
Balance as of 31 December 2012	21,844	2,716	24,560
Provisions recognised in fiscal year	1,619	293	1,912
Net uses during the year	(10,359)	-	(10,359)
Balance as of 31 December 2013	13,104	3,009	16,113

Technological renewals

The provision for technological renewals consists of:

- Euro 2,829 thousand related to periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the telematic management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931, and following amendments and supplements;
- Euro 180 thousand for estimated costs of technological upgrades in gaming terminals.

Tax disputes, litigations and contractual risks

The provision for risks for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 13,104 thousand.

The accrual for the period of Euro 1,619 thousand concerns: with regards to Euro 660 thousand to ongoing negotiations with credit institutions related to sums erroneously charged by their computer systems, with regards to Euro 380 thousand to the tax assessments on IRES/IRAP and VAT and with regards to Euro 579 thousand to costs related to companies in liquidation.

The utilisation of Euro 10,359 thousand during the period relates to the following:

- for Euro 2,886 thousand to the definitive notification of the penalties and interest for the late payment of the Single Tax for the years 2009 and 2010: the total sum payable amounted to Euro 5,534 thousand, whose Euro 1,879 thousand paid in June and the remaining part will be paid in instalments (see Note 27);
- for Euro 3,412 thousand to the definitive notification of the penalties and interest for the late payment of the 2010 PREU, reclassified to other payables and with amount payable in instalments (see Note 27);
- for Euro 1,465 thousand to the penalties requested by AAMS for the Barcrest matter;
- for Euro 191 thousand to the balance of the 2012 PREU;
- for Euro 380 thousand to the final outcome of the Tax Assessment related to the year 2011;
- for Euro 1,797 thousand for legal fees;
- for Euro 228 thousand for other uses.

Disputes related to the entertainment device business (entertainment machine): 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 a notification from the Regional Prosecution Authority of the Lazio Court of Auditors, inviting it to present its arguments in respect of an investigation concerning a presumed loss of tax revenues resulting from the fact that only a part of its entertainment devices (entertainment machines) had been correctly connected to the national network (SOGEI) used by AAMS to calculate the PREU tax. The presumed loss to the Treasury was estimated at approximately Euro 4.8 billion, comprised entirely of penalties for the alleged breach by the concession holder of the minimum service levels specified in the concession agreement.

In the same month of June 2007, AAMS issued contractual penalty notices for a total of Euro 20 million, against SNAI.
SNAI, together with other concession holders, took the matter before the Italian Supreme Court (Corte di Cassazione), claiming that the Court of Auditors had no jurisdiction over the matter.
The Company has also lodged an appeal with the Regional Administrative Court (TAR) contesting the AAMS decisions.
At a hearing of 4 December 2008, the Lazio Court of Auditors' Jurisdictional Section ordered the suspension of the proceedings pending the ruling of the Supreme Court.
The Supreme Court 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), however the decision did nothing to diminish the ambiguity of the original claim for a loss of tax revenues, which in our legal advisors' view, renders the claim before the Court of Auditors now void, on the basis of recent changes in Italian legislation.
In addition to that assessment, It should be added that the substance of the loss claimed is groundless, as it cannot be shown to be related to the concession holders' conduct.

In any case, following the decision pronounced by the Supreme Court, the Court of Auditors has once more taken up the case, and on 24 March 2010 the Company received a summons from the regional prosecutor of the Court of Auditors to attend a hearing on 11 October 2010; the hearing ended, after lengthy discussion and argument with the prosecutor, with all of the proceedings being withheld for judgement. SNAI's legal counsel presented comprehensive arguments against all of the allegations, and the Court of Auditors has withheld judgement.
The ruling/ordinance issued by the Court of Auditors on that occasion called for an expert technical appraisal to be carried out by DIGIT-PA, with participation of the parties and the prosecutors, and assigning the deadline of 11 August 2011 for the filing of preparatory documents; this deadline was subsequently extended to the end of September. DIGIT-PA filed its technical report on 30 September 2011. The Company filed its own technical report on 27 October 2011.
At the hearing of 24 November 2011, legal counsels for the concession holders and the AAMS executives filed their defence, in reply to the allegations of the public prosecutor, who – the defendants learned only at the beginning of the hearing, and only because one of the judges mentioned the fact – filed additional evidence on 22 March 2011. The legal counsel of the concession holders filed a request for a delay, in order to consider the new evidence, and in view of the fact that it had been kept concealed despite the repeated declarations that no more evidence would be produced by the public prosecutor. The President of the Court was unwilling to uphold the request for a delay, and oral submissions were made, with a declaration that the defendants did not have the opportunity to respond to the evidence. The counsel of SNAI argued that the ruling could only be of non-condemnation if based on the new evidence, as a decision based on the evidence filed by the public prosecutor on 22 March 2011 would be void. Apart from this judicial accident, the defendants' counsel were fully able to argue in support of the other defence, in respect of the fairness of the hearing (inadequate, in SNAI's view, as the prosecution had merely notified SOGEI and brought no specific claim against), and the other inadequacies in the arguments of the public prosecutor.
On the merits of the claim, SNAI's arguments regarded the efficiency of the services, the inconsistency of an autonomous calculation of fines, different from the application of the contractual penalties falling within the jurisdiction of the Council of State (and which had repeatedly found such penalties to be unjustified), and finally, the groundless for asserting gross negligence.
Following this lengthy discussion the Court withdrew to deliberate on their ruling.
The ruling no. 214/2012, published on 17 February 2012, condemns all of the concession holders involved. SNAI was ordered to pay an amount of Euro 210 million (including monetary revaluation) plus legal interest from the date of the ruling, as 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 filed an appeal against the ruling no. 214/2012 on the grounds of multiple flaws.
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, and in any case for amounts likely to be reduced with respect to those set out in the judgement.
For these reasons, no provisions have been made in previous financial statements other than the estimated amount for legal fees.
In any case, taking advantage of the option permitted by article 14 of Law Decree no. 102/2013, without this being construed as constituting any admission of responsibility regarding the improper execution of their concession agreement, and due to their desire to eliminate the uncertainty deriving from the outcome of the judgement pending, on 15 October 2013 SNAI presented an application for the fast track option to conclude the dispute, offering to pay the 25% of the penalties imposed by the ruling no. 214/2012 and therefore the sum of Euro 52.5 million. Following the decision of the Council Chamber taken on 30 October 2013, the III Appeals Section of the Court of Auditors accepted the appeal and determined an amount of 30% of the penalties imposed by the Judgement, equal to Euro 63 million, in addition to legal interest and legal expenses in the amount of Euro 2,347.52. In the meantime the Law Decree no. 102/2013 has been converted into Law with amendments which affect both the percentage proposable in order to obtain the fast track option(reduced from 25% to 20%) and both the timing of the payment (no later than 4 November 2013); this requires that the Company shall deposit, within the said date of 4 November 2013, an additional application asking to be admitted to the abovementioned percentage reduction and attaching proof of payment of 20% of the penalties imposed by the ruling no. 214/2012 and equal to Euro 42 million, added with interest expense accrued and legal expenses. With Decree no. 19 dated 8 November 2013, the III Appeals Section of the Court of Auditors rejected the request for review and confirmed the ruling issued by the Court on 30 October 2013. On 15 November 2013, SNAI therefore supplemented the payment of Euro 43,800,821.92, made on 4 November 2013, with a further amount of Euro 21,947,876.71.
Following the hearing on the appeal held on 31 January 2014, the Court of Auditors, Jurisdictional Section III, with ruling no. 46/2014 defined the extinction of the judgement with respect to SNAI.

The parallel legal action, brought by SNAI and other concession holders to assess the ineffectiveness of the summons by reason of their inconsistency with Art. 17, par. 30-ter of the Law Decree no. 78/09 (Bernardo Award), was concluded with ruling no. 573 of 10 September 2013 in which the Court of Auditors, Jurisdictional Section III, confirmed rejection of the invalidity request of proceedings. However, the Court partly amended the grounds of the first instance order.

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 no. 2728 of 1 April 2008, now res judicata. As regards the first group of three objections - regarding the alleged delay in start-up, activation and running of the Network - AAMS issued the related penalties with notices 33992/Giochi/UD on 2 September 2008, 38109/Giochi/UD on 1 October 2008, and 40216/Giochi/UD on 16 October 2008, for a total amount of over 2 million Euro, served to SNAI, which objected these proceedings before the Lazio Regional Administrative Court (TAR).

The Lazio Regional Administrative Court ruling no. 12245/2009 of 1 December 2009, which rejected this second appeal, as it did for the appeals of the other nine Concession holders, has been objected by SNAI. The hearing was held on 20 March 2012 and, by virtue of its ruling no. 2192/2012 of 16 April 2012, the Council of State declared the orders to pay the first three penalties null and void.
On 23 June 2012, a third party statement of claim was served upon the Company by SOGEI S.p.A. against ruling no. 2192/2012. SNAI will file its appeal within the legal terms in view of the fact that the hearing has been fixed on 13 May 2014.

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, which it calculated as a total of Euro 8,480,745.00 (reduced to Euro 7,463,991.85 to meet the reduced ceiling for the year 2005 on the assumption that the Council of State confirms the first three penalties).

SNAI, as a result of partial access to the computer database compiled by SOGEI S.p.A., with its brief of 8 June 2011, nevertheless made point-by-point defensive arguments concerning the method and substance, the reliability and correctness of the charges, reserving the right to expand on those arguments upon gaining complete access to the records.
On 28 September 2011 access to the information was supplemented by remote queries via the access gateway.
The information extracted is covered in the technical opinion of Prof. Listanti, which formed the basis for the drafting of a supplementary brief filed with AAMS on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February, the AAMS imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of Euro 8,408,513.86.
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.
On 20 February 2013, the hearing was held, and on 17 June 2013, ruling no. 6028/2013 was deposited.
With this sentence the Second Section of the Lazio Regional Administrative Court (TAR) upheld SNAI's appeal and, consequently, annulled the AAMS penalty.
On 28 January 2014, SNAI was served with the notice of ADM's appeal against the ruling no. 6028/2013.
SNAI will file a cross-appeal to the ruling no. 6028/2013.

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

Disputes concerning the entertainment machines business: PREU risk fund

It should be noted 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 2009. We shall now report the latest developments regarding 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-rate 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 Euro 729 thousand, with interest due of Euro 451 thousand and ordinary penalties of Euro 11,780 thousand which, reduced by one sixth, amounts to Euro 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 Euro 243 thousand plus interest due of Euro 151 thousand and reduced penalties for Euro 556 thousand, for which payment in multi-annual 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 an "amicable" settlement in relation to the PREU due for the year 2007. The amount claimed is approximately Euro 2.8 million for PREU and Euro 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 Euro 646 thousand for PREU tax and a total of Euro 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 indicated a further sum that SNAI could pay by way of "amicable" settlement in relation to 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, the Company received a final demand for the 2008 PREU in a total amount of Euro 183 thousand (Euro 45 thousand for PREU, Euro 105 thousand in penalties and Euro 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 Euro 64,137.09 in PREU, Euro 20,486.38 in interest and Euro 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 Euro 137,907.91 (Euro 25,394.40 in PREU, Euro 5,227.96 in interest and Euro 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 AAMS 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 Euro 21,947.21 and, on the other hand, reduced penalties in the amount of Euro 2,933,107.07 and interest in the amount of Euro 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 27 June 2013, SNAI received the definitive request related to the 2010 PREU for Euro 478,743.04 of interest and Euro 2,932,904.43 of reduced penalties. SNAI's request to pay these sums by instalment was accepted.
The Directors accrued a specific provision as of 31 December 2012 related to this liability and in 2013 the provision has been reclassified as other current liabilities.

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

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

By Decree of the President of the Lazio Section of the Court of Auditors the reporting trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the status ascribed to it, since it does not handle public money subject to the PREU tax. On 27 April 2010 the Regional Prosecutor sent a summons for a hearing to sentence SNAI for non-reporting. The Court, at the preliminary for appearance and discussion held on 7 October 2010 regarding the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments for and against SNAI and the other concession holders who underwent the same proceeding.
The attorneys developed analytical arguments on the substantial 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 notice of the Prosecutor's appeal.
In the view of the Company's legal advisors, the grounds of the appeal may be reasonably overcome; on that basis, technical defences have been prepared for the hearing scheduled for 13 March 2013. At the hearing of 13 March 2013, the matter was deferred to a new hearing on 18 December 2013 and the decision was upheld.
As it did for the appeals of other concession holders, with ruling no. 5 of 3 January 2014, the Court of Auditors deemed that the accounting default claimed by the Prosecutor was actually present. The fine, however, was remarkably reduced from hundreds of millions euros to Euro 5,000.00, thus accepting the correct calculation of the fine claimed by SNAI.
The Company is now evaluating whether there is ground for a possible appeal before the Court of Appeal against the unfavourable, although reduced, order to pay Euro 5,000.00 once the reasons for the sentence are known.

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

Malfunctioning of the Barcrest VLT platform (16 April 2012)

On 16 April 2012, an anomalous peak of "jackpot" payment requests occurred on the Barcrest System (one of the VLT platforms that the Company used at such time), in connection with tickets which were only apparently winners, for various sums both within and even well beyond the legal limit of Euro 500,000.00.
As a result of that episode - and as a result of the AAMS order to block the system - SNAI S.p.A. immediately blocked access to the Barcrest System to perform the necessary verifications and inspections since the aforementioned date, since the Barcrest System has not been put back into operation. From the controls carried out, including controls by independent computer experts, it emerged that no Jackpot win was generated by the Barcrest System during the course of the entire day of 16 April 2012.

This event 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 revocation 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, prohibiting gaming on that system, which SNAI had already blocked as of 16 April 2012. SNAI has already fulfilled its duties as required under the regulations and the terms of the concession, for the removal of the Barcrest devices from sales points.

The procedure related to the possible expiration of the concession ended with a decision, ref. 2013/8342/Giochi/ADI, served to the Company on 22 February 2013, under which AAMS determined on no revocation of the concession, and limited to the application of certain contractual penalties for a total amount of approximately Euro 1.5 million.
With notice 2013/2070/Giochi/ADI of 11 June 2013, served to the Company on 18 June 2013, AAMS determined in Euro 1,465,000.00 the final penalty to be paid by SNAI for within 60 (sixty) days from the notice.
SNAI paid within the terms.

- Disputes brought by customers claiming to hold "alleged" winning tickets as a result of the malfunction of the VLT Barcrest 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 seeking payment of the amounts indicated on the tickets issued by the Barcrest VLTs during the malfunction and/or compensation for the damage sustained.
In particular, as of 31 December 2013, 88 sets of proceedings had been brought. Of the 88 proceedings, ten interim orders that were temporarily enforceable, are as follows:
- in two cases, the gamers obtained an award of about Euro 500,000,00. In one of these cases SNAI obtained the suspension of the interim order's enforceability and applied for a distraint order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI's payment to the court of Euro 500,000.00;
- in the remaining six cases, temporary enforceability was suspended pending summary examination of the substantive case, and in five of those, the enforcement procedure started was i) discontinued in one case, ii) suspended in two cases, iii) still pending in another case.

It should be also pointed out that one case has in the meantime become extinct due to inactivity on the part of the player.

After 31 December 2013, a further legal proceeding was brought before the Court through an appeal pursuant to Art. 702 of the Italian Code of Civil Proceedings.
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. The summoned companies appeared before the Court to challenge SNAI’s claims and asking the payment of alleged amounts receivable and of damage to be determined in the course of the proceedings.

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

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

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

Disputes related to the betting business: Guaranteed minimum service levels

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

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

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

A similar procedure was performed for the AAMS’ demand for 2009 in relation to 204 horserace betting concessions for a total amount of Euro 7.4 million, against which an interim application was brought before the Lazio Regional Administrative Court, with a view to accelerating resolution of the dispute.
Following numerous litigation brought before the same court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the court pronounced the Sentences Nos. 6521 and 6522 of 7 July 2009, cancelling the request of payment of AAMS as illegitimate, on the basis that such requests were not anticipated by the safeguard measures set out in the law in respect of those concession holders existing prior to the opening of market pursuant to Law Decree no. 223/06 (the so-called Bersani reform). The Court also declared that AAMS was legally obliged to adopt those measures, in order to achieve a re-equilibrium of the operating conditions of the concessions in place prior to these reforms.
Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by AAMS in view of the adoption of such safeguard measures.

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

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

On 12 January 2012, AAMS notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - two requests addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests of minimum guaranteed amounts for the years 2006-07-08-09-10 for a total amount of Euro 25,000 thousand on the assumption that the "safeguarding methods", previously not in place, had expressly been provided for by Article 38 (4) of Law Decree no. 223/06; it now became apparent, however, that it was impossible adopt a standard for calculating minimum guaranteed amounts other than the standard that had already been repeatedly censured by several Lazio Regional Administrative Court rulings, some of which have now become res judicata. SNAI submitted an appeal to the Lazio Regional Administrative Court for the annulment of those orders after suspending their immediate enforceability pending the final ruling. The hearing for discussion of the interim application was set for 21 March 2012.
By virtue of order no. 1036/2012 of 22 March 2012, the Second Section of the Lazio Regional Administrative Court, also acknowledging the steps taken to resolve the longstanding question of the safeguarding measures, temporarily suspended the effectiveness for the new requests to pay the minimum guaranteed amounts for 2006-2010, fixing the hearing on 5 December 2012.

On 20 June 2012, AAMS served to SNAI, in addition to another notice served to the former Agenzia Ippica Monteverde S.r.l., 226 - payment requests for integrations to minimum guaranteed amounts for the years 2006-07-08-09-10-11, for an aggregate amount of Euro 24.9 million.
Compared to the previous round of demands of January 2012, this one, on the negative side, shows the addition of the supplements owed for the year 2011, which had not yet been demanded by AAMS and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.
This Article has provided, in respect of to the "*amounts for collection pursuant to article 12 of the Presidential Decree no. 169 of 8 April 1998, as amended (the* "*minimum guarantee amounts*")", "*the equitable definition, of a reduction not higher than 5 per cent of the sums still payable by the concession holders, pursuant to said Presidential Decree no. 169 of 1998, with identification of the modalities of payment of such sums, and adjustment of the guarantees*".
On 20 July 2012, an application was made to the Lazio Regional Administrative Court for the interim suspension and subsequent cancellation of those requests of payment.
Following the hearing on 12 September 2012, the Second Section of the Lazio Regional Administrative Court ruled that the notices amounted to simple offers of settlement, and did not have the effect of further requests, where not accepted by the concession holder. This interpretation of the requests received and the underlying Law Decree 16/2012 leaves the Company open to defend any attempt to that AAMS might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that AAMS issued on 30 December 2011, already suspended on an interim basis by the same court, in order no. 1036/2012.
Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by AAMS only on 7 August 2012.
At the hearing scheduled for 5 December 2012, together with that already fixed in connection with the appeals against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

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

Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012 for lack of interest in the lawsuit
For the entire duration of the proceedings before the constitutional courts, the suspension of the proceedings continues to operate, to the benefit of SNAI, preventing AAMS from enforcing the requests. The hearing before the Court was held on 8 October 2013 and the decision was upheld. With ruling no. 275 of 20 November 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, le. b) of the Law Decree no. 16/2012 as regards the wording "*not higher than 5 per cent*".
The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "*not higher than 5 per cent*".
On 6 June 2013, SNAI was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of Euro 3,328,018.72. As for previous notices, SNAI objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.
The Company, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests that have been brought by AAMS only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the A WP quotas

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

Other Disputes

SNAI/Omniludo S.r.l.

- 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 29/6/2005", petitioning the court:
  to declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29/6/2005; to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.
  The case was investigated and the hearing was postponed to 10/12/2010 to allow for clarification of the pleadings and then postponed again ex officio to 17/06/2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10). The Court reserved the decision.
  Through a decision on 10 February 2012, the Court ordered the case to be submitted to the President of the section, for a decision on consolidation, or reassignment to Dr. Capozzi, who carried out the proceedings.
  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 with a view of their 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 29/06/2005 to be terminated on the grounds of Omniludo's serious breaches of its contractual and statutory obligations;

3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca 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 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 with a view of 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 still awaited.
By order of 23/04/2012, 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. On the above hearing, the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on 17 March 2014. For this hearing, the Judge granted legal time limits for the filing of closing briefs.

Stefano Tesi vs. SNAI

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

SNAI appeared before the Court, opposing the above claims both in fact and in law, as under mandatory provisions of law a VLT may not pay out winnings in excess of Euro 500,000.00, and in turn suing the manufacturer of the VLT in question, as the event was probably due to a defect in the machine. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 03/07/2012. At that hearing, at which the BARCREST Group appeared, the Court withheld its decision. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 09/10/2012 in accordance with 183 of the c.c.p. At that hearing the case was postponed until 12/03/2013 for admission of pre-trial motions. At the hearing of 12/03/2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. At the hearing of 28/05/2013, the case was postponed to 02/07/2014.
SNAI, with the support of the advice from its legal advisers, believes that there is a risk of losing the case, not for the sum claimed by the claimant, but rather up to the maximum amount of a Jackpot winnings i.e. Euro 500,000.00.
The above opinion is also in consideration of the counterclaim filed by SNAI against the manufacturer Barcrest Ltd as guarantor for any payment that SNAI might be obliged to effect pursuant to Tesi's claim.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on 14 March 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in court in due form, stating its own defence and objecting that the plaintiff's claims are unfounded. Following the hearing on 15 February 2013, the Investigating

Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to another judge on 7 June 2013 who postponed the hearing until 11 October 2013. In the meantime, AINVEST filed a petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of 11 October 2013 the Judge ordered the appointment of an interpreter, setting the new hearing on 16 May 2014.
Supported by the opinion of its legal advisers, the Directors assessed the risk of losing the case as more than possible.

Potential assets: Receivables from the Di Majo Award

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

The matter had a first conclusion in 2003 with the "Di Majo award", under which an Arbitration Panel, chaired by Prof Di Majo, and called to resolve the dispute, found that the Ministries were liable and ordered them to compensate the concession holders.
The compensation awarded to SNAI by 30 June 2006 would be on the order of Euro 2,498 thousand.
The compensation for the following years has not yet been determined in its entirety.
The defeated Ministries filed an appeal against that ruling before the Rome Court of Appeal.
At the trial scheduled for 14 December 2012, the judgement on the case was reserved.

In addition to those legal events, on 22 June 2010 Assosnai (Association of the category of concessionaires) sent AAMS a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to AAMS (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.
AAMS addressed a formal legal query to the State Attorney General regarding the memoranda sent by Assosnai and informed Assosnai that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.
To date, the settlement agreement has not yet been signed.

Offsetting of the accounts receivable from the Di Majo Arbitration has already been authorised by a decree issued by the AAMS in any case, and SNAI has arranged for such offsetting in the amount of Euro 2,498 thousand regarding the receivables directly attributable to SNAI as concession holder.
Based on the above authorisation for offset, some subjects who are no longer concession holders, assigned their receivables resulting from the Di Majo Award to SNAI which provided for the offsetting of the entire amount of receivables acquired, in the amount of Euro 19,065 thousand. The consideration paid for these receivables has been temporarily put into an escrow accounts awaiting for the pronouncement of the Court of Appeal of Rome, or, in any case of the final decision
With ruling no. 2626 of 21 November 2013, the Court of Appeal in Rome sentenced that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence.
SNAI will file recourse to the Higher Court (Cassazione).

Allegations by AAMS regional offices related to the 2006 PREU

This dispute regards 41 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.
The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties + Euro 593,449.09 in PREU) plus interest.
SNAI has filed an appeal with the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:
- in relation to 4 notices of assessment, AAMS has issued a decision for their cancellation (and setting aside)
- in relation to 1 proceeding, the suspension was accepted and CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional CTP. A hearing is to be fixed for 15 proceedings, the suspension was accepted and at the hearing

of 5 June 2013, the Court reserved its decision. On 24 July 2013 the Court lifted its reservation and rejected the recourse filed by SNAI. SNAI will file an appeal against the abovementioned rulings before the Regional CTP.

- for 2 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. Against the abovementioned 15 judgements, AAMS appealed to the relevant Regional Tax Commission, of which 7 were concluded with the confirmation of the first instance proceeding thus rejecting ADM's request.
- SNAI has filed its own defensive briefs. A new hearing has to be set.
- for 1 proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed.

With the support of the advice of the Company's legal advisers, the Directors have assessed the risk of to lose the pending cases as possible.

Allegations by AAMS' regional offices related to the 2007 PREU

This dispute regards 12 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.
The aggregate amount of penalties and PREU tax amounts to Euro 82,101.58 (Euro 49,683.24 as penalties + Euro 32,418.34 as PREU), plus interest.
SNAI has filed an appeal with the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:

- for 1 assessment notice, AAMS issued a decision for its cancellation (and setting aside)
- for 2 proceedings, the ruling has been issued upholding the appeals filed by SNAI with ruling no. 62/13. Two appeals before the competent Regional Tax Commission were filed. SNAI filed counter-appeals and the hearing is to be set;
- for 8 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.
- for 1 procedure, on 4 July 2013 after brief discussion the CTP reserved on the decision. A new hearing has to be set. Upon lifting of its reservation, the CTP rejected the suspension request and postponed the discussion to a new hearing.

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

Allegations by AAMS' regional offices related to the 2008 PREU

This dispute regards 8 notices issued by the regional offices of ADM (formerly AAMS), which set out the counter readings of the entertainment machine pursuant to article 110, paragraph 6 a, of the Italian law "TULPS" (AWP). The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.
In particular:
- in relation to 2 notices the amount of which is still undetermined, for which SNAI filed defensive briefs before the competent CTP. The Company is still awaiting for the outcome of the evaluation;
- in relation to 4 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of around Euro 102,000.00. The hearing is still to be set. SNAI intends to file an appeal against the above notices before the competent CTP;
- in relation of 2 assessment notice, for a total amount of Euro 180,003.14, regarding a penalty and Euro 100,378.14 regarding the PREU tax. SNAI filed an appeal against the above notices before the competent CTP A new hearing has to be set.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 73 notices served by various regional offices of ADM (formerly AAMS) in which ADM contested the installation of a number of AWP in excess of the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable SNAI is evaluating each single contestation in order to decide whether to pay the reduced sum or whether to deposit objections. After 31 December 2013, 21 notices were served.

Quotes of 2 October 2012

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

Certain gamblers have filed legal actions to obtain payment of their winnings.
SNAI is preparing its defence, also in consideration of legal precedents favourable to other concession holders that have published quotes with recognisable errors, and the company will appear in the judgements.
In some cases, however the players have brought a complaint before the Commission for the transparency
of the games at AAMS requesting payment of their winnings. With the rulings no. 4/2013, 5/2013 and no. 6/2013 published on 29 April 2013, the Commission has upheld three complaints; payment has been sought from ADM. With an appeal to the Lazio Regional Administrative Court filed on 14 November 2013, SNAI objected the order with which ADM required the payment to one of the complainants.
Considering the nature and the characteristics of the AAMS notices, SNAI decides to not appeal them, but to brought a complaint before the Judicial Authority to obtain the negative official recognition of the payment obligation to the players.

27. Sundry payables and other liabilities

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

thousands of Euro	31.12.2013	31.12.2012	Change
Tax payables			
- instalments on assessment notice	452	1,429	(977)
- Instalments of flat-rate tax	593	-	593
	1,045	1,429	(384)
Other payables			
- instalments related to PREU for previous years	2,567	509	2,058
	2,567	509	2,058
Total sundry payables and other non-current liabilities	3,612	1,938	1,674

Other current liabilities are composed as follows:

thousands of Euro	31.12.2013	31.12.2012	Change
Tax payables			
- Income tax	-	709	(709)
- VAT	2,228	562	1,666
- Flat-rate Tax	4,757	5,205	(448)
- Other tax payables	1,391	1,519	(128)
- Instalments of flat-rate tax	1,636	-	1,636
- Instalments on assessment notice	1,347	3,119	(1,772)
	11,359	11,114	245
Payables to soc. sec. entities			
- Welfare entities	1,855	1,531	324
	1,855	1,531	324
Payables to subsidiaries	5,301	2,783	2,518
Other payables			
- to AAMS for outstanding PREU	14,944	16,252	(1,308)
- to AAMS for guarantee deposits ADI	2,417	2,705	(288)

- instalments related to PREU for previous years	1,103	499	604
- to winners and VLT jackpot reserve	10,531	7,401	3,130
- to entertainment machine managers	3	-	3
- to AAMS for Concession Payment	1,449	1,622	(173)
- to gamblers for wins and refunds on national horseracing/sports forecast bets	1,597	2,281	(684)
- to MIPAAF (former ASSI) for fortnightly payments	1,078	1,511	(433)
- to AAMS for expired tickets	479	328	151
- to AAMS for Sports Forecast and National Horseracing Betting Concession	3,136	4,195	(1,059)
- for SNAI Card gaming bards	5,831	5,428	403
- to gamblers for antepost bets	1,762	2,484	(722)
- to gamblers for wins in virtual events	47	-	47
- to Remote Gaming players (Skill/Casino/Bingo)	132	182	(50)
- for management of remote gaming (Skill/Casino/Bingo)	1	-	1
- for assignment of Di Majo Arbitration receivables	-	10,837	(10,837)
- to AAMS	21,564	8,795	12,769
- for non-competition agreement	167	503	(336)
- to employees and collaborators	3,126	1,687	1,439
- to directors	760	552	208
- to auditors	162	159	3
- to suppliers of subsidiaries	65	-	65
- for guarantee deposits	2,281	2,395	(114)
- to others	2,489	1,458	1,031
	75,124	71,274	3,850
Accrued liabilities and deferred income:			
- accrued liabilities	34	56	(22)
- deferred income	33	55	(22)
	67	111	(44)
Total payables and others current passivity	93,706	86,813	6,893

The instalments payable on the tax assessment notice of a total of Euro 1,799 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which amount Euro 452 thousand is due within more than 12 months and Euro 1,347 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 21 February 2012 (for the year 2009), 5 July 2012 (for the year 2010) and 26 July 2013 (for the year 2011), in which it was also agreed to the extend payment through 12 quarterly instalments.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 2,229 thousand, of which Euro 593 thousand being due after one year and Euro 1,636 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

The increase in the PREU payables, due to the instalments paid for prior years, equal to Euro 2,662 thousand, relate to interest and fines for delayed payment of the 2010 PREU tax. The amount due amounted to Euro 3,412 thousand and was allocated to the provision for risks.

The Other payables to AAMS item, totalling Euro 21,564 thousand, relates to drawdowns which were offset by receivables (acquired or original) from the Di Majo Award. On 21 November 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations have been cancelled. When ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 19.

The payables to AAMS for outstanding PREU, in the amount of Euro 14,944 thousand, is calculated from the entertainment machine transactions ADI).

28. Trade payables

The trade payables are composed as follows:

thousands of Euro	31.12.2013	31.12.2012	Change
Trade payables			
- to suppliers	29,914	27,130	2,784
- to foreign suppliers	3,967	5,046	(1,079)
- to suppliers of subsidiaries	1,005	785	220
- to suppliers of associates	43	43	-
- to suppliers of affiliates	183	215	(32)
Total trade payables	35,112	33,219	1,893

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 Euro	Balance as of 31.12.2013	of which due on 31.12.2012
Current liabilities		
Financial payables	8,463	
Trade payables	35,112	4,515
Tax payables	11,359	
Payables to soc. sec. entities	1,855	
Other payables	80,492	
	137,281	4,515

Overdue trade payables as of 31 December 2013, equal to Euro 4,515 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 December 2013. 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 Euro 157,097 thousand (versus Euro 186,314 thousand) and relate to:

Bank	**Beneficiary**	**Subject matter of the guarantee**	**Amount of bank guarantee as of 31/12/2013 (thousands of euro)**	**Amount of bank guarantee as of 31/12/2012 (thousands of euro)**
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.	35,905	35,895
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	17,428	18,134
UNICREDIT	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	15,120	0
UNICREDIT	AAMS	Guarantee securing the concession for the acceptance of horse race bets	12,359	13,590
BANCA POP. DI VICENZA (ex B. NUOVA)	AAMS	Guarantee of the timely and exact payment of PREU	10,000	10,000
CR DI PISTOIA E DELLA LUCCHESIA (ex CRF)	AAMS	Guarantee of the timely and exact payment of PREU	6,000	6,000
UNICREDIT	AAMS	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT, AWP devices.	6,000	6,000
UNICREDIT	MIPAAF	For the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387
CREDART	AAMS	For the timely and exact payment of PREU	5,000	5,000
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
BINTER	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	2,380	0
BPM	AAMS	Guarantee securing the timely and exact payment of the concession instalment	2,057	2,057
CREDART	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	1,960	0

CASSA DI RISPARMIO DI SAVONA	HIPPOGROUP ROMA CAPANNELLE	Pro-quota, several/non-joint bank guarantee in the interest of Hippogroup Roma Capannelle for the opening of a bank credit line EEPP	1,389	1,389
UNICREDIT	AAMS	On-line games	1,380	1,771
UNICREDIT	AAMS	Guarantee securing the exact and timely payment of PREU	994	994
BPM	AAMS	Securing the debt owed to the Revenues Agency and Unire, as security backing concession 1507	230	230
UNICREDIT	E-CARE SPA	To cover legal fees and expenses resulting from the settlement of pending causes after the transfer contract of the outbond branch of Festa	220	0
UNICREDIT	AAMS	In addition to annual commissions, 19/11/2007 UNA-TANTUM (one-off tax), equal to Euro 145,000 to distribute over a period from 15/11/2007 to 30/06/2013. Decrease of rate from 2% to 1%.	0	7,652
UNICREDIT	AAMS	For application to participate in tender Slot	0	6,000
CR DI PISTOIA E DELLA LUCCHESIA	AAMS	Sports concession	0	5,000
CREDART	AAMS	Guarantee securing the payment on the agreed dates of the instalments related to debts accrued by the concession holder towards the revenues agency and UNIRE	0	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)	0	2,900
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)	0	2,500
CREDART	AAMS	Guarantee securing the proper performance of activities and functions assigned, timely and exact payment of the tax and the amounts owed to UNIRE	0	2,202
MPS	AAMS	Horse race concession	0	2,131
UNICREDIT	INLAND REVENUE OFFICE FOR PVC	Guarantee securing debt following the assessment with settlement pursuant to Legislative Decree No. 218/1997, PVC filed on 01/12/2009. The amount of €7,627,931.81 should be paid in 12 quarterly instalments	0	1,928
BNL	AAMS	Sports concession	0	1,923
BPM	AAMS	Horse race concession	0	1,704
MPS	AAMS	Horse race concession	0	1,573
BPM	AAMS	Horse race concession	0	1,259

BINTER	MIPAAF	Temporary guarantee 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	0	1,200
BINTER	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)	0	1,200
B.INTESA	AAMS	Horse race concession	0	1,163
MPS	AAMS	Sports concession	0	1,000
UNICREDIT	AAMS	for concessions 223, 465, 1258, 3702, 3539, to guarantee sports concession obligations.	0	344
UNICREDIT	MIPAAF	For agency 257	0	317
UNICREDIT	MIPAAF	For agencies 223 and 465	0	283
MISCELLANEOUS (incr. lower than Euro 200 thousands)			728	638
MISCELLANEOUS (decr. lower than Euro 200 thousands)			0	1,407
TOTAL			**157,097**	**186,314**

As regards the issue of the Bond Loan on 4 December 2013, on the Senior Secured Notes and the Loan Contract for Senior Revolving, the Company provided for a series of collaterals on the major assets owned by the Company.

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 relationships 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. 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.

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

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

thousands of Euro	**31.12.2013**	**% Impact**	**31.12.2012**	**% Impact**
Trade receivables:				
- from Global Games S.p.A.	6	0.01%	6	0.01%
- from Società Trenno S.r.l.	673	1.11%	359	0.53%
- from Festa S.r.l.	19	0.03%	17	0.03%
- from Immobiliare Valcarenga S.r.l.	4	0.01%	4	0.01%
- from Teleippica S.r.l.	116	0.19%	59	0.09%
- from companies related to shareholders	-	0.00%	31	0.05%
Total Trade receivables	**818**	**1.35%**	**476**	**0.72%**
Other current receivables:				
- from Società Trenno S.r.l.	96	0.35%	6	0.02%
- from Festa S.r.l.	710	2.55%	709	1.93%
- from Immobiliare Valcarenga S.r.l.	82	0.29%	62	0.17%
- from Teleippica S.r.l.	1,460	5.25%	857	2.34%
- to Alfea S.p.A.	1	0.00%	-	0.00%
- to companies related to shareholders	-	0.00%	3	0.01%
Total other current assets	**2,349**	**8.44%**	**1,637**	**4.47%**
Financial receivables:				
- from Società Trenno S.r.l.	5,190	19.11%	2,821	19.88%
- from Teleippica S.r.l.	2,558	9.42%	1,113	7.84%
- from SNAI France	-	0.00%	7	0.05%
Total financial receivables	**7,748**	**28.53%**	**3,941**	**27.77%**
Total Assets	**10,915**	**1.43%**	**6,054**	**0.82%**
Trade payables:				
- to companies related to shareholders and directors	764	2.18%	-	0.00%
- from Società Trenno S.r.l.	143	0.41%	15	0.05%
- from Festa S.r.l.	522	1.49%	516	1.55%
- from Teleippica S.r.l.	340	0.97%	254	0.76%
- from Connext S.r.l.	183	0.52%	212	0.64%
- from Tivu + S.p.A. in liquidation	43	0.12%	43	0.13%
- to Alfea S.p.A.	-	0.00%	3	0.01%
Total trade payables	**1,995**	**5.69%**	**1,043**	**3.14%**
Other current liabilities				
- to companies related to shareholders and directors	21	0.02%	1	0.00%
- from Global Games S.p.A.	6	0.01%	6	0.01%
- from Società Trenno S.r.l.	4,762	5.08%	2,593	2.99%
- from Festa S.r.l.	551	0.59%	194	0.22%
- from Immobiliare Valcarenga S.r.l.	1	0.00%	1	0.00%
- from Teleippica S.r.l.	6	0.01%	5	0.01%
- to companies related to shareholders	45	0.05%	-	0.00%
Total Other Current liabilities	**5,392**	**5.76%**	**2,800**	**3.23%**
Current financial payables:				
- from Festa S.r.l.	730	8.63%	2,057	5.35%
- from Immobiliare Valcarenga S.r.l.	245	2.89%	221	0.57%
Total current financial payables	**975**	**11.52%**	**2,278**	**5.92%**
Total Liabilities	**8,362**	**1.21%**	**6,121**	**1.06%**

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 Euro	**Fiscal year 2013**	**% Impact**	**Fiscal year 2012**	**% Impact**
Income from services and chargebacks:				
- to companies related to shareholders and directors	-	0.00%	198	0.04%
- from Società Trenno S.r.l.	2,424	0.52%	2,696	0.55%
- to companies related to shareholders	-	0.00%	20	0.00%
Total income from services and chargebacks	**2,424**	**0.52%**	**2,914**	**0.59%**
Other income				
- to companies related to shareholders and directors	2	0.09%	1	0.02%
- from Global Games S.p.A.	6	0.26%	6	0.14%
- from Società Trenno S.r.l.	1,122	47.99%	2,853	67.45%
- from Festa S.r.l.	115	4.92%	106	2.51%
- from Mac Horse S.r.l.	-	0.00%	24	0.57%
- from Immobiliare Valcarenga S.r.l.	12	0.51%	11	0.26%
- from SNAI Olé S.A.	-	0.00%	1	0.02%
- from SNAI France	-	0.00%	1	0.02%
- from Faste S.r.l. in liquidation	-	0.00%	1	0.02%
- from Teleippica S.r.l.	465	19.89%	502	11.87%
- to companies related to shareholders	-	0.00%	130	3.07%
Total other income	**1,722**	**73.66%**	**3,636**	**85.95%**
Interest income:				
- to companies related to shareholders and directors	-	0.00%	17	1.40%
- from Società Trenno S.r.l.	272	16.12%	207	17.04%
- from Festa S.r.l.	-	0.00%	1	0.08%
- from Faste S.r.l. in liquidation	-	0.00%	8	0.66%
- from Teleippica S.r.l.	155	9.19%	6	0.49%
Total interest income	**427**	**25.31%**	**239**	**19.67%**
Total income	**4,573**	**0.98%**	**6,789**	**1.36%**
Costs of services and chargebacks:				
- from companies related to shareholders and directors	648	0.20%	8,807	2.29%
- from Società Trenno S.r.l.	399	0.12%	274	0.07%
- from Festa S.r.l.	5,324	1.65%	4,920	1.28%
- from Mac Horse S.r.l.	-	0.00%	230	0.06%

- from Teleippica S.r.l.	2,361	0.73%	2,261	0.59%
- from Connext S.r.l.	619	0.19%	711	0.18%
- from Alfea S.p.A.	-	0.00%	19	0.00%
- from companies related to auditors	-	0.00%	1	0.00%
- from companies related to shareholders	3	0.00%	1,144	0.30%
Total costs of services and chargebacks	**9,354**	**2.89%**	**18,367**	**4.77%**
Costs of seconded personnel				
- from Società Trenno S.r.l.	44	0.18%	132	0.66%
- from Festa S.r.l.	113	0.46%	-	0.00%
- from Teleippica S.r.l.	31	0.13%	1	0.01%
Total costs of seconded personnel	**188**	**0.77%**	**133**	**0.67%**
Other operating costs				
- from companies related to shareholders and directors	13	0.01%	31	0.10%
- from Festa S.r.l.	-	0.00%	1	0.00%
- from Connext S.r.l.	3	0.00%	-	0.00%
- from Società Trenno S.r.l.	5	0.01%	1	0.00%
Total other operating costs	**21**	**0.02%**	**33**	**0.10%**
Interest expenses and fees				
Interest expense to Festa S.r.l.	113	0.19%	124	0.28%
Interest expense to Mac Horse S.r.l.	-	0.00%	12	0.03%
Interest expense to Immobiliare Valcarenga S.r.l.	12	0.02%	10	0.02%
Interest expense to Teleippica S.r.l.	-	0.00%	64	0.14%
Total interest expense and fees	**125**	**0.21%**	**210**	**0.47%**
Total costs	**9,688**	**1.91%**	**18,743**	**3.88%**

The income from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 20.61% in 2013 (10.68% in 2012), whereas the total income impacts the profit/(loss) for the year in the amount of 4.85% in 2013 (14.74% in 2012).
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 47.53% in 2013 (30.22% in 2012), while the total costs impact the profit/(loss) for the year in the amount of 10.27% in 2013 (40.69% in 2012).

32. Financial risk management

The Company had financial liabilities principally comprising bond loans and finance leases. Such contracts are medium- to long-term.
On 8 November 2013, the Company entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds/notes (“Facility A” and “Facility B”), the issue of which was resolved on 5 November 2013 by the Company’s Board of Directors. The “Facility A” bonds were issued in

the amount of 15,000 thousand and “Facility B” bonds were issued in the amount of 20,000 thousand.
On 4 December 2013, the Company issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on 15 June 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on 15 December 2018.
Gains on Bonds have been used by the Company to (i) refinance a portion of the bank debt through the redemption of the medium/long-term loan granted to the Company by a pool of banks in 2011, as well as some hedging derivatives, (ii) reimburse Facility A Bonds issued by the Company on 8 November 2013.
Always on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving facility is not currently being used by the Company.
The Company’s policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Derivative financial instruments
As of 31 December 2012, the Company 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 Company 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 [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. was entirely devoted to hedging Tranche A;
- the derivative signed with Unicredit S.p.A. was devoted to hedging a share of approximately 67.5% of Tranche B, 5.45% of Tranche A and 27.05% of the Capex Tranche.

The derivatives used by the Company for hedging purposes were redeemed during refinancing. Upon redemption, derivatives showed a fair value of Euro 6,094 thousand.

In accordance with IAS 39, the Company will recognise the utilisation of the cash flow hedge reserve until its natural expiration (31 December 2015).
The following table shows the movements in the cash flow hedge reserve in 2013.

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

Cash Flow Hedge reserve - Interest rate risk	31.12.2013
Initial reserve	**(6,819)**
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	(111)
Positive (+) / negative (-) changes for reversal of positive/negative effect to income statement	2,683
Final reserve	**(4,247)**

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 such risk is linked principally to the commitments under the loan operation entered into in November 2013 with the issue of bond loans and the entering of a revolving facility unused as of 31 December 2013.

The following table shows an analysis by maturity terms based on contract redemption obligations which are not discounted and relate to bond loans, outstanding lease agreements as of 31 December 2013, and other liabilities. The cash flows are entered in the first timeframe where they may occur (values expressed in thousands of Euros).

	Total cash flow	< 6 M	6 M < CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y
Senior Secured Notes	(432,376)	(13,352)	(12,404)	(24,739)	(381,881)
Senior Subordinated Notes	(258,187)	(10,507)	(9,760)	(19,467)	(218,453)
Facility B bonds	(23,038)	(910)	(1,022)	(21,106)	0
Leasing	(8,361)	(4,379)	(1,728)	(1,042)	(1,212)
Other liabilities	(98,015)	(63,167)	(30,902)	(1,500)	(2,446)

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 such risk, as of 31 December 2013, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Facility B", in the amount of Euro 20,000 thousand. The aim of the Group's interest rate risk management is to protect the Company'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.
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.

Credit risk
In order to reduce and monitor credit risk, SNAI has adopted organisational policies and instruments precisely for that purpose.
Potential relationships with debtors are always subjected to reliability analysis prior to the event, through the use of information from leading credit rating companies. The analyses 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, wherever new information emerges.
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 monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.
The credits are regularly subjected to ain-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful debts. Allocations to the doubtful debts provision are recognized when there is objective evidence of difficulty in recovering the credit from the Company. Receivables which are considered to be no longer recoverable are fully written off.
In relation to the abovementioned receivables, the maximum exposure to credit risk, without taking into account any security that may be held or other instruments that may mitigate credit risk, is represented by their fair value.
The risk regarding the Company's other financial assets is in line with market conditions.

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

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

33. Significant non-recurring events and transactions

During the fiscal year 2013, non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business"), amounted to Euro 69,000 thousand and were related to:

- the settlement of the unfavourable appeal sentence no. 214/2012 on the management of the new slot network, to the extent of 30% of the damages defined in the first instance ruling, amounting to Euro 63,000 thousand plus interests totalling Euro 2,749 thousand;
- administrative penalties for late payment of the Flat-rate Tax 2009 – 2010 for Euro 2,746 thousand;
- administrative penalties for late payment of PREU 2004 - 2005 – 2006 for Euro 505 thousand.

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

No atypical and/or unusual operations took place during the fiscal year 2013.

35. Net financial position

As required by CONSOB Notification of 28 July 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 Euro)	31.12.2013	31.12.2012
A.	Cash	173	99
B.	Other cash and cash equivalents	43,687	9,490
	- Banks	43,679	9,474
	- Postal accounts	8	16
C.	Securities held for trading	1	1
D.	**Cash on hand (A)+(B)+(C)**	**43,861**	**9,590**
E.	Current financial receivables	7,754	3,948
	- Financial current account with subsidiaries	7,748	3,941
	- Escrow Account	6	7
F.	Current bank debts	40	10,038
G.	Current portion of non-current indebtedness	0	16,100
H.	Other current financial payables:	8,423	12,322
	- For interest on bond loans	3,661	0
	- Financial current account with subsidiaries	975	2,278
	- For acquisition of sports and horseracing concessions	42	155
	- to other lenders	3,745	9,889
I	**Current financial indebtedness (F)+(G)+(H)**	**8,463**	**38,460**
J	**Net current financial indebtedness (I)-(E)-(D)**	**(43,152)**	**24,922**
K.	Non-current bank debts	0	328,866
L	Bonds issued	479,214	0
M.	Other non-current payables:	2,174	15,559
	- to other lenders	2,174	6,153
	- Interest Rate Swap	0	9,406
N.	**Non-current financial indebtedness (K)+(L)+(M)**	**481,388**	**344,425**
O	**Net financial indebtedness (J)+(N)**	**438,236**	**369,347**

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,407 thousand, classified under item "current financial assets" on the balance sheet (see Note 20).

With respect to the net financial indebtedness as of 31 December 2012, the net financial debt increased by Euro 68,889 thousand. The increase is mainly due to the payment made after the Court of Auditors has confirmed the amount due for the settlement of the unfavourable ruling no. 214/2012 on the management of the new slot network, to the extent of 30% of damage quantified in the first instance judgement, for a total amount of Euro 65,748 thousand. A portion of the remaining increase is linked to the payment of taxes and fines related to 2010 PREU tax and 2009-2010 flat-rate tax defined during 2013.

35.1 Covenants

Like in other similar loans, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 25, envisage a number of obligations for the Group.

The above-mentioned agreements provide that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions until expiration of other bond loans, as well as restrictions on the advanced redemption of bonds, in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advanced redemption.
The Company has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 million (for more information see Note 25).
In particular, these financial parameters refer to the maintenance of certain ratios of "pro-forma consolidated EBITDA". "Ebitda" is defined in the loan contract and indicates the consolidated result before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items, adjusted with the effect generated by full roll out of VLT machines (run-rate). This update is valid until 31 December 2014.

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

It is noted that, as of 31 December 2013, the Group was compliant with commitments and covenants.

36. Financial Instruments and information on fair value

The following table sets forth a comparison between the carrying values and fair values of all of the Group's financial instruments and other Company assets and liabilities.

	carrying amount		fair value	
thousands of Euro	2013	2012	2013	2012
Financial assets and liabilities				
Cash	43,860	9,589	43,860	9,589
Receivables	60,656	67,591	60,656	67,591
Current financial assets	27,162	14,190	27,162	14,190
Current financial liabilities	8,463	22,360	8,463	22,360
Current portion of long-term borrowings	-	16,100	-	16,100
Non-current financial liabilities	481,388	344,425	481,388	344,425
Other Assets and Liabilities				
Other current assets	27,805		27,805	
Other non-financial non-current assets	2,204		2,204	
Shareholdings	16,751		16,751	
Sundry payables and other non-current liabilities	3,612		3,612	
Trade payables	35,112		35,112	
Other liabilities	93,706		93,706	

Measurement at fair value is performed based on methods classified under Level 2 of the fair value hierarchy, as defined by IFRS standards. The Company has adopted internal valuation models, generally used in financial practice.

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

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

- long-term accounts receivable and loans, both with fixed and variable rate, are measured by the Company based on parameters like interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allocations for expected expenses on these receivables are accounted for based on the above evaluations. As of 31 December 2013, the carrying amount of these accounts receivable, net of allocations, was substantially similar to their fair value;
- the fair value of bonds/notes resulting from financial leases and other non-current financial liabilities is measured through future cash flows discounted by applying the current rates available for accounts payable with similar terms, such as credit risk and remaining expiration terms;
- the fair value of unlisted ordinary shares was determined through the discounted cash flow model. This evaluation requires that the management makes specific assumptions with respect to the model inputs, including expected cash flows, discount rates, credit risk and volatility. The probabilities of the various estimates within a range can be reasonably checked and are used by the management in making estimates on fair value of these unlisted shareholdings;
- the fair value of Company loans and borrowings is measured using the discounted cash flow method and a discount rate which would reflect the interest rate of the issuer at year-end. Insolvency risk for the Company as of 31 December 2013 was assessed as irrelevant;
- the fair value of debt instruments issued by the Company are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans, with maturity terms consistent with the residual useful life of the debt instruments in question.

37. Events after the end of the fiscal year

37.1 Option agreement for the purchase of shareholdings

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

38. Fees for statutory audit and services other than auditing

The following table shows the fees charged for the year 2013 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 2013 (thousands of euro)
Accounting Audit	Parent Company's Auditor	SNAI S.p.A.	432
Services of attestation	Parent Company's Auditor	SNAI S.p.A.	650
Services of tax consulting			0
Other services	Auditor of Parent Company (1)	SNAI S.p.A.	10
	Network of Parent Company's Auditor (2)	SNAI S.p.A.	264
Total			**1,356**

(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 Shareholdings and Changes in the Fiscal Year
2) List of Subsidiaries
3) List of Affiliates and Other Shareholdings
4) Detailed 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.

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

Milan, 20 March 2014

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

SCHEDULE 1

Detailed statement of shareholdings and changes in the fiscal year

amounts in thousands of Euro

	AMOUNTS AS OF 31.12.2012						CHANGES IN THE PERIOD							NET AMOUNTS AS OF 31.12.2013	% owned
	HISTORICAL COST	WRITE-UPS	note	WRITE-DOWNS	NET VALUE	Merger	ACQUISITIONS / COVERAGE OF LOSSES	DISPOSALS/ SALES	CHANGES IN SHARE CAPITAL	WRITE-UPS		WRITE-DOWNS			
										-	+	-	+		
SHAREHOLDINGS															
SHAREHOLDINGS IN SUBSIDIARIES & AFFILIATES:															
- SOCIETA' TRENI	4,218		*(2)*	(1,500)	2,718		5,000						(6,038)	1,680	100
- IMMOBILIARE V.	228				228									228	100
- FESTA SRL held	1,000				1,000									1,000	100
- TESEO SRL in li	723		*(1)*	(723)	0									0	70
- SNAI OLE' S.A.	61		*(4)*	(61)	0									0	100
- SNAI FRANCE S	150		*(5)*		150			(150)						0	100
- SOLAR S.A.	9				9								(6)	3	30
- ALFEA S.P.A. S	1,331				1,331								(42)	1,289	30.70
- HIPPOGROUP ROMA CAPANNELLE S.P.A.	649		*(3)*	(463)	186									186	27.78
- TELEIPPICA SRL	12,241		*(6)*		12,241									12,241	100
- CONNEXT SRL	77				77									77	25
TOTAL SHAREHOLDINGS IN SUBSIDIARIES AND AFFILIATES:	**20,687**	**-**		**(2,747)**	**17,940**	**-**	**5,000**	**(150)**	**-**	**-**	**-**	**-**	**(6,086)**	**16,704**	
SHAREHOLDINGS IN OTHER COMPANIES:															
- TIVU' + SPA in li	101		*(1)*	(101)	0									-	19.50
- LEXORFIN SRL	46				46									46	2.44
TOTAL SHAREHOLDINGS IN OTHER COMPANIES:	**147**	**-**		**(101)**	**46**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**46**	
TOTAL	**20,834**	**-**		**(2,848)**	**17,986**	**-**	**5,000**	**(150)**	**-**	**-**	**-**	**-**	**(6,086)**	**16,750**	

Note:

(1) Portions of losses for the year, proportionate to the percentage of shareholding, were allocated to the share revaluation reserve. An adequate allocation was provided to the provision for risks in the event the percentage of loss pertaining to the year is higher than the book value.

(2) On 27 July 2006, the Shareholders' General Meeting of the company 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.

On 13 June 2013, the Shareholders' General Meeting was called to evaluate the company's state of affairs as of 31 Mary 2013, which reported a loss of Euro 2,296,431, in addition to losses carried forward and equal to Euro 6,598,249, with respect to a Shareholders' Equity composed of a share capital amounting to Euro 1,932,230 and available Reserves equal to Euro 7,384,222. The Shareholders' General Meeting resolved, pursuant to Art. 2482-bis of the Italian Civil Code, to cover the total loss of Euro 8,894,680, resulting from the company's equity position as of 31 May 2013, by utilisation, for the same amount, of part of reserves, also by virtue of the waive by the Shareholder SNAI S.p.A. of the amount receivable from the Società Trenno S.r.L., totalling Euro 5,000,000.

On 18/11/2009 the Board of Directors of Hippogroup voted to increase the share capital by Euro 815,000 to reach the amount of Euro 2,315,000.00 by issuing 12 million shares with a par value of Euro 0.125 each. Following that operation, SNAI S.p.A. subscribed 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. As of 31 December 2009, the amount of the shareholding represented the cost incurred up to that date-equal to the reduced value of the shareholding after the share capital reduction (Euro 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 Euro 100 thousand - less the write-down of Euro 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 Italian Civil Code) on 18 November 2009. Upon completion of that increase, the share capital of Hippogroup Roma Capannelle S.p.A. amounted to Euro 2,315,000.00 fully paid subscribed and paid up, and the stake of SNAI S.p.A. amounted to 27.78%. During 2010, payments were made for a total amount of Euro 325 thousand and as of 31 December, the value of the shareholding was written down by Euro 306 thousand, taking account of losses accrued up to 30 November 2010. During 2011, the shareholding was written down by Euro 13 thousand, taking account of losses accrued as of 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 shareholding was written down completely.

(5) On 8 October 2013 the documents were filed at the Court of Commerce for the business liquidation and the request to discontinue operations of the company SNAI FRANCE S.A.S. and on 25 October 2013 this company was written off from the French Companies Register.

(6) 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%.

List of subsidiaries

NET INCOME AS OF 31/12/2013 (*)	PRO-QUOTA PROFIT/(LOSS)	UNIT PAR VALUE SHARES/QUOTAS OWNED	SHARE CAPITAL	SHAREHOLDINGS	REG. OFFICE	SHARES/QUOTAS OWNED	ACQUISITION VALUE	ADJUSTMENT PROVISION	SHAREHOLDING DIRECT	INDIRECT	TOTAL	SHAREHOLDERS' EQUITY AS OF 31/12/2013	PRO-QUOTA SHAREHOLDERS' EQUITY	Note
Euro/000	Euro/000	Euro	Euro/000			Qty	Euro/000	Euro/000	%	%	%	Euro/000	Euro/000	
(6,042)	(6,042)	1,932,230	1,932.23	1) SOCIETA' TRENNO S.r.l.	MI	1	9,218	(7,538)	100		100	(1,680)	1,680	
23	23	0.52	51	2) IMMOBILIARE VALCARENGA S.r.l.	MI	98,000	228		100		100	340	340	
(1,118)	(1,118)	1,000,000	1,000	3) FESTA S.r.l.	LU	1	1,000		100		100	788	788	
(111)	(111)	1	61	5) SNAI OLE' S.a.		61,000	61	(61)	100		100	408	408	
(43)	(30.1)	1	1,032	8) TESEO S.r.l. in liquidation	RM	722.40	723	(723)	70		70	14	9.80	1
1,195	1,195	1	2,540	10) TELEIPPICA s.r.l.	LU	1	12,241		100		100	11,155	11,155	
(6,096)	**(6,083,1)**		**6,616**				**23,471**	**(8,322)**				**14,385**	**14,380.80**	

Note:

(*) The financial statements of Società Trenno Srl, Festa Srl and 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 the shareholders' equity refer to the situation reported to the liquidator as of 31/12/2012.

SCHEDULE 3

List of Affiliates and Other Shareholdings

REFERENCE FISCAL YEAR	NET INCOME (*)	PRO-QUOTA PROFIT/LOSS	UNIT PAR VALUE SHARES/QUOTAS OWNED	SHARE CAPITAL	SHAREHOLDINGS	REG. OFFICE	SHARES/QUOTAS OWNED	ACQUISITION VALUE	ADJUSTMENT PROVISION	SHAREHOLDING DIRECT %	SHAREHOLDING INDIRECT %	SHAREHOLDING TOTAL %	SHAREHOLDERS' EQUITY (*)	PRO-QUOTA SHAREHOLDERS' EQUITY (**)
	Euro/000	Euro/000	Euro	Euro/000			Qty	Euro/000	Euro/000				Euro/000	Euro/000
2012	(62)	(12.09)	1.00	520	TIVU + S.p.A. in liquidation	ROME	101,400	101	(101)	19.5		19.5	(402)	(78.39)
2012	(3)	(0.75)	0.51	81.6	CONNEXT S.r.l.	PORCARI	40,00	77		25		25	251	(62.75)
2011	(206)	(61.,80)	2.00	31	SOLAR S.A.	LUXEMBOURG	4,650	9	(6)	30		30	11	3.,30
2012	(2,484)	(690.06)	0.30	944.52	HIPPOGROUP ROMA CAPANNELLE S.p.A.(Former SOC. GESTIONE CAPANNELLE S.p.A.)	ROME	1,739.047	649	(463)	27.78		27.78	6,054	1,681.80
2012	(543)	(166.7)	1.00	996.3	ALFEA S.p.A. - SOC.PISANA PER LE CORSE CAVALLI	PISA	305,840	1,331	(42)	30.7		30.7	4,417	1,356.02
2012	(2)	(0.05)	36.652.50	1,500	LEXORFIN S.r.l.	ROME	1	46		2.44		2.44	1,557	37.99
	(3,300)	**(931.45)**						**2,213**	**(612)**				**11,888**	**3,063.47**

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

(**) The pro-quota shareholders equity approximates the amount measured using the equity method.

Detailed Statement of Available Reserves

(amounts in Euro):

	Amount	Possible utilisation (1)	Share available	Summary of uses in previous 3 years		
				to cover losses		other region
Share Capital	60,748,992		-			
Capital reserves:						
Share premium reserve	103,662,894	A, B	103,662,894	103,036,661	(2) (4)	
Profit Reserves:						
Legal Reserve	1,559,328	B	-	-		
Extraordinary Reserve	-	A, B, C	-	17,953,659	(2)	

Total	103,662,894
Non-distributable portion (3)	103,662,894
Residual distributable portion	-

A: for capital increase

B: for coverage of losses

C: for distribution to shareholders

Note:

1) Subject to further restrictions imposed by statutory provisions, to be made explicit where applicable.

2) Used to cover losses from 2010, 2011 and 2012

3) Including the non-distributable portion, earmarked to cover losses for fiscal year 2012 and reserves to top up the share premium reserve required by Article 2431 of the Civil Code

4) The share premium reserve is posted net of the reserves resulting from application of the IAS/IFRS accounting principles

Information on the SNAI Group's Real Property Assets
REAL PROPERTY ASSETS AS OF 31 DECEMBER 2013

SURFACE	RACECOURSES	GRANDSTAND RACETRACK	HORSE STALLS	OFFICES	DWELLINGS	FIELDS AND ROADS	OTHER USES	TOTAL
	sq. m	sq. m*	sq. m	sq. m*	sq. m*	sq. m	sq. m	sq. m
SNAI S.p.A.								
Milan - Via Ippodromo 100				2,238		10,000		10,000
Milan - Via Ippodromo 41			780		230	4,026		4,806
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		3,300
Porcari (LU) - Via Luigi Boccherini, 57				1,797		2,379		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	**28,870**	**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, Giorgio Sandi, in his capacity as President and 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 31.12.2013.

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, 20 March 2014

The President and Managing Director

(Gorgio Sandi)

The Executive Responsible for the preparation of the corporate and accounting documents

(Marco Codella)

SNAI Group
Consolidated Financial Statement as of 31.12.2013 and Explanatory Notes

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

Milan, 20 March 2014

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SNAI Group - Total consolidated income statement

amounts in thousands of Euro	Note	Fiscal year 2013	of which Related Parties note 33	of which non-recurring note 35	Fiscal year 2012	of which Related Parties note 33	of which non-recurring note 35
Revenues from sales and services	4	477,535	38		512,683	314	
Other revenue and income	5	1,228	8		1,689	138	
Change in inventory of finished and semi-finished products	18	107			(3)		
Raw materials and consumables	6	(1,162)	(6)		(1,206)		
Costs for services and use of third party assets	7	(324,470)	(1,347)		(389,335)	(10,713)	
Costs of personnel	8	(36,891)			(33,840)		
Other operating costs	9	(102,579)	(16)	(67,798)	(33,697)	(32)	
Capitalised internal construction costs	10	1,337			1,096		
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes		**15,105**			**57,387**		
Amortisation and depreciation	11	(54,867)			(59,748)		
Other provisions	28	(2,039)			(11,529)		
Profit/(loss) before financial income/expenses, taxes		**(41,801)**			**(13,890)**		
Gains and expenses from shareholdings		(398)			1,451		
Financial income		1,267			1,002	17	
Financial expenses		(59,983)		(2,749)	(45,027)		
Total financial income and expenses	12	**(59,114)**			**(42,)574**		
PROFIT/(LOSS) BEFORE TAXES		**(100,915)**			**(56,464)**		
Income tax	13	6,385			13,904		
Profit/(loss) for the year		**(94,530)**			**(42,560)**		
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes		76			(711)		
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes		**76**			**(711)**		
Net (loss)/profit from derivatives as cash flow hedges		2,572			(2,850)		
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes		**2,572**			**(2,850)**		
Total profit/(loss) in comprehensive income statement, after taxes	24	**2,648**			**(3,561)**		
Total profit (loss) for the year		**(91,882)**			**(46,121)**		
Attributable to:							
Profit (loss) for the year pertaining to the Group		(94,530)			(42,560)		
Profit (loss) for the year pertaining to Third Parties		0			0		
Total profit (loss) for the year pertaining to the Group		(91,882)			(46,121)		
Total profit (loss) for the year pertaining to Third Parties		0			0		
Basic earning (loss) per share in Euro	25	(0.81)			(0.36)		
Diluted earning (loss) per share in Euro	25	(0.81)			(0.36)		

SNAI Group - Consolidated balance sheet

amounts in thousands of Euro	Note	31.12.2013	of which Related Parties note 33	31.12.2012	of which Related Parties note 33
ASSETS					
Fixed assets					
Property, plant and equipment owned		143,378		134,819	
Assets held under financial leases		9,405		17,294	
Total property, plant and equipment	14	**152,783**		**152,113**	
Goodwill		231,531		231,531	
Other intangible assets		135,292		151,409	
Total intangible fixed assets	15	**366,823**		**382,940**	
Shareholdings measured using the equity method		2,866		3,264	
Shareholdings in other companies		46		46	
Total shareholdings	16	**2,912**		**3,310**	
Prepaid tax assets	17	75,086		63,879	
Other non-financial assets	20	2,413		2,341	
Total fixed assets		**600,017**		**604,583**	
Current assets					
Inventories	18	1,329		3,384	
Trade receivables	19	75,604	6	91,837	128
Other assets	20	26,687	1	36,364	3
Current financial assets	21	19,414		10,249	
Cash and cash equivalents	22	45,499		11,010	
Total current assets		**168,533**		**152,844**	
TOTAL ASSETS		**768,550**		**757,427**	
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' Equity pertaining to the Group					
Share capital		60,749		60,749	
Reserves		106,128		146,040	
Profit/(loss) for the year		(94,530)		(42,560)	
Total Shareholders' Equity pertaining to the Group		**72,347**		**164,229**	
Shareholders' Equity pertaining to third parties					
Total Shareholders' Equity	23	**72,347**		**164,229**	
Non-current liabilities					
Post-employment benefits	26	4,387		5,190	
Non-current financial liabilities	27	481,388		344,436	
Deferred taxes	17	53,675		48,150	
Provisions for risks and charges	28	16,617		25,136	
Sundry payables and other non-current liabilities	29	3,623		1,951	
Total non-current liabilities		**559,690**		**424,863**	
Current liabilities					
Trade payables	30	37,539	1,008	44,239	258
Other liabilities	29	91,467	74	87,901	6
Current financial liabilities		7,507		20,095	
Current portion of long-term borrowings		0		16,100	
Total financial liabilities	27	**7,507**		**36,195**	
Total current liabilities		**136,513**		**168,335**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**768,550**		**757,427**	

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

(amounts in thousands of Euro)

	Note	Share capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS 19)	Profit (loss) carried forward	Profit/(loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Minority	Total Shareholders' Equity
Balance as of 01/01/2012		60,749	1,559	195,904	(3,970)	203	(3.568)	(40,527)	210,350	0	210,350
Restated loss for fiscal year 2011				(41,559)			1.032	40,527	0		0
Profit/(loss) for the year								(42,560)	(42,560)		(42,560)
Other aggregate profit/(loss)	24				(2,850)	(711)			(3,561)		(3,561)
Aggregate profit/(loss) as of 31/12/2012		0	0	0	(2,850)	(711)	0	(42,560)	(46,121)		(46,121)
Balance as of 31/12/2012		**60,749**	**1,559**	**154,345**	**(6,820)**	**(508)**	**(2.536)**	**(42,560)**	**164,229**	**0**	**164,229**
	Note	Share capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve	Profit (loss) carried	Profit/(loss) for the year	Total Shareholders' Equity	Total Shareholders'	Total Shareholders'
Balance as of 01/01/2013		60,749	1,559	154,345	(6,820)	(508)	(2,536)	(42,560)	164,229	0	164,229
Loss for fiscal year 2012	23			(46,063)			3,503	42,560	0		0
Profit/(loss) for the year								(94,530)	(94,530)		(94,530)
Other aggregate profit/(loss)	24				2,572	76			2,648		2,648
Aggregate profit/(loss) at 31/12/2013		0	0	0	2,572	76	0	(94,530)	(91.882)		(91.882)
Balance as of 31/12/2013		**60,749**	**1,559**	**108,282**	**(4,248)**	**(432)**	**967**	**(94,530)**	**72,347**	**0**	**72,347**

SNAI Group - Consolidated Cash Flow Statement

amounts in thousands of Euro	Note	31.12.2013	of which Related Parties note 33	31.12.2012	of which Related Parties note 33
A. CASH FLOW FROM OPERATIONS					
Profit (loss) for the year pertaining to the Group		(94,530)		(42,560)	
Profit (loss) for the year pertaining to Third Parties		0		0	
Amortisation and depreciation	11	54,867		59,748	
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	17	(6,686)		(14,414)	
Change in provision for risks	28	(8,519)		9,776	
(Capital gains) capital losses from non-current assets (including shareholdings)		86		409	
Portion of earnings pertaining to shareholdings measured using the equity method (-)	12	398		(1,451)	
Net change in sundry non-current trade assets and liabilities and other changes	20.-29	1,600	0	(4,507)	(1,134)
Net change in current trade assets and liabilities and other changes	18-19-20-30-29	24,926	942	14,516	9,315
Net change in post-employment benefits	26	(698)		(824)	
CASH FLOW FROM (USED IN) FROM OPERATIONS (A)		**(28,556)**		**20,693**	
B. CASH FLOW FROM INVESTMENT ACTIVITIES					
Investments in property, plant and equipment (-)	14	(20,780)		(16,540)	
Investments in intangible assets (-)	15	(19,028)		(5,269)	
Proceeds from the sale of tangible, intangible and other non-current assets		207		37	
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(39,601)		(21,772)	
C. CASH FLOW FROM FINANCING ACTIVITIES					
Change in financial receivables and other financial assets	21	(9,165)		(9,992)	
Change in financial liabilities	27	(19,226)		(33,123)	
Repayment of financing	27	(4,600)		(5,750)	
Opening/disbursement of loans	27	57,498		21,000	
Redemption of loans	27	(421,748)		0	
Issue of bond loans	27	515,000		0	
Repayment of bond loans	27	(15,000)		0	
Changes in debts to betting agencies deferred through purchase of "concession" business units	27	(113)		(328)	
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		102,646		(28,193)	
D. CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)					
E. TOTAL CASH FLOW (A+B+C+D)		34,489		(29,272)	
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)		11,010		40,282	
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY					
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	**22**	**45,499**		**11,010**	

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

	31.12.2013	31.12.2012
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:		
Cash and cash equivalents	11.010	40.282
Bank overdrafts		
Discontinued operations		
	11.010	**40.282**
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	45.499	11.010
Bank overdrafts		
Discontinued operations		
	45.499	**11.010**

Interest expenses paid over 2013 amounted to around Euro 27,462 thousand (Euro 20,861 thousand in 2012).
Taxes paid over 2013 amounted to around Euro 715 thousand (Euro 1,135 thousand in 2012).

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Relevant accounting principles

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 statements of the SNAI group as of 31 December 2013 comprise the financial statements of SNAI S.p.A. and the following subsidiaries, which are consolidated on a line-by-line basis:

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

Compared with 31 December 2012, the company SNAI France S.A.S. exited the full consolidation perimeter by reason of the fact that on 8 October 2013 the documents were filed at the Court of Commerce for the business liquidation and the request to discontinue operations of the company SNAI FRANCE S.A.S. and on 25 October 2013 this company was cancelled from the French Companies Register.
The financial statements of the companies included in the consolidation perimeter close on 31 December, coinciding with the Parent company's fiscal year-end. Such financial statements are opportunely reclassified and corrected in order to align them with the IFRS accounting standards and valuation criteria used by the Parent Company (reporting package). Such financial statements and reporting packages were approved by the respective management bodies. It is noted that with regards to affiliates measured using the equity method, estimates made are as follows: for Connext S.r.l., the draft financial statement as of 31 December 2013, appropriately corrected to take into account possible IFRS effects was used, for Alfea S.p.A. and Hippogroup Roma Capannelle S.p.A. the expected year-end figures as of 31 December 2013 were used.

The consolidated financial statements as of 31 December 2013 were approved by the directors of the Parent Company at the board of directors' meeting held on 20 March 2014 and then authorized for publication as provided by law.

1.1 Managers' estimates related to the going concern requirements

SNAI Group's results of operations and state of affairs is characterized by (i) negative economic results, largely attributable to unforeseeable events, as well as by the significant amount of amortisation/depreciation and financial expenses, (ii) intangible assets of a remarkable amount with respect to a reduced shareholders' equity due to cumulated losses, (iii) a significant indebtedness, with cash flows, intended to its reduction but limited by cash requirements of investments which are typical of the business, as well as by financial expenses and, up to now, by financial effects due to unexpected expenses.
In particular, as regards the financial statements ended 31 December 2013, the Group reported a net loss of Euro 94.5 million, due, among other reasons, to the effects of the settlement of the fine of Euro 65.7 million sentenced by the Court of Auditors, including interest, and other costs highlighted in section B2 of the Directors' Report, resulting in a reduction of Euro 72.3 million in Shareholders' Equity. Net financial indebtedness increased to Euro 443.4 million by year-end and is mainly composed of bond loans issued and subscribed on 4 December 2012, with which, in the same month, the already existing bank loan was redeemed in advance and the reduced fine imposed by the Court of Auditors was paid.
Directors highlight that the results for the year, net of all the above mentioned effects, are better than the previous year, although lower than expectations. The differences over business performance outlook are attributable to some major factors: i) revenues arising from sports betting are substantially in line with expectations thanks to a lower collection which was mitigated by a better payout and are equal to 78.9%; ii) lower revenues and margins generated by the ADI sector for which a reduction of the average coin-in was reported (also at market level) and a low performance of AWPs, mainly attributable to a lower number of operating machines by reason of the exit of an important operator from our network, who has become one of the three new concession holders; iii) the performance of skill games, below expectations in terms of revenues.
Taking account of the above, the Directors prepared a new strategic plan for 2014-2016 fiscal years (the "2014-2016 Plan" or the "Plan"). This Plan foresees that, at the end of the three-year period, there will be a relevant growth in revenues and margins and positive economic results will be achieved, together with a Shareholders' Equity substantially unchanged with respect to the current one, an adequate production of operating cash flows able to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Group is not likely to generate the necessary resources to entirely refund bond loans in 2018.
The Plan therefore defines a positive path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments. These results are however necessary to maintain the Group's Shareholders' Equity, (2) the Group's ability to repay or renegotiate the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the realization of future events and the characteristics of the reference market which might negatively affect the actual implementation of the Plan, therefore averting the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

In order to mitigate these uncertainties, the Group has implemented a series of initiatives which will lead to benefit, among other, from the full and positive effect of the completed installation of 5,052 VLT rights, for which more than 1,000 terminals in better performing locations will be installed by 2014.
A further benefit will derive from the positive effects of the gaming wagers through the Virtual Events which, in the first period from their launching, raised strong interest in bettors with good wagers.
A further positive contribution is also expected from the digital sector, including the “mobile” applications.
Lastly, the payout on sports bets will be more easily managed thanks to the combined effects of the new management agreement which better aligns SNAI’s interests with the Operators’ ones, as well as of the improved automatic controls on the betting acceptance system. Upon the positive achievement of the Plan objectives, Directors deem that the Group will be able to come up with the necessary resources to refund or replace the existing debts.
Directors therefore deem that the objectives set out in the Plan are reasonable and that the Group will be able to overcome the uncertainties acknowledged.
On the basis of all of the foregoing considerations, the Directors believe that the Group has the capacity to continue its business operations in the foreseeable future, and therefore has prepared the financial statements on the basis of the going concern assumptions.

1.2 Accounting standards

(a) General principles

The consolidated financial statements as of 31 December 2013 were prepared on the basis of the IFRS, in force as of such date, issued by the International Accounting Standards Board and endorsed by the European Commission.

The accounting standards adopted in the preparation of these consolidated financial statements are the same as those used to prepare the consolidated financial statements as of 31 December 2012, except for the adoption of the new or revised International Accounting Standards and International Financial Reporting Interpretations. The adoption of such amendments and interpretations did not have any significant effects on the Group’s financial position or net result.

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

Amendments and new standards and interpretations
In accordance with paragraph of 28 of IAS 8, the IFRSs that have come into effect as from 1 January 2013 and are applied by the Group are summarized and briefly illustrated below:

IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income
The amendments to IAS 1 introduce a grouping of the items presented in other comprehensive income (OCI). Items that could be reclassified (or recycled) to statement of income at a future point in time (e.g., net loss or gain on financial assets available for sale) now have to be disclosed separately from items that will never be reclassified (e.g., revaluation of land and buildings). The amendment only affects the method of presentation and has no impact on the Group’s financial position or economic performance.

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information
This amendment to IAS 1 clarifies that, when an entity prepares financial statements that include more than the minimum comparative information requirements in accordance with IFRSs, the comparative information should be provided in the related notes for those additional statements in accordance with IFRSs. The presentation of this voluntary comparative information does not entail a complete reporting in the financial statements, inclusive of all statements.
When an entity applies an accounting principle retroactively, it carries out a retrospective restatement or a reclassification of items involved in the financial statements, and these changes have a material effect on the entity’s state of affairs. At the beginning of the prior period the entity should prepare an opening statement of financial position (“third balance sheet”). The amendment clarifies that notes to the third balance sheet are not required.

IAS 12 - Deferred taxation: recovery of underlying assets
This amendment clarifies the determination of deferred taxes on investment property measured at fair value. The amendment introduces a rebuttable presumption that the carrying amount of an investment property, measured using the fair value model provided under IAS 40, will be recovered through sale. Therefore, the related deferred tax should be measured on a sale basis of the asset. This presumption is rebutted if the investment property can be depreciated and it is held with the aim of using substantially all benefits resulting from the real estate investment over time instead of realizing these benefits with the sale. This amendment had no impact upon the Group’s financial position, economic performance or its disclosures.

IAS 16 - Property, plant and equipment
This amendment clarifies that significant spare parts and machinery devoted to maintenance that fall under the definition of property, plant and equipment are not inventory. The amendment had no impact on the Group.

IAS 32 - Tax effect on distribution to holders of equity investments (Amendment)
This amendment to IAS 32 Financial Instruments: Presentation clarifies that taxes relating to distributions to shareholders must be accounted for in compliance with IAS 12 Income Taxes. The amendment removes the requirements related to taxes

from IAS 32 and requires the entity to apply IAS 12 to any tax connected with distributions to holders of equity investments. The amendment had no impact on the Group's financial statements.

IFRS 7 - Additional disclosure requirements- Offsetting financial assets and financial liabilities – Amendments to IFRS 7

This amendment requires an entity to provide information about rights to offset financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect on an entity's financial position of netting arrangements. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial instruments: presentation in financial statements. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. These amendments had no impact on the Group's financial position or economic performance.

IFRS 13 - Fair value measurement

IFRS 13 introduces a single guideline for all fair value measurement. IFRS 13 does not change the cases in which fair value should be used, but, rather, it provides a guideline on how to determine fair value under IFRS. Pursuant to the guidelines set out by the standard, the Group reviewed the standards applied in fair value measurement, especially inputs used for measurements, like default risk in measuring fair value of liabilities. The application of IFRS 13 had no relevant impact on fair value measurements performed by the Group.

A regards assets and liabilities the fair value of which have been assessed, the required information was disclosed in the explanatory notes to the financial statements.

In addition to amendments and the above-mentioned new standards, two amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards were issued regarding severe hyperinflation and removal of first dates for first time adopters and government grants, effective for annual periods beginning on or after 1 January 2013. These amendments are not relevant for the Group which is not a fist adopter of IFRS.

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

Standards issued but not yet in effect

This section shows the standards which, at the reporting date of these financial statements, had already been issued but had not yet entered into effect. 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 27 - Separate Financial Statements (revised in 2011)

Following the new IFRS 10 and IFRS 12 standards, IAS 27 is now limited to the accounting requirements for subsidiaries, joint ventures and affiliates in the financial statements. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014.

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

Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Shareholdings in Affiliates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to affiliates. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014.

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 should not give rise to impacts on the Group's financial position or results of operations and will enter into force for fiscal years starting on or after 1 January 2014.

IFRS 11 - Joint Arrangements

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

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

The amendment will have no impact on the Group's financial position or economic performance. This standard will apply to fiscal years beginning on or after 1 January 2014.

IFRS 12 - Disclosures of Shareholdings in Other Companies

IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's shareholdings in subsidiaries, jointly controlled entities, affiliates and structured vehicles. It also provides for new cases of disclosure. This standard will apply to fiscal years beginning on or after 1 January 2014.

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

These amendments remove the implications on disclosures required by IAS 36 and involuntarily introduced by IFRS 13. Moreover, these amendments require a recoverable amount disclosure of assets of CGUs for which an impairment loss has been reported or reversed during the year. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement
The amendments aim to govern situations in which a derivative designated as hedging instrument is novated by a centralized counterparty pursuant to regulations or standards. The hedge accounting can therefore continue irrespective of notation, which would not be allowed without this amendment. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014.

IFRS 9 - Financial Instruments
This standard, developed in various phases, relates to classification and measurement of financial instruments and will have an impact above all on the classification of financial assets and hedge accounting. The last development and amendment steps of the standard are still underway for the entire replacement of IAS 39. The standard, if endorsed, will be effective as from 1 January 2015 or in the fiscal year following the year of approval.

Amendments to IAS 19 - Employee Benefits: Employee Contributions
The amendment relates to the simplified accounting of contributions paid by employees or third parties, regardless of the number of employee's working years. The amendment will be effective on or after 1 July 2014.

Annual cycle of IFRS improvements - 2010-2012
Improvements will be effective on or after 1 July 2014 and relate to the following issues:
IFRS 2: Definition of "Vesting Condition"
IFRS 3: Recognition of contingent consideration in a business combination
IFRS 8: Aggregation of operating segments
IFRS 8: Reconciliation of the total of the reportable segments' assets to the entity's assets
IFRS 13: Short-term receivables and payables
IAS 7: Interests received and paid
IAS 16, IAS 38: Revaluation model: proportionate restatement of accumulated amortisation and depreciation
IAS 24: Key management personnel

Annual cycle of IFRS improvements - 2011-2013
Improvements will be effective on or after 1 July 2014 and relate to the following issues:
IFRS 1: Meaning of "Effective IFRSs";
IFRS 3: Exceptions in applying the concept of joint ventures;
IFRS 13: Modified application field of paragraph 52 (portfolio exception)
IAS 40: Clarifications on the relation of IFRS 3 "Business Combinations" and IAS 40 "Investment Property" when the investment is classified as investment property or property owner-occupied.

Reporting format of the Financial Statements
The format adopted by the Group is the following:

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

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

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

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

(b) Drafting criteria

These consolidated financial statements, the amounts of which are expressed in Euro and rounded to the thousands, have been prepared 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 of 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 carrying amounts of 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. 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 2014 budget objectives and its multi-annual plan to 2016.

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 assets, liabilities, costs and income recorded in the financial statements. 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 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
The Group verifies, on each reporting 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 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 current 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
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 statements on a line-by-line basis from the moment in which the parent 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 recognised as "goodwill".
The quotas in 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 fully consolidated, the consolidation of which would not have produced material financial, economic and asset-related effects. Teseo S.r.l. in liquidation has been assessed using the equity method and the effects on consolidated results of operations and consolidated 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 statements include the quota of the investee's profit and loss pertaining to the Group, which is recognised at equity 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 equity method, the shareholding in an affiliate is entered 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 carrying value of the shareholding and is not subject to amortisation. The income statement reflects the quota pertaining to the Group of the affiliate's results for the year or the period. In the event that an affiliate registers adjustments directly applied to shareholders' equity, the Group recognises the pertinent quota and discloses it, where applicable, in the statement of changes in shareholders' equity.
Where the quota of losses of an affiliate pertaining to the group exceeds the carrying amount 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 eliminated 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 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) Property, Plant and Equipment

Owned assets
Property, plant and equipment are carried at cost or deemed cost, less accumulated depreciation and impairment (see principle f). The cost comprises directly attributable ancillary charges and the initial estimate, if any, of costs of disassembly and removal of the asset and site remediation and, finally, an appropriate share of the production costs of in-house built 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. When significant portions of property, plant and equipment must be replaced periodically, the Group records such parts as autonomous assets with a specific useful life and a relate depreciation. Similarly, 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 lives, each such component is accounted for separately.

If events or changes in situations indicate that the carrying amounts may not be recovered, they are tested for impairment and, if the carrying amount exceeds their estimated realisable value (consisting in the greater as between the fair value after deducting costs of sale and the value of use), the asset is written-down accordingly.

Assets held under financial or operating leases
Assets acquired under financial leasing contracts, according to which all rights and benefits related to the ownership of the asset are substantially transferred to the Group, are recognised as assets at the lower of their current fair value and 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 in the income statement over the full term of the lease contracts at constant rates.

Depreciation
Property, plant and equipment are systematically written down in the income statement at constant rates according to the useful technical-economic life of the relevant assets, which is defined as the residual useful life.

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 assets: from 12% to 33%

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.
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 depreciated at the lower term as between the useful life of the asset and the term of the concession.

Derecognition
Property, plant and equipment are derecognised from the financial statements when sold, or when no future economic benefits are expected for their 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 cost, which 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 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 to be an asset of an indefinite life and is not amortised but rather tested for impairment each year or more frequently (if specific events or changes of circumstances occur that suggest an impairment). 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 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 acquisition or production cost and, thereafter, less any amortisation, which is determined at a constant rate over the estimated useful life.
Research expenses are recognised at cost when incurred.

The other intangible assets consist of capitalised costs of software developed in-house.
The expenses related to self-generated goodwill and trademarks are recognised in 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 on the basis of constant quotas throughout the useful lifetime of the same, with the exception of goodwill which is not amortized, but is regularly tested for impairment by the Group. Such testing is performed on each financial reporting date. Intangible assets with a definite useful 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: form 10% to 33%
- concessions, licences, trademarks and similar rights: from 5.56% to 33%
- horseracing and sports concession and horseracing and sports rights: for concessions being due between June 2016 and March 2022;
- others: from 10% to 20%

(f) Impairment of non-financial assets

The Group verifies on an annual basis the carrying amounts of its assets, in order to identify any impairment. If, on the basis of such impairment testing, 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 reporting date of the financial statements.
The recoverable amount is the greater of the fair value of the asset and 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) Shareholdings 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 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 available-for-sale financial assets
Shareholdings in other companies (with a percentage of ownership less 20%) are measured at fair value and their effects are recognised in Shareholders’ Equity. If their fair value cannot be reliably determined, the shareholdings 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 Shareholders’ Equity.

The risk of possible impairment losses exceeding the shareholders’ equity 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.

Shareholdings in other companies currently held by the Group, are measured at cost rather than at fair value since the latter cannot be reliably estimated.

Impairment of shareholdings in other companies and available-for-sale financial assets
The Group verifies on each financial statement date whether the shareholdings in other companies have incurred a loss in value. If the fair value cannot be reliably determined, the impairment is calculated based on appropriate valuations resulting from the investee’s financial statements.

The objective evidence of an impairment would involve a significant or durable reduction in fair value of the instrument below its cost. The term “significant” is valued with respect to the original cost of the instrument and the term “durable” with respect to the period in which the fair value remained lower than the original cost. Whenever an impairment occurs, the cumulative loss - measured based on the difference between purchase cost and current fair value, deducted impairment losses of that financial asset previously recognised in the income statement for the year - is reversed from the statement of other comprehensive income and is recognised in the income statement for the year.

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 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
Fair value is defined as the price receivable for the sale of an asset or payable to transfer a liability in a normal transaction between market participants at the valuation date.
In the case of securities negotiated on the regulated markets, the fair value is determined with reference to the stock market price reported at the end of trading on the closing date of the fiscal year/period. 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
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 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 the initial recording, they are assessed at amortised 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.
Short-term payables are not discounted since the effect of discounting the cash flows is immaterial.

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 recognised in 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 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 derivative financial instruments such as swaps on interest rates in order to hedge its 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 Shareholders' 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 irrevocable 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 irrevocable commitment;
- hedges for a net investment in foreign operations.

At the inception 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 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 Group uses forward exchange contracts based on the expected 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 expense or proceeds are recognised or when a expected sale is made. 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 carrying amount of the asset or liability.

If it is believed that the expected 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 expected transaction flows to the income statement.

Classification as current/non-current
The derivatives that are classified as effective hedge instruments, are classified consistently with the hedged underlying element. The derivative is divided into a current portion and non-current portion only if the allocation is expected to be realised.
The derivatives that are not classifiable as "effective hedge instruments" are classified as current or non-current or divided into a current portion and non-current portion, based on the assessment of the facts and circumstances (e.g., the negotiated underlying cash flows):

- 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) Post-employment benefits (TFR)

Post-employment benefits (TFR) 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 assumptions are revised on each financial statement date.

Starting from 1 January 2007, the Finance Act [Legge Finanziaria] of 2007 and the related implementing decrees introduced amendments on the subject of the post-employment benefits, including the worker's right to choose the intended use of his or her own post-employment benefits maturing in the supplementary pension fund or the "Treasury Fund" managed by the INPS (Italian national institute of social insurance) In accordance with IAS 19 "Employee Benefits", the obligation representing the post-employment benefits 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 statements, constitutes a defined benefits plan, while the obligation vis-à-vis INPS and the contributions to supplementary pension panels became "defined contribution plans".

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 post-employment benefits remains classified as a "Defined-Benefit Plan".
Profits or losses deriving from the actuarial calculation are applied to shareholders' equity and consequently in the other components of the comprehensive income statement.

These profits or losses are not restated to income statements in the following years.
Interest on liabilities for defined-benefit plans should be calculated by multiplying liabilities by the discount rate. The Group recognises the following change in net liabilities for defined-benefit plans in the income statement:

- Costs for work services, inclusive of current and past work, profit and losses on non-routine profit and losses;
- Interest expenses.

(o) Provisions for risks and charges

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 fulfil such obligation will be necessary.
If the effect is significant, 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 liabilities.

(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
Instalments 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, the present value of the instalments. 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 financial expenses 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 expenses

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. 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.
Revenue from remote gaming (games of skill/casino/bingo) 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 the cost of the platform and concession fees.
Based on IAS 32 and 39 the collection of fixed-odds bets and “reference-based bets” generates a financial liability that is measured at fair value. 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 a refunds paid 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.
It is worth noting that, in application of the Law Decree the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency, hereinafter “AAMS” or “ADM”).
It is also worth noting that the former 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 “former ASSI” or “MIPAAF”).

State Grants
Contributions from the state and other public entities consist of the grants to MIPAAF investments fund, as well as contributions to fees for services supplied by the company that operates the racetracks for the benefit of the Public Entity known as MIPAAF, 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 grants 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 income and expenses

The financial income and expenses are recorded on an accrual basis on the basis of interest accrued using the actual interest rate.

(s) Income tax

The income taxes include current and deferred taxes calculate don the taxable income of the companies belonging to the Group. The income tax is recognised in the income statement, except for income related to transactions directly recognised in Shareholders’ 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.
Taxes paid in advance and deferred taxes are set aside using the so-called “liability method” on the temporary differences between the carrying amounts 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 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 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 carrying amount of the prepaid tax assets is reduced if it is unlikely that the corresponding tax benefit can be put to use.

(t) Segment reporting

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) Assets held for sale and discontinued operations

The Group assesses a non-current asset (or discontinued group of assets) classified as held for sale at the lower of its carrying amount and its fair value, less 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 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 autonomous business unit or geographical area of operations or is a subsidiary acquired exclusively for the purposes of a 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.

(v) Earnings per share

The base earnings per share are calculated by dividing the group's result of operations by the weighted average of shares outstanding during the fiscal 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 licensed

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

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

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

3. Operating segments

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

The group operates in the following main sectors:

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

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

- **Betting collection services**: this segment includes operations related to electronic services supplied to betting acceptance points; these activities are essentially managed by SNAI S.p.A., Festa S.r.l., with respect to the portion related to the gaming and betting sector;

- **Racetrack management:** this segment includes operations related to the management of the racetracks, including real estate management and organization of races; these activities are managed by Società Trenno S.r.l., 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 horseracing and sports accepting concessions entrusting the activation and operational management of the networks for the telematic management of legal gaming on amusement and entertainment machines and related activities and functions (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games;

- **Television services**: this segment includes operations related to television services. These activities are managed by the company Teleippica S.r.l..

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

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

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

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

	Betting services		Management of racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
(amounts in thousands of Euro)	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Sector assets	**9,142**	3,294	**6,416**	16,212	**208,253**	150,259	**13,308**	11,997	**1,962**	3,986	**0**	0	**239,081**	185,748
Tangible and intangible assets	**12,124**	12,229	**104,811**	107,390	**383,585**	,398,852	**4,425**	2,188	**15**	31	**0**	0	**504,960**	520,690
Unattributable tangible and intangible assets													**14,646**	14,363
Shareholdings in affiliates	**0**	0	**2,814**	3,148	**0**	0	**0**	0	**98**	162	**0**	0	**2.912**	3,310
Unattributable assets													**6,951**	33,316
Total Assets	**21,266**	15,523	**114,041**	126,750	**591,838**	549,111	**17,733**	14,185	**2,075**	4,179	**0**	0	**768,550**	757,427
Liabilities of the sector	**3,737**	3,605	**7,762**	15,779	**649,562**	516,716	**2,780**	2,410	**2,318**	3,371	**0**	0	**666,159**	541,881
Unattributable liabilities													**30,044**	51,317
Total Liabilities	**3,737**	3,605	**7,762**	15,779	**649,562**	516,716	**2,780**	2,410	**2,318**	3,371	**0**	0	**696,203**	593,198
Investments:														
Tangible and intangible assets	**168**	95	**1,574**	1,792	**29,887**	16,050	**3,188**	816	**0**	0	**0**	0	**34,817**	18,753
Unattributable tangible and intangible assets													**4,991**	3,057

(amounts in thousands of Euro)	Betting services		Management of racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012	Fiscal year 2013	Fiscal year 2012
Sector revenues	**12,464**	15,810	**7,379**	11,746	**449,051**	476,885	**9,397**	9,759	**472**	172	**0**	0	**478,763**	514,372
Inter-sector revenues	**4,245**	4,743	**238**	387	**7**	0	**2,367**	2,242	**370**	607	**(7,227)**	(7,979)	**0**	0
Results of operations	**2,848**	5,415	**(10,083)**	(9,740)	**(35,737)**	(12,431)	**2,004**	3,275	**(833)**	(409)	**0**	0	**(41,801)**	(13,890)
Quotas of results of operations pertaining to shareholdings	**0**	0	**(334)**	1,451	**0**	0	**0**	0	**(64)**	0	**0**	0	**(398)**	1,451
Financial (costs) and proceeds	**(1,459)**	(1,502)	**(122)**	(145)	**(57,117)**	(41,489)	**(19)**	(32)	**1**	(857)	**0**	0	**(58,716)**	(44,025)
Income tax													**6,385**	13,904
Profit/(loss) for the year													**(94,530)**	(42,560)
The results of operations include: Amortisation and depreciation	**(661)**	**(818)**	**(4,168)**	(4,492)	**(49,072)**	(53,638)	**(951)**	(782)	**(15)**	(18)	**0**	0	**(54,867)**	(59,748)

In fiscal year 2013:

- The difference in the results of operations for the "Racecourse Management" sector was influenced by the drop in revenues deriving from the group's core activities, due both to the national crisis affecting the horseracing sector as well as to the reduction in the number of race meetings scheduled for 2013. The suspension of activities at the Milan gallop racecourse and the temporary closure of the Montecatini Terme racecourse up until 29 June 2013 are to be added to the above;
- The difference in the results of operations for the "Concessions" sector is mainly due to the recognition effect of costs incurred to adhere to the settlement in appeal of the unfavourable ruling no. 214/2012 related to the management of new slot network. Other negative effects are due to the reduction in revenues from horse race bets, resulting from the abovementioned crisis in the horseracing sector, the reduction in revenues from the AWP following the reduction in the number of working entertainment machines following the exit from our network of an important client, who become a direct concession holder as from 20 March 2013, as well as the effect of higher tax burden on the ADI business, with consequent decrease in revenues (PREU tax on the AWP has risen from 11.8% to 12.7%, while on the VLT from 4% to 5%). On the other hand, the favourable payout for SNAI on sports bets, compared to the previous year, and the increase in revenues of VLTs thanks to the important enlargement of the installed network, contributed to partially mitigate the above-mentioned negative effects.

Notes on the main items of the consolidated comprehensive income statements

The comparison between values, always expressed in thousands of euros, unless otherwise indicated, is based on the corresponding balances of fiscal year 2012.

4. Revenues from sales and services

The amount of revenues from sales of goods and services in fiscal year 2013 amounts to Euro 447,535 thousand, down from Euro 512,683 thousand, and is detailed below:

thousands of Euro	Fiscal year 2013	2012	Change
Net revenues from the collection of fixed quota and reference sports and horse race bets	144,841	123,928	20,913
Revenue from totalisator, national horseracing & forecast bets	25,714	33,982	(8,268)
Revenue from entertainment machines (ADI)	250,899	296,557	(45,658)
Net revenue from remote gaming (Skill/Casino/Bingo)	25,454	22,348	3,106
Revenues from betting collection services	4,743	6,674	(1,931)
Revenues for virtual events	1,214	0	1,214
Revenues from commissions	734	0	734
Revenues from third party remote gaming services (GAD)	111	103	8
Revenue from service and assistance contracts	6,073	6,826	(753)
Revenues from the operation of betting services at racetracks	4,152	6,808	(2,656)
Operation of racetrack and real estate properties	1,336	2,016	(680)
Revenues from television services and related services	9,771	10,551	(780)
Revenue from organisation and technology sales	427	107	320
Other services and sales to third parties	2,066	2,783	(717)
Total	**477,535**	**512,683**	**(35,148)**

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	Fiscal year 2013	2012
Turnover from fixed-odds sport betting	826,970	886,886
Reimbursement on fixed-odds sport betting	(828)	(2,122)
Winnings on fixed-odds sport betting	(651,567)	(731,896)
Single tax on fixed-odds sport betting	(32,701)	(31,204)
Net revenues from the collection of on fixed-odds sport betting	**141,874**	**121,664**
Turnover from fixed-odds horse race betting	30,947	25,894
Reimbursement on fixed-odds horse race betting	(209)	(186)
Winnings on fixed-odds horse race betting	(23,875)	(20,134)
Single tax on fixed-odds horse race betting	(1,287)	(1,089)
Taxation on fixed-odds horse race betting	(2,609)	(2,221)
Net revenue from the collection of on fixed-odds horse race betting	**2,967**	**2,264**
Total net revenue from the collection of fixed-odds sport and horse race betting	**144,841**	**123,928**

The increase in net revenue from sports betting is due to the reduced payout compared to the prior year. In 2013, the payout on sports betting amounted to approximately 78.9% compared to 82.7% in 2012.
Revenue from totalisator, national horseracing and forecasted bets decreased due to the crisis in the horse race sector.
Revenue from concessions for the management of the network of entertainment machines (ADI) amounted to a total of Euro 250,899 thousand, which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item "Costs of third-party services and leasing/rental expenses" in Note 7. It should be recalled that the concession holders are required to pay to AAMS (pursuant to the Law Decree no. 95 of 6 July 2012. Since 1 December

2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The balance sheet shows the amount of Euro 14,064 thousand paid for the “Entertainment machine guarantee deposit” in 2013 (see Note 20).

The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Directors’ Decree 2013/4879/GIOCHI/ADI of 06/02/2013 has established the criterion and procedures for guarantee deposit refunds for 2013. The Company SNAI, based on the assumed information and internal checks performed, considers that the service levels achieved in the current period are sufficient to allow the guarantee deposit to be refunded.
The decrease in revenues from ADI is mainly due to the lower number of AWP working devices resulted from the exit form out network of an important client who became a direct concession holder as from 20 March 2013, as well as the higher PREU tax burden to the AWP sector, which increased to 12.7% and affected the revenue percentage pertaining to the Group. The increase in revenues in the VLT sector, attributable to the strong enlargement of the installed network, was reduced by the increased PREU tax rate (from 4% to 5%).

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

	Fiscal year	
thousands of Euro	**2013**	**2012**
Remote games	998,711	923,347
Winnings	(965,171)	(893,112)
Single Tax	(8,086)	(7,887)
Net revenue from remote gaming (Skill/Casino/Bingo)	**25,454**	**22,348**

The “Revenues from the operation of betting services at racetracks” item fell by Euro 2,656 thousand with respect to the prior year, due mainly to the suspension of horseracing activities in Milan since the beginning of the year, with consequent reduced revenues for races and plants, to the drop in the number of race meetings scheduled in the 2013 calendar and to the suspension of racing activities at the Montecatini Terms racecourse up until 29 June 2013, the date in which the evening race meetings recommenced.

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

5. Other revenue and income

The other revenue and income item, equal to Euro 1,228 thousand (Euro 1,689 thousand in 2012) breaks down as follows:

	Fiscal year		
thousands of Euro	**2013**	**2012**	**Change**
Rental of assets and chargeback expense	206	205	1
Sale of option right	0	17	(17)
Active trading	0	35	(35)
Revenue from compensation and reimbursement for damages	225	147	78
Contributions to the former ASSI investment fund	60	394	(334)
Capital gain from the sale of assets	46	11	35
Other revenue and income	691	880	(189)
Total	**1,228**	**1,689**	**(461)**

6. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 1,162 thousand (Euro 1,206 thousand in fiscal year 2012), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales. The capitalized assets amounted to Euro 6,590 thousand (Euro 5,856 thousand as of 31 December 2012).

7. Costs for services and use of third party assets

Costs for services and use of third party assets amounted to a total of Euro 324,470 thousand (Euro 389,335 thousand in 2012) and are detailed below:

thousands of Euro	Fiscal year 2013	2012	Change
Betting acceptance management	78,855	92,362	(13,507)
Entertainment devices services (ADI)	184,558	232,468	(47,910)
Remote gaming management (Skill/Casino/Bingo)	5,706	5,387	319
Bookmakers	1,819	1,751	68
Remote-gaming services	6,560	3,779	2,781
Remote virtual race costs	1,001	0	1,001
Horse racecourse services	1,091	2,250	(1,159)
Television and radio services	3,358	3,015	343
Rent of stations	405	383	22
Consultancy cost and expense reimbursements	4,096	7,168	(3,072)
Utilities and telephone	7,880	8,231	(351)
Equipment repair and maintenance	8,897	9,223	(326)
Advertising and promotion	5,192	8,225	(3,033)
IT services	3,739	3,403	336
Installations, logistics and design	1,396	1,794	(398)
Personnel costs for collaborations and other	176	405	(229)
Insurance and guarantees	1,816	1,657	159
Market research	696	618	78
Marketing materials	514	466	48
Rental fees and additional charges	862	931	(69)
Operating leases and other leasing	863	808	55
Directors' fees	1,557	1,551	6
Independent Auditors' fees	612	656	(44)
Statutory Auditors' fees	246	268	(22)
Regulation authority and other committees fees	141	149	(8)
Expense reimbursement to directors and auditors	42	46	(4)
Other	2,392	2,341	51
Total	**324,470**	**389,335**	**(64,865)**

In particular, the table shows:

- the betting sports and horse race betting collection service fees granted to the managers of horse race and sports stores and betting corners decreased from Euro 92,362 thousand in 2012 to Euro 78,855 thousand in 2013. This decrease is due to the lower value of sports turnover collected in the physical network, partially offset by the increase in the volume of telematic betting;

- costs for ADI services (for a total of Euro 184,558 thousand compared to Euro 232,468 thousand in 2012) and include the collection fees paid to third parties and the costs for the VLT platforms. The decrease in costs is attributable to the AWP sector and is due essentially to the exit from our network of an important client who became a direct concession holder as from 20 March 2013.

The "Others" item mainly comprises surveillance and security services for the transportation of money and valuables, cleaning services, postal and shipping expenses, waste disposal and running costs of company vehicles.

8. Costs of personnel

Costs of personnel amounted to a total of Euro 36,891 thousand in 2013 over Euro 33,840 thousand in 2012, up by Euro 3,051 thousand (+ 9.02%) primarily due to:

1. the resignation of the previous managing director, with consequent payment of the agreed post-employment benefits and other fees due;
2. the hiring of new strategic staff;
3. the accrual of incentives for early retirement for employees and managers.

The incentives for early retirement amounted to Euro 2,250 thousand are shown hereunder.

thousands of Euro	Fiscal year 2013	2012	Change
Wages and salaries	24,416	23,370	1,046
Social security charges	7,406	6,802	604
Accrual to defined-benefit/defined-contribution plans	1,551	1,550	1
Costs for personnel training	78	81	(3)
Expense reimbursement to employees	593	522	71
Meal tickets	728	757	(29)
Gifts to employees	34	56	(22)
Other costs of personnel	2,085	702	1,383
Total	**36,891**	**33,840**	**3,051**

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

The table below analyses the composition of the workforce at year-end, and shows a decrease of 57 employees with respect to 31 December 2012, due principally to the sale of the outbound business branch of the Festa S.r.l. company, occurred on 29 November 2013, effective on 1 December 2013.

	31.12.2012		Hired in the year	Left during the year	31.12.2013		Average workforce for the year
Executives	20		4	2	22		21
Office workers and middle managers	633		113	165	581		643
Workers	78		0	7	71		72
Total Employees	731	*	117	174	674	**	736

* of whom 153 part-time and 15 on maternity leave

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

9. Other operating costs

Other operating costs amounted to a total of Euro 102,579 thousand in fiscal year 2013 (Euro 33,697 in fiscal year 2012).

thousands of Euro	Fiscal year 2013	2012	Change
Concessions and licenses	15,683	15,812	(129)
Settlement by the Court of Auditors	63,000	0	63,000
Administration fines	3,678	148	3,530
% non-deductible VAT	4,406	5,259	(853)
Provision for doubtful debts	9,071	8,093	978
Credit losses	982	398	584
Utilisation of provision for doubtful debts and for risks	(9)	(207)	198
Provision for risks	293	162	131
Entertainment expenses	198	194	4
Subscription fees	217	184	33
Other taxes	607	487	120
IMU (real estate tax)	1,260	1,171	89
Stationery, consumables and promotional materials	538	508	30
Environmental and health controls	100	47	53
Losses on settlement of disputes	280	433	(153)
Capital losses from sale of assets	1,678	419	1,259

Other administration and operating costs	597	589	8
Total	**102,579**	**33,697**	**68,882**

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on entertainment machines (ADI) of Euro 8,438 thousand, calculated at 0.30% of the volume wagered and paid to AAMS on a bimonthly basis;
- the concession fee for the marketing of fixed-odds betting on sporting events other than horse racing and on non- sporting events as per Art. 4 of the Convention, approved by Directors Decree 2006/22503 of 30/06/2006 and for the marketing of public gaming concessions “in the exercise of horse racing and sports betting” via the rights awarded through the call for tenders in 2006 (“Bersani rights”) and the rights awarded through the call for tenders in 2008 (“Giorgetti rights”), and the rights awarded through the call for tenders in 2012 (“Monti rights”), as provided by the respective concessions, in the amount of Euro 6,026 thousand;
- the concession fee for remote public gaming under the corresponding concessions in the amount of Euro 731 thousand;
- the television licence fees in the amount of Euro 352 thousand.

The “Settlement by the Court of Auditors” item, equal to Euro 63,000 thousand, relates to payments made, on 4 and 15 November 2013, following the confirmation by the Court of Auditors of the amount for the settlement of the appeal against the unfavourable ruling no. 214/2012 related to the management of the new slot machine network, to the extent of 30% of the damage calculated in the first instance sentence. In this way, although still convinced on the correctness of the Company’s conduct and still having to bear a further payment to be charged on the 2013 financial statements, a multi-annual legal dispute is now finally concluded which involved the company SNAI. This settlement will finally enable the company to define its development strategies without having to face uncertainties arising from this outstanding dispute.

Administration fines, equal to Euro 3,678 thousand, primarily relate to the delayed payment of the 2009-2010 flat-rate tax, amounting to Euro 2,746 thousand and the 2004-2005-2006 flat-rate gaming tax (PREU), amounting to Euro 505 thousand.

In 2013, an allocation was set aside to the Provision for doubtful debts, in the amount of Euro 9,071 thousand in order to align, with their recoverable value, receivables that arose in prior fiscal years in connection with the Group’s core business operations and which showed, over the course of the year, growing difficulties with regard to their collection.

During 2013, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 293 thousand, as provided for by the concession agreement for the building and running of networks for the online management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.

The “Non-deductible VAT”, equal to Euro 4,406 thousand, relates to particular operations performed by SNAI S.p.A., by Festa S.r.l. and by Società Trenno S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.
The companies SNAI S.p.A., Festa S.r.l. and Società Trenno S.r.l. have opted for separate operations for VAT purposes; this means that, for purchases related to operations that generate taxable transactions, the VAT is entirely deductible, while that on purchases related to operations that generate exempt transactions is entirely non-deductible.
As regards the VAT on goods and services used promiscuously by all of the business operations, the VAT is deducted subject to the limits of the portion attributable to the operations which produce taxable revenues to which it refers; therefore the cost of non-deductible VAT has been calculated using specific allocation criteria.

The “Capital losses from sale of assets” item comprises Euro 1,547 thousand related to the disposal of Festa’s business branch composed of the number of assets organized for the running of outbound activities carried out at the operating site in Rome.

10. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 1,337 thousand (Euro 1,096 thousand) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence);
- centralized systems and peripheral terminals for the acceptance of bets;
- centralized systems for the management of relations with AAMS and client invoicing services for entertainment devices;
- centralized systems, gaming interfaces and integration protocols for the collection of remote gaming wagers through SnaiCards;
- networking solutions supporting the Business lines;
- development and strengthening of the company ERP;
- centralized and peripheral systems for the operation of additional services at points of sale;

- centralized systems and web interfaces for the integration and sale of Skill games (tournament poker, cash poker, casino games, slot games) games (tournament poker, cash poker, casino games, slot games);
- web-based solutions for information for the Operator, knowledge base, manuals, how-to, integration with the system for requests for intervention and sourcing of consumables (SnaiPartner);
- viewing systems for the point of sale (new graphics pages, VEDO project);
- centralized systems for the management of contacts with AAMS, reporting, customer services (VLT);
- Gaming control systems (SnaiProfit);
- Implementation of the new company CRM;
- Sales point Management system (MyWeb);
- System for the management of betting for complementary platforms;
- System for the acceptance of bets on Virtual Events;
- Supplement for mobile applications for the collection of remote gaming wagers (Bets and Skills);
- Sales Point control systems for the commercial sector (Control Room AWP/VLT).

11. Amortisation, depreciation and write-downs

These amount to a total of Euro 54,867 thousand for fiscal year 2013 (Euro 59,748 thousand), as detailed below:

thousands of Euro	Fiscal year 2013	2012	Change
Amortisation of intangible assets	34,955	38,779	(3,824)
Depreciation of property, plant and equipment	19,384	20,413	(1,029)
Write-downs	528	556	(28)
Total	**54,867**	**59,748**	**(4,881)**

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

12. Financial income and expenses

Net financial expenses amounted to Euro 59,114 thousand, up by Euro 16,540 thousand over 2012, as detailed below:

thousands of Euro	Fiscal year 2013	2012	Change
Income and expenses from shareholdings			
Write-up/(write-down) Alfea S.p.A.	(70)	(151)	81
Write-up/(write-down) Hippogroup Roma Capannelle S.p.A.	(264)	1,603	(1,867)
Write-up/(write-down) Solar S.A.	(50)	0	(50)
Write-up/(write-down) shareholding in Connext S.r.l.	(14)	(1)	(13)
	(398)	**1,451**	**(1,849)**
Financial income			
Gains on foreign exchange	6	4	2
Bank interest income	867	619	248
Misc. interest income	394	379	15
	1,267	**1,002**	**265**
Financial expenses			
Interest expense on loans	36,795	22,686	14,109
Interest expense on bond loan	4,085	0	4,085
Other interest expense	3,079	341	2,738
Exchange rate losses	6	15	(9)
Interest expense on bank accounts	0	245	(245)
Interest expense and ancillary costs on leasing	6,830	5,115	1,715
Interest expense on post-employment benefits	128	86	42
Financial expenses on debt discounting	2	12	(10)
Ineffective portion of cash flow hedge	10	0	10
Other financial expenses	9,048	16,527	(7,479)
	59,983	**45,027**	**14,956**
Total	**(59,114)**	**(42,574)**	**(16,540)**

Financial income includes interest income accrued on bank accounts in the amount of Euro 867 thousand and other interest income for Euro 394 thousand mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses include the following:

- expenses related to the amortised cost method foreseen by IAS 39, and determined applying the method of the actual interest rate on loans, closed on 4 December 2013 (for further details on loans, reference should be made to Note 27) for a total of Euro 36,795 thousand, of which Euro 14,884 thousand is attributable to ancillary costs;
- expenses related to the amortised cost method foreseen by IAS 39, and determined applying the method of the actual interest rate on bond loans, issued on 8 November 2013 for Euro 35,000 thousand, of which Euro 15,000 thousand redeemed with the issue of another bond loan for Euro 480,000 thousand (for further details on loans, reference should be made to Note 27), for a total of Euro 4,085 thousand, of which Euro 325 thousand is attributable to ancillary costs;
- interest expenses calculated on financial leasing in the amount of Euro 4,433 thousand and accessory charges on leasing for Euro 2,397 thousand, including non-deductible VAT;
- other financial expenses, including Euro 3,701 thousand for differentials on derivative hedging, Euro 2,361 thousand of commission on bank guarantees, Euro 993 thousand for commission payable on loans, Euro 575 thousand for commission on bond loans and Euro 1,134 thousand of bank charges.

13. Income taxes

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in fiscal year 2013, show a positive balance of Euro 6,385 thousand.

thousands of Euro	Fiscal year 2013	Fiscal year 2012
IRES	0	0
IRAP	285	1,039
Deferred tax liabilities	6,364	5,632
Use of provision for deferred tax liabilities	(839)	(2,648)
Deferred tax assets	(15,303)	(18,428)
Reversal of deferred tax assets	3,092	1,890
IRES/IRAP for prior years	16	(1,389)
Total	**(6,385)**	**(13,904)**

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the 2013 financial statements and the theoretical tax charge (in thousands of Euro):

		31.12.2013		31.12.2012
Profit before tax		(100,915)		(56,465)
Theoretical IRES tax charge	*27.50%*	27,752	*27.50%*	15,528
Theoretical IRAP tax charge	*5.12%*	5,167	*4.20%*	2,372
Total Theoretical tax (charge)/credit		**32,919**		**17,899**
Fines, penalties and other taxes		(1,226)		(355)
Write-down of shareholdings		0		(1,478)
Other permanent non-deductible costs		(18,339)		(2,740)
Non-taxable dividends		0		25
Other permanent tax deductions		141		1,952
		13,495		**15,303**
Permanent differences for IRAP tax purposes (including employees)		(7,094)		(2,788)
		6,401		**12,515**
Tax and duties for prior year		(16)		1,389
Actual tax (charge)/credit	*-6.33%*	**6,385**	*-24.62%*	**13,904**

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

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

Notes to the main items of the consolidated balance sheet

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of 31 December 2012.

14. Property, plant and equipment

Property, plant and equipment as of 31 December 2013 amounted to Euro 152,783 thousand (Euro 152,113 thousand). The change in the fiscal year is due to the combined effect of the depreciation charge for the year (Euro 19,384 thousand), investments (Euro 20,780 thousand), reclassifications from intangible assets (Euro 16 thousand), reclassifications from accumulated depreciation of the provision for inventory depreciation (Euro 95 thousand), impairment write-downs (Euro 528 thousand) and disposals/sales, net of accumulated depreciation (Euro 119 thousand).

In thousands of Euro	**Land and buildings**	**Plant and machinery**	**Industrial and commercial equipment**	**Other assets**	**Assets under construction and advances to suppliers**	**Total**
__Cost__						
Balance as of 31 December 2012	**138,687**	**155,593**	**7,199**	**23,224**	**360**	**325,063**
Reclassification	85	186	0	13	(268)	16
Other increases	2,662	15,069	38	2,991	20	20,780
Decreases	0	(683)	(6)	(192)	0	(881)
Balance as of 31 December 2013	**141,434**	**170,165**	**7,231**	**26,036**	**112**	**344,978**
__Depreciation and impairment write-down__						
Balance as of 31 December 2012	**30,719**	**123,085**	**6,670**	**12,476**	**0**	**172,950**
Annual depreciation	3,056	13,664	164	2,500		19,384
Write-downs	51	14		463		528
Disposals	0	(597)	(5)	(160)		(762)
Reclassification	0	50	0	45	0	95
Balance as of 31 December 2013	**33,826**	**136,216**	**6,829**	**15,324**	**0**	**192,195**
__Carrying amounts__						
As of 31 December 2012	107,968	32,508	529	10,748	360	152,113
As of 31 December 2013	107,608	33,949	402	10,712	112	152,783

For a better disclosure reclassifications of assets not yet depreciated to Assets under construction have been made compared to 31 December 2012.

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

Increases as of 31 December 2013, in the amount of Euro 20,780 thousand mainly relate to the following:

- “Land and buildings”, in the amount of Euro 2,662 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [galloping racetrack in Milan];
- additions of Euro 15,069 thousand to Plant and Machinery relate for Euro 1,001 thousand to electro-thermal and electric plant, for Euro 6,072 thousand to technology loaned free of charge to the sales points, for Euro 3,570 thousand to hardware and interconnection network for the sales points, for Euro 687 thousand to radio links, Euro 2,239 thousand to broadcasting equipment, for Euro 1,500 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and to other plant and equipment necessary for the conduct of the various business operations of the Group companies;
- additions of Euro 2,991 thousand to Other assets relate for Euro 2,570 thousand to furnishings and fittings provided free of charge to sales points and to the begging shops managed directly by the Group, for Euro 328 thousand to head office furnishings and fittings, for Euro 78 thousand to purchases of motor vehicles and for Euro 15 thousand to sundry assets.

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

Leasing
The Group has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various points between now and June 2017. These agreements include redemption and/or extension clauses.
The real estate property in Porcari, is leased under a financial leasing contract with the company Ing Lease Italia S.p.A., and is recorded under Land and buildings at a historical cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an accumulated depreciation of Euro 888 thousand as of 31 December 2013.

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

thousands of Euro	**Total**
Total commitment as of 31/12/2013	5,979
of which	
Payments falling due within 12 months	4,466
Payments falling due between 1 to 5 years	1,513
Payments falling due after 5 years	-
Redemption	896

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

15. Intangible assets
Intangible fixed assets as of 31 December 2013 amounted to Euro 366,823 thousand (Euro 382,940 thousand). The change over the year is due to the combined effect of amortisation for the fiscal year for Euro 34,955 thousand, net disposals for Euro 174 thousand, reclassifications of property, plant and equipment for Euro 16 thousand and investments of Euro 19,028 thousand.

thousands of Euro	**Goodwill**	**Concessions, licenses, trademarks and similar rights**	**Industrial patent rights and use of intellectual property**	**Other**	**Assets under construction**	**Total**
Cost						
Balance as of 31 December 2012	**231,605**	**396,602**	**12,978**	**13,181**	**18,472**	**672,838**
Reclassification		16,876	953	617	(18,462)	(16)
Other increases		14,572	562	1,819	2,075	19,028
Decreases	0	(538)	(32)	(24)	0	(594)
Balance as of 31 December 2013	**231,605**	**427,512**	**14,461**	**15,593**	**2,085**	**691,256**
Amortisation and impairment write-down						
Balance as of 31 December 2012	**74**	**269,628**	**11,706**	**8,490**	**0**	**289,898**
Annual amortisation		32,771	436	1,748		34,955
Write-downs		0	0	0		0
Disposals		(371)	(31)	(18)		(420)
Reclassification		(108)	(201)	309		0
Balance as of 31 December 2013	**74**	**301,920**	**11,910**	**10,529**	**0**	**324,433**
Carrying amounts						
As of 31 December 2012	231,531	126,974	1,272	4,691	18,472	382,940
As of 31 December 2013	231,531	125,592	2,551	5,064	2,085	366,823

For a better disclosure reclassifications of assets not yet amortised to Assets under construction have been made compared to 31 December 2012.

The investments of Euro 19,028 thousand mainly concern:

- “Concessions, licenses, trademarks and similar rights”, amounting to Euro 14,572 thousand, of which Euro 12,606 thousand for rights for the running and collection, through a physical network, of public sports and horse race games (so-called “Monti” rights), Euro 1,116 thousand for incentives to enter a new management agreement, Euro 752 thousand for the issue of the AWP authorisation, and Euro 96 thousand for additional Sap licenses;

- “Industrial patents and intellectual property rights”, amounting to Euro 562 thousand, of which Euro 319 thousand for software licenses for betting on virtual events; Euro 50 thousand for software licenses for streaming and Euro 151 thousand for licenses for operating programmes for administration, finance and control;
- “Other”, for Euro 1,819 thousand, of which Euro 1,402 thousand for the implementation of software programmes for betting management and Euro 381 thousand for the implementation of operating software programmes.
- “Assets under construction”, amounting to Euro 2,075 thousand, are comprised principally of: Euro 1,514 thousand for “Monti” rights, acquired and not yet activated; Euro 53 thousand for software, developed in-house and still incomplete; Euro 215 thousand for the Customer Service Project; Euro 150 thousand for the New Concept Store.

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

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

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

In accordance with international accounting standards, and in particular by IAS 36, goodwill is subjected to impairment testing on an annual basis, or more frequently in the presence of indication of possible permanent losses in value. If the test shows a loss of value, SNAI is required to recognise a write-down in the financial statements.

For SNAI, such verification is based upon a comparison between the recoverable value of the CGUs for which the goodwill is recorded and the carrying amount of the same. 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 CGUs at a rate equal to the Weighted Average Cost of Capital (WACC).

The analyses conducted to check the carrying amount of goodwill concerned the “Services” CGU, the “Concessions” CGU and the “Television Services” CGU.

The cash flows for years 2014-2016 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 2014 budget and the strategic guidelines for years 2015-2016. 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 (2016), 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 8.66%.

The analyses performed showed that the amount recoverable from the cash-generating units is higher than the carrying amount. Sensitivity analyses were also conducted to check the effects of change in certain significant parameters on the impairment test results.

In particular, we note that the excess of the value in use in the “Concessions” CGU, compared to the carrying amount (including the goodwill attributed to it), equal to Euro 197.5 million, will be reduced to zero if either of the following hypothetical cases occur: (i) increase of 2.6 percentage points in the annual payout relative to the value assumed in the budget; (ii) increase of 4.9 percentage points of the annual discount rate; (iii) a final rate of negative nominal growth of 2.2%. It should be noted finally that the surplus of value will remain positive even if it is assumed, at equal conditions, that the nine-year concessions will only be renewed up to 2027.

In relation to the “Services” CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 21.6 million, becomes nil with a 10% increase in the discount rate. No change assumptions have been made in the basic assumptions underlying the cash flows, since the latter have not undergone any significant changes and are still in line with forecasts and they are based on well-established contractual relationships.

With regard to the “Television Services” CGU, the exceeding value in use over the carrying amount (including the related goodwill), in the amount of Euro 3.6 million, becomes nil with a 3% increase in the discount rate. No change assumptions have been made in the basic assumptions underlying the cash flows, since the latter have not undergone any significant changes and are still in line with the forecasts and they are 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.

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 held	
thousands of Euro	**31.12.2013**	**31.12.2012**	**31.12.2013**	**31.12.2012**
Affiliates and subsidiaries that are not fully consolidated				
- Hippogroup Roma Capannelle S.p.A.	1,525	1,789	27.78	27.78
- Alfea S.p.A.	1,289	1,359	30.70	30.70
- Connext S.r.l.	49	63	25	25
- Solar S.A.	3	53	30	30
- Teseo S.r.l. in liquidation	0	0	70	70
Total shareholdings measured using the equity method	**2,866**	**3,264**		
Other				
- Tivu + S.p.A. in liquidation	0	0	19.5	19.5
- Lexorfin S.r.l.	46	46	2.44	2.44
Total shareholdings in other companies	**46**	**46**		

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

17. Deferred tax assets and deferred tax liabilities

The aggregate amount of the temporary differences and tax losses carried forward are set forth in the following tables, together with the theoretical amount of deferred tax assets and liabilities, and the amounts in the consolidated accounts.
The Group is showing deferred tax assets and deferred tax liabilities which when netted amount to deferred tax assets of Euro 21,411 thousand (that amount being net of deferred tax liabilities, as of 31 December 2012, of Euro 15,729 thousand).

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful debts	48,477	27.5%	13,332	13,332	2014 and following
Provision for risks	14,300	27.50% - 32.62%	4,639	4,639	2014 and following
Provision for inventory depreciation	272	27.50% - 32.62%	86	86	2014 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	5,344	27.50% - 32.62%	1,677	1,677	2014 and following
Interest Rate Swap	5,859	27.5%	1,611	1,611	2014 and following
Interest expense not deducted as per art. 96 of Tuir	62,667	27.5%	17,234	17,234	2014 and following
Other temporary differences	1,541	27.5%	423	423	2014 and following
Total	**138,460**		**39,002**	**39,002**	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Gains posted	Usable before:
SNAI S.p.A.:					
Fiscal year 2008	17,895	27.5%	4,921	4,921	eligible for being carried forward indefinitely
Fiscal year 2009	10,200	27.5%	2,805	2,805	eligible for being carried forward indefinitely
Fiscal year 2010	29,060	27.5%	7,992	7,992	eligible for being carried forward indefinitely
Fiscal year 2011	27,186	27.5%	7,476	7,476	eligible for being carried forward indefinitely
Fiscal year 2012	34,422	27.5%	9,466	9,466	eligible for being carried forward indefinitely
Fiscal year 2013	75,453	27.5%	20,750	3,424	eligible for being carried forward indefinitely
Total prior losses	**194,216**		**53,410**	**36,084**	
Total Deferred tax assets				**75,086**	

The changes in prepaid tax assets:

	31.12.2012	allocations set aside	uses	31.12.2013
Prepaid tax assets	63,879	15,303	(4,096)	75,086

As of 31 December 2013, the directors of SNAI S.p.A. confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss resulting from the national tax consolidation scheme. The above-mentioned recoverability is based on the predictions of future positive results in the business plans.
Note the recognition of deferred tax assets in the amount of Euro 3,424 thousand on the tax loss resulting from the tax consolidation (the total tax credit resulting from the tax losses amounts to Euro 20,750 thousand). This was due to the fact that the possible deduction, for IRES tax purposes, the amounts paid by the Company for the settlement of the legal dispute with AAMS at the Court of Auditors, equal to Euro 63,000 thousand, is subordinated to the acceptance of a request which will be submitted to the Tax Authorities.
It is worth noting that total receivables on tax losses amounted to Euro 36,084 thousand.

The “difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets”, of Euro 5,344 thousand with tax effect of Euro 1,677 thousand, relates mainly to leasing contracts stipulated in 2007 and prior years (Euro 3,575 thousand with tax effect of Euro 1,166 thousand).

It should be recalled that over the course of June 2013, the parent company, in its capacity as consolidating company, renewed its adherence to the national tax consolidation scheme pursuant to articles 117 and thereafter of the Presidential Decree 917/1986, for the 2013-2015 three-year period, with the consolidated Società Trenno S.r.l.. The tax consolidation with the companies Festa S.r.l., Immobiliare Valcarenga S.r.l. and Teleippica S.r.l is still in force for the 2012-2014 three-year period.
The adoption of consolidated taxation may have some beneficial effects on the Group’s tax burden, including the possibility of immediate full or partial application of tax losses for the period incurred by the companies participating in the consolidation scheme to reduce the income possessed by the other consolidated companies and to recover the excess interest expense not deducted by the consolidated companies due to the excess of gross operating income (GOI) of the other Companies participating in the consolidation scheme.
SNAI S.p.A., as the consolidating entity, is required to make an advance payment on account for the balance of the corporate income tax [IRES] based on the consolidated income statement.
Under the existing agreements, the income tax on the taxable income transferred to the consolidating entity is then paid by set-off against the credit balance created by the advance payments, amounts deducted at source, deductions of tax or transfers for any other reason; any amounts that cannot be offset are payable within 90 days after the Company’s receipt of the request from the consolidated companies.
In the event that the consolidated companies transfer tax credits to SNAI S.p.A., that transfer implies an indemnity to those companies in the amount of the tax credits thus transferred.
Benefits deriving from the transfer of tax losses from SNAI S.p.A. will be paid within 90 days from reception by the Parent Company of the request sent by the consolidated company, irrespective of the fact that these losses have been actually used.
The consolidated companies’ tax liability with respect to the Inland Revenue Office remains in effect if a higher taxable income for the parent company is assessed as a result of miscalculations in the taxable income reported by the consolidated companies.

Temporary differences	Amount	Rate	Tax impact	Deferred
Tax amortisation of goodwill	(10,969)	27.50% - 32.62%	(3,393)	(3,393)
Post-employment benefits	(3)	27.5%	(1)	(1)
Tax amortisation of goodwill on betting agencies	(116,098)	27.50% - 32.62%	(36,792)	(36,792)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(41,238)	27.50% - 32.62%	(13,414)	(13,414)
Other temporary differences	(271)	27.50% - 32.62%	(75)	(75)
Total deferred taxes	**(168,579)**		**(53,675)**	**(53,675)**

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

	31.12.2012	allocations set aside	uses	31.12.2013
Provision for deferred taxes	48,150	6,364	(839)	53,675

Directors of SNAI S.p.A. have decided, in accordance with IAS 12, to record the deferred tax liabilities generated by all of the temporary differences between the carrying values and the fiscal values of the related assets/liabilities. In particular, the business segments acquired, are considered business combinations and therefore are recorded using the acquisition method specified by IFRS 3.
Therefore, the Company has recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded goodwill only after having allocated the acquisition cost as described above.
Goodwill is not subject to amortisation but to impairment review on at least an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, of Presidential Decree 917/1986, which gives rise to deferred tax liabilities.
The “difference between the carrying amount and the fiscal value of property, plant and equipment” of Euro 41,238 thousand with tax impact of Euro 13,414 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 38,611 thousand with tax impact of Euro 12,595 thousand).

18. Inventories

Relative to 31 December 2012, inventories increased by Euro 2,055 thousand. The composition of the “Inventories” item is shown below:

thousands of Euro	31.12.2013	31.12.2012	Change
Raw materials	24	250	(226)
Work in progress	8	80	(72)
Finished products/goods	1,297	3,054	(1,757)
Total	**1,329**	**3,384**	**(2,055)**

The value of inventories is shown net of the provision for inventory depreciation, which, as of 31 December 2013, amounted to Euro 273 thousand (compared with Euro 291 thousand as of 31 December 2012). The following table shows the changes in the provision for inventory depreciation.

	31.12.2012	Allocations	Reclassification	Uses	31.12.2013
Provision for inventory depreciation					
Raw materials	77	91	(67)	(9)	92
Work in progress	3	0	0	0	3
Finished products/goods	211	0	(28)	(5)	178
Total	**291**	**91**	**(95)**	**(14)**	**273**

19. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.12.2013	31.12.2012	Change
Trade receivables			
- from customers	101,982	101,955	27
- from foreign customers	19	5	14
- from MIPAAF (former Assi absorbed by MIPAAF)	17,152	26,736	(9,584)
- owed by stables, jockeys and bookies	1,402	529	873
- from parent Global Games S.p.A.	6	6	0
- actual assets at collection and in portfolio	1,148	965	183
- receivables write-down provisions	(46,105)	(38,359)	(7,746)
Total	**75,604**	**91,837**	**(16,233)**

Trade receivables from included the balance as of 31 December 2013 due from operators for the collection of gaming wagers (Bets and ADIs), less the compensation to which they are entitled.

Trade receivables from customers also include the receivables subject to legal action of SNAI S.p.A. in the amount of Euro 46,055 thousand (Euro 44,496 thousand).

Receivables from MIPAAF (former Assi, absorbed by MIPAAF - Ministry of Agriculture), amounted to Euro 17,152 thousand and include:

- Euro 5,628 thousand for receivables from the Società TRENNO S.r.l.. Of the above amount, Euro 2,728 thousand are related to invoices issued in 2013 regarding fees for the management of racetracks, the remaining amount, equal to Euro 2,900 thousand relates to receivables from MIPAAF regarding grants for the development and upgrading of city racetracks as well as to amounts to be received for the 2000 Investment Provision for works carried out at the horse racetracks in Milan and Montecatini, net of prior grants amounting to Euro 484 thousand. The decrease in receivables is partly due to the changed management of prizes won on the racetracks of Milan and Montecatini by reason of the fact that, as from September 2012, the payments are made directly by MIPAAF;
- Euro 11,524 thousand, related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign racetracks, and the production and transmission of the UNIRE BLU channel dedicated to sales points for the acceptance of “national” horse betting; daily presentation and broadcast of programmes and other connected services;

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

The changes in the provision for doubtful trade debts were as follows:

thousands of Euro	**Written down individually**	**Written down collectively**	**Total**
As of 1 January 2012	**31,290**	**1,909**	**33,199**
Provisions for the year	6,569	254	6,823
Reclassification	1,265	(1,103)	162
Utilisation of provision	(1,618)	(207)	(1,825)
As of 31 December 2012	**37,506**	**853**	**38,359**
Provisions for the year	8,910	59	8,969
Reclassification	475	(475)	0
Utilisation of provision	(1,067)	(156)	(1,223)
As of 31 December 2013	**45,824**	**281**	**46,105**

As of 31 December 2013, the analysis of trade receivables overdue but not written down is as follows:

			Overdue but not written down		
thousands of Euro	**Total**	**Not yet due/in bonis**	**0-90 days**	**90-180 days**	**>180 days**
Total 2013	75,604	31,078	8,054	5,343	31,129
Total 2012	91,837	33,591	22,094	8,635	27,517

20. Other assets

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

thousands of Euro	**31.12.2013**	**31.12.2012**	**Change**
Other non-financial assets			
Tax receivables			
- from Inland Revenue Office for tax refund	62	62	0
- from Inland Revenue Office for taxes under dispute	114	73	41
- from Inland Revenue Office for IRAP refund	0	24	(24)
- from Inland Revenue Office for taxes on assets	54	54	0
	230	**213**	**17**
Receivables from others:			
- guarantee deposits	1,673	1,584	89
	1,673	**1,584**	**89**
Trade receivables:			
- assets/valuables in portfolio	510	544	(34)
	510	**544**	**(34)**
Total Other non-financial assets	**2,413**	**2,341**	**72**

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

Other current assets are composed as follows:

thousands of Euro	**31.12.2013**	**31.12.2012**	**Change**
Other current assets			
Tax Receivables:			
- from Inland Revenue Office for IRES down payment /credit	657	1,284	(627)
- from Inland Revenue Office for IRAP down payment/credit	1,121	1,446	(325)
- from Inland Revenue Office for VAT	483	0	483
- Other tax receivables	510	188	322
	2,771	**2,918**	**(147)**
Receivables from others:			
- Entertainment machines guarantee deposit	14,064	14,181	(117)
- Advance concession payment to AAMS	1,208	988	220
- Receivables from AAMS for winnings on National Horse Races	105	81	24
- Guarantee deposit for remote gaming (Skill/Bingo)	252	336	(84)
- Receivables from Skill Games	41	180	(139)
- Other receivables from Betting Acceptance Points	139	135	4
- Receivables for AAMS positions related to purchases of business units	296	296	0
- Receivables from AAMS in connection with Di Majo Award	0	9,940	(9,940)
- Receivables from undue payment of interest and sanctions on flat-rate gaming tax (PREU)	2,114	2,114	0
- Receivables from reimbursement of fees on guarantee	16	48	(32)
- Receivables from Bluline electronic exchange	226	226	0
- Welfare entities	153	144	9
- Sundry receivables	3,478	2,128	1,350
- Provision for doubtful debts from others	(2,145)	(2,196)	51
	19,947	**28,601**	**(8,654)**

Adjustment accounts			
- Accrued income	16	16	0
- Prepayments	3,953	4,829	(876)
	3,969	**4,845**	**(876)**
Total other current assets	**26,687**	**36,364**	**(9,677)**

The entertainment machines guarantee deposit of Euro 14,064 thousand (Euro 14,181 thousand) is equivalent to 0.5% of the turnover generated by the entertainment machines (AWP and VLT) as described in greater detail in Note 4 "Revenues from sales and services".

The Advance concession payment to AAMS, of Euro 1,208 thousand, includes the amounts paid in advance to AAMS for 2013 and relates to the concession fee for horse race and sports betting and for online gaming. Further detail thereof is provided in Note 9.
The Receivables from AAMS in connection with Di Majo 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. After reaching an agreement between the majority of participants in the award, SNAI S.p.A. undertook to act on behalf of the concession holders in handling the compensation that AAMS is to pay. The Di Majo Award was declared void and ineffective by the Rome Court of Appeal on 21 November 2013 (for further details reference is made to Notes 28 and 29). Receivables from AAMS in connection with Di Majo Award acquired by third parties, amounting to Euro 19,065 thousand, were used to offset fortnightly payments to AAMS, as from 2012 and partially netted. As of 31 December 2012, the remaining amount not yet offset was equal to Euro 9,940 thousand. After the abovementioned sentence, as of 31 December 2013 Euro 2,948 thousand of these receivables were classified under trade receivables and the remaining amount, equal to Euro 16,117 thousand, under financial assets in escrow accounts (see Note 21).

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

thousands of Euro	*individually*
As of 1 January 2012	2,799
Provisions for the year	353
Reclassification	(162)
Utilisation of provision	(794)
As of 31 December 2012	2,196
Provisions for the year	102
Reclassification	-
Utilisation of provision	(153)
As of 31 December 2013	2,145

Among the prepaid expenses, the table shows:

- Euro 3,112 thousand (compared to Euro 4,032 thousand as of 31 December 2012), 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 841 thousand (compared to Euro 797 thousand as of 31 December 2012), principally related to costs of maintenance and assistance contracts, etc., that have not yet accrued.

21. Current financial assets

The current financial assets consist of the following:

thousands of Euro	**31.12.2013**	**31.12.2012**	**Change**
Current financial assets			
Dedicated bank accounts	6	7	(1)
Escrow accounts and unavailable balances	19,407	10,241	9,166
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total current financial assets	**19,414**	**10,249**	**9,165**

The escrow accounts were opened by the Parent Company in order to manage the sums arising out of the netting between the amounts receivable from AAMS under the Di Majo award, and the liabilities for the collection of bets, due every two weeks (the "former ASSI fifteen-days payments") (for further details see Note 20). The balances of these escrow accounts are unavailable while waiting for AAMS's decisions after the judgement of the Rome Court of Appeal of 21 November 2013, which stated that the arbitration award issued on 26 May 2003 (known as "Di Majo Award") was void and ineffective.

The unavailable amounts on bank current accounts relate to amounts which are temporarily unavailable because of enforcement order of third party's claims. It is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order.
Escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 38).

22. Cash and cash equivalents

The cash and cash equivalents are composed as follows:

thousands of Euro	31.12.2013	31.12.2012	Change
Bank accounts	45,284	10,789	34,495
Postal deposits	9	17	(8)
Cash on hand	206	204	2
Cash and cash equivalents	**45,499**	**11,010**	**34,489**
Bank overdrafts	0	0	0
Net cash and cash equivalents	**45,499**	**11,010**	**34,489**

23. Shareholders' Equity

The share capital of the parent company, SNAI S.p.A., as of 31 December 2013, entirely subscribed and fully paid up, amounted to Euro 60,748,992.20 (60,748,992.20 as of 31 December 2012), and is comprised of 116,824,985 ordinary shares (116,824,985 as of 31 December 2012).
The holders of ordinary shares are entitled to receive such dividends as are resolved upon from time to time and are entitled to cast one vote at the Company's meeting for each share they hold.

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

The number of shares and share capital are unchanged with respect to 31 December 2012.
The shares issued are all ordinary shares.
The parent company SNAI S.p.A. does not hold treasury shares, neither directly or through its subsidiaries or affiliates.

Reserves

Legal Reserve
The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve
The share premium reserve, equal to Euro 108,282 thousand, was created following the share capital increase resolved on 14 September 2006, and concluded on 15 January 2007. The amount of that increase, of Euro 219,535 thousand, has been reduced by the ancillary charges, net of the tax effect related to the capital increase of Euro 8,216 thousand, in line with IAS 32. This reserve was utilised, for Euro 56,974 thousand, to cover part of the losses for the year 2010 and the losses for the year 2011 and, for Euro 46,063 thousand, to cover the loss for the year 2012, as resolved by the shareholders' meeting of 26 April 2013.

Cash Flow Hedge Reserve
The cash flow hedge reserve was negative for Euro 4,248 thousands and consisted of derivatives being taken directly to equity (see Note 34).

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

Profit (loss) carried forward
Profit (loss) carried forward amounted to Euro 967 thousand and show movements over the year due to the difference between the loss of the parent company (Euro 46,063 thousand) and the loss of the Group (Euro 42,560 thousand).

Minority interest
As of 31 December 2013, minority interest show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

24. Other comprehensive income/(loss)

The other components of comprehensive income relate to the recognition of derivatives directly in cash flow hedge reserve in shareholders' equity (for further detail see Notes 27 and 34) and to IAS 19 Employee Benefits.

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

		Fiscal year 2013	Fiscal year 2012
Hedge derivatives:			
Adjustment to fair value interest rate swap		3,547	(3,931)
Tax impact		(975)	1,081
	(a)	**2,572**	**(2,850)**
Re-measuring of defined-benefit plans for employees (IAS 19):			
Actuarial gains/(losses)		105	(981)
Tax impact		(29)	270
	(b)	**76**	**(711)**
Total gain/(loss) for the year (a+b)		**2,648**	**(3,561)**

25. Earnings/(Loss) per share

Basic earnings per share

The calculation of the basic earnings/loss per share as of 31 December 2013 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 94,530 thousand (31 December 2012: loss of Euro 42,560 thousand) and the weighted average number of outstanding ordinary shares during the period ended 31 December 2013, equal to 116,824,985 shares (31 December 2012: 116,824,985).

The calculation was made in the following manner:

in thousands	31.12.2013	31.12.2012
Gain/(loss) attributable to holders of ordinary shares = gains for fiscal year of group (a)	(94,530)	(42,560)
Average weighted number of ordinary shares /1000 (b)	116,824.99	116,824.99
Basic earnings/(loss) per share (a/b)	**(0.81)**	**(0.36)**

Diluted earnings/(loss) per share

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

26. Post-employment benefits

The Post-employment benefits as of 31 December 2013 amounted to Euro 4,387 thousand against Euro 5,190 thousand as of 31 December 2012.

The following table shows the movements therein:

thousands of Euro	
Balance as of 01.01.2013	**5,190**
Accruals	78
Utilisation	(904)
Financial expenses	128
Actuarial loss/(gain)	*(49)*
Actuarial loss/(gain) from change in demographic ass.	*2*
Actuarial loss/(gain) from change in fin. assumptions	*(58)*
Total actuarial loss/(gain)	(105)
Balance as of 31.12./2013	**4,387**

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

The main assumptions adopted are summarized in the following table:

Summary of technical economic bases financial assumptions

Financial assumptions	
Annual discount rate (SNAI S.p.A. and Teleippica S.r.l.)	3.17%
Annual discount rate (Festa S.r.l. and Società Trenno S.r.l.)	2.50%
Annual inflation rate	2.00%
Rate of increase in post-employment benefits (TFR)	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 General Accounting Office of the State
Disability	INPS tables by age and gender
Retirement	100% achievement of requirements of the General Compulsory Insurance

Table of annual frequency of turnover and advances on post-employment benefits

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%	5.00%
Festa S.r.l.	2.50%	10.00%

The sensitivity analysis for each actuarial assumption at year-end is given hereunder while highlighting the effects (in absolute terms) which would have occurred upon reasonable possible changes in actuarial assumptions on that date

Sensitivity analysis of the main evaluation parameters as of 31.12.2013
(amounts in thousands of Euro)

Change in assumptions	**Balance**
+1% on turnover rate	4,392
-1% on turnover rate	4,379
+1/4% on inflation rate	4,447
-1/4% on inflation rate	4,327
+1/4% on discount rate	4,302
-1/4% on discount rate	4,474

The average financial duration of the bond for defined-benefit plans as of 31 December 2013 ranged from 7 to 13 years.

The following table shows expected disbursements related to the plan:

Years	**Expected disbursements thousands of Euro**
1	366
2	355
3	426
4	347
5	423

27. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	31.12.2013	31.12.2012	Change
Non-current financial liabilities			
Secured bank loans	0	328,866	(328,866)
Bond loan	479,214	0	479,214
Due for financial leasing	2,174	6,164	(3,990)
Interest Rate Swap	0	9,406	(9,406)
Total other non-current liabilities	**481,388**	**344,436**	**136,952**
Current financial liabilities			
Current portion of senior bank loans	0	16,100	(16,100)
Secured bank loans	0	9,000	(9,000)
Due for financial leasing	3,764	9,902	(6,138)
Due for interest on bond loans	3,661	0	3,661
Due to banks	40	1,038	(998)
Due to “Betting Acceptance Points” for the purchase of horse race and sports Concessions business units	42	155	(113)
Total current financial liabilities	**7,507**	**36,195**	**(28,688)**

The financial liabilities include:
- The bond loans stipulated on 8 November and 4 December 2013 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 479,214 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These charges, equal to Euro 21,111 thousand, include professional fees related to the stipulation of the contracts, as well as the tax payable on the assumption of the loan, whose Euro 325 thousand have been charged to the income statement for the fiscal year 2013;
- financial liabilities for financial lease contracts, totalling Euro 5,938 thousand, mainly relate to the residual balances on contract for the acquisition of a building situated in Porcari (Lucca) and of technology for use in bet collection sales points, described in greater detail in Note 14, “Property, plant and equipment”;

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

On 8 November 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds (“Facility A” and “Facility B”), the issue of which was resolved on 5 November 2013 by SNAI S.p.A.’s Board of Directors.

The “Facility A” bonds, issued in the amount of Euro 15,000 thousand, featured the following characteristics:
- issue price: equal to 100% the nominal value;
- Maturity: 12 months from issue, except advance reimbursement and redemption provisions and the option to extend the maturity date as set out by the regulation on the Bond Loan;
- coupon (quarterly): 3-month Euribor + 600 bps (with quarterly increase of further 50 bps until maturity, up to 800 bps maximum).

The “Facility B” bonds, issued in the amount of Euro 20,000 thousand, featured the following characteristics:
- issue price: equal to 96% the nominal value;
- Maturity: 18 months form issue except advance reimbursement and redemption provisions as set out by the regulation on the Bond Loan;
- coupon (quarterly): 3-month Euribor + 800 bps (with quarterly increase of further 50 bps until maturity, up to 1000 bps maximum).

The regulation regarding Bond Loans, governed under the British law, provides that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the expiration or the advanced redemption of bonds, as well as restrictions in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advance redemption of bond/notes. The bonds/notes are not listed on any regulatory market nor in any Italian and EU multilateral systems for negotiations.

Gains from the Bond Loan have been utilised to refinance the parent company after the payment, made on 4 and 15 November 2013, of Euro 65,748 thousand (including interest) pursuant to Art. 14, par. 2-ter of Law Decree no. 102 of 31

August 2013 (converted in Law on 28 October 2013) for the settlement of the unfavourable appeal ruling no. 214 against SNAI S.p.A. issued by the Lazio Section of the Court of Auditors on 17 February 2012.

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

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

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

Gains on Notes have been used by SNAI S.p.A. for the following purposes: (i) refinance a portion of its bank debts through the redemption of the medium/long-term loan granted to SNAI S.p.A. by a pool of banks in 2011 and repayment of some related hedging derivatives, (ii) reimbursement of bonds related to Facility A, issued by SNAI S.p.A. on 8 November 2013.

Always on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as of 31 December 2013.

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

The loans subscribed in March 2011 were redeemed on 4 December 2013. The two hedging agreements on Interest Rate Swap transactions, were terminated in advance. These agreements were signed to hedge the interest rate on the redeemed loan.

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

amounts in thousands of Euro

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	Date	Disbursed amount
Senior Secured Notes	320,000	4 and 6 months	6 months	15.06.2018	Bullet	04.12.2013	320,000
Senior Subordinated Notes	160,000	5 years	6 months	15.12.2018	Bullet	04.12.2013	160,000
Facility B bonds	20,000	1 and 6 months	3 months	08.05.2015	Bullet	08.11.2013	20,000
Senior Revolving Facility	30,000		1, 3 or 6 months	15.06.2018	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Total	**530,000**				**Total amount disbursed as of**	**31.12.2013**	**500,000**

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

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

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

As of 31 December 2013, the provisions for risks and charges amounted to Euro 16,617 thousand. Details of the amounts, and changes thereto, are set forth in the following table:

thousands of Euro	Technological renewals	Tax disputes, litigations and contractual risks	Total
Balance as of 31 December 2012	**2,716**	**22,420**	**25,136**
Provisions recognised in fiscal year	293	2,039	2,332
Net uses during the year	0	(10,851)	(10,851)
Balance as of 31 December 2013	**3,009**	**13,608**	**16,617**

Technological renewals
The provision for technological renewals consists of:
- Euro 2,829 thousand related to periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the telematic management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931, and following amendments and supplements;
- Euro 180 thousand for estimated costs of technological upgrades in gaming terminals.

Tax disputes, litigations and contractual risks
The provision for risks for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 13,608 thousand.

The accrual for the period of Euro 2,039 thousand concerns: with regards to Euro 660 thousand to ongoing negotiations with credit institutions related to sums erroneously charged by their computer systems, with regards to Euro 420 thousand to legal disputes with employees and former employees, with regards to Euro 380 thousand to the tax assessments on IRES/IRAP and VAT and with regards to Euro 579 thousand to costs related to companies in liquidation.

The utilisation of Euro 10,851 thousand during the period relates to the following:
- for Euro 2,886 thousand to the definitive notification of the penalties and interest for the late payment of the Single Tax for the years 2009 and 2010: the total sum payable amounted to Euro 5,534 thousand, whose Euro 1,879 thousand paid in June and the remaining part will be paid in instalments (see Note 29);
- for Euro 3,412 thousand to the definitive notification of the penalties and interest for the late payment of the 2010 PREU, reclassified to other payables and with amount payable in instalments (see Note 29);
- for Euro 1,465 thousand to the penalties requested by AAMS for the Barcrest matter;
- for Euro 191 thousand to the balance of the 2012 PREU;
- for Euro 380 thousand to the final outcome of the Tax Assessment related to the year 2011;
- for Euro 491 thousand to settlements with employees and collaborators;
- for Euro 1,797 thousand for legal fees;
- for Euro 229 thousand for other uses.

Disputes related to the entertainment device business (entertainment machine): 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 a notification from the Regional Prosecution Authority of the Lazio Court of Auditors, inviting it to present its arguments in respect of an investigation concerning a presumed loss of tax revenues resulting from the fact that only a part of its entertainment devices (entertainment machines) had been correctly connected to the national network (SOGEI) used by AAMS to calculate the PREU tax. The presumed loss to the Treasury was estimated at approximately Euro 4.8 billion, comprised entirely of penalties for the alleged breach by the concession holder of the minimum service levels specified in the concession agreement.

In the same month of June 2007, AAMS issued contractual penalty notices for a total of Euro 20 million, against SNAI.
SNAI, together with other concession holders, took the matter before the Italian Supreme Court (Corte di Cassazione), claiming that the Court of Auditors had no jurisdiction over the matter.
The Company has also lodged an appeal with the Regional Administrative Court (TAR) contesting the AAMS decisions.
At a hearing of 4 December 2008, the Lazio Court of Auditors' Jurisdictional Section ordered the suspension of the proceedings pending the ruling of the Supreme Court.
The Supreme Court 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), however the decision did nothing to diminish the ambiguity of the original claim for a loss of tax revenues, which in our legal advisors' view, renders the claim before the Court of Auditors now void, on the basis of recent changes in Italian legislation.
In addition to that assessment, It should be added that the substance of the loss claimed is groundless, as it cannot be shown to be related to the concession holders' conduct.

In any case, following the decision pronounced by the Supreme Court, the Court of Auditors has once more taken up the case, and on 24 March 2010 SNAI received a summons from the regional prosecutor of the Court of Auditors to attend a hearing on 11 October 2010; the hearing ended, after lengthy discussion and argument with the prosecutor, with all of the proceedings being withheld for judgement. SNAI's legal counsel presented comprehensive arguments against all of the allegations, and the Court of Auditors has withheld judgement.
The ruling/ordinance issued by the Court of Auditors on that occasion called for an expert technical appraisal to be carried out by DIGIT-PA, with participation of the parties and the prosecutors, and assigning the deadline of 11 August 2011 for the filing of preparatory documents; this deadline was subsequently extended to the end of September. DIGIT-PA filed its technical report on 30 September 2011. The Company filed its own technical report on 27 October 2011.
At the hearing of 24 November 2011, legal counsels for the concession holders and the AAMS executives filed their defence, in reply to the allegations of the public prosecutor, who – the defendants learned only at the beginning of the hearing, and only because one of the judges mentioned the fact – filed additional evidence on 22 March 2011. The legal counsel of the concession holders filed a request for a delay, in order to consider the new evidence, and in view of the fact that it had been kept concealed despite the repeated declarations that no more evidence would be produced by the public prosecutor. The President of the Court was unwilling to uphold the request for a delay, and oral submissions were made, with a declaration that the defendants did not have the opportunity to respond to the evidence. The counsel of SNAI argued that the ruling could only be of non-condemnation if based on the new evidence, as a decision based on the evidence filed by the public prosecutor on 22 March 2011 would be void. Apart from this judicial accident, the defendants' counsel were fully able to argue in support of the other defence, in respect of the fairness of the hearing (inadequate, in SNAI's view, as the prosecution had merely notified SOGEI and brought no specific claim against), and the other inadequacies in the arguments of the public prosecutor.
On the merits of the claim, SNAI's arguments regarded the efficiency of the services, the inconsistency of an autonomous calculation of fines, different from the application of the contractual penalties falling within the jurisdiction of the Council of State (and which had repeatedly found such penalties to be unjustified), and finally, the groundless for asserting gross negligence.
Following this lengthy discussion the Court withdrew to deliberate on their ruling.
The ruling no. 214/2012, published on 17 February 2012, condemns all of the concession holders involved. SNAI was ordered to pay an amount of Euro 210 million (including monetary revaluation) plus legal interest from the date of the ruling, as 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 filed an appeal against the ruling no. 214/2012 on the grounds of multiple flaws.
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, and in any case for amounts likely to be reduced with respect to those set out in the judgement.
For these reasons, no provisions have been made in previous financial statements other than the estimated amount for legal fees.
In any case, taking advantage of the option permitted by article 14 of Law Decree no. 102/2013, without this being construed as constituting any admission of responsibility regarding the improper execution of their concession agreement, and due to their desire to eliminate the uncertainty deriving from the outcome of the judgement pending, on 15 October 2013 SNAI presented an application for the fast track option to conclude the dispute, offering to pay the 25% of the penalties imposed by the ruling no. 214/2012 and therefore the sum of Euro 52.5 million. Following the decision of the Council Chamber taken on 30 October 2013, the III Appeals Section of the Court of Auditors accepted the appeal and determined an amount of 30% of the penalties imposed by the Judgement, equal to Euro 63 million, in addition to legal interest and legal expenses in the amount of Euro 2,347.52. In the meantime the Law Decree no. 102/2013 has been converted into Law with amendments which affect both the percentage proposable in order to obtain the fast track option(reduced from 25% to 20%) and both the timing of the payment (no later than 4 November 2013); this requires that the Company shall deposit, within the said date of 4 November 2013, an additional application asking to be admitted to the abovementioned percentage reduction and attaching proof of payment of 20% of the penalties imposed by the ruling no. 214/2012 and equal to Euro 42 million, added with interest expense accrued and legal expenses. With Decree no. 19 dated 8 November 2013, the III Appeals Section of the Court of Auditors rejected the request for review and confirmed the ruling issued by the Court on 30 October 2013. On 15 November 2013, SNAI therefore supplemented the payment of Euro 43,800,821.92, made on 4 November 2013, with a further amount of Euro 21,947,876.71.
Following the hearing on the appeal held on 31 January 2014, the Court of Auditors, Jurisdictional Section III, with ruling no. 46/2014 defined the extinction of the judgement with respect to SNAI.

The parallel legal action, brought by SNAI and other concession holders to assess the ineffectiveness of the summons by reason of their inconsistency with Art. 17, par. 30-ter of the Law Decree no. 78/09 (Bernardo Award), was concluded with ruling no. 573 of 10 September 2013 in which the Court of Auditors, Jurisdictional Section III, confirmed rejection of the invalidity request of proceedings. However, the Court partly amended the grounds of the first instance order.

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 no. 2728 of 1 April 2008, now res judicata. As regards the first group of three objections - regarding the alleged delay in start-up, activation and running of the Network - AAMS issued the related penalties with notices 33992/Giochi/UD on 2 September 2008, 38109/Giochi/UD on 1 October 2008, and 40216/Giochi/UD on 16 October 2008, for a total amount of over 2 million Euro, served to SNAI, which objected these proceedings before the Lazio Regional Administrative Court (TAR).
The Lazio Regional Administrative Court ruling no. 12245/2009 of 1 December 2009, which rejected this second appeal, as it did for the appeals of the other nine Concession holders, has been objected by SNAI. The hearing was held on 20 March

2012 and, by virtue of its ruling no. 2192/2012 of 16 April 2012, the Council of State declared the orders to pay the first three penalties null and void.
On 23 June 2012, a third party statement of claim was served upon the Company by SOGEI S.p.A. against ruling no. 2192/2012. SNAI will file its appeal within the legal terms in view of the fact that the hearing has been fixed on 13 May 2014.

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

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

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February, the AAMS imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of Euro 8,408,513.86.
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.
On 20 February 2013, the hearing was held, and on 17 June 2013, ruling no. 6028/2013 was deposited. With this sentence the Second Section of the Lazio Regional Administrative Court (TAR) upheld SNAI's appeal and, consequently, annulled the AAMS penalty.
On 28 January 2014, SNAI was served with the notice of ADM's appeal against the ruling no. 6028/2013.
SNAI will file a cross-appeal to the ruling no. 6028/2013.

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

Disputes concerning the entertainment machines business: PREU risk fund

It should be noted 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 2009. We shall now report the latest developments regarding 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-rate 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 Euro 729 thousand, with interest due of Euro 451 thousand and ordinary penalties of Euro 11,780 thousand which, reduced by one sixth, amounts to Euro 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 Euro 243 thousand plus interest due of Euro 151 thousand and reduced penalties for Euro 556 thousand, for which payment in multi-annual 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 Euro 2.8 million for PREU and Euro 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 Euro 646 thousand for PREU tax and a total of Euro 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 indicated a further sum that SNAI could pay by way of "amicable" settlement in relation to 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, the Parent Company received a final demand for the 2008 PREU in a total amount of Euro 183 thousand (Euro 45 thousand for PREU, Euro 105 thousand in penalties and Euro 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 Euro 64,137.09 in PREU, Euro 20,486.38 in interest and Euro 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 Euro 137,907.91 (Euro 25,394.40 in PREU, Euro 5,227.96 in interest and Euro 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 AAMS 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 Euro 21,947.21 and, on the other hand, reduced penalties in the amount of Euro 2,933,107.07 and interest in the amount of Euro 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 27 June 2013, SNAI received the definitive request related to the 2010 PREU for Euro 478,743.04 of interest and Euro 2,932,904.43 of reduced penalties. SNAI's request to pay these sums by instalment was accepted.
The Directors accrued a specific provision as of 31 December 2012 related to this liability and in 2013 the provision has been reclassified as other current liabilities.

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

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

By Decree of the President of the Lazio Section of the Court of Auditors the reporting trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the status ascribed to it, since it does not handle public money subject to the PREU tax. On 27 April 2010 the Regional Prosecutor sent a summons for a hearing to sentence SNAI S.p.A. for non-reporting. The Court, at the preliminary for appearance and discussion held on 7 October 2010 regarding the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments for and against SNAI and the other concession holders who underwent the same proceeding.
The attorneys developed analytical arguments on the substantial 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 notice of the Prosecutor's appeal.
In the view of the Company's legal advisors, the grounds of the appeal may be reasonably overcome; on that basis, technical defences have been prepared for the hearing scheduled for 13 March 2013. At the hearing of 13 March 2013, the matter was deferred to a new hearing on 18 December 2013 and the decision was upheld.
As it did for the appeals of other concession holders, with ruling no. 5 of 3 January 2014, the Court of Auditors deemed that the accounting default claimed by the Prosecutor was actually present. The fine, however, was remarkably reduced from hundreds of millions euros to Euro 5,000.00, thus accepting the correct calculation of the fine claimed by SNAI.
The Company is now evaluating whether there is ground for a possible appeal before the Court of Appeal against the unfavourable, although reduced, order to pay Euro 5,000.00 once the reasons for the sentence are known.

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

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

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

This event 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 revocation 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, prohibiting gaming on that system, which SNAI had already blocked as of 16 April 2012. SNAI has already fulfilled its duties as required under the regulations and the terms of the concession, for the removal of the Barcrest devices from sales points.

The procedure related to the possible expiration of the concession ended with a decision, ref. 2013/8342/Giochi/ADI, served to the Company on 22 February 2013, under which AAMS determined on no revocation of the concession, and limited to the application of certain contractual penalties for a total amount of approximately Euro 1.5 million.
With notice 2013/2070/Giochi/ADI of 11 June 2013, served to the Company on 18 June 2013, AAMS determined in Euro 1,465,000.00 the final penalty to be paid by SNAI for within 60 (sixty) days from the notice.
SNAI paid within the terms.

- Disputes brought by customers claiming to hold “alleged” winning tickets as a result of the malfunction of the VLT Barcrest 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 seeking payment of the amounts indicated on the tickets issued by the Barcrest VLTs during the malfunction and/or compensation for the damage sustained.
In particular, as of 31 December 2013, 88 sets of proceedings had been brought. Of the 88 proceedings, ten interim orders that were temporarily enforceable, are as follows:
- in two cases, the gamers obtained an award of about Euro 500,000,00. In one of these cases SNAI obtained the suspension of the interim order’s enforceability and applied for a distraint order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI’s payment to the court of Euro 500,000.00;
- in the remaining six cases, temporary enforceability was suspended pending summary examination of the substantive case, and in five of those, the enforcement procedure started was i) discontinued in one case, ii) suspended in two cases, iii) still pending in another case.
It should be also pointed out that one case has in the meantime become extinct due to inactivity on the part of the player.

After 31 December 2013, a further legal proceeding was brought before the Court through an appeal pursuant to Art. 702 of the Italian Code of Civil Proceedings.
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. The summoned companies appeared before the Court to challenge SNAI’s claims and asking the payment of alleged amounts receivable and of damage to be determined in the course of the proceedings.

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

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

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

Disputes related to the betting business: Guaranteed minimum service levels

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

With AAMS notice no. 2009/20716 of 29 May 2009, AAMS demanded that SNAI pay the minimum guaranteed amounts for the year 2008, for a total of approximately Euro 11.1 million. On 17 September 2009, the Company, acting through its legal advisor, filed a special appeal with the Lazio Regional Administrative Court for the suspension and subsequent cancellation of the decisions requiring the minimum payments for the year 2008.
The Lazio Regional Administrative Court has upheld, with ruling no. 10860/2009 published on 5 November 2009, the appeal submitted by SNAI, cancelling AAMS's demands related to the year 2008.

A similar procedure was performed for the AAMS' demand for 2009 in relation to 204 horserace betting concessions for a total amount of Euro 7.4 million, against which an interim application was brought before the Lazio Regional Administrative Court, with a view to accelerating resolution of the dispute.
Following numerous litigation brought before the same court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the court pronounced the Sentences Nos. 6521 and 6522 of 7 July 2009, cancelling the request of payment of AAMS as illegitimate, on the basis that such requests were not anticipated by the safeguard measures set out in the law in respect of those concession holders existing prior to the opening of market pursuant to Law Decree no. 223/06 (the so-called Bersani reform). The Court also declared that AAMS was legally obliged to adopt those measures, in order to achieve a re-equilibrium of the operating conditions of the concessions in place prior to these reforms.
Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by AAMS in view of the adoption of such safeguard measures.

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

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

On 12 January 2012, AAMS notified 226 requests for payment of minimum guaranteed amounts to which the following is to be added: - two requests addressed to the former Agenzia Ippica Monteverde S.r.l. - payment requests of minimum guaranteed amounts for the years 2006-07-08-09-10 for a total amount of Euro 25,000 thousand on the assumption that the "safeguarding methods", previously not in place, had expressely been provided for by Article 38 (4) of Law Decree no. 223/06; it now became apparent, however, that it was impossible adopt a standard for calculating minimum guaranteed amounts other than the standard that had already been repeatedly censured by several Lazio Regional Administrative Court rulings, some of which have now become res judicata. SNAI submitted an appeal to the Lazio Regional Administrative Court for the annulment of those orders after suspending their immediate enforceability pending the final ruling. The hearing for discussion of the interim application was set for 21 March 2012.
By virtue of order no. 1036/2012 of 22 March 2012, the Second Section of the Lazio Regional Administrative Court, also acknowledging the steps taken to resolve the longstanding question of the safeguarding measures, temporarily suspended the effectiveness for the new requests to pay the minimum guaranteed amounts for 2006-2010, fixing the hearing on 5 December 2012.

On 20 June 2012, AAMS served to SNAI, in addition to another notice served to the former Agenzia Ippica Monteverde S.r.l., 226 - payment requests for integrations to minimum guaranteed amounts for the years 2006-07-08-09-10-11, for an aggregate amount of Euro 24.9 million.
Compared to the previous round of demands of January 2012, this one, on the negative side, shows the addition of the supplements owed for the year 2011, which had not yet been demanded by AAMS and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.
This Article has provided, in respect of to the "*amounts for collection pursuant to article 12 of the Presidential Decree no. 169 of 8 April 1998, as amended (the* "*minimum guarantee amounts*")", "*the equitable definition, of a reduction not higher than 5 per cent of the sums still payable by the concession holders, pursuant to said Presidential Decree no. 169 of 1998, with identification of the modalities of payment of such sums, and adjustment of the guarantees*".
On 20 July 2012, an application was made to the Lazio Regional Administrative Court for the interim suspension and subsequent cancellation of those requests of payment.

Following the hearing on 12 September 2012, the Second Section of the Lazio Regional Administrative Court ruled that the notices amounted to simple offers of settlement, and did not have the effect of further requests, where not accepted by the concession holder. This interpretation of the requests received and the underlying Law Decree 16/2012 leaves the Company open to defend any attempt to that AAMS might pursue for a forced collection of the amounts; on the other hand, confirms the suspension of similar requests that AAMS issued on 30 December 2011, already suspended on an interim basis by the same court, in order no. 1036/2012.
Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by AAMS only on 7 August 2012.
At the hearing scheduled for 5 December 2012, together with that already fixed in connection with the appeals against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

Through ruling no. 1054, deposited on 30 January 2013, the court's second section upheld SNAI's arguments concerning alleged violation of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension of the proceedings, and passed matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012 for lack of interest in the lawsuit
For the entire duration of the proceedings before the constitutional courts, the suspension of the proceedings continues to operate, to the benefit of SNAI, preventing AAMS from enforcing the requests. The hearing before the Court was held on 8 October 2013 and the decision was upheld.
With ruling no. 275 of 20 November 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, le. b) of the Law Decree no. 16/2012 as regards the wording "*not higher than 5 per cent*".
The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "*not higher than 5 per cent*".
On 6 June 2013, SNAI was served with 98 payment claims regarding guaranteed minimum amounts related to 2012, for a total amount of Euro 3,328,018.72. As for previous notices, SNAI objected such notices before the Lazio Regional Administrative Court, asking for their cancellation.
The Group, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests that have been brought by AAMS only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the A WP quotas

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

Other Disputes

SNAI/Omniludo S.r.l.

- 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 29/6/2005", petitioning the court:
  to declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29/6/2005; to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.
  The case was investigated and the hearing was postponed to 10/12/2010 to allow for clarification of the pleadings and then postponed again ex officio to 17/06/2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10). The Court reserved the decision.
  Through a decision on 10 February 2012, the Court ordered the case to be submitted to the President of the section, for a decision on consolidation, or reassignment to Dr. Capozzi, who carried out the proceedings.
  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 with a view of their 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 29/06/2005 to be terminated on the grounds of Omniludo's serious breaches of its contractual and statutory obligations;

3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter “c.c.p.”) to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca 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 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 with a view of 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 still awaited.
By order of 23/04/2012, 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. On the above hearing, the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on 17 March 2014. For this hearing, the Judge granted legal time limits for the filing of closing briefs.

Stefano Tesi vs. SNAI

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

SNAI appeared before the Court, opposing the above claims both in fact and in law, as under mandatory provisions of law a VLT may not pay out winnings in excess of Euro 500,000.00, and in turn suing the manufacturer of the VLT in question, as the event was probably due to a defect in the machine. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 03/07/2012. At that hearing, at which the BARCREST Group appeared, the Court withheld its decision. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 09/10/2012 in accordance with 183 of the c.c.p. At that hearing the case was postponed until 12/03/2013 for admission of pre-trial motions. At the hearing of 12/03/2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. At the hearing of 28/05/2013, the case was postponed to 02/07/2014.
SNAI, with the support of the advice from its legal advisers, believes that there is a risk of losing the case, not for the sum claimed by the claimant, but rather up to the maximum amount of a Jackpot winnings i.e. Euro 500,000.00.
The above opinion is also in consideration of the counterclaim filed by SNAI against the manufacturer Barcrest Ltd as guarantor for any payment that SNAI might be obliged to effect pursuant to Tesi’s claim.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on 14 March 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in court in due form, stating its own defence and objecting that the plaintiff’s claims are unfounded. Following the hearing on 15 February 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to another judge on 7 June 2013 who postponed the hearing until 11 October 2013. In the meantime, AINVEST filed a petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of 11 October 2013 the Judge ordered the appointment of an interpreter, setting the new hearing on 16 May 2014.
Supported by the opinion of its legal advisers, the Directors assessed the risk of losing the case as more than possible.

Potential assets: Receivables from the Di Majo Award

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

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

The compensation awarded to SNAI by 30 June 2006 would be on the order of Euro 2,498 thousand.
The compensation for the following years has not yet been determined in its entirety.
The defeated Ministries filed an appeal against that ruling before the Rome Court of Appeal.
At the trial scheduled for 14 December 2012, the judgement on the case was reserved.
In addition to those legal events, on 22 June 2010 Assosnai (Association of the category of concessionaires) sent AAMS a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to AAMS (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.
AAMS addressed a formal legal query to the State Attorney General regarding the memoranda sent by Assosnai and informed Assosnai that the State Attorney General confirmed the admissibility of the proposed settlement of the dispute.
To date, the settlement agreement has not yet been signed.

Offsetting of the accounts receivable from the Di Majo Arbitration has already been authorised by a decree issued by the AAMS in any case, and SNAI has arranged for such offsetting in the amount of Euro 2,498 thousand regarding the receivables directly attributable to SNAI as concession holder.
Based on the above authorisation for offset, some subjects who are no longer concession holders, assigned their receivables resulting from the Di Majo Award to SNAI which provided for the offsetting of the entire amount of receivables acquired, in the amount of Euro 19,065 thousand. The consideration paid for these receivables has been temporarily put into an escrow accounts awaiting for the pronouncement of the Court of Appeal of Rome, or, in any case of the final decision
With ruling no. 2626 of 21 November 2013, the Court of Appeal in Rome sentenced that the Di Majo Award was void for contested jurisdiction, i.e. the Arbitration Panel decided upon matters not consistent with its competence.
SNAI will file recourse to the Higher Court (Cassazione).

Allegations by AAMS regional offices related to the 2006 PREU

This dispute regards 41 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.
The aggregate amount of Penalties and PREU claimed is Euro 786,876.85 (Euro 193,427.76 in penalties + Euro 593,449.09 in PREU) plus interest.
SNAI has filed an appeal with the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:
- in relation to 4 notices of assessment, AAMS has issued a decision for their cancellation (and setting aside)
- in relation to 1 proceeding, the suspension was accepted and CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional CTP. A hearing is to be fixed for 15 proceedings, the suspension was accepted and at the hearing of 5 June 2013, the Court reserved its decision. On 24 July 2013 the Court lifted its reservation and rejected the recourse filed by SNAI. SNAI will file an appeal against the abovementioned rulings before the Regional CTP.
- for 2 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. Against the abovementioned 15 judgements, AAMS appealed to the relevant Regional Tax Commission, of which 7 were concluded with the confirmation of the first instance proceeding thus rejecting ADM's request.
- SNAI has filed its own defensive briefs. A new hearing has to be set.
- for 1 proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed.

With the support of the advice of the Company's legal advisers, the Directors have assessed the risk of to lose the pending cases as possible.

Allegations by AAMS' regional offices related to the 2007 PREU

This dispute regards 12 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.
The aggregate amount of penalties and PREU tax amounts to Euro 82,101.58 (Euro 49,683.24 as penalties + Euro 32,418.34 as PREU), plus interest.
SNAI has filed an appeal with the appropriate Provincial Tax Commission against the assessment notices resulting from the complaints, with an initial petition to suspend the enforceability of the challenged assessment notice.

With reference to the procedures further thereto:
- for 1 assessment notice, AAMS issued a decision for its cancellation (and setting aside)
- for 2 proceedings, the ruling has been issued upholding the appeals filed by SNAI with ruling no. 62/13. Two appeals before the competent Regional Tax Commission were filed. SNAI filed counter-appeals and the hearing is to be set;
- for 8 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.

- for 1 procedure, on 4 July 2013 after brief discussion the CTP reserved on the decision. A new hearing has to be set. Upon lifting of its reservation, the CTP rejected the suspension request and postponed the discussion to a new hearing.

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

Allegations by AAMS' regional offices related to the 2008 PREU

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

In particular:

- in relation to 2 notices the amount of which is still undetermined, for which SNAI filed defensive briefs before the competent CTP. The Company is still awaiting for the outcome of the evaluation;
- in relation to 4 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of around Euro 102,000.00. The hearing is still to be set. SNAI intends to file an appeal against the above notices before the competent CTP;
- in relation of 2 assessment notice, for a total amount of Euro 180,003.14, regarding a penalty and Euro 100,378.14 regarding the PREU tax. SNAI filed an appeal against the above notices before the competent CTP A new hearing has to be set.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 73 notices served by various regional offices of ADM (formerly AAMS) in which ADM contested the installation of a number of AWP in excess of the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable SNAI is evaluating each single contestation in order to decide whether to pay the reduced sum or whether to deposit objections. After 31 December 2013, 21 notices were served.

Quotes of 2 October 2012

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

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

SNAI promptly informed AAMS of the situation prior to events relating to those bets.

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

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

In some cases, however the players have brought a complaint before the Commission for the transparency of the games at AAMS requesting payment of their winnings. With the rulings no. 4/2013, 5/2013 and no. 6/2013 published on 29 April 2013, the Commission has upheld three complaints; payment has been sought from ADM. With an appeal to the Lazio Regional Administrative Court filed on 14 November 2013, SNAI objected the order with which ADM required the payment to one of the complainants.

Considering the nature and the characteristics of the AAMS notices, SNAI decides to not appeal them, but to brought a complaint before the Judicial Authority to obtain the negative official recognition of the payment obligation to the players.

29. Sundry payables and other liabilities

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

thousands of Euro	**31.12.2013**	**31.12.2012**	**Change**
Sundry payables and other non-current liabilities			
Tax payables			
- instalments on assessment notice	452	1,429	(977)
- Instalments of flat-rate tax	593	0	593
	1,045	**1,429**	**(384)**
Other payables			
- for instalments related to PREU for previous years	2,567	509	2,058
- for guarantee deposit liabilities	11	13	(2)
	2,578	**522**	**2,056**
Total sundry payables and other non-current liabilities	**3,623**	**1,951**	**1,672**

Other current liabilities are composed as follows:

thousands of Euro	31.12.2013	31.12.2012	Change
Other current liabilities			
Tax payables			
- income tax	285	1,038	(753)
- VAT	2,228	716	1,512
- Flat-rate tax	4,757	5,222	(465)
- Instalments of flat-rate tax	1,636	0	1,636
- instalments on assessment notice	1,347	3,119	(1,772)
- other tax debts	1,600	1,777	(177)
	11,853	**11,872**	**(19)**
Payables to soc. sec. entities			
- Soc. sec. Entities	2,466	2,156	310
	2,466	**2,156**	**310**
Other payables			
- to AAMS for outstanding PREU	14,944	16,252	(1,308)
- to AAMS for guarantee deposits ADI	2,417	2,705	(288)
- for instalments related to PREU for previous years	1,103	499	604
- to winners and VLT jackpot reserve	10,531	7,401	3,130
- VLT required tickets	202	0	202
- to AAMS as concession instalment	1,449	1,622	(173)
- to gamblers for antepost bets	1,762	2,484	(722)
- to gamblers for wins and refunds on national horseracing/sports forecast bets	1,609	2,281	(672)
- to ASSI (former U.N.I.R.E.) for fortnightly payments	1,077	1,511	(434)
- to AAMS for required tickets	277	339	(62)
- to AAMS for Sports Forecast and National Horseracing Betting Concession	3,588	4,649	(1,061)
- for SNAI Card gaming bards	5,900	5,428	472
- to Remote Gaming players (Skill/Casino/Bingo)	132	182	(50)
- for management of remote gaming (Skill/Casino/Bingo)	1	0	1
- to players for wins in virtual events	47	0	47
- for assignment of Di Majo Arbitration receivables	0	10,837	(10,837)
- to AAMS	21,564	8,795	12,769
- for non-competition agreement	167	503	(336)
- to employees and collaborators	3,786	2,871	915
- to directors	764	617	147
- to auditors	192	189	3
- for guarantee deposits	2,281	2,395	(114)
- to parent company	65	0	65
- to others	2,144	1,174	970
	76,002	**72,734**	**3,268**
Accrued liabilities and deferred income			
- accrued liabilities	245	113	132
- deferred income	901	1,026	(125)
	1,146	**1,139**	**7**
Total other current liabilities	**91,467**	**87,901**	**3,566**

The instalments payable on the tax assessment notice of a total of Euro 1,799 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which amount Euro 452 thousand is due within more than 12 months and Euro 1,347 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 21 February 2012 (for the year 2009), 5 July 2012 (for the year 2010) and 26 July 2013 (for the year 2011), in which it was also agreed to the extend payment through 12 quarterly instalments.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 2,229 thousand, of which Euro 593 thousand being due after one year and Euro 1,636 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.
The increase in the PREU payables, due to the instalments paid for prior years, equal to Euro 2,662 thousand, relate to interest and fines for delayed payment of the 2010 PREU tax. The amount due amounted to Euro 3,412 thousand and was allocated to the provision for risks.
The Other payables to AAMS item, totalling Euro 21,564 thousand, relates to drawdowns which were offset by receivables (acquired or original) from the Di Majo Award. On 21 November 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations have been cancelled. When ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 21.
The payables to AAMS for outstanding PREU, in the amount of Euro 14,944 thousand, is calculated from the entertainment machine transactions ADI).
The Deferred income item, amounting to Euro 901 thousand, is related, in the amount of Euro 868 thousand, to the portion of the grants to the former ASSI investment fund recognised as grants related to investments.

30. Trade payables

The trade payables are composed as follows:

thousands of Euro	**31.12.2013**	**31.12.2012**	**Change**
Trade payables			
- to suppliers	34,548	31,562	2,986
- to stables, jockeys and bookies	163	8,437	(8,274)
- to foreign suppliers	4,079	5,144	(1,065)
- advances paid to suppliers	(1,030)	(771)	(259)
- credit notes to be received	(465)	(391)	(74)
- to affiliate Connext S.r.l.	201	212	(11)
- to affiliate Alfea S.p.A.	0	3	(3)
- to investee Tivu + S.p.A. in liquid.	43	43	0
Total trade payables	**37,539**	**44,239**	**(6,700)**

The decrease in payables stables, jockeys and bookies is mainly due to the changed management of prizes won on the racetracks of Milan and Montecatini by reason of the fact that, as from September 2012, the payments are made directly by MIPAAF.

31. Overdue accounts payable

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

(amounts in thousands of Euro)

Current liabilities	**Balance as of 31.12.2013**	**of which due on 31.12.2013**
Financial payables	7,507	-
Trade payables	37,539	5,292
Tax payables	11,853	
Payables to soc. sec. entities	2,466	-
Other payables	76,002	-
	135,367	**5,292**

Trade payables: the amounts due as of 31 December 2013, equal to Euro 5,292 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 December 2013. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

32. Financial commitments

The following table sets forth details of guarantees issued, which amounted to Euro 157,100 (compared to Euro 186,440 as of 31 December 2012).

Bank	Beneficiary	Subject matter of the guarantee	Amount of bank guarantee as of 31/12/2013 (thousands of euro)	Amount of bank guarantee as of 31/12/2012 (thousands of euro)
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.	35,905	35,895
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	17,428	18,134
UNICREDIT	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	15,120	0
UNICREDIT	AAMS	Guarantee securing the concession for the acceptance of horse race bets	12,359	13,590
BANCA POP. DI VICENZA (EX B. NUOVA)	AAMS	Guarantee of the timely and exact payment of PREU	10,000	10,000
CR DI PISTOIA E DELLA LUCCHESIA (ex CRF)	AAMS	Guarantee of the timely and exact payment of PREU	6,000	6,000
UNICREDIT	AAMS	For proper performance, payment of amounts and issuance of authorizations for the instalment of VLT, AWP devices.	6,000	6,000
UNICREDIT	MIPAAF	For the supply of broadcasting, elaboration and dissemination of audio/video signals from Italian and foreign racetracks	5,387	5,387
CREDART	AAMS	For the timely and exact payment of PREU	5,000	5,000
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
BINTER	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	2,380	0

BPM	AAMS	Guarantee securing the timely and exact payment of the concession instalment	2,057	2,057
CREDART	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	1,960	0
CASSA DI RISPARMIO DI SAVONA	HIPPOGROUP ROMA CAPANNELLE	Pro-quota, several/non-joint bank guarantee in the interest of Hippogroup Roma Capannelle for the opening of a bank credit line EEPP	1,389	1,389
UNICREDIT	AAMS	On-line games	1,380	1,771
UNICREDIT	AAMS	Guarantee securing the exact and timely payment of PREU	994	994
BPM	AAMS	Securing the debt owed to the Revenues Agency and Unire, as security backing concession 1507	230	230
UNICREDIT	E-CARE SPA	To cover legal fees and expenses resulting from the settlement of pending causes after the transfer contract of the outbond branch of Festa	220	0
UNICREDIT	AAMS	In addition to annual commissions, 19/11/2007 UNA-TANTUM (one-off tax), equal to Euro 145,000 to distribute over a period from 15/11/2007 to 30/06/2013. Decrease of rate from 2% to 1%.	0	7,652
UNICREDIT	AAMS	For application to participate in tender Slot	0	6,000
CR DI PISTOIA E DELLA LUCCHESIA	AAMS	Sports concession	0	5,000
CREDART	AAMS	Guarantee securing the payment on the agreed dates of the instalments related to debts accrued by the concession holder towards the revenues agency and UNIRE	0	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)	0	2,900
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)	0	2,500
CREDART	AAMS	Guarantee securing the proper performance of activities and functions assigned, timely and exact payment of the tax and the amounts owed to UNIRE	0	2,202
MPS	AAMS	Horse race concession	0	2,131
UNICREDIT	INLAND REVENUE OFFICE FOR PVC	Guarantee securing debt following the assessment with settlement pursuant to Legislative Decree no. 218/1997, PVC filed on 01/12/2009. The amount of €7,627,931.81 should be paid in 12 quarterly instalments	0	1,928
BNL	AAMS	Sports concession	0	1,923
BPM	AAMS	Horse race concession	0	1,704

MPS	AAMS	Horse race concession	0	1,573
BPM	AAMS	Horse race concession	0	1,259
BINTER	MIPAAF	Temporary guarantee 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	0	1,200
BINTER	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)	0	1,200
B.INTESA	AAMS	Horse race concession	0	1,163
MPS	AAMS	Sports concession	0	1,000
UNICREDIT	AAMS	for concessions 223, 465, 1258, 3702, 3539, to guarantee sports concession obligations.	0	344
UNICREDIT	MIPAAF	For agency 257	0	317
UNICREDIT	MIPAAF	For agencies 223 and 465	0	283
MISCELLANEOUS (incr. lower than Euro 200 thousands)			731	641
MISCELLANEOUS (decr. lower than Euro 200 thousands)			0	1,530
TOTAL			**157,100**	**186,440**

As regards the issue of the Bond Loan on 4 December 2013, on the Senior Secured Notes and the Loan Contract for Senior Revolving, SNAI S.p.A. provided for a series of collaterals on the major assets owned by the Company.

33. Related Parties

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

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

Certain SNAI Group companies have accounts with Banca Popolare di Milano, Intesa San Paolo, Banca Popolare di Vicenza and Banco Popolare Società Cooperativa, which may be considered related parties in that they are companies related to the shareholders of SNAI S.p.A..
Such operations are considered to be in the interest of the Group, are part of the ordinary course of business and are subject to the terms and conditions of the market.

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

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

thousands of Euro	31.12.2013	% Impact	31.12.2012	% Impact
Trade receivables:				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	92	0.10%
- from Global Games S.p.A.	6	0.01%	6	0.01%
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	30	0.03%
	6	**0.01%**	**128**	**0.14%**
Other current receivables:				
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	3	0.01%
- to Alfea S.p.A.	1	0.00%	-	0.00%
	1	**0.00%**	**3**	**0.01%**
Total Assets	**7**	**0.00%**	**131**	**0.02%**
Trade payables:				
- from Companies related to directors of SNAI S.p.A.	764	2.04%	-	0.00%
- from Tivu + S.p.A. in liquidation	43	0.11%	43	0.10%
- from Connext S.r.l.	201	0.54%	212	0.48%
- to Alfea S.p.A.	-	0.00%	3	0.01%
	1,008	**2.69%**	**258**	**0.59%**
Other current liabilities:				
- to Companies related to directors of SNAI S.p.A.	21	0.02%	1	0.00%
- to Companies related to shareholders of SNAI S.p.A.	45	0.05%	-	0.00%
- to managers di Teleippica S.r.l.	2	0.00%	-	0.00%
- from Global Games S.p.A.	6	0.01%	5	0.01%
	74	**0.08%**	**6**	**0.01%**
Total Liabilities	**1,082**	**0.16%**	**264**	**0.04%**

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 Euro	Fiscal year 2013	% Impact	Fiscal year 2012	% Impact
Income from services and chargebacks:				
- to Companies related to directors of SNAI S.p.A.	38	0.01%	286	0.06%
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	28	0.01%
	38	**0.01%**	**314**	**0.07%**
Other income				
- to Companies related to directors of SNAI S.p.A.	2	0.16%	1	0.06%
- from Global Games S.p.A.	6	0.49%	6	0.36%
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	131	7.76%
	8	**0.65%**	**138**	**8.18%**
Interest income:				
- to Companies related to directors of SNAI S.p.A.	-	0.00%	17	1.70%
	-	**0.00%**	**17**	**1.70%**
Total income	**46**	**0.01%**	**469**	**0.09%**
Costs for raw materials and consumables used				
- from Connext S.r.l.	6	0.52%	-	0.00%
	6	**0.52%**	**-**	**0.00%**
Costs of services and chargebacks:				
- to Companies related to directors of SNAI S.p.A.	656	0.20%	8,838	2.27%
- to Companies related to shareholders of SNAI S.p.A.	15	0.00%	1,144	0.29%
- to companies owned by statutory auditors of SNAI S.p.A.	-	0.00%	1	0.00%
- to managers di Teleippica S.r.l.	57	0.02%	-	0.00%
- to Alfea S.p.A.	-	0.00%	19	0.00%
- from Connext S.r.l.	619	0.19%	711	0.18%
	1,347	**0.41%**	**10,713**	**2.74%**

Other operating costs:				
- to Companies related to directors of SNAI S.p.A.	13	0.01%	32	0.11%
- from Connext S.r.l.	3	0.00%	-	0.00%
	16	**0.01%**	**32**	**0.11%**
Total costs	**1,369**	**0.32%**	**10,745**	**2.29%**

Revenues for supplies of services and chargebacks, and other revenues represented 0.30% of EBITDA in 2013 (compared to 0.79% in 2012), while Total revenues represented 0.05% of Profit (Loss) for the year in 2013 (compared to 1.10% in 2012). The Costs of purchasing semi-finished and finished goods, raw materials and consumables, and for supplies of services and chargebacks represented 8.96% of EBITDA in 2013 (compared to 18.67% in 2012), and Total costs represented 1.45% of Profit (Loss) for the year in 2012 (compared to 25.25% in 2012).

34. Financial risk management

The Group had financial liabilities principally comprising bond loans and finance leases. Such contracts are medium- to long-term.
On 8 November 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds/notes ("Facility A" and "Facility B"), the issue of which was resolved on 5 November 2013 by the Company's Board of Directors. The "Facility A" bonds were issued in the amount of 15,000 thousand and "Facility B" bonds were issued in the amount of 20,000 thousand.
On 4 December 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on 15 June 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on 15 December 2018.
Gains on Bonds have been used by the parent company to (i) refinance a portion of the bank debt through the redemption of the medium/long-term loan granted to the Company by a pool of banks in 2011, as well as some hedging derivatives, (ii) reimburse Facility A Bonds issued by SNAI S.p.A. on 8 November 2013.
Always on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as of 31 December 2013.
The Group's policy is to reduce to the extent possible its use of interest-bearing credit to fund its ordinary operations, reduce the collection periods for its trade receivables, to arrange timings and means of deferment in respect of trade creditors, and to plan and diversify the payment terms for its investments.

Derivative financial instruments

As of 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 [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. was entirely devoted to hedging Tranche A;
- the derivative signed with Unicredit S.p.A. was devoted to hedging a share of approximately 67.5% of Tranche B, 5.45% of Tranche A and 27.05% of the Capex Tranche.

The derivatives used by the SNAI Group for hedging purposes were redeemed during refinancing. Upon redemption, derivatives showed a fair value of Euro 6,094 thousand.

In accordance with IAS 39, the Group will recognise the utilisation of the cash flow hedge reserve until its natural expiration (31 December 2015).
The following table shows the movements in the cash flow hedge reserve in the fiscal year 2013.
Changes in the cash flow hedge reserve (values expressed in thousands of Euro).

Cash Flow Hedge reserve - Interest rate risk	31.12.2013
Initial reserve	**(6,820)**
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	(111)
Positive (+) / negative (-) changes for reversal of positive/negative effect to income statement	2,683
Final reserve	**(4,248)**

Liquidity Risk

Liquidity risk as defined as the possibility that the Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. The Group's exposure to such risk is linked principally to the commitments under the loan operation entered into in November 2013 with the issue of bond loans and the entering of a revolving facility unused as of 31 December 2013.

The following table shows an analysis by maturity terms based on contract redemption obligations which are not discounted and relate to bond loans, outstanding lease agreements as of 31 December 2013, and other liabilities. The cash flows are entered in the first timeframe where they may occur (values expressed in thousands of Euros).

	Total cash flow	< 6 M	6 M < CF < 1 Y	1 Y < CF < 2 Y	2 Y < CF < 5 Y
Senior Secured Notes	(432,376)	(13,352)	(12,404)	(24,739)	(381,881)
Senior Subordinated Notes	(258,187)	(10,507)	(9,760)	(19,467)	(218,453)
Facility B bonds	(23,038)	(910)	(1,022)	(21,106)	0
Leasing	(8,372)	(4,384)	(1,733)	(1,043)	(1,212)
Other liabilities	(94,924)	(64,259)	(26,708)	(1,511)	(2,446)

Interest Rate Risk

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

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

The Group's exposure to such risk, as of 31 December 2013, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Facility B", in the amount of Euro 20,000 thousand. The aim of the Group's interest rate risk management is to protect the Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

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

Credit risk

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

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

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

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

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

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

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

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

Exchange rate risk

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

Capital management

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

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

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

thousands of Euro	31.12.2013	31.12.2012
Interest-bearing loans	488,853	380,476
Non interest-bearing loans	42	155
Financial liabilities	488,895	380,631
Trade payables and other liabilities	132,629	134,091
Current financial assets	(19,414)	(10,249)
Cash and cash equivalents	(45,499)	(11,010)
Net indebtedness	**556,611**	**493,463**
Shareholders' Equity	72,347	164,229
Total Shareholders' Equity	**72,347**	**164,229**
Shareholders' Equity and net indebtedness	**628,958**	**657,692**
Ratio net indebtedness/(shareholders' equity and net indebtedness)	88.5%	75.0%

35. Significant non-recurring events and transactions

During the fiscal year 2013, non-recurring costs and revenues, as defined by Consob Resolution no. 15519 of July 27, 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business"), amounted to Euro 70,547 thousand and were related to:

- the settlement of the unfavourable appeal ruling no. 214/2012 on the management of the new slot network, to the extent of 30% of the damages defined in the first instance ruling, amounting to Euro 63,000 thousand plus interests totalling Euro 2,749 thousand;
- administrative penalties for late payment of the Flat-rate Tax 2009 – 2010 for Euro 2,746 thousand;
- administrative penalties for late payment of PREU 2004 - 2005 - 2006 for Euro 505 thousand;
- capital loss related to the disposal of Festa's business branch composed of the number of assets organized for the running of outbound activities carried out at the operating site in Rome, amounting to Euro 1,547 thousand.

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

No atypical and/or unusual operations took place during the fiscal year 2013.

37. Group structure

Ownership of the Group

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

Significant shareholdings in subsidiaries

	Percentage held	
	31.12.2013	**31.12.2012**
IMMOBILIARE VALCARENGA S.r.l. held by sole quotaholder	100	100
FESTA S.r.l. held by sole quotaholder	100	100
Società Trenno S.r.l. held by sole quotaholder	100	100
SNAI Olè S.A.	100	100
SNAI France S.A.	0	100
Teleippica S.r.l.	100	100

On 8 October 2013 the documents were filed at the Court of Commerce for the business liquidation and the request to discontinue operations of the company SNAI FRANCE S.A.S. and on 25 October 2013 this company was cancelled from the French Companies 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	**31.12.2013**	**31.12.2012**
A. Cash	206	204
B. Other cash and cash equivalents	45,293	10,806
bank accounts	*45,284*	*10,789*
postal accounts	*9*	*17*
C. Securities held for trading	1	1
D. Cash on hand (A) + (B) + (C)	**45,500**	**11,011**
E. Current financial receivables	**6**	**7**
- Escrow Account	6	7
F. Current bank debts	40	10,038
G. Current portion of non-current indebtedness	0	16,100
H. Other current financial payables	7,467	10,057
- for interest on bond loans	3,661	0
- for acquisition of sports and horseracing concessions	42	155
- due to other lenders	3,764	9,902
I. Current financial indebtedness (F) + (G) + (H)	**7,507**	**36,195**
J. Net current financial indebtedness (I) - (E) -(D)	**(37,999)**	**25,177**
K. Non-current bank debts	0	328,866
L. Bonds issued	479,214	0
M. Other non-current payables	2,174	15,570
- to other lenders	2,174	6,164
- Interest Rate Swap	0	9,406
N. Non-current financial indebtedness (K) +(L) + (M)	**481,388**	**344,436**
O. Net financial indebtedness (J)+(N)	**443,389**	**369,613**

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,407 thousand, classified under item "current financial assets" on the balance sheet (see Note 21).

With respect to the net financial indebtedness as of 31 December 2012, the net financial debt increased by Euro 73,776 thousand. The increase is mainly due to the payment made after the Court of Auditors has confirmed the amount due for the settlement of the unfavourable ruling no. 214/2012 on the management of the new slot network, to the extent of 30% of damage quantified in the first instance judgement, for a total amount of Euro 65,748 thousand. A portion of the remaining increase is linked to the payment of taxes and fines related to 2010 PREU tax and 2009-2010 flat-rate tax defined during 2013. Lastly, it is worth noting an increase in indebtedness due to the slow-down of credit collection with respect to MIPAAF by the subsidiary Teleippica S.r.l..

38.1 Covenants

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

The above-mentioned agreements provide that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions until expiration of other bond loans, as well as restrictions on the advanced redemption of bonds, in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advanced redemption.
SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 million (for more information see Note 27).
In particular, these financial parameters refer to the maintenance of certain ratios of "pro-forma consolidated EBITDA". "Ebitda" is defined in the loan contract and indicates the consolidated result before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items, adjusted with the effect generated by full roll out of VLT machines (run-rate). This update is valid until 31 December 2014.

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

It is noted that, as of 31 December 2013, the Group was compliant with commitments and covenants.

39. Financial Instruments and information on fair value

The following table sets forth a comparison between the carrying values and fair values of all of the Group's financial instruments and other Group assets and liabilities.

	carrying amount		fair value	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Financial assets and liabilities				
Cash	45,499	11,010	45,499	11,010
Receivables	75,604	91,837	75,604	91,837
Current financial assets	19,414	10,249	19,414	10,249
Current financial liabilities	7,507	20,095	7,507	20,095
Current portion of long-term borrowings	-	16,100	-	16,100
Non-current financial liabilities	481,388	344,436	481,388	344,436
Other Assets and Liabilities				
Other current assets	26,687		26,687	
Other non-financial non-current assets	2,413		2,413	
Sundry payables and other non-current liabilities	3,623		3,623	
Trade payables	37,539		37,539	
Other liabilities	91,467		91,467	

Measurement at fair value is performed based on methods classified under Level 2 of the fair value hierarchy, as defined by IFRS standards. The Group has adopted internal valuation models, generally used in financial practice.

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

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

- long-term accounts receivable and loans, both with fixed and variable rate, are measured by the Group based on parameters like interest rates, country-specific risk factors, creditworthiness of each single customer and the typical risk of the financial project. Allocations for expected expenses on these receivables are accounted for based on the above evaluations. As of 31 December 2013, the book value of these accounts receivable, net of allocations, was substantially similar to their fair value;
- the fair value of bonds/notes resulting from financial leases and other non-current financial liabilities is measured through future cash flows discounted by applying the current rates available for accounts payable with similar terms, such as credit risk and remaining expiration terms;
- the fair value of Group loans and borrowings is measured using the discounted cash flow method and a discount rate which would reflect the interest rate of the issuer at year-end. Insolvency risk for the Group as of 31 December 2013 was assessed as irrelevant;
- the fair value of debt instruments issued by the Group are measured using the discounted cash flow models based on current financing marginal rates for similar types of loans, with maturity terms consistent with the residual useful life of the debt instruments in question.

40. EVENTS AFTER THE END OF THE FISCAL YEAR

40.1 Option agreement for the purchase of shareholdings

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

41. Fees for statutory audit and services other than auditing

The following table sets forth the amounts accrued in the fiscal year 2013 for auditing services provided by the Company's auditor.

Type of service	Entity that provided the service	Recipient	Fee pertaining to fiscal year 2013 (thousands of euro)
Accounting Audit	Parent Company's Auditor	Parent Company	432
	Parent Company's Auditor	Subsidiaries (1)	106
Services of attestation	Auditor of the Parent Company	Parent Company	650
Services of tax consulting			0
Other services	Auditor of Parent Company (2)	Parent Company	10
	Network of Parent Company's Auditor (3)	Parent Company	264
Total			**1,461**

(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 services and support services on the testing, pursuant to Law 262.

Other Disclosures
These Explanatory Notes are supplemented by the information reported in the annexes:
1) Composition of the SNAI Group as of 31 December 2013.

The annexes form an integral part of these notes and provide additional details and explanation of the relevant items in the financial statements.
The financial statements of consolidated subsidiaries and affiliates are all expressed in Euros.
These financial statements are a true and faithful representation of the consolidated net worth, financial and earnings position for the fiscal year and reflect the accounting records.

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

Milan, 20 March 2014

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The executive in charge of the preparation of the Company's accounting and corporate documentation, pursuant to article 154-bis, paragraph 5, 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 2013

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAI S.p.A.	Porcari (LU)	60.749	Parent Company		Acceptance of horse race and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of entertainment devices - skill games	line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by sole quotaholder	Milan (MI)	1,932	100.00%	(1)	Organization and operation of horse races and the training centre	line-by-line basis
- Immobiliare Valcarenga S.r.l. held by a sole quotaholder	Milan (MI)	51	100.00%	(2)	Rent of horse race company for holding of horses	line-by-line basis
- Festa S.r.l. held by a sole quotaholder	Porcari (LU)	1,000	100.00%	(3)	Call centre and help desk management	line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	70.00%	(4)	Design and planning of betting management software systems	Shareholders' Equity
- SNAI Olè s.a.	Madrid (Spain)	61	100.00%	(5)	Acceptance of sports betting and manufacturing of gaming materials - dormant	line-by-line basis
- Teleippica S.r.l.	Porcari (LU)	2,540	100.00%	(6)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	line-by-line basis
Affiliates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(7)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30.00%	(8)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	996	30.707%	(9)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connext S.r.l.	Porcari (LU)	82	25.00%	(10)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
Other companies:						
- TIVU + S.p.A. in liquidation	Rome (RM)	520	19.50%	(11)	Multimedia operations, production, gathering and broadcasting of television signal	Cost
- Lexorfin S.r.l.	Rome (RM)	1,500	2.44%	(12)	Financial company for shareholdings in the horse race sector	Cost

Notes on the composition of the Group

(1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The company was incorporated on 27 July 2006, and on 15 September 2006 Ippodromi San Siro S.p.A. contributed its “horse racing operations” business unit.

(2) Wholly-owned subsidiary of SNAI S.p.A.

(3) Incorporated on 30 December 1999, with SNAI S.p.A. as sole member.

(4) 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) Acquired by third parties on 5 May 2000. On 2 October 2003, the extraordinary shareholders’ meeting changed the company’s name from SOGEST Società Gestione Servizi Termali S.r.l. to TELEIPPICA S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders’ meeting resolved to increase the share capital to Euro 2,540,000. On 31 January 2011 SNAI S.p.A. acquired control of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l.

(7) On 12 January 2011, the shareholders’ meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. SNAI S.p.A.’s shareholding was unchanged at 27.78%.

(8) A company incorporated under Luxembourg law on 10 March 2006 by SNAI S.p.A., which holds 30%, and FCCD Limited, a company incorporated under Irish law, which holds 70%.

(9) Previously, a 30.70% shareholding was held by Ippodromi San Siro S.p.A. (formerly, Società Trenno S.p.A.), now merged into SNAI S.p.A., by incorporation.

(10) On 7 December 2000, the shareholding in 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.

(11) On 7 July 2004, the extraordinary shareholders’ meeting resolved to wind up the company Tivu + S.p.A.

(12) Shareholding of 2.44% acquired on 19 July 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.

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

1. The undersigned, Giorgio Sandi, in his capacity as President and 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 31.12.2013.

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, 20 March 2014

The President and Managing Director	**The Executive Responsible for the preparation of the corporate and accounting documents**
(Giorgio Sandii)	*(Marco Codella)*

SOCIETA' TRENNO S.R.L.
Registered office: via Ippodromo, 100 - 20151 Milan - Tax Code and VAT number 02044330468 - Milan REA no. 182035
Share capital Euro 1,932,230.00 fully paid in - Companies Register of Milan no. 02044330468

Financial statements prepared in accordance with IAS/IFRS standards

Balance Sheet as of 31 December 2013

(in Euro)

ASSETS	**31/12/2013**
Non-current assets	
Property, plant and equipment owned	1,444,707
Assets held under financial lease	8,947
Total property, plant and equipment	**1,453,654**
Other intangible fixed assets	51,335
Total intangible fixed assets	**51,335**
Other financial assets	0
Deferred tax assets	1,074,396
Other non-financial assets	47,797
Total non-current assets	**2,627,182**
Current assets	
Inventories	26,479
Trade receivables	4,594,354
Other assets	4,964,272
Cash and cash equivalents	314,427
Total current assets	**9,899,532**
TOTAL ASSETS	**12,526,714**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31/12/2013**
Shareholders' Equity	
Share capital	1,932,230
Reserves	5,789,484
Profit/(Loss) for the year	(6,041,780)
Total Shareholders' Equity	**1,679,934**
Non-current liabilities	
Post-employment benefits	2,268,170
Non-current financial liabilities	346
Deferred tax liabilities	1,717
Provisions for risks and charges	8,571
Sundry payables and other non-current liabilities	11,427
Total non-current liabilities	**2,290,231**
Current liabilities	
Trade payables	2,206,759
Other liabilities	1,141,583
Current financial liabilities	5,189,710
Current portion of long-term borrowings	18,497
Total financial liabilities	**5,208,207**
Total current liabilities	**8,556,549**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**12,526,714**

50

31/12/2012
2,169,063
21,359
2,190,422
42,302
42,302
0
1,003,831
39,405
3,275,960
189,300
14,340,970
2,890,363
310,807
17,731,440
21,007,400

31/12/2012
1,932,230
7,209,417
(6,423,441)
2,718,206
2,982,635
10,343
3,116
288,038
12,286
3,296,418
10,585,448
1,573,132
2,821,182
13,014
2,834,196
14,992,776
21,007,400

Società Trenno S.r.l.
Income Statement as of 31 December 2013

(in Euro)

	Fiscal year 2013	**Fiscal year 2012**
Revenues from sales and services	7,059,884	11,055,546
Other revenue and income	578,496	1,880,542
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(291,544)	(242,751)
Costs for services and use of third party assets	(7,508,608)	(11,747,538)
Costs of personnel	(6,138,731)	(7,438,664)
Other operating costs	(776,225)	(885,311)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**(7,076,728)**	**(7,378,176)**
Amortisation	(816,013)	(1,129,317)
Other provisions	0	(288,038)
Results of operations	**(7,892,741)**	**(8,795,531)**
Financial income	1,757	1,881
Financial expenses	(384,823)	(351,101)
Total financial income and expenses	**(383,066)**	**(349,220)**
PROFIT/(LOSS) BEFORE TAXES	**(8,275,807)**	**(9,144,751)**
Income tax	2,234,027	2,721,310
Profit/(Loss) for the year	**(6,041,780)**	**(6,423,441)**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	3,510	(444,720)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**3,510**	**(444,720)**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**0**	**0**
Total profit/(loss) in comprehensive income statement, after taxes	**3,510**	**(444,720)**
Total net profit (loss) for the year	**(6,038,270)**	**(6,868,161)**

for the Board of Directors
The Managing Director
(Stefano Marzullo)

Teleippica S.r.l. held by a sole quotaholder

Registered office: via Boccherini, 39 - 55016 Porcari (LU) - Tax Code 01913970206 and VAT no. 01779230463 - REA Lucca no. 170724

Share capital Euro 2,540,000.00 fully paid in - Companies Register of Lucca no. 01913970206

Financial statements prepared in accordance with IAS/IFRS standards

TELEIPPICA S.R.L. Unipersonale

Balance Sheet as of 31 December 2013

(in Euro)

ASSETS	**31/12/2013**	**31/12/2012**
Non-current assets		
Property, plant and equipment owned	3,830,984	1,675,059
Assets held under financial lease	0	0
Total property, plant and equipment	**3,830,984**	**1,675,059**
Goodwill	443,129	443,129
Other intangible assets	151,122	69,822
Total intangible assets	**594,251**	**512,951**
Deferred tax assets	53,909	63,534
Other non-financial assets	151,320	92,677
Total non-current assets	**4,630,464**	**2,344,221**
Current assets		
Trade receivables	11,602,468	10,371,650
Other assets	674,679	616,141
Cash and cash equivalents	1,003,873	886,272
Total current assets	**13,281,020**	**11'874'063**
TOTAL ASSETS	**17,911,484**	**14,218,284**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31/12/2013**	**31/12/2012**
Share capital	2,540,000	2,540,000
FTA reserves	73,848	73,848
Reserves	7,345,607	5,137,448
Profit (loss) for the year	1,195,140	2,198,639
Total Shareholders' Equity	**11,154,595**	**9,949,935**
Non-current liabilities		
Post-employment benefits	477,427	407,484
Non-current financial liabilities	0	0
Deferred tax liabilities	64,791	56,949
Provisions for risks and charges	0	0
Total non-current liabilities	**542,218**	**464,433**
Current liabilities		
Trade payables	1,755,795	1,286,406
Other liabilities	1,900,301	1,404,443
Current financial liabilities	2,558,575	1,113,067
Current portion of long-term borrowings	0	0
Total financial liabilities	**2,558,575**	**1,113,067**
Total current liabilities	**6,214,671**	**3,803,916**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**17.911.484**	**14,218,284**

TELEIPPICA S.R.L. held by a sole quotaholder

Income Statement as of 31 December 2013

(in Euro)

	Fiscal year 2013	Fiscal year 2012
Revenues from sales and services	11,192,714	11,474,505
Other revenue and income	571,166	526,162
Incrementi di immobilizzazioni per lavori interni		
Raw materials and consumables	(56,658)	(79,382)
Costs for services and use of third party assets	(5,953,465)	(5246,290)
Costs of personnel	(234,4864)	(2,180,524)
Other operating costs	(453,528)	(439,282)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**2,955,365**	**4,055,189**
Amortisation	(951,242)	(781,212)
Other provisions	0	0
Profit/(loss) before financial income/expenses, taxes	**2,004,123**	**3,273,977**
Gains and expenses from shareholdings	0	0
Financial income	4,136	69,697
Financial expenses	(177,681)	(43,323)
Total financial income and expenses	**(173,545)**	**26,374**
PROFIT/(LOSS) BEFORE TAXES	**1,830,578**	**3,300,351**
Income tax	(635,438)	(1,101,712)
Profit/(loss) for the year	**1,195,140**	**2,198,639**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	9,520	(37,389)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**9,520**	**(37,389)**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**0**	**0**
Total profit/(loss) in comprehensive income statement, after taxes	**9,520**	**(37,389)**
Total net profit (loss) for the year	**1,204,660**	**2,161,250**

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 no. 01755450465 - REA Lucca no. 169111

Share capital Euro 1,000,000.00 fully paid in - Companies Register of Lucca no. 01755450465 (6141/2000)

Financial statements prepared in accordance with IAS/IFRS standards

FESTA S.R.L. Unipersonale

Balance Sheet as of 31 December 2013

(in Euro)

ASSETS	**31/12/2013**	**31/12/2012**
Non-current assets		
Property, plant and equipment owned	269,514	378,507
Assets held under financial lease	0	0
Total property, plant and equipment	**269,514**	**378,507**
Goodwill	185,925	185,925
Other intangible assets	38,383	63,678
Total intangible assets	**224,308**	**249,603**
Deferred tax assets	268,850	210,959
Other non-financial assets	9,697	39,674
Total non-current assets	**772,369**	**878,743**
Current assets		
Trade receivables	553,720	732,530
Other assets	633,471	332,610
Current financial assets	729,648	2,057,132
Cash and cash equivalents	318,946	75,218
Total current assets	**2,235,785**	**3,197,490**
TOTAL ASSETS	**3,008,154**	**4,076,233**

SHAREHOLDERS' EQUITY AND LIABILITIES	**31/12/2013**	**31/12/2012**
Share capital	1,000,000	1,000,000
Riserve FTA	0	0
Reserves	905,819	762,075
Profit (loss) for the year	(1,117,872)	143,625
Total Shareholders' Equity	**787,947**	**1,905,700**
Non-current liabilities		
Post-employment benefits	131,326	157,109
Non-current financial liabilities	0	0
Deferred tax liabilities	60,091	53,016
Provisions for risks and charges	493,268	284,998
Debiti vari ed altre passività non correnti		
Total non-current liabilities	**684,685**	**495,123**
Current liabilities		
Trade payables	290,334	356,974
Other liabilities	1,245,188	1,318,436
Current financial liabilities	0	0
Current portion of long-term borrowings	0	0
Total financial liabilities	**0**	**0**
Total current liabilities	**1,535,522**	**1,675,410**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**3,008,154**	**4,076,233**

FESTA S.R.L. held by a sole quotaholder

Income Statement as of 31 December 2013

(in Euro)

	Fiscal year 2013	**Fiscal year 2012**
Revenues from sales and services	4,897,392	4,598,959
Other revenue and income	293,973	198,893
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	0	0
Costs for services and use of third party assets	(729,438)	(832,610)
Costs of personnel	(2,440,179)	(2,446,044)
Other operating costs	(92,062)	(128,964)
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	**1,929,686**	**1,390,234**
Amortisation	(81,913)	(83,061)
Other provisions	(420,000)	(163,827)
Profit/(loss) before financial income/expenses, taxes	**1,427,773**	**1,143,346**
Gains and expenses from shareholdings	0	(6,029)
Financial income	113,324	124,888
Financial expenses	(13,124)	(14,054)
Total financial income and expenses	**100,200**	**104,805**
Profit/(loss) from operating assets before taxes	**1,527,973**	**1,248,151**
Income tax	513,871	(233,248)
Net profit from operating assets	**1,014,102**	**1,014,903**
Net profit/(loss) from discontinued operations	**(2,131,974)**	**(871,278)**
Net profit/(loss) from operating assets and discontinued operations	**(1,117,872)**	**143,625**
(Loss)/gains from re-measuring of employee defined-benefit plans after taxes	119	(17,028)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	**119**	**(17,028)**
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	**0**	**0**
Total profit/(loss) in comprehensive income statement, after taxes	**119**	**(17,028)**
Total net profit (loss) for the year	**(1,117,753)**	**126,597**

The Managing Director

(Gabriele Belsito)

IMMOBILIARE VALCARENGA S.r.l. held by a 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 fully paid in - Companies Register of Milan no. 03377490150

Financial statement prepared in accordance with national accounting standards

IMMOBILIARE VALCARENGA S.R.L. Unipersonale

Balance Sheet as of 31 December 2013

(in Euro)

ASSETS	**31/12/2013**	**31/12/2012**
(B) FIXED ASSETS:		
II PROPERTY, PLANT AND EQUIPMENT:		
1) land and buildings	143,865	152,065
2) plant and machinery	0	0
TOTAL	143,865	152,065
III FINANCIAL ASSETS:		
2) receivables:		
due by the end of the following year		
d) from other entities	11	11
TOTAL FINANCIAL ASSETS	11	11
TOTAL FIXED ASSETS (B)	**143,876**	**152,076**
(C) WORKING CAPITAL:		
II RECEIVABLES:		
due by the end of the following year		
1) from customers	22,351	11,927
4) from parent companies	245,293	221,322
4bis) tax credits	2,356	2,386
5) from others	18,115	0
TOTAL RECEIVABLES	288,115	235,635
TOTAL WORKING CAPITAL (C)	**288,115**	**235,635**
D) PREPAYMENTS AND ACCRUED INCOME	**1,477**	**1,335**
TOTAL ASSETS	**433,468**	**389,046**

IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder
Income Statement as of 31 December 2013

(in Euro)

LIABILITIES			**31/12/2013**	**31/12/2012**
(A)	**SHAREHOLDERS' EQUITY**			
	I	SHARE CAPITAL	51,000	51,000
	III	REVALUATION RESERVES		
		1) reserve pursuant to law no. 72 of 19/3/1983	23,795	23,795
		2) reserve pursuant to law no. 413 of 30/12/1991	95,549	95,549
		TOTAL REVALUATION 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		
		TOTAL OTHER RESERVES	7,360	7,360
	VIII	EARNINGS/(LOSS) CARRIED FORWARD	129,364	105,500
	IX	PROFIT/ (LOSS) FOR THE YEAR	22,696	23,864
	TOTAL SHAREHOLDERS' EQUITY (A)		**340,044**	**317,348**
(B)	**PROVISIONS FOR RISKS AND CHARGES**			
		3) others	2,893	2,893
		TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**2,893**	**2,893**
(D)	**PAYABLES**			
		due by the end of the following year		
		7) amounts due to suppliers	1,899	0
		11) amounts due to parent companies	86,476	66,406
		12) tax payables	2,156	2,399
		14) other payables	0	0
TOTAL PAYABLES			**90,531**	**68,805**
TOTAL LIABILITIES			**433,468**	**389,046**

IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder
Income Statement as of 31 December 2013

(in Euro)

		FISCAL YEAR 2013	FISCAL YEAR 2012
(A)	**VALUE OF PRODUCTION**		
1)	revenues from sales and services	89,356	93,234
5)	other revenues and income, with separate disclosure of capital grants	118	5,309
TOTAL VALUE OF PRODUCTION (A)		**89,474**	**98,543**
(B)	**COSTS OF PRODUCTION**		
7)	for services	18,279	16,943
10)	amortisation, depreciation and write-downs		
	b) depreciation of tangible assets	8,200	8,585
	d) write-down of receivables in working	204	60
	capital and cash on hand	0	0
	TOTAL AMORTISATION, DEPRECIATION AND WRITE-DO\	8,404	8,645
14)	sundry operating costs	31,013	36,303
TOTAL COSTS OF PRODUCTION (B)		**57,696**	**61,891**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION		**31,778**	**36,652**
(C)	**FINANCIAL INCOME AND EXPENSES**		
16)	other financial income:		
	from securities recorded under fixed assets which are not shareholdings		
	from securities recorded under working capital which are not shareholdings		
	other income not included above		
	1) from parent companies	12,221	10,190
	4) from third parties		
	total	12,221	10,190
	TOTAL	12,221	10,190
17)	interest and other financial expenses from:		
	third parties	0	12
	TOTAL	0	12
	TOTALE		
TOTAL C (15+16-17+ - 17 bis)		**12,221**	**10,178**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**		
	b.3) tax on prior years	1,665	15
	various		
	TOTAL EXTRAORDINARY CHARGES	1,665	15
TOTAL EXTRAORDINARY ITEMS (20-21)		**(1,665)**	**(15)**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)		**42,334**	**46,815**
22)	Income taxes for financial year (current, deferred and paid in advance)		
	a) Current taxes	(19,638)	(22,951)
23)	**PROFIT/ (LOSS) FOR THE YEAR**	**22,696**	**23,864**

The Managing Director

(Marco Codella)

TESEO S.R.L. in liquidation

Registered office: via Toscana, 8 - 90100 Palermo - Tax Code 01628410464 and VAT No. 0527160828 - Palermo REA no. 230322

Share capital Euro 1,032,000.00 fully paid in - Palermo Companies Register

Financial statements prepared in accordance with national accounting standards

TESEO S.R.L. in liquidazione

Balance Sheet as of 31 December 2012

(in Euro)

ASSETS	**31/12/12**	**31/12/11**
(A) SUBSCRIBED CAPITAL UNPAID		
(B) FIXED ASSETS:		
(C) WORKING CAPITAL:		
I INVENTORY:		
4) Finished products and goods	0	0
TOTAL INVENTORIES	0	0
II RECEIVABLES:		
due by the end of the following year		
1) from customers	3,212,370	3,202,144
TOTAL RECEIVABLES	3,212,370	3,202,144
IV CASH ON HAND		
1) bank and postal deposits	3,070	7,907
TOTAL	3,070	7,907
TOTAL WORKING CAPITAL (C)	**3,215,440**	**3,210,051**
D) PREPAYMENTS AND ACCRUED INCOME		
TOTAL ASSETS	**3,215,440**	**3,210,051**

LIABILITIES	**31/12/12**	**31/12/11**
(A) SHAREHOLDERS' EQUITY		
I SHARE CAPITAL	1,032,000	1,032,000
IV LEGAL RESERVE	1,444	1,444
VII OTHER RESERVES		
1) reserve from conversion	4,823,178	(2)
TOTAL OTHER RESERVES	4,823,178	(2)
VIII EARNINGS/(LOSS) CARRIED FORWARD	(5,799,983)	(4,377,070)
IX PROFIT/ (LOSS) FOR THE YEAR	(43,079)	(1,422,913)
TOTAL SHAREHOLDERS' EQUITY (A)	**13,560**	**(4,766,541)**
(B) PROVISIONS FOR RISKS AND CHARGES		
3) others	2,965,807	2,965,807
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	**2,965,807**	**2,965,807**
(C) POST-EMPLOYMENT BENEFITS		
(D) PAYABLES		
due by the end of the following year		
14) other payables	236,073	5,010,785
due after the following year		
14) other payables	0	0
TOTAL PAYABLES	**236,073**	**5,010,785**
(E) ACCRUED LIABILITIES AND DEFERRED INCOME		
TOTAL LIABILITIES	**3,215,440**	**3,210,051**

TESEO S.R.L. in liquidation
Income Statement as of 31 December 2012

(in Euro)

		FISCAL YEAR 2012	FISCAL YEAR 2011
(A)	**VALUE OF PRODUCTION**		
1)	revenues from sales and services	0	0
TOTAL VALUE OF PRODUCTION (A)		**0**	**0**
(B)	**COSTS OF PRODUCTION**		
6)	for raw material, consumables and goods for resale		
7)	for services	35,009	76,837
	c) other impairment of fixed assets	0	959,884
	d) write-down of receivables in Assets capital and cash on hand	0	42,868
	TOTAL AMORTISATION, DEPRECIATION AND WRITE-DOWN	0	1,002,752
11)	change in inventories for raw material, consumables and goods for resale		
12)	Provisions for risks		
13)	Other amounts set aside	0	20,000
14)	sundry operating costs	8.213	13,181
TOTAL COSTS OF PRODUCTION (B)		**43.222**	**1,112,770**
DIFFERENCE BETWEEN VALUE AND COSTS OF PRODUCTION (A-B)		**43,222**	**(1,112,770)**
(C)	**FINANCIAL INCOME AND EXPENSES**		
16)	other financial income:		
	a) from receivables recorded under fixed assets		
	from securities recorded under working capital which are not shareholdings		
	d) other income not included above	4	0
	total	4	0
	TOTAL	4	0
17)	interest and other financial expenses from:	309	309,842
	TOTAL	309	309,842
TOTAL C (15+16-17+ - 17 bis)		**(305)**	**(309,842)**
(E)	**EXTRAORDINARY FINANCIAL INCOME AND EXPENSES**		
20)	Income with separate disclosure of capital gains from disposal, the gains of which are not recordable at line 5	449	0
	TOTAL EXTRAORDINARY INCOME	449	0
21)	Expenses with separate disclosure of capital gains from disposal, the accounting effect of which are not recordable at line 14) and of tax related to prior years:	1	301
	TOTAL EXTRAORDINARY EXPENSES	1	301
TOTAL EXTRAORDINARY ITEMS (20-21)		**448**	**(301)**
PROFIT/(LOSS) BEFORE TAXES (A-B+C+D+E)		**(43,079)**	**(1,422,913)**
23)	**PROFIT/ (LOSS) FOR THE YEAR**	**(43,079)**	**(1,422,913)**

The Liquidator
Mr. Lorenzo Ferrigno

Summary of essential data from last available financial statements of the affiliates

Financial statements prepared in accordance with national accounting standards

(in Euro)

DIRECT SHAREHOLDINGS								
	Connext Srl		Afea 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**	**2012**	**2011**	**2012**	**2011**	**2011**	**2010**
Assets								
Receivables from Shareholders					-	-		
Intangible assets	113,020	81,276	133,779	134,828	754,948	851,851		
Property, plant and equipment	50,063	64,025	1,976,431	2,312,322	4,014,031	5,022,250		
Financial assets	11,212	11,342	87,680	39,214	1,575,088	1,587,960		
Cash on hand	5,871	6,987	1,149,511	2,125,251	993,456	5,042,658	211,584	255,531
Financial receivables							20,497	45,160,217
Trade and miscellaneous receivables	267,083	214,993	5,306,406	3,761,955	12,652,872	10,127,039		
Other asset items	254,143	291,674	531,784	1,067,373	61,386	42	-	-
Total Assets	**701,392**	**670,297**	**9,185,591**	**9,440,943**	**20,051,781**	**22,673,455**	**232,081**	**45,415,748**
Capital and Liabilities								
Share capital	81,600	81,600	996,300	996,300	944,520	944,520	31,000	31,000
Profit/(loss) for the year	-3,263	9,331	-543,283	68,044	(2,483,972)	7,867,242	-206,080	39,784
Earnings/(loss) carried forward	-	-	-	-	-	-290,278	183,237	143,453
Other reserves	172,789	163,457	3,964,199	3,889,126	7,593,455	16,491	3,100	3,100
Total Shareholders' Equity	**251,126**	**254,388**	**4,417,216**	**4,953,470**	**6,054,003**	**8,537,975**	**11,257**	**217,337**
Post-employment benefit provision	98,775	80,725	535,147	517,171	1,080,958	1,607,711	-	-
Provisions for risks and charges			956,841	1,112,757	716,603	779,518	97,641	101,999
Financial payables falling due within one year							123,183	45,058,317
Trade and miscellaneous payables	315,001	300,834	2,819,765	2,347,474	11,834,871	11,307,197	-	-
Other liabilities items	36,490	34,350	456,622	510,071	365,346	441,054	-	38,095
Total Shareholders' Equity and Liabilities	**701,392**	**670,297**	**9,185,591**	**9,440,943**	**20,051,781**	**22,673,455**	**232,081**	**45,415,748**
Revenues								
Sales and services	871,992	890,546	3,435,483	5,878,902	6,350,397	9,736,159	-	-
Financial income	6	16	104,733	144,561	41,454	43,088	1,669,367	6,594,161
Other income	51,650	59,167	321,417	333,191	1,493,285	11,775,842	101,519	78,091
Losses for year	3,263		543,283		2,483,972		206,080	
Total income	**926,911**	**949,729**	**4,404,916**	**6,356,654**	**10,369,108**	**21,555,089**	**1,976,966**	**6,672,252**
Costs								
Purchases and services	547,555	568,789	2,506,966	2,960,545	6,151,736	6,211,518	-	-
Costs of labour	306,561	299,145	1,478,962	1,971,454	2,602,870	3,443,750	-	-
Financial expenses and write-down of shareholdings	7,271	3,725	3,333	-	23,295	24,628	1,499,405	6,345,325
Tax payables	23,171	27,124	-146,960	181,098	-1,416	535,539	4,743	15,707
Amortisation and depreciation	38,254	29,386	349,555	757,817	1,204,653	1,169,233	-	-
Other costs	4,099	12,229	213,060	417,696	387,970	2,303,179	472,818	271,436
Profit for the year		9,331		68,044		7,867,242		39,784
Total costs	**926,911**	**949,729**	**4,404,916**	**6,356,654**	**10,369,108**	**21,555,089**	**1,976,966**	**6,672,252**

NOTES :

1) The data for Connext S.r.l. relate to 31/12/2012, the last available and approved financial statements.

2) The data for Alfea S.p.A. relate to 31/12/2012, the last available and approved financial statements.

3) The data for Hippogroup Roma Capannelle S.p.A. relate to 31/12/2012, the last available and approved financial statements.

4) The data for Solar S.A. relate to 31/12/2011, the last available financial statements.