Reports and Financial Statements as of 31 December 2007

lucca - anfiteatro's square

“Men, not houses, make the city.”

Thomas Fuller (1608 -1661) English historian

For SNAI S.p.A. the land has always been the start and end point of its business strategy.

It is the truest expression of SNAI’s vision of the central role of the player. The SNAI Point is like a new version of the town square, both a place to meet and exchange information and an open space in which to share a passion for sport.

Reports and Financial Statements as of 31-12-2007

Shareholders' meeting of 15 May 2008
(2nd convocation 30 May 2008)

SNAI S.p.A.
Sede in Porcari (Lucca)
via L. Boccherini 39
Capitale Sociale ¤Euro 60.748.992,20 i.v.
Codice Fiscale n. 00754850154
P. IVA 01729640464
Registro Imprese di Lucca e R.E.A. di Lucca
n. 00754850154
Società soggetta all'attività di direzione e
coordinamento di SNAI Servizi S.r.l.
C.F. 01356590461 - P.IVA 01782510208

Convocation notice
(published in "Corriere della Sera" on 11.04.07)

The shareholders are called to a shareholders' meeting in Porcari (LU) – Via Luigi Boccherini 39 – at 11:00 a.m. Thursday 15 May 2008, for the first call, and if necessary Friday 30 May 2008 for a second call, at the same time and place to discuss and vote on the following

agenda

1. Financial Statements at 31 December 2007. Directors' report on operations. Board of Statutory Auditors' Report. Relative and consequent resolutions.
2. Proposal for allocation of profit: related resolutions.
3. Change in payment for the assignment of auditing as per art. 159 of Italian Legislative Decree no. 58 of 24 February 1998: related resolutions.
4. Appointment of the Board of Directors after determination of the number of members, term in offices and related remuneration.
5. Appointment of the Board of Statutory Auditors after determination of their remuneration.

Shareholders may take part in the meeting who are in possession of the "certification" issued in accordance with article 85 of Italian Legislative Decree no. 58 of 24 February 1998 et seqq., issued by an intermediary who is part of the Monte Titoli S.p.A. centralised management system.
We would like to remind shareholders – owners of SNAI shares not yet digital – that the rights and options under ownership of shares can only be exercised after delivery of shareholder certificates to an Intermediary for entry in the centralised management system under the digitalisation scheme.

With reference to points 4) and 5) on the agenda, it is important to note that the provisions of the company articles of association are reported in articles 14) "Composition and appointment of the Board of Directors", 22) "Board of Statutory Auditors" and 23) "Composition and appointment of the Board of Statutory Auditors"; shareholders who possess a stake equal to that set by the CONSOB regulations with resolution no. 16319 of 29 January 2008, currently totalling 2.5% of share capital, have the right to submit lists for the appointment, either alone or with other shareholders. The submitted lists need to be handed in to the company's registered office at least fifteen days before the date set for the shareholders' meeting.

For appointment of the Board of Directors the lists need to have the following attachments:
- information related to the shareholders who submitted them with indication of the total stake held;
- detailed information on the personal and professional characteristics of the candidates;
- a statement from the candidates containing their acceptance of the candidacy, as well as certification of their possession of the legal requirements, including the requirements for independence, when indicated as independent directors in accordance with the law or as independent directors in accordance with the code of conduct.

The lists of candidates shall be made available to the public at the company's registered office, the market management company and on its Internet website, at least 10 days before the date set for the shareholders' meeting called to vote on the appointment of the directors

For the appointment of the Board of Statutory Auditors, at the same time as the list and by the deadline indicated above declarations must be submitted containing:
- information related to the identity of shareholders who have presented the lists, with indication of the total percentage held and a certificate showing the ownership of the shareholding in the company;
- a declaration of shareholders other than those who hold, including jointly, a controlling or relative majority shareholding, certifying the absence of connections with the latter;
- complete information on the personal and professional characteristics of the candidates as well as a declaration of the candidates themselves, certifying that they are in possession of the legal requirements and their acceptance of the candidacy.

Within 10 days from the shareholders' meeting called to vote on the appointment of the Board of Statutory Auditors, the company shall make the list of candidates public at the company's registered office, the market management company and on its website. If by the date of the deadline for presenting the list only one list has been filed, or only lists presented by shareholders connected to each other in accordance with the law, lists may be presented up to the 5th day following that date, without prejudice to the current laws regarding filing and publication. In that case the deadlines for presenting the lists shall be reduced by half.

Additional element for the appointment of the Board of Directors and Board of Statutory Auditors are reported in the articles 14), 22) and 23) of the Articles of Association available on the company website. www.snai.it
The documents related to the topics on the agenda, as required by current law, shall be made available to the shareholders and corporate bodies at the registered office in Porcari during the fifteen days before the shareholders' meeting. Shareholders have the right to obtain a copy.

For the Board of Directors
The Chairman: Maurizio Ughi

CONTENTS

LEGENDA

AAMS (Amministrazione Autonoma dei Monopoli di Stato) Board of State Monopolies

AGENZIA DELLE ENTRATE (Internal Revenue Service)

ENASARCO (Ente Nazionale di Assistenza per gli Agenti e i Rappresentanti di Commercio) National Social Security Agency for Commercial Agents.

CORTE DEI CONTI State Audit Court

ENPALS (Ente Nazionale di Previdenza e di Assistenza per i Lavoratori dello Spettacolo) National Social Security and Assistance for Workers in the entertainment business

INAIL (Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro)

National Institute for Insurance against Injuries in the Workplace

INPS (Istituto Nazionale della Previdenza Sociale) National Social Security Agency

MINISTERO DELLE FINANZE. Ministry of Finance.

MINISTERO DELLE POLITICHE AGRICOLE ALIMENTARI E FORESTALI. Ministry of Policy for Food, Agriculture and Forests

PREU (Prelievo erariale unico) Inland Revenue Tax on Gaming Proceeds

PREVINDAI (Fondo pensione dei dirigenti industriali) Retirement Fond for Industrial Managers.

SOGEI (Società di Information and Communication Technology del Ministero dell'Economia e delle Finanze)

Society of Information and Communication Technology of the Ministry of Economy and Finances.

T.A.R. (Tribunale Amministrativo Regionale) Regional Administrative Court

U.N.I.R.E. (Unione Nazionale per l'Incremento delle Razze Equine)

National Agency for the Development and Growth of Equine Breeds

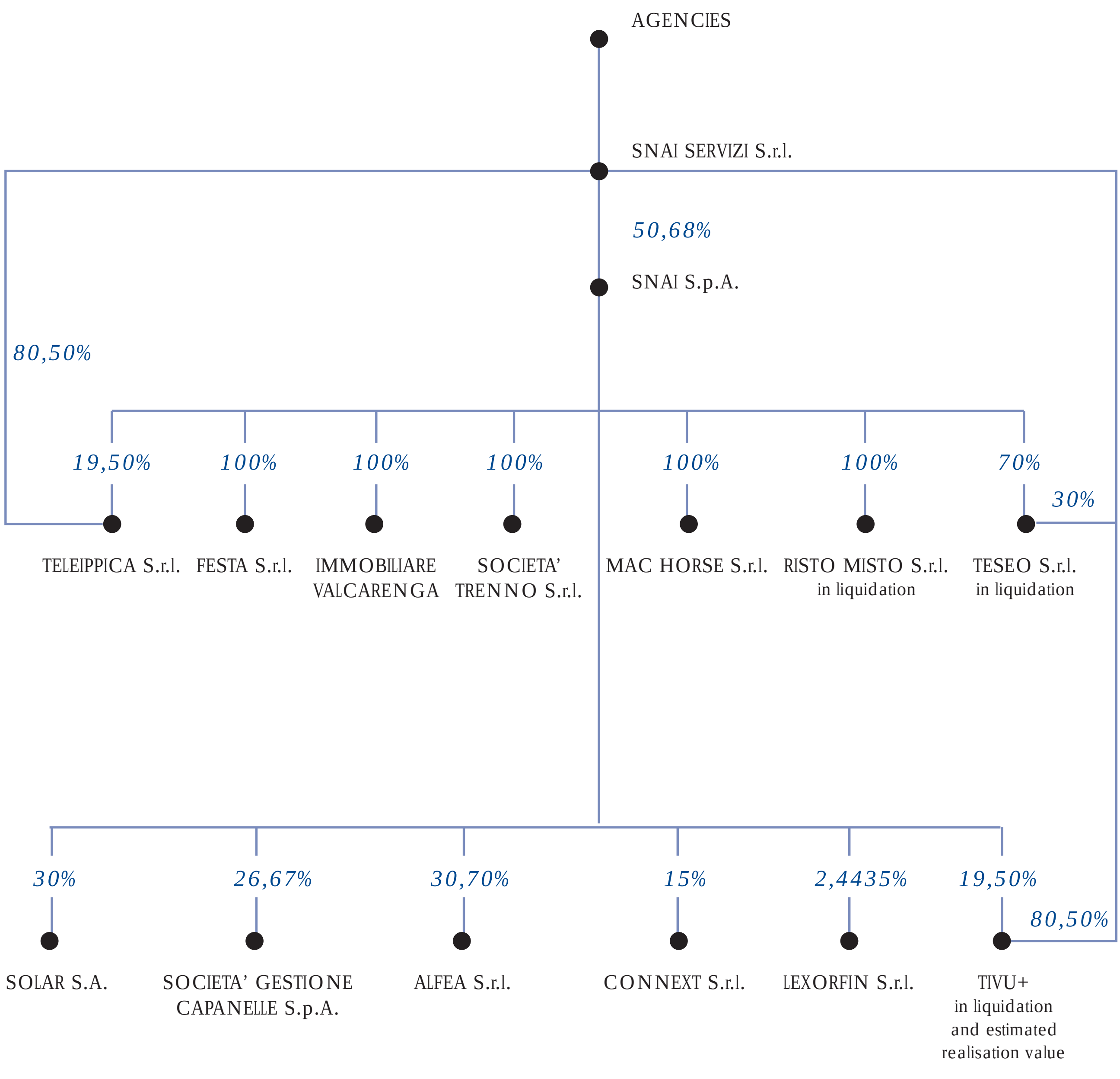
CORPORATE AND AUDIT BODIES OF SNAI S.p.A.
(in office since the Shareholders' Meeting of 11 May 2005)

Board of Directors	Chairman		Maurizio Ughi
	Vice Chairman		Francesco Ginestra
	Directors		Francesco Cioffi
			Claudio Corradini
		*	Alberto Lucchi
			Alessandro Mecacci
		*	Paolo Rossi
			Pasquale Losco
		*	Andrea Siano
Managing Director			Luciano Garza
Board of Statutory Auditors	Chairman		Francesco Lerro
	Standing Auditors		Lorenzo Ferrigno
			Alessandro Carlotti
Auditing Company			Reconta Ernst & Young S.p.A.

* Member of the Internal Audit Committee whose chairman is Andrea Siano.

The powers granted to the member of the Board of Directors are described in paragraph N of the Directors' Report on Operations.

Gruppo SNAI: Main equity investments at 31 December 2007



IV. KEY FIGURES

		IAS / IFRS accounting standards			Italian accounting standards	
	(in thousands of euro)	2007	2006	2005	2004	2003
	SNAI S.p.A.					
a)	Revenue	476.454	215.837	61.912	51.947	48.416
b)	EBITDA Operating Income	76.155	59.040	14.950		
c)	Depreciation and amortisation	38.060	31.165	5.208	8.197	8.529
d)	EBITDA (Net operating income)	38.094	27.876	9.742	8.223	6.109
e)	Profit (loss) for period	5.829	-1.992	11.899	7.621	8.306
f)	Changes in investments in property, plant and equipment and intangible assets	142.304	460.278	3.014	1.808	1.361
g)	Financial investments	534	4.161	0	505	1.101
h)	Net invested capital	566.431	425.810	82.488	71.835	72.734
i)	Net financial (liquid assets) borrowing	236.621	108.506	29.764	26.866	35.386
j)	Shareholders' equity	329.810	322.471	52.723	44.969	37.348
k)	Distributed dividends:					
	- total					
	- Euro / per share					
l)	Employees	212	201	187	177	175
	EBIT / revenue	8,0%	12,9%	15,7%	15,8%	12,6%
	Investments / revenue	29,9%	213,3%	4,9%	3,5%	2,8%
	EBITDA / Net invested capital	6,7%	6,5%	11,8%	11,4%	8,4%
	Net financial (liquid assets) borrowing / Shareholders' equity	71,7%	33,6%	56,5%	59,7%	94,7%
	GRUPPO SNAI					
m)	Revenue	498.298	222.813	85.812	75.642	71.615
n)	EBITDA Operating Income	81.051	60.685	18.130		
o)	Depreciation and amortisation	39.274	31.580	8.815	11.248	11.939
p)	EBITDA (Net operating income)	41.777	29.105	9.315	11.093	7.780
q)	Profit (loss) for period	8.519	-1.882	10.351	7.681	8.472
r)	Investments in property, plant and equipment and intangible assets	146.198	391.269	6.406	3.695	3.169
s)	Net invested capital	566.400	425.810	118.771	83.148	86.173
t)	Net financial (liquid assets) borrowing	232.714	102.153	33.351	29.562	40.851
u)	Shareholders' equity	333.686	323.657	85.420	46.711	39.071
v)	Employees	465	426	407	401	391
	EBIT / revenue	8,4%	13,1%	10,9%	14,7%	10,9%
	Investments / revenue	29,3%	175,6%	7,5%	4,9%	4,4%
	EBITDA / Net invested capital	7,4%	6,8%	7,8%	13,3%	9,0%
	Net financial (liquid assets) borrowing / Shareholders' equity	69,7%	31,6%	39,0%	63,3%	104,6%

EXPLANATORY NOTES TO THE KEY FIGURES TABLE

The table above shows the most significant values of SNAI S.p.A. and Gruppo SNAI related to the financial years from 2004 to 2007.
The values at the letters f), g) and r) only show increased values occurring during the period.
The indexes, shown at the bottom of the value tables, were calculated as follows:

for SNAI S.p.A.
- EBIT (Operating income) out of revenue: (value of line d / values of line a) x 100
- Investments / revenue: (line f / line a) x 100
- EBIT (Operating income) / net invested capital: (line d / line h) x 100
- Net financial borrowing (availability) / shareholders' equity: (line i / line j) x 100

for Gruppo SNAI
- EBIT (Operating income) out of revenue: (value of line p / values of line m) x 100
- Investments / revenue: (line r / line m) x 100
- EBIT (Operating income) / net invested capital: (line p / line s) x 100
- Net financial borrowing (availability) / shareholders' equity: (line t / line u) x 100

In compliance with the recommendations on alternative performance measures issued by CESR, "Committee of European Securities Regulators", in October 2005, the main indicators used for the reconstruction are shown below:

1. EBITDA;
2. EBIT;
3. Financial Investments (SNAI S.p.A.);
4. Changes in investments in property, plant and equipment and intangible assets (SNAI S.p.A.);
5. Investments in property, plant and equipment and intangible assets (Gruppo SNAI);
6. Net Invested Capital;
7. Net Borrowing.

1.– 2. The values of EBITDA (Gross Operating Income) and EBIT (Operating Income) are shown in the income statement tables in section "D. Overview of parent company profit, loss, assets, liabilities and cash flow" for SNAI S.p.A. and in section "E. Gruppo SNAI: Over view of profit, loss, assets, liabilities and cash flow" for the Group.

3. Financial investments for the Parent Company are shown in attachment 1 "Equity Investments" to the Explanatory Notes for the Parent Company's Financial Statements;

4. Changes in Investments in Property, Plant and Equipment and Intangible Assets for the parent company, are the result of the algebraic sum of the Property, Plant and Equipment and Intangible Assets shown in detail in the Explanatory Notes in paragraphs 14 and 15;

5. Investments in property, plant and equipment and intangible assets for Gruppo SNAI are the result of increases in Property, plant and equipment and intangible assets shown in detail in the Explanatory Noted 15 and 16;

6. Net Invested Capital is the result of the algebraic sum of:

a. Noncurrent assets (Property, Plant and Equipment, Intangible and Financial);

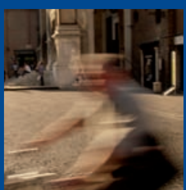
b. Net current assets (algebraic sum of Inventories, Trade Accounts Receivable and other assets minus Trade Accounts payable, Provisions for Risks and Charges and other non-financial liabilities);

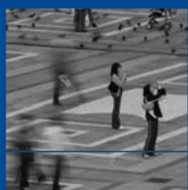
c. Liabilities for Termination Benefits.

5. Net Borrowing is calculated as indicated in the table "Net Borrowing – Net Financial Position at 31.12.2007" in paragraph "D" for SNAI S.p.A. and paragraph "E" for Gruppo SNAI.

Directors report on operations for the Company and Group

Mantua - Piazza delle Erbe




DIRECTORS' REPORT ON OPERATIONS FOR THE COMPANY AND GROUP

Introduction

SNAI S.p.A: is the main operator in the Italian betting market, among the leaders in the national gaming market.

The income from betting on horse racing, sports and new slot machines, performed via the direct and indirect network of SNAI S.p.A. reached a volume of 4.44 billion euro in 2007.

Net profit of Gruppo SNAI rose from 223 million in 2006 to 498 million in 2007.

Ebitda totalled 81.1 million, compared to the 60.7 million of the previous year, Ebit reached 41.8 million compared to the 29.1 million of the previous year.

Profit for the year totalled 8.5 million, against 1.9 million in losses the previous year.

SNAI S.p.A. closed 2007 with a profit of 5.8 million, thanks to an increase in net revenue which reached 476 million (+120.7%) compared to 216 million in 2006, with an Ebitda totalling 76.2 million (+29%) against 59 in 2006 and an Ebit totalling 38.1 million (36.7%) compared to the 27.9 million of the previous year.

The growth in revenue and profit occurred due to the opening of around 30% of the new shops and points of sale which SNAI was awarded following the "Bersani" contract, as well as from revenue from 450 horse racing and sports concessions acquired on 16 March 2006 and increases in income obtained from the new slot machines.

However, this result was penalised by non-recurring costs for a total of 8.8 million including the cost referred to the participation in the "Call for tenders for awarding Totaliser numeric games".

Ebitda and Ebit were influenced in part by costs incurred to set up 5,092 points of sale (shops and horse racing and sports corners) which, including for reasons unrelated to SNAI S.p.A., only starting to produce revenue in the second half of the year.

The structure of overhead costs related to the licensee activity remained basically steady despite the significant increase in points of sale of its network.

The net financial position of Gruppo SNAI at 31.12.2007 totalled borrowing for 233 million.

As described above, both the statutory and consolidated financial statements were affected in 2007 by events which led to incurring non-recurring costs for a total of 8.8 million, including:

Values in thousands of euro

Description	Amount
Services for participating in the Call for tenders for awarding of Totalisator numeric games and debt renegotiation	2.987
Accruals to the Provision for Risks and Charges on settlements related to previous years	4.700
Expenses and Fees in sureties for the Call for tenders for awarding of Totalisator numeric games	1.098
TOTAL	8.785

Lastly, it is important to note that the reporting of revenue of the Parent Company's statutory income statement and in the Consolidated one was changed compared to the one for the previous year reporting the change in sports and horse racing bets at fixed and totaliser odds in sales and service revenue already net of winning and reimbursements paid to betters, single tax and withholding in favour of U.N.I.R.E. (Association for the Betterment of Horse Breeds).

A summary of the revenue and cost values reported in the same manner as 2006 is shown in attachment 1 of this report.

A. OPERATING CONTEXT

1. Trend of the gaming and betting market

During 2007 the collection from gaming and betting exceeded 41 billion euro, with an increase of 17.51% over 2006, continuing a growth trend which had led to an increase of 26.53% in 2006 over 2005.

Change in total income from gaming and betting in Italy

Market	2007	2006	2005	2004	2003	2002	2001
Collection	41.192,15	35.054,17	27.704,21	20.270,31	15.121,72	15.609,66	14.541,13
change %	17,51%	26,53%	36,67%	34,05%	-3,13%	7,35%	1,34%

(values in millions of euro)

Analysis of gaming and betting market in Italy

Game – Bet	2007	QM % 2007	2006	QM % 2006	Variazione % 2007 su 2006	2005	2004	2003
New slot	18.072	43,87%	15.227	43,44%	18,68%	10.705		
Lotto	6.300	15,29%	6.588	18,79%	-4,37%	7.315	11.689	6.938
Bets	5.338	12,96%	5.206	14,85%	2,54%	4.268	4.141	3.445
Horse	2.034	4,94%	2.135	6,09%	-4,69%	2.190	2.262	2.311
Sports	2.596	6,30%	2.281	6,51%	13,79%	1.470	1.284	1.102
Tris – Ippica nazionale	689	1,67%	760	2,17%	-9,34%	563	596	602
"Big" totalisator	19	0,05%	30	0,09%	-36,62%	45		
Scratch&Win	7.440	18,06%	3.884	11,08%	91,53%	1.492	527	226
Superenalotto	1.946	4,73%	2.000	5,70%	-2,66%	1.981	1.837	2.066
Bingo	1.753	4,26%	1.775	5,06%	-1,26%	1.553	1.542	1.257
Concorsi a pronostico	209	0,51%	274	0,78%	-23,84%	314	443	497
Totip	5	0,01%	14	0,04%	-62,91%	22	24	31
Lotterie	128	0,31%	86	0,24%	49,82%	53	67	56
TOTALE	41.192		35.054		17,51%	27.704	20.270	15.122

Values in millions of

Notes 2007
The value of paragraph 7 machines was eliminated because they are not part of public gaming
Part of the values shown come from SNAI sources, part from unofficial public sources and therefore have a statistical and not exact value.

The tables show how the gaming market is in constant and consistent growth: it is important to point out that the significant increase from 15 to around 35 million euro, recorded in the period between 2002 and 2006, is mainly due to the gaming segment related to "new slot machines", while for 2007 the segment which recorded the greatest increase was Scratch&Win cards.

Last year new slot machines maintained a significant market share, totalling around 43%, and confirmed a general growth trend, while the sale of "Scratch&Win" cards almost doubled compared to the previous year, conquering a market share of around 18%, this figure was 11% the previous year.

There are multiple reasons for this strong increase: the expansion of the network, the introduction of cards sold at the price of 10 and 20 euro, with very high possible winnings (up to two million euro) and consequent strong motivation to buy them; the very high percentage of payback in winnings between 66 and 75% of the income-prize money; and introduction of on-line sales channel.

Lotto recorded a further drop in 2007, totalling 4.3%, confirming a negative trend which started in 2004. This game, which pays winning of around 50% of total income (but in the absence of so-called "late" numbers this percentage reaches around 40%), it appears increasingly characterised by a type of "hard core" of affectionate, habitual players, however it has not managed to change despite the recent introductions of new playing procedures, such as instant win Lotto.

Lotto seems to undergo a kind of "internal competition" at the same points of sale from the instant lotteries, which offer a greater winning percentage compared to Lotto. Consequently the "Scratch&Win" cards may be better accepted by the public, and also benefit from greater promotion by retailers, since the instant lotteries are more profitable in terms of commission compared to Lotto.

The collection for horse race and sports bets increased by a total of 2.54% compared to 2006.

In this context, the increase in sports betting is significant, which rose from 2.281 billion euro to 2.596 billion euro (+13.79%): this type of betting benefited in particular from popularity with a young, informed and competent audience, as well as an increasingly broader selection of events and types of bets available.

Another aspect in favour of sports betting is constituted by low taxation, which requires only two withholding rates, with an additional reduction subordinate to an increase in collection. Currently, the average withholding is between 5.5 and 6%: all of this allows a remuneration to concessions in line with expectations in terms of company and gaming risks, and to propose the public amounts to allow average winnings between 75 and 80% of the amount played.

This makes it possible to satisfy bettors both with the quality of the betting product and with significant winnings, generating an increase in gaming collection recorded on a national level.

Horse race bets at betting agencies, totalling 2.034 billion euro, recorded a drop limited to 4.69%, despite an increasingly greater competition form other types of gaming.

“Ippiche nazionali” horse race betting (vincente, accoppiata, Tris, Quarté and Quinté) played both at betting agencies and at pools offices / corners, recorded a volume totalling 689 million euro, for a decrease of 9.34% compared to 2006.

In terms of the latter type of gaming, 2007 witnessed the provisions of the Bersani law becoming effective on the betting market: the “old” network of pools offices has been gradually – to date only in part – replaced by new shops and corners assigned by calls for tenders in 2006, and this has led to an overall decrease in acceptance points.

It is important to point out that horse race gaming is characterised by tax withholdings which significantly weigh on what is allocated for prize money, which bring the percentage of winnings to less than 70% of the total collection, causing unpopularity with the public to the benefit of more profitable types of gaming.

“Concorsi a pronostico” (pools) (Totocalcio, Il Nove and Totogol) and the “Big” type bets (Big Match and Big Race) recorded significant losses in 2007, totalling –24% and –37%, respectively, serious decreases considering that the total collection values were already very low.

Again in this case, a “revision” seems necessary, and more importantly a requalification of the product, in part due to the fact that the Big Race type bets are characterised by a collection of a few thousand euro for bets on “engine” type events (Formula 1 and Motomondiale) and even lower for contests related to cycling.

Superenalotto recorded a drop of 2.6% n 2007, inverting the positive trend it registered in 2004 and 2006.

Bingo, with 1.753 billion euro in income, remained basically steady (-1.26%) while awaiting start-up of online gaming, an innovation which, according to expectations, should generate new interest.

Traditional lotteries witnessed significant growth: +49.82% with collection at 128 million euro, the result is mainly tied to the good results obtained by Lotteria Italia, the most played and the only one combined with a television programme, broadcast during prime time on the national network on Saturday night.

Totip experienced the last contest of its history on 30 June 2007: the new game intended to replace it has not been introduced on the market yet. However, it will be distributed by the new “Bersani” decree network.

1.1 SNAI: market shares

Collection in bet acceptance points and SNAI corners

Game or bet	2007	QM. 2007	2006	Q.M. 2006	Diff. %
SNAI horse race bets	1.344		1.484		-9,41%Totalizzatore
Totalis ator bets	1.288		1.432		-10,08%
Totalis ator odd bets	29		30		-2,12%
Fix ed odd bets	28	66,08%	22	69,50%	24,37%
Tris or Ippica Nazionale bets	171	24,79%	174	23,00%	-2,08%
HORSE RACE GAMING	1.515	55,63%	1.658	57,00%	-8,64% Punti SNAI
Punti SNAI sports bets	1.105		1.153		-4,16%
Motorcycle or car fixed odd		42,56%	16	51,20%	-100,00%
Football “concorsi pronostici“	10	4,81%	8	2,90%	27,68%
“Big” Bets	2	8,38%	2	6,50%	-18,30%
SPORTS GAMING	1.116	39,53%	1.179	45,60%	-5,29%
SNAI Slot	1.807	10,00%	1.492	9,80%	21,10%
TOTAL SNAI	4.439	10,78%	4.329	12,30%	2,53%

Values in millions

Notes 2007

As of 2007 motorcycle and car bets no longer exist they are with sports bets in a single category:
Fixed odd bets on events other than horse races. The Slot figure should be considered provisionary.

The close of financial year 2007 recorded total collection of gaming for the SNAI network (bets in SNAI points and connected pools offices, in Bersani Network gaming points, “concorsi a pronostico”, new slots and bingo) totalling 4,439 million euro, for an increase of 12.30% compared to the 4,329 million euro in 2006, and with a market share corresponding to 10.78%.

Despite the fact that the Bersani law resulted in a significant increase in the number of active competitors on the Italian market in 2007, SNAI maintained its leadership in the horse race and sports gaming segment, and once again, like in 2006, was the number two concession for new slots.

The total market share, including Lotto, contests, etc. totalled 10.78%, while the 55.63% share for just the horse race gaming segment was significant. In the sports betting sector, where the presence of competitors is especially high, the market share was 42.56%. Lastly, for the new slots, a market share totalling 10% was recorded.

New slots

As in 2006, again last year the “amusement machines” – new slots turned out to be the market where SNAI recorded the greatest increase: in fact the collection reached 1,807 million euro, with an increase of 21.1% over 2006.

The reliability of the computerised market and commercial policy undertaken by SNAI made it possible to consolidate its roles as the number two network concession for the number of connected slots and routed transactions. Results which make it possible to look with confidence towards the new opportunities which this market will offer with the introduction of “video lotteries” expected for 2008.

The new slot market is mainly characterised by its transversality: it is able to reach an audience with a very wide age range, both male and female, and they can be offered in a very diversified type of point of sale (cafes, pubs, etc.) All of this together with the positive aspect of immediate collection of winnings and emergence of a market which up to two years ago was active illegally, has made a fast, significant success of this sector possible.

Horse race betting

Betting on horse races performed at SNAI points (betting agencies, pooling offices, “Bersani network” shops and gaming points – corners) totalled 1,515 million euro in 2007, a volume that was 8.64% lower than the 2006 figure (1,658 million euro). The market share, as mentioned above, totalled 55.63%.

An analysis of “nazionale ippica” racing collection (vincente, accoppiata, Tris, Quarté and Quinté, which can be played in agencies and pooling offices) shows a value of 171 million euro, in line with 2006, but with an increase in market share from 23 to 24%. This figure confirms how a specialised network can provide bettors more reliability, more information, and even greater services useful for the betting and consequently can lead to an increase in gaming.
In terms of multiple horse race bets with totalisator odds, the collection reached 29 million euro (-2.12%), while fixed odd horse race bets increased, with 27.7 million euro (+24.37%).

Horse race betting has must deal with withholdings (for tax purposes and the horse race industry) which bring winnings to a percentage less than 70% of collection, making complete satisfaction of bettors difficult. Moreover, there is a scarce appeal and lack of concrete valid information in the satellite channels dedicated to horse racing, whose contents are managed by Unire (National association for betterment of horse breeds), the agency in charge of managing the entire Italian horse racing industry.

Horse race gaming is also one of the market segments which has to the biggest problems with competition from other types of gaming available in Italy: it has not been able to update itself at a time when new gaming procedures have been introduced in Italy.

However, the horse race sector is a fundamental asset for the gaming market. The example of the French market, shows that horse race betting, if based on a programme of structured courses, with the right amount of appeal and level of performance, backed by adequate information channels meeting the needs of the public and subject to a balanced level of taxation can constitute one of the main segment for Italy's gaming market. A relaunch project must entail a greater capacity for horse racing attraction, including by introduction of one or two major racing days, able to compete with the main worldwide events and which can assume a role of promotional event for a new audience.

Thus a programmed intervention is required by Unire which entails an relative industrial plan in primis of the same Agency; a review of withholdings for taxes and the horse racing industry, in order to a allocate a higher total gaming collection to winnings than the current one; increasing of the level of performance and quality of the scheduled races, together with a rational and coordinated programming which avoids overlapping of races as much as possible; management of horse race television channels which includes complete, spectacular programming, able to attract the interest of a new audience and met the needs of fans and bettors.

Betting on events other than horse races ("sports betting")

The new ministerial name for sports betting ("betting on events other than horse races") merged gaming on Olympic sports, events connected to engines (Formula 1, Motomondiale and Superbike) and other types of events (the election of Miss Italy, Academy Awards, Stock Exchange changes, San Remo Music Festival, reality television programmes, etc.) all into a single category.

In this segment SNAI's collection in 2007 was 4.16% less than 2006, dropping from 1,153 million euro to 1,105 million; its market share was 42.56%.
Even in this sector SNAI maintained a market leader role, despite the fact that the "Bersani" call for tenders introduced a number of competitors much higher than in past years, thus leading to a more aggressive competition than in the past.

SNAI demonstrated its ability to maintain the appeal level of its offering to its clients, and once its own acceptance network is completed, composed of more than 6,000 points, it will be able to propose itself to the market with even greater strength, with broad possibilities of obtaining increases both in collection volumes and market share.

In this context, the result of a market study conducted by the GPF institute in September 2007 on sports bettors is interesting: a "portrait" of a young bettor emerged who is involved, skilled, uses betting to test his own ability and knowledge on the subject, a "fan" but not in an excessive manner, who almost never bets on his own team for some sense of superstition. He is likely to use Internet and computerised instruments. A bettor who perfectly fits the type of offer SNAI provides, in terms of technology and services, supporting what was stated in the previous paragraph.

"Concorsi a pronostico" and "Big" totaliser bets

SNAI recorded an increase in the amount of this segment in 2007: 4.81% was collected from concorsi a pronostico compared to 2.90% in 2006, and 8.38% of "Big" bets against 6.50% in 2006.

Again in this case a revision of the product-game needs to be planned, able to present them in a new light in order to involve bettors. In this context, SNAI, which was awarded 5,092 licences out of the 16,300 in the call for tenders and out of the total of 13,685 awarded, can have a significant roll in terms of proposals and management.

1.2 Computerised collection

lThe year 2007 made it possible for SNAI to further increase its computerised collection: the increase over 2006, totalled 25.16%, with collection reaching 133 million, particularly due to sports betting, which increased 32.76% just for the computerised part.

SNAI computerised bets

Type of bet	2.007	2.006	Var. %	2.005
Computerised horse race	41	37	10,93%	21
Computerised fix ed odd sports	92	69	32,76%	24
TOTAL	133	107	25,16%	45

Values in millions

B. EXTRAORDINARY OPERATIONS: SIGNIFICANT EVENTS

After the acquisition of 450 horse racing and sports concessions, finding of financial resources for such acquisition, participation in the call for tenders to obtain new points of sale for horse racing and sports betting, increase in share capital to finance the opening of 5092 points, merger of the operating subsidiary Ippodromi S. Siro S.p.A. (formerly Società Trenno S.p.A.) after spin-off of the horse racing business in the newly established Società Sport e Spettacolo Ippico Srl, which then became Società Trenno Srl, occurring during the course of the previous year, the year 2007 witnessed a consolidation of these significant operations with the creation of new points of sale following the awarding of the Bersani call for tenders.

At the same time the company got involved in participating in the new call for tenders for totalisator numeric games whose call for tenders it participated in along with two other leading operators of the Italian market.

1. New points of sale following awarding of 5,092 licences for accepting bets

In the second half of 2006 SNAI S.p.A, participated in the calls for tenders from the Ministry for the Economy and Finance – Autonomous Administration of State Monopolies, to enlarge the network for collecting horse racing and sports bets (resulting from the so-called “Bersani” decree).

SNAI was awarded 5,092 licences totalling 37.2% of the 13,685 assigned licences.

In detail SNAI S.p.A. was awarded:

- 1,206 sports concessions (342 shops and 864 corners);
- 3,886 horse racing concessions (99 shops and 3,787 corners);

The new concessions will expire on 30.6.2016. They will join the 450 concessions already owned by SNAI S.p.A.,that is 218 sports and 232 horse racing concessions.

In brief, SNAI S.p.A. was awarded the following new points of sale:

Type:	Sports Shop	Sports Corner	Horse Racing Shop	Horse Racing Corner	Remote Horse Racing Bets	Remote Sports Bets	TOTALE
No. licenses	342	864	99	3.787	1	1	5.094
Payment (Euro):	35.126.962	32.643.904	13.019.731	32.553.854	300.000	300.000	113.944.451
Surety (Euro) :	23.940.000	21.600.000	7.920.000	37.870.000	100.000	100.000	91.530.000

SNAI S.p.A. is currently involved in opening the awarded points of sale which should be operative within 18 months from collection of the concession: for SNAI S.p.A. the timeframe starts from 30 January 2007, the date when the final sureties were delivered, after which the payment was made for the licences for a total of ¤113,944,451.

The following is the situation of openings at the date of the 28 March 2008 Board of Directors' meeting:

Description	Sport Shops	Sport Points (Corners)	Horse racing shops	Horse racing Point (corners)	Total
SNAI rights					
Contracts signed	223	754	58	1739	2774
Installations performed	127	636	32	1170	1965
Public Security Licences obtained	134	601	39	994	1768
New Points of Sale opened	132	589	39	961	1721
Customer Concessions					
Contracts signed	70	214	12	25	321
Installations performed	51	182	8	18	259
New Points of Sale opened	60	195	11	18	284

With the acquisition of the new concessions SNAI S.p.A. confirmed its role as the main operator of the Italian market, with a uniform, wide-spread territorial coverage throughout the Country, with a SNAI point for every 10,000 inhabitants.

2. Reports from the Italian Audit Office and administrative disputes for presumed breach in management of the computerised network for interconnection of amusement machines

SNAI, as licensee for the management of the computerised network for interconnection of amusement machines received in june 2007 a notice from the Regional Public Prosecutor's Office of the Region of Lazio Audit Office asking it to submit its own inferences related to an enquiry on possible tax offence.The regional Public Prosecutor charged SNAI, along with three managers from the AAMS, with inexact fulfilment of some concession obligations and failure to comply with some service levels. On 16.01.08 Lazio's Public Prosecutors office at the Audit Office, deciding not to dismiss the case despite the inferences promptly submitted by SNAI, served SNAI with a lawsuit related to the complaints previously served in June 2007 with an invitation to infer. The hearing was set for 04.12.08. After and with reference to the enquiry started by the Regional Public Prosecutor at the Audit Office, AAMS as well, with an act signed by one of the managers involved in the same proceeding started by the Public Prosecutor, served SNAI and all the other nine licensees with the same breaches, not considering any evaluation on the matter and as a precautionary measure.

AAMS reserved the right to make a final decision following inferences presented by the licensees. SNAI, as stated above, submitted its inferences within the deadlines disputing the grounds of the charges. To this end SNAI has already obtained legal opinions which confirm its position: the disputed sanctions are not applicable and consequently the requested amounts are not due. The supposed tax offence amounts to around 4.8 billion euro, entirely composed of penalties for the presumed failure to comply with service levels. SNAI is certain to have completely fulfilled its licensee obligations, the most important being the complete payment of the Single Withholding (PREU) and concession fee.
The Board of Directors, both based on the legal opinions obtained and the hearing results to date, believe that no type of liability for the company can emerge from these proceedings, nor will there be negative results of an equity nature.

In terms of the hearing, despite being faced with a lawsuit with the Audit Office, it is important to point out that:
- on 25 July 2005 the second session of the Lazio Regional Court accepted the suspension request submitted by SNAI against the administrative sanction which ordered payment of penalties for around ¤4.8 billion;
- the merit of the question was then handled by the second session of the Lazio Regional Court in the hearing of 23 January 2008 and with ruling no. 2728/2008 published on 1 April 2008 the Judge fully granted the appeal submitted by SNAI thus annulling the AAMS's measure of June 2007. Thus the ruling confirms the suspension measure already granted by the Lazio Regional Court in July 2007, certifying the complete legality of SNAI's operations and represents the conclusion of the first judicial degree which may be followed by a possible appeal before the Council of State.

3. European High Court of Justice – Disputed renewal of Historical Horse Racing concessions

With its ruling of 13 September 2007, the European High Court of Justice declared that the Republic of Italy, having renewed 329 concessions (of which 134 currently directly held by SNAI S.p.A.) for accepting horse race bets, did not fulfil its obligations under articles 43 and 49 of the EC Treaty which protects the freedom to provide services and freedom of establishment.

In order to determine the conduct that the Italian authorities will adopt to comply with the ruling, it is necessary to consider if the recent legal changes, which the Court could not take into consideration (Legislative Decree no. 223 of 4 July 2006 converted with the modifications on Law no. 248 of 4 August 2006, better known as the "Bersani Law"), is clearly provided by the same Court in the "Placanica" ruling. The breach, ascertained with the above ruling, has been fully rectified by the Italian Authorities, who have adopted the regulatory framework to the EU law requirements.

In fact, the Bersani Law and related implementation regulations have significantly increased, both legally and de facto, the horse racing gaming network by setting up a large number of new concessions (10,000); which has allowed all operators in possession of the requirements to access the market at conditions compatible with EU law. Therefore, the Bersani Law, and the call for tenders implementing it, got around the restrictions that may result from the renewal of 329 horse racing concessions.

Confirming the compatibility of the current regulatory structure, it is necessary to remember that, according to the recent "Placanica" ruling, in the event of violation of the concession laws which hinder access to the market, the Italian Authorities can remedy this by offering an appropriate solution with a call for tenders for an adequate number of new concessions. This is what the Italian government did with the measures described above.

The 13 September 2007 ruling pronounced by the European High Court of Justice, therefore has been greatly overcome in light of the regulatory framework now applicable to gaming and betting, completely compatible with EU law. It is only due to procedural reasons, connected to the progression of the trial and its timing, that the measures adopted by the Italian Authorities were not able to be taken into consideration by the Court.

Thus it is logical to predict that the Italian Authorities will assert the reasons described above at the European Community Commission, so that it accepts that in the meantime they have remedied the situation, rectifying the disputed violation.

4. Call for tenders "Selection procedure for assignment of concession to run and develop national totalisator numeric games" so-called Superenalotto

On 6 July 2007 the call for tenders related to the selection procedure for assignment of the concession to run and develop national totalisator numeric games, called by AAMS was published in the Official Gazette of the Republic of Italy, 5th Special series, no. 78. On 10 August 2007 a specific correction notice containing the errata of the call for tenders documentation, already available on the AAMS website, was published in the Official Gazette of the Republic of Italy, 5th Special series, no. 93.

SNAI S.p.A. filed the documents for participating in the call for tenders by the 28 September deadline along with two other leading Italian operators of the sector.

On 28 January AAMS communicated the outcome for the call for tenders to award the concession for totalisator numeric games – Superenalotto – for the next nine years which ended with awarding of the concession to the company Sisal S.p.A.

The outcome does not affect the business projects of SNAI S.p.A. and Gruppo SNAI which continue along the lines defined in the industrial plans for licensee and provider activities for the collection of sports and horse racing bets now managed, along with that of the licensee of the collection network to amusement machines (so-called slot machines).

SNAI S.p.A. has confirmed itself as a leading company on the Italian market for the collection of sports and horse racing bets and among the main operators of network licensees for connection of amusement machines.

5. Slot – preventive confiscation decree article 321 of the Italian Code of Criminal Procedure

The licensee of the SNAI S.p.A. network, as suggested by its legal consultant to protect against any co-responsibility of the directors, previously sent formal request to its slot machine manager customers to immediately remove machines of the categories subject to measures by the Public Prosecutors Office of Venice. The customer managers, despite manifesting their operating and financial difficulties started the removal and replacement process for the machines which were the subject matter of this measure.

To date the managers connected to the SNAI S.p.A. Licensee network have asked for the collection of 11,064 authorisations related to the amusement machines deemed not in compliance with the law replacing them with a practically identical number of new machines which are in compliance.

The voluntary removal process for the machines which are the subject of the confiscation was completed without significant economic and financial effects for the activity of directly managed amusement machines, in part due to the medium-small type of SNAI customers.

On 15 June 2007 the judge for preliminary investigation at the Court of Venice issued a preventive confiscation decree for electronic gaming machines characterised by cards called "Black Slot", "Stack Slot" and "Terza Dimensione" belonging to the models, located everywhere in pubs throughout the country, specified in detail in the tables annexed to the decree, since they were deemed "intrinsically functional to gambling".

On 28 June 2007 the Public Prosecutors Office at the Court of Venice, represented by deputy Public Prosecutor Giorgio Gava sent a notice to all managers of electronic gaming machine characterised by the cards called “Black Slot”, “Stack Slot” and “Terza Dimensione” and with copy to network licensees asking for the immediate removal from pubs located throughout the country, where they are currently installed and their disposal, warning that the Italian Treasury Police had already been granted to powers for penal confiscation of all machines which were not removed.

Subsequently, on 4 July 2004, AAMS asked, as requested by deputy Public Prosecutor Gava, the licensees of the computerised network to proceed, all objections dismissed, with the necessary procedures for disposing of the machines in question. Given the request of the deputy public prosecutor to give maximum exposure to the Decree in question, AAMS made it available on its website.

The confiscation decree for around 105,000 new slot machines ordered by the judge of the Court of Venice represented a critical problem for industry operators who were forced to change around 50% of their installed machines in a short time.

SNAI and the network associations for computerised management of legal gaming using amusement machines, A.C.A.D.I. and ASSOSLOT had asked the government to proclaim a “state of crisis” for the sector consequent to the machine confiscation measure, called for by the Public Prosecutor’s Office of Venice, supporting interventions later proven not necessary in light of the facts, regarding:

- programming and procedures for the replacement of the involved machines, in a period not less than 3-4 months;
- authorisation to replace the involved machines even by means of upgrading the gaming cards;
- introduction of support measures for the sector, for example, extensions in the payment of PREU and tax breaks for replacement of the machine in question;
- a definitive and certain regulatory system for the sector.

6. Petition on procedures for recognising revenue

Based on a specific petition to the company as per article 11 Law no. 212 of July 2000 and article 3, Ministerial Decree no. 2009 of 26 April 2001, the Italian Tax Authorities – Central Claims Office – Enterprise and Entity tax sector – with document no. 2008/2649 on date 14.01.2008 sent resolution no. 10/F.

This resolution in its detailed format, related to the recognition of negative income components in the Company’s income statement, concludes that, “of the purposes of the application...of article 75 (editor’s note: now 109) of the Income Tax Act approved by decree of the President of the republic no. 917 of 22.12.1986, it shall be understood that the expenses and negative items are recognised on the income statement if and to the extent that they are entered in the accounting records, they contributed to determining the net result of the income statement, regardless of specific evidence in that document...”.

Therefore, the income statement for 2007, unlike the one from the last year, objected to by the auditing firm, is presented according to a model which computes the change in fixed and totalisator odd orders in net revenue, with reimbursements and winnings already deducted, without the total operating revenue.

However, for additional information, the income statement in compliance with the one from the previous year is attached to the explanatory notes.

7. New Advertising Campaign

In October 2007 a new advertising campaign was launched programmed for the autumn for print, radio and billboards.

The campaign was created by the Oliviero Toscani team with the specific aim of strengthening the SNAI brand in the betting market where, following an enlargement of the distribution network, new, important Italian and foreign competitors are entering.

The on-line market is also witnessing the entrance of aggressive new foreign operators with major investments in the specific sector.

The aim of the brand-strengthening campaign, for an investment of over 3 million euro, is aimed at increasing and reconfirming SNAI as the leader of the betting market in Italy, with simultaneous characterisation of reliability and confidence as well as advanced technology connected to the rapid evolution phase of the market scenario.

The enlargement of the market will be stimulated also by an increase in exposure and promotion of sports and horse racing betting, greater social acceptance of places assigned to collecting bet and spread to areas not yet served with a supply of betting.

8. Programmes drafted by the company concerning company branches

Company Branches which have been acquired shall continue to perform, thanks to the activity performed by the former owners based on management contracts, acceptance and collection of horse racing and sports bets which the former owners performed before the acquisition.

Therefore, the circumstance that these Company Branches are currently owned by SNAI makes it possible for SNAI to develop synergic strategies by improving the general efficiency of the Company Branches.

This profile may regard the risk assumed by each Company Branch in accepting and collecting bets related to a certain event, since currently this risk can be balanced by the acceptance and collection of bets of an opposite sign related to the same event, due to the typical preferences of bettors differentiated by geographic area.

In addition to this SNAI, with its consolidated experience in the sector, will be able to provide specific directives to the various SNAI Points based on Management Contracts, thus improving their efficiency and quality standards.

Moreover, following the awarding of new points of sale for horse racing and sports betting after the call for tenders required by Italian Law 248 of 2.8.06 converting Italian Legislative Decree no. 223 of July 2006 the so-called Bersani Law, SNAI assigned Punti SNAI managers, using specific contracts, the territorial supervision of new points with the assignment to search for and sign contracts for the best locations in the country for shops and points of sale (corners), to train sales assistances and supervise the regular performance of collecting bets and paying winnings.

9. Increase in SNAI S.p.A. share capital

The “Shareholders’ equity” paragraph in the explanatory notes, which this comment is based on, analytically describes the various voting and executive phases of the share capital increase process up to ¤250 million between nominal and share premium.

The transactions which occurred in the first half of 2007 are summarised below along with the outcomes and changes in the quantity and value of all the share capital increase transaction of the parent company SNAI S.p.A.

The uncalled options, totalling 525,025, were offered on the Stock Exchange by the Company, in keeping with the provisions of article 2441 paragraph 3 of the Italian Civil Code, by UniCredit Banca Mobiliare S.p.A. from 8 to 12 January 2007.

The new option rights were all sold and exercised by subscription, by the final deadline of 15 January 2007, for 588,028 newly issued shares for a value of 2,381,513.40 euro.

The transaction was concluded in January 2007 with the entire subscription of the 61,718,860 shares offered for a total value of 249,961,393.00 euro.
As of 30.06.2007 the entirely subscribed and paid-up share capital of SNAI S.p.A. amounted to 60,748,992.20 euro and is subdivided into 116,824,685 ordinary shares each having a nominal value of 0.52 euro.

As of 31.12.06 the entirely subscribed and paid-up share capital of SNAI S.p.A. amounted to 60,443,321.04 euro (at 31 December 2005 28,570,454 euro) and is subdivided into 116,236,957 ordinary shares (54,943,180 ordinary shares at 31 December 2005).

Holders of ordinary shares have the right to receive dividends voted on a time to time basis, and for each share held they have one vote to express in the shareholders’ meeting.

number of authorised shares	116.824.985
number of shares issued and entirely paid in	116.824.985
nominal value	0,52

The table below shows a reconciliation between the number of shares in circulation at the beginning of 2006 and at the end of the period.

Description	No. shares	Share capital value (euro)	Value of option rights
Share Capital at 1.1.2006	54.943.180	28.570.453,60	-
Increase in Share Capital due to merger swap of the subsidiary Ippodromi San Siro S.p.A. (formerly TRENNO S.p.A.) in SNAI S.p.A.	162.945	84.731,40	-
Increase of Share Capital subscribed and paid in at 31.12.2006	61.130.832	31.788.032,64	-
Increase in Share Capital subscribed and paid in at 15.01.2007 following sale on Stock Exchange of 525,025 uncalled options	588.028	305.774,56	1.667.727,88 (*)
	116.824.985	60.748.992,20	

(*) revenue from the sale of uncalled options was acquired by the issuing company SNAI S.p.A

The issued shares are all ordinary shares without any constraints or preferences. There is no treasury stock held directly by the issuer SNAI S.p.A. or through its subsidiaries or associates.

10. Enhancement of real estate assets

During the 2004 financial year the Monuments and Fine Arts Office formally place a historical – artistic interest constraint on part of the areas of the Milan San Siro race track, owned by SNAI S.p.A. and companies which are part of Gruppo SNAI. Opposed to this proceeding, with the assistance of Group consultants, the involved companies appealed promptly to the Regional Administrative Court of Lombardy.
Additional initiatives to undertake to enhance the landmark complex, and at the same time protect the buildings which in the meantime have become the property of SNAI S.p.A. are being examined by the Board of Directors. It is a known fact that on 31 March 2008 the city of Milan was awarded the organisation of Expo 2015 which will involve urban replanning and enhancement of large areas within the city including those of the Milan San Siro area. On 15 May 2007 an advisor contract was signed with connected acquisition option pact with the company VARO S.r.l., which operates in the real estate design and consultation market, to enhance the areas of the Milano San Siro complex. The acquisition option, which has a duration until 31 January 2012, includes all the area with the exception of the Gallop race track.

11. Option for Italian Fiscal Consolidation

During financial year 2006, in part in relation to the programmed and performed corporate and group restructuring operations with implementation of the merger project of the company TRENNO S.p.A., former spin-off of the Gestione Ippica company branch with the parent company SNAI S.p.A., the administrative bodies of SNAI S.p.A., TRENNO S.r.l., MacHorse S.r.l., Festa S.r.l. and Immobiliare Valcarenga S.r.l. exercised the three year option to make avail of the "Italian Fiscal Consolidation" starting 1 January 2006 based on the articles of Italian Presidential Decree no. 917 of 22 December 1986 et seqq.

Consequently, both the transfer or real estate complexes and the SNAI S.p.A. merger with TRENNO S.p.A. occurring during 2006 were fiscally considered within the framework of that law.

C. ORDINARY OPERATIONS

1. Concessionary activities and service providers

During 2007 the direct licensee activity for 450 concessions, performed since 16 March 2006, was added to that resulting from the opening of new points of sale awarded with the Bersani call for tenders which opened gradually starting in the month of April and continued during the year, some are still in the opening phase.

SNAI S.p.A. has confirmed its leading role in the horse racing and sports betting sector with a share totalling 10.78% of the entire gaming and betting market, reaching a market share of 55.6% for horse racing gaming and 39.5% for sports gaming.

The total volume of gaming and betting in Italy reached 41.2 billion euro in Italy during 2007 for a growth of 17.51% compared to the values realised in 2006.

The most significant increases include those related to sports betting (+13.79%) and those of New Slots (+18.68%), both segments in which Gruppo SNAI operates.
Instead horse racing betting witnessed a drop, another sector where the Company and group operate in a significant manner: in particular those related to totalisator (-4,69%), ippica nazionale (-9.34) and to “Big” contests (-36.62%).
It is important to point out the significant growth realised by the sports betting segment, which on a national level reached 2,596 million euro, in part thanks to the opening of new points under the “Bersani” call for tenders.
In fact, some competitors made new points of sale operative in very short timeframes, thanks to contractual relations already established with managers of points of sale which then became Bersani licenses. SNAI, in contrast, had to select and sign contracts with its sports and horse racing corners, while the old concessions for “concorsi a pronostico” were extended (until 31.12.2007).
This situation, in the initial new corner opening phase, penalised the growth in SNAI volumes, which in the current 2008 financial year, with the continuation of opening of new points of sale both corporate and those of customers who have selected SNAI as provider, will permit a gradual recovery of both volumes and market share.
The company also has a consolidated position in other market segments such as “new slots” (as licensee for the network connection of machines) which has become a prime activity in terms of importance on a national level: in a market segment showing a collection greater than 18 billion euro, SNAI is the second national operator, with a collection totalling more than 1.8 billion euro. Other sectors include “concorsi a pronostico” (licensee for collection through betting agencies and network of SNAI points) and bingo (provider for activation and management of halls).

During the past year, the company consolidated and improved its offering aimed at licensees and consequently, towards the end customer. SNAI S.p.A. has constantly employed technologies and services aimed at the public, implementing different interventions which include: better acceptance of betting on non-horse racing and non-sports events (San Remo Music Festival, etc.); sending of interactive acceptance on betting TV channels, the new Betsi terminal, improvement of bets collected by telephone and internet; the possibility of live betting on sports events while they are going on; dissemination of the SNAI Gold cards, acceptance of new horse racing bets (Vincente, accoppiata, quarté and quinté nazionale); implementation of new self-service terminals, called small and large Punto SNAI Web mainly intended for so-called remote gaming; a complete overhaul of the Internet website, both in terms of the information part and acceptance of bets.

Thus the strategy, already effective in the previous year, was confirmed mainly based on:

- Pursuing innovation of services and technologies, to allow an immediate answer to the needs of customers-bettors, needs in constant evolution, in part based on the generational change in sports betting;
- Enhancement of own know-how;
- Constant focus on the customer and end consumer.

SNAI has maintained a continual focus on communication aimed at the customer and end user. Daily, weekly, monthly and quarterly communication instruments have been improved and developed, which entail sending memos on specific subjects, immediate information, in-depth coverage of administrative, legislative, fiscal, etc. topics; newsletters with various periodicity dedicated to the main initiatives created by SNAI, evolution of the regulatory and technological sector, event and sponsorships.

Communication aimed at the customer and end user is backed by public relations and press office activities aimed mainly at the media and general public: 2007 was additionally enriched with editorial programmes dedicated to the horse racing and sports betting sector published in national newspapers and on the Internet websites of national journalism publications.

2. Research and Development

SNAI S.p.A. and the Group companies sustain the development costs of their core businesses in the sector of specialised hardware and software products, for network connections and for the supply of services for the collection of bets. The explanatory note to the statutory and consolidated financial statements describe in detail the expenses incurred for already implemented development initiatives.

3. Quality Certifications

SNAI S.p.A. obtained the ISO 9001:2000 Quality Certification on 10 November 1999.
With subsequent integrations, the quality certification is currently issued for bet acceptance services, sale to the public of “concorsi pronostici” and for management of the computerised network for legal gaming.
In its entirety the certification confirms the complete reliability and transparency of the entire production process of SNAI Spa.

D. OVERVIEW OF PARENT COMPANY PROFIT, LOSS, ASSETS, LIABILITIES AND CASH FLOW

The Balance Sheet, Income Statement and Cash Flow Statement tables compare the values at 31.12.2007 with the values at 31.12.2006 in thousands of ¤.

The 2007 company structure includes the direct management of 450 horse racing and sports concessions as of 16 March 2006 and part of the activities resulting from the start-up of the new horse racing and sport points of sale which the company was awarded at the end of the so-called Bersani call for tenders.

The company also maintains a service provider business for BAP – Bet Acceptance Points – which did not take part in the acquisition offer of the concession company branch performed in 2006, and for new “Bersani” licence licensees who have selected SNAI services for the connection to SOGEI.

For an analysis of the individual asset and liability, financial and profit and loss items see the explanatory notes to the Statutory Financial Statements of SNAI S.p.A. contained in this file.

SNAI S.p.A.
Income statement closed at 31 December 2007

values in euro	2007	2006
Revenue from sales and serives	468.954.791	210.421.211
Other revenue and	7.498.818	5.415.957
Increas of internally generated assets	1.325.916	520.357
Changes in inventories of finished and semi-finished products	118.563	(724.271)
Used raw materials and consumables	(12.043.586)	(3.804.854)
Costs for services and leased assets	(351.553.117)	(127.287.266)
Personnel expenses	(7.867.321)	(15.343.946)
Other operating costs	(30.279.307)	(10.156.927)
Ebitda	76.154.757	59.040.261
Depreciation	(38.060.348)	(31.164.697)
Ebit	38.094.409	27.875.564
Income and charges from equity	266.052	(62.417)
Financial income	4.731.499	1.816.990
Financial charges	(42.548.034)	(30.297.253)
Total financial income and charges	(37.550.483)	(28.542.680)
PRE-TAX EARNINGS	543.926	(667.116)
Income taxes	5.284.698	(1.324.384)
Profit (loss) for period	5.828.624	(1.991.500)

SNAI S.p.A.
Balance sheet at 31 December 2007

values in euro	31/12/2007	31/12/2006
ASSETS		
Noncurrent assets		
Company owned property, plant and equipment	120.067.588	113.175.681
Assets with finance lease contract	16.495.504	3.898.669
Total property, plant and equipment	136.563.092	117.074.350
Goodwill	225.110.343	225.110.343
Other intangible assets	235.801.052	151.047.305
Total intangible assets	460.911.395	376.157.648
Equity investments in subsidiaries and associates	5.060.136	4.604.153
Equity investments in other companies	588.488	542.008
Total equity investments	5.648.624	5.146.161
Other financial assets	0	0
Prepaid taxes	13.579.529	10.276.635
Other non-financial assets	2.080.203	1.965.231
Total noncurrent assets	618.782.843	510.620.025
Current assets		
Inventories	14.018.366	14.206.525
Accounts receivable	51.354.586	48.697.229
Other assets	31.415.667	13.885.991
Current financial assets	20.184.616	6.356.938
Cash and cash equivalents	89.232.071	253.699.717
Available-for-sale noncurrent assets	30.987	0
Total current assets	206.236.293	336.846.400
TOTAL ASSETS	825.019.136	847.466.425
LIABILITIES AND SHAREHOLDERS EQUITY		
Share capital	60.748.992	60.443.218
Reserves	263.232.239	264.019.753
Profit (loss) for period	5.828.624	-1.991.500
Total Shareholders Equity	329.809.855	322.471.471
Noncurrent liabilities		
Termination benefits	1.570.139	4.525.043
Noncurrent financial liabilities	313.379.967	313.373.878
Deferred taxes	43.192.137	51.105.422
Provisions for future risks and charges	7.311.516	2.825.680
Noncurrent various payables and other liabilities	13.847.291	19.542.026
Total noncurrent liabilities	379.301.050	391.372.049
Current liabilities		
Accounts payable	27.236.382	27.757.881
Other liabilities	56.013.074	50.675.943
Current financial liabilities	13.838.306	43.057.658
Current portion of long term loans	18.820.469	12.131.423
Total financial liabilities	32.658.775	55.189.081
Total current liabilities	115.908.231	133.622.905
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	825.019.136	847.466.425

SNAI S.p.A.
Cash Flow Statement

values in thousands of euro	31-12-2007	31-12-2006
A. CASH FLOW FROM OPERATIONS		
Profit (loss) for period	5.829	(1.992)
Depreciation and amortisation	38.060	31.165
Net change in assets (provision) for prepaid (deferred) taxes	(11.216)	2.923
Change in provision for risks	4.486	(594)
(Capital gains) capital losses on sale of noncurrent assets (including equity investments)	0	0
Portion of equity investment results measured with equity method (-)	0	0
Net change in noncurrent trade and other assets and liabilities and other changes	(5.810)	(7.172)
Net change in current trade and other assets and liabilities and other changes	(14.266)	(3.006)
Net change in termination benefits	(2.955)	84
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (A)	14.128	21.408
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in property, plant and equipment (-)	(26.768)	(3.090)
Investments to acquire company branches (-)		
- goodwill		(213.750)
- concessions		(172.812)
- determined payables due to AAMS		29.622
- deferred taxes on company branch acquisition		30.130
Investments in intangible assets (-)	(116.456)	(766)
Investments in other noncurrent assets (-)	(533)	0
Acquisition of equity investments in subsidiaries, net of acquired liquid assets	0	(485)
Change in financial receivables and other financial assets	(13.828)	2.479
Payment collected for sale of equity investments in subsidiaries, net of transferred liquid assets	0	0
Payment collected from the sale of property, plant, equipment, intangible assets and other noncurrrent assets	4	0
CASH FLOW GENERATED (ABSORBED) FROM INVESTMENT ACTIVITIES (B)	(157.581)	(328.672)
B1 CASH FLOW GENERATED (ABSORBED) FROM MERGER (B1)	0	1.550
B2 CASH FLOW GENERATED (ABSORBED) FROM TRANSFER (B2)	0	(6.135)
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Net change in financial liabilities	27.623	(4.477)
Loans to acquire “concession” company branches	(9.159)	294.810
Payables due to BAP extended to acquire “concession” company branches	(40.989)	68.585
Settlement of consolidated bank payable	0	(40.564)
Payment collected for instruments representing shareholders’ equity	0	0
Other S.E. changes	(1.161)	
Increases / payments of capital net of accessory charges	2.671	240.742
Dividends paid to others (including distribution of reserves)	0	0
CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL ACTIVITIES (C)	(21.015)	559.096
D. CASH FLOW FROM DISPOSED ASSETS / AVAILABLE-FOR-SALE ASSETS	0	0
E. TOTAL CASH FLOW (A+B+B1+B2+C+D)	(164.468)	247.247
F. INITIAL NET FINANCIAL ASSETS (INITIAL NET FINANCIAL BORROWING)	253.700	6.453
G. NET EFFECT OF TRANSLATION OF FOREIGN CURRENCY ON LIQUIDITY	0	0
H. FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)	89.232	253.700
RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING):		
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	253.700	7.501
Bank overdrafts	0	(1.048)
Discontinued Operations	0	0
	253.700	6.453
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	89.232	253.700
Bank overdrafts	0	0
Discontinued Operations	0	0
	89.232	253.700

Interest expense paid in 2007 totalled around 30,400 thousand euro

Taxes paid in 2007 totalled around 2,210 thousand euro

SNAI S.p.A.
Net borrowing
Net Financial Position at 31.12.2007

(values in thousands of euro)	Closing 31.12.2007	Opening 01.01.2007	Change
A. Cash	1	4	(3)
B. Other liquid assets	89.231	253.696	(164.465)
C. Securities held for sale	1	1	0
D. Liquid assets A+B+C	89.233	253.701	(164.468)
Current financial receivables:			
- due from parent company	13	0	13
- due from subsidiaries	2.388	4.996	(2.608)
- due from companies subject to control by the same parent company	2.539	1.344	1.195
- asset management account	15.238	0	15.238
- Banca Popolare Italiana warrant	6	17	(11)
E. Total current financial receivables	20.184	6.357	13.827
F. Current accounts payable due to banks	0	0	0
G. Current part of noncurrent borrowing	18.820	12.131	6.689
Other current financial payables:			
- due from parent company	0	42	(42)
- due from subsidiaries	491	488	3
- for concession acquisition (Vendor loan)	7.554	41.710	(34.156)
- due to others	5.793	818	4.975
H. Total other current financial payables	13.838	43.058	(29.220)
I. Current financial borrowing F+G+H	32.658	55.189	(22.531)
J. Net current financial borrowing I-E-D	(76.759)	(204.869)	128.110
K. Noncurrent financial assets	0	0	0
L. Noncurrent accounts payable due to banks	225.908	242.328	(16.420)
M. Bonds issued	0	0	0
Other noncurrent payables:			
- for concession acquisition (Vendor loan)	20.043	26.875	(6.832)
- due to others	67.429	44.172	23.257
N. Total other noncurrent financial payables	87.472	71.047	16.425
O. Noncurrent financial borrowing L+M+N	313.380	313.375	5
P. Noncurrent net financial borrowing O - K	313.380	313.375	5
Q. Net financial borrowing J+P	236.621	108.506	128.115

E. GRUPPO SNAI: OVERVIEW OF CONSOLIDATED PROFIT, LOSS, ASSETS, LIABILITIES AND CASH FLOW

The Consolidated Balance Sheet, Income Statement and Cash Flow Statement tables compare the values at 31.12.2007 with the values at 31.12.2006 in thousands of euro.

The consolidated financial statement tables of Gruppo SNAI have been prepared according to the IAS / IFRS issued by the International Accounting Standards Board and adopted by the European Commission, showing a comparison with the income statement and balance sheet at 31 December 2006 prepared with the same accounting standards.

Gruppo SNAI
Consolidated income statement closed at 31 December 2007

values in thousands of euro	2007	2006
Revenue from sales and services	492.546	217.568
Other revenue and income	5.752	5.245
Increase of internally generated assets	1.326	520
Change in inventories of finished and semi-finished products	119	(724)
Used raw materials and consumables	(12.413)	(3.944)
Costs for services and leased assets	(357.494)	(127.719)
Personnel expenses	(17.473)	(19.357)
Other operating costs	(31.312)	(10.904)
EBITDA	81.051	60.685
Depreciation and amortisation	(39.274)	(31.580)
EBIT	41.777	29.105
Income and charges from equity investments	353	(202)
Financial income	4.683	1.789
Financial charges	(42.825)	(30.318)
Total financial charges and income	(37.789)	(28.731)
PRE-TAX EARNINGS	3.988	374
Income taxes	4.531	(2.256)
Profit (loss) for year	8.519	(1.882)
Attributable to:		
Profit (loss) of Group on year	8.519	(1.882)
Profit (loss) of minority interests on year	0	0
Basic share earning (loss) in euro	0,07	(0,03)
Diluted share earning (loss) in euro	0,07	(0,03)

Gruppo SNAI – Consolidated balance sheet at 31 December 2007

values in thousands of euro	31/12/2007	31/12/2006
ASSETS		
Noncurrent assets		
Company owned property, plant and equipment	126.758	118.120
Assets with finance lease contract	16.496	3.899
Total property, plant and equipment	143.254	122.019
Goodwill	225.184	225.184
Other intangible assets	236.131	151.368
Total intangible assets	461.315	376.552
Equity investments measured at equity	2.136	1.357
Equity investments in other companies	552	542
Total equity investments	2.688	1.899
Other financial assets		145
Prepaid taxes	14.681	11.078
Other non-financial assets	2.193	2.059
Total noncurrent assets	624.131	513.752
Current assets		
Inventories	14.234	14.430
Accounts receivable	57.182	52.106
Other assets	34.321	16.952
Current financial assets	19.890	3.109
Cash and cash equivalents	93.087	262.821
Available-for-sale noncurrent assets	7	0
Total current assets	218.721	349.418
TOTAL ASSETS	842.852	863.170
LIABILITIES AND SHAREHOLDERS EQUITY		
Group portion of Shareholders Equity		
Share capital	60.749	60.443
Reserves	264.418	265.096
Profit (loss) on year	8.519	-1.882
Total Group Shareholders Equity	333.686	323.657
Minority interest		
Total Equity	333.686	323.657
Noncurrent liabilities		
Termination benefits	5.433	9.758
Noncurrent financial liabilities	313.488	313.518
Deferred taxes	43.966	51.946
Provisions for future risks and charges	7.437	2.841
Noncurrent various payables and other liabilities	13.874	19.569
Total noncurrent liabilities	384.198	397.632
Current liabilities		
Accounts Payable	32.300	31.904
Other liabilities	60.465	55.267
Current financial liabilities	13.383	42.579
Current portion of long term loans	18.820	12.131
Total financial liabilities	32.203	54.710
Total current liabilities	124.968	141.881
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	842.852	863.170

Gruppo SNAI – Consolidated cash flow statement

(values in thousands of euro)	2.007	2.006
A. CASH FLOW FROM OPERATIONS		
Group profit (loss) for year	8.519	-1.882
Minority interest profit (loss) for year	0	0
Depreciation and amortisation	39.274	31.580
Write-downs / reversals on noncurrent assets (including equity investments)	0	0
Net change in assets (provision) for prepaid (deferred) taxes	-11.583	3.269
Change in provision for risks	4.596	-810
(Capital gains) capital losses on sale of noncurrent assets (including equity investments)	-25	125
Portion of equity investment results measured with equity method (-)	-262	202
Net change in noncurrent trade and other assets and liabilities and other changes	-5.836	-5.205
Net change in current trade and other assets and liabilities and other changes	-15.731	-3.961
Net change in termination benefits	- 4.325	0
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (A)	14.627	23.318
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Investments in property, plant and equipment (-)	-29.584	-4.408
Investments to acquire company branches (-)		
goodwill		-213.454
concessions		-172.727
Payables due to BAP extended to acquire “concession” company branches		68.765
determined payables due to AAMS		29.622
deferred taxes on company branch acquisition		30.130
Investments in intangible assets (-)	-116.614	-680
Investments in other noncurrent assets (-)	-533	-9
Acquisition of equity investments in subsidiaries, net of acquired liquid assets		-511
Change in financial receivables and other financial assets	-16.636	170
Payment collected for sale of equity investments in subsidiaries, net of transferred liquid assets	0	0
Payment collected from the sale of property, plant, equipment, intangible assets and other noncurrrent assets	33	11
CASH FLOW GENERATED (ABSORBED) FROM INVESTMENT ACTIVITIES (B)	-163.334	-263.091
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Net change in financial liabilities	27.646	-641
Loans to acquire “concession” company branches	-9.159	294.810
Payables due to BAP extended to acquire “concession” company branches	- 41.024	
Settlement of consolidated bank payable		- 40.564
Payment collected for instruments representing shareholders’ equity		
Other shareholders’ equity changes	-1.160	
Increases / payments of capital net of accessory charges	2.670	240.715
Dividends paid to others (including distribution of reserves)		
CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL ACTIVITIES (C)	-21.027	494.320
D. CASH FLOW FROM DISPOSED ASSETS / AVAILABLE-FOR-SALE ASSETS (D)		
E. TOTAL CASH FLOW (A+B+C+D)	-169.734	254.547
F. INITIAL NET FINANCIAL ASSETS (INITIAL NET FINANCIAL BORROWING)	262.821	8.274
G. NET EFFECT OF TRANSLATION OF FOREIGN CURRENCY ON LIQUIDITY		
H. FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)	93.087	262.821
RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING):		
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	262.821	9.322
Bank overdrafts facilities	0	-1.048
Discontinued operations	262.821	8.274
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, BROKEN DOWN AS FOLLOWS:		
Cash and cash equivalents	93.087	262.821
Bank overdrafts		0
Discontinued operations		
	93.087	262.821

Interest expense paid in 2007 totalled around 30,858 thousand euro.
Taxes paid in 2007 totalled around 2,768 thousand euro.

Gruppo SNAI Net Financial Position

thousands of euro	31.12.07	31.12.06
A. Cash	83	107
B. Other liquid assets	93.004	262.714
bank	92.978	262.694
postal c / a	26	20
C. Securities held for sale	1	1
D. Liquid assets (A) + (B) + (C)	93.088	262.822
E. Current financial receivables	19.889	3.108
- financial c / a due from parent company	74	30
- financial c / a due from subsidiaries	2.032	1.719
- financial c / a to companies subject to control by the same parent company	2.539	1.343
- Asset management account	15.238	
- Banca Popolare Italiana warrant	6	16
F. Current accounts payable due to banks	-	
G. Current part of noncurrent borrowing	18.820	12.131
H. Other current financial payables:	13.383	42.579
financial c / a to companies subject to control by the same parent company		
- for horse racing and sports concession acquisition	7.590	41.746
- due to other lenders	5.793	833
I. Current financial borrowing (F) + (G) + (H)	32.203	54.710
J. Net current financial borrowing (I) - (E) -(D)	-80.774	-211.220
K. Noncurrent financial assets: BTP 5% due 01.05.08	-	145
L. Noncurrent accounts payable due to banks	225.908	242.328
M. Bonds issued		
N. Other noncurrent payables:	87.580	71.190
- due to other lenders	67.430	44.172
- for horse racing and sports concession acquisition	20.150	27.018
O. Noncurrent financial borrowing (L) +(M) + (N)	313.488	313.518
P. Noncurrent net financial borrowing (O) - (K)	313.488	313.373
Q. Net financial borrowing (J) + (P)	232.714	102.153

F. RECONCILIATION STATEMENT BETWEEN PROFIT / LOSS FOR THE YEAR CLOSED AT 31.12.2007 AND GROUP SHAREHOLDERS EQUITY WITH THE SAME VALUES OF THE PARENT

	Profit (loss) for year		Shareholders' equity	
thousands of euro	31.12.2007	31.12.2006	31.12.2007	31.12.2006
SNAI S.p.A. financial statements	5.829	-1.992	329.810	322.471
Shareholders' equity surplus includes the profit for the year compared to the carrying values of the consolidated companies.	2.600	649	3.648	1.222
- dividends distributed during the year	-174	-142		0
Measurement of equity investments in associates with the equity method of which:				
- profit (loss) for year	169	3	201	-60
- dividends distributed during the year	92			
Reversal of write-downs / reversals on equity investments and write-down of inter-group receivables		-397	74	74
Other adjustments	3	-3	-47	-50
Total Group portion	8.519	-1.882	333.686	323.657
Minority interest portion				
Total consolidated financial statements	8.519	-1.882	333.686	323.657

G. OPERATIONS OF SNAI S.P.A. AND GROUP COMPANIES

A summary of the activities and main facts which characterised the operations of the individual Group companies in 2007 is provided below.

1. SNAI S.p.A. .

After having grouped the main activities in itself in terms of the supply of goods and services to bet acceptance points, as of 16 March 2006 the company became the owner of 232 horse racing concessions and 218 sports concessions, later added to by the outcome of the so-called Bersani call for tenders with the ownership of 5,092 new licensees of which 3,886 horse racing and 1,206 sports, in addition to 2 concessions for remote horse racing and sports gaming.

As of June 2004 SNAI S.p.A. also became the owner of the concession to manage the network of amusement machines.

At 31.12.2007 the company carried out the following activities:

- direct management of 450 concession acquired on 16 march 2006 using services supplied by manager previously sellers of concession company branches and the first part of the points of sale made operative for activation of the licenses resulting from awarding of the Bersani call for tenders:
  - n.86 Sports Shops;
  - n.454 Sports Points;
  - n.28 Horse Racing Shops;
  - n.623 Horse Racing Points;
- it supplies an on-line computerised system able to connect the around 10,000 terminals active at PAS and newly opened "Bersani" points of sale via cable or satellite to the national collection network, allowing them to transfer and process data related to the individual bets. The system is used to record and account for all the data related to each single bet, transmit them from the Punto SNAIL to the processors of Sogei S.p.A. for the Ministry of the Economy and Finance and, when the authorisation is received from this Ministry and the bet registration number, to issue a final receipt for possible payment of winnings ("bet ticket");
- provide Punti SNAI, both directly managed and those of customer, with a technical and IT support related to verifying the gaming trends, as well as management of the fixed odd betting systems (e.g. technical-sports information, the formulation of opening odds and their updating in real time, etc.);

- disseminate the opening odds via satellite and related updates during gaming collection;
- supply the software and computerised system for collection of telephone bets via sms and via Internet, as well as the software and computerised system for a possible interconnection for connection to Bingo halls, both to each other and with Azienda Autonoma Monopoli di Stato (AAMS), for transferring information related to the game;
- supply hardware and software systems to licensees needed to manage the bets, as well as all the related technical assistance services, including on machines owned by the licensees;
- deliver organisational and commercial consultation connected to the business of bet accepting, game of Bingo, "concorsi a pronostico" (Ippica Nazionale, "Big" bets, Totocalcio, Totogol, Il 9, etc.) and amusement machines;
- design, sell and install machines, set-ups and services for the renovation of PAS, Bersani points of sale (shops and corners) and creation of Bingo halls;
- promote the commercial brands owned by the Group. It also takes care of encouraging market development and enhancement of the SNAI image with the public. This is done through advertising campaigns and the publication of odds and information functional to bets in sports dailies and media aimed at the general public, as well a through public relations and press office activities, in addition to creating and managing events.

SNAI S.p.A. is currently involved in the complete opening of the 5092 points of sale, which it was awarded as the outcome of the aforesaid call for tenders, in part using the collaboration of current BAP (Bet Acceptance Points) distributed throughout Italy for this activity.
For an analysis of the profit and loss, asset and liability and financial values for 2007 see the related paragraph.

2. OPERATING SUBSIDIARIES

2.1. FESTA S.r.l.

The company handles management of the collection of computerised bets (telephone, Internet, sms, etc. via SNAI GOLD Giocasport card – SNAIcard) on behalf of the licensee Punti SNAI and SNAI S.p.A. Upon assignment from SNAI S.p.A. it also performs help desk and call center activities for the Punti SNAI, new points of sale awarded following the Bersani call for tenders and legal gaming, using amusement machines.

Festa S.r.l continues to develop technologies for the licensees in order to lead to full activation of an offer of computerised and via phone acceptance services and bet management. In particular, it offers telephone assistance and IT and technical support services related to directly and indirectly managed Punti SNAI activities.

Current regulations allow the supply of services for the computerised collection of horse racing and sport bets and for "concorsi a pronostico". For the past few years the company has also offer functional services for collecting bets via sms.

Revenue for 2007 reached ¤7,052 thousand (¤6,141 in 2006). Revenue was basically from the 2% fee on computerised bets and Internet bets paid to Bap for ¤448 thousand and other open contracts for ¤1,581 thousand and other Group companies for 4,120 thousand.

The financial statements closed with a pre-tax profit of ¤1,187 thousand (¤996 thousand profit in 2006). Net profit reached 1,488 thousand thanks to the allocation of deferred tax assets on accruals and on previous losses which cancelled the tax charge for the year. This profit resulted after having made depreciation and amortisation for ¤252 thousand (¤209 thousand the previous year) and accruals for ¤243 thousand (¤105 thousand the previous year).

The cash flow generated by operations was ¤1,983 thousand with a total operating revenue of ¤7,052.

The continual growth trend in computerised bets and the initiatives being implemented aimed at increasingly developing the sector of Internet, telephone and self-service terminal betting, makes it possible to predict a positive result for the current year, as forecast in the 2008 budget.

2.2. Società Trenno S.r.l.

The company established following a spin-off of the specific company branch started operations 20 September 2006: it handles the management of the race tracks of Milan (trot and gallop) and Montecatini (gallop).

Within the framework of the U.N.I.R.E. (National Association for the Betterment of Horse Breeds), public agency under the Ministry for agricultural and forestry policies, the company organises the management of galloping training center of Milan San Siro and the collection, at the race track of bets on horse races.

For the national programme coordinated by U.N.I.R.E., Trenno organises the races according to a set calendar, receiving an annual fee from the agency established by a multi-year convention-contract.

This payment is calculated on the volume of bets collected outside and inside the race tracks, on the quality of the television broadcast of the races being performed in the managed race tracks and on the remuneration of other connected services for greater use of the horse race track facilities.

In addition to the fees for the organisation of horse races, Trenno also receives proceeds from U.N.I.R.E., including:
- payments for use of the facilities from horse racing operators;
- other revenue for advertising and sponsorship as well as for transfer of spaces inside the tracks and real estate complexes and providing areas and structures for events;
- proceeds of a minor amount connected to the rental of various commercial activities within the real estate complexes (e.g. restaurants, cafes, car parks, etc.).

During the first months of 2006, the final phase of the discussion with U.N.I.R.E. was reached for a new convention between U.N.I.R.E. and the Racing Companies.

The contacts developed with U.N.I.R.E., as well as the possible projections of the new convention hypothesis, made it possible to recognise certain revenues, for 2007, already paid out by the Agency as an advance, already promptly paid month per month. These include the payments for services delivered for the training center, television services and for the so-called customisation of the race tracks, as well as commissions of TRIS and Ippica Nazionale bets, as quantified in a specific protocol signed on 12.12.2007 between U.N.I.R.E. and the involved horse racing companies, including TRENNO S.r.l.

In light of the fact that the racing company in the previous year had worked from 20 September to 31 December 2006 it is important to note that the revenue of 2007 total ¤25.679 thousand (¤7,002 thousand in 2206) and closes the period with a profit of 210 thousand (against a loss of 156 thousand in 2006) after depreciation and amortisation of ¤954 thousand (¤202 thousand in 2006) in addition to accruals for 153 thousand (¤377 thousand in 2006).

The net profit was also influenced by charges for horse race company rentals and leases for ¤5,278 thousand sustained for the use of the real estate complexes which the company transferred during 2006, in addition to zeroing out of the grants for the Milan gallop training centre which in previous years U.N.I.R.E. had paid in a significant amount.

The cash flow generated by operations shows a total absorption of 5,096 thousand resulting mainly from investments made in property, plant and equipment for technology and television filming equipment, for a significant increase in receivables due from U.N.I.R.E. for payments and grants to collect.

At the same conditions as 2007, the operations conducted by the subsidiary TRENNO does not appear to have profits to close the year in a positive light.

2.3. Immobiliare Valcarenga S.r.l.

Again in 2007 business continued along the traditional lines to support the horse racing facilities in use by Trenno S.r.l. through instrumental leasing of its properties.
The financial statements at 31 December 2007 shows a profit of 38 thousand (44 thousand the previous year) after depreciation, amortisation and accruals for 11 thousand (11 thousand the previous year).

The cash flow generated by operations was 49 thousand against a turnover of 98 thousand (114 thousand in 2006), 59 thousand of this is inter-group (79 thousand in 2006).
The result for the period and the equity – financial structure make it possible to forecast a positive result for the current year in line with operations in 2007.

2.4. Mac Horse S.r.l.

The company was acquired on 24 February 2004 by SNAI S.p.A. and works in the publishing segment, mainly to create bills for horse racing and sports betting and for managing the archives connected with the performance of race horses. This activity performed exclusively for Gruppo SNAI, is considered strategic and functional for the Group's know-how.

With revenue of ¤601 thousand at 31 December 2007 (it was ¤624 thousand in 2006) mainly resulting from the parent company, the financial statements closed with a profit of ¤137 thousand (against ¤151 thousand in 2006), after depreciation, amortisation and write-downs for ¤8 thousand (¤8 thousand in 2006).
The cash flow generated by operations was 140 thousand with a total operating revenue of 601.
The forecast result for 2008 is currently for a profit in line with the previous year.

3. DIRECT ASSOCIATES

3.1 "Società Gestione Capannelle S.p.A."

The equity investment of 26.67% is held directly by SNAI S.p.A. The financial statements at 31 December 2006 closed with a loss of ¤1,202 thousand (against ¤598 thousand in 2005).

This result is due to: operating revenue of ¤11,306 thousand (against 10,870 in 2005), operating costs for ¤12,442 thousand (against ¤11,276 thousand), net financial charges ¤61 thousand (against ¤82 thousand in 2005) and net extraordinary income for ¤75 thousand (against ¤41 thousand in 2005).

The 2006 financial statements also show depreciation, amortisation / write-downs for ¤844 thousand (against ¤613 thousand in 2005). Operating costs include fees for ¤2,174 thousand (against ¤2,135 thousand in 2005) due to the Municipality of Rome for use of the territory (track and training centre), whose concession was renewed until 2010. During the 2007 an increase in share capital was voted on up to ¤1,956 thousand, after settlement of previous losses to 31 March 2007 which totalled ¤1,936 thousand euro.

The settlement of losses and reconstruction in Share Capital was entirely performed by 31 December 2007 without substantial changes to the corporate shareholding structure.

3.2 "Alfea S.p.A. – Società Pisana per le Corse dei Cavalli"

The equity investment is possessed at 30.70% directly by SNAI S.p.A.
The financial statements at 31 December 2007 show a profit of ¤531 thousand (¤578 thousand in 2006) after depreciation, amortisation and write-downs for ¤256 thousand (¤208 thousand in 2006).
This result is due to: operating revenue of ¤5,164 thousand (against ¤5,463 thousand in 2006), operating costs for ¤4,249 thousand (against ¤4,397 thousand in 2006), net financial income for ¤121 thousand (against ¤33 thousand in 2006) and net extraordinary charges for ¤43 thousand (against ¤10 thousand in 2006).
Operating costs include the concession fee to the Region of Tuscany (which will expire on 31.12.2040 for use of the horse racing territory totalling ¤127 thousand annually.

3.3 SOLAR S.A.

The Luxembourg direct associate was established in March 2006 with a share capital of ¤31,000 of which SNAI S.p.A. holds 30% for a nominal value of ¤9,300.
The Company closed its first financial year at 31.12.2006 with a profit of ¤41 thousand after depreciation and amortisation for ¤136 thousand. It is estimated that for 2007 the company will achieve a profit in line with that from the previous year.

4. OTHER EQUITY INVESTMENTS

4.1. Connext S.r.l.

The company is held for a total of 25% of share capital for ¤81,600 of which 10% has been reclassified in the item "Available-for-sale financial assets". Since 2006 SNAI S.p.A. has assigned Connext Srl to coordinate and manage the work for the production and assembly of terminals for the betting points of sale.

During the current year Connext has also handled technological technical assistance for SNAI network points of sale. The draft financial statements at 31 December 2007 closed with a profit of ¤27 thousand (against a profit of ¤9 thousand at 31 December 2006) after depreciation and amortisation for ¤31 thousand (¤29 at 31 December 2006).

Operating revenue totalled ¤1,065 thousand (¤1,247 thousand at 31 December 2006) and operating costs totalled ¤972 thousand (¤1,180 thousand at 31 December 2006) leaving an EBIT of ¤94 thousand (¤67 thousand at 31 December 2006). The forecasts for the closing of 2008 are for a result in line with that of the previous year.

4.2 TIVU+ S.p.A. in liquidation

TIVU+ S.p.A. received an approval from the pertinent Court for composition before bankruptcy already approved by its creditors in December 2005. TIVU+ S.p.A. (share capital ¤520,000 held by SNAI S.p.A. for ¤101,400) was put into voluntary liquidation by the Extraordinary Shareholders' Meeting on 7 July 2004.
The carrying amount of the investment in TIVU+ S.p.A. in liquidation was already entirely written down and all receivables due to SNAI S.p.A. from it have been adjusted to the estimated realisation value.

H. TRANSACTIONS WITH SUBSIDIARIES, ASSOCIATES, PARENT COMPANIES AND COMPANIES SUBJECT TO PARENT COMPANY CONTROL

As is customary, the transactions between the parent company SNAI S.p.A. and its subsidiaries and associates consists of managerial and financial assistance, performance of services, as well as leasing, including the related services of real estate instrumental to the performed activity.

The specific services and performance supplied by the subsidiaries are charged by the parent company based on operating costs and the supply of services and performances, marked up based on the entity of the necessary structure and the related overhead.

The charged cost is deemed appropriate and not greater than that which the individual Group companies would have incurred to obtain the same services on the market in terms of quality, quantity and timeframes.

The other administrative and technical services which are produced, delivered and used within the group companies, are charged to the subsidiaries and associates based on their effective use, taking into account the cost to purchase or produce the service or performance.

Transactions of a financial nature exist with the parent company SNAI Servizi S.r.l. regulated at the best market conditions and interest rates substantially in line with Euribor at 3 months plus 5 percentage points, as well as performance of legal services.

Management of the administration offices at the Porcari headquarters was directly undertaken by SNAI S.p.A. starting in the month of August 2004: the Group companies housed in the offices are charged back for the rental and expenses based on the area they occupy and the cost of used services.

Specific services acquired from third parties in the total interest of the group and especially related to the financing, legal, tax and technical areas are charged back proportionally to the specific interest of each company.

See the Explanatory Notes to the financial statements for details on all the transactions which SNAI S.p.A. had during 2007 with subsidiaries, associates and the parent company or companies which are subject to the control of the parent company.

In paragraphs 29 and 30 in the Explanatory Notes to the statutory financial statements, transactions are described in detail which are entered in the balance sheet, income statement and memorandum accounts of SNAI S.p.A. with other group companies and related parties.

I. FINANCIAL STATEMENT AUDITING

The shareholders' meeting of 15 May 2007 conferred the assignment for auditing, in accordance with article 159 of Legislative Decree no. 58 of 24.2.1998 as modified by article 3 of Legislative Decree no. 303 of 29.12.2006, for each of the 9 financial years closing from 31.12.2007 to 31.12.2015 to auditing firm Reconta Ernst &Young.

In compliance with Consob regulation no. 11971 of 14.5.1999, citing article 2428 third paragraph of the Italian Civil Code, they were also conferred auditing limited to six month reports.

The total payment was established at ¤204 thousand, of which ¤170 thousand for the parent company SNAI S.p.A., and includes the portion of ¤48 thousand for the limited audit of SNAI S.p.A. and Gruppo SNAI and was determined taking into account the hourly rate related to the personnel's qualifications, the estimated time and in general with the criteria established by Consob.

The decided payment, which does not include expense reimbursement, direct expenses, secretarial services, VAT and adjustments based on Istat (Italian cost of living index) may be changed for greater commitment and increases in work which become necessary based on any changes in the size of the Group or its activities.

The awarding of new licences after the outcome of the so-called Bersani call for tenders and the increased quantity both of activity connected with management of the concessions acquired as of 16 March 2006 and the activity of amusement machines turned this possibility into a reality.

Therefore, in relation to this changed situation and in accordance with the general criteria for determining the payment for the assignment of auditing as per article 145 bis of Issuers' Regulations, Reconta Ernst & Young has re-estimated the times contained in its original proposal of 19 March 2007 for each of the activities contained in it and for each of the financial years from 2007 to 2015.

Due to the increase in work and greater commitment necessary, with its supplementary letter of 26 March 2008 Reconta Ernst & Young requested an adjustment in the payment as shown in the table.

Auditing Company assignment	Payments from 2007	assignment Greater post-payments
Audit of SNAI S.p.A. financial statements	70,000	103,000
Periodic audits art. 155, par. 1, letter A) Financial Act of SNAI S.p.A.	20,000	35,000
Limited audit of six month report of SNAI S.p.A. and Gruppo SNAI	48,000	78,000
Audit of consolidated financial statements of Gruppo SNAI	10,000	10,000
Auditing activity for minority interests	20,000	42,000
Auditing activity for tax returns	2,000	2,000
Total	170,000	270,000

Payments approved by the subsidiaries TRENNO S.r.l. and Festa S.r.l. totalling 24,000 euro for specific assignments need to be added to the payments indicated in the table. The payments above do not include direct expenses, secretarial services, Istat and Vat.

J. HUMAN RESOURCES AND INDUSTRIAL RELATIONS

The level of employment at Gruppo SNAI reached 465 units at 31.12.2007, an increase of 39 units (essentially in service activities) compared to the end of 2006.

The increase is fundamentally due to an increase in staff in operating departments, to support the expansion in activities resulting from direct management of the acquired concessions, including following the "Bersani" call for tenders of October, and development of activities involving amusement machines.

Total staff is broken down as follows:

Gruppo SNAI	31.12.2007	31.12.2006
Executives	17	16
Clerks and Middle Management	336	300
Workers	112	110
Total Employees	465*	426**

* of which 47 part-time and 9 on maternity leave
** of which 48 part-time and 12 on maternity leave

The improved automation of some operations, obtained thanks to the use of outside consultants and freelancers, made it possible to contain the growth in staff to a lower amount even with the significant increase in operating revenue and costs.

The Parent Company staff increased by 22 employees, rising from the initial 201 employees at the end of 2006 to 223 employees at 31.12.2007.

SNAI S.p.A.	31.12.2007	31.12.2006
Executives	15	15
Clerks and Middle Management	203**	182*
Workers	5	4
	223	201

* of which 15 part-time and 8 on maternity leave
** of which 12 part-time and 6 on maternity leave

The parent company SNAI S.p.A. adopted the National Labour Contract "Workers employed in the private metalworking and plant installation industry", in keeping with what occurs at our main competitors.
The operating company Festa S.r.l. applies the commerce National Labour Contract.
The companies which operate in the horse racing segment apply the National Labour Contract for horse racing companies.

K. HEALTH AND SAFETY IN THE WORKPLACE

During 2007 an awareness programme for employees and in general all workers who work inside the plants continued on problems regarding occupational safety.

The activity was implemented by distributing memos, specific training courses and specific information as well as meetings at different levels are required by specific regulations.

In compliance with the provisions of Legislative Decree no. 626 of 1994, additional investments were made to improve the adequacy of plants and equipment to the requirements of the specific regulation.

In terms of safety in the workplace, for the past few years a mobile first aid unit has been kept inside the race tracks for accidents either during races or training.

The programme of preventive medicine for worksites was continued during 2007 with the support of assigned doctors and the company's Milan infirmary. Interventions are also being implemented suggested by the study required and commissioned in accordance with Legislative Decree no. 626 of 19.09.1994 on safety of managed plants and prevention of occupational accidents, in application of what is required by specific European Union and national laws.

L. RELATIONS WITH RELATED PARTIES AND CORPORATE BODIES

With reference to the articles 124 bis of the Financial Act, 89 bis of CONSOB Issuers CONSOB issuers and Article I.A. 2.6 of the instructions to the Stock Exchange Regulations the Board of Directors prepare the Annual Report on the Corporate Governance System which, among other things, provides information on any transactions with related parties, containing the procedures and effects of any performed transactions.

The Group Companies have maintained their conduct in line with the cited recommendations.

Currently, within the framework of Gruppo SNAI Companies, relations with related parties are represented by contracts of a commercial or financial nature, and for services of an administrative, financial and tax consultation, tax and organisational nature with subsidiaries.

Other relations are represented by contracts with the parent company SNAI Servizi S.r.l. for legal assistance services and for regulation of the financial current account.

The transfer prices are related to active sales prices in the betting collection chain; purchase costs for services governed by commercial contracts use market prices and conditions as a reference for contracts of a financial nature and operating costs for services and performance for the other buying and selling of services.

The contracts are formalised and invoiced on a multi-year frequency, including performances for services supplied by some subsidiaries for other Group companies, as well as those supplied by SNAI S.p.A. to the other Group companies, performance of services between operating companies, company rent and lease payments with which the SNAI Parent Company assigns management of the Training Centre and real estate complexes of the race tracks to Trenno Srl.

The Group performs services for the licensees of horse racing agencies and sports agencies, as explained above. Following the acquisition of 450 company branches, concessions, the former sales licensees all signed a management contract with SNAI S.p.A. used to supply services for the collection of bets and payment of winnings to bettors, receiving a pre-determined payment.

Many licensees hold stakes in the share capital of the parent company SNAI Servizi S.r.l. Transactions, in standardised contracts, are governed at market conditions completely identical to those of third party licensees.

The Board of Directors in office has not established an Executive Committee after the one which left office on 23 May 2002 at the end of its term.

As required by Law and the company Articles of Association, the Board of Directors has attributed powers of substantially ordinary administration to the Chairman and in his absence to the Vice Chairman. For specific needs, on a time to time basis the Board of Directors attributes extraordinary administration powers to the Chairman and Vice Chairman with possible option of subdelegate.

With its resolution of 17.05.2005 the Board of Directors re-established the Audit Committee, with non-operative Directors Andrea Siano (Chairman), Alberto Lucchi and Paolo Rossi; the function of Audit Committee can be performed by external individuals.

The Audit Committee met four times during 2007.

M. SHAREHOLDING OF DIRECTORS, STATUTORY AUDITORS AND MANAGING DIRECTOR

As required by article 79 and statement 3 of the Consob resolution no. 11971 of 14 May 1999 the shareholdings in the issuer company and its subsidiaries in 2007 possessed by directors, statutory auditors and managing director as well as spouses who are not legally separated and minor age children are shown below.

Surname	Name	Holding	Equity investment	Shares Held at 31/12/2006	Shares Acquired in 2007	Shares Sold in 2007	Shares Held at the of 2007
Carlotti	Alessandro	direct	SNAI S.p.A.	1.530	0	0	1.530
		spouse	SNAI S.p.A.	7.162	0	0	7.162
Cioffi	Francesco	Equity investment	SNAI S.p.A.	19.616	0	0	19.616
Garza	Luciano	direct	SNAI S.p.A.	33.920	8.000	0	41.920
		spouse	SNAI S.p.A.	1.951	0	0	1.951
		spouse	Trenno S.p.A.	244	331	0	575
Ginestra	Francesco	Equity investment	SNAI S.p.A.	34.314	0	0	34.314
Losco	Pasquale	direct	SNAI S.p.A.	21.200	0	0	21.200
Lucchi	Alberto	direct	SNAI S.p.A.	0	10.000	0	10.000
		Equity investment	SNAI S.p.A.	14.907	0	0	14.907
Mecacci	Alessandro	direct	SNAI S.p.A.	14.840	0	0	14.840
Ughi	Maurizio	Equity investment	SNAI S.p.A.	5.948	0	0	5.948

The directors: Claudio Corradini, Paolo Rossi and Andrea Siano the Statutory auditors: Francesco Lerro and Lorenzo Ferrigno declared that they did not hold at the end of 2007, nor did they hold during 2007, shares of the issuer SNAI S.p.A., nor other companies controlled by it.

N. ADOPTION OF IFRS – International financial reporting standards

The financial statements of SNAI S.p.A. and the consolidated financial statements at 31.12.07 were prepared based on the IFRS in effect as of that date, issued by the International Accounting Standards Board (IASB) and adopted by the European Commission.

The accounting standards used to prepare the annual financial statements of the parent company and the consolidated financial statements of the Group are in compliance with the accounting standards adopted in the corresponding financial statements closed at 31.12.2006, with the exception of what is indicated and explained in the notes related the specific items.

The IFRS are considered also to be revised international accounting standards (IFRS and IAS) and all the interpretations of the International Financial Reporting Interpretation Committee (IFRIC and SIC), adopted by the European Union.

It is important to note that during 2004 the company had started a programme to adopt the international accounting standards issued by IASB to adapt its statutory and consolidated financial statements, to the regulation issued by the European Union in order to unify the various accounting languages used by the various countries to improve the readability of the financial statements of companies traded on various worldwide Stock Exchanges.

The transition process from the national accounting standards to the international IAS/IFRS was completed with the annual financial statements of SNAI S.p.A. closed at 31.12.2006, while already at 31.12.2005 the Group's consolidated financial statements and the explanatory notes were prepared according to the international accounting standards.

O. BUSINESS OUTLOOK AND SUBSEQUENT EVENTS

The action described herein, which were undertaken by the directors in order to implement the recently updated 2008-12 industrial plan, were aimed at direct management of the new activities to undertake horse racing an sports bets an started on 16 march 2006. Further, these action were integrated with the results of the opening of new points of sale, awarded after the outcome of the call for tenders, and have made at possible to acquire consistent financial resources.

The new activities in the industrial plan have been added to the traditional service provider activities for the concessions which choose not to take part in the SNAI S.p.A. offer and expansion of intertainment machine activity

This actions make it seem reasonable that the core business, significantly expanding, will be able to keep a position of economic equilibrium and continue to generate adequate cash flows to face the obligations of SNAI S.p.A. and the Group and consolidate the recently acquired businesses at the same time.

In terms of the service of the summons before the Audit Office on 16 January 2008 and the ruling no. 2728/2008 of the second session of the Lazio Regional Court published on 1 April 2008, see the discussion in the paragraph entitled ”Reports from the Italian Audit Office and administrative disputes for presumed breach in management of computerised network for interconnection of amusement machines”.

1. Business Plan 2008-2012

In October 2006 the company had finalised its participation in the call for tenders called by AAMS in accordance with Legislative Decree no. 223 of 4 July 2006 converted with modifications and integrations in law no. 248 of 4 August 2006 for assignment as concession to run the public gaming of horse races and those of events other than horse races, to be exercised ai the points of sale having sale of these products as ancillary activity.

In December 2006, the AAMS made the classification official for the results of the call for tenders called by the Ministry of Economy an Finance and in application of the Bersani decree. In particular, SNAI S.p.A. was awarded 1206 sports licences 99 shops an 964 corners and 3.886 in addition to the concessions for remote horse sports gaming.
The new concessions will expire on 30.6.2016. They will join the 450 concessions already owned by SNAI S.p.A.,that is 218 sports and 232 horse racing concessions.

SNAI plans to make the new points of sale operative by the end of 2008. The bet acceptance network tuill be composed of a total of more then 6,000 concessions, thus achieving the most extensive network in Italy with the presence of a point of sale every 10,000 inhabitants.

After the start-up of the horse racing gaming shops and points (corners) for each province as well as sports gaming sports shops and points (corners) for each municipality and the gradual monitoring of movements of bets collected by the new and previous bet acceptance points, the need to update the Industrial Plan has become a reality.

The estimated potencial of the collection of the betting volume and rights which have been used after adeguate alignments for the preparation of the new updated industrial plan are considered prudent

The new plan encompasses the 2008/2012 period and takes into consideration the structure and situation currently present in the Country, both in terms of customer licensees and the 450 concessions owned by SNAI S.p.A. acquired star since on 16 March 2006. The plan integrateds the forecasts of revenue, yield and costs of the new points of sale in relation to the opening and programmed prompt identification of premises, stipulating contracts for such premises and start-up and opening to the public for the sale of bet for the remaining 50% of the licences still in the process of being formalised by contract.

The organisational structure for elaborating the multi-year plan has remained the same as the one prepared in September 2006 adding in a completely independent manner a reasonable hypothesis for increasing economic, equity and financial values resulting from the opening of new points of sale (new rights), and the direct management of potential owner customer of the new concessions. To this the forecasts for a gradual addition of amusement machines in the new Bersani points of sale needs to be added and the start-up of new activities of the so-called “skill games” already authorised for the remote concessions of the Bersani licences, for which a technical implementation regulation is expected.

2. Notes related to the data security policy (Legislative Decree no. 196/03)

The technical regulations annexed to the privacy law (Legislative Decree no. 196/03) under point 26 requires that in the directors' report on operations accompanying the financial statements the data controller reports on the adoption or updating of the data security policy.
The data security policy is required as the obligatory minimum security measure for the treatment, using IT information systems, of data considered "sensitive" or "judicial" based on this legislation.

In the company, data including sensitive, is processed by the IT system for the database used by the various company functions to carry out their operations.

Therefore, in compliance with the obligation contained in point 19 of the aforesaid technical regulations, our Company has prepared all the initiatives and all the documents, for example the Corporate IT Regulations, necessary to comply with the legal provisions and current laws on the matter.

P. OTHER INFORMATION IN ACCORDANCE WITH ART. 2428 OF THE ITALIAN CIVIL CODE AND ART. 40 OF ITALIAN LEGISLATIVE DECREE 127

The company does not hold, directly or indirectly, by means of Gruppo SNAI companies, trust companies or any intermediaries, shares in the parent company.

No purchase or sale transaction of these shares occurred during 2007 or in the first months of 2008. Neither SNAI S.p.A. nor other Gruppo SNAI companies have ever granted a loan or provided guarantees directly or through intermediaries for the purchase or negotiation of shares of SNAI S.p.A. or its parent company.

SNAI S.p.A. and the other Group companies are not subject to particular exchange rate risks.

There is a greater sensitivity towards interest rate since its loan contracts and liquid asset commitment are tied to the euribor at three months.

To date derivative financing contracts (off balance sheet transactions) have not be undertaken by SNAI S.p.A. or other Group companies to hedge against the herein mentioned risks.

Gruppo SNAI manages its commercial risk towards its customers internally.

Q. BOARD OF DIRECTOR'S PROPOSALS TO THE SHAREHOLDERS' MEETING

1. Approval of the Directors' Report on operations, financial statements and proposal for allocation of profit.

Dear Shareholders:
We are confident in your approval of the form and methods adopted in the report of the financial statements at 31/12/07, in its entirety and the individual parts and we are asking you to vote on:

- approval of the report, financial statements and explanatory notes
  We propose that you approve, together with the report on operations, the financial statements at 31/12/07 which close with a profit of ¤5,828,623.70;
- Allocation of profit for year
  In order to make the financial structure more consolidated in the current development phase of the betting sales network for new games, the Board of Directors proposes allocating profit for the year as shown on the Balance Sheet and Income Statement as follows:

	Euro
Profit for year	5.828.623,70
to allocate to:	
5% Legal reserve:	291.431,185
Retained earnings (losses b/f)	5.537.192,515

Allocation to the "Retained earnings (losses brought forward)" which currently has a negative balance of ¤632,571 at 31.12.2007, would have a total balance of ¤4,904,621.515.

2. Change in payment for the assignment of auditing as per art. 159 of increare Italian Legislative Decree no. 58 of 24 February 1998: related resolutions

The auditing firm Reconta Ernst & Young has requested a supplement on additional ¤100 thousand to its payments, compared to that already approved amount by the shareholders' meeting of 17.05.2007 which totalled 204 thousand.

The increase in the Company's and Group's activities thanks to the awarding of new licences based on the outcome of the so-called Bersani call for tenders, the connected opening of these new points of sale, increased quantity both of management activity for the concessions acquired 16 March 2006 and that for amusement machines, have required a greater commitment from the Auditing Company compared to what was originally estimated for performing its work.

As described in detail in the specific paragraph "I – Financial statement auditing" in this report on operations, it is now necessary to adjust the payments to the additional work performed for the year 2007 and forecast for coming years until 2015 in compliance with the provisions of article 159 of Italian Legislative Decree no. 58 of 24 February 1998 et seqq.

The Reconta Ernst & Young Company is also providing assistance to create the project to adapt to the Law on Savings no. 262/05 which the company is in the process of implementing, in part following the appointment of a manager assigned to preparing accounting documents. The commitment of resources which Reconta Ernst & Young plans to use to carry out this assignment has been quantified in a payment totalling ¤120,000.

We are proposing that you approve the supplement in payments up to ¤220 thousand, in addition to expenses and VAT.

3. Appointment of the Board of Directors

With this shareholders' meeting the Board of Directors' term in office draws to an end.
Therefore, we are asking you to appoint a new board of directors as established by article 14 of the Articles of Association, where the shareholders' meeting is also asked to determine the number of board members, term of office and related remuneration. Thus we invite you to appoint a new board of directors as established by article 14 of the Articles of Association.

4. Appointment of the Board of Statutory Auditors

With this shareholders' meeting the Board of Statutory Auditors' three year term draws to an end.

We would like to remind you that the Law on Savings 262/2005 establishes that the Statutory Auditors must possess the requirements of honorability, professionalism and independence, therefore the board of directors invites the shareholders' assembly to appoint a new Board of Statutory Auditors as required by article 23 of the Articles of Association and to determine the annual remuneration due to the standing auditors and Chairman of the Board of Statutory Auditors.

For the Board of Directors
The Chairman
Maurizio Ughi

Porcari (Lu), 28 March 2008 / 14 April 2008

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The manager assigned with preparation of accounting and corporate documents, Luciano Garza, declares in accordance with paragraph 2 article 154 bis of the Finance Act that the accounting information contained in this document corresponds to document results, books of account and accounting entries.

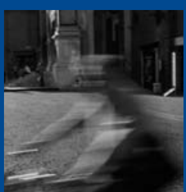
SNAI S.p.A.

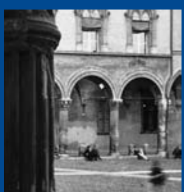
Comparison of 2007-2006 income statement values

values in euro	2007	2006
Revenue from sales and services	996.408.065	619.078.755
Other revenue and income	7.498.818	5.415.957
Increase of internally generated assets	1.325.916	520.357
Change in inventories of finished and semi-finished products	118.563	(724.271)
Total operating revenue	1.005.351.362	624.290.798
Used raw materials and consumables	(12.043.586)	(3.804.854)
Costs for services and leased assets	(879.006.391)	(535.944.810)
Personnel expenses	(7.867.321)	(15.343.946)
Other operating costs	(30.279.307)	(10.156.927)
EBITDA	76.154.757	59.040.261
Depreciation and amortisation	(38.060.348)	(31.164.697)
EBIT	38.094.409	27.875.564
Income and charges from equity investments	266.052	(62.417)
Financial income	4.731.499	1.816.990
Financial charges	(42.548.034)	(30.297.253)
Total financial charges and income	(37.550.483)	(28.542.680)
PRE-TAX EARNINGS	543.926	(667.116)
Income taxes	5.284.698	(1.324.384)
Profit (loss) for year	5.828.624	(1.991.500)

Financial statements at 31/12/07 and explanatory note

ascoli - piazza del popolo







SNAI S.p.A.
Income Statement 2007

values in euro	Notes	2.007	of which related parties note 30	of which non-recurring notes 32 and 33	2.006	of which related parties note 30	of which non-recurring notes 32 and 33
Revenue from sales and services	3	468.954.791	14.302.311		210.421.211	12.735.791	16.142.748
Other revenue and income	4	7.498.818	1.247.202		5.415.957	1.322.774	3.021.873
Increase of internally generated assets	5	1.325.916			520.357		
Change in inventories of finished and semi-finished products	6	118.563	(169.695)		(724.271)		(267.782)
Used raw materials and consumables	7	(12.043.586)	(120.998)		(3.804.854)		(65)
Costs for services and leased assets	8	(351.553.117)	(83.060.916)	(2.987.017)	(127.287.266)	(69.357.435)	(6.006.953)
Personnel expenses	9	(7.867.321)	(158.255)		(15.343.946)	(191.835)	(6.120.600)
Other operating costs	10	(30.279.307)		(4.700.417)	(10.156.927)		(602.307)
EBITDA		76.154.757			59.040.261		
Depreciation and amortisation	11	(38.060.348)			(31.164.697)		(1.389.060)
EBIT		38.094.409			27.875.564		
Income and charges from equity investments		266.052			(62.417)		146.024
Financial income		4.731.499	1.038.257		1.816.990	518.680	22.237
Financial charges		(42.548.034)	(1.471.701)	(1.097.865)	(30.297.253)	(2.563.290)	(22.511)
Total financial charges and income	12	(37.550.483)			(28.542.680)		
PRE-TAX EARNINGS		543.926			(667.116)		
Income taxes	13	5.284.698			(1.324.384)		
Profit (loss) for period		5.828.624			(1.991.500)		

SNAI S.p.A.
Balance sheet at 31 December 2007

values in euro	Notes	31/12/2007	of which related parties note 30	31/12/2006	of which related parties note 30
ASSETS					
Noncurrent assets					
Company owned property, plant and equipment		120.067.588		113.175.681	
Assets with finance lease contract		16.495.504		3.898.669	
Total property, plant and equipment	14	136.563.092		117.074.350	
Goodwill		225.110.343		225.110.343	
Other intangible assets		235.801.052		151.047.305	
Total intangible assets	15	460.911.395		376.157.648	
Equity investments in subsidiaries and associates		5.060.136		4.604.153	
Equity investments in other companies		588.488		542.008	
Total equity investments	16	5.648.624		5.146.161	
Other financial assets		0		0	
Prepaid taxes	17	13.579.529		10.276.635	
Other non-financial assets	20	2.080.203		1.965.231	370.995
Total noncurrent assets		618.782.843		510.620.025	
Current assets					
Inventories	18	14.018.366		14.206.525	
Accounts receivable	19	51.354.586	5.957.223	48.697.229	3.869.250
Other assets	20	31.415.667	5.115.947	13.885.991	3.822.197
Current financial assets	21	20.184.616	4.939.318	6.356.938	6.339.415
Cash and cash equivalents	22	89.232.071		253.699.717	
Available-for-sale noncurrent assets	16	30.987		0	
Total current assets		206.236.293		336.846.400	
TOTAL ASSETS		825.019.136		847.466.425	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Share capital		60.748.992		60.443.218	
Reserves		263.232.239		264.019.753	
Profit (loss) for period		5.828.624		-1.991.500	
Total Shareholders' Equity	23	329.809.855		322.471.471	
Noncurrent liabilities					
Termination benefits	24	1.570.139		4.525.043	
Noncurrent financial liabilities	25	313.379.967	14.425.903	313.373.878	18.494.720
Deferred taxes	17	43.192.137		51.105.422	
Provisions for future risks and charges	26	7.311.516		2.825.680	
Noncurrent various payables and other liabilities	27	13.847.291		19.542.026	
Total noncurrent liabilities		379.301.050		391.372.049	
Current liabilities					
Accounts Payable	28	27.236.382	952.082	27.757.881	2.199.214
Other liabilities	27	56.013.074		50.675.943	
Current financial liabilities		13.838.306	6.018.485	43.057.658	33.369.960
Current portion of long term loans		18.820.469		12.131.423	
Total financial liabilities	25	32.658.775		55.189.081	
Total current liabilities		115.908.231		133.622.905	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		825.019.136		847.466.425	

SNAI S.p.A.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY AT 31 / 12 / 07
(values in thousands of euro)

	Notes	Share capital Capital	Extraordinary Reserve	Extraordinary for	Extraordinary Reserve	Extraordinary Law 72 of 19 / 03 / 1983	Extraordinary Law 413 of 30 / 12 / 1991	Extraordinary Reserve	Extraordinary Reserve	Extraordinary Reserve	Retained earnings (Losses carried forward)	Profit (loss) for year	Total Shareholders' Equity
Balance at 01 / 01 / 06		28.570	1.268	0	0	0	0	0	0	15.131	(4.144)	11.899	52.724
Changes to accounting policy													
Adjusted balances		28.570	1.268	0	0	0	0	0	0	15.131	(4.144)	11.899	52.724
Changes to equity for 2006													
Foreign exchange translation differences from foreign operations													
Profit (loss) at 31 / 12 / 06												(1.992)	(1.992)
Tot. income / charges recorded in year		28.570	1.268	0	0	0	0	0	0	15.131	(4.144)	9.907	50.732
Share capital increase		31.788			215.792								247.580
Share capital increase expenses					(6.837)								(6.837)
Merger of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) with SNAI S.p.A.		85		1		899	1.850	966	27.105		91		30.997
Allocation of 2005 profit										8.479	3.420	(11.899)	0
Balance at 31 / 12 / 06		60.443	1.268	1	208.955	899	1.850	966	27.105	23.610	(633)	(1.992)	322.472

	Notes	Share capital Capital	Extraordinary Reserve	Extraordinary for	Extraordinary Reserve	Extraordinary Law 72 of 19 / 03 / 1983	Extraordinary Law 413 of 30 / 12 / 1991	Extraordinary Reserve	Extraordinary Reserve	Extraordinary Reserve	Retained earnings (Losses carried forward)	Profit (loss) for year	Total Shareholders' Equity
Balance at 01 / 01 / 07		60.443	1.268	1	208.955	899	1.850	966	27.105	23.610	(633)	(1.992)	322.472
Changes in classification policy	23									(1.161)			(1.161)
Adjusted balances		60.443	1.268	1	208.955	899	1.850	966	27.105	22.449	(633)	(1.992)	321.311
Changes to equity for 2007													
Foreign exchange translation differences from foreign operations													
Profit (loss) at 31 / 12 / 07												5.829	5.829
Total income / charges recorded in year		60.443	1.268	1	208.955	899	1.850	966	27.105	22.449	(633)	3.837	327.140
Share capital increase	23	306			3.743								4.049
Share capital increase expenses	23				(1.379)								(1.379)
Allocation of 2006 profit	23					(142)	(1.850)					1.992	0
Balance at 31 / 12 / 07		60.749	1.268	1	211.319	757	0	966	27.105	22.449	(633)	5.829	329.810

SNAI S.p.A.
Cash Flow Statement

values in thousands of euro	Notes	31/12/2007	of which related parties note 30	31/12/2006	of which related parties note 30
A. CASH FLOW FROM OPERATIONS					
Profit (loss) for period		5.829		(1.992)	
Depreciation and amortisation	11	38.060		31.165	
Net change in assets (provision) for prepaid (deferred) taxes	17	(11.216)		2.923	
Change in provision for risks	26	4.486		(594)	
(Capital gains) capital losses on sale of noncurrent assets (including equity investments)		0		0	
Portion of equity investment results measured with equity method (-)		0		0	
Net change in noncurrent trade and other assets and liabilities and other changes	20-27	(5.810)	371	(7.172)	(371)
Net change in current trade and other assets and liabilities and other changes	18-19-20-27-28	(14.266)	(2.581)	(3.006)	(2.410)
Net change in termination benefits	24	(2.955)		84	
CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (A)		14.128		21.408	
B. CASH FLOW FROM INVESTMENT ACTIVITIES					
Investments in property, plant and equipment (-)	14	(26.768)		(3.090)	
Investments to acquire company branches (-)					
- goodwill				(213.750)	
- concessions				(172.812)	
- determined payables due to AAMS				29.622	
- deferred taxes on company branch acquisition				30.130	
Investments in intangible assets (-)	15	(116.456)		(766)	
Investments in other noncurrent assets (-)	16	(533)		0	
Acquisition of equity investments in subsidiaries, net of acquired liquid assets		0		(485)	
Change in financial receivables and other financial assets	21	(13.828)		2.479	2.412
Payment collected for sale of equity investments in subsidiaries, net of transferred liquid assets		0		0	
Payment collected from the sale of property, plant, equipment, intangible assets and other noncurrrent assets		4		0	
CASH FLOW GENERATED (ABSORBED) FROM INVESTMENT ACTIVITIES (B)		(157.581)		(328.672)	
B1 CASH FLOW GENERATED (ABSORBED) FROM MERGER (B1)		0		1.550	
B2 CASH FLOW GENERATED (ABSORBED) FROM TRANSFER (B2)		0		(6.135)	
C. CASH FLOW FROM FINANCIAL ACTIVITIES					
Net change in financial liabilities	25	27.623	(39)	(4.477)	277
Loans to acquire “concession” company branches	25	(9.159)		294.810	
Payables due to BAP extended to acquire “concession” company branches	25	(40.989)	(31.382)	68.585	50.781
Settlement of consolidated bank payable		0		(40.564)	
Payment collected for instruments representing shareholders’ equity		0		0	
Other S.E. changes		(1.161)			
Increases/payments of capital net of accessory charges	25	2.671		240.742	
Dividends paid to others (including distribution of reserves)		0		0	
CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL ACTIVITIES (C)		(21.015)		559.096	
D. CASH FLOW FROM DISPOSED ASSETS/AVAILABLE-FOR-SALE ASSETS		0		0	
E. TOTAL CASH FLOW (A+B+B1+B2+C+D)		(164.468)		247.247	
F. INITIAL NET FINANCIAL ASSETS (INITIAL NET FINANCIAL BORROWING)		253.700		6.453	
G. NET EFFECT OF TRANSLATION OF FOREIGN CURRENCY ON LIQUIDITY		0		0	
H. FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)	22	89.232		253.700	
RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING):					
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, BROKEN DOWN AS FOLLOWS:					
Cash and cash equivalents		253.700		7.501	
Bank overdraft facilities		0		(1.048)	
Discontinued Operations		0		0	
		253.700		6.453	
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, BROKEN DOWN AS FOLLOWS:					
Cash and cash equivalents		89.232		253.700	
Bank overdraft facilities		0		0	
Discontinued Operations		0		0	
		89.232		253.700	

Interest expense paid in 2007 totalled around 30,400 thousand euro

Taxes paid in 2007 totalled around 2,210 thousand euro

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING STANDARDS

SNAI S.p.A. (hereinafter also referred to as “company”) has its registered office in Porcari (LU) – Italy – Via Luigi Boccherini, 39.

(a) General standards

The annual financial statements at 31 December 2007 were prepared based on the IFRS in effect as of that date, issued by the International Accounting Standards Board and adopted by the European Commission.
The accounting standards used to prepare these annual financial statements are in compliance with the accounting standards used to prepare the financial statements at 31 December 2006 with the exception of what is described below in the notes to the specific items.

The IFRS are considered also to be revised international accounting standards (IFRS and IAS) and all the interpretation of the International Financial Reporting Interpretations Committee (IFRIC e SIC), adopted by the European Union. As required by paragraph 28 of IAS 8, the IFRS in effect as of 1 January 2007 are indicated and briefly described below.

IFRS 7 Financial instruments: disclosures
Requires information which allows users of financial statements to assess the significance of the company’s financial instruments and the nature of risks associated with these financial instruments.

Amendment to IAS 1 Presentation of financial statements: information on capital
This modification requires the Group to provide new information which allows users of financial statements to assess the company’s objectives, policies and processes for managing capital. The required information is included in the notes.

IFRIC 7 Applying the restatement approach under IAS 29 “Financial reporting in hyperinflationary economies”
The standard is not applicable to the company’s activities.

IFRIC 8 Scope of IFRS 2
The interpretation clarifies some aspects of IFRS 2 (share-based payments).

IFRIC 9 Reassessment of embedded derivatives
IFRIC 9 establishes that the date for assessing the existence of an embedded contract is the date when the entity becomes party to a contract, with reassessment possible only if there is a change in the terms of the contract that significantly modify cash flow. Since the company does not hold any derivative instruments, application of IFRIC 9 did not have impacts on the company’s financial position or performance.

IFRIC 10 Interim financial reporting and impairment
IFRIC 10 requires that any entity not reverse an impairment loss recognised in a previous interim period for goodwill or an investment in wither an equity investment held for sale or a financial asset carried at cost. Since the company did not reverse any previously recognised impairment loss, this interpretation did not have impacts on the company’s financial position or performance.

IFRS and IFRIC interpretations not yet in effect

The company did not apply the following IFRS, IFRIC Interpretations and amendments, which are published but not yet in effect:

IFRS 8 Operating segment
Requires more information which allows users of financial statements to have a better understanding of management’s reporting. The company is still evaluating the effects of these interpretations and related impact on its financial statements.

IFRS 3R Business combinations and IAS 27/R Consolidated and separate financial statements
The two revised standards have been adopted as of January 2008 and will become effective for the first financial year following 1 July 2009. IFRS 3R introduces some changes in accounting for business combinations which will have effects on the amount of recognised goodwill, result for the year the acquisition takes place in and results for subsequent years. IAS 27R requires that a change in the investment in a subsidiary be recognised as an equity transaction. Consequently, this change will not have an impact on goodwill, and will not give rise to gains or losses. In addition, the revised standards introduce changes in accounting for a loss incurred by a subsidiary as well as loss of control. The changes introduced by the standards IFRS 3R and IAS 27R must be applied prospectively and will have impacts on future acquisitions and transactions with minority shareholders.

IAS 1 Revised Presentation of financial statements
The revised IAS 1 standard Presentation of financial statements was adopted in September 2007 and will become effective during the first financial year after 1 January 2009. The standard separates the changes in shareholders’ equity attributed to shareholders and non-shareholders. The statement of changes in shareholders’ equity will only include the details of transactions with shareholders, while all the changes related to transactions with non-shareholders will be presented on a single line. Moreover, the standard

introduces the “comprehensive income” statement: this statement contains all the income and cost items accruing during the period recorded in profit and loss, and addition every other recorded income and cost item. The “comprehensive income” statement can be presented as a single statement or in two correlated statements. The group is evaluating whether to prepare one or two statements.

Changes to IAS 32 and IAS 1 Held for sale financial instruments
The changes to IAS 32 and IAS 1 were adopted in February and will become effective in the first financial year after 1 January 2009. The change to IAS 32 requires that some held for sale financial instruments and bonds which occur at the time of liquidation are classified as capital instruments if certain conditions are met. The change to IAS 1 requires that the explanatory notes include some information related to held to sell options classified as capital. The company does not expect these changes to have an impact on the group’s financial statements.

IAS 23 Reviewed – Borrowing costs
The revised IAS 23 requires the capitalisation of borrowing costs where they are referred to assets which justify their capitalisation (qualifying assets). An asset which justifies capitalisation is an asset which requires a significant amount of time before being ready for its intended use or sale. This standard will be applicable from the financial year starting 1 January 2009. The company is still evaluating the effects of these interpretations and the related possible impact on its financial statements.

IFRIC 11 IFRS 2 – Treasury share transactions
IFRIC 11 requires accounting of agreements which grant employees rights on enterprise equity instruments such as stock option plans if the enterprise acquires these instruments from a third party, or if it is the shareholders to provide the necessary equity instruments. This interpretation became applicable starting on 1 March 2007. The adoption of this standard, which will occur on 1 January 2008, will not have any effect on the company’s financial position or performance, since the company currently does not have any of this type of transactions.

IFRIC 12 Service concession arrangements
IFRIC 12 provides instructions on how to account for concessions granted by government or other bodies to private operators.

IFRIC 13 Customer loyalty programmes
IFRIC 13 provides accounting guidelines for a company that grants loyalty award credits (such as “points” or travel miles) for customers who buy goods or services. This interpretation is applicable for financial years starting at 1 July 2008, but does not regard the company.

IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, minimum funding requirements and the interaction
IFRIC 14 provides instructions on how to measure the economic benefit limit that can be recorded as assets in a Defined Benefit Plan, in accordance with IAS 19 – Employee benefits The minimum funding requirement may cause effects on assets and liabilities resulting from pension plans. This interpretation is applicable after 1 January 2008. The company is evaluating the effect that this interpretation will have on the company’s financial statements once it is applied starting 1 January 2008.

The statements adopted by the company for the financial year which closed at 31 December 2007 have been changed compared to those adopted in the previous year, to better meet the provisions of IAS 1 and 7. The specific information is included in the explanatory notes.

The company adopted the following statements:

Balance Sheet
The presentation of the balance sheet is through separation of current and noncurrent assets and liabilities and for each asset and liability item the amounts expected to be settled or received within 12 months from the date of the financial statements.

Income Statement
The income statement records the items by nature, since it is considered to be the one which provides the most explanatory information.
On 31.12.2007 the arrangement of the income statement was changed by eliminating the “operating revenue” item and reporting in “revenue from sales and services” the change in fixed odd and totalisator odd sports and horse racing bets already net of winning and reimbursements paid to betters, single tax accrued and withholdings on fixed and totalisator odd horse racing bets. For more information, the directors’ report contains a comparison statement of the income values for 2007 in the same arrangement as 2006 with comparative values. Adequate information on the adoption of the new arrangement is supplied in the notes to the main income statement items.

Statement of changes in equity
The statement of changes in equity shows the financial year or period profit or loss, as well as each item of income and expense, proceed or charge which, as required by the International Accounting Principles and their interpretations, is recognised directly in equity, together with the total of those items; the total profit or loss for the period, separately showing the amount attributable to equity holders of the parent and to minority interest; for each equity item the effects of changes in accounting policies and corrections of errors as required by the accounting treatment in Internal According Standard no. 8. In addition the statement presents the balance of accumulated profits or losses at the beginning and end of the period and movements for the period.

Cash Flow Statement

The statement of cash flows presents the cash flows of operating activities, investing activities and financing activities. Cash flows of operating activities are represented by the indirect method, where the profit or loss for the year is adjusted for the effects of non-cash transactions, any deferments or accruals of previous or future receipts or operating payments, and income or cost items connected with cash flows from investment or financial activities.

Compared to what was published in the financial statements at 31 December 2006, reclassifications have been made in order to improve the classification of the items of the income statement and balance sheet, limited to the following items:

- 368,691 thousand euro related to winnings and reimbursements from “costs for services and leased assets” to “revenue from sales and services”;
- 37,185 thousand euro related to single tax at fixed and totalisator odd horse race and sports bets from “costs for services and leased assets” to “revenue from sales and services”;
- 2,782 thousand euro related to UNIRE withholding on fixed and totalisator odd horse race bets from “costs for services and leased assets” to “revenue from sales and services”;
- 786 thousand euro related to fees for sureties from “costs for services and leased assets” to “financial charges”;
- 1,331 thousand euro from “equity investments in other companies” to “equity investments in subsidiaries and associates” related to the equity investments in the associates Alfea S.p.A. and Capannelle;
- 1,732 thousand euro from “other current assets” to “trade accounts receivable” related to the Slot provision for bad debts;
- 32,388 thousand euro from “other current assets” to “trade accounts receivable” related to accounts receivable due from Slot customers;
- 851 thousand euro from “liquid assets” to “trade accounts receivable” related to direct debiting issued to Slot customers;
- 1,284 thousand euro from “liquid assets” to “other current assets” related to direct debiting issued to concession operators.

(b) Basis of preparation

This annual report, with amounts expressed in thousands of euro, was prepared based on a general policy of historic cost, with the exception of some property, land, plant and machinery measured at their deemed cost, as explained below, as well as for derivatives (fixed rate bet) and equity investments in other companies carried at fair value.

To prepare the financial statements in compliance with the IFRS, management must make measurements, estimates and assumptions which affect the application of the accounting standards that effect the amounts of assets, liabilities, costs and income recognised in the financial statements. The estimates and related assumptions are based on previous experience and other factors considered reasonable for the specific case and were used to estimate the carrying value of assets and liabilities, which is not easy to deduce from other sources. However, it is important to point out that since these are estimates the final results may not necessarily be the same as presented here.

These estimates and assumptions are regularly reviewed. Any changes resulting from a review of accounting estimated are recognised in the period when the review was performed.

The key assumptions concerning the future and other important sources of uncertainty in estimates at the closing date of the financial statements, which could cause significant adjustments in the carrying values of assets and liabilities by the end of the next financial year are described below.

Value impairment on non-financial assets

As of the date of each financial statements, the company verifies if there are value impairment indicators for all non-financial assets. Goodwill and other intangible assets with an indefinite useful life are tested annually for value impairment and if such indicators exist during the year. The other non-financial assets are tested annually for value impairment when there are indicators that the carrying value may not be recovered.
When the value in use calculations are prepared, the directors need to estimate the expected cash flows from the asset or cash generating units and select an adequate discount rate in order to calculate the current value of these cash flows. Further details and a sensitivity analysis of the key assumptions are indicated below.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses, to the extent that it is probable the enough future tax profit will be available against which the tax losses can be used. The directors are asked to make a significant discretional measurement to determine the amount of deferred tax assets which can be recorded. They need to estimate the probable temporary manifestation and the amount of further taxable profit as well as the planning strategy for future taxes.

Development costs

Development costs are capitalised based on the accounting standard described below. Initial capitalisation of costs is based on the fact that management’s judgement on the technical and economic feasibility of the project has been confirmed. This normally occurs when the project gas reached a precise phase of the development plan. To determine the values to capitalise the directors have to create assumptions concerning the expected future cash flows from noncurrent assets, discount rates to apply and the period when the expected benefits will occur. At 31 December 2007, the best estimate for the carrying value of capitalised costs was around 2,160 thousand euro.

(c) Accounting policies

(i) Equity investments in subsidiaries and associates
Equity investments in subsidiaries represent investments in the share capital of enterprises where SNAI S.p.A. exercises control. This control exists when the company has the power to determine, either directly or indirectly, the financial and operating policies in order to obtain the benefits results from its activities.
Associates are entities where the company exercises a significant influence on the financial and operating policies, despite not having control.
IFRS 27, paragraph 37, requires that companies which must prepare consolidated financial statements indicate that equity investments in subsidiaries and associates not held for sale can be accounted for at cost or in accordance with IAS 39 (at their fair value). SNAI S.p.A. has decided to account for these equity investments based on the cost method. These equity investments are subject to impairment testing any time there is a indication that the asset may have become impaired. If evidence exists that the equity investments in subsidiaries and associates have undergone impairment, such impairment is recorded in the income statement. The original value is only restored when the reasons for the write-downs cease to exist.

(ii) Transactions in foreign currency
Foreign currency transactions are translated at the exchange rate effective on the transaction date. Monetary amounts in foreign currency at the financial statements reference date are translated into euro using the closing exchange rate. Exchange rate differences resulting from translation are reported in profit and loss as financial income or charges. Non-monetary items carried at historical cost are translated using the exchange rate in effect when the transaction is first reported. Non-monetary items carried at fair value in foreign currency are translated using the exchange rate in effect when the fair values were determined.

(d) Property, plant and equipment

(i) Owned assets
Property, plant and equipment is entered at cost or substitute cost, net of accumulated depreciation and value impairment (see standard g). The cost includes any additional directly attributable costs and the initial estimate, where necessary, of the cost to dismantle and remove the asset and restore the site where it was located and lastly, an adequate amount of production expenses for internally constructed items.

Extraordinary maintenance and repair costs, which increase the useful life of property, plant and equipment, are capitalised and depreciated based on the remaining possibility to use the asset. Other repair and maintenance costs are recorded in the income statement when they are incurred.
If property, plant and equipment is composed of various components with different useful lives, these components are recorded separately.

If events or changes in situations indicate that the carrying value may not be recovered, these are subject to testing and if the carrying value exceeds the presumed realisation value (represented between the higher between sales price and use value), the asset is written down.

(ii) Finance and operating leases
Finance lease assets which transfer substantially all the risks and benefits of ownership are classified as finance lease assets. Assets used by the company, acquired by finance lease, are recorded at the fair value of the leased asset or, if less, at the current value of minimum payments due for the lease, each calculated at the beginning of the contract, net of accumulated depreciation (as indicated below) and value impairment (see standard g).
Cost for operating leases are recognised in the income statement on a straight-line basis for the duration of the contract.

(iii) Depreciation
Depreciation of property, plant and equipment is systematically charged to the income statement on a straight-line basis in relation to the useful economic-technical life of related assets, defined as its useful life. Land is not depreciated. The following annual depreciation rates are used:
• Buildings: 3% - 11%
• Plant and machinery: from 15% to 30%
• Other assets: from 12% to 100%

The residual value and useful life of the asset and methods applied are reviewed annually and adjusted as needed at the end of each financial year.

(iv) Derecognition

An asset is removed from the balance sheet when it is sold or no future benefits are expected from its use or disposal. The gain or loss (calculated as the difference between proceeds from the sale and carrying amount) are included in the income statement for the year when it is disposed.

(e) Intangible assets

(i) Goodwill
For acquisition of companies or company branches, the acquired assets, liabilities and potential liabilities are recognised at the fair value at the date of acquisition. The positive difference between the acquisition cost and the fair value of these assets and liabilities is entered in the balance sheet as goodwill and classified as intangible assets.

Any negative difference (“negative goodwill”) is entered in the income statement at the time of the acquisition.

Goodwill is considered an asset with an indefinite life and it is not amortised, but it is annually or more frequently (if specific events of changed circumstances indicate impairment) tested to identify any impairment, according to IAS 36 – Impairment of Assets (impairment test) conducted on the cash generating unit which management allocated the goodwill to. Any write-downs cannot later be reversed.

(ii) Other intangible assets
The other intangible assets acquired or produced internally are entered as assets, as set forth in IAS 38 – Intangible assets, when it is probable that use of the asset will generate future economic benefits and when the asset cost can be reliably determined.

These assets are initially recognised at acquisition or production cost and later net of amortisation, calculated on a straight-line basis for the entire estimated useful life.

Research cost is recognised as expense at the time it is incurred.

Development costs, which require application of research results to a plan or project for the production of products or new or substantially improved processes, are capitalised only after technical and commercial feasibility of the product or process and the company has sufficient resources to complete its development. Capitalised costs include expenses for materials, direct manpower and an adequate portion of general production costs.
The other development costs are recognised in the income statement for the financial year in which they are incurred. Capitalised development costs are entered net of accumulated amortisation and value impairment (see standard g).

The costs for goodwill and internally generated brands, are recognised in the income statement in the period in which they are incurred.

Subsequent costs for intangible assets are capitalised only when there is an increase in the expected future economic benefits attributable to the assets they refer to. All other subsequent costs are recognised in the income statement for the period in which they are incurred.

Concessions, licenses, trademarks and similar rights are capitalised only when there is an increase in the expected future economic benefits attributable to the assets they refer to. All other subsequent costs are recognised in the income statement for the period in which they are incurred.

(iii) Amortisation
Amortisation of intangible assets is charged to the income statement on a straight-line basis for their useful life, with the exception of those with an indefinite life and goodwill which are not amortised, but for which the company regularly tests their value impairment. However, this test is performed at the closing date of all financial statements.
Intangible assets with a finite useful life are amortised starting when the asset is available for use.

The following annual amortisation rates by type are used:
• development costs: from 20% to 33%
• industrial patent rights and licences to use original works: from 10% to 33%
• concessions, license, trademarks and similar rights: from 10% to 33%
• horse race and sports concessions and sports and horse race licences: based on the duration of the concession with expiration between 31/12/2001 and 30/06/2016
• others: from 10% to 33%

(f) Inventories

Inventories are measured at the lower between cost (acquisition or production) and market value, calculating the cost with the first in – first out (FIFO) method. Recognition of warehouse inventories include direct costs of materials and labour and indirect costs (variable and fixed). Write-down provisions are calculated for products considered obsolete or with slow turnover, taking into account their future expected use and realisation value.

(g) Value impairment on non-financial assets

The Group annually tests the carrying value of its assets to identify any impairment. If, based on these tests, assets are discovered to have undergone impairment, the group estimates the recoverable value of the assets.
The recoverable value of goodwill, indefinite life assets and intangible assets not yet available for use, is estimated at the closing date of each balance sheet, even if there are no indications of impairment.
The recoverable value of is the greater of the fair value of the asset or cash generating unit, net of sales costs, and its use value. The recoverable value is calculated per single asset, except when the asset generates cash flows which are not fully independent from those generated by other assets or groups of assets.

Any impairment of cash generating units is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating units and then, reduce the carrying amounts of the other assets of the unit proportionally to each asset which is part of the unit.

To determine the use value of an asset the accounting standard requires that the current value of estimated future cash flows be calculated, pre-tax, by applying a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset An impairment loss is recognised if the recoverable amount is below the carrying amount. When later, an impaired asset, other than goodwill, no longer exists or has reduced, the carrying amount of the asset or cash generating unit is reversed.

(h) Reversal of impairment loss

Reversal of impairment loss for goodwill is prohibited.
With the exception of goodwill, the impairment of an asset is reversed when there is an indication that the impairment no longer exists or when there has been a change in the measurement used to determine the recoverable value. The carrying amount following a reversal should not be more than the carrying value that would have been determined (net amortisation) of the impairment had not been recognised.

(i) Equity investment and other financial assets

IAS 39 covers the following types of financial instrument: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale assets. Initially all financial assets are recognised at fair value, increased in the event of assets other than at fair value with changes for additional charges in profit and loss. The company determines the classification of the financial assets at the time of their initial recognition.

(i) Equity investments and available-for-sale financial assets

Equity investments in other companies (with a holding less than 20%) are measured at fair value, with effects recognised in shareholders' equity; when their fair value cannot be reliably determines, the equity investments are carried at cost adjusted for impairment, and recognised in profit and loss. The original value is only restored when the reasons for the write-downs recognised in shareholders' equity cease to exist.

The risk resulting from ay impairment exceeding shareholders' equity is recognised in a specific provision for risks to the extent that the investor company is committed to fulfilling legal or implicit obligations for the investee.

(ii) Other financial assets

Government bonds which the group intends to held until their natural maturity, having the ability to do so, are measured at amortised cost net of impairment.
Other current financial assets include balances of financial accounts due from other companies subject to control by the same parent company and non-consolidated subsidiaries.

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted on an active market. After initial recognition these assets are measured at amortised cost using the effective discount rate method net of any accruals for impairment.
Current receivables were not discounted since the effect of discounting cash flows is irrelevant. Profit and loss recorded in the income statement when the loans and receivables are derecognised or when impairment occurs as well as through the amortisation process.

Fair value
For securities widely traded on active markets, the fair value is determined referring to the quoted market price recorded at the end of trading on the closing date of the financial year. If a market for an investment is not active, the fair value is established using a valuation technique based on: arm's length transaction prices; current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Amortised cost
Held-to-maturity financial assets and loans and receivables are measured at amortised cost. Amortised cost is calculated using the effective interest rate net of any accruals for impairment. The calculation takes into account any premium or discount on the acquisition and includes transactions costs and fees which are an integral part of the effective interest rate.

Impairment on financial assets
The Group assesses at each balance sheet date if a financial asset or group of financial assets is impaired.

If objective evidence exists that a loan or receivable entered at amortised cost is impaired, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated cash flows (including losses of future credit not yet incurred) discounted at the asset's original effective interest rate (or the effective interest rate calculated at the initial recognition date).

The asset carrying value is reduced using a provision. The amount of the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was initially recognised, the previously recognised loss is reversed. Any subsequent reversals are recognised in profit and loss, to the extent that the asset carrying value for not exceed the amortised cost on the reversal date.

In terms of trade accounts receivable, an accrual for impairment is made when objective evidence exists (for example a probability of insolvency or significant financial problems of the debtor) that the company will not be able to recover all the amounts due at the original conditions of the invoice. The carrying amount is reduced using a specific provision. Receivables subject to impairment are reversed when they are unrecoverable.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, on sight deposits, current and highly liquid investments which are easily convertible into cash and which are subject to an irrelevant risk or value change.

(l) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs. After initial recognition they are measured at amortised cost, recording any difference between the cost and repayment amount in profit and loss for the duration of the liability, according to the effective interest rate method.
Current payables are not discounted since the effect of discounting cash flows is irrelevant.
All profit and loss is recorded in the income statement when the liability is extinguished, as well as through the amortisation process.

Financial liabilities at fair value through profit and loss
Liabilities held for trading are those acquired for short term selling. Derivatives are classified as financial instruments held for sale unless they are designated as effective hedging instruments Profit and loss on liabilities held for sale are recorded in the income statement.

Derecognising financial assets and liabilities
A financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset are transferred;
- the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to remit those cash flows on to a third party without material delay;
- the entity has transferred the rights to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and rewards of the asset, but has transferred its control.

A financial liability is removed from the balance sheet when the obligation underlying the liability is expired, cancelled or discharged.

(m) Termination benefits (Italian TFR)

TFR is considered a defined benefit plan according to IAS 19. The liability related to the defined benefit programme, net of any assets for the plan, is determined based on actuarial assumptions and is recorded based on consistent accrual for the services needed to obtain the benefits; measurement of the liability is performed by an independent actuary.

As of 1 January 2007, the Finance Act and relative implementing decrees introduced significant changes in the rules governing TFR, including the workers' choice of the destination for benefits earned to supplementary pension schemes, or “Treasury Fund” managed by INPS (Italian Social Security).

Therefore the result, is that the obligation to INPS and contributions to supplementary pension schemes have assumed the nature of a “Defined contribution plan” according to IAS 19, while the amount entered with the provisions for TFR maintain the nature of a “Defined benefit plan”.

Gains or losses resulting from the actuarial calculation are recognised in the income statement as a cost or income.

(n) Provisions for future risks and charges

The company accrues a provision in the balance sheet when it has undertaken an obligation (legal or constructive) as the result of a past event and it is probable that it will be necessary to use resources which product economic benefits to fulfil the obligation. If the effect is significant the amount of the provisions is represented by the current value of estimated future cash flow discounted at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the liability.

(o) Leases

The definition of a contract as a lease transaction (or containing a lease transaction) is based on the substance of the contract and requires assessing if fulfilment of the contract depends on the use of one or more specific assets or if the contract transfers the right to use for the asset. A review is performed after the start of the contract only if one of the following conditions occurs:

1) there is a change in the contractual conditions, other than a renewal or extension of the contract;
2) a renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are initially included in the lease transaction terms;
3) there is a change in the condition according to which fulfilment depends on a specific asset; or
4) there is a substantial change in the asset.

Where a review is performed for situations 1, 3 or 4 above, the recognition of the lease starts or ends from the date the circumstances change which gave rise to the review. Where a review is performed for situation 2 above, the recognition of the lease starts or ends from the renewal or extension date.

For contracts signed before 1 January 2005, the start date is considered 1 January 2005 in accordance with the temporary provisions of IFRIC 4.

Operating leases
Lease payments for operating leases are recognised as an expense in the income statement on a straight-line basis for the duration of the contract.

Finance leases
Finance Lease contracts, which transfer substantially all the risks and rewards of ownership of the leased asset to the company are recorded on the starting date of the lease at fair value of the leased asset, or if lower, at the current value of the lease payments. Lease payments are apportioned between the principle and interest in order to obtain a constant rate of interest on the remaining balance of the liability. Finance charges are booked directly to the income statement.
Recognised leased assets are depreciated over the shortest time period between estimated useful life and the duration of the lease contract, if there is no reasonable certainty that the company will obtain ownership at the end of the lease.”

(p) Revenue and costs

Revenue are recognised to the extent that it is likely that economic benefits will flow into the company and their amount can be reliably determined. Revenue is represented net of discounts, allowances and returns.
In particular, revenue for the sale of assets is recognised when the risks and rewards of ownership of the asset are transferred to the buyer, the sales prices is established or determinable and collection is expected: this time generally corresponds to the date of delivery or shipment of the asset.
Revenue from performance of services are recognised when the services are provided; in particular, revenue from computerised services to agencies total 1.2% of the volume of bets received by the agencies and 13% of the games performed on amusement machines (“slot machines”).
Revenue connected with concessions related to slot machines are recognised net of the tax withholding (PREU) and paid winnings

(totalling 75% of played volume) and gross of fees to pay to managers and operators (totalling 11.5% of the games of which 6% for BAP) as well as the payment for the concession to pay to AAMS, totalling 0.8% of the game volume).

As of 1 January 2007 amusement machine network licensees are owed 0.5% of game movement as a reverse of the AAMS concession payment.
based on IAS 32 and 39 the collection of fixed odd and totalisator odd bets generates a financial liability which is measured using the fair value method. Therefore the collection connected with the acceptance of fixed and totalisator odd bets (or bets related to which the company sustains a risk resulting from winnings) is entered in the balance sheets under “Revenue from sales and services” net of the costs for the single tax, the UNIRE withholding, winnings and reimbursements paid to bettors. For greater clarity the income statement shows a detail of the movement net of cancellations of fixed and totalisator odd bets as well as the related costs for winnings, reimbursements and taxes on bets.
Revenue connected with acceptance of totalisator horse racing bets are instead recognised based on the commission percentage established by the agreement for operating the bets, on average around 11.8%.
Revenue and costs related to bets are recognised at the time the event is realised on which the bet is accepted. Revenue for services is recognised on an accrual basis when the service is delivered.
Costs for services is recognised on an accrual basis when the service is received.

(q) Financial income and charges

Financial income and charges are recognised on an accrual basis, using the effective rate of interest.

(r) Income taxes

Income taxes include current and deferred taxes calculated on the taxable income of the company. Income taxes are recognised in the income statement, with the exception of those related to transactions recognised directly in shareholders’ equity, which are accounted for in shareholder’s equity.

Current taxes represent the estimate of the amount of income taxes calculated on the taxable income for the year, determined by applying the tax rates in effect at the closing date of the financial statements.

Prepaid and deferred taxes are set aside using the so-called liability method on temporary differences between the carrying amount of assets and liabilities entered in the balance sheet and corresponding values recognised for fiscal purposes, with the exception of temporary differences recognised for the initial recording of goodwill, initial recording of assets and liabilities which do not affect booked profit or taxable income and differences related to investments in subsidiaries for which it is probable, in the predictable future, that the temporary difference will not reverse.

Prepaid tax assets and deferred tax liabilities are measured using the tax rates expected to be applied during the year when the asset will be realised or the liability will be settled that they refer to, based on the tax rates established by current provisions of substantially in effect at the financial statement reference date.

Prepaid tax assets are recorded to the extent that it is probable that there will be a future taxable income against which these assets can be used, including based on company budgets and tax policies. The carrying amount for prepaid tax assets is reduced to the extent that it is not longer probable that the related tax benefit is realisable.

(s) Available-for-sale assets and transferred operating assets

The Company measures a noncurrent asset (or group being disposed of) classified as available-for-sale at the lower of its carrying amount and fair value net of sales costs. Impairment after the initial measurement of an asset classified as available-for-sale are recognised in profit or loss, even if the assets have been revalued. The same treatment applies to profit and loss on its next measurement.
A transferred operating asset is a company component which represents an important independent branch of activity or activity geographical area or is a subsidiary exclusively acquired to be resold. An operating asset is classified as transferred at the time of the transfer or when it meets the condition for the classification in the “available-for-sale” classification, if earlier. Even a group being disposed of can be under transferred operating asset.

2. AGREEMENTS FOR CONCESSION SERVICES

SNAI S.p.A. holds the following concessions:
- “Concession Agreement for assignment of activation and operation of the computerised management network for legal gaming through amusement machines as well as connected activities and functions”. Expiration date: 31 October 2010 unless extended by AAMS for up to another year. Transfer of assets required under article 15 .
- “Concession for the assignment of public activities and functions related to “concorsi pronostici” (pools) as well as other possible games connected to sports events”, expired 30 June 2007 and later extended until 31 December 2007. This concession expired on 31.12.2007.

The activity connected to this concession will be performed starting on 1 January 2008 by the concession holders of the so-called Bersani Licences (from article 38 paragraphs 2 and 4 of the Italian Decree Law no. 223 of 4 July 2006 converted with modifications and integrations by Law no. 248 of 4 August 2006) and holders of all the other concessions for horse racing and sports bet collection.

- 218 concessions for “sale of fixed odd bets on sports events, other than horse races, and non-sports events” whose expiration date is scheduled for 30/06/2012.

- 98 concessions for “sale of totalisator bets and horse race fixed odd bets” whose expiration date is scheduled for 30/06/2012.

- 134 concessions for “conducting horse race fixed odd and totalisator bets” whose expiration date is scheduled for 31/12/2011 (historic horse race concessions).

- “Concession to conduct public gaming as per article 38, paragraph 4 of the Decree Law no. 223 of 4 July 2006 converted with modifications and integrations by Law no. 248 of 4 August 2006, published in supplement no. 183/L to the Official Gazette of the Republic of Italy no. 186 of 11 August 2006”. The subject matter of this concession are the activities and functions for conducting public gaming for horse races, through the activation of distribution networks and related management.

- The concessions described above entail the public gaming as follows:
  a) totalisator horse racing bets;
  b) fixed odd horse racing bets;
  c) totalisator bets;
  d) sports “concorsi pronostici”;
  e) totip;
  f) ippica nazionale;
  g) remote skill games;
  h) all other public gaming based on horse racing, which AAMS deems at any time to want to market through the network of horse racing shops and/or network of horse racing points and/or network of remote horse racing.

  The public gaming above, which can be marketed by each distribution network includes:
  a) with reference to the network of horse racing shops, those under letters a), b) c) d), e) f), h);
  b) with reference to the network of horse racing points, those under letters c), d), e), f), h);
  c) with reference to the network of remote horse racing, those under letters a), b) c), d), e) f), g), h).
  AAMS may suspend, at its own discretion and without any indemnity for the licensee, at any time during the period of validity and effectiveness of the concession, the sale of one or more public gaming types cited above.
  The expiration date of the concession is scheduled for 30.06.2016 based on the AAMS Directorial Decree of 7.09.2007 prot. no. 2007/49/R/Giochi/UD

- Awarding of the right for activation of the remote horse racing network.

- “Concession to conduct public gaming as per article 38, paragraph 2 of the Decree Law no. 223 of 4 July 2006 converted with modifications and integrations by Law no. 248 of 4 August 2006, published in supplement no. 183/L to the Official Gazette of the Republic of Italy no. 186 of 11 August 2006”. The subject matter of this concession are the activities and functions for conducting public gaming for events other than horse races, through the activation of distribution networks and related management.

  The concessions described above entail the public gaming as follows:
  a) fixed odd bets;
  b) totalisator bets;
  c) sports “concorsi pronostici”;
  d) totip;
  e) ippica nazionale;
  f) remote skill games;
  g) all other public gaming based events other than horse racing, which AAMS deems at any time to want to market through the network of sports gaming shops and/or network of sports gaming points and/or network of remote sports gaming.

  AAMS may suspend, at its own discretion and without any indemnity for the licensee, at any time during the period of validity and effectiveness of the concession, the sale of one or more public gaming types cited above.
  The expiration date of the concession is scheduled for 30.06.2016 based on the AAMS Directorial Decree of 7.09.2007 prot. no. 2007/49/R/Giochi/UD

- Awarding of the right for activation of the remote sports gaming network.

EXPLANATORY NOTES FOR THE MAIN ITEMS OF THE INCOME STATEMENT

The comparison of values is performed with the previous corresponding balances at 31 December 2006 and the balances always expressed in thousands of euro, except in individual cases where otherwise indicated.

The structure of the income statement for the current 2007 financial statements was adopted following a specific petition to the Italian Tax Office which confirmed that there would be not tax assessment consequence for the company from adopting the new structure which requires, among other things, the elimination of "Operating revenue" and the recognition in "Revenue for sales and services" of the fixed odd sports bets and fixed odd and totalisator odd horse racing bets, already net of winning and reimbursements paid to bettors, single tax and Unire withholding.

For a better understanding of the comparison values, it is important to note that in the previous year, following the merger of the horse race track company San Siro S.p.A. (formerly Trenno S.p.A.), completed on 25 October 2006, with accounting effects as of 01.01.2006, the income statement included the economic effects of the company branch called "horse race track management" of the company Ippodromi San Siro S.p.A. spun-off on 19 September 2006 in favour of the company Trenno S.r.l.

3. REVENUE FROM SALES AND SERVICES

The amount of revenue from sales and services increased compared to the same period of 2007 rising to 468,955 thousand euro from 210,421 thousand euro, broken down as follows:

thousands of euro	2007	2006	change
Net revenue for fixed odd and totalisator odd bets	99,485	66,329	33,156
Revenue from totalisator horse racing bets	80,123	65,775	14,348
Revenue from commissions on horse racing totalisator and ippica nazionale	5,465	5,968	- 503
Revenue from event outcome contests	390	528	- 138
Revenue from bet collection services BAP customers	12,855	18,425	- 5,570
Revenue from computerised bet collection services BAP customers	1,148	984	164
Revenue from Slot Machines	231,111	25,654	205,457
AAMS grant – Slot Machine Concession	8,950	-	8,950
Revenue from Bingo services	98	98	-
Revenue from set-up and technology sales	13,500	6,871	6,629
Revenue from Assistance Contracts and Technical Operations	1,237	1,232	5
Services for Circuito Gold	1,970	718	1,252
Revenue from exercise of licences	6,053	-	6,053
Corner customer services	844	-	844
Revenue from Trademark use	297	309	- 12
Revenue from Horse Racing Company Lease	5,196	1,439	3,757
Revenue from advertising campaigns and sponsorships	14	198	- 184
Other revenue from services and charge backs	219	292	- 73
Revenue from use of property and various plants	-	2,429	- 2,429
Revenue from bet management at horse race tracks	-	12,309	- 12,309
Revenue from television services	-	863	- 863
Total	468,955	210,421	258,534

The table below shows the breakdown of "Net revenue from collection of fixed odd and totalisator odd bets" which shows the items related to winnings and reimbursement of bets at fixed odds paid to bettors, and the items related to the single tax and horse racing withholding, which, as required by IAS 32 and IAS 30, are reclassified to decrease the value of revenue from sales and services, unlike the income statement closed at 31 December 2006, where the revenue was represented gross of the aforesaid items:

values in euro	2007	2006
Revenue from Fixed Odd Sports / Car – Motorcycle Bets	586,752,068	446,112,204
Winnings and Reimbursements for Fixed Odd Sports and Car – Motorcycle Bets	(457,349,896)	(347,751,397)
Single Tax on Fixed Odd Sports and Car – Motorcycle	(34,573,510)	(35,820,975)
Net Fixed Odd Sports / Car – Motorcycle Bets	94,828,662	62,539,832
Revenue from FO Horse Racing and Totalisator Odd Horse Racing	40,185,967	28,874,827
Horse Racing FO and Totalisator Odd Winnings and Reimbursements	(29,889,568)	(20,939,208)
Single Tax on Fixed Odd and Totalisator Odd Horse Racing Bets	(1,855,099)	(1,363,605)
Cost of Horse Racing withholding	(3,785,201)	(2,782,358)
Net Fixed Odd and Totalisator Odd Horse Racing Bets	4,656,099	3,789,656
Total Net Bet Revenue at FO and TO	99,484,761	66,329,488

Net revenue from bet acceptance at fixed and totalisator odds (BAP) totalled 99,485 thousand euro for 2007, against 66,329 thousand euro at 31 December 2006; revenue from totalisator (BAP) horse racing bets totalled 80,123 thousand euro for 2007, against 65,775 thousand euro at 31 December 2006; both entries are mainly the result of direct management of horse racing and sports bets started on 16 March 2006 with the acquisition of 450 company branches for horse racing and sports concessions and it increased starting at the end of the first half of 2007 in part thanks to the opening of new horse racing and sports gaming licences (corners and shops) resulting from the awarding of concessions from the so-called Bersani call for tenders.

The "Revenue from exercise of licences" item totalling 6,053 thousand euro contained the payments of the first activation for sports and horse racing corners with the stipulation of new management contracts.
The revenue from totalisator horse racing bets (BAP), totalling 80,123 thousand euro, represent a percentage of the volume on collected bets established by law.

Revenues from customer services (third party licensees) totalled 12,855 thousand euro (18,425 thousand euro), the decrease of 5,570 thousand euro is mainly due to a change in corporate strategy which, with the acquisition of 450 company branches, passed from only service provider to betting licensee and, consequently, with the acquisition of customer concessions, SNAI lost the related revenue of 1.20% for the provider service to the 450 concessions from the date of the acquisition; moreover, a drop was recorded in horse racing bets witnessed also on a national level.

The increase in revenue resulting from the concession to run the network of amusement machines paragraph 6 (Slot machines) for 205,457 thousand euro is due to the new accounting method used for them, adopted following issue of a decree on 17/05/06 from the Director General of the Amministrazione Autonoma dei Monopoli di Stato published in the Italian Official Gazette of 07/07/06 which defines the "Requirements of third parties assigned to collect (TIR) bets through machines with cash winnings".

The new contracts became effective 01/01/07, both with managers (assigned third parties) and operators, implementing the instructions of the decree.

The revenue recognised at 31 December 2007 totalled 13% of the movement generated by Slot Machines and thus are expressed gross of the compensation contractually recognised to the manager – TIR – and operator. These costs are shown in the item costs for services and leased assets in note 8.

Revenue from sales and services in 2007 included 8,940 thousand euro for the recognition of 0.5% of gambled sums in that period with amusement machines (slot machines), as compensation, required by article 2, paragraph 530, letter c) of Law 266/2005 (2006 Financial Act), paid to computerised network licensees.

The Lazio regional administration T.A.R court granted the petitions submitted by some concessionaries. Deeming the continued inertia of AAMS to be unjustified, it demanded AAMS pay the compensations. With this ruling, the Lazio regional administration court confirmed the right due to licensees for what was determined with the 2006 Financial Act.
Lastly, in the draft decree prepared by AAMS, for the purposes of revising the slot machine convention, the provision of the granted accruable up to 0.5% of the collection, has been entered in the new convention between AAMS and the licensees as a contractual element.

The value of the grant, may vary based on a series of service and investment parameters. In its current state, the draft decree which determines the parameters for paying the convention grant is at the European Commission which is preventively assessing, among other things, if the compensation as per article 1, paragraph 530 of Law no. 266/2005 may possibly be considered as State aid not allowed under EU law.

Based on the opinions of legal experts does no believe that risks exist such as to define the above proceeds as State aid. Moreover, based on the opinions of technical consultants it feels that the service levels reached as enough for recognition of the entire proceeds in revenue.

Revenue from set-up and technological and furniture sales totalled 13,500 thousand euro and was mainly due to gaming terminals produced for the new points of sale. The item also includes 11,544 thousand euro of internal production technologies which are the subject of rental contracts (lease-back) recorded under "property, plant and equipment" as described in note 14.

This amount accounts for around 2% of all revenue from sales and services.

During the previous year the revenue from sales and services its recorded total revenue of 16,143 thousand euro due to effect of the merger.

4. OTHER REVENUE AND PROCEEDS

At 31 December 2007, the amount of other revenue and proceeds totals 7,499 thousand euro (5,416 thousand euro at 31 December 2006).

This item contains the following positive income items:

thousands of euro	2007	2006	difference
Revenue from Services and charge backs to group companies	915	803	112
Rental income and charge back of accessory expenses	377	827	- 450
Revenue from compensation for damages and insurance reimbursements	1,970	92	1,878
Sale of option rights	169	-	169
Other revenue and proceeds	1,158	698	460
Income transactions	1,166	119	1,047
Revenue from asset capitalisation	101	402	- 301
Proceeds from horse race track management	1,643	340	1,303
Over provisions	-	2,135	- 2,135
Total	7,499	5,416	2,083

It is important to note:

- the amounts received as payment for damages following the settlement of arbitration hearings with some horse racing and sports betting licensees for 1,970 thousand euro;
- settlement income for 1,166 thousand euro basically referred to the settlement of potential lawsuits on open contracts.
- the proceeds due for the so-called customisations of the metropolitan Horse Race Tracks accrued by the merged company Ippodromi San Siro S.p.A. (formerly Trenno S.p.A.) for the years from 2005 until the date of 19 September 2006, date the Ippodromi San Siro "Horse Race Track management" company branch was conferred to the Trenno S.r.l. company for a total of 1,643 thousand euro;
- the apportioned payment of 169 thousand euro related to the transfer to others of the option right for the acquisition of the Milano San Siro property complex, with the exception of the gallop race track.

The "other revenue and proceeds" item includes, among other things, the charge back of expenses to third parties for 594 thousand euro.

Services and charge backs to group companies are shown in the table below:

values in thousands of euro	2007	2006	difference
Immobiliare Valcarenga	13	13	-
MacHorse	33	33	-
SNAI Servizi S.r.l.	77	82	- 5
Trenno S.r.l.	297	50	247
Teleippica S.r.l.	216	267	- 51
Festa S.r.l.	279	358	- 79
Total	915	803	112

During the previous year the "other revenue and proceeds" item recorded total revenue of 3,022 thousand euro due to effect of the merger.

5. INCREASE OF INTERNALLY GENERATED FIXED ASSETS

Increases of internally generated fixed assets, totalling 1,326 thousand euro (520 thousand euro) are related to the development of:

- Betsi 2006 system;
- SLOT system – new messages and Paragraph 6A;
- odds and information display system for Bersani corners and shops;
- computerised system, related to computer and remote gaming acceptance terminals;
- gaming software for upgrading to new sports bet acceptance protocol (PSR), established by AAMS which became effective on 2 April 2007;
- central systems: sports and horse racing betting protocol (PSSI) and ABMS system for gaming control;
- prototypes and preseries for the creation of a "Design System SNAI" for Shops and Corners to set up following awarding of the new Bersani Decree licences.

6. CHANGE IN INVENTORIES OF FINISHED AND SEMI-FINISHED PRODUCTS

The change in inventories of finished and semifinished products totalling 119 thousand euro is due to the increases in final inventories of finished products recorded following the production of gaming terminals (Betsi, Punto SNAIWeb Small, Large and BiBest) intended for the new points and corners awarded with the 2006 calls for tenders.

7. USED RAW MATERIALS AND CONSUMABLES

The used raw materials and consumables total 12,044 thousand euro (3,805 thousand euro) and mainly refer to the raw material used to produce the new gaming terminals (Betsi, Punto SNAIWeb Small, Large and BiBest).

8. COSTS FOR SERVICES AND LEASED ASSETS

These totals 351,553 thousand euro (127,287 thousand euro), the breakdown is shown in the table below.

thousands of euro	2007	2006	change
Utilities	565	1,103	- 538
Maintenance	1,812	3,036	- 1,224
Technical assistance	2,442	1,280	1,162
Advertising and PR	8,679	4,448	4,231
Designing and set-up costs	415	125	290
Sales expenses	147	145	2
Expenses for installations and high security	826	484	342
Outsourced processing and logistics management	1,530	619	911
Bookmaker fees	1,800	1,812	- 12
Consultation and expense reimbursement	6,385	3,041	3,344
Freelancers and other	254	375	- 121
Telephone and postal expenses	4,442	3,960	482
Help Desk Costs, Festa Switchboard	2,300	1,882	418
Payment for bet acceptance management	102,746	82,255	20,491
SNAI Card service costs	4,852	2,200	2,652
Slot Machine service costs	203,187	10,731	192,456
Directors' fees and expense accounts	629	1,108	- 479
Auditors' fees and expense accounts	122	141	- 19
Independent Auditors' fees	378	306	72
Insurance policy costs	294	432	- 138
Bill Creation	666	693	- 27
Television Services	395	-	395
Services from group companies	595	591	4
Other services	1,648	1,489	159
Costs for horse race track management and services	-	1,875	- 1,875
Horse racing agency grants	-	307	- 307
Rental expense and accessory expenses	589	555	34
Rentals	295	282	13
Operating Leases	3,560	2,012	1,548
Total	351,553	127,287	224,266

A significant part of the increase in costs for 224,266 thousand euro is due to the "cost for slot machine services" which at 31 December 2007 totalled 203,187 thousand euro compared to 10,731 thousand euro at 31 December 2006. In the current year the cost for Slot machine service, due to the different accounting for the business, explained in detail in the revenue section (note 3), includes both the compensation for the manager (assigned third party) and the compensation for the operator, including the fees due to the BAP for SNAI owned Slot Machines.

The direct costs for accepting horse racing and sports bets include the amounts due to the BAP. The BAP that have transferred to concessions are due a management payment for acceptance of bets and services connected with collection of bets totalling 8% of the movement of collection in the agency and 6% on computerised gaming. The BAP and other participating points are also recognised a payment totalling 10% of the recharges made at the point of sale. The total payment of 102,671 thousand euro paid to the BAP and participating points of sale is calculated based on specific contracts.

The direct management activity of the concessions started 16 March 2006 with the acquisition of "horse racing / sports concessions" company branches and increased with the activation of horse racing and sports licences connected to the awarding of the so-called Bersani call for tenders.

The increase in costs related to “Advertising and PR”, for 4,231 thousand euro, is mainly due to the advertising campaign to spread awareness of the “SNAI brand” and new public and institutional relations especially aimed at new potential bettors.

The consultation item contains costs for participation in the Superenalotto call for tenders for 2,203 thousand euro.

Costs for “operating leases” totalling 3,560 thousand euro (2,012 thousand euro) are related to lease payments due for the year 2007 for contracts for the use of IT and digital equipment; the increase in this item is connected to the stipulation of new contracts to enhance central system hardware, and make terminals and machines available in the gaming points for activation of the so-called Bersani licences.

The other services item mainly includes: security and armoured car service, cleaning services, inter-group services rebilled by the parent company and other sister companies, postal and shipping expenses, rubbish costs, IT services and management of vehicles.

During the previous year the “costs for services and leased assets” item recorded total costs of 6,007 thousand euro due to effect of the merger.

Remuneration for directors and statutory auditors

At 31 December 2007, this item included the remuneration owed to directors, totalling 600 thousand euro (987 thousand euro at 31 December 2006 of which 387 thousand euro accrued in the merged company Ippodromi San Siro S.p.A.) and remuneration for the statutory auditors, totalling 105 thousand euro (133 thousand euro at 31 December 2006 of which 28 thousand euro accrued in the merged company Ippodromi San Siro S.p.A.).
To date no change in the remuneration to the members of the board of directors of SNAI S.p.A. has been voted on following completion of the acquisition of “concession” company branches.
The remuneration paid to the directors and statutory auditors of the parent company in 2007 by SNAI S.p.A. and its subsidiaries, is reported in attachment 3 of the notes to these financial statements as required by annex 3C – table 1 of Consob resolution no, 11971 of 14.05.1999 “regulation implementing Legislative Decree no. 58 of 24.02.1998”

9. PERSONNEL EXPENSES

The cost of personnel at 31 December 2007 totalled 7,867 thousand euro, against 15,344 thousand euro for the same period in 2006, with a decrease of 7,477 thousand euro as shown in detail in the table below:

thousands of euro	2007	2006	change
Salaries and wages	7,564	11,136	- 3,572
Social security contributions	2,201	2,928	- 727
Accrual for defined benefit plan	- 2,347	780	- 3,127
Reimbursement for expenses and travel	239	204	35
Training costs	18	5	13
Meal vouchers and company canteen	192	291	- 99
Total personnel costs	7,867	15,344	- 7,477

During the previous year the “personnel costs” item recorded total costs of 6,121 thousand euro due to effect of the merger.

The “accrual for defined benefit plan” includes the profit and loss effects from measurement of termination benefits as per IAS 19.

The decrease is due to the recalculation (so-called curtailment) of the termination benefits due to a change in Italian law which requires companies with more than 50 employees, to allocate the amounts of termination benefits accruing in the period to pension funds managed by others (industry funds, National burrean for Social security INPS, insurance companies, banks, etc.).

The size of the staff at the end of the period is illustrated in the table below. It shows an increase of 22 units compared to 31 December 2006, mainly due to increase in staff in operating departments, to support the expansion in activities resulting from direct management of the acquired concessions, including following the October 2006 call for tenders of October, and development of activities involving amusement machines.

	31.12.2006	Started in period	Left in period	31.12.2007	Average size for period
Executives	15			15	15
Clerks and Middle Management	182*	67	46	203**	192,5
Workers	4	5	4	5	4,5
Total Employees	201	72	50	223	212

* of which 15 part-time and 8 on maternity leave
** of which 12 part-time and 6 on maternity leave

10. OTHER OPERATING EXPENSES

Other operating expenses totalled 30,279 thousand euro (10,157 thousand euro) and are broken down as follows:

thousands of euro	2007	2006	change
PR material	425	131	294
Representation expenses	489	265	224
Donations and expenses for charity	152	229	- 77
Accruals for bad debts and losses on receivables	1,623	449	1,174
Accrual to provision for risks	4,700	45	4,655
Use of provision for risks	-	- 1,110	1,110
Other duties and taxes	369	394	- 25
Property tax	467	465	2
Concessions and Licenses	16,856	6,321	10,535
Administrative and other expenses	157	276	- 119
% Non-deductible Vat	4,005	1,271	2,734
Consumables and stationery	188	150	38
Subscriptions and purchase of magazines and periodicals	15	25	- 10
Ordinary expense settlements	70	810	- 740
Penalties and compensation for damages	147	175	- 28
Association dues	614	127	487
Ordinary capital losses	2	134	- 132
Total	30,279	10,157	20,122

The licences and concessions item includes the following:
- Concession payments for legal gaming with amusement machines (“slot machines”) for 14,179 thousand euro, calculated every fifteen days for 0.80% of the gambled volumes;
- payment for the 2006/2007 football season for the event outcome contest concession expired on 30 June 2007 and extended until 31 December 2007 for 249 thousand euro;
- the concession payment, for 1,819 thousand euro, for the sale of fixed odd bets on sports events, other than horse racing, and non-sports events as per article 4 of the convention approved with Directorial Decree 2006/22503 of 30/06/06; this decree established that starting January 2007 the licensee is required to pay AAMS the six month concession payment for the six months in progress by 16 January and 16 July of each year;
- the portion of concession payment accrued on public gaming for the year 2007 on licences awarded with the 2006 call for tenders, as required by the concession, totalling 609 thousand euro.

In 2007 accruals were made to the provision for risks totalling 4,700 thousand euro to adjust the provision for risk to the amount exceeding the value of the equity investments in relation to the greater losses of the subsidiary Teseo S.r.l in liquidation (394 thousand euro) and sister company Tivù + in liquidation (950 thousand euro) as well as allocations for various lawsuits underway both as plaintiff and defendant (2,532 thousand euro) and allocation related to technological upgrading as required by article 19 of the “Specifications” for “assignment of concession for the activation and operation of the computerised management network for legal gaming using amusement entertainment machines as well as connected activities and functions” from the start of the concession (824 thousand euro).

Accruals were also made to the provision for bad debt for 1,322 thousand euro to adjust the provision to the current possibility of realising receivables.

The “% non-deductible VAT” includes the cost of non-deductible VAT since SNAI S.p.A. performs distinct types of activities which partly general revenue for services taxable in terms of VAT and partly revenue exempt from VAT, with consequent effect on non-deductibility of VAT on purchases.

SNAI S.p.A. has opted for activity separated for the purposes of VAT; this decision means that for purchases referred activity that generates taxable operations, VAT is entirely deducted, while it is entirely non-deductible on those purchases referred to activities which generate exempt operations.

In terms of taxes related to goods and services generally used by all the activities, VAT is deducted within the limits of the part attributable to the year the activity refers to; to this end the cost of deductible VAT has been calculated by determining specific breakdown criteria.

During the previous year the “other operating costs” item recorded total costs of 937 thousand euro due to effect of the merger.

11. DEPRECIATION AND AMORTIZATION

Depreciation and amortisation total 38,060 thousand euro (31,165 thousand euro for the same period in 2006) with an increase of 6,238 thousand euro mainly due to the amortisation of the concessions for the acceptance of horse racing and sports bets, acquired in March 2006 and horse racing and sports licences from the Bersani call for tenders which were activated in 2007.

For greater details related to depreciation and amortisation see the notes on property, plant and equipment and intangible assets no. 14 and no. 15.

During the previous year the “depreciation and amortisation” item recorded total costs of 1,389 thousand euro due to effect of the merger.

12. FINANCIAL INCOME AND CHARGES

The net financial charges totalled 37,550 thousand euro (28,543 thousand euro), with an increase of 9,007 thousand euro and is composed as follows:

thousands of euro	2007	2006	change
Revenue from Equity Investments:	266	288	- 22
MacHorse dividends	140	115	25
Immobiliare Valcarenga dividends	34	27	7
Alfea dividends	92	-	92
Revaluation of Alfea equity investment	-	146	- 146
Charges from Equity Investments:	-	350	- 350
Accrual to provision for Capannelle equity investment write-down provision	-	350	- 350
Other financial income:	4,731	1,817	2,914
Interest income on Securities	-	5	- 5
Income from security trading	7	16	- 9
Income from exchange rate differences	5	14	- 9
Interest income from banks	2,941	414	2.527
Interest income from subsidiaries	384	233	151
Interest income from SNAI Servizi S.r.l.	319	186	133
Interest income from group companies	336	100	236
Interest income on security deposits	1	1	-
Interest income on payment extensions	434	561	- 127
Other interest income	43	287	- 244
Other financial income	261	-	261
Financial Charges	42,547	30,298	12,249
Interest expenses on consolidation	-	420	- 420
Interest expense on Junior and Senior loans	34,035	23,362	10.673
Financial charges on Vendor Loan	1,522	2,853	- 1.331
Financial charges on determined payables	1,349	1,366	- 17
Interest expenses on loans	75	-	75
Interest expenses on bank c/a	100	426	- 326
Interest expense due to subsidiaries	108	111	- 3
Interest expense due to other group companies	-	278	- 278
Fees due to SNAI Servizi for sureties	-	76	- 76
Other interest expense	11	85	- 74
Interest expenses on leases	437	194	243
Interest increase from instalment payments	21	5	16
Financial charges on termination benefit discounting	76	-	76
Interest on arrears	7	4	3
Expense from exchange rate differences	5	8	- 3
Loss on security trading	17	-	17
Expenses for sureties	4,392	786	3.606
Other financial charges	211	-	211
Bank charges	181	324	- 143
Total Financial Income and Charges	- 37,550	- 28,543	- 9,007

Financial charges include:

- charges calculated at amortised cost required by IAS 39 by applying the effective interest method for loans opened for acquisition of “Concession” company branches (for greater details on the loans see note 27) for a total of 34,035 thousand euro of which 3,841 thousand euro recognised as accessory costs;
- the interest calculated on the extension of payables due from BAP for the acquisition of company branches due to the discounting of the payable established contractually without explicit interest (1,522 euro);

- implicit interest calculated to discount the medium-long term determined payables due to AAMS, granted at the time of acquisition of the Concessions (1,349 thousand euros);

- interest expense due to the subsidiaries mature on inter-group current accounts, due to Festa S.r.l. for 60 thousand euro, Immobiliare Valcarenga S.r.l. for 12 thousand euro, Mac Horse S.r.l. for 33 thousand euro and Trenno S.r.l. for 3 thousand euro;

- fees on sureties also include costs incurred for participation in the Superenalotto call for tenders for 1,098 thousand euro, as well as fees on existing sureties.

The other financial income shows:

- interest income matured on bank c/a for 2,941 thousand euro;

- interest income due from the subsidiaries matured on inter-group current accounts, due from Festa S.r.l. for 84 thousand euro, Risto Misto S.r.l. for 82 thousand euro, Teseo S.r.l. in liquidation for 151 thousand euro, Trenno S.r.l. for 64 thousand euro and Televisione in liquidation for 3 thousand euro;

For additional details related to existing entries with group companies, see note 30 “Related Parties”

13. INCOME TAXES

Income taxes are broken down as follows:

thousands of euro	2007	2006	change
Irap	2,389	1,924	465
Ires (corporate tax)	2,796	-	2,796
Taxes related to previous years	96	-	96
Deferred tax liabilities	5,791	2,793	2,998
Prepaid taxes	- 8,023	- 300	- 7,723
Use of provision for deferred taxes	- 13,704	- 7,660	- 6,044
Use of prepaid tax assets	5,370	4,567	803
Total- 5,285	1,324	- 6,609	

The table shown below contains a reconciliation between the carrying amount for IRES and IRAP from the financial statements and the theoretical amount (in thousands of euro):

		31.12.2007		31.12.2006
Pre-tax earnings		544		-667
Theoretical IRES tax	33%	180	33%	-220
Theoretical IRAP tax	4,25%	1.278	4,25%	1.030
Total theoretical taxes		1.458		2.053
temp diff deduc subs year		6.991		
temp diff taxed subs year		-5.991		
balance temp diff for prev years		3.777		
permanent differences		419		
fiscal losses		-2.579		
		2.617		220
irap				
temp diff deduc subs year		662		
temp diff taxed subs year		-800		
balance temp diff for prev years		513		
permanent differences (including employees)		735		
		1.110		894
prepaid tax effect on temporary differences taxed subs years		-8.023		-300
deferred tax effect on temporary differences deduc subs years		5.791		2.793
effect for use of temporary differences for previous years		-8.334		-3.093
taxes previous years		96		
Effective taxes due	-972%	-5.285	-198%	1.324

For additional details on the effects from the tax charge and the fiscal consolidation see what is specified in detail in note 17 “Prepaid and deferred taxes” in these explanatory notes.

There are no disputes or assessments with the tax administration for the purposes of VAT and direct taxes which could give rise to additional tax liabilities.

The year 2002 has been settled for the purposes of direct and indirect taxes.

For the acquisition of the Montecatini horse racing track and registration of the mortgage to guarantee the loan contract, three payment notices were immediately contested and notified to SNAI S.p.A. by the local Tax Authority – Provincial Office of Pistoia – Pescia Section – for a total of 2,610 thousand euro on the basis of the autonomy of the acts drafted and authenticated by the drafter notary who had previously requested and obtained registration including at the Territorial Agency – Real Estate Publication Service of Milan, where it was acquitted for the entire proportional tax. Meanwhile, despite the unfavourable ruling to the company in the primary jurisdiction, after hearing the tax consultants, the Board of Directors is assessing the possible liability.

EXPLANATORY NOTES TO THE MAIN ITEMS OF THE BALANCE SHEET

The comparison of values, always expressed in thousands of euro, except in individual cases where otherwise indicated, is performed with the corresponding balances at 31 December 2006.

14. PROPERTY, PLANT AND EQUIPMENT

The amount of property, plant and equipment at 31.12.2007 totalled 136,563 thousand euro (117,074 thousand euro), changes for the year are summarised in the attached statement:

Property, plant and equipment

values in euro	Land and Buildings	Plant and machinery	Other assets	Construction contracts and advances	Total
Cost					
Balances at 1 January 2006	52.912.449	25.299.163	2.373.741	24.505	80.609.858
Acquisitions following business combinations	70.743.187	12.752.018			83.495.205
Reclassifications		24.765	-260	-24.505	0
Other increases	130.913	1.535.987	174.825	942.500	2.784.225
Decreases		-1.279.188	-33.104		-1.312.292
Balance at 31 December 2006	123.786.549	38.332.745	2.515.202	942.500	165.576.996
Balance at 1 January 2005	123.786.549	38.332.745	2.515.202	942.500	165.576.996
Acquisitions following business combinations					0
Reclassifications		196.542			196.542
Other increases	586.784	21.543.638	4.637.735		26.768.157
Decreases		-15.811		-942.500	-958.311
Balance at 31 December 2007	124.373.333	60.057.114	7.152.937	-	191.583.384
Amortisation and impairment					
Balances at 1 January 2006	8.174.482	20.362.647	2.087.345	-	30.624.474
Acquisitions following business combinations	3.003.312	10.314.060			13.317.372
Amortisation for year	2.534.689	3.235.783	100.988		5.871.460
Impairment					0
Disposals		-1.279.188			-1.279.188
Reclassifications		13	-31.485		-31.472
Balance at 31 December 2006	13.712.483	32.633.315	2.156.848	0	48.502.646
Acquisitions following business combinations					0
Amortisation for year	2.539.857	3.562.702	256.028		6.358.587
Impairment					0
Disposals		-12.136			-12.136
Reclassifications		171.195			171.195
Balance at 31 December 2007	16.252.340	36.355.076	2.412.876	0	55.020.292
Carrying amounts					
At 1 January 2006	44.737.967	4.936.516	286.396	24.505	49.985.384
At 31 December 2006	110.074.066	5.699.430	358.354	942.500	117.074.350
At 31 December 2007	108.120.993	23.702.038	4.740.061	-	136.563.092

The values expressed in the table include assets under finance leases including the property in Porcari, leased from the company Ing Lease Italia S.p.A., for a historic cost of 3,500 thousand euro, of which 382 euro related to the land, and accumulated depreciation of 328 thousand euro.
The payments for finance leases are shown in the table below:

thousands of euro	
Total commitment at 31/12/07	34.138
of which	
Payments due within 12 months	6.736
Payments due from 1 to 5 years	26.480
Payments beyond 5 years	922
Redemption	713

The commitments for lease payments refer to the following contracts:

- Finance lease contracts signed with the company Ing Lease Italia S.p.A. related to the acquisition of the building located in Porcari (LU) with expiration in June 2016.
- Contract for the lease of technology for the new points of sales and shops for 4,155 thousand euro (lease-back) signed in December 2006 with expiration in December 2011. At the end of the contract three options are possible: return of the machines, extension of the lease and purchase of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid.
- Lease contract for technology and furniture for the new points of sales and shops for 4,389 thousand euro (lease-back) signed in September 2007 with expiration in September 2012. At the end of the contract three options are possible: return of the machines, extension of the lease and purchase of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid.
- Two contracts signed at the end of the month of December 2007 with expiration in December 2012 for lease of technology for the new points of sale and shops for 23,496 thousand euro (lease-back). Both contracts have a purchase option for the machines by a third party buyer; in the event of failure to sell by the expiration for any reason, there is an automatic renewal for an additional twelve month period.

The company owned plant and machinery include the electrical, water, fire-fighting and air conditioning systems - as well as work to bring them up to standard. Electronic machines, amusement machines (slot machines), the "pda" point of acces used for their online connection, as well as machines for normal activity. Increases for the period totalling 21,545 mainly refer to:

- technology installed on loan in the new point opened following awarding of the so-called Bersani call for tenders (3,467 thousand euro);
- internally generated technology, on particular Betsi terminals, installed on loan in the new points (Bersani licences) and in sports agencies following updating of the sports gaming protocol starting in April 2007 (2,626 thousand euro):
- a cost totalling 716 thousand euro for the creation of a MV/LV transformer room at the Porcari site;
- the value of capitalised assets related to lease-back transactions for a total of 13,797 thousand euro.

The increases in other assets for 4,638 thousand euro mainly refer to purchases of furniture delivered on loan in the new shops and corners (Bersani licences).

Financial charges were not capitalised in property, plant and equipment.

15. INTANGIBLE ASSETS

The amount of property, plant and equipment at 31.12.2007 totalled 460,911 thousand euro (376,158 thousand euro), changes for the year are shown in the following table:

values in euro	Goodwill	Concessions, license, trademarks and similar rights	Development costs	Industrial patent rights and licences to use original works	Current assets	Others	Total
Cost							
Balances at 1 January 2006	34,295,091	1,962,421	1,535,764		10,195,268	4,270,113	52,258,657
Acquisitions following business combinations	213,750,694	172,902,000					386,652,694
Reclassifications	222,942				-222,942	0	
Other increases			530,827	109,921		163,724	804,472
Decreases						-139,395	-139,395
Balance at 31 December 2006	248,268,727	174,864,421	2,066,591	10,305,189	-	4,071,500	439,576,428
Acquisitions following business combinations				-			
Reclassifications				0			
Other increases		34,553,492	1,385,319	135,684	79,946,235	434,776	116,455,506
Decreases				0			
Balance at 31 December 2007	248,268,727	209,417,913	3,451,910	10,440,873	79,946,235	4,506,276	556,031,934
Amortisation and impairment							
Balances at 1 January 2006	23,158,384	1,903,434	614,174	9,754,308		3,208,248	38,638,548
Acquisitions following business combinations				0			
Amortisation for year	23,825,869	278,919	353,761		321,683	24,780,232	
Impairment	0						
Disposals				0			
Reclassifications				0			
Balance at 31 December 2006	23,158,384	25,729,303	893,093	10,108,069	0	3,529,931	63,418,780
Acquisitions following business combinations				0			
Amortisation for year	30,980,526	398,871	77,823		244,539	31,701,759	
Impairment							0
Disposals							0
Reclassifications							0
Balance at 31 December 2007	23,158,384	56,709,829	1,291,964	10,185,892	0	3,774,470	95,120,539
Carrying amounts							
At 1 January 2006	11,136,707	58,987	921,590	440,960	-	1,061,865	13,620,109
At 31 December 2006	225,110,343	149,135,118	1,173,498	197,120	-	541,569	376,157,648
At 31 December 2007	225,110,343	152,708,084	2,159,946	254,981	79,946,235	731,806	460,911,395

Investments for the year totalling 116,456 thousand euro, are mainly composed of:

- 79,946 thousand euro entered in current assets, of which 79.905 thousand euro paid to AAMS for licences which are not yet operative. The total amount paid to AAMS for awarding of 1,206 sports licences (342 shops and 864 corners) and 3,886 horse racing licences (99 shops and 3,787 corners), under one sports concession and one horse racing concession respectively, as well as the awarding of a concession for remote horse race gaming and one for sports, following the participation in the call for tenders called by the Ministry of the Economy and Finance to apply the Bersani decree, totals 113,944 thousand euro;
- 34,553 thousand euro entered in the “concessions, licences, trademarks and similar” of which 34,039 thousand euro related to the value paid for the new licences which have started bet acceptance activities, mainly due to the effect of airing the new horse racing or sports licences with the old only horse racing or only sports concessions active in already operative BAP.
- 1,385 thousand euro for the development of Betsi 2006, Videa, corner furnishing prototypes and for upgrading of gaming software to the new sports bet acceptance protocol, established by AAMS which became effective as of 2 April 2007, as well as the odds display systems;
- 572 thousand euro for investment to upgrade corporate software.

The item concessions includes what is related to the acquisition of 450 horse racing and sports concession company branches, the effects of which started 16 March 2007 and the portion of the payment related to the new sports and horse racing licences which are already active (as described above) that are amortised based on the duration of the concession.

Financial charges were not capitalised in intangible assets.

The goodwill existing at 1 January 2006 totalling 11,137 thousand euro refers to the goodwill net amortisation, from SNAI Servizi Spazio Gioco S.r.l., merged with SNAI S.p.A. in 2002 (10,769 thousand euro), related to the betting segment as well as the merger deficit following the merger of the subsidiary SNAI Servizi Spazio Gioco S.r.l. for 368 thousand euro related to the betting segment.

As mentioned above, the company decided not to apply IFRS 3 – business combinations – retrospectively to combination transactions occurring before transition to the IFRS. Consequently, the goodwill from SNAI Servizi Spazio Gioco S.r.l., was entered during the transition to the IFRS, at the net carrying amount determined according to the previous applied accounting standards (Italian accounting standards).

This goodwill, which was completely allocated to the Cash Generating Unit (“CGU” “computerised activity – services” (Services Division, as required by IAS 36 was subject to an impairment test at 31 December 2007. In particular, in compliance with the above standard, the recoverable value of goodwill was estimated based on a measurement method founded on prospective cash flows, assumed from the 2008-2012 industrial plan approved by the Board of Directors, by applying an average weighted cost of capital (gross WAAC), totalling 7.58%.

The WACC, resulting from the use of a risk free sample totalling 4.40%, a beta unlevered totalling 0.81 and an equity risk premium (ERP) of 5%. The nominal cost of shareholding capital totals 8.5%.

The cost of third party capital, totalling 6%, taking into account a risk-free investment yield rate totalling 4.40%, of a levered debit premium of 1.60%. The financial structure deemed sustainable (at full-steam) in determining the discount rate. The estimate of future cash flows is in line with past results and the competitive and regulatory scenario for the segment.

The recoverable value of goodwill estimated in this manner is higher than its total carrying amount, totalling 11,137 thousand euro.

Moreover, external and internal information sources provide indications to not reduce the value.

The changes during the period or in the near future in the technological, economic, legal or market context where the company operates or the market is business is geared to, can only be favourable. Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present and will be made up by the normal and ordinary deficits according to the ordinary operation plans present in the company. Thus it is not possible to forecast anything but favourable variations of the measurement and way of using all of the assets comprising the generating unit.

With reference to the acquisition of concession company branches finalised on 3 April 2006 and with effects as of 16 March 2006, SNAI S.p.A. applied IFRS 3 (“Business Combinations”). SNAI S.p.A. acquired 450 company branches in 2006, operating in 218 sports concessions and 232 horse racing concessions. With reference to each agency SNAI acquired the company branch strictly involving the concession ownership.

Based on IFRS 3 (“Business Combinations”) the Concessions have been recognised in intangible assets at their fair value. The value of the Concessions, identified when the paid price was allocated, is amortised on a straight-line basis until their original expiration. As required by IAS paragraphs 11 and 12, goodwill resulting from the concession company branch acquisition transaction was subject to an impairment test at 31 December 2007.

During 2008 an additional 8 company branches were acquired resulting in direct management of another 5 sports concessions

Following the call for tenders to award licences for the opening of new points of sale, in compliance with the provision converting legislative decree no. 223 of 4 July 2006 into law, SNAI was awarded the concessions for bet collection. In particular a sports concession with payment of acquired licences for euro 67.8 million (342 sports shops and 864 corners) and a horse racing concession with payment of acquired licences for euro 45.6 million (99 horse racing shops and 3,787 corners). In addition it was awarded the concession for remote horse racing gaming with the payment of acquired licences for euro 0.3 million and the concession for remote sports racing gaming with the payment of acquired licences for euro 0.3 million. Therefore, SNAI was the operator who obtained the greatest number of awards among all the participants.
Moreover, on 17 November 2007, a right was acquired for a sports concession (shop) for euro 123 thousand.

These new licences will be added to the sports and horse racing concessions acquired by SNAI in March 2006 operative in the current sales shops, thus allowing the company to maintain its leadership in the betting segment, both in terms of number of points of sale and collected volumes.

Within the new points, whose opening is scheduled to be completed by the end of spring 2008, SNAI conducts a bet collection and acceptance business using the structure, know-how and professionalism already using in the operative company branches acquired in March 2006. The performance of the activities shows a coordination and results significantly higher due to the effect of the central management and thus minimisation of the risk connected with geographic diversification of operation, collection and acceptance of bets. Thus all of the points of sale will be managed in the same manner. The activity connected with the amusement machines located in the points of sale shall take advantage of the territorial positioning of the concessions as well.

The acceptance policies are centrally handled in order to minimise the risk connected with geographical diversification of bet collection and acceptance. Moreover, due to the effect of management centrally handled by SNAI the direct and indirect benefits resulting from the acquired concessions and those resulting from the awarded licences, give reason to believe that no point of sale generates revenue separate from the other points of sale.
Based on application of IAS 36 – paragraph 81 the lowest level inside the entity has been identified where goodwill can be allocated and coinciding with the combination of the cash generating unit with reference to the entire Concessions Division. This was also following the consideration that company management controls operations of the collection activity in the Division in question and makes decisions based on the activities as a single entity and single product line.

In the case in hand, the recoverable value of goodwill, as well as intangible assets not yet available for use, was estimated based on a measurement method founded on prospective cash flows, assumed from the 2008-2012 industrial plan approved by the Board of Directors, by applying an average weighted cost of capital (gross WAAC), totalling 8.64%.

The recoverable value needs to be adjusted by the discounting of the possible sales price of the cash generating unit (points of sale) taken individually and as a whole (terminal value).

Thus it was necessary to add to the discount calculation the possible transfer price of the reference target entity (cash generating units) identified in the continual cash flow yield attributed to the last forecast year. As test method, the hypothesis was considered of measuring the terminal value by extracting projections based on the Industrial Plan using a stable growth rate for the years after 2012 and an abatement percentage connected to the probability of concession and / or right renewal. It is important to note that the percentages used are extremely precautionary.

As for the impairment test discussed above, in terms of the goodwill allocated to the “CGU” “computerised activity – services”, the discounting rate resulting from the use of a risk free sample totalling 4.40%, a beta unlevered totalling 0.81 and an equity risk premium (ERP) of 5%. The nominal cost of shareholding capital totals 8.5%.

The cost of third party capital, instead, with reference to the discussed “CGU” totals 9%, taking into account a risk-free investment yield rate totalling 4.40%, and a levered debit premium of 4.60%.

The financial structure deemed sustainable (and at full-steam) in determining the discount rate.

The recoverable value of goodwill estimated in this manner, as well as intangible assets not yet available for use, is higher than its total carrying amount.

Moreover, the estimate of future cash flows is in line with the competitive and regulatory scenario for the segment.

The changes during the period or in the near future in the technological, economic, legal or market context where the company operates or the market is business is geared to, are estimated to be favourable.

Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present and will be made up by the normal and ordinary deficits according to the ordinary operation plans present in the company.

Thus it is not possible to forecast anything but favourable variations of the measurement and way of using all of the assets comprising the generating unit.

Lastly, external and internal information sources provide indications to not reduce the value.

16. EQUITY INVESTMENTS

The company holds equity investments in the companies as specified in the attachments 2, 2.1 and 2.2 to these explanatory notes. For the information requested by DEM communication 6064293 of 28 July 2006 see attachment 1 to the consolidated financial statements presented at the same time as these notes.

On 10 March 2006, SNAI S.p.A. for a financing transaction to acquire concession company branches, participated in the establishment of a new Luxembourg company called Solar S.A. by subscribing and paying in 30% of the share capital the entire amount of which totals 31 thousand euro. Solar S.A., controlled by FCCD Limited, an Irish company which is not part of the scope of consolidation of Gruppo SNAI and its directors are the majority shareholder, obtained the financial resources necessary for payment of a Junior Loan through issue of premium shares subscribed by third parties. The characteristics of the Junior loan are determined within the context of the total structuring of the loan (paragraph 23).

Following the merger of Ippodromi San Siro the following equity investments were acquired.
- Trenno S.r.l. Unipersonale (formerly Sport e Spettacolo Ippico) acquired at the cost value of 1,932 thousand euro established on 27 July 2006 and to which Ippodromi San Siro conferred the "horse racing management" company branch effective 19.09.2006;
- Alfea S.p.A. Soc. Pisana Corse Cavalli entered for 1,331 thousand euro;
- Società Gestione Capannelle S.p.A acquired at a value of 350 thousand euro and completely written down at 31.12.2006.

The table below shows the values of the assets, shareholders' equity, liabilities, income and profit or loss related to the associates at the highest value: For Alfea S.p.A. the data are from the draft financial statements for 2007.

(values in thousands of euro)

Assets	7,966
Shareholders' equity	5,154
Other Liabilities	2,812
Total Liabilities and SE	7,966
Revenue	5,138
Profit on year	531

On 5 June 2007 the extraordinary shareholders' meeting of the Società Gestione Capannelle S.p.A. shareholders of vote to cover the losses to 31 March 2007 which totalled 1,932,710.00 euro by:
- zeroing out the share capital totalling 1,890,000.00 euro;
- use of the legal reserve for 12,048.00 euro;
- use of the extraordinary reserve for 27,066.00 euro;
- payment by shareholders in proportion the shares possessed by each one for 2,796.00 euro;

In addition, the shareholders' meeting also voted:
- to reconstitute share capital to 1,956,000.00 euro;
- to reconstitute the extraordinary reserve to 41,204.00 euro;
- that the shareholders who could have exercised the option right by 20 July 2007 and by 5 August the subscribers would have had to exercise the pre-emption right on any uncalled shares; to consider effected the increase ins hare capital up to the amount hat will have been subscribed at that date and to hereby modify article 5 of the articles of association regarding share capital;
- that the part of share capital exceeding the payment at the time of subscribing the share capital of 2.5 / 10 should be paid by the shareholders: 35% by 31 October 2007 and 40% by 15 December 2007 – as promptly performed.

On 19 July 2007 SNAI S.p.A. subscribed 1,713,478 shares at 0.3 euro with simultaneous payment of 2.5 / 10 of the sum totalling 128,510.85 euro and 11,563.2 to cover the losses. Moreover, subsequently SNAI S.p.A. subscribed and paid its uncalled portion totalling 2,090.23. Therefore the equity investment of SNAI S.p.A. in Società Gestione Capannelle S.p.A. now totals 26.67%.

On 28 June 2007 the shareholders' meeting of the subsidiary La Televisione S.r.l. in liquidation was held which approved the final liquidation financial statements prepared at 28 June 2007 and on 23 July 2007 the company was stricken from the business registry.

SNAI programmed the sale of 10% of the equity investment in Connext S.r.l. therefore the remaining 15% totalling 46 thousand euro was reclassified in other companies and the 10% was classified in available-for-sale assets and measured at cost, since it was less than the estimated sales price (fair value).
All of the equity investments held are measured at cost; in the provision for adjustment of equity investments was accrued the amounts proportional to the percentages of possession of losses from 2001 to 2006; if the percentage of loss for the year exceeds the entry value of the equity investment adequate accrual to the provision for risks is made.

17. PREPAID TAX ASSETS AND DEFERRED TAX LIABILITIES

These reflect the balance sheet rectification due to temporary differences; the total amount is described in the tables below, together with the related theoretical amount for prepaid and deferred taxes as well as amounts recorded in the accounts.

Prepaid tax assets

Temporary differences	Amount	Rate	Tax effect	Prepayments entered	Reversal period
Taxed bad debt provision	8,711	27.50%	2,396	2,396	2008 and subsequent
Provision for risks	7,312	27.50%	2,011	2,011	2008 and subsequent
Provision for warehouse write-down	3,371	31.40%	1,058	1,058	2008 and subsequent
Difference between balance sheet value and tax value of property, plant and equipment and intangible assets	16,842	31.40%	5,288	5,288	2008 and subsequent
Supplementary charges on share capital increase	7,821	31.40%	2,456	2,456	2008 and subsequent
Other temporary differences	1,143	31.40% - 27.5%	370	370	2008 and subsequent
Total	45,200		13,579	13,579	

The directors of SNAI S.p.A. decided to record the prepaid taxes generated for all temporary differences between the balance sheet values and tax values of the related assets/liabilities based on forecasts of positive results for the current year and future ones. The increase in prepaid taxes of 3,302 thousand euro, compared to 31 December 2006, is due to the combined effect of recognition of prepaid taxes and reversal of prepaid taxes generated in previous periods. This decrease was also influences by the reduction in the rate required by Law 24 no. 244 of December 2007 which entailed a reduction of the IRES rates (from 33% to 27.5%) and IRAP (4.25% to 3.9%).
For the three year 2006-2008 period the company, as consolidating company opted for the national tax consolidation as per articles 117 et seqq. Presidential Decree 917/1988; as consolidated companies Trenno S.p.A. (later merged), Festa S.r.l., Mac Horse S.r.l. and Immobiliare Valcarenga S.r.l. opted to take part in this option. As of the 2007 tax period Trenno S.r.l. was added to the fiscal consolidation.
The adoption of the fiscal consolidation may entail some beneficial effects on the Group's tax charge, including:

- the immediate use, with total or partial, of period tax losses of the companies taking part in the consolidation decreasing the income possessed by the other consolidated companies;
- exclusion from taxes of dividends distributed between the companies participating in the consolidation of the same year;
- the possibility, according to certain conditions to transfer assets, other than productive ones of revenue or exempt capital gains, in a continuous regime of fiscal values between companies which have exercised the group taxation option.

In the accounting situation under discussion the company, due to the effect of taxable incomes or transmitted losses, recognised a receivable due from the consolidated companies for a total of 5011 thousand euro of which 77 thousand euro from Mac Horse s.r.l., 25 thousand euro from Immobiliare Valcarenga S.r.l. and 399 thousand euro from Trenno S.r.l.; SNAI S.p.A., as consolidating company is requires to pay the balance and advance of IRES due based on the consolidated income tax return. Based on existing agreements the excess previous tax carried forward or resulting from income tax returns filed by the companies which opted for the consolidates can be used by the parent company only upon specific request.

The transfer of money for the payment of taxes on taxable income transferred to the consolidating company is regulated by inter-group current account with debiting on the payment deadline date for the aforesaid taxes.

For the time being payment of sums between the companies which exercised the option for any received or attributed tax advantages is not required.

Moreover, since the consolidated companies are companies subject to the management and coordination of the consolidating company, the advantages (or disadvantages) resulting from certain consolidation adjustments are attributed to the consolidating companies.

The tax liability of the consolidated companies to the tax authority remains unchanged in the event that a higher taxable income is assessed for the parent company for errors in the taxable income communicated by the subsidiaries.

Lastly, SNAI S.p.A. as consolidating company and Trenno S.p.A. (now merged with the consolidating company) have opted for a neutrality system for inter-group transfers in accordance with article 123 of the Tax Act related to the transfer from Trenno to SNAI of the Milan San Siro trot race track and the Montecatini Terme trot race track which took place in March 2006.

Consequently, due to the effect of this option the Group benefited from the "sterilisation" of the fiscal capital gain caused by this transfer totalling around 32 million euro. Naturally this neutrality scheme shall be terminated if there is a later transfer not in a neutrality scheme or in the event of interruption or failure to renew the national consolidation scheme.

Provision for deferred taxes

Temporary differences	Amount	Rate	Tax effect	Deferred
Tax amortisation of goodwill	(8,687)	31.4%	(2,728)	(2,728)
Tax amortisation of company branch goodwill	(21,077)	31.4%	(6,618)	(6,618)
Difference between balance sheet value and fiscal value of determined payables due to AAMS and payables due to BAP for concession acquisition	(7,366)	27.5%	(2,026)	(2,026)
Difference between balance sheet value and tax value of concessions	(57,453)	31.4%	(18,040)	(18,040)
Difference between balance sheet value and tax value of property, plant and equipment	(42,187)	31.4%	(13,247)	(13,247)
Termination benefits	(305)	27.50%	(84)	(84)
Other temporary differences	(1,451)	31.4% - 27.5%	(449)	(449)
Total deferred taxes	(138,526)		(43,192)	(43,192)

The directors of SNAI S.p.A. decided to record the deferred taxes generated for all temporary differences between the balance sheet values and tax values of the related assets / liabilities. In particular, the acquired company branches, as business combinations are accounted for by applying the IFRS 3 acquisition method.

Therefore, the company recognised assets and liabilities identifiable in the acquisition at related fair values at the acquisition date and thus recognised goodwill only after having allocated the acquisition cost as described above.

The value of concession licences entered in the balance sheet differs from the cost cited in the contract: the statutory balance sheet amortisation differs from the tax amortisation as per article 103, paragraph 2, Presidential Decree 917 / 1986 from which the deferred taxes. The goodwill value is not amortised by annually subject to impairment testing: tax amortisation is disciplined by article 103, paragraph 3, Presidential Decree 917 / 1986 from which the deferred taxes.

The decrease in the provision for deferred taxes of 8,015 thousand euro, compared to 31 December 2006, in addition to the combined effect of recognition of deferred taxes and reversal of deferred taxes generated in previous periods, is mainly due to the reduction of the rate under Law 24 no. 244 of 24 December 2007 which entailed a reduction in IRES (from 33% to 27.5%) and IRAP (from 4.25% to 3.9%) rates.

18. INVENTORIES

At 31 December 2007 inventories totalled 14,018 thousand euro and are broken down as follows:

thousands of euro	31.12.2007	31.12.2006	change
Raw material	1,159	5,755	-4,596
Construction contracts.	504	5,399	-4,895
Finished products and goods	12,355	3,053	9,302
Total	14,018	14,207	-189

Finished products / goods include inventories for spare parts for 27 thousand euro (81 thousand euro). The variation in raw materials is attributable to the use of materials for the production of new gaming terminals (PUNTO SNAI WEB SMALL, LARGE, BiBest and BETSI 2006); the increase in finished products is attributable to the produced terminals and acquisitions, effected during the year, machines for setting up new points (shops and corners both in direct management and customer licensees).

The goods for setting up the new points of sale will be sold or delivered on loan based on the selection of the managers of the new points: if the loan is selected the consequent decrease in inventories will generate an increase in property, plant and equipment for the same amount under plant and machinery.

The value of inventories is recorded net of the provision for warehouse write-down which totals 3,199 thousand euro (3,532 thousand euro).

The table below shows the movement in the provision for inventory write-down:

thousands of euro	31.12.2006	Accrual	Uses	Reclassification	31.12.2007
Provision for warehouse write-down					
Raw material	709		-13		696
Construction contracts	265		-10		255
Finished products / Goods	2,558		-138	-172	2,248
Total	3,532	0	-161	-172	3,199

19. ACCOUNTS RECEIVABLE

Accounts receivable at 31 December 2007 totalled 51,355 thousand euro (48,697 thousand euro) and are broken down as follows:

thousands of euro	31.12.2007	31.12.2006	change
Current accounts receivable			
due from customers	38,190	44,545	- 6,355
Direct debit due from Slot customers	9,921	851	9,070
Notes to collect	6,827	6,688	139
due from subsidiaries	2,241	797	1,444
due from SNAI Servizi S.r.l.	-	6	- 6
due from sister companies	25	7	18
bad debt provision	- 5,849	- 4,197	- 1,652
Total	51,355	48,697	2,658

Accounts receivable due from customers include, among others, receivables due from managers for amusement machines (Slot machines) for 20,050 thousand euro (33,383 thousand euro at 31.12.2006). Receivables for presentation of Rid on sight from Slot customers total 9,921 thousand euro (851 thousand euro). Receivables due from customers and Rid include the balances of Slot gaming at 31 December net of compensations recognised for the manager (third party assigned with collection) and operator, which mature on a fifteen day basis with “immediate” due date; they also include withholding balances due to AAMS – Amministrazione Autonoma Monopoli di Stato and calculated at 12% of the gaming movement on amusement machines. Receivables due from subsidiaries show a receivable entered due Trenno S.r.l. and related to grants for the so-called customisations of the metropolitan Horse Race Tracks accrued by the merged company Ippodromi San Siro S.p.A. (formerly Trenno S.p.A.) for the years from 2005 until the date of 19 September 2006, date the Ippodromi San Siro “Horse Race Track management” company branch was conferred to the Trenno S.r.l. company for a total of 1,643 thousand euro;
The bad debt provision was determined considered the amount of doubtful receivables. The directors believe the provision is suitable for facing estimated losses on future receivables. Accounts receivable include notes to collect for 6,827 thousand euro (6,688 thousand euro) recorded net of interest charge on future due dates and previously received from slot customers following the definition of instalment payments agreed upon following credit collection actions.

The table below shows the movements in the bad debt provision:

thousands of euro	individually	collectively	
At 01.01.06	1,712	703	2,415
Accrual for year		195	195
Reclassifications	2,074	-342	1,732
From trenno merger	202		202
Use of provision	-347		-347
At 31 December 2006	3,641	556	4,197
Accrual for year	1,060	233	1,293
Reclassifications	400		400
Use of provision	-12	-29	-41
Reverse of unused amounts			
Adjustment to discount rate			
At 31 December 2007	5,088	761	5,849

As 31 December 2007 the analysis of accounts receivable due but not written-down was as follows:

			Due but not written down		
In thousands of euro	Total	Not due-high-rated	0 - 90 days	90 - 120 days	> 120 days
Total 2007	51.355	33.641	2.397	2.968	12.349
Total 2006	48.697	22.883	6.748	14.995	4.071

20. OTHER ASSETS

Noncurrent assets, classified as other non-financial assets are composed as follows:

thousands of euro	31.12.2007	31.12.2006	change
Other non-current assets			
Tax Assets:			
for refunds	62	72	- 10
for disputed taxes	73	73	-
for equity taxes	54	54	-
	189	199	- 10
Other receivables:			
notes receivable in portfolio	1,792	1,303	489
receivable security deposits	99	92	7
Tivù+ in liquidation	-	371	- 371
	1,891	1,766	125
Total other non-current assets	2,080	1,965	115

Notes receivable totalling 1,792 thousand euro (1,303 thousand euro) are the notes due beyond the year received from customers for the definition of established repayment plans and entered at current value.
Other current assets consist of:

thousands of euro	31.12.2007	31.12.2006	change
Other current assets			
Tax Assets:			
interest income on withholdings	794	112	682
IRAP prepayment	2,022	1,205	817
IRES prepayment	188	-	188
IRES credit	29	253	- 224
Other receivables due from tax authority	46	79	- 33
	3,079	1,649	1,430
Accounts receivable due from subsidiaries	501	103	398
Accounts receivable due from others:			
TIVU+ S.p.A. in liquidation	715	478	237
Slot Operators for withholdings (PREU)	130	-	130
AAMS 0.5 slot grant	8,940	-	8,940
Accounts receivable due from BAP	3,081	3,723	- 642
Rid due from BAP	2,625	1,284	1,341
Advance on AAMS concession fee	3,571	16	3,555
receivables on event outcome contests	1,574	1,466	108
receivables due from Circuito Gold Points of Sale	902	264	638
positions from AAMS for company branch acquisition	79	369	- 290
Rec. for surety expense reimbursement	705	-	705
other receivables	1,094	1,069	25
Social security institutions	-	1	- 1
Employees	24	4	20
receivables due from Tris Associated	339	416	- 77
receivables for sale of equity investments	1,518	1,518	-
receivables due from "Linkage"	360	360	-
receivable security deposits	50	50	-
Bad debt provision due from others	- 2,984	- 3,384	400
	22,723	7,634	15,089
Accrued income and prepaid expenses			
Accrued income	16	16	-
Prepaid expenses	5,096	4,484	612
	5,112	4,500	612
Total other current assets	31,415	13,886	17,529

The table below shows the movement in the provision for bad debts due from others:

thousands of euro	Individually written down	Individually written down	Total
As 01 January 2006	4,726	-	4,726
Accrual for year	463	-	463
Reclassifications	- 1,732	-	- 1,732
Use of provision	- 73	-	- 73
At 31 December 2006	3,384	-	3,384
Accrual for year	-	-	-
Reclassifications	- 400	-	- 400
Use of provision	-	-	-
Reverse of unused amounts	-	-	-
Adjustment to discount rate	-	-	-
At 31 December 2007	2,984	-	2,984

The receivable due from AAMS for 8,940 thousand euro is related to the grant for recognising 0.5% on the gaming movement generated by amusement machines paragraph 6 (Slot machines) which by law must be reversed from the AAMS concession fee to the benefit of the network licensees as better described in note 3 “revenue from sales and services”.

Receivables due from BAP for 3,081 thousand euro (3,723 thousand euro) in addition to Rid presented with at sight due date for 2,625 thousand euro are related to the management contract for collection of bets for acquired Concessions and contracts signed with the managers of corners and shops for the activation of the new Bersani licences; these receivables mature on a daily basis and are paid weekly, subtracting the bets collected at agencies, amounts of tickets paid and reimbursed, fee recognised to the manager and the difference from withdrawals and deposits made via the Punto SNAI cash register on SNAICards from the net movement.

The advance on concession fee item totalling 3,571 thousand euro contains the amount paid to AAMS in July as an advance on the concession fee for the so-called Bersani licences and balanced in January 2008 with the payment of the first advance for the subsequent year as required by the Convention.

Receivables for positions due from AAMS with a balance of 79 thousand euro (369 thousand euro), are the result of the different between payables due to AAMS conferred with the Concession company branches, calculated net of the credit entries and the greater deposits made following the requests of AAMS which had not taken into account the credit position of some Concessions while waiting to acquire the documents supporting such positions.

The “due from subsidiaries” item totalling 501 thousand euro contains the receivable due from the subsidiaries which took part in the fiscal consolidation as better described in note 17.

Prepaid expenses include:

- 3,312 thousand euro for advance payments for surety fees and insurance premiums, of which 2,347 thousand euro referred to fees paid to UniCredit Banca Mobiliare S.p.A. for opening signatory credit expiring on 31 December 2016, aimed at the release of the sureties, up to the maximum value of 140,000 thousand euro;

- 1,734 thousand euro related to maintenance, consultation and operating lease contracts.

21. FINANCIAL ASSETS

The table below shows the breakdown for financial assets:

thousands of euro	31.12.2007	31.12.2006	change
Current financial assets			
Asset management account	15,238	-	15,238
Former Società Fiorentina Corse Cavalli shares for merger swap	1	1	-
Banca Popolare warrant	6	16	- 10
Financial current account income due from Servizi S.r.l.	13	-	13
Financial current account income due from subsidiaries	3,059	5,637	- 2,578
Financial current account income due from companies subject to control by the same parent company	2,539	1,344	1,195
Provision for financial asset write-down	- 671	- 641	- 30
Total other current financial assets	20,185	6,357	13,828

Financial current account income due from subsidiaries is shown below:

thousands of euro	31.12.2007	31.12.2006	change
Teseo in liquidation	1,756	1,478	278
Festa S.r.l.	338	1,845	- 1,507
Società Trenno S.r.l.	18	1,432	- 1,414
Ristomisto in liquidation	947	760	187
La Televisione in liquidation	-	122	- 122
	3,059	5,637	- 2,578

The provision for write-downs is attributed to the receivable due from Ristomisto S.r.l. in liquidation for 639 thousand euro and from Teseo S.r.l. in liquidation for 32 thousand euro.

Financial current account income due from companies subject to control by the same parent company are related to Tivu + S.p.A. in liquidation for 1,665 thousand euro and Teleippica S.r.l. for 874 thousand euro.

The balances of financial current accounts include interest accruing in the period, calculated at the Euribor rate at three months plus five percentage points.

The asset management account is composed of securities which can be immediately converted to cash.

22. CASH AND CASH EQUIVALENTS

The table below shows the breakdown of cash and cash equivalents:

thousands of euro	31.12.2007	31.12.2006	change
Bank current accounts	89,231	253,696	- 164,465
Cash on hand	1	4	- 3
			-
Liquid assets	89,232	253,700	- 164,468
			-
Bank overdraft facilities	0	0	-
Net cash and cash equivalents as reported in the cash flow statements	89,232	253,700	- 164,468

23. SHAREHOLDERS' EQUITY

On 15 January 2007 the share capital increase was concluded voted on 14 September 2006 by the extraordinary shareholders' meeting of SNAI S.p.A., which had given the Board of Directors the power to perform as per article 2443 of the Italian Civil Code, separate increases in share capital up to a maximum of 100,000,000 new shares.

On 26 October 2006 the Board of Directors voted to ask for an increase which would make it possible to acquire financial resources up to 250 million euro between nominal and share premium. On 30 November 2006, CONSOB, the National Commission for Companies and the Stock Exchange, has issued its approval for publication of the information prospectus required by article 5, second paragraph of the EC directive 71/2003 and article 24 of the EC regulation 809/2004 related to the offer as an option to ordinary share shareholders of SNAI S.p.A. and the Board of Directors had voted to establish a maximum of 61,718,860 shares to issue in the context of the offering and to offer them under option to the shareholders at a unit price of 4.05 euro, including the nominal value, totalling 0.52 euro and share premium at 3.53 euro.

The new shares were offered as an option at a ratio of 28 shares for every 25 shares held. At the end of the subscription period (4 – 21 December 2006) 54,581,100 share rights had been exercised at 61,130,832 ordinary shares of SNAI S.p.A., totalling 99.05% of the shares of the Offering for a value of 247,579,869.6 euro. A total of 27,927,750 of these rights, corresponding to 31,279,080 ordinary shares, totalling 50.68% of the total number of shares of the offering, were exercised by the parent company SNAI Servizi S.r.l. The uncalled shares totalling 525,025 were offered on the Stock Exchange by the company, as required by article 2441 paragraph 3 of the Italian Civil Code, through UniCredit Banca Mobiliare S.p.A. from 8 to 12 January 2007.

The option rights were all sold and exercised through the subscription by the final deadline of 15 January 2007, for 588,028 newly issued shares for a value totalling 2,381,513.40. Thus the transaction was concluded on 15 January 2007 with the complete subscription of the 61,718,860 shares offered for a total value of 249,961,383.00 euro. On 12 February 2007 the SNAI S.p.A. share capital increase was filed with the Lucca Chamber of Commerce as document M07212L2120 for a nominal total of 60,748,992.20 euro, equal to a total of 116,824,985 ordinary shares with a nominal value of 0.52 euro each, upon completion of the debiting of the amounts related to the subscriptions.

The share capital at 31.12.2007 entirely subscribed and paid-up amounted to 60,748,992.20 euro (at 31 December 2006 60,443,321.04 euro) and is composed of 116,824,985 ordinary shares (116,236,957 ordinary shares at 31 December 2006).

Holders of ordinary shares have the right to receive dividends voted on a time to time basis, and for each share held they have one vote to express in the shareholders' meeting.

number of authorised shares	116,824,985
number of shares issued and entirely paid in	116,824,985
nominal value in euro	0.52

The table below shows a reconciliation between the number of shares in circulation at the beginning the year and at the end of the period.

	Number of shares
number of shares at 01.01.2007	116,236,957
share capital increase	588,028
number of shares at 31.12.07	116,824,985

The issued shares are all ordinary shares without any constraints or preferences.
There is no treasury stock held directly by the parent company SNAI S.p.A. or through its subsidiaries or associates.

Reserves

The share premium reserve, totalling 211,319 thousand euro, was established with the share capital increase, as described above, for 219,535 thousand euro minus the accessory charges net of the fiscal effect related to the increase in share capital for 8,216 thousand euro, as required by IAS 32. The increase for the period totalling 2,364 thousand euro is related to the conclusion to of the share capital: 3,743 thousand euro of share premium minus accessory charges for 1,379 thousand euro.

At 31/12/2006, as a consequence of the merger of the subsidiary Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) with SNAI S.p.A, retained earnings were reclassified for 2,750 thousand euro: 899 thousand euro to the reserve for revaluation of asset revaluation as per Law 72 of 19/03/1983, 1,850 thousand euro to the reserve for asset revaluation as per Law 413 of 31/12/1991 and 1 thousand euro to the translation reserve.

The shareholders' meeting to approve the financial statements held on 15 May 2007 voted to cover the losses for 2006 totalling 1,992 thousand euro entirely using the reserve as per Law 413 of 31/12/1991 (1,850 thousand euro) and for 142 thousand euro the reserve as per Law 72 of 19/03/1983.

The extraordinary reserve decreased by 1,161 thousand euro due to the different classification method and consequent recording of a lease contract singed in 2006.

24. TERMINATION BENEFITS

Termination benefits at 31 December 2007 totalled 1,570 thousand euro against 4,525 thousand euro at 31 December 2006, the decrease of 2,955 thousand euro is mainly due to the reform of the Italian termination benefits (TFR) law which requires companies with more than 50 employees to pay the part of accrued termination benefits to a fund selected by the individual employees.

The table below shows the movements of the provision:

thousands of euro	
Balance at 01.01.07	4,525
Accrual for the year	145
Uses	- 280
Curtailment	- 2,896
Financial Charges	76
Balance at 31.12.07	1,570

The termination benefits are considered a defined benefit plan to be accounted for according to IAS 39, by applying the projected unit credit method, which entails estimating the amount to pay to each employee when he leave the company and actualising this payable based on a hypothesis on the times of leaving calculated using actuarial methods.
The assessment was performed with the support of an independent actuary.

The main assumptions adopted are summarised in the following table:

Summarisation of Economic – Financial Technical Assumptions

Financial assumptions	December 2007
Annual rate of discounting back	4.70%
Annual rate of inflation	2.00%
Annual rate of termination benefit increase	3.00%

Summarisation of Demographic Technical Assumptions

Demographic assumptions	December 2007
Mortality	ISTAT 2000
Disability	INPS tables broken down by age and sex

Retirement ageAchievement of Obligatory General Insurance

Annual Turnover Frequency Table and Termination Benefit Advances

Company	Advance Frequency % December 2007	Turnover Frequency % December 2007
SNAI S.p.A.	2.50%	5.00%

25. FINANCIAL LIABILITIES

The table below shows the breakdown for financial liabilities:

thousands of euro	31.12.2007	31.12.2006	change
NON-CURRENT FINANCIAL LIABILITIES			
Junior loan beyond 12 months	41,151	40,711	440
Senior loan beyond 12 months	225,908	242,328	- 16,420
Vendor loan due beyond 12 months	20,043	26,875	- 6,832
IBM Financial Services Loan due beyond 12 months	675	1,036	- 361
Payable for Leases due beyond 12 months	25,603	2,424	23,179
Total non-current financial liabilities	313,380	313,374	6
CURRENT FINANCIAL LIABILITIES			
SNAI Servizi srl financial c/a	-	42	- 42
Valcarenga inter-group c/a	139	107	32
Mac Horse inter-group c/a	353	381	- 28
Senior loan within 12 months	18,593	11,772	6,821
Vendor loan	7,554	41,710	- 34,156
IBM Financial Services Loan	227	359	- 132
Payable for Leases	5,793	818	4,975
Total current financial liabilities	32,659	55,189	- 22,530

Financial payables include:

- loans taken out to acquire “concession” company branches (described in detail in the paragraphs below) entered at amortised cost for a total of 285,652 euro, equal to a nominal 297 million euro recognised net of direct accessory charges. These accessory charges include freelance fees connected to completion of the loan and register tax due when opening the loan; the first instalment of the loan due 22 September 2007 was paid; the instalment due 22 March 2008, totalling a nominal 19 million euro was entered in the “Senior loan within 12 months” item again net of accessory charges for an amount of 18,593 thousand euro and has been promptly paid;

- The payables due to BAP resulting from the acquisition of Concession company branches (Vendor loan), for the remaining instalment rates existing at 31 December. The acquisition transaction entailed the payment of a part of the payment to pay at the time of signing the claim acts (March 2006) and the installation payments of the vendor loan in five annual installations of an equal amount, the first due 30 may 2007, without paying the interest due from SNAI S.p.A. By the end of the month of January 2007 some BAP, following signing of an additional agreement proposed by SNAI S.p.A, received early reimbursement of the vendor loan at a value discounted at the rate of 6.8%. Subsequently on 30 May 2007 the first instalment of the remaining extensions was reimbursed, consequently at year end the vendor loan was represented as follows:
  -20,043 thousand euro equal to the current value of the extended payable due beyond 12 months for subjects which did not sign the additional agreement;
  -7,554 thousand euro related to the instalment of the existing extensions due in May 2008;

- the payable for the IBM loan for a total of 902 thousand euro related to the supplementary service contract with IBM Italia S.p.A., signed based on the necessary implementation for setting up the new points for accepting bets;
- financial payables for lease contracts for a total of 31,396 thousand euro increased compared to the previous year due to the signing of some lease contracts better described in note 14.

In 2006 the parent company in order to obtain the financial resources necessary to acquire company branches and for early settlement of the remaining consolidated payable with banks, totalling euro 40.5 million in capital line occurring 29 March 2006, and to increase its working capital, signed two loan contracts with its associates, namely with Unicredit Banca d'Impresa S.p.A. ("Senior Loan Contract" and with Solar S.A. a Luxembourg company possessed at 70% by FCCD Limited, and Irish company and 30% by SNAI S.p.A: ("Junior Loan Contract" and with the Senior Loan Contract the "Loan Contracts"). Solar S.A. obtained the financial resources necessary to pay the Junior Loan by issuing preferred equity certificates subscribed by third parties.

The Company and the lenders established – including by singing a so-called Intercreditor Agreement – that the Junior Loan Contract be subordinate to the Senior Loan Contract and therefore that each payment due according to the Junior Loan Contract can be paid to Solar S.A. only to the extent that all the payments have been paid due to Unicredit Banca d'Impresa S.p.A. based on the Senior Loan Contract.

The financing granted based on the Senior Loan Contract (the "Senior Loan") is divided into a tranche A up to 96.5 million euro ("Tranche A") and a tranche B up to 170 million euro ("Tranche B").

The Senior Loan has a duration totalling five years, i.e. up to 15 March 2011. The interest rate applied to the Senior Loan is Euribor at three months plus a margin which for Tranche A will be 2.75% annually and for Tranche B 5.15% annually. This margin can be reduced by 0.25% for Tranche A and 0.5% for Tranche B if the Company reaches specific established levels in the ratio between total net borrowing and annual EBITDA. In the latest payments the effective interest was calculated and charged with the adjustment of the above margin, since the established levels were reached.

The Senior Loan Contract requires that Tranche A per repaid passed on an amortisation plan, with the exception of a pre-amortisation plan for the first eighteen months. Thus the repayments for Tranche A will be paid at the eighteenth, twenty-fourth, thirty-sixth, forty-eighth and sixtieth month from the date of first use, i.e. 21 March 2006.

Tranche B for the Senior Loan will be paid in its entirety at the due date of the Senior Loan and will be subordinate to complete repayment of Tranche A.

On 21 March 2006 the Company asked for and obtained payment of a first part of the two Senior Loan and Junior Loan tranches for a total amount of around 175 million euro (of which 23.7 million euro from the Junior Loan). The requested sums were obtained with accreditation days of 21 and 24 March 2006, respectively.

On 31 March 2006 the Company asked for payment of the remaining 135 million euro for the two tranches of the Senior Loan and Junior Loan: the payment was obtained in the first days of April 2006.
On 20 October 2006 SNAI S.p.A. obtained Waivers from the lenders to be able to sign a contract for a line of credit for guarantees of 140 million euro needed for the call for tenders for new bet acceptance licences based on Italian Legislative Decree 223 of 04.07.2006.

Following what was established in the Waivers, SNAI has the right to repay the Senior Loan tranche A early starting from the second anniversary of the first use until the third anniversary by paying some costs and a fee for early repayment totalling 2% of the early repaid amount and 1% of the early repaid amount from the third to fourth anniversary.

Any amounts repaid early after the fourth year will only be subject to specific costs but not to fees.

Thus SNAI S.p.A. has the right to repay the Senior Loan tranche B early starting from 30 months from the first use until the third anniversary by paying some costs and a fee for early repayment totalling 2% of the early repaid amount and 1% of the early repaid amount from the third to fourth anniversary. Any amounts repaid early after the fourth year will only be subject to specific costs but not to fees.

The loan granted based on the Junior Loan Contract ("Junior Loan") totals 43.5 million euro and has a duration of five years, i.e. until 24 March 2011. The interest rate applied to the Junior Loan is Euribor at three months, plus a margin of 14.3% annually. In the latest payments, this margin was reduced by 0.5% since the company reached the specific established levels in the ratio between total net borrowing and annual EBITDA.

The effective interest was calculated and charged with the adjustment of the above margin.
The Junior Loan will be entirely repaid at its due date and subordinate to the complete repayment of the Senior Loan. Based on the Waivers, for this loan as well the Company has the right to early repayment of the Junior Loan starting from 30 months to the fourth year by payment of some costs and a fee for early repayment totalling 2% of the early repayment and 1% of the early repayment in the fourth year. Any amounts repaid early after the fourth year will only be subject to specific costs but not to fees.

As is customary with this type of loan, the Loan Contracts entail a series of obligations for the Company which, with the exception of what is described above, are substantially the same for both Loan Contracts.

The Company has made a commitment to the lenders to comply with a series of financial parameters mainly connected to the trend of EBITDA on a consolidated level and total net borrowing of the Company.

Verification of compliance with these financial commitments will be done on a quarterly basis.

An analysis and comments related to the covenants are included in paragraph 36.2 of the explanatory notes to the consolidated accounting situation.

In particular, by means of example but not limited to, the Company is also committed to:
(i) provide the lenders updates on operations and consolidated accounts on a monthly basis as well as all quarterly and six month reports and statutory financials statements as soon as they are available in accordance with applicable law, (ii) obtain and / or maintain all the authorisations necessary for its compliance in accordance with contracts the Company is party to, (iii) act in compliance with applicable laws and not establish (or act so as to establish) new guarantees and / or liens on Company assets and other Gruppo SNAI components which out previous approval from the lenders, (iv) not transfer (or act so as to transfer) its assets or those of other Gruppo SNAI components, for a value of more than 5 million euro, for the entire duration of the loans, except to perform ordinary activity and at market terms and, any income realised is used to develop Company activities, etc.

The occurrence of any significant event, for example, (i) Company's breach of the commitments assumed under the Loan Contracts, (ii) declaration of insolvency by one of the Gruppo SNAI components, (iii) non-compliance for a value over the specifically agreed ceilings, by any of the Gruppo SNAI components in related to the related borrowing, which is not immediately remedied if possible, (iv) exit of any of the subsidiaries from Gruppo SNAI, (v) loss of licences, authorisations or service contracts which produce more than the total Group turnover, which shall result in the forfeiture of the Company's acceleration clause with the consequence that the lenders in this case can ask for the immediate repayment of all the sums paid and not repaid up to that time.

In terms of the collateral backing the above loans, a mortgage has been established on SNAI S.p.A. property and, in particular, on the property which is part of the Milan Trot area and real estate portfolio represented by the Montecatini Terme race track and the property which is part of the Milan Gallop area.

In particular a first and second mortgage has been established on this property to back the two loan tranches granted by Unicredit Banca d'Impresa as well as a third mortgage to back the loan granted by Solar S.A.

Other guaranties granted in favour of Unicredit Banca d'Impresa S.p.A. and di Solar S.A., all first and second, as represented by:

- (i) pledge granted by SNAI Servizi S.r.l. on SNAI S.p.A. shares it possesses, totalling 50.68% of the SNAI S.p.A. share capital;
- (ii) pledge on the SNAI S.p.A. equity investments in the subsidiaries Festa S.r.l., Immobiliare Valcarenga S.r.l., MAC Horse S.r.l and equity investment in Teleippica S.r.l.;
- (iii) pledge on the current accounts of SNAI S.p.A., as well as pledge on the current accounts of Festa S.r.l. and MAC Horse S.r.l.

26. PROVISIONS FOR FUTURE RISKS AND CHARGES

As of 31 December 2007 these totalled 7,312 thousand euro, the table below shows the break down of changes:

(values in thousands of euro)	Balance at 31.12.06	Use of provision	Reallocated amounts	accrual for year	Balance at 31.12.07
La Television equity investment	207	- 197	- 10		-
Risto Misto equity investment	207				207
Teseo equity investment	1,330			394	1,724
Tivù+ equity investment	50			950	1,000
Pension Fund	18	- 18			-
Florence INPS office	879			10	889
Civil disputes and contractual risks	135		10	2,523	2,668
Slot Network renewal	-			824	824
	2,826	- 215	-	4,701	7,312

The provision for future risks and charges was established to take into account risks associated with the liquidation of some group companies and represents the maximum amount that the company is willing to sustain to close the various proceedings. This provision is composed of total accruals made in previous periods and what was accrued during the year to adjust the provision for risks related to the subsidiary Teseo S.r.l. in liquidation for 394 thousand euro and sister company Tivù + S.p.A. in liquidation for 950

The Florence INPS office item contains the amount of the provision for risks for remaining disputes of the subsidiary Ippodromi San Siro S.p.A. (formerly Trenno S.p.A.) merged with SNAI S.p.A., which are still in progress with the Florence INPS office for 889 thousand euro. The accrual for the period for 10 thousand euro is related to interest on the dispute with the Florence INPS office.

Risks for civil disputes and contractual risks contains to total estimated amount to cover the remaining risk entries related to the settlement of transactions and disputes with third parties, including of a fiscal, tax and contribution nature and total 2,668 thousand euro.
Moreover, in 2007 a provision was set up to accrue 824 thousand euro related to technological upgrading as required by article 19 of the "Specifications" for "assignment in concession of the activation and operation of the computerised management network for legal gaming using amusement machines as well as connected activities and functions" from the starting date of the concession.

Administrative Disputes for presumed breaches

SNAI S.p.A., as licensee for the management of the computerised network for interconnection of amusement machines received in June 2007 a notice from the Regional Public Prosecutor's Office of the Region of Lazio Audit Office asking it to submit its own deduction related to an enquiry on a possible tax offence.
The regional Public Prosecutor charged SNAI, along with three managers from the Autonomous Administration of State Monopolies, with inexact fulfilment of some concession obligations and failure to comply with some service levels. After and with reference to the enquiry of the Regional Public Prosecutor, AAMS, with an act signed by one of the managers involved in the proceeding started by the Public Prosecutor, served SNAI and all the other nine licensees with the same breaches, not considering any evaluation on the point and as a precautionary measure. AAMS reserved the right to make a final decision following deductions presented by the concessions. SNAI S.p.A., as stated above, submitted its deductions within the deadlines disputing the ground of the charges. To this end SNAI S.p.A. has already obtained legal opinions which confirm its position: the disputed sanctions are not applicable and consequently the requested amounts are not due.
The supposed tax offence amounts to around 4.8 billion euro, entirely composed of penalties for the presumed failure to comply with service levels. SNAI S.p.A. is certain to have completely fulfilled its concession obligations, the most important being the complete payment of the Single Tax Withholding (PREU) and concession fee. The Board of Directors, including based on the legal opinions obtained, believe that no type of liability for the company can emerge from these proceedings, nor will there be negative results of an equity nature.
It is important to note that on 25 July 2005 the second session of the Lazio Regional Court accepted the suspension request submitted by SNAI against the administrative sanction which ordered payment of penalties for around 4.8 billion euro; The Lazio Regional Court held the hearing on 23 January 2008 and the company is waiting for publication of the ruling.

27. VARIOUS ACCOUNTS PAYABLE AND OTHER LIABILITIES

The various non - current accounts payable and other liabilities are composed as follows:

thousands of euro	31.12.2007	31.12.2006		change
Determined Payables due to AAMS	13,757	18,374	-	4,617
Inps injunctions	90	1,168	-	1,078
Total other non-current accounts payable and other liabilities	13,847	19,542	-	5,695

The various current accounts payable and other liabilities are composed as follows:

thousands of euro	31.12.2007	31.12.2006	difference
Tax liabilities:			
Tax liabilities for income taxes	5,687	2,027	3,660
VAT liability	7,301	-	7,301
Irpef liability for Employees	270	235	35
Irpef liability for Freelances	48	335	- 287
Single Tax on Bets liability	6,385	7,645	-1,260
Slot machine withholdings	-	31	- 31
Other taxes	-	76	- 76
	19,691	10,349	9,342
Liabilities with Social Security Institutions			
Inps	703	555	148
Inps injunctions	1,078	898	180
Inail	7	7	-
Enasarco	-	2	- 2
Previndai	61	45	16
Supplementary pension funds	72	17	55
	1,921	1,524	397
Other current payables:			
due to directors	606	620	- 14
due to statutory auditors	114	151	- 37
due to freelancers	3	7	- 4
due to employees	693	559	134
due to AAMS for weekly balances on Events Outcome Contests	1,200	5,076	-3,876
due to others for Events Outcome and Ippica Nazionale winnings	615	215	400
for security deposits	876	426	450
for SNAI Card gaming balances	1,860	1,293	567
to bettors for accepted bets	1,547	921	626
to bettors for winnings	1,386	1,119	267
to U.N.I.R.E. for fifteen day balances	4,453	5,011	- 558
to SOGEI for fixed tickets	232	113	119
to AAMS for determined payables	5,487	11,248	- 5,761
to AAMS for PREU balances	11,820	9,852	1,968
to others	2,677	2,164	513
	33,569	38,775	- 5,206
Accrued expenses and deferred income:			
other deferred income	832	28	804
	832	28	804
Total other current accounts payable and other liabilities	56,013	50,676	5,337

Tax liabilities includes the current liability for single tax totalling 6,385 thousand euro accrued in the month of December on sports and horse racing bets paid on 16 January 2008.
The other liabilities due to social security institutions includes a liability due to INPS related to an unfavourable ruling issued by the Cassation Court in December 2004 on a dispute between INPS and the subsidiary Ippodromi San Siro S.p.A (formerly Società Trenno S.p.A.), in relation to contributions for employees at the totalisator of the Milan horse race tracks, that, following acceptance of the reduction of the fines and instalment plan, was accounted for in noncurrent payables for 90 thousand euro and in current payables for 1,078 thousand euro.
The other liabilities include determined payables due to AAMS for the suspended single tax and for the guaranteed minimums accrued and conferred with the acquisition of the Concession company branches not yet due, in particular:

- 13,757 thousand euro (18,374 thousand euro), equal to the annual payments due starting from 31 October 2009 of payables for the guaranteed minimums accrued at the effective date of transfer of the company branches beyond 12 months, discounted at 31 December 2007 at the rate of 7.3% which represents the market cost of financial instruments;

- 5,487 thousand euro related to the payments due within 12 months for the guaranteed minimums and for the suspended single tax.

Payables due to AAMS for the weekly balances on events outcome contests totalling 1,200 thousand euro are related to weekly balances not yet collected by AAMS due to movements in events outcome contests.

Payables were also recorded on acceptance of horse racing and sports bets in directly managed concessions following acquisition of the Concession company branches related to:
- balance of SNAICard computerised gaming cards (1,860 thousand euro);
- payables recorded for collected bets up to 31 December 2007 and for which the events have not yet taken place (antepost betting) for 1,547 thousand euro;
- payables due to bettors for accrued winnings not collected at 31 December 2007 (1,386 thousand euro) and ippica nazionale winnings (615 thousand euro);
- payable due to SOGEI for the UNIRE horse racing withholding due for the second half of December and paid on 5 January 2008 (4,453 thousand euro);
- payable due to SOGEI for the winning and reimbursable tickets prescribed in December and paid on 5 January 2008 (232 thousand euro);

The other current payables include the net liability related to the single withholding (PREU), 11,820 thousand euro, calculated every fifteen days on the movement of amusement machines (slot machines), starting 1 January 2007 the tax rate dropped from 13.5% to 12%. At the 23 January 2008 due date the company had paid 13,226 thousand euro for PREU based on its counts on the existing number of machines for the half month; the counts are not in line wit the AAMS counts. During the first months of 2008 AAMS asked the company to pay a higher concession fee of 109 thousand euro calculated on taxable income from the last two bimonthly periods of 2007.

The requested amounts were recorded on the credit side, paid in 2008 and at the same time disputed by the company while waiting to obtain realignments. Recently methods and counts have been compared with AAMS and the company is confident that it will be able to define them in the amount of credit already expressed in its books, also in consideration of the outcome of expert reports on the counting methods used by the company.

The balance of payables due to others is mainly composed of the payable for the Slot Machine fee related to the November-December 2007 bimonthly period.

The deferred income item totalling 832 thousand euro refers to the amount not yet accrued of income invoiced ahead of time for the sale of the option right.

28. ACCOUNTS PAYABLE

The table below shows the breakdown of accounts payable:

thousands of euro	31.12.2007	31.12.2006	change
Current accounts payable:			
due to suppliers	26,377	26,729	- 352
due to foreign suppliers	174	- 1	175
due to sister company suppliers	585	63	522
for invoices to receive from SNAI Servizi S.r.l.	49	-	49
for invoices to receive from Festa	32	938	- 906
for invoices to receive from Trenno	19	29	- 10
Total	27,236	27,758	- 522

29. FINANCIAL COMMITMENTS

The sureties issued total 226,645 thousand euro (152,646 thousand euro) and refer to:

- 35,389 (27,376) thousand euro to sureties issued by various banks to AAMS, requested for the legal gaming concession for amusement machines, to back the fifteen day payment of the PREU balance and concession payment as required by article 20 paragraph 4 of the Concession due 31 October 2011;
- 1,463 (1,463) thousand euro for sureties issued to Cassa di Risparmio Firenze for Teleippica S.r.l., to back a loan signed by the sister company;
- 3,095 thousand euro for UNIRE to back transfer of the concession for bet acceptance for the concessions 175-341-95-345-438-446-170-408-340-215.
- 1,113 (1,235) thousand euro for AAMS to back transfer of the concession for bet acceptance for the concessions 1625-1521-1500-1627.
- 203 thousand euro surety for AAMS to back payment of the instalment related to the payables accrued by the licensee due to the tax authority and Italian Olympics Committee for the concessions 223-465-1258-3702-3539.
- 344 thousand euro surety for AAMS to back the sports concession obligations for the concessions 223-465-1258-3702-3539.
- 90 thousand euro surety for AAMS to back the horse concession obligations for the concession 1258.
- 203 (203) thousand euro for the municipality of Milan for building permits;
- 490 (137) thousand euro sureties for the Ministry of Economic Development to back prizes promoted for the prize contests;
- 20 thousand euro for Fiorentina Gas to back the gas supply contract;

- 25,806 (25,806) thousand euro sureties for UNIRE to back the concession obligations related to Horse racing Concessions;
- 7,585 (7,585) thousand euro sureties for UNIRE to back the structured loan related to Horse racing Concessions;
- 12,644 (14,906) thousand euro sureties for AAMS to back payment obligations for accrued payables for Sports Concessions;
- 45,890 (11,500) thousand euro sureties for AAMS to back opening of horse race gaming shops and corners and activation of remote horse race gaming;
- 45,640 (14,750) thousand euro sureties for AAMS to back opening of sports gaming shops and corners and activation of remote sports gaming;
- 17,402 (15,750) thousand euro sureties for AAMS to back correct execution of Sports Concession obligations;
- 7,630 (7,630) thousand euro sureties for AAMS to back correct execution of Horse Racing Concession obligations;
- 16,620 thousand euro sureties for AAMS to back payment obligations for accrued payables for Horse Racing Concessions;
- 18 (18) thousand euro sureties for Esselunga S.p.A. to back the obligations under a sublet contract;
- 5,000 thousand euro sureties for AAMS to back obligations assumed with the submission of an application to participate in the selection for awarding the operating concession and development of national totalisator numeric games.

The company has undertaken commitments for operating leases of computerised equipment mainly used to operate the gaming network and terminals for accepting horse racing and sports bids for 21,263 (12,872) thousand euro of which with remaining payable within 12 months for 6,932 thousand euro, more than 12 months but less than 5 years for 13,891 thousand euro and 331 thousand euro beyond 5 years.

During the first half of 2006 the company obtained a loan for the acquisition of “Concession” company branches, against which the following guarantees were issued:

- First mortgage issued by SNAI S.p.A. in favour of Unicredit on 16 March 2006 on the race Tracks of Milan and Montecatini and the Headquarters in Porcari (LU), value 193,000 thousand euro, Notary Public Cambareri File;
- Second mortgage issued by SNAI S.p.A. in favour of Unicredit on 16 March 2006 on the race Tracks of Milan and Montecatini, value 340,000 thousand euro, Notary Public Cambareri File;
- Third mortgage issued by SNAI S.p.A. in favour of Solar s.a. on 16 March 2006 on the race Tracks of Milan and Montecatini and the Headquarters in Porcari (LU), value 87,000 thousand euro, Notary Public Cambareri File;
- First pledge on the Equity Investment Festa S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 1,000 thousand euro, Notary Public Cambareri file 16093;
- First pledge on the Equity Investment Immobiliare Valcarenga S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 51 thousand euro, Notary Public Cambareri file 16094;
- First pledge on the Equity Investment Mac Horse S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 26 thousand euro, Notary Public Cambareri file 16092;
- First pledge on the Equity Investment Teleippica S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 495 thousand euro, Notary Public Cambareri file 16091;
- Second pledge on the Equity Investment Festa S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 1,000 thousand euro, Notary Public Cambareri file 16096;
- Second pledge on the Equity Investment Immobiliare Valcarenga S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 51 thousand euro, Notary Public Cambareri file 16097;
- Second pledge on the Equity Investment Mac Horse S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 26 thousand euro, Notary Public Cambareri file 16098;
- Second pledge on the Equity Investment Teleippica S.r.l issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 495 thousand euro, Notary Public Cambareri file 16095;
- First pledge issued by SNAI S.p.A. in favour of Unicredit on current accounts in the name of SNAI S.p.A. as listed below:

Banca Nazionale del Lavoro S.p.A. Agenzia Lucca Sede Abi 01005 Cab 13701 c/a 41924
Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 27298/36
Monte dei Paschi di Siena S.p.A. Agenzia Roma Sede Abi 01030 Cab 03202 c/a 1628546
Monte dei Paschi di Siena S.p.A. Agenzia Milano Sede Abi 01030 Cab 01604 c/a 13734/08
Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 28303/82
Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 1643343
Banca di Roma S.p.A. Agenzia n. 1 Lucca Abi 03002 Cab 13700 c/a 653388/58
Cassa di Risparmio di Lucca Agenzia 4 Abi 06200 Cab 13704 c/a 274955
Cassa di Risparmio di Lucca Pisa Livorno Agenzia 4 Abi 06200 Cab 13704 c/a 177652
Banca Popolare di Milano S.c.a.r.l. Agenzia 7 di Milano Abi 05584 Cab 1607 c/a 48091
Banca CR Firenze S.p.A. Agenzia Capannori Abi 06160 Cab 24700 c/a 4723C01
Banca Nuova S.p.A. Agenzia Roma 1 Abi 05132 Cab 3201 c/a 6736
Credito Artigiano S.p.A. Agenzia Milano S.Fedele Abi 03512 Cab 1601 c/a 7602
Unicredit Banca d’Impresa S.p.A. Agenzia Bologna 42 Abi 03226 Abi 02460 c/a 2896061
Banco Posta Agenzia Sede Lucca Abi 07601 Cab 13700 c/a 65065567

- First pledge issued by the subsidiaries Festa S.r.l. and Mac Horse S.r.l. in favour of Unicredit on current accounts in their names.
- Second pledge issued by SNAI S.p.A. in favour of Solar S.a. on current accounts in the name of SNAI S.p.A. as listed below:

Banca Nazionale del Lavoro S.p.A. Agenzia Lucca Sede Abi 01005 Cab 13701 c/a 41924
Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 27298/36

Monte dei Paschi di Siena S.p.A. Agenzia Roma Sede Abi 01030 Cab 03202 c/a 1628546
Monte dei Paschi di Siena S.p.A. Agenzia Milano Sede Abi 01030 Cab 01604 c/a 13734/08
Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 28303/82
Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 1643343
Banca di Roma S.p.A. Agenzia n. 1 Lucca Abi 03002 Cab 13700 c/a 653388/58
Cassa di Risparmio di Lucca Agenzia 4 Abi 06200 Cab 13704 c/a 274955
Cassa di Risparmio di Lucca Pisa Livorno Agenzia 4 Abi 06200 Cab 13704 c/a 177652
Banca Popolare di Milano S.c.a.r.l. Agenzia 7 di Milano Abi 05584 Cab 1607 c/a 48091
Banca CR Firenze S.p.A. Agenzia Capannori Abi 06160 Cab 24700 c/a 4723C01
Banca Nuova S.p.A. Agenzia Roma 1 Abi 05132 Cab 3201 c/a 6736
Credito Artigiano S.p.A. Agenzia Milano S.Fedele Abi 03512 Cab 1601 c/a 7602
Unicredit Banca d'Impresa S.p.A. Agenzia Bologna 42 Abi 03226 Abi 02460 c/a 2896061
Banco Posta Agenzia Sede Lucca Abi 07601 Cab 13700 c/a 65065567

- Second pledge issued by the subsidiaries Festa S.r.l. and Mac Horse S.r.l. in favour of Solar S.a. on current accounts in their names.
- First pledge issued 16 March 2006 by SNAI S.p.A. in favour of Unicredit Banca d'Impresa S.p.A. on 39 trademarks and 2 patents owned by the company, Notary Public Cambareri file 16099;
- Second pledge issued 16 March 2006 by SNAI S.p.A. in favour of Solar S.a. on 39 trademarks and 2 patents owned by the company, Notary Public Cambareri file 16100.

On 20 October 2006 the company obtained Waivers from the lenders to be able to sign a contract for a line of credit for guarantees of euro 140,000,000.00 needed for the call for tenders for new bet acceptance licences based on Italian Legislative Decree 223 of 04.07.2006. This line of credit was used to issue definite sureties of euro 45,640,000.00 and euro 45,890,000.00 as specified above. On 27 September 2007 Waivers were obtained from the lenders to sign a new contract for a line of credit for guarantees of euro 305,000,000.00.

On 27 September 2007 a contract was signed with a leading bank for this line of credit, aimed at SNAI S.p.A.'s participation as a candidate in the selection procedure for awarding the concession to run and develop national totalisator numeric games. On the same date a surety was issued for euro 5,000,000.00, as described above, which is now extinguished.

On 27 December 2007, based on a decision from the Court of Lucca, a distraint was issued in favour of Vision Srl on c/a Cassa Risparmio Lucca Pisa Livorno for a sum totalling euro 250,000.00.

30. RELATED PARTIES

The Consob communication 6064293 of 28 July 2006 requires that, in addition to what is required by the international accounting standard related to "Disclosure of related party transactions" (IAS 24) information be provided on the incidence which transactions or positions with related parties, as classified by the same IAS 24, have on the profit, loss, asset, liability and financial situation.

The table below shows these incidences. The incidences which the transactions have on profit and loss as well as cash flow of the company and/or Group need to be analysed considering that the main transactions existing with related parties are all identical to the equivalent contracts existing with third parties: therefore in the current situation there is no difference in treatment between related parties and third parties.

Currently, within the framework of Gruppo SNAI Companies, relations with related parties are represented by contracts of a commercial or financial nature, and for services of an administrative, financial and tax consultation, tax and organisation nature with subsidiaries and contracts with the parent company SNAI Servizi S.p.A. for legal assistance services and for regulation of the financial current account.
The transfer prices are related to active sales prices to the betting collection chain (i.e. market prices); purchase costs for services governed by commercial contracts use market prices and conditions as a reference for contracts of a financial nature and operating costs for services and performance for the other buying and selling of inter-group services.

The contracts, including services supplied by some subsidiaries for other group companies, as well as those supplied by SNAI S.p.A. to other group companies and performance of services between operating companies, are formalised and invoiced with multi-year frequency.

The company performs services for the concessionaries of horse racing agencies and sports agencies, as explained above. Many licensees hold minority interests in the share capital of the parent company SNAI Servizi S.r.l. Transactions, in standardised contracts, are governed at market conditions completely identical to those of third party licensees.

The acquisition transaction of the company branches occurring on 16 March 2006 is basically the result of a transaction with related parties since most of the company branches acquired by SNAI S.p.A. were directly or indirectly referable to members of the SNAI S.p.A. board of directors, who were owners, directly or indirectly, through the companies they hold investments in or which are under their families. In particular of the 450 transferred branches, 236 branches were under the aforesaid subjects, 301 branches under shareholders of the parent company SNAI Servizi S.r.l. and 2 branches the subsidiary Festa S.r.l. The total number of acquired company branches by related parties was 365.

By application of article 2391-bis of the Italian Civil Code and recommendations of the self-governance code, the company relied on the consultation of independent experts, asking for a Fairness Option, which confirmed the congruity of the amount paid by the company to acquire the company branches, directly or indirectly attributable to the directors. The amount paid to the directors totalled 204.9 million euro, that to the shareholders of the parent company SNAI Servizi S.r.l. 256.3 million and that related to the subsidiary 0.69 million euro. The sum of the amounts paid to related parties for a total of 302.8 million euro represents 84.46% of the total amount paid.

The clauses in the company branch acquisition contracts, as well as those for management and service contracts, with counterparts being the shareholders of the parent company are completely identical to similar contracts with third parties. With the company branch acquisition SNAI S.p.A. also signed management contracts, to use services connected with operational management of the corner, with gaming acceptance corner which transferred the concessions. The payment was in line with the total volume of bets collected for all the acquired company branches with the same percentage used for concession company branches acquired from third parties that are not shareholders of the parent company SNAI Servizi S.r.l. The same contractual conditions applied to third parties were also applied to the shareholder managers of the parent company SNAI Servizi S.r.l.

The table below summarises the following:
- the amount of accounts receivable for services and products and receivables for the collection of horse race and sports bets, for ippica nazionale betting, event outcome contests and amusement machines, which existed at 31 December 2007 and 31 December 2006 between SNAI S.p.A. and the other group subsidiaries with shareholders of the parent company SNAI Servizi S.r.l., to whom the same companies supply services within the framework of their institutional activities;
- the amount of financial receivables;
- the amount of accounts payable and financial payables;

It is important to note that some directors of the group companies are also shareholders of the parent company SNAI Servizi S.r.l., although they do not hold significant or controlling shareholdings.

thousands of euro	31/12/2007	incidence %	31/12/2006	incidence %
Accounts receivable:				
- due from SNAI Servizi S.r.l. shareholders	3.691	7,19%	3,054	6.27%
- due from SNAI Servizi S.r.l.	-	0,00%	6	0.01%
- due from Trenno S.r.l.	2.026	3,95%	672	1.38%
- due from Festa S.r.l.	216	0,42%	131	0.27%
- due from TIVU+ S.p.A. in liquidation	4	0,01%	6	0.01%
- due from Teleippica S.r.l.	18	0,04%	1	0.00%
- due from Connext S.r.l.	2	0,00%	-	0.00%
Total accounts receivable	5.957	11,61%	3,870	7.94%
Other noncurrent non-financial assets:				
- due from TIVU+ S.p.A. in liquidation	-	0,00%	371	18,88%
Total other non-current assets	-	0,00%	371	18,88%
Other current assets:				
- due from SNAI Servizi S.r.l. shareholders	3.893	12,39%	3.241	23,34%
- due from Trenno S.r.l.	404	1,29%	-	0,00%
- due from Mac Horse	78	0,25%	85	0,61%
- due from Immobiliare Valcarenga	25	0,08%	18	0,13%
- due from Connext S.r.l.	1	0,00%	-	0,00%
- due from TIVU+ S.p.A. in liquidation	715	2,28%	478	3,44%
Total other current assets	5.116	16,29%	3.822	27,52%
Financial receivables:				
- due from SNAI Servizi S.r.l.	13	0,06%	-	0,00%
- due from Trenno S.r.l.	18	0,09%	1.432	22,53%
- due from Festa S.r.l.	338	1,67%	1.845	29,02%
- due from La Televisione S.r.l. in liquidation	-	0,00%	122	1,92%
- due from Ristomisto S.r.l. in liquidation	308	1,53%	121	1,90%
- due from Tivu+ S.p.A. in liquidation	1.665	8,25%	1.211	19,05%
- due from Teseo S.r.l. in liquidation	1.724	8,54%	1.476	23,22%
- due from Teleippica S.r.l.	874	4,33%	133	2,09%
Total financial receivables	4.940	24,47%	6.340	99,73%
Total receivables	16.013	15,25%	14.403	20,31%
Accounts payable:				
- due to SNAI Servizi S.r.l. shareholders	268	0,98%	769	2,77%
- due to SNAI Servizi S.r.l.	49	0,18%	-	0,00%
- due to Trenno S.r.l	19	0,07%	35	0,13%
- due to Festa S.r.l.	32	0,12%	939	3,38%
- due to Tivu+ S.p.A. in liquidation	43	0,16%	43	0,15%
- due to Teleippica S.r.l.	395	1,45%	20	0,07%
- due to Connext S.r.l.	148	0,54%	394	1,42%
Total accounts payable	954	3,50%	2.200	7,92%
Non-current financial payables:				
- due to SNAI Servizi S.r.l. shareholders for extension of company branch acquisitions	14.426	4,60%	18.495	5,90%
Current financial payables:				
- due to SNAI Servizi S.r.l. shareholders for extension of company branch acquisitions	5.527	16,92%	32.840	76.27%
- due to SNAI Servizi S.r.l.	-	0,00%	42	0.10%
- due to Immobiliare Valcarenga	139	0,43%	107	0.25%
- due to Mac Horse S.r.l.	353	1,08%	381	0.88%
Total current financial payables	6.019	18,43%	33.370	77.50%
Total payables	21.399	5,02%	54.065	12.43%

The financial receivables are recorded net of the specific bad debt provision.

The table below shows:
- the income for services and products and services performed for the collection of horse race and sports bets, for ippica nazionale betting, event outcome contests and amusement machines, which existed at 31 December 2007 and 31 December 2006 between SNAI S.p.A. and shareholders of the parent company SNAI Servizi S.r.l., to whom the same company supplies services within the framework of their institutional activities;
- financial income;
- the costs for services and charge backs, costs related to amusement machines, existing at 31 December 2007 between SNAI S.p.A. and shareholders of the parent company SNAI Servizi S.r.l., for whom the same company supplies services within the framework of its institutional activities.
- costs for interest and fees.

thousands of euro	31/12/2007	incidence %	31/12/2006	incidence %
Income from services and charge backs:				
- from SNAI Servizi S.r.l. shareholders	8.809	1,88%	11.178	5,31%
- from Festa S.r.l.	-	0,00%	37	0,02%
- from Trenno S.r.l	5.494	1,17%	1.517	0,72%
- from Teleippica S.r.l.	-	0,00%	3	0,00%
Total income from services and charge backs:	14.303	3,05%	12.735	6,05%
Other revenue				
- from SNAI Servizi S.r.l.	178	2,37%	186	3,43%
- from Festa S.r.l.	314	4,19%	395	7,29%
- from Mac Horse S.r.l.	33	0,44%	33	0,61%
- from Trenno S.r.l	320	4,27%	56	1,03%
- from Immobiliare Valcarenga S.r.l.	13	0,17%	13	0,24%
- from Tivu+ S.p.A. in liquidation	4	0,05%	217	4,01%
- from Teleippica S.r.l.	375	5,00%	423	7,81%
- from Connext S.r.l.	9	0,12%	-	0,00%
Total Other revenue	1.246	16,61%	1.323	24,42%
Interest income:				
- from SNAI Servizi S.r.l.	319	6,74%	186	10,24%
- from SNAI Promotion S.r.l. in liquidation	-	0,00%	4	0,22%
- from Festa S.r.l.	84	1,78%	20	1,10%
- from Trenno S.r.l	64	1,35%	36	1,98%
- from La Televisione S.r.l. in liquidation	3	0,06%	7	0,39%
- from Ristomisto S.r.l. in liquidation	82	1,73%	60	3,30%
- from Teseo S.r.l. in liquidation	151	3,19%	105	5,78%
- from Tivu+ S.p.A. in liquidation	177	3,74%	100	5,50%
- from Teleippica S.r.l.	158	3,34%	-	0,00%
Total interest income	1.038	21,93%	518	28,51%
Total revenue	16.587	3,45%	14.576	6,70%
Cost for semi-finished and finished product acquisition				
- from Connext S.r.l.	170		-	
Total cost for semi-finished and finished product acquisition	170	-	-	-
Cost for used raw materials and consumables				
- from Festa S.r.l.	29		-	
- from Connext S.r.l.	92		-	
Total cost for used raw materials and consumables	121	-	-	-
Cost for services and charge backs:				
- from SNAI Servizi S.r.l. shareholders	75.490	21,47%	63.153	49,61%
- from SNAI Servizi S.r.l.	510	0,15%	441	0,35%
- from Festa S.r.l.	5.070	1,44%	3.916	3,08%
- from Trenno S.r.l.	133	0,04%	45	0,04%
- from Mac Horse S.r.l.	599	0,17%	624	0,49%
- from Immobiliare Valcarenga S.r.l.	-	0,00%	43	0,03%
- from Connext S.r.l.	528	0,15%	793	0,62%
- from Trenno S.r.l.	73	0,21%	344	0,27%
Total cost for services and charge backs	83.061	23,63%	69.359	54,49%
Cost for personnel posted to other areas				
- from SNAI Servizi S.r.l.	125	1,59%	122	0,80%
- from Festa S.r.l.	33	0,42%	39	0,25%
- from Trenno S.r.l.	-	0,00%	30	0,20%
Total cost for personnel posted to other areas	158	2,01%	191	1,25%
Interest expense and fees				
Fees on sureties from SNAI Servizi S.r.l.	-	0,00%	76	0,25%
Interest expense from SNAI Servizi s.r.l.	1	0,00%	-	0,00%
Interest expense from Festa s.r.l.	60	0,14%	83	0,27%
Interest expense from Trenno s.r.l.	3	0,01%	-	0,00%
Interest expense from Mac Horse S.r.l.	33	0,08%	23	0,08%
Interest expense from Teleippica S.r.l.	-	0,00%	278	0,92%
Interest expense from Immobiliare Valcarenga S.r.l.	12	0,03%	5	0,02%
Imputed financial charges on Vendor Loan due to shareholders	1.363	3,20%	2.099	6,93%
Total interest expense and fees	1.472	3,46%	2.564	8,47%
Total costs	84.982	21,14%	72.114	41,70%

31. FINANCIAL RISK MANAGEMENT

The company has financial liabilities which are mainly composed of bank loans, loans granted by others (e.g. vendor loan, etc.) and finance and operating lease contracts. These contracts are medium and long term, in part not remunerated.

These liabilities were undertaken based on important strategic development operations planned and implemented in 2006 and 2007 in order to acquire new concession company branches and new licences to consolidate and implement the company's presence in its market. A decision was also made to increase the Share Capital of SNAI Spa, concluded in January 2007, used to obtain financial resources for 249,961 thousand euro, to use to support the investments necessary for the development plan and permit sufficient cash autonomy and flexibility.

The company's policy is to reduce the use of burdensome credit to back ordinary operations, reduce the time for collecting accounts receivable, programme times and extension instruments for accounts receivable and plan and diversify the payment methods for investments.

Credit risk

In order to reduce and monitor credit risk SNAI S.p.A. has adopted suitable organisational policies and instruments. SNAI S.p.A. is familiar with and knows its debtors (customers, manager of gaming shops and corners, etc.) very well, thanks to its consolidated and many years of presence in all market segments it targets, characterised by a limited number of participating operators. New potential relations, following the assignment of the "Bersani" call for tender licences, mainly come from already known commodity segments, with more limited and fractioned volumes, thus with lower potential risks.
Potential income related transactions are always previously subjected to a reliability analysis using the aid of information from leading specialised companies. The obtained analyses are appropriately supplemented with objective and subjective elements, deemed useful and already available within the Group, generating a reliability assessment.
A high percentage of income relations are previously covered by sureties or security deposits, issued in favour of the Group based on the characteristics determining the reliability assessment. Established relations are constantly and regularly monitored by a structure specifically dedicated for this function, connected to other interested and involved functions. The extremely brief timeframe of collections, generally weekly or fortnightly, makes it possible to reduce the risk, in part thanks to the collection method by direct debiting.
In some income relations the credit risk is limited by adopting special measures, such as suspension of the service in short timeframes, until settlement of the position.
Payment extensions, by means of written agreements and application of interest on the extension and with issue of notes (in almost all cases) are only allowed in extremely limited and circumspect cases, after previous evaluation and manager's authorisation. Receivables are subject to an analytical assessment on a regular basis.
The risk concerning other financial assets of the company is extremely limited.

Interest rate risk

SNAI S.p.A. has signed some loan contracts, mainly at a variable rate; some of these contracts entail extensions which are not remunerated. The liquid assets and significant cash flow generated by the core business, treated by parameterising the interest income rate to euribor trend, thus limiting the risk of changes in interest rate resulting from loan contracts at a variable rate also parameterised to euribor, mostly at three months.
The centralised management of the Group's cash flow, by using inter-group current accounts, make it possible to optimise cash management and reduce risks and charges at the same time, maximising financial proceeds.

Liquidity risk

SNAI S.p.A. is required to manage incoming and outgoing cash flow (e.g. Preu, Single Tax on bets, etc.) in very short and pre-established timeframes both for incoming and outgoing. Thus the company possesses a fair liquidity and controls liquidity risk by means of various management policies.
Extensions on collections are reduced to a minimum, by adopting adequate timeframes and instruments which are under direct control of the company.
The management of orders to creditors entails a preliminary planning stage aimed at diversifying payment instruments and searching for the broadest and least burdensome timeframes.
In the presence of investments the adopted policy has determined a prudential approach aimed at dividing payments in the medium period, in order to maintain flexibility with cash flows. The use of financing is planned and instrumental to the realisation of investments.

Foreign exchange risk

There is no transaction, worthy of note, that can generate risks connected with currency fluctuations.

Share capital management

Management of the company's share capital is aimed at guaranteeing a sold credit rating and adequate levels of capital indicators to support the industrial activities and investment plans.
The company, within the limits allowed by the contractual conditions of existing loans, can pay dividends to shareholders and issue new shares. SNAI S.p.A. has analysed its capital using a debt/capital ratio, or comparing net debt to total capital plus net debt. The group's policy aims at keeping the ratio between 0.3 and 1.0.
This aim takes into account some equity and borrowing parameters used to calculate the covenants. For additional details see note 33 in the consolidated financial statements.

32. SIGNIFICANT ONE TIME EVENTS AND TRANSACTIONS

There are one time revenue and cost items in 2007.

Revenue

Compared to previous years a certain number of settlements have become recurring connected with former customer licensees who in past used the company's provider services. Most of the disputes have been submitted to arbitration boards appointed by the parties by applying a specific contractual clause. The settlement of the arbitration hearings has been resulting in revenue in favour of the company reflected in the income statement in manner that has become repetitive. Therefore a decision was made not to consider this revenue as having a one time nature.
Costs
During 2007, as described above, non-recurring costs were incurred for one time transactions, since they have all the characteristics of non-recurrence. These include costs incurred for:
- start-up of the debt renegotiation procedure (services for 536 thousand euro);
- for participation in the call for tenders for awarding of the concession to run and develop national totalisator numeric gaming, so-called Superenalotto (services for 2,541 thousand euro, and financial charges for issue of sureties for 1,098 thousand euro). The outcome of the call for tenders, published in January 2008, did not see the company classified in first place.
- Additional accruals to the provision for risks for 4,700 thousand euro to face the greater risk resulting from some contractual relations, including transferred and disputes which have arisen as well as for the coverage of charges resulting during the liquidation of some equity investments.

values in thousands of euro

Non-recurring costs		
Costs for services:		
Costs for starting up debt renegotiation	536	0.15%
Costs for participation in the so-called “SuperEnalotto” call for tenders	2,451	0.70%
Total non-recurring cost for services and use of original works	2,987	0.85%
Other operating expenses:		
Accrual to provision for risks	4,700	15.52%
Financial charges:		
Fees on sureties for participation in the so-called “SuperEnalotto” call for tenders	1,098	2.58%

33. POSITIONS OR SETTLEMENTS RESULTING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

No atypical and/or unusual transactions occurred in 2007.

34. NET FINANCIAL POSITION

The table below shows the net financial position as required by Consob based on article 16 of the Financial Act and article 114, paragraph 5 of Legislative Decree 58/98.

SNAI S.p.A.
Net borrowing
Net Financial Position at 31.12.2007

(values in thousands of euro)		Closing 31.12.2007	Opening 01.01.2007	Change
A.	Cash	1	4	(3)
B.	Other liquid assets	89,231	253,696	(164,465)
C.	Securities held for sale	1	1	0
D.	Liquid assets A+B+C	89,233	253,701	(164,468)
	Current financial receivables:			
	- due from parent company	13	0	13
	- due from subsidiaries	2,388	4,996	(2.608)
	- due from companies subject to control by the same parent company	2,539	1,344	1.195
	- asset management account	15,238	0	15.238
	- Banca Popolare Italiana warrant	6	17	(11)
E.	Total current financial receivables	20,184	6,357	13,827
F.	Current accounts payable due to banks	0	0	0
G.	Current part of noncurrent borrowing	18,820	12,131	6,689
	Other current financial payables:			
	- due from parent company	0	42	(42)
	- due from subsidiaries	491	488	3
	- for concession acquisition (Vendor loan	7,554	41,710	(34.156)
	- due to others	5,793	818	4.975
H.	Total other current financial payables	13,838	43,058	(29,220)
I.	Current financial borrowing F+G+H	32,658	55,189	(22,531)
J.	Net current financial borrowing I-E-D	(76,759)	(204,869)	128,110
K.	Noncurrent financial assets	0	0	0
L.	Noncurrent accounts payable due to banks	225,908	242,328	(16,420)
M.	Bonds issued	0	0	0
	Other noncurrent payables:			
	- for concession acquisition (Vendor loan)	20,043	26,875	(6.832)
	- due to others	67,429	44,172	23.257
N.	Total other noncurrent financial payables	87,472	71,047	16,425
O.	Noncurrent financial borrowing L+M+N	313,380	313,375	5
P.	Noncurrent net financial borrowing O - K	313,380	313,375	5
Q.	Net financial borrowing J+P	236,621	108,506	128,115

Compared to 31 December 2006 net financial borrowing increased by 128,115 thousand euro as the combined effect from flows resulting from core operations and disbursements. The most significant items include:
- payment of 113,945 thousand euro to AAMS for awarding of 1,206 sports licences (342 shops and 864 corners) and 3,886 horse racing licences (99 shops and 3,787 corners), under one sports concession and one horse racing concession respectively, as well as the awarding of a concession for remote horse race gaming and one for sports, following the participation in the call for tenders called by the Ministry of the Economy and Finance to apply the Bersani decree;
- payment for the procurement of goods and machines for setting up the new Bersani call for tenders points of sale for a total of 24,940 thousand euro;
- collection of 4,049 thousand euro related to the conclusion of the share capital increase;
- payment of 60,920 thousand euro for payables related to the acquisition of Concessions;
- repayment of the first loan tranche, tranche A, required by the Senior contract, for 13,000 thousand euro.

34.1 Financial commitments (Negative pledges)

See paragraph 29 “financial commitments” for a detailed description of the pledges and sureties issued by the company.

34.2 Covenants

As is customary with this type of loan, the existing Loan Contracts described above entail a series of obligations for the Company which are substantially the same for both Senior and Junior Loan Contracts.
The company has made a commitment to the lenders to comply with a series of financial parameters mainly connected to the trend of EBITDA on a consolidated level and total net borrowing of the company.
In accordance with the loans – “Senior Loan” and “Junior Loan” the Group is obligated to comply with the following financial covenants related to Gruppo SNAI, which will be verified quarterly on a continuous year basis (compared to the twelve months), starting from the six month period closed at 30 June 2006:

Test Date	EBITDA (in millions of euro)	Ratio between Adjusted Net Total Borrowing and EBITDA	Ratio between Net Total Borrowing and EBITDA	Fixed Charge Coverage
31 December 2007	61.1	5.3	3.9	0.7
31 March 2008	61.9	5.1	3.6	0.6
30 June 2008	62.7	4.9	3.7	0.6
30 September 2008	63.5	4.6	3.5	0.8
31 December 2008	64.3	4.4	3.4	0.8
31 March 2009	65.0	4.2	3.1	0.7
30 June 2009	65.6	4.0	3.2	0.7
30 September 2009	66.3	3.8	3.0	0.8
31 December 2009	66.9	3.5	2.9	0.8
31 March 2010	67.5	3.3	2.7	0.7
30 June 2010	68.0	3.2	2.7	0.7
30 September 2010	68.5	3.0	2.5	0.7
31 December 2010	69.0	2.8	2.4	0.7
31 March 2011	69.3	2.6	2.3	0.2

EBITDA is defined in the loan contract and indicates the consolidated result before interest, taxes, depreciation and accruals and all the extraordinary and non-recurring items.
The values at 31 December 2007 are still significantly influenced by the share capital increase transaction, which was completed 15 January 2007, participation on the call for tenders for awarding of the so-called Bersani points of sale and consequent cash flow for opening of the new points of sale: the calculation prepared for application of the covenants, taking into account the previous phenomena, does not deviate from the contractual parameters.

The uniform application of the covenants on values at 31 December 2007 is still significantly influenced by the share capital increase transaction, which was completed 15 January 2007, and does not deviate from the contractual parameters.

It is important to note that 20 October 2006 a waiver was obtained allowing SNAI to obtain signatory credit for 140 million euro, aimed at participation in the call for tenders for 16,300 new points of sale (gaming shops and corners) for horse racing and sports bets, as well as a consequent increase in capital for a total of around 250 million euro, to use to finance obligations consequent to this call for tenders.

The contractual novation made it possible to participate in the call for tenders which resulted in the awarding of a total of 5094 licences and guarantees sufficient flexibility for management of existing activities as well as those resulting from opportunities offered to the group both by direct management of the new licences and expansion as a provider and supplier of services and machines, with broad margins on the covenants still in existence.

An additional waiver was obtained by SNAI S.p.A. 25 September 2007 to allow the acquisition of signatory credit for an additional 305 million euro, aimed at participation in the call for tenders numeric games by totaliser (so-called superenalotto).

35. FINANCIAL INSTRUMENTS

Below is presented a comparison by category of the accounting value and fair value of the Company's financial instruments

	Carrying amount		Fair value	
Financial assets and liabilities	31.12.07	31.12.06	31.12.07	31.12.06
Cash	89.232	253.700	89.232	253.700
Receivables	51.355	48.697	51.355	48.697
Current financial assets	20.185	6.357	20.185	6.357
Current financial liabilities	13.838	43.058	13.838	43.058
Current portion of long term loans	18.820	12.131	18.820	12.131
Non current financial liabilities	313.379	313.374	313.379	313.374

36. SUBSEQUENT EVENTS

For more information on the result of the call for tenders "Selection procedure for assignment of concession to run and develop national totalisator numeric gaming" so-called Superenalotto see the specific paragraph of the directors' report.

Other information
In compliance with the obligations introduced by Legislative Decree no. 6/2003 regarding corporate governance and specifically with the introduction of articles 2497-2497 septies concerning "company management and coordination" SNAI S.p.A. has indicated and made public, in the manner and form indicated by article 2497 bis of the Civil Code that the parent company SNAI Servizi S.r.l. with registered office in Mantua – Viale Italia 19 – is the subject which exercises management and coordination activities for Gruppo SNAI.

In order to comply with the accounting information obligations on the management and coordination activity indicated by article 2497 bis, paragraph 4, the data from the last approved financial statements of SNAI Servizi S.r.l., closed at 31 December 2006, is shown in attachment 4 to these notes.

These explanatory notes are integrated with the information provided in the attachments:

Breakdown of Equity Investments with changes for the year
2.1) List of subsidiaries
2.2) List of associates and other equity investments
Breakdown of remuneration to directors, statutory auditors and general managers
Financial statements of parent company SNAI Servizi Srl
Breakdown of available reserves
Information regarding real estate holdings of Gruppo SNAI

The attachments are an integral part of these notes and constitute additional information and description of the financial statement items in question.

For the Board of Directors
The Chairman
(Maurizio Ughi)

Porcari, 28 March 2008

The manager assigned with preparation of accounting and corporate documents, Luciano Garza, declares in accordance with paragraph 2 article 154 bis of the Finance Act that the accounting information contained in this annual report corresponds to document results, books of account and accounting entries.

SNAI S.p.A.
Attachment 1
Equity investments

Values in thousands of euro

	VALUES AT 31/12/2006					CHANGES FOR PERIOD							NET VALUE	
	HISTORIC COST	REVALUATION	NOTES	WRITE-DOWNS	ACQUISITION	ACQUISITIONS	DISPOSALS or RECLASSIFICATIONS	CHANGE IN SHARE CAPITAL	REVALUATIONS -	REVALUATIONS +	WRITE-DOWNS -	WRITE-DOWNS +	AT 31/12/07	% held
EQUITY INVESTMENTS														
EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES:														
- SOCIETA' TRENNO S.R.L. UNIPERSONALE	1.932		-2		1.932								1.932	100
- IMMOBILIARE VALCARENGA S.R.L.	228				228								228	100
- FESTA S.R.L. UNIPERSONALE	1.000				1.000								1.000	100
- MAC° HORSE S.R.L. UNIPERSONALE	26				26								26	100
- RISTOMISTO S.R.L. in liquidation	50		-1	-50	0								0	100
- LA TELEVISIONE S.R.L. in liquidation	175		-3	-175	0								0	84,46
- TESEO S.R.L. in liquidation	723		-1	-723	0								0	70
- ALFEA S.P.A. SOC. PISANA CORSE CAVALLI	1.331				1.331								1.331	30,70
- SOLAR S.A.	9				9								9	30
- SOC. GESTIONE CAPANNELLE S.P.A.	513		-4	-513	0			534					534	26,67
- CONNEXT S.R.L. (già LINK)	78		-5		78		-78						0	25
TOTAL EQUITY INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES:	6.065	0		-1.461	4.604	0	-78	534	0	0	0	0	5.060	
EQUITY INVESTMENTS IN OTHER COMPANIES:														
- TIVU+ S.P.A. in liquidation	101		-1	-101	0								0	19,50
- TELEIPPICA S.R.L. (formerly SOGEST S.R.L.)	496				496								496	19,50
- LEXORFIN S.R.L.	46				46								46	2,44
- CONNEXT S.R.L. (formerly LINK S.r.l.)			-5				47						47	15
TOTAL EQUITY INVESTMENTS IN OTHER COMPANIES:	644	0		-101	542	0	47	0	0	0	0	0	589	
TOTAL	6.708	0	0	-1.562	5.146	0	-31	534	0	0	0	0	5.649	

Notes:
(1) Portions proportional to the possession of losses in the year for the years 2001 to 2007 were accrued in the provision for equity investment measurement adjustments; if the percentage of accrued loss for the year exceeded the carrying amount of the equity investment an adequate accrual was made to the provision for risks.
(2) On 27.7.2006 the Shareholders' Meeting of Ippodromi San Siro S.p.A. (formerly Trenno S.p.A.) voted to establish the limited liability company "Sport e Spettacolo Ippico", which changed its company name to "Società Trenno S.r.l.", to which a company branch was conferred effective as of 20.9.2006
(3) On 28 June 2007 the liquidation of the company La Televisione Srl in liquidation was completed and on 23 July 2007 the company was cancelled from the business registry.
"(4) On 5 June 2007 the extraordinary shareholders' meeting of the Società Gestione Capannelle S.p.A. shareholders of vote to cover the losses to 31 March 2007 which totalled 1,932,710.00 euro by: zeroing out the share capital totalling 1,890,800.00 euro; use of the legal reserve for 12,048.00 euro; use of the extraordinary reserve for 27,066.00 euro; payment by shareholders proportional to shares held by each one for 2,796.00 euro.
Moreover, the meeting voted to: re-establish the share capital at 1,956,000.00 euro; re-establish the extraordinary reserve at 41,204.00 euro; that the shareholders could exercise the option by 20 July 2007 and 5 August the subscribers could exercise the pre-emption right on any uncalled options; to consider performed the share capital increase to the amount which would have been subscribed at that date and to change article 5 of the company articles of association regarding share capital; that the part of capital exceeding the payment at the time of subscribing the share capital of 2.5/10 must be paid by the shareholders: 35% by 31 October 2007 and 40% by 15 December 2007 "- as promptly performed. On 19 July 2007 SNAI S.p.A. subscribed 1,713,478 shares at 0.30 euro with simultaneous payment of 2.5/10 of the sum totalling 128,510.85 euro and 11,563.2 euro to cover the losses. Moreover, subsequently SNAI S.p.A. subscribed and paid its uncalled portion totalling 2,090.23 euro. Therefore the equity investment of SNAI S.p.A. in Società Gestione Capannelle S.p.A. now totals 26.67%.
(5) On 7 December 2000 25% in Connext S.r.l. was acquired by acquiring the option rights from previous shareholders and later subscription and paying for increase in reserved share capital.
SNAI programmed a sales agreement for 10% of the equity investment in Connext S.r.l. therefore the 15% totalling 46 thousand euro was reclassified in other companies and the 10% was reclassified in available-for-sale assets and measured at cost, as it was the lower value compared to the estimated fair value.

SNAI S.p.A.
Attachment 2.1

List of subsidiaries

PROFIT (LOSS) AT 31/12/2007 (*) Euro/000	PRO-QUOTA PROFIT (LOSS) Euro / 000	NOM. VALUE OF SHARES/ HOLDINGS Euro	SHARE CAPITAL	EQUITY INVESTMENT	OF SHARES / HOLDINGS REGISTERED OFFICE	POSSESSED Number	VALUE Euro / 000	ADJUSTMENT Euro / 000	DIRECT %	INDIRECT %	TOTAL %	SHAREHOLDERS' EQUITY AT 31.12.07	PRO-QUOTA SHARE-HOLDERS' Euro / 000	Notes Euro / 000
209,64	209,64	1.932,23	1.932,23	1) SOCIETA' TRENNO Srl	MI	1	1.932,23		100,00		100,00	2.085,45	2.085,45	
38,24	38,24	0,52	51,00	2) IMMOBILIARE VALCARENGA Srl	MI	98.000	228,22		100,00		100,00	286,95	286,95	
1.487,75	1.487,75	1,00	1.000,00	3) FESTA S.r.l.	LU	1.000.000	1.000,00		100,00		100,00	2.969,45	2.969,45	
-136,45	-136,45	1,00	25,88	4) MAC HORSE S.r.l. unipersonale	LU	25.883	25,88		100,00		100,00	200,84	200,84	
-696,10	-487,27	1,00	1.032,00	5) TESEO S.r.l. in liquidation	RM	722,40	723,04	-723,04	70,00		70,00	-2.044,51	-1.431,16	1
-79,21	-79,21	50,00	50,00	6) RISTOMISTO S.r.l. in liquidation	PA	1,00	50,00	-50,00	100,00		100,00	-748,52	-748,52	1
823,87	1.032,70		4.091,11				3.959,37	-773				2.749,66	3.363,01	

Notes:
(*)The financial statements of Società Trenno Srl have been prepared with the IFRS, all the others have been prepared with Italian accounting standards.
-1,00 The carrying amount for profit (loss) for the year and shareholders' equity refer to the situation prepared by the liquidator at 31/12/2006.

SNAI S.p.A.
Attachment 2.2

List of associates and other equity investments

REFERENCE YEAR	PROFIT (LOSS) 2006 FINANCIAL STATEMENTS 31/12/2006 Euro/000	PRO-QUOTA PROFIT (LOSS) Euro/000	NOM. VALUE OF SHARES/HOLDINGS Euro/000	SHARE CAPITAL Euro/000	EQUITY INVESTMENTS	OF SHARES/HOLDINGS REGISTERED OFFICE	POSSESSED Number	ACQUISITION VALUE Euro/000	PROVISION FOR ADJUSTMENT	DIRECT % Euro/000	INDIRECT %	TOTAL %	SHAREHOLDERS' EQUITY FINANCIAL STATEMENTS (**) Euro/000	PRO-QUOTA SHAREHOLDERS EQUITY (*) Euro/000'	NOTES
2006	1.024,68	199,81	1,00	2.540,00	TELEIPPICA SRL (formerly Sogest)	PORCARI	495.300	496,16		19,50%		19,50%	4.491,00	875,75	
2006	12.929,47	2.521,25	1,00	520,00	TIVU+ S.P.A. in liquidation	ROME	101.400	101,40	-101,40	19,50%		19,50%	-4.821,96	-940,28	1
2007	27,43	4,11	1,00	81,60	CONNEXT SRL (formerly Link srl)	PORCARI	20.400	46,48		15,00%		15,00%	96,04	14,41	2
2006	40,41	12,12	2,00	31,00	SOLAR S.A.	LUXEMBOURG	4.650	9,30		30,00%		30,00%	71,41	21,42	
1st QUARTER 2007	-133,88	-35,18	0,29	1.890,80	SOCIETA' GESTIONE CAPANNELLE SpA	ROME	1.713.478	513,00	-513,00	26,28%		26,28%	-3,00	-0,79	3 - A
2007	531,13	163,06	1,00	996,30	ALFEA S.p.A. - SOC.PISANA PER LE CORSE CAVALLI	PISA	305.840	1.331,06		30,70%		30,70%	5.154,21	1.582,34	4 - A
2007	-22,13	-0,54	1,00	1.500,00	LEXORFIN S.r.l.	ROME	36.652,00	45,85		2,44%		2,44%	1.778,78	43,40	A
	14.397,11	2.864,63						2.543,24	-614,40				6.766,48	1.596,25	

NOTES:

(*)The pro-quota shareholders' equity approximates the measurement with the equity method.

(**)The financial statements of the associates and others have been prepared according to Italian accounting standards

-1 As of 30 June 2004 the paid in share capital totalled ¤50,000. The company was acquired by others in 2000 and during 2004 80.50% of its nominal share capital was transferred to the parent company SNAI Servizi srl
In 2005 the shareholders' meeting voted to increase the share capital to ¤2,540 thousand. SNAI SpA subscribed and paid its portion totalling 19.5%.

-2 On 7 December 2000 25% in Connext Srl was acquired by acquiring the option rights from previous shareholders and later subscription and payment for increase in reserved share capital.

SNAI programmed the sale of 10% of the equity investment in Connext S.r.l. therefore the 15% totalling 46 thousand euro was reclassified in other companies and the 10% was reclassified

in available-for-sale assets and measured at cost, as it was the lower value compared to the estimated fair value.

(3)The figures refer to the most recent equity situation closed at 31/03/07 and approved by the extraordinary shareholders' meeting on 5 June 2007 which voted to cover losses up to 31 March for 1,933 thousand euro and re-establish the share capital

(4)30.70% of share capital is held, the holding was reached following distribution of uncalled shares, to complete the share capital increase transaction, voted by the Extraordinary Shareholders' Meeting of 21/11/1990

(A)The Equity Investment, already held indirectly at 31/12/2005 through the merged company Ippodromi San Siro SpA (formerly Trenno S.p.A.) was acquired directly after the merger

COMMUNICATION IN ACCORDANCE WITH CONSOB RESOLUTION NO 11971 OF 14.05.1999 – ANNEX 3C
WITH STATEMENT 1 (O.G. ORDINARY SUPPLEMENTS 28.05.1999 – no. 123)

REMUNERATION FOR DIRECTORS, STATUTORY AUDITORS AND MANAGING DIRECTORS

SNAI S.p.A. and SUBSIDIARIES

(Values expressed in euro)

SUBJECT		DESCRIPTION				
FULL NAME	OFFICE	TERM IN OFFICE	REMUNERATION FOR OFFICE	FRINGE BENEFITS	BONUSES AND OTHER INCENTIVES	OTHER REMUNERATION (A)
Ughi, Maurizio	Chairman	from 01.01.07 to 31.12.07	216.000,00			
Ginestra, Francesco	Vice Chairman	from 01.01.07 to 31.12.07	66.000,00			
Losco, Pasquale	Director	from 01.01.07 to 31.12.07	42.000,00			
Ciuffi, Francesco	Director	from 01.01.07 to 31.12.07	42.000,00			
Corradini, Claudio	Director	from 01.01.07 to 31.12.07	42.000,00			220.000,00
Lucchi, Alberto*	Director	from 01.01.07 to 31.12.07	42.000,00			
Mecacci, Alessandro	Director	from 01.01.07 to 31.12.07	42.000,00			
Rossi, Paolo*	Director	from 01.01.07 to 31.12.07	42.000,00			
Siano, Andrea*	Director	from 01.01.07 to 31.12.07	66.000,00			
Garza, Luciano	Managing Director	from 01.01.07 to 31.12.07	127.448,15			
Lerro, Francesco	Chairman of Board of Statutory Auditors	from 01.01.07 to 31.12.07	42.969,68			19.080,00
Ferrigno, Lorenzo	Standing Auditor	from 01.01.07 to 31.12.07	31.225,37			18.000,00
Parlotti, Alessandro	Standing Auditor	from 01.01.07 to 31.12.07	31.225,37			
		Totals	832.868,57	0,00	0,00	257.080,00

** Members of Internal Audit Committee
(A) Remuneration due for offices in subsidiaries

- The statutory auditors remain in office until approval of the financial statements at 31.12.2007
- The directors remain in office until approval of the financial statements at 31.12.2007

Key figures of parent company financial statements

S N A I S E R V I Z I S.R.L.
Registered office: Viale Italia 19 - Mantua
Operative office: Via Boccherini, 39 Porcari (LU)
Share capital ¤ 113,394,897.65 entirely paid in
Tax ID no. 01356590461 – VAT no. 01782510208
Mantua business registry 01356590461
Mantua business information index no. 181350

Balance Sheet at 31 December 2006

(in euro)

ASSETS	31/12/2006	31/12/2005
(A) RECEIVABLES DUE FROM SHAREHOLDERS FOR PAYMENTS	0	9.928
(B) NONCURRENT ASSETS:		
I INTANGIBLE ASSETS:	2.443.214	1.690
II PROPERTY, PLANT AND EQUIPMENT:	35.855	66.603
III FINANCIAL ASSETS:	176.329.066	48.403.010
TOTAL NONCURRENT ASSETS (B)	178.808.135	48.471.303
(C) CURRENT ASSETS:		
II RECEIVABLES:	2.063.805	2.221.257
III FINANCIAL ASSETS NOT CLASSIFIED AS NONCURRENT ASSETS	0	38.038
IV CASH AND CASH EQUIVALENTS	15.669.377	781.255
TOTAL CURRENT ASSETS (C)	17.733.182	3.040.550
D) PREPAID EXPENSES AND ACCRUED INCOME	54.624	964
TOTAL ASSETS	196.595.941	51.522.745

Balance Sheet at 31 December 2006

(in euro)

LIABILITIES	31/12/2006	31/12/2005
(A) SHAREHOLDERS' EQUITY		
I SHARE CAPITAL	38.394.898	38.394.898
II SHARE PREMIUM RESERVE	536	536
III REVALUATION RESERVES	0	0
IV LEGAL RESERVE	1.274.687	1.274.687
V STATUTORY RESERVES	0	0
VI RESERVE FOR TREASURY STOCK IN PORTFOLIO	0	0
VII OTHER RESERVES	32.658.297	2.317.089
VIII RETAINED EARNINGS (LOSSES C/F)	0	0
IX PROFIT (LOSS) FOR YEAR	675.902	-1.175.422
TOTAL SHAREHOLDERS' EQUITY (A)	73.004.320	40.811.788
(B) PROVISIONS FOR RISKS AND CHARGES	1.688.115	1.216.151
(C) TERMINATION BENEFITS FOR EMPLOYEES	120.124	101.573
(D) ACCOUNTS PAYABLE	121.590.822	9.355.561
(E) ACCRUED EXPENSES AND DEFERRED INCOME	192.560	37.672
TOTAL LIABILITIES	196.595.941	51.522.745
MEMORANDUM ACCOUNTS		
Guarantees and sureties received or granted	30.857.763	54.396.705

Income Statement closed at 31 December 2006

(in euro)

	2.006	2.005
(A) OPERATING REVENUE	599.827	688.989
(B) OPERATING COSTS		
7) for services	1.178.841	1.014.631
8) for leased assets	123.103	133.641
9) for personnel:	383.074	424.961
10) depreciation, amortisation and write-downs	497.112	59.378
12) accruals for risks	480.000	0
14) other operating costs	306.842	292.063
TOTAL OPERATING COSTS (B)	2.968.972	1.924.674
DIFFERENCE BETWEEN TOTAL OPERATING REVENUE AND OPERATING COSTS (A-B)	-2.369.145	-1.235.685
(C) FINANCIAL INCOME AND CHARGES	-86.491	196.054
(D) VALUE ADJUSTMENTS TO FINANCIAL ASSETS	0	10.296
(E) EXTRAORDINARY INCOME AND CHARGES	3.224.576	-146.087
PRE-TAX EARNINGS (A-B+C+D+E)	768.940	-1.175.422
22)Income taxes for the year, current, deferred and prepaid	93.038	0
23)PROFIT (LOSS) FOR YEAR	675.902	-1.175.422

SNAI S.p.A.
Attachment 5
Breakdown of available reserves

(values in euro)

	Amount	Possibility of use (1)	Available portion	Breakdown of uses in three previous years	
				to cover losses	for other reasons
Share capital	60.748.992				
Capital reserves:					
Reserve as per Law 72 19/03/83	757.115	A, B, C	757.115	141.520	2
Reserve for share premium	211.318.731	A, B	203.223.541		
Reserve as per Law 413 30/12/91	-			1.849.980	2
IFRS profit -632.571					
Merger surplus	28.071.658	A, B	28.071.658		
Profit reserves:					
Legal reserve	1.267.897	B			
Extraordinary Reserve	22.449.411	A, B, C	22.449.411		
Reserve unavailable for					
SE equity investment measurement	-				
Total			254.501.725		
Non-distributable portion (3)			233.455.146		
Remaining distributable portion			21.046.579		

A: to increase capital
B: to cover losses
C: for distribution to shareholders

Notes:
1) Unless other constraints exist in statutory provisions, to disclose where existing.
2) Used to cover losses for 2006
3) Includes the non-distributable portion to cover remaining value of development costs

Information regarding real estate holdings of Gruppo Snai

REAL ESTATE HOLDINGS AT 31 DECEMBER 2006

AREA	RACE TRACKS mq.	TRACK STANDS mq.*	HORSE BOXES mq.	OFFICES mq.*	DWELLINGS mq.*	FIELDS AND PATHS mq.	OTHER USES mq.	TOTAL mq.
SNAI S.p.A.								
Milano - Via Ippodromo 100				2.238		10.000		10.000
Milano - Via Ippodromo 41			780		230	4.026		4.806
Milano - Via Ippodromo 51			1.215		614	6.455		7.670
Milano - Via Ippodromo 134			6.180		2.150	53.820		60.000
Milano - Centro Ippico Cottica			5.000		2.400	53.350	270	58.620
Milano - Pista allenamento Trenno	410.500							410.500
Milano - Pista allenamento maura	250.000							250.000
Milano - Via Rospigliosi 43			6.250			14.539	130	20.919
Milano - V.le Caprilli 30 (galoppo)	14.574	1.439						16.013
Porcari (LU) - Via Puccini, 2/F				260		2.100	1.560	3.920
Milano - V.le Caprilli 30 e Via Ippodromo 67 (galoppo)	551.206	8.561	3.290		1.680	10.537	160	575.434
Milano - Via dei Piccolomini 2 (trotto)	121.270	17.250	5.000	936	2.000	4.295	300	130.865
Montecatini Terme - Ippodromo Trotto	92.564	1.620	7.400	750	200	53.217	961	154.142
								1.702.889
IMMOBILIARE VALCARENGA S.r.l.								
Milano - 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	4.184	10.739	237.994	6.846	1.733.429

*The areas reported in this column are different than the round floor and are not added to the total in the eighth column

Certification of the financial statements in accordance with article 81 – ter of Consob Regulation no. 11971 of 14 May 1999 and following modifications and integrations

1. The undersigned Maurizio Ughi as Chairman and Luciano Garza as manager in charge of preparing the accounting and corporate documents of SNAI S.p.A. hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the enterprise characteristics and
- effective application

of the administrative and accounting procedures to prepare the financial statements at 31 December 2007.

2. To this end, it is important to note that Gruppo SNAI has started a rationalisation, integration and formalisation activity of the administrative-accounting procedures and consolidated practices, which compose all of the processes involved in preparing the financial statements based on methods generally recognised on an international level, in particular using the "Internal Control – Integrated Framework" models issued by Committee of Sponsoring Organizations of the Treadway Commission (so-called "CoSO report") and "Control Objectives for Information and related Technology (so-called Cobit)" as a reference which represent the standards for the internal audit system generally accepted on an international level.

3. Moreover, we certify that the financial statements:

a. correspond to the books of account and accounting records;
b. are prepared in compliance with the International Financial Reporting Standard adopted by the European Union as well as the provisions issued to implement article 9 of Legislative Decree no 38/2005 (transposing European Union Regulation no. 1606 of 19 July 2002), and to the best of our knowledge it is suitable for providing a true and correct representation of the equity, economic and financial situation of the issuing company and all of the companies included in the consolidation.

This certification is also prepared in accordance with article 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998.

Porcari (LU), 28 March 2008

The Chairman

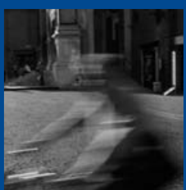
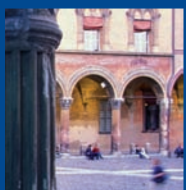
(Maurizio Ughi)

The Manager in charge of preparing accounting documents

(Luciano Garza)

Financial statements of subsidiaries and associates

bologna - piazza s.stefano



TRENNO S.R.L.
Registered office: Via Ippodromo, 100 - 20151 Milan – Tax ID and VAT number 02044330468 – Milan Business Information Index no. 1820350 Share Capital 1,932,230.00 entirely paid in – Milan Business Registry no. 02044330468

Balance prepared in accordance to IAS / IFRS guidelines
Balance sheet at 31.12.07

(in euro)

ASSETS	31/12/2007	31/12/2006
Noncurrent assets		
Company owned property, plant and equipment	3.039.432	2.319.912
Leased property, plant and equipment	1.119.787	152.789
Asset with finance lease contract	0	0
Total property, plant and equipment	4.159.219	2.472.701
Goodwill	71.135	0
Other intangible assets		142.968
Total intangible assets	71.135	142.968
Equity investments measured at equity	0	0
Equity investments in other companies	0	0
Total equity investments	0	0
Other financial assets		145.000
Prepaid taxes	156.762	54.526
Other non-financial assets	101.993	135.277
Total noncurrent assets	4.489.109	2.950.472
Current assets		
Inventories	215.505	223.098
Accounts receivable	7.638.871	3.295.258
Other assets	276.498	143.839
Current financial assets	0	0
Cash and cash equivalents	2.958.308	8.053.852
Available-for-sale assets	0	0
Total current assets	11.089.182	11.716.047
TOTAL ASSETS	15.578.291	14.666.519

LIABILITIES AND SHAREHOLDERS EQUITY	31/12/2007	31/12/2006
Shareholders' equity		
Share capital	1.932.230	1.932.230
Reserves	-56.420	8
Profit (loss) for period	209.641	-56.428
Total Shareholders' Equity	2.085.451	1.875.810
Noncurrent liabilities		
Termination benefits	3.566.097	3.956.892
Noncurrent financial liabilities	0	0
Deferred taxes	179.544	142.107
Provisions for future risks and charges	110.000	0
Noncurrent various accounts payable and other liabilities	26.681	27.632
Total noncurrent liabilities	3.882.322	4.126.631
Current liabilities		
Accounts Payable	4.796.566	4.814.956
Other liabilities	4.796.030	2.416.643
Current financial liabilities	17.922	1.432.479
Current portion of long term loans	0	0
Total financial liabilities	17.922	1.432.479
Total current liabilities	9.610.518	8.664.078
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	15.578.291	14.666.519

Trenno S.r.l.
Income Statement at 31 December 2007

(valori in euro)

	2.007	2.006
Revenue from sales and services	25.148.581	6.715.699
Other revenue and proceeds	530.162	284.671
Increase of internally generated fixed assets	0	0
Change in inventories of finished and semi-finished products	0	0
Used raw materials and consumables	-399.584	-105.540
Costs for services and leased assets	-13.893.497	-3.924.033
Personnel costs	-8.235.268	-2.255.605
Other operating expenses	-1.111.342	-219.693
Earnings before depreciation, write-downs, financial income / expense and taxes	2.039.052	495.499
Depreciation and amortization	-953.495	-201.992
Value reversals (Write-downs) on noncurrent assets	987	1.943
Capital gains (losses) on sale of noncurrent assets	21.333	10
Operating Income	1.107.877	295.460
Income and charges from equity investments	0	0
Financial income	80.427	14.206
Financial charges	-270.598	- 43.262
Total financial income and charges	(190.171)	(29.056)
Net gain (loss) on assets disposed of / available-for-sale	0	0
PRE-TAX EARNINGS	917.706	266.404
Income taxes	-708.065	-322.832
Profit (loss) for period	209.641	(56.428)

C.E.O.
Claudio Corradini

FESTA S.R.L. Unipersonale
Registered office: via Boccherini, 39 - 55016 Porcari (LU) – Tax ID and VAT number 01755450465 – Lucca Business Information Index no. 169111
Share Capital 1,000,000.00 entirely paid in – Lucca Business Registry no. 01755450465 (6141/2000)

Balance Sheet 31 December 2007

(in euro)

ASSETS				31/12/2007	31/12/2006
(A)	RECEIVABLES DUE FROM SHAREHOLDERS FOR PAYMENTS			0	0
(B)	NONCURRENT ASSETS				
	I	INTANGIBLE ASSETS:			
		1)	start-up and expansion costs	0	0
		3)	Industrial patent rights and licences to use original works	24.631	70.706
		4)	concessions, license, trademarks and similar rights	92.311	8.843
		5)	goodwill;	61.975	92.962
		6)	current assets and advances	0	0
		7)	other	185.312	185.685
		TOTAL		364.229	358.196
	II	PROPERTY, PLANT AND EQUIPMENT:			
		1)	land and buildings	51.646	51.646
		2)	plant and machinery	19.148	1.567
		3)	fixtures and equipment	28.288	37.689
		4)	other assets	352.704	225.348
		TOTAL		451.786	316.250
	III	FINANCIAL ASSETS:			
		2)	receivables:		
			payable within and beyond the following year		
			d) due from others	73.563	21.069
			TOTAL FINANCIAL ASSETS	73.563	21.069
TOTAL NONCURRENT ASSETS (B)				889.578	695.515
(C)	CURRENT ASSETS:				
	I	INVENTORIES:		0	0
	II	RECEIVABLES:			
		payable within the following year			
		1)	due from customers	468.829	878.515
		4)	due from parent companies	92.895	910.861
		4bis)	tax assets	47.827	15.071
		4ter)	prepaid taxes	905.451	391.663
		5)	to others	2.749.355	2.288.187
		payable beyond the following year			
		4ter)	prepaid taxes	12.435	10.357
		TOTAL RECEIVABLES		4.276.792	4.494.654
	III	FINANCIAL ASSETS NOT CLASSIFIED AS NON CURRENT ASSETS		0	0
	IV	CASH AND CASH EQUIVALENTS			
		1)	bank and postal deposits	1.158.196	1.613.983
		3)	cash on hand	2.804	3.064
		TOTAL		1.161.000	1.617.047
TOTAL CURRENT ASSETS (C)				5.437.792	6.111.701
D) PREPAID EXPENSES AND ACCRUED INCOME				34.001	13.818
TOTAL ASSETS				6.361.371	6.821.034

FESTA S.R.L. Unipersonale

Balance Sheet 31 December 2007

(in euro)

LIABILITIES			31/12/2007	31/12/2006
A)	SHAREHOLDERS' EQUITY			
	I	SHARE CAPITAL	1.000.000	1.000.000
	II	SHARE PREMIUM RESERVE	0	0
	III	REVALUATION RESERVES	0	0
	IV	LEGAL RESERVE	47.099	21.153
	V	STATUTORY RESERVES	0	0
	VI	RESERVE FOR TREASURY STOCK IN PORTFOLIO	0	0
	VII	OTHER RESERVES		
		1) reserve to cover current losses	0	0
		2) translation reserve	0	1
		TOTAL OTHER RESERVES	0	1
	VIII	RETAINED EARNINGS (LOSSES C/F)	434.596	-58.385
	IX	PROFIT (LOSS) FOR YEAR	1.487.754	518.926
	TOTAL SHAREHOLDERS' EQUITY (A)		2.969.449	1.481.695
(B)	PROVISIONS FOR RISKS AND CHARGES		0	0
(C)	TERMINATION BENEFITS FOR EMPLOYEES		309.754	336.608
(D)	ACCOUNTS PAYABLE			
		payable within the following year		
		6) Advance payments	0	165
		7) due to suppliers	646.970	678.708
		11) due to parent companies	553.702	1.974.802
		12) tax liabilities	313.210	73.627
		13) due to social security institutions	202.591	150.458
		14) other payables	1.257.975	1.981.345
		payable beyond the following year		
		12) tax liabilities	0	0
		14) other payables	107.720	143.626
TOTAL ACCOUNTS PAYABLES			3.082.168	5.002.731
(E)	ACCRUED EXPENSES AND DEFERRED INCOME		0	0
TOTAL LIABILITIES			6.361.371	6.821.034
MEMORANDUM ACCOUNTS			110.527	423.930
		AAMS sureties	110.527	423.930

FESTA S.R.L. Unipersonale

Balance Sheet 31 December 2007

(in euro)

(A)	OPERATING REVENUE		2.007	2.006
	1)	revenue from sales and services	7.042.646	6.121.127
		other		
	5)	other revenue and proceeds, with separate indication grants	9.168	19.660
TOTAL OPERATING REVENUE (A)			7.051.814	6.140.787
(B)	OPERATING COSTS			
	6)	for raw and subsidiary materials, consumables and goods	6.579	37.774
	7)	for services	2.844.307	3.019.448
	8)	for leased assets	147.729	66.439
	9)	for personnel:		
		a) salaries and wages	1.517.859	1.097.120
		b) social security	396.453	296.147
		c) termination benefits	114.094	85.326
		e) other costs	797	2.680
	TOTAL PERSONNEL EXPENSES		2.029.203	1.481.273
	10)	Depreciation, amortisation and write-downs		
		a) amortisation of intangible assets	149.250	118.307
		b) depreciation of property, plant and equipment	103.196	90.309
		d) write-down of receivables in current assets and liquid assets	243.260	104.781
TOTAL DEPRECIATION, AMORTISATION AND WRITE-DOWNS			495.706	313.397
	14)	other operating expenses	153.050	179.777
TOTAL OPERATING COSTS (B)			5.676.574	5.098.108
DIFFERENCE BETWEEN TOTAL OPERATING REVENUE AND OPERATING COSTS (A-B)			1.375.240	1.042.679
(C)	FINANCIAL INCOME AND CHARGES			
	16)	other financial income:		
		d) income other than above		
		3) from parent company	66.735	88.860
		4) from others	14.263	7.414
		total	80.998	96.274
		TOTAL	80.998	96.274
	17)	interest and other financial charges from:		
		parent companies	83.991	20.015
		from others	176.545	122.720
		TOTAL	260.536	142.735
TOTAL C (15+16-17+ - 17 bis)			-179.538	-46.461
(E)	EXTRAORDINARY INCOME AND CHARGES			
	20)	Income with separate indication of capital gains from disposals, where revenue cannot be entered under no. 5		
		other extraordinary income	278	0
		TOTAL EXTRAORDINARY INCOME	278	0
	21)	expenses with separate indication of capital losses from disposals, whose accounting effects cannot be entered under no. 14 and taxes related to previous years:		
		taxes related to previous years	9.287	0
		TOTAL EXTRAORDINARY EXPENSES	9.287	0
TOTAL OF EXTRAORDINARY ITEMS (20-21)			-9.009	0
EARNINGS BEFORE TAXES (A-B+C+D+E)			1.186.693	996.218
22)	Current, deferred and prepaid income taxes			
	a)	Current taxes	-214.805	-143.444
	b)	Deferred and prepaid taxes	852.644	113.234
	c)	use of provision for deferred / prepaid taxes	-336.778	-447.082
23)	PROFIT (LOSS) FOR YEAR		1.487.754	518.926

The Chairman
of the Board of Directors – Loris Morassi

MAC HORSE S.R.L. unipersonale
Registered office: via Boccherini, 39 - 55016 Porcari (LU) – Tax ID and VAT number 04515450825 – Lucca Business Information Index no. 184876

Share Capital 25,882.84 entirely paid in – Lucca Business Registry no. 04515450825
Balance Sheet 31 December 2007

(in thousands euro)

ASSETS		31-12-2007	31-12-2006
(A)	RECEIVABLES DUE FROM SHAREHOLDERS FOR PAYMENTS	0	0
(B)	NONCURRENT ASSETS		
I	INTANGIBLE ASSETS:		
	7) other	3.850	5.154
	TOTAL	3.850	5.154
II	PROPERTY, PLANT AND EQUIPMENT:		
	2) plant and machinery	0	204
	4) other assets	10.876	9.578
	TOTAL	10.876	9.782
III	FINANCIAL ASSETS:		
	2) receivables:		
	payable within and beyond the following year		
	d) due from others	17.968	17.916
	TOTAL FINANCIAL ASSETS	17.968	17.916
TOTAL NONCURRENT ASSETS (B)		32.694	32.852
(C) CURRENT ASSETS:			
I	INVENTORIES:	0	0
II	RECEIVABLES:		
	payable within the following year		
	1) due from customers		
	2) due from subsidiaries		
	3) due from associates		
	4) due from parent companies	352.637	381.382
	4bis) tax assets	19.731	17.526
	4ter) prepaid taxes	0	0
	5) to others	23.340	25.103
	TOTAL RECEIVABLES	395.708	424.011
III	FINANCIAL ASSETS NOT CLASSIFIED AS NON CURRENT ASSETS	0	0
IV	CASH AND CASH EQUIVALENTS		
	1) bank and postal deposits	14.075	13.969
	3) cash on hand	12	12
	TOTAL	14.087	13.981
TOTAL CURRENT ASSETS (C)		409.795	437.992
D) PREPAID EXPENSES AND ACCRUED INCOME		1.768	1.877
TOTAL ASSETS		444.257	472.721

MAC HORSE S.r.l.

Balance sheet 31 december 2007

(in thousands euro)

LIABILITIES		31/12/2007	31/12/2006
(A)	SHAREHOLDERS' EQUITY		
	I SHARE CAPITAL	25.883	25.883
	II SHARE PREMIUM RESERVE	0	0
	III REVALUATION RESERVES	0	0
	IV LEGAL RESERVE	9.631	9.631
	V STATUTORY RESERVES	0	0
	VI RESERVE FOR TREASURY STOCK IN PORTFOLIO	0	0
	VII OTHER RESERVES		
	1) extraordinary reserve	10.638	0
	2) translation reserve	1	-1
	TOTAL OTHER RESERVES	10.639	-1
	VIII RETAINED EARNINGS (LOSSES C/F)	18.235	18.235
	IX PROFIT (LOSS) FOR YEAR	136.452	150.638
	TOTAL SHAREHOLDERS' EQUITY (A)	200.840	204.386
(B)	PROVISIONS FOR RISKS AND CHARGES	0	0
(C)	TERMINATION BENEFITS FOR EMPLOYEES	76.712	68.840
(D)	ACCOUNTS PAYABLE		
	payable within the following year		
	5) due to other lenders	0	15.207
	7) due to suppliers	37.908	60.379
	11) due to parent companies	77.547	84.787
	12) tax liabilities	29.766	24.820
	13) due to social security institutions	12.614	10.838
	14) other payables	8.808	3.464
TOTAL ACCOUNTS PAYABLES		166.643	199.495
(E)	ACCRUED EXPENSES AND DEFERRED INCOME	63	0
TOTAL LIABILITIES		444.258	472.721
MEMORANDUM ACCOUNTS		0	0

MAC HORSE S.R.L. unipersonale
Income Statement at 31 December 2007
(in thousands euro)

	2007	2006
(A) OPERATING REVENUE		
1) revenue from sales and services	598.510	623.551
5) other revenue and proceeds, with separate indication grants	2.451	1
TOTAL OPERATING REVENUE (A)	600.961	623.552
(B) OPERATING COSTS		
7) for services	109.409	118.211
8) for leased assets	26.709	25.461
9) for personnel:		
a) salaries and wages	176.928	163.706
b) social security	51.816	47.264
c) termination benefits	10.193	12.945
e) other costs	3.685	1.079
TOTAL PERSONNEL EXPENSES	242.622	224.994
10) Depreciation, amortisation and write-downs		
a) amortisation of intangible assets	1.303	1.303
b) depreciation of property, plant and equipment	4.810	4.666
d) write-down of receivables in current assets and liquid assets	1.763	1.907
TOTAL DEPRECIATION, AMORTISATION AND WRITE-DOWNS	7.876	7.876
14) other operating expenses	12.445	13.531
TOTAL OPERATING COSTS (B)	399.061	390.073
DIFFERENCE BETWEEN TOTAL OPERATING REVENUE AND OPERATING COSTS (A-B)	201.900	233.479
(C) FINANCIAL INCOME AND CHARGES		
16) other financial income:		
from securities entered in noncurrent assets not classified as equity investments		
from securities entered in current assets not classified as equity investments		
d) income other than above		
1) from parent companies	33.354	23.098
4) from others	69	57
total	33.423	23.155
TOTAL	33.423	23.155
17) interest and other financial charges from:		
from others	1.135	1.518
TOTAL	1.135	1.518
17bis) gains and loss on foreign exchange		
TOTAL	0	0
TOTAL C (15+16-17+ - 17 bis)	32.288	21.637
(D) VALUE ADJUSTMENT TO FINANCIAL ASSETS		
18) revaluations		
19) write-downs		
TOTAL OF ADJUSTMENTS D (18-19)	0	0

MAC HORSE S.R.L. unipersonale
Income Statement at 31 December 2007
(in thousands euro)

(E) EXTRAORDINARY INCOME AND CHARGES		
20) Income with separate indication of capital gains from disposals, where revenue cannot be entered under no. 5		
rounding in euro	0	0
TOTAL EXTRAORDINARY INCOME	0	0
21) expenses with separate indication of capital losses from disposals, whose accounting effects cannot be entered under no. 14 and taxes related to previous years:		
rounding in euro	0	1
contingent liabilities	523	0
TOTAL EXTRAORDINARY EXPENSES	523	1
TOTAL OF EXTRAORDINARY ITEMS (20-21)	-523	- 1
EARNINGS BEFORE TAXES (A-B+C+D+E)	233.665	255.115
22) Current, deferred and prepaid income taxes		
a) Current taxes	-97.213	-104.477
b) Deferred and prepaid taxes	0	0
c) use of provision for deferred / prepaid taxes	0	0
23) PROFIT (LOSS) FOR YEAR	136.452	150.638

C.E.O.
Stefano Marzullo

IMMOBILIARE VALCARENGA S.R.L.
Registered office: via Ippodromo, 100 - 20151 Milan - Tax ID and VAT no. 03377490150 – Milan Business Information Index no. 0476852 Share Capital 51,000.00 entirely paid in – Milan Business Registry no. 03377490150

IMMOBILIARE VALCARENGA S.R.L.
Balance Sheet 31 December 2007

(in euro)

ASSETS			31/12/2007	31/12/2006
(A)	RECEIVABLES DUE FROM SHAREHOLDERS FOR PAYMENTS		0	0
(B)	NONCURRENT ASSETS			
	II	PROPERTY, PLANT AND EQUIPMENT:		
		1) land and buildings	177.971	185.905
		2) plant and machinery	8.334	10.921
		TOTAL	186.305	196.826
	III	FINANCIAL ASSETS:		
		1) equity investments in		
		a) subsidiaries		
		TOTAL EQUITY INVESTMENTS	0	0
		2) receivables:		
		payable within and beyond the following year		
		d) due from others	11	11
		TOTAL FINANCIAL ASSETS	11	11
TOTAL NONCURRENT ASSETS (B)			186.316	196.837
(C)	CURRENT ASSETS:			
	I	INVENTORIES:	0	0
	II	RECEIVABLES:		
		payable within the following year		
		1) due from customers	14.341	20.866
		2) due from subsidiaries	0	
		3) due from associates	0	
		4) due from parent companies	138.678	107.097
		4bis) tax assets	6.349	15.458
		5) to others	20.554	12.063
		payable beyond the following year		
		5) to others		
		TOTAL RECEIVABLES	179.922	155.484
	III	FINANCIAL ASSETS NOT CLASSIFIED AS NON CURRENT ASSETS	0	0
	IV	CASH AND CASH EQUIVALENTS	0	0
	TOTAL CURRENT ASSETS (C)		179.922	155.484
D)	PREPAID EXPENSES AND ACCRUED INCOME		0	0
TOTAL ASSETS			366.238	352.321

IMMOBILIARE VALCARENGA S.R.L.
Balance Sheet 31 December 2007

(in euro)

LIABILITIES			31-12-2007	31-12-2006
(A)	SHAREHOLDERS' EQUITY			
	I	SHARE CAPITAL	51.000	51.000
	II	SHARE PREMIUM RESERVE		
	III	REVALUATION RESERVES		
		1) legal reserve no. 72 of 19/3/83	23.795	23.795
		2) legal reserve no. 413 of 30.12.91	95.549	95.549
		TOTAL REVALUATION RESERVES	119.344	119.345
	IV	LEGAL RESERVE	10.280	10.281V
	V	STATUTORY RESERVES		
	VI	RESERVE FOR TREASURY STOCK IN PORTFOLIO	0	0
	VII	OTHER RESERVES		
		1) extraordinary reserve	7.360	7.360
		2) translation reserve	1	
		TOTAL OTHER RESERVES	7.361	7.360
	VIII	RETAINED EARNINGS (LOSSES C/F)	60.731	51.347
	IX	PROFIT (LOSS) FOR YEAR	38.239	43.684
	TOTAL SHAREHOLDERS' EQUITY (A)		286.955	283.016
(B)	PROVISIONS FOR RISKS AND CHARGES			
		3) other	15.501	15.501
		TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	15.501	15.501
(C)	TERMINATION BENEFITS FOR EMPLOYEES		0	0
(D)	ACCOUNTS PAYABLE			
		payable within the following year		
		7) due to suppliers	33.346	33.192
		11) due to parent companies	25.167	18.378
		12) tax liabilities	4.406	1.390
		14) other payables	863	843
TOTAL ACCOUNTS PAYABLES			63.782	53.804
(E)	ACCRUED EXPENSES AND DEFERRED INCOME		0	0
TOTAL LIABILITIES			366.238	352.321
MEMORANDUM ACCOUNTS			0	0

IMMOBILIARE VALCARENGA S.R.L.

Balance Sheet 31 December 2007

(in euro)

		2.007	2.006
((A)	OPERATING REVENUE		
	1) revenue from sales and services	92.776	91.236
	5) other revenue and proceeds, with separate indication grants	4.803	1.912
TOTAL OPERATING REVENUE (A)		97.579	93.149
(B)	OPERATING COSTS		
	7) for services	22.794	33.014
	10) Depreciation, amortisation and write-downs		
	b) depreciation of property, plant and equipment	10.521	10.952
	d) write-down of receivables in current assets and liquid assets	74	106
	TOTAL DEPRECIATION, AMORTISATION AND WRITE-DOWNS	10.595	11.058
	14) other operating expenses	10.938	11.221
TOTAL OPERATING COSTS (B)		44.327	55.294
DIFFERENCE BETWEEN TOTAL OPERATING REVENUE AND OPERATING COSTS (A-B)		53.252	37.855
(C)	FINANCIAL INCOME AND CHARGES		
	15) revenue from equity investments:		
	TOTAL	0	0
	16) other financial income:		
	income other than above		
	1) from parent companies	11.793	
	2) from subsidiaries	0	4.771
	TOTAL	11.793	4.771
	17) interest and other financial charges from:		
	from others	20	22
	TOTAL	20	22
TOTAL C (15+16-17+ - 17 bis)		11.773	4.749
(E)	EXTRAORDINARY INCOME AND CHARGES		
	20) Income with separate indication of capital gains from disposals, where revenue cannot be entered under no. 5		
	a.1) extraordinary income		20.412
	TOTAL EXTRAORDINARY INCOME	0	20.412
	21) expenses with separate indication of capital losses from disposals, whose accounting effects cannot be entered under no. 14 and taxes related to previous years:		
	TOTAL OF EXTRAORDINARY ITEMS (20-21)	0	20.412
EARNINGS BEFORE TAXES (A-B+C+D+E)		65.025	63.016
	22) Current, deferred and prepaid income taxes		
	a) Current taxes	-26.786	-19.332
	23) PROFIT (LOSS) FOR YEAR	38.239	43.684

C.E.O.

Luciano Garza

RISTOMISTO S.R.L. in liquidation

Balance Sheet 31 December 2006

(in euro)

ASSETS	31-12-2006	31/12/2005
(A) RECEIVABLES DUE FROM SHAREHOLDERS FOR PAYMENTS	0	0
(B) NONCURRENT ASSETS	0	0
(C) CURRENT ASSETS:		
I INVENTORIES:		
4) finished products and goods	1.000	8.000
TOTAL INVENTORIES	1.000	8.000
II RECEIVABLES:		
payable within the following year		
1) due from customers	30.260	135.991
4bis) tax assets	43.288	43.846
5) to others	33.985	17.749
TOTAL RECEIVABLES	107.533	197.586
III FINANCIAL ASSETS NOT CLASSIFIED AS NON CURRENT ASSETS	0	0
IV CASH AND CASH EQUIVALENTS		
1) bank and postal deposits	8.187	197
3) cash on hand	1.289	1.164
TOTAL	9.476	1.361
TOTAL CURRENT ASSETS (C)	118.009	206.947
D) PREPAID EXPENSES AND ACCRUED INCOME	0	0
TOTAL ASSETS	118.009	206.947

LIABILITIES	31-12-2006	31/12/2005
(A) SHAREHOLDERS' EQUITY		
I SHARE CAPITAL	50.000	50.000
VII OTHER RESERVES	93.526	93.524
VIII RETAINED EARNINGS (LOSSES C/F)	-812.829	-514.048
IX PROFIT (LOSS) FOR YEAR	-79.212	-298.780
TOTAL SHAREHOLDERS' EQUITY (A)	-748.515	-669.304
(B) PROVISIONS FOR RISKS AND CHARGES		
3) other	0	53.194
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	0	53.194
(C) TERMINATION BENEFITS FOR EMPLOYEES	0	0
(D) ACCOUNTS PAYABLE		
payable within the following year		
3) due to shareholders for loans	759.774	716.747
5) due to other lenders	15	15
7) due to suppliers	106.735	105.897
12)tax liabilities		398
TOTAL ACCOUNTS PAYABLES	866.524	823.057
(E) ACCRUED EXPENSES AND DEFERRED INCOME	0	0
TOTAL LIABILITIES	118.009	206.947
MEMORANDUM ACCOUNTS	0	0

RISTOMISTO S.R.L. in liquidation
Balance Sheet 31 December 2006

(in euro)

		31-12-2006	31/12/2005
(A)	OPERATING REVENUE		
	1) revenue from sales and services	1.000	0
TOTAL OPERATING REVENUE (A)		1.000	0
(B)	OPERATING COSTS		
	6) for raw and subsidiary materials, consumables and goods		
	10) Depreciation, amortisation and write-downs		
	d)write-down of receivables in current assets and liquid assets	0	156.459
	TOTAL DEPRECIATION, AMORTISATION AND WRITE-DOWNS	0	156.459
	14) other operating expenses	1.252	100.000
TOTAL OPERATING COSTS (B)		21.380	256.459
DIFFERENCE BETWEEN TOTAL OPERATING REVENUE AND OPERATING COSTS (A-B)		-20.380	-256.459
(C)	FINANCIAL INCOME AND CHARGES		
	15) revenue from equity investments:		
	16) other financial income:		
	from securities entered in noncurrent assets not classified as equity investments		
	from securities entered in current assets not classified as equity investments		
	d) income other than above	2	1
	17) interest and other financial charges	60.428	50.095
TOTAL C (15+16-17+ - 17 bis)		-60.426	-50.094
(D)	VALUE ADJUSTMENT TO FINANCIAL ASSETS	0	0
(E)	EXTRAORDINARY INCOME AND CHARGES		
	20) Income with separate indication of capital gains from disposals, where revenue cannot be entered under no. 5	9.112	14.285
	TOTAL EXTRAORDINARY INCOME	9.112	14.285
21)	expenses with separate indication of capital losses from disposals, whose accounting effects cannot be entered under no. 14 and taxes related to previous years:	7.518	6.512
	TOTAL EXTRAORDINARY EXPENSES	7.518	6.512
TOTAL OF EXTRAORDINARY ITEMS (20-21)		1.594	7.773
EARNINGS BEFORE TAXES (A-B+C+D+E)		-79.212	-298.780
	22) Current, deferred and prepaid income taxes		
	a) Current taxes		
	b) Deferred and prepaid taxes		
	23) PROFIT (LOSS) FOR YEAR	79.212	-298.780

The liquidator
Lorenzo Ferrigno

TESEO S.R.L. in liquidation
Registered office: via Toscana, 8 - 90100 Palermo – Tax ID 01628410464 VAT no. 0527160828 – Palermo Business Information Index no. 230322
Share Capital 1,032,000.00 entirely paid in – Palermo Business Registry

Balance Sheet 31 December 2005

(in euro)

ASSETS	31/12/2006	31/12/2005
(A) RECEIVABLES DUE FROM SHAREHOLDERS FOR PAYMENTS	0	0
(B) NONCURRENT ASSETS		
I INTANGIBLE ASSETS:	0	
II PROPERTY, PLANT AND EQUIPMENT:	0	0
III FINANCIAL ASSETS:		13.848
TOTAL FINANCIAL ASSETS	0	13.848
TOTAL NONCURRENT ASSETS (B)	0	13.848
(C) CURRENT ASSETS:		
I INVENTORIES:		
TOTAL INVENTORIES	974.000	974.490
II RECEIVABLES:		
payable within the following year		
TOTAL RECEIVABLES	882.579	755.688
III FINANCIAL ASSETS NOT CLASSIFIED AS NON CURRENT ASSETS	0	0
TOTAL	0	0
IV CASH AND CASH EQUIVALENTS		
TOTAL	1.285	10.706
TOTAL CURRENT ASSETS (C)	1.857.864	1.740.884
D) PREPAID EXPENSES AND ACCRUED INCOME	0	0
TOTAL ASSETS	1.857.864	1.754.732

LIABILITIES	31/12/2006	31/12/2005
(A) SHAREHOLDERS' EQUITY		
I SHARE CAPITAL	1.032.000	1.032.000
II SHARE PREMIUM RESERVE	0	0
III REVALUATION RESERVES	0	0
IV LEGAL RESERVE	1.444	1.444
V STATUTORY RESERVES	0	0
VI RESERVE FOR TREASURY STOCK IN PORTFOLIO	0	0
VII OTHER RESERVES		
1) translation reserve	0	-1
TOTAL OTHER RESERVES	0	-1
VIII RETAINED EARNINGS (LOSSES C/F)	-2.381.856	-8.448.247
IX PROFIT (LOSS) FOR YEAR	-696.101	6.066.391
TOTAL SHAREHOLDERS' EQUITY (A)	-2.044.513	-1.348.413
(B) PROVISIONS FOR RISKS AND CHARGES		
TOTAL PROVISIONS FOR RISKS AND CHARGES (B)	737.156	355.766
(C) TERMINATION BENEFITS FOR EMPLOYEES	0	0
(D) ACCOUNTS PAYABLE		
payable within the following year		
TOTAL ACCOUNTS PAYABLES	3.165.221	2.747.379
(E) ACCRUED EXPENSES AND DEFERRED INCOME	0	0
TOTAL LIABILITIES	1.857.864	1.754.732
MEMORANDUM ACCOUNTS	0	0

TESEO S.R.L. in liquidation
Income Statement at 31 December 2005

(in euro)

		2.006	2.005
(A)	OPERATING REVENUE		
TOTAL OPERATING REVENUE (A)		490	21.398
(B)	OPERATING COSTS		
7)	for services	0	44.747
10)	Depreciation, amortisation and write-downs		
	a) amortisation of intangible assets		
	b) depreciation of property, plant and equipment	0	76.073
	d) write-down of receivables in current assets and liquid assets		
	TOTAL DEPRECIATION, AMORTISATION AND WRITE-DOWNS	0	76.073
11)	changes in raw and subsidiary materials, consumables and goods	0	20.000
12)	accrual to provision for risks	517.846	
14)	other operating expenses	0	400
TOTAL OPERATING COSTS (B)		517.846	141.220
DIFFERENCE BETWEEN TOTAL OPERATING REVENUE AND OPERATING COSTS (A-B)		-517.356	-119.822
(C)	FINANCIAL INCOME AND CHARGES		
16)	other financial income:		
	d) income other than above	5	7
	total	5	7
TOTAL		5	7
17)	interest and other financial charges from:	215.437	158.398
	TOTAL	215.437	158.398
TOTAL C (15+16-17+ - 17 bis)		-215.432	-158.391
(E)	EXTRAORDINARY INCOME AND CHARGES		
20)	Income with separate indication of capital gains from disposals, where revenue cannot be entered under no. 5	36.688	6.379.763
	TOTAL EXTRAORDINARY INCOME	36.688	6.379.763
21)	expenses with separate indication of capital losses from disposals, whose accounting effects cannot be entered under no. 14 and taxes related to previous years:	1	35.159
	TOTAL EXTRAORDINARY EXPENSES	1	35.159
TOTAL OF EXTRAORDINARY ITEMS (20-21)		36.687	6.344.604
EARNINGS BEFORE TAXES (A-B+C+D+E)		-696.101	6.066.391
23)	PROFIT (LOSS) FOR YEAR	-696.101	6.066.391

The liquidator
Lorenzo Ferrigno

Statement summarising the key figures from the latest financial statement available for associates.

(in thousands euro)

	DIRECT EQUITY INVESTMENTS				
	Alfea S.p.A. Pisa		Società Gestione Capannelle S.p.A.		Solar S.A
% of equity investment	30,70%	30,70%	26,67%	24,43%	30%
	2007	2006	31-03-07	2006	2006
Assets					
Intangible assets	154.922	158.935	674.399	679.629	
Property, plant and equipment	2.168.152	1.856.933	7.022.432	7.183.835	
Financial assets	47.282	44.355	1.582.200	1.582.200	49.557.360
Liquid assets	1.351.48	71.463.752	371.597	226.870	34.401
Accounts receivable and other	1.945.523	2.385.442	5.143.374	3.953.326	
Other assets	1.836.784	1.492.647	15.261	15.959	
Total assets	7.504.150	7.402.064	14.809.263	13.641.819	49.591.761
Capital and liabilities					
Share capital	996.300	996.300	1.890.800	1.890.800	31.000
Profit (loss) for year	530.478	577.755	-133.880	-1.201.264	40.408
Retained earnings (losses carried forward)		0	-1.798.830	-597.566	
Other reserves	3.626.775	3.343.825	39.114	39.114	
Total shareholders' equity	5.153.553	4.917.880	-2.796	131.084	71.408
Provision for termination benefits	537.846	495.503	1.792.853	1.771.847	
Other provisions	252.079	252.079	199.465	167.544	
Medium and long term loans					43.364.137
Accounts payable and other	1.558.325	1.734.959	12.819.741	11.571.344	
Other liabilities	2.347	1.643		0	6.156.216
Total shareholders' equity and liabilities	7.504.150	7.402.064	14.809.263	13.641.819	49.591.761
Revenue					
Sales and services	5.092.125	5.292.544	2.521.848	10.345.045	
Financial income	120.535	32.633	0	25.257	6.193.614
Other income	111.235	175.575	107.997	1.104.847	
Loss for year			133.880	1.201.264	
Total revenue	5.323.895	5.500.752	2.763.725	12.676.413	6.193.614
Costs					
Purchases and services	2.512.407	2.874.266	1.545.305	7.731.238	
Labour costs	1.265.768	1.167.676	909.633	3.787.537	
Financial charges	0	0	49.307	86.486	6.149.706
Tax liabilities	462.315	511.506	0	79.333	
Depreciation and amortization	255.808	198.015	227.720	833.397	
Other costs	297.119	171.534	31.760	158.422	3.500
Profit for year	530.478	577.755			40.408
Total costs	5.323.895	5.500.752	2.763.725	12.676.413	6.193.614
	-	-	-	-	-

NOTES:
1) the figures for Alfea S.p.A. refer to 31/12/2007, the financial statements were approved by the Board of Directors.
2) the figures for Società Gestione Capannelle S.p.A. refer to 31/03/2007, the last financial statements approved to cover losses.
3) the figures for Solar S.A. refer to 31/12/2006, the last approved and available financial statements.

Report of the Board of Auditors to the Annual General Meeting of the Shareholders of Snai S.p.A. in accordance with Art. 153 of Legislative Decree 58/1998 and Art. 2429, paragraph 3, of the Code of Civil Procedure.

Report to the Shareholders of the company SNAI S.p.A.

Dear shareholders

During the financial year which ended on 31 December 2007, we carried out the monitoring function provided for by law, also taking into account the principles for the conduct of the Board of Auditors recommended by the Consigli Nazionali dei Dottori Commercialisti e dei Ragionieri[1] and the Consob[2] notifications on company regulation and the function of the Board of Auditors.

Your Board of Directors has informed you in its report of the activities pursued and of the ordinary and extraordinary operations and has provided a summary of the economic, asset and financial situation of the Company and the consolidated position of the Group.

It was found that the accounts to 31 December 2007 have been drawn up in accordance with the international accounting principles (IFRS) applicable on that date and are consistent with the accounting principles adopted in the report on the accounts to 31 December 2006.

This being the case and in accordance with the recommendations issued by Consob in the notification of 6 April 2001, as subsequently amended and supplemented, we report as follows:

1 We have monitored compliance with the law and with the articles of association.

2 In the course of meetings of the Board of Directors, we have obtained information from the Directors on the activities pursued and on the transactions of economic, financial and asset-related significance conducted by the Company (and by its subsidiaries).
The transactions of economic, financial and asset-related significance are described in the Report on Operations of the Board of Directors and/or in the Notes to the Accounts of Snai S.p.a for the financial year and in the notes to the Consolidated Accounts for the year 2007.
The Board of Auditors has verified that the above transactions comply with the law, the company statutes and the principles for the correct administration and has satisfied itself that that such transactions were not obviously imprudent, risky, in potential conflict of interest or such as to compromise the soundness of the company's assets.

As the Board of Directors noted in its report, the month of January 2007 saw an increase in the share capital with the subscription and payment for unexercised rights: today the share capital of Snai S.p.a. is 60,748,992.20 euros made up of 116,824,985 ordinary shares of nominal value 0.52 euros each.

The Board of Directors has approved a new business plan (for the period 2008-2012) which redraws the strategy of the Company and the Group following the granting of new "concessions" for the collection of bets on horse racing and sporting events after approval of law No. 248 of 6 August 2006 which introduced 16,300 new betting outlets, of which the company was awarded 5,092.

The extraordinary general meeting of the shareholders on 30 June 2007 debated the adequacy of the articles of association in view of Law No. 262/2005 and Legislative Decree No. 404/2006, together with the Consob Recommendation as modified by resolution No. 15915 of 3 May 2007.

The Board of Directors also noted in its report that it had been notified by the Regional Attorney of the Corte dei Conti[3] of the Lazio Region of an invitation to submit its own conclusions with respect to an investigation into a supposition of fiscal damages of around 4.8 billion euros (with the first hearing before the above Court being set for 4 December 2008). In the meantime, the second session of the Lazio TAR[4] issued a judgement on 1 April 2008 accepting the petition lodged by the company Snai S.p.a. against the administrative provision issued by the Amministrazione Autonoma dei Monopoli di Stato[5] on 22 June 2007.

[1] Italian business and accounting professional associations

[2] Commissione Nazionale per le Società'88 e la Borsa = Italian committee for company and stock exchange regulation

[3] Public Accounts Court = Italian institution responsible for safeguarding the public finances

[4] Tribunale Amministrativo Regionale = Regional Administrative Court

[5] Italian authority responsible for regulating betting, gaming, lotteries etc.

On 18 September 2007, the Company submitted a petition to the Direzione Centrale Normativa e Contenzioso[6] and / or the Agenzia delle Entrate[7] for harmonisation and co-ordination of the international accounting principles and fiscal regulations with respect to the correct statement in the financial accounts of the income and expenditure arising from fixed odds betting. On the basis of the decision issued on 14 January 2008, the Company took steps to amend the statement of the income and expenditure in question in the financial accounts criticised by the firm of auditors in the accounts relating to the 2006 financial year.

The Report on Operations, to which reference is made, contains the analytical information relating to the above.

3 We have obtained information on and monitored, within our sphere of competence, the adequacy of the Company's organisational structure and compliance with the principles of correct administration by gathering information from those responsible for the organisational function and through meetings with the auditing firm for the purposes of the mutual exchange of relevant data and information. The Group's organisational structure was found to be adequate for the requirements of the various areas of business, taking into account the size and characteristics of the company. Moreover, with regard to the decision-making process of the Board of Directors, the Board of Auditors has verified, including by direct attendance at board meetings, that the management decisions taken by the Directors comply with the law and with the articles of association and has verified that such decisions were, where necessary, supported by analyses and advice produced internally or obtained from external experts.

4 We have obtained information on the instructions given by the Company to its subsidiaries as defined in Art. 114 paragraph 2 of Legislative Decree 58 / 98 and found these to be adequate to fulfil the communication duties provided for by law, given the types and sizes of the companies themselves

.

5 We have assessed and monitored the adequacy of the internal control system and the administrative / accounting system and the suitability of the latter to represent operational matters correctly. The Board of Auditors confirms that, although there is no proper formal document for the internal evaluation of the company's risk profile, the Company is able to monitor the main economic and financial risks.

6 We have held meetings with representatives of the auditing firm, as specified in Art. 150 paragraph 2 of Legislative Decree 58 / 98, from which we obtained relevant data and information, required for this report.

7 Non-typical and / or unusual activities, including those conducted within the group or with associated parties which are likely to have a significant effect on the economic, asset-related and financial situation of the company. The Company in compliance with Consob recommendation No. 606-4293 of 28 July 2006, in its explanatory note to the accounts, has provided analytical information on the effect which activities and positions with associated parties (as defined in IAS 24)have had on the economic, asset-related and financial situation. Such activities are also described in the Directors' Report on Operations.

8 Standard activities within the group: the companies of the Snai Group exchange goods and services amongst themselves and with the parent company as required in the context of their operations. Such activities are conducted on "normal market terms". The current financial accounts with respect to the subsidiaries and the parent company are settled at rates substantially in line with the "ABI"[8] prime rate. Further details of activities within the group are contained in the Report on Operations and the Notes to the Accounts.

9 Standard activities with other associated parties: the Company also conducts its own activities with respect to horse racing and sporting concessionaires which hold a share in the share capital of the controlling shareholder Snai Servizi S.r.l. The above activity relates primarily to telematic services in the context of the management of data flows relating to bets and others services and sales of goods. During the 2007 financial year, the Company continued also to develop the marketing, management and networking of slot machines with such concessionaires.
Furthermore, following the acquisition of 450 company branches, the former concessionaire vendors, holding a share in the share capital of the controlling shareholder Snai Servizi S.r.l., signed a management contract with Snai S.p.a. under which they provide services for the collection of bets and the payment of winnings to betting customers, retaining a fee fixed in advance on the basis of standardised contracts regulated on market terms, similar to those of third party concessionaires.

10 The Auditors Reconta Ernst & Young S.p.a., in conjunction with the concluding phase of their verification activity, issued their own reports in which they state that the Accounts for the financial year and the Consolidated Accounts to 31 December 2007 comply with the standards governing the criteria for drawing up accounts, have been drawn up with clarity and are a true and accurate representation of the asset-related and financial situation, the profit and loss, the changes in net assets and the cash flow of the company Snai S.p.a. for the financial year ending on such date. Such reports, to which we invite you to refer, envisage a requirement for information.

11 The Board of Auditors has not received any notification under Art. 2408 of the Code of Civil Procedure or any complaint during the financial year 2007.

12 We have noted the partial adherence of the Company to the Code of Self-Regulation defined by the Committee for Corporate Governance of quoted companies and the publication in March 2006 of the new Code of Self-Regulation for Quoted Companies.
The annual report on the system of Corporate Governance has also been issued and we invite you to refer thereto.

13 On 14 September 2007, the Board of Directors appointed, with our approval, the Dirigente Preposto[9], to whom it has entrusted the role of preparing suitable administrative and accounting procedures for the preparation of accounting information disseminated to the market and of monitoring actual compliance with such procedures, giving him sufficient powers and means to carry out such functions. In this context it is noted that during the financial year 2008 the Auditors Reconta Ernst & Young S.p.a., the company commissioned to audit the accounts, is assisting Snai S.p.a. in completing documentation of the main administrative and accounting processes, designed to satisfy the requirements of Law No. 262 of 28 December 2005 “Provisions for the protection of savings and regulation of the financial markets” for a fee of 120,000.00 euros.

14 With respect to the new requirements introduced by Law No. 262 of 28 December 2005 and Law No. 62 of 18 April 2005, the Board of Directors has approved, with effect from 1 April 2006, a new “Code of Practice for Internal dealing” and has set up the “Register of persons with access to privileged information”.
The organisational model as specified in Legislative Decree No. 231/2001 is in the preparatory phase. It is designed to prevent the possibility of committing the offences specified in the decree and consequently administrative liability on the part of the company.

15 The Auditors Reconta Ernst & Young S.p.a., the company commissioned to audit the accounts, have requested a supplementary payment of 100,000.00 euros, in view of the increased work carried out compared with that expected and as a result of the non-repeated activities carried out during the year.

[6] Central department for regulations and litigation
[7] Italian Revenue Service

[8] Association of Italian Banks

[9] Manager in charge of drafting accounting and corporate records

16 On the basis of documentation in its possession, the Board of Auditors notes that the company Snai S.p.a. has entrusted "parties linked to the Auditors Reconta Ernst & Young S.p.a by on-going relationships" with certain assignments which differ, in nature, from the auditing of accounts, described in summary below:

Company	Assignments	Accrued fees in 2007
Reconta Ernst & Young Financial Business Advisors S.p.a	Project Gold	243,000.00
Reconta Ernst & Young Financial Business Advisors S.p.a	Project Jackpot	95,800.00

17 During the financial year 2007, the Board of Auditors issued the following opinions:

- in favour of the appointment of the firm of auditors Reconta Ernst & Young S.p.a as defined in Art. 2409 fourth paragraph of the Code of Civil Procedure and Art. 159 paragraph 1 of Legislative Decree No. 58/98;
- in favour of the appointment of the Dirigente Preposto[9] for the drafting of the company's accounts in accordance with the provisions of Art. 24 of the Articles of Association and with Art. 154 b b of Legislative Decree No. 58/98.

The aforementioned monitoring activity, starting from the date of the nomination of the Board of Auditors, which took place at the assembly of 11 May 2005, was carried out over 10 meetings (in addition to occasional individual activities) of the Board and by attending the 10 meetings of the Board of Directors in compliance with art. 149, section 2, Legislative Decree 58/59. The Internal Review Committee, which was nominated on 17 May 2005, met 4 times over the course of the activity.

During the monitoring activity, and on the basis of the information obtained by the auditing firm, no omissions and/or no blameworthy events, and/or no irregularities or, in any case, no sufficiently significant events such as to require the attention of the controlling organs, nor mention in the present report, were found.

The Auditing Board, having considered the financial results at 31 December 2007, expresses no objections to the proposals of the deliberations presented by the Board of Directors concerning the utilisation of the net profit for the year.

Mantua, 30 April 2008

The Auditing Board

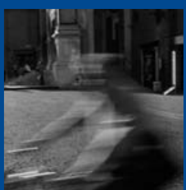
(Francesco Lerro) President

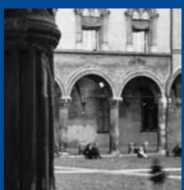
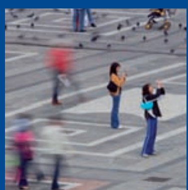
(Lorenzo Ferrigno) Effective Auditor

Alessandro Carlotti Effective Auditor

Independent auditing firm's report on the financial statement

milan - piazza del duomo




ERNST & YOUNG

Reconta Ernst &Young S.p.A.
della Libertà'88, 9
552485050129 Firenze

Tel.(+39) 055 552451Piazza
Fax (+39)055
www.ey.com

REPORT OF THE AUDITING FIRM

in accordance with Article 156 of Legislative Decree No. 58 of 24.2.1998 58

To the Shareholders
of SNAI S.p.A.

1. We have performed the audit of the Annual Report, made up of the Balance Sheet, the Income Statement, and the Statement of Transactions of the Net Assets, the Income Statement and the relative Explanatory Notes, of SNAI S.p.A, ending 31 December 2007. It is the responsibility of the Administrators of SNAI S.p.A. to compile the Annual Report. We are responsible for the professional opinion expressed on the Annual Report based on the audit.

2. Our review was conducted according to the audit principles and criteria recommended by CONSOB. In conformity with the aforementioned principles and criteria, the audit was planned and carried out in order to acquire every element necessary to determine if the Consolidated Financial Statements are defective due to significant errors and if they appear, overall, reliable. The audit procedure includes the study, based on sample verifications, of the probative elements in support of the balances and the information contained in the Annual Report, as well as the evaluation of the pertinence and the correctness of the accounting criteria used and the reasonableness of the estimates made by the administrators. We consider that the work performed supplies a reasonable base for the expression of our professional opinion.

   The Annual Report gives for comparative purposes the figures corresponding to the previous fiscal year. As illustrated in the Explanatory Notes, the Administrators have modified the comparative data relative to the Balance Sheet of the previous fiscal year, which was audited by another auditor who issued the audit report on 27 April 2007. These modifications concerned the criteria for the accounting of the funding stemming from the acceptance of the fixed-odds betting. The terms of re-determination of the corresponding figures of the previous fiscal year and the information note given in the Explanatory Notes, with regard to the modifications made to the aforementioned figures, have been reviewed by us for the purpose of the opinion of the Annual Report for the fiscal year ending 31 December 2007.

3. In our opinion, the Annual Report of SNAI S.p.A. at 31 December 2007 conforms to the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Legislative Decree No. 38/2005. Furthermore, it is compiled with clarity and represents truthfully and correctly the net worth and financial situation, the profit and loss statement, the changes in net worth and the cash flow of the Snai Group for the fiscal year ending on that date.

Reconta Ernst &Young S.p.A.
Registered Office: 00196 Roma-Via C.D. Romagnosi, 18/A
Corporate Capital ¤ 1.303.500,00 i.v.
Registered at the S.O. of the Business Register at the CC.I.A.A. of Rome
Tax ID and Registration No. 00434000584
VAT No.00891231003
Registered in the Register of Auditors at No. 70945 Published in the Official Journal
Suppl. 13 – IV Special Series of 17/2/1998
Registered in the Special Register of Auditing Companies
Consob at Progressive No, 2 deliberation No. 10381 of 16/7/1997

ERNST & YOUNG

▪ Reconta Ernst &Young S.p.A.

4. For a better understanding of the Annual Report, we bring your attention to the following information contained in the Explanatory Notes:

- with the slot machines (slot machines) as compensation in favor of the agents of the telecommunications network, as required by Article 1, paragraph 530, letter c) of Law 266/2005. Relative to this compensation, the Autonomous Administration of the Monopolies of State ("AAMS") has not yet adopted the provisions required by the aforementioned regulation for the determination of said contribution. The Administrators, having verified the existence for their own telecommunications network of the technical parameters defined by the law in question, proceeded with the determination supported by the evaluations of their own outside consultants.

- The Company, as required by Law, inserted in the Explanatory Notes the essential figures of the last Annual Report of the company that manages and coordinates its activity. The opinion on the Annual Report of SNAI S.p.A. does not extend to these figures.

Florence, 30 April 2008

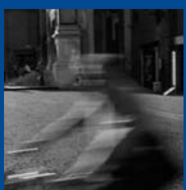
Reconta Ernst & Young S.p.A.

Filippo Maria Aleandri

(Partner)

SNAI Group: consolidated financial statement at 31/12/07 and esplicatory notes

rome - piazza del pantheon







Gruppo SNAI
Consolidated income statement closed at 31 December 2007

values in thousands of euro	Notes	2007	of which Related Parties note no.32	of which non-recurring note no.34	2006	of which Related Parties note no.32	of which non-recurring note no.34
Revenue from sales and services	4	492.546	9.057		217.568	11.769	
Other revenue and income	5	5.752	566		5.245	826	2.135
Increase of internally generated assets	6	1.326			520		
Change in inventories of finished and semi-finished products	7	119	(170)		(724)		
Used raw materials and consumables	8	(12.413)	(92)		(3.944)		
Costs for services and leased assets	9	(357.494)	(77.358)	(2.987)	(127.719)	(64.847)	
Personnel expenses	10	(17.473)	(125)		(19.357)	(152)	
Other operating costs	11	(31.312)		(4.810)	(10.904)		335
EBITDA		81.051			60.685		
Depreciation and amortisation	12	(39.274)			(31.580)		
EBIT		41.777			29.105		
Income and charges from equity investments		353			(202)		
Financial income		4.683	897		1.789	468	
Financial charges		(42.825)	(1.363)	(1.098)	(30.318)	(2.453)	
Total financial charges and income	13	(37.789)			(28.731)		
PRE-TAX EARNINGS		3.988			374		
Income taxes	14	4.531			(2.256)		
Profit (loss) for year		8.519			(1.882)		
Attributable to:							
Profit (loss) of Group for year		8.519			(1.882)		
Profit (loss) of minority interests for year		0			0		
Basic share earning (loss) in euro	25	0,07			(0,03)		
Diluted share earning (loss) in euro	25	0,07			(0,03)		

Gruppo SNAI
Consolidated balance sheet at 31 December 2007

values in thousands of euro	Notes	31/12/2007	of which Related Parties note no.32	31/12/2006	of which Related Parties note no. 32
ASSETS					
Noncurrent assets					
Company owned property, plant and equipment		126.758		118.120	
Assets with finance lease contract		16.496		3.899	
Total property, plant and equipment	15	143.254		122.019	
Goodwill		225.184		225.184	
Other intangible assets		236.131		151.368	
Total intangible assets	16	461.315		376.552	
Equity investments measured at equity		2.136		1.357	
Equity investments in other companies		552		542	
Total equity investments	17	2.688		1.899	
Other financial assets	22			145	
Prepaid taxes	18	14.681		11.078	
Other non-financial assets	21	2.193		2.059	383
Total noncurrent assets		624.131		513.752	
Current assets					
Inventories	19	14.234		14.430	
Accounts receivable	20	57.182	3.792	52.106	3.258
Other assets	21	34.321	4.860	16.952	3.719
Current financial assets	22	19.890	4.645	3.109	3.092
Cash and cash equivalents	23	93.087		262.821	
Available-for-sale noncurrent assets		7		0	
Total current assets		218.721		349.418	
TOTAL ASSETS		842.852		863.170	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Group portion of Shareholders' Equity					
Share capital		60.749		60.443	
Reserves		264.418		265.096	
Profit (loss) for year		8.519		-1.882	
Total Group Shareholders' Equity		333.686		323.657	
Minority interest					
Total Equity	24	333.686		323.657	
Noncurrent liabilities					
Termination benefits	26	5.433		9.758	
Noncurrent financial liabilities	27	313.488	14.426	313.518	18.639
Deferred taxes	18	43.966		51.946	
Provisions for future risks and charges	28	7.437		2.841	
Noncurrent various payables and other liabilities	29	13.874		19.569	
Total noncurrent liabilities		384.198		397.632	
Current liabilities					
Accounts Payable	30	32.300	905	31.904	1.310
Other liabilities	29	60.465	303	55.267	
Current financial liabilities		13.383	5.527	42.579	32.876
Current portion of long term loans		18.820		12.131	
Total financial liabilities	27	32.203		54.710	
Total current liabilities		124.968		141.881	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		842.852		863.170	

Gruppo SNAI

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AT 31/12/07

(values in thousands of euro)

	Notes	SHARE CAPITAL	EXTRAO-RDINARY RESERVE	EXTRAO-RDINARY YEAR	Extraordinary	Extraordinary Reserve Law 72 of 19-03-1983	Extraordinary Law 413 of 30-12-1991	Extraordinary reserve	EXTRAO-RDINARY RESERVE	RETAINED EARNINGS (LOSS CARRIED FORWARD)	PROFIT (LOSS) FOR YEAR	TOTAL GROUP S.E.	TOTAL MINORITY INTEREST S.E.	TOTAL S.E.
Balance at 01/01/06		28.570	1.268	(1)					15.131	28.505	10.385	83.858	1.562	85.420
Changes to accounting policy												0		0
Adjusted balances		28.570	1.268	(1)	0	0	0	0	15.131	28.505	10.385	83.858	1.562	85.420
Changes to equity for period														
Foreign exchange translation differences from foreign operations														
Profit (loss) at 31/12/2006											(1.882)	(1.882)	0	(1.882)
Total income and charges recorded in period		28.570	1.268	(1)	0	0	0	0	15.131	28.505	8.503	81.976	1.562	83.538
Share capital increase		31.788			215.792							247.580		247.580
Share capital increase expenses					(6.837)							(6.837)		(6.837)
Merger of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) with SNAI S.p.A.	85						966		(113)		938	(1.051)	(113)	
Reclassification of merger reserves			1		899	1.850			(2.750)		0			
Change in minority interest in Ippodromi San Siro S.p.A.												0	(511)	(511)
Allocation of 2005 profit									8.478	1.907	(10.385)	0		0
Balance at 31/12/06		60.443	1.268	0	208.955	899	1.850	966	23.609	27.549	(1.882)	323.657	0	323.657

	Notes	SHARE CAPITAL	EXTRAO-RDINARY RESERVE	EXTRAO-RDINARY YEAR	Extraordinary	Extraordinary Reserve Law 72 of 19-03-1983	Extraordinary Law 413 of 30-12-1991	Extraordinary reserve	EXTRAO-RDINARY RESERVE	RETAINED EARNINGS (LOSS CARRIED FORWARD)	PROFIT (LOSS) FOR YEAR	TOTAL GROUP S.E.	TOTAL MINORITY INTEREST S.E.	TOTAL S.E.
Balance at 01/01/07		60.443	1.268	0	208.955	899	1.850	966	23.609	27.549	(1.882)	323.657	0	323.657
Changes in classification policy	24								(1.160)			(1.160)		(1.160)
Adjusted balances		60.443	1.268	0	208.955	899	1.850	966	22.449	27.549	(1.882)	322.497	0	322.497
Changes to equity for period														
Foreign exchange translation differences from foreign operations														
Profit (loss) at 31/12/2007											8.519	8.519		8.519
Total income and charges recorded in period		60.443	1.268	0	208.955	899	1.850	966	22.449	27.549	6.637	331.016	0	331.016
Share capital increase	24	306			3.743							4.049		4.049
Share capital increase expenses	24				(1.379)							(1.379)		(1.379)
Coverage of 2006 losses	24					(142)	(1.850)			110	1.882	0		0
Balance at 31/12/07		60.749	1.268	0	211.319	757	0	966	22.449	27.659	8.519	333.686	0	333.686

Gruppo SNAI – Consolidated cash flow statement
(values in thousands of euro)

		Notes	2007	of which Related Parties note no.32	2006	of which Related Parties note no.32
A.	CASH FLOW FROM OPERATIONS					
	Group profit (loss) for year		8.519		-1.882	
	Minority interest profit (loss) for year		0		0	
	Depreciation and amortisation	12	39.274		31.580	
	Net change in assets (provision) for prepaid (deferred) taxes	18	-11.583		3.269	
	Change in provision for risks	28	4.596		-810	
	(Capital gains) capital losses on sale of noncurrent assets (including equity investments)		-25		125	
	Portion of equity investment results measured with equity method (-)	13	-262		202	
	Net change in noncurrent trade and other assets and liabilities and other changes	21-29	-5.836	383	-5.205	-383
	Net change in current trade and other assets and liabilities and other changes	19-20-30-29	-15.731	-1.777	-3.961	-3.097
	Net change in termination benefits	26	-4.325		0	
	CASH FLOW GENERATED (ABSORBED) FROM OPERATING ACTIVITIES (A)		14.627		23.318	
B.	CASH FLOW FROM INVESTMENT ACTIVITIES					
	Investments in property, plant and equipment (-)	15	-29.584		-4.408	
	Investments to acquire company branches (-)					
	goodwill	16			-213.454	
	concessions	16			-172.727	
	Payables due to BAP extended to acquire “concession” company branches				68.765	50.807
	determined payables due to AAMS	29			29.622	
	deferred taxes on company branch acquisition	18			30.130	
	Investments in intangible assets (-)	16	-116.614		-680	
	Investments in other noncurrent assets (-)	17	-533		-9	
	Acquisition of equity investments in subsidiaries, net of acquired liquid assets				-511	
	Change in financial receivables and other financial assets	22	-16.636		170	
	Payment collected from the sale of property, plant, equipment, intangible assets and other noncurrent assets		33		11	
	CASH FLOW GENERATED (ABSORBED) FROM INVESTMENT ACTIVITIES (B)		-163.334		-263.091	
C.	CASH FLOW FROM FINANCIAL ACTIVITIES					
	Net change in financial liabilities	27	27.646	-1.553	-641	39
	Loans to acquire “concession” company branches	27	-9.159		294.810	
	Payables due to BAP extended to acquire “concession” company branches	27	-41.024	-31.562		
	Settlement of consolidated bank payable	27			-40.564	
	Other shareholders’ equity changes	24	-1.160			
	Increases / payments of capital net of accessory charges	24	2.670		240.715	
	CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL ACTIVITIES (C)		-21.027		494.320	
D.	CASH FLOW FROM DISPOSED ASSETS / AVAILABLE-FOR-SALE ASSETS (D)					
E.	TOTAL CASH FLOW (A+B+C+D)		-169.734		254.547	
F.	INITIAL NET FINANCIAL ASSETS (INITIAL NET FINANCIAL BORROWING)		262.821		8.274	
G.	NET EFFECT OF TRANSLATION OF FOREIGN CURRENCY ON LIQUIDITY					
H.	FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)	23	93.087		262.821	
	RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING):					
	CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, BROKEN DOWN AS FOLLOWS:					
	Cash and cash equivalents		262.821		9.322	
	Bank overdraft facilities		0		-1.048	
	Discontinued Operations					
			262.821		8.274	
	CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, BROKEN DOWN AS FOLLOWS:					
	Cash and cash equivalents		93.087		262.821	
	Bank overdraft facilities				0	
	Discontinued Operations					
			93.087		262.821	

EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING STANDARDS

SNAI S.p.A. (hereinafter also referred to as "parent company") has its registered office in Porcari (LU) – Italy – Via Luigi Boccherini, 39.
The consolidated financial statements of Gruppo SNAI at 31 December 2007 include the financial statements of SNAI S.p.A. and the following subsidiaries and associates consolidated on a line-by-line basis:

- Società Trenno S.r.l. Unipersonale
- Festa S.r.l. Unipersonale
- Immobiliare Valcarenga S.r.l. unipersonale
- Mac Horse S.r.l. Unipersonale

There have been no changes in the scope of consolidation compared to 31 December 2006.
The financial statements of the companies included in the scope of consolidation all close their financial year at the same time as the calendar year (31 December) and were approved by their respective administrative bodies.
These consolidated financial statements were authorised for publication by the parent company following the board of directors meeting of 28 March 2008.

(a) General standards

The consolidated financial statements at 31 December 2007 were prepared based on the IFRS in effect as of that date, issued by the International Accounting Standards Board and adopted by the European Commission.
The accounting standards used to prepare these consolidated financial statements are in compliance with the accounting standards used to prepare the consolidated financial statements at 31 December 2006 with the exception of what is indicated below in the notes related the specific items.
The IFRS are considered also to be revised international accounting standards (IFRS and IAS) and all the interpretation of the International Financial Reporting Interpretations Committee (IFRIC e SIC), adopted by the European Union. As required by paragraph 28 of IAS 8, the IFRS in effect as of 1 January 2007 are indicated and briefly described below.

IFRS 7 Financial instruments: disclosures
Requires information which allows users of financial statements to assess the significance of the Group's financial instruments and the nature of risks associated with these financial instruments.

Amendment to IAS 1 Presentation of financial statements: information on capital
This modification requires the Group to provide new information which allows users of financial statements to assess the Group's objectives, policies and processes for managing capital. The required information is included in the notes.

IFRIC 7 Applying the restatement approach under IAS 29 "Financial reporting in hyperinflationary economies"
The standard is not applicable to the Group's activities.

IFRIC 8 Scope of IFRS 2
The interpretation clarifies some aspects of IFRS 2 (share-based payments).

IFRIC 9 Reassessment of embedded derivatives
IFRIC 9 establishes that the date for assessing the existence of an embedded contract is the date when the entity becomes party to a contract, with reassessment possible only if there is a change in the terms of the contract that significantly modify cash flow. Since the Group does not hold any derivative instruments, application of IFRIC 9 did not have impacts on the Group's financial position or performance.

IFRIC 10 Interim financial reporting and impairment
IFRIC 10 requires that any entity not reverse an impairment loss recognised in a previous interim period for goodwill or an investment in wither an equity investment held for sale or a financial asset carried at cost. Since the Group did not reverse any previously recognised impairment loss, this interpretation did not have impacts on the Group's financial position or performance.

IFRS and IFRIC interpretations not yet in effect

The Group did not apply the following IFRS, IFRIC Interpretations and amendments, which are published but not yet in effect:

IFRS 8 Operating segment
Requires more information which allows users of financial statements to have a better understanding of management's reporting. The Group is still evaluating the effects of these interpretations and related impact on its financial statements.

IFRS 3R Business combinations and IAS 27/R Consolidated and separate financial statements
The two revised standards have been adopted as of January 2008 and will become effective for the first financial year following 1 July 2009. IFRS 3R introduces some changes in accounting for business combinations which will have effects on the amount of recognised goodwill, result for the year the acquisition takes place in and results for subsequent years. IAS 27R requires that a change in the investment in a subsidiary be recognised as an equity transaction. Consequently, this change will not have an impact on goodwill, and will not give rise to gains or losses. In addition, the revised standards introduce changes in accounting for a loss incurred by a subsidiary as well as loss of control. The changes introduced by the standards IFRS 3R and IAS 27R must be applied prospectively and will have impacts on future acquisitions and transactions with minority shareholders.

IAS 1 Revised Presentation of financial statements
The revised IAS 1 standard Presentation of financial statements was adopted in September 2007 and will become effective during the first financial year after 1 January 2009. The standard separates the changes in shareholders' equity attributed to shareholders and non-shareholders. The statement of changes in shareholders' equity will only include the details of transactions with shareholders, while all the changes related to transactions with non-shareholders will be presented on a single line. Moreover, the standard introduces the "comprehensive income" statement: this statement contains all the income and cost items accruing during the period recorded in profit and loss, and addition every other recorded income and cost item. The "comprehensive income" statement can be presented as a single statement or in two correlated statements. The group is evaluating whether to prepare one or two statements.

Changes to IAS 32 and IAS 1 Held for sale financial instruments
The changes to IAS 32 and IAS 1 were adopted in February and will become effective in the first financial year after 1 January 2009. The change to IAS 32 requires that some held for sale financial instruments and bonds which occur at the time of liquidation are classified as capital instruments if certain conditions are met. The change to IAS 1 requires that the explanatory notes include some information related to held to sell options classified as capital. The Group does not expect these changes to have an impact on the group's financial statements.

IAS 23 Reviewed – Borrowing costs
The revised IAS 23 requires the capitalisation of borrowing costs where they are referred to assets which justify their capitalisation (qualifying assets). An asset which justifies capitalisation is an asset which requires a significant amount of time before being ready for its intended use or sale. This standard will be applicable from the financial year starting 1 January 2009. The Group is still evaluating the effects of these interpretations and the related possible impact on its financial statements.

IFRIC 11 IFRS 2 – Group treasury share transactions
IFRIC 11 requires accounting got agreements which grant employees rights on enterprise equity instruments such as stock option plans if the enterprise acquires these instruments from a third party, or if it is the shareholders to provide the necessary equity instruments. This interpretation became applicable starting on 1 March 2007. The adoption of this standard, which will occur on 1 January 2008, will not have any effect on the company's financial position or performance, since the Group currently does not have any of this type of transactions.

IFRIC 12 Service concession arrangements
IFRIC 12 provides instructions on how to account for concessions granted by government or other bodies to private operators.

IFRIC 13 Customer loyalty programmes
IFRIC 13 provides accounting guidelines for a company that grants loyalty award credits (such as "points" or travel mile benefits) for customers who buy goods or services. This interpretation is applicable for financial years starting at 1 July 2008, but does not regard the Group.

IFRIC 14 IAS 19 – The limit on a Defined Benefit Asset, minimum funding requirements and the interaction
IFRIC 14 provides instructions on how to measure the economic benefit limit that can be recorded as assets in a Defined Benefit Plan, in accordance with IAS 19 – Employee benefits The minimum funding requirement may cause effects on assets and liabilities resulting from pension plans. This interpretation is applicable after 1 January 2008. The Group is evaluating the effect that this interpretation will have on the Group's consolidated financial statements once it is applied starting 1 January 2008.

The statements adopted by Gruppo SNAI for the financial year which closed at 31 December 2007 have been changed compared to those adopted in the previous year, to better meet the provisions of IAS 1 and 7. The specific information is included in the explanatory notes.
The Group adopted the following statements:

Balance Sheet
The presentation of the balance sheet is through separation of current and noncurrent assets and liabilities and for each asset and liability item the amounts expected to be settled or received within 12 months from the date of the accounting situation.

Income Statement
The income statement records the items by nature, since it is considered to be the one which provides the most explanatory information.

On 31.12.07 the arrangement of the income statement was changed by eliminating the “operating revenue” item and reporting in “revenue from sales and services” the change in fixed odd and totalisator odd sports and horse racing bets already net of winning and reimbursements paid to betters, single tax accrued and withholdings on fixed and totalisator odd horse racing bets.

For more information, the directors’ report contains a comparison statement of the income values for 2007 in the same arrangement as 2006 with comparative values. Adequate information on the adoption of the new arrangement is supplied in the notes to the main income statement items.

Statement of changes in equity
The statement of changes in equity shows the financial year or period profit or loss, each item of income and expense, proceed or charge which, as required by the International Accounting Principles and their interpretations, is recognised directly in equity, together with the total of those items; the total profit or loss for the period, separately showing the amount attributable to equity holders of the parent and to minority interest; for each equity item the effects of changes in accounting policies and corrections of errors as required by the accounting treatment in Internal According Standard no. 8. In addition the statement presents the balance of accumulated profits or losses at the beginning and end of the period and movements for the period.

Cash Flow Statement
The statement of cash flows presents the cash flows of operating activities, investing activities and financing activities. Cash flows of operating activities are represented by the indirect method, where the profit or loss for the year or period is adjusted for the effects of non-cash transactions, any deferments or accruals of previous or future receipts or operating payments, and income or cost items connected with cash flows from investment or financial activities.

Compared to what was published in the financial statements at 31 December 2006, reclassifications have been made in order to improve the recognition of the items of the income statement and balance sheet, limited to the following items:
• from the item “costs services and leased asset” to the item “revenue from
sales and services” for 369,143 thousand euro, related to winnings and reimbursement of fixed odds and totalisator odd horse racing and sports betting;
• from the item “costs services and leased asset” to the item “revenue from
sales and services” for 37,236 thousand euro, related to the single tax on horse racing and sports betting with fixed and totalisator odds;
• from the item “costs services and leased asset” to the item “revenue from
sales and services” for 2,783 thousand euro, related to UNIRE withholding on horse racing and sports betting with fixed and totalisator odds;
• from the item “costs services and leased asset” to the item “financial charges” for 786
thousand euro related to fees on sureties;
•1,732 thousand euro from “other current assets” to “trade accounts receivable” related to the Slot ; Slot provision for bad debt;
•32,375 thousand euro from “other current assets” to “trade accounts receivable” related to
receivables due from Slot customers;
•851 thousand euro from “liquid assets” to “trade accounts receivable” related to
direct debiting issued to Slot customers;
•1,848 thousand euro from “liquid assets” to “other current assets” related to
rid issued to Circuito Gold customer and concession managers.

(b) Basis of preparation
These consolidated financial statements, with amounts expressed euro rounded to the thousands, were prepared based on a general policy of historic cost, with the exception of some property, land, plant and machinery measured at their deemed cost, as explained below, as well as for derivatives (fixed odd and totalisator odd bets) and equity investments in other companies carried at fair value.

To prepare the financial statements in compliance with the IFRS, management must make measurements, estimates and assumptions to apply the accounting standards that effect the amounts of assets, liabilities, costs and income recognised in the financial statements. The estimates and related assumptions are based on previous experience and other factors considered reasonable for the specific case. They were used to estimate the carrying value of assets and liabilities, which is not easy to deduce from other sources. However, it is important to point out that since these are estimates the final results may not necessarily be the same as presented here.

These estimates and assumptions are regularly reviewed. Any changes resulting from a review of accounting estimated are recognised in the period when the review was performed.
The key assumptions concerning the future and other important sources of uncertainty in estimates at the closing date of the financial statements, which could cause significant adjustments in the carrying values of assets and liabilities by the end of the next financial year are described below.

Value impairment on non-financial assets
As of the date of each financial statements, the Group verifies if there are value impairment indicators for all non-financial assets. Goodwill and other intangible assets with an indefinite useful life are tested annually for value impairment and if such indicators

carrying value may not be recovered.
When the value in use calculations are prepared, the directors need to estimate the expected cash flows from the asset or cash generating units and select an adequate discount rate in order to calculate the current value of these cash flows. Further details and a sensitivity analysis of the key assumptions are indicated below.

Deferred tax assets
Deferred tax assets are recognised for unused tax losses, to the extent that it is probable that enough future tax profit will be available against which the tax losses can be used. The directors are asked to make a significant discretional measurement to determine the amount of deferred tax assets which can be recorded. They need to estimate the probable temporary manifestation and the amount of further taxable profit as well as a planning strategy for future taxes.

Development costs
Development costs are capitalised based on the accounting standard described below. Initial capitalisation of costs is based on the fact that management's judgement on the technical and economic feasibility of the project has been confirmed. This normally occurs when the project has reached a precise phase of the development plan. To determine the values to capitalise the directors have to create assumptions concerning the expected future cash flows from noncurrent assets, discount rates to apply and the period when the expected benefits will occur. At 31 December 2007, the best estimate for the carrying value of capitalised costs was around 2,160 thousand euro.

The accounting standards described below have been applied consistently to all the companies of the consolidated SNAI group.

(c) Accounting policies and consolidation

(i) subsidiaries
Subsidiaries are companies where the parent company has the power to determine, either directly or indirectly, the financial and operating policies in order to obtain the benefits resulting from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis from when the parent company starts to exercise control until the date this control ends.

The portions of shareholders' equity and the profit or loss attributed to minority interests are indicated separately, in the consolidated balance sheet and income statement, respectively.

Some subsidiaries (Ristomisto S.r.l. and Teseo S.r.l., both in liquidation) are not consolidated on a line-by-line basis, where the consolidation would not produce significant asset, liability, profit, loss and financial effects. These companies are measured with the equity method and the effects on consolidated profit/loss and shareholders' equity correspond to what would result from their accounting on a line-by-line basis.

In the event of acquisition of a minority interest, any surplus in the price paid compared to the fair value of the acquired assets and liabilities is accounted for as goodwill".

(ii) associates
Associates are entities where the Group exercises a significant influence on the financial and operating policies, despite not having control. The consolidated financial statements include the group's portion of the associate's profit or loss, which is recognised based on the equity method starting from the date when the significant influence began until the date this influence ceases. With the equity method, the investment in an associate is entered in the balance sheet at cost and increased by later variation to the acquisition of net assets in the associate for the portion belonging to the group. Goodwill related to the associate is included in the carrying value of the investment and is not subject to amortisation. The income statement reflects the amount belonging to the Group of the associates profit or loss. If an associate record adjusts directly charges to shareholders' equity, the Group recognises its portion and represents it, where applicable, in the statement of changes in shareholders' equity.

When the group's portion of loss in an associate exceeds the carrying value of the investment in this associate, the group zeros out the equity investment and stops recognising its portion of additional losses, except to the extent that the group has undertaken legal or implicit obligations or has made payments on behalf of the associate.

(iii) Transactions eliminated in the consolidation process
Inter-group balances, transactions, income and costs are completely eliminated in the consolidation process.

Unrealised profit from transactions with associates and jointly controlled entities are eliminated in proportion to the group's interest in the entity. Unsustained losses are eliminated equal to unrealised profit, but only in the absence of evidence of impairment.

(iv)Transactions in foreign currency
Foreign currency transactions are translated at the exchange rate effective on the transaction date. Monetary amounts in foreign currency at the consolidated accounting situation reference date are translated into euro using the closing exchange rate. Exchange rate differences resulting from translation are reported in profit and loss as financial income or

charges. Non-monetary items carried at historical cost are translated using the exchange rate in effect when the transaction is first reported. Non-monetary items carried at fair value in foreign currency are translated using the exchange rate in effect when the fair values were determined.

(d) Property, plant and equipment

(i) Owned assets
Property, plant and equipment is entered at cost or substitute cost, net of accumulated depreciation and value impairment (see standard g). The cost includes any additional directly attributable costs and the initial estimate, where necessary, of the cost to dismantle and remove the asset and restore the site where it was located and lastly, an adequate amount of production expenses for internally constructed items.

Extraordinary maintenance and repair costs, which increase the useful life of property, plant and equipment, are capitalised and depreciated based on the remaining possibility to use the asset. Other repair and maintenance costs are recorded in the income statement when they are incurred.

If property, plant and equipment are composed of various components with different useful lives, these components are recorded separately.

If events or changes in situations indicate that the carrying value may not be recovered, these are subject to testing and if the carrying value exceeds the presumed realisation value (represented between the higher between sales price and use value), the asset is written down.

(ii) Finance and operating leases
Finance lease assets which transfer substantially all the risks and benefits of ownership are classified as finance lease assets. Assets used by the group, acquired by finance lease, are recorded at the fair value of the leased asset or, if less, at the current value of minimum payments due for the lease, each calculated at the beginning of the contract, net of accumulated depreciation (as indicated below) and value impairment (see standard g).
Costs for operating leases are recognised in the income statement on a straight-line basis for the duration of the contract.

(iii) Depreciation
Depreciation of property, plant and equipment is systematically charged to the income statement on a straight-line basis in relation to the useful economic-technical life of related assets, defined as its useful life. Land is not depreciated. The following annual depreciation rates are used:
• Buildings: from 3% to 11%
• Plant and machinery: from 5% to 33%
• Fixtures and equipment: from 7.75% to 15%
• Other assets: from 6% to 100%
The residual value and useful life of the asset and methods applied are reviewed annually and adjusted as needed at the end of each financial year.

(iv) Derecognition
An asset is removed from the balance sheet when it is sold or no future benefits are expected from its use or disposal. The gain or loss (calculated as the difference between proceeds from the sale and carrying amount) are included in the income statement for the year when it is disposed.

(e) Intangible assets

(i) Goodwill
For acquisition of companies or company branches, the acquired assets, liabilities and potential liabilities are recognised at the current fair value at the date of acquisition. The positive difference between the acquisition cost and the fair value of these assets and liabilities is entered in the balance sheet as goodwill and classified an intangible assets.

Any negative different (“negative goodwill”) is entered in the income statement at the time of the acquisition. Goodwill is considered an asset with an indefinite life and it is not amortised, but it is annually or more frequently (if specific events of changed circumstances indicate impairment) tested to identify any impairment, according to IAS 36 – Impairment of Assets (impairment test) conducted on the cash generating unit which management allocated the goodwill to. Any write-downs cannot later be reversed.

(ii) Other intangible assets
The other intangible assets acquired or produced internally are entered as assets, as set forth in IAS 38 – Intangible assets, when it is probable that use of the asset will generate future economic benefits and when the asset cost can be reliably determined.

These assets are initially recognised at acquisition or production cost and later net of amortisation, calculated on a straight-line basis for the entire estimated useful life.

Research cost is recognised as expense at the time it is incurred.

Development costs, which require application of research results to a plan or project for the production of products or new or substantially improved processes, are capitalised only after technical and commercial feasibility of the product or process and the group has sufficient resources to complete its development. Capitalised costs include expenses for materials, direct manpower and an adequate portion of general production costs.

The other development costs are recognised in the income statement for the financial year in which they are incurred. Capitalised development costs are entered net of accumulated amortisation and value impairment (see standard g).

The costs for internally generated goodwill and brands, are recognised in the income statement in the period in which they are incurred.

Subsequent costs for intangible assets are capitalised only when there is an increase in the expected future economic benefits attributable to the assets they refer to. All other subsequent costs are recognised in the income statement for the period in which they are incurred.

Concessions, licenses, trademarks and similar rights are capitalised only when there is an increase in the expected future economic benefits attributable to the assets they refer to. All other subsequent costs are recognised in the income statement for the period in which they are incurred.

(iii) Amortisation
Amortisation of intangible assets is charged to the income statement on a straight-line basis for their useful life, with the exception of those with an indefinite life and goodwill which are not amortised, but for which the group regularly tests their value impairment. However, this test is performed at the closing date of all financial statements.
Intangible assets with a finite useful life are amortised starting when the asset is available for use.

The following annual amortisation rates by type are used:
- development costs: from 20% to 33%
- industrial patent rights and licences to use original works: from 10% to 33%
- concessions, license, trademarks and similar rights: from 10% to 33%
- horse race and sports concessions and sports and horse race licences: based on the duration of the concession with expiration between 31/12/2001 and 30/06/2016
- others: from 10% to 33%

(f) Inventories

Inventories are measured at the lower between cost (acquisition or production) and market value, calculating the cost with the first in – first out (FIFO) method. Recognition of warehouse inventories includes direct costs of materials and labour and indirect costs (variable and fixed). Write-down provisions are calculated for products considered obsolete or with slow turnover, taking into account their future expected use and realisation value.

(g) Value impairment on non-financial assets

The group annually tests the carrying value of its assets to identify any impairment. If, based on these tests, assets are discovered to have undergone impairment, the group estimates the recoverable value of the assets.
The recoverable value of goodwill, indefinite life assets and intangible assets not yet available for use, is estimated at the closing date of each balance sheet, even if there are no indications of impairment.
The recoverable value of is the greater of the fair value of the asset or cash generating unit, net of sales costs, and its use value. The recoverable value is calculated per single asset, except when the asset generates cash flows which are not fully independent from those generated by other assets or groups of assets.

Any impairment of cash generating units is first allocated to reduce the carrying amount of any goodwill allocated to the cash generating units and then, reduce the carrying amounts of the other assets of the unit proportionally to each asset which is part of the unit.

To determine the use value of an asset the accounting standard requires that the current value of estimated future cash flows be calculated, pre-tax, by applying a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset An impairment loss is recognised if the recoverable amount is below the carrying amount. When later, an impaired asset, other than goodwill, no longer exists or has reduced, the carrying amount of the asset or cash generating unit is reversed.

(h) Reversal of impairment loss

Reversal of impairment loss for goodwill is prohibited.

With the exception of goodwill, the impairment of an asset is reversed when there is an indication that the impairment no longer exists or when there has been a change in the measurement used to determine the recoverable value. The carrying amount following a reversal should not be more than the carrying value that would have been determined (net amortisation) of the impairment had not been recognised.

(i) Equity investment and other financial assets

IAS 39 covers the following types of financial instrument: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments and available-for-sale assets. Initially all financial assets are recognised at fair value, increased in the event of assets other than at fair value with changes for additional charges in profit and loss. The Group determines the classification of the financial assets at the time of their initial recognition.

(i) Equity investments and available-for-sale financial assets
Equity investments in other companies (with a holding less than 20%) are measured at fair value, with effects recognised in shareholders' equity; when their fair value cannot be reliably determined, the equity investments are carried at cost adjusted for impairment, and recognised in profit and loss. The original value is only restored when the reasons for the write-downs recognised in shareholders' equity cease to exist.

The risk resulting from ay impairment exceeding shareholders' equity is recognised in a specific provision for risks to the extent that the investor company is committed to fulfilling legal or implicit obligations for the investee.

(ii) Other financial assets
Government bonds which the group intends to hold until their natural maturity, having the ability to do so, are measured at amortised cost net of impairment.
Other current financial assets include balances of financial accounts due from other companies subject to control by the same parent company and non-consolidated subsidiaries.

(j) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted on an active market. After initial recognition these assets are measured at amortised cost using the effective discount rate method net of any accruals for impairment.
Current receivables were not discounted since the effect of discounting cash flows is irrelevant. Profit and loss recorded in the income statement when the loans and receivables are derecognised or when impairment occurs as well as through the amortisation process.

Fair value
For securities widely traded on active markets, the fair value is determined referring to the quoted market price recorded at the end of trading on the closing date of the financial year. If a market for an investment is not active, the fair value is established using a valuation technique based on: arm's length transaction prices; current market value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Amortised cost
Held-to-maturity financial assets and loans and receivables are measured at amortised cost. Amortised cost is calculated using the effective interest rate net of any accruals for impairment. The calculation takes into account any premium or discount on the acquisition and includes transactions costs and fees which are an integral part of the effective interest rate.

Impairment on financial assets
The group assesses at each balance sheet date if a financial asset or group of financial assets is impaired. If objective evidence exists that a loan or receivable entered at amortised cost is impaired, the amount of the loss is measured as the difference between the carrying amount of the asset and the present value of estimated cash flows (including losses of future credit not yet incurred) discounted at the asset's original effective interest rate (or the effective interest rate calculated at the initial recognition date). The asset carrying value is reduced using a provision.
The amount of the loss is recorded in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was initially recognised, the previously recognised loss is reversed.
Any subsequent reversals are recognised in profit and loss, to the extent that the asset carrying value for not exceed the amortised cost on the reversal date.

In terms of trade accounts receivable, an accrual for impairment is made when objective evidence exists (for example a probability of insolvency or significant financial problems of the debtor) that the group will not be able to recover all the amounts due at the original conditions of the invoice.
The carrying amount is reduced using a specific provision. Receivables subject to impairment are reversed when they are unrecoverable.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand, on - sight deposits, current and highly liquid investments which are easily convertible into cash and which are subject to an irrelevant risk or value change.

(l) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs. After initial recognition they are measured at amortised cost, recording any difference between the cost and repayment amount in profit and loss for the duration of the liability, according to the effective interest rate method.
Current payables are not discounted since the effect of discounting cash flows is irrelevant.
All profit and loss is recorded in the income statement when the liability is extinguished, as well as through the amortisation process.

Financial liabilities at fair value through profit and loss
Liabilities held for trading are those acquired for short term selling. Derivatives are classified as financial instruments held for sale unless they are designated as effective hedging instruments. Profit and loss on liabilities held for sale are recorded in the income statement.

Derecognising financial assets and liabilities
A financial asset (or, where applicable, a part of a financial asset, or part of a group of similar financial assets) is derecognised when:
- the rights to receive cash flows from the asset are transferred;
- the entity has retained the contractual rights to receive the cash flows from the asset, but has assumed a contractual obligation to remit those cash flows on to a third party without material delay;
- the entity has transferred the rights to receive cash flows from the asset and (a) has substantially transferred all the risks and rewards of ownership of the financial asset or (b) has not substantially transferred nor retained all the risks and rewards of the asset, but has transferred its control.

A financial liability is removed from the balance sheet when the obligation underlying the liability is expired, cancelled or discharged.

(m) Termination benefits (Italian TFR)

The termination benefits are considered a defined benefit plan according to IAS 19.
The liability related to the defined benefit programme, net of any assets for the plan, is determined based on actuarial assumptions and is recorded based on consistent accrual for the services needed to obtain the benefits; measurement of the liability is performed by an independent actuary.
As of 1 January 2007, the Finance Act and relative implementing decrees introduced significant changes in the rules governing TFR, including the workers' choice of the destination for benefits earned to supplementary pension schemes, or “Treasury Fund” managed by INPS (Italian Social Security).
Therefore the result, is that the obligation to INPS and contributions to supplementary pension schemes have assumed the nature of a “Defined contribution plan” according to IAS 19, while the amount entered with the provisions for TFR maintain the nature of a “Defined benefit plan”.

Gains or losses resulting from the actuarial calculation are recognised in the income statement as a cost or income.

(n) Provisions for future risks and charges

The group accrues a provision in the balance sheet when it has undertaken an obligation (legal or constructive) as the result of a past event and it is probable that it will be necessary to use resources which product economic benefits to fulfil the obligation. If the effect is significant the amount of the provisions is represented by the current value of estimated future cash flow discounted at a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the liability.

(o) Leases

The definition of a contract as a lease transaction (or containing a lease transaction) is based on the substance of the contract and requires assessing if fulfilment of the contract depends on the use of one or more specific assets or if the contract transfers the right to use for the asset. A review is performed after the start of the contract only if one of the following conditions occurs:
there is a change in the contractual conditions, other than a renewal or extension of the contract;
a renewal option is exercised or an extension is granted, unless the terms of the renewal or extension are initially included in the lease transaction terms;
there is a change in the condition according to which fulfilment depends on a specific asset; or there is a substantial change in the asset.

Where a review is performed for situations 1, 3 or 4 above, the recognition of the lease starts or ends from the date the circumstances change which gave rise to the review. Where a review is performed for situation 2 above, the recognition of the lease starts or ends from the renewal or extension date.

For contracts signed before 1 January 2005, the start date is considered 1 January 2005 in accordance with the temporary provisions of IFRIC 4.

Operating leases
Lease payments for operating leases are recognised as an expense in the income statement on a straight-line basis for the duration of the contract.

Finance leases
Finance Lease contracts, which transfer substantially all the risks and rewards of ownership of the leased asset to the Group are recorded on the starting date of the lease at fair value of the leased asset, or if lower, at the current value of the lease payments. Lease payments are apportioned between the principle and interest in order to obtain a constant rate of interest on the remaining balance of the liability. Finance charges are booked directly to the income statement.

Recognised leased assets are depreciated over the shortest time period between estimated useful life and the duration of the lease contract, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease."

(p) Revenue and costs

Revenue are recognised to the extent that it is likely that economic benefits will flow into the group and their amount can be reliably determined. Revenue is represented net of discounts, allowances and returns.
In particular, revenue for the sale of assets is recognised when the risks and rewards of ownership of the asset are transferred to the buyer, the sales prices is established or determinable and collection is expected: this time generally corresponds to the date of delivery or shipment of the asset.
Revenue from performance of services are recognised when the services are provided; in particular, revenue from computerised services to agencies total 1.2% of the volume of bets received by the agencies and 13% of the games performed on amusement machines ("slot machines").
Revenue connected with concessions related to slot machines are recognised net of the tax withholding (PREU) and paid winnings (totalling 75% of played volume) and gross of fees to pay to managers and operators (totalling 11.5% of the games, 6% for BAP) as well as the payment for the concession to pay to AAMS, totalling 0.8% of the game volume).
As of 1 January 2007 amusement machine network licensees are owed 0.5% of game movement as a reverse of the AAMS concession payment.
based on IAS 32 and 39 the collection of fixed odd and totalisator odd bets generates a financial liability which is measured using the fair value method. Therefore the collection connected with the acceptance of fixed and totalisator odd bets (or bets related to which the Group sustains a risk resulting from winnings) is entered in the balance sheets under "Revenue from sales and services" net of the costs for the single tax, the UNIRE withholding, winnings and reimbursements paid to bettors. For greater clarity the consolidated income statement shows a detail of the movement net of cancellations of fixed and totalisator odd bets as well as the related costs for winnings and reimbursements.

Revenue connected with totalisator bets are instead recognised based on the commission percentage established by the agreement for operating the bets, on average around 11.8%.
Revenue and costs related to bets are recognised at the time the event is realised on which the bet is accepted. Revenue for services is recognised on an accrual basis when the service is delivered.
Costs for services are recognised on an accrual basis when the service is received.

Government grants
Grants from the government and other public agencies are represented by U.N.I.R.E. (National Union for Horse Race Increase) investment fund grants and grants paid for services delivered by the horse race track management company for the benefit of the U.N.I.R.E. Public Agency owner of the proceeds for collection of bets on horse races being performed at these race tracks. They are recognised at their fair value when there is a reasonable certainty that they will be granted and when the group has met all the conditions necessary for obtaining them. Grants obtained to compensate incurred costs are charged to the income statement systematically in the same periods when the related costs are recorded. Grants obtained to compensate an asset entered in the balance sheet are systematically charged to the income statement under the item other operating revenue based on the useful life of the related asset.

(q) Financial income and charges

Financial income and charges are recognised on an accrual basis based on accrued interest using the effective rate of interest.

(r) Income taxes

Income taxes include current and deferred taxes calculated on the taxable income of the group companies. Income taxes are recognised in the income statement, with the exception of those related to transactions recognised directly in shareholders' equity, which are accounted for in shareholder's equity.

Current taxes represent the estimate of the amount of income taxes calculated on the taxable income for the year, determined by applying the annual weighted average of the expected tax rates for the entire year.

Prepaid and deferred taxes are set aside using the so-called liability method on temporary differences between the carrying amount of assets and liabilities entered in the balance sheet and corresponding values recognised for fiscal purposes, with the exception of temporary differences recognised for the initial recording of goodwill, initial recording of assets and liabilities which do not affect booked profit or taxable income and differences related to investments in subsidiaries for which it is probable, in the predictable future, that the temporary difference will not reverse. Prepaid tax assets and deferred tax liabilities are measured using the tax rates expected to be applied during the year when the asset will be realised or the liability will be settled that they refer to, based on the tax rates established by current provisions of substantially in effect at the financial statement reference date.

Prepaid tax assets are recorded to the extent that it is probable that there will be a future taxable income against which these assets can be used, including based on the Group company budgets and tax policies. The carrying amount for prepaid tax assets is reduced to the extent that it is not longer probable that the related tax benefit is realisable.

(s) Segment reporting

A segment is a distinctly identifiable part of the group, that provides products or services (activity segment) or provides products or services in a particular economic environment (geographical segment). . Segment information is presented by "business segment". The primary segment, is based on the management structure and reporting system within the group. The secondary segment, identifiable with the geographical segment, is not considered significant at present since the group does not have risks and returns which are different in terms of the various geographical areas in Italy where the group operates.

(t) Available-for-sale assets and transferred operating assets

The group measures a noncurrent asset (or group being disposed of) classified as available-for-sale at the lower of its carrying amount and fair value net of sales costs.
Impairment after the initial measurement of an asset classified as available-for-sale is recognised in profit or loss, even if these assets have been revalued. The same treatment applies to profit and loss on its next measurement.
A transferred operating asset is a group component which represents an important independent branch of activity or activity geographical area or is a subsidiary exclusively acquired to be resold.
An operating asset is classified as transferred at the time of the transfer or when it meets the condition for the classification in the "available-for-sale" classification, if earlier. Even a group being disposed of can be under transferred operating asset.

(u) Earnings per share

Basic earnings per share are calculated by dividing the profit of the group by the weighted average of shares in circulation during the period. For the purposes of calculating diluted earnings per share, the weighted average of shares in circulation is modified assuming a conversion of al the potential share having a dilution effect.

2. AGREEMENTS FOR CONCESSION SERVICES

SNAI S.p.A. holds the following concessions:

- "Concession Agreement for assignment of activation and operation of the computerised management network for legal gaming through amusement machines as well as connected activities and functions". Expiration date: 31 October 2010 unless extended by AAMS for up to another year.

Transfer of assets required under article 15.

- "Concession for the assignment of public activities and functions related to "concorsi pronostici" (pools) as well as other possible games connected to sports events", expired 30 June 2007 and later extended until 31 December 2007. This concession expired on 31.12.2007. The activity connected to this concession will be performed starting on 1 January 2008 by the concession holders of the so-called Bersani Licences (from article 38 paragraphs 2 and 4 of the Italian Decree Law no. 223 of 4 July 2006 converted with modifications and integrations by Law no. 248 of 4 August 2006) and holders of all the other concessions for horse racing and sports bets.
- 218 concessions for "sale of fixed odd bets on sports events, other than horse races, and non-sports events" whose expiration date is scheduled for 30/06/2012.
- 98 concessions for "sale of totalisator bets and horse race fixed odd bets" whose expiration date is scheduled for 30/06/2012.
- 134 concessions for "conducting horse race fixed odd and totalisator bets" whose expiration date is scheduled for 31/12/2011 (historic horse race concessions).

- "Concession to conduct public gaming as per article 38, paragraph 4 of the Decree Law no. 223 of 4 July 2006 converted with modifications and integrations by Law no. 248 of 4 August 2006, published in supplement no. 183/L to the Official Gazette of the Republic of Italy no. 186 of 11 August 2006". The subject matter of this concession are the activities and functions for conducting public gaming for horse races, through the activation of distribution networks and related management. The public gaming per the concessions described above entails:

a) totalisator horse racing bets;
b) fixed odd horse racing bets;
c) totaliser bets;
d) sports “concorsi a pronostici”;
e) totip;
f) ippica nazionale;
g) remote skill games;
h) all other public gaming based on horse racing, which AAMS deems at any time to want to market through the network of horse racing shops and / or network of horse racing points and / or network of remote horse racing.

The public gaming above, which can be marketed by each distribution network includes:
a) with reference to the network of horse racing shops, those under letters a), b) c) d), e) f), h);
b) with reference to the network of horse racing points, those under letters c), d), e), f), h);
c) with reference to the network of remote horse racing, those under letters a), b) c), d), e) f), g), h).
AAMS may suspend, at its own discretion and without any indemnity for the licensee, at any time during the period of validity and effectiveness of the concession, the sale of one or more public gaming types cited above.
The expiration date of the concession is scheduled for 30.06.2016 based on the AAMS Directorial Decree of 7.09.2007 prot. no. 2007 / 49 / R / Giochi / UD

- Awarding of the right for activation of the remote horse racing network.
- “Concession to conduct public gaming as per article 38, paragraph 2 of the Decree Law no. 223 of 4 July 2006 converted with modifications and integrations by Law no. 248 of 4 August 2006, published in supplement no. 183 / L to the Official Gazette of the Republic of Italy no. 186 of 11 August 2006”. The subject matter of this concession are the activities and functions for conducting public gaming for events other than horse races, through the activation of distribution networks and related management.
  The public gaming per the concessions described above entails:
  a) fixed odd bets;
  b) totalisator bets;
  c) sports “concorsi pronostici”;
  d) totip;
  e) ippica nazionale;
  f) remote skill games;
  g) all other public gaming based events other than horse racing, which AAMS deems at any time to want to market through the network of sports gaming shops and / or network of sports gaming points and / or network of remote sports gaming.
  AAMS may suspend, at its own discretion and without any indemnity for the licensee, at any time during the period of validity and effectiveness of the concession, the sale of one or more public gaming types cited above.
  The expiration date of the concession is scheduled for 30.06.2016 based on the AAMS Directorial Decree of 7.09.2007 prot. no. 2007 / 49 / R / Giochi / UD.
- Awarding of the right for activation of the remote sports gaming network.

3. SEGMENT REPORTING

Segment information is presented by “business segment”. The primary segment, is based on the management structure and reporting system within the group. The secondary segment, identifiable with the geographical segment, is not considered significant at present since the group does not have risks and returns which are different in terms of the various geographical areas in Italy where the group operates.
Intersegment transfers are made at market conditions.

Segment profit include elements directly attributable to a segment or reasonably allocable to a segment.

Elements which are not attributed mainly include overhead not directly chargeable to the three main activities, financial charges and taxes, as well as loan contracts and assets used for supplementary common activities.

Segment investments include the total cost of investments sustained in the year to acquire multi-year segment assets.

The group is active in the following main segments:
- concessions;
- betting services;
- horse race track management.

Specifically the group’s activity has been defined as follows:

Concessions: this segment includes the activities connected with the management of horse race and sports concessions, acquired starting from 16 March 2006 and those which SNAI S.p.A. was awarded with the call for tenders of the so-called Bersani decree for assigning activation and operation of the computerised management network for legal gaming using amusement machines as well as connected activities and functions" (slot machines) which in the financial statements at 31 December 2006 were included in the "Betting Services" segment and have now been appropriately reclassified.

Betting services: this segment includes activities connected with the computerised services supplied to bet acceptance points, and for accepting event outcome contest bets; these activities are substantially managed by the company SNAI S.p.A. for the part related to the gaming and betting segment, Festa S.r.l. and Mac Horse S.r.l.;

Horse race track management: this segment includes activities connected with horse race track management, both in terms of real estate management, and organisation of races; these activities are managed by the companies Trenno S.r.l., Immobiliare Valcarenga S.r.l. and SNAI S.p.A. for the real estate segment.

The table below provides information on the contribution to consolidated values of the bet collection activities and connected services to the segment called "betting services", bet acceptance activity in group owned horse race tracks and activities connected to their management called "horse race track management" and activities related to horse racing and sports concessions as well as the computerised network concession for machined and devices as per article 110 paragraph 6 of T.U.L.P.S. (Slot machines) called "concessions".

The segment result includes segment income and all the costs directly or indirectly attributable to it.

Revenue from the sale of software and technology, set-ups and other revenue not part of the three main activities are not charged to the main segments; consequently, costs connected with the aforesaid revenue are not attributed to the specific segments, other than general costs not directly attributed to the three main activities, but to governance of the enterprise on the whole.

Classification by geographical segments is currently not deemed significant for the reasons explained above.

The "concessions" segment includes all the bets, both with fixed odds (whose bank is the responsibility of the licensee) and with totalisator (whose bank is the responsibility of the Ministry of Finance), accepted in BAP (bet acceptance points) directly managed following acquisition of the 450 "concession" company branches and through the call for tenders under the so-called Bersani decree.

For fixed odd bets the risk if of the licensee since it has the obligation to pay winnings and taxes, while for totalisator bets the licensee has not risk since it is due a percentage of its movement.

Revenue from accepting fixed odd and totalisator bets net of winnings and reimbursements (487,239 thousand euro), Single Tax (36,429 thousand euro) and UNIRE Withholding (3,785 thousand euro) totalled 99,485 thousand euro for the year.

Revenue mainly increased due to the new method for recognising revenue resulting from the concession for running the amusement machine network paragraph 6 – Slot machines (for more information see note 4) as well as higher revenue related to the direct management of bets recognised for the entire year.

((values in thousands of euro)	BETTING SERVICES		HORSE RACE TRACK MANAGEMENT		CONCESSIONS		OTHER		ELIMINATIONS		CONSOLIDATED TOTAL	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006
SEGMENT ASSETS	13.153	10.107	9.401	3.922	64.873	50.228	15.072	17.045	0	0	102.499	81.302
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	12.988	16.946	111.348	112.262	471.210	363.137	326	201	0	0	595.872	492.546
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS NOT ATTRIBUTED	0		0		0						8.697	6.025
EQUITY INVESTMENTS	0	0	2.114	1.331	0	0	574	568	0	0	2.688	1.899
TOTAL ASSETS	26.141	27.053	122.863	117.515	536.083	413.365	15.972	17.814	0	0	842.852	863.170
SEGMENT LIABILITIES	9.617	6.177	12.044	14.240	86.323	164.974	4.385	6.117	0	0	112.369	191.508
TOTAL LIABILITIES	9.617	6.177	12.044	14.240	86.323	164.974	4.385	6.117	0	0	842.852	863.170
INVESTMENTS:												
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS	639	2.362	3.226	2.125	139.853	386.064	194	154	0	0	143.912	390.705
PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS NOT ATTRIBUTED	0	0	0	0	0	0	0	0	0	0	2.286	564

INCOME STATEMENT BY ACTIVITY SEGMENT

	BETTING SERVICES		HORSE RACE TRACK MANAGEMENT		CONCESSIONS		OTHER		ELIMINATIONS		CONSOLIDATED TOTAL	
	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006	31-12-2007	31-12-2006
SEGMENT REVENUE	26.728	30.646	28.096	26.546	430.422	158.658	14.497	7.483	0	0	499.743	223.333
INTERSEGMENT REVENUE	3.322	2.081	86	49	0	0	629	302	-4.037	-2.432	0	0
OPERATING INCOME	12.450	10.646	3.855	3.522	33.756	25.651	-8.284	-10.714	0	0	41.777	29.105
Portion of equity investment income			341	-204			12	2			353	-202
Financial (charges) income											-38.142	-28.529
Income taxes											4.531	-2.256
Profit (loss) for year											8.519	-1.882
of which: DEPRECIATION, AMORTISATION AND WRITE-DOWNS	-650	-1.055	-4.001	-3.987	-33.687	-25.717	-936	-821			-39.274	-31.580

EXPLANATORY NOTES FOR THE MAIN ITEMS OF THE INCOME STATEMENT

The comparison of values, always expressed in thousands of euro, is performed with the corresponding balances at 31 December 2006.

The structure of the income statement adopted for the current 2007 financial statements was adopted following a specific petition to the Italian Tax Office which confirmed that there would be not tax assessment consequence for the company from adopting the new structure which requires, among other things, the elimination of “Operating revenue” and the recognition in “Revenue for sales and services” of the fixed odd sports bets and fixed odd and totalisator horse racing bets, already net of winning and reimbursements paid to bettors, single tax and Unire withholding.

4. REVENUE FROM SALES AND SERVICES

The amount of revenue from sales and services significantly increased compared to 2006 rising to 492,546 thousand euro from 217,568 thousand euro, broken down as follows:

thousands of euro	2007	2006	Change
Net revenue for fixed odd and totaliser odd bets	99,485	66,446	33,039
Revenue for totaliser horse racing bets (BAP)	80,123	65,854	14,269
Revenue for bet collection services	12,585	18,352	-5,767
Revenue for computerised bet collection services BAP customers	1,595	1,643	-48
Corner customer services	844		844
Horse racing totaliser and Ippica Nazionale race commissions previously TRIS bet collection revenue	5,931	6,096	-165
Revenue from event outcome contests	390	528	-138
Revenue from SNAI CARD (former Gioca Sport)	2,090	992	1,098
Revenue from Slot Machines	231,111	25,654	205,457
AAMS grant – Slot Machine Concession	8,950		8,950
Revenue from bingo services	98	98	0
Revenue from set-up and technology sales	13,512	6,873	6,639
Revenue from bet management at horse race tracks	22,490	18,613	3,877
Revenue from advertising campaigns	359	275	84
Help desk switchboard and audiotel services	92	105	-13
Horse race track and real estate management	3,202	3,493	-291
Revenue from technical assistance contracts	1,237	1,232	5
Revenue from exercise of licences	6,053	0	6,053
Other services and sales to others	2,399	1,314	1,085
Total	492,546	217,568	274,978

Net revenue from bet acceptance at fixed and totalisator odds (BAP) totalled 99,485 thousand euro for 2007, against 66,446 thousand euro at 31 December 2006; revenue from totalisator (BAP) horse racing bets totalled 80,123 thousand euro for 2007, against 65,854 thousand euro at 31 December 2006; both entries are the result of direct management of horse racing and sports bets started on 16 March 2006 with the acquisition of 450 company branches for horse racing and sports concessions and it increased starting at the end of the first half of 2007 in part thanks to the opening of new horse racing and sports gaming licences (corners and shops) resulting from the awarding of concessions from the so-called Bersani call for tenders. For fixed and totalisator odd bets (BAP) the concession holder assumes the risk (bank).
The table below shows the breakdown of the “Net revenue from fixed and totalisator odd bet collection” which shows the items related to winnings, reimbursement and related taxes, unlike what was shown in the consolidated financial statements at 31 December 2006, where the revenue was represented gross of the aforesaid items.

thousands of euro	2007		2006	
Revenue from Fixed Odd Sports / Car – Motorcycle Bets	586,752		446,731	
Winnings and Reimbursements for Fixed Odd Sports and Car – Motorcycle Bets	(457,349)		(348,204)	
Single Tax on Fixed Odd Sports / Car – Motorcycle Bets	(34,574)		(35,872)	
Net Fixed Odd Sports / Car– Motorcycle Bets		94,829		62,655
Revenue from FO Horse Racing and Totalisator Odd Horse Racing	40,186		28,877	
Horse Racing FO and Totaliser Odd Winnings and Reimbursements	(29,890)		(20,940)	
Horse Racing FO and TO Single Tax	(1,855)		(1,364)	
Horse Racing Withholding	(3,785)		(2,782)	
Net Fixed Odd and Totalisator Odd Horse Racing Bets		4,656		3,791
Total		99,485		66,446

The revenue from totalisator horse racing bets (BAP), 80,123 thousand euro at 31 December 2007 represents a percentage of

the volume on collected bets established by law.
Revenues from bet collection services (third party licensees) totalled 12.585 thousand euro (18,352 thousand euro), the decrease of 5,767 thousand euro is mainly due to a change in corporate strategy which, with the acquisition of 450 company branches, passed from only service provider to betting licensee and, consequently, with the acquisition of customer concessions, SNAI lost the related revenue of 1.20% for the provider service to the 450 concessions from the date of the acquisition; moreover, a drop was recorded in horse racing bets witnessed also on a national level.

The increase in revenue resulting from the concession to run the network of amusement machines paragraph 6 (Slot machines) is due to the new accounting method used for them, adopted following issue of a decree on 17/05/06 from the Director General of the Amministrazione Autonoma dei Monopoli di Stato published in the Italian Official Gazette of 07/07/06 which defines the "Requirements of third parties assigned to collect (TIR) bets through machines with cash winnings". The new contracts became effective 01/01/07, both with managers (assigned third parties) and operators, implementing the instructions of the decree.
The revenue recognised at 31 December 2007 totalled 13% of the movement generated by Slot Machines and thus are expressed gross of the compensation contractually recognised to the manager – TIR – and operator. These costs are shown in the item costs for services and leased assets in note 9.
Revenue from sales and services in 2007 included 8,940 thousand euro for the recognition of 0.5% of played sums in that period with amusement machines (slot machines), as compensation, required by article 2, paragraph 530, letter c) of Law 266/2005 (2006 Financial Act), paid to computerised network licensees.

The Lazio regional administration court, T.A.R., granted the petitions submitted by some concessionaries, and deeming the continued inertia of AAMS to be unjustified, it demanded AAMS pay the compensations. With this ruling, the Lazio regional administration court confirmed the right due to licensees for what was determined with the 2006 Financial Act.
Lastly, in the draft decree prepared by AAMS, for the purposes of revising the slot machine convention, the provision of the granted accruable up to 0.5% of the collection, has been entered in the new convention between AAMS and the licensees as a contractual element. The value of the grant, may vary based on a series of service and investment parameters. In its current state, the draft decree which determines the parameters for paying the convention grant is at the European Commission which is preventively assessing, among other things, if the compensation as per article 1, paragraph 530 of Law no. 266/2005 may possibly be considered as State aid not allowed under EU law.
Based on the opinions of legal experts does no believe that risks exist such as to define the above proceeds as State aid. Moreover, based on the opinions of technical consultants it feels that the service levels reached as enough for recognition of the entire proceeds in revenue.

Revenue from set-up and technological sales totalled 13,512 thousand euro and were mainly due to gaming terminals produced for the new points of sale. he item also includes 11,544 thousand euro of internal production technologies which are the subject of rental contracts (lease-back) recorded under "property, plant and equipment" as described in note 15. This amount accounts for around 2% of all revenue from sales and services.
The increase in revenue from bet management at horse race tracks is due to grants for the so-called customisation of metropolitan Horse Race Tracks for the years 2005 to 2007.
The activity related to the new concessions awarded with the call for tenders under the Bersani decree started towards the end of the second quarter of 2007. The "Revenue from exercise of licences" item totalling 6,053 thousand euro contains the payments for the first activation for sports and horse racing shops/corners with the stipulation of new management contracts; revenue and proceeds for the bet acceptance activities are recognised in the specific revenue from betting items.

5. OTHER REVENUE AND PROCEEDS

The amount of other revenue and proceeds totals 5,752 thousand euro (5,245 thousand euro).
This item contains the following positive income items:

thousands of euro	2007	2006	Change
Rental income	555	771	-216
Other revenue and proceeds	1,604	1,203	401
Sale of option rights	169	0	169
Revenue from asset capitalisation	101	402	-301
Compensation for damages and insurance reimbursements	1,982	97	1,885
Income transactions	1,166	119	1,047
Capital gains on sale of assets	28	9	19
UNIRE investment fund grant	147	509	-362
INPS MI injunction to pay 2005		2,135	-2,135
Total	5,752	5,245	507

It is important to note:
the amounts received essentially referable to payment for damages from the settlement of arbitration hearings with some horse racing and sports betting licensees for 1,982 thousand euro;
the apportioned payment of 169 thousand euro related to the transfer to others of the option right for the acquisition of the Milano San Siro property complex, with the exception of the gallop race track;
settlement income for 1,166 thousand euro basically referred to the settlement of potential lawsuits on open contracts. The “other revenue and proceeds” item mainly includes charge back of expenses to third parties.

6. INCREASE OF INTERNALLY GENERATED FIXED ASSETS

Increases of internally generated fixed assets, totalling 1,326 thousand euro (520 thousand euro) are related to the development of:
- Betsi 2006 system;
- SLOT system – new messages and Paragraph 6A;
- odds and information display system for Bersani corners and shops;
- computerised system, related to computer and remote gaming acceptance terminals;
- gaming software for upgrading to new sports bet acceptance protocol (PSR), established by AAMS which became effective on 2 April 2007;
- central systems: sports and horse racing betting protocol (PSSI) and ABMS system for gaming control;
- prototypes and preseries for the creation of a “Design System SNAI” for Shops and Corners to set up following awarding of the new Bersani Decree licences.

7. CHANGE IN INVENTORIES OF FINISHED AND SEMI-FINISHED PRODUCTS

The change in inventories of finished and semifinished products totalling 119 thousand euro (-724 thousand euro) is due to the increases in final inventories of finished products, recorded following the production of gaming terminals (Betsi, Punto SNAIWeb Small, Large and BiBest) intended for the new points and corners awarded with the 2006 calls for tenders.

8. USED RAW MATERIALS AND CONSUMABLES

The used raw materials and consumables total 12,413 thousand euro (3,944 thousand euro) and mainly refer to the raw material used to produce the new gaming terminals (Betsi, Punto SNAIWeb Small, Large and BiBest).

9. COSTS FOR SERVICES AND LEASED ASSETS

These totals 357,494 thousand euro (127,7119 thousand euro), the breakdown is shown in the table below.

thousands of euro	2007	2006	Change
Utilities and telephone	6,225	5,511	714
Horse race track management:	2,448	2,710	-262
Horse racing agency grants	403	424	-21
Assistance and maintenance	4,987	4,146	841
Bookmaker fees	1,800	1,812	-12
Consulting	7,204	3,406	3,798
Installation, logistics and designing costs	1,669	893	776
Costs for Slot services	203,141	10,711	192,430
Costs for SNAI CARD point services	2,708	1,070	1,638
Payment for bet acceptance management	102,671	82,219	20,452
Insurance	516	507	9
Advertising and PR	9,387	4,631	4,756
Freelancers and commissions	1,908	1,358	550
Television services	395		395
Other	3,364	2,557	807
IT services	1,130	660	470
Outsourced processing	1,043	290	753
Costs for high security	58	45	13
Directors’ fees	1,043	1,260	-217
Statutory auditor’s fees	178	160	18
Independent auditor’s expenses	419	325	94
Expense accounts for directors / auditors	87	146	-59
Operating leases	3,561	2,012	1,549
Rentals	410	298	112
Rent expense	739	568	171
Total	357,494	127,719	229,775

The a significant part of the increase in costs for 229,775 thousand euro is due to the cost for slot machine services (for a total of 203,141 thousand euro compared to 10,711 thousand euro the previous year) which increased by 192,430 thousand euro due to different accounting for the business, explained in detail in the revenue section (note 4), and include both the compensation for the manager (assigned third party) and the compensation for the operator, including the fees due to the BAP for SNAI owned Slot Machines.

The BAP that have transferred to the concessions are due a management payment for acceptance of bets and services connected with collection of bets totalling 8% of the movement of collected gaming. The BAP and other participating points are also recognised a payment totalling 10% of the recharges made at the point of sale. The total payment of 102,671 thousand euro paid to the BAP and participating points of sale is calculated based on specific contracts. The direct management activity of the concessions started on 16 March 2006 with the acquisition of "horse racing / sports concessions" company branches and increased with the activation of horse racing and sports licences connected to the awarding of the so-called Bersani call for tenders.
The increase in costs related to "Advertising and PR", for 4,756 thousand euro, is mainly due to the advertising campaign to spread awareness of the "SNAI brand" and new public and institutional relations especially aimed at new potential bettors.
The consultation item contains costs for participation in the Superenalotto call for tenders for 2,203 thousand euro. Costs for "operating leases" are related to lease payments due for the year 2007 for contracts for the use of IT and digital equipment; the increase in this item is connected to the stipulation of new contracts to enhance central system hardware, and make terminals and machines available in the gaming points for activation of the so-called Bersani licences. The item, "other," mainly includes the following: security and armoured car service, cleaning services, inter-group services rebilled by the parent company and other sister companies, postal and shipping expenses, rubbish costs, IT services and management of vehicles.

Remuneration for directors and statutory auditors
This item includes the remuneration owed to the directors, totalling 1,043 thousand euro (1,260 thousand euro) and remuneration for the statutory auditors, totalling 178 thousand euro (160 thousand euro) as voted during the shareholders' meeting. The remuneration paid to the directors and statutory auditors of the parent company during 2007, SNAI S.p.A. and its subsidiaries are reported in the statement at the end of the explanatory note to the parent company's financial statements.

10. PERSONNEL EXPENSES

The cost of personnel for 2007 totalled 17,473 thousand euro, against 19,357 thousand euro for 2006, with a decrease of 1,884 thousand euro.

thousands of euro	2007	2006	Change
Salaries and wages	15,289	14,084	1,205
Contributions on salaries and wages	3,820	3,610	210
Inail premiums	50	50	0
Various contributions	332	8	324
Accrual for defined benefit plan	-2,817	917	-3,734
Training costs	29	14	15
Business trips	255	201	54
Meal vouchers and company canteen	460	436	24
Uniforms	27	9	18
Gifts to employees	18	16	2
Other personnel expenses	10	12	-2
Total	17,473	19,357	-1,884

The "accrual to defined benefit plans" item includes the income statement effects of the measurement of termination benefits as per IAS 19. The decrease is due to the recalculation (so-called curtailment) of the termination benefits due to a change in Italian law which requires companies with more than 50 employees, to allocate the amounts of termination benefits accruing in the period to pension funds managed by others (industry funds, INPS, insurance companies, banks, etc.).

The size of staff at the end of the period is shown in the table below, which shows an increase of 39 units compared to 31 December 2006, mainly due to increase in staff in operating departments, to support the expansion in activities resulting from direct management of the acquired concessions, including following the October 2006 call for tenders of October, and development of activities involving amusement machines.

	31.12.2006	Started in period	Left in period	31.12.2007	Average size for period
Executives	16	1	0	17	16.42
Clerks and Middle Management	300	131	95	336	346.75
Workers	110	13	11	112	116.08
Total Employees	426*	145	106	465**	479,25

* of which 48 part-time and 12 on maternity leave
** of which 47 part-time and 9 on maternity leave

11. OTHER OPERATING EXPENSES

Other operating expenses totalled 31,312 thousand euro (10,904 thousand euro).

thousands of euro	2007	2006	Change
Environment testing and health surveillance	38	35	3
Accruals and losses on receivables	1,957	955	1,002
Use of provision for bad debts and risks	-35	-1,113	1,078
Accrual to provision for risks	4,810	45	4,765
Representation and gift expenses	1,172	690	482
Other taxes	416	387	29
Licences and concessions	16,921	6,390	10,531
Property tax	477	475	2
Other administrative and operating expenses	865	439	426
Stationery and consumables	211	167	44
Books, newspapers and magazines	31	32	-1
Expense transactions	183	810	-627
Capital losses on sale of assets	3	134	-131
Penalties and compensation for damages	231	175	56
% of Non-deductible VAT	4,032	1,283	2,749
Total	31,312	10,904	20,408

The licences and concessions item includes, among other things:

- Concession payments for legal gaming with amusement machines ("slot machines") for 14,179 thousand euro, calculated every fifteen days for 0.80% of the gambled volumes;
- payment for the 2006/2007 football season for the event outcome contest concession expired on 30 June 2007 and extended until 31 December 2007 for 248 thousand euro;
- the concession payment, for 1,819 thousand euro, for the sale of fixed odd bets on sports events, other than horse racing, and non-sports events as per article 4 of the convention approved with Directorial Decree 2006/22503 of 30/06/06; this decree established that starting January 2007 the licensee is required to pay AAMS the six month concession payment for the six months in progress by 16 January and 16 July of each year;
- the portion of concession payment accrued on public gaming for the year 2007 on licences awarded with the 2006 call for tenders, as required by the concession, totalling 609 thousand euro.

In 2007 accruals were made to the provision for risks totalling 4,810 thousand euro to adjust the provision for risk to the amount exceeding the value of the equity investments, in relation to the greater losses of the subsidiary Teseo S.r.l in liquidation (394 thousand euro) and sister company Tivù + in liquidation (950 thousand euro) as well as allocations for various disputes and lawsuits underway both (2,642 thousand euro) and allocation related to technological upgrading as required by article 19 of the "Specifications" for "assignment of concession for the activation and operation of the computerised management network for legal gaming using amusement machines as well as connected activities and functions" for 824 thousand euro. Accruals were also made to the provision for bad debt for 1,620 thousand euro to adjust the provision to the current possibility of realising receivables.
The "% non-deductible VAT" is due to the distinct types of activities, performed by SNAI S.p.A. and Trenno S.r.l. which partly general revenue for services taxable in terms of VAT and partly revenue exempt from VAT, with consequent effect on non-deductibility of VAT on purchases.

The companies SNAI S.p.A. and Trenno S.r.l. have opted for activity separated for the purposes of VAT; this decision means that for purchases referred activity that generates taxable operations, VAT is entirely deducted, while it is entirely non-deductible on those purchases referred to activities which generate exempt operations.
In terms of taxes related to goods and services generally used by all the activities, VAT is deducted within the limits of the part attributable to the year the activity refers to; to this end the cost of deductible VAT has been calculated by determining specific breakdown criteria.

12. DEPRECIATION AND AMORTIZATION

Depreciation and amortisation total 29,274 thousand euro (31,580 thousand euro) with an increase of 7,694 thousand euro mainly due to the amortisation of the concessions for the acceptance of horse racing and sports bets, acquired in March 2006 and horse racing and sports licences from the Bersani call for tenders which were activated in 2007.

thousands of euro	2007	2006	Change
intangible assets	31,851	24,922	6,929
property, plant and equipment	7,423	6,658	765
Total	39,274	31,580	7,694

13. FINANCIAL INCOME AND CHARGES

The financial income and charges item shows net charges for 37,789 thousand euro (charges for 28,731 thousand euro) with an increase of 9,058 thousand euro and are broken down as shown below:

housands of euro	2007	2006	Change
Income and charges from equity investment			
Revaluation (write-down) of Alfea S.p.A. equity investment	342	128	214
Revaluation (write-down) of Connext S.r.l. equity investment	0	2	-2
Revaluation (write-down) of Capannelle S.p.A.	-1	-332	331
Revaluation (write-down) of Solar S.A.	12	0	12
	353	-202	555
Financial income			
Interest income in government securities	1	7	-6
Profit on security trading	9	16	-7
Interest income due from parent company SNAI Servizi S.r.l.	325	192	133
Interest income from Tivu + S.p.A. in Liquid.	178	100	78
Interest income from Teleippica Srl	158	0	158
Interest income from La Televisione S.r.l. in Liquid.	3	7	-4
Interest income from Ristomisto S.r.l. in Liquid.	82	60	22
Interest income from Teseo S.r.l. in Liquid.	151	105	46
Interest income from SNAI Promotion S.r.l. in Liquid.	0	4	-4
Profit on exchange rates	5	14	-9
Interest income from banks	3,027	434	2,593
Interest income on other receivables	482	849	-367
Interest income on security deposits	1	1	0
Other financial income	261	0	261
	4,683	1,789	2,894
Financial charges			
Interest expense due to Teleippica S.r.l.	0	278	-278
Bank charges	372	440	-68
Interest income due to other companies	45	106	-61
Loss on exchange rates	5	8	-3
Loss on securities	17	0	17
Commission on sureties	4,393	786	3,607
Commission on sureties from SNAI Servizi S.r.l.	0	76	-76
Interest expenses on bank c/a	102	430	-328
Interest expenses on consolidated bank borrowing	0	420	-420
Interest expenses on leases	437	194	243
Interest expenses on tax liabilities	4	0	4
Interest expenses on other loans	75	0	75
Interest in Junior and Senior loans	34,035	23,361	10,674
Financial charges on vendor loan	1,522	2,853	-1,331
Financial charges on determined payables	1,349	1,366	-17
Interest and termination benefit discounting	255	0	255
Financial charges and various fees	214	0	214
	42,825	30,318	12,507
Total	-37,789	-28,731	-9,058

Financial charges include:

- charges calculated at amortised cost required by IAS 39 by applying the effective interest method for loans opened for acquisition of “Concession” company branches (for greater details on the loans see note 27) for a total of 34,035 thousand euro of which 3,841 thousand euro recognised as accessory costs;
- the interest calculated on the extension of payables due from BAP for the acquisition of company branches due to the discounting of the payable established contractually without explicit interest (1,522 euro);
- implicit interest calculated to discount the medium-long term determined payables due to AAMS, granted at the time of acquisition of the Concessions (1,349 thousand euros);
- fees on sureties also include costs incurred for participation in the Superenalotto call for tenders for 1,098 thousand euro, as well as fees on existing sureties.

The item other financial income contains interest income matured on bank c/a for 3,027 thousand euro;

For additional details related to existing entries with group companies, see note 32 “Related Parties”

14. INCOME TAXES

Current income taxes, including IRES and IRAP of the companies consolidated on the line-by-line basis, as well as prepaid and deferred taxes recognised in 2007, total – 4,531 thousand euro.

Thousands of euro	2007	2006
IRES	3,297	226
IRAP	2,970	2,203
Accrual to provision for deferred tax liabilities	5,872	2,932
Use of provision for deferred tax liabilities	-13,841	-7,688
Prepaid taxes	-9,018	-463
Use of prepaid tax assets	6,053	5,046
IRES / IRPEG from previous years	136	0
Total	-4,531	2,256

The table shown below contains a reconciliation between the carrying amount for IRES and IRAP from the consolidated financial statements for 2007 and the theoretical amount (in thousands of euro):

		31.12.2007		31.12.2006
Pre-tax earnings		3.988		374
Theoretical IRES tax	33%	1.316	33%	123
Theoretical IRAP tax	4,25%	1.259	4,25%	934
Total theoretical taxes		2.575		1.057
temp diff deduc subs year		7.228		
temp diff taxed subs year		-6.094		
balance temp diff for prev years		3.308		
permanent differences		536		
fiscal losses		-2.997		
		1.981		103
irap		-1.259		
temp diff deduc subs year		1.241		
temp diff taxed subs year		-1.444		
balance temp diff for prev years		799		
permanent differences (including employees)		2.374		
		1.711		1.269
prepaid tax effect on temporary differences taxed subs years		-9.018		-463
deferred tax effect on temporary differences deduc subs years		5.872		2.932
effect for use of temporary differences for previous years		-7.788		-2.642
taxes previous years		136		
Effective taxes due	-114%	-4.531	603%	2.256

For additional details on the effects from the tax charge and the fiscal consolidation see what is specified in detail in note 18 “Prepaid and deferred taxes” in these explanatory notes.

There are no disputes or assessments with the tax administration for the purposes of VAT and direct taxes which could give rise to additional tax liabilities.

The year 2002 has been settled for the purposes of direct and indirect taxes.

For the transfer of the Montecatini horse racing track and registration of the mortgage to guarantee the loan contract three payment notices were immediately contested notified to SNAI S.p.A. by the local Tax Authority – Provincial Office of Pistoia – Pescia Section – for a total of 2,610 thousand euro on the basis of the autonomy of the acts drafted and authenticated by the drafter notary who had previously requested and obtained registration including at the Territorial Agency – Real Estate Publication Service of Milan, where it was acquitted for the entire proportional tax. In the delay of the dispute, despite the unfavourable ruling to the company in the primary jurisdiction, after hearing the tax consultants the Board of Directors is assessing the possible liability.

EXPLANATORY NOTES TO THE MAIN ITEMS OF THE BALANCE SHEET

The comparison of values, always expressed in thousands of euro, is performed with the corresponding balances at 31 December 2006.

15. PROPERTY, PLANT AND EQUIPMENT

The amount of property, plant and equipment at 31.12.2007 totalled 143,254 thousand euro (122,019 thousand euro), the changes for the period are due to the combined effect of depreciation for the period totalling 7,423 thousand euro, investments for 29,584 thousand euro, reclassifications for + 25 thousand euro and disposals, net of accumulated depreciation, for sales for –951 thousand euro.

Company owned property, plant and equipment

In thousands of euro	Land and Buildings	Plant and machinery	Fixtures and equipment	Other assets	Construction contracts and advances	Total
Cost						
Balances at 1 January 2006	126.169	50.032	5.768	4.168	31	186.168
Acquisitions following business combinations						
Reclassifications	1	42	-8	8	-43	0
Other increases	196	2.420	347	252	1.193	4.408
Decreases	-86	-1.556	-108	-543		-2.293
Balance at 31 December 2006	126.280	50.938	5.999	3.885	1.181	188.283
Acquisitions following business combinations						
Reclassifications	11	618	-79	-116	-238	196
Other increases	1.098	23.048	413	4.857	168	29.584
Decreases	-	-146	-8	-70	-943	-1.167
Balance at 31 December 2007	127.389	74.458	6.325	8.556	168	216.896
Amortisation and impairment						
Balances at 1 January 2006	11.445	41.620	5.090	3.655	0	61.810
Acquisitions following business combinations						0
Amortisation for year	2.594	3.676	215	173		6.658
Impairment						0
Disposals	-6	-1.579	-202	-417		-2.204
Reclassifications				86	-86	0
Balance at 31 December 2006	14.033	43.717	5.189	3.325	0	66.264
Acquisitions following business combinations						0
Amortisation for period	2.618	4.128	324	353		7.423
Impairment						0
Disposals		-142	-4	-70		-216
Reclassifications		240	47	-116		171
Balance at 31 December 2007	16.651	47.943	5.556	3.492	0	73.642
Carrying amounts						
At 1 January 2006	114.724	8.412	678	513	31	124.358
At 31 December 2006	112.247	7.221	810	560	1.181	122.019
At 31 December 2007	110.738	26.515	769	5.064	168	143.254

The land and buildings include the property in Porcari, leased from the company Ing Lease Italia S.p.A., for a historic cost of 3,500 thousand euro, of which 382 euro related to the land, and accumulated depreciation of 328 thousand euro at 31 December 2007. Moreover the item land and buildings includes the Milan and Montecatini property owned by the parent company SNAI S.p.A. and the subsidiary Immobiliare Valcarenga S.r.l.

The payments for finance leases are shown in the table below:

thousands of euro	Total
Total commitment at 31/12/07	34,138
of which	
Payments due within 12 months	6,736
Payments due from 1 to 5 years	26,480
Payments beyond 5 years	922
Redemption	713

The commitments for lease payments refer to the following contracts:

- Finance lease contracts signed with the company Ing Lease Italia S.p.A. related to the acquisition of the building located in Porcari (LU) with expiration in June 2016.
- Contract for the acquisition of technology for the new points of sales and shops for 4,155 thousand euro (lease-back) signed in December 2006 with expiration in December 2011. At the end of the contract three options are possible: return of the machines, extension of the lease and purchase of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid.
- Contract for finance lease acquisition of technology and furniture for the new points of sales and shops for 4,389 thousand euro (lease-back) signed in September 2007 with expiration in September 2012. At the end of the contract three options are possible: return of the machines, extension of the lease and purchase of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid.
- Two contracts signed at the end of the month of December 2007 with expiration in December 2012 for finance lease acquisition of technology for the new points of sale and shops for 23,496 thousand euro (lease-back). Both contracts have a purchase option for the machines by a third party buyer, in the event of failure to sell for any reason, there is an automatic renewal for an additional twelve month period.

The company owned plant and machinery include the electrical, water, fire-fighting and air conditioning systems as well as work to bring them up to standard, electronic machines, amusement machines (slot machines), the "pda" used for their online connection, as well as machines for normal activity.

The increases for the year, totalling 29,584 thousand euro, mainly refer to:

- 1,098 thousand euro for land and buildings for property improvements;
- 23,048 thousand euro for plant and machinery, primarily related to:
- technology supplied on loan in the new point opened following awarding of the so-called Bersani call for tenders (3,467 thousand euro);
- internally generated technology, on particular Betsi terminals, installed on loan in the new points (Bersani licences) and in sports agencies following updating of the sports gaming protocol starting in April 2007 (2,626 thousand euro):
- at a cost totalling 716 thousand euro for the creation of a MV/LV transformer room at the Porcari site;
- creation of the new organisation of the Milan gallop race track (755 thousand euro);
- organisation of the Milan trot race track (45 thousand euro);
- improvements to the electrical and water system at the Milan race tracks (275 thousand euro);
- acquisition of transformers for the transformer rooms at the Milan race tracks (81 thousand euro);
- acquisition cost of instrumental assets (servers, printers, PCs and monitor) for performing the various activities of the group companies and incrementing operations on the various building systems owned by the Group;
- the value of capitalised assets related to lease-back transactions for a total of 13,797 thousand euro.

- the other assets item for 4,857 thousand euro mainly refers to purchases of furniture delivered on loan in the new shops and corners (Bersani licences).

Financial charges were not capitalised in property, plant and equipment.

16. INTANGIBLE ASSETS

The amount of intangible assets at 31.12.2007 totalled 461,315 thousand euro (376,552 thousand euro), differences for the period are due to the combined effect of amortisation for the period totalling 31,851 thousand euro and investments for 116,614 thousand euro.

thousands of euro	Goodwill	Consolida-tion difference	Concessions, licences, trademarks and similar rights	Develop-ment costs	Industrial patent rights and use of original works	Others	Current assets	Total
Cost								
Balances at 1 January 2006	33.099	686	2.221	2.222	10.717	4.759	-	53.704
Acquisitions following business combinations	213.231		172.727					385.958
Reclassifications	223					-223		0
Other increases			11	531	151	210		903
Decreases			-3			-139		-142
Balance at 31 December 2006	246.553	686	174.956	2.753	10.868	4.607	-	440.423
Acquisitions following business combinations								-
Reclassifications				-				-
Other increases	-		34.661	1.385	136	486	79.946	116.614
Decreases								-
Balance at 31 December 2007	246.553	686	209.617	4.138	11.004	5.093	79.946	557.037
Amortisation and impairment								
Balances at 1 January 2006	21.810	245	1.985	1.300	10.106	3.506	0	38.952
Acquisitions following business combinations								0
Amortisation for year			23.844	279	430	369		24.922
Impairment								0
Disposals			-3					-3
Reclassifications								0
Balance at 31 December 2006	21.810	245	25.826	1.579	10.536	3.875	0	63.871
Acquisitions following business combinations								0
Amortisation for period			31.001	399	155	296		31.851
Impairment								0
Disposals								0
Reclassifications								0
Balance at 31 December 2007	21.810	245	56.827	1.978	10.691	4.171	0	95.722
Carrying amounts								
At 1 January 2006	11.289	441	236	922	611	1.253	-	14.752
At 31 December 2006	224.743	441	149.130	1.174	332	732	-	376.552
At 31 December 2007	224.743	441	152.790	2.160	313	922	79.946	461.315

Investments at 31 December 2007, totalling 116,614 thousand euro, are mainly composed of:

- 79,946 thousand euro entered in current assets, of which 79.905 thousand euro paid to AAMS for licences which are not yet operative. The total amount paid to AAMS for awarding of 1,206 sports licences (342 shops and 864 corners) and 3,886 horse racing licences (99 shops and 3,787 corners), under one sports concession and one horse racing concession respectively, as well as the awarding of a concession for remote horse race gaming and one for sports, following the participation in the call for tenders called by the Ministry of the Economy and Finance to apply the Bersani decree, totals 113,944 thousand euro;
- 34,661 thousand euro entered in the "concessions, licences, trademarks and similar" of which 34,188 thousand euro related to the value paid for the new licences which have started bet acceptance activities, mainly due to the effect of airing the new horse racing or sports licences with the old only horse racing or only sports concessions active in already operative BAP;
- 1,385 thousand euro for the development of Betsi 2006, Videa, corner furnishing prototypes and for upgrading of gaming software to the new sports bet acceptance protocol, established by AAMS which became effective as of 2 April 2007, as well as the odds display systems;
- 622 thousand euro entered in the "industrial patent rights and use of original works" and "other" for corporate software upgrading investments.

The item concessions includes what is related to the acquisition of 450 horse racing and sports concession company branches, the effects of which started 16 March 2007 and the portion of the payment related to the new sports and horse racing licences which are already active (as described above) that are amortised based on the duration of the concession.

Financial charges were not capitalised in intangible assets.

The goodwill existing at 1 January 2006 mainly refers to the goodwill net amortisation, from SNAI Servizi Spazio Gioco S.r.l., merged with SNAI S.p.A. in 2002 (10,769 thousand euro), related to the betting segment.
The consolidation difference totalling 441 thousand euro including 368 thousand euro related to the betting segment, recognised in the parent company's balance sheet under goodwill and totalling 11,137 thousand euro which represents the sum of the two amounts related to the betting segment, reported in the consolidated financial statements.

As mentioned above, the company decided not to apply IFRS 3 – business combinations – retrospectively to combination transactions occurring before transition to the IFRS. Consequently, the goodwill from SNAI Servizi Spazio Gioco S.r.l., was entered during the transition to the IFRS, at the net carrying amount determined according to the previous applied accounting standards (Italian accounting standards).

This goodwill, which was completely allocated to the Cash Generating Unit ("CGU") "computerised activities – services" (Services Division), as required by IAS 36 was subject to an impairment test at 31 December 2007.
In particular, in compliance with the above standard, the recoverable value of goodwill was estimated based on a measurement method founded on prospective cash flows, assumed from the 2008-2012 industrial plan approved by the Board of Directors, by applying an average weighted cost of capital (gross WAAC), totalling 7.58%.

The WACC, resulting from the use of a risk free sample totalling 4.40%, a beta unlevered totalling 0.81 and an equity risk premium (ERP) of 5%. The nominal cost of shareholding capital totals 8.5%.

The cost of third party capital, totalling 6%, taking into account a risk-free investment yield rate totalling 4.40%, of a levered debit premium of 1.60%. The financial structure deemed sustainable (and at full-steam) in determining the discount rate. The estimate of future cash flows is in line with past results and the competitive and regulatory scenario for the segment.

The recoverable value of goodwill estimated in this manner is higher than its total carrying amount, totalling 11,137 thousand euro.
In addition the external and internal information sources, provide indications to not reduce the value. The changes during the period or in the near future in the technological, economic, legal or market context where the company operates or the market is business is geared to, can only be favourable.
Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present and will be made up by the normal and ordinary deficits according to the ordinary operation plans present in the company. Thus it is not possible to forecast anything but favourable variations of the measurement and way of using all of the assets comprising the generating unit.

With reference to the acquisition of concession company branches finalised on 3 April 2006 and with effects as of 16 March 2006, SNAI S.p.A. applied IFRS 3 ("Business Combinations"). SNAI S.p.A. acquired 450 company branches in 2006, operating in 218 sports concessions and 232 horse racing concessions. With reference to each agency SNAI acquired the company branch strictly involving the concession ownership.

Based on IFRS 3 ("Business Combinations") the Concessions have been recognised in intangible assets at their fair value. The value of the Concessions, identified when the paid price was allocated, is amortised on a straight-line basis until their original expiration. As required by IAS paragraphs 11 and 12, goodwill resulting from the concession company branch acquisition transaction was subject to an impairment test at 31 December 2007.

During 2008 an additional 8 company branches were acquired resulting in direct management of another 5 sports concessions and 3 horse racing concessions for SNAI.

Following the call for tenders to award licences for opening new points of sale, in compliance with the provision converting legislative decree no. 223 of 4 July 2006 into law, SNAI was awarded the concessions for collecting bets. In particular a sports concession with payment of acquired licences for ¤ 67.8 million (342 sports shops and 864 corners) and a horse racing concession with payment of acquired licences for ¤ 45.6 million (99 horse racing shops and 3,787 corners).
In addition it was awarded the concession for remote horse racing gaming with the payment of acquired licences for ¤ 0.3 million and the concession for remote sports racing gaming with the payment of acquired licences for ¤ 0.3 million. Therefore, SNAI was the operator who obtained the greatest number of awards among all the participants.
Moreover, on 17 November 2007, a right was acquired for a sports concession (shop) for ¤ 123 thousand.

These new licences will be added to the sports and horse racing concessions acquired by SNAI in March 2006 operative in the current sales shops, thus allowing the company to maintain its leadership in the betting segment, both in terms of number of points of sale and collected volumes.

Within the new points, whose opening is scheduled to be completed by the end of spring 2008, SNAI conducts a bet collection and acceptance business using the structure, know-how and professionalism already used in the operative company branches acquired in march 2006.
The management of bet acceptance and collection will be centrally handled by SNAI, which determines the acceptance policies and marketing, advertising, human resources policies (even if all the points of sale directly handle and will handle hiring and working relations with the employees for supplying the service).

The performance of the activities shows a coordination and results significantly higher due to the effect of the central management and thus minimisation of the risk connected with geographic diversification of operation, collection and acceptance of bets. Thus all of the points of sale will be managed in the same manner. The activity connected with the amusement machines located in the points of sale shall take advantage of the territorial positioning of the concessions as well.

The acceptance policies are centrally handled in order to minimise the risk connected with geographical diversification of bet collection and acceptance.
Moreover, due to the effect of management centrally handled by SNAI the direct and indirect benefits resulting from the acquired concessions and those resulting from the awarded licences, give reason to believe that no point of sale generates revenue separate from the other points of sale.
Based on application of IAS 36 – paragraph 81 the lowest level inside the entity has been identified where goodwill can be allocated and coinciding with the combination of the cash generating unit with reference to the entire Concessions Division.

This was also following the consideration that company management controls operations of the collection activity in the Division in question and makes decisions based on the activities as a single entity and single product line.

In the case in hand, the recoverable value of goodwill, as well as intangible assets not yet available for use, was estimated based on a measurement method founded on prospective cash flows, assumed from the 2008-2012 industrial plan approved by the Board of Directors, by applying an average weighted cost of capital (gross WAAC), totalling 8.64%.

The recoverable value needs to be adjusted by the discounting of the possible sales price of the cash generating unit (points of sale) taken individually and as a whole (terminal value).

Thus it was necessary to add to the discount calculation the possible transfer price of the reference target entity (cash generating units) identified in the continual cash flow yield attributed to the last forecast year.

As test method, the hypothesis was considered of measuring the terminal value by extracting projections based on the Industrial Plan using a stable growth rate for the years after 2012 and an abatement percentage connected to the probability of concession and/or right renewal. It is important to note that the percentages used are extremely precautionary.

As for the impairment test discussed above, in terms of the goodwill allocated to the “CGU” “computerised activity – services”, the discounting rate resulting from the use of a risk free sample totalling 4.40%, a beta unlevered totalling 0.81 and an equity risk premium (ERP) of 5%. The nominal cost of shareholding capital totals 8.5%.

The cost of third party capital, instead, with reference to the discussed “CGU” totals 9%, taking into account a risk-free investment yield rate totalling 4.40%, and a levered debit premium of 4.60%.

The financial structure deemed sustainable (and at full-steam) in determining the discount rate.
The recoverable value of goodwill estimated in this manner, as well as intangible assets not yet available for use, is higher than its total carrying amount.

Moreover, the estimate of future cash flows is in line with the competitive and regulatory scenario for the segment.

The changes during the period or in the near future in the technological, economic, legal or market context where the company operates or the market is business is geared to, are estimated to be favourable.

Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present and will be made up by the normal and ordinary deficits according to the ordinary operation plans present in the company.

Thus it is not possible to forecast anything but favourable variations of the measurement and way of using all of the assets comprising the generating unit.
Lastly, external and internal information sources provide indications to not reduce the value.

17. EQUITY INVESTMENTS

The group holds equity investments in the following companies:

thousands of euro	Carrying amount at 31/12/2007	Carrying amount at 31.12.06	Percentage held 31/12/2007	31/12/2006
Non-controlling associates and subsidiaries				
SOCIETA' GESTIONE CAPANNELLE SPA	533	0	26.67	26.28
- ALFEA S.p.A.	1,582	1,331	30.70	30.70
- CONNEXT S.r.l.	-	17	0	25
- Solar s.a.	21	9	30	30
- LA TELEVISIONE S.r.l. in liquidation	0	0	0	84.46
- TESEO S.R.L. in liquidation	0	0	70	70
- RISTOMISTO S.r.l. in liquidation	0	0	100	100
Total equity investments measured at equity	2.136	1.357		
Others				
- TIVU+ S.p.A. in liquidation	0	0	19.5	19.5
- CONNEXT S.r.l.	10	-	15	0
- TELEIPPICA S.r.l. (former SOGEST Società Gestione Servizi Termali S.r.l.)	496	496	19.5	19.5
- LEXORFIN S.r.l.	46	46	2.44	2.44
Total equity investments in other companies	552	542		

On 5 June 2007 the extraordinary shareholders' meeting of the Società Gestione Capannelle S.p.A. shareholders voted,among other things, to cover the losses to 31 March 2007 which totalled 1,932,710.00 euro by:

- zeroing out the share capital totalling 1,890,000.00 euro;
- use of the legal reserve for 12,048.00 euro;
- use of the extraordinary reserve for 27,066.00 euro;
- payment by shareholders in proportion the shares possessed by each one for 2,796.00 euro;

In addition, the shareholders' meeting also voted:
- to reconstitute share capital to 1,956,000.00 euro;
- to reconstitute the extraordinary reserve to 41,204.00 euro;
- that the shareholders who could have exercised the option right by 20 July 2007 and by 5 August the subscribers would have had to exercise the pre-emption right on any uncalled shares; to consider effected the increase ins hare capital up to the amount hat will have been subscribed at that date and to hereby modify article 5 of the articles of association regarding share capital;
- that the part of share capital exceeding the payment at the time of subscribing the share capital of 2.5/10 should be paid by the shareholders: 35% by 31 October 2007 and 40% by 15 December 2007 – as promptly performed. On 19 July 2007 SNAI S.p.A. subscribed 1,713,478 shares at 0.3 euro with simultaneous payment of 2.5/10 of the sum totalling 128,510.85 euro and 11,563.2 to cover the losses. Moreover, subsequently SNAI S.p.A. subscribed and paid its uncalled portion totalling 2,090.23. At 31 December 2007 SNAI had paid its part of the share capital increase, therefore the equity investment of SNAI S.p.A. in Società Gestione Capannelle S.p.A. now totals 26.67%.

On 28 June 2007 the shareholders' meeting of the subsidiary La Televisione S.r.l. in liquidation was held; it approved the final liquidation financial statements prepared at 28 June 2007 and on 23 July 2007 the company was stricken from the business registry.

SNAI programmed the sale of 10% of the equity investment in Connext S.r.l. therefore the remaining 15% was reclassified in other companies and measured at cost (equivalent to shareholders' equity of the previous year) and the 10% was reclassified in available-for-sale assets and measured at cost (equivalent to shareholders' equity of the previous year), since it was less than the estimated sales price (fair value).

The table below shows the values of the assets, shareholders' equity, liabilities, income and profit or loss related to the most significant associates: For Alfea S.p.A. the data are from the draft financial statements for 2007.

(thousands of euro)	
Assets	7,966
Shareholders' equity	5,154
Other liabilities	2,812
Total Liabilities and shareholders' equity	7,966
Revenue	5,138
Profit for year	531

The complete composition of the group and adopted consolidation methods are described in Attachment 1.

18. PREPAID TAX ASSETS AND DEFERRED TAX LIABILITIES

The total amount of temporary differences and fiscal losses carried forward is described in the tables below, together with the related theoretical amount for prepaid and deferred taxes as well as amounts recorded in the accounts:

Prepaid tax assets

Temporary differences	Amount	Rate	Tax effect	Prepayments recorded	Reversal period
Taxed bad debt provision	9.088	27,5%	2.499	2.499	2008 and subsequent
Provision for risks	7.422	27,5%	2.041	2.041	2008 and subsequent
Provision for warehouse write-downs	3.371	31,4%	1.058	1.058	2008 and subsequent
Difference between balance sheet value and tax value of property, plant and equipment	16.989	31,4%	5.335	5.335	2008 and subsequent
Accessory charges on share capital increase	7.821	31,4%	2.456	2.456	2008 and subsequent
Other temporary differences	1.732	27,5% - 31,4%	546	546	2008 and subsequent
Total	46.423		13.935	13.935	

Previous fiscal losses carried forward	Amount	Rate	Tax effect	Benefits recorded	Useable by
FESTA S.r.l.:					
2000	516	27,5%	142	142	unlimited reporting
2001	1.533	27,5%	422	422	unlimited reporting
2002	663	27,5%	182	182	unlimited reporting
	2.712		746	746	
Total previous losses	2.712		746	746	
Total prepaid taxes				14.681	

The directors of SNAI S.p.A. decided to record the prepaid taxes generated for all temporary differences between the balance sheet values and tax values of the related assets/liabilities based on forecasts of positive results for the current year and future ones.

The subsidiary Festa S.r.l. has entered all the tax benefits resulting from losses.

The increase in prepaid taxes of 3,603 thousand euro, compared to 31 December 2006, is due to the combined effect of recognition of prepaid taxes with the reversal of prepaid taxes generated in previous periods.

This change was also influenced by the reduction in the rate required by Law no. 244 of 24 December 2007 which entailed a reduction of the IRES rates (from 33% to 27.5%) and IRAP (4.25% to 3.9%).

Moreover, the expected tax benefit resulting from fiscal losses carried forward, generated in previous years, was entirely used.

For the three year 2006-2008 period the company, as consolidating company, opted for the national tax consolidation as per articles 117 et seqq. Presidential Decree 917/1988; as consolidated companies Trenno S.p.A. (later merged), Festa S.r.l., Mac Horse S.r.l. and Immobiliare Valcarenga S.r.l. opted to take part in this option. As of the 2007 tax period Trenno S.r.l. was added to the fiscal consolidation.

The adoption of the fiscal consolidation may entail some beneficial effects on the Group's tax charge, including:

- the immediate use, with total or partial, of period tax losses of the companies taking part in the consolidation decreasing the income possessed by the other consolidated companies;
- exclusion from taxes of dividends distributed between the companies participating in the consolidation of the same year;
- the possibility, according to certain conditions to transfer assets, other than productive ones of revenue or exempt capital gains, in a continuous regime of fiscal values between companies which have exercised the group taxation option.

In the accounting situation under discussion, the company, due to the effect of taxable incomes or transmitted losses, recognised a receivable due from the consolidated companies Mac Horse s.r.l., Immobiliare Valcarenga S.r.l. and Trenno S.r.l. of 501 thousand euro; in fact, the company, as consolidating company is required to pay the balance and advance of IRES due based on the consolidated income tax return.

Based on existing agreements, the excess previous tax carried forward or resulting from income tax returns filed by the companies which opted for the consolidates can be used by the parent company only upon specific request. The transfer of money for the payment of taxes on taxable income transferred to the consolidating company is regulated by inter-group current account with debiting on the payment deadline date for the aforesaid taxes.

For the time being payment of sums between the companies which exercised the option for any received or attributed tax advantages is not required.

Moreover, since the consolidated companies are companies subject to the management and coordination of the consolidating company, the advantages (or disadvantages) resulting from certain consolidation adjustments are attributed to the consolidating companies.

The tax liability of the consolidated companies to the tax authority remains unchanged in the event that a higher taxable income is assessed for the parent company for errors in the taxable income communicated by the subsidiaries.

Lastly, SNAI S.p.A. as consolidating company and Trenno S.p.A. (now merged with the consolidating company) have opted for a neutrality system for inter-group transfers in accordance with article 123 of the Tax Act related to the transfer from Trenno to SNAI of the Milan San Siro trot race track and the Montecatini Terme trot race track which took place in March 2006.

Consequently, due to the effect of this option the Group benefited from the "sterilisation" of the fiscal capital gain caused by this transfer totalling around 32 million euro. Naturally this neutrality scheme shall be terminated if there is a later transfer not in a neutrality scheme or in the event of interruption or failure to renew the national consolidation scheme.

Provision for deferred taxes

Temporary differences	Amount	Rate	Tax effect	Deferred
Tax amortisation of goodwill	(8,687)	31.40%	(2,728)	(2,728)
Termination benefits	(977)	27.50%	(269)	(269)
Tax amortisation of company branch goodwill	(21,077)	31.40%	(6,618)	(6,618)
Difference between balance sheet value and fiscal value of determined payables due to AAMS and payables due to BAP for concession acquisition	(7,366)	27.50%	(2,026)	(2,026)
Difference between balance sheet value and tax value of concessions	(57,453)	31.40%	(18,040)	(18,040)
Difference between balance sheet value and tax value of property, plant and equipment	(44,061)	31.40%	(13,835)	(13,835)
Other temporary differences	(1,451)	31.4% - 27.5%	(450)	(450)
Total defered taxes	(141.072)		(43.966)	(43.966)

The directors of SNAI S.p.A. decided to record the deferred taxes generated for all temporary differences between the balance sheet values and tax values of the related assets / liabilities. In particular, the acquired company branches, as business combinations are accounted for by applying the IFRS 3 acquisition method.

Therefore, the company recognised assets and liabilities identifiable in the acquisition at related fair values at the acquisition date and thus recognised goodwill only after having allocated the acquisition cost as described above. The value of concession licences entered in the balance sheet differs from the cost cited in the contract: the statutory balance sheet amortisation differs from the tax amortisation as per article 103, paragraph 2, Presidential Decree 917 / 1986 from which the deferred taxes. The goodwill value is not amortised by annually subject to impairment testing: tax amortisation is disciplined by article 103, paragraph 3, Presidential Decree 917 / 1986 from which the deferred taxes.

The decrease in the provision for deferred taxes of 7,980 thousand euro, compared to 31 December 2006, in addition to the combined effect of recognition of deferred taxes and reversal of deferred taxes generated in previous periods, is mainly due to the reduction of the rate under Law 24 no. 244 of 24 December 2007 which entailed a reduction in IRES (from 33% to 27.5%) and IRAP (from 4.25% to 3.9%) rates.

19. INVENTORIES

Compared to 31 December 2007 the item decreased by 196 thousand euro. The table below shows the breakdown of inventories:

thousands of euro	31.12.07	31.12.06	Change
Raw material	1,375	5,979	-4,604
Construction contracts	504	5,399	-4,895
Finished products / Goods	12,355	3,052	9,303
Total	14,234	14,430	-196

Finished products / goods include inventories for spare parts for 27 thousand euro (81 thousand euro). The variation in raw materials is attributable to the use of materials for the production of new gaming terminals (PUNTO SNAI WEB SMALL, LARGE, BiBest and BETSI 2006); the increase in finished products is attributable to the produced terminals and acquisitions, effected during the year, machines for setting up new points (shops and corners both in direct management and customer licensees).

The goods for setting up the new points of sale will be sold or delivered on loan based on the selection of the managers of the new points: if the loan is selected the consequent decrease in inventories will generate an increase in property, plant and equipment for the same amount under plant and machinery.
The value of inventories is recorded net of the provision for warehouse write-down which, at 31 December, totals 3,199 thousand euro (3,532 thousand euro). The table below shows the movement in the provision for warehouse write-down.

	31.12.2006	Accrual	Uses	Reclassification	31.12.2007
Provision for warehouse write-down					
Raw material	709		-13		696
Construction contracts	265		-10		255
Finished products / Goods	2,558		-138	-172	2,248
Total	3,532	0	-161	-172	3,199

20. ACCOUNTS RECEIVABLE

Receivables increased by 5,076 thousand euro, rising from 52,106 thousand euro at 31 December 2006 to 57,182 thousand euro at 31 December 2007.
The table below shows there breakdown:

thousands of euro	31.12.07	31.12.06	Change
Current accounts receivable			
- customers	39,603	45,933	-6,330
- stables, jockeys and bookmakers	894	774	120
- UNIRE	6,233	2,264	3,969
- due from other slot manager customers		0	
- Direct debit due from Slot customers	9,921	851	9,070
- due from parent company		6	-6
- due from sister companies	58	44	14
- due from associates	0	0	0
- slot customer direct debit		0	
- Notes receivable for collection and in portfolio	6,847	6,693	154
- bad debt provision	-6,374	-4,459	-1,915
Total	57,182	52,106	5,076

Accounts receivable due from customers include, among others, receivables due from managers for entertainment machines (Slot machines) for 20,050 thousand euro (33,383 thousand euro at 31.12.06). Receivables for presentation of Rid on sight from Slot customers total 9,921 thousand euro (851 thousand euro).
Receivables due from customers and direct debit from Slot customers include the balances of Slot gaming at 31 December net of compensations recognised for the manager (third party assigned with collection) and operator, which mature on a fifteen day basis with "immediate" due date; they also include withholding balances due to AAMS – Amministrazione Autonoma Monopoli di Stato and calculated at 12% of the gaming movement entertainment machines.
The receivable due from UNIRE totalling 6,233 thousand euro includes some entries related to previous receivables, in addition to grants for the so-called customisation of the metropolitan race tracks for the years 2005 to 2007, invoices for fees for the month of December and receivables for payments for ippica nazionale and television filming.

The bad debt provision was determined considered the amount of doubtful receivables.
The directors believe the provision is suitable for facing estimated losses on future receivables. Accounts receivable include notes to collect for 6,847 thousand euro (6,693 thousand euro) recorded net of interest charge on future due dates and previously received from slot customers following the definition of instalment payments agreed upon following credit collection actions. The change in the bad debt provision is shown below:

thousands of euro	Individually written down	Collectively written down	Total
At 01 January 2006	2,072	740	2,812
Accrual for year	106	326	432
Reclassifications	2,074	-342	1,732
Use of provision	-477	-40	-517
At 31 December 2006	3,775	684	4,459
Accrual for year	1,062	529	1,591
Reclassifications	400		400
Use of provision	-13	-63	-76
Reverse of unused amounts	0	0	0
Adjustment to discount rate	0	0	0
At 31 December 2007	5,223	1,151	6,374

At 31 December 2007 the analysis of accounts receivable due bit not written down was as follows:

in thousands euro		Not due in bonis	Du but not written down 0 - 90 giorni	90 - 120 giorni	> 120 giorni
Totale 2007	57.182	38.626	2.397	2.968	13.191
Totale 2006	52.106	25.538	6.748	14.995	4.825

21. OTHER ASSETS

Noncurrent assets, classified as other non-financial assets are composed as follows:

thousands of euro	31.12.07	31.12.06	Change
Other non-current assets			
Tax Assets			
- for refunds	62	72	-10
- for disputed taxes	73	73	0
- for equity taxes	54	54	0
	189	199	-10
Accounts receivable due from others:			
- TIVU+ S.p.A. in liquidation		383	-383
- receivable security deposits	211	173	38
- bad debt provision on sister company receivables			0
	211	556	-345
Due from customers:			
- notes receivable in portfolio	1,793	1,304	489
	1,793	1,304	489
Total other non-current assets	2,193	2,059	134

Notes receivable totalling 1,793 thousand euro (1,304 thousand euro) are the notes due beyond the year received from customers for the definition of established repayment plans and entered at current value.

Other current assets consist of:

vthousands of euro	31.12.07	31.12.06	Change
Other current assets			
Tax Assets:			
- Income tax prepayment	1,018	375	643
- IRAP prepayment	2,200	1,346	854
- Other receivables due from tax authority	48	81	-33
- Income taxes on termination benefits Law 140/97	29	73	-44
	3,295	1,875	1,420
Accounts receivable due from others:			
- TIVU+ S.p.A. in liquidation	727	478	249
- Other receivables	1,279	1,130	149
- Social security institutions	0	30	-30
- Receivables due from Tris Associates	339	416	-77
- Receivables from sale of shares	1,518	1,518	0
- Receivables due from Linkage	360	360	0
- Receivables from reversal of fees on sureties	705	0	705
- Receivable security deposits	50	49	1
- Receivables from AAMS positions for company branch acquisition	80	369	-289
- Receivables due from SNAICARD and SNAICARD circuto Gold points	3,149	2,201	948
- Receivables from betting licensee activities	3,313	3,993	-680
- Direct debit due from others	2,904	1,848	1,056
- Receivables due from AAMS for SLOTs	8,940	0	8,940
- Slot Operators for PREU	130		130
- Advance on AAMS concession fee	3,571	16	3,555
- Receivables on event outcome contests	1,574	1,466	108
Bad debt provision due from others	-2,984	-3,384	400
	25,655	10,490	15,165
Accrued income and prepaid expenses			
- Accrued income	16	18	-2
- Prepaid expenses	5,355	4,569	786
	5,371	4,587	784
Total other current assets	34,321	16,952	17,369

The receivable due from AAMS for 8,940 thousand euro is related to the grant for recognising 0.5% on the gaming movement generated by amusement machines paragraph 6 (Slot machines) which by law must be reversed from the AAMS concession fee to the benefit of the network licensees as better described in note 4 “revenue from sales and services”.

The receivables for betting licensee activities (due from BAP) for 3,313 thousand euro (3,993 thousand euro) are related to the management contract for accepting bets for the Concessions acquired and contracts stipulated with corner and shop managers for activation of the new Bersani licences.

These receivables accrue on a daily basis and are settled weekly, by subtracting the bets collected at agencies, amounts of tickets paid and reimbursed, fee recognised to the manager and the difference from withdrawals and deposits made via the Punto SNAI cash register on SNAICards from the net movement.

Direct debit due from others presented with at sight due date total 2,904 thousand euro, of which 2,625 thousand euro related to management contracts as described in the previous point and 279 thousand euro attributed to the Circuito Gold.

The advance on concession fee item totalling 3,571 thousand euro contains the amount paid to AAMS in July 2007 as an advance on the concession fee for the so-called Bersani licences and balanced in January 2008 with the payment of the first advance for the subsequent year as required by the Convention.

Receivables for positions due from AAMS with a balance of 80 thousand euro (369 thousand euro), are the result of the different between payables due to AAMS conferred with the Concession company branches, calculated net of the credit entries and the greater deposits made following the requests of AAMS which had not taken into account the credit position of some Concessions while waiting to acquire the documents supporting such positions.

Prepaid expenses include:

3,477 thousand euro related to advance payments for surety fees and insurance premiums, of which 2,347 thousand euro referred to fees paid to UniCredit Banca Mobiliare S.p.A. for opening of credit expiring on 31 December 2016, aimed at the release of the sureties, up to the maximum value of 140,000 thousand euro;

1,878 thousand euro related to maintenance, consultation and operating lease contracts.

The change in the bad debt provision is shown below:

thousands of euro	written down individually	written down Collectively	Total
At 01 January 2006	4,726		4,726
Accruals for the year	463		463
Reclassifications	-1,732		-1,732
Use of provision	-73		-73
At 31 December 2006	3,384	0	3,384
Accruals for the year	0		0
Reclassifications	-400		-400
Use of provision			0
Reverse of unused amounts			0
At 31 December 2007	2,984	0	2,984

22. FINANCIAL ASSETS

The table below shows the breakdown for financial assets:

thousands of euro	31.12.07	31.12.06	Change
Noncurrent financial assets			
BTP 5% due 01.05.2008	0	145	-145
Total non-current financial assets	0	145	-145
Current financial assets			
Financial current account income due from parent company	74	29	45
Financial current account income due from subsidiaries	2,032	1,719	313
Financial current account income due from companies subject to control by the same parent company	2,539	1,344	1,195
Banca Popolare Italiana warrant	6	16	-10
- Asset management account	15,238	0	15,238
Former Società Fiorentina Corse Cavalli shares for merger swap	1	1	0
Total current financial assets	19,890	3,109	16,781

Financial current account income due from subsidiaries is related to Teseo S.r.l. in liquidation for 1,756 thousand euro, Ristomisto S.r.l. in liquidation for 947 thousand euro and are entered net of the bad debt provision totalling 671 thousand euro. The provision for write-downs is attributed to the receivable due from Ristomisto S.r.l. in liquidation for 639 thousand euro and from Teseo S.r.l. in liquidation for 32 thousand euro.

Financial current account income due from companies subject to control by the same parent company are related to Tivu + S.p.A. in liquidation for 1,665 thousand euro and Teleippica S.r.l. for 874 thousand euro.

The balances of financial current accounts include interest accruing in the period, calculated at the Euribor rate at three months plus five percentage points.
The asset management account is composed of securities which can be immediately converted to cash.

23. CASH AND CASH EQUIVALENTS

The table below shows the breakdown of cash and cash equivalents:

thousands of euro	31.12.07	31.12.06
Bank current accounts	92,978	262,694
Postal current accounts	26	20
Cash on hand	83	107
Liquid assets	93,087	262,821
Bank overdrafts	0	0
Net cash and cash equivalents as reported in the cash flow statements	93,087	262,821

24. SHAREHOLDERS' EQUITY

On 15 January 2007 the share capital increase was concluded voted on 14 September 2006 by the extraordinary shareholders' meeting of parent company SNAI S.p.A., which had given the Board of Directors the power to perform as per article 2443 of the Italian Civil Code, separate increases in share capital up to a maximum of 100,000,000 new shares. On 26 October 2006 the Board of Directors voted to ask for an increase which would make it possible to acquire financial resources up to 250 million euro between nominal and share premium.

On 30 November 2006, CONSOB, the National Commission for Companies and the Stock Exchange, has issued its approval for publication of the information prospectus required by article 5, second paragraph of the EC directive 71/2003 and article 24 of the EC regulation 809/2004 related to the offer as an option to ordinary share shareholders of SNAI S.p.A. and the Board of Directors had voted to establish a maximum of 61,718,860 shares to issue in the context of the offering and to offer them under option to the shareholders at a unit price of 4.05 euro, including the nominal value, totalling 0.52 euro and share premium at 3.53 euro. The new shares were offered as an option based on a ratio of 28 shares for every 25 shares held. At the end of the subscription period (4 – 21 December 2006) 54,581,100 share rights had been exercised at 61,130,832 ordinary shares of SNAI S.p.A., totalling 99.05% of the shares of the Offering for a value of 247,579,869.6 euro. A total of 27,927,750 of these rights, corresponding to 31,279,080 ordinary shares, totalling 50.68% of the total number of shares of the offering, were exercised by the parent company SNAI Servizi S.r.l. The uncalled shares totalling 525,025 were offered on the Stock Exchange by the company, as required by article 2441 paragraph 3 of the Italian Civil Code, through UniCredit Banca Mobiliare S.p.A. from 8 to 12 January 2007.

The option rights were all sold and exercised through the subscription by the final deadline of 15 January 2007, for 588,028 newly issued shares for a value totalling 2,381,513.40. Thus the transaction was concluded on 15 January 2007 with the complete subscription of the 61,718,860 shares offered for a total value of 249,961,383.00 euro. On 12 February 2007 the SNAI S.p.A. share capital increase was filed with the Lucca Chamber of Commerce as document M07212L2120 for a nominal total of 60,748,992.20 euro, equal to a total of 116,824,985 ordinary shares with a nominal value of 0.52 euro each, upon completion of the debiting of the amounts related to the subscriptions.

The share capital of parent company SNAI S.p.A. at 31.12.2007 entirely subscribed and paid-up amounted to 60,748,992.20 euro (at 31 December 2006 60,443,321.04 euro) and is composed of 116,824,985 ordinary shares (116,236,957 ordinary shares at 31 December 2006).

Holders of ordinary shares have the right to receive dividends voted on a time to time basis, and for each share held they have one vote to express in the shareholders' meeting.

number of authorised shares	116,824,985
number of shares issued and entirely paid in	116,824,985
nominal value in euro	0.52

The table below shows a reconciliation between the number of shares in circulation at the beginning the year and at the end of the period.

	Number of shares
number of shares at 01.01.2007	116,236,957
share capital increase	588,028
number of shares at 31.12.07	116,824,985

The issued shares are all ordinary shares without any constraints or preferences.
There is no treasury stock held directly by the parent company SNAI S.p.A. or through its subsidiaries or associates.

Reserves

Reserve for premium on shares
The share premium reserve, totalling 211,319 thousand euro, was established with the share capital increase, as described above, for 219,535 thousand euro minus the accessory charges net of the fiscal effect related to the increase in share capital for 8,216 thousand euro, as required by IAS 32. The increase for the period totalling 2,364 thousand euro is related to the conclusion to of the share capital:
The increase for the year totalling 2,364 thousand euro is related to the conclusion of the share capital increase: 3,743 thousand euro of share premium minus accessory charges for 1,379 thousand euro.

Reserve for asset revaluation Law 72 of 19/03/1983 and Law 413 of 30/12/1991
At 31/12/2006, as a consequence of the merger of the subsidiary Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) with SNAI S.p.A, retained earnings were reclassified for 2,750 thousand euro: 899 thousand euro to the reserve for revaluation of asset revaluation as per Law 72 of 19/03/1983, 1,850 thousand euro to the reserve for asset revaluation as per Law 413 of 31/12/1991 and 1 thousand euro to the translation reserve.
The shareholders' meeting to approve the financial statements held on 15 May 2007 voted to cover the losses for 2006 entirely using the reserve as per Law 413 of 31/12/1991 and for 142 thousand euro the reserve as per Law 72 of 19/03/1983.

Merger swap reserve
The reserve for merger swap, totalling 966 thousand euro, was established in 2006 with the merger of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) with SNAI S.p.A.
The accessory charges related to the merger transaction for the merger swap, totalling 113 thousand euro, were deducted from retained earnings.

Extraordinary Reserve
The decrease for the year totalling 1,160 thousand euro is due to the different classification method and consequent recording of a lease contract signed in 2006.

Minority interest

At 31 December 2007 the minority interest was zero since no subsidiary consolidated with the line-by-line method is held by others.

25. EARNINGS PER SHARE

Basic earnings standard share

The basic earning per share calculation at 31 December 2007 was performed considering the earning attributed to holders of ordinary shares, totalling 8,519 thousand euro (31 December 2006: loss for 1,882 thousand euro) and the weighted average number of ordinary shares in circulation during the year closed at 31 December 2007, totalling 116,800,819.47 (31 December 2006: 56,647,907.95).

The calculation was performed as follows:

thousands of euro	31.12.07	31.12.06
Earning (- loss) attributable to holders of ordinary shares = group profit for period (a)	8.519	-1.882
Weighted average number of ordinary shares (b)	116.800,82	56.647,91
Earning (- loss) per basic share (a/b)	0,07	-0,03

Diluted earning/loss per share

The diluted earning/loss per share is the same as the basic earning/loss per share since financial instruments with potential dilution effects have not been issued.

26. TERMINATION BENEFITS

Termination benefits at 31 December 2007 totalled 5,433 thousand euro against 9,758 thousand euro at 31 December 2006, the decrease of 4,325 thousand euro is mainly due to the reform of the Italian termination benefits (TFR) law which requires companies with more than 50 employees to pay the part of accrued termination benefits to a fund selected by the individual employees.

The table below shows the movements of the provision:

thousands of euro		
Balance at 01.01.07		9,758
Accrual for the year		368
Uses	-	695
Curtailment	-	4,253
Financial Charges		255
Balance at 31.12.07		5,433

The termination benefits are considered a defined benefit plan to be accounted for according to IAS 39, by applying the projected unit credit method, which entails estimating the amount to pay to each employee when he leaves the company and actualising this payable based on a hypothesis on the times of leaving calculated using actuarial methods.

The assessment was performed with the support of an independent actuary.

The main assumptions adopted are summarised in the following table:

Summarisation of Economic – Financial Technical
Assumptions

Financial assumptions	December 2007
Annual rate of discounting back	4.70%
Annual rate of inflation	2.00%
Annual rate of termination benefit increase	3.00%

Summarisation of Demographic Technical Assumptions

Demographic assumptions	December 2007
Mortality	ISTAT 2000
Disability	INPS tables broken down by
Age and sex	
Retirement age	Achievement of Obligatory General Insurance

Annual Turnover Frequency Table and Termination Benefit Advances

Company	Advance frequency % December 2007	Turnover frequency % December 2007
SNAI S.p.A.	2.50%	5.00%
Società Trenno S.r.l.	3.00%	1.50%
Festa S.r.l.	1.55%	12.00%
Mac Horse S.r.l.	3.00%	3.00%

27. FINANCIAL LIABILITIES

The table below shows the breakdown for financial liabilities:

thousands of euro	31.12.07	31.12.06	Change
Noncurrent financial liabilities			
Secured loans granted by banks (Senior Loan)	225,908	242,328	-16,420
Secured loans (Junior loan)	41,151	40,711	440
Payable for horse racing and sports concession acquisition	20,150	27,018	-6,868
IBM Financial Services Loan	675	1,037	-362
Payables for finance leases	25,604	2,424	23,180
Total other non-current liabilities	313,488	313,518	-30
Current financial liabilities			
Bank account overdrafts			0
Current portion of long term loans (Senior Loan)	18,593	11,772	6,821
Current portion of long term loans (IBM Servizi Finanziari Loan)	227	359	-132
financial c / a to companies subject to control by the same parent company		0	0
Bank account overdrafts	0	0	0
Payables due to other lenders	0	15	-15
Payable for horse racing and sports concession acquisition	7,590	41,746	-34,156
Payables for finance leases	5,793	818	4,975
Total current financial liabilities	32.203	54.710	-22.507

Financial payables include:

- loans taken out to acquire "concession" company branches (described in detail in the paragraphs below) entered at amortised cost for a total of 285,652 euro, equal to a nominal 297 million euro recognised net of direct accessory charges. These accessory charges include freelance fees connected to completion of the loan and register tax due when opening the loan; the first instalment of the loan due 22 September 2007 was paid; while the instalment due 22 March 2008, totalling a nominal 19 million euro was entered in the "Senior loan within 12 months" item again net of accessory charges for an amount of 18,593 thousand euro and has been promptly paid;
- the payables due to BAP resulting from the acquisition of Concession company branches (Vendor loan), for the remaining instalment rates existing at 31 December 2007. The acquisition transaction entailed the payment of a part of the payment to pay at the time of signing the claim acts (March 2006) and the installation payments of the vendor loan in five annual installations of an equal amount, the first due 30 May 2007, without paying the interest due from SNAI S.p.A. By the end of the month of January 2007 some BAP, following signing of an additional agreement proposed by SNAI S.p.A, received early reimbursement of the vendor loan at a value discounted at the rate of 6.8%. Subsequently on 30 May 2007 the first instalment of the remaining extensions was reimbursed, consequently at year end the vendor loan was represented as follows:
  -20,150 thousand euro equal to the current value of the extended payable due beyond 12 months for subjects which did not sign the additional agreement;
  -7,590 thousand euro related to the instalment of the existing extensions due in May 2008;
- the payable for the IBM loan for a total of 902 thousand euro related to the supplementary service contract with IBM Italia S.p.A., signed based on the necessary implementation for setting up the new points for accepting bets;
- financial payables for lease contracts totalling 31,397 thousand euro refer to three contracts signed with the companies Locat S.p.A., Ing. Lease Renting S.p.A. and IBM Finanziaria S.p.A. The subject matter of the contracts are the technologies to use in the new bet acceptance points, better described in note 15.

In 2006 the parent company in order to obtain the financial resources necessary for acquiring company branches and for early settlement of the remaining consolidated payable with banks, totalling ¤40.5 million in capital line occurring 29 March 2006, and to increase its working capital, signed two loan contracts with its associates, namely with Unicredit Banca d'Impresa S.p.A. ("Senior Loan Contract" and with Solar S.A. a Luxembourg company possessed at 70% by FCCD Limited, and Irish company and 30% by SNAI S.p.A: ("Junior Loan Contract" and with the Senior Loan Contract the "Loan Contracts"). Solar S.A. obtained the financial resources necessary to pay the Junior Loan by issuing preferred equity certificates subscribed by third parties.

The Company and the lenders established – including by singing a so-called Intercreditor Agreement – that the Junior Loan Contract be subordinate to the Senior Loan Contract and therefore that each payment due according to the Junior Loan Contract can be paid to Solar S.A. only to the extent that all the payments have been paid due to Unicredit Banca d'Impresa S.p.A. based on the Senior Loan Contract.

The financing granted based on the Senior Loan Contract (the "Senior Loan") is divided into a tranche A up to 96.5 million euro ("Tranche A") and a tranche B up to 170 million euro ("Tranche B").

The Senior Loan has a duration totalling five years, i.e. up to 15 March 2011. The interest rate applied to the Senior Loan is Euribor at three months plus a margin which for Tranche A will be 2.75% annually and for Tranche B 5.15% annually. This margin can be reduced by 0.25% for Tranche A and 0.5% for Tranche B if the Company reaches specific established levels in the ratio between total net borrowing and annual EBITDA. In the latest payments the effective interest was calculated and charged with the adjustment of the above margin, since the established levels were reached.

The Senior Loan Contract requires that Tranche A be repaid on an amortisation plan, with the exception of a pre-amortisation plan for the first eighteen months. Thus the repayments for Tranche A will be paid at the eighteenth, twenty-fourth, thirty-sixth, forty-eighth and sixtieth month from the date of first use, i.e. 21 March 2006.
Tranche B for the Senior Loan will be paid in its entirety at the due date of the Senior Loan and will be subordinate to complete repayment of Tranche A.

On 21 March 2006 the Company asked for and obtained payment of a first part of the two Senior Loan and Junior Loan tranches for a total amount of around 175 million euro (of which 23.7 million euro from the Junior Loan). The requested sums were obtained with accreditation days of 21 and 24 March 2006, respectively.

On 31 March 2006 the Company asked for payment of the remaining 135 million euro for the two tranches of the Senior Loan and Junior Loan: the payment was obtained in the first days of April 2006.

On 20 October 2006 SNAI S.p.A. obtained Waivers from the lenders to be able to sign a contract for a line of credit for guarantees of 140 million euro needed for the call for tenders for new bet acceptance licences based on Italian Legislative Decree 223 of 04.07.2006.

Following what was established in the Waivers, SNAI has the right to repay the Senior Loan tranche A early starting from the second anniversary of the first use until the third anniversary by paying some costs and a fee for early repayment totalling 2% of the early repaid amount and 1% of the early repaid amount from the third to fourth anniversary. Any amounts repaid early after the fourth year will only be subject to specific costs but not to fees.

The loan granted based, on the Junior Loan Contract ("Junior Loan"), totals 43.5 million euro and has a duration of five years, i.e. until 24 March 2011. The interest rate applied to the Junior Loan is Euribor at three months, plus a margin of 14.3% annually. In the latest payments, this margin was reduced by 0.5% since the company reached the specific established levels in the ratio between total net borrowing and annual EBITDA. The effective interest was calculated and charged with the adjustment of the above margin.

The Junior Loan will be entirely repaid at its due date and subordinate to the complete repayment of the Senior Loan.

Based on the Waivers, for this loan as well, the Company has the right to early repayment of the Junior Loan starting from 30 months to the fourth year by payment of some costs and a fee for early repayment totalling 2% of the early repayment and 1% of the early repayment in the fourth year. Any amounts repaid early after the fourth year will be subject to specific costs, but not to fees. As customary with this type of loan, the Loan Contracts entail a series of obligations for the Company which, with the exception of what is described above, are substantially the same for both Loan Contracts.

The Company has made a commitment to the lenders to comply with a series of financial parameters mainly connected to the trend of EBITDA on a consolidated level and total net borrowing of the Company. Verification of compliance with these financial commitments will be done on a quarterly basis. An analysis and comments related to the covenants are included in paragraph 37.2 of the explanatory notes to the consolidated accounting situation.

In particular, by means of example but not limited to, the Company is also committed to:

(i) provide the lenders updates on operations and consolidated accounts on a monthly basis as well as all quarterly and six month reports and statutory financials statements as soon as they are available in accordance with applicable law, (ii) obtain and / or maintain all the authorisations necessary for its compliance in accordance with contracts the Company is party to, (iii) act in compliance with applicable laws and not establish (or act so as to establish) new guarantees and / or liens on Company assets and other Gruppo SNAI components which out previous approval from the lenders, (iv) not transfer (or act so as to transfer) its assets or those of other Gruppo SNAI components, for a value of more than 5 million euro, for the entire duration of the loans, except to perform ordinary activity and at market terms and, any income realised is used to develop Company activities, etc.

The occurrence of any significant event, for example, (i) Company's breach of the commitments assumed under the Loan Contracts, (ii) declaration of insolvency by one of the Gruppo SNAI components, (iii) non-compliance for a value over the specifically agreed ceilings, by any of the Gruppo SNAI components in related to the related borrowing, which is not immediately remedied if possible, (iv) exit of any of the subsidiaries from Gruppo SNAI, (v) loss of licences, authorisations or service contracts which produce more than the total Group turnover, which shall result in the forfeiture of the Company's acceleration clause with the consequence that the lenders in this case can ask for the immediate repayment of all the sums paid and not repaid up to that time.

In terms of the collateral backing the above loans, a mortgage has been established on SNAI S.p.A. property and, in particular, on the property which is part of the Milan Trot area and real estate portfolio represented by the Montecatini Terme race track and the property which is part of the Milan Gallop area.

In particular a first and second mortgage has been established on this property to back the two loan tranches granted by Unicredit Banca d'Impresa as well as a third mortgage to back the loan granted by Solar S.A.

Other guaranties granted in favour of Unicredit Banca d'Impresa S.p.A. and di Solar S.A., all first and second, as represented by:

(i) pledge granted by SNAI Servizi S.r.l. on SNAI S.p.A. shares it possesses, totalling 50.68% of the SNAI S.p.A. share capital;
(ii) pledge on the SNAI S.p.A. equity investments in the subsidiaries Festa S.r.l., Immobiliare Valcarenga S.r.l., MAC Horse S.r.l and equity investment in Teleippica S.r.l.;
(iii) pledge on the current accounts of SNAI S.p.A., as well as pledge on the current accounts of Festa S.r.l. and MAC Horse S.r.l.

28. PROVISIONS FOR FUTURE RISKS AND CHARGES

As of 31 December 2007 these totalled 7,437 thousand euro; the table below shows the break down of changes:

thousands of euro	Risks / write-down on subsidiaries and other equity investments in liquidation	Slot machine network renewal (art. 19 – specifications)	Civil disputes and contractual risks	Pension benefits	Total
Balance at 31 December	1.795	0	1.029	17	2.841
Accruals for the year	1.344	824	2.642		4.810
Amounts used during the year	-197				-197
Amounts reversed during the year					0
Reallocated amounts	-10		10	-17	-17
Balance at 31 December 2007	2.932	824	3.681	0	7.437

Risks / write-downs on subsidiaries and other equity investments in liquidation

The risks / write-downs provision on group company equity investments in liquidation was established to take into account risks associated their liquidation and represents the maximum amount that the company is willing to sustain to close the various proceedings.

This provision is composed of total accruals made in previous periods and what was accrued during the year to adjust the provision for risks related to the subsidiary Teseo S.r.l. in liquidation for 394 thousand euro and sister company Tivù + S.p.A. in liquidation for 950 thousand euro representing the estimated maximum charge for the liquidation process.

The provision is related to the accrued amount of the group exceeding the carrying amount of the equity investment in the company whose shareholders' equity is less than its carrying amount and is related to the following subsidiaries: RistoMisto S.r.l. in liquidation for 207 thousand euro, Teseo S.r.l. in liquidation for 1,724 thousand euro and the sister company Tivù + S.p.A. in liquidation for 1,000 thousand euro representing the maximum estimated charge for the liquidation proceeding.

Use of the provision for risks for 197 thousand euro is due to closing of the liquidation of the La Televisione S.r.l. subsidiary.

Slot machine network renewal (art. 19 – specifications)

Moreover, in 2007 a provision was set up to accrue 824 thousand euro related to technological upgrading as required by article 19 of the "Specifications" for "assignment in concession of the activation and operation of the computerised management network for legal gaming using amusement machines as well as connected activities and functions" from the starting date of the concession.

Civil disputes and contractual risks

Risks for civil disputes and contractual risks contain the total estimated amount to cover the remaining risk entries related to the settlement of transactions and disputes with third parties, including of a fiscal, tax and contribution nature.

The provision is mainly represented by the remainder of disputes of the subsidiary Ippodromi San Siro S.p.A. (formerly Trenno S.p.A.) merged with SNAI S.p.A., still in progress with the Florence INPS office for 890 thousand euro, Rax of Montecatini for 103 thousand euro and the former White Horse employees for 32 thousand euro. The accrual for the period for 2,652 thousand euro is related to:

- 11 thousand euro for interest on the dispute with the Florence INPS office;
- 2,641 thousand euro represents the total estimated amount to cover the remaining risk entries related to the settlement of transactions and disputes with third parties, including of a fiscal, tax and contribution nature.

SNAI S.p.A., as licensee for the management of the computerised network for interconnection of amusement machines received in June 2007 a notice from the Regional Public Prosecutor's Office of the Region of Lazio Audit Office asking it to submit its own deduction related to an enquiry on a possible tax offence.

The regional Public Prosecutor charged NSAI, along with three managers from the Autonomous Administration of State Monopolies, with inexact fulfilment of some concession obligations and failure to comply with some service levels.

After and with reference to the enquiry of the Regional Public Prosecutor, AAMS, with an act signed by one of the managers involved in the proceeding started by the Public Prosecutor, served SNAI and all the other nine licensees with the same breaches, not considering any evaluation on the point and as a precautionary measure. AAMS reserved the right to make a final decision following deductions presented by the concessions. SNAI S.p.A., as stated above, submitted its deductions within the deadlines disputing the ground of the charges.

To this end, SNAI S.p.A. has already obtained legal opinions which confirm its position: the disputed sanctions are not applicable and consequently the requested amounts are not due.

The supposed tax offence amounts to around 4.8 billion euro, entirely composed of penalties for the presumed failure to comply with service levels. SNAI S.p.A. is certain to have completely fulfilled its concession obligations, the most important being the complete payment of the Single Tax Withholding (PREU) and concession fee.

The Board of Directors, including based on the legal opinions obtained, believe that no liability for the company has reason to emerge from these proceedings, nor will there be negative results of an equity nature.

It is important to note that on 25 July 2005 the second session of the Lazio Regional Court, T.A.R. accepted the suspension request submitted by SNAI against the administrative sanction, which ordered payment of penalties for around 4.8 billion euro;

The Lazio Regional Court held the hearing on 23 January 2008 and is waiting for publication of the ruling.

29. VARIOUS ACCOUNTS PAYABLE AND OTHER LIABILITIES

The various noncurrent accounts payable and other liabilities are composed as follows:

thousands of euro	31.12.07	31.12.06	Change
Noncurrent various accounts payable and other liabilities			
Liabilities with Social Security Institutions			
- due to INPS	90	1,168	-1,078
	90	1,168	-1,078
Due to others:			
- determined Payables due to Agencies	13,757	18,374	-4,617
- payable security deposits	27	27	0
	13,784	18,401	-4,617
Total other non-current liabilities	13,874	19,569	-5,695

I The various current accounts payable and other liabilities are composed as follows:

thousands of euro	31.12.07	31.12.06	Change
Other current liabilities			
Taxes payable			
- for VAT	7,480	30	7,450
- for income taxes	6,163	2,426	3,737
- for single tax on bets	6,436	7,696	-1,260
- for various tax liabilities and tax “amnesty”	107	83	24
- for employee Irpef	620	462	158
- for withholdings	64	402	-338
	20,870	11,099	9,771
Liabilities with Social Security Institutions			
- due to INPS	713	559	154
- INPS “amnesty” / injunction to pay	1,078	898	180
- due to ENPALS	274	253	21
- due to supplementary pension funds	178	0	178
- due to INAIL	11		11
- due to Previndail and others	294	249	45
	2,548	1,959	589
Other current payables			
- due to employees	1,316	1,143	173
- due to totalisator employees	25	20	5
- due to Sogei	665	662	3
- due to shareholders for dividends to collect	0	16	-16
- due to others	2,938	2,400	538
- due to directors	872	1,237	-365
- due to circuito gold BAP	784	1,297	-513
- due to SNAI CARD customers	1,860	1,293	567
- due to others for Events Outcome contest winnings	0	201	-201
- due to customers for winning and reimbursements on bets	1,386	1,119	267
- due to customers for accepted bets (antepost)	1,547	921	626
- due to AAMS for weekly balance	1,200	5,076	-3,876
- security deposits	877	427	450
- PREU liability	11,820	9,852	1,968
- due to U.N.I.R.E. for totalisator and prescribed	4,453	5,011	-558
- due to SOGEI for prescribed tickets	232	113	119
- determined payables due to agencies	5,487	11,248	-5,761
- due to others for ippica nazionale winnings	615	13	602
	36,077	42,049	-5,972
Accrued expenses and deferred income			
- Accrued expenses	55	40	15
- Deferred income	915	120	795
	970	160	810
Total other current liabilities	60,465	55,267	5,198

Tax liabilities includes the current liability for single tax totalling 6,436 thousand euro accrued in the month of December on sports and horse racing bets paid on 16 January 2008.
The other liabilities due to social security institutions includes a liability due to INPS related to an unfavourable ruling issued by the Cassation Court in December 2004 on a dispute between INPS and the subsidiary Ippodromi San Siro S.p.A (formerly Società Trenno S.p.A.), in relation to contributions for employees at the totalisator of the Milan horse race tracks, that, following acceptance of the reduction of the fines and instalment plan, was accounted for in noncurrent payables for 90 thousand euro and in current payables for 1,078 thousand euro.

For the payable due to Sogei, the company which administers betting data for the Ministry of Finance, 665 thousand euro is composed of balances related to the second fortnight of December 2004 for an amount of 54 thousand euro and previous balance entries for an amount of 611 thousand euro, referred to a payable originating from the reduction of the single tax rate for the period from 1 January 2003 to 30 June 2004 and which totals 497 thousand euro for Milan and 114 thousand euro for Montecatini, including interest as in the income tax form served in February 2006.

The other liabilities include payables due to AAMS for the suspended single tax and for the U.N.I.R.E. guaranteed minimums accrued and conferred with the acquisition of the Concession company branches not yet due, in particular:

- 13,757 thousand euro (18,374 thousand euro), equal to the annual payments due starting from 31 October 2009 of payables for the U.N.I.R.E. guaranteed minimums accrued at the effective date of transfer of the company branches beyond 12 months, discounted at 31 December 2007 at the rate of 7.3% which represents the market cost of financial instruments;

- 5,487 thousand euro related to the payments due within 12 months for the U.N.I.R.E. guaranteed minimums and for the suspended single tax.

Payables were also recorded on acceptance of horse racing and sports bets in directly managed concessions following acquisition of the Concession company branches related to:

- balance of SNAICard computerised gaming cards (1,860 thousand euro);
- payables recorded for collected bets up to 31 December and for which the events have not yet taken place (antepost betting) for 1,547 thousand euro;
- payables due to bettors for accrued winnings not collected at 31 December 2007 (1,386 thousand euro) and ippica nazionale winnings (615 thousand euro);
- payable due to SOGEI for the UNIRE horse racing withholding due for the second half of December and paid on 5 January 2008 (4,453 thousand euro);
- payable due to SOGEI for the winning and reimbursable tickets prescribed in December and paid on 5 January 2008 (232 thousand euro);

Other current payables include a net payable related to the single withholding (PREU), 11,820 thousand euro, calculated every fifteen days on the movement of amusement machines (slot machines), starting 01 January 2007 the tax rate changed from 13.5% to 12%.

At the 23 January 2008 due date the company had paid 13,226 thousand euro for PREU based on its counts on the existing number of machines for the half month; the counts are not in line wit the AAMS counts.

During the first months of 2008 AAMS asked the company to pay a higher concession fee of 109 thousand euro calculated on taxable income from the last two bimonthly period of 2007. The requested amounts were recorded on the credit side, paid in 2008 and at the same time disputed by the company while waiting to obtain realignments. Recently methods and counts have been compared with AAMS and the company is confident that it will be able to define them in the amount of credit already expressed in its books, also in consideration of the outcome of expert reports on the counting methods used by the company.

Payables due to AAMS for 1,200 thousand euro are related to weekly balances not yet collected by AAMS due to movements in events outcome contests.
The balance of payables due to others is mainly composed of the payable for the Slot Machine fee related to the November-December 2007 bimonthly period.

The deferred income item totalling 915 thousand euro mainly refers to the amount not yet accrued of income invoiced ahead of time for the sale of the option right.

30. ACCOUNTS PAYABLE

The table below shows the breakdown of accounts payable:

thousands of euro	31.12.07	31.12.06	Change
Current accounts payable			
- suppliers	37,633	37,894	-261
- stables, jockeys and bookmakers	1,139	1,288	-149
- foreign suppliers	174	1	173
- advances to suppliers	-5,838	-6,094	256
- credit notes to be received	-1,445	-1,248	-197
- due from sister company Connext S.r.l.	150	0	150
- due from sister company Teleippica S.r.l.	395	20	375
- due from sister company Tivu+ S.p.A. in liquidation	43	43	0
- due from parent company SNAI Servizi S.r.l.	49	0	49
Total	32,300	31,904	396

31. FINANCIAL COMMITMENTS

The sureties issued total 226,975 (152,646) thousand euro and refer to:

- 35,389 (27,376) thousand euro to sureties issued by various banks to AAMS, requested for the legal gaming concession for entertainment machines, to back the fifteen day payment of the PREU balance and concession payment as required by article 20 paragraph 4 of the Concession due 31 October 2011;
- 1,463 (1,463) thousand euro for sureties issued in favour of Cassa di Risparmio Firenze for Teleippica S.r.l., to back a loan signed by the sister company;
- 3,095 thousand in for UNIRE to back transfer of the concession for accepting bets for the concessions 175-341-95-345-438-446-170-408-340-215.
- 1,113 (1,235) thousand euro for the AAMS to back the transfer of the concession for accepting bets for concessions 1625-1521-1500-1627.
- 203 thousand euro surety for AAMS to back payment of the instalment related to the payables accrued by the licensee due to the tax authority and Italian Olympics Committee for the concessions 223-465-1258-3702-3539.
- 344 thousand euro surety for AAMS to back sports concession obligations for concessions 223-465-1258-3702-3539.
- 90 thousand euro surety for AAMS to back horse race concession obligations for concession 1258.
- 111 thousand euro surety for AAMS, issued by Ifinc S.p.A., for the concession for accepting horse race and sports bets;
- 203 (203) thousand euro for the municipality of Milan for building permits;
- 490 (137) thousand euro surety for the Ministry of Economic Development of back prized promoted for the prize contests;
- 20 thousand euro for Fiorentina Gas to back the gas supply contract;
- 93 (261) thousand euro surety for UNIRE, to back the UNIRE investment fund grant for the Milan and Montecatini race tracks;
- 123 (123) thousand euro surety for UNIRE, to back contractual obligations for the new convention;
- 3 thousand euro surety issued by Banca Popolare di Milano for Enel to back electricity supply;
- 25,806 (25,806) thousand euro surety for UNIRE, to back the concession obligations related to Horse Racing Concessions;
- 7,585 (7,585) thousand euro surety for UNIRE, to back the structural loan related to Horse Racing Concessions;
- 12,644 (14,906) thousand euro surety for AAMS, to back payment obligations for accrued payables for Sports Concessions;
- 45,890 (11,500) thousand euro surety for AAMS,to back opening of horse race gaming shops and corners and activation of remote horse race gaming;
- 45,640 (14,750) thousand euro surety for AAMS, to back opening of sports gaming shops and corners and activation of remote sports gaming;
- 17,402 (15,750) thousand euro surety for AAMS, to back correct execution of Sports Concession obligations;
- 7,630 (7,630) thousand euro surety for AAMS, to back correct execution of Horse Racing Concession obligations;
- 16,620 (7,630) thousand euro surety for AAMS, to back payment obligations for accrued payables for Horse Racing Concessions;
- 18 (18) thousand euro surety for Esselunga S.p.A. , to back the obligations under a sublet contract.
- 5,000 thousand euro surety for AAMS, to back obligations assumed with the submission of an application to participate in the selection for awarding the operating concession and development of national totalisator numeric games.

The group has undertaken commitments for operating leases of computerised equipment mainly used to operate the gaming network and terminals for accepting horse racing and sports bids for 21,263 (12,872) thousand euro of which with remaining payable within 12 months for 6,932 thousand euro, more than 12 months but less than 5 years for 13,891 thousand euro and 331 thousand euro beyond 5 years.

During the first half of 2006 the group obtained a loan for the acquisition of “Concession” company branches, against which the following guarantees were issued:

- First mortgage issued by SNAI S.p.A. in favour of Unicredit on 16 march 2006 on the race tracks of Milan, Montecatini and the Headquarters in Porcari (LU), value 193,000 thousand euro, Notary Public Cambareri File;
- Second mortgage issued by SNAI S.p.A. in favour of Unicredit on 16 March 2006 on the race tracks of Milan, Montecatini, value 340,000 thousand euro, Notary Public Cambareri File;
- Third mortgage issued by SNAI S.p.A. in favour of Solar S.a. on 16 march 2006 on the race tracks of Milan, Montecatini and the Headquarters in Porcari (LU), value 87,000 thousand euro, Notary Public Cambareri File;
- First pledge on Equity Investment Festa S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 1,000 thousand euro, Notary Public Cambareri 16093;
- First pledge on Equity Investment Immobiliare Valcarenga S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 51 thousand euro, Notary Public Cambareri 16094;
- First pledge on Equity Investment Mac Horse S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 26 thousand euro, Notary Public Cambareri 16092;
- First pledge on Equity Investment Teleippica S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Unicredit, value 495 thousand euro, Notary Public Cambareri 16091;
- Second pledge on Equity Investment Festa S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 1,000 thousand euro, Notary Public Cambareri 16096;
- Second pledge on Equity Investment Immobiliare Valcarenga S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 51 thousand euro, Notary Public Cambareri 16097;

- Second pledge on Equity Investment Mac Horse S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 26 thousand euro, Notary Public Cambareri 16098;
- Second pledge on Equity Investment Teleippica S.r.l. issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a., value 495 thousand euro, Notary Public Cambareri 16095;
- First pledge issued by SNAI S.p.A. in favour of Unicredit on current accounts in the name of SNAI S.p.A. as listed below:
  Banca Nazionale del Lavoro S.p.A. Agenzia Lucca Sede Abi 01005 Cab 13701 c/a 41924
  Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 27298/36
  Monte dei Paschi di Siena S.p.A. Agenzia Roma Sede Abi 01030 Cab 03202 c/a 1628546
  Monte dei Paschi di Siena S.p.A. Agenzia Milano Sede Abi 01030 Cab 01604 c/a 13734/08
  Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 28303/82
  Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 1643343
  Banca di Roma S.p.A. Agenzia n. 1 Lucca Abi 03002 Cab 13700 c/a 653388/58
  Cassa di Risparmio di Lucca Agenzia 4 Abi 06200 Cab 13704 c/a 274955
  Cassa di Risparmio di Lucca Pisa Livorno Agenzia 4 Abi 06200 Cab 13704 c/a 177652
  Banca Popolare di Milano S.c.a.r.l. Agenzia 7 di Milano Abi 05584 Cab 1607 c/a 48091
  Banca CR Firenze S.p.A. Agenzia Capannori Abi 06160 Cab 24700 c/a 4723C01
  Banca Nuova S.p.A. Agenzia Roma 1 Abi 05132 Cab 3201 c/a 6736
  Credito Artigiano S.p.A. Agenzia Milano S.Fedele Abi 03512 Cab 1601 c/a 7602
  Unicredit Banca d'Impresa S.p.A. Agenzia Bologna 42 Abi 03226 Abi 02460 c/a 2896061
  Banco Posta Agenzia Sede Lucca Abi 07601 Cab 13700 c/a 65065567
- First pledge issued by the subsidiaries Festa S.r.l. and Mac Horse S.r.l. in favour of Unicredit on current accounts in their names.
- Second pledge issued by SNAI S.p.A. in favour of Solar S.a. on current accounts in the name of SNAI S.p.A. as listed below:
  Banca Nazionale del Lavoro S.p.A. Agenzia Lucca Sede Abi 01005 Cab 13701 c/a 41924
  Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 27298/36
  Monte dei Paschi di Siena S.p.A. Agenzia Roma Sede Abi 01030 Cab 03202 c/a 1628546
  Monte dei Paschi di Siena S.p.A. Agenzia Milano Sede Abi 01030 Cab 01604 c/a 13734/08
  Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 28303/82
  Monte dei Paschi di Siena S.p.A. Agenzia Lucca Sede Abi 01030 Cab 13700 c/a 1643343
  Banca di Roma S.p.A. Agenzia n. 1 Lucca Abi 03002 Cab 13700 c/a 653388/58
  Cassa di Risparmio di Lucca Agenzia 4 Abi 06200 Cab 13704 c/a 274955
  Cassa di Risparmio di Lucca Pisa Livorno Agenzia 4 Abi 06200 Cab 13704 c/a 177652
  Banca Popolare di Milano S.c.a.r.l. Agenzia 7 di Milano Abi 05584 Cab 1607 c/a 48091
  Banca CR Firenze S.p.A. Agenzia Capannori Abi 06160 Cab 24700 c/a 4723C01
  Banca Nuova S.p.A. Agenzia Roma 1 Abi 05132 Cab 3201 c/a 6736
  Credito Artigiano S.p.A. Agenzia Milano S.Fedele Abi 03512 Cab 1601 c/a 7602
  Unicredit Banca d'Impresa S.p.A. Agenzia Bologna 42 Abi 03226 Abi 02460 c/a 2896061
  Banco Posta Agenzia Sede Lucca Abi 07601 Cab 13700 c/a 65065567
- Second pledge issued by the subsidiaries Festa S.r.l. and Mac Horse S.r.l. in favour of Solar S.a. on current accounts in their names.
- First pledge issued on 16 march 2006 by SNAI S.p.A. in favour of Unicredit Banca d'Impresa S.p.A. on 39 trademarks and 2 patents owned by the company, Notary Public Cambareri file 16099;
- Second pledge issued on 16 March 2006 by SNAI S.p.A. in favour of Solar S.a. on 39 trademarks and 2 patents owned by the company, Notary Public Cambareri file 16100.

On 20 October 2006 the group obtained Waivers from the lenders to be able to sign a contract for a line of credit for guarantees of ¤140,000,000.00 needed for the call for tenders for new bet acceptance licences based on Italian Legislative Decree 223 of 04.07.2006. This line of credit was used to issue definite sureties of ¤45,640,000.00 and ¤45,890,000.00 as specified above. On 27 September 2007 Waivers were obtained from the lenders to sign a new contract for a line of credit for guarantees of ¤305,000,000.00.

On 27 September 2007 a contract was signed with a leading bank for this line of credit, aimed at SNAI S.p.A.'s participation as a candidate in the selection procedure for awarding the concession to run and develop national totalisator numeric games. On the same date a surety was issued for ¤5,000,000.00, as described above, which is now extinguished.

On 27 December 2007, based on a decision from the Court of Lucca, a distraint was issued in favour of Vision Srl on c/a Cassa Risparmio Lucca Pisa Livorno for a sum totalling ¤250,000.00.

32. RELATED PARTIES

The Consob communication no 6064293 of 28 July 2006 requires that, in addition to what is required by the international accounting standard related to “Disclosure of related party transactions” (IAS 24) the information be provided on the incidence which transactions or positions with related parties, as classified by the same IAS 24, have on the profit, loss, asset, liability and financial situation.

The table below shows these incidences. The incidences which the transactions have on profit and loss as well as cash flow of the company and / or Group need to be analysed considering that the main transactions existing with related parties are all identical to the equivalent contracts existing with third parties: therefore in the current situation there is no difference in treatment between related parties and third parties.

Currently, within the framework of Gruppo SNAI Companies, relations with related parties are represented by contracts of a commercial or financial nature, and for services of an administrative, financial and tax consultation, tax and organisation nature with subsidiaries and contracts with the parent company SNAI Servizi S.p.A. for legal assistance services and for regulation of the financial current account.

The transfer prices are related to active sales prices to the betting collection chain (i.e. market prices); purchase costs for services governed by commercial contracts use market prices and conditions as a reference for contracts of a financial nature and operating costs for services and performance for the other buying and selling of inter-group services.

The contracts, including services supplied by some subsidiaries for other group companies, as well as those supplied by SNAI S.p.A. to other group companies and performance of services between operating companies, are formalised and invoiced with multi-year frequency.

The group performs services for the concessionaries of horse racing agencies and sports agencies, as explained above. Many licensees hold minority interests in the share capital of the parent company SNAI Servizi S.r.l. Transactions, in standardised contracts, are governed at market conditions completely identical to those of third party licensees.

The acquisition transaction of the company branches occurring on 16 March 2006 is basically the result of a transaction with related parties since most of the company branches acquired by SNAI S.p.A. were directly or indirectly referable to members of the SNAI S.p.A. board of directors, who were owners, directly or indirectly, through the companies they hold investments in or which are under their families.
In particular of the 450 transferred branches, 236 branches were under the aforesaid subjects, 301 branches under shareholders of the parent company SNAI Servizi S.r.l. and 2 branches the subsidiary Festa S.r.l. The total number of acquired company branches by related parties was 365.

By application of article 2391-bis of the Italian Civil Code and recommendations of the self-governance code, the company relied on the consultation of independent experts, asking for a Fairness Option, which confirmed the congruity of the amount paid by the company to acquire the company branches, directly or indirectly attributable to the directors.

The amount paid to the directors totalled 204.9 million euro, that to the shareholders of the parent company SNAI Servizi S.r.l. 256.3 million and that related to the subsidiary 0.69 million euro. The sum of the amounts paid to related parties for a total of 302.8 million euro represents 84.46% of the total amount paid.

The clauses in the company branch acquisition contracts, as well as those for management and service contracts, with counterparts being the shareholders of the parent company are completely identical to similar contracts with third parties. With the company branch acquisition SNAI S.p.A. also signed management contracts, to use services connected with operational management of the corner, with gaming acceptance corner which transferred the concessions.

The payment was in line with the total volume of bets collected for all the acquired company branches with the same percentage used for concession company branches acquired from third parties that are not shareholders of the parent company SNAI Servizi S.r.l.
The same contractual conditions applied to third parties were also applied to the shareholder managers of the parent company SNAI Servizi S.r.l.
The table below summarises the following:

the amount of accounts receivable for services and products and receivables for the collection of horse race and sports bets, for Ippica nazionale betting, event outcome contests and entertainment machines, which existed at 31 December 2007 and 31 December 2006 between SNAI S.p.A. and the other group subsidiaries with shareholders of the parent company SNAI Servizi S.r.l., to whom the same companies supply services within the framework of their institutional activities; the amount of financial receivables; the amount of accounts payable and financial payables.

It is important to note that some directors of the group companies are also shareholders of the parent company SNAI Servizi S.r.l., although they do not hold significant or controlling shareholdings.

thousands of euro	31/12/2007	incidence %	31/12/2006	incidence %
Accounts receivable:				
- due from SNAI Servizi S.r.l. shareholders	3.734	6,53%	3.208	6,16%
- due from SNAI Servizi S.r.l.	-	0,00%	6	0,01%
- due from Connext S.r.l.	2	0,00%		0,00%
- due from TIVU+ S.p.A. in liquidation	37	0,06%	41	0,08%
- due from Teleippica S.r.l.	19	0,03%	3	0,01%
	3.792	6,62%	3.258	6,26%
Other non-current assets:				
- due from TIVU+ S.p.A. in liquidation	-		383	18,60%
	-	0,00%	383	18,60%
Other current assets:				
- due from SNAI Servizi S.r.l. shareholders	4.132	12,04%	3.241	19,12%
- due from SNAI Servizi S.r.l.	-	0,00%	-	0,00%
- due from Connext S.r.l.	1	0,00%		0,00%
- due from TIVU+ S.p.A. in liquidation	727	2,12%	478	2,82%
	4.860	14,16%	3.719	21,94%
Current financial assets:				
- due from SNAI Promotion S.r.l. in liquidation				
- due from SNAI Servizi S.r.l.	74	0,37%	29	0,93%
- due from Teleippica S.r.l.	874	4,39%	133	4,28%
- due from La Televisione S.r.l. in liquidation	-	0,00%	122	3,92%
- due from Ristomisto S.r.l. in liquidation	308	1,55%	119	3,83%
- due from TIVU+ S.p.A. in liquidation	1.665	8,37%	1.211	38,95%
- due from Teseo S.r.l. in liquidation	1.724	8,67%	1.478	47,54%
	4.645	23,35%	3.092	99,45%
Total receivables	13.297	11,94%	10.452	14,08%
Accounts payable:				
- due to SNAI Servizi S.r.l. shareholders	268	0,83%	769	2,41%
- due to Connext S.r.l.	150	0,46%	478	1,50%
- due to SNAI Servizi S.r.l.	49	0,15%	-	0,00%
- due to Tivu+ S.p.A. in liquidation	43	0,13%	43	0,13%
- due to Teleippica S.r.l.	395	1,22%	20	0,06%
	905	2,79%	1,310	4,11%
Other current liabilities				
- due to SNAI Servizi S.r.l. shareholders	303	0,50%	-	0,00%
	303	0,50%	-	-
Non-current financial liabilities:				
- due to SNAI Servizi S.r.l. shareholders for extension of company branch acquisitions (vendor loan)	14.426	4,60%	18,639	5,95%
	14.426	4,60%	18,639	5,95%
Current financial liabilities:				
- due to SNAI Servizi S.r.l. shareholders for extension of company branch acquisitions (vendor loan)	5.527	41,30%	32,876	77,21%
	5.527	41,30%	32,876	77,21%
Total payables	21.161	4,86%	52,825	13,61%

The financial receivables are recorded net of the specific bad debt provision.

The table below shows:
- the income for services and products and services performed for the collection of horse race and sports bets, for ippica nazionale betting, event outcome contests and amusement machines, which existed at in 2007 and 2006 between SNAI S.p.A. and other group subsidiaries with shareholders of the parent company SNAI Servizi S.r.l., to whom the same companies supply services within the framework of their institutional activities;
- financial income;
- the costs for services and charge backs, costs related to amusement machines, existing in 2007 and 2006 between SNAI S.p.A. and the other group subsidiaries with the shareholders of the parent company SNAI Servizi S.r.l., for whom the same companies supply services within the framework of their institutional activities.
- costs for interest and fees.

thousands of euro	2007	incidence %	2006	incidence %
Revenue from sales and services:				
- from SNAI Servizi S.r.l. shareholders	8.975	1,82%	11.681	5,37%
- from Teleippica S.r.l.	82	0,02%	88	0,04%
	9.057	1,84%	11.769	5,41%
Other revenue – Revenue from services, charge backs and rents:				
- from SNAI Servizi S.r.l.	178	3,09%	186	3,55%
- from Tivu+ S.p.A. in liquidation	4	0,07%	217	4,14%
- from Connext S.r.l. associate	9	0,16%		0,00%
- from Teleippica S.r.l.	375	6,52%	423	8,06%
	566	9,84%	826	15,75%
Interest income:				
- from SNAI Servizi S.r.l.	325	6,94%	192	10,73%
- from SNAI Promotion S.r.l. in liquidation	-	0,00%	4	0,22%
- from La Televisione S.r.l. in liquidation	3	0,06%	7	0,39%
- from Ristomisto S.r.l. in liquidation	82	1,75%	60	3,35%
- from Tivu+ S.p.A. in liquidation	178	3,80%	100	5,59%
- from Teseo S.r.l. in liquidation	151	3,22%	105	5,87%
- from Teleippica S.r.l.	158	3,37%	-	0,00%
	897	19,14%	468	26,15%
Total revenue	10.520	2,03%	13.063	5,82%
Costs to purchase semi-finished goods				
- from Connext S.r.l.	170	-	-	0,00%
	170	0,00%	-	0,00%
Costs for used raw materials and consumables				
- from Connext S.r.l.	92	0,74%		
	92	0,74%	-	-
Costs for services and charge backs:				
- from SNAI Servizi S.r.l. shareholders	75.490	21,12%	63.153	49,45%
- from SNAI Servizi S.r.l.	527	0,15%	460	0,36%
- from Teseo S.r.l. in liquidation	-	0,00%	-	0,00%
- from Connext S.r.l.	528	0,15%	888	0,70%
- from Teleippica S.r.l.	813	0,23%	346	0,27%
	77.358	21,65%	64.847	50,78%
Cost for personnel posted to other areas:				
- from SNAI Servizi S.r.l.	125	0,72%	122	0,63%
- from Teleippica S.r.l.		0,00%	30	0,15%
	125	0,72%	152	0,78%
Interest expense and fees				
Imputed financial charges on vendor loan due to SNAI Servizi S.r.l. shareholders	1.363	3,18%	2.099	6,92%
Fees on sureties / interest expense from SNAI Servizi S.r.l.	-	0,00%	76	0,25%
Interest expense due to Teleippica S.r.l.	-	0,00%	278	0,92%
	1.363	3,18%	2.453	8,09%
Total costs	79.108	18,39%	67.452	37,87%

33. FINANCIAL RISK MANAGEMENT

The Group has financial liabilities which are mainly composed of bank loans, loans granted by others (e.g. vendor loan, etc.) and finance and operating lease contracts. These contracts are medium and long term, in part not remunerated. These liabilities were undertaken based on important strategic development operations planned and implemented in 2006 and 2007 in order to acquire new concession company branches and new licences to consolidate and implement the company's presence in its market. A decision was also made to increase the Share Capital of SNAI Spa, concluded in January 2007, used to obtain financial resources for 249,961 thousand euro, to use to support the investments necessary for the development plan and permit sufficient cash autonomy and flexibility.

The Group's policy is to reduce the use of burdensome credit to back ordinary operations, reduce the time for collecting accounts receivable, programme times and extension instruments for accounts receivable and plan and diversify the payment methods for investments.

Credit risk

In order to reduce and monitor credit risk Gruppo SNAI has adopted suitable organisational policies and instruments. The Group is familiar with and knows the company's debtors (customers, manager of gaming shops and corners, etc.) very well, thanks to its consolidated and many years of presence in all market segments it targets, characterised by a limited number of participating operators.

New potential relations, following the assignment of the "Bersani" call for tender licences, mainly come form already known commodity segments, with more limited and fractioned volumes, thus with lower potential risks.

Potential income related transactions are always previously subjected to a reliability analysis using the aid of information from leading specialised companies. The obtained analyses are appropriately supplemented with objective and subjective elements, deemed useful and already available within the Group, generating a reliability assessment.

A high percentage of income relations are previously covered by sureties or security deposits, issued in favour of the Group based on the characteristics determining the reliability assessment. Established relations are constantly and regularly monitored by a structure specifically dedicated for this function, connected to other interested and involved functions. The extremely brief timeframe of collections, generally weekly or fortnightly, makes it possible to reduce the risk, in part thanks to the collection method by direct debiting.

In some income relations the credit risk is limited by adopting special measures, such as suspension of the service in short timeframes, until settlement of the position.

Payment extensions, by means of written agreements and application of interest on the extension and with issue of notes (in almost all cases) are only allows in extremely limited and circumspect cases, after previous evaluation and manager's authorisation. Receivables are subject to an analytical assessment on a regular basis.

The risk concerning other financial assets of the Group is extremely limited.

Interest rate risk

The Group has signed some loan contracts, mainly at a variable rate; some of these contracts entail extensions which are not remunerated. The liquid assets and significant cash flow generated by the core business, treated by parameterising the interest income rate to euribor trend, thus limiting the risk of changes in interest rate resulting from loan contracts at a variable rate also parameterised to euribor, mostly at three months. The centralised management of the Group's cash flow, by using inter-group current accounts, make it possible to optimise cash management and reduce risks and charges at the same time, maximising financial proceeds.

Liquidity risk

The Group, and the parent company in particular, are required to manage incoming and outgoing cash flow (e.g. Preu, Single Tax on bets, bonuses, etc.) in very short and pre-established timeframes both for incoming and outgoing. Thus the Group possesses a fair liquidity and controls liquidity risk by means of various management policies.

Extensions on collections are reduced to a minimum, by adopting adequate timeframes and instruments which are under direct control of the Group.

The management of orders to creditors entails a preliminary planning stage aimed at diversifying payment instruments and searching for the broadest and least burdensome timeframes.

In the presence of investments the policy adopted by the Group has determined a prudential approach aimed at dividing payments in the medium period, in order to maintain flexibility with cash flows. The use of financing is planned and instrumental to the realisation of investments.

Foreign exchange risk

There is no transaction, worthy of note, that can generate risks connected with currency fluctuations.

Share capital management

Management of the Group's share capital is aimed at guaranteeing a sold credit rating and adequate levels of capital indicators to support the industrial activities and investment plans. The Group, within the limits allowed by the contractual conditions of existing loans, can pay dividends to shareholders and issue new shares.

Group has analysed its capital using a debt/capital ratio, or comparing net debt to total capital plus net debt. The group's policy aims at keeping the ratio between 0.3 and 1.0. This aim takes into account some equity and borrowing parameters used to calculate the covenants.

thousands of euro	2007	2006
Interest-bearing loans	317.951	299.464
Non interest-bearing loans	27.740	68.764
Financial liabilities	345.691	368.228
Accounts payable and other payables	106.639	106.740
Current financial assets	-19.890	-3.109
Cash and cash equivalents	-93.087	-262.821
Net payables	339.353	209.038
Convertible bonds		
Capital	333.686	323.657
Total capital	333.686	323.657
Capital and net payables	673.039	532.695
Capital / Debt Ratio	50%	39%

34. SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

There are non-recurring revenue and cost items in 2007.

Revenue

Compared to previous years a certain number of settlements have become recurring connected with former customer licensees who in past used the company's provider services. Most of the disputes have been submitted to arbitration boards appointed by the parties by applying a specific contractual clause. The settlement of the arbitration hearings has been resulting in revenue in favour of the company reflected in the income statement in manner that has become repetitive. Therefore a decision was made not to consider this revenue as having a one time nature.

Costs

During 2007, as described above, non-recurring costs were incurred for one time transactions, since they have all the characteristics of non-recurrence. These include costs incurred for:

- start-up of the debt renegotiation procedure (services for 536 thousand euro).
- for participation in the call for tenders for awarding the concession to run and develop national totalisator numeric games, co-called Superenalotto (services for 2,451 thousand euro and financial charge for issue of sureties for 1,098 thousand euro). The outcome of the call for tenders, published in January 2008, did not see the company classified in first place.
- Additional accruals to the provision for risks for 4,810 thousand euro to face the greater risk resulting from some contractual relations, including transferred and disputes which have arisen as well as for the coverage of charges resulting during the liquidation of some equity investments.

thousands of euro	2007	incidence %
Performance of services	2.987	0,84%
Accrual to provision for risks	4.810	15,36%
Financial charges	1.098	2,56%

35. POSITIONS OR SETTLEMENTS RESULTING FROM ATYPICAL AND/OR UNUSUAL TRANSACTIONS

At 31 December no atypical and / or unusual transactions had occurred.

36. GROUP ENTITIES

Group control

The parent company SNAI S.p.A. is controlled by SNAI Servizi S.r.l.

Significant equity investments in subsidiaries

	Percentage held	
	31/12/2007	31/12/2006
IMMOBILIARE VALCARENGA S.r.l.	100	100
FESTA S.r.l. unipersonale	100	100
Mac Horse S.r.l. unipersonale	100	100
Società Trenno S.r.l.	100	100

The complete composition of the group and adopted consolidation methods are described in attachment 1.

37. NET FINANCIAL POSITION

The table below shows the net financial position as required by Consob based on article 16 of the Financial Act and article 114, paragraph 5 of Legislative Decree 58/98.

thousands of euro	31.12.2007	31.12.2006
A. Cash	83	107
B. Other liquid assets	93.004	262.714
bank	92.978	262.694
postal c/a	26	20
C. Securities held for sale	1	1
D. Liquid assets (A) + (B) + (C)	93.088	262.822
E. Current financial receivables	19.889	3.108
- financial c/a due from parent company	74	30
- financial c/a due from subsidiaries	2.032	1.719
- financial c/a to companies subject to control by the same parent company	2.539	1.343
- Asset management account	15.238	
thousands of euro		
	31.12.2007	31.12.2006
	6	16
- Banca Popolare Italiana warrant	-	
F. Current accounts payable due to banks	18.820	12.131
G. Current part of noncurrent borrowing	13.383	42.579
H. Other current financial payables:		
financial c/a to companies subject to control by the same parent company	7.590	41.746
- for horse racing and sports concession acquisition	5.793	833
- due to other lenders	32.203	54.710
I. Current financial borrowing (F) + (G) + (H)	- 80.774	- 211.220
J. Net current financial borrowing (I) - (E) -(D)	-	145
K. Noncurrent financial assets: BTP 5% due 01.05.08	225.908	242.328
L. Noncurrent accounts payable due to banks		
M. Bonds issued	87.580	71.190
N. Other noncurrent payables:	67.430	44.172
- due to other lenders	20.150	27.018
- for horse racing and sports concession acquisition	313.488	313.518
O. Noncurrent financial borrowing (L) +(M) + (N)	313.488	313.373
P. Noncurrent net financial borrowing (O) - (K)	232.714	102.153
Q. Net financial borrowing (J) + (P)		

Compared to 31 December 2006 net financial borrowing increased by 130,561 thousand euro as the combined effect from flows resulting from core operations and disbursements. The most significant items include:

- payment of 113,945 thousand euro to AAMS for awarding of 1,206 sports licences (342 shops and 864 corners) and 3,886 horse racing licences (99 shops and 3,787 corners), under one sports concession and one horse racing concession respectively, as well as the awarding of a concession for remote horse race gaming and one for sports, following the participation in the call for tenders called by the Ministry of the Economy and Finance to apply the Bersani decree.

-- collection of 4,049 thousand euro related to the conclusion of the share capital increase;

- payment of 60,920 thousand euro for payables related to the acquisition of Concessions;

- payment for the procurement of goods and machines for setting up the new Bersani call for tenders points of sale for a total of 24,940 thousand euro;

- repayment of the first loan tranche, tranche A, required by the Senior contract, for 13,000 thousand euro.

37.1 Financial commitments (Negative pledges)

See paragraph 31 “financial commitments” for a detailed description of the pledges and sureties issued by the parent company and group equity investments.

37.2 Covenants

As is customary with this type of loan, the existing Loan Contracts described above entail a series of obligations for the Company which are substantially the same for both Senior and Junior Loan Contracts.
The company has made a commitment to the lenders to comply with a series of financial parameters mainly connected to the trend of EBITDA on a consolidated level and total net borrowing of the company.

In accordance with the loans – “Senior Loan” and “Junior Loan” the Group is obligated to comply with the following financial covenants related to Gruppo SNAI, which will be verified quarterly on a continuous year basis (compared to the twelve months), starting from the six month period closed at 30 June 2006:

Test Date	EBITDA (in millions of euro)	Ratio between Adjusted Net Total Borrowing and EBITDA	Ratio between Net Total Borrowing and EBITDA	Fixed Charge Coverage
31 December 2007	61,1	5,3	3,9	0,7
31 March 2008	61,9	5,1	3,6	0,6
30 June 2008	62,7	4,9	3,7	0,6
30 September 2008	63,5	4,6	3,5	0,8
31 December 2008	64,3	4,4	3,4	0,8
31 March 2009	65,0	4,2	3,1	0,7
30 June 2009	65,6	4,0	3,2	0,7
30 September 2009	66,3	3,8	3,0	0,8
31 December 2009	66,9	3,5	2,9	0,8
31 March 2010	67,5	3,3	2,7	0,7
30 June 2010	68,0	3,2	2,7	0,7
30 September 2010	68,5	3,0	2,5	0,7
31 December 2010	69,0	2,8	2,4	0,7
31 March 2011	69,3	2,6	2,3	0,2

LEBITDA is defined in the loan contract and indicates the consolidated result before interest, taxes, depreciation and accruals and all the extraordinary and non-recurring items.

The values at 31 December 2007 are still significantly influenced by the share capital increase transaction, which was completed 15 January 2007, participation on the call for tenders for awarding of the so-called Bersani points of sale and consequent cash flow for opening of the new points of sale: the count prepared for application of the covenants, taking into account the previous phenomena, does not deviate from the contractual parameters.

It is important to note that 20 October 2006 a waiver was obtained allowing SNAI to obtain signatory credit for 140 million euro, aimed at participation in the call for tenders for 16,300 new points of sale (gaming shops and corners) for horse racing and sports bets, as well as a consequent increase in capital for a total of around 250 million euro, to use to finance obligations consequent to this call for tenders.

The contractual novation made it possible to participate in the call for tenders which resulted in the awarding of a total of 5,094 licences and guarantees sufficient flexibility for management of existing activities as well as those resulting from opportunities offered to the group both by direct management of the new licences and expansion as a provider and supplier of services and machines, with broad margins on the covenants still in existence.

An additional waiver was obtained by SNAI S.p.A. 25 September 2007 to allow the acquisition of signatory credit for an additional 305 million euro, aimed at participation in the call for tenders for totalisator numeric games (so-called superenalotto). ulteriori 305 milioni di euro, finalizzati alla partecipazione alla gara per i giochi numerici al totalizzatore (cd superenalotto).

38. FINANCIAL INSTRUMENTS

Below is a comparison of the carrying amount and of the fair value per category for all the financial instruments of the Group.

	carrying amount		fair value	
Financial assets and liabilities	31.12.07	31.12.06	31.12.07	31.12.06
Cash flow	93.087	262.821	93.087	262.821
Credits	57.182	52.106	57.182	52.106
Current financial assets	19.890	3.109	19.890	3.109
Current financial liabilities	13.383	42.579	13.383	42.579
Current portion of long term loans	18.820	12.131	18.820	12.131
Noncurrent financial liabilities	13.874	19.569	13.874	19.569

39. SIGNIFICANT EVENTS AFTER CLOSING OF THE PERIOD

39.1 Superenalotto call for tenders result

For detailed information see the specific paragraph in the directors' report.

Other information

In compliance with the obligations introduced by Legislative Decree no. 6/2003 regarding corporate governance and specifically with the introduction of articles 2497-2497 septies concerning "company management and coordination" Gruppo SNAI has indicated and made public, in the manner and form indicated by article 2497 bis of the Civil Code that the parent company SNAI Servizi S.r.l. with registered office in Mantua – Viale Italia 19 – is the subject which exercises management and coordination activities for Gruppo SNAI.

In order to comply with the accounting information obligations on the management and coordination activity indicated by article 2497 bis, paragraph 4, the data from the last approved financial statements of SNAI Servizi S.r.l., closed at 31 December 2006, are shown in attachment 4 to the parent company notes.

These explanatory notes are integrated with the information provided in the attachments:
Composition of Gruppo SNAI at 31.12.07

The attachment are an integral part of these notes and constitute additional information and description of the financial statement items in question.
The financial statements of the consolidated subsidiaries and associates are expressed in euro.
These financial statements represent a true and correct view of the equity and financial situation as well as the profit/loss for the financial year and correspond to the figures reported in the accounting records.

For the Board of Directors
The Chairman
(Maurizio Ughi)

Porcari, 28 March 2008
*****
The manager assigned with preparation of accounting and corporate documents, Luciana Garza, declares in accordance with paragraph 2 article 154 bis of the Finance Act that the accounting information contained in these consolidated financial statements corresponds to document results, books of account and accounting entries.

ATTACHMENT 1
Composition of Gruppo SNAI at 31 December 2007
(thousands of euro)

NAME	REGISTERED OFFICE	SHARE CAPITAL	PERCENTAGE HELD		ACTIVITY	CONSOLIDATION METHOD / MEASUREMENT POLICY
- SNAI S.p.A.	PORCARI	60.749	PARENT COMPANY		ACCEPTANCE OF HORSE RACE AND SPORTS BETS WITH OWN CONCESSIONS – COORDINATION OF SUBSIDIARIES' ACTIVITIES AND COMPUTERISED DATA DISTRIBUTION MANAGEMENT AND SERVICES FOR BETTING AGENCIES – COMPUTERISED MANAGEMENT OF MACHINE CONNECTION NETWORK PARAGRAPH 6	LINE-BY-LINE
SUBSIDIARIES:						
- Società TRENNO S.r.l. unipersonale	MILAN	1.932	100,00%	(1)	ORGANISATION AND CONDUCTING OF HORSE RACES AND TRAINING CENTRE	LINE-BY-LINE
- IMMOBILIARE VALCARENGA Srl unipersonale	MILAN	51	100,00%	(2)	RENTAL OF HORSE RACING COMPANY FOR STABLING HORSES	LINE-BY-LINE
- FESTA Srl unipersonale	PORCARI	1.000	100,00%	(3)	MANAGEMENT OF CALL CENTRE, HELP DESK AND COMPUTERISED BETS	LINE-BY-LINE
- Mac Horse Srl unipersonale	PORCARI	26	100,00%	(4)	PUBLISHING INITIATIVES INCLUDING DIGITAL, ADVERTISING AND GRAPHICS	LINE-BY-LINE
- TESEO Srl in liquidation	PALERMO	1.032	70,00%	(5)	RESEARCH AND DESIGN OF BETTING MANAGEMENT SOFTWARE SYSTEMS	SHAREHOLDERS' EQUITY
- RISTOMISTO Srl in liquidation	PALERMO	50	100,00%	(6)	RESTAURANTS, CREATION OF FRANCHISE CHAINS IN FOOD SECTOR	SHAREHOLDERS' EQUITY
ASSOCIATES:						
- SOCIETA' GESTIONE CAPANNELLE SPA	ROME	1.956	26,67%	(7)	ORGANISATION AND CONDUCTING OF HORSE RACES AND TRAINING CENTRE	SHAREHOLDERS' EQUITY
- Solar S.A.	LUXEMBOURG	31	30,00%	(8)	FINANCIAL	SHAREHOLDERS' EQUITY
- ALFEA S.p.A.	PISA	996	30,70%	(9)	ORGANISATION AND CONDUCTING OF HORSE RACES AND TRAINING CENTRE	SHAREHOLDERS' EQUITY
OTHER COMPANIES:						
- CONNEXT S.R.L.	LUCCA	82	15,00%	(10)	SALES AND ASSISTANCE FOR IT, HARDWARE AND SOFTWARE SERVICES	HISTORIC
- TIVU+ S.p.A. in liquidation	ROME	520	19,50%	(11)	MULTIMEDIA AND PRODUCTION ACTIVITY, COLLECTION AND DISSEMINATION OF TELEVISION SIGNAL	HISTORIC
- TELEIPPICA S.r.l. (former SOGEST Società Gestione Servizi Termali Srl)	PORCARI	2.540	19,50%	(12)	DISTRIBUTION OF INFORMATION AND EVENTS BY USE OF ALL MEDIA ALLOWED BY TECHNOLOGY AND CURRENT AND FUTURE LAWS WITH THE EXCEPTION OFNEWSPAPER PUBLICATION	HISTORIC
- LEXORFIN Srl	ROME	1.500	2,44%	(13)	FINANCIAL FOR EQUITY INVESTMENTS IN HORSE RACING SEGMENT	HISTORIC

NOTES TO THE COMPOSITION OF GRUPPO SNAI

(1) The equity investment held at 100% by SNAI S.p.A. due to the merger with Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.)
The company was established on 27 July 2006 and on 15 September 2006 the company Ippodromi San Siro S.p.A. transferred its "horse race management" branch to Snai S.p.A.

(2) Equity investment held by Snai S.p.A.

(3) Established on 30.12.99 with subscription by Snai SpA.

(4) Acquired on 24 February 2004 by others.

(5) Established on 13.11.96 and acquired by Snai SpA on 30.12.99. On 03/08/2001 Società Teseo Srl was put in liquidation.

(6) Established on 25.01.2001; with the extraordinary shareholders' meeting of 14/11/2001 its company name was changed from SNAI FOOD Srl to RistoMisto Srl.
With the extraordinary shareholders' meeting of 07.05.02 its losses were covered, zeroing out and re-establishing the share capital. On 08/10/02 it was put in liquidation.

(7) Equity investment held at 26.28% by Ippodromi san Siro S.p.A. (formerly Società Trenno SpA) merged with SNAI S.p.A. during 2006.
On 5 June 2007 the extraordinary shareholders' meeting voted, among other things, to cover the losses up to 31 March 2007 and re-establish its share capital: following this transaction the investment increased and is now 26.67%

(8) Luxembourg company, established 10 March 2006 by SNAI S.p.A. for 30% and Irish company FCCD Limited for 70%.

(9) Equity investment held at 30.70% by Ippodromi San Siro S.p.A. (formerly Società Trenno SpA) now merged with SNAI S.p.A.

(10) The equity investment in Connext Srl was acquired on 7.12.2000 by acquiring the option rights from previous shareholders and later subscription and payment for increase in reserved share capital

(11) Acquired following the merger of S. Siro SpA on 25/11/97. On 26.04.2001 its company name changed from CRAI Srl to SNAI Way Srl. On 14/11/2001 SNAI SpA transferred 50% of the entire SNAI WAY share capital to Publitel.
The company was later transformed into an SpA. Following an out of court settlement Publitel returned the shares it held.
With the extraordinary shareholders' meeting of 10.5.02 losses accrued to 31.3.2002 were covered by zeroing out share capital and re-establishing it at 670 thousand euro.
On 28.06.02 55% of its share capital was transferred. Snai S.p.A. did not separately subscribe the share capital increase voted by the extraordinary shareholders' meeting of 28/06/02 therefore its holding decreased to 19.54% On 29/01/03 it changed its company name to TIVU + S.p.A. In the extraordinary shareholders' meeting on 21 May 2003 SNAI S.p.A. subscribed 19.50% of the re-established share capital at 520,000 euro.
On 7 July 2004 the extraordinary shareholders' meeting voted to put Tivu + S.p.A. in liquidation.

(12) Acquired by others on 5.5.2000. On 2/10/2003 the extraordinary shareholders' meeting changed the company name from SOGEST Società Gestione Servizi Termali S.r.l. to TELEIPPICA S.r.l. and the company's scope.
During 2005 the extraordinary shareholders' meeting voted to increase the share capital to 2,540,000 euro. The holding did not change.

(13) Acquired on 19.7.99 at 2.44% by Società Trenno S.p.A. later merged with SNAI S.p.A.

Certification of the consolidated financial statements in accordance with article 81 – ter of Consob Regulation no. 11971 of 14 May 1999 et seqq.

1. The undersigned Maurizio Ughi as Chairman and Luciano Garza as manager in charge of preparing the accounting and corporate documents of SNAI S.p.A. hereby certify, taking into account the provisions of article 154-bis, paragraphs 3 and 4 of Legislative Decree no. 58 of 24 February 1998:

- the adequacy in relation to the enterprise characteristics and
- effective application

of the administrative and accounting procedures to prepare the consolidated financial statements at 31 December 2007.

2. To this end, it is important to note that Gruppo SNAI has started a rationalisation, integration and formalisation activity of the administrative-accounting procedures and consolidated practices which compose all of the processes involved in preparing the financial statements based on methods generally recognised on an international level, in particular using the “Internal Control – Integrated Framework” models issued by Committee of Sponsoring Organizations of the Treadway Commission (so-called “CoSO report”) and “Control Objectives for Information and related Technology (so-called Cobit)” as a reference which represent the standards for the internal audit system generally accepted on an international level.

3. Moreover, we certify that the consolidated financial statements:

a. correspond to the books of account and accounting records;
b. are prepared in compliance with the International Financial Reporting Standard adopted by the European Union as well as the provisions issued to implement article 9 of Legislative Decree no 38/2005 (transposing European Union Regulation no. 1606 of 19 July 2002), and to the best of our knowledge it is suitable for providing a true and correct representation of the equity, economic and financial situation of the issuing company and all of the companies included in the consolidation.

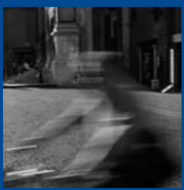
This certification is also prepared in accordance with article 154-bis, paragraph 2 of Legislative Decree no. 58 of 24 February 1998.

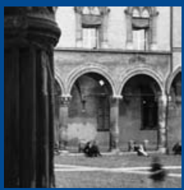
Porcari (LU), 28 March 2008

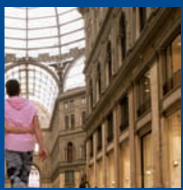
The Chairman	The Manager in charge of preparing accounting documents
(Maurizio Ughi)	(Luciano Garza)

Report of the board of auditors

Naples - Umberto I Gallery






Report of the Board of Auditors on the Consolidated Accounts of the Snai Group to 31/12/2007

Report to Shareholders

The Board of Directors, in compliance with the statutory requirements, has drawn up the consolidated accounts to 31 December 2007, which is the end date of the financial year of the parent company and its subsidiaries.

The consolidated accounts to 31 December 2007 have been drawn up in accordance with the International Accounting Principles (IAS/IFRS) applicable as at 31 December 2007, issued by the IASB, adopted by the European Commission in accordance with the procedure contained in Art. 6 of Regulation (EC) No. 1606/2002 of the European Parliament and the Council of Europe of 19 July 2002 and in Legislative Decrees No. 38/2005 and No. 209/2005.

For the scope of the consolidation, please refer to the notes and explanations contained in the notes to the accounts.

The Auditors Reconta Ernst & Young S.p.a. stated in their report of 30 April 2008 that the consolidated accounts of Snai S.p.a. have been drawn up with clarity and are a true and accurate representation of the asset and financial situation, the profit and loss, the changes in net assets and the cash flow of the Snai Group for the financial year ending on 31 December 2007.

Further to this report, please refer to the report prepared by this Board of Auditors in relation to the accounts of the company Snai S.p.a., which contains the information required by statute.

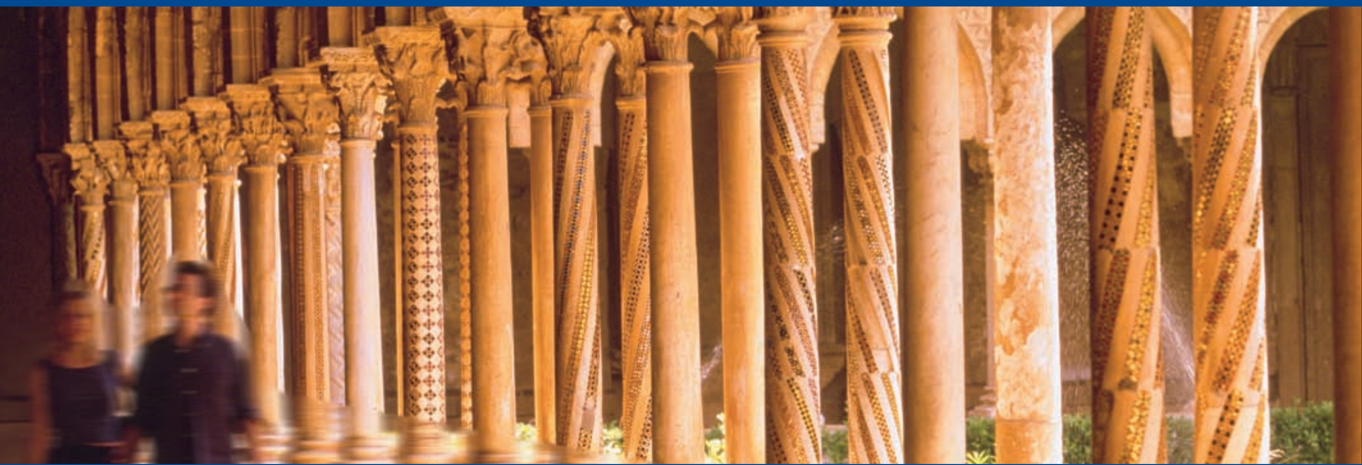
With respect to our competence, we would point out that the report on the operations and the notes to the accounts provide the necessary information and are consistent with the results shown in the consolidated accounts.

Mantua, 30 April 2008.

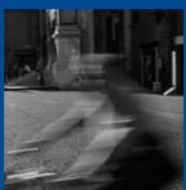
THE BOARD OF AUDITORS

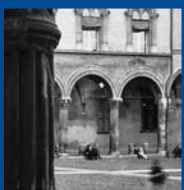
(Dr. Francesco Lerro)	Chairman
(Lorenzo Ferrigno, Accountant)	Permanent Member of the Board of Auditors
Dr. Alessandro Carlotti)	Permanent Member of the Board of Auditors

Independent auditory firm's report on the consolidated balance



Monreale – Cathedral Cloister







ERNST & YOUNG

Reconta Ernst &Young S.p.A.
della Libertà'88, 9
552485050129 Firenze

Tel.(+39) 055 552451Piazza
Fax (+39)055
www.ey.com

REPORT OF THE AUDITING FIRM

in accordance with Article 156 of the Legislative Decree of 24.2.1998, No. 58

To the Shareholders
of Snai S.p.A.

1. We have performed the accounting audit of the Consolidated Financial Statements, made up of the Balance Sheet, the Income Statement, the Statement on the transactions of the net assets, the Financial Statement and the relative Explanatory Notes of Snai S.p.A. and its subsidiaries ("SNAI Group") ending 31 December 2007. The Administrators of SNAI S.p.A. are responsible for the compilation of the Annual Report. We are responsible for the professional opinion given on the Annual Report and is based on the audit.

2. Our review was conducted according to the audit principles and criteria recommended by CONSOB. In conformity with the aforementioned principles and criteria, the audit was planned and carried out in order to acquire every element necessary to determine if the Consolidated Financial Statements are defective due to significant errors and if they appear, overall, reliable. The audit procedure includes the study, based on sample verifications, of the probative elements in support of the balances and the information contained in the Annual Report, as well as the evaluation of the pertinence and the correctness of the accounting criteria used and the reasonableness of the estimates made by the administrators. We consider that the work performed supplies a reasonable base for the expression of our professional opinion.

   The Consolidated Financial Statements gives for comparative purposes the figures corresponding to the previous fiscal year. As illustrated in the Explanatory Notes, the Administrators have modified the comparative figures relative to the Balance Sheet of the previous fiscal year, which was audited by another auditor who issued the audit report on 27 April 2007. These modifications concerned the criteria for the accounting of the funding stemming from the acceptance of the fixed-odds betting. The terms of re-determination of the corresponding figures of the previous fiscal year and the information note given in the Explanatory Notes, with regard to the modifications made to the aforementioned figures, have been reviewed by us for the purpose of the opinion of the Consolidated Financial Statements for the fiscal year ending 31 December 2007.

3. In our opinion, the Consolidated Financial Statements of Snai S.p.A. at 31 December 2007 conforms to the International Financial Reporting Standards adopted by the European Union, as well as the provisions issued in implementation of Article 9 of Legislative Decree No.38/2005. Furthermore, it is compiled with clarity and represents truthfully and correctly the net worth and financial situation, the profit and loss statement, the changes in net worth and the cash flow of the Snai Group for the fiscal year ending on that date.

Reconta Ernst &Young S.p.A.
Registered Office: 00196 Roma-Via C.D. Romagnosi, 18/A
Corporate Capital ¤ 1.303.500,00 i.v.
Registered at the S.O. of the Business Register at the CC.I.A.A. of Rome
Tax ID and Registration No. 00434000584
VAT No.00891231003
Registered in the Register of Auditors at No. 70945 Published in the Official Journal
Suppl. 13 – IV Special Series of 17/2/1998
Registered in the Special Register of Auditing Companies
Consob at Progressive No, 2 deliberation No. 10381 of 16/7/1997

For a better understanding of the Consolidated Financial Statements, we bring your attention to the following information contained in the Explanatory Notes:

4. the "Earnings from sales and services" include Euro 8.940 thousand for the gathering of 0,5% of the sums played with the slot machines (slot machines), as compensation in favor of the agents of the telecommunications network, as required by Article 1, paragraph 530, letter c) of the Law 266/2005. Relative to this compensation, the Autonomous Administration of Monopolies of State ("AAMS") has not yet adopted the provisions required by the aforementioned regulation for the determination of said contribution. The Administrators, having verified the existence for their own telecommunications network of the technical parameters defined by the law in question, proceeded with the its determination supported by the evaluations of their own outside consultants.

Florence, 30 April 2008

Reconta Ernst & Young S.p.A.

Filippo Maria Aleandri
(Partner)

Stampato su carte Fedrigoni:
Freelife Kendo, Freelife Cento.
Maggio 2008

L'aquila – The Fountain of 99 Spouts

Venice – St. Mark's Square