



INTERIM MANAGEMENT REPORT AS OF 31 MARCH 2014

Milan, 08 May 2014

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

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**CORPORATE BODIES
AND AUDITING FIRM OF SNAI SPA**

Board of Directors

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

Chairman and Managing Director

Giorgio Sandi

Directors

Stefano Campoccia */***

Mara Caverni */***

Gabriele Del Torchio

Giorgio Drago

Nicola Iorio

Enrico Orsenigo

Massimo Perona

Roberto Ruozi **

Sergio Ungaro */**/***

Mauro Pisapia

Barbara Poggiali **

Chiara Palmieri

Tommaso Colzi

Executive Responsible for the preparation of the corporate and accounting documents

Marco Codella

Board of Statutory Auditors

(in office from the Shareholders' Meeting held on 29 April 2014 until the Shareholders' Meeting that will approve the financial statements for period ending 31.12.2016)

*Chairman
Acting Auditors*

Maria Teresa Salerno

Massimo Gallina

Maurizio Maffeis

Auditing Firm

(Mandate granted by the Shareholders' Meeting held on 15.05.2007 for a term of 9 years)

Reconta Ernst & Young S.p.A.

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

** *Members of the Compensation Committee chaired by Sergio Ungaro.*

*** *Members of the Compensation Committee chaired by Sergio Ungaro.*

Comment on the main KPIs for the period

The Group revenues for the first quarter of 2014 have contracted by 1%, from Euro 143.6 million in the first quarter of 2013 to Euro 142.4 million in the same period in 2014, mainly on account of the combined effect of the increase in revenues deriving from the VLTs and the introduction of betting on virtual events, offset by the decrease in revenues from sports bets, horse racing bets and those deriving from the AWP. The revenues from the sports bets have decreased compared the same period last year due to the payout performance of 74.3% as opposed to 73.7% in the first quarter of 2013, in addition to the lower amount of wagers.

The revenues from the VLTs have increased due to the expansion of the installed network which, as at the end of March, consisted of 4,847 certified machines throughout the country. The remaining 205 rights are currently being reallocated, as per the plan which is in place for relocation to more performing premises. The good performance was however lower than expected due to the delay in the availability of reduced payout games.

The significant impact of the introduction, at the end of December 2013, of bets on virtual events which generated turnover of Euro 92.6 million and revenues of Euro 11.8 million.

The decrease in revenues from AWP is mainly attributable to the lower number of machines by reason of the fact that a significant Operator left our network and has become a concession holder since 20 March 2013.

Despite the drops in revenues, Group EBITDA gained +2% compared to the previous year, from Euro 35.8 million to Euro 36.4 million.

The non-recurring costs of Euro 1.2 million in the first quarter of 2014 as compared to Euro 0.9 million in the same period last year.

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

- **KPIs**

<i>figures in thousands of Euro</i>	<i>I quarter</i>		<i>Variations</i>	
	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>
Revenues	142,438	143,563	(1,125)	(1)
EBITDA	36,445	35,819	626	2
EBITDA Adj	37,486	37,915	(429)	(1)
EBIT	20,046	22,137	(2,091)	(9)
Before tax profit	5,168	12,465	(7,297)	(59)
Net profit	2,203	7,418	(5,215)	(70)
Diluted earnings (loss) per share	0.02	0.06	(0.04)	(67)

EBITDA was influenced by the following non-recurring costs incurred for operating purposes (Note 35 states the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of 27.07.2006):

<i>Non-recurring revenues and costs</i>	
<i>thousands of Euro</i>	1st Quarter of 2014
Non-recurring costs	
Administrative Sanctions for PREU	126
Capital losses from scrapping	719
Leaving incentives	148
Other	172
Impact on EBITDA	1,165

Group EBIT in the first quarter of 2014 was Euro 20 million as compared to Euro 22.1 million in the same period last year.

The net earnings for the Group in the first quarter of 2014 amounted to Euro 2.2 million as compared to Euro 7.4 million in the first quarter of 2013.

The net financial indebtedness of the SNAI Group as of 31 March 2013 was equal to Euro 439.9 million, as compared to Euro 443.4 million at the end of 2013. With respect to the net financial indebtedness as of 31 December 2013, the net financial indebtedness decreased by Euro 3.5 million. The decrease is mainly due to the favourable performance of ordinary operations.

- **EBITDA, EBITDA Adj and EBIT**

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

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

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

<i>figures in thousands of Euro</i>	<i>I quarter</i>		<i>Variations</i>	
	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>
EBIT	20,046	22,137	(2,091)	(9)
+ Depreciation of Tangible Assets	4,613	4,693	(80)	(2)
+ Amortisation of Intangible Assets	10,107	7,849	2,258	29
+ Net losses of value	90	0	90	
+ Other allocations	424	253	171	68
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	35,280	34,932	348	1
+ Non-recurring costs	1,165	887	278	31
EBITDA	36,445	35,819	626	2
	1,041	2,096	(1,055)	(50)
+ Current portion of the provision for doubtful debts				
EBITDA Adj	37,486	37,915	(429)	(1)

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

<i>figures in thousands of Euro</i>	<i>I quarter</i>		<i>Variations</i>	
	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>
EBIT	20,046	22,137	(2,091)	(9)
+ Earnings of companies consolidated using the equity method	11	(3)	14	>100
+ Financial income	347	267	80	30
+ Financial expenses	(15,235)	(9,935)	(5,300)	(53)
+ Net gains (losses) on exchange rates	(1)	(1)	0	0
Before tax profit	5,168	12,465	(7,297)	(59)

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

Remarks on the game and bets performance for the period up to 31 March 2014

In the first three months of 2014, the payout (percentage of winnings paid to betters as compared to the total wagers collected) on sports bets, of 74.3% compared to 73.7% in the same period of 2013.

The volume of wagers in terms of sports based games as at 31 March 2014 was Euro 212.8 million compared to Euro 232.7 million in the same period last year (- 8.5%). Of these, Euro 38.2 million (18% of the total) originate from the online channel. The net revenues from sports based games, including pool betting, amount to Euro 45.8 million as compared to Euro 51.8 million in the corresponding period of 2013.

The horse racing bets including the National Horse Racing as at 31 March 2014 totalled wagers of Euro 68 million, down compared to the Euro 94.2 million and the same period last year (- 27.8%).

The revenues from the horse racing bets including the National Horse Racing dropped by Euro 2 million and on 31 March 2014 totalled Euro 6.1 million, compared to Euro 8.1 million in the corresponding period of 2013.

The revenues from the entertainment devices amounted to Euro 64.9 million as compared to Euro 68.6 million in the first quarter of 2013 and include the revenues from the VLT (Video Lotteries) and AWP machines. The wager volumes amounted to Euro 701.1 million as at 31 March 2014 as compared to Euro 774.2 million in the same period of 2013.

In the first three months of 2014, the revenues from the remote gaming segment dropped to Euro 5.8 million compared to Euro 7.2 million in the same period of 2013.

The betting on virtual events, launched in December 2013, was particularly significant. In the first three months of 2014, the volume of the wagers was Euro 92.6 million, with net earnings of Euro 11.8 million.

Business outlook

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

During the first quarter of 2014, the Group located 50 new sales points in the territory as a result of the award of new rights in 2013. At completion of the installation of 5,052 VLT rights in 2013, the Group started to reallocate these rights to the better performing sales points. After the launching of Virtual Events, occurred at end 2013, the Group has further developed its infrastructure in sales points, while still carrying out risk monitoring activities, aimed at consolidating the payout performance on sports bets.

As mentioned above, during 2014, 1,000 VLT terminals are being relocated to more efficient locations (mainly arcades) that are able to generate a higher average coin-in per machine. This should allow us to significantly improve our performance in the sector, despite the lacklustre performance of the sector overall.

The management of the sports bets payouts will be improved both through the improvement of automatic controls upon acceptance but also on account of the effects of the new operating contract that contributes to better alignment of SNAI interests with those of the distribution network.

The potential of the Virtual Events launched in December 2013 will be fully exploited and these will also be helpful in reinforcing the distribution network.

Furthermore the objective of improving and reinforcing the online and mobile range including through commercial partnerships with significant sector technological operators will continue to be pursued.

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

The status of the business plan progress

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

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

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

The first three months of 2014 reported a performance of EBITDA substantially unchanged over the first three months of 2013, even better with respect to expectations for the period. The differences over business performance outlook are attributable to some major factors: i) the revenues from sports bets are essentially in line with expectations, due to decreased wagers mitigated by a better payout, which amounted to 74.3%; ii) lower revenues and margins generated by the entertainment device segment, in which there was a delay in introducing games with reduced payouts, iii) the performance of the skill games, which was below expectations in terms of revenues; iv) satisfactory acceptance by customers of new bets on virtual events.

Material events in the first quarter 2014

Option for the purchase of shareholdings

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

Events occurred after the period

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



Condensed Interim Consolidated Financial Statements as of 31 March 2014

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

Milan, 08 May 2014

SNAI Group - Total consolidated income statement

<i>amounts in thousands of Euro</i>	Note	I quarter	
		2014	2013
Revenues from sales and services	4	142,255	143,257
Other revenue and income	5	183	306
Change in inventory of finished and semi-finished products		0	0
Raw materials and consumables	6	(410)	(585)
Costs for services and use of third party assets	7	(89,330)	(90,111)
Costs of personnel	8	(8,826)	(9,261)
Other operating costs	9	(8,817)	(8,923)
Capitalised internal construction costs	10	225	249
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes		35,280	34,932
Amortisation and depreciation	11	(14,810)	(12,542)
Other provisions	28	(424)	(253)
Profit/(loss) before financial income/expenses, taxes		20,046	22,137
Gains and expenses from shareholdings		11	(3)
Financial income		348	269
Financial expenses		(15,237)	(9,938)
Total financial income and expenses	12	(14,878)	(9,672)
PROFIT/(LOSS) BEFORE TAXES		5,168	12,465
Income tax	13	(2,965)	(5,047)
Profit/(Loss) for the year		2,203	7,418
Total other comprehensive income which will not be restated under profit/(loss) for the period, after taxes		0	0
Net (loss)/profit from derivatives as cash flow hedges		531	1,175
Total other comprehensive income which will be restated under profit/(loss) for the period, after taxes		531	1,175
Total profit/(loss) in comprehensive income statement, after taxes	24	531	1,175
Profit (loss) for the period		2,734	8,593
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		2,203	7,418
Profit (loss) for the period pertaining to Third parties		0	0
Total profit (loss) for the period pertaining to the Group		2,734	8,593
Total profit (loss) for the period pertaining to Third parties		0	0
Basic earning (loss) per share in Euro	25	0.02	0.06
Diluted earning (loss) per share in Euro	25	0.02	0.06

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

SNAI Group - Consolidated balance sheet and financial position

<i>amounts in thousands of Euro</i>	Note	31.3.2014	31.12.2013
ASSETS			
Non-current assets			
Property, plant and equipment owned		140,946	143,378
Assets held under financial lease		8,442	9,405
Total property, plant and equipment	14	149,388	152,783
Goodwill		231,531	231,531
Other intangible assets		125,945	135,292
Total intangible assets	15	357,476	366,823
Shareholdings measured using the equity method		2,877	2,866
Shareholdings in other companies		46	46
Total shareholdings	16	2,923	2,912
Deferred tax assets	17	74,508	75,086
Other non-financial assets	20	2,343	2,413
Financial assets	21	245	0
Total non-current assets		586,883	600,017
Current assets			
Inventories	18	942	1,329
Trade receivables	19	78,875	75,604
Other assets	20	33,432	26,687
Current financial assets	21	19,414	19,414
Cash and cash equivalents	22	58,688	45,499
Total current assets		191,351	168,533
TOTAL ASSETS		778,234	768,550
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity pertaining to the Group			
Share capital		60,749	60,749
Reserves		12,129	106,128
Profit/(Loss) for the period		2,203	(94,530)
Total Shareholders' Equity pertaining to the Group		75,081	72,347
Shareholders' Equity pertaining to minority interests			
Total Shareholders' Equity	23	75,081	72,347
Non-current liabilities			
Post-employment benefits	26	4,270	4,387
Non-current financial liabilities	27	481,375	481,388
Deferred tax liabilities	17	54,852	53,675
Provisions for risks and charges	28	16,520	16,617
Sundry payables and other non-current liabilities	29	3,219	3,623
Total non-current liabilities		560,236	559,690
Current liabilities			
Trade payables	30	32,071	37,539
Other liabilities	29	93,586	91,467
Current financial liabilities		17,260	7,507
Current portion of long-term borrowings		0	0
Total financial liabilities	27	17,260	7,507
Total current liabilities		142,917	136,513
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		778,234	768,550

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

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

	Note	Share capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS)	Profit (loss) carried forward	Profit/(loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Third Parties	Total Shareholders' Equity
Balance as of 01.01.2013		60,749	1,559	154,345	(6,820)	(508)	(2,536)	(42,560)	164,229	0	164,229
Loss for fiscal year 2012							(42,560)	(42,560)	0		0
Profit/(Loss) for the period	24				1,175	0		7,418	7,418		7,418
Aggregate profit/(loss) as of 31.03.2013		0	0	0	1,175	0	0	7,418	8,593		8,593
Balance as of 31.03.2013		60,749	1,559	154,345	(5,645)	(508)	(45,096)	7,418	172,822	0	172,822
	Note	Share capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS)	Profit (loss) carried forward	Profit/(loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Third Parties	Total Shareholders' Equity
Balance as of 01.01.2014		60,749	1,559	108,282	(4,248)	(432)	967	(94,530)	72,347	0	72,347
Changes in accounting principles									0		0
Loss for fiscal year 2013	23						(94,530)	94,530	0		0
Profit/(Loss) for the period	24				531	0		2,203	2,203		2,203
Other aggregate profit/(loss)					531	0			531		531
Aggregate profit/(loss) as of 31.03.2014		0	0	0	531	0	0	2,203	2,734		2,734
Balance as of 31.03.2014		60,749	1,559	108,282	(3,717)	(432)	(93,563)	2,203	75,081	0	75,081

SNAI Group - Consolidated Cash Flow Statement

<i>amounts in thousands of Euro</i>	Note	31.03.2014	31.03.2013
A. CASH FLOW FROM OPERATIONS			
Profit (loss) for the period pertaining to the Group		2,203	7,418
Profit (loss) for the period pertaining to Third parties		0	0
Amortisation and depreciation	11	14,810	12,542
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	17	1,554	3,279
Change in provision for risks	28	(97)	(220)
(Capital gains) capital losses from non-current assets (including shareholdings)		716	38
Portion of earnings pertaining to shareholdings measured using the equity method (-)	12	(11)	3
Net change in sundry non-current trade assets and liabilities and other changes	20-29	(334)	(385)
Net change in current trade assets and liabilities and other changes	18-19-20-30-29	(12,978)	(1,749)
Net change in post-employment benefits	26	(117)	(361)
CASH FLOW FROM (USED IN) FROM OPERATIONS (A)		5,746	20,565
B. CASH FLOW FROM INVESTMENT ACTIVITIES			
Investments in property, plant and equipment (-)	14	(2,022)	(3,427)
Investments in intangible assets (-)	15	(766)	(743)
Investments in other non-current assets (-)	16	0	0
Acquisition of equity investments in subsidiaries, net of cash acquired		0	0
Proceeds from the sale of tangible, intangible and other non-current assets		4	25
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(2,784)	(4,145)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Change in financial receivables and other financial assets	21	(245)	(5,035)
Change in financial liabilities	27	10,472	(3,609)
Repayment of financing	27	0	0
Opening/disbursement of loans	27	0	9,000
Redemption of loans	27	0	0
Issue of bond loans	27	0	0
Repayment of bond loans	27	0	0
Changes in debts to betting agencies deferred through purchase of "concession" business units	27	0	1
Amount cashed for Shareholders' Equity instruments			
Dividends paid to third parties (including the distribution of reserves)			
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		10,227	357
D. CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)			
E. TOTAL CASH FLOW (A+B+C+D)		13,189	16,777
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)		45,499	11,010
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY			
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	22	58,688	27,787

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

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

Cash and cash equivalents	45,499	11,010
Bank overdrafts		
Discontinued operations		
	45,499	11,010

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

Cash and cash equivalents	58,688	27,787
Bank overdrafts		
Discontinued operations		
	58,688	27,787

Interest expenses paid in the first quarter of 2014 amounted to around Euro 1,031 thousand (Euro 5,311 thousand in the first quarter of 2013).

In the first quarter of 2014 and 2013 no taxes were paid.

INTERIM MANAGEMENT REPORT AS OF 31 MARCH 2014

EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. Relevant accounting standards

Consolidation scope

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

The consolidated financial statements of the SNAI group as of 31 March 2014 comprise the financial statements of SNAI S.p.A. and the following subsidiaries, which are consolidated on a line-by-line basis:

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

The consolidation scope remained unchanged with respect to 31 December 2013.

The financial statements of the companies included in the consolidation scope close on 31 December, coinciding with the Parent company's fiscal year-end. Such financial statements are opportunely reclassified and corrected in order to align them with the IFRS accounting standards and valuation criteria used by the Parent Company (reporting package). Such financial statements and reporting packages were approved by the respective management bodies.

The consolidated financial statements as of 31 March 2014 were approved by the directors of the Parent Company at the board of directors' meeting held on 08 May 2014 and then authorized for publication as provided by law.

Seasonality

As regards seasonality, this business is not subject to significant fluctuations, although it should be considered that the number of sports events, above all football matches, for which bets are accepted, is higher in the first and fourth quarters than in other quarters of the year.

1.1 Managers' estimates related to the going concern requirements

SNAI Group's results of operations and state of affairs is characterized by (i) positive results, (ii) intangible assets of a remarkable amount with respect to a reduced shareholders' equity due to cumulated losses, (iii) a significant indebtedness, with cash flows, intended to its reduction but limited by cash requirements of investments which are typical of the business, as well as by financial expenses and, up to now, by financial effects due to unexpected expenses.

In particular, with respect to the financial statements as of 31 March 2014, the Group reported net profits of Euro 2.2 million and equity of Euro 75.1 million. Net financial indebtedness, equal to Euro 439.9 million, is mainly composed of bond loans issued and subscribed on 4 December 2013, with which, in the same month, the already existing bank loan was redeemed in advance.

The Directors report that the results of the quarter, in terms of the result before amortization, depreciation, write-downs, interest and taxes are essentially in line with the same period in the previous year, but better than expectations. The differences over business performance outlook are attributable to some major factors: i) the revenues from sports bets are essentially in line with expectations, due to decreased wagers mitigated by a better payout, which amounted to 74.3%; ii) lower revenues and margins generated by the entertainment device segment, in which there was a delay in introducing games with reduced payouts, iii) the performance of the skill games, which was below expectations in terms of revenues; iv) satisfactory acceptance by customers of new bets on virtual events.

Directors prepared a strategic plan for 2014-2016 fiscal years (the "2014-2016 Plan" or the "Plan"). This Plan foresees that, at the end of the three-year period, there will be a relevant growth in revenues and margins and positive economic results will be achieved, together with a Shareholders' Equity substantially unchanged with respect to the current one, an adequate production of operating cash flows able to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Group is not likely to generate the necessary resources to entirely refund bond loans in 2018.

The Plan therefore defines a positive path towards the achievement of an economic and financial balance. Some uncertainties are however still present in relation to (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments. These results are however necessary to maintain the Group's Shareholders' Equity, (2) the Group's ability to repay or renegotiate the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the realization of future events and the characteristics of the reference market which might negatively affect the actual implementation of the Plan, therefore averting the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

In order to mitigate these uncertainties, the Group has implemented a series of initiatives which will lead to benefit, among other, from the full and positive effect of the completed installation of 5,052 VLT rights, for which more than 1,000 terminals in better performing locations will be installed by 2014.

A further benefit will derive from the positive effects of the gaming wagers through the Virtual Events which, in the first period from their launching, raised strong interest in bettors with good wagers.

A further positive contribution is also expected from the digital sector, including the "mobile" applications.

Lastly, the payout on sports bets will be more easily managed thanks to the combined effects of the new management agreement which better aligns SNAI's interests with the Operators' ones, as well as of the improved automatic controls on the betting acceptance system. Upon the positive achievement of the Plan objectives, Directors deem that the Group will be able to come up with the necessary resources to refund or replace the existing debts.

Directors therefore deem that the objectives set out in the Plan are reasonable and that the Group will be able to overcome the uncertainties acknowledged.

On the basis of all of the foregoing considerations, the Directors believe that the Group has the capacity to continue its business operations in the foreseeable future, and therefore has prepared the financial statements on the basis of the going concern assumptions.

1.2 Accounting standards

(a) General standards

These condensed interim consolidated financial statements as of 31 March 2014 have been prepared in accordance with IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements do not disclose all information required for the drafting of the annual consolidated financial statements. For this reason the condensed interim consolidated financial statements should be read together with the consolidated financial statements as of 31 December 2013.

The drafting, measurement and consolidation criteria, as well as the accounting standards used in the preparation of these consolidated financial statements are consistent with those used for the drafting of the consolidated financial statements for the year ended 31 December 2013, except for the adoption of new or revised standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee, as described below. The adoption of these amendments and interpretations had no significant impact upon the Group's financial position and economic performance.

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

Amendments to the new standards and interpretations applied as from 1 January 2014

In accordance with paragraph of 28 of IAS 8, the IFRSs that have come into effect as from 1 January 2014 and are applied by the Group are summarized and briefly illustrated below:

IAS 27 - Separate Financial Statements (revised in 2011)

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

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

Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Shareholdings in Affiliates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to affiliates. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014. This amendment had no impact upon the Group's financial position, economic performance or its disclosures.

IAS 32 - Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32

The amendments clarify the meaning of "currently has a legally enforceable right of set-off". Moreover, the amendments clarify the application of the set-off criterion under IAS 32 in the case of settlement systems (e.g., central clearing houses) that apply non-simultaneous gross settlement mechanisms. These amendments entailed no impact on the Group's financial position or economic performance. The amendments are applicable to the accounting periods beginning on or after 1 January 2014.

IFRS 11 - Joint Arrangements

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

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

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

IFRS 12 - Disclosures of Shareholdings in Other Companies

IFRS 12 includes all the rules of disclosures that were previously included in IAS 27 on the consolidated financial statements, as well as the rules of disclosure in IAS 31 and IAS 28. These disclosures concern a company's shareholdings in subsidiaries, jointly controlled entities, affiliates and structured vehicles. It also provides for new cases of disclosure. This standard will apply to fiscal years beginning on or after 1 January 2014. The amendment had no impact on the Group's disclosures.

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

These amendments remove the implications on disclosures required by IAS 36 and involuntarily introduced by IFRS 13. Moreover, these amendments require a recoverable amount disclosure of assets of CGUs for which an impairment loss has been reported or reversed during the year. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014. The amendment had no impact on the Group's disclosures.

Amendments to IAS 39 - Financial Instruments: Recognition and Measurement

The amendments aim to govern situations in which a derivative designated as hedging instrument is novated by a centralized counterparty pursuant to regulations or standards. The hedge accounting can therefore continue irrespective of notation, which would not be allowed without this amendment. The amendments will be applicable to the accounting periods beginning on or after 1 January 2014. This amendment had no impact upon the Group's financial position, economic performance or its disclosures.

The accounting layouts adopted by the SNAI Group for the fiscal period ended on 31 March 2014 have not changed from those adopted on 31 December 2013.

Reporting format of the Financial Statements

The format adopted by the Group is the following:

Consolidated Balance Sheet

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

Consolidated Comprehensive Income Statement

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

Statement of Changes in Consolidated Shareholders' Equity

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

Consolidated Cash Flow Statement

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

2. Agreements for services licensed

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

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

Owner	Qty	Subject matter	Due date
SNAI S.p.A.	1 Concession	Building and running networks for ICT (Information & Communication Technology) management of legal gaming via entertainment and amusement machines, in accordance with Article 110 (6) of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.	March 2022

SNAI S.p.A.	1 Concession Code 4311	Operating of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 4028	Operating of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 4801	Operating of public gaming through the activation of the remote horse race gaming networks and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 15215	Operation through the remote collection of the following public games: a) sports bets; b) horseracing bets; c) horseracing and sports betting pools;	September 2020
SNAI S.p.A.	n. 1 Concession Code 4501	Operation of horseracing and sports public games as per Art. 10, par. 9-ecties, of the Law Decree no. 16 of 2 March 2012, converted as amended into Law no. 44 of 26 April 2012.	June 2016

3. Operating segments

The sector disclosure is presented by "operating sector". The sector is based upon the management structure and the internal reporting system followed by the Group. The intra-sector sales take place at market conditions. The group operates in the following main sectors:

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

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

- **Betting services:** this segment includes operations related to the management of the racetracks, including real estate management and organization of races. These activities are essentially managed by SNAI S.p.A., Festa S.r.l., with respect to the portion related to the gaming and betting sector;
- **Management of racetracks:** this segment includes operations related to the management of the racetracks, including real estate management and organization of races. These activities are managed by Società Trenno S.r.l., Immobiliare Valcarenga S.r.l. and by SNAI S.p.A. for the real estate sector;
- **Concessions:** this segment includes operations related to the management of horseracing and sports accepting concessions entrusting the activation and operational management of the networks for the electronic management of legal gaming on amusement and entertainment machines and related activities and functions (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games;
- **Television Services:** this segment includes operations related to television services. These activities are managed by the company Teleippica S.r.l.

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

The sector results include both directly attributable elements and amounts attributable through a reasonable allocation for costs that are common to more than one sector and indirect costs.

Conversely, revenues for the sale of software and technology, those for the set-up of stores and other revenues not included under the four specific business areas are not attributed to the main sectors. Therefore, the costs related to the above-mentioned revenues, as well as the financial income and expenses not attributable to those four main business areas, are not attributed to specific sectors but rather to overall corporate governance.

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

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

(amounts in thousands of Euro)

	Betting services		Management of racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Sector assets	9,991	9,142	6,463	6,416	228,205	209,253	15,062	13,308	1,700	1,962	0	0	261,421	239,081
Tangible and intangible assets	12,115	12,124	104,069	104,811	372,359	383,585	4,262	4,425	12	15	0	0	492,817	504,960
Unattributable tangible and intangible assets													14,047	14,646
Shareholdings in affiliates	0	0	2,825	2,814	0	0	0	0	98	98	0	0	2,923	2,912
Unattributable assets													7,026	6,951
Total Assets	22,106	21,266	113,357	114,041	600,564	591,838	19,324	17,733	1,810	2,075	0	0	778,234	768,550
Liabilities of the sector	3,646	3,737	7,584	7,762	662,480	649,562	2,749	2,780	1,895	2,318	0	0	678,354	666,159
Unattributable liabilities													24,799	30,044
Total Liabilities	3,646	3,737	7,584	7,762	662,480	649,562	2,749	2,780	1,895	2,318	0	0	703,153	696,203
Investments:														
Tangible and intangible assets	26	168	240	1,574	1,792	29,887	112	3,188	0	0	0	0	2,170	34,817
Unattributable tangible and intangible assets													618	4,991

(amounts in thousands of Euro)

	Betting services		Management of racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	1st Quarter of 2014	1st Quarter of 2013	1st Quarter of 2014	1st Quarter of 2013	1st Quarter of 2014	1st Quarter of 2013	1st Quarter of 2014	1st Quarter of 2013	1st Quarter of 2014	1st Quarter of 2013	1st Quarter of 2014	1st Quarter of 2013	1st Quarter of 2014	1st Quarter of 2013
Sector revenues	2,870	3,691	1,317	1,450	135,663	135,877	2,284	2,433	304	112	0	0	142,438	143,563
Inter-sector revenues	1,309	935	58	78	4	0	746	574	106	115	(2,223)	(1,702)	0	0
Sector costs	(2,713)	(3,226)	(3,558)	(4,067)	(115,338)	(113,068)	(2,679)	(2,161)	(327)	(606)	2,223	1,702	(122,392)	(121,426)
Results of operations	1,466	1,400	(2,183)	(2,539)	20,329	22,809	351	846	83	(379)	0	0	20,046	22,137
Quotas of results of operations pertaining to:	0	0	11	(3)	0	0	0	0	0	0	0	0	11	(3)
Financial (costs) and proceeds	(21)	(246)	(17)	(26)	(15,059)	(8,122)	(4)	(4)	212	(1,271)	0	0	(14,889)	(9,669)
Income tax													(2,965)	(5,047)
Profit/(loss) for the year													2,203	7,418
The results of operations include:														
Amortisation, depreciation and write-downs	(119)	(153)	(984)	(1,016)	(13,428)	(11,174)	(276)	(195)	(3)	(4)	0	0	(14,810)	(12,542)

In the first quarter of 2014:

- the worsening of the results of operations for the "Concessions" sector is mainly due to the joint effect of: i) increased revenues resulting from VLTs; ii) introduction of bets on virtual events; iii) decreased revenues of sports and horserace bets; iv) reduced of AWP machines; depreciation resulting from new concessions granted with the Monti call for tender and VLT concessions for machines installed in the preceding 12 months;
- The worsening in the "Television Services" segment is due to the application of fees linked to the new concession, compared to 2013 reporting.

Notes on the main items of the consolidated comprehensive income statements

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of 31 March 2013.

4. Revenues from sales and services

The amount of revenues from sales of goods and services in the first quarter 2014 is equal to Euro 142,255 thousand, down from Euro 143,257 thousand, and is detailed below:

thousands of Euro	Ist Quarter		Change
	2014	2013	
Net revenues from the collection of fixed quota and reference sports and horse race bets	46,422	52,513	(6,091)
Revenue from totalisator, national horseracing & forecast bets	5,464	7,466	(2,002)
Revenue from entertainment machines (ADI)	64,909	68,603	(3,694)
Net revenue from remote gaming (Skill/Casino/Bingo)	5,760	7,168	(1,408)
Revenues from betting collection services	968	1,464	(496)
Revenues for virtual events	11,778	0	11,778
Revenues for virtual events	474	0	474
Revenues from commissions	997	0	997
Revenues from third party remote gaming services (GAD)	8	39	(31)
Revenue from service and assistance contracts	1,283	1,653	(370)
Revenues from the operation of betting services at racetracks	873	859	14
Operation of racetrack and real estate properties	250	358	(108)
Revenues from television services and related services	2,312	2,415	(103)
Revenue from organisation and technology sales	281	59	222
Other services and sales to third parties	476	660	(184)
Total	142,255	143,257	(1,002)

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

thousands of Euro	Ist Quarter	
	2014	2013
Fixed Quota Sports Bets	211,898	231,799
Fixed Quota Sports Bets	(242)	(424)
Fixed Quota Sports Bets	(157,342)	(170,464)
Fixed Quota Sport Single Tax	(8,577)	(9,130)
Net Fixed Quota Sports Bets	45,737	51,781
QF Horse Race Bets and Reference Horse Race Bets	6,114	7,266
QF Horse Race and Reference Horse Race Winnings and Refunds	(32)	(55)
QF Horse Race and Reference Horse Race Winnings and Refunds	(4,631)	(5,573)
QF Horse Race and Reference Horse Race Single Tax	(252)	(298)
Horse Race Withholding	(514)	(608)
Net Fixed Quota and Reference Horse Race Bets	685	732
Total net revenue from fixed-odds and reference bets	46,422	52,513

The decrease of net revenues of sports bets is due to the lower collection of wagers and the higher payout compared to the first quarter of the previous year. In the first quarter of 2014, the payout on sports betting amounted to approximately 74.3% compared to 73.7% in the first quarter of 2013.

Revenue from totalisator, national horseracing and forecasted bets decreased due to the continued crisis in the horse race sector.

Revenue from concessions for the management of the network of entertainment machines (ADI) amounted to a total of Euro 64,909 thousand, which is stated inclusive of the compensation granted by contract to the manager or operator. Such costs are explained under the item "Costs of third-party services and leasing/rental expenses" in Note 7. It should be recalled that the concession holders are required to pay to AAMS (pursuant to the Law Decree no. 95 of 6 July 2012. Since 1 December 2012, the Customs incorporated the AAMS office, thus becoming ADM, Agenzia delle Dogane e dei Monopoli (Customs and Monopoly Agency), an amount equal to 0.50% of the wagers played on each of the gaming devices connected to the electronic network as a guarantee deposit, to secure the achievement of the pre-established service levels. The balance sheet shows the amount of Euro 18,750 thousand paid for the "Entertainment machine guarantee deposit" in 2013 and in the first quarter 2014 (see Note 20).

The guarantee deposit is refunded to the concessionaires each year once it has been verified that the agreed service levels have been achieved. The Directors' Decree 2013/4879/GIOCHI/ADI of 06/02/2013 has established the criterion and procedures for guarantee deposit refunds for 2013. The Company SNAI, based on the assumed information and internal checks performed, considers that the service levels achieved also in the current period are sufficient to allow the guarantee deposit to be refunded.

The decrease in revenues from ADI is mainly attributable to the lower number of AWP machines by reason of the fact that a significant Operator left our network and has become a concession holder since 20 March 2013. It is instead worth noting the increase in the revenues from the VLTs due to the strong enlargement of the installed network.

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

thousands of Euro	Ist Quarter	
	2014	2013
Remote games	212,923	282,993
Winnings	(205,369)	(273,508)
Single Tax	(1,794)	(2,317)
Net revenue from remote gaming (Skill/Casino/Bingo)	5,760	7,168

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

5. Other revenue and income

The other revenue and income item, equal to Euro 183 thousand in the first quarter of 2014 (Euro 306 thousand) breaks down as follows:

thousands of Euro	Ist Quarter		
	2014	2013	Change
Rental of assets and chargeback expense	46	53	(7)
Active trading	15	0	15
Revenue from compensation and reimbursement for damages	30	95	(65)
Grants to UNIRE investments fund	13	15	(2)
Capital gain from the sale of assets	4	3	1
Other revenue and income	75	140	(65)
Total	183	306	(123)

6. Raw materials and consumables

The cost of raw materials and consumables amounted to a total of Euro 410 thousand (Euro 585 thousand in the first quarter of 2013), mainly related to materials used in bet collection, technology and the furnishings installed in the new points of sales. The capitalised assets amounted to Euro 939 thousand (Euro 1,030 thousand in the first quarter of 2013).

7. Costs for services and use of third party assets

Costs for services and use of third party assets amounted to a total of Euro 89,330 thousand (Euro 90,111 thousand in the first quarter of 2013) and are detailed below:

thousands of Euro	Ist Quarter		Change
	2014	2013	
Betting acceptance management	20,997	22,022	(1,025)
Entertainment devices services (ADI)	47,644	51,896	(4,252)
Remote gaming management (Skill/Casino/Bingo)	1,320	1,628	(308)
Bookmakers	480	516	(36)
Remote-gaming services	1,895	2,600	(705)
Remote virtual race costs	5,530	0	5,530
Management of racetracks	148	210	(62)
Television and radio services	1,874	690	1,184
Rent of stations	102	99	3
Consultancy cost and expense reimbursements	1,007	917	90
Utilities and telephone	1,839	2,019	(180)
Equipment repair and maintenance	2,207	2,326	(119)
Advertising and promotion	1,464	1,648	(184)
IT services	86	881	(795)
Installations, logistics and design	321	414	(93)
Personnel costs for collaborations and other	61	56	5
Insurance and guarantees	369	417	(48)
Market research	106	142	(36)
Marketing materials	140	127	13
Rental fees and additional charges	192	212	(20)
Operating leases and other leasing	231	206	25
Directors' fees	515	323	192
Independent Auditors' fees	123	122	1
Statutory Auditors' fees	61	63	(2)
Regulation authority and other committees fees	40	41	(1)
Expense reimbursement to directors and auditors	7	5	2
Other	571	531	40
Total	89,330	90,111	(781)

In particular, the table shows:

- the betting sports and horse race betting collection service fees granted to the managers of horse race and sports stores and betting corners decreased from Euro 22,022 thousand in the first quarter of 2013 to Euro 20,997 thousand in the first quarter of 2014. This decrease results from a lower collection on sports and horseracing bets in the physical network;
- costs for ADI services (totalling Euro 47,644 thousand compared to Euro 51,896 thousand in the first quarter of 2013) comprise fees paid to third party operators charged of gaming collection and running costs for VLT platforms. The decrease in costs is attributable to the AWP sector and is due essentially to the exit from our network of an important client who became a direct concession holder as from 20 March 2013.

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

8. Costs of personnel

Costs of personnel amounted to a total of Euro 8,826 thousand in the first quarter of 2014 over Euro 9,261 thousand in the first quarter of 2013, down by Euro 435 thousand (-4.7%) primarily due to the decrease in:

1. employees in the company FESTA S.r.l., following the transfer of the outbound branch (occurred on 29 November 2013 and effective on 1 December 2013);
2. leave grants paid in the quarter in question;
3. the accrual of incentives for early retirement for employees and managers.

thousands of Euro	Ist Quarter		
	2014	2013	Change
Wages and salaries	6,086	6,077	9
Social security charges	1,826	1,946	(120)
Accrual to defined-benefit/defined-contribution plans	357	358	(1)
Costs for personnel training	18	28	(10)
Expense reimbursement to employees	191	136	55
Meal tickets	182	179	3
Other costs of personnel	166	537	(371)
Total	8,826	9,261	(435)

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

The composition of the employees at end of period is illustrated by the following table, which shows an increase of 4 individuals relative to 31 December 2013, mainly due to the creation of a department in charge of network control.

31.03.2013		31.12.2013	Accruals for the period	Disbursements for the period	31.03.2014	Average no. in period
19	Executives	22	0	0	22	22
656	Office workers and middle managers	581	12	7	586	572
74	Workers	71	0	1	70	69
749	* Total Employees	674	** 12	8	678	*** 663

* of whom 176 part-time and 12 on maternity leave

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

*** of whom 107 part-time and 10 on maternity leave

9. Other operating costs

Other operating costs amounted to a total of Euro 8,817 thousand in the first quarter of 2014 (Euro 8,923 thousand in the first quarter of 2013).

thousands of Euro	Ist Quarter		
	2014	2013	Change
Concessions and licenses	4,268	4,205	63
Administration fines	146	0	146
% non-deductible VAT	1,375	1,168	207
Provision for doubtful debts	1,041	2,096	(1,055)
Credit losses	272	420	(148)
Utilisation of provision for doubtful debts and for risks	0	(142)	142
Provision for risks	110	67	43
Entertainment expenses	31	57	(26)
Subscription fees	69	63	6
Other taxes	176	99	77
IMU (real estate tax)	315	372	(57)
Stationery, consumables and promotional materials	57	159	(102)
Environmental and health controls	23	10	13
Losses on settlement of disputes	115	74	41
Capital losses from sale of assets	720	41	679
Other administration and operating costs	99	234	(135)
Total	8,817	8,923	(106)

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on entertainment machines (ADI) of Euro 2,105 thousand, calculated at 0.30% of the volume wagered and paid to AAMS on a bimonthly basis;
- the concession fee for the marketing of fixed-odds betting on sporting events other than horse racing and on non-sporting events as per Art. 4 of the Convention, approved by Directors Decree 2006/22503 of 30/06/2006 and for the marketing of public gaming concessions "in the exercise of horse racing and sports betting" via the rights awarded through the call for tenders in 2006 ("Bersani rights") and the rights awarded through the call for tenders in 2008 ("Giorgetti rights"), and the rights awarded through the call for tenders in 2012 ("Monti rights"), as provided by the respective concessions, in the amount of Euro 1,846 thousand;
- the concession fee for remote public gaming under the corresponding concessions in the amount of Euro 192 thousand;
- the television licence fees in the amount of Euro 87 thousand.

In the first quarter, an allocation was set aside to the Provision for doubtful debts, in the amount of Euro 1,041 thousand in order to align, with their recoverable value, receivables that arose in prior fiscal years in connection with the Group's core business operations and which showed, over the course of the year, growing difficulties with regard to their collection.

In the first quarter of 2014, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 110 thousand, as provided for by the concession agreement for the building and running of networks for the online management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions.

The "Non-deductible VAT", equal to Euro 1,375 thousand, relates to particular operations performed by SNAI S.p.A., by Festa S.r.l. and by Società Trenno S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.

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

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

Capital losses from sale of assets, equal to Euro 720 thousand, mainly relate to the scrapping of assets no longer used carried out by the Parent company.

10. Capitalised internal construction costs

Capitalised internal construction costs, amounting to a total of Euro 225 thousand (Euro 249 thousand) are essentially related to software generated internally for:

- IT systems supporting the Business lines (Business Intelligence);
- centralized systems and peripheral terminals for the acceptance of bets;
- centralized systems for the management of relations with AAMS and client invoicing services for entertainment devices;
- centralized systems, gaming interfaces and integration protocols for the collection of remote gaming wagers through SnaiCards;
- networking solutions supporting the Business lines;
- development and strengthening of the company ERP;
- centralized and peripheral systems for the operation of additional services at points of sale;
- centralized systems and web interfaces for the integration and sale of Skill games (tournament poker, cash poker, casino games, slot games) games (tournament poker, cash poker, casino games, slot games);
- web-based solutions for information for the Operator, knowledge base, manuals, how-to, integration with the system for requests for intervention and sourcing of consumables (SnaiPartner);
- viewing systems for the point of sale (new graphics pages, Intuition project);
- centralized systems for the management of contacts with AAMS, reporting, customer services (VLT);
- Gaming control systems (SnaiProfit);
- Implementation of the new company CRM;

- Sales point Management system (MyWeb);
- System for the acceptance of bets on Virtual Events;
- Implementation of new acceptance solutions of self-service games.

11. Amortisation and depreciation

These amount to a total of Euro 14,810 thousand for the first quarter of 2014 (Euro 12,542 thousand), as detailed below:

thousands of Euro	Ist Quarter		Change
	2014	2013	
Amortisation of intangible assets	10,107	7,849	2,258
Depreciation of property, plant and equipment	4,613	4,693	(80)
Write-downs	90	0	90
Total	14,810	12,542	2,268

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

12. Financial income and expenses

In the first quarter of 2014, net financial expenses amounted to Euro 14,878 thousand, up by Euro 5,206 thousand over the first quarter of 2013, as detailed below:

thousands of Euro	Ist Quarter		Change
	2014	2013	
Gains and expenses from shareholdings			
Write-up/(write-down) Alfea S.p.A.	11	(3)	14
	11	(3)	14
Financial income			
Gains on foreign exchange	1	2	(1)
Bank interest income	272	197	75
Misc. interest income	75	70	5
	348	269	79
Financial expenses			
Interest expense on loans	0	5,762	(5,762)
Interest expense on bond loan	12,359	0	12,359
Other interest expense	85	78	7
Exchange rate losses	2	3	(1)
Interest expense and ancillary costs on leasing	917	1,739	(822)
Interest expense on post-employment benefits	30	33	(3)
Financial expenses on debt discounting	0	2	(2)
Ineffective portion of cash flow hedge	0	12	(12)
Other financial expenses	1,844	2,309	(465)
	15,237	9,938	5,299
Total	(14,878)	(9,672)	(5,206)

Financial income includes interest income accrued on bank accounts in the amount of Euro 272 thousand and other interest income for Euro 75 thousand mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses include the following:

- expenses related to the amortised cost method foreseen by IAS 39, and determined applying the method of the actual interest rate on bond loans, issued on 8 November 2013 for Euro 35,000 thousand, of which Euro 15,000 thousand redeemed with the issue of another bond loan for Euro 480,000 thousand (for further details on loans, reference should be made to Note 27), for a total of Euro 12,359 thousand, of which Euro 984 thousand is attributable to ancillary costs;

- interest expenses calculated on financial leasing in the amount of Euro 561 thousand and accessory charges on leasing for Euro 356 thousand, including non-deductible VAT;
- other financial charges, including Euro 732 thousand of release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 634 thousand of commissions on bank guarantees, Euro 149 thousand of commissions payable on revolving loans and Euro 268 thousand of bank charges.

13. Income tax

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in the first quarter of 2014, show a negative balance of Euro 2,965 thousand.

thousands of Euro	QI 2014	QI 2013
IRES	1,236	485
IRAP	1,215	1,284
Deferred tax liabilities	1,299	1,226
Use of provision for deferred tax liabilities	(122)	(200)
Deferred tax assets	(1,476)	(825)
Reversal of deferred tax assets	813	3,077
Total	2,965	5,047

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

	31.03.2014		31.03.2013
Profit before tax	5,168		12,465
Theoretical IRES tax charge	27.50% (1,421)	27.50%	(3,428)
Theoretical IRAP tax charge	5.12% (265)	4.20%	(524)
Total Theoretical tax (charge)/credit	(1,686)		(3,951)
Fines, penalties and other taxes	(110)		(37)
Write-down of shareholdings	0		(399)
Other permanent non-deductible costs	(94)		(290)
Other permanent tax deductions	74		438
	(1,816)		(4,239)
Permanent differences for IRAP tax purposes (including employees)	(1,149)		(808)
	(2,965)		(5,047)
Tax and duties for prior year	0		0
Actual tax (charge)/credit	-57.37% (2,965)	-40.49%	(5,047)

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

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

Notes to the main items of the consolidated balance sheet

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as of 31 December 2013.

14. Property, plant and equipment

Property, plant and equipment as of 31 March 2014 amounted to Euro 149,388 thousand (Euro 152,783 thousand). The changeover the period is due to the combined effect of the depreciation charge for the period (Euro 4,613 thousand), investments (Euro 2,022 thousand), reclassification of intangible assets (Euro 5 thousand), impairment write-downs (Euro 90 thousand) and disposals, net of accumulated depreciation (Euro 719 thousand).

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

Cost

Balance at 31 December 2013	141,434	170,165	7,231	26,036	112	344,978
Reclassification	(2)	82	0	(66)	(9)	5
Other increases	206	1,476	83	203	54	2,022
Decreases	0	(7)	0	(3,641)	0	(3,648)
Balance at 31 March 2014	141,638	171,716	7,314	22,532	157	343,357

Depreciation and impairment write-down

Balance at 31 December 2013	33,826	136,216	6,829	15,324	0	192,195
Depreciation for the period	764	3,163	31	655		4,613
Write-downs	0	90		0		90
Disposals	0	(6)	0	(2,923)		(2,929)
Reclassification	0	37	0	(37)	0	0
Balance at 31 March 2014	34,590	139,500	6,860	13,019	0	193,969

Carrying amounts

As of 31 December 2013	107,608	33,949	402	10,712	112	152,783
As of 31 March 2014	107,048	32,216	454	9,513	157	149,388

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

The increases as of 31 March 2014, in the amount of Euro 2,022 thousand, mainly relate to:

- "Land and buildings", in the amount of Euro 206 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [galloping racetrack in Milan];
- additions of Euro 1,476 thousand to Plant and Machinery relate for Euro 124 thousand to electro-thermal and electric plant, for Euro 1,116 thousand to technology loaned free of charge to the sales points, for Euro 18 thousand to hardware and interconnection network for the sales points, for Euro 95 thousand to radio links, Euro 7 thousand to broadcasting, synchronism and control equipment, for Euro 6 thousand to implementation of a gallop directing plant and for Euro 110 thousand to purchases of instrumental goods (servers, printers, PCs and monitors) and to other plant and equipment necessary for the conduct of the various business operations of the Group companies;
- additions of Euro 203 thousand to Other assets relate for Euro 175 thousand to furnishings and fittings provided free of charge to sales points and to the betting shops managed directly by the Group, for Euro 28 thousand to head office furnishings and fittings and other assets.

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

Leasing

The Group has entered into leasing contracts for the use of certain plant, machinery and equipment which will expire at various points between now and June 2017. These agreements include redemption and/or extension clauses.

The real estate property in Porcari, which is included among land and buildings, is subject to a financial lease with the company Ing Lease Italia S.p.A., for a historic cost of Euro 3,500 thousand, of which Euro 382 thousand relates to land and an amortization provision, as of 31 March 2014, of Euro 911 thousand.

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

thousands of Euro	Total
Aggregate profit/(loss) at 31/03/2014	4,034
of which	
Payments falling due within 12 months	2,881
Payments falling due between 1 to 5 years	1,153
Payments falling due after 5 years	-
Redemption	1,081

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

15. Intangible assets

Intangible fixed assets as of 31 March 2014 amounted to Euro 357,476 thousand (Euro 366,823 thousand). The change over the period is due to the combined effect of amortisation for the period for Euro 10,107 thousand, net disposals for Euro 1 thousand, reclassifications of property, plant and equipment for Euro 5 thousand and investments of Euro 766 thousand.

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

Balance at 31 December 2013	231,605	427,512	14,461	15,593	2,085	691,256
Reclassification		306	0	223	(534)	(5)
Other increases		325	20	131	290	766
Decreases	0	0	0	(5)	0	(5)
Balance at 31 March 2014	231,605	428,143	14,481	15,942	1,841	692,012

Depreciation and impairment write-down

Balance at 31 December 2013	74	301,920	11,910	10,529	0	324,433
Annual amortisation		9,370	258	479		10,107
Write-downs		0	0	0		0
Disposals		0	0	(4)		(4)
Reclassification		0	0	0		0
Balance at 31 March 2014	74	311,290	12,168	11,004	0	334,536

Carrying amounts

As of 31 December 2013	231,531	125,592	2,551	5,064	2,085	366,823
As of 31 March 2014	231,531	116,853	2,313	4,938	1,841	357,476

The investments of Euro 766 thousand mainly concern:

- "Concessions, licenses, trademarks and similar rights", amounting to Euro 325 thousand, of which Euro 69 thousand for incentives to enter a new management agreement and Euro 256 thousand for the issue of the AWP authorisation;
- "Industrial patents and intellectual property rights", amounting to Euro 20 thousand, for licenses for operating programmes for administration, finance and control;

- "Other", for Euro 131 thousand, of which Euro 58 thousand for the implementation of software programmes for betting management and Euro 71 thousand for the implementation of operating software programmes.
- "Assets under construction", amounting to Euro 290 thousand, of which: Euro 237 thousand for software generated internally and not completed; Euro 7 thousand for the VOD Portal for the Unire project; Euro 3 thousand for the New Concept Store and Euro 43 thousand for the issue of the AWP machine authorisation.

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

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

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

In accordance with international accounting standards, and in particular by IAS 36, goodwill is subjected to impairment testing on an annual basis, as of 31 December each year, or more frequently in the presence of indication of possible permanent losses in value.

If the test shows a loss of value, the Group recognises a write-down on the balance sheet.

No events or changes occurred during the first three months of 2014 which might have required impairment testing on goodwill.

16. Shareholdings

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

	Value in accounting statement as of		Percentage held	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
thousands of Euro				
<i>Affiliates and subsidiaries that are not fully consolidated</i>				
- Hippogroup Roma Capannelle S.p.A.	1,525	1,525	27.78	27.78
- Alfea S.p.A.	1,300	1,289	30.70	30.70
- Connex S.r.l.	49	49	25	25
- Solar S.A.	3	3	30	30
- Teseo S.r.l. in liquidazione	0	0	70	70
Total shareholdings measured using the equity method	2,877	2,866		
<i>Other</i>				
- Tivu + S.p.A. in liquidazione	0	0	19.5	19.5
- Lexorfin S.r.l.	46	46	2.44	2.44
Total shareholdings in other companies	46	46		

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

17. Deferred tax assets and deferred tax liabilities

The aggregate amount of the temporary differences and tax losses carried forward are set forth in the following tables, together with the theoretical amount of deferred tax assets and liabilities, and the amounts in the consolidated accounts.

The Group is showing deferred tax assets and deferred tax liabilities which when netted amount to deferred tax assets of Euro 19,656 thousand (that amount being net of deferred tax liabilities, as of 31 December 2013, of Euro 21,411 thousand).

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful debts	48,469	27.5%	13,329	13,329	2014 and following
Provision for risks	14,179	27.50% - 32.62%	4,614	4,614	2014 and following
Provision for inventory depreciation	356	27.50% - 32.62%	114	114	2014 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	4,165	27.50% - 32.62%	1,332	1,332	2014 and following
Interest Rate Swap	5,127	27.5%	1,410	1,410	2014 and following
Interest expense not deducted as per art. 96 of Tuir	65,645	27.5%	18,052	18,052	2014 and following
Other temporary differences	1,924	27.5%	529	529	2014 and following
Total	139,865		39,380	39,380	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Gains posted	Usable before:
SNAI S.p.A.:					
Fiscal year 2008	14,418	27.5%	3,965	3,965	eligible for being carried forward indefinitely
Fiscal year 2009	10,200	27.5%	2,805	2,805	eligible for being carried forward indefinitely
Fiscal year 2010	29,060	27.5%	7,992	7,992	eligible for being carried forward indefinitely
Fiscal year 2011	27,186	27.5%	7,476	7,476	eligible for being carried forward indefinitely
Fiscal year 2012	34,422	27.5%	9,466	9,466	eligible for being carried forward indefinitely
Fiscal year 2013	75,453	27.5%	20,750	3,424	eligible for being carried forward indefinitely
Total prior losses	190,739		52,454	35,128	
Total Deferred tax assets				74,508	

The changes in prepaid tax assets:

	31.12.2013	allocations set aside	uses	31.03.2014
Prepaid tax assets	75,086	1,476	(2,054)	74,508

As of 31 March 2014, the directors of SNAI S.p.A. confirmed the assessment of recoverability of the deferred tax assets generated by the temporary differences between the carrying amount and fiscal values of the relevant assets/liabilities, as well as the tax loss resulting from the national tax consolidation scheme. The above-mentioned recoverability is based on the predictions of future positive results in the business plans.

It should be noted that Euro 3,477 thousand of deferred tax assets have been used - with a tax impact of Euro 956 thousand - due to the use in the quarter of previous tax loss, up to 80% of the IREX taxable income for the reporting period (the total tax credit on residual tax loss now amounts to Euro 35, 128).

The "difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets", of Euro 4,165 thousand with tax effect of Euro 1,332 thousand, relates mainly to leasing contracts stipulated in 2007 and prior years (Euro 3,107 thousand with tax effect of Euro 1,013 thousand).

It should be recalled that over the course of June 2013, the Parent Company, in its capacity as consolidating company, renewed its adherence to the national tax consolidation scheme with the consolidated Società Trenno S.r.l., pursuant to articles 117 and thereafter of the Presidential Decree 917/1986 for the three year period of 2013-2015. The tax consolidation with the companies Festa S.r.l., Immobiliare Valcarenga S.r.l. and Teleippica S.r.l. is still in force for the 2012-2014 three-year period.

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

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

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

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

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

The consolidated companies' tax liability with respect to the Inland Revenue Office remains in effect if a higher taxable income for the parent company is assessed as a result of miscalculations in the taxable income reported by the consolidated companies.

Temporary differences	Amount	Rate	Tax impact	Deferred
Tax amortisation of goodwill	(10,975)	27.50% - 32.62%	(3,395)	(3,395)
Post-employment benefits	(3)	27.5%	(1)	(1)
Tax amortisation of goodwill on betting agencies	(120,059)	27.50% - 32.62%	(38,084)	(38,084)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(40,892)	27.50% - 32.62%	(13,301)	(13,301)
Other temporary differences	(259)	27.50% - 32.62%	(71)	(71)
Total deferred taxes	(172,188)		(54,852)	(54,852)

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

	31.12.2013	allocations set aside	uses	31.03.2014
Provision for deferred taxes	53,675	1,299	(122)	54,852

Directors of SNAI S.p.A. have decided, in accordance with IAS 12, to record the deferred tax liabilities generated by all of the temporary differences between the carrying values and the fiscal values of the related assets/liabilities. In particular, the business segments acquired, are considered business combinations and therefore are recorded using the acquisition method specified by IFRS 3.

Therefore, the Company has recognised the identifiable assets and liabilities at fair value at the acquisition date and it recorded goodwill only after having allocated the acquisition cost as described above.

Goodwill is not subject to amortisation but to impairment review on at least an annual basis; amortisation for tax purposes is regulated by Art. 103, paragraph 3, 917/1986, which gives rise to deferred tax liabilities.

The "difference between the carrying amount and the fiscal value of property, plant and equipment" of Euro 40,892 thousand with tax impact of Euro 13,301 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 38,477 thousand with tax impact of Euro 12,551 thousand).

18. Inventories

Relative to 31 December 2013, inventories increased by Euro 387 thousand. The composition of the "Inventories" item is shown below:

thousands of Euro	31.03.2014	31.12.2013	Change
Raw materials	24	24	0
Work in progress	8	8	0
Finished products/goods	910	1,297	(387)
Total	942	1,329	(387)

The value of inventories is shown net of the provision for inventory depreciation, which, as of 31 March 2014, amounted to Euro 357 thousand (compared with Euro 273 thousand as of 31 December 2013). The following table shows the changes in the provision for inventory depreciation.

	31.12.2013	Allocations	Reclassification	Utilisation	31.03.2014
Provision for inventory depreciation					
Raw materials	92	0	0	0	92
Work in progress	3	0	0	0	3
Finished products/goods	178	93	(9)	0	262
Total	273	93	(9)	0	357

19. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	31.03.2014	31.12.2013	Change
Trade receivables			
- from customers	103,685	101,982	1,703
- from foreign customers	8	19	(11)
- from MIPAAF (former Assi absorbed by MIPAAF)	18,145	17,152	993
- from stables, jockeys and bookies	1,063	1,402	(339)
- from parent Global Games S.p.A.	0	6	(6)
- actual assets at collection and in portfolio	1,669	1,148	521
- receivables write-down provisions	(45,695)	(46,105)	410
Total	78,875	75,604	3,271

Trade receivables included the balances as of 31 March 2014 due from operators for accepting bets (Bets and ADIs), net of the compensation due to those operators.

Trade receivables from customers also include the receivables subject to legal action of SNAI S.p.A. in the amount of Euro 45,372 thousand (Euro 46,055 thousand).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture), amounted to Euro 18,145 thousand and include:

- Euro 4,835 thousand for receivables from the Società Trenno S.r.l.. Of the above amount, Euro 1,935 thousand are related to amounts accrued as of 31 March 2014 regarding fees for the management of racetracks, the remaining amount, equal to Euro 2,900 thousand relates to receivables from MIPAAF regarding grants for the development and upgrading of city racetracks as well as to amounts to be received for the 2000 Investment Provision for works carried out at the horse racetracks in Milan and Montecatini, net of prior grants amounting to Euro 484 thousand;
- Euro 13,310 thousand, related to the agreement made by Teleippica S.r.l. for transport services, the processing and transmission of video and audio signals from domestic and foreign racetracks, and the production and transmission of the UNIRE BLU channel dedicated to sales points for the acceptance of "national" horse betting; daily presentation and broadcast of programmes and other connected services.

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

20. Other assets

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

thousands of Euro	31.03.2014	31.12.2013	Change
Other non-financial assets			
<i>Tax receivables</i>			
- from Inland Revenue Office for tax refund	62	62	0
- from Inland Revenue Office for taxes under dispute	114	114	0
- from Inland Revenue Office for taxes on assets	54	54	0
	230	230	0
<i>Receivables from others:</i>			
- guarantee deposits	1,686	1,673	13
	1,686	1,673	13
Trade receivables:			
- assets/valuables in portfolio	427	510	(83)
	427	510	(83)
Total Other non-financial assets	2,343	2,413	(70)

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

Other current assets are composed as follows:

thousands of Euro	31.03.2014	31.12.2013	Change
Other current receivables			
<i>Tax Receivables:</i>			
- from Inland Revenue Office for IRES down payment /credit	657	657	0
- from Inland Revenue Office for IRAP down payment/credit	1,121	1,121	0
- from Inland Revenue Office for VAT	483	483	0
- Other tax receivables	571	510	61
	2,832	2,771	61
<i>Receivables from others:</i>			
- Entertainment machines guarantee deposit	18,750	14,064	4,686
- Advance concession payment to AAMS	3,120	1,208	1,912
- Receivables from AAMS for winnings on National Horse Races	49	105	(56)
- Guarantee deposit for remote gaming (Skill/Bingo)	428	252	176
- Receivables from Skill Games	135	41	94
- Other receivables from Betting Acceptance Points	136	139	(3)
- Receivables for AAMS positions related to purchases of business units	296	296	0
- Receivables from undue payment of interest and sanctions on flat-rate gaming tax (PREU)	2,114	2,114	0
- Receivables from reimbursement of fees on guarantee	16	16	0
- Receivables from Bluline electronic exchange	226	226	0
- Welfare entities	138	153	(15)
- Sundry receivables	2,814	3,478	(664)
- Provision for doubtful debts from others	(2,168)	(2,145)	(23)
	26,054	19,947	6,107
<i>Adjustment accounts</i>			
- Accrued income	16	16	0
- Prepayments	4,530	3,953	577
	4,546	3,969	577
Total other current assets	33,432	26,687	6,745

The entertainment machines guarantee deposit of Euro 18,750 thousand (Euro 14,064 thousand) is equivalent to 0.5% of the turnover generated by the entertainment machines (AWP and VLT) as described in greater detail in Note 4 "Revenues from sales and services". Euro 14,053 thousand related to 2013 ADI guarantee deposit, were cashed on 22 April 2014.

The Advance concession payment to AAMS, of Euro 3,120 thousand, includes the fixed amounts paid in advance to AAMS for the first half of 2014 and relates to the concession fee for horse race and sports betting and for online gaming. For further details reference is made to Note 9.

Among the prepaid expenses, the table shows:

- Euro 3,262 thousand (compared to Euro 3,112 thousand), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for fun and entertainment devices;
- Euro 1,268 thousand (Euro 841 thousand), primarily related to costs of maintenance and assistance contracts, etc., that have not yet accrued.

21. Financial assets

The current financial assets consist of the following:

thousands of Euro	31.03.2014	31.12.2013	Change
Non-current financial assets			
Option rights	245	0	245
Total non-current financial liabilities	245	0	245
Current financial assets			
Dedicated bank accounts	0	6	(6)
Escrow accounts and unavailable balances	19,413	19,407	6
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total current financial assets	19,414	19,414	0

Non-current financial assets related to the option right for the purchase of 51% of the share capital of House Bet S.r.l., incorporated on 25 July 2013 to manage the gaming collection of entertainment machines installed in a games room. The purchase price of the option right amounted to Euro 245 thousand. In the event the purchase option is exercised, this amount will be deducted from the purchase price upon execution of the shareholding transfer deed. The option right is an equity instrument measured at cost, according to IAS 39, paragraph 46, by reason of the fact that there is no price on any active listed market and fair value cannot be reliably determined because this is a newly incorporated company.

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

The unavailable amounts on bank current accounts relate to amounts which are temporarily unavailable because of enforcement order of third party's claims. It is noted that such amounts involve attachments applied to various bank current accounts on the basis of the same enforcement order.

The option right, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 38).

22. Cash and cash equivalents

The cash and cash equivalents are composed as follows:

thousands of Euro	31.03.2014	31.12.2013	Change
Bank accounts	58,407	45,284	13,123
Postal deposits	19	9	10
Cash on hand	262	206	56
Cash on hand	58,688	45,499	13,189
Bank overdrafts	0	0	0
Net cash and cash equivalents	58,688	45,499	13,189

23. Shareholders' Equity

The share capital of the parent company, SNAI S.p.A., as of 31 March 2014, entirely subscribed and fully paid up, amounted to Euro 60,748,992.20 (60,748,992.20 as of 31 December 2013), and is comprised of 116,824,985 ordinary shares (116,824,985 as of 31 December 2013).

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

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

The number of shares and share capital are unchanged with respect to 31 December 2013.

The shares issued are all ordinary shares.

The parent company SNAI S.p.A. does not hold treasury shares, neither directly or through its subsidiaries or affiliates.

Reserves

Legal Reserve

The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve

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

Cash Flow Hedge Reserve

The cash flow hedge reserve was negative for Euro -3,717 thousand and consisted of derivatives being taken directly to equity (see Note 34).

Post-employment benefit reserve (IAS 19)

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

Profit (loss) carried forward

Profit (Loss) carried forward amounted to Euro 93,563 thousand; movements for the period totalled Euro 94,530 thousand and are due to the loss for 2013 year, which is still to be covered by reason of the fact that, on 31 March 2014, coverage had not been resolved yet by the Shareholders' Meeting.

Shareholders' Equity pertaining to minority interests

As of 31 December 2014, minority interest show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

24. Other comprehensive income/(loss)

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

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

	Ist Quarter	
	2014	2013
Hedge derivatives:		
Net (loss)/profit from derivatives as cash flow hedges	732	1,620
Tax impact	(201)	(445)
Hedge derivatives	531	1,175
Total profit/(loss) for the period	531	1,175

25. Earnings per share

Basic earnings per share

The calculation of the basic earnings/loss per share as of 31 March 2014 was made taking into consideration the gain attributable to the holders of ordinary shares, for Euro 2,203 thousand (31 December 2013: loss of Euro 94,530 thousand) and the weighted average number of outstanding ordinary shares during the period ended 31 March 2014, equal to 116,824,985 shares (31 December 2013: 116,824,985).

The calculation was made in the following manner:

in thousands	31.03.2014	31.12.2013	31.03.2013
Gain/(loss) attributable to holders of ordinary shares = gains for fiscal year of group (a)	2,203	(94,530)	7,418
Average weighted number of ordinary shares /1000 (b)	116,824.99	116,824.99	116,824.99
Basic earnings/(loss) per share (a/b)	0.02	(0.81)	0.06

Diluted earnings/(loss) per share

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

26. Post-employment benefits

The Post-employment benefits as of 31 March 2014 amounted to Euro 4,270 thousand against Euro 4,387 thousand as of 31 December 2013.

The following table shows the movements therein:

thousands of Euro	
Balance at 1 January 2014	4,387
Accruals	21
Utilisation	(169)
Financial expenses	31
Actuarial (gains)/losses	0
Balance at 31 March 2014	4,270

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

27. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	31.03.2014	31.12.2013	Change
Non-current financial liabilities			
Bond loan	479,599	479,214	385
Due for financial leasing	1,776	2,174	(398)
Total other non-current liabilities	481,375	481,388	(13)
Current financial liabilities			
Due for financial leasing	2,614	3,764	(1,150)
Due for interest on bond loans	14,566	3,661	10,905
Due to banks	38	40	(2)
Due to "Betting Acceptance Points" for the purchase of horse race and sports Concessions business units	42	42	0
Total current financial liabilities	17,260	7,507	9,753

The financial liabilities include:

- The bond loans stipulated on 8 November and 4 December 2013 (described in the following paragraphs) are recorded at amortised cost for a total of Euro 479,599 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These charges, totalling Euro 21,709 thousand, include professional fees related to the stipulation of the contracts, as well as the tax payable on the assumption of the loan, whose Euro 984 thousand have been charged to the income statement for the first quarter 2014;
- financial liabilities for financial lease contracts, totalling Euro 4,390 thousand, mainly relate to the residual balances on contract for the acquisition of a building situated in Porcari (Lucca) and of technology for use in bet collection sales points, described in greater detail in Note 14, "Property, plant and equipment";

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

On 8 November 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds ("Facility A" and "Facility B"), the issue of which was resolved on 5 November 2013 by SNAI S.p.A.'s Board of Directors. The "Facility A" bonds, issued in the amount of Euro 15,000 thousand, were repaid on 4 December 2013.

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

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

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

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

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

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

Always on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as of 31 March 2014.

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

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

amounts in thousands of Euro

Financial payables	Amount of loan	Duration	Interest period	Due date	Repayment method	Date	Disbursed amount
Senior Secured Notes	320,000	4 and 6 months	6 months	15.06.2018	Bullet	04.12.2013	320,000
Senior Subordinated Notes	160,000	5 years	6 months	15.12.2018	Bullet	04.12.2013	160,000
Facility B bonds	20,000	1 and 6 months	3 months	08.05.2015	Bullet	08.11.2013	20,000
Senior Revolving Facility	30,000		1, 3 or 6 months	15.06.2018	Each loan must be repaid on the last day of the Interest Period. During the availability period, the amounts repaid may be reused.		-
Total	530,000					Total amount disbursed as of 31.03.2014	500,000

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

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

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

As of 31 March 2014, the provisions for risks and charges amounted to Euro 16,520 thousand; the changes in those provisions are detailed in the following table:

thousands of Euro	Technological renewals	Tax disputes, litigations and contractual risks	Total
Balance at 31 December 2013	3,009	13,608	16,617
Provisions recognised over the period	110	424	534
Net utilisation for the period	0	(631)	(631)
Balance at 31 March 2014	3,119	13,401	16,520

Technological renewals

The provision for technological renewals consists of:

- Euro 2,939 thousand related to periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the electronic management of legal gaming via entertainment and amusement machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 18 June 1931, and following amendments and supplements;
- Euro 180 thousand for estimated costs of technological upgrades in gaming terminals.

Tax disputes, litigations and contractual risks

The provision for risks for tax disputes, litigations and contractual risks includes the overall estimated amount required to address risks in the settlement of disputes and relationships with third parties, also regarding taxes, duties and social security issues, in the amount of Euro 13,401 thousand.

The allocation for the period of Euro 424 thousand concerns: Euro 400 thousand for risks on 2013 PERU and Euro 24 thousand for charges related to companies in liquidation.

The utilisation for the period of Euro 631 thousand concerns: Euro 296 thousand for transactions with employees and Euro 335 thousand for legal expenses.

Disputes related to the entertainment device business: AAMS's objections for alleged breaches in the management of the remote network

In the month of June 2007, AAMS issued contractual penalty notices for the same amounts claimed in the same year by the public prosecutor at the Court of Auditors of the Lazio Region (this last proceeding has now been concluded following the Company's adhesion of the fast track option as per Art. 14 of Law Decree 102/2013).

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

The TAR firstly suspended their enforceability and then declared them null and void through ruling no. 2728 of 1 April 2008, now res judicata. As regards the first group of three objections - regarding the alleged delay in start-up, activation and running of the Network - AAMS issued the related penalties with notices 33992/Giochi/UD on 2 September 2008, 38109/Giochi/UD on 1 October 2008, and 40216/Giochi/UD on 16 October 2008, for a total amount of over 2 million Euro, served to SNAI, which objected these proceedings before the Lazio Regional Administrative Court (TAR). The related administrative judgement was favourable to SNAI as the State Council declared the orders to pay the first three penalties null and void.

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

On the basis of the data and criteria developed by the Technical Committee referred to above, and in compliance with the annual ceiling introduced with the last addendum to the contract, AAMS imposed the penalty in question on SNAI S.p.A., which it calculated as a total of Euro 8,480,745.00 (reduced to Euro 7,463,991.85 to meet the reduced ceiling for the year 2005 on the assumption that the Council of State confirms the first three penalties).

SNAI, as a result of partial access to the computer database compiled by SOGEI S.p.A., with its brief of 8 June 2011, nevertheless made point-by-point defensive arguments concerning the method and substance, the reliability and correctness of the charges, reserving the right to expand on those arguments upon gaining complete access to the records.

On 28 September 2011 access to the information was supplemented by remote queries via the access gateway.

The information extracted is covered in the technical opinion of Prof. Listanti, which formed the basis for the drafting of a supplementary brief filed with AAMS on 27 October 2011.

With memorandum no. 2012/7455/Giochi/ADI dated 17/2/2012 and received on following 27 February, the AAMS imposed on SNAI the penalty under Article 27 (3) (b) of the Concession Agreement in conjunction with Annex 3 (2), for a total amount of Euro 8,5 million.

On 27 April 2012, SNAI filed notice of appeal to challenge that measure before the Administrative Court, with a request to declare it null and void, while suspending its enforceability pending the final decision.

On 24 May 2012, the Second Section of the Lazio Regional Administrative Court, by virtue of its order no. 1829/2012, suspended the enforceability of the fourth penalty at scheduled the trial on the merits for 20 February 2013.

On 20 February 2013, the hearing was held, and on 17 June 2013, ruling no. 6028/2013 was deposited. With this sentence the Second Section of the Lazio Regional Administrative Court (TAR) upheld SNAI's appeal and, consequently, annulled the AAMS penalty.

On 28 January 2014, SNAI was served with the notice of ADM's appeal against the ruling no. 6028/2013.

On 28 March 2014, SNAI filed a memorandum and a cross-appeal only to the ruling no. 6028/2013 which is unfavourable to the company.

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

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

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

By Decree of the President of the Lazio Section of the Court of Auditors the reporting trial has been resumed and a deadline set for the related filing. In its defensive brief, SNAI challenged the status ascribed to it, since it does not handle public money subject to the PREU tax. On 27 April 2010 the Regional Prosecutor sent a summons for a hearing to

sentence SNAI S.p.A. for non-reporting. The Court, at the preliminary for appearance and discussion held on 7 October 2010 regarding the penalty sought by the Prosecutor for the alleged delay in reporting, heard the arguments for and against SNAI and the other concession holders who underwent the same proceeding.

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

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

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

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

The Company is now evaluating whether there is ground for a possible appeal before the Court of Appeal against the unfavourable, although reduced, order to pay Euro 5,000.00 once the reasons for the sentence are known.

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

SNAI will appeal the ruling.

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

Malfunctioning of the Barcrest VLT platform (16 April 2012)

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

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

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

In particular, as of 31 March 2014, 89 proceedings had been filed, including ten interim orders that were temporarily enforceable, are as follows:

- in two cases, the gamers obtained an award of about Euro 500,000.00. In one of these cases SNAI obtained the suspension of the interim order's enforceability and applied for a preservation order over the assets of the customer for an amount of up to Euro 650,000.00;
- in another case, the temporary enforceability was suspended with SNAI's payment to the court of Euro 500,000.00;
- in the remaining seven cases, temporary enforceability was suspended pending summary examination of the substantive case, In five of those, the enforcement procedure started was i) discontinued in one case, ii) suspended in three cases, iii) still pending in another case.

It should be also pointed out that

- i) one case has in the meantime become extinct due to inactivity on the part of the player.
- ii) An interim order, which are not temporarily enforceable, was revoked after the objection filed by SNAI related to the ruling no. 307/2014 issued by the Court of Macerata and deposited on 20 March 2014.

In all of the above proceedings, SNAI has and will appear before the Court to challenge the claims for payment based on arguments of fact and law, since, as has already been communicated to the market and to the relevant Regulatory Authority, no "jackpot" was validly obtained at any time during the day of 16 April 2012. In light of the considerations set forth above and the opinions of our own legal advisers, the managers consider that the risk of the Company losing is may be classified as merely possible.

In the course of 2012, SNAI summoned Barcrest and its parent to sue for compensation for of all types of damage and loss resulting from the malfunction on 16 April 2012. The summoned companies appeared before the Court to challenge SNAI's claims and asking the payment of alleged amounts receivable and of damage to be determined in the course of the proceedings. The hearing is scheduled on 26 June 2014.

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

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

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

Disputes related to the betting business: Guaranteed minimum service levels

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

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

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

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

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

Based on the foregoing, it can reasonably be assumed that SNAI shall benefit, in all of its directly-held concessions, from the complete reshaping of the requests advanced by AAMS in view of the adoption of such safeguard measures.

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

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

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

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

On 20 June 2012, AAMS served to SNAI, in addition to another notice served to the former Agenzia Ippica Monteverde S.r.l., 226 - payment requests for integrations to minimum guaranteed amounts for the years 2006-07-08-09-10-11, for an aggregate amount of Euro 24.9 million.

Compared to the previous round of demands of January 2012, this one, on the negative side, shows the addition of the supplements owed for the year 2011, which had not yet been demanded by AAMS and, on the positive side, a 5% reduction in the amount demanded pursuant to Article 10 (5) (b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.

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

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

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

Additional reasons have also been proposed for the further request of guaranteed minimum amounts in connection with the bet concession no. 426, similar to those previously contested, but which was notified by AAMS only on 7 August 2012. At the hearing scheduled for 5 December 2012, together with that already fixed in connection with the appeals against the previous orders to pay the minimum guaranteed amounts, the Court reserved the decision.

Through ruling no. 1054, deposited on 30 January 2013, the court's second section upheld SNAI's arguments concerning alleged violation of the Italian Constitution by the provisions of Law Decree no. 16/2012; ordered suspension of the proceedings, and passed matter onto the Constitutional Court. At the same time, the Court rejected the original proceedings, related to the initial notices of January 2012 for lack of interest in the lawsuit.

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

With ruling no. 275 of 20 November 2013, the Constitutional Court claimed the inconsistency with the Italian Constitution of Art. 10, par. 5, letter b) of the Law Decree no. 16/2012 as regards the wording "*not higher than 5 per cent*".

The above wording is therefore cancelled which limited the settlement of pending cases on guaranteed minimum amounts, with a discount that should have remained "*not higher than 5 per cent*".

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

The TAR of Lazio, Section II scheduled the trial on 6 June 2014, in which the discussion will be on the illegality of the guaranteed minimum amounts claimed for years 2006-2012 following the above-mentioned inconsistency sentence.

The Group, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests that have been brought by AAMS only to be possible, and consequently has made no provision for risk.

Penalties for exceeding the AWP quotas

Following the demand formulated by AAMS on 22 June 2012 regarding the information about the locations of the AWPs that were presumably observed to have exceeded the limits set by the rules on quota restrictions in force at the time, determined by the presence of machines concerning several concessionaires in the months of January-August 2011. In its memorandum of 31 January 2013, SNAI requested that the anomaly be corrected, while at the same time cancelling the payment order formulated by AAMS as a form of self-remedy. In light of that evidence, the amount of Euro 1.470 million

has been provisioned to provide full coverage for any risks this may represent. Lastly, AAMS further asked the payment of the entire amount by 31 October and SNAI, due to the huge amount of checks functional to the payment and in agreement with other concession holders, on the one hand filed a formal request for cancellation of such notices, as a form of self-remedy to the payment claim, and on the other hand objected such order before the Administrative Court.

Other Disputes

SNAI/Omniludo S.r.l.

- Case 4194/2007. The company Omniludo S.r.l. is suing SNAI, alleging a breach of obligations under an existing contract between the parties for the "*management, maintenance and assistance by Omniludo S.r.l. for slot machines*" (the "Contract of 29/6/2005"), petitioning the Court to declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29/6/2005 and to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.

The case was investigated and the hearing was postponed to 10/12/2010 to allow for clarification of the pleadings and then postponed again ex officio to 17/06/2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (described below) pending before the Court of Lucca, Dr. Giunti (Case no. 4810/10). The Court reserved the decision.

Through a decision on 10 February 2012, the Court ordered the case to be submitted to the President of the section, for a decision on consolidation, or reassignment to Dr. Capozzi, who carried out the proceedings.

By order of 12/03/2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/10 at the hearing of 11/12/2013 before Judge Frizilio with a view of their possible consolidation.

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

- Case 4810/2010. By the writ of summons served on 16/11/2010, SNAI S.p.A., in light of the grossly negligent breach of obligations under the Contract of 29/06/05, sued Omniludo S.r.l. before the Court of Lucca, petitioning the Court as follows:
 - 1) to find and declare Omniludo S.r.l. to be in breach of trust and of the obligations under the aforementioned contract;
 - 2) to find and declare the Contract of 29/06/2005 to be terminated on the grounds of Omniludo's serious breaches of its contractual and statutory obligations;
 - 3) to order the defendant to pay damages to the extent (conservatively) indicated of Euro 40,000,000.00, without prejudice to a different equitable settlement and clarification of the quantum in the case records in accordance with Article 183/6 of the Code of Civil Procedure (hereinafter "c.c.p.") to compensate for both lost profits and the injury caused to the image and goodwill.

At the same time, SNAI submitted a motion under Article 163-bis of the c.c.p. to accelerate the date of the trial, which was granted by decision of the Presiding Judge of the Court of Lucca on 05/11/2010, who scheduled the trial for 07/01/2011. The case was postponed ex officio to 02/02/2011. At that hearing, the judge set the date for the preliminary hearing to 18/05/2011, granting the time allowances under Art. 183 (VI) of the c.c.p. The hearing was postponed ex officio to 23/11/2011.

At that hearing, the judge reserved his judgement on the preliminary claims. By order of 7/3/2012, the Court lifted its reservation and declared the case ready to be tried and committed it for trial on 11/12/2013 to allow for clarification of the pleadings.

By order of 12/03/2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/10 at the hearing of 11/12/2013 before Judge Frizilio with a view of their possible consolidation.

On 3 April 2012, OMNILUDO has filed an application for the revocation of the court's ruling of 12 March 2012, and for the hearing date to be brought forward from 11 December 2013.

A decision is still awaited.

By order of 23/04/2012, the Presiding Judge of the Court of Lucca ordered the parties to appear at the hearing of 08/06/2012. At that hearing, the Judge in charge of ruling on the motion to accelerate the date of trial reserved his decision.

By order of 26/06/2012, the Presiding Judge of the Court, holding that the substantive requirements were met for consolidation of the proceedings, ordered that the case be referred to Judge Frizilio for the purposes of arranging the consolidation and clarification of the pleadings.

By order of the Investigating Judge Frizilio of 2/08/2012, cases no. 4194/2007 and no. 4810/2010 were convened at the hearing of 11/12/2013. On the above hearing, the Judge decided on the grouping of all pending proceedings for the case no. RGNR 4194/2007 and on the postponement of the hearing on 17 March 2014. For this hearing, the Judge granted legal time limits for the filing of closing briefs.

Stefano Tesi vs. SNAI

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

SNAI appeared before the Court, opposing the above claims both in fact and in law, as under mandatory provisions of law a VLT may not pay out winnings in excess of Euro 500,000.00, and in turn suing the manufacturer of the VLT in question, as the event was probably due to a defect in the machine. Following the submission of the motion for postponement by SNAI in order to summon the third party (BARCREST Group Limited, based in the United Kingdom), the Ordinary Judge of the Court of Lucca postponed the hearing to 03/07/2012. At that hearing, at which the BARCREST Group appeared, the Court withheld its decision. By an order lifting that reservation, the Investigating Judge ordered the transfer to ordinary proceedings and committed the case for trial on 09/10/2012 in accordance with 183 of the c.c.p. At that hearing the case was postponed until 12/03/2013 for admission of pre-trial motions. At the hearing of 12/03/2013, certain questions for witnesses formulated by SNAI were admitted but not those of Tesi. At the hearing of 28/05/2013, the case was postponed to 02/07/2014.

SNAI, with the support of the advice from its legal advisers, believes that there is a risk of losing the case, not for the sum claimed by the claimant, but rather up to the maximum amount of a Jackpot winnings i.e. Euro 500,000.00.

The above opinion is also in consideration of the counterclaim filed by SNAI against the manufacturer Barcrest Ltd as guarantor for any payment that SNAI might be obliged to effect pursuant to Tesi's claim.

Ainvest Private Equity S.r.l./SNAI

By a writ of summons served on 14 March 2012, Ainvest Private Equity S.r.l. summoned SNAI to appear before the Court of Lucca, which was petitioned to order SNAI to pay alleged brokerage fees related to the Company obtaining certain bank loans, in an amount of approximately Euro 4 million. SNAI appeared in court in due form, stating its own defence and objecting that the plaintiff's claims are groundless. Following the hearing on 15 February 2013, the Investigating Judge ordered the translation of foreign-language documents filed by Ainvest. The case was assigned to another judge on 7 June 2013 who postponed the hearing until 11 October 2013. In the meantime, AINVEST filed a petition for the revocation of the ordinance for the translation of the documents into English. At the hearing of 11 October 2013 the Judge ordered the appointment of an interpreter, setting the new hearing on 16 May 2014.

Supported by the opinion of its legal advisers, the Directors assessed the risk of losing the case as more than possible.

Potential assets: Receivables from the Di Majo Award

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

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

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

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

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

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

In addition to those legal events, on 22 June 2010 Assosnai (Association of the category of concessionaires) sent AAMS a memorandum in which it proposed a hypothetical settlement of the dispute consisting in: 1) offsetting the horseracing concessionaires accounts receivable from those Ministries against the horseracing concessionaires' accounts payable to AAMS (with an express waiver of the interest accrued on those accounts receivable, of monetary revaluation and of the enforcement actions initiated) and 2) the abandonment by said Ministries of the trial before the Rome Court of Appeal.

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

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

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

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

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

Allegations by AAMS regional offices related to the 2006 PREU

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

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

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

With reference to the procedures further thereto:

- in relation to 4 notices of assessment, AAMS has issued a decision for their cancellation (and setting aside)
- in relation to 1 proceeding, the suspension was accepted and CTP, after the hearing, rejected the recourse filed by SNAI. SNAI filed an appeal with the appropriate Regional CTP. A hearing is to be fixed for 15 proceedings, the suspension was accepted and at the hearing of 5 June 2013, the Court reserved its decision. On 24 July 2013 the Court lifted its reservation and rejected the recourse filed by SNAI. SNAI will file an appeal against the abovementioned rulings before the Regional CTP.
- for 2 proceedings, the hearings on the merits and suspension of provisional enforceability have not yet been scheduled.
- for 18 proceedings, the judgement has been issued upholding the appeals filed by SNAI, of which three are referred to the closing of the litigation. Against the abovementioned 15 judgements, AAMS appealed to the relevant Regional Tax Commission, of which 7 were concluded with the confirmation of the first instance proceeding thus rejecting ADM's request.
- SNAI has filed its own defensive briefs. A new hearing has to be set.
- for 1 proceeding, SNAI's appeal was rejected. SNAI filed an appeal with the appropriate Regional Tax Commission. The appeal was rejected and the first instance ruling confirmed.

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

Allegations by AAMS' regional offices related to the 2007 PREU

This dispute regards 12 notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.

The aggregate amount of penalties and PREU tax amounts to Euro 82,101.58 (Euro 49,683.24 as penalties + Euro 32,418.34 as PREU), plus interest.

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

With reference to the procedures further thereto:

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

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

Allegations by AAMS' regional offices related to the 2008 PREU

This dispute regards 8 notices and/or assessment notices issued by the regional offices of AAMS, which set out the meter readings for entertainment devices (game machine-AWP), pursuant to article 110, paragraph 6 a, of the Italian law

"TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual entertainment machine.

In particular:

- in relation to 2 notices the amount of which is still undetermined, for which SNAI filed defensive briefs before the competent CTP. The Company is still awaiting for the outcome of the evaluation;
- in relation to 4 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of around Euro 102,000.00. The hearing is still to be set. SNAI filed an appeal against the above notices before the competent CTP; A new hearing has to be set.
- in relation of 2 assessment notice, for a total amount of Euro 180,003.14, regarding a penalty and Euro 100,378.14 regarding the PREU tax. SNAI filed an appeal against the above notices before the competent CTP A new hearing has to be set.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 94 notices served by various regional offices of ADM (formerly AAMS) in which ADM contested the installation of a number of AWP in excess of the limits imposed by the Departmental Decree 2011/30011/giochi/UD. The amount involved is based on the possibility of making a reduced payment and it is not yet determinable SNAI is evaluating each single claim in order to decide whether to pay the reduced sum or whether to deposit objections.

Quotes of 2 October 2012

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

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

SNAI promptly informed AAMS of the situation prior to events relating to those bets.

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

SNAI is preparing its defence, also in consideration of legal precedents favourable to other concession holders that have published quotes with recognisable errors, and the company will appear in the judgements.

In some cases, however the players have brought a complaint before the Commission for the transparency of the games at AAMS requesting payment of their winnings. With the rulings no. 4/2013, 5/2013 and no. 6/2013 published on 29 April 2013, the Commission has upheld three complaints; payment has been sought from ADM. With an appeal to the Lazio Regional Administrative Court filed on 14 November 2013, SNAI objected the order with which ADM required the payment to one of the complainants. With reference to the above-mentioned order, on 21 March 2014 ADM issued a notice in which, while acknowledging the cancellation decided by the Commission, any intervention was suspended as regards failure to enforce the decision.

Considering the nature and the characteristics of the AAMS notices, SNAI decided to not appeal them.

29. Sundry payables and other liabilities

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

thousands of Euro	31.03.2014	31.12.2013	Change
Sundry payables and other non-current liabilities			
<i>Tax payables</i>			
- Instalments on assessment notice	288	452	(164)
- Instalments of flat-rate tax	555	593	(38)
	843	1,045	(202)
<i>Other payables</i>			
- for instalments related to PREU for previous years	2,365	2,567	(202)
- for guarantee deposit liabilities	11	11	0
	2,376	2,578	(202)
Total sundry payables and other non-current liabilities	3,219	3,623	(404)

Other current liabilities are composed as follows:

thousands of Euro	31.03.2014	31.12.2013	Change
Other current liabilities			
<i>Tax payables</i>			
- income tax	1,696	285	1,411
- VAT	1,248	2,228	(980)
- Flat-rate tax	12,178	4,757	7,421
- Instalments of flat-rate tax	1,090	1,636	(546)
- instalments on assessment notice	1,184	1,347	(163)
- other tax debts	637	1,600	(963)
	18,033	11,853	6,180
<i>Payables to soc. sec. entities</i>			
- Soc. sec. Entities	2,008	2,466	(458)
	2,008	2,466	(458)
<i>Other payables</i>			
- to AAMS for outstanding PREU	9,984	14,944	(4,960)
- to AAMS for guarantee deposits ADI	2,297	2,417	(120)
- for instalments related to PREU for previous years	1,034	1,103	(69)
- to winners and VLT jackpot reserve	10,147	10,531	(384)
- VLT required tickets	265	202	63
- to AAMS as concession instalment	671	1,449	(778)
- to gamblers for antepost bets	2,023	1,762	261
- to gamblers for wins and refunds on national horseracing/sports forecast bets	2,780	1,609	1,171
- to ASSI (former U.N.I.R.E.) for fortnightly payments	1,040	1,077	(37)
- to AAMS for required tickets	333	277	56
- to AAMS for Sports Forecast and National Horseracing Betting Concession	3,172	3,588	(416)
- for SNAI Card gaming bards	5,602	5,900	(298)
- to Remote Gaming players (Skill/Casino/Bingo)	141	132	9
- for management of remote gaming (Skill/Casino/Bingo)	1	1	0
- to players for wins in virtual events	315	47	268
- for assignment of Di Majo Arbitration receivables	0	0	0
- to AAMS	21,625	21,564	61
- for non-competition agreement	83	167	(84)
- to employees and collaborators	4,449	3,786	663
- to directors	897	764	133
- to auditors	68	192	(124)
- for guarantee deposits	2,344	2,281	63
- to parent companies	53	65	(12)
- to others	2,152	2,144	8
	71,476	76,002	(4,526)
<i>Accrued liabilities and deferred income</i>			
- accrued liabilities	1,065	245	820
- deferred income	1,004	901	103
	2,069	1,146	923
Total other current liabilities	93,586	91,467	2,119

The instalments payable on the tax assessment notice of a total of Euro 1,472 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which amount Euro 288 thousand is due within more than 12 months and Euro 1,184 thousand is due within 12 months. That amount includes the tax, penalties e interest as defined in the final tax assessment notices, with acceptance granted on 21 February 2012 (for the year 2009), 5 July 2012 (for the year 2010) and 26 July 2013 (for the year 2011), in which it was also agreed to the extend payment through 12 quarterly instalments.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 1,645 thousand, of which Euro 555 thousand being due after one year and Euro 1,090 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 3,399 thousand, of which Euro 2,365 thousand being due after one year and Euro 1,034 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2004-2007 and 2009-2010 flat-rate tax.

The tax increase is due to the flat-rate tax on betting, introduced with the "Mille proroghe" law decree. The payment term of the flat-rate tax on horserace bets and on betting on events other than horseraces, is fixed on 20 December of the same year and 31 January of the following year, with reference to the flat-rate tax due for the September-November and for December, respectively, as well as on 31 August and 30 November with reference to the flat-rate tax due for the January-April and May-August periods, respectively.

The Other payables to AAMS item, totalling Euro 21,625 thousand, relates to drawdowns which were offset by receivables (acquired or original) from the Di Majo Award. On 21 November 2013, the Court of Appeal in Rome declared the Di Majo Award as void and ineffective. Given the fact that the sentence is enforceable, compensations have been cancelled. When ADM requires the payment, SNAI will have the faculty to dispose of the amounts on the escrow current accounts jointly managed with Agisco. For further details, see Note 21.

The payables to AAMS for outstanding PREU, in the amount of Euro 9,984 thousand, is calculated from the entertainment machine transactions ADI).

The Deferred income item, amounting to Euro 1,065 thousand, is related, in the amount of Euro 854 thousand, to the portion of the grants to the former ASSI investment fund recognised as grants related to investments.

30. Trade payables

The trade payables are composed as follows:

thousands of Euro	31.03.2014	31.12.2013	Change
Trade payables			
- to suppliers	28,456	34,548	(6,092)
- to stables, jockeys and bookies	167	163	4
- to foreign suppliers	4,767	4,079	688
- advances paid to suppliers	(1,110)	(1,030)	(80)
- credit notes to be received	(444)	(465)	21
- to affiliate Connex S.r.l.	192	201	(9)
- to affiliate Alfea S.p.A.	0	0	0
- to investee Tivu + S.p.A. in liquid.	43	43	0
Total trade payables	32,071	37,539	(5,468)

31. Overdue accounts payable

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

(amounts in thousands of Euro)

Current liabilities	Balance at 31 March 2014	of which due on 31.03.2014
Financial payables	17,260	-
Trade payables	32,071	8,945
Tax payables	18,033	-
Payables to soc. sec. entities	2,008	-
Other payables	71,476	-
	140,848	8,945

Trade payables: the amounts due as of 31 March 2014, equal to Euro 8,945 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 31 March 2014. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

32. Financial commitments

In additions to what is stated regarding financial liabilities, the Group has undergone financial commitments related to the granting of guarantees for a total amount of Euro 156,800 as of 31 March 2014 (Euro 157,100 thousand as of 31 December 2013).

As regards values disclosed in the financial statements as of 31 December 2013, the changes occurred in financial commitments are disclosed hereunder:

Bank	Beneficiary	Subject matter of the guarantee	Increases/(decreases) as of 31/03/2014 (thousands of euro)
BPM	AAMS	Securing the debt owed to the Revenues Agency and Unire, for concession 1507	(230)
TORO ASS.	MINISTRY OF ECONOMIC DEVELOPMENT	for "PUNTO&SNAI" speestake	(70)
Total			(300)

33. Related Parties

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

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

Certain SNAI Group companies have accounts with Banca Popolare di Milano, Intesa San Paolo, Banca Popolare di Vicenza and Banco Popolare Società Cooperativa, which may be considered related parties in that they are companies related to the shareholders of SNAI S.p.A..

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

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

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

thousands of Euro	31.03.2014	% Impact	31.12.2013	% Impact
Trade receivables:				
- from Global Games S.p.A.	-	0.00%	6	0.01%
	-	0.00%	6	0.01%
Other current receivables:				
- from Companies related to directors of SNAI S.p.A.	4	0.01%	-	0.00%
- from Alfea S.p.A.	-	0.00%	1	0.00%
	4	0.01%	1	0.00%
Total Assets	4	0.00%	7	0.00%
Trade payables:				
- to Companies related to directors of SNAI S.p.A.	531	1.66%	764	2.04%
- to Tivu + S.p.A. in liquidation	43	0.13%	43	0.11%
- to Connex S.r.l.	192	0.60%	201	0.54%
	766	2.39%	1,008	2.69%

Other current liabilities:

- from Companies related to directors of SNAI S.p.A.	32	0.03%	21	0.02%
- to Companies related to shareholders of SNAI S.p.A.	23	0.02%	45	0.05%
- to managers di Teleippica S.r.l.	-	0.00%	2	0.00%
- to Global Games S.p.A.	4	0.00%	6	0.01%
	59	0.05%	74	0.08%
Total Liabilities	825	0.12%	1,082	0.16%

The assets are stated net of the related provision.

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

thousands of Euro	1st Quarter of 2014	% Impact	1st Quarter of 2013	% Impact
Income from services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	29	0.02%
	-	0.00%	29	0.02%
Other income				
- from Global Games S.p.A.	1	0.55%	1	0.33%
	1	0.55%	1	0.33%
Total income	1	0.00%	30	0.02%
Costs for raw materials and consumables used				
- from Connex S.r.l.	-	0.00%	3	0.51%
	-	0.00%	3	0.51%
Costs of services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	162	0.18%	7	0.01%
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	1	0.00%
- from Companies related to directors of Teleippica S.r.l.	20	0.02%	-	0.00%
- from Connex S.r.l.	150	0.17%	144	0.16%
	332	0.37%	152	0.17%
Other operating costs:				
- from Companies related to directors of SNAI S.p.A.	3	0.03%	3	0.03%
- from Connex S.r.l.	1	0.01%	3	0.03%
	4	0.04%	6	0.06%
Total costs	336	0.34%	161	0.16%

Revenues from services and chargebacks and other income impact the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.0% in the first quarter of 2014 (0.09% in the first quarter of 2013), whereas the total income impacts the profit/(loss) for the first quarter of 2014 in the amount of 0.05% (0.40% in the first quarter of 2013).

Costs for raw materials and consumables, services and chargebacks and other operating costs affect the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) in the amount of 0.95% in the first quarter of 2014 (0.46% in the first quarter of 2013), whereas total costs affect the profit/(loss) for the first quarter of 2014 in the amount of 15.25% (2.17% in the first quarter of 2013).

As required by CONSOB's notice ref. 10084105 of 13 October 2010, the following table shows relations with related parties of the Parent Company SNAI S.p.A. as of 31 March 2014.

thousands of Euro	31.03.2014	31.12.2013
Trade receivables:		
- from Global Games S.p.A.	-	6
- from Società Trenno S.r.l.	394	673
- from Festa S.r.l.	18	19
- from Immobiliare Valcarenga S.r.l.	3	4
- from Teleippica S.r.l.	143	116
Total Trade receivables	558	818

Other current receivables:		
- from companies related to shareholders and directors	4	-
- from Società Trenno S.r.l.	54	96
- from Festa S.r.l.	746	710
- from Immobiliare Valcarenga S.r.l.	80	82
- from Teleippica S.r.l.	1,523	1,460
- from Alfea S.p.A.	-	1
Total other current assets	2,407	2,349
Financial receivables:		
- from Società Trenno S.r.l.	6,709	5,190
- from Teleippica S.r.l.	4,192	2,558
Total financial receivables	10,901	7,748
Total Assets	13,866	10,915
Trade payables:		
- to companies related to shareholders and directors	531	764
- to Società Trenno S.r.l.	74	143
- to Festa S.r.l.	564	522
- to Teleippica S.r.l.	634	340
- to Connex S.r.l.	183	183
- to Tivu + S.p.A. in liquidation	43	43
Total trade payables	2,029	1,995
Other current liabilities		
- to companies related to shareholders and directors	32	21
- to Global Games S.p.A.	4	6
- to Società Trenno S.r.l.	5,024	4,762
- from Festa S.r.l.	550	551
- to Immobiliare Valcarenga S.r.l.	1	1
- to Teleippica S.r.l.	4	6
- to companies related to shareholders	23	45
Total Other Current liabilities	5,638	5,392
Current financial payables:		
- to Festa S.r.l.	1,027	730
- to Immobiliare Valcarenga S.r.l.	259	245
Total current financial payables	1,286	975
Total Liabilities	8,953	8,362

The assets are stated net of the related provision.

thousands of Euro	1st Quarter of 2014	1st Quarter of 2013
Income from services and chargebacks:		
- from Società Trenno S.r.l.	46	597
Total income from services and chargebacks	46	597
Other income		
- from Global Games S.p.A.	1	1
- from Società Trenno S.r.l.	102	250
- from Festa S.r.l.	34	28
- from Immobiliare Valcarenga S.r.l.	3	3
- from Teleippica S.r.l.	126	116
Total other income	266	398
Interest income:		
- from Società Trenno S.r.l.	82	64
- from SNAI Olé S.A.	10	10
- from Teleippica S.r.l.	43	23
Total interest income	135	97
Total income	447	1,092

Costs of services and chargebacks:

- from companies related to shareholders and directors	162	1
- from Società Trenno S.r.l.	99	97
- from Festa S.r.l.	1,389	1,247
- from Teleippica S.r.l.	753	572
- from Connex S.r.l.	150	144
- from companies related to shareholders	-	1
Total costs of services and chargebacks	2,553	2,062

Costs of seconded personnel

- from Società Trenno S.r.l.	-	27
- from Festa S.r.l.	11	18
- from Teleippica S.r.l.	-	8
Total costs of seconded personnel	11	53

Other operating costs

- from companies related to shareholders and directors	3	3
- from Connex S.r.l.	-	3
- from Società Trenno S.r.l.	1	1
Total other operating costs	4	7

Interest expenses and fees

Interest expense to Festa S.r.l.	13	26
Interest expense to Immobiliare Valcarenga S.r.l.	3	3
Total interest expense and fees	16	29
Total costs	2,584	2,151

34. Financial risk management

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

On 8 November 2013, SNAI S.p.A. entered agreements with some investors for a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two sets of bonds/notes ("Facility A" and "Facility B"), the issue of which was resolved on 5 November 2013 by the Company's Board of Directors. The "Facility A" bonds were issued in the amount of 15,000 thousand and "Facility B" bonds were issued in the amount of 20,000 thousand.

On 4 December 2013, SNAI S.p.A. issued a Bond Loan for a total amount of Euro 480,000 thousand and with the following characteristics: Euro 320,000 thousand bearing a 7.625% interest and denominated as Senior Secured Notes, with maturity term on 15 June 2018, and Euro 160,000 thousand bearing a 12.00% interest and denominated as Senior Subordinated Notes with maturity term on 15 December 2018.

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

Always on 27 November 2013, SNAI entered, as receiving party, a revolving loan contract amounting to Euro 30,000 thousand with UniCredit Bank AG, Milan branch, as agent and security agent and, among others, Deutsche Bank S.p.A., Intesa Sanpaolo S.p.A. and UniCredit S.p.A. as lending banks. The Senior Revolving Facility had not been used as of 31 March 2014.

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

Derivative financial instruments

As of 31 December 2012, the Group had two derivative instruments (interest rate swaps) in place, which were entered into to hedge the interest rate risk connected with the facility provided by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. The Group has elected to account for those derivatives under hedge accounting, as cash flow hedges in accordance with the rules of IAS 39.

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

In accordance with IAS 39, the Group will recognise the utilisation of the cash flow hedge reserve until its natural expiration (31 December 2015).

The following table shows the movements in the cash flow hedge reserve in the first quarter of 2014.

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

Cash Flow Hedge reserve - Interest rate risk	31.03.2014
Initial reserve	(4,248)
Positive (+) / negative (-) changes in reserve for recognition of hedge effectiveness	0
Positive (+) / negative (-) reclassifications to income statement for cash flows which affected the income statement	531
Final reserve	(3,717)

Liquidity Risk

Liquidity risk as defined as the possibility that the Group is unable to settle its payment commitments as a result of an inability to obtain new funds (funding liquidity risk), to sell assets in the market (asset liquidity risk), or is obliged to incur very high costs in order to settle those commitments. The Group's exposure to such risk is linked principally to the commitments under the loan operation entered into in November and December 2013 with the issue of bond loans and the entering of a revolving facility unused as of 31 March 2014.

Interest Rate Risk

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

The interest rate risk therefore represents the uncertainty associated with the trend of interest rates.

The Group's exposure to such risk, as of 31 March 2014, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Facility B", in the amount of Euro 20,000 thousand. The aim of the Group's interest rate risk management is to protect the Group's financial spread against changes in market rates, by keeping volatility in check and maintaining consistency between the risk profile and the return on financial assets and liabilities.

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

Credit risk

In order to reduce and monitor credit risk, the SNAI Group has adopted organisational policies and instruments precisely for that purpose.

Potential relationships with debtors are always subjected to reliability analysis prior to the event, through the use of information from leading credit rating companies. The analyses obtained are appropriately supplemented with such information as is available within the Group, resulting in a reliability assessment. This assessment is subject to review on a regular basis or, where appropriate, wherever new information emerges.

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

A number of debtor relationships are initially secured with guarantees or deposits, granted in favour of the Group on the basis of reliability assessments.

Established relationships are monitored on a regular, on-going basis by a specific department, which liaises with the various other departments involved.

The credits are regularly subjected to in-depth assessments. In particular, receivables are shown net of the relevant provisions for doubtful debts. Accruals to the provision for doubtful debts are recorded where there is objective evidence of difficulty in the Company's recovery of the receivable. Receivables which are considered to be no longer recoverable are fully written off.

In relation to the abovementioned receivables, the maximum exposure to credit risk, without taking into account any security that may be held or other instruments that may mitigate credit risk, is represented by their fair value.

The risk regarding the Group's other financial assets is in line with market conditions.

Exchange rate risk

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

Capital management

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

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

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

thousands of Euro	31.03.2014	31.12.2013
Interest-bearing loans	498,593	488,853
Non interest-bearing loans	42	42
Financial liabilities	498,635	488,895
Trade payables and other liabilities	128,876	132,629
Financial assets	(19,659)	(19,414)
Cash and cash equivalents	(58,688)	(45,499)
Net indebtedness	549,164	556,611
Shareholders' Equity	75,081	72,347
Total Shareholders' Equity	75,081	72,347
Shareholders' Equity and net indebtedness	624,245	628,958
Ratio net indebtedness/(shareholders' equity and net indebtedness)	88.0%	88.5%

35. Significant non-recurring events and transactions

During the first quarter 2014, there are no non-recurring costs and revenues, as defined by Consob Resolution No. 15519 of 27 July 2006, as being those "components of income (positive and/or negative) deriving from non-recurring events or operations (i.e. those operations or events that are not frequently repeated in the ordinary course of business").

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

No atypical and/or unusual operations took place during the first quarter of 2014.

37. Group structure

Ownership of the Group

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

Significant shareholdings in subsidiaries

	Percentage held		
	31.03.2014	31.12.2013	31.03.2013
IMMOBILIARE VALCARENGA S.r.l. held by sole quotaholder	100	100	100
FESTA S.r.l. held by sole quotaholder	100	100	100
Società Trenno S.r.l. held by sole quotaholder	100	100	100
SNAI Olè S.A.	100	100	100
SNAI France S.A.	0	0	100
Teleippica S.r.l.	100	100	100

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

38. Net financial position

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

thousands of Euro	31.03.2014	31.12.2013
A. Cash	262	206
B. Other cash and cash equivalents	58,426	45,293
<i>bank accounts</i>	58,407	45,284
<i>Postal accounts</i>	19	9
C. Securities held for trading	1	1
D. Cash on hand (A) + (B) + (C)	58,689	45,500
E. Current financial receivables	0	6
- Escrow Account	0	6
F. Current bank debts	38	40
G. Current portion of non-current indebtedness	0	0
H. Other current financial payables	17,222	7,467
- for interest on bond loans	14,566	3,661
- for acquisition of sports and horseracing concessions	42	42
- to other lenders	2,614	3,764
I. Current financial indebtedness (F) + (G) + (H)	17,260	7,507
J. Net current financial indebtedness (I) - (E) - (D)	(41,429)	(37,999)
K. Non-current bank debts	0	0
L. Bonds issued	479,599	479,214
M. Other non-current payables	1,776	2,174
- to other lenders	1,776	2,174
N. Non-current financial indebtedness (K) + (L) + (M)	481,375	481,388
O. Net financial indebtedness (J)+(N)	439,946	443,389

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,413 thousand, classified under item "current financial assets" on the balance sheet (see Note 21). Moreover, the option right, classified under item "non-current financial assets", is not included (Euro 245 thousand).

With respect to the net financial indebtedness as of 31 December 2013, the net financial debt decreased by Euro 3,443 thousand. The decrease is mainly due to the favourable performance of ordinary operations.

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

thousands of Euro	31.03.2014	31.12.2013
A. Cash	199	173
B. Other cash and cash equivalents	56,223	43,687
- Banks	56,204	43,679
- Postal accounts	19	8
C. Securities held for trading	1	1
D. Cash on hand (A)+(B)+(C)	56,423	43,861
E. Current financial receivables	10,901	7,754
- Financial current account with subsidiaries	10,901	7,748
- Escrow Account	0	6
F. Current bank debts	38	40
G. Current portion of non-current indebtedness	0	0
H. Other current financial payables:	18,500	8,423
- For interest on bond loans	14,566	3,661
- Financial current account with subsidiaries	1,286	975
- For acquisition of sports and horseracing concessions	42	42
- to other lenders	2,606	3,745
I Current financial indebtedness (F)+(G)+(H)	18,538	8,463
J Net current financial indebtedness (I)-(E)-(D)	(48,786)	(43,152)
K. Non-current bank debts	0	0
L. Bonds issued	479,599	479,214
M. Other non-current payables:	1,776	2,174
- to other lenders	1,776	2,174
- Interest Rate Swap	0	0
N. Non-current financial indebtedness (K)+(L)+(M)	481,375	481,388
O Net financial indebtedness (J)+(N)	432,589	438,236

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,413 thousand. The option right is not included (Euro 245 thousand).

38.1 Covenants

Like in other similar loans, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 27, envisage a number of obligations for the Group.

The above-mentioned agreements provide that, like in other similar transactions, the Company undertakes commitments aimed at safeguarding the credit position of financing entities. Amongst these provisions are the prohibition to distribute dividends before the due term of "Facility B" bonds and subsequent restrictions until expiration of other bond loans, as well as restrictions on the advanced redemption of bonds, in undertaking financial indebtedness and in making specific investments and providing for the disposal of corporate assets and properties. Events of default are also envisaged which might involve the requirement of an advanced redemption.

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 million (for more information see Note 27).

In particular, these financial parameters refer to the maintenance of certain ratios of "pro-forma consolidated EBITDA". "Ebitda" is defined in the loan contract and indicates the consolidated result before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items, adjusted with the effect generated by full roll out of VLT machines (run-rate). This update is valid until 31 December 2014.

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

It is noted that, as of 31 March 2014, the Group was compliant with commitments and covenants.

39. Events occurred after the period

39.1 Shareholders' Meeting of 29 April 2014

On 29 April 2014, the SNAI S.p.A. Shareholders' Meeting:

- approved the financial statements ending 31 December 2013, as well as loss coverage;
- appointed the new Control Body for the 2014-2016 three-year period that will remain in office until the Shareholders' Meeting called to approve the financial statements ended 31 December 2016;
- approved the remuneration plan, pursuant to Art. 114-bis of Law Decree 58/98 regarding a Remuneration Instrument for the Chairman and the Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process. This Instrument includes a one-off, extra bonus, in cash or shares, if SNAI shares reach a nominal value of at least Euro 4.1 each and upon occurrence of some events connected with the Company's change of control. The amount of this bonus will be calculated taking account of SNAI shares enhancement upon the occurrence of the above conditions. A portion of the extra bonus could also be granted to the Chairman and Managing Director in some special leave cases.

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

Milan, 08 May 2014

The executive in charge of the preparation of the Company's accounting and corporate documentation, pursuant to article 154-bis, paragraph 5, of the Financial Services Act, hereby declares that the accounting information contained in these condensed interim consolidated financial statements are consistent with the information contained in the documents, books and accounting records.

Schedule 1

Composition of the SNAI Group as of 31 March 2014

(thousands of Euro)

Name	Head office	Share Capital	Owned percentage	Note	Type of business	Consolidation method/Valuation criteria
- SNAI S.p.A.	Porcari (LU)	60,749	Parent Company		Acceptance of horse race and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of entertainment devices - skill games	line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by sole quotaholder	Milan (MI)	1,932	100.00%	(1)	Organization and operation of horse races and the training centre	line-by-line basis
- Immobiliare Valcarenga S.r.l. held by a sole quotaholder	Milan (MI)	51	100.00%	(2)	Rent of horse race company for holding of horses	line-by-line basis
- Festa S.r.l. held by a sole quotaholder	Porcari (LU)	1,000	100.00%	(3)	Call centre and help desk management	line-by-line basis
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	70.00%	(4)	Design and planning of betting management software systems	Shareholders' Equity
- SNAI Olè s.a.	Madrid (Spain)	61	100.00%	(5)	Acceptance of sports betting and manufacturing of gaming materials - dormant	line-by-line basis
- Teleippica S.r.l.	Porcari (LU)	2,540	100.00%	(6)	Dissemination of information and events through all means permitted by technology and regulatory provisions in force now and in the future with the exception of publication in newspapers	line-by-line basis
Affiliates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(7)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Solar S.A.	LUXEMBOURG	31	30.00%	(8)	Financial company	Shareholders' Equity
- Alfea S.p.A.	Pisa (PI)	996	30.70%	(9)	Organization and operation of horse races and the training centre	Shareholders' Equity
- Connex S.r.l.	Porcari (LU)	82	25.00%	(10)	Distribution and assistance of electronic services, hardware and software	Shareholders' Equity
Other companies:						
- TIVU + S.p.A. in liquidation	Rome (RM)	520	19.50%	(11)	Multimedia operations, production, gathering and broadcasting of television signal	Cost
- Lexorfin S.r.l.	Rome (RM)	1,500	2.44%	(12)	Financial company for shareholdings in the horse race sector	Cost

Notes on the composition of the Group

- (1) Wholly-owned subsidiary of SNAI S.p.A., as a result of the merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The company was incorporated on 27 July 2006, and on 15 September 2006 Ippodromi San Siro S.p.A. contributed its "horse racing operations" business unit.
- (2) Wholly-owned subsidiary of SNAI S.p.A.
- (3) Incorporated on 30 December 1999, with SNAI S.p.A. as sole member.
- (4) Incorporated on 13 November 1996, and acquired by SNAI S.p.A. on 30 December 1999. On 3 August 2001, Teseo S.r.l. entered winding-up.
- (5) Incorporated on 19 November 2008. The company is dormant.
- (6) Acquired by third parties on 5 May 2000. On 2 October 2003, the extraordinary shareholders' meeting changed the company's name from SOGEST Società Gestione Servizi Termali S.r.l. to TELEIPPICA S.r.l., and also its corporate purpose. Over the course of 2005, the extraordinary shareholders' meeting resolved to increase the share capital to Euro 2,540,000. On 31 January 2011 SNAI S.p.A. acquired control of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A. SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l.
- (7) On 12 January 2011, the shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, to reduce the share capital to Euro 944,520.00. SNAI S.p.A.'s shareholding was unchanged at 27.78%.
- (8) A company incorporated under Luxembourg law on 10 March 2006 by SNAI S.p.A., which holds 30%, and FCCD Limited, a company incorporated under Irish law, which holds 70%.
- (9) Previously, a 30.70% shareholding was held by Ippodromi San Siro S.p.A. (formerly, Società Trenno S.p.A.), now merged into SNAI S.p.A., by incorporation.
- (10) On 7 December 2000, the shareholding in Connex S.r.l. was acquired through the purchase of rights from former shareholders, and the subsequent subscription (and payment) of the share capital increase reserved to the holders of those rights.
- (11) On 7 July 2004, the extraordinary shareholders' meeting resolved to wind up the company Tivu + S.p.A.
- (12) Shareholding of 2.44% acquired on 19 July 1999 by Società Trenno S.p.A., which was subsequently merged into SNAI S.p.A., by incorporation.