



INTERIM MANAGEMENT REPORT AS AT 30 SEPTEMBER 2014

Milan, 6 November 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

Table of Contents

Interim Management Report as at 30 September 2014

◆ Corporate Bodies and Auditing Firm of SNAI S.p.A.	Page 3
◆ Comment on the main KPIs for the period	Page 4
◆ Remarks of the Board of Directors on the performance of operations, business outlook and progress of the business plan	Page 6
Remarks on the game and bets performance for the period up to 30 September 2014	Page 6
Business outlook	Page 6
Progress of the business plan	Page 6
◆ Material events in the third quarter 2014	Page 7
Guaranteed minimum	Page 7
New binding offer to operator SIS S.r.l.	Page 7
Resolution of SNAI S.p.A.'s Board of Directors for the merger by incorporation of the wholly-owned companies Festa S.r.l., with sole quotaholder, and Immobiliare Valcarenga S.r.l., with sole quotaholder, into SNAI S.p.A.	Page 8
◆ Events occurred after the end of the period	Page 8
◆ SNAI Group – Condensed interim consolidated financial statements as at 30 September 2014	Page 9
Consolidated statement of comprehensive income in the first nine months of 2014	Page 10
Consolidated statement of comprehensive income in the third quarter 2014	Page 11
Consolidated Balance Sheet as at 30 September 2014	Page 12
Statement of Changes in Consolidated Shareholders' Equity as at 30 September 2014	Page 13
Consolidated Cash Flow Statement	Page 14
Explanatory Notes to the condensed interim consolidated financial statements	Page 15
Relevant accounting standards	Page 15
Agreements for services licensed	Page 17
Operating segments	Page 18
Notes to the main items of the consolidated statements of comprehensive income	Page 20
Notes to the main items of the consolidated balance sheet	Page 28
Schedule 1: Composition of the SNAI Group as at 30 September 2014	Page 62

**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 December 2015)

Chairman and Managing Director

Giorgio Sandi

Directors

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

The director in charge of the preparation of the corporate 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 December 2016)

*Chairman
Acting Auditors*

Maria Teresa Salerno
Massimo Gallina
Maurizio Maffeis

Auditing Firm

(Mandate granted by the Shareholders' Meeting held on 15 May 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 Related Parties Committee chaired by Sergio Ungaro.*

**** *Co-opted on 13 October 2014 by the Board of Directors to replace the resigning Gabriele Del Torchio, in office until the next Shareholders' Meeting.*

Comment on the main KPIs for the period

In the third quarter of 2014, the Group's performance was better than in the same quarter of 2013. Revenues grew by +31%, exceeding Euro 130 million, while EBITDA reached Euro 26.4 million (+71.7% versus Euro 15.4 million in the third quarter of 2013). In the same period, EBITDA Adj amounted to Euro 29.8 million versus Euro 16.9 million in the third quarter of 2013 (+76.6%) and EBIT also improved sharply, growing from Euro -0.2 million in the third quarter of 2013 to Euro 12 million in the same quarter of 2014.

With reference to the first nine months, Group revenues increased by approximately 11.8%, from Euro 352.4 million in 2013 to Euro 393.9 million in the same period of 2014, mainly on account of the combined effect of the increase in revenues from VLTs and the introduction of betting on virtual events launched in December 2013, partially offset by the decrease in revenues from horse racing bets. Revenues from sports betting were substantially stable compared to the same period of the previous year as a result of a better payout (77.2% versus 78.6% of the first nine months of 2013) offset by lower wagers.

Revenues from VLTs grew along with the expansion of the installed network which, at the end of September, comprised 4,858 certified machines nationwide. The remaining 194 rights are being reallocated, as provided by the plan for relocation to more performing premises. However, the good performance was lower than expectations due both to the delay in the availability of the reduced pay out games, and the updating activities requested by ADM.

As stated above, the introduction of betting on virtual events at the end of December 2013 had a significant impact, generating during the period a direct collection of Euro 262.5 million and revenues of Euro 33.4 million.

The revenues from AWP's nearly closed the gap accumulated in June relative to the same period of the previous year, but the effect generated by the departure from our network of a major customer who became a direct concession holder on 20 March 2013 has not yet been fully overcome.

Group EBITDA at the end of the first nine months of the year gained +25.9% compared to the same period last year, increasing from Euro 64.5 million of the first 9 months of 2013 to Euro 81.2 million of the same period of 2014.

In the first nine months of 2014, non-recurring costs amounted to Euro 2 million, compared to Euro 5.9 million reported in the same period of the previous 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	First nine months		Variations		III quarter		Variations	
	amounts in thousands of Euro		Euro	%	Euro	%	Euro	%
	2014	2013			2014	2013		
Revenues	393,917	352,351	41,566	11.8	130,226	99,379	30,847	31.0
EBITDA	81,158	64,457	16,701	25.9	26,371	15,356	11,015	71.7
EBITDA Adj	86,626	69,526	17,100	24.6	29,812	16,880	12,932	76.6
EBIT	35,323	17,914	17,409	97.2	11,996	(158)	12,154	>100
Profit/(loss) before taxes	(9,845)	(14,437)	4,592	31.8	(2,549)	(13,164)	10,615	80.6
Net profit (loss)	(9,943)	(14,472)	4,529	31.3	(2,971)	(10,201)	7,230	70.9
Diluted earnings/(loss) per share	(0.09)	(0.12)	0.03	25.0	(0.03)	(0.09)	0.06	66.7

EBITDA was influenced by the following non-recurring costs incurred for operating purposes (Note 37 shows the non-recurring revenues and costs as envisaged under Consob Resolution No. 15519 of 27.07.2006):

<i>thousands of Euro</i>	First nine months 2014
Non-recurring revenues and costs	
Costs related to non-recurring consultancies	131
Administrative Sanctions for PREU	280
Capital losses from scrapping	1,187
Leaving incentives	265
Other	147
Impact on EBITDA	2,010

Group EBIT in the first nine months of 2014 was Euro 35.3 million as compared to Euro 17.9 million in the same period of last year.

The Group profit/(loss) before taxes in the first nine months of 2014 was Euro -9.8 million as compared to Euro -14.4 million in the same period of last year. The better result compared to the same period last year was reduced by the higher amortisation/depreciation and the higher burden of financial expenses.

The net loss of the Group in the first nine months of 2014 was Euro 9.9 million as compared to Euro 14.5 million loss in the first nine months of 2013.

Net financial indebtedness of the SNAI Group, as at 30 September 2014, was equal to Euro 424 million, versus Euro 443.4 million at the end of 2013. The Euro 19.4 million decrease is mainly due to the good performance of ordinary operations and the benefits generated by the extended payment terms of the tax on betting over the period from May to September 2014.

- **EBITDA, EBITDA Adj and EBIT**

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

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

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

<i>amounts in thousands of Euro</i>	<i>First nine months</i>		<i>Change</i>		<i>III quarter</i>		<i>Change</i>	
	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>
EBIT	35,323	17,914	17,409	97.2	11,996	(158)	12,154	>100
+ Depreciation of Tangible assets	13,434	14,654	(1,220)	(8.3)	4,423	5,021	(598)	(11.9)
+ Amortisation of Intangible assets	30,181	25,010	5,171	20.7	10,139	8,825	1,314	14.9
+ Net losses of value	221	130	91	70.0	(28)	79	(107)	>100
+ Other allocations	(11)	816	(827)	>100	(459)	524	(983)	>100
Earnings before interest, tax, depreciation and amortisation	79,148	58,524	20,624	35.2	26,071	14,291	11,780	82.4
+ Non-recurring costs	2,010	5,933	(3,923)	(66.1)	300	1,065	(765)	(71.8)
EBITDA	81,158	64,457	16,701	25.9	26,371	15,356	11,015	71.7
+ Current portion of the provision for doubtful debts	5,468	5,069	399	7.9	3,441	1,524	1,917	>100
EBITDA Adj	86,626	69,526	17,100	24.6	29,812	16,880	12,932	76.6

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

<i>amounts in thousands of Euro</i>	<i>First nine months</i>		<i>Variations</i>		<i>III quarter</i>		<i>Variations</i>	
	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>	<i>2014</i>	<i>2013</i>	<i>Euro</i>	<i>%</i>
EBIT	35,323	17,914	17,409	97.2	11,996	(158)	12,154	>100
+ Earnings of companies consolidated using the equity method	(458)	(413)	(45)	10.9	(14)	(295)	281	95.3
+ Financial income	1,137	993	144	14.5	380	257	123	47.9
+ Financial expenses	(45,838)	(32,932)	(12,906)	(39.2)	(14,905)	(12,970)	(1,935)	14.9
+ Net gains (losses) on exchange rates	(9)	1	(10)	>100	(6)	2	(8)	>100
Profit/(loss) before taxes	(9,845)	(14,437)	4,592	(31.8)	(2,549)	(13,164)	10,615	80.6

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

Remarks on the game and bets performance for the period up to 30 September 2014

In the first nine months of 2014, the payout (percentage of wins paid to bettors relative to total wagers) on sports betting amounted to 77.2%, versus 78.6% in the same period of 2013.

At 30 September 2014, the volume of wagers on sports based games offered by the company amounted to Euro 551.6 million compared to Euro 593.2 million in the same period last year (-7%). Of these, Euro 99.8 million (18.1% of the total) originated from the on-line channel. The net revenues of sports based games, including pool betting, amounted to Euro 103.8 million compared to Euro 103.6 million in the same period of 2013.

Horse racing bets including National Horse Racing totalled wagers of Euro 183.7 million as at 30 September 2014, down compared to the Euro 252.8 million in the same period of last year (-27.3%).

Revenues from horse racing bets including National Horse Racing declined by Euro 4.6 million and amounted to Euro 16.8 million at 30 September 2014, versus Euro 21.4 million in the same period of 2013.

The revenues from the Gaming Machines segment totalled Euro 199.8 million as compared to Euro 185.35 million in the first nine months of 2013 and include revenues from VLTs (Video Lotteries) and AWP machines (formerly known as Slot Machines). Wagers amounted to Euro 2,063.2 million at 30 September 2014, versus Euro 2,094.1 million in the same period of 2013.

In the first nine months of 2014, there was a drop in revenues from the On Line Skill and Casino Games segment, which amounted to Euro 15.1 million compared to Euro 18.9 million in the same period of 2013.

Particularly significant were the results obtained from betting on virtual events. In the first nine months of 2014 the volume of the wagers was Euro 262.5 million, with net revenues of Euro 33.4 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 Machines 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 nine months of 2014, the Group located 50 new betting shops in the territory as a result of the award of new 2013 rights. At completion of the installation of 5,052 VLT rights in 2013, the Group started to reallocate these rights to the better performing betting shops. After the launching of Virtual Events, occurred at end 2013, the Group has further developed its infrastructure in betting shops, while still carrying out risk monitoring activities, aimed at consolidating the payout performance on sports betting.

As mentioned above, 1,000 VLT terminals are being moved in 2014 to better performing locations (mainly arcades), which 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 betting payouts has been enhanced both through the upgrading of automatic controls upon acceptance, but also on account of the effects of the new operating contract that contributes to a better alignment of SNAI interests with those of the distribution network. The above-mentioned interventions will be continued over the year.

The high potential of Virtual Events, launched in December 2013, and the relevant market share obtained, will give further support to the expansion of the distribution network.

Furthermore, the objective of improving and reinforcing the on-line and mobile product range, also 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 machines, whether owned or belonging to third parties.

Progress of the business plan

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 betting to maximize contractual benefits;
- improved territorial balance of the network, to boost market share in significant areas;
- long-term initiatives promoting loyalty in Betting Shops with a high market share;
- full exploitation of the potential of Virtual Events, to support, inter alia, expansion of the distribution network;
- growth of the Online Skill and Casino Games segment including through commercial agreements with significant industry players;

- enhancement and requalification of the Gaming Machines area in shops and in arcades;
- development of services dedicated to partners (training, dedicated web site) and actions aimed at loyalisation;
- launch of services to citizens to maximize opportunities for the distribution network;
- new focus on the horse racing activity including through Expo 2015 & Finale Trotting World Master 2015.

In its meeting of 20 March 2014, the Board of Directors approved the 2014-2016 Business Plan, which is focused on development and growth for the Group as listed above and which, once achieved, will contribute to reaching and maintaining economic and financial balance over time and will make available the necessary resources for business development, under the regulatory conditions known at the date of preparation and approval of the aforesaid plan.

In the initial nine months of 2014, EBITDA performance was better than in the same period of the previous year, and above expectations. The differences compared to the forecast business performance stem from certain major factors: i) the excellent results of new bets on virtual events; ii) lower than expected revenues from sports betting, as a result of the lower wagers, mitigated by a better payout, which reached 77.2%; iii) lower revenues and margins generated by the Gaming Machines segment, in which there was a delay in introducing games with reduced payouts; iv) the performance of the skill games, which was below expectations in terms of revenues.

Material events in the third quarter 2014

Guaranteed minimums

It is worth noting that over the years 2007-2013, SNAI received from former AAMS (now ADM) a number of payment requests aimed at supplementing the guaranteed minimum amounts due to the lower transactions carried out by some horse racing and sports concessions over the 2006-2012 period.

SNAI firstly objected the 2006-2011 payment requests at the Lazio Regional Administrative Court (TAR) and then, with a second appeal, those related to 2012.

With rulings no. 7323/14 of 10 July 2014 and no. 8144/14 of 24 July 2014 - featuring the same content - the Court, while acknowledging the unconstitutionality of Art. 10, paragraph 5, letter b) of the Law Decree no. 16/2012, cancelled the payment orders of the guaranteed minimum amounts related to years 2006-2012, which calculated an unreasonable "fair discount" of only 5% (for further details, reference is made to Note 29 of the Explanatory Notes to the Condensed interim consolidated financial statements).

New binding offer to operator SIS S.r.l.

On 19 May 2014, SNAI S.p.A. submitted a new binding offer, valid and irrevocable until 20 October 2014, (the "**New Binding Offer**") to SIS - Società Italiana Scosse S.r.l. ("**SIS**"), which provides, inter alia, subject to the satisfaction of certain conditions, including SIS's admission to the composition with creditors procedure with business continuity pursuant to Article 186-bis of the Bankruptcy Law, with measure against which no appeal can be made:

- (i) the purchase of SIS by a NewCo controlled by SNAI, pursuant to Art. 2359 of the Italian Civil Code. This company is organized in the country for the management of wagers on horse racing and/or sports based public games, the remote management of legal gambling through gaming machines (AWPs and VLTs), the collection of bets on simulations of events and the on-line operation of public games. The price for the purchase of SIS by the NewCo is set at Euro 7,000,000 (seven million/00) to be paid through the full and/or cumulative payment of a portion of SIS's unsecured debt in the exact amount corresponding to the price;
- (ii) the conclusion of a non-competition clause with the individual shareholders of SIS in order to better protect the orderly development of the NewCo's operations at an overall amount of consideration of Euro 2,650,000.00 (two million six hundred and fifty thousand/00);
- (iii) the proposal of employment to two managers of SIS in relation to the activities that they can offer to the NewCo.

The application for admission to the composition with creditors procedure with business continuity pursuant to Article 186-bis of the Bankruptcy Law was submitted by SIS at the Court of Rome on 23 May 2014.

The new Binding Offer was supplemented on 20 June 2014 with certain prerequisites and conditions.

On 3 July 2014 the Court of Rome declared the SIS proposal inadmissible and a hearing was set for 15 July 2014 with SIS, while the latter was given until 14 July 2014 to supplement the plan or produce documents.

At the hearing of 15 July 2014, following the discussion the Court of Rome has reserved its decision.

With order dated 18 July 2014, filed on 31 July 2014, the Court of Rome declared the proposal of composition with creditors, submitted by SIS on 23 May 2014, as "barred to further proceeding due to inadmissibility".

The Company, supported by its legal advisers, is now evaluating with SIS, *inter alia*, a potential debt restructuring agreement, pursuant to Art. 182-bis of the Bankruptcy Law, by entering into its share capital.

However, the above hypothesis involves some risks connected to liabilities that are especially relevant with respect to labour law provisions.

The necessary researches are therefore being carried out by the legal advisers of both Parties in order to assess the exact extent of these risks.

Resolution of SNAI S.p.A.'s Board of Directors for the merger by incorporation of the wholly-owned companies Festa S.r.l., with sole quotaholder, and Immobiliare Valcarenga S.r.l., with sole quotaholder, into SNAI S.p.A.

On 31 July 2014, the Board of Directors of SNAI S.p.A. resolved on the merger by incorporation of the wholly-owned companies Festa S.r.l., with sole quotaholder, and Immobiliare Valcarenga S.r.l., with sole quotaholder, into SNAI S.p.A. The above-mentioned merger benefits from the application of SNAI's Procedure on related party transactions, as provided for with reference to transactions with subsidiaries. It is worth noting that the Board of Directors of SNAI S.p.A., in agreement with the management bodies of Festa S.r.l. and Immobiliare Valcarenga S.r.l., prepared the merger by incorporation plan of the two companies into SNAI S.p.A.. The merger plan was approved on 5 May 2014 by the management bodies of Festa S.r.l. and Immobiliare Valcarenga S.r.l. and, on 8 May 2014, by the management body of SNAI S.p.A.. The merger plan was deposited at the registered office of each company involved in the merger and recorded in the Register of Companies in the town where the companies taking part in the merger have their registered office. The merger plan and the documentation on the transaction have been made available to public, pursuant to article 2501-septies of the Italian civil code and article 70, paragraph 1 of the Issuers' Regulation.

The transaction is part of a process for the restructuring of the corporate group which SNAI belongs to and aims to concentrate within SNAI all the activities which are currently carried out by the companies to be incorporated.

The merger will make it possible to simplify the corporate structure of the group and to further enhance the current operating, management and corporate synergies.

pursuant to Art. 2501-quarter par. 2 of the Italian civil code, the reference balance sheets of the companies participating in the merger will be those for the period ending 31 December 2013

As SNAI owns the entire share capital of Festa S.r.l., with sole quotaholder, and Immobiliare Valcarenga S.r.l., with sole quotaholder, the merger will take place through the simplified procedure allowed under article 2505 of the Italian civil code which does not require, in particular, the preparation of a report by appraisers on the coherence of the share swap ratio pursuant to article 2501-sexies of the civil code. Indeed, the transaction will not require the determination of a share swap ratio since, upon completion of the merger, the percentages representing the entire share capital of the incorporated companies will be cancelled.

Furthermore, as a result of the merger, SNAI will not amend its own share capital (and therefore the shareholders will not be affected), the current articles of association will be maintained, and the shareholders will not be given a right to withdraw.

Pursuant to Art. 2504-bis, par. 2 of the Italian Civil Code, the merger will be effective on the execution date of the last record, as per Art. 2504 of the It. Civ. Code, or any other date reported in the merger deed. The merger will have accounting and fiscal effect as from 1 January of the effective year of the merger. The merger will have no impact on the Group consolidated financial statements.

Events occurred after the period

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



Condensed Interim Consolidated Financial Statements as at 30 September 2014

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

Milan, 6 November 2014

SNAI Group - Consolidated Statement of Comprehensive Income

<i>amounts in thousands of Euro</i>	Note	First nine months	
		2014	2013
Revenues from sales and services	4	393,338	351,530
Other revenue and income	5	579	821
Change in inventory of finished and semi-finished products		0	1
Raw materials and consumables	6	(853)	(1,222)
Costs for services and use of third party assets	7	(264,542)	(238,213)
Costs of personnel	8	(26,834)	(27,777)
Other operating costs	9	(23,215)	(27,315)
Capitalised internal construction costs	10	675	699
Earnings before interest, tax, depreciation and amortisation		79,148	58,524
Amortisation, depreciation and write-downs	11	(43,836)	(39,794)
Other provisions	12	11	(816)
Earnings before interest and taxes		35,323	17,914
Gains and expenses from shareholdings		(458)	(413)
Financial income		1,138	998
Financial expenses		(45,848)	(32,936)
Total financial income and expenses	13	(45,168)	(32,351)
PROFIT/(LOSS) BEFORE TAXES		(9,845)	(14,437)
Income tax	14	(98)	(35)
Profit/(Loss) for the period		(9,943)	(14,472)
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes			
Net (loss)/profit from derivatives as cash flow hedges		1,593	2,933
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes		1,593	2,933
Total profit/(loss) in comprehensive income statement, after taxes	25	1,593	2,933
Comprehensive profit (loss) for the period		(8,350)	(11,539)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		(9,943)	(14,472)
Profit (loss) for the period pertaining to Third parties		0	0
Comprehensive profit (loss) for the period pertaining to the Group		(8,350)	(11,539)
Comprehensive profit (loss) for the period pertaining to Third parties		0	0
Basic earnings (loss) per share in Euro	26	(0.09)	(0.12)
Diluted earnings (loss) per share in Euro	26	(0.09)	(0.12)

With regard to transactions with related parties, reference is made to Note 35 "Related parties".

SNAI Group - Consolidated Statement of Comprehensive Income

<i>amounts in thousands of Euro</i>	Note	III quarter	
		2014	2013
Revenues from sales and services	4	130,040	99,230
Other revenue and income	5	186	149
Change in inventory of finished and semi-finished products		0	0
Raw materials and consumables	6	(217)	(354)
Costs for services and use of third party assets	7	(85,953)	(68,746)
Costs of personnel	8	(8,481)	(8,628)
Other operating costs	9	(9,729)	(7,585)
Capitalised internal construction costs	10	225	225
Earnings before interest, tax, depreciation and amortisation		26,071	14,291
Amortisation, depreciation and write-downs	11	(14,534)	(13,925)
Other provisions	12	459	(524)
Earnings before interest and taxes		11,996	(158)
Gains and expenses from shareholdings		(14)	(295)
Financial income		380	259
Financial expenses		(14,911)	(12,970)
Total financial income and expenses	13	(14,545)	(13,006)
PROFIT/(LOSS) BEFORE TAXES		(2,549)	(13,164)
Income tax	14	(422)	2,963
Profit/(Loss) for the period		(2,971)	(10,201)
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes			
Net (loss)/profit from derivatives as cash flow hedges		531	442
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes			
		531	442
Total profit/(loss) in comprehensive income statement, after taxes			
Comprehensive profit (loss) for the period	25	531	442
		(2,440)	(9,759)
<i>Attributable to:</i>			
Profit (loss) for the period pertaining to the Group		(2,971)	(10,201)
Profit (loss) for the period pertaining to Third parties		0	0
Comprehensive profit (loss) for the period pertaining to the Group		(2,440)	(9,759)
Comprehensive profit (loss) for the period pertaining to Third parties		0	0
Basic earnings (loss) per share in Euro	26	(0.03)	(0.09)
Diluted earnings (loss) per share in Euro	26	(0.03)	(0.09)

With regard to transactions with related parties, reference is made to Note 35 "Related parties".

SNAI Group - Consolidated balance sheet

<i>amounts in thousands of Euro</i>	Note	30/09/2014	31/12/2013
ASSETS			
Non-current assets			
Property, plant and equipment owned		139,506	143,378
Assets held under financial lease		6,427	9,405
Total property, plant and equipment	15	145,933	152,783
Goodwill		231,531	231,531
Other intangible assets		108,983	135,292
Total intangible assets	16	340,514	366,823
Shareholdings measured using the equity method		2,408	2,866
Shareholdings in other companies		46	46
Total shareholdings	17	2,454	2,912
Deferred tax assets	18	79,442	75,086
Other non-financial assets	21	2,026	2,413
Financial assets	22	737	0
Total non-current assets		571,106	600,017
Current assets			
Inventories	19	610	1,329
Trade receivables	20	76,194	75,604
Other assets	21	22,785	26,687
Current financial assets	22	20,140	19,414
Cash and cash equivalents	23	73,953	45,499
Total current assets		193,682	168,533
TOTAL ASSETS		764,788	768,550
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity pertaining to the Group			
Share Capital		60,749	60,749
Reserves		13,191	106,128
Profit/(Loss) for the period		(9,943)	(94,530)
Total Shareholders' Equity pertaining to the Group		63,997	72,347
Shareholders' Equity pertaining to minority interests			
Total Shareholders' Equity	24	63,997	72,347
Non-current liabilities			
Post-employment benefits	27	4,187	4,387
Non-current financial liabilities	28	463,988	481,388
Deferred tax liabilities	18	56,732	53,675
Provisions for risks and charges	29	12,168	16,617
Sundry payables and other non-current liabilities	30	2,590	3,623
Total non-current liabilities		539,665	559,690
Current liabilities			
Trade payables	31	35,629	37,539
Other liabilities	30	91,545	91,467
Current financial liabilities		14,654	7,507
Current portion of long-term borrowings		19,298	0
Total financial liabilities	28	33,952	7,507
Total current liabilities		161,126	136,513
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		764,788	768,550

With regard to transactions with related parties, reference is made to Note 35 "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 19)	Profit (loss) carried forward	Profit/(loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Third Parties	Total Shareholders' Equity
Balance as at 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				(46,063)			3,503	42,560	0		0
Profit/(Loss) for the period	25							(14,472)	(14,472)		(14,472)
Other comprehensive profit/(loss)					2,933	0			2,933		2,933
Comprehensive profit/(loss) as at 30/09/2013		0	0	0	2,933	0	0	(14,472)	(11,539)		(11,539)
Balance as at 30/09/2013		60,749	1,559	108,282	(3,887)	(508)	967	(14,472)	152,690	0	152,690
	Note	Share Capital	Legal Reserve	Share premium reserve	Cash Flow Hedge Reserve	Post-employment benefit reserve (IAS 19)	Profit (loss) carried forward	Profit/(loss) for the year	Total Shareholders' Equity Group	Total Shareholders' Equity Third Parties	Total Shareholders' Equity
Balance as at 01/01/2014		60,749	1,559	108,282	(4,248)	(432)	967	(94,530)	72,347	0	72,347
Loss for fiscal year 2013	24			(94,336)			(194)	94,530	0		0
Profit/(Loss) for the period	25							(9,943)	(9,943)		(9,943)
Other comprehensive profit/(loss)					1,593	0			1,593		1,593
Comprehensive profit/(loss) as at 30/09/2014		0	0	0	1,593	0	0	(9,943)	(8,350)		(8,350)
Balance as at 30/09/2014		60,749	1,559	13,946	(2,655)	(432)	773	(9,943)	63,997	0	63,997

SNAI Group - Consolidated Cash Flow Statement

<i>amounts in thousands of Euro</i>	Note	30/09/2014	30/09/2013
A. CASH FLOW FROM OPERATIONS			
Profit (loss) for the period pertaining to the Group		(9,943)	(14,472)
Profit (loss) for the period pertaining to Third parties		0	0
Amortisation and depreciation	11	43,836	39,794
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	18	(1,902)	(1,706)
Change in provision for risks	29	(4,449)	(9,420)
(Capital gains) capital losses from non-current assets (including shareholdings)		1,126	119
Portion of earnings pertaining to shareholdings measured using the equity method (-)	13	458	414
Net change in sundry non-current trade assets and liabilities and other changes	21-30	(646)	1,898
Net change in current trade assets and liabilities and other changes	19/-20- 21-31-30	2,199	17,530
Net change in post-employment benefits	27	(200)	(644)
CASH FLOW FROM (USED IN) OPERATIONS (A)		30,479	33,513
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment (-)	15	(7,997)	(15,363)
Investments in intangible assets (-)	16	(3,878)	(17,465)
Proceeds from the sale of tangible, intangible and other non-current assets		72	96
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(11,803)	(32,732)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Change in financial receivables and other financial assets	22	(1,463)	(9,022)
Change in financial liabilities	28	11,241	(7,617)
Repayment of financing	28	0	(4,600)
Opening/disbursement of loans	28	0	32,248
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		9,778	11,009
D. CASH FLOWS FROM DISCONTINUED ASSETS / ASSETS HELD FOR SALE (D)			
E. TOTAL CASH FLOW (A+B+C+D)		28,454	11,790
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)	23	73,953	22,800
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		73,953	22,800
Bank overdrafts			
Discontinued operations			
		73,953	22,800

Interest expense paid in the first nine months of 2014 amounted to around Euro 24,572 thousand (Euro 18,730 thousand in 2013).

Taxes paid in the first nine months of 2014 amounted to around Euro 63 thousand (Euro 103 thousand in the first nine months of 2013).

INTERIM MANAGEMENT REPORT AS AT 30 SEPTEMBER 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 at 30 September 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 ended 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 at 30 September 2014 were approved by the directors of the Parent Company at the board of directors' meeting held on 6 November 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

The capital, financial position and operating results of the SNAI Group are characterised by: (i) negative results, largely due to the effects of unforeseeable phenomena, as well as a significant amount of amortisation/depreciation and financial expenses, (ii) intangible assets of a significant amount as compared to the shareholders' equity which is reduced due to accumulated losses, (iii) a significant level of indebtedness, with flows assigned to its reduction that are limited by the absorption of liquidity required by the investments that are typical of the business, financial expenses and, to date, the financial effects of unexpected expenses.

In particular, with respect to the financial statements as at 30 September 2014, the Group reported a net loss of Euro 9.9 million and shareholders' equity of Euro 64 million. Net financial indebtedness, of Euro 424 million, is mainly composed of bond loans issued and subscribed on 4 December 2012, with which, in the same month, the existing bank loan was repaid in advance.

The Directors report that Earnings Before Interest, Tax, Depreciation and Amortisation in the first nine months were better than in the same period of the previous year, and exceeded expectations. The differences compared to the forecast business performance stem from certain major factors: i) the excellent results of new bets on virtual events; ii) lower than expected revenues from sports betting, as a result of the lower wagers, mitigated by a better payout, which reached 77.2%; iii) lower revenues and margins generated by the Gaming Machines segment, in which there was a delay in introducing games with reduced payouts; iv) the performance of the skill games, which was below expectations in terms of revenues.

The Directors prepared a strategic plan for 2014-2016 fiscal years (the "2014-2016 Plan" or the "Plan"), whereby, at the end of the three-year period, revenues and margins will have grown significantly and positive economic results will be achieved, whilst Shareholders' Equity will be substantially unchanged with respect to the current one, there will be adequate operating cash flows 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 repay bond loans in 2018.

The Plan therefore defines a positive path towards the achievement of an economic and financial balance. Nonetheless, there are still some elements of uncertainty, related 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, 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 occurrence of future events and the characteristics of the reference market, including the rumoured possibility of a significant increase in taxation in the Gaming Machines sector, which could negatively affect the actual implementation of the Plan, and therefore 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, *inter alia*, from the full and positive effect of the completed installation of 5,052 VLT rights, for which more than 1,000 terminals are being moved to better performing locations.

A further benefit derives 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.

Lastly, the payout on sports betting was managed more effectively thanks to the combined effects of the new management agreement which better aligns SNAI's interests with those of the Operators, and 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 repay and/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 identified uncertainties.

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 at 30 September 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 at 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 standards (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 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 associates in the financial statements. The amendments are applicable to the accounting periods beginning on or after 1 January 2014 and had no impact upon the Group's financial position, economic performance and its disclosures.

IAS 28 - Investments in Associates and Joint Ventures (revised in 2011)

Following the new IFRS 11 and IFRS 12, IAS 28 has been renamed Investments in Associates and Joint Ventures, and describes the application of the equity method to shareholdings in joint ventures, in addition to associates. 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 and 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. The amendments are 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 and its disclosures.

IFRS 11 - Joint Arrangements

IFRS 11 replaces IAS 31 Interests 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 amendments are 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 and its disclosures.

IFRS 12 - Disclosures of Interests in Other Entities

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, associates 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 Disclosures 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 and its disclosures.

The accounting layouts adopted by the SNAI Group for the fiscal period ended on 30 September 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 Statement of Comprehensive Income

The Comprehensive income statement reports the items by type, as this is considered more consistent with 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 racing bets, lawful gaming through AWP (formerly known as new slots) and through VLTs (videolotteries) as well as on-line skill, bingo and casino games. That market is regulated by the State authorities by issuing concessions.

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

Owner	Qty	Subject matter	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	Operation of public gaming based on horses, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 4028	Operation of public gaming based on events other than horse races, through the activation of distribution networks (horse race gaming shops and/or networks of horse race gaming corners) and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 4801	Operation of public gaming through the activation of the on-line horse race gaming networks and the management thereof	June 2016
SNAI S.p.A.	1 Concession Code 15215	Operation through the online wagers of the following games: a) sports betting; b) horse racing betting; c) horse racing and sports betting pools; d) national horse race gaming; e) skill games, including tournament style card games; f) bingo.	September 2020
SNAI S.p.A.	1 Concession Code 4501	Operation of horse racing and sports public games as per Art. 10, par. 9- octies, of the Law Decree no. 16 of 2 March 2012, converted as amended into Law no. 44 of 26 April 2012.	June 2016

3. Operating segments

The segment reporting is presented by "operating segment". The segment 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 segments:

- 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 on-line management of legal gaming on gaming machines and related activities and functions (slot machines - AWP and videolottery - VLT), in addition to activities related to skill games, bingo and casino games;
- **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-odds (in which the desk/counter is owned by the concession holder) and totalisator bets (where the desk/counter is owned by the Ministry of Finance), accepted in the PAS (punti accettazione scommesse - betting acceptance points) where SNAI is the direct concession holder.

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

(amounts in thousands of Euro)

	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	30/09/2014	31/12/2013	30/09/2014	31/12/2013	30/09/2014	31/12/2013	30/09/2014	31/12/2013	30/09/2014	31/12/2013	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Sector assets	9,584	9,142	5,494	6,416	241,339	208,253	15,843	13,308	1,328	1,962	0	0	273,588	239,081
Tangible and intangible assets	12,120	12,124	102,590	104,811	354,440	383,585	3,865	4,425	6	15	0	0	473,021	504,960
Unallocated tangible and intangible assets													13,426	14,646
Shareholdings in associates	0	0	2,360	2,814	0	0	0	0	94	98	0	0	2,454	2,912
Unallocated assets													2,299	6,951
Total Assets	21,704	21,266	110,444	114,041	595,779	591,838	19,708	17,733	1,428	2,075	0	0	764,788	768,550
Sector liabilities	3,429	3,737	8,161	7,762	663,021	649,562	2,867	2,780	1,341	2,318	0	0	678,819	666,159
Unallocated liabilities													21,972	30,044
Total Liabilities	3,429	3,737	8,161	7,762	663,021	649,562	2,867	2,780	1,341	2,318	0	0	700,791	696,203
Investments:														
Tangible and intangible assets	104	168	745	1,574	8,983	29,887	261	3,188	0	0	0	0	10,093	34,817
Unallocated tangible and intangible assets													1,782	4,991

First nine months of 2014

(amounts in thousands of Euro)

	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	First nine months of 2014	First nine months of 2013	First nine months of 2014	First nine months of 2013	First nine months of 2014	First nine months of 2013	First nine months of 2014	First nine months of 2013	First nine months of 2014	First nine months of 2013	First nine months of 2014	First nine months of 2013	First nine months of 2014	First nine months of 2013
Sector revenues	8,936	9,577	5,235	5,577	372,253	329,696	6,861	7,107	632	394	0	0	393,917	352,351
Inter-sector revenues	3,313	3,184	179	104	5	0	2,255	1,714	413	351	(6,165)	(5,353)	0	0
Sector costs	(7,516)	(8,981)	(11,658)	(13,452)	(337,091)	(308,992)	(8,152)	(7,059)	(342)	(1,306)	6,165	5,353	(358,594)	(334,437)
Results of operations	4,733	3,780	(6,244)	(7,771)	35,167	20,704	964	1,762	703	(561)	0	0	35,323	17,914
Quotas of results of operations pertaining to share	0	0	(454)	(405)	0	0	0	0	(4)	(8)	0	0	(458)	(413)
Financial (expenses) and income	(54)	(932)	(47)	(78)	(45,321)	(31,382)	(19)	(9)	731	463	0	0	(44,710)	(31,938)
Income tax													(98)	(35)
Profit/(loss) for the period													(9,943)	(14,472)
The results of operations include:														
Amortisation/depreciation and write-downs	(347)	(465)	(2,975)	(3,074)	(39,683)	(35,511)	(821)	(732)	(10)	(12)	0	0	(43,836)	(39,794)

3rd Quarter of 2014

(amounts in thousands of Euro)

	Betting Services		Management of Racetracks		Concessions		Television Services		Other		Eliminations		Total consolidated	
	3rd Quarter of 2014	3rd Quarter of 2013	3rd Quarter of 2014	3rd Quarter of 2013	3rd Quarter of 2014	3rd Quarter of 2013	3rd Quarter of 2014	3rd Quarter of 2013	3rd Quarter of 2014	3rd Quarter of 2013	3rd Quarter of 2014	3rd Quarter of 2013	3rd Quarter of 2014	3rd Quarter of 2013
Sector revenues	3,003	2,624	1,752	1,900	123,043	92,308	2,287	2,266	141	281	0	0	130,226	99,379
Inter-sector revenues	1,254	1,024	60	(166)	0	0	757	570	141	107	(2,212)	(1,535)	0	0
Sector costs	(2,529)	(2,542)	(3,867)	(4,464)	(111,682)	(91,084)	(2,669)	(2,538)	305	(444)	2,212	1,535	(118,230)	(99,537)
Results of operations	1,728	1,106	(2,055)	(2,730)	11,361	1,224	375	298	587	(56)	0	0	11,996	(158)
Quotas of results of operations pertaining to share	0	0	(14)	(295)	0	0	0	0	0	0	0	0	(14)	(295)
Financial (expenses) and income	(15)	(373)	(12)	(26)	(14,791)	(15,566)	(30)	0	317	3,254	0	0	(14,531)	(12,711)
Income tax													(422)	2,963
Profit/(loss) for the period													(2,971)	(10,201)
The results of operations include:														
Amortisation/depreciation and write-downs	(106)	(167)	(992)	(1,020)	(13,165)	(12,452)	(267)	(282)	(4)	(4)	0	0	(14,534)	(13,925)

In the first nine months of 2014:

- the improvement in the results of operations for the "Concessions" segment is mainly due to the joint effect of: i) increased revenues from VLTs; ii) introduction of betting on virtual events; iii) decreased revenues from sports and horse racing betting; iv) reduced average number of AWP machines; v) higher amortisation 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 connected with the new concession, compared to 2013 reporting.

Notes on the main items of the consolidated statements of comprehensive income

The comparison between figures, which are always expressed in thousands of Euro, except when otherwise indicated, is made with the corresponding balances as at 30 September 2013.

4. Revenues from sales and services

The amount of revenues from sales of goods and services in the first nine months of 2014 was equal to Euro 393,338 thousand versus Euro 351,530 thousand, and is detailed below:

III quarter			thousands of Euro	First nine months		
2014	2013	Change		2014	2013	Change
33,249	24,617	8,632	Net revenues from the collection of fixed-odds and reference sports and horse racing betting	105,817	105,625	192
		(1,389)	Revenues from totalisator, national horse racing/sports forecast bets	14,978	19,612	(4,634)
3,965	5,354					
69,080	56,657	12,423	Revenues from Gaming Machines	199,769	185,350	14,419
4,614	5,616	(1,002)	Net revenues from on-line games (Skill/Casino/Bingo)	15,125	18,922	(3,797)
761	872	(111)	Revenues from betting collection services	2,608	3,536	(928)
11,304	0	11,304	Revenues from virtual events	33,425	0	33,425
811	0	811	Revenues from virtual event services	2,033	0	2,033
699	0	699	Revenues from commissions	2,634	0	2,634
0	27	(27)	Revenues from third party on-line gaming services (GAD)	8	86	(78)
1,241	1,482	(241)	Revenues from service and assistance contracts	3,782	4,741	(959)
1,047	1,086	(39)	Revenues from the operation of betting services at racetracks	3,187	3,127	60
283	303	(20)	Operation of racetrack and real estate properties	878	968	(90)
2,429	2,444	(15)	Revenues from television services and related services	7,206	7,411	(205)
135	280	(145)	Revenues from organisation and technology sales	609	352	257
422	492	(70)	Other services and sales to third parties	1,279	1,800	(521)
130,040	99,230	30,810	Total	393,338	351,530	41,808

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

III quarter			thousands of Euro	First nine months	
2014	2013			2014	2013
147,999	168,676		Fixed-odds Sports Betting	549,489	590,951
(71)	(117)		Refunds of Fixed-odds Sports Betting	(374)	(693)
(109,392)	(137,919)		Winnings of Fixed-odds Sports Betting	(423,647)	(463,650)
(5,837)	(6,650)		Fixed-odds Sports Single Tax	(21,731)	(23,119)
32,699	23,990		Net Fixed-odds Sports Betting	103,737	103,489
6,504	7,720		Fixed-odds Horse Racing Bets and Reference Horse Racing Bets	20,532	23,752
(53)	(39)		Fixed-odds Horse Racing and Reference Horse Racing Winnings and Refunds	(152)	(166)
(5,088)	(6,082)		Fixed-odds Horse Racing and Reference Horse Racing Winnings and Refunds	(15,730)	(18,463)
(267)	(321)		Fixed-odds Horse Racing and Reference Horse Racing Single Tax	(845)	(984)
(546)	(651)		Horse Racing Withholding	(1,725)	(2,003)
550	627		Net Fixed-odds and Reference Horse Racing Betting	2,080	2,136
33,249	24,617		Total net revenues from fixed-odds and reference betting	105,817	105,625

Net revenues from sports betting in the first nine months of 2014 is in line with amounts reported in the same period of the previous year thanks to the combined effect of lower payout and wagers. In the first nine months of 2014, the payout on sports betting amounted to approximately 77.2% compared to 78.6% in the first nine months of 2013.

Revenues from totalisator, national horse racing and sports forecast bets decreased due to the continued crisis in the horse racing sector.

Revenues from concessions for the management of the network of Gaming Machines amounted to a total of Euro 199,769 thousand in the first nine months of 2014, 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, as from 1 December 2012, the Agenzia delle Dogane [Customs Agency] incorporated the AAMS office and took on the new name of 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 10,314 thousand paid for the "Gaming Machine guarantee deposit" in 2014 (see Note 21).

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 following table shows the breakdown of the item "Net revenues from on-line games (Skill/Casino/Bingo)":

III quarter			First nine months	
2014	2013	thousands of Euro	2014	2013
169,687	220,841	On-line Skill and Casino Games	561,189	746,834
(163,648)	(213,464)	Winnings	(541,377)	(721,853)
(1,425)	(1,761)	Single Tax	(4,687)	(6,059)
4,614	5,616	Net revenues from on-line games (Skill/Casino/Bingo)	15,125	18,922

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 horse races at the points of acceptance of horse racing betting.

5. Other revenue and income

The other revenue and income item, equal to Euro 579 thousand in the first nine months of 2014 (Euro 821 thousand in the first nine months of 2013) is broken down as follows:

III quarter				First nine months		
2014	2013	Change	thousands of Euro	2014	2013	Change
37	67	(30)	Rental of assets and chargeback expense	126	210	(84)
6	0	6	Active trading	21	0	21
			Revenue from compensation and reimbursement			
15	0	15	for damages	66	225	(159)
13	15	(2)	Grants to UNIRE investments fund (now MIPAAF)	40	45	(5)
31	0	31	Capital gain from the sale of assets	62	4	58
84	67	17	Other revenue and income	264	337	(73)
186	149	37	Total	579	821	(242)

6. Raw materials and consumables

Raw materials and consumables total Euro 853 thousand in the first nine months of 2014 and Euro 217 thousand in the third quarter 2014 (Euro 1,222 thousand in the first nine months of 2013 and Euro 354 thousand in the third quarter of 2013), and mainly related to materials used in wagers, technology and the furnishing installed in the new betting shops. Capitalised assets amounted to Euro 1,793 thousand in the first nine months of 2014 and Euro 398 thousand in the third quarter of 2014 (Euro 4,880 thousand in the first nine months of 2013 and Euro 1,362 thousand in the third 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 264,542 thousand in the first nine months of 2014 (Euro 238,213 thousand in the first nine months of 2013) and are detailed below:

III quarter			thousands of Euro	First nine months		
2014	2013	Change		2014	2013	Change
15,060	16,540	(1,480)	Betting acceptance management	55,575	57,323	(1,748)
51,484	41,001	10,483	Gaming Machine services	147,445	136,906	10,539
1,135	1,419	(284)	On-line games management (Skill/Casino/Bingo)	3,612	4,302	(690)
405	401	4	Bookmakers	1,357	1,358	(1)
1,490	332	1,158	On-line gaming services	4,845	4,627	218
5,043	0	5,043	Virtual races management costs	16,026	0	16,026
352	357	(5)	Management of Racetracks	810	876	(66)
1,966	1,802	164	Television and radio services	5,763	4,767	996
96	104	(8)	Rent of stations	288	300	(12)
850	(789)	1,639	Consultancy cost and expense reimbursements	2,869	2,813	56
1,783	2,002	(219)	Utilities and telephone	5,400	5,974	(574)
1,928	1,989	(61)	Equipment repair and maintenance	6,120	6,886	(766)
1,561	719	842	Advertising and promotion	5,368	3,305	2,063
401	261	140	Installations, logistics and design	1,105	1,098	7
139	119	20	Personnel costs for collaborations and other	339	158	181
356	543	(187)	Insurance and guarantees	1,115	1,360	(245)
146	196	(50)	Market research	399	469	(70)
86	96	(10)	Marketing materials	353	347	6
172	210	(38)	Rental fees and additional charges	578	624	(46)
242	198	44	Operating leases and other leasing	725	623	102
482	473	9	Directors' fees	1,544	1,170	374
109	103	6	Independent Auditors' fees	477	488	(11)
62	63	(1)	Statutory Auditors' fees	185	188	(3)
38	41	(3)	Regulation authority and other committees fees	115	105	10
1	11	(10)	Expense reimbursement to directors and auditors	28	28	0
566	555	11	Other	2,101	2,118	(17)
85,953	68,746	17,207	Total	264,542	238,213	26,329

In particular, the table shows:

- the betting sports and horse racing betting collection service fees granted to the managers of horse racing and sports stores and betting corners decreased from Euro 57,323 thousand in the first nine months of 2013 to Euro 55,575 thousand in the first nine months of 2014. This decrease results from lower wagers on sports and horse racing betting in the physical network;
- costs for Gaming Machine services (totalling Euro 147,445 thousand compared to Euro 136,906 thousand in the first nine months of 2013) comprise fees paid to third party operators charged of wagers and running costs for VLT platforms;
- operating costs for on-line virtual races, equal to Euro 16,026 thousand, which include costs related to the operator and the platform.

The "Other" item mainly comprises no-competition agreement, IT services, surveillance and security services for the transportation of money and valuables, cleaning services, postal and shipping expenses, waste disposal and running costs of company vehicles.

8. Costs of personnel

Costs of personnel amounted to Euro 26,834 thousand in the first nine months of 2014, versus Euro 27,777 thousand in the first nine months of 2013, down by Euro 943 thousand (-3.4%) mainly due to the lower allocation of incentives for early retirement for employees and managers and unchanged staff turnover.

III quarter			thousands of Euro	First nine months		
2014	2013	Change		2014	2013	Change
5,866	5,541	325	Salaries and wages	18,538	18,063	475
1,896	1,683	213	Social security expenses	5,725	5,578	147

364	361	3	Accrual to defined-benefit/defined-contribution plans	1,083	1,086	(3)
22	0	22	Costs for personnel training	64	57	7
112	153	(41)	Expense reimbursement to employees	497	427	70
202	198	4	Meal tickets	590	563	27
19	692	(673)	Other costs of personnel	337	2,003	(1,666)
8,481	8,628	(147)	Total	26,834	27,777	(943)

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

The composition of the employees at year-end is illustrated by the following table, which shows an increase of 42 individuals compared to 31 December 2013, mainly due to the signature of fixed-term employment contracts for the Summer season in the racetracks of Montecatini and San Siro, in addition to special hiring into core business structures of the parent company and subsidiaries.

30.09.2013		31.12.2013		Accruals for the period	Disbursements for the period	30.09.2014	Average no. in period
22	Executives	22		5	1	26	23
654	Office workers and middle managers	581		71	28	624	603
71	Blue-collar workers	71		0	5	66	68
747	* Total Employees	674	**	76	34	716	***

* of whom 170 part-time and 22 on maternity leave

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

*** of whom 138 part-time and 19 on maternity leave

9. Other operating costs

Other operating costs amounted to a total of Euro 23,215 thousand in the first nine months of 2014 (Euro 27,315 in the first nine months of 2013).

III quarter				First nine months		
2014	2013	Change	thousands of Euro	2014	2013	Change
3,724	3,652	72	Concessions and licenses	11,188	11,479	(291)
62	548	(486)	Administration fines	385	3,510	(3,125)
1,358	939	419	% non-deductible VAT	4,355	3,307	1,048
3,441	1,524	1,917	Provision for doubtful debts	5,468	5,069	399
26	45	(19)	Credit losses	413	941	(528)
0	(8)	8	Utilisation of provision for doubtful debts and for risks	0	(151)	151
0	0	0	Release of provision for technological upgrading	(2,591)	0	(2,591)
113	77	36	Provision for risks	335	217	118
35	16	19	Entertainment expenses	97	124	(27)
46	63	(17)	Subscription fees	191	191	0
169	175	(6)	Other taxes	519	420	99
316	315	1	IMU (real estate tax)	948	945	3
74	187	(113)	Stationery, consumables and promotional materials	236	463	(227)
30	26	4	Environmental and health controls	84	69	15
7	19	(12)	Losses on settlement of disputes	149	281	(132)
248	58	190	Capital losses from sale of assets	1,188	123	1,065
80	(51)	131	Other administration and operating costs	250	327	(77)
9,729	7,585	2,144	Total	23,215	27,315	(4,100)

The concessions and licenses item includes, among other things:

- the concession fee for the legal gaming on gaming machines of Euro 6,242 thousand, calculated at 0.30% of the volume wagered and paid to ADM 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 Agreement, 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 4,060 thousand;
- the concession fee for on-line public gaming under the corresponding concessions in the amount of Euro 494 thousand;
- the television licence fees in the amount of Euro 263 thousand.

In the first nine months, an allocation was set aside to the Provision for doubtful debts, in the amount of Euro 385 thousand in order to align, with their recoverable value, receivables that arose in prior fiscal years in connection with the Group's core business operations and which showed, over the course of the year, growing difficulties with regard to their collection.

In the first nine months of 2014, an allocation was set aside to the Provision for risks for technological upgrading, in the amount of Euro 335 thousand, as provided for by the concession agreement for the building and running of networks for the on-line management of legal gaming via gaming machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per Royal Decree no. 773 of 18 June 1931 and following amendments and supplements, as well as related activities and functions. Furthermore, the provision for technological upgrading was released. It had been allocated as required by the previous concession, as authorized by the AAMS Agenzia delle Dogane e dei Monopoli in the amount of Euro 2,591 thousand.

The "% non-deductible VAT", equal to Euro 4,355 thousand, relates to particular operations performed by SNAI S.p.A., by Festa S.r.l. and by Società Trenno S.r.l., which generate, in part, the revenues subject to VAT taxation and in part revenues exempt from VAT, with consequent impact on the non-deductibility of VAT on purchases.

The companies SNAI S.p.A., Festa S.r.l. and Società Trenno S.r.l. have opted for separate 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 1,188 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 675 thousand in the first nine months of 2014 (Euro 699 thousand in the first nine months of 2013) 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 gaming machines;
- centralized systems, gaming interfaces and integration protocols for on-line 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);
- 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;
- Betting Shop Management system (MyWeb);
- System for the acceptance of bets on Virtual Events;
- Implementation of new acceptance solutions of self-service games;
- Proactive monitoring and control systems of peripheral components;
- Displaying and Signage Systems for VLT shops (Agencies, Arcades);
- AWP operating portals for owners and operators (SnaiPartner);
- Development of PDA installation automatic systems for AWP operators (SnaiPartner);
- Management systems and consoles for betting and risks on QF sales (Quota Life Cycle, Pre-match Console and Live console).

11. Amortisation, depreciation and write-downs

Amortisation, depreciation and write-downs amounted to a total of Euro 43,836 thousand in the first nine months of 2014 (Euro 39,794 thousand in the first nine months of 2013) and are detailed below:

III quarter			thousands of Euro	First nine months		
2014	2013	Change		2014	2013	Change
10,139	8,825	1,314	Amortisation of intangible assets	30,181	25,010	5,171
4,423	5,021	(598)	Depreciation of property, plant and equipment	13,434	14,654	(1,220)
(28)	79	(107)	Write-downs	221	130	91
14,534	13,925	609	Total	43,836	39,794	4,042

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

12. Other provisions

After the release of the Provision for risks by reason of the reduced risks on the liquidation of the subsidiary Teseo S.r.l., the item Other allocations was positive both in the first nine months of 2014, in the amount of Euro 11 thousand, and in the quarter, reporting Euro 459 thousand (negative by Euro 816 thousand in the first nine months of 2013 and negative by Euro 524 thousand in the third quarter 2013). The above release of the Provision occurred in the third quarter for the amount of Euro 483 thousand. For further information, see Note 29.

13. Financial income and expenses

In the first nine months of 2014, net financial expenses amounted to Euro 45,168 thousand, up by Euro 12,817 thousand over the first nine months of 2013, as detailed below:

III quarter			thousands of Euro	First nine months		
2014	2013	Change		2014	2013	Change
Gains and expenses from shareholdings						
(14)	0	(14)	Write-up/(write-down) Alfea S.p.A.	(18)	(3)	(15)
0	(295)	295	Write-up/(write-down) Hippogroup Roma Capannelle S.p.A.	(436)	(402)	(34)
0	0	0	Write-up/(write-down) shareholding in Connex S.r.l.	(4)	(8)	4
(14)	(295)	281		(458)	(413)	(45)
Financial income						
0	2	(2)	Gains on foreign exchange	1	5	(4)
305	205	100	Bank interest income	907	684	223
75	52	23	Misc. interest income	230	309	(79)
380	259	121		1,138	998	140

			Financial expenses			
0	8,834	(8,834)	Interest expense on loans	0	20,202	(20,202)
12,311	0	12,311	Interest expense on bond loan	37,566	0	37,566
70	89	(19)	Other interest expense	232	242	(10)
6	0	6	Exchange rate losses	10	4	6
604	1,676	(1,072)	Interest expense and ancillary charges on leasing	2,460	5,329	(2,869)
30	31	(1)	Interest expense on post-employment benefits	90	96	(6)
0	0	0	Ineffective portion of cash flow hedge	0	10	(10)
1,890	2,340	(450)	Other financial expenses	5,490	7,053	(1,563)
14,911	12,970	1,941		45,848	32,936	12,912
(14,545) (13,006) (1,539) Total				(45,168) (32,351) (12,817)		

Financial income, in the first nine months, included interest income accrued on bank accounts, in the amount of Euro 907 thousand, and other interest income for Euro 230 thousand, mainly related to interest borne on the extended terms of payment granted on trade receivables.

Financial expenses include the following:

- expenses calculated in accordance with the depreciated cost method under IAS 39 by applying the effective interest rate on loans amounting to Euro 37,566 thousand of which Euro 3,032 thousand can be attributed to ancillary costs. The above amounts are related to bond loans issued on 8 November 2013 and amounting to Euro 35,000 thousand, of which Euro 15,000 thousand redeemed with the issue, on 4 December 2013, of another bond loan, equal to Euro 480,000 thousand (for further details on bond loans reference is made to Note 28);
- interest expense calculated on financial leasing in the amount of Euro 1,681 thousand and ancillary charges on leasing for Euro 779 thousand, including non-deductible VAT;
- other financial expenses, including Euro 2,197 thousand of release of the portion pertaining of the cash flow hedge reserve related to hedge derivatives existing in 2013, Euro 1,970 thousand of commissions on bank guarantees, Euro 449 thousand of commissions payable on revolving loans and Euro 702 thousand of bank charges.

14. Income tax

Current income taxes, inclusive of IRES tax and IRAP tax of the subsidiaries consolidated on a line by line basis, as well as the deferred tax assets and liabilities recorded in the first nine months of 2014, show a negative balance of Euro 98 thousand.

III quarter			First nine months	
2014	2013	thousands of Euro	2014	2013
0	(347)	IRES	0	0
747	227	IRAP	2,001	1,724
1,276	1,263	Allocation to provision for deferred tax liabilities	3,467	3,799
(45)	(197)	Use of provision for deferred tax liabilities	(410)	(652)
(1,676)	(3,903)	Deferred tax assets	(7,894)	(6,193)
120	29	Reversal of deferred tax assets	2,933	1,341
0	(35)	IRES/IRAP for prior years	1	16
422	(2,963)	Total	98	35

The table below shows the reconciliation between the IRES and IRAP tax charge resulting from the condensed interim financial statements at 30 September 2014 and the theoretical tax charge (in thousands of Euro):

	First nine months 2014		First nine months 2013
Profit before tax	(9,845)		(14,437)
Theoretical IRES tax charge	27.50% 2,707	27.50%	3,970
Theoretical IRAP tax charge	4.72% 465	4.20%	606
Total Theoretical tax (charge)/credit	3,172		4,577
Fines, penalties and other taxes	(332)		(938)
Other permanent non-deductible costs	(348)		(1,005)
Other permanent tax deductions	219		126
	2,711		2,760
Permanent differences for IRAP tax purposes (including employees)	(2,808)		(2,779)
	(97)		(19)
Tax and duties for prior year	(1)		(16)
Actual tax (charge)/credit	0.99% (98)	0.25%	(35)

For further details on the effects deriving from the tax burden and the tax consolidation regime, reference is made to Note 18 "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 29 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.

15. Property, plant and equipment

Property, plant and equipment as at 30 September 2014 amounted to Euro 145,933 thousand (Euro 152,783 thousand). The change over the period is due to the combined effect of the depreciation charge for the period (Euro 13,434 thousand), investments (Euro 7,997 thousand), reclassification of intangible assets (Euro 5 thousand), impairment write-downs (Euro 221 thousand) and disposals, net of accumulated depreciation (Euro 1,197 thousand).

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

Cost

Balance as at 31 December 2013	141,434	170,165	7,231	26,036	112	344,978
Reclassification	(2)	(67)	0	186	(112)	5
Other increases	471	6,580	122	592	232	7,997
Decreases	0	(6,791)	0	(4,572)	0	(11,363)
Balance as at 30 September 2014	141,903	169,887	7,353	22,242	232	341,617

Depreciation and impairment losses

Balance as at 31 December 2013	33,826	136,216	6,829	15,324	0	192,195
Depreciation for the period	2,325	9,179	102	1,828		13,434
Write-downs	0	166		55		221
Disposals	0	(6,685)	0	(3,481)		(10,166)
Reclassification	0	(86)	0	86	0	0
Balance as at 30 September 2014	36,151	138,790	6,931	13,812	0	195,684

Carrying amounts

As at 31 December 2013	107,608	33,949	402	10,712	112	152,783
As at 30 September 2014	105,752	31,097	422	8,430	232	145,933

"Plant and equipment" 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 30 September 2014, in the amount of Euro 7,997 thousand, mainly relate to:

- "Land and buildings", in the amount of Euro 471 thousand, relate mainly to improvements to buildings and other structures at the Ippodromo del Galoppo [Milan gallop racetrack];
- "Plant and equipment", in the amount of Euro 6,580 thousand, relate for Euro 378 thousand to electro-thermal and electric plant, for Euro 5,485 thousand to technology loaned free of charge to the betting shops, for Euro 79 thousand to hardware and interconnection network for the betting shops, for Euro 213 thousand to radio links, Euro 18 thousand to broadcasting, synchronism and control equipment, for Euro 67 thousand to implementation of a gallop directing plant and for Euro 340 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;
- "Industrial and commercial equipment", in the amount of Euro 122 thousand, related to equipment for Group racetracks;
- "Other assets", in the amount of Euro 592 thousand, relate for Euro 463 thousand to furnishings and fittings provided free of charge to the betting shops and to shops managed directly by the Group, for Euro 129 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 30 September 2014, of Euro 958 thousand.

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

thousands of Euro	Total
Total commitment as of 30/09/2014	1,716
of which	
Payments falling due within 12 months	993
Payments falling due between 1 to 5 years	723
Payments falling due after 5 years	-
Redemption	790

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

16. Intangible assets

Intangible assets as of 30 September 2014 amounted to Euro 340,514 thousand (Euro 366,823 thousand). The change over the period is due to the combined effect of amortisation for the period for Euro 30,181 thousand, net disposals for Euro 1 thousand, reclassifications of property, plant and equipment for Euro 5 thousand and investments of Euro 3,878 thousand.

thousands of Euro	Goodwill	Concessions, licenses, trademarks and similar rights	Industrial patent rights and use of intellectual property	Other intangible assets	Assets in progress and advances	Total
-------------------	-----------------	---	--	--------------------------------	--	--------------

Cost

Balance as at 31 December 2013	231,605	252,958	14,461	15,593	2,085	516,702
Reclassification		1,408	0	336	(1,749)	(5)
Other increases		1,458	322	290	1,808	3,878
Decreases	0	0	0	(5)	0	(5)
Balance as at 30 September 2014	231,605	255,824	14,783	16,214	2,144	520,570

Amortisation and impairment losses

Balance as at 31 December 2013	74	127,366	11,910	10,529	0	149,879
Annual amortisation		27,913	875	1,393		30,181
Write-downs		0	0	0		0
Disposals		0	0	(4)		(4)
Reclassification		0	0	0		0
Balance as at 30 September 2014	74	155,279	12,785	11,918	0	180,056

Carrying amounts

As at 31 December 2013	231,531	125,592	2,551	5,064	2,085	366,823
As at 30 September 2014	231,531	100,545	1,998	4,296	2,144	340,514

The historical cost and related accumulated amortisation of item Concessions, licenses, trademarks and similar rights were adjusted as at 31 December 2013 with respect to overdue concessions totalling Euro 174,554 thousand.

Investments of Euro 3,878 thousand mainly concern:

- "Concessions, licenses, trademarks and similar rights", amounting to Euro 1,458 thousand, of which Euro 405 thousand for incentives to enter a new management agreement and Euro 785 thousand for the issue of the AWP authorisation and Euro 268 thousand for licences of VLT management software;
- "Industrial patents and intellectual property rights", amounting to Euro 322 thousand, of which Euro 118 thousand for licenses for operating programmes for administration, finance and control and Euro 204 thousand for licences related to virtual games;
- "Other", for Euro 290 thousand, of which Euro 164 thousand for the implementation of software programmes for betting management and Euro 118 thousand for the implementation of management software programmes and Euro 8 thousand for the VOD Portal for the Unire project;
- "Assets in progress and advances", amounting to Euro 1,808 thousand, of which: Euro 1,050 thousand for VESP licences related to virtual events, Euro 696 thousand for internally generated software, Euro 3 thousand for the New Concept Store and Euro 56 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 generated through acquisition of the concessions business units as from 16 March 2006 and Euro 710 thousand generated by the business combination for the acquisition of the shareholding in "Agenzia Ippica Monteverde S.r.l." (now merged into SNAI S.p.A.). This CGU is represented by the business related to the horse racing and sports betting concessions, to the concession for the management and operation of the network for the online management of legal gaming machines and the related assets and functions (slot machines - AWP and video-lottery - VLT) and activities related to skill, 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 on-line 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 at 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 nine months of 2014 which might have required impairment testing on goodwill.

17. Shareholdings

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

thousands of Euro	Balance-sheet amount as at		Percentage held	
	30/09/2014	31/12/2013	30/09/2014	31/12/2013
Associates and subsidiaries that are not fully consolidated				
- Hippogroup Roma Capannelle S.p.A.	1,089	1,525	27.78	27.78
- Alfea S.p.A.	1,271	1,289	30.7	30.7
- Connex S.r.l.	45	49	25	25
- Solar S.A.	3	3	30	30
- Teseo S.r.l. in liquidation	0	0	70	70
Total shareholdings measured using the equity method	2,408	2,866		
Other				
- Tivu + S.p.A. in liquidation	0	0	19.5	19.5
- Lexorfin S.r.l.	46	46	2.44	2.44
Total shareholdings in other companies	46	46		

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

18. 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 reported deferred tax assets and deferred tax liabilities equal to a net amount of deferred tax assets of Euro 22,710 thousand (the net amount of deferred tax assets, as at 31 December 2013, amounted to Euro 21,411 thousand).

Temporary differences	Amount	Rate	Tax impact	Advances posted	Period of reversal
Taxed provision for doubtful debts	48,661	27.50%	13,381	13,381	2014 and following
Provision for risks	9,778	27.50% - 32.22%	3,142	3,142	2014 and following
Provision for inventory depreciation	247	27.50% - 32.22%	77	77	2014 and following
Difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets	3,324	27.50% - 32.22%	1,023	1,023	2014 and following
Interest Rate Swap	3,662	27.50%	1,007	1,007	2014 and following
Interest expense not deducted as per art. 96 of Tuir	79,740	27.50%	21,929	21,929	2014 and following
Other temporary differences	1,780	27.50%	490	490	2014 and following
Total	147,192		41,049	41,049	

Total Tax loss that can be carried forward	Amount	Rate	Tax impact	Gains posted	Usable before
SNAI S.p.A.:					
Fiscal year 2008	17,895	27.50%	4,921	4,921	eligible for being carried forward indefinitely
Fiscal year 2009	10,200	27.50%	2,805	2,805	eligible for being carried forward indefinitely
Fiscal year 2010	29,059	27.50%	7,991	7,991	eligible for being carried forward indefinitely
Fiscal year 2011	27,186	27.50%	7,476	7,476	eligible for being carried forward indefinitely
Fiscal year 2012	34,422	27.50%	9,466	9,466	eligible for being carried forward indefinitely
Fiscal year 2013	75,454	27.50%	20,750	3,425	eligible for being carried forward indefinitely
30 September 2014	8,395	27.50%	2,309	2,309	eligible for being carried forward indefinitely
Total prior losses	202,611		55,718	38,393	
Total Deferred tax assets				79,442	

The changes in deferred tax assets:

	31/12/2013	allocations set aside	uses	30/09/2014
Deferred tax assets	75,086	7,894	(3,538)	79,442

As at 30 September 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 deferred tax assets of Euro 2,309 thousand were recognised on the loss resulting from tax consolidation.

It should be also noted that, on the tax loss resulting from tax consolidation for 2013, recognised deferred tax assets amounted to Euro 3,425 thousand against recordable benefits of Euro 20,750 thousand. In fact, regardless of the fact that the Inland Revenue Office accepted the request filed by the Parent Company on the deductibility, for IRES tax

purposes, of amounts paid by SNAI S.p.A. to settle the dispute with AAMS at the Court of Auditors, equal to Euro 63,000 thousand, the Company's Directors deemed advisable not to record this amount as deferred tax assets in order to evaluate, at year-end, their effective possible recoverability according to updated expected results. In light of the above, total receivables on tax losses amounted to Euro 38,393 thousand.

With reference to deferred tax assets, the "difference between the carrying amount and the fiscal value of property, plant and equipment and intangible assets", of Euro 3,324 thousand with tax effect of Euro 1,023 thousand, relates mainly to leasing contracts signed in 2007 and prior years (Euro 2,188 thousand with tax effect of Euro 705 thousand).

It is worth noting that the tax consolidation option is currently in force for the 2013-2015 three-year period, as per Art. 117 and FF of the Presidential Decree no. 917/1986 with the consolidated company Società Trenno S.r.l.. Moreover, the tax consolidation option between the consolidating company and the consolidated 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 scope.

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

Under the existing agreements, the income tax on the taxable income transferred to the consolidating entity is then paid by set-off against the credit balance created by the 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	(10,988)	27.50% - 32.22%	(3,368)	(3,368)
Post-employment benefits (TFR)	(3)	27.50%	(1)	(1)
Tax amortisation of goodwill on business segments	(127,979)	27.50% - 32.22%	(40,240)	(40,240)
Difference between the carrying amount and the fiscal value of property, plant and equipment	(40,618)	27.50% - 32.22%	(13,058)	(13,058)
Other temporary differences	(237)	27.50% - 32.22%	(65)	(65)
Total deferred taxes	(179,825)		(56,732)	(56,732)

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

	31/12/2013	allocations set aside	uses	30/09/2014
Provision for deferred taxes	53,675	3,467	(410)	56,732

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

Therefore, 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 40,618 thousand with tax impact of Euro 13,058 thousand relates mainly to real estate properties (formerly owned by Trenno) in Milan - San Siro and Montecatini (Euro 38,204 thousand with tax impact of Euro 12,309 thousand).

19. Inventories

Relative to 31 December 2013, inventories increased by Euro 719 thousand. The composition of the “Inventories” item is shown below:

thousands of Euro	30/09/2014	31/12/2013	Change
Raw materials	23	24	(1)
Work in progress	8	8	0
Finished products/goods	579	1,297	(718)
Total	610	1,329	(719)

The value of inventories is shown net of the provision for inventory depreciation, which, as at 30 September 2014, amounted to Euro 247 thousand (compared with Euro 273 thousand as at 31 December 2013). The following table shows the changes in the provision for inventory depreciation.

	31/12/2013	Allocations	Uses	30/09/2014
Provision for inventory depreciation				
Raw materials	92		0	92
Work in progress	3		0	3
Finished products/goods	178		(26)	152
Total	273	0	(26)	247

20. Trade receivables

The trade receivables are broken down as follows:

thousands of Euro	30/09/2014	31/12/2013	Change
Trade receivables			
- from customers	101,191	101,982	(791)
- from foreign customers	21	19	2
- from MIPAAF	18,911	17,152	1,759
- from stables, jockeys and bookies	726	1,402	(676)
- from parent Global Games S.p.A.	0	6	(6)
- actual assets at collection and in portfolio	1,592	1,148	444
- provision for doubtful debts	(46,247)	(46,105)	(142)
Total	76,194	75,604	590

Trade receivables from customers included the balances as at 30 September 2014 due from operators for accepting bets (Betting and Gaming Machines), net of the compensation due to those operators. They also include the receivables related to the legal actions of SNAI S.p.A. in the amount of Euro 43,772 thousand (Euro 46,055 thousand).

Receivables from MIPAAF (former ASSI, absorbed by MIPAAF - Ministry of Agriculture, Foodstuff and Forestry Policies), amounted to Euro 18,911 thousand and include:

- Euro 4,955 thousand for receivables from Società Trenno S.r.l.. Of the above amount, Euro 2,079 thousand are related to amounts accrued as at 30 September 2014 regarding fees for the management of racetracks, the remaining amount, equal to Euro 2,876 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 and amounts collected for registration of horses at Grand Prix 2014 of the horse racetracks in Milan and Montecatini and amounting to Euro 507 thousand;
- Euro 13,956 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 betting shops for "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 any security that had been provided towards the companies of the Group, and also carrying out an assessment on the possible recovering of overdue receivables, and disputed receivables, based on the opinions of the Group's lawyers. Considering the company-backed guarantees obtained from debtors, directors believe that this provision is adequate to cover all foreseeable future losses on receivables.

21. Other assets

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

thousands of Euro	30/09/2014	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	185	114	71
- from Inland Revenue Office for taxes on assets	54	54	0
	301	230	71
<i>Receivables from others:</i>			
- guarantee deposits	1,469	1,673	(204)
	1,469	1,673	(204)
Trade receivables:			
- assets/valuables in portfolio	256	510	(254)
	256	510	(254)
Total Other non-financial assets	2,026	2,413	(387)

The increase in guarantee deposits comprise, among other, Euro 300 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 29.

Other current assets are composed as follows:

thousands of Euro	30/09/2014	31/12/2013	Change
Other current assets			
<i>Tax Receivables:</i>			
- from Inland Revenue Office for IRES down payment /credit	244	657	(413)
- from Inland Revenue Office for IRAP down payment/credit	788	1,121	(333)
- from Inland Revenue Office for VAT	73	483	(410)
- Other tax receivables	557	510	47
	1,662	2,771	(1,109)
<i>Receivables from others:</i>			
- Gaming Machines guarantee deposit	10,314	14,064	(3,750)
- Advance concession payment to AAMS	3,371	1,208	2,163
- Receivables from AAMS for winnings on National Horse Racing	33	105	(72)
- Guarantee deposit for on-line gaming (Skill/Bingo)	320	252	68
- Receivables from Skill Games	70	41	29
- Other receivables from Betting Acceptance Points	139	139	0
- Receivables from prior grants from granting bodies	327	296	31
- 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	0	16	(16)
- Receivables from Bluline electronic exchange	226	226	0
- Social security entities	255	153	102

- Sundry receivables	2,786	3,478	(692)
- Provision for doubtful debts from others	(2,097)	(2,145)	48
	17,858	19,947	(2,089)
<i>Accrued income and prepayments</i>			
- Accrued income	16	16	0
- Prepayments	3,249	3,953	(704)
	3,265	3,969	(704)
Total other current assets	22,785	26,687	(3,902)

The gaming machines guarantee deposit of Euro 10,314 thousand (Euro 14,064 thousand) is equivalent to 0.5% of the turnover generated by the gaming 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 3,371 thousand, includes the fixed amounts paid in advance to AAMS for the first and second half of 2014 and relates to the concession fee for horse racing and sports betting and for on-line gaming. For further details reference is made to Note 9.

Among the prepayments, the table shows:

- Euro 2,316 thousand (compared to Euro 3,112 thousand as of 31 December 2012), related to advance payments for commissions on guarantees and insurance premiums, essentially related to guarantees provided to secure contractual obligations assumed for the concessions for rights and for gaming machines;
- Euro 933 thousand (Euro 841 thousand), primarily related to costs of maintenance and assistance contracts, etc., that have not yet accrued.

22. Financial assets

The financial assets consist of the following:

thousands of Euro	30/09/2014	31/12/2013	Change
Non-current financial assets			
Option rights	245	0	245
AWP deposits	492	0	492
Total non-current financial assets	737	0	737
Current financial assets			
Dedicated bank accounts	0	6	(6)
Escrow accounts and unavailable balances	19,529	19,407	122
Fiduciary deposits	610	0	610
Shares in former Società Fiorentina Corse Cavalli for exchange	1	1	0
Total current financial assets	20,140	19,414	726

Non-current financial assets consist of the following:

- 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 wagers of gaming machines. 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.

- AWP deposits, equal to Euro 492 thousand, related to the contract with a sector operator.

Current financial assets are made up as follows:

- the escrow accounts, which were opened by the Parent Company in order to manage the amounts resulting from the offsetting between the receivables from AAMS under the Di Majo award, and the liabilities for wagers, due every two weeks (the so-called "former ASSI fifteen-days payments"). The balances of these bank current accounts are unavailable while waiting for ADM'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.

- fiduciary deposits, amounting to Euro 610 thousand, are related to a deposit for the purchase of trademarks and, as at 30 September 2014, were subjected to a condition precedent.

Non-current financial assets, the fiduciary deposits, the escrow accounts and unavailable amounts held in bank accounts were not included in the Net Financial Position (see Note 40).

23. Cash and cash equivalents

The cash and cash equivalents are broken down as follows:

thousands of Euro	30/09/2014	31/12/2013	Change
Bank accounts	73,668	45,284	28,384
Postal deposits	55	9	46
Cash in hand	230	206	24
Cash on hand	73,953	45,499	28,454
Bank overdrafts	0	0	0
Net cash and cash equivalents	73,953	45,499	28,454

To optimise the yield from cash, SNAI S.p.A. made a time deposit generating a higher return.

24. Shareholders' Equity

The share capital of the parent company, SNAI S.p.A., as of 30 September 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 at 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 associates.

Reserves

Legal Reserve

The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve

The share premium reserve, equal to Euro 13,946 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 103,037 thousand, to cover part of the losses for the year 2010 and the losses for the year 2011 and 2012, for Euro 94,336 thousand, to cover the loss for the year 2013, as resolved by the shareholders' meeting of 29 April 2014.

Cash Flow Hedge Reserve

The cash flow hedge reserve was negative for Euro 2,655 thousand and consisted of derivatives being taken directly to equity (see Note 36).

Post-employment benefit reserve (IAS 19)

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

Profit (loss) carried forward

Profit (loss) carried forward amounted to Euro 773 thousand and show movements over the period due to the difference between the loss of the parent company (Euro 94,336 thousand) and the loss of the Group (Euro 94,530 thousand).

Shareholders' Equity pertaining to minority interests

As at 30 September 2014, minority interests show a zero balance, given that none of the subsidiaries consolidated on a line-by-line basis have non-controlling interest shareholders.

25. Other comprehensive income/(loss)

The other components of the comprehensive income statement relate to the recognition of derivatives directly in cash flow hedge reserve in shareholders' equity (for further detail see Notes 36).

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

III quarter			First nine months	
2014	2013		2014	2013
		Hedge derivatives:		
732	610	Net (loss)/profit from derivatives as cash flow hedges	2,197	4,046
(201)	(168)	Tax impact	(604)	(1,113)
531	442	Hedge derivatives	1,593	2,933
531	442	Total profit/(loss) for the period	1,593	2,933

26. Earnings per share

Basic earnings per share

The calculation of the basic earnings/loss per share as at 30 September 2014 was made taking into consideration the loss attributable to the holders of ordinary shares, for Euro 9,943 thousand (31 December 2013: loss of Euro 94,530 thousand) and the weighted average number of outstanding ordinary shares during the period ended 30 September 2014, equal to 116,824,985 shares (31 December 2013: 116,824,985).

The amount was calculated as follows:

in thousands	30/09/2014	31/12/2013	30/09/2013
Gain/(loss) attributable to holders of ordinary shares = gains for fiscal year of group (a)	(9,943)	(94,530)	(14,472)
Average weighted number of ordinary shares /1000 (b)	116,824.99	116,824.99	116,824.99
Basic earnings/(loss) per share (a/b)	(0.09)	(0.81)	(0.12)

Diluted earnings/(loss) per share

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

27. Post-employment benefits

The Post-employment benefits as at 30 September 2014 amounted to Euro 4,187 thousand against Euro 4,387 thousand as at 31 December 2013.

The following table shows the movements therein:

thousands of Euro	
Balance as at 01/01/2014	4,387
Accruals	64
Utilisation	(354)
Financial expenses	90
Balance as at 30/09/2014	4,187

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.

28. Financial liabilities

The financial liabilities are comprised of the following:

thousands of Euro	30/09/2014	31/12/2013	Change
Non-current financial liabilities			
Bond loan	462,606	479,214	(16,608)
Due for financial leasing	1,382	2,174	(792)
Total other non-current liabilities	463,988	481,388	(17,400)
Current financial liabilities			
Current portion of senior bank loans - Bond loan	19,298	0	19,298
Due for financial leasing	949	3,764	(2,815)
Due for interest on bond loans	13,623	3,661	9,962
Due to banks	40	40	0
Due to "Betting Acceptance Points" for the purchase of horse racing and sports Concessions business segments	42	42	0
Total current financial liabilities	33,952	7,507	26,445

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 481,904 thousand, (nominal value of Euro 500,000 thousand) and stated net of direct ancillary charges. These charges, totalling Euro 21,453 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 3,032 thousand have been charged to the income statement as at 30 September 2014;
- financial liabilities for financial lease contracts, totalling Euro 2,331 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 betting acceptance points, described in greater detail in Note 15, "Property, plant and equipment";

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

On 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: 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 or 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.

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 at 30 September 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 of payment	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 year and 6 months	3 months	08/05/2015	Bullet	08/11/2013	20,000
Senior Revolving Facility	30,000		1, 3 or 6 months	15/12/2017	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 disbursed as at 30/09/2014		500,000

29. 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 at 30 September 2014, the provisions for risks and charges amounted to Euro 12,168 thousand; the changes in those provisions are detailed in the following table:

thousands of Euro	Technological renewals	Tax disputes, litigations and contractual risks	Pension fund	Total
Balance as at 31 December 2013	3,009	13,608	0	16,617
Provisions recognised over the period	335	472	1	808
Releases/Utilisation for the period	(2,591)	(2,666)	0	(5,257)
Balance as at 30 September 2014	753	11,414	1	12,168

Technological renewals

The provision for technological renewals consists of:

- Euro 573 thousand related to periodical allocations for technological upgrading, as provided for by the concession agreement for the construction and running of networks for the on-line management of legal gaming via gaming machines, in accordance with Art. 110, par. 6, of the T.U.L.P.S. [Consolidated Text of Public Safety Laws], as per the Royal Decree no. 773 of 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 11,414 thousand.

The allocation for the period of Euro 472 thousand concerns: Euro 400 thousand for risks on 2013 PERU and Euro 72 thousand for charges related to companies in liquidation.

The utilisation over the period of Euro 2,666 thousand are related to: Euro 337 thousand for transactions with employees, Euro 483 thousand for risk mitigation on liquidation of the subsidiary Teseo S.r.l., in liquidation, Euro 849 thousand for legal expenses and Euro 997 thousand for transactions.

Disputes related to the gaming machine business: AAMS's objections for alleged breaches in the management of the on-line 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 these three penalties null and void.

In its memorandum 2011/6303/Giochi/ADI of 22 February 2011, AAMS formally resumed the proceedings to enforce a 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 on-line 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 2012, 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 around 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 lawyers' opinions, the Group considers the risk of a negative outcome regarding AAMS's claims as no more than possible.

Disputes concerning the gaming 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 on-line communication of the data relevant to Sogei S.p.A. instead of applying the rules laid down for someone who "handled" public money in a historical era as far back as 1862.

At the hearing of 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 lawyers, 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 was served with the above ruling on 3 July 2014, with payment term of 30 (thirty) days. The Company provided for the payment on 10 July 2014.

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 appealed 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, 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 at 30 September 2014, 92 proceedings had been filed, including 10 interim orders that were temporarily enforceable and can be summarised as follows:

- in two cases, the gamers obtained an award of about Euro 500,000.00. In one of these cases SNAI, after obtaining the suspension of the interim order's enforceability, applied for and obtained 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; It is worth noting that, after 30 September 2014, the Court declared its own lack of jurisdiction and ordered the release of the guarantee deposit with consequent return of the corresponding amount to SNAI.
- in the remaining seven cases, temporary enforceability was suspended pending summary examination of the substantive case. In five of those, the enforcement procedure started was i) discontinued in one case, ii) suspended in two 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 is 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;
- iii) during the case, 2 orders were issued pursuant to Art. 186 of the Italian Code of Civil Procedure (hereinafter "c.c.p."), of which one was revoked upon motion filed by SNAI. As regards the other, SNAI has already received the requests of payment by the claimants;
- iv) an objection was defined pursuant to Art. 702 c.c.p. with order of the Court of Prato which rejected, on the merits of the claim, all requests filed by the claimant.

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 first hearing, following the various postponements, was set for 27 November 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. 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 adviser, filed a special appeal with the Lazio Regional Administrative Court for the suspension and subsequent cancellation of the decisions requiring the minimum payments for the year 2008.

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

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

Following numerous litigation brought before the same court by a large number of betting acceptance points concession holders related to the guaranteed minimum fees for the years 2006 and 2007, the court pronounced the Sentences nos. 6521 and 6522 of 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 Regional Administrative Court (TAR) 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 appeal 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 sports and horse racing betting.

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 the "*amounts for collection pursuant to article 12 of 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 amounts, 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 Court, 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, lett. b) of the Law Decree no. 16/2012 as regards the wording "*not higher than 5 per cent*".

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

On 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.

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

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

The Group, supported by the advice of its legal advisers, considers that the risk of losing in relation to the requests, which have been brought by AAMS, is 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. sued SNAI, alleging a breach of obligations under an existing contract between the parties for the "*management, maintenance and assistance by Omniludo S.r.l. for slot machines*" (the "Contract of 29/6/2005", petitioning the Court: to accept and declare the liability of SNAI for breach of its contractual obligations, in particular of the right to commercial exclusivity, under clauses 3 and 4 of the Contract dated 29/6/2005; to condemn SNAI to pay compensation in an aggregate amount of over Euro 100 million, or such other amount as may be established in the course of the proceedings.
The case was investigated and the hearing was postponed to 10/12/2010 to allow for clarification of the pleadings and then postponed again ex officio to 17/06/2011. Having clarified the pleadings, SNAI filed a motion for consolidation with another case brought by the same party (described below) pending before the Court of Lucca, Mr. Giunti (Case no. 4810/10).
By order of 10/02/2012, the Court lifted its reservation made at the hearing of 17 June 2011 and the judge forwarded the case to the President of the section for combination of the lawsuits or the reassignment of lawsuit 4810/2010 to Mr. Capozzi who had investigated the first proceedings.

- **Case 4810/2010.** By the writ of summons served on 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, who scheduled the trial for 07/01/2011.

The case was investigated and the hearing was postponed to 11/12/2013.

By order of 12/03/2012, the Presiding Judge of the Court ordered that the case 4194/07 be convened jointly with case 4810/2010 at the hearing of 11/12/2013 before Judge Frizilio with a view of their possible consolidation.

The aforementioned ruling was appealed by OMNILUDO on 3 April 2012. By order of 26/06/2012, the Presiding Judge of the Court, after hearing the parties and holding that the substantive requirements were met, with order of 26 June 2012 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.

On the hearing of 11 December 2013, in fact, 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. After specifying the conclusions, the Judge granted legal time limits for the filing of closing briefs.

A decision is still awaited.

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

Stefano Tesi vs. SNAI

By means of a notice of appeal 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 expenses, 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. After specifying the conclusions, the Judge granted legal time limits for the filing of closing briefs and replies. A decision is still awaited.

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.

At that hearing, the Judge ruled that the documents were to be translated, allowing the court appointed expert 180 days in which to carry out the appraisal (beginning from 16 June 2014) and postponing the hearing for the examination of the appraisal to 27/02/2015.

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

Potential assets: Receivables from the Di Majo Award

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

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

The compensation awarded to SNAI by 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 escrow accounts awaiting the pronouncement of the Court of Appeal of Rome, or, in any case of the final decision

With ruling no. 2626 of 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 appealed (service on 21 May 2014 and submission to the Court of Cassation thereafter on 10 June).

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 gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.

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

SNAI has filed an appeal with the appropriate Provincial Tax Commission 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 as a form of self-remedy (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 new hearing has to be set;
- for 15 proceedings, the hearings on the merits and suspension of provisional enforceability as at 5 June 2013 have been accepted and on 24 July 2013 the Court lifted its reservation and rejected the appeal filed by SNAI. SNAI has appealed these rulings before the Regional Tax Commission and we are waiting for a hearing date to be set;
- 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. AAMS has appealed the remaining 15 rulings before the competent Regional Tax Commission and SNAI has submitted its own objections. Of which: 7 proceedings are still pending at the Supreme Court following ADM's appeal against the decision of the Regional Tax Commission which confirmed the first instance proceeding thus rejecting ADM's request; for 8 proceedings the hearings have not yet been scheduled;
- 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 and/or assessment notices issued by the regional offices of AAMS, which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.

The aggregate amount of penalties and PREU 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 7 proceedings, the hearings on the merits and suspension of provisional enforceability were held and the decision has not yet been issued.
- for 1 proceeding, the hearing on the merits has been scheduled for 16 October 2014 and the hearing on the merits has not yet been scheduled.
- for 1 proceeding, on 04/07/2013 after brief discussion, the CTP reserved on the decision. Upon lifting of its reservation, the CTP rejected the suspension request and postponed the discussion to a new hearing. A new hearing has to be set.

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 ADM (formerly AAMS), which set out the meter readings for gaming machines (AWP), pursuant to article 110, paragraph 6 a, of the Italian law "TULPS". The meter readings show differences with respect to the payments made by the concession holder in relation to each individual gaming machine.

In particular:

- in relation to 2 notices the amount of which is still undetermined, for which SNAI filed defensive briefs before the competent CTP. The Company is still waiting for the outcome of the evaluation;
- in relation to 6 assessment notices (followed by 4 objections for which SNAI filed defensive briefs), for a total amount of approximately Euro 380,000.00. SNAI has filed appeals against the above notices before the competent CTP; We are awaiting the dates to be set for the hearing on the merits and suspension.

Additional penalties for exceeding the AWP quotas by Regional Offices

This relates to 112 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. Pending assessment of the individual position, SNAI has provided as follows:

- to make a reduced payment for 43 disputes amounting to approximately Euro 21,300.
- to submit defensive briefs for 69 disputes, of which 18 have been archived.

Quotes of 2 October 2012

Due to a malfunctioning 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 on-line through the website www.snai.it.

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

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

SNAI 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 ADM requesting payment of their winnings. With the rulings no. 4/2013, no. 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.

30. Sundry payables and other liabilities

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

thousands of Euro	30/09/2014	31/12/2013	Change
Sundry payables and other non-current liabilities			
<i>Tax payables</i>			
- instalments on assessment notice	96	452	(356)
- instalments on flat-rate tax	477	593	(116)
	573	1,045	(472)
<i>Other payables</i>			
- for instalments related to PREU for previous years	1,994	2,567	(573)
- for guarantee deposit liabilities	23	11	12
	2,017	2,578	(561)
Total sundry payables and other non-current liabilities	2,590	3,623	(1,033)

Other current liabilities are composed as follows:

thousands of Euro	30/09/2014	31/12/2013	Change
Other current liabilities			
<i>Tax payables</i>			
- income tax	2,001	285	1,716
- VAT	825	2,228	(1,403)
- Flat-rate tax	14,697	4,757	9,940
- instalments on flat-rate tax	180	1,636	(1,456)
- instalments on assessment notice	711	1,347	(636)
- other tax debts	544	1,600	(1,056)
	18,958	11,853	7,105
<i>Payables to social security institutions</i>			
- Soc. Sec. Entities	1,973	2,466	(493)
	1,973	2,466	(493)
<i>Other payables</i>			
- to AAMS for outstanding PREU	10,207	14,944	(4,737)
- to AAMS for guarantee deposits ADI	1,133	2,417	(1,284)
- for instalments related to PREU for previous years	903	1,103	(200)
- to winners and VLT jackpot reserve	10,462	10,531	(69)
- VLT required tickets	69	202	(133)
- to AAMS as concession instalment	679	1,449	(770)
- to gamblers for antepost betting	1,424	1,762	(338)
- to gamblers for wins and refunds on national horse racing/sports forecast betting	1,823	1,609	214
- to ASSI (former U.N.I.R.E.) for fortnightly payments	948	1,077	(129)
- to AAMS for required tickets	272	277	(5)
- to AAMS for Sports Forecast and National Horse Racing Betting Concession	1,487	3,138	(1,651)
- for SNAI Card gaming bards	6,044	5,900	144
- to On-line Gaming players (Skill/Casino/Bingo)	128	132	(4)
- for management of On-line Gaming (Skill/Casino/Bingo)	1	1	0
- to players for wins in virtual events	213	47	166

- to AAMS	21,736	21,564	172
- for non-competition agreement	0	167	(167)
- to employees and collaborators	3,715	3,786	(71)
- to directors	635	764	(129)
- to auditors	123	192	(69)
- for guarantee deposits	2,636	2,281	355
- to Teseo S.r.l. in liquidation	483	0	483
- to parent companies	0	65	(65)
- to others	2,631	2,594	37
	67,752	76,002	(8,250)
<i>Accrued liabilities and deferred income</i>			
- accrued liabilities	1,887	245	1,642
- deferred income	975	901	74
	2,862	1,146	1,716
Total other current liabilities	91,545	91,467	78

The instalments payable on the tax assessment notice of a total of Euro 807 thousand concern the settlement of the assessments and resulting acceptance of the tax assessment notices delivered on November 2011 and July 2013, of which Euro 96 thousand is due within more than 12 months and Euro 711 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 extend payment through 12 quarterly instalments.

Payables related to the flat-rate tax payable in instalments, amounting to Euro 657 thousand, of which Euro 477 thousand being due after one year and Euro 180 thousand being due within one year, comprise the residual amount to be paid for fines and interest payable for the delayed payment of the 2009-2010 flat-rate tax.

The PREU payables related to instalments for previous years, amounting to Euro 2,897 thousand, of which Euro 1,994 thousand being due after one year and Euro 903 thousand being due within one year, comprise fines and interest payable for the delayed payment of the 2006-2007 and 2009-2010 PREU tax.

The tax increase is due to the different timing of payment for the flat-rate tax on betting, introduced in 2012. The payment term of the flat-rate tax on horse racing betting and betting on events other than horse races, 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 21,736 thousand, relates to draw downs 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 22.

Payables to AAMS for outstanding PREU, in the amount of Euro 10,207 thousand, are calculated from the gaming machine transactions.

The Deferred income item, amounting to Euro 975 thousand, is related, in the amount of Euro 828 thousand, to the portion of the grants to the former ASSI investment fund recognised as grants related to investments.

31. Trade payables

The trade payables are composed as follows:

thousands of Euro	30/09/2014	31/12/2013	Change
Trade payables			
- to suppliers	32,199	34,548	(2,349)
- to stables, jockeys and bookies	156	163	(7)
- to foreign suppliers	4,633	4,079	554

- advances paid to suppliers	(1,200)	(1,030)	(170)
- credit notes to be received	(428)	(465)	37
- to associate Connex S.r.l.	226	201	25
- to investee Tivu + S.p.A. in liquid.	43	43	0
Total trade payables	35,629	37,539	(1,910)

32. Overdue accounts payable

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

(amounts in thousands of Euro)

Current liabilities	Balance as at 30/09/2014	of which due on 30.09.2014
Financial payables	33,952	-
Trade payables	35,629	11,621
Tax payables	18,958	-
Payables to social security institutions	1,973	-
Other payables	67,752	-
	158,264	11,621

Trade payables: the amounts due as of 30 September 2014, equal to Euro 11,621 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 30 September 2014. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response.

33. Share based payments

On 29 April 2014, the Shareholders' Meeting of SNAI S.p.A. approved, among other things, the proposal for the remuneration plan pursuant to article pursuant to Art. 114-bis of Law Decree 58/98 regarding a Remuneration Instrument for the Chairman and Managing Director Giorgio Sandi, by virtue of his key position within the Company and fundamental role within the Company's development process.

This Plan includes a one-off, extraordinary bonus, in cash (the "Cash Bonus") or shares (the "Share-Based Bonus" and the Cash Bonus, together the "Extraordinary Bonus"), upon occurrence of some events connected with the Company's change of control.

Change of control means the direct or indirect acquisition, by a natural or legal person, who individually or together with other entities acting together with it pursuant to article 109 of the Consolidated Law on Finance (TUF), becomes the shareholder who holds, directly or indirectly, the highest number of Company shares.

- I. The Cash Bonus will be paid by the company in the event that an entity other than the current controlling shareholder of SNAI makes, by 31 December 2021, a tender offer, whether voluntary or mandatory, on the company shares (the "**OPA**" [public offering]) due to which or upon conclusion of which an exchange of control takes place.
- II. The Share-based Bonus will be paid by the company if, by 31 December 2021:
 - there is a merger by the company (the "**Merger**") upon conclusion of which an exchange of control takes place;
 - the company carries out a share capital increase upon conclusion of which an exchange of control takes place (the "**Increase**");
 - an entity other than the current controlling shareholder of SNAI makes an exchange tender offer on the company shares ("**OPS**") due to or upon conclusion of which an exchange of control takes place.

The Share-based Bonus, where attributed, will consist, in the event of a merger, in a number of shares of the company ensuing from the merger and, in the event of an increase or OPS, in a number of shares of the company.

Upon fulfilment of the Conditions, the Extraordinary Bonus will be attributed exclusively in the event in which the price per SNAI share is equal to or higher than Euro 4.1. In this case, the amount of the Cash Bonus or the Share-based Bonus will be determined based on the following table:

The price of SNAI shares	Amount of the bonus
Less than €4.1/share	0
From €4.1/share (included) up to € 5.65/share	2% of SNAI's capitalisation
From €5.65/share (included) up to € 6.40/share	2.33% of SNAI's capitalisation
From €6.40/share (included) up to € 7.20/share	2.67% of SNAI's capitalisation
For a price equal to or higher than €7.20/share	3.0% of SNAI's capitalisation

In the event of a termination of contract between the director and the company due to death or permanent invalidity or termination without just cause, or failure to renew the office, subsequently to the approval of the financial statements for the period ended 31 December 2015, for a subsequent mandate, the CEO will be entitled to a portion of the Cash Bonus or the Share-based Bonus, always provided the conditions above are fulfilled, and it will be determined according to different percentages.

The fair value of this instrument on the assignment date is equal to Euro 4,454 thousand.

The fair value as at 30 September 2014 is equal to Euro 3,793 thousand.

The liabilities as at 30 September 2014 which should be recognized in the financial statements amount to Euro 251 thousand, but given that the conditions this plan is subject to are not considered to be probable by the company as at 30 September 2014, in line with the instructions provided by IFRS 2, no liabilities have been recognized in the financial statements for the period ended 30 September 2014 no cost has been recognized in the income statement ended on that same date.

34. Financial commitments

In addition 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 128,077 thousand as at 30 September 2014 (Euro 157,100 thousand as at 31 December 2013).

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

Bank	Beneficiary	Subject matter of the guarantee	Increases/(decreases) as of 30.09.2014 (thousands of euro)
UNICREDIT	MEDIOCREDITO ITALIANO S.p.A.	Tim's phone top-ups	4,000
BCC DI CAMBIANO	VODAFONE OMNITEL B.V.	To guarantee prompt and entire fulfilment of obligations related to the agreement	750
UNICREDIT	AAMS	AAMS On-line games	460
ELBA ASSICURAZIONI SPA	MINISTRY OF ECONOMIC DEVELOPMENT	In guarantee of the "Ticket mondiale" tender	134
UNICREDIT	POSTEMOBILE SPA	To guarantee the exact fulfilment of all the obligations undertaken with the contract for the provision of mobile telephone recharges	100
BCC DI CAMBIANO	CDC IMMOBILIARE SRL	To guarantee a lease	50
BNL	ESSELUNGA	To guarantee a sub-lease	(18)
BNL	CDC IMMOBILIARE	To guarantee a lease	(50)
TORO ASS.	MINISTRY OF ECONOMIC DEVELOPMENT	for "PUNTO&SNAI" sweepstakes	(70)
LIGURIA ASSICURAZIONI	MUNICIPALITY OF PORCARI	Urban planning expenses for the restructuring of a building	(160)
UNICREDIT	E-CARE SPA	To cover legal fees and expenses resulting from the settlement of pending causes after the transfer contract of the outbound branch of Festa	(220)

BPM	AAMS	To guarantee the debt owed to the Inland Revenue Office and Unire, as security backing concession 1507	(230)
UNICREDIT	AAMS	As a guarantee securing the opening of horse racing gaming stores and points and the activation of on-line horse race gaming in connection with the horse racing concessions granted under the 2006 tender procedure	(253)
UNICREDIT	AAMS	To guarantee the opening of shops and sports betting points and activation of on-line sports gaming for the 2006 tender concessions.	(541)
BNL	AAMS	For the concession for the acceptance of horse racing and sports betting	(698)
UNICREDIT	AAMS	Guarantee securing the exact and timely payment of PREU	(994)
UNICREDIT	AAMS	For the timely and exact payment of PREU and security deposit	(1,686)
BPM	AAMS	Guarantee securing the timely and exact payment of the concession instalment	(2,057)
BPM	AAMS	Guarantee securing the preparation and adaptation of infrastructures for the connection of access points to the elaboration/processing system	(3,000)
UNICREDIT	AAMS	To guarantee a correct performance of operations and functions under concession, the prompt and correct payment of tax, concession fees and or any other gains, as set forth by regulations on legal gaming, as well as the fulfilment of any obligations with respect to players.	(3,541)
CREDART	AAMS	For the timely and exact payment of PREU	(5,000)
CR DI PISTOIA E DELLA LUCCHESIA	AAMS	Guarantee of the timely and exact payment of PREU	(6,000)
BANCA POP. DI VICENZA	AAMS	Guarantee of the timely and exact payment of PREU	(10,000)
TOTAL			(29,023)

35. 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 MPS, Intesa San Paolo, Banca Popolare di Vicenza and Banco Popolare Società Cooperativa, which may be considered related parties in that they are companies in which SNAI S.p.A. shareholders have equity interests.

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

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	30/09/2014	% 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 assets:				
- from Companies related to directors of SNAI S.p.A.	4	0.02%	-	0.00%
- from Alfea S.p.A.	-	0.00%	1	0.00%
	4	0.02%	1	0.00%
Total Assets	4	0.00%	7	0.00%
Trade payables:				
- to Companies related to directors of SNAI S.p.A.	8	0.02%	764	2.04%
- to Tivu + S.p.A. in liquidation	43	0.12%	43	0.11%
- to Connex S.r.l.	226	0.63%	201	0.54%
	277	0.77%	1,008	2.69%
Other current liabilities:				
- to Companies related to directors of SNAI S.p.A.	-	0.00%	21	0.02%
- to Companies related to shareholders of SNAI S.p.A.	-	0.00%	45	0.05%
- to directors di Teleippica S.r.l.	-	0.00%	2	0.00%
- to Global Games S.p.A.	1	0.00%	6	0.01%
- to Teseo S.r.l. in liquidation	483	0.53%	-	0.00%
	484	0.53%	74	0.08%
Total Liabilities	761	0.11%	1,082	0.16%

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:

First nine months of 2014

thousands of Euro	First nine months of 2014	% Impact	First nine months of 2013	% Impact
Revenues from services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	39	0.01%
	-	0.00%	39	0.01%
Other revenues				
- from Companies related to directors of SNAI S.p.A.	1	0.17%	-	0.00%
- from Global Games S.p.A.	4	0.69%	4	0.49%
	5	0.86%	4	0.49%
Total revenues	5	0.00%	43	0.01%
Costs for raw materials and consumables used:				
- from Connex S.r.l.	-	0.00%	5	0.41%
	-	0.00%	5	0.41%
Costs for services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	2	0.00%	251	0.11%
- from Companies related to shareholders of SNAI S.p.A.	1	0.00%	15	0.01%
- from Companies related to directors of Teleippica S.r.l.	63	0.02%	36	0.02%
- from Connex S.r.l.	450	0.17%	469	0.20%
	516	0.19%	771	0.34%
Other operating costs:				
- from Companies related to directors of SNAI S.p.A.	9	0.04%	9	0.03%
- from Connex S.r.l.	2	0.01%	3	0.01%
	11	0.05%	12	0.04%
Total costs	527	0.18%	788	0.30%

QIII 2014

thousands of Euro	QIII 2014	% Impact	QIII 2013	% Impact
Revenues from services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	9	0.01%
	-	0.00%	9	0.01%
Other revenues				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	-	0.00%
- from Global Games S.p.A.	1	0.54%	1	0.67%
	1	0.54%	1	0.67%
Total revenues	1	0.00%	10	0.01%
Costs for raw materials and consumables used:				
- from Connex S.r.l.	-	0.00%	2	0.56%
	-	0.00%	2	0.56%
Costs for services and chargebacks:				
- from Companies related to directors of SNAI S.p.A.	-	0.00%	67	0.10%
- from Companies related to shareholders of SNAI S.p.A.	1	0.00%	13	0.02%
- from Companies related to directors of Teleippica S.r.l.	22	0.03%	22	0.03%
- from Connex S.r.l.	150	0.17%	153	0.22%
	173	0.20%	255	0.37%
Other operating costs:				
- from Companies related to directors of SNAI S.p.A.	3	0.03%	3	0.04%
- from Connex S.r.l.	-	0.00%	-	0.00%
	3	0.03%	3	0.04%
Total costs	176	0.18%	260	0.34%

Revenues from services and chargebacks and other revenues have a 0.01% effect on Earnings Before Interest, Tax, Depreciation and Amortisation in the first nine months of 2014 (0.07% in the first nine months of 2013), while total revenues have an effect on the Profit (Loss) of the first nine months of 2014 of 0.05% (0.30% in the first nine months of 2013).

The costs for raw materials and consumables, the costs for services and chargebacks and other operating costs represented 0.67% of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in the first nine months of 2014 (1.35% in the first nine months of 2013), while total costs are 5.30% of Profit (Loss) of the first nine months of 2014 (5.44% in the first nine months 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 at 30 September 2014.

thousands of Euro	30/09/2014	31/12/2013
Trade receivables:		
- from Global Games S.p.A.	-	6
- from Società Trenno S.r.l.	294	673
- from Festa S.r.l.	12	19
- from Immobiliare Valcarenga S.r.l.	3	4
- from Teleippica S.r.l.	59	116
Total trade receivables	368	818

Other current assets:		
- from companies related to directors	4	-
- from Società Trenno S.r.l.	4	96
- from Festa S.r.l.	1,053	710
- from Immobiliare Valcarenga S.r.l.	83	82
- from Teleippica S.r.l.	1,535	1,460
- from Alfea S.p.A.	-	1
Total other current assets	2,679	2,349

Financial receivables:		
- from Società Trenno S.r.l.	1,831	5,190
- from Teleippica S.r.l.	3,946	2,558
Total financial receivables	5,777	7,748
Total Assets	8,824	10,915

Trade payables:		
- to companies related to directors	8	764
- to Società Trenno S.r.l.	75	143
- to Festa S.r.l.	515	522
- to Teleippica S.r.l.	331	340
- to Connex S.r.l.	223	183
- to Tivu + S.p.A. in liquidation	43	43
Total trade payables	1,195	1,995

Other current liabilities:		
- to companies related to directors	-	21
- to Global Games S.p.A.	1	6
- to Società Trenno S.r.l.	5,402	4,762
- to Festa S.r.l.	549	551
- to Immobiliare Valcarenga S.r.l.	1	1
- to Teleippica S.r.l.	4	6
- to Teso S.r.l. in liquidation	483	-
- to companies related to shareholders	-	45
Total other current liabilities	6,440	5,392

Current financial payables:		
- to Festa S.r.l.	1,910	730
- to Immobiliare Valcarenga S.r.l.	255	245
Total current financial payables	2,165	975
Total Liabilities	9,800	8,362

Assets are stated net of the related provision.

thousands of Euro	First nine months	
	2014	2013
Revenues from services and chargebacks:		
- from companies related to directors	-	1
- from Società Trenno S.r.l.	168	1,819
Total revenues from services and chargebacks	168	1,820
Other revenues		
- from companies related to directors	1	-
- from Global Games S.p.A.	4	4
- from Società Trenno S.r.l.	403	811
- from Festa S.r.l.	89	85

- from Immobiliare Valcarenga S.r.l.	9	9
- from Teleippica S.r.l.	377	345
Total other revenues	883	1,254
Interest income:		
- from Società Trenno S.r.l.	221	207
- from Teleippica S.r.l.	221	113
Total interest income	442	320
Total revenues	1,493	3,394
Costs for services and chargebacks:		
- from companies related to directors	2	243
- from Società Trenno S.r.l.	302	300
- from Festa S.r.l.	4,163	4,014
- from Teleippica S.r.l.	2,265	1,710
- from Connex S.r.l.	450	469
- from companies related to shareholders	1	3
Total costs for services and chargebacks	7,183	6,739
Costs of personnel		
- from Società Trenno S.r.l.	-	43
- from Festa S.r.l.	28	86
- from Teleippica S.r.l.	-	24
Total costs of personnel	28	153
Other operating costs		
- from companies related to shareholders and directors	9	9
- from Connex S.r.l.	-	3
- from Società Trenno S.r.l.	4	4
Total other operating costs	13	16
Interest expense and fees		
Interest expense to Festa S.r.l.	85	89
Interest expense to Immobiliare Valcarenga S.r.l.	13	9
Total interest expense and fees	98	98
Total costs	7,322	7,006

36. Financial risk management

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

On 8 November 2013, SNAI S.p.A. has issued a non-subordinated, non-convertible and unsecured facility for a total principal of Euro 35,000 thousand, divided in two series 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. The "Facility A" bonds were reimbursed in full on 4 December 2013.

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.

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 at 30 September 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.

Derivatives

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 and a cash flow hedge reserve in the same amount.

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 nine months of 2014 (amounts in thousands of Euro):

Cash Flow Hedge reserve - Interest rate risk	30/09/2014
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	1,593
Final reserve	(2,655)

Liquidity Risk

Liquidity risk is 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 at 30 September 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 at 30 September 2014, specifically relates to the bond loan issued on 8 November 2013 for the portion of the non-reimbursed bonds, defined as "Facility B" bonds, 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 relationships with debtors 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 receivables 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 at guaranteeing a solid credit rating and adequate levels of capital and debt ratios in order to support its operations and its future investment plans, while continuing to fulfil its contractual obligations with lenders.

The 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 debt. It is the Group's policy to seek to maintain a ratio of between 0.3 and 1.0.

thousands of Euro	30/09/2014	31/12/2013
Interest-bearing loans	497,898	488,853
Non-interest-bearing loans	42	42
Financial liabilities	497,940	488,895
Trade payables and other liabilities	129,764	132,629
Financial Assets	(20,877)	(19,414)
Cash and cash equivalents	(73,953)	(45,499)
Net debt	532,874	556,611
Shareholders' equity	63,997	72,347
Total Shareholders' Equity	63,997	72,347
Shareholders' Equity and net debt	596,871	628,958
Net debt/(shareholders' equity and net debt) ratio	89.3%	88.5%

37. Significant non-recurring events and transactions

In the first nine months of 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)".

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

No atypical and/or unusual transactions took place during the first nine months of 2014.

39. Group structure

Ownership of the Group

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

Significant shareholdings in subsidiaries

	Percentage held		
	30/09/2014	31/12/2013	30/09/2013
IMMOBILIARE VALCARENGA S.r.l. held by a sole quotaholder	100	100	100
FESTA S.r.l. held by a sole quotaholder	100	100	100
Società Trenno S.r.l. held by a 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.

40. 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	30/09/2014	31/12/2013
A. Cash on hand	230	206
B. Other cash and cash equivalents	73,723	45,293
<i>bank accounts</i>	73,668	45,284
<i>postal accounts</i>	55	9
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	73,954	45,500
E. Current financial receivables	0	6
- escrow account	0	6
F. Current bank debts	40	40
G. Current portion of non-current indebtedness	19,298	0
H. Other current financial payables	14,614	7,467
- for interest on bond loans	13,623	3,661
- for acquisition of sports and horse racing concessions	42	42
- to other lenders	949	3,764
I. Current financial indebtedness (F) + (G) + (H)	33,952	7,507
J. Net current financial indebtedness (I) - (E) - (D)	(40,002)	(37,999)
K. Non-current bank debts	0	0
L. Bonds issued	462,606	479,214
M. Other non-current payables	1,382	2,174
- to other lenders	1,382	2,174
N. Non-current financial indebtedness (K) + (L) + (M)	463,988	481,388
O. Net financial indebtedness (J) + (N)	423,986	443,389

The net financial position does not include the term-deposit bank accounts or unavailable account balances totalling Euro 19,529 thousand, and fiduciary deposits in the amount of Euro 610 thousand, classified under item "current financial assets" on the balance sheet (see Note 22). Furthermore, the non-current financial assets are not included (see Note 22).

With respect to the net financial indebtedness as at 31 December 2013, the net financial debt decreased by Euro 19,403 thousand. The decrease is mainly due to the good performance of ordinary operations and the benefits generated by the extended payment terms of the tax on betting over the period from May to September 2014.

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

thousands of Euro	30/09/2014	31/12/2013
A. Cash on hand	159	173
B. Other cash and cash equivalents	72,355	43,687
- banks	72,300	43,679

- postal accounts	55	8
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	72,515	43,861
E. Current financial receivables	5,777	7,754
- financial current account with subsidiaries	5,777	7,748
- escrow account	0	6
F. Current bank debts	40	40
G. Current portion of non-current indebtedness	19,298	0
H. Other current financial payables:	16,775	8,423
- for interest on bond loans	13,623	3,661
- financial current account with subsidiaries	2,165	975
- for acquisition of sports and horseracing concessions	42	42
- to other lenders	945	3,745
I Current financial indebtedness (F)+(G)+(H)	36,113	8,463
J Net current financial indebtedness (I)-(E)-(D)	(42,179)	(43,152)
K. Non-current bank debts	0	0
L Bonds issued	462,606	479,214
M. Other non-current payables:	1,382	2,174
- to other lenders	1,382	2,174
N. Non-current financial indebtedness (K)+(L)+(M)	463,988	481,388
O Net financial indebtedness (J) + (N)	421,809	438,236

The net financial position does not include the term deposit bank accounts or unavailable account balances amounting to Euro 19,529 thousand, and fiduciary deposits in the amount of Euro 610 thousand, while non-current financial assets are not included.

40.1 Covenants

As is customary for loans of this kind, outstanding Loan Agreements (revolving credit line and bond loans), as described in Note 28, prescribe a number of obligations for the Group.

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

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total initial amount of Euro 30 million (for more information see Note 28).

In particular, we refer to the requirement to maintain a given minimum level of "Consolidated Pro-Forma EBITDA". "Consolidated Pro-Forma EBITDA" is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items, 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 financial indebtedness.

It is noted that, as at 30 September 2014, the Group was compliant with commitments and covenants.

41. Events occurred after the period

41.1 Transfer of shareholdings of corporations and transfer of trademarks and domain

On 23 September 2014, SNAI S.p.A. and SNAI Servizi S.r.l. entered an agreement, subjected to a condition precedent, with the aim of mutually transferring shareholdings as well as trademarks and a domain from SNAI Servizi S.r.l. to SNAI S.p.A.

The condition precedent was fulfilled in October and therefore SNAI S.p.A. became the owner of:

- the entire share capital of Teseo S.r.l., in liquidation;
- some trademarks recorded and the domain "www.snaiservizi.it".

SNAI S.p.A. transferred to SNAI Servizi S.r.l. (now Obiettivo 2016 S.r.l.) its entire shareholding in Tivu + S.p.A., in liquidation, equal to 19.5% of the company's share capital, made up of 101,400 ordinary shares.

41.2 Co-optation of a Director

On 13 October 2014, the Board of Directors of SNAI S.p.A. resolved on the appointment by co-optation, pursuant to Art. 2386 of the Italian Civil Code, of Mr. Marcello Agnoli as Director to replace the resigning Mr. Gabriele Del Torchio. Mr. Marcello Agnoli will remain in office until the next Shareholders' Meeting as independent director.

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

Milan, 6 November 2014

The director in charge of the preparation of the corporate accounting documents, Mr. Marco Codella, declares, pursuant to paragraph 5 , Art. 154-bis of the Finance Act, 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 at 30 September 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 racing and sports betting through its own concessions - coordination of operations of subsidiaries and any electronic operation of dissemination of data and services for betting agencies - electronic operation of the connection network of gaming machines - skill games	line-by-line basis
Subsidiaries:						
- Società Trenno S.r.l. held by a sole quotaholder	Milan (MI)	1,932	100.00%	(1)	Organization and operation of horse races and the training centre	line-by-line basis
- 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)	359	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
Associates:						
- 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 holding company 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 option 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.