



**SNAI Group**

**Semi-annual consolidated financial statements 30 September 2011**

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

***Milan, 14 November 2011***

## MAIN ECONOMIC AND FINANCIAL DATA

(thousands of euros)			(thousands of euros)			
Progressive 30/09/2011	Progressive 30/09/2010	Progressive restated* 30/09/2010		3 <sup>rd</sup> Q 2011	3 <sup>rd</sup> Q 2010	3 <sup>rd</sup> Q Restated 2010
403,885	422,395	430,976	Revenues from sales and services	119,949	135,385	138,291
994	4,396	4,014	Other revenues and income	166	1,135	1,005
348,746	365,859	370,103	Operational Costs	105,022	110,332	111,739
56,133	60,932	64,887	Result before amortization, devaluations, finance income/charges and taxes (EBITDA)	15,093	26,188	27,557
48,378	41,599	43,873	Amortizations	16,305	15,357	15,973
394	9,413	9,413	Other provisions	0	7,546	7,546
7,361	9,920	11,601	Result before finance income/charges and taxes (EBIT)	(1,212)	3,285	4,038
(27,277)	(19,539)	(19,910)	Financial earnings and (costs)	(11,357)	(6,567)	(6,622)
12,176	37,303	37,898	Tang. intang. asset expenditures	2,800	31,130	31,299
67,575	(35,885)	(20,852)	Changes in financial debt net	11,454	(5,642)	(5,180)

\* Restated values include equity and economic values depending on the consolidation of the company Teleippica S.r.l.

## SNAI Group - Consolidated Comprehensive Income

<i>Values in thousands of euros</i>	<b>Notes</b>	<b>01.01 - 30.09.2011</b>	<b>01.01 - 30.09.2010</b>	<b>Restated* 01.01- 30.09.2010</b>
Revenue from sales and services	4	403,885	422,395	430,976
Other revenue and income	5	994	4,396	4,014
Increase of internally generated assets	6	26	209	209
Change in inventories of finished and semi-finished products	7	(1,045)	(1,303)	(1,385)
Used raw materials and consumables	8	(300,327)	(324,028)	(326,031)
Costs for services and leased assets	9	(23,390)	(20,800)	(22,499)
Personnel costs	10	(24,584)	(20,510)	(20,970)
Other operating costs	11	574	573	573
<b>Results before amortization, depreciation, income / financial expenses, taxes</b>		<b>56,133</b>	<b>60,932</b>	<b>64,887</b>
Depreciation and Amortisation	12	(48,378)	(41,599)	(43,873)
Other Accruals	13	(394)	(9,413)	(9,413)
<b>Results before income / financial expenses, taxes</b>		<b>7,361</b>	<b>9,920</b>	<b>11,601</b>
Income and charges from equity investments		12	251	3
Financial income		1,439	2,395	2,317
Financial charges		(28,728)	(22,185)	(22,230)
<b>Total financial charges and income</b>	14	<b>(27,277)</b>	<b>(19,539)</b>	<b>(19,910)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>(19,916)</b>	<b>(9,619)</b>	<b>(8,309)</b>
Income taxes	15	2,701	482	(70)
<b>Profit (loss) for period</b>		<b>(17,215)</b>	<b>(9,137)</b>	<b>(8,379)</b>
Other components of the comprehensive income statement	26	(2,146)	0	0
<b>Total net profit /(loss) for the period</b>		<b>(19,361)</b>	<b>(9,137)</b>	<b>(8,379)</b>
<i>Attributable to:</i>				
Income (loss) of the Group for the relevant period		(17,215)	(9,137)	(8,379)
Income (loss) of the third parties for the relevant period		0	0	0
Earning (loss) per base share in euro		(19,361)	(9,137)	(8,379)
Diluted share earning (loss) in euro		0	0	0
Revenue from sales and services	27	(0,15)	(0,08)	(0,07)
Other revenue and income	27	(0,15)	(0,08)	(0,07)

\* Restated values include equity and economic values depending on the consolidation of the company Teleippica S.r.l.

For more information refer to Appendix 2.1.

For transactions with related parties, please refer to section 35 "Related parties"

## SNAI Group - Consolidated Comprehensive Income

<i>Values in thousands of euros</i>	<b>Notes</b>	<b>3RD Quarter 2011</b>	<b>3RD Quarter 2010</b>	<b>Restated* 3RD Quarter 2010</b>
Revenue from sales and services	4	119,949	135,385	138,291
Other revenue and income	5	166	1,135	1,005
Increase of internally generated assets	6	1	33	33
Change in inventories of finished and semi-finished products	7	(295)	(277)	(299)
Used raw materials and consumables	8	(90,995)	(96,783)	(97,458)
Costs for services and leased assets	9	(7,295)	(7,200)	(7,821)
Personnel costs	10	(6,630)	(6,296)	(6,385)
Other operating costs	11	192	191	191
<b>Results before amortization, depreciation, income / financial expenses, taxes</b>		<b>15,093</b>	<b>26,188</b>	<b>27,557</b>
Depreciation and Amortisation	12	(16,305)	(15,357)	(15,973)
Other Accruals	13	0	(7,546)	(7,546)
<b>Results before income / financial expenses, taxes</b>		<b>(1,212)</b>	<b>3,285</b>	<b>4,038</b>
Income and charges from equity investments		4	(81)	(81)
Financial income		373	821	780
Financial charges		(11,734)	(7,307)	(7,321)
<b>Total financial charges and income</b>	14	<b>(11,357)</b>	<b>(6,567)</b>	<b>(6,622)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>		<b>(12,569)</b>	<b>(3,282)</b>	<b>(2,584)</b>
Income taxes	15	2,879	(167)	(416)
<b>Profit (loss) for period</b>		<b>(9,690)</b>	<b>(3,449)</b>	<b>(3,000)</b>
Other components of the comprehensive income statement	26	(2,146)	0	0
<b>Total net profit /(loss) for the period</b>		<b>(11,836)</b>	<b>(3,449)</b>	<b>(3,000)</b>
<i>Attributable to:</i>				
Income (loss) of the Group for the relevant period		(9,690)	(3,449)	(3,000)
Income (loss) of the third parties for the relevant period		0	0	0
Total Income (loss) of the Group for the relevant period		(11,836)	(3,449)	(3,000)
Total Income (loss) of the third parties for the relevant period		0	0	0
Earning (loss) per base share in euro	27	(0.08)	(0.03)	(0.03)
Diluted share earning (loss) in euro	27	(0.08)	(0.03)	(0.03)

\* Restated values include equity and economic values depending on the consolidation of the company Teleippica S.r.l.

For more information refer section 2.2.

For transactions with related parties, please refer to section 35 "Related parties"

## Consolidated Statement of Assets and Liabilities for SNAI Group

<i>(values in thousands of Euros)</i>	Notes	30/09/2011	31/12/2010	Restated* 31/12/2010
<b>ASSETS</b>				
<b>Non-Current assets</b>				
Property, plant and equipment		130,744	132,647	135,561
Finance Leased Assets		31,324	37,930	37,930
<b>Total tangible assets:</b>	16	<b>162,068</b>	<b>170,577</b>	<b>173,491</b>
Goodwill		231,605	231,162	231,605
Other Intangible assets		205,088	229,846	229,960
<b>Total intangible assets:</b>	17	<b>436,693</b>	<b>461,008</b>	<b>461,565</b>
Equity shareholding reported with equity method		1,935	1,962	1,962
Shareholding in other firms		46	542	46
<b>Total shareholding</b>	18	<b>1,981</b>	<b>2,504</b>	<b>2,008</b>
Advance taxes	19	37,361	30,039	30,097
Other non-financial assets:	22	1,476	1,393	1,394
<b>Total non-current assets</b>		<b>639,579</b>	<b>665,521</b>	<b>668,555</b>
<b>Current assets</b>				
Inventories	20	2,848	2,860	2,860
Accounts receivable	21	70,209	66,794	73,916
Other Assets	22	39,177	33,868	34,717
Current financial assets	23	2,648	22,950	8,975
Cash and cash equivalents	24	35,685	11,848	11,926
<b>Total current assets</b>		<b>150,567</b>	<b>138,320</b>	<b>132,394</b>
<b>TOTAL ASSETS</b>		<b>790,146</b>	<b>803,841</b>	<b>800,949</b>
<b>LIABILITIES AND SHAREHOLDER EQUITY</b>				
Net Equity of the Group				
Share capital		60,749	60,749	60,749
Reserve		191,742	233,426	226,335
Profit (Loss) for the period		(17,215)	(33,825)	(32,447)
<b>Total net equity of the Group</b>		<b>235,276</b>	<b>260,350</b>	<b>254,637</b>
Net Assets from third parties				
<b>Total net equity</b>	25	<b>235,276</b>	<b>260,350</b>	<b>254,637</b>
<b>Non-Current liabilities</b>				
Employee severance indemnity	28	5,470	5,196	5,484
Non-current financial liabilities	29	284,483	36,379	36,379
Deferred Tax	19	44,296	42,474	42,523
Provisions for future risks and charges	30	8,726	11,159	11,159
Misc. debts and other non-current liabilities	31	5,000	5,455	5,455
<b>Total non-current liabilities</b>		<b>347,975</b>	<b>100,663</b>	<b>101,000</b>
<b>Current liabilities</b>				
Accounts payable	32	28,969	53,089	54,502
Other Liabilities	31	63,131	111,854	112,918
Current financial liabilities		42,495	50,536	50,543
Current portion of long term loans		72,300	227,349	227,349
<b>Total Financial liabilities</b>	29	<b>114,795</b>	<b>277,885</b>	<b>277,892</b>
<b>Total current liabilities</b>		<b>206,895</b>	<b>442,828</b>	<b>445,312</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>790,146</b>	<b>803,841</b>	<b>800,949</b>

\* Restated values include equity and economic values depending on the consolidation of the company Teleippica S.r.l.

For more information refer section 2.3.

For transactions with related parties, please refer to section 35 "Related parties"

SNAI GROUP											
STATEMENT OF CHANGES IN NET SHAREHOLDER EQUITY											
<i>(values in thousands of Euros)</i>											
	Note	Capital Share	Reserves Legal	Reserves premium shares	Reserves Cash Flow Hedge	Reserves Extraordinary	Profits (Losses)	Results fiscal year	Total Group P.N.	Total .N. 3 <sup>rd</sup> part	Total P.N.
								carried forward			
Balance on 01/01/2010		60,749	1,559	211,319	0	22,449	8,085	(9,986)	294,175	0	294,175
Total result on 30/09/2010								(9,137)	(9,137)	0	(9,137)
Loss Fiscal Year 2009						(4,495)	(5,491)	9,986	0		0
<b>Balance on 30/09/2010</b>		<b>60,749</b>	<b>1,559</b>	<b>211,319</b>	<b>0</b>	<b>17,954</b>	<b>2,594</b>	<b>(9,137)</b>	<b>285,038</b>	<b>0</b>	<b>285,038</b>
Effect change consolidation area Teleippica S.r.l. purchase							(7,154)	758	(6,396)		(6,396)
<b>Restated Balance on 30/09/2010</b>		<b>60,749</b>	<b>1,559</b>	<b>211,319</b>	<b>0</b>	<b>17,954</b>	<b>(4,560)</b>	<b>(8,379)</b>	<b>278,642</b>	<b>0</b>	<b>278,642</b>
	Note	Capital Share	Reserves Legal	Reserves premium shares	Reserves Share swap	Reserves Extraordinary	Profits (Losses)	Results fiscal year	Total Group P.N.	Total .N. 3 <sup>rd</sup> part	Total P.N.
								carried forward			
Balance on 01/01/2011		60,749	1,559	211,319	0	17,954	2,594	(33,825)	260,350	0	260,350
Effect change consolidation area Teleippica S.r.l. purchase	1						(7,091)	1,378	(5,713)		(5,713)
<b>Restated Balance on 01/01/2011</b>		<b>60,749</b>	<b>1,559</b>	<b>211,319</b>	<b>0</b>	<b>17,954</b>	<b>(4,497)</b>	<b>(32,447)</b>	<b>254,637</b>	<b>0</b>	<b>254,637</b>
Profit (Loss) for the Fiscal Year								(17,215)	(17,215)		(17,215)
Other Profit/(Loss) overall					(2,146)				(2,146)		(2,146)
Total result on 30/09/2011	26	0	0	0	(2,146)	0	0	(17,215)	(19,361)		(19,361)
Loss Fiscal Year 2010	25			(15,415)		(17,954)	922	32,447	0		0
<b>Balance on 30/09/2011</b>		<b>60,749</b>	<b>1,559</b>	<b>195,904</b>	<b>(2,146)</b>	<b>0</b>	<b>(3,575)</b>	<b>(17,215)</b>	<b>235,276</b>	<b>0</b>	<b>235,276</b>

SNAI Group Consolidated Overall Financial Statement				
	Notes	30/09/2011	30/09/2010	Restated*
				30/09/2010
<b>A. CASH FLOW FROM FISCAL YEAR OPERATIONS</b>				
Profit (loss) for fiscal year of Group		(17,215)	(9,137)	(8,379)
Profit (loss) for fiscal year for minorities		0	0	0
Amortizations	12	48,378	41,599	43,873
Net change in assets (provision) for advance (deferred) taxes	19	(5,491)	(1,809)	(1,814)
Change in risk provision	30	6	6,108	6,108
(Capital gains) capital losses for sale of non-current assets (including equity investments)		(2)	15	15
Share of the shareholding results valued with the N.E. method (-)	14	27	49	49
Net change in non-current trade and misc. assets and liabilities and other changes	22-31	(537)	1,493	1,493
Net change in current trade and misc. assets and liabilities and other changes	20-21-22-32-31	(81,069)	8,864	3,410
Net change in staff leaving indemnity Acc.	28	(14)	(25)	292
<b>CASH FLOW GENERATED (ABSORBED) FROM FISCAL YEAR OPERATIONS</b>		<b>(55,917)</b>	<b>47,157</b>	<b>45,047</b>
<b>B. CASH FLOW FROM INVESTMENT OPERATIONS</b>				
Investments in property, plant and equipment (-)	16	(3,826)	(4,679)	(10,297)
Investments in intangible assets (-)	17	(4,411)	(1,926)	(2,588)
Investments in other non-current assets (-)	18	0	(473)	(473)
Acquisition of equity investments in subsidiaries, net of acquired liquid assets	1	0	0	(6,658)
Payments/collection from sale of property, plant, equipment, intangible assets or other non-current assets		95	7	22
<b>CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL OPERATIONS (B)</b>		<b>(8,142)</b>	<b>(7,071)</b>	<b>(19,994)</b>
<b>C. CASH FLOW FROM FINANCIAL OPERATIONS</b>				
Change in financial receivables and other financial assets	23	6,327	(6,565)	8,202
Net change in financial liabilities	29	(36,642)	(13,530)	(13,085)
Changes in Loans to acquire company branches "concessions"	29	0	(24,614)	(24,614)
Discharge loans to acquire company branches "concessions"	29	(228,000)	0	0
Loan Administration fees	29	354,750	0	0
Changes in payables due to shareholder BAP to acquire company branch "concessions"	29	(6,471)	(6,543)	(6,543)
Fair value of financial instruments net of tax effect	26	(2,146)	0	0
<b>CASH FLOW GENERATED (ABSORBED) FROM FINANCIAL OPERATIONS (C)</b>		<b>87,818</b>	<b>(51,252)</b>	<b>(36,040)</b>
<b>D. CASH FLOW FROM DISPOSED ASSETS AVAILABLE FOR SALE (D)</b>				
<b>E. TOTAL CASH FLOW (A+B+C+D)</b>		<b>23,759</b>	<b>(11,166)</b>	<b>(10,987)</b>
<b>F. INITIAL FINANCIAL ASSETS (INITIAL FINANCIAL BORROWING)</b>				
		11,926	54,425	54,425
<b>G. NET EFFECT OF CONVERSION OF FOREIGN CURRENCY ON LIQUIDITY</b>				
<b>H. FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING) (E+F+G)</b>				
	<b>24</b>	<b>35,685</b>	<b>43,259</b>	<b>43,438</b>
<b>RECONCILIATION OF FINAL NET FINANCIAL ASSETS (FINAL NET FINANCIAL BORROWING)</b>				
CASH AND CASH EQUIVALENTS NET OF SHORT TERM FINANCIAL PAYABLES AT THE BEGINNING OF THE PERIOD, BROKEN DOWN AS FOLLOWS:				
Cash and cash equivalents		11,926	54,425	54,425
Bank overdraft facilities				
Discontinued operational activities				
		<b>11,926</b>	<b>54,425</b>	<b>54,425</b>
CASH AND CASH EQUIVALENTS NET OF SHORT TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, BROKEN DOWN AS FOLLOWS:				
Cash and cash equivalents		35,685	43,259	43,438
Bank overdraft facilities				
Discontinued operational activities				
		<b>35,685</b>	<b>43,259</b>	<b>43,438</b>

\* Restated values include equity and economic values depending on the consolidation of the company Teleippica S.r.l.

The interests payable in the first nine months of 2011 amount to approximately 17,803 thousand euros (14,575 thousand euros in the first nine months of 2010).

The tax payable in the first nine months of 2011 amount to approximately 429 thousand euros (about 1,469 thousand euros in the first nine months of 2010).

## INTERIM FINANCIAL REPORTS AS OF 30 SEPTEMBER 2011 EXPLANATORY NOTES FOR THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Relevant accounting standards

#### Consolidation area

SNAI S.p.A. (hereafter also "parent company") is located in Porcari (LU) - Italy - Via Luigi Boccherini 39. Appendix 1 shows the composition of the Group SNAI.

The condensed interim consolidated financial statements of Group SNAI as of 30 September, 2011 includes the following subsidiaries, consolidated by the integral method:

- Società Trenno S.r.l. Unipersonale
- Festa S.r.l. Unipersonale
- Immobiliare Valcarenga S.r.l. Unipersonale
- Mac Horse S.r.l. Unipersonale
- Faste S.r.l. Unipersonale (ex Autostarter S.r.l.) in liquidazione
- SNAI Olè S.A.
- SNAI France S.A.S.
- Teleippica S.r.l. Unipersonale

#### Teleippica Acquisition

Compared to 31 December, the consolidation area was changed: on 31 January 2011, through a deed attested by Notary Public Roberto Martinelli, SNAI Servizi S.p.A. accepted the call for tender launched by SNAI S.p.A. on September 2010 to buy 80,5% shareholders' equity in the Teleippica S.r.l. equity. The purchase and sale value accounted for 11,745 thousand euros, as defined by the Member of the Board negotiation and as confirmed by the expertise by independent accountants. The sale was conditioned by the approval by Unicredit S.p.A. approving the property transfer at the same time as the purchase and sale contract signing on 22 January 2011 between Snai Servizi S.p.A. and Global Games S.r.l. (now S.p.A.) as to confirm SNAI Servizi S.p.A. selling of its shareholders' equity in SNAI S.p.A, concluded on 29 March 2011. On 30 September 2011, SNAI S.p.A. controls a 100% shareholders' equity in Teleippica S.r.l..

The acquisition is to be considered a transaction among entities controlled by the same common parent company. The Group decided to enforce the pooling of interest method to report such transactions. Thus the acquisition was accounted for on 1 January 2011 and comparative data will be restated as the company has always been part of the Group. As for a detailed stating of the accounting values in the acquisition consolidated statement, refer to the appendixes 2.1 - 2.2 - 2.3.

Hereby annexed effects on the Group Net equity.

	Thousands of euros	1 January 2011
<i>A</i>	Total assets Teleippica S.r.l.	18,065
<i>B</i>	Total liabilities Teleippica S.r.l.	(11,536)
<i>A - B</i>	Net equity Teleippica S.r.l.	6,529
<i>C</i>	Acquisition price of 80.5% of Teleippica S.r.l.	(11,745)
<i>D</i>	Shareholders' equity Teleippica S.r.l. 19.5%	(496)
<i>C + D</i>	Total shareholders' equity Teleippica S.r.l.	(12,241)
	Net Group equity reserve	(5,713)



As for the acquisition effect on cash, simply remind that the acquisition was entirely adjusted through an inter-group financial current account debit opened on the name of Snai Servizi S.p.A., while cash contributed to by Teleippica S.r.l. on 1 January 2011 accounts for about 78 thousand euros.

### **Other changes to the consolidation area**

What is more by 30 September 2010, the following changes were enforced as for the consolidation area:

- On July 18, 2010 a company called SNAI France SAS based in Paris, France was established with a registered capital of 150 thousand euros and totally owned by SNAI S.p.A. The company does not pursue any activity.
- On 1 December 2010 a registration was enforced by the Chamber of Commerce in Rome and in Lucca as for the merge and acquisition of the controlled companies Punto SNAI S.r.l. and Agenzia Ippica Monteverde S.r.l. in SNAI S.p.A; the merge deed was drafted on 11 November 2010 through a deed attested by Notary Public Dottor Roberto Martinelli Notaio in Altopascio (LU). The merge will be effective from 1 January 2010 as for accounting and fiscal reasons

The financial statements of companies included in the scope of consolidation all have the financial year-end coinciding with December 31, the closing date for the Parent Company. Such financial statements are appropriately reclassified and rectified in order to conform to accounting standards and evaluation criteria IFRS used by the parent company (reporting package), and have been approved by the respective administrative authorities.

The consolidated financial statements as of 30 September 2011 were approved by the Directors of the Parent company at the Board of Directors meeting of 14 November 2011, and hence authorized for publication according to law.

### **Seasonalness**

With respect to the seasonality it should be noted that the business is not subject to particular oscillations, even when considering that in the first and fourth quarters the sporting events, especially football, on which bets can be made, are more numerous than in other quarters.

## **1.1 Accounting principles**

### **(a) General standards**

The interim condensed infra-annual consolidated financial statements as of 30 September 2011 have been prepared on the basis of the IFRS, in effect at the time, issued by the International Accounting Standards Board and approved by the European Commission and they were drafted as for form and contents according to the information specified in the International Accounting Standard n. 24 "Intermediate financial statements" (IAS 34) thus they do not hold any information reported in the yearly financial statements and they should be read together with the yearly financial statement drafted for the year as of 31 December 2010.

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements comply with the accounting standards adopted in the redaction of the consolidated balance sheet as of 31 December 2010, except for the adoption of the new or revised International Accounting Standards Board's standards and the interpretations of the International Financial Reporting Interpretations Committee as shown below. The adoption of such amendments and interpretations had no significant effect on the financial position or results of the Group.

The term IFRS also includes the reviewed 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.

### **(b) Director assessment as for the company continuity requirements**

The quarterly report by SNAI group as of 30 September 2011 reports a loss accounting for 17.2 million euros, a total loss accounting for 19.4 million euro, a net equity for 235.3 million euro, a net financial exposure towards third parties accounting for 360.9 million euro. Financial charges reported from 1 January to 30 September 2011 accounts for 28.7 million euros. As of 31 December 2010, the Group forecast a loss accounting for 32.4 million euros (financial charges accounting for 30.2 million euros) and the net equity accounting for 254.6 million euros while the net financial exposure to 293.4 million euros.

Within such a framework, Senior and Junior loans, as of 31 December 2010 accounting for € 228 nominal millions were entirely reimbursed on 29 March 2011, after the agreed technical extension and anyhow within the transfer date of the shareholders' equity package from the company SNAI Servizi S.p.A. to Global Games S.p.A., on the same date.

On the financial statements as of 31 December 2010, duly taking the company leverage ratio, negative economic results and approaching expire of the debt redemption into account, the Group described the activities, started a long time before, aiming at reaching a financial balance, through the debt renegotiation as to get lower burdensome conditions thus leading to a higher operating flexibility, providing for on the one hand required financial means for the Group development and on the other the debt scheduling realignment to the cash flows forecast by the plans.

As for such activities, hereby a reference to what happened during the first nine months of the year.

- A. As specified in the paragraph "Description of the purchase and sale activity", on 22 January 2011, Global Games S.r.l., signed with SNAI Servizi S.p.A. a purchase and sale agreement which would have allowed Global Games, when the forecast conditions come through, to entirely by 59,206,903 SNAI ordinary shares, representing a shareholders' equity accounting for 50-68% of the company equity (stock holding majority). The enforcement of the purchase and sale agreement as for the stock holding majority depended, among others, on the following events:
- (i) granting of the permission by the Autorità Garante della Concorrenza e del Mercato ("AGCM");
  - (ii) granting of the permission by the Amministrazione Autonoma dei Monopoli di Stato ("AAMS");
  - (iii) the signing by SNAI, by 21 February 2011 (term which was then extended to 7 March 2011), of a re-financing agreement of the existing financed debt according to specific conditions and the disbursement by the Issuer of the required financial resources as specified in the re-financing agreement; and
  - (iv) no detrimental consistent effect and/or severe events against SNAI and the Group it belongs to, as generally forecast for similar operations.
- B. On 23 February Unicredit S.p.A, Deutsche Bank S.p.A. and Banca Imi S.p.A. ("Banks"), Snai S.p.A. and Global Games, signed a commitment letter to draft and sign a financing agreement, whose main purpose, among others, dealt with required credit lines to the Company existing debt refinancing according to the there defined terms sheets conditions.
- C. On 7 March 2011 the Autorità Garante della Concorrenza e del Mercato informed that it decided not to start any judicial inquiry on the operation, as it did not lead to or reinforced a dominant position, as to get rid or consistently and long-lastingly cut competition.
- D. On the same date, the Amministrazione Autonoma dei Monopoli di Stato granted its permission to allow Global Games S.r.l. to buy the shareholders' equity in Snai.
- E. On 8 March 2011 Snai S.p.A. and the Banks signed a contract as for the financing activity whose purpose was the granting by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. as mandated lead arrangers to the benefit of the company of a medium/long term financing, divided in different tranches, for a total amount accounting for 490 million euros. The granting to SNAI of the required financial resources depended, among others, to the sale by SNAI Servizi S.p.A. to Global Games S.r.l. of the shareholders' equity hold by SNAI Servizi S.p.A. in the equity of SNAI as well as the holding as a pledge by Global Games S.r.l. of the shareholder's equity acquired from SNAI to the financiers. What is more the financing agreement included some suspension conditions to granting, as a normal practice in similar financing operations, among which detrimental important effects and/or severe events against SNAI of the Group it belongs to.

With the loan, SNAI could profit for a useful source of money to reimburse the existing financial debt to its financiers Unicredit S.p.A. and Solar S.A., but at the same time supporting its business development.

As it generally happens in the case of similar activities, the loan is guaranteed by collaterals provided by SNAI on its main tangible and intangible assets.

- F. SNAI S.p.A., following the previously described loan granting agreement, got from its financiers Unicredit S.p.A. and Solar S.A a technical extension of the loan reimbursement terms. According to the agreed conditions, such existing loans had to be reimbursed at the time of the mentioned acquisition that is on 31 May 2011.

The purchase and sale transaction was enforced on 29 March 2011. On the same date the loan was granted, thus allowing SNAI S.p.A. to provide from suitable financial resources as to reimburse its Senior and Junior debts as well as other expired debts and to support its business development

Thanks to the positive re-negotiation of the financial payables, the Group got constant financial means as to support its development plan and to re-align the debt schedules to the cash flows forecast by the plans. Thus the Group typical evolution and activity growth will support an economic balance as well as generate suitable cash flows. However the Group capacity to reach such an economic balance depends on the real enforcement of the 2011-2014 Industrial Plan, approved by the Board of Directors on 23 March 2011 and on its following evolutions. According to such remarks, the Directors believe that the Group can keep on operating in the near future and therefore they drafted the Group financial statements taking the due company continuity into account.

### **(c) IFRS as from 1 January 2011**

As requested by paragraph 28 of IAS 8, hereby specified and shortly explained all the IFRS in force since 1 January 2011 as for the Group is concerned:

- Revision IAS 24 (revised on 2009) – *Related party disclosures*. It simplifies requested information in case of transactions with related parties controlled by the State and better clarifies the definition of related parties. The principle applies since 1 January 2011. As of the present financial statements, the Groups does not enforce similar operations;

- Amendments to IAS 32 – *Classification of Financial Instruments - Contingent Settlement Provision*, it regulates the issue of rights (rights, options or *warrants*) in a different currency from the issuer operating currency. Previously such rights were reported as liabilities of the financial derivatives. The change requires that under specific conditions, such rights are classified as net equity notwithstanding the currency of the exercise price. The change is to be applied since 1 January 2011, retrospectively. The enforcement of the present amendment did not lead to significant changes to the Group financial statements;

- Amendments to IFRIC 14 – *Prepayments of a Minimum Funding Requirement* allows companies paying a minimum funding in advance to recognize it as an asset. The amendment is to be applied since 1 January 2001. The enforcement of the present amendment did not lead to significant changes to the Group financial statements;

- IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments* specifies the guidelines as to regulate when a debtor issues equity instruments to a creditor to extinguish all of part of a financial liability. If the company renegotiates the extinction condition of a financial liabilities and its creditor accepts its extinction through company share issue, then the issue company shares are an integral part of the paid price of the financial liability extinction and they should be measured at fair value; the different between the extinguished financial liability book value and the initial equity instruments issued is to be carried to the reference profit and loss account. The amendment is to be applied since 1 January 2001. The enforcement of the present amendment did not lead to significant changes to the Group financial statements.

Improvements to IFRSs (issued in May 2010)

In May 2010, IASB issued a series changes to standards “Improvements to IFRS”. Changes were enforced by the Group since 1 January 2011. The enforcement of the following amendments lead to changes in the accounting principles without affecting the company financial position or results.

- IFRS 3 *Business combinations*

Possible alternatives as to measure non controlling interests were modified. Non-controlling interests are measured either as their proportionate interest in the net identifiable assets of the acquired company or in case of winding-up, or at fair value or at the proportionate interest in the net identifiable assets of the acquired company. Any component is to be measured at the faire value.

- IFRS 7 *Financial instruments: Additional information*

The amendment intends to simplify the information as for the volume of information of the hold collaterals, but at the same time to improve the information offering quality elements to be added to the quantity information.

- IAS 1 *Financial statement presentation and disclosure*

The amendment specifies that the total revenue component analysis can be enclosed as an alternative to the general income statement or in the relating notes.

- IAS 34 *Intermediate financial reporting*

The amendment asks for supplying additional information as for the fair value and the financial activity classification change as well as for changes to potential assets and liabilities in the intermediate financial statement.

Other changes depending on improvements to IFRS as for the hereinafter mentioned principles did not affect the company accounting policy, its financial position or the Group performances:

- IFRS 3 *Business combination* – the enforced change clarifies how to report the potential equivalents depending on business combinations already existing before enforced IFRS 3 (as amended in 2008). What is more it clarifies the accounting treatment within a business combination of any payment with shares (voluntary replaced or not replaced).

- IAS 27 *Consolidated and separate financial statement* – enforcement of the transition rules from IAS 27 (revised in 2008) to the modified standards.

- IFRIC 13 *Customer loyalty programmes* – it addresses how companies, that grant their customers loyalty award credits (often called 'points') when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points

The schemes adopted by the Group SNAI for the interim period ended September 30, 2011 have not changed compared to those adopted up to December 31, 2010 while as for what enforced on September 30, 2010, costs relating to interior activities were reclassified, previously capitalised as "Asset increases due to internal activities" and now moved to the new item "Costs for internal capitalised activities", added to cut costs.

It is worth recalling that in the first nine months of 2010, in the year ended December 31, 2010, no outstanding transactions to be directly accounted in shareholders' equity were carried out.

#### **(d) Adopted schemes**

The schemes adopted by the Group break down as follows:

##### **Overview of the consolidated capital-financial situation**

The presentation of the statement of the capital-financial position occurs through the distinct exposure between current and non-current assets, and the current and non-current liabilities, and for each asset and liability entry the amounts that are expected to adjust or recover within or beyond 12 months from the reference date of the accounts.

##### **Consolidated Comprehensive Income**

The total income statement shows the entries per category, as it is considered to provide more explanatory information.

##### **Report of the Changes in the Net Consolidated Shareholders' Equity**

The pattern of the changes in the equity highlights the overall result of the period, the effect, on each item of equity, of the accounting changes and of the corrections of errors in the manner required by the accounting treatment required by the International Accounting Standard no. 8. Moreover, the scheme presents the balance of accumulated profits or losses accumulated at the beginning of the year, the movements of the year and at the time of the balance.

##### **Consolidated cash flow statement**

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

## **2. Agreements for concession services**

SNAI Group operates in the gaming and bet sectors, mainly including sport and horse racing bets, AWP (already new slots), and video lotteries besides remote skill games and casino games. Such a market is regulated by state authorities through concessions.

The Group set up a unique network for betting through the initial purchase in 2006 of 450 company branches, accounting for the same number of sport and horse racing concessions for legal gaming. Then SNAI acquired some other concessions. Following the setting-up of a similar network, the Group took part to tenders later issued by the State authority, thus widening its gaming and betting network as well as the type of games gaming is allowed on. Taking part to the tender to grant rights to open new point of sales, in compliance with the regulation of the Law decree n. 223 (Bersani decree) dating back to 4 July 2006, SNAI got concessions for sport and horse racing gaming and betting. More precisely a sport concession (342 shops and 864 sport corners) and a horse racing concession (99 shops and 3,787 horse racing corners). What is more it was granted a concession for remote horse racing gaming and the concession for a remote sport gaming with the payment of an acquired right for 0.3 million euros.

What is more in 2009, the company A.I. Monteverde S.r.l., at present annexed to SNAI, took part to a tender, cd, Giorgetti launched by AAMS for 3,000 horse racing concessions, finally being granted 303 horse racing shop rights.

The SNAI Group holds the following licenses:

- **"Concession Agreement for assignment of activation and operation of the computerised management network for legal gaming through amusement and entertainment machines as well as connected activities**

**and functions**". Expiration date: no later than 31 December 2011 according to an additional agreement signed by SNAI S.p.A. and AAMS and on 28.09.2010 in pursuance of Article. 2 subparagraph 2e of the Law Decree 40/2010 converted with amendments by Law 73/2010.

On 10 October 2001, SNAI applied to take part to "*Selection procedure to be granted a concession agreement for assignment of activation and operation of the computerised management network for legal gaming through amusement and entertainment machines as well as connected activities and functions* forecast by article 110, paragraph 6, of the T.U.L.P.S as well as connected functions", launched by AAMS with a published call for tender on the GUUE on 11 August 2011 ID. 2011/S 153-254653 and on GURI V° Special Series, "Public contracts", n. 95 dating back to 12 August 2011. The concession being granted would last for 9 nine years from the convention agreement signing.

- **228 "Concessions for "the marketing of fixed odds betting on sporting events other than horse racing and non-sporting events,"** due to expire on 30.06.2012. The activities related to such a license is performed from January 1, 2008 by the holders of the concession rights of the so-called Bersani dealer. Such concessions can even accept odd betting according to the Inter-directorial Decree AAMS dating back to 13 December 2007 prot. N. 2007/43192/Giochi /UD, thus allows SNAI to be considered a "Bersani dealer.
- 100 "**Concessions for "the marketing of betting by totaliser and fixed odds on horse races"**, which expires on 30.06.2012. Such concessions can even accept odd betting according to the Inter-director Decree AAMS dating back to 13 December 2007 prot. N. 2007/43192/Giochi /UD, thus allows SNAI to be considered a "Bersani dealer.
- "**Granting the exercise of public games according to Article 38, paragraph 4, of Law Decree 4 July 2006, No. 223 converted with amendments and additions by Law 4 August 2006, no. 248, published in Supplement No. 183 / L to the Official Gazette of the Republic of Italy of 11 August 2006, No. 186.**" This concession covers the activities and the responsibilities for the exercise of public gaming based on horse-racing, through the activation of the distribution networks and run on.

The public gaming per the concessions described above entails:

- a) totaliser horse racing bets;
- b) fixed odd horse racing bets;
- c) totaliser bets;
- d) sports event outcome contests ("concorsi pronostici");
- e) totip;
- f) Ippica Nazionale;
- g) remote skill games;
- h) all other public gaming based on horse racing, which AAMS deems, at any time, to want to market through the network of horse racing shops and/or network of horse racing points and/or network of remote horse racing

The public gaming described above, which can be marketed by each distribution network includes:

- a. with reference to the network of horse racing shops, those under letters a), b) c) d), e) f), h);
- b. with reference to the network of horse racing points, those under letters c), d), e), f), h);
- c. with reference to the network of remote horse racing, those under letters a), b) c) d), e) f), g), h);

The expiration date of the concession is scheduled for 30.06.2016 based on the AAMS Directorial Decree of 7.09.2007 prot. no. 2007/49/R/Giochi/UD.

Such a concession underwent an integration procedure according to article 23, paragraphs 1 to 26 of the law n. 88 dating back to 7 July 2009 and to directorial decrees prot. n. 2011/190/CGV and prot. n. 2011/8556/giochi/UD, the final result was granted a new concession code as for remote horse race betting, still expiring on 30.06.2016.

- n. 1 "**Granting the exercise of public gaming according to Article 38, paragraph 2, of Law Decree 4 July 2006, No. 223 converted with amendments and additions by Law 4 August 2006, No. 248, published in Supplement No. 183 / L to the Official Gazette of the Republic of Italy of 11 August 2006, No. 186.**" This concession covers the activities and the responsibilities for the exercise of public gaming not based on horse-racing, through the activation of the distribution networks and run on. The public gaming per the concessions described above entails:
  - a) fixed odd bets;
  - b) totaliser bets;
  - c) sports event outcome contests ("concorsi pronostici");
  - d) totip;
  - e) Ippica Nazionale;

- f) remote skill games;
- g) all other public gaming based events other than horse racing, which AAMS deems at any time to want to market through the network of sports gaming shops and/or network of sports gaming points and/or network of remote sports gaming.

The expiration date of the concession is scheduled for 30.06.2016 based on the AAMS Directorial Decree of 7.09.2007 prot. no. 2007/49/R/Giochi/UD

Such a concession underwent an integration procedure according to article 23, paragraphs 1 to 26 of the law n. 88 dating back to 7 July 2009 and to director decrees prot. n. 2011/190/CGV and prot. n. 2011/8556/giochi/UD with an extension to Bing and the final result was granted a new concession code as for remote horse race betting, still expiring on 30.06.2016.

- n. 1 **“Granting of the practice of public games in the physical network according to Article 1-bis of Legislative Decree 25/09/2008 no.149, converted with amendments by Law No. 19.11.2008 no.184, as modified by Article 2 Sections 49 and 50 of Law No. 22 December 2008 no.203.”** This concession relates to the joint operation of public gaming through the activation of the network of betting shops and its run on.

The public gaming according to the concessions described above are:

- a) totaliser horse racing bets;
- b) fixed odd horse racing bets;
- c) sports event outcome contests (“concorsi pronostici”);
- d) horse racing based pools named V7, referred to in Article 1, paragraph 87 of Law 27 December 2006, No 296 (Finance Act 2007);
- e) betting on horse racing according to Article 1, paragraph 498 of Law December 30, 2004, No 311.

The expiration of the licence is scheduled for 30.06.2016.

- n. 1 **“Granting of the practice of public games according to article 24, paragraph 11, letters from A) to f)m law n. 88 dating back to 7 July 2009”.** This concession relates to the activity and operation of remote gaming with the exclusion of gaming by public places with digital units as for the following public gaming:

- a) sports bets;
- b) horse racing bets;
- c) sports and horse racing event outcome contests (“concorsi pronostici”);
- d) National horse racing gaming;
- e) Skill games with the exception of cards as tournaments;
- f) bingo.

Bets on simulated events, fixed odds games, card games as tournaments, fixed odd bets with direct interaction with players as well as bingo will be activated for the concession holders whenever the relating gaming regulation will be enforced.

The expiration of the concession is 9 (nine) years starting from the signature date, still to be fixed.

### 3. Operating Sectors

The sector information is presented according to "operational areas". The sector is based on the management structure and internal reporting system of the group. The cross-domain transfers occur at market conditions. Here, the value of total assets, for each segment subject to disclosure, is not reported as requested by IFRS 8 "Operating Segments", as the periodic reporting for the operational management does not include this type of capital information.

Segment profits include elements directly attributable to a segment or reasonably attributable to a segment for the overhead costs across multiple segments.

The Group operates in the following main areas:

- betting services;
- horse race track management;
- concessions;
- television services

More precisely the group activity is defined as follows:

Betting services: to such a segment all the activities connected with remote services supplied to the betting acceptance points and acceptance of outcome contests are ascribed to. Such activities are mainly managed by SNAI S.p.A. as for games and bets and by Festa S.r.l. and Mac Horse S.r.l.;

Horse racetrack management: such a segment combines all the activities as for the horse race-track management, in terms of real estate and race organization. Such activities are managed by Società Trenno S.r.l., Immobiliare Valcarenga S.r.l. and by SNAI S.p.A. as for the real estate;

Concessions: such a segment includes all the activities relating to the horse racing and sport concessions, acquired since 16 March 2006, concessions that SNAI S.p.A. was granted after being granted the tender called with Bersani decree and being operating since the second quarter 2007, and rights that the company Agenzia Ippica Monteverde S.r.l. (now melt in SNAI S.p.A) was granted with the tender c.d. "Giorgetti"; as well as activity and joint operation of remote gaming with the exclusion of gaming by public places with digital units as well as connected activities and functions" (slot machine – AWP and videlottery - VLT), besides the activity relating to skill games and casino games;

Television services: such a segments combines all the activities relating to television games. The activities are managed by the company società Teleippica S.r.l..

The following statement provides information on the contribution to the consolidated values of bet taking activity and services related to the sector called "betting services", bet accepting activity at racetracks owned by the group and activities related to their management called "racetrack management", and activities relating to horse racing and sports concessions as well as the granting of computerised network of equipment and devices provided for in Article 110, paragraph 6 T.U.L.P.S. (Slot machines – AWP – and videlottery), in addition to activities relating to skill games (remote skill games) casino games, designated as "concessions"; television and radio called "television services".

The sector result consists of the segment revenues and all the costs directly or indirectly attributable to the aforementioned.

To the main areas are not ascribed the revenues from the sale of software and technology, those from displays and other revenues not included in the three specific activities; hence the costs linked to the revenue previously mentioned are not attributed to specific sectors, in addition to the overhead and financial costs not attributable to three main activities, but to the governance of the whole enterprise.

The segment "concessions" includes all the bets, both fixed odds (in which the counter is in the hands of the licensee) as well as the tote bets (in which the counter is part of the Ministry of Finance), accepted in the PAS (points accepting bets ) directly managed.

For fixed odd bets the risk is of the licensee since it has the obligation to pay winnings and taxes, while for totalisator bets the licensee has not risk since it is due a percentage of its movement.

#### Income statement by sector of activities as of 30 September 2011

	Betting Services		Horse track management		Licenses		Television Services		Others		Eliminations		Consolidated Total	
	30/09/2011	Restated* 30/09/2010	30/09/2011	Restated* 30/09/2010	30/09/2011	Restated* 30/09/2010	30/09/2011	Restated* 30/09/2010	30/09/2011	Restated* 30/09/2010	30/09/2011	Restated* 30/09/2010	30/09/2011	Restated* 30/09/2010
<i>(values in thousands of Euros)</i>														
Sector revenues	15,806	17,965	14,172	15,391	365,570	392,285	8,747	8,646	584	703	0	0	404,879	434,990
Inter-sector revenues	3,002	6,208	372	411	0	0	1,648	1,614	621	864	(5,643)	(9,097)	0	0
Operational Result	5,267	13,066	(2,815)	(1,682)	2,727	4,012	3,181	1,680	(999)	(5,475)	0	0	7,361	11,601
Shareholders portion of result	0	0	10	7	0	0	0	0	2	(4)	0	0	12	3
Financial income and charges	(21)	(159)	(133)	(127)	(11,354)	(20,618)	78	232	(15,859)	759	0	0	(27,289)	(19,913)
Income taxes													2,701	(70)
Profit (Loss) for the Fiscal Year													(17,215)	(8,379)
Operating results include:														
Depreciation and devaluation	(1,382)	(669)	(3,330)	(3,283)	(42,161)	(37,570)	(1,452)	(2,274)	(53)	(77)	0	0	(48,378)	(43,873)

The difference of the operating result of the "Betting services" essentially depends on: allocation to the depreciation and amortization of receivables accounting for 887 thousand euros, on loss on receivables accounting for 624 thousand euros, higher depreciation and amortization funds accounting for 712 thousand euros, inter-sector lower revenues accounting for 3,206 thousands due to the merge of A.I. Monteverde S.r.l. into SNAI S.p.A. and to the lower sector revenues.

What is more, as for the concession segment revenues, it is important to underline that in the first nine months of 2011, net revenues from horse-racing and sports bets based on fixed odds and reference amounted to 108,991 thousand euros (in the first nine months of 2010 they accounted for 124,647 thousand euros), revenues from Slot machines accounted for 199,153 thousand euros (they accounted for 209,147 thousand euros) and net revenues from Skill Games accounted for 8,722 thousand euros (they accounted for 11,640 thousand euros); for more details as for the revenue breakdown, refer to note 4.

### 3rd quarter 2011

(values in thousands of Euros)	Betting Services		Horse track management		Licenses		Television Services		Others		Eliminations		Consolidated Total	
	3 <sup>rd</sup> Q 11	3 <sup>rd</sup> Q Restated 10	3rd Q 11	3rd Q Restated 10	3rd Q 11	3rd Q Restated 10	3rd Q 11	3rd Q Restated 10	3rd Q 11	3rd Q Restated 10	3rd Q 11	Restated 10	3rd Q 11	Restated 10
	Sector revenues	4,045	4,761	4,358	4,746	108,472	126,759	2,876	2,928	364	102	0	0	120,115
Inter-sector revenues	872	1,996	133	159	0	0	544	538	205	258	(1,754)	(2,951)	0	0
Operational Result	1,544	4,220	(841)	(692)	(3,047)	(655)	1,292	753	(160)	412	0	0	(1,212)	4,038
Shareholders portion of result	0	0	4	(50)	0	0	0	0	0	(31)	0	0	4	(81)
Financial income and charges	(4)	(9)	(51)	(39)	(2,081)	(6,721)	(9)	78	(9,216)	150	0	0	(11,361)	(6,541)
Income taxes													2,879	(416)
Profit (Loss) for the Fiscal Year													(9,690)	(3,000)
Operating results include:														
Depreciation and devaluation	(425)	(337)	(1,131)	(1,091)	(14,508)	(13,904)	(225)	(616)	(16)	(25)	0	0	(16,305)	(15,973)

More precisely, in the third quarter of 2011, the revenues from horse-racing and sports bets based on fixed odds and reference amounted to 25,046 thousand euros (in the third quarter 2010 they accounts for 42,999 thousand euros), revenues from Slot machines accounted for 62,710 thousand euros (they accounted for 67.531 thousand euros) and net revenues from Skill Games accounted for a 2,777 thousand euros (they accounted for 3,450 thousand euros); for more details as for the revenue breakdown, refer to note 4.



## Notes to the main items of the consolidated comprehensive income

It is important to remind that since 31 January 2011, SNAI S.p.A. controls Teleippica S.r.l. The acquisition was accounted for according to pooling of interest method, with an accounting back-dating of the acquisition effect and as for costs and revenues of the first nine months of 2011, thus consequently enforcing a consolidation since 1 January 2011. The economic values of the first nine months of 2010 and of the third quarter of 2011 were restated. For more information, refer to the appendix 2.1 and 2.2.

The comparison between values which are always expressed in thousands of euro, except in individual cases which are differently annotated, is done with the corresponding balances at 30 September 2010 restated and in the third quarter of 2010, restated.

### 4. Revenue from sales and services

The amount of revenue from the sales and services of the nine months of 2011 amounted to 403,885 thousand euros against 430.976 thousand euros, and is detailed as follows:

30 September 2011	Restated 30 September 2010	Thousands of euros	3rd quarter 2011	Restated 3 <sup>rd</sup> quarter 2010	Difference
108,991	124,647	Revenue from Fixed Odd Sports Bets	25,046	42,999	(17,953)
31,319	37,712	Revenues from Totaliser Horse racing bets	8,884	11,129	(2,245)
4,785	5,826	Collecting commissions on totaliser horse racing and National horse racing (former (ex Tris)	915	1,636	(721)
248	363	Revenues from contests	48	68	(20)
199,153	209,147	Revenues from Slot Machine	62,710	67,531	(4,821)
1,754	0	Operator re-charge for al location contributions	220	0	220
9,113	0	Net revenues from Videolottery	5,806	0	5,806
8,722	11,640	Net revenues from Skill Games	2,777	3,450	(673)
1,687	0	Net revenues from Games	1,687	0	1,687
393	0	Net revenues from bingo on line	393	0	393
5	3,212	Revenues for exclusive SNAI point dealers	2	23	(21)
4,176	5,356	Revenues from the betting service	1,164	1,568	(404)
408	383	Net revenues from remote customer betting service	66	138	(72)
1,113	987	Services Customer Corner	371	(333)	704
3,949	4,275	Revenues from right exercise	1,315	1,294	21
1,181	185	Revenues from bingo on line services	38	185	(147)
2,239	1,989	Revenues from service contracts and technical assistance	686	543	143
77	105	Revenues from SNAI CARD and Gold circuit services	14	27	(13)
9,608	10,745	Revenues from the horse racetrack betting management	3,150	3,381	(231)
2,013	1,86	Race-track and real estate management	650	581	69
9,387	9,278	Revenues from television activities	3,059	3,114	(55)
102	130	Fee for the satellite spreading	15	51	(36)
86	103	Revenues from ad campaigns	28	33	(5)
92	433	Revenues from technological activities and sales	31	50	(19)
3,284	2,600	Other performances and sales to third parties	874	823	51
<b>403,885</b>	<b>430,976</b>	<b>Total</b>	<b>119,949</b>	<b>138,291</b>	<b>(18,342)</b>

The net proceeds from the collection of bets on sports and horse racing at fixed odds and reference, as a compendium of net winnings, refunds, Single Tax and Withdrawal UNIRE, amount to 108.991 thousand euros (-12.56%), against 124.647 thousand euros in the first nine months of 2010. Such a result essentially depends on the combined effect of the increase percentage of pay-outs as for sport bets and on a reduction of the pay-outs as for horse racing bets after a

reduction of the bet volumes both as fixed-odds sports betting (-10.9% if compared to the market reduction, accounting for 12,3%) and as horse racing betting based on fixed-odds and offset reference (-17.2%).

For fixed and totaliser odd bets the concession holder assumes the risk (bank).

Following are further details of the entry "Net Revenues from sports and horse racing bet collection based on fixed odds and reference" that highlights the entries for the winnings, refunds and related taxes.

<b>30 September 2011</b>	<b>Restated 30 September 2010</b>	<b>Thousands of euros</b>	<b>3rd quarter 2011</b>	<b>Restated 3rd quarter 2010</b>
659,136	740,565	Revenue from Fixed Odd Sports Bets	164,789	187,113
(525,257)	(587,514)	Winnings and Reimbursements for Fixed Odd Sports Bets	(133,100)	(137,408)
(27,267)	(29,800)	Single Tax on Fixed Odd Bets	(7,442)	(7,578)
<b>106,612</b>	<b>123,251</b>	<b>Net Fixed Odd Sports Bets</b>	<b>24,247</b>	<b>42,127</b>
24,247	29,190	Revenue Fixed and Reference Horse racing bets	6,868	9,511
(18,820)	(24,115)	Winnings and reimbursements fixed odds and Reference horse racing	(5,207)	(7,451)
(1,002)	(1,210)	Horse Racing FO and TO Single Tax	(283)	(391)
(2,046)	(2,469)	Horse Racing Withholding	(579)	(797)
<b>2,379</b>	<b>1,396</b>	<b>Net Fixed Odd and Totaliser Odd Horse Racing Bets</b>	<b>799</b>	<b>872,000</b>
<b>108,991</b>	<b>124,647</b>	<b>Total net revenues from the taking of sport and horse racing betting based on fixed odds and reference</b>	<b>25,046</b>	<b>42999</b>

In the first nine months of 2011, the pay-out as for sports bets accounted for about 79.7% against 79.3% during the analogous period in 2010. The value of the first nine months of 2011 seems to be in line with the historical trends reported in the years before 2010.

In the first nine month of 2011, as in the previous periods, the net revenues from horse-racing and sports betting based on fixed odds and reference also include net revenues from fixed odds sports betting accepted electronically (remote gambling) for 11,003 thousand euros (15,722 thousand euros in first nine months of 2010).

In the third quarter of 2011, the net revenues from horse-racing and sports betting based on fixed odds and reference also include net revenues from fixed odds sports betting accepted electronically (remote gambling) for 2,477 thousand euros (4,374 thousand euros in third quarter of 2010).

The totaliser horse racing betting revenues amounted to 31,319 thousand euros against 37,712 thousand euros in the first nine months of 2010 (-16.95%) and they represent a percentage of the betting amount fixed by law and include 1,568 thousand euros of remote gambling (1.893 thousand euros in the first nine months of 2010).

The totaliser horse racing bets revenues amounted to 8,883 thousand euros against 11.129 in the third quarter of 2010 and they represent a percentage of the betting amount fixed by law and include 566 thousand euros of remote gambling (509 thousand euros in the third quarter of 2010).

The revenue deriving from the running of the network of entertainment machines (AWP, former slot machines), accountable for a total of 199.153 thousand euros, are calculated as a percentage of the movement generated by the slot machines. The revenues shown are the gross of the compensation recognised by contract both to the manager - TIR – and the operator. In the balance sheet the amount, accounting for 7,980 thousand euros relating to the "Contingency deposit contribute for slot network efficiency" is highlighted, which accepts 0.5 percent of the money played on each gaming device connected to computer network (see note 22).

Finally, it is important to remember that the decree prepared by AAMS for the revision of slot machines denomination, the forecast of the disbursement which may grow up to 0.5% of the takings, has been included in the new agreement between AAMS and licensees as part of the contract. The disbursement value may vary depending on a set of service and investment parameters.

On 26 July 2011, the Directorial decree 2011/30014/giochi/adi enforced new criteria and security deposit bond reimbursement for 2011 and 2012.

The new decree specifies for the year 2011 all the reimbursement criteria and modes as for the slot security deposit bond reimbursement accounting for 0.5% as follows:

- 0.25% when reaching real suitable service levels (80% of the active units transmitted a communication);
- 0.15% when reaching real suitable service levels (90% of the active units transmitted a communication)
- 0.10% number of Access points updated to the GPS technology (7% of the total managed PdA);

New decree specifies for the year 201w all the reimbursement criteria and modes as for the slot security deposit bond reimbursement accounting for 0.5% as follows:

- 0.40% number of Access points updated to the GPS technology (100% of the total managed PdA);
- 0.10% when reaching real suitable service levels (90% of the active units transmitted a communication)

The Group, according to the received information and to internal audits on the subject, is convinced that the reached service and investment levels as for the time being too allows to account receivables for security deposit bonds suitable to results reported in the previous years.

Revenues for "re-charge to operators of allocation contributions" refer to contributions required by third parties liable for the collection and mainly TIR. As for the entry "Contributions to allocation" as in note 8, the same type of contribution paid to AAMS is reported for bet acceptance points - PAS managed by the mother company. The 2011 Stability law, in force since 1 January 2011, among others, relied on the Amministrazione Autonoma dei Monopoli di Stato as to enforce and extraordinary control programme, essentially aiming at checking the unit distribution on the entire territory, identifying how many and which units are in excess if compared to the present regulation on quota. What is more the Stability regulation forecast a review of the quota regulation based on decree n.2011/30011/giochi/UD dating back to 27 July 2011 and published on 5 August 2011. The regulation in force in the first quarter forecast that, as for the interest of application of the new regulation, for each surplus unit if compared to the present quota limit, not to be removed, a fee should be paid to the State, accounting for three hundred euros per month (€ 300.00/month), mutually by the dealer and by each third party liable for the bet collection.

The new regulation includes an extension of the number of units, paragraph 6a (slot machines) to be installed to the sales points with exclusive or similar gaming activity, providing for 3 months to comply with the new regulations.

On 19 January 2011 a new activity was launched as for entertainment units, paragraph 6b (videolottery or shortly VLT), leading to revenues accounting for 9,133 thousand euros in the first nine months of 2011 and for 5,806 thousand euros in the third quarter 2011. The new VLT terminal positioning activity inside many betting shops temporarily interfered with the parallel betting activity on entertainment units paragraph 6a, whose availability was in fact reduced.

Revenues depending on cd skill games account for 8,722 thousand euros in the first nine months of 2011 against 11,640 in the same period in 2010. A decrease by 25.07% essentially depended on the more stringent controls on the remote betting game enforced by the Group since mid-March 2011 and then imposed by the Community regulations reported in the rules as for remote gaming which initially made the opening of gaming accounts and consequent online bent operating access modes far more complicated.

Following are the details of the entry "Skill Games Net Revenues" which highlights the revenue entries for winnings and the single tax of 3% of the cash flow.

<b>30 September 2011</b>	<b>Restated 30 September 2010</b>	<b>Thousands of euros</b>	<b>3rd quarter 2011</b>	<b>Restated 3rd quarter 2010</b>
208,011	161,364	Revenues from Skill Games	122,070	45,526
(195,585)	(144,850)	Skill Games Winnings	(118,188)	(40,698)
(3,704)	(4,874)	Skill Games Single Tax	(1,105)	(1,378)
<b>8,722</b>	<b>11,640</b>	<b>Net revenues from Skill Games</b>	<b>2,777</b>	<b>3,450</b>

On 7 July 2011 a casino game activity was introduced leading to net revenues accounting for 1,687 thousand euros in the first nine months of 2011.

The entry " Financial Rights Income" amounting to 3,949 thousand euros in the first nine months of 2011 and to 1,315 thousands euro in the third quarter 2011 receives the proceeds from the initial activation of the sports and horse-racing stores / corners made at the stipulation of the new management contracts and then the fees paid each year only by the corners.

The entry "Television service revenues" mainly receives the proceeds from the contract signed by the controlled company Teleippica S.r.l. with ASSI former U.N.I.R.E. (Unione Nazionale Incremento Razze Equine) for the broadcasted transmission of horse races by the betting acceptance points.

## 5. Other Revenue and Income

The total of the other operating proceeds and income amounts to 994 thousand euros in the first nine months of 2010 (7,197 thousand euros in the first nine months of 2010 restated).

This item contains the following positive income components:

30 September 2011	Restated 30 September 2010	Thousands of euros	3rd quarter 2011	Restated 3rd quarter 2010	Difference
229	296	Rental income	67	99	(32)
153	153	Sale of option rights	51	51	0
461	3,395	Active transactions, compensation and other operating income	76	800	(724)
32	6	Capital gains on sale of assets	0	0	0
119	164	UNIRE investment fund grant	(28)	55	(83)
<b>994</b>	<b>4,014</b>	<b>Total</b>	<b>166</b>	<b>1,005</b>	<b>(839)</b>

In the first nine months of 2010, the entry "Active transactions, compensation and other operating income" includes compensation and active transactions for 1,339 thousand euros and mainly relate to the early dissolution of contracts as for connection services.

## 6. Change in inventories of finished and semi-finished products

The change in inventory of the finished and semi-finished products in the first nine months of 2011, amounting to 26 thousand euros is a positive income component (compared to 209 thousand euros in the first nine months of 2010 positive income component), and 1 thousand euros in the third quarter of 2011 represents a positive income component (33 thousand euros in the third quarter 2010 positive income component). and is due mainly to the increase in the final inventory of finished goods from own production technology (FaiConMe, Betsie). Capitalised terminals following installations by the sales points accounted for 187 thousand euros in the first nine months of 2011.

## 7. Used raw materials and consumables

The raw materials and consumables used amount to 1,045 thousand euros in first nine months of 2011 (1,385 thousand in first nine months of 2010), and 295 thousand in third quarter of 2011 (299 thousand in third quarter 2010) and relate mainly to support material for betting collection, for the technology and furnishings to be installed at new stores under the licences from the so-called Bersani and Giorgetti and to the raw materials used for the production of the new gaming terminals (FaiConMe). The capitalised amount accounts for 779 thousand euros in the first nine months of 2011.

## 8. Costs for services and leased assets

The costs for the services and use of third party assets total 300,327 thousand euros in the first nine months of 2011 (326,031 thousand euros in the first nine months of 2009) and are detailed below:

30 September 2011	Restated 30 September 2010	Thousands of euros	3rd quarter 2011	Restated 3rd quarter 2010	Difference
80,399	85,335	Management fee for betting acceptance	21,531	25,252	(3,721)
165,657	175,049	Cost for Slot service	52,565	56,238	(3,673)
2,149	0	Quota allocation costs	287	0	287
4,202	0	Video-lottery management and game platform cost	2,688	0	2,688
2,981	3,743	Skill games management costs	1,008	1,115	(107)
239	0	Casino game operator costs	239		239
1,449	2,072	Bookmakers compensations	318	653	(335)
704	694	Remote game service costs	101	96	5
43	6,111	Compensation to SNAI point coordinators	13	107	(94)
424	35	Bingo on line costs	114	35	79
1,978	1,993	Horse Race-track management	651	769	(118)
185	182	Horse racing agency grants	57	55	2
1,101	1,127	Television and radio services	209	235	(26)
1,14	1,279	Television signal transportation	398	440	(42)
439	451	Television and radio programs – interviews and previews	156	155	1
178	172	Data connectivity service	59	57	2
84	131	UP Link services	11	45	(34)
48	196	Television art direction and shooting management	17	15	2
282	282	Workstation renting	94	96	(2)
5,907	9,036	Consultancies and refunds	1,243	1,381	(138)
6,617	6,572	Utilities and telephones	2,115	2,214	(99)
6,077	5,75	Assistance and service	2,1	1,871	229
5,204	11,267	Advertising and PR	1,513	1,887	(374)
2,982	2,87	IT services	974	972	2
1,083	1,436	Installation, logistics and planning costs	226	402	(176)
956	1,331	Consulting, occasional activities and miscellaneous	142	387	(245)
993	1,875	Insurance and surety policy costs	337	593	(256)
593	635	Market surveys	222	226	(4)
482	154	Information for brochures and brochures making	116	47	69
1,109	1,103	Rental costs and incidental expenses	355	377	(22)
569	639	Operating leases and rentals	187	209	(22)
946	1,091	Directors' fee	235	389	(154)
483	391	Revision costs	160	102	58
249	144	Statutory auditors' fee	85	49	36
63	65	Compensation for Supervisory Board	22	24	(2)
64	51	Expense accounts for Directors/Auditors	16	21	(5)
6	73	Outsourced processing	0	16	(16)
2,262	2,696	Others	431	928	(497)
<b>300,327</b>	<b>326,031</b>	<b>Total</b>	<b>90,995</b>	<b>97,458</b>	<b>(6,463)</b>

It is highlighted:

- An amount accounting for 80,399 thousand euros reported in the first nine months of 2011 and 21,531 thousand euros in the third quarter 2011 (85,335 thousand euros in the first nine months of 2010 and 25,252 thousand euros in the third quarter 2010) as for the management fee for which sold the concessions in March 2006 and during the successive periods, and the operators of horse racing and sports shops and corners tied to the adjudication of concessions of the so-called Bersani call for tenders, and to the operators of the horse-racing shops of the so-called "Giorgetti" call for tenders;
- The costs for slots services (a total of 165,657 thousand euros in the first nine months of 2011 compared to 175,049 thousand euros in the first half of 2010) including both the compensation awarded to the manager (third charge - TIR) and the compensation granted to the operator, in addition to royalties payable to PAS for slot under SNAI management. Such costs increase by 9,392 thousand euros in comparison to the first nine months of 2010 owing to the reduced movement generated by slots in the first nine months of 2011 as a percentage of the same.
- Quota contributions introduced with the stability law 2001 were commented on note 4;
- Videolottery management and game platform cost accounted for 4,202 thousand euros in the first nine months of 2011 and they refer to the compensation paid to the shop operators where Videlottery units were installed starting from 19 January 2011 as well as at the game platform cost;
- Costs associated with the management of the remote skill games for 2,981 thousand euros in the first nine months of 2011 (3,743 thousand euros in the same period in 2010) consisting mainly of the costs for the use of gaming platforms and managing online poker tournaments. the increase in such costs correlates directly with the volume trend of the gaming;
- The entry Consultancies and Refunds accounts for 5,907 thousand euros in the first nine months of 2011 in comparison of 9,036 thousand euros in the first nine months of 2010 and includes non recurrent costs accounting for 1,626 thousand euros related to the advisor compensation, supporting the company in the Senior and Junior loan extinction, expired in March 2011. For more details, refer to the note 37.
- Advertising and PR activities accounted for a total 5,204 thousands euro in the first nine months of 2011 against 11,267 thousand euros in the same period in 2011, during the world soccer championship.
- The entry "Other" mainly comprises: values escort and security service, cleaning services, intergroup services re-invoiced by the parent company and the other subsidiaries, postage and shipping costs, waste disposal and management of company cars and vehicles.

#### Remuneration for directors and statutory auditors

On 30 September 2011, this entry includes the fees payable to directors amounting to 946 thousand euros (1,091 thousand euros) and payments to supervisory boards, amounting to 249 thousand euros (144 thousand euros) as deliberated in the shareholders' meetings.

#### 9. Personnel costs

The personnel costs account in total for 23,390 thousand euros, compared with 22,499 thousand euros in the first nine months of 2010, an increase of 891 thousand euros (+3.96%) mainly due pro quota award grants to the company management (June 2011) approved by the Board of Directors and to the direct hiring for the Rome office of temporary operators for the outbound activity by Festa s.r.l. besides to salary increases stipulated in the contracts.

30 September 2011	Restated 30 September 2010	thousand euros	3rd quarter 2011	Restated 3rd quarter 2010	Difference
16,384	15,844	Salaries and wages	5,084	5,543	(459)
4,777	4,474	Contributions on salaries and wages	1,479	1,549	(70)
62	65	Inail premiums	21	23	(2)
154	141	Various contributions	55	49	6
1,025	1,010	Accrual for defined benefit/contribution plans	353	354	(1)
50	60	Personnel training costs	11	38	(27)
322	418	Expense refunds to employees	82	103	(21)
563	476	Meal vouchers and company canteen	194	159	35
53	11	Other personnel expenses (uniforms, check-ups, etc.)	16	3	13
<b>23,390</b>	<b>22,499</b>	<b>Total</b>	<b>7,295</b>	<b>7,821</b>	<b>(526)</b>

The entry "provision for benefit plans / defined contribution" includes income effects arising from the evaluation of the TFR former IAS 19.

The consistency of staff at year-end is shown in the following table which shows an increase of 226 units with respect to 31 December 2010 mainly depending on:

Teleippica S.r.l. merge inside the SNAI Group – previously the company was not included in the consolidation as the controlled shareholders' equity accounted only for 19.50%;  
the renewal of temporary contracts;  
stabilisation through direct hiring by the Rome office of temporary staff as for the Festa S.r.l. outbound activities.

30.09.2010		31.12.2010	Revenues of the period	Change to the consolidation areas	Costs for the period	30.09.2011	Average size for period
20	Executives	20	1	1	1	21	21
473	Clerks and Middle Management	456	236	38	55	675	616
102	Workers	95	7	0	1	101	100
<b>595 *</b>	<b>Total Employees</b>	<b>571 **</b>	<b>244</b>	<b>39</b>	<b>57</b>	<b>797 ***</b>	<b>737</b>

\* including 65 Part-time and n. 17 maternities

\*\* Including 91 part-times and 13 maternities

\*\*\* Including 64 part-times and 17 maternities

## 10. Other operating costs

The other operating costs amounted to € 24,584 thousand in the first nine months of 2011 (€ 20,970 thousand in the first nine months of 2010).

30 September 2011	Restated 30 September 2010		Thousands of euros	3rd quarter 2011	Restated 3rd quarter 2010	Difference
39	90		Environment testing and health surveillance	11	42	(31)
7,049	743		Accruals and losses on receivables	668	(10)	678
(101)	(47)		Use of provision for bad debts and risks	(29)	(7)	(22)
262	216		Accrual to provision for risks	105	68	37
242	362		Representation expenses	68	121	(53)
152	275		PR material	65	72	(7)
531	548		Association dues	167	192	(25)
263	331		Other taxes	73	133	(60)
11,239	11,947		Licences and concessions	3,853	4,097	(244)
359	355		I.C.I. - Municipal property tax	120	116	4
354	641		Other administrative and management costs	152	106	46
106	125		Stationery and consumables	19	35	(16)
36	36		Books, newspapers and magazines	12	13	(1)
85	617		Expense transactions	65	103	(38)
30	21		Capital losses on sale of assets	30	0	30
112	46		Penalties and compensation for damages	2	16	(14)
3,826	4,664		% of Non-deductible VAT	1,249	1,288	(39)
<b>24,584</b>	<b>20,970</b>		<b>Total</b>	<b>6,630</b>	<b>6,385</b>	<b>245</b>

The entry licenses and concessions includes among others:

- the concession fee for legal gaming on amusement machines ("slot machines") for 4,782 thousand euros, calculated fortnightly at the rate of 0.30% of volumes played to AAMS and paid bimonthly;
- the concession fee for videolottery totalling 269 thousand euros, calculated fortnightly at the rate of 0.30% of volumes played to AAMS and paid bimonthly;
- the concession fee, totalling 1,191 thousand euros, for the marketing of fixed odds betting on sporting events other than horse racing, and non-sports events ex-article 4 of the Convention approved by Directorial Decree 2006/22503 of 30.06.2006, the decree stated that as from 1 January 2007, the licensee shall pay AAMS, no later than January 16 and July 16 of each year respectively, the concession fee for the corresponding semester;
- the concession fee on public games accrued on the rights granted by the call for tender 2006 (so-called Bersani Rights), as provided for by the licence, amounting to 4,2752 thousand euros;
- the appropriate share of the licence fee on public games for the remote gaming, as forecast by relating concession, 363 thousand euros.
- television concession fee accounting for 264 thousand euros.

In the first nine months of 2011 risk provisions for receivable devaluation and registered losses of receivables to align the best estimates on receivable collection relating to previous years as for the typical Group activity were reported, which proved to be hardly recoverable during the present management or in case of receivable losses, they turned out to be impossibly collected.

It is important to underline as laid down by Article 19 of "Charges specifications" for "the entrusting of a licence for the activation and operation of a network for the remote management of legal gaming through amusement and entertainment devices as well as the related activities and function", that the company should keep a 2010 risk provisions for technological adjustments of the entertainment unit network through a ten euro allocation per year to any managed AWP. In the first nine months of 2010 risk provisions for technological adjustments were made amounting to 216 thousand euros. In the first nine months of 2011 risk provisions for technological adjustments were made amounting to 262 thousand euros calculated a forecast cost accounting for 7.5 euro per each managed AWP.

The entry "% non-deductibility of VAT", amounting to 3,826 thousand euros in the first nine months of 2011, is due to different activity types conducted by SNAI S.p.A. and Società Trenno S.r.l., which generate income from services partly taxable for VAT purposes and partly exempt from VAT, effecting the non-exemption from VAT of purchases.

The companies SNAI S.p.A., Festa S.r.l. and Società Trenno S.r.l. have opted for separate activities for VAT purposes, this choice implies that, for purchases related to the activity that generates taxable operations, VAT is fully deductible, but it is entirely non-deductible on purchases related to activities that generate exempt operations.

With regards to the tax on goods and services used promiscuously by all activities, the VAT is deducted within the limits of the financial year producing taxable income to which it relates; regarding this, the cost of non-deductible VAT was calculated by determining specific allocation criteria.

## **11. Costs for internal capitalised activities**

Costs for internal capitalised activities accounting for 574 thousand euros in the first nine months of 2011 (573 thousand euros) mainly refer to the activity development:

- Betsi terminal new functions;
- Central system development as to implement the supplied service efficacy;
- Bingo OnLine implementation;
- Internal portal implementation as to documentary manage the ISO-27001 certification;
- Disaster Recovery and Business Continuity Plan process implementation;
- New customer management portal: Partner.Snai.It;
- Portal evolution of the system Slot Machine, paragraph 6a;
- New implementation depending on the transaction safety and on the new Fraud Management;
- Remote system development as for safety taking the new regulations into account;
- Development of Business Intelligence systems;
- Slot machine, paragraph 6a protocol implementation and introduction of GPS systems;
- Jackpot VLP display system implementation;



- Skill Games development and adjusting to the new gaming modes;
- Graphical page implementation as to inform the general public.

## 12. Amortisations

Amortisations amount to 48,378 thousand euros in the first nine months of 2011 and to 16,305 thousand euros in the third quarter of 2011 (43,873 thousand euros in the first nine months of 2010 and to 15,973 thousand euros of the third quarter of 2010) as hereinafter detailed:

<b>30 September 2011</b>	<b>Restated 30 September 2010</b>	<b>Thousands of euros</b>	<b>3rd quarter 2011</b>	<b>Restated 3<sup>rd</sup> quarter 2010</b>	<b>Difference</b>
31,852	25,635	Intangible assets	11,012	9,783	1,229
16,526	18,238	Tangible assets	5,293	6,190	(897)
<b>48,378</b>	<b>43,873</b>	<b>Total</b>	<b>16,305</b>	<b>15,973</b>	<b>332</b>

For more details on amortisations, refer to the notes on tangible and intangible assets, n. 16 and n. 17.

## 13. Other provisions

The item "Other Provisions" totals 394 thousand euros (9,413 thousand euros in the first nine months of 2010) refers principally to the provision made for risks and expenses, analytically described on note 30, which to refer to.

## 14. Financial Income and Charges

The entry "Financial Income and Charges" shows net charges totalling to 27,277 thousand euros in the first nine months of 2011 and net charges totalling 11,357 thousand euros in the third quarter of 2011 (charges for 19,910 thousand euros in the first nine months of 2010 and 6,622 thousand euros in the third quarter of 2010) which are detailed as follows

30 September 2011	Restated 30 September 2010		3rd quarter 2011	Restated 3rd quarter 2010	Difference
		Thousands of euros			
<b>Income and charges from equity investment</b>					
0	(31)	Revaluation/(write-downs) equity investments SNAI Lussemburgo S.A.	0	(31)	31
23	0	Revaluation/(write-downs) equity investments Alfea S.p.A.	4	0	4
2	15	Revaluation/(write-downs) equity investments Connex S.r.l.	0	0	0
(13)	7	Revaluation/(write-downs) equity investments Società Capannelle S.p.A.	0	(50)	50
0	12	Revaluation/(write-downs) equity investments Solar S.A.	0	0	0
<b>12</b>	<b>3</b>		<b>4</b>	<b>(81)</b>	<b>85</b>
<b>Financial income securities</b>					
384	775	Interest income due from parent company SNAI Servizi S.r.l.	0	283	(283)
0	119	Interest income due from Tivu + S.p.A. in Liquid.	0	44	(44)
0	102	Interest income due from Teseo S.r.l. in Liquid.	0	37	(37)
3	4	Earnings on exchange rates	0	1	(1)
486	103	Interest income from banks	183	25	158
559	1,213	Interest income on other receivables	190	389	(199)
7	1	Financial income	0	1	(1)
<b>1,439</b>	<b>2,317</b>		<b>373</b>	<b>780</b>	<b>(407)</b>
<b>Financial charges</b>					
426	442	Bank fees	136	139	(3)
428	77	Interest expenses by other companies	95	47	48
17	16	Losses on exchange rates	5	5	0
1,734	652	Commissions on sureties	597	220	377
515	319	Interest expenses on bank accounts	196	133	63
4,187	4,825	Interest expenses and accessory charges on leasing	1,337	1,719	(382)
7	36	Interest expenses on other loans	1	9	(8)
4,937	14,740	Interest expenses on Junior and Senior loans	0	4,776	(4,776)
15,916	0	Interest expenses on 29 March 2011 loan	9,217	0	9,217
161	475	Financial charges on vendor loan discounting	9	83	(74)
221	489	Financial charges on payables discounting	82	136	(54)
178	155	Interest and severance benefits discounting	59	52	7
0	2	Interest expenses to the parent company SNAI Servizi S.r.l.	0	2	(2)
1	2	Financial charges and various fees	0	0	0
<b>28,728</b>	<b>22,230</b>		<b>11,734</b>	<b>7,321</b>	<b>4,413</b>
<b>(27,277)</b>	<b>(19,910)</b>	<b>Total</b>	<b>(11,357)</b>	<b>(6,622)</b>	<b>(4,735)</b>

The entry "Financial Income/Proceeds", in the first nine months of 2011, includes the accrued interest income on bank c/a for 486 thousand euros and the interest income on other receivables for 559 thousand euros calculated on the delays granted both on accounts and on miscellaneous receivables.

In the first nine months of 2011, financial charges include:

- the charges calculated according to the amortised cost methodology set forth in IAS 39 by applying the effective interest rate method on loans taken out for the acquisition of company branches "Concessions" (for greater details on the loans the reader is referred to note 29) totalling 4,937 thousand euros of which 844 thousand euros recognized as accessory costs;
- the charges calculated according to the amortised cost methodology set forth in IAS 39 by applying the effective interest rate method on loans taken out on 29 March 2011 (for more details on such loans, refer to note 29), totalling 15,916 thousand euros of which 4,224 thousand euros recognised as accessory costs;
- the interest calculated on the extension of payables due from BAP for the acquisition of company branches due to the discounting of the payable established contractually without explicit interest (161 thousand euros);

- the calculated implicit interest for the discounting of determined payables of medium long term due to AAMS, conferred in the context of the acquisition of the Concessions (221 thousand euros);
- the calculated interest expenses for financial leases totalling 1,518 thousand euros and accessory charges for leasing for 2,669 thousand euros, among which appears VAT which is non-deductible.

For additional details related to existing entries with group companies, the reader is referred to note 35 “Related Parties”.

## 15. Income taxes

Current income taxes, including IRES and IRAP of the companies consolidated on the line-by-line basis, as well as prepaid and deferred taxes recognised in the first nine months of 2011, are a positive component totalling 2,701 thousand euros.

<b>30 September 2011</b>	<b>Restated 30 September 2010</b>	<b>Thousands of euros</b>	<b>3rd quarter 2011</b>	<b>Restated 3rd quarter 2010</b>
838	421	IRES	349	119
1,138	1,296	IRAP	158	606
3,796	3,766	Accrual to provision for deferred tax liabilities	1,288	1,255
(2,023)	(1,788)	Use of provision for deferred tax liabilities	(665)	(537)
(7,885)	(6,453)	Pre-paid taxes	(4,442)	(1,686)
1,435	2,675	Use of prepaid taxes credit	433	513
0	153	IRES from previous years	0	146
<b>(2701)</b>	<b>70</b>	<b>Total</b>	<b>(2879)</b>	<b>416</b>

For additional details on the effects from the tax charge and the fiscal consolidation see what is specified in detail in note 19 “Prepaid and deferred taxes” in these explanatory notes. For the purposes of the direct and indirect taxes, the fiscal year of 2005 has been settled.

The reader is referred to section 30 for further details about the fiscal disputes.

### **Notes to the Main Items of the Consolidated Equity and Financial Situation**

The comparison of values, always expressed in thousands of euros, except where indicated otherwise, is made with the corresponding balances/amounts as of 31 December 2010 restated following the purchase of the shareholders' equity accounting for 80.5% of the registered stock of Teleippica S.r.l. as specified on the main note of the general income statement. The restated amount was added as to make values far more homogeneous as if the acquisition was enforced on 31 December 2010, for more details refer to Appendix 2.3.

The comparison between values, always expressed in thousands of euros, except where indicated otherwise, is made with the corresponding balances/amounts as or 21 December 2010 restated.

### **16. Property, Plant and Equipment**

The equity of the tangible assets as of 30 September 2011 totals 162,068 thousand euros (173,491 thousand euros). The changes of the period are due to the combined effects of the depreciation/amortisation of the period totalling 16,526 thousand euros, of the investments for 5,196 thousand euros and of disposals, net of the amortisation provision, for sales of 93 thousand euros.

In thousands of euros	Land and Buildings	Plant and Equipment	Fixtures, Fittings, Tools and Equipment	Other Assets	Fixed Assets under construction and Advances	Total
<b>Cost</b>						
<b>Balance as of 1 January 2009</b>	<b>133,296</b>	<b>128,021</b>	<b>7,037</b>	<b>18,164</b>	<b>110</b>	<b>286,628</b>
Acquisitions through business combinations			0	0		0
Reclassifications	(122)	615	(97)	(154)	(110)	132
Other Increases	2,131	10,907	198	2,212	0	15,448
Decreases	0	(2,443)	(18)	(65)	0	(2,526)
<b>Balance as of 31 December 2010</b>	<b>135,305</b>	<b>137,100</b>	<b>7,120</b>	<b>20,157</b>	<b>0</b>	<b>299,682</b>
Consolidation area change depending on the purchase of Teleippica S.r.l.		16,964		173		17,137
<b>Restated Balance as of 31 December 2010</b>	<b>135,305</b>	<b>154,064</b>	<b>7,120</b>	<b>20,330</b>	<b>0</b>	<b>316,819</b>
Reclassifications	0	0	20	(16)	(4)	0
Other Increases	1,316	2,927	12	816	125	5,196
Decreases	0	(44)	0	(287)	0	(331)
<b>Balance as of 31 September 2011</b>	<b>136,621</b>	<b>156,947</b>	<b>7,152</b>	<b>20,843</b>	<b>121</b>	<b>321,684</b>
<b>Amortisation and Depreciations</b>						
<b>Balance as of 1 January 2010</b>	<b>22,085</b>	<b>73,129</b>	<b>6,123</b>	<b>6,557</b>	<b>0</b>	<b>107,894</b>
Acquisitions through business combinations						0
Amortisation of the period	2,856	16,163	244	2,035		21,298
Devaluations						0
Disposals		(2,440)	(18)	(61)		(2,519)
Reclassifications	(122)	2,805	(97)	(154)	0	2,432
<b>Balance as of 31 December 2010</b>	<b>24,819</b>	<b>89,657</b>	<b>6,252</b>	<b>8,377</b>	<b>0</b>	<b>129,105</b>
Consolidation area change depending on the purchase of Teleippica S.r.l.		14,168		55		14,223
<b>Restated Balance as of 31 December 2010</b>	<b>24,819</b>	<b>103,825</b>	<b>6,252</b>	<b>8,432</b>	<b>0</b>	<b>143,328</b>
Amortisation of the period	2,179	12,551	165	1,631		16,526
Depreciations						0
Disposals		(44)	0	(194)		(238)
Reclassifications	0	0	0	0	0	0
<b>Balance as of 30 September 2011</b>	<b>26,998</b>	<b>116,332</b>	<b>6,417</b>	<b>9,869</b>	<b>0</b>	<b>159,616</b>
<b>Book values</b>						
As of 1 January 2010	111,211	54,892	914	11,607	110	178,734
As of 31 December 2010	110,486	47,443	868	11,780	0	170,577
Restated Balance as of 31 December 2010	110,486	50,239	868	11,898	0	173,491
As of 30 September 2011	109,623	40,615	735	10,974	121	162,068

Land and buildings include the property in Porcari, leased from the company Ing Lease Italia S.p.A., for a historic cost of 3,500 thousand euros, of which 382 euro is related to the land, and an accumulated depreciation of 678 thousand euros as of 30 September 2011.

Moreover, the item "Land and Buildings" includes the Milan and Montecatini properties owned by the parent company SNAI S.p.A. and by the subsidiary Immobiliare Valcarenga S.r.l.

Payments for finance leases are shown in the table below:

thousand euros	Total
Total Obligations as of 30 September 2011	40,471
of which	
Payments due within 12 months	19,672
Payments due from 1 to 5 years	20,703
Payments due beyond 5 years	96
Redemption	912

The payments for the operating leasing which are due do not represent significant amounts.

As of 30 September 2011, the payment obligations of financial leases totalling 40,471 thousand euros refer to the following contracts:

1. for 1,235 thousand euros for the financial leasing contract stipulated with Ing Lease Italia S.p.A. related to the acquisition of the building situated in Porcari (LU) with maturity in June 2016. At the termination of the contract the option for redemption of the building is provided for at the agreed upon price of 700 thousand euros;
2. for 159 thousand euros for the contract for the acquisition of technology for the new sales points and shops (lease-back) stipulated in December 2006 with maturity in December 2011. There are three options provided for in the contract at termination: return of the machines, extension of the lease and purchase of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid;
3. for 921 thousand euros for the contract for the acquisition in leasing of technology and furnishings for the new sales points and shops (lease-back) stipulated in September 2007 with maturity in September 2012. There are three options provided for in the contract at termination: return of the machines, extension of the lease and purchase of the machines. The extension of the lease is planned for additional one year periods upon request of the company. In the event of purchase of the machines, the company must send a written request and ask for a bid;
4. In case of purchase of any machinery, the company must send a written request and ask for a bid;
5. for 4,638 thousand euros to two contracts stipulated at the end of December 2007 with maturity in December 2012 for the acquisition in leasing of technology for the new points and shops (lease-back). Both contracts contain a purchase option for the machines by a third party buyer, in the event of failure to buy for any reason, there is an automatic renewal for an additional twelve month period;
6. for 5,136 thousand euros to two contracts stipulated at the end of October 2008 with maturity in October 2013 for the acquisition in leasing of technology for the new points and shops (lease-back). Both contracts provide for the option for extension of the lease for the duration indicated by the lease holder; in the case where the option is not exercised, the assets will be returned.
7. for 2,821 thousand euros to four lease-back contracts stipulated in October and November 2008 with a duration of 48 months related to the technology installed in the Bersani corners and shops:
8. for 7,110 thousand euros for several leasing contracts stipulated between 2007 and 2008;
9. for 1,848 thousand euros for several leasing contracts stipulated during 2009 for electronic equipment;
10. for 2,915 thousand euros for a lease-back contract related to the gaming terminals produced and intended for the new points and shops, stipulated in July 2009 with maturity in June 2014. At termination, the contract provides for the acquisition of the goods at the fixed price of 50 thousand euros;
11. for 2,566 thousand euros for a lease-back contract regarding the technology acquired and produced for the new points and shops stipulated in July 2009 and maturing in July 2014. At termination, the contract provides for the acquisition of the goods at the fixed price of 48 thousand euros;
12. for 2,476 thousand euros for a lease-back contract regarding the technology acquired for the new points and shops stipulated in August 2009 and maturing in August 2014. At termination, the contract provides for the possibility to redeem the goods for 42 thousand euros;
13. for 923 thousand euros for a lease-back contract regarding the gaming terminals produced and intended for the points and shops stipulated in August 2009 and maturing in August 2013. At termination, the contract provides for the possibility to redeem the goods for 20 thousand euros;
14. for 541 thousand euros for a lease-back contract regarding the gaming terminals produced for the points and shops stipulated in September 2009 and maturing in September 2014. At termination, the contract provides for the option of extension of the financial lease or alternatively the option of redemption of the corresponding goods, in a single solution, at the fixed amount fixed of 10 thousand euros;
15. for 1,120 thousand euros for a lease-back contract related to furnishings stipulated in February 2010 with maturity in February 2015. At termination, the contract provides for the acquisition of the goods at the fixed price of 17 thousand euros;
16. for 1,723 thousand euros for a lease-back contract related to the acquisition of technology stipulated in March 2010 with maturity in March 2015. At termination, the contract provides for the acquisition of the goods at the fixed price of 25 thousand euros;
17. for 2,865 thousand euros for leasing contracts stipulated in the first nine months of 2010 related to the acquisition of computer infrastructure both for the central and peripheral management;
18. for 1,380 thousand euros for financial leasing contracts related to the acquisition of server and personal computers stipulated with Siemens Renting S.p.A.;

19. for 34 thousand euros for a leasing contract related to the telephone system, stipulated in January 2010 with maturity in January 2015. At termination, the contract provides for the tacit renewal from year to year unless cancelled;
20. for 6 thousand euros for a leasing contract related to the acquisition of 3 Cisco switches, stipulated in February 2010 with maturity in February 2013. At termination, the contract provides for the tacit renewal from year to year unless cancelled;

The company owned plant and machinery include the electrical, water, fire-fighting and air conditioning systems as well as measures to bring them up to standard, the electronic machines, entertainment machines (slot machines), the "pda" used for the online connection of the slot machine.

The change to the consolidation area as for the shareholders' equity acquisition of Teleippica S.r.l. accounting for 17,137 thousand euros essentially consists of television signal transmission units divided in the following categories: radio bridges for 5,986 thousand euros, reception-transmission units for 8,287 thousand euros, direction units for 2,072 thousand euros and synchronising and control units for 76 thousand euros.

The increases as of 30 September 201q, totalling 5.196 thousand euros, principally refer to:

- the item Land and Buildings for 1,316 thousand euros: related to the improvement of the properties;
- the item Plant and Equipment for 2,927 thousand euros related to: 557 thousand hardware for the business Videolottery, 813 thousand euros for any business of the parent company, 505 thousand euros for heating/cooling and electrical systems, 489 thousand euros acquisitions of technology provided on loan to the new shops and corners, 223 thousand euros for the Videolottery network setting and 340 thousand euros for the acquisition costs for instrumental assets (server, printers, PCs and monitors) and other systems and equipment for the performance of the various activities of the companies in the group;
- the item commercial and industrial goods for 12 thousand euros relating to the equipment purchase as for horse race-tracks in Milan and Montecatini and relating activities;
- the item Other assets for 816 thousand euros related; 413 thousand euros for acquisition of furnishing provided on loan to new shops and corners (Bersani licenses), 47 thousand euros as for furnishing of the flagship shops, 283 thousand euros as for furnishing of the Videolottery buildings, 56 thousand euros as for furnishing of the company headquarters.

In Property, plant and equipment Financial Charges have not been capitalized as the Group does not have qualifying assets, as defined by IAS 23.

## 17. Intangible assets

The equity of the intangible assets as of 30 September 2011 totals 436,693 thousand euros (461,565 thousand euros), the changes of the period are due to the combined effects of the depreciation/amortisation of the period totalling 31,852 thousand euros, of the investments for 6,980 thousand euros.

thousands of euro	Goodwill	Concessions, Licenses, trademarks, and similar rights	Development Costs	Industrial Patent Rights and Use of Original Works	Others	Assets under construction	Total
<b>Cost</b>							
<b>Balance as of 1 January 2010</b>	<b>230,968</b>	<b>289,006</b>	<b>6,054</b>	<b>12,204</b>	<b>3,170</b>	<b>106,489</b>	<b>647,891</b>
Acquisitions through business combinations	194	42					236
Reclassifications		28,853	538		0	(29,391)	0
Other Increases		22,890	846	149	596	500	24,981
Decreases		0			0	(620)	(620)
<b>Balance as of 31 December 2010</b>	<b>231,162</b>	<b>340,791</b>	<b>7,438</b>	<b>12,353</b>	<b>3,766</b>	<b>76,978</b>	<b>672,488</b>
Consolidation area change depending on the purchase of Teleippica S.r.l.	443	14		108	694		1,259
<b>Restated Balance as of 31 December 2010</b>	<b>231,605</b>	<b>340,805</b>	<b>7,438</b>	<b>12,461</b>	<b>4,460</b>	<b>76,978</b>	<b>673,747</b>
Reclassifications		18,989	154		7	(19,150)	0
Other Increases		4,872	67	687	368	986	6,980
Decreases	0	0	(1,685)		0	0	(1,685)
<b>Balance as of 30 September 2011</b>	<b>231,605</b>	<b>364,666</b>	<b>5,974</b>	<b>13,148</b>	<b>4,835</b>	<b>58,814</b>	<b>679,042</b>
<b>Amortisation and Devaluations</b>							
<b>Balance as of 31 December 2010</b>	<b>0</b>	<b>159,837</b>	<b>3,337</b>	<b>11,007</b>	<b>1,666</b>	<b>0</b>	<b>175,847</b>
Acquisitions through business combinations							0
Amortisation of the period		34,023	881	246	483		35,633
Devaluations							0
Disposals		0					0
Reclassifications							0
<b>Balance as of 31 December 2010</b>	<b>0</b>	<b>193,860</b>	<b>4,218</b>	<b>11,253</b>	<b>2,149</b>	<b>0</b>	<b>211,48</b>
Variazione area di consolidamento per acquisto Teleippica S.r.l.		2		85	615		702
<b>Restated Balance as of 31 December 2010</b>	<b>0</b>	<b>193,862</b>	<b>4,218</b>	<b>11,338</b>	<b>2,764</b>	<b>0</b>	<b>212,182</b>
Amortisation of the period		30,502	715	192	443		31,852
Devaluations							0
Disposals		0	(1,685)		0		(1,685)
Reclassifications							0
<b>Balance as of 30 September 2011</b>	<b>0</b>	<b>224,364</b>	<b>3,248</b>	<b>11,530</b>	<b>3,207</b>	<b>0</b>	<b>242,349</b>
<b>Book values</b>							
As of 1 January 2010	230,968	129,169	2,717	1,197	1,504	106,489	472,044
As of 31 December 2010	231,162	146,931	3,220	1,100	1,617	76,978	461,008
							0
Restated Balance as of 31 December 2010	231,605	146,943	3,220	1,123	1,696	76,978	461,565
As of 30 September 2011	231,605	140,302	2,726	1,618	1,628	58,814	436,693

The consolidation area change net the amortisation fund accounts for 557 thousand euros and it mainly refers to the goodwill provided by Teleippica S.r.l. accounting for 443 thousand euros.

The investments for 6,980 thousand euros are mainly related to:

- the concessions, licenses, trademarks and similar rights for 4,872 thousand euros of which 4,704 thousand euros is due to the settling of the obligation assumed from SPC to not perform competitive activities starting from 1 April 2010 for 3 years;



- the item "Others" refers to the multi-year costs incurred for the implementation of software programs, mainly for the customisation of the skill game platform software for 253 thousand euros and for the SAP/R3 System for 80 thousand euros;
- the item "Industrial patent and intellectual property rights" for 687 thousand euros of which 600 for the right to use the software for virtual horse races;
- as for the present intangible assets, for 986 thousand euros of which 593 thousand euros relating to the internal development of a specific software for gaming and betting not yet completed and for 350 thousand euros for the remote game concession.

In intangible assets there are the acquired rights for VLT accounting for 57,512 thousand euros, relating to the gaming units not yet tested by AAMS, present software development cost for 949 thousand euros and 350 thousand euros for the remote game concession.

In intangible assets financial charges have not been capitalized as the Group does not have qualifying assets, as defined by IAS 23.

The Goodwill in force totalling 231,605 thousand euros, refers:

- to 466 thousand euros for the acquisition of the company branch "Agency" for the direct management of the betting agency of Capannori (Lucca) which occurred on 27 August 2008;
- to 710 thousand euros for the consolidation difference generated from the fusion by acquisition of the equity in "Agenzia Ippica Monteverde S.r.l." (now merged into SNAI S.p.A.);
- to 11,137 thousand euros for the goodwill net of the amortisations, brought about by SNAI Servizi Spazio Gioco S.r.l., merged into SNAI S.p.A. in 2002, relative to the services division;
- to 73 thousand euros to the service division;
- to 218,776 thousand euros which refers to the acquisition of the company branch concessions starting from 16 March 2006;
- To 443 thousand euros provided by Teleippica S.r.l..

#### Remote activity goodwill - services

SNAI S.p.A. has decided not to apply retrospectively IFRS 3 (business combinations) to merges which occurred prior to the date of transition to the IFRS. Consequently, the goodwill from SNAI Servizi Spazio Gioco S.r.l., was entered during the transition to the IFRS, at the net carrying amount determined according to the previous applied accounting standards (Italian accounting standards). This goodwill, which was entirely allocated to the Cash Generating Unit ("CGU") "remote activity - services" (Services Division), as required by IAS 36, was subject to an impairment test at 31 December 2010.

IAS 36 requires the estimation of the recoverable value of the asset when there is an indication that the asset may have undergone a reduction in value.

The Group performs this test for the reduction of value annually (December 31) and when the circumstances indicate the possibility of a reduction in the recoverable value of the goodwill. As of 30 September 2011 no indicators of *impairment* have emerged, keeping in mind that:

- The directors as no situations of uncertainty was recognised as factors which could lead to significant doubts on the company capacity to keep on operating in future, decided that it is possible, according to the company continuity principle, to draft inter-annual shortened financial statements. The directors, in fact, assessing any activity included in the 2011-2014 Industrial plan approved by the Board of directors on 13 March 2011 and the forecast following updates at the end of 2011, are strongly convinced that the company expansion, a unique Group feature, allows to reach a perfect economic balance position thus generating consistent cash flows;
- The analysis of difference among final data relating to the first nine months of 2011 with the financial statement included in the plan and approved by the Board of Directors on 23 March 2011, highlights that the result before amortisations, devaluations, financial proceeds/charges and taxes (EBITDA) of the period is, substantially, in line with projections;. The reduction depends on non recurrent costs for amortisations and losses on receivables besides lower proceeds from supplied services to horse racing and sport corners

- The changes during the period, or in the near future, in the technological, economic, legal and market contexts in which the company operates or in the market in which its activities are directed, can't be but favourable.
- Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present.
- The analysis of the other indicators of value reduction presented by IAS 36 do not show any critical problems.

#### The Goodwill related to the Acquisition of the Company Branch Concessions

Based on the accounting standard IFRS 3 ("Business Combination"), the concessions were registered in the intangible assets as their fair value. The value of the concessions, identified when the paid price was allocated, is amortised on a straight-line basis until their expiration. Following the call for tenders for awarding licences for opening new points of sale, in compliance with the provision converting legislative decree no. 223 of 4 July 2006 into law, SNAI was awarded the concessions for collecting bets. In particular, one sports concession (342 shops and 864 sports corners) and one horse racing concession (99 shops and 3,787 horse racing corners). In addition, the concession was awarded for remote horse race gaming and the concession for remote sports gaming. Therefore, SNAI was the operator which obtained the greatest number of awards among all the participants.

On 17 November 2007, furthermore, a license for a sports concession (shop) was acquired, and on 30 June 2008, a company branch composed of 15 new licenses, specifically sports corner licences (12 sports corners) and sports gaming shop licences (3 sports shops).

The acquired licences were added to the sports and horse racing concessions acquired by SNAI beginning from 16 March 2006, and following dates, operating in the current sales shops, thus allowing the company to maintain its leadership in the betting segment, both in terms of number of points of sale and collected volumes.

Inside all the new points SNAI exercises the activity of collection and acceptance of bets utilizing the structure, know-how and the professionalism already present in the company branches operating in the concessions acquired in March 2006.

The management of bet acceptance and collection is centrally handled by SNAI, which determines the acceptance policies and marketing, advertising, human resources policies (even if all the points of sale directly handle and will handle hiring and working relations with the employees for supplying the service).

The performance of the activities shows a coordination and results significantly higher due to the effect of the central management; also the "policies" of acceptance are coordinated centrally in order to minimise the risk connected with geographic diversification of collection and acceptance of bets.

Moreover, due to the effect of management centrally handled by SNAI, the direct and indirect benefits resulting from the acquired concessions and those resulting from the awarded licences, give reason to believe that no point of sale generates revenue separate from the other points of sale.

The activity connected with the entertainment machines located in the points of sale takes advantage of the territorial positioning of the concessions as well. And this activity falls under the central management of SNAI.

Based on the application of IAS 36 - paragraph 81 the lowest level inside the entity has been identified where goodwill can be allocated and coinciding with the combination of the cash generating units with reference to the entire Concessions Division. This was also following the consideration that company management controls operations of the collection activity in the Division in question and makes decisions based on the activities as a single entity and single product line.

IAS 36 requires the estimation of the recoverable value of the asset when there is an indication that the asset may have undergone a reduction in value.

The Group performs this test for the reduction of value annually (December 31) and when the circumstances indicate the possibility of a reduction in the recoverable value of the goodwill. As of 30 September 2011, no indicators of impairment have emerged, keeping in mind that:

- The directors as no situations of uncertainty was recognised as factors which could lead to significant doubts on the company capacity to keep on operating in future, decided that it is possible, according to the company continuity principle, to draft inter-annual shortened financial statements. The directors, in fact, assessing any activity included in the 2011-2014 Industrial plan approved by the Board of directors on 13 March 2011 and the forecast following updates at the end of 2011, are strongly convinced that the company expansion, a unique Group feature, allows to reach a perfect economic balance position thus generating consistent cash flows;

- The analysis of the difference among final data relating to the first nine months of 2011 with the financial statement included in the plan and approved by the Board of Directors on 23 March 2011, highlights that the result before amortisations, devaluations, financial proceeds/charges and taxes (EBITDA) of the period is, substantially, in line with projections; The reduction depends on non recurrent costs in the nine months for amortisations to the previous receivable devaluation fund besides consulting relating to the extinction of Senior and Junior loans expiring in March 2011 besides the delays in the introduction of VLT;
- The changes during the period, or in the near future, in the technological, economic, legal and market contexts in which the company operates or in the market in which its activities are directed, can't be but favourable with the exception of the risk increase of the possible expire of 1,310 rights on horse racing corners, not selling yet, whose contribution paid to the Group future profitability is modest and does not substantially change the company plan reliability;
- Evidence of obsolescence or deterioration of the material connected to the cash generating unit are not present. The analysis of the other indicators of value reduction presented by IAS 36 do not show any critical problems

## 18. Equity investments

The group holds equity investments in the following companies:

Thousands of euros	Carrying amount at	Carrying amount at	Percentage held	
	30.09.2011	Restated 31.12.2010	30.09.2011	Restated 31.12.2010
<b>Associated and subsidiary companies not consolidated on the line-by-line basis</b>				
- Hippogroup Roma Capannelle S.p.A.	186	199	27,78	27,78
- Alfea S.p.A.	1,507	1,523	30,70	30,70
- Connex S.r.l.	69	67	25	25
- Solar S.A.	53	53	30	30
- SNAI Imel S.p.A. Unipersonale	120	120	100	100
- Teseo S.r.l. in liquidation	0	0	70	70
<b>Total equity investments measured at shareholders' net equity</b>	<b>1,935</b>	<b>1,962</b>		
<b>Others</b>				
- Tivu + S.p.A. in liquidation	0	0	19,5	19,5
- Lexorfin S.r.l.	46	46	2,44	2,44
<b>Total equity investments in other companies</b>	<b>46</b>	<b>46</b>		

The shareholders' equity in the company Hippogroup Roma Capannelle S.p.A. was adjusted to the corresponding rate of the Net Equity. More precisely on 12 January 2011, the shareholders meeting of the company Hippogroup Roma Capannelle S.p.A. stated what follows:

- 1) to approve the financial statements as of 30 September 2010, considering the Board of director reports, the Board of Auditors report and the External auditing company report and considering that according to the present statement, losses in total account for 1,376,825.00 euros;
  - 2) to entirely recover losses as above-mentioned accounting for 1,376,825.00 euros as follows:
    - extraordinary loss reduction by 1,370,480.00 euro profiting only for 6,345.00 euros the "Extraordinary reserve" as presented on the financial statement;
    - zeroing the residual loss accounting for 1,370,480.00 with a reduction of a similar amount of the company registered stock, at present accounting for 2,315,000.00 to the new amount accounting for 944,520.00;
  - 3) to issue n. 18,500,000 new shares, whose par value accounts for 0.051 euro (zero comma zero fifty-one) each, against recovery and cancellation of the present 18,520,000 shares whose par value accounts for 0.125 (zero comma one hundred and twenty-five) at present circulating and consequently to grant such shares to the shareholders;
  - 4) to consequently change art. 5) of the Company bylaws with the following text "The company share registered capital accounts for 944,520.00 divided in 18,520,000 shares, whose par value accounts for 0.051 each".
- What is more the company on 8 March 2011 applied for an arrangement before bankruptcy with creditors when continuing its activity, including the request of the equity reduction of the concession fee due to the Roma Municipality. The Tribunale Civile Sezione Fallimentare di Roma, after getting the resolution from the Board of Roma Capitale n. 299d dating back to 16 September 2011 which the Rome Municipality grants powers to the competent offices to come to terms with the composition and contextually cutting the concession yearly fee from 2,100 thousand euros to 1,000 thousand euros in future, opened the arrangement before bankruptcy as suggested by the company on 28 September 2011 file by the Court on the following day. The payable amount to the Roma Municipality at the arrangement request application accounted for about 12 millions euros.

On 2 August 2011 the controlled company Faste S.r.l. was voluntarily liquidated after ascertaining that fixed goals at the acquisition as to lead to an economic balance and later profitability could not be reached within reasonably acceptable times.

Due to the delay of obtaining the authorization of the Bank of Italy for exercise of the activity, the company SNAI Imel S.p.A., in August decided to ask for a suspension of the authorization process in order to examine both some possible commercial synergies with the primary operators in the segment of on-line gaming, and the possible operations inherent with the possible restructuring of the Group, which might modify the governance of the corporate shareholding structure, reserving the right to present the petition again as soon as the new relationships are defined

The complete composition of the Group and adopted consolidation methods are described in appendix 1.

## 19. Prepaid tax assets and deferred tax liabilities

The total amount of temporary differences and fiscal losses carried forward is described in the tables below, together with the related theoretical amount for prepaid and deferred taxes as well as amounts recorded in the accounts:

Receivables for Prepaid taxes

	<b>Restated</b>			
	<b>31.12.2010</b>	<b>Accruals</b>	<b>Uses</b>	<b>30.09.2011</b>
Receivable for Prepaid taxes	30,097	8,699	(1,435)	37,361

<b>Temporary differences</b>	<b>Amount</b>	<b>Rate</b>	<b>Tax effect</b>	<b>Prepaid book</b>	<b>Effective period</b>
Taxable proceeds from the bad debt provision fund	30,236	27.5%	8,315	8,315	2011 and following
Risk provision	8,726	27.5%	2,399	2,399	2011 and following
Provision for warehouse write-downs	287	31.4%	94	94	2011 and following
Difference between book value and goodwill value	11,359	31.4%	3,566	3,566	2011 and following
Accessory charges for capital increase	74	31.4%	23	23	2011 and following
Derivatives - fair value interest rate swap	2,96	27.5%	814	814	2011 and following
Other temporary differences	12,549	2.5% - 31.4%	3,462	3,462	2011 and following
<b>Total</b>	<b>66,190</b>		<b>18,673</b>	<b>18,673</b>	

Prepaid tax losses brought forward	Amount	Rate	Tax effect	Booked Benefits	Useable by
SNAI S.p.A.:					
Year 2008	17,198	27.5%	4,729	4,729	2013
Year 2009	10,024	27.5%	2,757	2,757	2014
year2010	27,717	27.5%	7,622	7,622	2015
30 September 2011	13,018	27.5%	3,580	3,580	2016
	<b>67,957</b>		<b>18,688</b>	<b>18,688</b>	
<b>Total previous losses</b>	<b>67,957</b>		<b>18,688</b>	<b>18,688</b>	
<b>Total prepaid taxes</b>				<b>37,361</b>	

It is reminded that the Group reports interest and income deferred taxes accounting for a total interest net value of 6,935 thousand euros (on 31 December 2010 it accounted for 12,426 thousands euro) .

On September 2011 directors of SNAI S.p.A. decided to record the prepaid taxes generated for all temporary differences between the balance sheet values and tax values of the related assets/liabilities as well as the fiscal losses from the national fiscal consolidation, based on forecasts of future positive results supported by the business plans and confirmed at the assessment date.

“The difference between the financial statement value and the book value of tangible and intangible assets”, accounting for 11,359 thousand euros due to the taxes effect accounting for 3,566 thousand euros mainly depends on the leasing contracts signed in 2007 and in the previous years (8,376 thousand euros due the tax effect accounting for 2,629 thousand euros).

The “other temporary differences” accounting for 12,549 thousand euros with a tax effect accounting for 3m462 thousand euros mainly depends on interests to be paid according to art. 96 of the TUIR (euro 11,541 thousand euros due the tax effect accounting for 3,174 thousand euros).

For the three year period of 2009-2011 the company renewed the option, as the consolidating company, according to national fiscal consolidation of which articles 117 and Presidential Decree 917/1988; in this option Festa S.r.l., Mac Horse S.r.l., Immobiliare Valcarenga S.r.l. and Punto SNAI S.r.l. have participated as consolidated companies. From tax period 2007 Società Trenno S.r.l. has participated in the fiscal consolidation and has renewed the option for the period of 2010-2012.

The adoption of the fiscal consolidation may entail some beneficial effects on the Group's tax charge, including the immediate use, with total or partial, of period tax losses of the companies taking part in the consolidation decreasing the income possessed by the other consolidated companies.

It should be remembered, furthermore, that SNAI S.p.A., as consolidating company, is required to pay the balance and advance of IRES due based on the consolidated income tax return.

Based on existing agreements, the excess previous tax carried forward or resulting from income tax returns filed by the companies which opted for the consolidation, can be used by the parent company only upon specific request. The transfer of money for the payment of taxes on taxable income transferred to the consolidating company is regulated by inter-group current account with debiting on the payment deadline date for the aforesaid taxes.

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

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

What is more art. 35 of Law Decree n. 78/2011 introduced a new assessment procedure as for company complying with the National consolidation mode (a unique assessment involving the consolidating and the consolidated company), with no change to the fact the company complying with the consolidated mode are mutually liable for the obligations as for the mentioned assessment.

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

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

On the referred buildings, the deferred taxes were calculated, as later specified, following the transition the international accounting principles.

Provision for deferred taxes

	<b>Restated 31.12.2010</b>	<b>Accruals</b>	<b>Uses</b>	<b>30.09.2011</b>
Provision for deferred taxes	42,523	3,796	(2,023)	44,296

<b>Temporary differences</b>	<b>Amount</b>	<b>Rate</b>	<b>Tax effect</b>	<b>Deferred taxes</b>
Tax amortisation of goodwill	(10,898)	31.40%	(3,361)	(3,361)
Termination Benefits	(519)	27.50%	(144)	(144)
Tax amortisation of company branch goodwill	(80,456)	31.40%	(24,886)	(24,886)
Difference between balance sheet value of liabilities to AAMS and liabilities to BAP for the acquisition of concessions	(514)	27.50%	(157)	(157)
Difference between book value and tax value of concessions	(5,250)	31.40%	(1,649)	(1,649)
Difference between book value and tax value of property, plant and equipment	(41,968)	31.40%	(13,178)	(13,178)
Other temporary differences	(3,037)	31.4% - 27.5%	(921)	(921)
<b>Total deferred taxes</b>	<b>(142,642)</b>		<b>(44,296)</b>	<b>(44,296)</b>

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

Therefore, the company recognised assets and liabilities identifiable in the acquisition at relative fair values at the acquisition date and therefore, the company recognised goodwill only after having allocated the acquisition cost as described above. The value of the concession licenses recognised in financial statement are different from the cost foreseen in the contract: The statutory balance sheet amortisation differs from the tax amortisation as per article 103, paragraph 2, Presidential Decree 917/1986 from which come the deferred taxes.

The above different approaches are applied only to the acquisitions which took place in the years preceding the tax period of 2008; for the acquisitions occurring after the tax period of 2008, the principle of derivation introduced by the Budget Law of 2008 was applied: the object of that regulation was to accentuate the derivation of the taxable income resulting from the IAS financial statement.

The goodwill value is not amortised but is annually subject to impairment testing to evaluate any possible reduction in value: Tax amortisation is regulated by article 103, paragraph 3, Presidential Decree 917/1986 from which come the deferred taxes.

The difference between the financial statement and book value of the tangible assets accounts for 41,968 thousand euros due to the tax effect accounting for 13,178 thousand euros and it mainly depends on the buildings (former Trenno) in Milano – San Siro and Montecatini (41,617 thousand euros due to the tax effect accounting for 12,605 thousand euros).

## 20. Inventories

Compared to 31 December 2010 the item is decreased by 12 thousand euros. The table below shows the breakdown of inventories:

Thousands of euros	Restated		Difference
	30.09.2011	31.12.2010	
Raw materials	301	320	(19)
Semi-finished products	83	160	(77)
Finished products/Goods	2,464	2,380	84
<b>Total</b>	<b>2,848</b>	<b>2,860</b>	<b>(12)</b>

The value of inventories is recorded net of the provision for warehouse write-downs which, as of 30 September 2011, totals 387 thousand euros (339 thousand euros as of 31 December 2010). The table below shows the movements in the provision for warehouse write-downs.

	Restated		30.09.2011
	31.12.2010	Accruals Uses	
<b>Provision for warehouse write-downs</b>			
Raw materials	130	(52)	78
Semi-finished products	3		3
Finished products/Goods	206		206
<b>Total</b>	<b>339</b>	<b>0 (52)</b>	<b>287</b>

## 21. Accounts Receivable

Accounts receivable were reduced by 3,7077 thousand euros, passing from 73,916 thousand euros as of 31 December 2010 to 70,209 thousand euros as of 30 September 2011.

The table below shows the breakdown:

Thousand of euros	Restated		Difference
	30.09.2011	31.12.2010	
<b>Accounts Receivable</b>			
- customers	76,290	74,613	1,677
- stables, jockeys and bookmakers	705	753	(48)
- ASSI former UNIRE	17,105	13,826	3,279
- receivables from subsidiary SNAI Imel S.p.A.	14	14	0
- receivables from connected company Hippogroup Roma Capannelle S.p.A.	2	2	0
- notes receivable for collection and in portfolio	3,813	5,395	(1,582)
- Bad Debt Provision	(27,720)	(20,687)	(7,033)
<b>Total</b>	<b>70,209</b>	<b>73,916</b>	<b>(3,707)</b>

Receivables from clients include among others, credits from managers and BAP for entertainment machines (Slot) for 17,200 thousand euros (8,400 thousand euros as of 31 December 2010). The receivables for the presentation of the direct debit from clients total to 9,953 thousand euros (9,629 thousand euros).

Receivables to ASSI former UNIRE accounting for 17,105 thousand euros include:

- 10,021 related to previous receivables, invoices from the period to deposit as for 2011 and receivables for the period 2009 to 30 September 2011, related to the grants for the so-called customisation of the metropolitan race tracks as for receivables for the development well as for the development and improvements of the plant in previous years. As of metropolitan house race-tracks, it is important to underline that on the basis of the agreement upon settlement of 15 September 2010 for the delay in payment of the receivable relative to the 2005-2008, in the month of October the balance from 2005-2008 was collected, therefore on 30 September 2011 the present receivables refer to the what to settle as for 2009, 2010 and the first nine months of 2011;
- 7,084 thousand euros relating to the contract signed by Teleippica S.r.l. with UNIRE now ASSI for the transportation, processing and transmission of video and audio signals from the Italian and foreign horse race-tracks, production and transmission of the UNIRE BLU channel as for National horse racing gaming and betting collection: broadcasting and daily programmes each single day and other related services.

Accounts receivable include notes to collect for 3,813 thousand euros (5,395 thousand euros) recorded substantially net of interest charge on future due dates and previously received from slot customers following the definition of instalment payments agreed upon following credit collection actions.

The bad debt provision was determined considering the amount of doubtful receivables, analyzing the specific conditions of the debtors, the eventual guarantees offered in favour of the companies of the group and evaluating appropriately the possibilities of recovery of the disputed amount outstanding as expressed by legal counsel reports.

Keeping in mind the guaranteed loans obtained by the debtors, the provision is held to be adequate by the directors to respond to foreseeable future losses on receivables

In the period judicial recovery proceedings consistent increased as for empire receivables and enforcement of a guarantee. Such proceedings supported by commercial analyses lead to the identification of tangible and intangible assets of many debtors and their guarantors which to be collected.



## 22. Other assets

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

<b>Thousands of euros</b>	<b>Restated</b>		<b>Differences</b>
	<b>30.09.2011</b>	<b>31.12.2010</b>	
<b>Other non-financial assets</b>			
<i>tax credits</i>			
- for tax refunds	62	62	0
- for disputed taxes	73	73	0
- for IRAP reimbursement	24	24	0
- for equity taxes	54	54	0
	<b>213</b>	<b>213</b>	<b>0</b>
<i>Accounts receivable due from others:</i>			
- Receivable security deposits	512	519	(7)
	<b>512</b>	<b>519</b>	<b>(7)</b>
Receivables from clients:			
- Notes Receivable in portfolio	751	662	89
	<b>751</b>	<b>662</b>	<b>89</b>
<b>Total other non-financial assets</b>	<b>1,476</b>	<b>1,394</b>	<b>82</b>

Notes receivable totalling 751 thousand euros (662 thousand euros) are the notes due after 12 months received from clients to cover the definition of the repayment plan agreed and recorded at the current value. The other current assets are composed as follows:

thousands of euros	Restated		Differences
	30.09.2011	31.12.2010	
<b>Other current assets</b>			
<i>Tax Credits</i>			
- VAT due	0	120	(120)
- For payable/receivable IRES	1,479	2,301	(822)
- IRAP prepayment	1,345	2,059	(714)
- Withholdings on interest income on c/a	131	36	95
- Other receivables due from tax authority	80	121	(41)
	<b>3,036</b>	<b>4,637</b>	<b>(1,601)</b>
<i>Accounts receivable due from others:</i>			
- TIVU+ S.p.A. in liquidation	478	478	0
- Electronic payment card	226	321	(95)
- Social security institutions	156	59	97
- Receivables due from Tris Associated	0	127	(127)
- Receivables for commission reimbursement on sureties	691	419	272
- Security deposits for Skill Games	948	217	731
- Security Deposits Bingo On Line	42	103	(61)
- Receivables from AAMS positions for company branch acquisition	227	179	48
- Receivables due from SNAICARD - Circuito Gold points of sale	573	649	(76)
- Receivables from betting licensee activities	11,246	12,538	(1,292)
- Direct debit from BAP managers of concessions	2,432	3,975	(1,543)
- Security deposit for slot network efficiency (SLOT)	7,970	1,994	5,976
- Slot Operators for PREU	0	0	0
- Advance on AAMS concession fee	3,033	1,224	1,809
- Receivables for interests and PREU sanctions which are not due	1,334	866	468
- Receivables for current guaranteed minimums	0	2,429	(2,429)
- Receivables on event outcome contests and Ippica Nazionale	2,401	1,027	1,374
- Receivables for Skill Games	61	96	(35)
- Receivables from VLT activity	1,503	0	1,503
- Security deposit VLT	448	0	448
- Various receivables	1,554	2,102	(548)
Bad debt provision due from others	(3,188)	(2,746)	(442)
	<b>32,135</b>	<b>26,057</b>	<b>6,078</b>
<i>Accrued income and prepaid expenses</i>			
- Accrued income	16	17	(1)
- Prepaid expenses	3,989	4,006	(17)
	<b>4,005</b>	<b>4,023</b>	<b>(18)</b>
<b>Total Other Current Assets</b>	<b>39,177</b>	<b>34,717</b>	<b>4,460</b>

The receivables for betting licensee activities (due from BAP) for 11,246 thousand euros (12,538 thousand euros) are related to the management contract for bet collection for the acquired concessions and contracts stipulated with corner acquired since 2006 and shop managers for activation of the new Bersani Giorgetti licences. These receivables accrue on a daily basis and are settled weekly, by subtracting from the net movement of the bets collected at agencies, the amounts of winning tickets paid and reimbursed, fee recognised to the manager and the difference from withdrawals and deposits made via the Punto SNAI cash register on SNAICards.

The security deposit contribution for the network efficiency (SLOT) for 7,970 thousand euros (1,994 thousand euros) refers to the share accrued for the month of September relative to 0.5% of the gaming movement generated by comma 6 entertainment machines (Slot machine) as better described in note 4 "Revenue for sales and services". It is specified that the corresponding security deposit contribution at 0.5% on the gaming movement generated by the amusement and entertainment machines paragraph 6b (videolottery) accounts for 448 thousand euros.

The item advance on concession fee totalling 3,033 thousand euros contains the amounts paid to AAMS in July 2011 and in July 2010 as an advance on the concession fee for the first and second six month period 2011 and it refers to the concession fee due for the physical and remote gaming rights and for sport concession; for more details see note 10.

The receivables due for guaranteed minimums for 2,429 thousand euros as of 31 December 2010, starting from the first fortnight of April 2011 was settled with the current payable settlement on fortnight to ASSI former Unire, thus referring similarly to a communication signed by the granting AAMS enforced by a different operator. Such receivable referred to the guaranteed minimums accounting for 2,404 thousand euros relating to 2007 and for 23 thousand euros relating to 2006 on some horse racing and sport concessions which, according to the counts made by AAMS collected betting volumes under the average of their provinces and for which a cross check has been requested between the parties, including on the basic requirements Regarding this issue, the reader is directed to note 30

Prepaid expenses include:

2,457 thousand euros (3,197 thousand euros) related to prepaid payments for fees on sureties and insurance premiums, mainly related to sureties issued to back contractual obligations undertaken for our concessions, for licences and entertainment machines;

1,532 thousand euros (657 thousand euros) relative mainly to the fee not yet due for the costs of contracts for maintenance, assistance, etc.

### 23. Current Financial Assets

The current assets are composed as follows:

Thousands of euros	Restated		
	30.09.2011	31.12.2010	Differences
<b>Current Financial Assets</b>			
Financial current account income due from parent company	0	8,968	(8,968)
Financial current account income due from subsidiaries	6	6	0
Financial current account from companies under the control of the parent company	2,641	0	2,641
Former Società Fiorentina Corse Cavalli shares for merger swap	1	1	0
<b>Total Current Financial Assets</b>	<b>2,648</b>	<b>8,975</b>	<b>(6,327)</b>

The financial current account to SNAI Servizi S.p.A. was closed when the shareholders' equity was merged to SNAI S.p.A. from SNAI Servizi S.p.A. to Global Games S.p.A..

The balances of the financial current account due from the parent company refers to SNAI Imel S.p.A.

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

The allocated current account (Escrow Account) includes the balance of any money destined, when asking for a new loan, to the payment of fees to advisors of the company and of the Group refinancing operation besides any connected cost reimbursement as well as for the payment of expired payables among which PREU and the gaming Unique tax.

## 24. Cash and Cash Equivalents

The Cash and cash equivalents are composed as follows:

Thousands of euros	30.09.2011	Restated 31.12.2010	Difference
Bank current accounts	35,326	11,598	23,728
Postal current accounts	30	49	(19)
Cash on hand	329	279	50
<b>Liquid assets</b>	<b>35,685</b>	<b>11,926</b>	<b>23,759</b>
Bank overdrafts	0	0	0
<b>Net cash and cash equivalents as reported in the cash flow statements</b>	<b>35,685</b>	<b>11,926</b>	<b>23,759</b>

The change during the period, as proved on the financial cash flow depends on the combined effect (1) of the absorbed cash flow for the year activity accounting for 55.917 thousand euros, connected to the extinction of the previous payables; (ii) of the cash flow absorbed by the investment activity accounting for 8,142 thousand euros relating to investments enforced and paid in the period as for the non-competition agreement accounting for 2,135 thousand euros, for the purchase of intangible assets, technology, installations and improvements on buildings, net any disposal, accounting for 6,007 thousand euros (3<sup>rd</sup>) as for the cash flow generated by the financial activities totaling 87,818 thousand euros after the disbursement of the loan accounting for 354,750 and the reimbursement of the old loan accounting for 228,000 thousand euros besides any change to other activities and financial payables.

## 25. Shareholder's equity

The share capital of parent company SNAI S.p.A. as of 30 September 2011, entirely subscribed and paid-up amounted to 60,748,992.20 euro (60,748,992.20 euro as of 31 December 2010) and is composed of 116,824,985 ordinary shares (116,824,985 ordinary shares as of 31 December 2010).

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

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

The number of shares and the share capital have not changed with respect to 31 December 2010.

All issued shares are ordinary shares.

There is no treasury stock held directly by the parent company SNAI S.p.A. or through its subsidiaries or associates.

## Reserves

### Legal Reserve

The legal reserves totals 1,559 thousand euros.

### Reserve for premium on shares

The share premium reserve, totalling 105,904 thousand euros, was established with the share capital increase, passed on 14 September 2006 and concluded on 15 January 2007, for 219,535 thousand euros minus the accessory charges net of the fiscal effect related to the increase in share capital for 8,216 thousand euros, as required by IAS 32. It was used in terms of 15,415 thousand euros as to partially cover the loss as for 2010 as approved by the shareholders' meeting on 29 April 2011.

### Extraordinary Reserves

The extraordinary reserves as of 30 September 2010 was used, as for 17,954 thousand euros was used to cover part of the losses from 2010, as resolved by the shareholders meeting of 29 April 2011.

### Retained earnings (losses b/f)

The decrease of 922 thousand euros was due to the covering of the remaining part of the losses from 2010 therefore profits (losses) carried forward as of 30 September 2011 were profits totalling 3,575 thousand euros.

## Net Minority Interests

As of 30 September 2011, the net minority interests are equal to zero since no subsidiary consolidated with the line-by-line method is held by others.

## 26. Other components of the total income statement

The other components of the total income statement consists of accounting of derivatives directly to the net equity in the cash flow hedge reserve. In August 2011 two hedge covering contracts on the interest rate swap transaction risk interests were signed.

Hereby annexed a detail of the component of the total income statement.

Fair value interest rate swap	2,960
Fiscal effect on anticipated taxes	814
Other components of the net total income statement	<u>2,146</u>

## 27. Earnings per share

### Basic earnings per standard share

The calculation of the basic earnings standard share as of 30 September 2011 was made considering the losses attributable to the holders of ordinary shares totalling 17,215 thousand euros (31 December 2010: a loss of 32,447 thousand euros) and the number of ordinary shares in circulation in the period closing 30 September 2011, totalling 116,824,985 (31 December 2010: 116,824,985).

The calculation was performed as follows:

In thousands of euro	Restated		Restated
	30.09.2011	31.12.2010	30.09.2010
Earning (loss) attributable to holders of ordinary shares = group earning for period (a)	(17,215)	(32,447)	(8,379)
Weighted average number of ordinary shares/1000 (b)	116,824.99	116,824.99	116,824.99
<b>Profits (losses) per basic share (a/b)</b>	<b>(0.15)</b>	<b>(0.28)</b>	<b>(0.07)</b>

### Diluted earning/loss per share

The diluted earning/loss per share is the same as the basic earning/loss per share since financial instruments with potential dilution effects have not been issued.

### 28. Termination Benefits

Termination benefits as of 30 September 2011 totalled 5,470 thousand euros versus 5,484 thousand euros as of 31 December 2010.

The table below shows the movements of the provision:

Thousands of euros

<b>Balance as of 01.01.2011</b>	<b>5,196</b>
Consolidation area change	288
<b>Balance as of 01.01.2011 restated</b>	<b>5,484</b>
Accrual for the year	86
Uses	(278)
Net financial charges	178
<b>Balance as of 30.09.2011</b>	<b>5,470</b>

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

### 29. Financial Liabilities

Financial Liabilities are composed as follows:

Thousands of euros	Restated		
	30.09.2011	31.12.2010	Differences
<b>Non-current financial liabilities</b>			
Secured loans granted by banks	260,813	0	260,813
Payables due to BAP for acquisition of concessions for horse racing and sports bets	116	426	(309)
Interest rate SWAP	2,960	0	2,960
Payables for financial leases	20,594	35,953	(15,360)
<b>Total Other Non-Current Liabilities</b>	<b>284,483</b>	<b>36,379</b>	<b>248,104</b>
<b>Current financial liabilities</b>			
Current portion of long term loans (Senior Loan)	0	183,951	(183,951)
Current portion of long term loans (Junior Loan)	0	43,205	(43,205)

Current portion of long term loans granted by banks	72,300	0	72,300
Current portion of long term loans (IBM Servizi Finanziari Loan)	0	193	(193)
Payables due to BAP for acquisition of concessions for horse racing and sports bets	361	6,522	(6,161)
Payable to acquire company branches	0	52	(52)
Payable for the acquisition of equity in Agenzia Ippica Monteverde S.r.l.	291	291	0
Debts toward banks	20,000	20,000	0
Payables due to banks for not matured direct debit flows	1,133	2,723	(1,590)
Payables for financial leases	20,710	20,948	(238)
Financial Instruments	0	7	(7)
<b>Total Current Financial Liabilities</b>	<b>114,795</b>	<b>277,892</b>	<b>(163,097)</b>

Financial payables include:

- Loans taken out on 29 March 2011 (described in detail in the paragraphs below), entered at amortised cost for a total of 333,113 thousand euros, equal to a nominal 354,750 thousand euros and recognised net of direct accessory charges. These accessory charges include professional fees connected to completion of the loan and register tax due when opening the loans. A part of these loans for 72,300 thousand euros is classified among the current financial liabilities.
- 
- The payables due to the BAP deriving from the acts of acquisition of the concession company branches (Vendor loan), for the instalments of the residual extension in force as of 30 September 2011. At 30 September 2011 the Vendor Loan is entered as follows:
  - - 116 thousand euros totalling the current value of the extended debt due beyond 12 months for the vendor loans of the contract signed in 2008
  - - 361 thousand euros mainly relative to the instalment on the 2008 contracts maturing in June 2012;
  -
- The outstanding debt for the acquisition of the Agenzia Ippica Monteverde S.r.l. Company coming to 291 thousand euros;
- 
- Financial liabilities for leases totalling 41,304 thousand euros are related essentially to contracts for the acquisition of the building situated in Porcari (LU) and to technology to be utilized in betting acceptance points, better described in note 16 "Property, plant and equipment"
- 
- Reporting of the Fair Value, as at 30 September 2011, of the two interest rate risk hedging contracts, Interest Rate Swap transactions, signed in August with two primary banks for a total of 300 million euros (corresponding to 77% of the underlying debt), with effective date on 31 December 2011 and ending on 31 December 2015, as more fully illustrated in note 36.

Non-current financial payables include 173,463 thousand euros due beyond 5 years

SNAI S.p.A., pursuant to the agreements reached on 8 March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., therefore signed a medium- to long-term loan contract, structured into different tranches, for a total of 490 million euros (as described in the notice released on 8 March 2011). This transaction was subordinated to the completion of the purchase by Global Games S.p.A. of a majority stake in SNAI S.p.A., previously held by SNAI Servizi S.p.A..

SNAI S.p.A. had obtained 18 March 2011 from Unicredit S.p.A. and Solar S.A, the previous lenders, a technical extension of the repayment of the financial debt to them, for the purpose of paying off the debts due at the same time as the execution of the acquisition by Global Games S.p.A..

Pursuant to the agreement reached on 29 March 2011 the Senior and Junior Loans were paid back in a timely manner at the same time as the execution of the aforementioned acquisition.

The loan tranches for a total of 490 million euros, are remunerated at the Euribor rate as contractually defined, to which a margin generally varying between 4.50 and 5% p.a. is added and which might undergo adjustments due to the Margin Ratchet and the market flex provision indicated in the syndication strategy.

A summary of the facility follows:

FACILITY	AMOUNT FINANCED (€)	DURATION	DUE DATE	REPAYMENT METHOD	APPLICATIONS	
					DATE	AMOUNT
Facility A	115,000,000	6 years	28/03/2017	12 quarterly instalments starting 31 December 2011	29/03/2011	115,000,000
Facility B	135,000,000	7 years	28/03/2018	Bullet	29/03/2011	135,000,000
Capex facility	80,000,000	7 years	28/03/2018	9 quarterly instalments starting 30 June 2014	29/03/2011 28/04/2011	11,750,000 23,000,000
Revolving facility	30,000,000	6 years from date of first disbursement	-	each utilisation shall be reimbursed on the last day of the relative interest period and for the entire duration of the availability of that <i>tranche</i> each amount reimbursed may be utilised		
Disposal Facility	70,000,000	18 months and one day from date of first disbursement or, in case of extension, up to 7 years and 6 months from date of first disbursement	-	Bullet	29/03/2011	70,000,000
Acquisition facility	60,000,000	7 years from date of first disbursement	-	11 quarterly instalments starting 30/06/2013		-
<b>Total</b>	<b>490,000,000</b>					<b>354,750,000</b>

The contractual clauses, among the different obligations, provide for the stipulation of one or more interest rate hedge contracts pertaining to a significant part of the lines financed.

Among the obligations provided for by the loan contract is compliance with the Financial Covenants, to be calculated beginning on 31 December 2011. These Covenants, regard, among other things: EBITDA, net financial debt, current assets and investments.

The commitments taken on pursuant to the aforementioned loan contract are described in paragraph 34 "Financial Commitments".

### 30. Provisions for risks and charges, litigation and contingent liabilities

As of 30 September 2011 these totalled 8,726 thousand euros and are active and detailed in the following table:

Thousands of Euros	Slot machine network renewal (art. 19 - specifications)	Civil and tax disputes and contractual risks	Total
Balance on 31 December 2010	1,785	9,374	11,159
Provisions for period	262	394	656
Net utilisations in the period		(650)	(650)
Bad debt provision reclassification		(2,439)	(2,439)
<b>Balance on 30 September 2011</b>	<b>2,047</b>	<b>6,679</b>	<b>8,726</b>



## **Slot machine network renewal (art. 19 - specifications)**

This provision is comprised of the regular allocations for technological upgrading as required by article 19 of the "Requirement specifications" for "assignment in concession of the activation and operation of the computerised management network for legal gaming using entertainment machines as well as connected activities and functions" from the starting date of the concession. The clause provides that for each fiscal year the provision is to be increased by 10 euros for each waiver issued and active at the end of the fiscal period.

On 30 September 2011 the provision came to 2,047 thousand euros. In the first nine months of 2011 a pro rata increase of the provision of 262 thousand euros was made pursuant to the contractual clause.

## **Civil and tax disputes and contractual risks**

The Civil and tax disputes and contractual risks provision contains a total estimated amount to cover the remaining risk entries related to the settlement of transactions and disputes with third parties, including of a fiscal, tax and contribution nature for 6,679 thousand euros.

The allocation for the period of 394 thousand euros is relative to estimated future charges for legal disputes.

Utilisation for the period of 650 thousand euros is due to, for 624 thousand euros, the definition of sanctions for the delayed payment of the single tax of 26 thousand euros at the end of the dispute in regard to minors.

Significant disputes are described below:

### ***Disputes regarding the entertainment machines business: the Court of Auditors findings and Administrative complaints of AAMS for alleged breaches in the management of computer network interconnections***

SNAI S.p.A., as licensee for the computerised network for interconnected entertainment games, in June 2007 from the Regional Prosecutor of the Court of Auditors of the Lazio region received the notification of an invitation to submit arguments concerning a hearing about the allegation of tax infractions caused by the fact that only one part of the installed base of machines were correctly connected to the state computer network (SOGEI) from which AAMS obtains the basis for the calculation of the Single Tax Holding (PREU). The supposed tax offence amounts to around 4.8 billion euros, entirely composed of penalties for the presumed failure to comply with service levels required of the concession.

In the same month of June 2007, AAMS also issued rulings concerning the imposition of conventional penalties for 20 million euros against SNAI S.p.A.

SNAI S.p.A., together with other licensees appealed to the Supreme Court of Appeals, arguing the absence of jurisdiction of the Court of Auditors on the subject at issue.

The company also appealed to the Regional Administrative Court against the AAMS rulings.

At the hearing on 4 December 2008 Lazio Judicial Section of the State Audit Court ordered the suspension of the rulings to await the decision of the Court of Cassation.

The Supreme Court of Appeals United Sections in its decree confirmed the abstract admissibility of a joinder between the loss of public tax offense falling under jurisdiction of the State Audit Court and that of contractual liability (responsibility of the AAMS and the Lazio Regional Administrative Court); such a decree at the same time is not enough to dispel the ambiguity of the initial compensation claim of public tax damage that today, in our lawyers' opinion, determines the invalidity of the summons before the Supreme Audit Court according to recent regulatory provisions.

To this judgement, it should be added that, on the merits, the damages appear groundless inasmuch as not demonstrable by the conduct of the licensees.

In any case, with reference to the ruling of the Supreme Court of Appeals, the State Audit Court resumed the proceedings, on 24 March 2010 the company received the communication (writ) from the Regional Prosecutor of the State Audit Court, which set the date for the next hearing on 11 October 2010; the hearing for discussion concluded after several hours of arguments and counter arguments with the prosecutor, with the acceptance of all the judgements. The SNAI defence amply responded to all of the arguments and the State Court of Auditors withheld its judgement decision.

The judgement / order issued by the State Audit Court in this context disposed of the investigation headed by DIGIT-PA for conducting technical assessments, ordered by the court is ongoing, in discussion with the other parties and giving the

prosecution deadline for filing the completed inquiry by 11 August 2011, subsequently postponed to the end of September. On 27 October 2011, the company filed its expert witness defence brief.

It should be noted that, at the same time, SNAI S.p.A., following a line of defence shared with the other network licensees, with the summons of 6 August 2010, formulated a motion to the State Audit Court for the declaration of invalidity of the writ of summons and of all the other inquiries and procedures as they are not founded from the outset on a record of concrete and specific damages, in compliance with article 17 paragraph 30 ter of Legislative Decree 78/09 (converted with modifications by Law no. 102/09).

At the same hearing described above on 11 October 2010, with order 554/2010 notified 5 November 2010, the State Audit Court declared inadmissible the petition for the declaration of invalidity of the writ of summons by SNAI (and of the other 8 licensees) and of all the other inquiries carried out by the Regional Prosecutor at the State Audit Court, in compliance with Article 17 paragraph 30 ter of Legislative Decree 78/09 converted with modifications by Law no. 102/09. SNAI submitted its appeal to the above-cited order.

With reference to the rulings issued by AAMS, the Regional Administrative Court (TAR) had already decreed on the stipulated penalties imposed by the AAMS in June 2007, first suspending the application and then arranging for the cancellation with sentence No. 2728 of 1 April 2008, now *res judicata*. In compliance with this ruling, AAMS has recalculated and reduced the penalties (so-called "little penalties"). SNAI S.p.A. has appealed to the Lazio Regional Administrative Court (TAR) for dismissal of such penalties. With Judgement no.12245/09 of 1 December 2009 the Regional Administrative Court (TAR) of Lazio dismissed the appeal brought by SNAI. The legal advisors highlighted the critical profile of this case that hint at significant margins to get overturned on appeal in line with what happened with other network licensees which have had their petitions for suspension accepted.

Following the verdict cited, on 25 February 2010, AAMS requested the payment of those penalties of 2.2 million euros with communication protocol 2010/6920/Giochi/ADI requested the deposit of these penalties in the sum of 2.2 million euros, which had been allocated in the provisions for risks.

We report that an AAMS managerial note was received on March 2, 2011 bearing a dispute of non-fulfilment of service levels set out in Annex 3 of the concession agreement for the award of the operational management of the network for the electronic management of legal gaming machines and amusement machines with and entertainment, which quantifies the so-called fourth "little penalty" (penalina) in 8.4 million euros against which the company is preparing to request access to the proceedings and extension of the deadline for submitting their comments with the purpose of verifying the recalculation of the penalty. At the moment there are not sufficient elements to determine the amount of liability that may arise after the recalculation process.

By virtue of the above and the advice of its own outside legal advisors the Company has earmarked a fund for risks considered reasonable to cover any liabilities relating to the requests of the State Audit Court and AAMS that may result from the legal proceedings underway.

#### ***Disputes concerning the business of entertainment machines: Single Tax Withholding (PREU) risk fund***

Note that the company has received from AAMS some notifications for alleged non-compliance in terms of non-payment of Single Tax Withholding (PREU) for network management from 2004 to 2008. We report the latest developments of the various rulings by year of dispute.

On 30 July 2009, the Company submitted a timely appeal to the Regional Administrative Court (TAR) of Lazio challenging the applicability of the penalty ruling of PREU for the years 2004, 2005 and 2006 and following years.

On 8 January 2009 the Tuscany and Umbria Regional Office of AAMS based in Florence communicated the results of the automated inspection for the liquidation of the Single Tax Withholding (PREU) for the years 2004 and 2005. Our inspection exposed some mistakes and incompleteness, which we had quickly pointed out on 6 February 2009. With a note dated 25 June 2009, AAMS informed us that as a result of our observations mentioned above, the mistakes and incompleteness we collected were taken into consideration. From this additional verification by AAMS, a new communication dated 25 June 2009 originated with which was challenged the Single Tax Withholding (PREU) to be paid for 729 thousand euros, interest due of 451 thousand euros and 11,780 thousand euros for ordinary sanctions that were reduced to 1/6 and amounted to 1,963 thousand euros.

On 29 July 2009, the division of payment into instalments was requested as provided for in the statement given above, granted by AAMS on 30 July 2009. On the same day we proceeded to punctually pay the first instalment. Meanwhile,

on 30 July 2009 an appeal was brought before the Lazio Regional Administrative Court against this act. A similar mechanism was followed for the Single Tax Withholding (PREU) for 2006 for which AAMS in January 2010 challenged the tax payable for 243 thousand euros, interest owed for 151 thousand euros, and reduced penalties for 556 thousand euros for which the option to pay in instalments of multiple years had already been obtained. On the basis of specific legal advice, we believe that there are reasonable grounds for regarding the outcome of the appeal brought to be positive, which gives rise to the surmounting of the claims in particular with regard to the interest and penalties applied to which we have conservatively adhered with the benefit of deferred payments.

Following the above, the company listed among the other liabilities the tax needed for the years 2004-2005-2006 and allocated an appropriate risk fund to cover any liabilities relating to the penalty rules that may result from court proceedings underway.

Finally on 30 December 2009, AAMS dispatched to SNAI S.p.A. an "amicable" settlement for the PREU due in 2007. The amount required is approximately 2.8 million euros as PREU and 300 thousand euros in penalties and interest. On 2 February 2010, SNAI responded putting forward reasons of merit, with particular reference to the count indicated by the AAMS. The Company has highlighted errors and incompleteness in the observations contained in the notice by AAMS which has finally quantified the Preu tax in 646 thousand euros and a total of 765 thousand euros for interest and penalties due to Single Tax Withholding (PREU). This amount has been admitted to payment in 20 Quarterly instalments starting from 2 August 2010 until 1 June 2015. Therefore, the prorated amount was entered into the debts, to which reference is made, and at the same time, the fund has been used for the same amount.

On 16 December 2010, an amicable settlement was received from AAMS for the PREU for 2008 bearing respectively 127 thousand euros of PREU and 149 thousand euros in penalties and interest, against which observations and comments were produced by the Parent company. On 30 June 2011, SNAI received the final demand related to Single Tax Withholding (PREU) 2008 for a total of 183 thousand euros (45 thousand euros PREU, 105 thousand euros in fines and 33 thousand euros in interest). On 22 July 2011, SNAI made full payment of this amount.

Based on the opinions of legal counsel, the Group believes that it can prudently rely on the defense strategy and, accordingly, on the positive outcome of the appeal, from which the sanction claims of the tax office would be overcome. Provisions in the budget are sufficient to cover losses arising from the litigation described.

***Disputes concerning the business of entertainment machines: proceedings of the account given by the Deputy Prosecutor to the State Audit Court.***

The Regional State Audit Court Prosecutor has issued a penalty of 150 million euros against SNAI S.p.A. for alleged failure to submit the "judicial account", relative to all the economic flows resulting from the management of legal gaming as licensee of the network.

By decree of the President of the Lazio Regional Chamber of the State Audit Court the request for the rendering of account has been renewed by setting the deadline for its respective deposit. With a defence brief, the categorization of SNAI was opposed, as it handles no public money being subject to Single Tax Withholding (PREU). On 27 April 2010, the Regional Prosecutor notified by writ to accuse SNAI S.p.A. of omitted accountability. The Court during the hearing for convocation and discussion of the judgement of 7 October 2010 on the fine requested by the Prosecutor for declared delay in the presentation of the account, received the considerations of the SNAI defence and of the other licensees who were subject to the same proceeding.

The defence counsels carried out analytical considerations on the substantially unfounded claims of the inquiring prosecutor and held that the Court should evaluate the requests of exoneration of responsibility for the delay, considering the modality of the delivery of the account according to the modern form of communication via Network of relevant data to Sogei S.p.A. in substitution of the application of the regulation, going back to 1862, for whom there was 'management' of public money.

Following the results of the hearing, the State Audit Court fully rejected the Prosecutor's questions blaming AAMS for the failure to prepare the judicial account within the terms of the law. On 4 March 2011, notice was given publicly that the public prosecutor has launched an appeal against the first instance ruling.

***Ruling for cancellation relative to the 1310 horse racing licenses awarded as a result of the call for tenders of which according to Art. 38 Legislative Decree 223 of 4 July 2006 converted with integration and amended by Law 248 of 4 August 2006.***

On January 28, 2009 and January 30, 2009 AAMS communicated the initiation of the referred to withdrawal procedure, in an undifferentiated manner, of 1,896 horse racing betting licenses and 192 sports betting licenses, awarded after the Bersani Call for Tenders, motivated by inspections made by SOGEI S.p.A., from which at the expiry of the agreed to term for opening, the businesses were found to have not yet been activated and operational.

With respect to this case, SNAI S.p.A. immediately responded by forwarding a preliminary brief of arguments, which concludes with a request for the dismissal of the ruling for the revocation mentioned above and simultaneously appealed the two measures to the Lazio Regional Administrative Court.

The defence approach, which inspired this response was mainly based on the occurrence of some objective circumstances and was not in the sphere of control and reaction of the licensee SNAI, which characterised the placement phase of the licenses in question.

With the note dated 16 April 2009, AAMS announced the suspension of the revocation ruling.

On 4 August 2011, the Parent company received from AAMS a ruling with which the forfeiture of 1,310 horse racing licensees awarded as a result of the Bersani call for tenders was confirmed, inasmuch as they were not activated within the agreed upon terms. The Parent company immediately disputed the ruling giving additional and supplementary reasons to the petition already presented to the Lazio Regional Administrative Court (TAR) in 2009 that had suspended the revocation proceedings in April 2009. On 5 August 2011, the Regional Administrative Court (TAR) of Lazio, quickly responded accepting the petition for suspension and fixing the Council Chamber date for 1 September 2011, where another adjournment provision was made. The Regional Administrative Court (TAR) of Lazio adjourned the hearing in chambers of SNAI's application for interim relief until 23 November 2011 confirming the validity of the suspension that SNAI had already obtained in a judicial review for urgent consideration.

The documents produced by AAMS deposited with the court, at least at the moment, seem not suitable to demonstrate the presumed lack of fulfilment by SNAI, which was instead submitted by AAMS in terms of a "massive" failure to activate. The investigative findings as a foundation for the declaration of cancellation reported by AAMS were not such as to justify a legitimate issue of the provision contested by SNAI.

The residual book value of the taxes subject of the provision of 30 September 2011 came to just 9.1 million euros.

Based on the legal opinions obtained and notwithstanding the uncertainty that distinguishes the issue, the company believes, at the moment, that there is the real possibility of losing the above dispute.

#### ***Ruling of revocation/forfeiture of some awarded licenses as a result of the Bersani call for tenders***

The Director General of AAMS announced more measures to initiate the revocation and forfeiture procedure for 59 licences for non-activation granted to SNAI S.p.A. following the "Bersani" call for tenders on the assumption that the licences had not been activated within the agreed upon terms. The Company promptly submitted an appropriate petition to the Regional Administrative Court (TAR) of Lazio submitting its statement of reasons.

These issues have not yet been defined. Based on the legal opinions obtained and notwithstanding the uncertainty that distinguishes the issue, the parent company believes, at the moment, that there is the real possibility of losing the above dispute taking into consideration that in the past for similar rulings, AAMS has not followed forfeiture measures.

#### ***Disputes connected to the betting business: Guaranteed Minimums***

It should be remembered that SNAI S.p.A. received from AAMS different notifications for the smaller transactions carried out by several horse racing and sports concessions in the course of 2007-2008 and for which were required by AAMS payments for guaranteed minimums. We report the latest developments of the various rulings divided by year of dispute. With AAMS notes 2009/20716 of 29 May 2009, the Authority gave notice to SNAI of the payment of guaranteed minimums for the year 2008 for a total of approximately 11.1 million euros. On 17 September 2009, the company, through its legal counsel, filed a special appeal to the Lazio Regional Administrative Court for the cancellation of the prior suspension of the rulings requiring the payment of guaranteed minimums for the year 2008.

The Regional Administrative Court (TAR) of Lazio accepted with ruling n.10860/2009 published on 5 November 2009, the action brought by SNAI cancelling the request by AAMS with regard to the payment of the guaranteed minimums for 2008.

A similar procedure was performed for the request that AAMS has promoted for 2009 for 204 horse racing concessions for a total of 7.4 million euros against which a pre-trial request was promoted to the Regional Administrative Court (TAR) of Lazio in order to solicit the definition of the proceedings.

In addition, following harsh litigation brought before the TAR of Lazio by many horse racing concessions for guaranteed minimums for years 2006-2007, the Regional Administrative Court delivered judgements no. 6521 and no. 6522 of 7 July 2009 by eliminating the payment notice sent by the AAMS, holding it to be illegitimate to the extent that it had not been

preceded by the definition, although provided for by law, so called "safeguard mode" of the existing licensees to opening of the market created by D.L. 223/06 (so-called Bersani reform). The TAR also recognized in AAMS the legal obligation to adopt these measures, aimed at an overall balance of the operating conditions of the concessions prior to the aforementioned reform.

Based on these assumptions, it can reasonably be considered that SNAI S.p.A., for all the concession accounts in its possession, should benefit from the complete remodelling of the requests from AAMS with the adoption of "safeguard" measures.

It should be noted that on the subject of the guaranteed minimums, SNAI S.p.A. had provided, in fulfilment of the request of AAMS without admitting acceptance to the payment of the guaranteed minimums for 2006, the amount of 2.4 million euros. The amount paid was recognized among the payables to AAMS in as much as it is considered repeatable, whilst the Parent Company communicated to AAMS that the licenses of the Parent company will be represented in all the appropriate venues, so that the requested amounts could be returned to a fair level and the behaviour of the same Institution evaluated. Recently, on petition with other licensees, the Regional Administrative Court (TAR) of Lazio has spoken of withdrawing the requests of AAMS and requiring the authority the same prior definition of the so-called "safeguard measures" in relation to the fact that the Bersani call for tenders and the successive calls, the exclusive territorial concessions previously granted in the concessionary acts, have in fact been exceeded following the awarding of numerous additional concessions for the collection of both sports and horse racing betting.

Lastly, also based on the communications regarding this issue sent by AAMS to another licensee, starting from the first fortnight of April 2011, the debt for 2,429 thousand euros for the payment mentioned above for the guaranteed minimums relative to 2006 paid by the Parent company to AAMS in previous years is the object of compensation with current payables of UNIRE (now ASSI) fortnightly balances.

The Group, also supported by the opinion of its legal advisors, believes there is no risk such as to have to succumb to the demands now advanced by the AAMS.

#### ***Partial tax audit***

On 11 July 2011, the Tuscany Regional Directorate of Revenue, Sector Controls, Litigation and Collection, Large Taxpayers Office, began, in the context of the so-called "tutoring" set forth in Art. 27 of Legislative Decree 185/2008, a partial tax audit having as object the 2009 and 2010 tax periods by the regular application the tax withholdings pursuant to Art. 26 and following of DPR 600/1973, on the interest paid for the senior loan (opened with Unicredit Banca d'Impresa S.p.A.) and also the Junior loan (opened with SOLAR S.A.) outstanding in those years.

The Company, on 26 July 2011, on the basis of the requests formulated by the Large Taxpayers Office (DRE), promptly supplied ample documentation to support and to justify their behaviour with reference to the non-application of the above-mentioned withholding on the interest paid to the two financiers in the course of the tax periods under review.

In relation to those loans, SNAI has already had a similar tax audit in 2009 for the years of 2006, 2007, and 2008, concluded in December 2009 with the delivery of the Formal notice of assessment (PVC). Subsequently, on 15 October 2010, by signing an act of definition for all claims arising from the findings contained therein, with reference to the findings on withholding, SNAI S.p.A had been challenged for the failure to conduct, certify, and pay the withholding tax on interest payments (by SNAI S.p.A.) to the same lenders (Solar S.A. and Unicredit Banca d'Impresa S.p.A) for the purchase operation of the 450 company branches carried out in 2006, under Articles. 26 and 26 quater of Presidential Decree 600/1973 and also pursuant to Art. 37 bis of Presidential Decree 600/1973.

#### ***Risk Assessment***

At the current state, even if it is plausible that the DRE will attempt to retrace the same reasoning as argued in the Formal Notice of Assessment (PVC), it is not possible to make determinations with regard to claims that have not yet been concretely expressed and that will become contestable by the company only after the notification of the Formal Notice of Assessment (PVC), containing any findings with which necessarily the logical and judicial motivations and justifications of the claim manifested by the verifiers will be provided.

However, for more detailed information, it should be noted that the amount of interest paid to the two lenders amounted to 20 thousand euros for 2009 and 16.5 thousand euros for 2010.

In addition, it should be remembered that, at the outcome of the PVC, the company will still have the ability to define any remarks contained in it using the various deflationary tools at its disposal, which, if used, will result in a significant reduction of the tax claim. In this context, it must be pointed out how the previous definition of that important content in the PVC allows us to consider a possible reduction of the possible financial liability, without neglecting the possibility of

obtaining, both at the verification and at the next definition of formal notice of audit, better conditions also including the outcome of the evaluation of documentary evidence held by the verifiers.

At this stage, moreover, it cannot be excluded that any claim reconnected to the original formal notice of assessment (PVC) and raised by auditors during the current audit can be challenged by the Company.

In this sense, the Directors, after consultation with its legal advisors, believe that the company is able to defend the correctness of its conduct, emphasizing the full effectiveness and autonomy of the companies that have provided the loans and perceived their interest, with specific appropriate arguments to counter any claim of the Inland Revenue Service, both in law and in fact, while taking into account the uncertainty that characterizes any dispute.

In this context it would be important to identify and provide arguments which allow the hypothesis and structure of a certain discontinuity with respect to previous similar claims which the Company has shown, in some way, an act of acquiescence under the previous injunction; alternatively, highlighting the reasons according to which the same company while convinced of the correctness of their work has decided to honour the PVC acknowledging the payment of sums for withholding taxes and penalties.

In light of all the considerations and arguments set out above, the Directors believe that the risk of liability against the company would only be possible and that at the moment, the amount of any such liability cannot be quantified, depending on the amounts that may be claimed as withholding or penalties; so the Company has not posted any provision in the budget.

### ***Mortgage tax for Montecatini Racetrack***

In 2006 the mortgages on the racecourse of Montecatini and Milan were opened to guarantee the Senior and Junior loan contracts. The related deeds were recorded respectively at the Land Agency - Office of the Province of Pistoia - the Pescia branch and at the Agency of the Territory of Milan - Milan Real Estate Advertising Service, at which the proportional tax on both deeds was paid in full. The Land Agency of Pistoia communicated three notices of liquidation to SNAI S.p.A. for a total of 2,610 thousand euros on the assumption of the independence of the deeds. The Company has appealed.

In the pending litigation, after the unfavorable verdict for the company in the first instance and in the second on appeal, the petition to appeal was prepared for the Appeals Court for the procedural aspects are considered not insignificant: judgement has not yet been passed.

It should be noted, moreover, that on 10 March 2010, after receiving the notification of the demand for payment from Equitalia Cerit S.p.A., with which the amount of 2,609.516.60 euros as taxes and 241,915.13 euros for collection fees, the Company has already paid 2,935.454.70 euros (including fines and interest) in a single solution on 16 August 2010. At present, the payment demand is still pending before the Provincial Commission responsible for the dismissal of the case in which the collection fees were requested. The appeal was submitted promptly before the intervening first payment as the company, after consultation with the tax advisors, believes that such fees are not due because the tax is not applicable to the mortgage note.

### **Risk Assessment**

Having paid in full the amounts claimed, there are no significant residual risks of contingent liabilities. The actions taken by the company for the recovery of sums paid are still ongoing. Any refunds resulting from a favourable outcome of the proceedings will be recorded in the income year in which they are defined.

### **Other tax disputes**

As of this date, there are no further notifications of disputes with the Tax Authorities for the purposes of VAT and/or direct taxes which could generate additional tax liabilities, except that in October 2010, the Provincial Directorate Tax authority of Lucca sent 4 notices of adjustment and liquidation for the same acts of buying and selling of the company branches with which the Lucca territorial office liquidated the registration taxes and the related interest on those acts for about 12,000 euros. At first sight the method of calculating the greater tax appeared susceptible to strong rebuttals, which the legal consultants have articulated in timely appeals.

## Other Disputes

### **SNAI /Omniludo S.r.l.**

- The Omniludo S.r.l. Company sued SNAI S.p.a. alleging the violation of the obligations from the contract in force between the parties to wit the “*management, maintenance and service assistance by Omniludo S.r.l. on slot machines*” (the “29.06.05 Contract”) and asking:
  - 1) That the SNAI S.p.a. Company's liability be ascertained and declared for violations of contractual obligations and in particular for the right to exclusive trade pursuant to Articles 3 and 4 of the 29.06.05 Contract;
  - 2) To hold SNAI S.p.a. liable for indemnification of the different levels of damages for a total of over € 100,000,000.00 and in any case for the amount to be defined during the suit proceedings.  
The suit was proceeded with and then adjourned for final conclusions at the hearing of 10.12.2010, and again adjourned by the court until 17.06.2011. The conclusions having been presented, SNAI S.p.a. filed a petition to have the hearing held together with another put forward by the same (see description below) and pending before the Court of Lucca, Judge Giunti (R.G. [Judicial Registry] 4810/10). This case is still pending before the court.
- With summons served on 16/11/2010, SNAI S.p.a., without prejudice for the serious breach of the commitments made as effect of the 29.06.05 Contract, the Omniludo S.r.l. Company appeared before the Court of Lucca to there hear the following conclusions:
  - 1) Ascertain and declare the breach by the Omniludo S.r.l. Company with respect to the assignment and the commitments made in the aforementioned agreement;
  - 2) Ascertain and declare the cancellation of the 29.06.05 Contract, on the basis of the serious breach by the Omniludo S.r.l. Company with respect to the legal and contractual commitments made;
  - 3) Sentence the defendant to the payment of damages in the measure (preventively) indicated at €40,000,000.00 unless payment is otherwise equitably defined *and the precise quantification* in the response pursuant to Article 183 /6 Civil Procedure Code (CPC), both for lost profit as well as for damage incurred to the plaintiff's image and goodwill.

At the same time, SNAI S.p.a. filed a petition pursuant to Article 163 bis CPC with the purpose of obtaining the shortening of the terms of appearance; the shortening granted with a provision issued by the Presiding Judge of the Court of Lucca on 05.11.2010 setting the hearing for 07.01.2011. The court then postponed the hearing until 02.02.2011. At that the judge adjourned the suit for additional evidence on 18.05.2011 granting the terms pursuant to Article 183 VI c. CPC. The court then postponed the hearing until 23.11.2011.

### **SNAI/Blu Line S.r.l.**

With a summons served on 17 June 2008, Blu Line sued SNAI for presumed contractual breaches related to management of the SNAI card circuit and Punti SNAI Web appeared before the Court of Lucca to there hear the following conclusions:

- 1) Ascertain the contractual breach by SNAI S.p.a. declaring by its effect the cancellation of all contracts with the same participant;
- 2) Sentence SNAI S.p.a. to indemnify all damages suffered and to be suffered in the measure of no less than € 20,000,000.00, plus interest or rather in that other measure that will be established by the Judge also defined equitably.

SNAI S.p.a., with summons served on 04.06.08, sued Blu Line S.r.l. asking the judge to ascertain and declare that:

- 1) The contractual relationship between SNAI S.p.a. and Blu Line S.r.l. is definitively and legitimately cancelled;
- 2) SNAI S.p.a. was involved in no contractual breach whatsoever in its relation with Blu Line S.r.l. and that, therefore, this latter has no recourse for indemnification of damages of any sort.

The two proceedings were joined and defined with judgment no. 530 issued on 18.04.2011, with which the Court of Lucca:

- Declared cancelled due to breach by SNAI S.p.a. certain contracts stipulated with Blu Line S.r.l., sentencing the former to indemnify Blu Line S.r.l. with € 95,000.00 plus interest and adjustment;
- Declared cancelled due to breach by Blu Line S.r.l. the contract dated 14.08.2007 sentencing the same to pay SNAI S.p.a. € 321,490.64 plus interest and adjustment;
- Dismisses Blu Line S.p.a. Company's request for damages for € 20,000,000.00.

Therefore the amount that Blu Line S.r.l. is to pay SNAI S.p.a. by effect of the compensation is € 266,170.42.

SNAI S.p.A. served order of payment and writ of execution by way of judicial appendix with third parties and the debtor.

In light of the outcome of the dispute, having received counsel from their attorneys, the Board of Directors believes that the risk of losing this suit is remote and therefore has made no allocation of funds.

### 31. Miscellaneous debts and other non-current liabilities

The miscellaneous debts and other non-current liabilities are broken down as follows:

Thousands of Euros	30.09.2011	Restated .12.2010	Differences
<b>Misc. debts and other non-current liabilities</b>			
<i>Tax payables</i>			
- PVC debts x instalment	2,520	4,389	(1,869)
	<b>2,520</b>	<b>4,389</b>	<b>(1,869)</b>
<i>Debts toward others</i>			
- PREU debts for instalments from previous years	894	1,046	(152)
- debts for non-competition pact	1,568	0	1,568
- for security deposit liabilities	18	20	(2)
	<b>2,480</b>	<b>1,066</b>	<b>1,414</b>
<b>Total miscellaneous debts and other non-current liabilities</b>	<b>5,000</b>	<b>5,455</b>	<b>(455)</b>

Other current liabilities are composed as follows:

Thousands of Euros	30.09.2011	Restated 30.12.2010	Differences
<b>Other current liabilities</b>			
<i>Tax payables</i>			
- toward VAT tax account	439	0	439
- toward income tax	2,000	1,531	469
- toward PREU	5,654	24,908	(19,254)
- PVC debts x instalment	2,543	1,881	662
- miscellaneous tax debts and amnesty	84	24	60
- toward employee Irfef tax account	350	544	(194)
- toward withholding tax account	110	243	(133)
	<b>11,180</b>	<b>29,131</b>	<b>(17,951)</b>
<i>Debts to Soc. Sec Authrty.</i>			
- toward INPS	976	1,197	(221)



- toward INPS for legal collection	0	199	(199)
- toward ENPALS	182	327	(145)
- toward supplementary provisions	208	263	(55)
- toward INAIL	93	15	78
- toward Previndai and others	92	106	(14)
	<b>1,551</b>	<b>2,107</b>	<b>(556)</b>

*Other current debts:*

- toward employees	1,814	1,681	133
- toward totalizer personnel	38	36	2
- toward SOGEI	611	611	0
- toward administrators	249	650	(401)
- debts for non-competition pact	1,001	0	1,001
- toward PAS Gold Circuit	983	1,236	(253)
- to pay SNAI Gaming Card balances	4,741	5,595	(854)
- toward customers for winnings and bet reimbursement	2,768	2,047	721
- towards customers for accepted bets (futures)	2,977	3,445	(468)
- towards AAMS for lic. pools and national horse racing	3,352	5,320	(1,968)
- towards third parties for pools and national horse racing winnings	279	250	29
- security deposits	1,659	869	790
- PREU debt	11,377	38,193	(26,816)
- PREU debts for instalments from previous years	428	347	81
- debts toward Slot managers PREU adjustment	0	1,891	(1,891)
- toward ASSI formerly U.N.I.R.E. 15 year balance	1,713	2,291	(578)
- toward AAMS lapsed tickets	113	405	(292)
- AAMS debts for license fee	490	1,197	(707)
- toward AAMS for security deposits Slot and VLT network service	817	1,994	(1,177)
- for determined AAMS debts	7,386	11,879	(4,493)
- debts toward third parties for Bingo On Line management	5	219	(214)
- debts toward Skill Games tournament players	288	29	259
- debts toward third party Skill Games management	1,856	515	1,341
- debts toward third party VLT management	445	0	445

- toward miscellaneous	2,072	546	1,526
	<b>47,462</b>	<b>81,246</b>	<b>(33,784)</b>
<i>Accruals and Deferrals Liabilities</i>			
- Accrual liabilities	863	93	770
- Deferral liabilities	2,075	341	1,734
	<b>2,938</b>	<b>434</b>	<b>2,504</b>
<b>Total other non-current liabilities</b>	<b>63,131</b>	<b>112,918</b>	<b>(49,787)</b>

The tax payables include:

- The current residual debt for the Single Tax on horse racing and sports betting and remote skill games amounting to 5,654 thousand euros relative to the tax charge of September;
- The PVC debt for rescheduling for a total of 5,063 thousand euros relative to the definition of the tax settlement proposal following the Formal Notice of Assessment- PVC in December 2009, of which 2,520 thousand euros due beyond 12 months and 2,543 thousand euros due within 12 months. The amount includes the amount of tax, penalty and interest as defined in the minutes of the meeting of 14 October 2010 in which the delay in payment over 12 Quarterly instalments was agreed. The principal amount of the tax settlement proposal regards tax withholding on interest paid to lenders in previous periods which, due to the progressive payment, they would give the final recipients the right to claim recognition of tax credits in their states of fiscal residence, if covered by national tax laws.

Among the other liabilities are listed the debts to AAMS for guaranteed minimums accrued and vested with the acquisition of the concession company branches equal to 7,386 thousand euros (11,879 thousand euros in 2010) and relative for 5,663 thousand euros for the annual instalment due on 31 October 2011 actualised on 30 September 2011 at a rate of 4.73% representing the market cost of financial instruments, and for the remaining share part of the guaranteed minimum instalments due on 30 October 2009 and 30 October 2010.

The payment of the 30 October 2009 instalment was suspended following the Lazio TAR judgement originating from the appeal filed by SNAI S.p.A. with the Administrative Judge against payment of the guaranteed minimums.

Also note the Lazio Regional Administrative Court (TAR) by order 165/2010 dated 13 January 2010 dismissed the appeal on the grounds that the claimed "safeguard mode" was not related to the economic agreements prior to 2003. Nevertheless, also supported by the opinion of its own legal counsel, the Group confirms the prudent reliance on a favourable outcome of the litigation on appeal, as well as reshaping the pending litigations. On 11 June 2010 and on 27 July 2010 payment was made of the guaranteed minimums amounting to 2,169 thousand euros and 2,794 thousand euros requested by AAMS in spite of disputes pending before the Lazio Regional Administrative Court (TAR), which on several occasions has suspended the enforceability pending the enactment of the as yet undefined so-called "safeguard clauses". Finally, we report that subsequently to the close of the half year period, on 5 July 2011 further payments of the guaranteed minimums were made for 4,627 thousand euros with the goal of obtaining the issuance of the new concession for remote gaming: in the course of the payment, SNAI S.p.A.'s non-acquiescence to that payment was communicated reserving for the company every possibility to claim and obtain an adequate refund of the amount not owed.

The PREU instalment debt totalled 1,322 thousand euros of which 894 thousand euros are due beyond 12 months.

The risk connected to the ongoing disputes has been appropriately guarded against with the sufficient accrual to the risk provision as commented in the paragraph of note 30.

The debt to SOGEI, the company that administers the betting data on behalf of the Finance Ministry, for 611 thousand euros is related to previous entries related to the debt that originated the contestation of the application of the reduction of the Single tax rate for the period from 1 January 2003 to 30 June 2004 amounting to 497 thousand euros for Milan and to 114 thousand euros for Montecatini, including interest as notified in February 2006 the enforceability of which was subsequently suspended.

The amounts payable to AAMS for pools and national horse racing amounting to 3,352 thousand euros (5,320 thousand euro in 2010) are relative to the balances due to the State Monopolies with respect to movements of pool contests.

Debts are also recorded on acceptance of horse racing and sports bets in the licensed company branches related to:

- The balance of the cards for the electronic game SNAICard for 4,741 thousand euros
- The debts for the bets collected until 30 September 2011 and which the events have not yet occurred (antepost betting) for 2,977 thousand euros

- The debts towards players for uncollected accrued winnings at 30 September 2011 for 2,768 thousand euros and the prize money for horse racing betting and pool contests for 279 thousand euros
- The debt for the ASSI formerly U.N.I.R.E. horse racing levy for 1,713 thousand euro due for the second half of June and paid by the deadline (05 October 2011);
- The debt towards AAMS for winning tickets and repayable lapsed tickets for 113 thousand euros related to the lapsed tickets for the month of September.

Lastly, below are shown the payables due to AAMS deriving from the activity as Licensee of the network for the entertainment and amusement machines (AWP formerly slot machines) and paragraph 6b (VLT):

- 490 thousand euros for the debt for the concession fee due for the month of September (0,3% on the gaming transactions generated by the AWP and VLT machines).
- 817 thousand euros equal to what was matured as a security deposit on network efficiency (slot) (0.5% on the gaming transactions generated by the AWP and VLT amusement machines as better described in Note 4 "sales and services revenues");
- 11,377 thousand euros for the net debt on the Single Tax Withholding (PREU), calculated on the AWP and VLT entertainment machine transactions. The payable is booked net of any PREU adjustment calculated on the installed machines at the BAP and as of 30 September 2011 estimated to amount to 1,498 thousand euros due to the licensee, as per AAMS Decree of 11 March 2010 prot. No 2010/8892/ADI.

The deferred income item totalling 2,075 thousand euros refers mainly to the amount not yet accrued of revenues invoiced ahead of time to the shops and corners.

### 32. Accounts Payable

The table below shows the breakdown of accounts payable:

Thousands of euros	Restated		
	30.09.2011	31.12.2010	Difference
<b>Accounts payable</b>			
- suppliers	23,363	52,118	(28,755)
- stables, jockeys and bookmakers	4,493	3,856	637
- foreign suppliers	2,341	1,411	930
- advances to suppliers	(592)	(2,147)	1,555
- credit notes to be received	(829)	(897)	68
- debts towards SNAI Servizi S.p.A.	0	34	(34)
- debts towards allied Connex S.r.l.	150	84	66
- debts towards associated company Tivu + S.p.A. in liquid.	43	43	0
<b>Total accounts payable</b>	<b>28,969</b>	<b>54,502</b>	<b>(25,533)</b>

It must be noted that accounts payable to suppliers as at 31 December 2010 included the amount of 23,417 thousand euros payable to Coordinatori Punti SNAI (so called CPS) due for the non-competition obligation undertaken by the same company and for its waiving any claim against SNAI for a period of 5 years commencing from the date of signature of the agreement. The amount was paid during the first quarter of 2011. The amount of overdue debts decreased with respect to the same amount at 31 December 2010.

### 33. Overdue debts

As required by Consob through Communication protocol 10084105 of October 13, 2010, the debt situation of the Group are shown, broken down by nature, with specific highlight on amounts past due.

(values in thousands of euro)

Current liabilities	Balance at 30.09.2011	Overdue as at 30.09.2011
Financial debts	114,795	291
Accounts payable	28,969	7,757
Taxes payable	11,18	-
Liabilities with Social Security Institutions	1,551	-
Other payables	47,462	2,684
	203,957	10,732

Commenting on both tables, the following should be noted:

- Financial payables; the analytical amounts are present in note 29, Financial liabilities. This is prevalently related to payables referring to current loans . The overdue amount of 291 thousand euros refers to the residual nominal value of the equity investment acquired in 2009 of Agenzia Ippica Monteverde S.r.l., on which there are still on-going activities of verification and definition of the nominal value.
- Accounts payable; the analytical amounts are in note 32, Accounts payable. These amounts are derived from current relationships with suppliers of goods and services. The amount of 7,757 Euros overdue as at 30 September 2011 fall under the current and actual operations with suppliers for the provision of services and materials, most of these amounts have been paid after 30 September 2011. In some cases new payment terms were agreed. At present no notable action has been taken by the suppliers, such as suspension of services or supplies, official warning notices for payment or injunctions.
- Other debts; the analytical amounts are present in note 31, Miscellaneous payables and other liabilities (other current liabilities), which largely relates in detail the notes on the most significant amounts. Among the amounts classified as overdue, there is the amount of 611 thousand euro related to payables towards Sogei of Trenno S.r.l. On such amount, the company has, in reality, appealed and received a favourable opinion from the Provincial Tax Commission at first instance (2006) with annulment of the related tax assessments and then in the second degree (2008) of the Regional Tax Commission, confirming the decision at first instance. Trenno S.r.l., on the date of preparation of this financial statement, is waiting for an abatement. The amount equal to 2,073 thousand euros booked as the "Other outstanding payables" relates to the proportion of previous guaranteed minimums for which the reader is referred to the specific comment in note 30.

### 34. Financial Commitments

The Group, besides what was shown in the financial liabilities entered into financial commitments for the issue of a guarantee amounting to a total of 199,988 thousand euros (213,450 thousand euros as at 31 December 2010)

Regarding the amounts reported in the financial statements as of December 31, 2010, below are the changes in the financial commitments:

#### Decrease

- For 7,650 thousand of euros in favour of AAMS issued by various credit institutions, requested for lawful gaming activities and entertainment equipment, by way of guarantee for the fifteen year payment of the balance PREU in terms of article 20 sub-article 4 of the Concession payable on 31 ottobre 2015 with possible postponement of one further year;
- for 18 thousand euros in favour of Esselunga S.p.A. by way of guarantee for obligations arising from the sub-leasing agreement;
- for 1.828 thousand euros in favour of the Amministrazione Autonoma dei Monopoli di Stato by way of aguarantee of the proper execution of the obligations for Sports Concessions;
- for 31 thousand Euros in favour of Siemens Renting S.p.A. for the financial leaseing agreement expiring on 31.01.2013 in the interest of Società Trenno S.r.l.;
- for 5.690 thousand euros in favour of Autonomous Administration of State Monopolies (AAMS) , issued by Unicredit expiring on 30 June 2017, for the concession of receipt of horse racing and sports betting;
- for 5 thousand euros in favour of the Autonomous Administration of State Monopolies (AAMS) , issued by Banca Nazionale del Lavoro by way of guarantee of the proper execution of the activities and functions

entrusted and for the timely and proper payment of fees payable and the concession rental fee and any other amount payable in terms of laws in force and the release of all obligations arising in favour of bettors by the concessionaire, expiring on 30/06/2013;

- for 9 thousand euros in a favour of the Autonomous Administration of State Monopolies (AAMS) , issued by Banca Nazionale del Lavoro by way of guarantee of the proper execution of the activities and functions entrusted and for the timely and proper payment of fees payable and the concession rental fee and any other amount payable in terms of laws in force and the release of all obligations arising in favour of bettors by the concessionaire, expiring on 30/06/2013;
- for 10 thousand euros in a favour of the Autonomous Administration of State Monopolies (AAMS) , issued by Banca Nazionale del Lavoro by way of guarantee of the proper execution of the activities and functions entrusted and for the timely and proper payment of fees payable and the concession rental fee and any other amount payable in terms of laws in force and the release of all obligations arising in favour of bettors by the concessionaire, expiring on 30/06/2013;
- for 9 thousand euros in favour of the Autonomous Administration of State Monopolies (AAMS) issued by Unicredit by way of guarantee for payments to be made at the dates stipulated of the installments for debts payable by concessionaires to the Tax Authorities and to Coni payable by 31/10/2012;
- for 375 thousand euros in favour of the Ministry of Economic Development by way of guarantee for prizes promised for prize winning competitions;
- for 725 thousand euros in favour of the Autonomous Administration of State Monopolies (AAMS) by way of guarantee for the proper execution of the obligations arising upon Equestrian concessionaires;
- for 17 thousand euros for guarantee issued by Groupama in favour of Mochi S.r.l. by way of guarantee for obligations arising in terms of the rent agreement, expiring on 17/06/2011;

### **Increases**

- for 1.103 thousand euros as surety in favour of the Autonomous Administration of State Monopolies (AAMS) to guarantee the opening of shops and horse racing gambling outlets and remote horse racing activities;
- for 38 thousand euros as surety in favour of the Autonomous Administration of State Monopolies (AAMS) to guarantee sports concessionaires by concession 3098, expiring on 30 June 2013;
- for 175 thousand euros as surety in favour of the Autonomous Administration of State Monopolies (AAMS) issued by Banca Interregionale S.p.A. as guarantee for participation in the procedures for granting the concession of exercise of public gaming in terms of article 24 sub-article 11 of law no.88 of 7 July 2009;
- for 1.389 thousand euros as bank guarantee pro quota in favour of Cassa di Risparmio di Ravenna in the interest of Hippogroup Roma Capannelle S.p.A.;
- for 200 thousand euros in favour of the Autonomous Administration of State Monopolies (AAMS) issued by Unicredit expiring on 30/09/2015 as guarantee of the participation in the procedures for granting the concession of exercise of public gaming in terms of article 24 sub-article 11 of law no.88 of 7 July 2009 letters A to F of law no.88 of 7 July 2009 .

With respect to new loans entered into on 29 March 2011, it must be noted that SNAI S.p.A., as normally occurring in this type of transaction, by way of guarantee of the same has assumed the obligation to issue a real guarantee on tangible and intangible assets pertaining to the Group and deemed relevant.

Obligations undertaken to guarantee loans taken in 2006 were cancelled.

### **35. Related Parties**

The Consob Communication 6064293 of 28 July 2006 requires that, in addition to what is required by International Accounting Standards on "Disclosures about related party transactions" (IAS 24) are provided with the information of the impact that transactions or positions with related parties, as classified by IAS 24, have on the economic, asset and financial situation.

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

The configuration of related parties has changed, following the agreement signed on 22 January 2011 and finalised on 29 March 2011 between SNAI Servizi S.p.A. and Global Games S.r.l. governing the sale of the controlling interest (50.68%) of the capital held by SNAI Servizi S.p.A. in SNAI S.p.A., with particular reference to the positions of the shareholders of SNAI Servizi S.p.A and SNAI Servizi S.p.A. .

Until 31 December 2010, within the SNAI group companies, relationships with related parties are represented by commercial, financial contracts and administrative services, tax assistance, tax and organization with subsidiaries, and

contracts with the parent company SNAI Servizi S.r.l. for the provision of legal assistance and for the regulation of the financial current account.

The transfer prices are related to active sales prices to the betting collection chain (i.e. market prices); purchase costs for services governed by commercial contracts use market prices and conditions as a reference for contracts of a financial nature and operating costs for services and performance for the other buying and selling of inter-group services. The contracts, including services supplied by some subsidiaries to other group companies, as well as those supplied by SNAI S.p.A. to other group companies and performance of services between operating companies, are formalised and invoiced with multi-year frequency.

The Group provides services to dealers to horse racing shops and sports agencies, as previously mentioned. Some licensees hold minority interests in the share capital of the parent company SNAI Servizi S.r.l. Transactions, in standardised contracts, are governed at market conditions completely identical to those of third party licensees.

The acquisition transaction of the company branches occurring on 16 March 2006 is basically the result of a transaction with related parties since most of the company branches acquired by SNAI S.p.A. were directly or indirectly referable to members of the SNAI S.p.A. board of directors, who were owners, directly or indirectly, through the companies they hold investments in or which are under their families.

Following the above referred to agreement signed on 22 January 2011 and finalised on 29 March 2011 between SNAI Servizi S.p.A. and Global Games S.p.A. and in order to provide a better representation of the relations between related parties we have amended the information provided by indicating in the table both the current period as well as in comparative periods, the transactions with the companies referred to the directors of the Group. It must be noted that until 31 December 2010, the Group showed the transaction with partner companies of SNAI Servizi S.p.A. and that some companies pertained to the directors of the Group.

More specifically the costs and revenue matures towards the shareholders of SNAI Servizi S.p.A. up to 29 March 2011 are:

- earnings from sales and services amounting to 995 thousand euros (3,227 thousand euros in nine months of 2010);
- interest receivable amounting to 86 thousand euros (646 thousand euros in nine months of 2010);
- costs for services and recharges of 18,004 thousand euors (52,497 thousand euros in nine months of 2010);
- interest payable of 53 thousand euros (313 thousand euros in the first nine months of 2010).

It is important to note that until the renewal of the Board of Direcotrs which took place during the general meeting of 30 April 2011, the directors related parties were 10; from 30 aprile 2011 they went down to 3

The following table shows a summary of the relationship of the related parties of the SNAI Group.

thousands of euros	30/09/2011	% incidence	31/12/2010	% incidence
<b>Accounts Receivable:</b>				
- from companies and directors of the Group	4,581	6.52%	3,072	4.16%
- from Solar SA	0	0.00%	0	0.00%
- from SNAI Imel S.p.A.	14	0.02%	14	0.02%
- from Hippogroup Roma Capannelle S.p.A.	2	0.00%	2	0.00%
- from Cogetech	1	0.00%	0	0.00%
	<b>4,598</b>	<b>6.54%</b>	<b>3,088</b>	<b>4.18%</b>
<b>Other current assets:</b>				
- from companies referable to directors of the Gruppo	8,989	22.94%	9,234	26.60%
- from Tivu + S.p.A. in liquidation	478	1.22%	478	1.38%
	<b>9,467</b>	<b>24.16%</b>	<b>9,712</b>	<b>27.98%</b>
<b>Current Financial Assets:</b>				
- from SNAI Servizi S.p.A.	0	0.00%	8,968	99.92%
- from SNAI Imel S.p.A.	6	0.23%	6	0.07%
	<b>6</b>	<b>0.23%</b>	<b>8,974</b>	<b>99.99%</b>
<b>Total Receivables</b>	<b>14,071</b>	<b>12.56%</b>	<b>21,774</b>	<b>18.51%</b>
<b>Accounts Payable:</b>				
- to companies referable to directors of the Group	526	1.82%	16,536	30.34%
- to Connex S.r.l.	150	0.52%	84	0.15%
- to SNAI Servizi S.p.A.	0	0.00%	34	0.06%
- to Tivu + S.p.A. in liquidation	43	0.15%	43	0.08%
	<b>719</b>	<b>2.49%</b>	<b>16,697</b>	<b>30.63%</b>
<b>Othe current amounts payable</b>				
- to companies referable to directors of the Group	0	0.00%	224	0.20%
- to directors of SNAI S.p.A. for non competition agreement	567	0.90%	0	0.00%
	<b>567</b>	<b>0.90%</b>	<b>224</b>	<b>0.20%</b>
<b>Other non-current amounts payable</b>				
- to directors of SNAI S.p.A. for non competition agreement	1,134	22.68%	0	0.00%
	<b>1,134</b>	<b>22.68%</b>	<b>0</b>	<b>0.00%</b>
<b>Current Financial Liabilities:</b>				
company branches (vendor loan)	0	0.00%	3,968	7.85%
	<b>0</b>	<b>0.00%</b>	<b>3,968</b>	<b>7.85%</b>
<b>Non-current financial Liabilities</b>				
company branches (vendor loan)	0	0.00%	207	0.57%
	<b>0</b>	<b>0.00%</b>	<b>207</b>	<b>0.57%</b>
<b>Current rates of long term loans</b>				
- SOLAR S.A loan.	0	0.00%	43,205	19.00%
	<b>0</b>	<b>0.00%</b>	<b>43,205</b>	<b>19.00%</b>
<b>Total accounts payable</b>	<b>1,286</b>	<b>1.32%</b>	<b>64,094</b>	<b>13.31%</b>

The following tables show the economic values to related parties

**Progressive as of 30 September 2011**

Thousands of euros	01.01.2011- 30.09.2011	%incidence	Restated 01.01.2010 -	% incidence
<b>Revenue From Sales And Service:</b>				
- from companies referable to directors of the Group	1,652	0.41%	381	0.09%
- from Hippogroup Roma Capannelle S.p.A.	0	0.00%	2	0.00%
- from Connex S.r.l.	1	0.00%	0	0.00%
- from Cogetech	7	0.00%	0	0.00%
	<b>1,660</b>	<b>0.41%</b>	<b>383</b>	<b>0.09%</b>
<b>Revenues From</b>				
- from SNAI Servizi S.p.A.	42	4.23%	135	3.36%
- from Tivu + S.p.A. in liquidation	3	0.30%	3	0.07%
	<b>45</b>	<b>4.53%</b>	<b>138</b>	<b>3.43%</b>
<b>Interest receivable:</b>				
- from companies referable to Group directors	170	11.81%	623	26.89%
- from SNAI Servizi S.p.A.	384	26.69%	775	33.45%
- from Tivu + S.p.A. in liquidation	0	0.00%	119	5.14%
- from Teseo S.r.l. in liquidation	0	0.00%	102	4.40%
	<b>554</b>	<b>38.50%</b>	<b>1,619</b>	<b>69.88%</b>
<b>Total revenue</b>	<b>2,259</b>	<b>0.56%</b>	<b>2,140</b>	<b>0.49%</b>
<b>Costs for ti</b>				
- from Connex S.r.l.	0		6	
	0		6	
<b>Costs of Raw Materials and Consumables Used</b>				
- from Connex S.r.l.	1	0.10%	47	3.39%
	<b>1</b>	<b>0.10%</b>	<b>47</b>	<b>3.39%</b>
<b>Costs of Performance of Services and Charge Backs:</b>				
- from companies referable to Group directors	32,698	10.89%	37,087	11.38%
- from SNAI Servizi S.p.A.	12	0.00%	173	0.05%
- from Connex S.r.l.	591	0.20%	589	0.18%
- from Solar S.A.	80	0.03%	68	0.02%
	<b>33,381</b>	<b>11.12%</b>	<b>37,917</b>	<b>11.63%</b>
<b>Interest expenses and fees</b>				
Financial Charges Imputed on vendor loan due to SNAI	70	0.24%	295	1.33%
- from SNAI Servizi S.p.A.	0	0.00%	2	0.01%
Interest expenses from Solar S.A.	1,575	5.48%	4,783	21.52%
	<b>1,645</b>	<b>5.72%</b>	<b>5,080</b>	<b>22.86%</b>
<b>Total costs</b>	<b>35,027</b>	<b>10.61%</b>	<b>43,050</b>	<b>12.31%</b>



### Third quarter 2011

Thousands of euros			Restatement	
	III quarter 2011	% incidence	III quarter 2010	% incidence
<b>Revenue from sales and services:</b>				
- from companies referable to company directors	465	0.39%	84	0.06%
- from Connex S.r.l.	1	0.00%	0	0.00%
- from Cogetech	2	0.00%	0	0.00%
	<b>468</b>	<b>0.39%</b>	<b>84</b>	<b>0.06%</b>
<b>Other Revenues – Revenues from Performance of Services, Charge backs and Leases:</b>				
- from SNAI Servizi S.p.A.	0	0.00%	45	4.48%
- from Tivu + S.p.A. in liquidation	1	0.60%	1	0.10%
	<b>1</b>	<b>0.60%</b>	<b>46</b>	<b>4.58%</b>
<b>Interest receivable:</b>				
- from companies referable to company directors	40	10.72%	261	33.46%
- from SNAI Servizi S.p.A.	0	0.00%	283	36.28%
- from Tivu + S.p.A. in liquidation	0	0.00%	44	5.64%
- from Teseo S.r.l. in liquidation	0	0.00%	37	4.74%
	<b>40</b>	<b>10.72%</b>	<b>625</b>	<b>80.12%</b>
<b>Total revenue</b>	<b>509</b>	<b>0.42%</b>	<b>755</b>	<b>0.54%</b>
<b>Costs for services and chargebacks:</b>				
- from società riferite ad amministratori del Gruppo	7,348	8.08%	3,729	3.83%
- from SNAI Servizi S.p.A.	0	0.00%	54	0.06%
- from Connex S.r.l.	181	0.20%	188	0.19%
	<b>7,529</b>	<b>8.28%</b>	<b>3,971</b>	<b>4.08%</b>
<b>Interest payable and commissions</b>				
Financial Charges Imputed on Vendor Loan Due to companies referable to Group directors	0			
- from SNAI Servizi S.p.A.	0	0.00%	2	0.03%
Financial charges on loan to Solar S.A.	0	0.00%	1,618	22.10%
	<b>0</b>	<b>0.00%</b>	<b>1,677</b>	<b>22.91%</b>
<b>Total costs</b>	<b>7,529</b>	<b>8.27%</b>	<b>5,648</b>	<b>5.39%</b>

The table below shows the payables towards the related parties of the parent company SNAI S.p.A. as of 30 September 2011, as requested by Consob Protocol 10084105 of 13 October 2010.

In thousands of euros	30/09/2011
<b>Accounts Receivable:</b>	
- from companies referable to the directors of the group	4,580
- from Società Trenno S.r.l.	175
- from Festa S.r.l.	11
- from Mac Horse S.r.l.	1
- from SNAI Imel S.p.A.	14
- from Teleippica S.r.l.	8
- from Cogetech S.r.l.	1
<b>Total accounts receivable</b>	<b>4,790</b>

**Other accounts receivable:**

- from companies referable to directors of the group	8.989
- from Società Trenno S.r.l.	4
- from Festa S.r.l.	580
- from Mac Horse S.r.l.	66
- from Immobiliare Valcarenga S.r.l.	34
- from Tivu + S.p.A. in liquidation	478
<b>Total other accounts receivable</b>	<b>10,151</b>

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**Financial receivables:**

- from Società Trenno S.r.l.	4,373
- from SNAI Olé S.A.	695
- from SNAI Imel S.p.A.	6
- from Faste S.r.l.	342
- from Teleippica S.r.l.	158
- from SNAI France S.a.s.	5
<b>Total financial accounts receivable</b>	<b>5,579</b>

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**Total receivables** **20,520**

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**Accounts Payable:**

- from companies referable to directors of the group	526
- from Società Trenno S.r.l.	110
- from Festa S.r.l.	32
- from Connex S.r.l.	141
- from Tivu + S.p.A. in liquidation	43
<b>Total Accounts Payable</b>	<b>852</b>

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**Other accounts receivable**

- from directors of SNAI S.p.A. for non competition agreement	567
- from Società Trenno S.r.l.	2,449
- from Festa S.r.l.	1

- from Teleippica S.r.l. 1

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**Total current accounts receivable 3,018**

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**Other non current financial accounts receivable**

- from directors of SNAI S.p.A. for non-competition agreement 1,134

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**Total other current non financial accounts receivable 1,134**

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**Current financial accounts receivable:**

- from Festa S.r.l. 2.788

- from Mac Horse S.r.l. 334

- from Immobiliare Valcarenga S.r.l. 147

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**Total current financial accounts receivable 3,269**

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**Total accounts receivable 7,139**

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Amounts in thousands of euros

**01/01/2011-30/09/2011**

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**Revenues from Performance of Services and Charge backs:**

- from companies referable to directors of the group 1,652

- from Società Trenno S.r.l. 2,049

- from Festa S.r.l. 1

- from Connex S.r.l. 1

- from Cogetech S.r.l. 7

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**Total Income from Performance of Services and Charge backs 3,710**

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**Other accounts receivable**

- from SNAI Servizi S.p.A. 42

- from Società Trenno S.r.l. 2,276

- from Festa S.r.l. 161

- from Mac Horse S.r.l. 25

- from Immobiliare Valcarenga S.r.l. 7

- from Faste S.r.l. 23

- from Teleippica S.r.l.	410
- from Tivu + S.p.A. in liquidation	3
<b>Total other revenues</b>	<b>2,947</b>

**Financial Proceeds:**

- from companies referable to the directors of the group	170
- from SNAI Servizi S.p.A.	284
- from Società Trenno S.r.l.	297
- from SNAI Olé S.A.	32
- from Faste S.r.l.	10
- from Teleippica S.r.l.	176
<b>Total Interest Income</b>	<b>969</b>

<b>Total revenue</b>	<b>7,626</b>
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**Costs for the Purchase of Semi-finished and Finished Products**

**Costs of Raw Materials and Consumables Used**

- from Connex S.r.l.	1
<b>Total costs of raw materials and consumables used</b>	<b>1</b>

**Costs of Performance of Services and Charge backs:**

- from companies referable to directors of the group	32,698
- from SNAI Servizi S.p.A.	11
- from Società Trenno S.r.l.	294
- from Festa S.r.l.	4,054
- from Mac Horse S.r.l.	395
- from Solar S.A.	80
- from Teleippica S.r.l.	1,655
- from Connex S.r.l.	589
<b>Total Costs of Performance of Services and Charge Backs</b>	<b>39,776</b>

### Costs for Personnel Posted to Other Areas

- from Società Trenno S.r.l.	102
<b>Total Costs for Personnel Posted to Other Areas</b>	<b>102</b>

### Interest Expenses and Commission Fees

Interest expenses from Festa s.r.l.	106
Interest expenses from Mac Horse S.r.l.	16
Interest expenses from Immobiliare Valcarenga S.r.l.	6
Financial liabilities Solar S.A.	1,575
Financial Charges Imputed costs on vendor loan from companies referable to directors of the group	70
<b>Total interest and commission expenses</b>	<b>1,773</b>
<b>Total costs</b>	<b>41.652</b>

### 36. Financial Risk Management

The Group has financial liabilities which consist primarily of bank loans, loans made by third parties of financial and operating leases. These contracts are medium and long term, in part not remunerated.

These liabilities have been taken out as part of important strategic development operations planned and implemented from 2006 to 2011 in order to acquire new businesses, concessions, and new licences to implement and consolidate its presence in the reference market.

It should be recalled that besides the increase in share capital of the SNAI S.p.A., concluded in January 2007, through which financial resources were found amounting to 249,961 thousand euro, the company in March 2007, signed a new loan agreement for a total 490,000 thousand euros, to finance with less onerous obligations, its growth possibilities, to support the investments necessary to plan development and allow sufficient autonomy and cash flexibility.

This loan was structured in six different lines, and at 30 September 2011 was partly used to an amount of 354.750 thousand euros.

The Group parent company as at 30 September 2011 has available unutilized lines of credit amounting to a total 91,534 thousand euros.

The Group's policy is to minimize the borrowing cost to support normal operations, reduce the collection time of receivables, program tools and instalment payments with respect to trade creditors, plan and diversify the mode of payment of investments.

#### Credit Risks

In order to reduce and monitor its credit risk, the SNAI Group adopted ad hoc administrative policies and instruments.

Current credit relations are subject to preliminary analysis on reliability by means of information to be obtained from leading specialised organisations. Analyses obtained will be supplemented by objective elements where these are available within the Group, generating a reliability evaluation.

The debtors of the company (clients, shop managers and gaming points etc) are often known to the Group, tank to established and long standing presence in all market segments which it is part of, and which features a limited number of licensed operators.

Some current credit relations are secured by bank guarantees or advance deposits issued in favour of the Group on the bases of characteristics established in the reliability valuation. Relationships established are constantly and regularly monitored by an entity in coordination with other interested parties.

Credits will be rated regularly.

With respect to the financial instruments above referred to, the maximum credit risk exposure, without taking into consideration possible guarantees held or other instruments to minimize credit risk, is equal to the equitable value. The risk concerning other financial activities of the Group is limited.

## Interest rate risks

The Group parent company entered into a loan agreement in March 2011, on the basis of the application of various variable interest rates. The Company assumed the obligation, with reference to the loan agreement signed, to adopt adequate means of risk cover on some of the lines of credit undertaken, by not later than September 2011. In August, the Company entered into two hedging, Interest Swap transactions agreements with two first class credit institutions for a total value of 300 million Euros (equal to 77% of the underlying debt) in force between 31 December 2011 and 31 December 2015.

The Company considered limiting interest rate risk by signing a cover of a longer duration with respect to that contractually agreed, even though the minimum peremptory duration was for three years starting from 66,67%.

On 30 September 2011, the Group parent Company carried out the contract efficiency tests with positive results; Swap agreement appear to provide effective cover. The fair value at that date was established on the basis of the same test.

The centralised management of the Group's financial flows, through the use of infra-group current accounts, allows for the best treasury managements and at the same time limits risks and obligations while maximising financial revenue.

## Share capital Management

The management of the Group's capital is such as to ensure a solid credit rating and appropriate levels of the capital indicators to support the industrial activity and investment plans.

The Group within the limits permitted by the contractual terms of existing loans, can provide dividends to shareholders and issue new shares.

The group analysed its own capital through a debt / equity ratio, i.e. ratio of net debt to equity plus net debt. The group policy is to maintain the ratio between 0.3 and 1.0. The target takes into account certain capital requirements and debt used in the calculation of the covenants.

thousands of euro	30.09.2011	Restatement 31.12.2010
Interest-bearing loans	398,51	306,98
Non interest-bearing loans	768	7,291
Financial liabilities	399,278	314,271
Accounts payable and other payables	97,100	172,875
Current financial assets	(2,648)	(8,975)
Cash and Cash Equivalents	(35,685)	(11,926)
<b>Net Payables</b>	<b>458,045</b>	<b>466,245</b>
Convertible Bonds		
Shareholders' Equity	235,276	254,637
<b>Total Shareholders' Equity</b>	<b>235,276</b>	<b>254,637</b>
<b>Shareholders' equity and net payables</b>	<b>693,321</b>	<b>720,882</b>
<b>Ratio net payables/shareholders' equity and net payables</b>	66.1%	64.7%

## 37. Significant non-recurring events and transactions

In the first nine months of 2011, except for what has been reported in the table, the items of income and non-recurrent cost, pursuant to Consob Resolution 15519 of 27 July 2006 that defines them as "components of income (positive or negative) resulting from events or transactions whose occurrence is non-recurring from those operations or events that occur infrequently in the usual course of business" are as follows":

Thousands of euros	3rd quarter 2011	Restatement 3rd quarter 2010
<b>Income and non-recurring costs</b>		
Sales and services income	0	0
Services costs:		
Consultancy costs for senior and junior loan repayment	0	0
Costs for the preparation of documentation for a bond issue	0	761
Due diligence and re-organisation costs	383	0
<b>Total costs for Services and Leases</b>	<b>383</b>	<b>761</b>

### 38. Positions or Settlements resulting from Atypical and/or Unusual Transactions

In the first nine months of 2011 no atypical or unusual operations were undertaken.

### 39. Group Entities

#### Group Control

SNAI S.p.A., parent company, is legally controlled by Global Games S.p.A..

#### Significant Equity Investments in Subsidiaries

	Percentage held		
	30.09.2011	31.12.2010	30.09.2010
IMMOBILIARE VALCARENGA S.r.l. unipersonale	100	100	100
FESTA S.r.l. unipersonale	100	100	100
Mac Horse S.r.l. unipersonale	100	100	100
Società Trenno S.r.l. unipersonale	100	100	100
Punto SNAI S.r.l. unipersonale	0	0	100
Agenzia Ippica Monteverde S.r.l. unipersonale	0	0	100
Faste S.r.l. unipersonale (ex Autostarter) in liquid.	100	100	100
SNAI Olè S.A.	100	100	100
SNAI France S.A.	100	100	100
Teleippica S.r.l.	100	19,5	19,5

Punto SNAI S.r.l. and Agenzia Ippica Monteverde S.r.l. were merged by incorporation, on 1 December 2010, into SNAI S.p.A. The merger had no effects on the consolidation.

The parent company SNAI S.p.A. acquired the entire share holding in Teleippica s.r.l. from SNAI Servizi S.p.A. on 31 January 2011 for a price of 11,745 thousand euros in terms of a valuation made by independent experts appointed by the independent directors.

The full composition of the group and the consolidation methods adopted are disclosed in Appendix 1.

#### 40. Net Financial Position

As required by CONSOB communication of 28 July 2006 and in accordance with the CESR Recommendation of 10 February 2005 "Recommendations for the uniform implementation of the European Commission's Regulation on Prospectuses", we note that the Group's net financial position is following:

Thousands of euros	30.09.11	31.12.10	Restatement 31.12.10
A. Cash	329	279	328
B. Other liquid assets	35,356	11,569	11,598
<i>Bank</i>	35,326	11,52	11,549
<i>Post office current account</i>	30	49	49
C. Securities held for sale	1	1	1
<b>D. Liquid assets (A) + (B) + (C)</b>	<b>35,686</b>	<b>11,849</b>	<b>11,927</b>
<b>E. Current financial receivables</b>	<b>2,647</b>	<b>22,949</b>	<b>8,974</b>
- Financial c/a towards SNAI Servizi S.p.A.	0	14,244	8,968
- Financial c/a towards controlled companies	6	6	6
- Financial c/a towards Teleippica S.r.l.	0	8,699	0
- Escrow Account	2,641	0	0
F. Current accounts payable to banks	21,133	22,723	22,723
G. Current part of noncurrent borrowing	72,300	227,349	227,349
H. Other current financial payables:	21,362	27,813	27,820
Financial c/a towards companies subsidiary to the parent company			
- For the purchase of equity investment and company agency branches	291	343	343
- For the acquisition of horse racing and sport betting concessions	361	6,522	6,522
- financial instruments	0	0	7
- amounts due to other financiers	20,710	20,948	20,948
<b>I. Current financial borrowing (F) + (G) + (H)</b>			
<b>J. Net current financial borrowing (I) - (E) -(D)</b>	<b>114,795</b>	<b>277,885</b>	<b>277,892</b>
K. Non current bank accounts payable	76,462	243,087	256,991
L. Issued bonds	260,813	0	0
M. Other non current payables	0	0	0
- amounts payable to other financiers	23,670	36,379	36,379
- for the purchase of horse race and sport betting concessions	20,594	35,953	35,953
- Interest rate Swap	116	426	426
<b>N. Noncurrent financial borrowing (K) +(L) + (M)</b>	<b>2,960</b>	<b>0</b>	<b>0</b>
<b>O. Net financial borrowing (J) + (N)</b>	<b>284,483</b>	<b>36,379</b>	<b>36,379</b>
	<b>360,945</b>	<b>279,466</b>	<b>293,37</b>

Compared to 31 December 2010 as restated the net financial debt increased by 67,575 thousand euros as a result of the combined effect of the cash flows from core operations and expenses as detailed in note 29 "Financial liabilities".

More specifically core management generated the effect of absorption of liquid assets due to the extinction of past accounts payable.

The following are the more significant items:

- Payments for the supply of goods and equipment for the construction of outlets of the so-called Bersani call for tenders totalling 11,017 thousand euro;
- Senior and Junior loan extinction for 228,000 migliaia di euro;
- Extinction of debts relative to Tax and PREU for a total 52,282 Euros;
- New loans entered into on 29 March 2011, paid up to 331,750 thousand euros and further financing for 2,000 thousand euros on 28 April 2011, reported net of accessory obligations amounting to a nominal 25,826 thousand euros;
- Purchase of share capital in Teleippica S.r.l. held by Snai Servizi S.p.A., 80.50%, for an amount of 11,750 thousand euros, including purchase obligations repaid through financial current account hed with Snai Servizi S.p.A. and subsequently extinguished;



- Extinction of debt for purchase of license for a total amount of 6,480 thousand euros.

It must also be noted that, in August SNAI, S.p.A. entered into hedging, Interest Rate Swap transaction agreements with two first class institutions for a total value of 300 million euros (corresponding to 77% of the underlying debt), effective as of 31 December 2011 up to 31 December 2015. On 30 September 2011, SNAI S.p.A. carried out the contract efficiency test with positive results; the Swap agreements resulted effective in providing cover and on the basis of the same test the fair value was established at 2,960 thousand euros.

With respect to new loans, for details reference is to be made to note 29.

As required by Consob Communication Protocol 10084105 of 13 October 2010 the following is the net financial position of the parent company SNAI S.p.A.

(values in thousands of euros)	<b>Closing</b>	<b>Opening</b>
	30.09.2011	01.01.2011
A. Cash	153	174
B. Other liquid assets	33,005	10,362
- banks	32,976	10,314
- Post office current accounts	29	48
C. Total held for sales	1	1
<b>D. Liquid assets (A) + (B) + (C)</b>	<b>33,159</b>	<b>10,537</b>
Current financial receivables:		
- Financial current account due from SNAI Servizi S.p.A.	0	14,209
- Financial current account due from subsidiaries	5,579	8,615
- Financial current account due from associated companies	0	8,699
- Escrow Account	2,641	0
E. Total Current Financial Receivables	8,220	31,523
F. Current Accounts payable to banks	21,133	22,723
G. Current Part of Non –Current Borrowing	72,300	227,349
Other current financial accounts payable:		
- Financial current account due from subsidiaries	3,270	2,472
- For horse race and sport betting concessions acquisition	361	6,522
- For acquisition of shares and branch	291	343
- From other financing companies	20,658	20,900
H. Total other financial payables	24,580	30,237
<b>I. Current financial borrowings (F) + (G) + (H)</b>	<b>118,013</b>	<b>280,309</b>
<b>J. Net current financial borrowings (I) - (E) - (D)</b>	<b>76,634</b>	<b>238,249</b>

K. Non-current financial assets	260,813	0
L. Bonds issued	0	0
Other non-current financial assets		
- Accounts payable due to other financing entities	20,558	35,877
- For purchase of horse betting and sport license	116	426
- Interest rate Swap	2,960	0
M. Total other non-current financial amounts payable	23,634	36,303
<b>N. Non-current financial borrowings (K) + (L) + (M)</b>	<b>284,447</b>	<b>36,303</b>
<b>O. Net financial borrowings (J) + (N)</b>	<b>361,081</b>	<b>274,552</b>

#### 40. Financial Commitments (Negative pledges)

In paragraph 33 "financial obligations", to which reference is made, pledges and security interests granted by the parent and subsidiary companies of the group are analytically described.

The financial commitments undertaken by the parent company and the Group were made in full compliance with the contractual terms of the financing contracts in place.

#### 40.2 Covenants

As is customary with this type of loan, the existing Loan Contracts described above entail a series of obligations for the Company.

SNAI S.p.A is committed to comply with the financial parameters, mainly in terms of agreements reached with Unicredit S.p.A, Banca IMI S.p.A. and Deutsche Bank S.p.A. in relation to long/medium term financing operations for up to 490 million euros (for further information refer to the notice sent on 8 March 2011).

Amongst the obligations arising under the financing agreement there is that of compliance with *financial covenants*, to be calculated in terms of the relative *financial condition*, as from 31 December 2011. Moreover the Company is bound to provide evidence to its financiers of its financial and economic situation and the key performance indicators with respect to the SNAI Group, in relation inter alia to EBITDA, net financial borrowings, operating capital, as from the month of October 2011. For further details reference should be made to note 29 "Financial Accounts Payable" and to paragraphs describing new loans as found in the interim management report.

#### 41. COMMENTS OF THE BOARD OF DIRECTORS ON THE MANAGEMENT TREND

The consolidated financial statements of Gruppo SNAI closed on 30 September 2011 with an overall net loss of 19,361 thousand euro (including the effect of derivatives), compared to a loss of 8,379 thousand euro in the first nine months of 2010 (restated), after depreciation and provisions totalling 48,772 thousand euro (53,286 thousand euro in the first nine months of 2010 restated).

The EBITDA as of 30 September 2011 was negatively affected by non-repetitive costs of 10,417 thousand euro including costs defined as non-recurring by the criteria set out by Consob Resolution No. 15.519 of 27/07/2006 for 1,626 thousand euro and costs deemed as "non-repetitive" according to a management point of view for 8,791 thousand euro; in the first nine months of 2010 non-repetitive costs and revenues had affected the EBITDA by 3,191 thousand euro.

The core operations of the Group showed a positive result with a gross operating margin - EBITDA - amounting to 56,133 thousand euro, with a decrease compared to the same period last year (equal to 64,887 thousand euro in the first nine months of 2010 restated).

At 30 September 2011, revenues reached 404, 879 thousand euro (434,990 thousand euro in the first nine months of 2010 restated).

The management of the first nine months of 2011 was characterized for the SNAI network as well as at national level, except for lotto, lotteries, remote skill games and newly introduced VLTs, by a contraction of the market in gaming and betting (-6.33%) involving both the trend of sports betting as well as the gaming machines collection, in addition to the usual decline in horse-based games.

*Values in thousands of euros*

<b>A. NON-RECURRING COSTS as per Consob resolution no. 15.519 of 27.07.2006 (*)</b>	<b>1,626</b>
	1,243
Consulting costs for loan repayment	
Costs for due diligence and company reorganization	383
<b>B. NON-RECURRING COSTS for management purposes</b>	<b>8,791</b>
Accruals and losses on receivables	6,215
Adjustment of revenues	449
PREU tax realignments and prior years' charges	1,386
Legal advice and one-off charges	741
<b>C. EFFECT ON INCOME BEFORE TAXES (A+B)</b>	<b>10,417</b>

*(\*) as presented in note 37 of the explanatory notes to the quarterly consolidated financial statements as of 30.09.2011*

It is noted that consulting costs relate to professional consulting services related to repayment operations of Senior and Junior loans due and repaid on 29 March 2011.

The costs for due diligence and company reorganization concern professional services related to the change of the controlling shareholder.

Accruals and losses on receivables mainly relate to: receivables expired in prior years and not yet cashed for which there is an increased risk of solvency of the debtor; receivables, already partially written-off, being managed by the legal office

for their forced payment; adjustment of receivables based on arbitration awards following a number of judgments by ordinary courts, which have resized, to the detriment of the Parent company, the arbitration awards previously formalized.

PREU (Single Withholding Tax) realignments and prior years' charges relate to minor payables to AAMS or the managers of SLOT for the calculation of the PREU tax on the gaming flow counted outright and not adequately documented as well as minor reclassifications in the consolidated financial statements of capital gains recognized by subsidiaries in prior years.

Adjustment of revenues concerns the partial reversal of invoices to be issued to non-active or blocked horse racing licences, contractually provided but difficult to be enforced.

Legal advice and one-off charges concern charges for legal services performed for the formalization of management agreements with the sales network.

With regard to the values shown and analysed above the Board of Directors believes that these are non-repetitive and extraordinary in their scope.

The Group's net financial position as of 30 September 2011 amounted to 360.9 million euro compared to 293,4 million euro as of 31 December 2010 restated.

#### **41.1 Comments on the Gaming and Betting Movement during the Period until 30 September 2011**

The first nine months of 2011 were characterized by a return to pay-out values (percentage of amounts paid to winning gamblers out of the collected gaming movement) in sports betting falling within the range of middle-long term historical data.

Actually in the first nine months of 2011 the pay-out value of 79.7% was substantially in line with the value of 79.3% recorded in the same period in 2010.

As of 30 September 2011, the sports betting volume totalized 658.3 million euro compared to 739.1 million euro in the same period last year (-10,9%): in the previous year volumes had been positively affected by the world football championships.

Revenues from sports betting reached 106,613 thousand euro compared to 123,064 thousand euro in the same period in 2010.

Horse racing betting, including national horse racing and event outcome contests, as of 30 September 2011 showed a decrease in collected bets that reached 408.1 million euro with a reduction of 16.2% compared to the previous year; the national trend in the volume of collected bets presented however an even higher decrease.

Revenues from horse racing betting went down to 37,665 thousand euro compared to 44,140 thousand euro in the same period last year.

Revenues from the segment of entertainment machines (AWP formerly Slot Machine) totalized 210,019 thousand euro including, starting from mid January 2011, revenues from the introduction of VLT devices – Video Lotteries - amounting to 9,113 thousand euro installed inside shops for the collection of bets and in a games room. Collected volumes were substantially in line with prior values totalizing 1,683.4 million euro, of which 89.5 million euro collected through VLTs.

The continuous implementation of remote games (Skill Games, Casino Games and Cash Games) led to a collection in the first nine months of 2011 equal to 288 million euro versus 163.8 million euro in the same period in 2010. Revenues amounted to 12 million euro versus 11.8 million euro due to the continuous increase in the pay-out value paid to winners due to regulatory requirements and competition among operators that led to a reduction in revenues for the company with at the same time a partial recovery of contribution margins in the collection network.

#### **41.2 VLT – Videolottery**

As of today the shops that successfully passed the test are 204 equal to 1680 VLTs with a gradual and progressive installation and operation of the network which will be completed by the end of 2012.

With the so-called Abruzzo Decree changes were introduced to the betting and gaming sector, postponing until 2019 the concession for the management of the network system to existing licensees that will receive the licences for the so-called "videolottery" and the putting out to tender for qualification of any unexercised rights.

On 27 June 2009, Decree no. 39 of 28 April 2009 converted into Law 77 of 24 June 2009 was published in the Official Gazette of the Italian Republic no. 147 laying down the rules on the minimum requirements, technical characteristics and mode of operation of gaming systems for the installation and operation of equipment for the game called Video lotteries (known as VLT).

Each dealer authorized by AAMS administration to manage amusement and entertainment devices under paragraph 6 had the opportunity to participate in the request for allocation of a number of VLTs equal to 14% of the clearances of active devices under paragraph 6 already active in his possession on 12 August 2009.

SNAI presented, in the manner and within the prescribed period, the request for authorisation to install 5052 VLTs, corresponding to the maximum limit of 14% of 36,085 clearances in its possession and made by 30 October 2009 and 30 November 2010 respectively the first and second payment of the amount due, each equal to 37,890,000 euro (7,500 euro for each of the 5052 VLTs whose installation was approved).

After the testing phase, in which every dealer submitted within the set terms appropriate documentation of participation prepared according to the criteria established in the guidelines published by the Ministry of Economy and Finance, SNAI S.p.A. started the tests for the suitability of the technical characteristics of the gaming systems, the control and communication and obtained the testing of the first platform at the end of December 2010 and of the second platform in September 2011.

The requested VLT devices can be activated in the authorised premises upon the positive outcome of the test of each room performed by the AAMS competent regional offices.

### **41.3 Renegotiation of the debt – Extraordinary Financing Transactions**

Over the last quarter of 2010 and first quarter of 2011, the company and the then Parent company SNAI Servizi S.p.A. have been working essentially on the realization of financial projects aimed at raising funds to honour or possibly renegotiate the Senior and Junior loans then existing and to support the expansion of the business of the company, including the sector of videolotteries.

On 22 January 2011 SNAI Servizi S.p.A. undersigned a contract conditioned for the sale of the entire control package of 50.68% held in the subsidiary SNAI S.p.A. under the conditions described below.

#### **41.3.1 Description of the sales transaction**

On January 22, 2011 Global Games S.r.l. ("Global Games"), a company jointly owned by (i) Global Entertainment S.A. (whose capital is wholly owned by Investindustrial IV L.P.) and by (ii) Global Win S.r.l. (controlled by Venice European Investment Capital S.p.A.), undersigned with SNAI Servizi S.p.A. ("SNAI Servizi") a sales contract as a result of which Global Games, upon the occurrence of the conditions provided therein, would acquire a controlling interest in SNAI S.p.A. ("SNAI" or the "Issuer") and would promote, as a result of such purchase, a mandatory public offer of acquisition ("OPA").

Investindustrial is a major international investment company which manages approximately 2 billion euro. The main focus of Investindustrial is the acquisition of majority investments in medium-large sized companies that have a leading position in their respective industry.

Venice European Investment Capital S.p.A. ("VEI") is an investment holding company incorporated under the Italian law that has commitment and draw down mechanisms typical of private equity funds. VEI's activity is focussed on private equity investments and investments in the infrastructures sector. It has been operating since September 2010 and has over 500 million euro equity available. VEI is controlled by Palladio Finanziaria S.p.A., which appoints the majority of directors and members of the management team.

More specifically, Global Games purchased from SNAI Servizi a total of 59,206,903 SNAI ordinary shares, representing a 50.68% stake of the share capital (the "Majority Stake") at a price of euro 2.3646 per share (the "Base Price") as well as a possible price integration that could eventually mature at the time of disinvestment, in whole or in part, by the investors and that will be equal to a certain percentage of the proceeds of the disinvestment ("Price Integration").

### Price Integration

The Price Integration will be payable by Global Games whenever, in the 15 years following the purchase of the Majority Stake, there is the actual receipt (i) by Global Games of any distribution of dividends, interim dividends or reserves deliberated by SNAI in favour of their members, and/or (ii) by Global Games (a) of any cash payment for the transfer of SNAI shares forming part of the Majority Stake or purchased due to the OPA and/or (b) of any cash payment from the sale of any equivalent financial instruments received by Global Games in return for the transfer of SNAI shares, and/or (iii) by the Investors (a) of any cash payment for the direct or indirect transfer of Global Games shares and/or (b) of any payment for the sale of any equivalent financial instruments received by the Investors in return for the direct or indirect transfer of Global Games shares.

The Price Integration, if due, will be equal to 9.75% of the Proceeds from each share constituting the Majority Stake or purchased under the OPA, multiplied by the ratio between the Majority Stake and the total shareholding acquired by Global Games from SNAI Servizi and at the outcome of the OPA equal to 67.19%, after taxes, and, in case of sale, after all the direct costs of the disinvestment and the pro rata share of the sums which may be constrained in favour of the purchaser against any indemnification obligations associated with the sale (up to a maximum of 20% of the payment).

### Outcome of OPA

On 16 June 2011, the period for participation in the public acquisition offer launched by Global Games ended: the contribution to the offer consisted of 19,285,427 SNAI shares representing 16.508% of the share capital subscribed and paid in equal to 33.471% of the Offer Shares for a total value of 46,852,822.55 euro. The Tenderer has not made, directly or indirectly, any acquisitions related to SNAI shares.

Therefore, summing the shares taken under the Offer to those already held by the Tenderer, the Tenderer holds, at the close of the offer period, 78,492,330 Shares, representing 67.188% of the subscribed and paid-in share capital of SNAI.

Since at the close of the Offer, Global Games had a stake of less than 90% of the subscribed and paid-in share capital of the Issuer, the legal requirement to exercise the right to purchase as provided for by Art. 111 of TUF or for the application of the provisions concerning the obligation to purchase under Article 108, paragraphs 1 and 2 of TUF was not fulfilled. In addition, since the legal conditions did not occur, the SNAI shares were not withdrawn from listing on the screen-based share market organized and managed by Borsa Italiana S.p.A. and, therefore, the Issuer remained listed.

The Base Price (2.3646 euro) and All Cash Payment (2.4500 euro) were paid to the members, depending on the choice made by each of them, against the simultaneous transfer of ownership of the Shares, on 23 June 2011.

### Non-Competition Agreements

On 1 June 2011, to protect the orderly development of SNAI's activities and in order to protect its competitive position in the industry, the Board of Directors voted to accept the contract proposals of Messrs. Maurizio Ughi, Francesco Ginestra and Alberto Lucchi (formerly President, Vice President, and Director of SNAI S.p.A. respectively pre-acquisition of the majority stake by Global Games S.p.A.) having as object their non-competition obligations until 29 March 2014.

### Shareholders' Agreements

The co-investment agreements reached by the Investors contemplate a shareholders' agreement that was signed at the same time as the purchase of the Majority Stake, which requires, among other things:

- permanence constraints on the shares held by them, directly or indirectly, in Global Games;
- prohibition of purchase of SNAI shares by the Investors unless through Global Games;
- the regulation of the appointment of the board of directors and the supervisory board of SNAI;
- rights and obligations of joint sale of the shares held by the Investors in Global Games or by the latter in SNAI over a medium term time span and, particularly, a joint sale procedure from the third year of investment.

These terms were communicated to the market, pursuant to Article 122 of the Finance Act (TUF), on 3 April 2011 and published in the newspaper "Il Sole 24 Ore" and sent to the market control bodies.

### **41.3.2 Loan Agreement**

SNAI had a Junior and Senior structured debt with an outstanding amount at 31 December 2010 of 228 million euro due to be entirely repaid by 31 May 2011, after the technical extension occurred, and in any case no later than the date of

transfer of ownership of the controlling interest of the company by SNAI Servizi S.p.A. to Global Games S.p.A. which took place on 29 March 2011.

The agreement described in the preceding paragraph allowed the company to undersign on 8 March 2011 a contract related to the financing operation having the objective of making available to the company, with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. acting as mandated lead arrangers, of a medium/long-term loan, divided into several tranches, for a total maximum amount of 490 million euro.

The disbursement to SNAI of the funding was conditional on, among other things, the execution of the sale by SNAI Servizi S.p.A. to Global Games S.p.A. of the shareholding in the SNAI capital owned by the former, as stated in the joint communication from SNAI Servizi and Global Games, and the pledge by Global Games of the shareholding in SNAI acquired in favour of the lenders.

With the disbursement of the financing, SNAI had available sufficient financial liquidity to reimburse the financial debt in existence towards the previous lenders Unicredit S.p.A. and Solar S.A. as well as to sustain the development of the business.

As usual in such operations, the financing is secured by real collateral to be pledged by SNAI on its main tangible and intangible assets.

Reference is made to the specific paragraph of the semi-annual financial report as of 30 June 2011 and to the annual financial statements as of 31 December 2010 for the timetable of initiatives undertaken by the company and by the Group with regard to the above-mentioned loan.

Reference is also made to the paragraph related to financial liabilities for the illustration of the terms of financing of the credit lines and withdrawals made and those still available to the company with the respective conditions of duration, rate and expiry.

#### **41.4 Risk Coverage Instruments – Hedging**

On 29 July 2011, the Board of Directors of the company resolved to proceed with the signing of a contract covering the interest rate fluctuation related to the loan granted by UniCredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A..

Pursuant to the Loan Agreement, the Company had in fact committed itself (within the terms of the special Hedging Letter signed by the Company in connection with the Loan Agreement - Hedging Agreements) to the conclusion, within 6 months of the signing, of specific agreements to cover rates:

- with reference to Facility A and Facility B according to the Loan Agreement, the Closing Date;

and

with reference to the Capex Facility and the Acquisition Facility according to the Loan Agreement, the first between (i) the end of its period of use (so-called Availability Period) and (ii) the date on which such facilities have been used or discharged entirely.

Taking advantage of Chatham Financial consulting, SNAI undersigned "Interest rate swaps (IRS)" contracts on the initial interest rates for a total of 300 million euro progressing to 135 million euro.

#### **41.5 Cogetech Transaction**

On 22 June 2011 Global Games S.p.A., sent to the company, as announced in a press release on 6 May 2011, a proposal concerning the acquisition by SNAI S.p.A. of Cogetech Group, composed of companies operating in the area of collection of sports betting and the marketing of public games, including the operational management of the network for the electronic management of legal gaming as well as direct management of AWP devices.

The Board of Directors of SNAI S.p.A. resolved to set and define the negotiations on the possible agreement that will regulate the Cogetech transaction involving one or more independent administrators in the negotiations and the preparatory stage to ensure a complete and timely flow of information in order to review the negotiated agreements and, ultimately, approve the transaction and select the independent expert to be appointed for the preparation of the report referred to in Article 2343, second paragraph, letter b) of the Civil Code.

#### **41.6 Participation in the procedure for the awarding in concession of remote gaming activities**

On 10 August 2011, the Parent company filed the documents required for participation in the "Process for the award in concession for the remote operation of gaming according to Art. 24, paragraph 11 letters a) to f) of Law 7 July 2009 no. 88 "conducted by the Autonomous Administration of State Monopolies by virtue of presidential decrees no. 2011/190/CGV and prot. 2011/8556/giochi/UD adopted pursuant to Article 24, paragraphs 11 to 26 of Law 7 July 2009 no. 88 (so-called Community Law).

Such documentation, which also includes the underwritten licensees proceedings for signature by the Parent company, is aimed at obtaining an additional license for the remote operation of gaming in Art. 24 paragraph 11 letters a) to f) of the Community Law lasting nine years from the signing of the established agreement.

AAMS has already assigned SNAI S.p.A. licence 15215 (provisional code) while waiting to receive notification of the licence countersigned by AAMS and duly registered.

#### **41.7 SNAI France - license issue by ARJEL**

SNAI France SAS, a company 100% owned by SNAI S.p.A. has obtained, on 27 July 2011, from Arjel, the Regulatory Authority for Online Games, a five year licence to operate in the French internet gaming market for sports betting.

Such license allows SNAI France to offer fixed odds, live and totaliser betting through its own website.

The group is evaluating whether it is convenient to start the activity in consideration of the high taxes presently applied.

#### **41.8 Liquidation of Faste S.r.l.**

On 2 August 2011 the company Faste S.r.l. was placed in voluntary liquidation and Mr. Armando Antonelli was appointed as liquidator.

The company became operational in September 2010 and is still owned by Faste S.r.l. who had purchased the stake from Società TRENNO S.r.l.. The company was established with the name Autostarter S.r.l..

After the sale to Faste and the name change, the company became operational in the attempted telephone sale of products and services.

The General Meeting of Faste S.r.l., which resolved the liquidation, settled the loss for the period as of 30 June 2011 (in addition to the remaining loss carried forward) and reconstituted the share capital; the settlement of the loss (for 157,747.57

### **42. SIGNIFICANT EVENTS AFTER CLOSING OF THE PERIOD**

#### **42.1 Participation in the procedure for the awarding of electronic management of legal gaming**

In accordance with the decree by the General Director of the Autonomous Administration of State Monopolies ("AAMS"), doc. 20/2011/30582/giochi /AD of 5 August 2011, the company has participated in the selection procedure for the awarding in concession of the realization and operation of the network for the electronic management of legal gaming through amusement and entertainment devices as provided under Article 110, paragraph 6 of the Unified Text of Laws on Public Security (TULPS) as to Royal Decree no. 773 of 18 June 1931 as amended, and filed within the deadline of 10 October 2011 the documentation required for the procedure.

The opening of envelopes took place last October 13th in public session and no anomalies were found: the documentation is presently being reviewed by the commission for awarding.

#### **42.2 Provision for forfeiture of licences of some horse racing gaming points awarded upon outcome of Bersani Call for Tender**

On 4 August 2011, the company received from the Autonomous Administration of State Monopolies - AAMS, an order of forfeiture of 1,310 licences awarded upon completion of the Bersani Call for Tender for the permanent lack of activation.

The company immediately disputed the ruling giving additional and supplementary reasons to the petition already presented to the Lazio Regional Administrative Court (TAR) in 2009 that had suspended the revocation proceedings in April 2009 on a greater number of licences.



On 5 August 2011, the TAR of Lazio, through its Managing Director, quickly responded accepting the petition for suspension and fixing the Council Chamber date for 1 September 2011; TAR postponed said date first to 19 October and then to 23 November 2011 for the discussion in the Council Chamber of the petition for interim relief presented by SNAI S.p.A. thereby confirming the validity of the suspension already obtained by SNAI through provisional measures. The residual book value of these licenses amounts to 9.1 million euro as of 30 September 2011.

#### **42.3 Appointment of the Chief Financial Officer**

On 28 October 2011 the Board of Directors appointed Marco Codella as Chief Financial Officer of the company and of the Group.

Marco Codella will report directly to the Managing Director, Stefano Bortoli, and will be in charge of the financial strategy management of the Group and related operating activities.

The newly appointed CFO, who boasts over 25 years of experience within the financial departments of major international companies, attained a Degree in Business Administration at the University "La Sapienza" in Rome.

#### **42.4 Petition for a deed of arrangement with creditors for business continuity filed by the associated company HIPPOGROUP ROMA CAPANNELLE**

On 24 October 2011 the Judicial Commissioner of the Arrangement with Creditors of the company HIPPOGROUP ROMA CAPANNELLE Spa, with registered office in Rome, Via Appia Nuova n. 1255, taxpayer identification number 006837900588, fixed on 22 November 2011 the meeting with creditors to discuss and vote the proposed arrangement based on the petition for a deed of arrangement with creditors filed by the company and extensively described in the paragraph "Investments".

In brief said proposal provides for the entire payment for preferential creditors and partial payment (25%) for unsecured creditors.

It has to be highlighted that the Judge admitted the company to the procedure after having obtained documentary evidence that the main creditor (for over 80% of liabilities), and namely the Municipality of Rome, had manifested its availability to agree with the scheme of arrangement as proposed.

For the Board of Directors

Stefano Bortoli

(Managing Director)

Milan, 14 November 2011

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*The manager in charge of preparing corporate accounting documents Dr. Luciano Garza declares, pursuant to paragraph 5 of Article 154 bis of the Consolidated Finance Act that the accounting information contained in this interim report corresponds to the documented results, the books and accounting records.*

ANNEX 1						
Composition of SNAI Group at 30 September 2011						
(thousands of Euros)						
Name:	Office	Capital Share	Percentage withholding	Note	Business carried out:	Consolidation method/assessment policies
SNAI S.p.A.:	Porcari (LU)	60,749	Parent Company		Collection of horse racing and sports bets with its owned licensed shops - coordination of supervised business and online management of data and services diffusion for betting agencies - online management of paragraph 6a - skill games machine connections.	Complete
<b>Subsidiaries</b>						
- Società Trenno S.r.l. Sole administrator	Milan(MI)	1,932	100.00%	(1)	Organisation and operation of horse racing and training centres	Complete
- Immobiliare Valcarenga S.r.l. Sole administrator	Milan(MI)	51	100.00%	(2)	Rental of horse facility for stables	Complete
- Festa S.r.l. Sole administrator	Porcari (LU)	1,000	100.00%	(3)	Call centre, help desk operation	Complete
- Mac Horse S.r.l. unipersonale	Porcari (LU)	26	100.00%	(4)	Editorial initiatives including online, publicity and graphics	Complete
- Teseo S.r.l. in liquidation	Palermo (PA)	1,032	70.00%	(5)	Bet management software systems design and engineering	Net Assets
- Faste S.r.l. Sole administrator	Porcari (LU)	50	100.00%	(6)	Organisation and operation of voice, computer and online services for third parties, with call centre, switchboard, help desk and the like	Complete
- SNAI Olè s.a.	Madrid (Spain)	61	100.00%	(7)	Collection of sports bets and gamig materials manufacture - inactive	Complete
- SNAI France SAS	Paris (France)	150	100.00%	(8)	Remote bet collection - inactive	Complete
- SNAI IMEL S.p.A.	Porcari (LU)	120	100.00%	(9)	Issue and distribution of electronic money and other payment instruments - Inactive	Costo
- Teleippica S.r.l.	Porcari (LU)	2,540	100.00%	(10)	Divuligation of information and events using all means permitted by technology and the laws in force and of the future except newspaper publication	Complete
<b>Associated companies</b>						
- HIPPOGROUP Roma Capannelle S.p.A.	Rome (RM)	945	27.78%	(11)	Organisation and operation of horse racing and training centres	Net Assets
- Solar S.A.	Luxembourg	31	30.00%	(12)	Finance house	Net Assets
- Alfea S.p.A.	Pisa (PI)	996	30.70%	(13)	Organisation and operation of horse racing and training centres	Net Assets
- Connex S.r.l.	Porcari (LU)	82	25.00%	(14)	Marketing and assistance for online services, hardware and software	Net Assets
<b>Other Companies</b>						
- TIVU + S.p.A. in liquidation	Rome (RM)	520	19.50%	(15)	Multimedia, production, reception and transmission of television signals	Costo
- Lexorfin S.r.l.	Rome (RM)	1,500	2.44%	(16)	Finance house with stakes in the horse racing sector	Costo

## Notes about the Composition of Gruppo SNAI

- (1) Stake 100% owned by SNAI S.p.A. as a result of merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The company was formed on 27 July 2006 and on 15 September 2006 the company Ippodromi San Siro S.p.A. assigned to it the business unit "horse-racing management".
- (2) Investment 100% owned by Snai S.p.A.
- (3) Formed on 30 December 1999 with subscription by SNAI S.p.A.
- (4) Purchased on 24 February 2004 from third parties.
- (5) Established on 13 November 1996 and purchased by Snai SpA on 30 December 1999. On 3 August 2001 the company Teseo S.r.l. was put into liquidation.
- (6) Formed on 11 March 2009 and 100% owned by Società Trenno S.r.l. On 23 August 2010 Società Trenno S.r.l. sold its 100% share to the company Festa S.r.l.. On 3 September 2010 the extraordinary general meeting changed the company name from Autostarter S.r.l. to Faste S.r.l. and the company purpose. On 2 August 2011 the extraordinary general meeting resolved the liquidation.
- (7) Formed on 19 November 2008. The company does not carry out any activity.
- (8) Formed on 18 July 2010. The company does not carry out any activity.
- (9) Formed on 18 May 2009, pending the necessary approval from the Bank of Italy and therefore not yet included in the Register of Companies. The company does not carry out any activity.
- (10) Purchased from third parties on 5 May 2000. On 2 October 2003 the extraordinary general meeting changed its company name from SOGEST Società Gestione Servizi Termali S.r.l. to TELEIPPICA S.r.l. and the company purpose. In the course of 2005 the extraordinary general meeting resolved a capital increase to Euro 2,540,000. On 31 January 2011 the company SNAI S.p.A. acquired the availability of 80.5% of the share capital of Teleippica S.r.l. from SNAI Servizi S.p.A.. As of 31 March 2011 SNAI S.p.A. owns 100% of the share capital of Teleippica S.r.l..
- (11) On 16 July 2009 the extraordinary general meeting approved: to cover the losses as of 30 April 2009 amounting to 1,159,368.00 euro by using the special reserve of 41,204.00 euro and a reduction of the share capital from 1,956,000 to 815,000 euro, restoring the special reserve with the excess of 22,836.00 euro. Consequently, it has reduced the nominal value of each share from 0.30 euro to 0.125 euro. On 18 November 2009 the Board of Directors decided to increase its capital from 815,000.00 to 2,315,000 euro. SNAI S.p.A. underwrote the portion under its responsibility and the unexercised: therefore, its stake amounts to 27.78%. On 12 January 2011 the general meeting of Hippogroup Roma Capannelle S.p.A. resolved the reduction of the share capital to euro 944,520.00. The stake owned by SNAI S.p.A. has not changed.
- (12) Company incorporated under the Luxembourg law on 10 March 2006 by SNAI S.p.A. for 30% and by FCCD Limited, a company operating under the Irish law, for 70%.
- (13) Investment formerly 30.70% owned by Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) presently merged by incorporation into SNAI S.p.A.
- (14) On 7 December 2000 the stake in Connex S.r.l. was acquired through the purchase of stock options from the former partners and subsequent subscription and payment of a reserve capital increase.
- (15) On 7 July 2004 the Extraordinary General Meeting resolved the liquidation of the company Tivu + S.p.A.

(16) Acquired on 19 July 1999 for 2.44% from Società Trenno S.p.A. then merged by incorporation into SNAI S.p.A.

## Appendix 2.1

<i>Values in thousands of euros</i>	01.01 - 30.09.2010	Accounting situation of Teleippica 01.01- 30.09.2010	Elimination of intercompany, investments and other movements	Restated 01.01 - 30.09.2010
Revenue from sales and services	422,395	9,924	(1,343)	430,976
Other revenue and income	4,396	335	(717)	4,014
Change in inventories of finished and semi-finished products	209	0	0	209
Used raw materials and consumables	(1,303)	(82)	0	(1,385)
Costs for services and leased assets	(324,028)	(4,061)	2,058	(326,031)
Personnel Costs	(20,800)	(1,699)	0	(22,499)
Other operating expenses	(20,510)	(462)	2	(20,970)
Capitalized internal construction costs	573	0	0	573
<b>Profit/loss before amortisations, depreciations, financial income/charges, taxes</b>	<b>60,932</b>	<b>3,955</b>	<b>0</b>	<b>64,887</b>
Depreciation and amortization	(41,599)	(2,274)	0	(43,873)
Other provisions	(9,413)	0	0	(9,413)
<b>Profit/loss before financial income/charges, taxes</b>	<b>9,92</b>	<b>1,681</b>	<b>0</b>	<b>11,601</b>
Income and charges from equity investments	251	0	(248)	3
Financial income	2,395	277	(355)	2,317
Financial Charges	(22,185)	(400)	355	(22,230)
<b>Total financial charges and income</b>	<b>(19,539)</b>	<b>(123)</b>	<b>(248)</b>	<b>(19,910)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>(9,619)</b>	<b>1,558</b>	<b>(248)</b>	<b>(8,309)</b>
Income taxes	482	(552)	0	-70
<b>Profit (loss) for the period</b>	<b>(9,137)</b>	<b>1,006</b>	<b>(248)</b>	<b>(8,379)</b>
Other components of the comprehensive income statement	0	0	0	0
<b>Net comprehensive profit/(loss) for the period</b>	<b>(9,137)</b>	<b>1,006</b>	<b>(248)</b>	<b>(8,379)</b>
<i>Attributable to:</i>				
Profit (loss) of Group for the period	(9,137)			(8,379)
Profit (loss) of third parties for the period	0			0
Basic share earnings (loss) in euro	(0.08)			(0.07)
Diluted share earnings (loss) in euro	(0.08)			(0.07)

## Appendix 2.2

### SNAI Group - Consolidated comprehensive income statement restated for the 3<sup>rd</sup> Quarter 2010

<i>values in thousands of euros</i>	3 <sup>rd</sup> quarter 2010	Accounting situation of Teleippica 3 <sup>rd</sup> quarter 2010	Elimination of intercompany, investments and other movements	Restated 3 <sup>rd</sup> Quarter 2010
Revenue from sales and services	135,385	3,355	(449)	138,291
Other revenue and income	1,135	109	(239)	1,005
Change in inventories of finished and semi-finished products	33	0	0	33
Used raw materials and consumables	(277)	(22)	0	(299)
Costs for services and leased assets	(96,783)	(1,363)	688	(97,458)
Personnel Costs	(7,200)	(621)	0	(7,821)
Other operating expenses	(6,296)	(89)	0	(6,385)
Capitalized internal construction costs	191	0	0	191
<b>Profit/loss before amortisations, depreciations, financial income/charges, taxes</b>	<b>26,188</b>	<b>1,369</b>	<b>0</b>	<b>27,557</b>
Depreciation and amortization	(15,357)	(616)	0	(15,973)
Other provisions	(7,546)	0	0	(7,546)
<b>Profit/loss before financial income/charges, taxes</b>	<b>3,285</b>	<b>753</b>	<b>0</b>	<b>4,038</b>
Income and charges from equity investments	(81)	0	0	(81)
Financial income	821	92	(133)	780
Financial Charges	(7,307)	(147)	133	(7,321)
<b>Total financial charges and income</b>	<b>(6,567)</b>	<b>(55)</b>	<b>0</b>	<b>(6,622)</b>
<b>PROFIT/LOSS BEFORE TAXES</b>	<b>(3,282)</b>	<b>698</b>	<b>0</b>	<b>(2,584)</b>
Income taxes	(167)	(249)	0	(416)
<b>Profit (loss) for the period</b>	<b>(3,449)</b>	<b>449</b>	<b>0</b>	<b>(3,000)</b>
Other components of the comprehensive income statement	0	0	0	0
<b>Net comprehensive profit/(loss) for the period</b>	<b>(3,449)</b>	<b>449</b>	<b>0</b>	<b>(3,000)</b>
<i>Attributable to:</i>				
Profit (loss) of Group for the period	(3,449)			(3,000)
Profit (loss) of third parties for the period	0			0
Basic share earnings (loss) in euro	(0.03)			(0.03)
Diluted share earnings (loss) in euro	(0.03)			(0.03)

## Appendix 2.3

Consolidated Statement of Assets and Liabilities Restated for SNAI Group as at 31 December 2010

	31/12/2010	Teleippica Accounts 31/12/2010	Intercompany cancellation shareholding and other transactions	Restated* 31/12/2010
<i>(values in thousands of Euros)</i>				
<b>ASSETS</b>				
<b>Non-Current assets</b>				
Property, plant and equipment	132,647	2,914	0	135,561
Finance Leased Assets	37,930	0	0	37,930
<b>Total tangible assets:</b>	<b>170,577</b>	<b>2,914</b>	<b>0</b>	<b>173,491</b>
Goodwill	231,162	443	0	231,605
Other Intangible assets	229,846	114	0	229,960
<b>Total intangible assets:</b>	<b>461,008</b>	<b>557</b>	<b>0</b>	<b>461,565</b>
Equity shareholding reported with equity method	1,962	0	0	1,962
Shareholding in other firms	542	0	(496)	46
<b>Total shareholding</b>	<b>2,504</b>	<b>0</b>	<b>(496)</b>	<b>2,008</b>
Advance taxes	30,039	58	0	30,097
Other non-financial assets:	1,393	0	1	1,394
<b>Total non-current assets</b>	<b>665,521</b>	<b>3,529</b>	<b>(495)</b>	<b>668,555</b>
<b>Current assets</b>				
Inventories	2,860	0	3	2,860
Accounts receivable	66,794	7,140	(18)	73,916
Other Assets	33,868	849	0	34,717
Current financial assets	22,950	6,469	(20,444)	8,975
Cash and cash equivalents	11,848	78	0	11,926
<b>Total current assets</b>	<b>138,320</b>	<b>14,536</b>	<b>(20,462)</b>	<b>132,394</b>
<b>TOTAL ASSETS</b>	<b>803,841</b>	<b>18,065</b>	<b>(20,957)</b>	<b>800,949</b>
<b>LIABILITIES AND SHAREHOLDER EQUITY</b>				
Net Equity of the Group				
Share capital	60,749	2,540	(2,540)	60,749
Reserve	233,426	2,363	(9,454)	226,335
Profit (Loss) for the Fiscal Year	(33,825)	1,626	(248)	(32,447)
<b>Total net equity of the Group</b>	<b>260,350</b>	<b>6,529</b>	<b>(12,242)</b>	<b>254,637</b>
Net Assets from third parties	0			0
<b>Total net equity</b>	<b>260,350</b>	<b>6,529</b>	<b>(12,242)</b>	<b>254,637</b>
<b>Non-Current liabilities</b>				
Employee severance indemnity	5,196	288	0	5,484
Non-current financial liabilities	36,379	0	0	36,379
Deferred Tax	42,474	49	0	42,523
Provisions for future risks and charges	11,159	0	0	11,159
Misc. debts and other non-current liabilities	5,455	0	0	5,455
<b>Total non-current liabilities</b>	<b>100,663</b>	<b>337</b>	<b>0</b>	<b>101,000</b>
<b>Current liabilities</b>				
Accounts payable	53,089	1,431	(18)	54,502
Other Liabilities	111,854	1,064	0	112,918
Current financial liabilities	50,536	8,704	(8,697)	50,543
Current portion of long term loans	227,349	0	0	227,349
<b>Total current financial liabilities</b>	<b>277,885</b>	<b>8,704</b>	<b>(8,697)</b>	<b>277,892</b>
<b>Total current liabilities</b>	<b>442,828</b>	<b>11,199</b>	<b>(8,715)</b>	<b>445,312</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>803,841</b>	<b>18,065</b>	<b>(20,957)</b>	<b>800,949</b>