



THIRD QUARTER 2012 REPORT

**FOR THE PERIOD ENDING
SEPTEMBER 30, 2012**

Milan, 12 November 2012

SNAI S.p.A.

**Registered Office at via L. Boccherini 39 Porcari (Lucca) Share Capital € 60.748.992,20 entirely paid
in Tax Code No. 00754850154 – VAT Code 01729640464**

Companies Register of Lucca and R.E.A. of Lucca no. 00754850154

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CORPORATE BODIES
(in office since the Shareholders' Meeting held on 27 April 2012)
AND AUDITING FIRM

Board of Directors

(who will hold office until the Shareholders' Meeting which will approve the financial statement as of and for period ended 31.12.2014)

<i>Chairman</i>	<u>Giorgio Sandi*</u>
<i>Managing Director</i>	<u>Stefano Bortoli</u>
<i>Directors ****</i>	<u>Stefano Campoccia *</u> <u>Antonio Casari *</u> <u>Gabriele Del Torchio **</u> <u>Giorgio Drago</u> <u>Carlo D'Urso **</u> <u>Massimo Perona</u> <u>Roberto Ruozi **</u> <u>Rohan Maxwell</u> <u>Nicola Iorio</u> <u>Enrico Orsenigo *****</u> <u>Luca Destito *****</u>

Executive in charge of drafting financial and corporate documents

Marco Codella***

Board of Statutory Auditors

(who will hold office until the Shareholders' Meeting which will approve the financial statement as of and for period as of and for period ended 31.12.2013)

<i>Chairman</i>	<u>Massimo Gallina</u>
<i>Acting Auditors</i>	<u>Maurizio Maffeis</u> <u>Enzo Bermani</u>

Auditing Firm

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

Reconta Ernst & Young S.p.A.

- * *Members of the Risks and As compared withl Committee chaired by Stefano Campoccia*
- ** *Members of the Remuneration Committee chaired by Carlo D'Urso*
- *** *Executive in charge since 14 November 2011*
- **** *On 5 October 2012, the director Marco Pierettori resigned*
- ***** *Co-opted by the Board of Directors on 3 August 2012, to replace resigning directors Francesco Ginestra and Maurizio Ughi, who will remain in office until the next Shareholders' Meeting*

Comment on the main KPIs for the period

In commenting the key indicators, let us first of all point out that the sports betting segment has been affected by a payout of 84%, in line with the performance of the Italian market, as opposed to 79.7% in the first nine months of 2011. This performance was driven, in particular, by the football events held in September. This gives rise to a material adverse change in revenues, and especially in EBITDA for 2012 (- Euro 26.9 million).

An additional negative effect on revenues was caused by a decline in volumes of sports and horse racing betting which affected the national market. The contraction in revenues in the betting sector was, in part, offset by growth in wagers raised through VLTs (not fully operational over the same period last year) and skill games and casino games.

In terms of EBITDA, the results of operations are down with respect to the same period last year, by approximately Euro 17.8 million essentially on account of the above-mentioned trend in payout only partially offset by growth in VLTs.

As regards the VLT sector, it is worth recalling that on 16 April 2012, there occurred an unusual peak in payment requests for tickets which were only apparently winning tickets.

Following such episode, SNAI S.p.A. immediately blocked the Barcrest System in order to conduct the necessary verifications and inspections by consulting the database containing the registrations of all of the gaming transactions concluded on the platform and its approximately 1,450 terminals, including the relevant system logs.

On 1 October 2012 the Company announced that it had received from AAMS the ruling revoking the certificate of compliance of the Barcrest gaming platform following the episode which occurred on 16 April 2012. Such ruling results in a prohibition on the use of such gaming platform unless otherwise determined by the competent authorities. The Company is currently assessing initiatives to be taken in connection with the ruling issued by AAMS. Following the disactivation of the Barcrest platform, the Company promptly took a number of actions aimed at mitigating the inconvenience caused by such disactivation and, among other things, entered into an agreement with a new supplier (Novomatic) for an additional VLT gaming system, the testing of which is under way and expected to be completed by the end of 2012. SNAI has initiated legal action against Barcrest and its controlling shareholder seeking compensation for all of the damages caused by the malfunction which occurred on 16 April 2012.

Set forth below are the Group's key performance indicators (in thousands of euro, except for amounts per share).

• KPI

amounts in thousands of €	First nine months		Variations		Q 3		Variations	
	2012	2011	€	%	2012	2011	€	%
Revenues	369.485	404.879	(35.394)	(9)	105.664	120.115	(14.451)	(12)
EBITDA	38.331	56.133	(17.802)	(32)	4.014	15.093	(11.079)	(73)
EBIT	(8.380)	7.361	(15.741)	(214)	(9.644)	(1.212)	(8.432)	(696)
Before tax results of operations	(33.547)	(19.916)	(13.631)	(68)	(18.061)	(12.569)	(5.492)	(44)
Net results of operations	(24.718)	(17.215)	(7.503)	(44)	(13.719)	(9.690)	(4.029)	(42)
Base/diluted results per share	(0,21)	(0,15)	(0,06)	(40)	(0,12)	(0,08)	(0,04)	(50)

EBITDA was influenced by the following non-recurring costs that have been determined for operating purposes (note 35 sets forth the non-recurring revenues and costs as provided under Consob Resolution no. 15519 dated 27.07.2006):

thousands of euro	First nine months	
	2012	2011
Non-recurring revenues and costs		
Correction in Revenues	0	449
Consultancy costs for extraordinary transactions	1.137	1.626
Capital losses	105	0
Provisions set aside and losses on receivable	246	6.215
Re-alignments of Preu and pre-existing costs	0	1.386
Exist incentives and lump sum costs related to employees	580	741
Other services costs	89	0
Impact on EBITDA	2.157	10.417

The group's EBIT for the first nine months of 2012 is Euro -8.4 million down from Euro 7.4 million for the same period last year.

The Group's net results of operations for the first nine months of 2012 is negative in the amount of Euro 24.7 million, as compared with a loss of Euro 17.2 million in the first nine months of 2011.

The quarter presents revenues of Euro 105.7 million as compared with Euro 120.1 million in the third quarter 2011, EBITDA of Euro 4 million down from Euro 15.1 million in the same quarter last year and negative EBIT of Euro - 9.6 million as compared with negative EBIT in the third quarter of 2011 of Euro 1.2 million.

The SNAI Group's net financial position as of 30.09.2012, is Euro 362 million, as compared with Euro 354.4 million at the end of 2011. As compared with the close of the prior financial year, net financial exposure increased by Euro 7.7 million mainly due to the additional delay accumulated by ASSI (ex UNIRE) in payments to Società Trenno S.r.l. and Teleippica S.r.l., as well as delays in the recovery of receivables from the network of agencies.

- **EBITDA e EBIT**

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

EBIT corresponds to "Results before earned/payable interest and taxes" indicated in the income statement.

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

EBITDA

<i>amounts in thousands of €</i>	<i>First nine months</i>		<i>Variations</i>		<i>Q 3</i>		<i>Variations</i>	
	<i>2012</i>	<i>2011</i>	<i>€</i>	<i>%</i>	<i>2012</i>	<i>2011</i>	<i>€</i>	<i>%</i>
EBIT	(8.380)	7.361	(15.741)	(214)	(9.644)	(1.212)	(8.432)	(696)
+ Amortization of tangible fixed assets	15.352	16.526	(1.174)	(7)	5.209	5.293	(84)	(2)
+ Amortization of intangible fixed assets	30.600	31.852	(1.252)	(4)	7.982	11.012	(3.030)	(28)
+ Net losses of value	251	0	251		233	0	233	
+ Other provisions set aside	508	394	114	29	234	0	234	
EBITDA	38.331	56.133	(17.802)	(32)	4.014	15.093	(11.079)	(73)

The composition of before tax results is obtained by adding the following items to EBIT

Before tax results

<i>amounts in thousands of €</i>	<i>First nine months</i>		<i>Variations</i>		<i>Q 3</i>		<i>Variations</i>	
	<i>2012</i>	<i>2011</i>	<i>€</i>	<i>%</i>	<i>2012</i>	<i>2011</i>	<i>€</i>	<i>%</i>
EBIT	(8.380)	7.361	(15.741)	(214)	(9.644)	(1.212)	(8.432)	(696)
+ Results of companies consolidated using the Net Equity method	2.198	12	2.186	18.217	0	4	(4)	(100)
+ Interest earned	725	1.436	(711)	(50)	240	373	(133)	(36)
+ Interest paid	(28.078)	(28.711)	633	2	(8.653)	(11.729)	3.076	26
+ Net earnings (losses) on exchanges	(12)	(14)	2	14	(4)	(5)	1	(20)
Before tax results	(33.547)	(19.916)	(13.631)	(68)	(18.061)	(12.569)	(5.492)	(44)

Board of Directors' observations on the performance, foreseeable trends in the future and state of progress of the business plan

Observations on the performance of gaming and betting over the period through 30 September 2012

The first nine months 2012 registered a payout (percentage of the winnings paid to bettors with respect to the gaming wagers collected) on sports bets, amounting to 84% as compared with 79.7% in the same period of 2011.

The volume of sports gaming wagers as of 30 September 2012 amounted to Euro 620.45 million down from Euro 665.00 million for the same period last year (-6.70%).

Net revenues from sports gaming, including betting pools, amount to Euro 78,108 thousand down from Euro 107,916 thousand of the same year in 2011.

Horse race betting including national horse racing, as of 30 September 2012 registered a decrease in wagers which amounts to Euro 295 million, down 26.54% from the same period last year; the trend is in line with the performance trend on the national market.

Revenues from horse race betting including national horse racing have decreased by Euro 10,480 thousand and as of 30 September 2012 amount to Euro 26,954 thousand down from Euro 37,434 thousand in the corresponding period in 2011. The decrease was caused by both the 40 days of failure to declare departing horses on the part of Italian horse race companies and the general crisis affecting the horse racing sector.

Revenues for the entertainment devices sector (ADI) amount to Euro 219,695 thousand and include revenues from VLT devices – Video Lotteries and AWP formerly referred to as Slot machines. Wagers amounted to Euro 2,040.4 million as of 30 September 2012 as compared with Euro 1,683.4 million for the same period in 2011, it should be recalled that the VLTs became operational in mid-January 2011.

On 16 April 2012, an unusual peak in payment requests for only apparently winning tickets occurred on the Barcrest system (one of the two VLT platforms that the Company used). Following such episode, the Company immediately blocked the Barcrest system in order to carry out the necessary verifications and inspections by consulting the database containing the registrations of all gaming transactions concluded on the platform and its approximately 1.450 terminals, including the related system log. Since that episode, in accordance with AAMS' indications, the Barcrest system has not been re-activated.

On 1 October 2012, the Company announced that it received from AAMS the ruling revoking the certificate of compliance of the Barcrest gaming platform following the episode which occurred on 16 April 2012. Such ruling results in a prohibition on the use of such gaming platform unless otherwise determined by the competent authorities. The Company is currently assessing initiatives to be taken in connection with the ruling issued by AAMS. Following the deactivation of the Barcrest platform, the Company promptly took a number of actions aimed at mitigating the inconvenience caused by such deactivation. SNAI has initiated legal action against Barcrest and its controlling shareholder seeking compensation for all of the damages caused by the malfunction which occurred on 16 April 2012.

The block of the Barcrest platform is generating negative effects on the expected economic results for year 2012.

Foreseeable performance trends in the future

The group's strategic objective is to maintain its leadership position on the betting market, including through new instruments offered from the technological platforms operating on mobile devices, and to increase its market share in the gaming sector. The Group has the necessary resources, both in terms of capital and Know-how, in order to achieve such objectives.

The Group intends as soon as possible to render operational all of the VLT machines for which it holds rights. As already mentioned, upon the issuance of AAMS' ruling revoking the concession of the Barcrest gaming system, it made contact with a new supplier, the Novomatic group and entered into a supply agreement. The platform will be activated as soon as the certification process is concluded by AAMS/SOGEL, which is under way as of the date of publication of this report.

The Group has also made available an application for mobile devices (Apple and Android) which allows players to make sports bets through their smartphones and tablets. The initial results of such innovation appear extremely positive.

The Group also intends to develop the AWP sector, also through the availability of new modern, innovative devices.

Progress report on the business plan

The Business Plan 2011 – 2014 approved by the BoD nella meeting held on 23 March 2011 was based upon:

- The development of the fixed quota horse race and sports betting segment both in the role of concession holder and service provider, in line with the strategic approach defined in 2006;
- The launch and development of the VLTs segment: through the provisions of the Abruzzo decree, VLT terminals have been introduced to the Italian market which allow existing concession holders for the management of the network and the paragraph 6a devices (AWP) to use such terminals. The Snai Group purchased 5,052 rights with an outlay of Euro 76 million, which has been paid in full;
- the launch and development of virtual races which on-line concession holders of the Bersani network are allowed to offer, as well as casino games and cash games as part of the development of the broader context of remote gaming.

The Board of Directors, at the meeting held on 27 January 2012 had approved the 2012 Budget, focused on the above-mentioned development and growth lines for the Group.

The budget confirmed the objective of completing the installation of all of the VLTs for which the Company has obtained a concession (5,052 rights). The VLTs segment is the segment which presents the highest growth rates and may contribute significantly toward improving the Group's profitability.

The other qualifying points included the optimization of the distribution Network through the segmentation of the gaming rooms and the achievement of their full potential. In this regard, the realization of new formats for stores and an increase in corners was envisaged.

The on-line services were also expected to be increased further with the aim of exploiting their development potential, also drawing upon possible synergies with physical gaming.

The close of the first nine months of 2012 presents discrepancies with respect to expectations due to (1) the greater payout for the period with respect to planned payout (in line with the market) (2) the effects deriving from the block on the Barcrest platform (3) the effects of the lower wagers from horse race and sports betting as compared with the expectations for the European football championships.

The final results in September are therefore lower than expectations. However, this was due mainly to exceptional events which took place over the period: the trend in payout (also at the global market level) and consequences of the Barcrest event. In other areas, the trend is at least in line with forecasts. On this basis, we are of the view that once the payout returns to its historic levels and the corrective measures concerning the Barcrest event are completed, the Group will return to achieving performance in line with what is included in the long-term guidelines.

Material events which occurred in the third quarter 2012

Closure of the Formal Notice of Findings (Processo verbale di constatazione – PVC) for year 2010

On 5 July 2012, the DRE and SNAI reached an agreement and executed the deed for the settlement of claims deriving from the contents of the PVC for year 2010 in the total amount of Euro 1,536 thousand. The settlement agreement reached provides for: (i) the application of the contractual withholding of 10% (in lieu of the notional withholding of 12.5%); (ii) the application of a total sanction of 120% (in lieu of 150%) on the interest paid to SOLAR SA; (iii) cancellation of the sanctions related to the failure to apply withholdings on the loan from Unicredit Banca d'Impresa S.p.A. and lastly (iv) application of the reduction to one sixth of the minimum provided by law on the sanctions so determined (for further details, see note 28).

In addition, for year 2011, SNAI S.p.A. undertook to settle the requests to be issued by the DRE in accordance with the same criteria identified for years 2009 and 2010 as soon as the IT procedure will allow for the automation of the assessment.

Guaranteed minimums

On 20 June 2012, AAMS served upon SNAI 226 - plus 1 additional request to the former Agenzia Ippica Monteverde Srl – requests for the payment of supplements of the guaranteed minimums for years 2006-07-08-09-10-11 for a total amount of Euro 24.9 million.

With respect to the prior series of requests in January 2012, this one shows: on the negative side, the addition of the supplements due for year 2011 which so far had not been requested by AAMS and, on the positive side, a 5% reduction in the amount requested pursuant to art. 10 paragraph 5 letter b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.

On 20 July 2012, an appeal was filed with the Lazio TAR for the cancellation, by way of suspension, of such payment requests.

Following the Council Chamber hearing held on 12 September 2012, the Second Section of the Lazio TAR found that the challenged notes constitute mere settlement offers that do not have the effect of a new payment request since they have not been accepted by the concession holder. This interpretation of the notes received and of the underlying provisions of Law Decree no. 16/2012, on the one hand leaves intact the possible protection from a possible collection that AAMS may wish to activate and, on the other, confirms the parallel suspension of the previous expressly impositive acts issued AAMS on 30 December 2011, for which the precautionary suspension already granted by the same TAR through the above-mentioned court order no. 1036/2012.

The outcome of the hearing on the merits of the appeal, scheduled for 5 December 2012, deliberately simultaneous with the one scheduled for the appeals against the prior requests for guaranteed minimums is still pending.

In addition, let us point out that a deed of additional grounds was filed in support of the appeal against the additional ruling requesting "minimum guarantees" in connection with horse race concession no. 426, having a tenor that is utterly analogous to those already appealed, but served by AAMS only on 7 August 2012.

Malfunction of the Barcrest VLT Platform (16 April 2012)

On 16 April 2012, an anomalous peak occurred on the Barcrest system (one of the VLT platforms used by the Company) in requests for "jackpot" payments for tickets which were only apparently winning since they were not generated by the central gaming system, of a variable amount, falling under the regulatory limit of Euro 500,000.00 and also exceeding such limit significantly.

Following such episode, SNAI S.p.A. immediately blocked the Barcrest System in order to conduct verifications and inspections by consulting the database containing the registrations of all of the gaming transactions concluded on the platform and its approximately 1.450 terminals, including the related system logs. The Barcrest system is still blocked as of the date of this report.

This event led to the following:

- *Legal proceedings concerning the entertainment devices business: AAMS' clients for alleged breaches in the management of the electronic interconnection network*

On 29 May 2012, AAMS brought two specific claims on the event that occurred on 16 April 2012 when certain VLT devices connected to the gaming system supplied by Barcrest Plc issued over a few minutes numerous tickets which represented anomalous, apparent winnings. In particular, two separate sanctioning proceedings were commenced, the first of which being an initial phase of the proceedings for the possible revocation of the certificate of compliance of the Snai-Barcrest 01 gaming system, the second of which was the initial phase of a possible termination of the Concession.

SNAI has consulted the documents filed in the challenge proceedings in question and – also with the assistance of the specially appointed technical Advisor – opportunely produced and stated its arguments in two separate briefs which were filed with AAMS on 24 July 2012. In both briefs, it was stressed and argued at great length that neither of the claims is legitimate, concluding for both proceedings with a request for definitive abandonment of the proceedings for the revocation of, respectively, the certificate of compliance of the Snai-Barcrest 01 gaming system and the Concession.

By ruling registered with prot. no. 2012/42503/Giochi/ADI issued on 21 September 2012, AAMS revoked the certificate of compliance of the Snai-Barcrest 01 gaming system, which gave rise to a prohibition on gathering gaming wagers using such gaming system. SNAI has already begun to perform the consequent formalities and requirements provided under the legal framework and the Concession Agreement aimed at removing the Barcrest devices from the points of sale.

- *Legal proceedings following the event which occurred on 16 April 2012*

Following the malfunctioning of the Barcrest VLT platform which occurred on 16 April 2012, a number of holders of "allegedly winning" tickets commenced ordinary lawsuits/monitory/injunctive proceedings/summary proceedings in order to obtain payment of the amounts indicated on the tickets issued by the Barcrest VLTs during such malfunctioning.

In particular, as of 30 September 2012, 28 proceedings had been commenced (including a request for precautionary seizure which was rejected by the Court of Lucca due to lack of *fumus boni iuris* (a valid claim) and 2 temporarily enforceable injunctive decrees), as well as 2 requests for mediation.

With reference to the enforcement action commenced by 2 players, it should be noted that:

- in one case, pending the decision on the suspension of the temporary enforceability (which was later granted with grounds related to the *fumus boni iuris* – existence of a valid claim – and pending the proceedings/judgment on the merits) a player completed the enforcement action for approximately € 500,000.00. SNAI also in light of the suspension ruling obtained, will assess the relevant actions to be taken against such player;

- in another case, the temporary enforceability was suspended upon the grant of a judicial security deposit in the amount of the sum enjoined, which was duly provided by SNAI.

After 30 September 2012, 19 additional proceedings were commenced, 5 of which involved temporarily enforceable decrees as well as 1 request for mediation.

In one case, pending the decision on the suspension/revocation of the temporary enforceability, one player completed the enforcement action for approximately € 500.000,00. In the event that suspension/revocation of the temporary enforceability is obtained, SNAI will assess the appropriate actions to be taken against such player.

In another case, the temporary enforceability was suspended for reasons related to the actual legitimacy of the payment request made during the monitoring phase.

In two additional cases, the players carried out seizures with third parties.

Lastly, in the fifth case, the player has just commenced the enforcement procedure.

In all of the above-mentioned proceedings, SNAI has entered an appearance and will enter an appearance in the proceedings, contesting the factual and legal grounds underlying the payment requests, since, inter alia, and as already notified to the market, no "jackpot" was validly achieved and notified to the competent regulatory authority during the entire day of 16 April 2012. In line with the assessments on the risk of a possible definitive judgment in such proceedings – also on the basis of the legal opinions received – the directors set aside as provisions only the estimated legal fees and expenses for the technical legal defense.

SNAI has brought against Barcrest and its controlling shareholder legal action seeking compensation for all of the damages resulting from the malfunctioning which occurred on 16 April 2012.

Facts which occurred following the close of the period

Reference is made to note 39.



Interim Directors' Report
Consolidated short-form interim financial statement as of 30.09.2012

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

Snai Group – Total consolidated income statement

<i>amounts in thousands of euro</i>	Note	First nine months	
		2012	2011
Revenues from sales and services	4	368,147	403,885
Other revenues and proceeds	5	1,338	994
Variation in stock of finished products and semi-finished goods	18	(2)	26
Raw materials and consumables used	6	(874)	(1,045)
Costs for services and use of third party assets	7	(284,485)	(300,327)
Costs for personnel	8	(25,814)	(23,390)
Other operating costs	9	(20,553)	(24,584)
Costs for internal capitalized works	10	574	574
Earnings before interest, taxes, depreciation and amortization		38,331	56,133
Amortization and depreciation	11	(46,203)	(48,378)
Other amounts set aside	28	(508)	(394)
Earnings before interest and taxes		(8,380)	7,361
Proceeds and costs from shareholdings		2,198	12
Interest earned		727	1,439
Interest payable		(28,092)	(28,728)
Total interest earned and interest payable	12	(25,167)	(27,277)
BEFORE TAX EARNINGS		(33,547)	(19,916)
Income taxes	13	8,829	2,701
Earnings (loss) for the period		(24,718)	(17,215)
Other components of the income statement	24	(3,324)	(2,146)
Total earnings/(loss)for the period		(28,042)	(19,361)
<i>Attributable to:</i>			
Earnings (loss) for the period pertaining to the Group		(24,718)	(17,215)
Earnings (loss) for the period pertaining to Third parties		0	0
Total earnings (loss) for the period pertaining to the Group		(28,042)	(19,361)
Total earnings (loss) for the period pertaining to Third parties		0	0
Base earnings (loss) per share in euro	25	(0.21)	(0.15)
Diluted earnings (loss) per share in euro	25	(0.21)	(0.15)

For related party transactions, reference is made to note 33 “Related Parties”.

**Snai Group – Total consolidated income statement
consolidato**

<i>amounts in thousands of euro</i>	Note	Q3	
		2012	2011
Revenues from sales and services	4	105,105	119,949
Other revenues and proceeds	5	559	166
Variation in stock of finished products and sei-finished goods	18	1	1
Raw materials and consumables used	6	(211)	(295)
Costs for services and use of third party assets	7	(88,284)	(90,995)
Costs for personnel	8	(7,858)	(7,295)
Other operating costs	9	(5,490)	(6,630)
Costs for capitalized internal works	10	192	192
Earnings before interest, taxes, depreciation and amortization		4,014	15,093
Amortization and depreciation	11	(13,424)	(16,305)
Other amounts set aside	28	(234)	0
Earnings before interest and taxes		(9,644)	(1,212)
Proceeds and costs from shareholdings		0	4
Earned interest		241	373
Interest payable		(8,658)	(11,734)
Total earned interest and interest payable	12	(8,417)	(11,357)
BEFORE TAX EARNINGS		(18,061)	(12,569)
Income taxes	13	4,342	2,879
Earnings (loss) for the period		(13,719)	(9,690)
Other components of the income statement	24	(1,060)	(2,146)
Total earnings/(loss) for the period		(14,779)	(11,836)
<i>Attributable to:</i>			
Earnings (loss) for the period pertaining to the Group		(13,719)	(9,690)
Earnings (loss) for the period pertaining to Third parties		0	0
Total earnings (loss) for the period pertaining to the Group		(14,779)	(11,836)
Total earnings (loss) for the period pertaining to Third parties		0	0
Base earnings (loss) per share in euro	25	(0.12)	(0.08)
Diluted earnings (loss) per share in euro	25	(0.12)	(0.08)

For related party transactions, reference is made to note 33 "Related parties".

Gruppo SNAI - Consolidated balance sheet

<i>amounts expressed in thousands of euro</i>	30.09.2012	31.12.2011
ASSETS		
Non-current assets		
Owned real estate assets, plants and equipment	132.915	128.968
Leased assets	19.867	28.065
Total tangible fixed assets	152.782	157.033
Goodwill	231.531	231.531
Other intangible assets	155.854	185.082
Total intangible fixed assets	387.385	416.613
Shareholdings appraised on a net equity basis	4.011	1.813
Shareholdings in other companies	46	46
Total shareholdings	4.057	1.859
Taxes paid in advance	57.437	45.132
Other non-financial assets	2.401	1.466
Total non-current assets	604.062	622.103
Current assets		
Left-over stock	3.220	2.755
Commercial receivables	92.036	76.391
Other assets	40.047	38.971
Current financial assets	1.760	257
Cash and cash equivalents	16.060	40.282
Total current assets	153.123	158.656
TOTAL ASSETS	757.185	780.759
LIABILITIES AND NET SHAREHOLDERS' EQUITY		
Net Shareholders' Equity pertaining to the Group		
Capitale sociale	60.749	60.749
Provisions	146.277	189.925
Earnings (loss) for the period	(24.718)	(40.324)
Total Net Shareholders' Equity of the Group	182.308	210.350
Net Shareholders' Equity of third parties i		
Total Net Shareholders' Equity	182.308	210.350
Non-current liabilities		
Employee severance indemnity	4.496	5.033
Non-current financial assets	357.596	281.207
Deferred taxes	47.126	45.168
Funds for future risks and costs	14.259	15.568
Various debts and other non-current liabilities	2.244	5.583
Total non-current liabilities	425.721	352.559
Current liabilities		
Commercial debts i	33.787	27.589
Other liabilities	94.869	76.567
Current financial liabilities	11.300	37.944
Current quotas of long-term loans	9.200	75.750
Total financial liabilities	20.500	113.694
Total current liabilities	149.156	217.850
TOTAL LIABILITIES AND NET SHAREHOLDERS' EQUITY	757.185	780.759

Per le transazioni con related parties si fa rimando alla nota 33 "Related parties".

VARIATIONS IN CONSOLIDATED NET SHAREHOLDERS' EQUITY											
<i>(in thousands of Euro)</i>											
	Notes	Share capital	Legal reserve	Share premium reserve	Cash Flow Hedge Reserve	Extraordinary reserve	Earnings (losses) carried forward	Results of operations	Total Net Shareholders' Equity pertaining to Group	Totale Net shareholders' equity pertaining to third parties	Total Net shareholders' equity
Balance as of 01.01.2011		60.749	1.559	211.319	0	17.954	2.594	(33.825)	260.350	0	260.350
Effect of variation in consolidation area caused by the acquisition of Teleippica S.r.l.							(7.091)	1.378	(5.713)		(5.713)
Restated balance as of 01.01.2011		60.749	1.559	211.319	0	17.954	(4.497)	(32.447)	254.637	0	254.637
Earnings (loss) for the period								(17.215)	(17.215)		(17.215)
Total other earnings/(losses)					(2.146)				(2.146)		(2.146)
Total results of operations as of 30.09.2011		0	0	0	(2.146)	0	0	(17.215)	(19.361)		(19.361)
Restated loss for financial year 2010				(15.415)		(17.954)	922	32.447	0		0
Balance as of 30.09.2011		60.749	1.559	195.904	(2.146)	0	(3.575)	(17.215)	235.276	0	235.276
	Notes	Share capital	Legal reserve	Share premium reserve	Cash Flow Hedge Reserve	Extraordinary reserve	Earnings (losses) carried forward	Results of operations	Total Net Shareholders' Equity pertaining to Group	Totale Net shareholders' equity pertaining to third parties	Total Net shareholders' equity
Balance as of 01.01.2012		60.749	1.559	195.904	(3.970)	0	(3.568)	(40.324)	210.350	0	210.350
Changes in accounting criteria									0		0
Earnings (loss) for the period								(24.718)	(24.718)		(24.718)
Total other earnings/(losses)	24				(3.324)				(3.324)		(3.324)
Total results of operations as of 30.09.2012		0	0	0	(3.324)	0	0	(24.718)	(28.042)		(28.042)
Merger of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.) into SNAI S.p.A.	22								0		0
Reclassified reserves due to merger	22								0		0
Loss for financial year 2011	23			(41.559)			1.235	40.324	0		0
Balance as of 30.09.2012		60.749	1.559	154.345	(7.294)	0	(2.333)	(24.718)	182.308	0	182.308

Consolidated cash flow statement		
<i>amounts expressed in thousands of euro</i>	30.09.2012	30.09.2011
A. CASHFLOW FROM OPERATING BUSINESS		
Earnings (loss) for the period of the Group	(24.718)	(17.215)
Earnings (loss) for the period pertaining to third parties	0	0
Amortization and depreciation	46.203	48.378
Net variation in assets (liabilities)for taxes paid in advance (deferred)	(9.086)	(4.677)
Variation in risks fund	(1.101)	6
(Capital gains) capital losses from the realization of non-current assets (including shareholdings)	230	(2)
Quota of results of shareholdings appraised using the net equity method (-)	(2.198)	27
Net variation in non-current commercial and miscellaneous assets and liabilities and other variations	(4.274)	(537)
Net variation in current commercial and miscellaneous assets and liabilities and other variations	7.314	(81.069)
Net variation in employee severance indemnity	(537)	(14)
CASHFLOW GENERATED (ABSORBED) FROM OPERATING BUSINESS (A)	11.833	(55.103)
B. CASHFLOW FROM INVESTMENTS		
Investments in tangible assets (-)	(11.820)	(3.826)
Investments in intangible assets (-)	(1.374)	(4.411)
Proceeds received from sale of tangible and intangible asset and other non-current assets	32	95
CASHFLOW GENERATED (ABSORBED) BY INVESTMENT (B)	(13.162)	(8.142)
C. CASHFLOW FROM FINANCIAL ASSETS		
Variation in financial receivables and other financial assets	(1.503)	6.327
Variation in financial liabilities	(33.061)	(39.602)
Repayment of loan for the purchase of the "concessions" business units	0	(228.000)
Opening/disbursement of the loan	12.000	354.750
Variation in deferred debts owed to PAS for the purchase of the "concessions" business units	(329)	(6.471)
CASHFLOW GENERATED (ABSORBED) BY FINANCIAL ASSETS (C)	(22.893)	87.004
D. CASHFLOW FROM ASSETS THAT NO LONGER EXIST/ARE HELD FOR SALE (D)		
E. TOTAL CASHFLOW (A+B+C+D)	(24.222)	23.759
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)	40.282	11.926
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	16.060	35.685
RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):		
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL DEBTS AT THE BEGINNING OF THE PERIOD, DETAILED AS FOLLOWS:		
Cash an cash equivalents	40.282	11.926
Bank overdrafts		
Terminated operating assets		
	40.282	11.926
CASH AND CASH EQUIVALENTS NET OF SHORT-TERM FINANCIAL DEBTS AT THE END OF THE PERIOD, DETAILED AS FOLLOWS		
Cash and cash equivalents	16.060	35.685
Bank overdrafts		
Terminated operating assets		
	16.060	35.685

Interest paid in the first nine months of 2012 amounts to approximately Euro 16,196 thousand (Euro 17,803 thousand in the first nine months of 2011).

Taxes paid in the first nine months of 2012 amount to approximately Euro 609 thousand (Euro 429 thousand in the first nine months of 2011).

INTERIM DIRECTORS' REPORT AS OF 30 SEPTEMBER 2012

EXPLANATORY NOTES TO THE CONSOLIDATED SHORT-FORM INTERIM FINANCIAL STATEMENT

1. Main relevant accounting standards

Consolidation area

SNAI S.p.A. (hereinafter also referred to as the "parent company") has its registered office in Porcari (LU) – Italy – Via Luigi Boccherini, 39. Schedule 1 sets forth the composition of the Snai Group.

The consolidated financial statement of the Snai Group as of 30 September 2012 includes the financial statements of SNAI S.p.A. and the following subsidiaries which have been consolidated using the full consolidation method:

Società Trenno S.r.l. held by a sole quotaholder
Festa S.r.l. held by a sole quotaholder
Immobiliare Valcarenga S.r.l. held by a sole quotaholder
Mac Horse S.r.l. held by a sole quotaholder in liquidation
SNAI Olè S.A.
SNAI France S.A.S.
Teleippica S.r.l. held by a sole quotaholder

Since 31 December 2011, Faste S.r.l. in liquidation exited the full consolidation perimeter since on 26 April 2012, shareholders' meeting of Faste S.r.l. in liquidation approved the final liquidation financial statement as of 31 March 2012 and the allocation plan and 04 June 2012 the Company was cancelled from the Companies Register and its VAT code was closed at the Revenues Agency.

The financial statements of the companies included within the consolidation perimeter all have a financial year that ends on 31 December, the date of closure of the parent group. Such financial statements are appropriately reclassified and rectified in order to harmonize them with IFRS accounting standards and valuation criteria used by the parent company (reporting package). Such financial statements and reporting packages were approved by the respective management bodies.

The consolidated financial statement as of 30 September 2012 was approved by the parent company's directors at the Board of Directors' meeting held on 12 November 2012 and then authorized for publication in accordance with applicable provisions of law.

Seasonality

As for the seasonality of the business operations, it should be noted that the business is not subject to particular oscillation, while taking into account that generally in the first and fourth quarter of the year, there are more sports events, and especially football events, on which bets are accepted.

1.1 Directors' assessment on whether the business continuity requisites have been met

The consolidated short-form interim financial statement of the Snai Group as of 30 September 2012 presents a loss of Euro 24.7 million, a total loss of Euro 28 million, net shareholders' equity of Euro 182.3 million, net financial exposure of Euro 362 million. Financial charges incurred in the first nine months of 2012 amounted to Euro 28.1 million. As of 31 December 2011, the Group had incurred a final loss of Euro 40.3 million (with financial charges of Euro 42.4 million), net shareholders' equity amounted to Euro 210.4 million and net financial exposure amounted to Euro 354.4 million.

The Group, upon the positive conclusion of the process of renegotiating the financial indebtedness in March 2011, attained continuity in the financial means necessary to support its development plans through the realignment of the indebtedness payment dates with the cashflows forecasted under such plans. We are therefore of the view that the evolution and expansion of the Group's core business operations will allow it to achieve a position of economic stability and to generate adequate cashflows. We have on numerous occasions pointed out that the Group's capacity to achieve such position of stability is also related to the achievement of operating and financial results that are substantially in line with those envisaged under the 2012 budget and the strategic guidelines prepared for the two-year period 2013 – 2014. The final results as of September are lower than forecasts yet this was nonetheless due mainly to two completely exceptional events and, in other words, the anomalous trend in the payout (including at the global market level) and the consequences of the Barcrest event; in other business areas, the performance is in line with, if not better than forecasts. We are therefore of the view that even though the expected results will be significantly lower than the forecasts set forth in the budget, such unsatisfactory performance has been caused by entirely exceptional events which, as regards the payout, should over the medium term resume the historic trend and

in the case of the Barcrest event, the Group has already taken action through a series of measures aimed at mitigating its effects and reinstating an ordinary base for the future growth of the segment. Based upon these considerations, the Directors are of the view that the Group has the capacity to continue its operations in the foreseeable future, and have therefore drafted the financial statement on the basis of an assumption of business continuity.

1.2 Accounting standards

(a) General standards

The consolidated short-form interim financial statement as of 30 September 2012 was drafted on the basis of the IFRS in force as of such date, issued by the International Accounting Standards Board and approved by the European Commission and was prepared in form and substance in accordance with the disclosure provided under International Accounting Standard no. 34 “ Interim Financial Statements” (IAS 34) and therefore does not include all of the information required for the annual financial statement and must be read in conjunction with the annual financial statement prepared for the year ended 31 December 2011.

The drafting criteria, the valuation criteria and the consolidation criteria and the accounting standards followed in the preparation of this consolidated financial statement comply with the accounting standards followed in the drafting of the consolidated financial statement as of 31 December 2011, with the exception of the adoption of new or revised standards of the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee as described below. The adoption of these amendments and interpretations did not have material effects on the Group's financial position or results of operations.

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

Amdendments and new standards and interpretations applied since 1 January 2012

As required under paragraph 28 of IAS 8 are indicated below and the IFRS in force starting on 1 January 2012 and applied by the group are briefly illustrated:

IAS 12 Income taxes – Recoverability of underlying assets

This amendment clarifies the determination of deferred taxes on securities investments appraised at fair value. The amendment introduces the related presumption (which is rebuttable) that deferred taxes related to securities investments appraised at fair value in accordance with IAS 40 should be determined on the basis of the fact that the accounting value will be recovered through sale. In addition, it introduces the requirement that the calculation of deferred taxes on assets that cannot be amortized which are measured in accordance with the redetermined cost method defined under IAS 16, are always measured on the basis of the sale of the asset. The amendment is effective for financial years starting on 1 January 2012 or subsequently. This amendment had no impact on this interim directors' report.

IFRS 7 Financial instruments: supplementary information *Transfers of financial assets*

The amendments call for additional information on financial instruments transferred but not cancelled from the financial statement, in order to allow users of the financial statement to understand the relationship between these assets which have not been cancelled from the financial statement and the related liabilities. In addition, the amendments call for disclosure on the remaining involvement in the transferred and cancelled assets in order to allow the users of the financial statement to assess the nature and risk related to the Company's remaining involvement in such assets that have been cancelled from the financial statement. The amendments apply for the financial years beginning on 1 July 2011. The amendments concern only the financial statement disclosure and have no impact on the Group's financial position or results of operations. The adoption of such amendment had no material effects on the disclosure provided in this interim directors' report.

Accounting standards, amendments and interpretations not yet applicable and not adopted on an early basis by the Group

IAS 1 Presentation of the Financial statement– Presentation of other components of the total income statement

The amendment to IAS 1 changes the grouping of the other components of the total income statement. The items which could be reclassified (or “recycled”) in the income statement in the future (for example, at cancellation or liquidation) should be presented separately with respect to the items which will never be reclassified. This amendment concerns only the presentation modalities and has no impact on the Group's financial position or its results of operations. The amendment enters into force for the years starting on 1 July 2012 or subsequently.

IAS 19 Employee benefits (amendment)

IASB issued numerous amendments to IAS 19. These range from radical changes such as the elimination of the mechanism of the corridor and the concept of the returns expected from the activities under the plan, to simple clarifications and terminology. The Group is currently assessing the impact of the amendments. The amendments are effective for financial years starting on 1 January 2013 or subsequently.

IAS 27 Separate financial statement (revised in 2011)

Following the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to the accounting registration of the subsidiaries and affiliates, in the separate financial statement. The amendments become effective for financial years starting on 1 January 2013 or subsequently.

IAS 28 Shareholdings in affiliates (revised in 2011)

Following the new IFRS 11 and IFRS 12, IAS 28 was renamed Shareholdings in affiliates and jointly controlled companies, and describes the application of the net equity method for shareholdings in companies that are jointly controlled, in addition to affiliates. The amendments are effective for years beginning on 1 January 2013 or subsequently.

IFRS 10 – Consolidated financial statement

IFRS 10 replaces the part of IAS 27 *Consolidated financial statement e separato* which governs the accounting registration of the consolidated financial statement. It also includes the issues raised in SIC-12 Consolidation – *Special purpose entities*.

IFRS 10 establishes a single control model which applies to all companies, including special purpose entities. Changes introduced by IFRS 10 will require the management, with respect to the requests that were contained in IAS 27, to make important discretionary assessments to determine which companies are controlled and, therefore, must be consolidated by the controlling company. This standard applies starting in financial years starting on 1 January 2013, or subsequently.

IFRS 11 Joint arrangements

IFRS 11 replaces the IAS 31 Shareholdings in Joint ventures and the SIC-13 Entities jointly controlled – in-kind contributions by controlling entities.

IFRS 11 eliminates the option to register for accounting purposes jointly controlled companies using the proportional consolidation method. Companies that are jointly controlled which meet the definition of joint venture must be registered for accounting purposes using the net equity method.

The application of this standard will have no impact on the Group's financial position since there are no joint ventures within the Group. This standard applies starting in financial years starting on 1 January 2013, or subsequently.

IFRS 12 Disclosure on shareholdings in other businesses

IFRS 12 includes all provisions on disclosure previously included in IAS 27 related to the consolidated financial statement, as well as all disclosure provisions of IAS 31 and IAS 28. This disclosure is related to shareholdings of a company in subsidiaries, jointly controlled companies, affiliates and structured vehicles. New disclosure scenarios are also envisaged. This standard applies to financial years starting on 1 January 2013, or subsequently.

IFRS 13 – Valuation at fair value (fair value)

IFRS 13 establishes a single guideline under IFRS for all valuations at fair value. IFRS 13 does not amend situations in which fair value must be used, but rather provides guidance on how to assess fair value under IFRS, when the application of fair value is required or permitted. The Group is currently assessing the impact that such standard will have on the financial position and results of operations. This standard is effective for financial years starting on 1 January 2013.

IFRS 9 – Financial instruments

IFRS 9 was subsequently amended. The standard, applicable starting on 1 January 2015 retroactively represents the first part of a process consisting in phases having the purpose of entirely replacing IAS 39 and introduces new criteria for the classification and assessment of financial assets and liabilities. In particular, for financial assets, the new standard uses a single approach based upon the modalities for the management of financial instruments and the characteristics of contractual cash flows of the financial instruments for purposes of determining the valuation criterion, replacing the various rules provided under IAS 39. For financial liabilities, however, the main amendment concerns the accounting treatment of the fair value variations of one financial liability designated as appraised at fair value through the income statement, in the case that the same are due to the change in the creditworthiness of the liability. Under the new standard, such variations must be set forth in the item Other total earnings/(losses) and shall no longer be registered on the income statement.

IAS 32 – Financial Instruments: presentation in the financial statement

The amendment clarifies the application of a number of criteria for the offset of financial assets and liabilities present in IAS 32. The amendments must be applied with retroactive effect for financial years starting on or after 1 January 2014.

IFRS 7 – Financial instruments: supplementary information

The amendment requires information on the effects or potential effects of agreements for the offsetting of financial assets and liabilities on the financial condition/balance sheet. The amendments are applicable to financial years starting on or after 1 January 2013 and interim periods after such date. The information must be provided with retroactive effect.

The models adopted by the Snai Group for the period ended on 30 September 2012 have not been amended with respect to those adopted as of 31 December 2011.

Financial Statement Models

The models adopted by the Group are the following:

Consolidated Balance Sheet

The presentation of the balance sheet takes place through a separate presentation of current assets and non-current assets and current liabilities and non-current liabilities and for each asset and liability item the amounts that are expected to be settled or recovered within 12 months, or after 12 months from the relevant date of the balance sheet.

Consolidated Income Statement

The income statement sets forth items by category, since it is the document which is deemed to provide the most explanatory information.

Variations in consolidated net shareholders' equity

Variations in net shareholders' equity shows the overall results for the period, the effect for each item of net shareholders' equity, changes in accounting standards and corrections of errors, as provided under international accounting standard no. 8. In addition, the model presents the balance of earnings or losses accumulated at the beginning of the period, the movements for the period and at the end of the period.

Consolidated cash flow statement

The consolidated cash flow statement presents the cash flows from business operations, investments and financial activities. The cash flows from operations are represented using the indirect method, through which the results of operations or for the period are rectified by effects of non-monetary transactions, any deferral or setting aside of prior or future operating collections or payments, and elements of revenues or costs related to cash flows deriving from investment or financial activities.

2. Agreements for services provided under concessions

The Snai Group operates on the gaming and betting market which includes, mainly, sports and horse race betting, AWsP (formerly new slot machines) and VLTs (videolotteries) as well as remote skill games, ongo and casino games. This market is governed by public authorities which issue concessions.

The Group has created its own network for the acceptance of bets through the initial purchase, in 2006 of 450 business units, corresponding to the same number of sports and horse racing concessions for the acceptance of bets. Subsequently, SNAI purchased a number of other concessions. Following the creation of this network, the Group participated in tender procedures instituted subsequently by the public authority, thus expanding both its betting acceptance network and the types of games for which it could accept wagers. By taking part in the tender procedure for the adjudication of rights to open new points of sale, in compliance with the provision of law decree no. 223 of 4 July 2006 (known as the Bersani Law), SNAI was awarded concessions for collecting horse race and sports wagers. In particular, reference is made to a sports concession comprised of 342 stores and 864 corners and a horse racing concession comprised of 99 stores and 3,787 corners, reduced following the subsequent recoverations to, respectively, 94 stores and 2,482 corners. In addition, the concession for remote horse racing gaming and the concession for the remote sports gaming were later replaced since in 2011 the concession for remote gaming was awarded which in July 2012 replaced the two previous gaming concessions for horse racing and sports. In 2009, A.I. Monteverde S.r.l., which has been merged by incorporation into SNAI, took part in a tender procedure known as Giorgetti, instituted by AAMS for 3,000 horse racing rights, securing 303 horse race store rights.

Ultimately, the Snai Group owns the following concessions:

Owner	Number	Subject matter	Expiry	Note
SNAI S.p.A.	1 Concession	Realization and operation of the network for the electronic management of lawful gaming through fun and entertainment devices provided under article 110, paragraph 6, of the T.U.L.P.S., as well as the related assets and functions	December 2011	(1)
SNAI S.p.A.	228 Concessions	Commercialization of fixed quota bets on sports events, other than horse races and non-sports events	June 2012	(2)
SNAI S.p.A.	100 Concessions	Commercialization of bets through totalizator and fixed quota bets on horse races	June 2012	(2)
SNAI S.p.A.	1 Concession Code 4311	Operation of public gaming based upon horse racing, through the activation of distribution networks (horse race gaming stores and/or of the network of horse race gaming points) and the management of the same	June 2016	
SNAI S.p.A.	1 Concession Code 4028	Operation of public games on events other than horse races, through the activation of distribution networks (horse race gaming stores and/or the network of horse race gaming points) and related management	June 2016	
SNAI S.p.A.	1 Concession Code 4801	Joint operation of public horse race gaming, through the activation of the network of gaming stores and the management of the same	June 2016	
SNAI S.p.A.	1 Concession Code 15215	Operation through remote collection of wagers of the following public gaming: a) sports betting; b) horse race betting; c) sports and horse race pool betting; d) national horse race gaming; e) skill games, including card games through tournaments; f) bingo.	September 2020	

(1) The term of validity is until the date indicated by AAMS for the execution of the new agreement or until the notification of exclusion from the selection procedure in accordance with the information notified by AAMS in note prot. no. 2011/51539/Giochi/ADI dated 29/12/2011. On 27 December 2011, the AAMS' ruling setting forth the temporary adjudication was served upon SNAI; the testing of the electronic network is now in progress.

(2) The original expiry was provided as of 30/06/2012. Art.10 paragraph 9-novies of Law Decree no. 16 of 2 March 2012, converted by law no. 44 of 26 April 2012 ordered the continuation of wager collection operations until the date of execution of the agreements for access to the concessions awarded pursuant to the tender procedure provided under paragraph 9-octies of the same article.

3. Operating sectors

The sector disclosure is presented by "operating sector". The sector is based upon the executive management structure and the internal reporting system of the Group. Transfers/sales between sectors take place at market conditions. The value of the total assets for each sector for which disclosure is provided is not set forth here, as provided under IFRS 8 "Operating sectors" since the periodic reporting for the operating area does not include this type of asset-based information.

The Group operates in the following main sectors:

- Betting services
- Management of racetracks;
- concessions;
- television services.

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

- **Betting Services:** this segment includes the operations related to electronic services provided to betting acceptance points; these operations are essentially managed with respect to the portion related to the gaming and betting sector by SNAI S.p.A., Festa S.r.l. and da Mac Horse S.r.l. in liquidation;
- **Management of Racetracks:** this segment includes the operations related to the management of racetracks, both with regard to the management of the real estate, and the organization of races; these operations are managed by Società Trenno S.r.l., Immobiliare Valcarenga S.r.l. and SNAI S.p.A. with regard to the real estate sector;

- **Concessions:** this segment includes the operations related to the management of horse race and sports concessions purchased starting on 16 March 2006, those which SNAI S.p.A. was awarded through the tender procedure instituted through the Bersani Decree and which began to operate around the end of the second quarter of 2007, and the rights which Agenzia Ippica Monteverde S.r.l. (which is now merged by incorporation into SNAI S.p.A.) was awarded through the tender procedure known as "Giorgetti"; as well as the assets related to the concession for the activation and operating management of the network for the electronic management of lawful gaming through fun and entertainment devices and the related assets and functions" (slot machines - AWP and videolotteries - VLT), as well as operations related to skill games, bingo and casino games;
- **Television Services:** this segment includes the operations related to television services; these operations are managed by Teleippica S.r.l..

The following table provides information on the contribution of the following sectors to the consolidated figures:

- Services related to collection of betting/gaming wagers and operations related to the sector called "betting services";
- Acceptance of betting in racetracks owned by the group and operations related to their management, called "management of racetracks";
- Owned horse race betting and sports betting operations, of the concession of the electronic network of entertainment devices and equipment referred to in art. 110 paragraph 6 of the T.U.L.P.S. (slot machines - AWP - and videolotteries), as well as operations related to skill games (remote skill games), bingo and casino games, called "concessions";
- Television and radio operations called "television services".

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

Revenues for the sale of software and technology, and those for preparations/displays and other revenues not included in the four specific are not allocated to the main sectors; therefore, the costs related to the above-mentioned revenue items are not allocated to specific sectors, as well as earned and payable interest that is not attributable to the four main sectors, but rather to the governance of the business in its entirety.

The "concessions" segment includes all bets, both fixed quota (in which the gambling bank is managed by the concession holder) and totalizer bets (in which the gambling bank is managed by the Ministry of Finance) accepted in the PAS (betting acceptance points) where SNAI is the direct concession holder.

On fixed quota bets, the risk is borne by the concession holder since it is responsible for paying winnings and taxes, while in totalizer bets, the concession holder has no risk since it earns a percentage on the payments.

Progressive as of 30 September 2012

(n thousands of Euro)	Betting Services		Operation of Racetrack		Concessions		Television Services		Other		Eliminations		Consolidated total	
	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11	30.09.12	30.09.11
Segment revenues	11.596	15.806	8.891	14.172	341.557	365.570	7.316	8.747	125	584	0	0	369.485	404.879
Intrasector revenues	3.768	3.002	305	372	0	0	1.673	1.648	453	621	(6.199)	(5.643)	0	0
Operating earnings	3.765	5.267	(6.681)	(2.815)	(7.519)	2.727	2.577	3.181	(522)	(999)	0	0	(8.380)	7.361
Quotas of earnings of shareholding	0	0	2.196	10	0	0	0	0	2	2	0	0	2.198	12
Earned interest (interest payable)	(15)	(21)	(111)	(133)	(27.301)	(27.269)	(24)	78	86	56	0	0	(27.365)	(27.289)
Income taxes													8.829	2.701
Earnings (loss) for financial year													(24.718)	(17.215)
Operating earnings include:														
Amortization and depreciation	(258)	(1.382)	(3.369)	(3.330)	(41.949)	(42.161)	(612)	(1.452)	(15)	(53)	0	0	(46.203)	(48.378)

Q 3 2012

(n thousands of Euro)	Betting Services		Operation of Racetrack		Concessions		Television Services		Other		Eliminations		Consolidated total	
	Q3 12	Q3 11	Q3 12	Q3 11	Q3 12	Q3 11	Q3 12	Q3 11	Q3 12	Q3 11	Q3 12	Q3 11	Q3 12	Q3 11
Segment revenues	3.599	4.045	2.544	4.358	97.027	108.472	2.437	2.876	57	364	0	0	105.664	120.115
Intrasector revenues	1.170	872	102	133	0	0	566	544	132	205	(1.970)	(1.754)	0	0
Operating earnings	1.403	1.544	(2.589)	(841)	(9.150)	(3.047)	818	1.292	(126)	(160)	0	0	(9.644)	(1.212)
Quotas of earnings of shareholding	0	0	0	4	0	0	0	0	0	0	0	0	0	4
Earned interest (interest payable)	(2)	(4)	(36)	(51)	(8.497)	(11.296)	(5)	(9)	123	(1)	0	0	(8.417)	(11.361)
Income taxes													4.342	2.879
Earnings (loss) for financial year													(13.719)	(9.690)
Operating earnings include:														
Amortization and depreciation	(61)	(425)	(1.135)	(1.131)	(12.019)	(14.508)	(205)	(225)	(4)	(16)	0	0	(13.424)	(16.305)

In the first nine months of 2012:

- The difference in operating results in the “Betting services” sector is due essentially to the following:
 - lower revenues for the service provider due to the crisis affecting the horse race sector, the lower volumes generated by sports betting, and the non-renewal of the concession by certain clients;
 - the change in the management of the Bingo gam following the integration of the concession for remote gaming, in July 2011, which made it possible for SNAI to directly accept Bingo gaming wagers, which resulted in the transfer of revenues from services to concessions.
- the difference of the operating results for the “Racetracks Management” sector was influenced by the reduction in revenues deriving from the core operations due to both the national crisis in the horse racing sector and the national strike in horse race employment categories wich led to the cancellation of 13 days of harness races in Milan, in addition to the reduction in the number of races scheduled on the 2012 calendar.
- the difference in operating rules for the “Concessions” sector is due to the combined effect of the reducion in revenues from horse race bets, also due to the national strike of the employment categories in the sector, the lower wagers from sports bets and a higher payout with respect to the same period last year, which was in part offset by higher revenues from entertainment devices (ADIs) and on-line games as well as a reduction in direct costs related to betting and ADIs.

Notes on the main items of the consolidated income statement

The comparison among the amounts, which are always expressed in thousands of euro, except where otherwise indicated specifically, is carried out with the corresponding balances as of 30 September 2011 and with the third quarter of 2011.

4. Revenues from sales and services

Revenues from sales and services in the first nine months of 2012 amount to 368.147 thousands of euro as compared with Euro 403,885 thousands, broken down as follows:

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
79.744	108.991	Net revenues from the collection of fixed quota and reference sports and horse racing bets	13.263	25.046	(11.783)
25.749	36.048	Revenues from horse race bets with totalizator, IPN and CPS	7.588	9.787	(2.199)
219.695	210.020	Revenues from entertainment devices (ADI)	71.064	68.736	2.328
16.139	10.801	Net revenue from Remote gaming (Skill/Casinò/Bingo)	4.782	4.856	(74)
4.773	6.078	Revenues from bet collection services	1.382	1.676	(294)
70	1.181	Revenues from services related to third party Remote gaming (GAD)	28	38	(10)
5.132	6.188	Revenues from services and assistance contracts	1.701	2.001	(300)
5.243	9.608	Revenues for the management of bets at racetracks	1.644	3.150	(1.506)
1.613	2.013	Management of racetrack and real estate properties	429	650	(221)
7.885	9.489	Revenues from television services and related services	2.595	3.074	(479)
83	92	Revenues for the preparation and sale of technology	28	31	(3)
2.021	3.376	Other services and sales to third parties	601	904	(303)
368.147	403.885	Total	105.105	119.949	(14.844)

Set forth below are details on the item "Net revenues from wagers related to sports and horse race betting, both fixed quota and reference" which shows the items related to winnings, reimbursements and taxes.

First nine months			Q3	
2012	2011	thousands of euro	2012	2011
617.542	659.137	Scommesse Sport Fixed quota	168.419	164.790
(519.189)	(525.258)	Winnings e Reimbursements Sport Fixed quota	(148.919)	(133.101)
(20.414)	(27.267)	Single tax on Fixed quota sports bets	(6.893)	(7.442)
77.939	106.612	Net Fixed Quota Sports Bets	12.607	24.247
19.013	24.247	QF Horse Racing and Reference Horse Racing Bets	6.303	6.868
(14.783)	(18.820)	Winnings and Reimbursements on QF Horse Racing and Reference Horse Racing	(4.842)	(5.207)
(798)	(1.002)	Single tax on QF Horse Racing and Reference Horse Racing Bets	(265)	(283)
(1.627)	(2.046)	Withdrawal on horse race bets	(540)	(579)
1.805	2.379	Net Fixed Quota and Reference Horse Race Bets	656	799
79.744	108.991	Total net revenues from fixed quota and reference bets	13.263	25.046

The decrease in revenues from sports bets in the first nine months is mainly due to the lower wagers collected and a higher payout as compared with the same period last year. In the first nine months of 2012, the payout on sports bets amounted to approximately 84% as compared with 79.7% in the first nine months of 2011. The net revenues include the release/grant of the additional tax on the payout lower than 80%, since it is no longer in force.

The decrease in revenues from sports betting in the third quarter is mainly due to the higher payout as compared with the same quarter last year. In the third quarter of 2012, payout from sports betting amounted to 88.4% as compared with 80.7% in the third quarter of 2011.

Revenues from sports bets including the national horse races and betting pools have decreased primarily due to the crisis affecting the horse race sector which led to, at the beginning of 2012, 40 days of strikes by the Italian horse racing companies. This event led to a contraction in volumes and therefore revenues for this sector.

Revenues deriving from the concession for the management of the entertainment devices network (ADI) registered at a total of Euro 219,695 thousand in the first nine months of 2012, are stated on a gross basis, without deducted the fees contractually deducted for both the manager and the operator. Such costs are set forth in the item costs for services and use of third party assets in note 7. The balance sheet sets forth the amount, equal to Euro 11,459 thousand related to the "ASDI Security Deposit" which includes 0.5 percent of the amounts played on each of the gaming devices connected to the electronic network (see note 20).

It should be recalled that in the decree prepared by AAMS for purposes of the AWP agreement, the provision concerning the disbursement accruable in the amount of up to 0.5% of wagers was inserted in the new agreement between AAMS and the concession holders, as a contractual element. The amount of the disbursement may vary depending upon a series of service and investment parameters. The governing decrees 2011/30014/giochi/adi and 2012/17334/giochi/adi have set forth new criteria and modalities for the restitution of the security deposit for years 2011 and 2012. The Group, based upon the information gathered and the internal verifications conducted on the matter, is of the view that the service levels and the investment levels achieved also over the current period are of such a nature as to allow for the accounting registration of the receivable.

On 7 July 2011, the Casinò Games operations were commenced, which supplemented the product range of remote games; set forth below are details on the item Net Revenues from Remote Gaming (Skill/Casino/Bingo):

First nine months			Q3	
2012	2011	thousands of euro	2012	2011
662.569	279.085	Remote gaming	213.283	193.144
(640.714)	(263.943)	Winnings	(206.794)	(186.546)
(5.716)	(4.341)	Single tax	(1.707)	(1.742)
16.139	10.801	Net Revenues from Remote gaming (Skill/Casino/Bingo)	4.782	4.856

The item "Revenues from the management of bets in racetracks" has decreased not only due to the crisis affecting the sector, but also due to the national strike by horse race employment categories, which led to the cancellation of 13 days of harness races in Milan, in addition to the reduction in the number of races scheduled on the 2012 calendar (as of 30 September 2012 as compared with 30 September 2011, the calendar had envisaged 28 fewer days: 26 harness race days in Milan and 2 galloping race days in Milan).

The item "Revenues from television services and related services" includes mainly the revenues deriving from the agreement entered into by the subsidiary Teleippica S.r.l. with ASSI (formerly U.N.I.R.E.) for the television broadcasting of horse races in the horse race betting acceptance points.

5. Other revenues and proceeds

Other revenues and proceeds amount to Euro 1,338 thousand in the first nine months of 2012 (Euro 994 thousand in the same period in 2011) may be broken down as follows:

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
148	229	Earned rents and charge-back of ancillary expenses	27	67	(40)
17	153	Sale of option right	0	51	(51)
35	90	Asset-side transactions	32	0	32
26	13	Revenues for compensation and reimbursements of damages	10	2	8
379	119	Contribution to UNIRE investments fund	16	(28)	44
10	32	Capital gains and alienation of assets	10	0	10
723	358	Other revenues and proceeds	464	74	390
1.338	994	Total	559	166	393

The item "contributions to ASSI formly UNIRE investments fund" relates to revenues registered following the testing by the Entity's experts, which took place in 2011, in connection with the works performed at the racetracks of Milan and Montecatini from 2000 until 2010, and the subsequent definition of the amounts admitted for such contribution. Such revenues were registered for accounting purposes in 2012 as contributions to the capital account in accordance with the income method, since the commitment to maintain the restriction on the purpose as horse racing activities, required by ASSI (formerly UNIRE) as a condition precedent for the disbursement of the contribution, was entered into during the current financial year.

6. Raw materials and consumables used

The raw materials and consumables used amount to a total of Euro 874 thousand for the first nine months of 2012 and to Euro 211 thousand in the third quarter of 2012 (Euro 1,045 thousand in the first nine months of 2011 and Euro 295 thousand in the third quarter of 2011), and refer mainly to support materials in support of the acceptance of wagers on betting, technology and furnishings installed in the new points of sale. Capitalized assets amount to Euro 4,410 thousand as of 30 September 2012 and Euro 2,080 thousand in the third quarter of 2012 (Euro 779 thousand in the first nine months of 2011 and Euro 449 thousand in the third quarter of 2011).

7. Costs for services and use of third party assets

Costs per services and use of third party assets amount to a total of Euro 284,485 thousand in the first nine months of 2012 and Euro 88,284 thousands in the third quarter 2012 (Euro 300,327 thousand in the first nine months of 2011 and Euro 90,995 thousand in the third quarter of 2011) are detailed below:

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
66.816	80.399	Management of betting acceptance	18.011	21.531	(3.520)
170.964	172.008	Entertainment Device Services (ADI)	55.408	55.540	(132)
4.034	3.643	Management of Remote gaming (Skill/Casinò/Bingo)	1.196	1.360	(164)
1.120	1.449	Bookmakers	278	318	(40)
2.091	704	Remote gaming services	1.223	101	1.122
1.676	1.977	Management of racetracks	551	650	(99)
84	185	Contributions to horse race entities	7	57	(50)
2.208	2.988	Management of television and radio services	754	849	(95)
287	282	Rent of stations	96	94	2
5.571	5.908	Consultancies and reimbursements of expenses	1.632	1.244	388
6.170	6.618	Earnings ties and telephone	2.008	2.116	(108)
6.833	6.077	Assistance and maintenance	2.291	2.100	191
5.431	5.204	Advertising and promotion	1.286	1.513	(227)
2.585	2.982	Disclosure/reporting Services	867	974	(107)
1.214	1.084	Installations, logistics and planning	342	227	115
310	956	Collaborations, occasional and miscellaneous services	80	142	(62)
1.219	993	Insurance and bank guarantees	422	337	85
410	593	Market research	138	222	(84)
335	482	Information for the realization of portions of brochures and brochures	137	116	21
720	1.109	Rents paid and ancillary expenses	235	355	(120)
568	569	Operating leases and rents	201	187	14
1.250	946	Directors' compensation	289	235	54
541	483	Auditing expenses	113	160	(47)
183	249	Auditors' compensation	62	85	(23)
121	63	Compensation paid to supervisor body and other committees	46	22	24
29	64	Reimbursement of expenses of directors and auditors	5	16	(11)
1.715	2.312	Other	606	444	162
284.485	300.327	Total	88.284	90.995	(2.711)

The following should be noted:

- compensation/fees for the management of the acceptance of bets of Euro 66,816 thousand in the first nine months of 2012 and Euro 18,011 thousand in the third quarter 2012 (Euro 80,399 thousand in the first nine months of 2011 and Euro 21,531 thousand in the third quarter 2011) granted to the PAS which sold the concessions in March 2006 and over the course of subsequent financial years, to the operators of horse race and sports betting stores and corners related to the adjudication of the concessions of the Bersani Tender Procedure and to the operators of horse racing stores under the Giorgetti Tender Procedure; the decrease with respect to the previous period is linked to lower revenues realized on sports and horse race betting;
- costs for ADI services (in the total amount of Euro 170,964 thousand with respect to Euro 172,008 in the first nine months of 2011) which include compensation granted to third parties engaged to collect wagers and costs for the VLT platforms;
- costs related to the management of remote gaming (Skill, Casinò and Bingo) in the amount of Euro 4,034 thousand (Euro 3,643 thousand), represented mainly by the cost of gaming platforms and the management of on-line poker tournaments.

The item "others" includes mainly: surveillance and protection services, cleaning, postage and shipment expenses, waste disposal and management of company automobiles and vehicles.

8. Personnel costs

Personnel costs amount to a total of Euro 25,814 thousand in the first nine months of 2012, as compared with Euro 23,390 thousand in the first nine months of 2011, up Euro 2,424 thousand (+10.36%) due mainly to the new system of bonuses introduced in 2012 for the function heads as well as the increases in compensation and exit incentives disbursed to executive personnel which ceased to work for the Group in the first nine months of 2012.

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
17.950	16.384	Salaries and stipends	5.444	5.084	360
5.207	4.993	Corporate costs	1.548	1.555	(7)
1.109	1.025	Provisions set aside for defined benefit/contribution plans	385	353	32
49	50	Costs for personnel training	1	11	(10)
333	322	Reimbursements of expenses to employees	80	82	(2)
580	563	Meal tickets and company cafeteria	184	194	(10)
586	53	Other personnel costs	216	16	200
25.814	23.390	Total	7.858	7.295	563

The item "provisions set aside for defined benefits/contribution plans" includes the effects on the income statement of the valuation of TFR (severance indemnity) pursuant to IAS 19.

The workforce as of the end of the period is illustrated in the following table, which shows an increase by 47 units with respect to 31 December 2011 which is attributable mainly to the stabilization, by direct hirings, of personnel who were previously hired under term contracts and the implementation of the "core business" structures.

30.09.2011	31.12.2011	Additions over the period	Departures over the period	30.09.2012	Average during the period
21 Executives	21	3	6	18	19
675 White collar employees and mid-level managers	594	134	79	649	655
101 Blue collar workers	92	3	8	87	91
797* Total Employees	707**	140	93	754***	765

* of whom 192 are Part-time and 15 are on maternity leave

** of whom 163 are Part-time and 14 are on maternity leave

*** of whom 161 are Part-time and 12 are on maternity leave

9. Other operating costs

Other operating costs amount to a total of Euro 20,553 thousand in the first nine months of 2012 and Euro 5,490 thousand in the third quarter of 2012 (Euro 24,584 thousand in the first nine months of 2011 and Euro 6,630 thousand in the third quarter of 2011).

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
11.548	11.144	Concessions and licenses	3.801	3.825	(24)
3.857	3.826	% of non-deductible VAT	978	1.249	(271)
2.432	6.288	Provisions for write-downs of receivables	(62)	632	(694)
192	761	Losses on receivables	89	36	53
(145)	(101)	Use of fund for the write-down of receivables and risks	(42)	(29)	(13)
96	262	Risks fund provisions	0	105	(105)
155	229	Representation expenses	81	65	16
154	531	Association contributions	56	167	(111)
987	717	Other taxes	329	221	108
382	258	Court clerk's office, consumables and promotional expenses	70	85	(15)
36	39	Environmental and health controls	12	11	1
69	85	Settlements payable	21	65	(44)
239	30	Capital losses upon the sale of assets	15	30	(15)
551	515	Other administrative and operating costs	142	168	(26)
20.553	24.584	Total	5.490	6.630	(1.140)

The item concessions and licenses includes, *inter alia*:

- the concession installment for lawful gaming using entertainment devices (ADI) in the amount of Euro 6,118 thousand, calculated in the amount of 0.30% of wager volumes and paid to AAMS on a bimonthly basis;
- the concession installment for the commercialization of fixed quota bets on sports events, other than horse races, and on non-sports events pursuant to art. 4 of the agreement approved through Governing Decree 2006/22503 dated 30/06/06 and for the commercialization of public gaming concessions for the "exercise of horse race and sports betting" on rights awarded through the 2006 tender procedure (known as Bersani Rights) and on rights awarded through the 2008 tender procedure (known as the Giorgetti Rights), as provided under the respective concessions, equal to Euro 4,660 thousand;
- the concession installment for the exercise of remote public gaming, as provided under the relevant concession, equal to Euro 499 thousand;
- the installment due for television operations in the amount of Euro 263 thousand.

In the first nine months of 2012, provisions in the amount of Euro 2,432 thousand were set aside to the receivables write-down fund in order to align the receivables which arose in past financial years in connection with the Group's core business operations and which showed, over the course of the year, increasing collection difficulties, with best estimates of recoverability.

In the first nine months of 2012, the amount of Euro 96 thousand was set aside to the risks fund for technological adaptations, as provided under art. 19 of the AWP Concession.

The item "% of non-deductible VAT", equal to Euro 3,857 thousand is due to the separate types of operations engaged in by SNAI S.p.A., Festa S.r.l. and Società Trenno S.r.l., which generate, in part, revenues for services subject to VAT and in part services that are exempt from VAT, which has repercussions on the deductibility of VAT on purchases. The companies SNAI S.p.A., Festa S.r.l. and Società Trenno S.r.l. have opted for separate operations for VAT purposes; this choice means that for purchases which related to the operations which generate taxable transactions, VAT is entirely deductible, while that on purchases related to operations which generate exempt transactions is entirely non-deductible. As regards the tax on goods and services used promiscuously by all operations, VAT is deducted only to the extent of the portion attributable to the conduct of operations which produce taxable revenues to which it refers; in such regard, the cost of non-deductible VAT has been calculated by determining specific allocation criteria.

10. Costs for capitalized internal works

Costs for capitalized internal works, amounting to a total of Euro 574 thousand in the first nine months of 2012 (Euro 574 thousand in the first nine months of 2011) related essentially to the following:

- the implementations of new functions of the Betsi Terminal (LIVE game, etc.);
- the development of Central Systems to implement the effectiveness of services disbursed;
- the implementation of the internal portal for the documentary management of the ISO-27001 certification;
- the implementation of new functions of the client management portal: Partner.Snai.It;
- the new implementations related to the security of transactions and Fraud Management;
- the development of Business Intelligence and DSS systems;
- the development of advanced CRM systems: control room, OLA control room;
- the development and implementation of new services for customers: telephone recharges, PostePay;
- the implementation of new modalities for the acceptance of LIVE bets;
- the implementation of the system of the visualization of the VLT Jackpot;
- the development of the new system for the acceptance of bets through mobile devices;
- the implementation of the systems of Self Service (My.Self, FaiConMe);
- the implementation of new graphics pages in HD;
- the implementation of systems for the management of Points of Sale and profits (My.Web – Profit Manager).

11. Amortization and depreciation

Amortization and depreciation amount to a total of Euro 46,203 thousand in the first nine months of 2012 and to Euro 13,424 thousand in the third quarter of 2012 (Euro 48,378 thousand in the first nine months of 2011 and Euro 16,305 thousand in the third quarter of 2011), as detailed below:

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
30.600	31.852	Amortization intangible fixed assets	7.982	11.012	(3.030)
15.352	16.526	Amortization tangible fixed assets	5.209	5.293	(84)
251	0	Depreciation/write-downs	233	0	233
46.203	48.378	Total	13.424	16.305	(2.881)

For further details on the item amortization and depreciation, see the notes on tangible and intangible fixed assets no. 14 and no. 15.

12. Earned interest and payable interest

Net interest payable in the first nine months of 2012 amounts to Euro 25,167 thousand, down Euro 2,110 with respect to the first nine months of 2011 and in the third quarter 2012 amount to Euro 8,417 thousand as compared with Euro 11,357 thousand in the third quarter of 2011, down Euro 2,940 thousands, as detailed below:

First nine months			Q3		
2012	2011	thousands of euro	2012	2011	Variations
Proceeds and costs from shareholdings					
11	23	Appreciation/(depreciation) Alfea S.p.A.	0	4	(4)
2.185	(13)	Appreciation/(depreciation) Hippogroup Roma Capannelle S.p.A.	0	0	0
2	2	Appreciation/(depreciation) shareholding Connex S.r.l.	0	0	0
2.198	12		0	4	(4)
Earned interest/financial proceeds					
0	384	Earned interest owed to SNAI Services S.p.A.	0	0	0
2	3	Earnings on currency exchanges	1	0	1
430	486	Earned bank interest	175	183	(8)
295	559	Other interest	65	190	(125)
0	7	Various financial proceeds	0	0	0
727	1.439		241	373	(132)

Interest payable/financial costs					
523	426	Bank fees	180	136	44
159	428	Miscellaneous interest	63	95	(32)
14	17	Losses on exchange rates	5	5	0
2.212	1.734	Fees on bank guarantees	734	597	137
245	515	Interest on bank accounts	9	196	(187)
3.593	4.187	Interest and ancillary costs on leasing	867	1.337	(470)
17.098	20.860	Interest on loans	5.208	9.217	(4.009)
170	560	Financial costs from present value of debts	51	151	(100)
4.078	1	Other financial costs	1.541	0	1.541
28.092	28.728		8.658	11.734	(3.076)
(25.167) (27.277) Total			(8.417)	(11.357)	2.940

The item financial proceeds/earned interest, in the first nine months, includes interest accrued on bank accounts in the amount of Euro 430 thousand and earned interest in the amount of Euro 295 thousand mainly calculated on deferrals/rescheduling granted on commercial receivables.

Financial costs/interest payable in the first nine months of 2012 include:

- costs calculated in accordance with the amortized cost method provided under IAS 39, applying the actual interest rate on loans method (for further details on loans, see note 27) in the total amount of Euro 17,098 thousand, of which Euro 2,830 thousand is attributable to ancillary costs;
- interest calculated on financial leases in the amount of Euro 1,001 thousand and ancillary charges on leases in the amount of Euro 2,592 thousand, including undeductible VAT;
- other financial costs, including Euro 2,015 thousand in fees on loans and Euro 2,063 thousand for the differential on hedging derivatives.

For further details concerning the items concerning the companies belonging to the group, see note 33 "Related parties".

13. Income taxes

Current income taxes, including IRES and IRAP of fully consolidated companies, as well as taxes paid in advance and deferred taxes in the first nine months of 2012, are positive in the amount of Euro 8,829 thousand.

First nine months			Q3	
2012	2011	thousands of euro	2012	2011
0	838	IRES	0	349
482	1,138	IRAP	(251)	158
4,251	3,796	Deferred taxes	1.621	1.288
(2,293)	(2,023)	Use of the deferred tax fund	(526)	(665)
(12,475)	(7,885)	Taxes paid in advance	(5.356)	(4.442)
1,530	1,435	Use of credit for taxes paid in advance	658	433
(324)	0	IRES/IRAP for prior financial years	(488)	0
(8.829)	(2.701)	Total	(4.342)	(2.879)

For further details on the effects deriving from taxes and the tax consolidation, reference is made to the details set forth in note 17 "Receivables for taxes paid in advance and liabilities for deferred taxes" in these explanatory notes. For purposes of direct and indirect taxes, year 2006 has been finally settled.

The following table sets forth the reconciliation between the IRES and IRAP tax charges set forth in the short-term interim financial statement as of 30 September 2012 and the theoretical amount (in thousands).

	<u>First nine months of 2012</u>	<u>First nine months of 2011</u>
Before tax earnings	(33.547)	(19.916)
Theoretical IRES charge	27,50% 9.225	27,50% 5.477
Theoretical IRAP charge	4,20% 1.409	3,90% 777
Total Theoretical Tax Recovery/(Charge)	10.634	6.254
Fines, Sanctions and other Taxes	(23)	(42)
Depreication of Shareholding	(278)	(647)
Other non-deductible permanent costs	(231)	(1.411)
Other permanent deductions	149	97
Non-taxable dividends	0	574
	10.251	4.825
Permanent differences in Irap (inlcuding employees)	(1.422)	(2.124)
Actual tax recovery/(charge)	-26,32% 8.829	-13,56% 2.701

Reference is made to paragraph 28 for details on tax proceedings.

Notes on the main items of the consolidated balance sheet

The comparison between amounts, which are always expressed in thousands of Euro, except as otherwise specifically indicated, is carried out with the corresponding balances as of 31 December 2011.

14. Tangible fixed assets

Tangible fixed assets as of 30 September 2012 amounted to Euro 152.782 thousand (Euro 157,033 thousand). Variations for the period are due to the combined effect of the amortization for the period equal to Euro 15352 thousand, investments of Euro 11,820 thousand, write-downs/depreciation of Euro 250 thousand and disposals/sales, net of the amortization fund, in the amount of Euro 469 thousand.

	Last and buildings	Equipment and machinery	Industrial and commercial equipment	Other assets	Fixed assets in progress and down payments	Total
In thousands of euro						

Cost

Balance as of 31 December 2011	137.229	146.498	7.157	21.123	7	312.014
Reclassifications	0	13	(13)	0	0	0
Other increases	1.234	8.366	60	2.140	20	11.820
Decreases	(1)	(2.111)	(5)	(1.019)	0	(3.136)
Balance as of 30 September 2012	138.462	152.766	7.199	22.244	27	320.698

Amortization and losses of value

Balance as of 31 December 2011	27.739	110.365	6.469	10.408	0	154.981
Amortization for the period	2.228	11.257	154	1.713		15.352
Depreciations/write-downs		102		148		250
Divestments		(2.015)	(5)	(647)		(2.667)
Reclassifications	0	5	0	(5)	0	0
Balance as of 30 September 2012	29.967	119.714	6.618	11.617	0	167.916

Accounting values

As of 31 December 2011	109.490	36.133	688	10.715	7	157.033
As of 30 September 2012	108.495	33.052	581	10.627	27	152.782

Owned equipment and machinery include electrical, water, fire prevention and air conditioning systems, as well as actions for the adaptation of the same for compliance purposes, electronic machines, entertainment devices ("slot machines"), "Pdas" used for connection to the network of the slot machines.

Increases as of 30 September 2012, amounting to Euro 11,820 thousand, refer mainly to the following:

- Land and Buildings with respect to Euro 1,234 thousand and related to improvements made to real property;
- Equipment and machinery with respect to Euro 8,366 thousand related to: with respect to Euro 601 thousand, electro-thermal and electrical systems, with respect to Euro 3,421 thousand the technology delivered as a gratuitous loan to the points of sale, with respect to Euro 3,227 thousand to the realization of the network of ADIs and the devices for interconnection to the Slot concentrators, with respect to Euro 164 thousand, television director systems, with respect to Euro 475 thousand to radio radio bridges and broadcasting equipment, with respect to Euro 124 thousand, hardware for the conduct of the operations of the Group companies and with respect to Euro 354 thousand, the cost of purchase of instrumental assets (servers, printers, PCs and monitors);
- Commercial and industrial equipment, with respect to Euro 60 thousand, concerning purchases of equipment for the Milan racetracks and related operations;
- Other assets, with regard to Euro 2,140 thousand related to: with respect to Euro 1,485 thousand, furnishings delivered under a gratuitous loan to the new stores and owners (Bersani rights), with respect to Euro 182 thousand, furnishings for the stores directly managed, with respect to Euro 262 thousand, furnishings of the Videolottery rooms and with respect to Euro 211 thousand, furnishings of the corporate offices.

Depreciation/write-downs as of 30 September 2012, amounting to Euro 250 thousand, refer to the depreciation of the furnishings of the Capannori agency which closed its business.

Tangible fixed assets do not include interest payable since the Group does not have qualifying assets, as defined under IAS 23.

Leasing

The Group has entered into leasing agreements for the use of certain equipment, machinery and devices which will expiry on various dates up to June 2016. These agreements provide for redemption and/or extension clauses.

The Porcari property, which is included among land and buildings, is leased under a financial lease from Ing Lease Italia S.p.A., at a historic cost of Euro 3,500 thousand, of which Euro 382 thousand relates to and, and an amortization fund amounting to, as of 30 September 2012, Euro 771 thousand.

Set forth below is the table of minimum future lease installments under the financial lease:

thousands of euro	Total
Total commitment as of 30.09.2012	20,191
Of which	
Installments due within 12 months	12,599
Installments falling due between 1 and 5 years	7,592
Installments falling due beyond 5 years	-
Redemption	958

The installments falling due under the operating leases are not material.

15. Intangible fixed assets

Intangible fixed assets as of 30 September 2012 amount to Euro 387,385 thousand (Euro 416,613 thousand), variations of the period are due to the combined effect of the amortization for the period of Euro 30,600 thousand, net divestments of Euro 1 thousand, write-downs of Euro 1 thousand and investments in the amount of Euro 1,374 thousand.

thousands of euro	Goodwill	Concessions licenses trademarks and similar rights	Costs of development	Rights of industrial patents and the use of copyrighted works	Other	Fixed assets in progress	Total
Cost							
Balance as of 31 December 2011	231,605	381,088	7,043	13,381	4,905	41,495	679,517
Reclassifications		21,228	0	0	3	(21,231)	0
Other increases		2	0	270	202	900	1,374
Decreases	0	0	(54)	(7)	(80)	0	(141)
Balance as of 30 September 2012	231,605	402,318	6,989	13,644	5,030	21,164	680,750
Amortization and losses in value							
Balance as of 31 December 2011	74	244,196	3,666	11,599	3,369	0	262,904
Amortization for the period		29,139	804	218	439		30,600
Depreciations/write-downs		1	0	0			1
Divestments			(54)	(6)	(80)		(140)
Reclassifications				0			0
Balance as of 30 September 2012	74	273,336	4,416	11,811	3,728	0	293,365
Accounting values							
As of 31 December 2011	231,531	136,892	3,377	1,782	1,536	41,495	416,613
As of 30 September 2012	231,531	128,982	2,573	1,833	1,302	21,164	387,385

Investments in the amount of Euro 1,374 relate mainly to the following:

- The item “rights of industrial patent and use of copyrighted works” with regard to Euro 270 thousand, of which Euro 134 thousand for SPSS predictive analyses marketing systems, and Euro 81 thousand for Credit Board Licenses and Tagetik Licenses
- The item “others” with respect to Euro 202 thousand, related to long-term costs incurred for the implementation of software, of which Euro 73 thousand relates to casino software for the table games “PocketBet” and “CardDerby”;
- Fixed assets in progress, with regard to Euro 900 thousand, of which Euro 691 thousand relates to internal development and Euro 145 thousand relates to the implementation of the software Tagetik.

Intangible fixed assets in progress include the rights purchased for the VLTs for Euro 20,227 thousand, related to gaming devices which have not yet been tested by AAMS.

Intangible fixed assets did not include interest payable since the Group does not have qualifying assets as defined under IAS 23.

Goodwill in existence amounts to Euro 231,531 thousand, and in particular:

- Euro 466 thousand refers to the purchase of the “Agency” business unit for the direct management of the betting agency of Capannori (Lucca) which took place on 27 August 2008 and was later transferred to Porcari (Lucca);
- Euro 710 thousand refers to the goodwill generated by the aggregation for the purchase of the shareholding in “Agenzia Ippica Monteverde S.r.l.” (which has been merged by incorporation into SNAI S.p.A.);
- Euro 11,137 thousand refers to goodwill net of amortization, contributed by SNAI Services Spazio Gioco S.r.l., incorporated into SNAI S.p.A. in 2002, related to the services division;
- Euro 218,775 thousand refers to the purchase of the concessions business unit starting on 16 March 2006;
- Euro 443 thousand refers to goodwill contributed by Teleippica S.r.l..

On the basis of the provisions of international accounting standards, and in particular IAS 36, goodwill is subjected to verification for possible losses in value on at least an annual basis, as of 31 December of each year, or more frequently if indicators of potential lasting reductions in value were to occur. Taking into account that the results for the period were generated by exceptional events which we do not believe will have an impact upon the future financial prospects, as better indicated in note 1.1., we are of the view that in the first nine months of 2012, no events or changes occurred which call for assessments to identify possible lasting losses in the value of goodwill.

16. Shareholdings

The Group holds shareholdings in the following companies:

	Value registered on the balance sheet as of	Value registered on the balance sheet as of	Percentage of holding	
			30.09.2012	31.12.2011
thousands of Euro	30.09.2012	31.12.2011	30.09.2012	31.12.2011
Affiliates and subsidiaries which are not fully consolidated				
- Hippogroup Roma Capannelle S.p.A.	2,372	186	27.78	27.78
- Alfea S.p.A.	1,521	1,510	30.70	30.70
- Connex S.r.l.	65	64	25	25
- Solar S.A.	53	53	30	30
- Teseo S.r.l. in liquidation	0	0	70	70
Total shareholdings appraised on a net equity basis	4,011	1,813		
Other				
- Tivu + S.p.A. in liquidation	0	0	19.5	19.5
- Lexorfin S.r.l.	46	46	2.44	2.44
Total shareholdings in other businesses	46	46		

The variation in the value of the shareholding in the affiliate Hippogroup Roma Capannelle S.p.A. is due to the adaptation of the shareholding to the net equity value set forth on the financial statement for period ended 31 December 2011 approved by the shareholder's meeting held on 5 July 2012. The financial statement as of 31 December 2011 of Hippogroup Roma Capannelle S.p.A. closed with earnings of Euro 7,867 thousand and net shareholders' equity of Euro 8,538 thousand. Such results, which give rise to the appreciation of the shareholding, are due to the successful conclusion on 22 December of the agreement which provided, in summary for a significant reduction in the concession installment and the payment of preferred creditors in the amount of 100% and unsecured creditors in the amount of 25% of their total receivable, to be made in four annual installments until 2014. Therefore, the income statement for year 2011 contained a windfall/non-operating income of approximately Euro 9.6 million deriving from the cancellation of debts owed to unsecured creditors, which therefore significantly influenced the earnings for the year.

The full composition of the group and the consolidation methods used are illustrated in schedule 1.

17. Credits for taxes paid in advance and liabilities for deferred taxes

The total amount of temporary differences and tax losses eligible for being carried forward is described in the following tables, as well as the relate theoretical amount of taxes paid in advance or deferred taxes, as well as the amounts registered in the consolidated accounting statement.

Temporary differences	Amount	Rate	Effect of tax	Registered taxes paid in advance	Repercussion period
Taxed fund for write-down of receivables	36,699	27.5%	10,092	10,092	2012 and following years
Risks fund	11,347	27.5%-31.7%	3,589	3,589	2012 and following years
Fund for the write-down of inventory	285	31.7%	90	90	2012 and following years
Difference between the financial statement value and the tax value of the tangible and intangible fixed assets	7,353	31,7%	2.324	2.324	2012 and following years
Interest Rate Swap	10.060	27,5%	2.767	2.767	2012 and following years
Other temporary differences	24.710	27,5% - 31,7%	6.796	6.796	2012 and following years
Total	90.454		25.658	25.658	

Prior tax losses eligible for being carried forward	Amount	Rate	Effect of tax	Registered benefits	Usable by
SNAI S.p.A.:					
Financial year 2008	17,198	27.5%	4,729	4,729	Carried forward indefinitely
year 2009	9,919	27.5%	2,728	2,728	carried forward indefinitely
year 2010	27,737	27.5%	7,628	7,628	carried forward indefinitely
year 2011	26,721	27.5%	7,348	7,348	carried forward indefinitely
Q 3 2012	33,986	27.5%	9,346	9,346	carried forward indefinitely
	115,561		31,779	31,779	
Total prior losses	115,561		31,779	31,779	
Total imposte anticipate				57.437	

Set forth below are movements in credits for taxes paid in advance:

	31.12.2011	Advance payment	uses	30.09.2012
Credit for taxes paid in advance	45,132	13,864	(1,559)	57,437

It should be noted that the Group sets forth deferred tax credits and debts amounting on a net basis to Euro 10,311 thousand (as of 31 December 2011 it amounted to Euro -36 thousand).

As of 30 September 2012, SNAI S.p.A.'s directors confirmed the assessment of recoverability of the taxes paid in advance generated by the temporary differences between the amounts on the financial statement and the tax amounts of the related assets/liabilities on the tax loss from the national tax consolidation, on the basis of the forecasts on future positive results envisaged under the business plans and confirmed on the date of valuation even if the final results as of September are lower than forecasts. Such results derive mainly from two completely exceptional events and, in other words, the trend in payout (including at the global market level) and the consequences of the Barcrest event; in other business areas, the trend is in line if not better than forecasted. We are therefore of the view that although the forecasts end of year results will be significantly lower than the budget forecasts, such unsatisfactory performance derives from utterly exceptional events which, as regards the payout, should once again be realigned with the historic trend over the medium term and in the case of the Barcrest event, the Group has already taken a series of actions aimed at mitigating its effects and reestablishing an ordinary basis for the future growth of the segment.

The difference between the financial statement value and the tax value of the tangible and intangible fixed assets" is equal to Euro 7,353 thousand, with a tax effect of Euro 2,324 thousand mainly due to leasing agreements entered into in years 2007 and prior years (Euro 5,915 thousand with a tax effect of Euro 1,875 thousand).

The "other temporary differences" amounting to Euro 24,710 thousand, with tax effect of Euro 6,796 thousand are mainly due to the interest payable and not deduced pursuant to art. 96 of the TUIR (Euro 23,103 thousand with tax effect of Euro 6,353 thousand).

It should be recalled that during June 2012, the parent company, as consolidating company, renewed the option to use the national tax consolidation provided under articles 117 et seq. Dpr 917/1988 for the three-year period 2012-2014. The following consolidated companies took part in the above-mentioned option: Festa S.r.l., Mac Horse S.r.l. in liquidation, Immobiliare Valcarenga S.r.l. and Teleippica S.r.l., with became part of the tax consolidation with effect from tax year 2012. Starting in tax year 2007, Società Trenno S.r.l. also takes part in the tax consolidation, for which the option for the three years 2010-2012 is still in effect.

The adoption of the tax consolidation may give rise to a number of beneficial effects on the Group's tax burden, such as the immediate usability, whether total or partial, of the tax losses for the period of the companies taking part in the tax consolidation, which may be deducted from the income earned by the other consolidated companies, as well as the possibility of recovering the surplus interest that has not been deducted by the consolidated companies in the presence of excess gross operating income (known as ROL) of the other companies taking part in the tax consolidation.

It should be noted that art. 35 of Legislative Decree no. 78/2011 introduced a new specific assessment proceeding for entities taking part in the national tax consolidation (a single assessment document addressed to both the consolidating company and the consolidated subsidiaries), provided however that the companies taking part in the tax consolidation are jointly liable for the obligations arising under the assessment.

Lastly, it should be noted that the Company "SNAI S.p.A." in its capacity as consolidating company, and "Società Trenno S.p.A." (now merged by incorporation into the consolidating company) opted for the neutral regime for intragroup transfers pursuant to article 123 of the TUIR concerning the sale by Trenno to SNAI of the harness racetrack of Milan San Siro and the harness racetrack of Montecatini Terme which took place in March 2006.

As the result of such option, the Group has benefitted from the "sterilization" of the tax capital gain which arose as the result of the above-mentioned sale, equal to approximately Euro 32 million. Naturally, such neutrality regime will cease to exist in the event of a subsequent sale that is not carried under the neutrality regime or in the event of interruption or non-renewal of the national tax consolidation regime.

In addition, it should be noted that deferred taxes have been calculated on the real estate properties in question, following the transition to international accounting standards.

Temporary differences	Amount	Rate	Effect of tax	Deferred
Tax amortization of goodwill	(10,939)	31.70%	(3,348)	(3,348)
TFR (severance indemnity)	(500)	27.50%	(137)	(137)
Tax amortization of goodwill of business units	(96,283)	31.70%	(29,822)	(29,822)

Difference between the financial statement value and the tax value of tangible fixed assets	(43,556)	31.70%	(13,733)	(13,733)
Other temporary differences	(313)	31.7% - 27.5%	(86)	(86)
Total deferred taxes	(151,591)		(47,126)	(47,126)

Set forth below are changes in the deferred taxes fund:

	31.12.2011	Paid in advance	Amounts used 30.09.2012	
Deferred taxes fund	45,168	4,251	(2,293)	47,126

The directors of SNAI S.p.A. decided to register deferred taxes generated by all of the temporary differences between the financial statement values and the tax values of the relevant assets/liabilities. In particular, the business units purchased, as business aggregations, were registered for accounting purposes by applying the purchase method pursuant to IFRS 3.

Therefore, the Company registered the assets and liabilities identifiable in the purchase at the related fair values as of the date of the acquisition and, therefore, registered goodwill only after having allocated the cost of acquisition as mentioned above.

The value of the concession rights registered in the financial statement differs from the cost envisaged under the contract: the civil law amortization therefore differs from the tax amortization pursuant to art. 103, paragraph 2, DPR 917/1986, and this gave rise to the deferred taxes.

The above-mentioned two-track regime applied only to the acquisitions which took place over the course of the years prior to tax year 2008. For acquisitions which took place starting in tax year 2008, the derivation standard introduced by the 2008 Financial Law applies: the objective of such provision is to accentuate the fact that the taxable income derives from the results set forth on the IAS financial statement.

The value of goodwill is not amortized but rather subjected on an annual basis to verifications in order to assess possible reductions in value: the tax amortization is governed by art. 103, paragraph 3, DPR 917/1986 which gave rise to the deferred taxes.

The difference between the financial statement value and the tax value of tangible fixed assets amounting to Euro 43,556 thousand, with the tax effect amounting to Euro 13,733 thousand is principally due to the real estate properties (formerly Trenno) of Milano – San Siro and Montecatini (Euro 39,283 thousand, with tax effect of Euro 12,453 thousand).

18. Left-over stock

With respect to 31 December 2011, the item increased by Euro 465 thousand. The item "left-over stock" is comprised of the following components:

thousands of euro	30.09.2012	31.12.2011	Variation
Raw materials	268	288	(20)
Semi-finished products	80	83	(3)
Finished products/goods	2,872	2,384	488
Total	3,220	2,755	465

The value of left-over stock is set forth on a net basis, taking into account the inventory write-down fund which, as of 30 September 2012, amounts to Euro 286 thousand. The following table sets forth the changes in the inventory write-down fund.

	31.12.2011	Amount paid in advance	Uses	30.09.2012
Inventory write-down fund				
Raw materials	78		(1)	77
Semi-finished products	3			3
Finished products/goods	206			206
Total	287	0	(1)	286

19. Commercial Receivables

The commercial receivables are indicated below:

thousands of euro	30.09.2012	31.12.2011	Variation
Commercial receivables			
- owed by clients	102.078	90.249	11.829
- owed by Assi (formerly UNIRE)	20.065	14.543	5.522
- owed by stables, jockeys, bookmakers	550	686	(136)
- owed by the controlling shareholder Global Games S.p.A.	0	4	(4)
- positive effects on collections and in the portfolio	3.659	4.108	(449)
- receivables write-down fund	(34.316)	(33.199)	(1.117)
Total	92.036	76.391	15.645

The receivables owed by clients include the balances as of 30 September 2012 due by operators for the collection of gaming wagers (Bets and ADI) and net of fees due to them

The receivables owed by clients also include matters entrusted to SNAI S.p.A.'s legal counsel in the amount of Euro 43,434 thousand (Euro 39,511 thousand).

The receivable owed by ASSI, formerly UNIRE amounting to Euro 20,065 thousand includes:

- Euro 11,883 thousand related to 2012 invoices to be collected and the receivable for financial years 2009 and 2011 related to contributions for so-called personalizations of the metropolitan racetracks;
- Euro 8,182 thousand related to the agreement entered into by Teleippica S.r.l. for transport services, elaboration and broadcasting of video and audio signals from Italian and foreign racetracks, production and broadcasting of the UNIRE BLU channel dedicated to the points of sale for the collection of bets on the "national horse races" which is broadcasted and presented on a daily basis from a studio, and related services.

The receivables write-down fund was determined taking into consideration the amount of receivables of dubious collectability, analyzing the specific conditions of the debtors, any guarantees/security interests granted to the Group's companies and assessing any opportunities to recover overdue receivables and litigation in progress expressed in reports drafted by legal counsel. Taking into account the signatory guarantees obtained from the debtors, the fund is deemed congruous by the directors in order to cover envisaged future losses on receivables.

20. Other assets

The other non-current assets, which are classified among other non-financial assets, are as follows:

thousands of euro	30.09.2012	31.12.2011	Variation
Other non-financial assets			
<i>Tax receivables</i>			
- for reimbursement of taxes	62	62	0
- for taxes subject to legal proceedings	73	73	0
- for reimbursement of IRAP	24	24	0
- for taxes on assets	54	54	0
	213	213	0
<i>Receivables owed by others:</i>			
- asset-side security deposits	2.068	508	1.560
	2.068	508	1.560
Receivables owed by clients:			
- assets in portfolio	120	745	(625)
	120	745	(625)
Total other non-financial assets	2.401	1.466	935

The increase in security deposits is due to, with respect to Euro 500 thousand, to the despti in favor of P4Pay for the security concerning the PostePay cards, and, with respect to Euro 1,023 thousand, amounts securing the sums requested for the malfunctioning of the VLTs of the Barcrest platform.

The other current assets are as follows:

thousands of euro	30.09.2012	31.12.2011	Variation
Other current assets			
<i>Tax receivables:</i>			
- for IRES down payments/credits	979	1.987	(1.008)
- for IRAP down payments/credits	1.128	1.692	(564)
- VAT	0	0	0
- other receivables owed by the revenues agency	159	240	(81)
	2.266	3.919	(1.653)
<i>Receivables owed by others:</i>			
- Security deposit ADI	11.459	11.792	(333)
- Advance on concession installment to AAMS	2.742	1.796	946
- Receivables owed by AAMS for innings on contests and pool betting and National Horse Races	155	255	(100)
- Remote gaming security deposit (Skill/Bingo)	569	414	155
- Receivables for Skill Games	90	76	14
- Other receivables owed by PAS	133	133	0
- Receivables for AAMS positions from the purchase of business units	296	296	0
- Receivables owed by AAMS under the Di Majo Award	15.599	13.816	1.783
- Receivables for the payment of PREU interest and sanctions which were not due	1.958	1.490	468
- TIVU+ S.p.A. in liquidation	0	478	(478)
- Receivables for the reimbursement of fees on bank guarantees	465	469	(4)
- Receivables owed by/Bluline borsellino elettronico	226	226	0
- Social security entities	184	78	106
- Miscellaneous receivables	2.194	1.821	373
- Write-down fund for receivables owed by others	(2.480)	(2.799)	319
	33.590	30.341	3.249
<i>Accruals and prepaid expenses</i>			
- Accruals	16	16	0
- Prepaid expenses	4.175	4.695	(520)
	4.191	4.711	(520)
Total other current assets	40.047	38.971	1.076

The ADI security deposit (entertainment devices) in the amount of Euro 11,459 thousand (Euro 11,792 thousand) amounts to 0.5% on the gaming movements generated by entertainment devices (AWP and VLT) as better described in note 4 "revenues from sales and services". It should be noted that on 20 July 2012 Euro 10,530 thousand was collected in connection with the 2011 security deposit. On 30 October 2012, AAMS notified SNAI that, on the basis of the judgment issued on 10 July 2012 by the Fourth Section of the Council of State, through a specific decree, the return of the remaining amount withheld on the 0.1% of amounts waged in 2011, amounting to Euro 1,063 thousand, was ordered. SNAI has asked to receive the payment of such amount.

The item advance on the concession installment amounting to Euro 2,742 thousand include the portion of the fixed installment paid to AAMS in advance for the first and second six months of 2012 and concerns the concession installment for the horse race and sports bets and for remote gaming. For further details, please see note 9.

The item "receivables owed by AAMS on account of the Di Majo Award" refers to a number of receivables of a compensatory nature held by operators or third party concession holders and owed by AAMS, deriving from the Di Majo Award and transferred to SNAI in December 2011 and June 2012. Pursuant to an agreement among the majority of the entities participating in the Award, SNAI S.p.A. will handle, on behalf of

the concession holders, the compensation which will be paid by AAMS. For this reason, the parent company acquired such receivables, which will be paid only to the extent that all of the compensation owed by AAMS will be collected. Indeed, the other liabilities include the debt owed to the assigning entities (note 29). Starting on 5 August 2012, the Company started to apply set-offs between debts for the collection of horse race wagers due every 15 days (known as the "Assi fifteen day payments") and the receivables for the Di Majo Award held by the horse race concession holders vis-à-vis AAMS and acquired by the Company in December 2011 and June 2012. As provided under the agreement in place between the Company and the assigning entities, SNAI has offset its own overdue receivables owed by such horse race concession holders and/or paid remaining balances to escrow accounts (see note 21).

Prepaid expenses include:

- Euro 2,668 thousand (Euro 4,321 thousand) related to prepayments for fees on bank guarantees and insurance premiums related essentially to bank guarantees issued to secure contractual obligations undertaken for our concessions, for the rights and for the fun and entertainment devices;
- Euro 1,507 thousand (Euro 374 thousand) related mainly to the portion not yet accrued of costs on maintenance and assistance agreements, etc..

21. Current financial assets

The current financial assets are as follows:

thousands of euro	30.09.2012	31.12.2011	Variation
Current financial assets			
Dedicated bank accounts	7	256	(249)
Escrow accounts	1.752	0	1.752
Shares in the former company Fiorentina Corse Cavalli in exchange	1	1	0
Total current financial assets	1.760	257	1.503

The decrease in dedicated bank accounts is due to the payments made in the first nine months of 2012 for debts and reimbursements related to the loan transaction.

The escrow accounts were opened by the parent company to manage the amounts deriving from the offset between the receivables owed by AAMS under the Di Majo Award and the debts for the collection horse race wagers due every 15 days (known as the "Assi fifteen-day payments") (for further details, see note 20). Such escrow accounts are used pending the issuance of the unchallengeable court ruling which will conclude the legal proceedings pending between the horse race concession holders and the Ministry of the Economy and Finance and the Ministry of Agricultural Policies. The hearing is scheduled for 14 December 2012.

Such escrow accounts have not been included in the net financial position (see note 38).

22. Cash and cash equivalents

Cash and cash equivalents are as follows:

thousands of euro	30.09.2012	31.12.2011	Variation
Bank accounts	15,689	39,952	(24,263)
Postal accounts	26	8	18
Cash and coffers	345	322	23
Available liquidity	16,060	40,282	(24,222)
Bank overdrafts	0	0	0
Net cash and cash equivalents	16,060	40,282	(24,222)

23. Net shareholders' equity

The entirely subscribed and paid in capital of the parent company Snai S.p.A. as of 30 September 2012, amounts to Euro 60,748,992.20 (as of 31 December 2011, Euro 60,748,992.20) and comprised of 116,824,985 ordinary shares (116,824,985 ordinary shares as of 31 December 2011).

Holders of ordinary shares are entitled to receive dividends approved from time to time and, for each share held, are entitled to one vote to be expressed in the Company's shareholders' meetings.

Number of authorized shares	116,824,985
number of shares issued and entirely paid in	116,824,985
Nominal value per share in Euro	0.52

The number of shares and the share capital has not changed with respect to 31 December 2011.

The issued shares are all ordinary shares.

No shares are held directly by the parent company Snai S.p.A., or through its subsidiaries or affiliates.

Reserves

Legal reserve

The legal reserve amounts to Euro 1,559 thousand.

Share premium reserve

The share premium reserve, amounting to Euro 154,345 thousand, was established with the capital increase approved on 14 September 2006 and concluded on 15 January 2007, in the amount of Euro 219,535 thousand, after deducting ancillary charges net of the tax effect related to the capital increase in the amount of Euro 8,216 thousand, as provided under IAS 32. It has been used in the amount of Euro 15,415 thousand in order to cover a portion of the losses for year 2010, as resolved by the shareholders' meeting held on 29 April 2011 and in the amount of Euro 41,559 thousand in order to cover losses for year 2011 as resolved by the shareholders' meeting held on 27 April 2012.

Earnings (losses) carried forward

Earnings (losses) carried forward amount to losses in the amount of Euro 2,333 thousands.

Net shareholders' equity pertaining to third parties

As of 30 September 2012, net shareholders' equity pertaining to third parties was equal to zero, since none of the subsidiaries consolidated using the full line-by-line method is partially owned by third parties.

24. Other components of the income statement

The other components of the income statement are comprised of the accounting registration of the derivatives directly to net shareholders' equity in the cash flow hedge reserve. In August 2011, two agreements for the hedging of interest rate risks under interest rate swap transactions were entered into.

Set forth below are details on the other components of the income statement (for further details, see notes 27 and 34).

Adaptation of the fair value of the interest rate swap	4,585
Tax effect	<u>1,261</u>
Other components of the net income statement	3,324

25. Earnings per share

Base earnings per share

The calculation of base earnings per share as of 30 September 2012 was carried out considering the loss attributable to holders of ordinary shares, amounting to Euro 24,718 thousand (31 December 2011: loss of Euro 40,324 thousand) and the average weighted number of ordinary shares outstanding over the period closed on 30 September 2012, of 116,824,985 (31 December 2011: 116,824,985).

The calculation was carried out as follows:

in thousands	30.09.2012	31.12.2011	30.09.2011
Earnings (loss) attributable to holders of ordinary shares = earnings for the period of the (a)	(24,718)	(40,324)	(17,215)
Average weighted number of ordinary shares/1000 (b)	116,824.99	116,824.99	116,824.99
Earnings (loss) per share base (a/b)	(0.21)	(0.35)	(0.15)

Diluted earnings/loss per share

Diluted earnings/loss per share is equal to base earnings/loss per share since no financial instruments which could have potentially diluting effects have been issued.

26. Severance indemnity

The severance indemnity as of 30 September 2012 amounts to Euro 4,496 thousand as compared with Euro 5,033 thousand as of 31 December 2011.

The following table sets forth the details on changes in the fund:

thousands of euro	
Balance as of 01.01.2012	5,033
Amount set aside for the period	59
Amounts used	(756)
Net interest payable	160
Actuarial losses/(Earnings)	0
Balance as of 30.09.2012	4,496

The severance indemnity falls within the category of benefit plans to be registered in accordance with IAS 19, applying the method of unitary projection of the receivable, which consists in estimating the amount to be paid to each employee when he leaves the company and calculating the present value of such debt on the basis of an estimate of the timeframe for exit calculated using actuarial methods.

27. Financial liabilities

The financial liabilities are as follows:

thousands of euro	30.09.2012	31.12.2011	Variation
Non-current financial liabilities			
Secured loans granted by banks	339,568	259,337	80,231
Debts related to financial leases	7,968	16,277	(8,309)
Debt owed to PAS for the purchase of horse race and sports betting concessions business units	0	118	(118)
Interest rate SWAP	10,060	5,475	4,585
Total other non-current liabilities	357,596	281,207	76,389
Current financial liabilities			
Current long-term quotas granted by banks	9,200	75,750	(66,550)
Debts for financial leases	10,773	19,633	(8,860)
Debts owed to banks	210	17,412	(17,202)
Debts owed to banks for RID (automatic payment) flows that have not fallen due	163	243	(80)
Debt owed to PAS for the purchase of the horse race and sports betting concessions business units	154	365	(211)
Debt for the purchase of shareholdings	0	291	(291)
Total current financial liabilities	20,500	113,694	(93,194)

The financial debts include notably:

- The loan entered into on 29 March 2011, (described in the following paragraphs) registered at amortized cost in the total amount of Euro 348,768 thousand, equal to the nominal amount of Euro 364,450 thousand and stated on a net basis after deducting direct ancillary costs. Such ancillary costs include professional fees/compensation related to the perfection of the loan, as well as the taxes due by law on the opening of the loan, in the amount of Euro 23,510 thousand, of which the portion registered in the income statement in the first nine months of 2012 amounts to Euro 2,830 thousand. As of 30 September 2012, the amount of Euro 70,000 thousand related to the "Bridge to Disposal" facility was reclassified as non-current financial liabilities as set forth in the table below.

- Financial debts for lease agreements, in the total amount of Euro 18,741 thousand, refer essentially to the remaining amounts under agreements for the purchase of a building located in Porcari (LU) and technologies to be used in the points for the acceptance of bets, better described in note 14, “tangible fixed assets”.
- The remaining debts owed to PAS in the amount of Euro 154 thousand arise under deeds of purchase of business units for Concessions (Vendor Loan), for the last installment falling due in June 2013.
- La determination of the Fair Value as of 30 September 2012 of two contracts for the hedging of interest rate risks, the Interest Rate Swap transaction, entered into in August 2011 with two primary lending institutions in a total amount of Euro 300 million, entering into effect on 31 December 2011 and expiring on 31 December 2015, as explained at great length in note 34. The execution of the interest rate hedging contracts was envisaged under the loan opened in March 2011, with respect to a portion of the total amount of the loan.

Non-current financial debts include a nominal amount of Euro 215,425 thousand falling due after 5 years. SNAI S.p.A., following the agreements reached on 8 March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., entered into a medium/long-term facility agreement structured in several tranches, for a total amount of Euro 490 million; such transaction was conditioned upon the perfection of the acquisition by Global Games S.p.A. of the majority shareholding in SNAI S.p.A., previously held by SNAI Services S.p.A..

Under the agreements reached on 29 March 2011, the previous loans, the Senior and Junior loans, were appropriately repaid, upon the perfection of the above-mentioned acquisition.

The tranches of the loan agreement, in the total amount of Euro 490 million, are remunerated at the rate of Euribor, as contractually defined and determined, plus a margin ranging between 4.50% and 5% per annum, and which may incur adjustments as the result of the Margin Ratchet and the market flex provision provided for the syndication strategy. The parent company entered into a syndication clause for the loan agreements pursuant to which the original lenders of the loan are entitled to have other lenders enter the lending pool. If following a period of tie the syndication is not successfully concluded, the interest rate may be modified, or additional fees may be requested. As of 30 September, the Company has obtained an extension in the syndication period through 31 October 2012.

Set forth below is a summary of the facilities:

in thousands of Euro

FACILITY	LOAN AMOUNT (€)	TERM	INTEREST PERIOD	MATURITY	REPAYMENT MODALITIES	DRAWDOWNS / REPAYMENT	
						DATE	AMOUNT
Facility A	115.000	6 years from the execution of the agreement	3 months	28/03/2017	Amortizing 12 semi-annual installments starting on 31 December 2011	29/03/2011	115.000
						31/12/2011	(1.150)
						29/06/2012	(1.150)
							112.700
Facility B	135.000	7 years from the execution of the agreement	3 mesi	28/03/2018	Bullet	29/03/2011	135.000
Capex facility	80.000	7 years from the execution of the agreement	3 months	28/03/2018	Amortizing 9 semi-annual instalments starting on 30 June 2014	29/03/2011	11.750
						28/04/2011	23.000
						29/03/2012	3.000
						21/08/2012	9.000
							46.750
Disposal facility	70.000	7 years and 6 months from the execution of the agreement (extension was execution in September 2012)	6 months	28/09/2018	Bullet	29/03/2011	70.000
Revolving facility	30.000	6 years from the execution of the agreement	1-3 or 6 months	-	Each drawdown must be repaid on the last day of the relevant interest period and for the entire availability period of such tranche, all amounts repaid may be re-used.	-	-
Acquisition facility	60.000	7 years from the execution of the agreement	3 or 6 months	-	Amortizing 11 semi-annual installments starting from 30 June 2013	-	-
Total	490.000					<i>Drawdowns and repayments as of 30/09/2012</i>	364.450

The terms of the loan agreement include compliance with the Financial Covenants, to be calculated starting on 31 December 2011. Such Covenants concern, inter alia: EBITDA, net financial indebtedness, working capital, and investments.

28. Funds for future risks and costs, legal proceedings and potential liabilities

As of 30 September 2012, the funds for risks and costs amount to Euro 14,259 thousand and the related changes and details are set forth in the following table:

thousands of euro	Technological innovations	Tax disputes, civil disputes and contractual risks	Total
Balance as of 31 December 2011	2,554	13,014	15,568
Amounts set aside during the period	96	508	604
Net amounts used during the period	0	(1,913)	(1,913)
Balance as of 30 September 2012	2,650	11,609	14,259

Technological innovations

The fund for technological innovations is comprised of the following:

- With regard to Euro 2,500 thousand, amounts periodically set aside for technological adaptations as provided under art. 19 of the "Termsheet of costs/duties" for the "grant of a concession for the activation and operation of the network for the electronic management of lawful gaming through fun and entertainment devices, as well as the related operations and functions" starting from the date of effect of the concession. The contractual clause provides that each year, the fund is increased by Euro 10 for each clearance issued and in place as of yearend;
- With regard to Euro 150 thousand, the estimate of costs to be incurred for technological adaptations to gaming terminals.

Tax disputes, civil disputes and contractual risks

The fund for risks related to tax disputes, civil disputes and contractual risks includes the total estimated amount needed to cover the remaining risk items related to the settlement of relationships and disputes with third parties, including tax and social security disputes, amounting to Euro 11,609 thousand.

The amount set aside for the period, of Euro 508 thousand, pertains to the following:

- With regard to Euro 309 thousand, the recalculation of interest and sanctions for the delayed payment of the single tax in prior financial years,
- With regard to Euro 175 thousand, to various legal proceedings,
- With regard to Euro 24 thousand to lawsuits pending against employees.

The use for the period in the amount of Euro 1,913 thousand concerns, with regard to Euro 1,536 thousand, the settlement of the Official Notice of Findings (*Processo Verbale di Constatazione* or PVC) for financial year 2010 commenced on 11 July 2011 by the Regional Revenues Office of Tuscany, Controls, Litigation and Collection Division – Large Taxpayers Office (known as the "DRE"), as part of the activities referred to as "tutoring" ("*tutoraggio*") provided under art. 27 del D.l. 185/2008. The partial tax audit concerned the control for tax periods 2009 and 2010 of the due application of tax withholdings pursuant to art. 26 and following years of DPR 600/1973, on the interest paid for the Senior loan (opened with Unicredit Banca d'Impresa S.p.A.) and the Junior loan (opened with SOLAR S.A.) in place in such years. The verification, at the office's request, was later extended to cover year 2011.

The reasons which gave rise the audit consist in the continuation of the control activities which began in 2009 on years 2006, 2007 and 2008 and concluded on 1 December 2009 with the delivery of the formal notice of findings (*processo verbale di constatazione* or "pvc") settled on 15 October 2010, through the execution of a deed of settlement concerning all of the claims deriving from the findings set forth therein (the related debt to be paid on an installment basis is included in the tax debts – note 29).

For year 2011, SNAI S.p.A. undertook to settle the requests which the DRE will issue in accordance with the same criteria identified for years 2009 and 2010 as soon as the IT procedure will allow for the automation of the assessment. The amount of Euro 376 thousand related to year 2011 was set aside in the balance sheet as of 31 December 2011.

Disputes related to the entertainment devices business: claims by the Auditors' Court and AAMS for alleged breaches in the management of the electronic interconnection network

SNAI S.p.A., in its capacity as concession holder for the management of the electronic interconnection network for entertainment devices was served in June 2007 by the Regional Public Prosecutor's Office of the Auditors' Court of the Region of Lazio an invitation to submit its arguments on an investigation on charges of damages to the public tax coffers caused by the fact that only a portion of its devices were properly

connected to the state IT network (SOGEI) from which AAMS obtains information for purposes of calculating the PREU tax. The alleged damages to the public coffers amounted to approximately Euro 4.8 billion, entirely comprised of penalties for the alleged breach on the part of the concession holder of service levels provided under the concession.

In the same month of June 2007, AAMS also issued rulings imposing the contractual penalties of Euro 20 million upon SNAI S.p.A..

SNAI S.p.A., together with other concession holders, submitted an appeal to the Supreme Court, arguing that the Court of Auditors lacked jurisdiction over the subject matter of the dispute.

The Company also submitted an appeal against AAMS' rulings to the TAR.

At the hearing held on 04.12.2008, the Lazio Section of the Court of Auditors ordered the suspension of the proceedings pending the issuance of the Supreme Court's judgment.

The United Chambers of the Supreme Court, through a court order, confirmed the theoretical admissibility of the accumulation between the action for the damages to the public coffers for which the Court of Auditors has jurisdiction and the action for contractual liability (over which AAMS and the Administrative Court have jurisdiction); such court order does not serve to dissipate the ambiguity of the initial claim for damages to the public coffers which today, in the opinion of our legal counsel, gives rise to the nullity of the statement of claim raised before the Court of Auditors on the basis of recent legal provisions.

Let us add to the foregoing that on the merits, the damages would not appear to exist since it may not be proven on the basis of the conduct on the part of the concession holders.

In any case, following the Supreme Court's ruling, the Court of Auditors resumed the proceedings and, on 24 March 2010, the Company received a notice (statement of claim) from the Regional Prosecutor's Office of the Court of Auditors which scheduled the next hearing on 11 October 2010; the hearing for discussion purposes was concluded after several hours of discussions and debates with the Prosecutor's Office, with the withholding of all proceedings for decision. SNAI's legal counsel submitted extensive counterarguments against the claims and the Court of Auditors withheld the proceedings for judgment.

The judgment / order issued by the Court of Auditors at such time ordered a technical consultancy (CTU) to be performed by DIGIT-PA to perform technical verifications, with participation of both parities and the Prosecutor's Office, setting a deadline for the filing of the evidentiary document of 11 August 2011, which was later extended to the end of September. On 30 September 2011, DIGIT-PA filed its expert report. The Company filed on 27 October 2011 the brief prepared by its own expert.

At the hearing held on 24 November 2011, the defensive arguments raised by the legal teams of the concession holders and the executive of AAMS were presented in reply to the indictment/closing speech of the Regional Prosecutor who (and this was learned at the beginning of the hearing and only because one of the two presenting judges of the hearing mentioned it) had filed additional evidentiary documentation on 22 March 2011. As a result, the legal counsel of the concession holders clearly requested a postponement in order to review and control such new exhibit, since the same had been concealed from access at the court clerks' office of the Section of the Court of Auditors, on the assumption that, as stated numerous times, there had not been additional exhibits produced by the Prosecutor's Office. The Chairman's refusal to grant the postponement was irremovable and there for the oral arguments were conducted, including a statement confirming the failure to accept a bilateral discussion on the exhibit, which was filed without any assurances guaranteeing the opportunity for discussions between the parties. SNAI's legal team concluded that the judgment must be for acquittal since if the conviction is based upon the information submitted by the Prosecutor's Office on 22 March 2011 is certainly defective/marred. Apart from this procedural incident, the defensive arguments were fully presented in support of the other procedural objections concerning both the failure to honor the order to assure bilateral discussions (which order in SNAI's opinion was not fully honored by the Prosecutor's Office through the mere notification to SOGEI without any claim specifically addressed to it) *senza alcuna domanda specificamente rivolta nei suoi confronti*) and other insufficiencies in arguments submitted by the Prosecutor's Office.

On the merits, SNAI S.p.A.'s legal team reiterated that there no inconvenience had arisen and that it was impossible to reach a finding calling for sanctions other than the application of the contractual penalties for which the Council of State had jurisdiction (which in various cases it has already found unjustified) and, lastly, the fact that SNAI S.p.A. could not be found to have acted with gross negligence.

Following this extensive and detailed discussion, the Panel withheld the lawsuit for judgment.

Judgment no. 214/2012, published on 17 February 2012 sets forth a conviction against all of the concession holders involved. SNAI, in particular, was ordered to pay the amount of Euro 210 million (including monetary adjustment), plus legal interest accruing from the date of publication of the judgment until payment, as compensation for the damages to the public coffers deriving from the alleged breach by the Company of the services levels provided under the concession.

On 11 May 2012, SNAI served the appellate brief against judgment no. 214/2012 since it is censurable from many standpoints. It should be noted that the filing of the appeal suspends the enforceability of the judgment.

In light of the considerations set forth and the legal opinions received, the directors are of the view that the risk that the Company may lose the appellate proceedings is considered merely a possibility and the amounts involved are very likely lower than those set forth on the judgment in question.

For these reasons, specific amounts have not been set aside on reserve in the balance sheet other than the estimated legal fees and expenses.

It should be noted that any negative outcome in the appellate proceedings and the failure to change the sanction amount would have an effect on the business continuity of the Group.

Following a line of defense that was agreed upon among the other concession holders, by a deed served on 6 August 2010, SNAI formulated a request for declaration of nullity of the statement of claim before the Court of Auditors for the charge of tax liability (which later resulted in judgment no. 214/2012). This is because the statement of claim was considered not founded *ab origine* on concrete and specific damages as required under art. 17 paragraph 30 ter of Law Deree 78/09 (the "Bernardo Award"). The request for nullity was discussed at the hearing held on 11 October 2010 and rejected by court order no. 553/2010 against which an appeal was filed before the Central Sections of the Court of Auditors.

The hearing, which had already been scheduled for the discussion of the appeal for 12 October 2012, was postponed due to the impossibility of establishing a panel due to "supervening institutional circumstances" on 24 April 2013.

While such appellate proceedings are pending, the Lazio Section of the Court of Auditors issued, as already mentioned, judgment no. 214/2012.

With reference to the rulings issued by AAMS, the TAR had already issued rulings on the contractual penalties imposed by AAMS in June 2007, first suspending the application of the same and, later, ordering the cancellation through judgment no. 2728 dated 1 April 2008, which has now become final and enforceable. As for the first group of three claims – concerning the alleged delay in the activation and operation of the Network – AAMS once again imposed the penalties, respectively, through protocol notice 33992/Giochi/UD on 2 September 2008, protocol notice 38109/Giochi/UD on 1 October 2008 and protocol notice 40216/Giochi/UD on 16 October 2008, for a total amount exceeding Euro 2 million imposed upon SNAI which challenged such rulings as well before the Lazio TAR.

The judgment no. 12245/2009 issued by the Lazio TAR on 1 December 2009, which rejected this second appeal, similar to what occurred for the appeals brought by the other nine concession holders, was appealed by SNAI and on a number of appeals, the Council of State has already granted the appeal, issuing a judgment which exonerates the Concession Holders with full exoneration wording (judgments nos. 9347/2010 and 3028/2011 rendered in favor of G.MATICA s.p.a. and BPLUS GIOCOLEGALE Ltd).

The Fourth Section of the Council of State scheduled a hearing for the discussion of SNAI's appellate proceedings for 20 March 2012.

By judgment 2192/2012 issued on 16 April 2012 the Council of State cancelled on appeal the rulings importing the first three penalties.

On 23 June 2012, a third party claim was served upon the Company by SOGEI S.p.A. against judgment 2192/2012. SNAI shall enter its appearance in the appellate proceedings by the applicable procedural deadlines, once the date of the hearing for discussion purposes is announced (which the Company is now awaiting).

By its own protocol notice 2011/6303/Giochi/ADI issued on 22 February 2011, AAMS formally reactivated the proceedings for the application of the fourth penalty, referring to the alleged breach of the above-mentioned services level by Gateway over the period between July 2005 and March 2008, in other words, when the above-mentioned additional contractual deed became effective and deleted the provision going forward.

On the basis of the data and criteria prepared by the above-mentioned technical Commission, and subject to the maximum annual cap introduced through the last contractual addendum, AAMS imposed such penalty upon SNAI S.p.A., calculating the total amount of Euro 8,480,745.00, (reduced to Euro 7,463,991.85 to comply with the reduced maximum cap for year 2005 in the event that the Council of State were to confirm the first three penalties).

SNAI S.p.A., following partial access to the database of information gathered by SOGEI S.p.A., through a brief dated 8 June 2011, submitted specific defensive arguments, which were both procedural and substantive, on the reliability and properness of the claims, and reserved the right to further investigate them following the completion of its review of the documents.

On 28 September 2011, the additional consultation was conducted on the information related to the investigation on the devices performed using the access gateway.

The information obtained were analyzed in a technical opinion by Prof. Listanti which constituted the basis for the supplementary brief filed with AAMS on 27 October 2011.

By protocol note no. 2012/7455/Giochi/ADI dated 17/02/2012 which was received on 27/02, AAMS imposed upon SNAI the penalty referred to under the combined provisions of art. 27, paragraph 3, letter b) of the

Concession Agreement and paragraph 2 of Schedule 3 to such agreement, in the total amount of Euro 8,408,513.86.

On 27 April 2012, an appeal challenging such ruling was filed with the Administrative Court with a request for cancellation, by precautionary suspension.

On 24 May 2012, the Second Section of the Lazio TAR, by court order no. 1829/2012 suspended the effectiveness of the ruling applying the fourth penalty, scheduling the hearing for the discussion on the merits for 20 February 2013.

By virtue of the foregoing and the opinions rendered by its external legal advisors, the Group is of the view that the risks fund set forth on the financial statement, in the amount of Euro 2.2 million is congruous to cover possible liabilities that may result from AAMS' claims in connection with the legal proceedings pending or those that may be initiated in the future.

Disputes related to the entertainment devices: PREU risks fund

It should be recalled that the Company has received from AAMS a number of notifications concerning the alleged breach due to failure to pay the PREU during years 2004 through 2009 during which the network was operated. Set forth below are the most recent developments in the various rulings, organized by the year in which the claim was raised.

On 8 January 2009 AAMS – The Regional Office of Tuscany and Umbria, Florence Branch, notified SNAI S.p.A. of the results of the automatic control concerning the payment of the SingleTax (*Prelievo Erariale Unico* or PREU) for years 2004 and 2005. On the basis of a check, errors and gaps were found which were promptly notified on 6 February 2009. By a notice dated 25 June 2009, AAMS notified SNAI that following the above-mentioned observations, the errors and gaps noted were taken into account. On the basis of an additional verification by AAMS, a new notification was sent on 25 June 2009, claiming PREU in the amount of Euro 729 thousand, interest of Euro 451 thousand and ordinary sanctions in the amount of Euro 11,780 thousand which, reduced to 1/6 would amount to Euro 1,963 thousand.

On 29 July 2009, an installment arrangement was requested, as provided under the above-mentioned notification, and granted by AAMS on 30 July 2009. On the same day, the Company promptly paid the first instalment. In the meantime, on 30 July 2009, an appeal was submitted to the Lazio TAR against such ruling. A similar mechanism was followed for the PREU for year 2006 for which AAMS, in January 2010, claimed taxes in the amount of Euro 243 thousand, interest in the amount of Euro 151 thousand and reduced sanctions in the amount of Euro 556 thousand for which a long-term installment arrangement has already been attained. On the basis of a specific legal opinion, the Company is of the view that there exist legitimate reasons to consider the outcome of the challenge to be positive, since it gives rise to the resolution of the claims, in particular with reference to the application of interests and sanctions which the Company has prudentially accepted, with the benefit of an installment arrangement.

Following the foregoing, the Company registered the request for years 2004-2005-2006 in the item "other liabilities" and set aside an adequate risks fund to cover possible liabilities related to the sanctions which could arise in connection with the legal proceedings pending.

On 30 December 2009, AAMS addressed to SNAI S.p.A. an "amicable" payment related to the PREU due in year 2007. The amount requested is approximately Euro 2.8 million as PREU and Euro 300 thousand as interest and sanctions. On 2 February 2010, SNAI answered, claiming arguments on the merits, with particular reference to the calculation indicated by AAMS. The Company pointed out in its observations errors and gaps contained in AAMS' notification, which quantified the PREU in the amount of Euro 646 thousand and interest and sanctions in the amount of Euro 765 thousand. This amount was accepted on an installment basis with the payment of 20 quarterly installments starting on 02/08/2010 until 01/06/2015. Therefore, the amount to be paid on an installment basis has been registered among the Company's debts, to which reference is made, and simultaneously the fund was used in the same amount.

On 16 December 2010, the Company received from AAMS an additional amicable payment order for PREU for year 2008, setting forth, respectively, PREU in the amount of Euro 127 thousand and sanctions and interest in the amount of Euro 149 thousand, against which the parent company's observations and comments have been filed. On 30 June 2011, SNAI received the definitive request concerning PREU for 2008 in the total amount of Euro 183 thousand (Euro 45 thousand for PREU, Euro 105 thousand for sanctions and Euro 33 thousand for interest). On 22 July 2011, SNAI made the full payment of such amount.

On 5 January 2012, the Company received from AAMS an additional amicable payment order for PREU for year 2009, setting forth, respectively, Euro 64,137.09 for PREU, Euro 20,486.38 for interest and Euro 339,222.69 for sanctions, against which SNAI's observations and comments were filed on 2 February 2012.

On 25 June 2012, SNAI received the definitive request concerning PREU for 2009 in the total amount of Euro 137,907.91 (Euro 25,394.40 for PREU, Euro 5,227.96 for interest and Euro 107,285.55 for sanctions). Such amount has already been set aside in the risks fund as of 31 December 2011, and was reclassified as liabilities in the financial statement as of 30 June 2012.

On the basis of the opinions of its legal advisors' the Group is of the view that it may prudently rely upon its defensive strategy and, therefore, upon a positive result in the appeal raised for years 2004-2005-2006, which would allow for the resolution of the tax sanction claims. The amounts set aside on the balance sheet are, in any case, sufficient to cover costs that may derive from the above-described dispute.

Disputes related to the entertainment devices business: judicial accounts proceedings ("giudizio di resa del conto") commenced by the Subsistute Prosecutor before the Court of Auditors

The Regional Prosecutor's Office of the Court of Auditors issued a sanctioning ruling for Euro 150 million against SNAI S.p.A. for the alleged failure to submit the "judicial accounts" related to all of the cash flows related to the conduct of lawful gaming in the capacity of network concession holder.

By a decree issued by the Chairman of the Lazio section of the Court of Auditors, the request for judicial accounts was renewed, with the scheduling of a deadline for the related filing. Through a defensive brief, the qualification attributed to SNAI was challenged, since SNAI did not manage public money since it is an entity subject to PREU. On 27 April 2010, the Regional Prosecutor's Office served a statement of claim seeking a conviction against SNAI S.p.A. for failure to provide judicial accounts. The Court, at the hearing for appearance and discussion purposes held on 7 October 2010 on the sanction claimed by the Prosecutor's Office due to the alleged delay in submission of the accounts, received the considerations of the prosecution and SNAI's defence and that of the other concession holders who were defending themselves against the same proceedings.

The legal counsels raised in-depth considerations on the substantive baselessness of the Prosecution's claims and conclude that the Court may consider the requests for exoneration from liability due to delay, considering the modalities for providing the judicial account using state of the art electronic notification of data concerning Sogei S.p.A. in lieu of the application of the legal provisions applicable to entities who in the past (over a period dating back to 1862) who "managed" public money.

Following the hearing, the Court of Auditors fully rejected the claims raised by the Prosecutors' Office, blaming AAMS for the failure to provide the judicial accounts by the legal deadline. On 11 March 2011, SNAI received the appeal filed by the Prosecutors' Office.

The grounds of the appeal, in the opinion of the Company's legal advisors, would appear, in any case, reasonably superable.

The hearing for discussion purposes is scheduled for 13 March 2013.

In the opinion of the Company's legal advisors, the risk of losing the appeal is remote and, in line with this general approach, the directors have set aside only the estimated legal fees and expenses for the technical defense.

Since judgment no. 2186/2010 has confirmed the presentation of the accounts by SNAI, proceedings have been initiated to verify the regularity of the accounts submitted, by the presenting Magistrate appointed by the Chairman of the Court. The hearing for discussion purposes is scheduled for 17 January 2013.

Malfunctioning of the Barcrest VLT platform (16 April 2012)

On 16 April 2012, an anomalous peak in requests for "jackpot" payments occurred on the Barcrest system (one of the VLT platforms used by the Company), for tickets which were only apparently winning tickets since they had not been generated by the central gaming system, for various nominal amounts some of which fell under the regulatory limit of Euro 500,000.00 and some of which exceeded such limit significantly.

Following such episode, SNAI S.p.A. immediately blocked the Barcrest System in order to conduct the necessary verifications and inspections by consulting the database containing the registrations of all of the gaming transactions concluded on the platform and its approximately 1,450 terminals, including the related system logs. The Barcrest system is still blocked.

Such event resulted in the following:

- ***Disputes concerning the entertainment devices business: AAMS' claims for alleged breaches in the operation of the electronic interconnection network***

On 29 May 2012, AAMS brought two specific claims on the event which occurred on 16 April 2012 when a number of VLT devices linked to the gaming system provided by Barcrest Plc issued, over just a few minutes, numerous tickets indicating anomalous and merely apparent winnings. In particular, two separate sanctioning proceedings were opened, the first of which aimed at the possible revocation of the certificate of compliance of the SNAI-Barcrest 01 gaming system, the second aimed at the possible termination of the Concession.

SNAI reviewed the documents filed in the proceedings in question and, with the support of a specially

appointed technical advisor – opportunely produced its arguments in two separate briefs which were filed with AAMS on 24 July 2012. In both cases, it was pointed out and argued extensively that neither of the claims is legitimate, concluding, in both proceedings, with a request for the definitive abandonment of the proceedings for the revocation, respectively, of the certificate of compliance of the Snai-Barcrest 01 gaming system and the Concession.

By ruling on ruling prot. no. 2012/42503/Giochi/ADI issued on 21 September 2012, AAMS revoked the certificate of compliance of the Snai-Barcrest 01 gaming system, which gave rise to a prohibition on the collection of gaming wagers through such gaming system. SNAI has already started to perform the formalities/requirements provided under the legal framework and the Concession Agreement aimed at the removal of the Barcrest devices from the points of sale.

With comfort provided by the legal advisors' opinion, the Directors have concluded that the risk of a defeat may be considered remote.

- Disputes conseguenti all'evento del 16 April 2012

Following the malfunctioning of the Barcrest VLT platform, which occurred on 16 April 2012, a number of holder of "allegedly winning" tickets brought ordinary legal proceedings or monitory/summary proceedings in order to obtain payment of the amounts indicated on the tickets issued by the Barcrest VLTs during such malfunctioning.

In particular, as of 30 September 2012, 28 legal actions were brought (including one claim seeking precautionary seizure, which was rejected by the Court of Lucca due to lack of *fumus boni iuris* (a valid claim) and 2 temporarily enforceable injunctive rulings), as well as 2 requests for mediation.

With reference to the enforcement action initiated by 2 players, it should be noted that:

- in one case, pending the decision on the suspension of the temporary enforceability (which was later granted with grounds related to the *fumus boni iuris* – existence of a valid claim – and pending the proceedings/judgment on the merits) a player completed the enforcement action for approximately € 500,000.00. SNAI also in light of the suspension ruling obtained, will assess the relevant actions to be taken against such player;
- in another case, the temporary enforceability was suspended upon the grant of a judicial security deposit in the amount of the sum enjoined, which was duly provided by SNAI.

After 30 September 2012, 19 additional proceedings were commenced, 5 of which involved temporarily enforceable decrees as well as 1 request for mediation.

In one case, pending the decision on the suspension/revocation of the temporary enforceability, one player completed the enforcement action for approximately € 500,000.00. In the event that suspension/revocation of the temporary enforceability is obtained, SNAI will assess the appropriate actions to be taken against such player.

In another case, the temporary enforceability was suspended for reasons related to the actual legitimacy of the payment request made during the monitory phase.

In two additional cases, the players carried out seizures with third parties.

Lastly, in the fifth case, the player has just commenced the enforcement procedure.

In all of the above-mentioned proceedings, SNAI has entered an appearance and will enter an appearance in the proceedings, contesting the factual and legal grounds underlying the payment requests, since, inter alia, and as already notified to the market, no "jackpot" was validly achieved and notified to the competent regulatory authority during the entire day of 16 April 2012. In line with the assessments on the risk of a possible definitive judgment in such proceedings – also on the basis of the legal opinions received – the directors set aside as provisions only the estimated legal fees and expenses for the technical legal defense. SNAI has brought against Barcrest and its controlling shareholder legal action seeking compensation for all of the damages resulting from the malfunctioning which occurred on 16 April 2012.

Proceedings for the revocation/expiry of certain Rights awarded following the Bersani Tender

AAMS' executive office announced, through several rulings, the revocation of the authorization and the expiry of the right due to failure to activate or unauthorized suspension of the gaming activities with reference to 98 rights awarded to SNAI S.p.A. following the "Bersani" tender procedure (with reference to 3 additional rights, AAMS served rulings of commencement of proceedings aimed at the revocation of the authorization and expiry of the right). The Company has promptly filed the appropriate appeals with the Lazio TAR.

These matters have not yet been resolved. On the basis of the legal opinions obtained and considering, in any case, the uncertainty characterizing the situation, SNAI is not of the view, at present, that risks of a defeat are probable in connection with the above-mentioned claims.

Disputes related to the betting business: Guaranteed Minimums

It should be recalled that SNAI S.p.A. received from AAMS various notifications for the lower level of

volumes registered by certain horse racing and sports Concessions over the course of years 2007-2008, for which AAMS has requested guaranteed minimums. We set forth below the most recent developments in the rulings, broken down by year of the claim.

Through AAMS notice no. 2009/20716 dated 29 May 2009, the Authority demanded that SNAI pay the guaranteed minimums for year 2008 for a total of approximately Euro 11.1 million. The Company, on 17 September 2009, through its legal advisor, submitted an appeal to the Lazio TAR for the cancellation by way of suspension of the rulings which requested the payment of the guaranteed minimums for year 2008.

The Lazio TAR accepted through judgment no.10860/2009 published on 5 November 2009 the appeal raised by SNAI, and cancelled AAMS' request for the payment of guaranteed minimums for year 2008.

A similar procedure was concluded for AAMS' request concerning year 2009, in connection with 204 horse race concessions for a total amount of Euro 7.4 million against which a precautionary request was filed with the Lazio TAR for purposes of soliciting a settlement of the proceedings.

In addition, following an extensive dispute brought before the Lazio TAR by numerous horse racing concession holders for the guaranteed minimums for years 2006-2007, the TAR published judgments nos. 6521 and 6522 on 7 July 2009, cancelling the payment requests made by AAMS, finding them illegitimate since that had not been preceded by the definition, which is provided by law, of the "modalities for the safeguarding" of concession holders that were pre-existing, prior to the opening of the market realized by Law Decree no. 223/06 (known as the "Bersani Reform"). The TAR also acknowledged that AAMS was under a legal obligation to adopt such measures, aimed at an overall re-establishment of equilibrium in the conditions for the exercise of the concessions in place prior to the above-mentioned reform.

On the basis of the foregoing, it may reasonably be concluded that SNAI S.p.A., given all of the concessions it holds, must benefit from the complete revisitation of the requests made by AAMS by virtue of the adoption of the "safeguarding" measures.

It should also be noted that on the matter of the guaranteed minimums, SNAI S.p.A. had paid, in accordance with AAMS' request but without granting its acquiescence, the guaranteed minimums for year 2006 in the amount of Euro 2.4 million. The amount paid was registered as receivables owed by AAMS since it is deemed refundable and the parent company notified AAMS that it will enforce its rights in all appropriate forums, such that the amounts requested may be brought back in line with principles of fairness, and the Entity's conduct may be evaluated. Recently, also at the request of other concession holders, the Lazio TAR revoked AAMS' requests and requested the Entity to define in advance the so-called "safeguarding measures" in connection with the fact that through the Bersani tender procedure and the subsequent tender procedures, the exclusive territorial rights which had previously been granted through concession deeds, have been superseded following the award of numerous additional concessions for the collection of sports and horse racing wagers.

Lastly, also on the basis of notifications in such regard sent by AAMS to another concession holder, starting from the first fifteen-day payment for April 2011, the receivable in the amount of Euro 2,429 thousand for the above-mentioned payment for guaranteed minimums for year 2006 paid by the parent company to AAMS in previous financial years has been offset with current debts for the fifteen-day payments to ASSI (formerly UNIRE).

On 12 January 2012, AAMS served upon SNAI 226 – plus 2 additional requests to the former Agenzia Ippica Monteverde Srl – requests for the payment of guaranteed minimums for years 2006-07-08-09-10 for a total amount of Euro 25,000 thousand based upon the argument that it had expressly implemented the "safeguard modalities" provided under art. 38, paragraph 4 of Law Decree no.223/06 which had so far not been implemented, but simply in order to note the impossibility of adopting a specific criterion for the guaranteed minimums other than that which had already been repeatedly censured in numerous judgments issued by the Lazio TAR, certain of which have become final and enforceable. SNAI filed an appeal with the Lazio TAR for the cancellation, by suspension of such executive rulings. The hearing for discussion purposes of the precautionary motion was scheduled for 21.03.2012.

By court order no. 1036/2012 issued on 22 March 2012, the Second Section of the Lazio TAR, while noting the initiative taken to define from a regulatory standpoint the long-standing matter of the "safeguarding modalities" suspended the enforceability of the renewed requests for guaranteed minimums for 2006-2010, postponing the discussions on the merits to the hearing scheduled for 5 December 2012.

On 20 June 2012, AAMS served upon SNAI 226 - plus 1 additional request to the former Agenzia Ippica Monteverde Srl – requests for the payment of supplements of the guaranteed minimums for years 2006-07-08-09-10-11 for a total amount of Euro 24.9 million.

With respect to the prior series of requests in January 2012, this one shows: on the negative side, the addition of the supplements due for year 2011 which so far had not been requested by AAMS and, on the positive side, a 5% reduction in the amount requested pursuant to art. 10 paragraph 5 letter b) of Law Decree no. 16 of 2 March 2012 converted into Law no. 44 of 26 April 2012.

On 20 July 2012, an appeal was filed with the Lazio TAR for the cancellation, by way of suspension, of such payment requests.

Following the Council Chamber hearing held on 12 September 2012, the Second Section of the Lazio TAR found that the challenged notes constitute mere settlement offers that do not have the effect of a new payment request since they have not been accepted by the concession holder. This interpretation of the notes received and of the underlying provisions of Law Decree no. 16/2012, on the one hand leaves intact the possible protection from a possible collection that AAMS may wish to activate and, on the other, confirms the parallel suspension of the previous expressly impositive acts issued by AAMS on 30 December 2011, for which the precautionary suspension already granted by the same TAR through the above-mentioned court order no. 1036/2012.

The outcome of the hearing on the merits of the appeal, scheduled for 5 December 2012, deliberately simultaneous with the one scheduled for the appeals against the prior requests for guaranteed minimums is still pending.

In addition, let us point out that a deed of additional grounds was filed in support of the appeal against the additional ruling requesting "minimum guarantees" in connection with horse race concession no. 426, having a tenor that is utterly analogous to those already appealed, but served by AAMS only on 7 August 2012.

The Group, also supported by the opinion issued by its legal advisors, has concluded there exist no risks that the Group will be forced to succumb to the requests made so far by AAMS, and therefore has not set aside any specific risks found on the balance sheet.

Other Disputes

SNAI/Omniludo S.r.l.

- Lawsuit 4194/2007. Omniludo S.r.l. brought legal action against SNAI S.p.a. alleging breach of obligations arising under the agreement entered into between the parties concerning the "operation, maintenance and assistance by Omniludo S.r.l. of slot machines" ("Agreement 29.06.05") and asking the court:

To find and declare SNAI S.p.A. liable for breaching the contractual obligations and, in particular, the right of commercial exclusivity pursuant to art. 3 and 4 of Agreement 29.06.05; to order SNAI S.p.a. to pay compensation or various damages in a total amount of over € 100,000,000.00 and, in any case, in the amount to be determined over the course of the lawsuit.

The discovery phase of the lawsuit was completed and a hearing for the statement of conclusions was scheduled for 10.12.2010, and later postponed by the court to 17.06.2011. After stating its conclusions, SNAI S.p.a. filed a request for joining the proceedings with other proceedings initiated by the same party (described below) pending before the Court of Lucca, Dr. Giunti (R.G. 4810/10). The Judge reserved the case for decision.

By a court order dated 10.02.2012, the judge ordered that the file be transmitted to the Chairman of the Section in order to join these proceedings with those described below, or for the reassignment of the same to Dr. Capozzi who presided over the proceedings.

By a ruling issued on 12.03.2012, the Chairman of the Court ordered that lawsuit 4194/07 be called together with lawsuit 4810/10 at the hearing scheduled for 11.12.2013 before judge Frizilio for the possible joinder of the two lawsuits.

SNAI, supported by its legal advisor's opinion, is of the view that the risk of a defeat is remote.

- Lawsuit 4810/2010. By a deed served on 16.11.2010, SNAI S.p.a., given the serious breaches of the obligations arising under Agreement 29.06.05, brought legal action against Omniludo S.r.l. before the Court of Lucca, asking the court:
 - 1) To find and declare breach on the part of Omniludo S.r.l. concerning the reliance procured and the commitments under the above-mentioned agreement;
 - 2) To find and declare the termination of Agreement 29.06.05 given the serious breaches of Omniludo S.r.l. of its contractual and legal obligations;
 - 3) To order the defendant to pay compensation for damages in the amount (indicated on a precautionary basis) of €40,000,000.00, or such other amount that may be determined on an equitable basis, and the statement of the *quantum* (amount) in the briefs pursuant to art. 183 /6 of the Italian Code of Civil Procedure, and to compensate for loss of profit and damages to image and goodwill. .

Simultaneously, SNAI S.p.A. presented a request pursuant to art. 163 bis of the Italian Code of Civil Procedure aimed at obtaining an acceleration in the timetable for appearance. Such acceleration was granted by a ruling issued by the Chairman of the Court of Lucca on 05.11.2010 who scheduled the hearing for 07.01.2011. The hearing was postponed by the court to 02.02.2011. At such hearing, the judge adjourned the lawsuit for evidentiary arguments to 18.05.2011, assigning the deadlines pursuant to art. 183 VI c. of the Italian Code of Civil Procedure. The next hearing was scheduled for 23.11.2011.

At such hearing, the judge reserved the right to issue a decision on the evidentiary requests. By a court order dated 7.3.2012, dissolving such reservation, the Judge, finding the lawsuit ripe for decision, scheduled the next hearing for 11.12.2013, for the statement of conclusions.

By a ruling dated 12.03.2012, the Chairman of the Court ordered lawsuit 4194/07 to be called in conjunction with lawsuit 4810/10 at the hearing scheduled for 11.12.2013 before judge Frizilio, for the possible joinder of the same.

On 03.04.2012, OMNILUDO filed a request for revocation of the court order issued by the Judge on 12.03.2012 and simultaneous anticipation of the hearing scheduled for 11.12.2013.

The Judge's decision is still pending.

By a ruling issued on 23.04.12, the Chairman of the Court of Lucca ordered the parties to appear at the hearing scheduled for 08.06.2012. At such hearing, the Judge in charge of issuing a decision on the anticipation of the hearing withheld the lawsuit for decision.

By a ruling issued on 26.06.2012, the Chairman of the Court, considering that the conditions have been met for joining the proceedings, ordered that the lawsuits be forwarded to Judge Frizilio in order to schedule the joinder and the statement of conclusions.

By a ruling issued by Judge Frizilio on 2.08.2012, the lawsuits no. 4194/2007 and no. 4810/2010 were called at the hearing scheduled for 11.12.2013

Tesi Stefano /SNAI S.p.A.

By a claim pursuant to art. 702 of the Italian Code of Civil Procedure served upon SNAI on 19.10.11, Mr. Stefano Tesi summonsed SNAI S.p.A. to the hearing scheduled by the judge for 26 January 2012 in order to order the same to pay € 13,476,106.10 - or such other amount that may be deemed equitable - plus expenses based upon the allegation that the defendant has not yet made payment of the "extraordinary" winnings realized by the same through a SNAI VLT.

SNAI appeared in the proceedings by the legal deadline, in order to contest the counterparty's claims as factually and legally baseless, since by law VLTs may not disburse winnings exceeding € 500,000.00 and filing a third party claim against the manufacturer since the episode in question was likely caused by a defect in the VLT. Following SNAI's submission of a request for deferral, in order to proceed with the service of process upon the third party defendant (BARCREST Group Limited with registered office in the United Kingdom), the presiding judge of Lucca scheduled the next hearing for 03.07.2012. At such hearing, at which the BARCREST Group entered its appearance, the Judge reserved the lawsuit for decision. Through a ruling dissolving his reservation, the Judge ordered a change in the ordinary procedures, scheduling a hearing pursuant to art. 183 of the Italian Code of Civil Procedure for 09.10.2012. At such hearing, the next hearing was scheduled for 12.03.2013 for the admission of evidentiary requests.

SNAI, with support from its legal advisor's opinion, is of the view that the risk of a defeat with reference to the amount requested by the counterparty is remote.

This is also in consideration of the third party claim raised against the manufacturer Barcrest Ltd, as guarantor for any outlay which, for any reason, SNAI may be forced to make in connection with Tesi's claim.

Ainvest Private Equity S.r.l./SNAI S.p.A.

By a statement of claim served on 14 March 2012, Ainvest Private Equity S.r.l. summonsed SNAI before the Court of Lucca asking the court to order SNAI to pay alleged success fees related to the Company's obtainment of certain bank loans. SNAI entered its appearance by the applicable deadline, stating its defensive arguments and arguing that the counterparty's claims are baseless. At the hearing held on 29 June 2012, at the joint request of the parties, the court was asked to assign deadlines pursuant to article 183, paragraph 6, of the Italian Code of Civil Procedure. After assigning such deadlines, the Judge scheduled the next hearing for 15 February 2013 for the admission of evidence. With support from its legal advisors' opinion, the Directors are of the view that a risk of defeat may be qualified as possible.

Potential activities: Receivable on account of the Di Majo Award

At the end of the 1990s, a dispute arose among various horse racing concession holders against the Ministry of the Economy and the Ministry of Agricultural Policy concerning alleged delays and breaches committed by the above-mentioned Ministries.

The matter was initially concluded through the issuance of the "di Majo Award" in 2003, through which the Arbitration Panel presided over by Prof. Di Majo, established for the resolution of the dispute, ascertained liability on the part of the above-mentioned Ministries and ordered them to pay compensation for damages suffered by the concession holders.

The compensation awarded to SNAI as of 30 June 2006 amounted to Euro 2.3 million.

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

The Ministries have raised an appeal against such decision before the Rome Court of Appeals. At present, the lawsuit is still pending. The next hearing is scheduled for 14 December 2012.

In addition to these legal matters, on 22 June 2010 Assosnai (*Associazione di categoria dei concessionari* – Association of Concession Holders) sent to AAMS a memorandum in which it proposed the possibility of a settlement of the dispute concerning the offset of receivables held by horse racing concession holders owed by the above-mentioned Ministries with debts related to the horse racing concession holders owed to AAMS (with express waiver of interest accrued on such receivables, monetary adjustments and enforcement actions initiated) and the waiver by the above-mentioned Ministries of the proceedings pending before the Rome Court of Appeals.

AAMS has submitted a formal query to the Attorney General concerning the memorandum forwarded by Assosnai and notified Assosnai that the Attorney General has affirmed the admissibility of the settlement of the dispute.

The possible execution of such settlement agreement would mean that the parties would not have to attend the hearing scheduled for 14 December 2012.

So far, the settlement agreement has not yet been finalized.

However, the set-off of receivables under the Di Majo Award has already been authorized by a specific ruling issued by AAMS, and SNAI has applied such set-off, in the amount accrued as of 30 June 2006 of Euro 2.3 million, on 5 and 20 June 2012.

It should be noted that in the event that the settlement agreement is not executed and the Rome Court of Appelas does not declare the Di Majo Award null and void, the set-off would have been applied with an inexistent receivable, and this would lead to the re-instatement of the debt that was offset. For this reason, the registration of such debt has been maintained (see note 29) and the revenue related to the amount of the receivable already offset has not yet been registered for accounting purposes.

29. Various debts and other liabilities

Various debts and other non-current liabilities are detailed below:

thousands of euro	30.09.2012	31.12.2011	Variation
Various debts and other non-current liabilities			
<i>Tax debts</i>			
- installment payment of PVC	1,715	3,195	(1,480)
	1,715	3,195	(1,480)
<i>Other debts</i>			
- for installment payment of PREU for pervious years	516	807	(291)
- for non-competition agreement	0	1,568	(1,568)
- for security deposits	13	13	0
	529	2,388	(1,859)
Total various debts and other non-current liabilities	2,244	5,583	(3,339)

The other current liabilities are detailed below:

thousands of euro	30.09.2012	31.12.2011	Variation
Other current liabilities			
<i>Tax debts</i>			
- income taxes	1,300	4,058	(2,758)
- IVA	112	1,104	(992)
- Single tax	17,691	9,713	7,978
- installment payment of PVC	3,746	3,201	545
- other tax debts	745	1,050	(305)
	23,594	19,126	4,468
<i>Debts owed to social security entities</i>			
- Social security entities	1,867	2,285	(418)
	1,867	2,285	(418)
<i>Other debts</i>			
- owed to AAMS for PREU balances	11,227	9,871	1,356
- owed to AAMS for ADI security deposits	1,221	2,335	(1,114)
- for installment payment of PREU for prior years	563	437	126

- owed to winners and jackpot reserve of VLTs	2,657	1,233	1,424
- owed to AAMS for the concession installment	732	1,401	(669)
- owed to platers for antepost bets	2,045	2,827	(782)
- owed to players for winnings and reimbursements Bets/IPN/CPS	6,289	2,674	3,615
- owed to ASSI (formerly U.N.I.R.E.) for fifteen-day balances	1,384	2,154	(770)
- owed to AAMS for expired tickets	208	296	(88)
- owed to AAMS for pool betting and national horse racing	3,216	3,815	(599)
- for balances for SNAI Card card games	5,430	4,979	451
- owed to players of Remote gaming (Skill/Casino/Bingo)	177	194	(17)
- for the operation of Remote gaming (Skill/Casino/Bingo)	816	259	557
- for the sale of the Di Maio Award receivable	16,574	13,816	2,758
- for offsetting under the Di Maio Award	4,087	0	4,087
- for the non-competition agreement	1,568	1,001	567
- owed to employees and collaborators	3,240	3,088	152
- owed to directors	580	890	(310)
- owed to auditors	150	320	(170)
- for security deposits	2,383	1,538	845
- owed to others	1,741	1,771	(30)
	66,288	54,899	11,389
<i>Adjustment accounts</i>			
- accrued liabilities	1,076	79	997
- deferred income	2,044	178	1.866
	3,120	257	2.863
Total othe current liabilities	94,869	76,567	18.302

The PVC debt for the installment payment of the total amount of Euro 5,461 thousand relates to the settlement of assessments with acceptance on the part of the Company following formal notices of findings (*Processo Verbale di Constatazione – PVC*) served on December 2009 and November 2011, of which Euro 1,715 thousands falls due after 12 months and Euro 3,746 thousand falls due within 12 months. The amount includes the tax, sanction and interest as set forth in the notices closing such assessments, with the Company's acceptance, respectively on 14 October 2010 (for years 206-2007-2008), 21 February 2012 (for year 2009) and 5 July 2012 (for year 2010) in which an installment arrangement was agreed, with the payment of 12 quarterly installments. For further details, see note 28.

The increase in the single tax is due to the new payment date of the single taxon bets which was introduced by the "*decreto mille proroghe*" (thousand extensions decree). Under the new wording, which was approved by the presenters and the Government, starting on 1 March 2012, the payment deadline for the single tax on horse race bets and events other horse races is 20 December of the same year, and 31 January of the following year, with reference to the single tax due, respectively, for the period of September through November and for the month of December, and 31 August and 30 November with reference to the single tax due, respectively, for the periods from January to April and from May to August of the same year.

Current liabilities include "debts for non-competition agreement" registered following the commitment undertaken by certain former directors not to engage in competing activities starting on 1 April 2011 for a period of 3 years.

The item debts owed to third parties for the assignment of Di Majo Award receivables relates to the purchase of a number of receivables from third party operators or concession holders. For further details, see note 20.

The debt related to the single tax (*prelievo unico erariale* or PREU) is calculated on the cashflows of the entertainment devices (ADI).

The item deferred income, of Euro 2,044 thousand, refers mainly to the portion that has not yet accrued of revenues for services invoiced on an anticipated basis to stores and corners and the deferred income of contributions to Unire investments fund which are registered as contributions to the capital account in accordance with the income method.

30. Commercial debts

Commercial debts are detailed below:

thousands of euro	30.09.2012	31.12.2011	Variation
Commercial debts			
- suppliers	24,873	21,596	3,277
- tables, jockeys, bookmakers	6,205	4,051	2,154
- foreign suppliers	4,345	3,638	707
- advances to suppliers	(1,656)	(1,220)	(436)
- credit notes to be received	(203)	(678)	475
- debts owed to the subsidiary Teseo S.r.l. in liquidation	14	0	14
- debts owed to the affiliate Connex S.r.l.	142	159	(17)
- debts owed to the affiliate Alfea S.p.A.	3	0	3
- debts owed to the subsidiary Tivu + S.p.A. in liquid.	64	43	21
Total commercial debts	33,787	27,589	6,198

31. Overdue debt positions

As requested by Consob in protocol notice 10084105 dated 13 October 2010, set forth below are the Group's debt positions, presented by category, with specific indication of amounts that are overdue.

(amounts in thousands of euro)

Current liabilities	Balance as of 30.09.2012	Overdue as of 30.09.2012
Financial debts	20,500	-
Commercial debts	33,787	6,019
Tax debts	23,594	-
Debts owed to social security entities i	1,867	-
Other debts	66,288	-
	146,036	6,019

Commercial debts: amounts overdue as of 30 September 2012, of Euro 6,019 thousand, are part of the current operations owed to suppliers of services and materials. Such amounts have, in large part, been paid after 30 September 2012. In certain cases, a new payment date has been agreed. At present, no initiatives have been taken by any supplier.

32. Financial commitments

The Group, in addition to what is stated in financial liabilities, contracted financial commitments related to the issuance of bank guarantees in a total amount of Euro 194,174 thousand as of 30 September 2012 (Euro 234,531 thousand as of 31 December 2011).

With respect to the amounts set forth in the financial statement as of 31 December 2011, we set forth below the variations that have occurred in the financial commitments:

Bank	Beneficiary	Subject matter of the guarantee	Increases/ (Decreases) 30.09.2012 (thousands of euro)
Banca Nazionale del Lavoro	AAMS	Horse Racing Concession	(708)
Banca Popolare di Milano	AAMS	Horse Racing Concession	(127)
Unicredit	AAMS	To secure the opening of sports gaming stores and points and activation of remote sports gaming for the 2006 tender concessions	(3,647)

Unicredit	AAMS	To secure the opening of horse race gaming stores and points and activation of remote horse race gaming for the 2006 tender concessions	(8,393)
Unicredit	AAMS	To secure the correct and timely payment of PREU	(1,053)
Unicredit	Agenzia delle Entrate	To secure the debt following the assessment with acceptance pursuant to Legislative Decree no. 218/1997, PVC	(1,905)
Unicredit	AAMS	On-line gaming	1,571
Unicredit	A.S.S.I. (Agenzia per lo development del settore ippico)	In the interest of Teleippica, for the assignment of services related to the broadcasting, elaboration and dissemination of the audio/video signal originated at Italian and foreign racetracks	6,000
Banca Interregionale	Lottomatica Group S.p.A.	For the remote collection of wager for electronic lotteries	10
Banca Interregionale	ASSI (Agenzia per lo development del settore ippico)	In the interest of Teleippica for the tender procedure of the services related to the broadcasting, elaboration and dissemination of the audio/video signal originated at Italian and foreign racetracks	1,200
Banca Interregionale	Società Immobiliare Tirrena per azioni	to secure obligations arising under the lease agreement	(19)
Banca Interregionale	Società Immobiliare Tirrena per azioni	to secure obligations arising under the lease agreement	(12)
Banca Interregionale	Società Immobiliare Tirrena per azioni	to secure obligations arising under the lease agreement	(21)
Toro Assicurazioni	Ministry of Economic Development	For the "Buone Feste ... Bingo Snai" contest	(44)
L'Aurora	ASSI (Agenzia per lo development del settore ippico)	to secure the concession obligations related to the horse racing concessions	(25,806)
L'Aurora	ASSI (Agenzia per lo development del settore ippico)	to secure the structured debt related to the horse racing concessions	(7,585)
Siemens Renting	Siemens Locazione	Financial lease agreement in the interest of Trenno S.r.l.	(31)
Ifinc S.p.A.	AAMS	For the concession of acceptance of horse racing and sports betting	(61)
Toro Assicurazioni	Ministry of Economic Development	For prize contest "Bingo a primavera"	19
Toro Assicurazioni	Ministry of Economic Development	For prize contest "una tribuna per te"	16
Toro Assicurazioni	Ministry of Economic Development	for prize transaction "PUNTO&SNAI"	70
Toro Assicurazioni	Ministry of Economic Development	For prize contest "PUNTO&SNAI"	84
Toro Assicurazioni	Ministry of Economic Development	For prize contest "PUNTO&SNAI"	84
Toro Assicurazioni	Ministry of Economic Development	For prize contest "SBK DAY"	1
Total increases (decreases)			(40,357)

33. Related parties

Consob notice 6064293 dated 28 July 2006 calls for, in addition to the requirements set forth under the international accounting standard on "Disclosure of related party transactions in the financial statement" (IAS 24) information is provided on the impact of transactions or positions with related parties, as classified under IAS 24, on the Company's balance sheet and results of operations.

Such incidences are set forth in the following table. The incidence of transactions on results of operations and cash flows of the Company and/or the Group must be analyzed considering that the main relationships in place with related parties are entirely identical with equivalent agreements in place with third parties.

The Group performs services for concession holders of horse race and sports betting acceptance points. Certain concession holders and operators of point of sale (horse racing and sports stores) were owned by members of the Board of Directors of the parent company who resigned on 14 May 2012. The transactions, which are governed by standardized agreements, are at market conditions which are completely identical to those in place with third party concession holders.

SNAI S.p.A. has a bank account with Banca Popolare di Milano, which is qualifiable as a party related to SNAI since Investindustrial IV L.P. holds a stake in it. Such transactions have been concluded in the Company's business, in the ordinary course of business and were at market conditions.

The following table indicates in summary form the Snai Group's relationships with related parties:

thousands of euro	30.09.2012	% incidence	31.12.2011	% incidence
Commercial receivables:				
- owed by companies owned by directors of Snai S.p.A.	12	0.01%	13,365	17.50%
- owed by Global Games S.p.A.	-	0.00%	4	0.01%
- owed by companies owned by shareholders of Snai S.p.A.	1,103	1.20%	159	0.21%
	1,115	1.21%	13,528	17.72%
Other current assets:				
- owed by companies owned by directors of Snai S.p.A.	238	0.59%	-	0.00%
- owed by companies owned by shareholders of Snai S.p.A.	5	0.01%	-	0.00%
- owed by Alfea	6	0.01%	-	0.00%
	249	0.61%	-	0.00%
Total assets	1,364	0.18%	13,528	1.73%
Commercial debts:				
- owed to companies owned by directors of Snai S.p.A.	63	0.19%	29	0.11%
- owed to Tivu + S.p.A. in liquidation	64	0.19%	43	0.16%
- owed to Teseo S.r.l. in liquidation	14	0.04%	-	0.00%
- owed to Connex S.r.l.	142	0.42%	159	0.58%
- owed to Alfea S.p.A.	3	0.01%	-	0.00%
- owed to companies owned by shareholders of Snai S.p.A.	5	0.01%	-	0.00%
	291	0.86%	231	0.85%
Other current liabilities:				
- owed to companies owned by directors of Snai S.p.A.	1	0.00%	3,548	4.63%
- owed to former directors of SNAI S.p.A. under the non-competition agreement	-	0.00%	567	0.74%
- owed to Global Games S.p.A.	1	0.00%	-	0.00%
	2	0.00%	4,115	5.37%
Other non-current liabilities:				
- owed to former directors of SNAI S.p.A. under the non-competition agreement	-	0.00%	1,134	20.31%
	-	0.00%	1,134	20.31%
Total liabilities	293	0.05%	5,480	0.96%

The following table sets forth amounts owed to related parties:

First nine months of 2012

thousands of euro	01.01.2012- 30.09.2012	% incidence	01.01.2011- 30.09.2011	% incidence
Revenues for the supply of services and chargebacks:				
- from companies owned by directors of Snai S.p.A.	265	0.07%	1,652	0.41%
- from companies owned by shareholders of Snai S.p.A.	18	0.00%	7	0.00%
- from Connex S.r.l.	-	0.00%	1	0.00%

	283	0.07%	1,660	0.41%
Other revenues				
- from SNAI Services S.p.A.	-	0.00%	42	4.23%
- from Global Games S.p.A.	4	0.30%	-	0.00%
- from Tivu + S.p.A. in liquidation	-	0.00%	3	0.30%
- from companies owned by shareholders of Snai S.p.A.	94	7.03%	-	0.00%
	98	7.33%	45	4.53%
Earned interest:				
- from companies owned by directors of Snai S.p.A.	17	2.34%	170	11.81%
- from SNAI Services S.p.A.	-	0.00%	384	26.69%
	17	2.34%	554	38.50%
Total revenues	398	0.11%	2,259	0.56%
Costs for raw materials e consumables used:				
- charged y Connex S.r.l.	-	0.00%	1	0.10%
	-	0.00%	1	0.10%
Costs for supplies of services and chargebacks:				
- charged by companies owned by directors of Snai S.p.A.	8,597	3.02%	32,698	10.89%
- charged by SNAI Services S.p.A.	-	0.00%	12	0.00%
- charged by companies owned by shareholders of Snai S.p.A.	1,016	0.36%	-	0.00%
- charged by Alfea S.p.A.	13	0.00%	-	0.00%
- charged by Connex S.r.l.	536	0.19%	589	0.20%
- charged by Solar S.A.	-	0.00%	80	0.03%
	10,162	3.57%	33,379	11.12%
Other costs di gestione:				
- paid to companies owned by directors of Snai S.p.A.	28	0.16%	-	0.00%
- charged by Connex S.r.l.	-	0.00%	2	0.01%
- charged by Tivu + S.p.A. in liquidation	21	0.12%	-	0.00%
- charged by Teseo S.r.l. in liquidation	14	0.08%	-	0.00%
	63	0.36%	2	0.01%
Interest payable and fees:				
Financial charges Solar S.A.	-	0.00%	1,575	5.48%
Figurative financial charges on vendor loan payable to companies owned by former directors of the Snai Group	-	0.00%	70	0.24%
	-	0.00%	1,645	5.72%
Total costs	10,225	3.35%	35,027	9.88%

Q 3 2012

thousands of euro	Q3 2012	% incidence	Q3 2011	% incidence
Revenues for supplies of services and chargebacks:				
- from companies owned by directors of Snai S.p.A.	67	0.06%	465	0.39%
- from companies owned by shareholders of Snai S.p.A.	6	0.01%	2	0.00%
- from Connex S.r.l.	-	0.00%	1	0.00%
	73	0.07%	468	0.39%
Other revenues				
- from Tivu + S.p.A. in liquidation	-	0.00%	1	0.60%
- from Global Games S.p.A.	1	0.18%	-	0.00%
- from companies owned by shareholders of Snai S.p.A.	40	7.16%	-	0.00%
	41	7.33%	1	0.60%
Earned interest:				
- from companies owned by directors of Snai S.p.A.	-	0.00%	40	10.72%

	-	0.00%	40	10.72%
Total revenues	114	0.11%	509	0.42%
Costs for supplies of services and chargebacks:				
- charged by companies owned by directors of Snai S.p.A.	225	0,25%	7.348	8,08%
- charged by companies owned by shareholders of Snai S.p.A.	498	0,56%	-	0,00%
- charged by Alfea S.p.A.	13	0,01%	-	0,00%
- charged by Connex S.r.l.	171	0,19%	180	0,20%
	907	1,03%	7.528	8,28%
Other operating costs:				
- paid to companies owned by directors of Snai S.p.A.	28	0,51%	-	0,00%
- charged by Connex S.r.l.	-	0,00%	1	0,02%
- charged by Tivu + S.p.A. in liquidation	21	0,38%	-	0,00%
- charged by Teseo S.r.l. in liquidation	14	0,26%	-	0,00%
	63	1,15%	1	0,02%
Total costs	970	1,03%	7.529	7,71%

Revenues for the supply of services and chargebacks and other revenues represent 0.99% of results before interest, taxes, depreciation and amortization in the first nine months of 2012 (3.04% in the first nine months of 2011) while total revenues amount to 1.61% of Earnings (Loss) in the first nine months of 2012 (13.12% in the first nine months of 2011).

Costs for raw materials and consumables used and for the supply of services and chargebacks represent 26.68% of results before interest, taxes, depreciation and amortization in the first nine months of 2012 (59.47% in the first nine months of 2011), while total costs represent 41.37% of Earnings (Loss) in the first nine months of 2012 (203.47% in the first nine months of 2011).

The following table sets forth relationship with related parties of the parent company Snai S.p.A. as of 30 September 2012, as required under Consob notice prot. no. 10084105 dated 13 October 2010.

thousands of euro	30.09.2012	31.12.2011
Commercial receivables:		
- owed by companies owned by directors of Snai S.p.A.	2	13,364
- owed by Global Games S.p.A.	-	4
- owed by Company Trenno S.r.l.	570	211
- owed by Festa S.r.l.	31	23
- owed by Mac Horse S.r.l. in liquidation	-	2
- owed by Immobiliare Valcarenga S.r.l.	-	1
- owed by SNAI Olé S.A.	-	1
- owed by Snai France	-	1
- owed by Faste S.r.l. (cancellata dal registro delle imprese on 4 June 2012)	-	1
- owed by Teleippica S.r.l.	89	12
- owed by companies owned by shareholders of Snai S.p.A.	1,103	159
Total Commercial receivables	1,795	13,779
Other current assets:		
- owed by companies owned by directors of Snai S.p.A.	238	-
- owed by Company Trenno S.r.l.	11	6
- owed by Festa S.r.l.	670	562
- owed by Mac Horse S.r.l. in liquidation	-	72
- owed by Immobiliare Valcarenga S.r.l.	57	39
- owed by Teleippica S.r.l.	687	-
- owed by companies owned by shareholders of Snai S.p.A.	5	-
- owed by Alfea S.p.A.	6	-
Total other current assets	1,674	679
Financial receivables:		
- owed by Company Trenno S.r.l.	4,802	4,778

- owed by SNAI Olé S.A.	739	-
- owed by Faste S.r.l. in liquidation	-	457
- owed by SNAI France	7	5
Total financial receivables	5,548	5,240
Total assets	9,017	19,698
Other non-current liabilities		
- owed to directors di SNAI S.p.A.	-	1,134
Total other non-current liabilities	-	1,134
Commercial debts:		
- owed to companies owned by directors of Snai S.p.A.	61	29
- owed to Company Trenno S.r.l.	49	188
- owed to Festa S.r.l.	559	124
- owed to Teleippica S.r.l.	254	1
- owed to Connex S.r.l.	139	154
- owed to Tivu + S.p.A. in liquidation	64	43
- owed to Teseo S.r.l. in liquidation	14	-
- owed to Alfea S.p.A.	3	-
- owed to companies owned by shareholders of Snai S.p.A.	5	-
Total commercial debts	1,148	539
Other current liabilities		
- owed to companies owned by directors of Snai S.p.A.	1	3,548
- owed to directors di SNAI S.p.A.	-	567
- owed to Global Games S.p.A.	1	-
- owed to Company Trenno S.r.l.	4,300	2,711
- owed to Festa S.r.l.	1	-
- owed to Teleippica S.r.l.	5	-
Total other current liabilities	4,308	6,826
Current financial debts:		
- owed to Festa S.r.l.	1,938	2,632
- owed to Mac Horse S.r.l. in liquidation	118	347
- owed to Immobiliare Valcarenga S.r.l.	192	162
- owed to Teleippica S.r.l.	1,023	1,243
Total curret financial debts	3,271	4,384
Total liabilities	8,727	12,883

Assets are set forth on a net basis after taking into account the related fund.

thousands of euro	01.01.2012- 30.09.2012	01.01.2011- 30.09.2011
Revenues for the supply of services and chargebacks:		
- from companies owned by directors of Snai S.p.A.	198	1,652
- from Company Trenno S.r.l.	2,022	2,049
- from Festa S.r.l.	-	1
- from Connex S.r.l.	-	1
- from companies owned by shareholders of Snai S.p.A.	18	7
Total revenues for the supply of services and chargebacks	2,238	3,710
Other revenues		
- from SNAI Services S.p.A.	-	42
- from Global Games S.p.A.	4	-
- from Company Trenno S.r.l.	2,185	2,276
- from Festa S.r.l.	94	161

- from Mac Horse S.r.l. in liquidation	24	25
- from Immobiliare Valcarenga S.r.l.	8	7
- from SNAI Olé S.A.	1	-
- from SNAI France	1	-
- from Faste S.r.l. in liquidation	1	23
- from Teleippica S.r.l.	385	410
- from companies owned by shareholders of Snai S.p.A.	94	-
- from Tivu + S.p.A. in liquidation	-	3
Total other revenues	2,797	2,947

Earned interest:

- from companies owned by directors of Snai S.p.A.	17	170
- from SNAI Services S.p.A.	-	284
- from Company Trenno S.r.l.	166	297
- from Festa S.r.l.	1	-
- from SNAI Olé S.A.	-	32
- from Faste S.r.l. (cancellata dal Registro delle imprese on 4 June 2012)	8	10
- from Teleippica S.r.l.	2	176
Total earned interest	194	969
Total revenues	5,229	7,626

Costs for raw materials e consumables used

- charged by Connex S.r.l.	-	1
Total costs of raw materials and consumables	-	1

Costs for the supply of services and chargebacks:

- paid to companies owned by directors of Snai S.p.A.	8,572	32,698
- charged by SNAI Services S.p.A.	-	11
- charged by Company Trenno S.r.l.	207	276
- charged by Festa S.r.l.	3,695	4,054
- charged by Mac Horse S.r.l. in liquidation	230	395
- charged by Solar S.A.	-	80
- charged by Teleippica S.r.l.	1,685	1,654
- charged by Connex S.r.l.	536	587
- charged by Alfea S.p.A.	13	-
- charged by companies owned by shareholders of Snai S.p.A.	1,016	-
Total costs for the supply of services and chargebacks	15,954	39,755

Costs of seconded personnel and various personnel costs

- charged by Company Trenno S.r.l.	103	102
- charged by Teleippica S.r.l.	1	-
Total costs for seconded personnel	104	102

Miscellaneous operating costs

- paid to companies owned by directors of Snai S.p.A.	28	-
- charged by Teleippica S.r.l.	-	2
- charged by Connex S.r.l.	-	2
- charged by Company Trenno S.r.l.	11	18
- charged by Tivu + S.p.A. in liquidation	21	-
- charged by Teseo S.r.l. in liquidation	14	-
Total miscellaneous operating costs	74	22

Interest payable and fees

Interest payable by Festa S.r.l.	90	106
Interest payable by Mac Horse S.r.l.	12	16
Interest payable by Immobiliare Valcarenga S.r.l.	7	6
Interest payable by Teleippica S.r.l.	59	-
Financial charges Solar S.A.	-	1,575
Figurative financial charges on Vendor Loan to companies owned by former directors of the Snai Group	-	70
Total interest payable and fees	168	1,773
Total costs	16,300	41,653

34. Management of financial risk

The Group has financial liabilities comprised mainly of structured bank loans and financial lease agreements. Such agreements are medium/long-term.

These liabilities were opened for purposes of funding important strategic development transactions planned and realized from 2006 until 2011, in order to purchase concessions business lines and new rights, to consolidate and develop its presence on its relevant market.

SNAI S.p.A., in March 2011, entered into a loan agreement for Euro 490,000 thousand, in order to adequately structure its growth opportunities, to support the investments necessary for the development plan and to allow for a sufficient liquidity autonomy and elasticity. Such loan, which was structured in six different lines, has been used partially as of 30 September 2012, in the total amount of Euro 364,450 thousand.

The Group's policy is to minimize the use of onerous debt to support ordinary day-to-day operations, to reduce collection times for commercial receivables, and to plan timetables and deferral instruments vis-à-vis commercial creditors, to plan and diversify the modalities used for paying for investments.

Derivatives

Derivatives are used by the Snai Group for hedging purposes in connection with current or expected exposures to interest rate risk as provided under the Group's Policy for the management of interest rate risk.

The objective pursued by the Group through management of interest rate risk is that of limiting the variability of expected cash flows, without precluding the possibility of benefitting from possible declines in interest rates and therefore through the identification of a mix of fixed rate and floating rate exposures, considered to be in line with such objectives.

In line with the provisions of IAS 39, derivatives are appraised at fair value and registered for accounting purposes in accordance with the modalities established for hedge accounting.

Fair value

The fair value is the value at which an asset may be exchanged, or a liability repaid, in an autonomous transaction between informed and independent parties.

The fair value of a financial instrument at the time it is initially measured is normally the price of the transaction, and in other words the consideration given or received. However, if a portion of the consideration given or received is for something other than the financial instrument, the fair value of the instrument is estimated using a valuation technique.

The existence of official quotes on an active market is the best proof of fair value and, when they do exist, they are used to value the financial asset or liability.

If the market for a financial instrument is not active, the fair value is determined using a valuation technique which uses mainly market factors and as few internal valuation parameters as possible.

The Group has as financial instruments appraised at fair value only derivative contracts the value of which is determined using valuation models and parameters determinable on the market and therefore under the fair value classification IAS 39, they are Level 2 fair value instruments.

Criteria for the determination of fair value

The Group uses consolidated techniques in market practice for the determination of the fair value of financial instruments for which no active market exists.

The mark to market amounts derive from the use of pricing models that are periodically comprised with the mark to markets supplied by the bank counterparties.

Hedge Accounting

Depending upon the type of the risk hedged, the following accounting treatment applies:

- **Fair value hedge** – hedging of the exposure to the variation of the fair-value of an asset or liability attributable to a particular risk which gives rise to effects on net earnings:
 - variations in the fair value of the hedging instrument are set forth in the income statement;
 - variations in the fair value of the hedged item, attributable to the hedged risk, change the book/accounting value of such item and are set forth in the income statement;
- **Cash flow hedge** – hedging of exposure to variations in cash flows attributable to particular risks associated with assets and liabilities set forth in the financial statement which will have effects on net earnings. The effects to be registered are the following:

the effective portion of the variation in the value of the hedging instrument is set forth directly in the net shareholders' equity and such amount is equal to the lower amount (as an absolute value) as between the accumulated variation in the fair value of the hedging derivative starting on the date of commencement of the hedging and the cumulative variation in the net present value of expected cash flows from the hedged instrument, starting on the start date of the hedging;

- The ineffective portion is determined as the difference between the variation in the value of the hedging instrument and the effective component registered as part of net shareholders' equity, and is registered in the income statement;
- amounts registered as net shareholders' equity as an effective component of the hedging are transferred to the income statement in the moment in which the hedged item is expressed on the income statement.

If conditions are not met for the application of hedge accounting, the effects deriving from the valuation at fair value of the derivative instrument are imputed directly to the income statement.

At present, the Group has entered into derivative instruments to hedge interest rate risk which are treated for accounting purposes by applying the hedge accounting method (cash flow hedge).

The Group, in order to verify the effectiveness of hedged items in place, conducts, on a quarterly basis, forward-looking and retrospective tests.

The forward-looking tests provide that at the inception and for the entire duration of the hedging relationship, each hedging must be proven highly effective, where the term "effective" means that variations in fair value or in the cash flow of the covered item must offset "almost completely" variations in fair value or cash flow of the hedged instrument. Retrospective test provide that the hedging is proven to be highly effective where its result fall within a range of 80% to 125%.

As of 30 September 2012, the verification of the effectiveness using the Dollar Offset Method showed that the hedging instruments implemented by the Group are effective.

Derivative instruments in place as of 30 September 2012

As of 30 September 2012, the Group has in place two derivative instruments (Interest rate swaps) entered into to hedge the interest rate risk related to the loan granted by Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. The Group chose to register for accounting purposes in sceltto di contabilizzare in hedge accounting i suddetti derivati trattandoli come coperture di cash flow (c.d. cash flow hedge) in accordance with the rules provided under Standard IAS 39.

In particular, the two IRS contracts entered into, respectively, with Banca IMI S.p.A. and Unicredit S.p.A., were implemented to hedge Facility A, Facility B and the Capex Facility.

Set forth below is a table which summarizes the changes in the cash flow hedge reserve in the first nine months of 2012.

Changes in the cash flow hedge reserve (amounts expressed in thousands of euro).

Cash Flow Hedge Reserve – Interest Rate	30.09.2012
Initial Reserve	(3,970)
Positive Variations (+) / negative variations (-) in the reserve for the registration of positive/negative effectiveness	(3,324)
Positive Variations (+) /negative variations (-) to offset the negative/positive effectiveness in the income statement	0
Final reserve	(7,294)

Liquidity Risk

Liquidity risk is defined as the possibility that the Group does not succeed in maintaining its payment commitments due to the incapacity of securing new funds (funding liquidity risk), the incapacity to sell assets on the market (asset liquidity risk), or being forced to incur very high costs to meet its commitments. Exposure to such risk for the Group is mainly related to commitments arising under the lending transaction

entered into in March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A and structure d through various lines.

Interest Rate Risk

The Group, as part of its loan/investment activities related to its core business, is exposed to interest rate risks which may be defined as the possibility that a loss in the financial activities may occur, in terms of lower yield of an asset or higher cost of a liability (existing and potential), as the result of variations in interest rates.

Interest rate risk therefore consists in the uncertainty associated with the trend in interest rates.

The Group's exposure to such risk, at present, concerns in particular the loan opened in March 2011, structured in several lines, all of which provide for a floating interest rate. The Group, also on the basis of the provisions of the Group's interest rate management Policy, entered into two IRS (Interest Rate Swap) contracts in August 2011 with two primary lending institutions in order to hedge a portion of its exposure to interest rate risk related to the loan.

The objective of interest rate risk management is to immunize the Group's financial margin against variations in market interest rates, through control over the volatility of the same and maintaining consistency between the risk and return characteristics of financial assets and liabilities.

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

Credit risk

In order to reduce and monitor credit risk, the Snai Group has adopted ad hoc policies and organizational instruments.

Potential relationships have always been subjected to reliability analyses performed in advance, with the support of information received from leading specialized companies. The analyses obtained are appropriately supplemented with objective and subjective elements where available within the Group, generating a reliability assessment. Such assessment is subject to auditing on a periodic basis and where appropriate whenever new elements emerge.

The Company's debtors (clients, operators of stores and gaming points, operators of AWP and VLTs, etc.) are often well known to the Group, thanks to its long-term presence on all segments of its market, which is characterized by a limited number of contractual operators.

Various active relationships are preliminarily covered by bank guarantees or security deposits, granted to the Group on the basis of characteristics determined by the reliability assessment.

Relationships established are continuously and regularly monitored by a dedicated structure which is in context with all of the various functions involved.

Receivables are subject to in-depth assessments on a regular basis. In particular, receivables are stated net of the related write-down fund. Amounts set aside in the receivables write-down fund are registered whenever there is objective evidence of difficulties in recovering the receivable on the part of the Company. Where receivables are considered unrecoverable, they are written off completely.

With regard to the above-listed financial instruments, the maximum exposure to credit risk, without considering any guarantees held or other instruments attenuating credit risk, is equal to fair value.

The risk concerning other financial assets of the Group is limited.

Exchange risk

No noteworthy transaction is in place which could generate risks related to exchange rate variations.

Capital management

The management of the Group's capital is aimed at ensuring a solid credit rating and adequate levels of the capital indicators in order to support its industrial operations and investment plans, while honoring contractual obligations undertaken with lenders.

The Group, subject to the limits provided under the contractual clauses of the loans in place, may disburse dividends to shareholders and issue new shares.

The Group analyzed its capital through a debt/capital ratio, or in other words taking the ratio of net debt to net shareholders' equity plus net debt. The group's policy aims at maintaining the ratio between 0.3 and 1.0.

thousands of euro	30.09.2012	31.12.2011
Onerous loans	377,942	394,127
Non-onerous loans	154	774
Financial liabilities	378,096	394,901

Commercial debts and other debts	130,900	109,739
Current financial assets	(1,760)	(257)
Cash and cash equivalents	(16,060)	(40,282)
Net debt	491,176	464,101
Net shareholders' equity	182.308	210.350
Total net shareholders' equity	182.308	210.350
Net shareholders' equity and net debt	673.484	674.451
Ratio between net debt/net shareholders' equity and net debt	72,9%	68,8%

35. Significant non-recurring events and transactions

In the first nine months of 2012, there are not non-recurring revenues or cost items, within the meaning set forth in Consob resolution 15519 dated 27 July 2006 which it defines as "components of income (positive and/or negative) deriving from events or transactions the occurrence of which is non-recurring or transactions or events which do not occur frequently in the ordinary course of business".

36. Positions or transitions deriving from atypical and/or unusual transactions

In the first nine months of 2012, no atypical and/or unusual transactions were concluded.

37. Entities belonging to the group

Control over the group

SNAI S.p.A., the parent company, is subject to legal control on the part of Global Games S.p.A..

Significant shareholdings in subsidiaries

	Percentage held		
	30.09.2012	31.12.2011	30.09.2011
IMMOBILIARE VALCARENGA S.r.l. having a sole quotaholder	100	100	100
FESTA S.r.l. having a sole quotaholder	100	100	100
Mac Horse S.r.l. having a sole quotaholder in liquidation	100	100	100
Società Trenno S.r.l. having a sole quotaholder	100	100	100
Faste S.r.l. having a sole quotaholder in liquidation	0	100	100
SNAI Olè S.A.	100	100	100
SNAI France S.A.	100	100	100
Teleippica S.r.l.	100	100	100

On 26 April 2012, the quotaholders' meeting of Faste S.r.l. in liquidation approved the final financial statement of liquidation as of 31 March 2012 and the allocation plan. In addition, it granted a mandate to the liquidator to handle all formalities and requirements related to the closure of the liquidation and the cancellation of the Company. On 04 June 2012, Faste S.r.l. was cancelled from the Companies Register and its VAT code was closed with the Revenues Agency.

The full composition of the group and the consolidation methods followed are illustrated in schedule 1.

38. Net financial position

In accordance with the requirements set forth in CONSOB notification dated 28 July 2006 and in compliance with CESR Recommendation dated 10 February 2005 "Recommendation for the uniform implementation of the regulation of the European Commission on prospectuses", it should be noted that the Group's net financial position is as follows:

thousands of euro	30.09.2012	31.12.2011
A. Cash/coffers	345	322
B. Other available liquidity	15,715	39,960
<i>Bank</i>	15,689	39,952
<i>Postal accounts</i>	26	8
C. Securities held for trading	1	1
D. Liquidity (A) + (B) + (C)	16,061	40,283
E. Current financial Receivables	7	256
- Escrow Account	7	256
F. Current bank debts	373	17,655
G. current portion of non-current indebtedness	9,200	75,750
H. Other current financial debts	10,927	20,289
-for the purchase of the agency shareholding and business unit	0	291
- for the purchase of horse race and sports betting concessions	154	365
- debts owed to other lenders	10,773	19,633
I. Current financial indebtedness (F) + (G) + (H)	20,500	113,694
J. Current financial indebtedness netto (I) - (E) -(D)	4,432	73,155
K. Non-current bank debts	339,568	259,337
L. Issued bonds	0	0
M. Other non-current debts	18,028	21,870
- debts owed to other lenders	7,968	16,277
- for the purchase of horse race and sports betting concessions	0	118
- Interest rate Swap	10,060	5,475
N. Non-current Financial indebtedness (K) +(L) + (M)	357,596	281,207
O. Net Financial indebtedness (J) + (N)	362,028	354,362

The net financial position does not include escrow accounts in the amount of Euro 1,752 thousand, classified in the item "current financial assets" of the balance sheet (see note 21).

As compared with 31 December 2011, net financial indebtedness has increased by Euro 7,666 thousand. The increase is mainly due to the additional delay accumulated by ASSI (formerly UNIRE) in payments to Società Trenno S.r.l. and Teleippica S.r.l., as well as a few delays in the recovery of owed by the network of agencies, and also to the difficult management of collections due to the financial condition of the distribution network due to the strong reduction in horse race and sports betting, in addition to the very high payout results for the month of September.

As required, through Consob notice prot. no. 10084105 dated 13 October 2010, set forth below is the net financial position of the parent company Snai S.p.A..

thousands of euro	30.09.2012	31.12.2011
A. Cash	213	194
B. Other available liquidity	15,374	36,935
- Banks	15,348	36,928
- Postal accounts	26	7
C. Securities held for trading	1	1
D. Liquidity (A)+(B)+(C)	15,588	37,130
E. Current financial Receivables	4,816	5,496

- Financial account of receivables owed by subsidiaries	4,809	5,240
- Escrow Account	7	256
F. Current bank debts	372	17,655
G. Current portion of non-current indebtedness	9,200	75,750
H. Other current financial debts:	14,176	24,619
- Financial account of amounts owed to subsidiaries	3,272	4,384
- For the purchase of horse race and sports betting concessions	154	365
- For the purchase of an agency shareholding and business unit	0	291
- debts owed to other lenders i	10,750	19,579
I. Current financial indebtedness (F)+(G)+(H)	23,748	118,024
J. Current net financial indebtedness (I)-(E)-(D)	3,344	75,398
K. Non-current bank debts	339,568	259,337
L. Bonds issued	0	0
M. Other non-current debts:	18,015	21,847
- Debts owed to other lenders	7,955	16,254
- For the purchase of horse race and sports betting concessions	0	118
- interest rate swap	10,060	5,475
N. Non-current Financial indebtedness (K)+(L)+(M)	357,583	281,184
O Net Financial indebtedness (J)+(N)	360,927	356,582

The net financial position does not include escrow accounts in the amount of Euro 1,752 thousand, classified in the item "current financial assets" of the balance sheet.

38.1 Covenants

The Loan Agreement in place provide for, as is standard practice for these types of loans, a series of obligations imposed upon the Group.

SNAI S.p.A. has undertaken to comply with financial parameters on the basis of agreements reached with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A. concerning the medium/long-term facility for up to Euro 490 million (for further information, see note 27).

In particular, such financial parameters refer to the maintenance of certain ratios between cash flows linked to financial indebtedness, consolidated Ebitda and investments. Ebitda is defined in the facility agreement and indicates the consolidated earnings before interest, taxes, depreciation and amortization and provisions set aside, and all extraordinary and non-recurring items.

The covenant ratios calculated in accordance with the contractual rules as of 30 September 2012 fall within the limits set forth in the facility agreement. SNAI S.p.A. has also undertaken to provide to the lenders periodic final financial and economic data, as well as key performance indicators, for the SNAI Group, concerning, *inter alia*, EBITDA, net financial indebtedness, working capital, starting from the month of October 2011.

Please note that the failure to comply with the above-mentioned financial covenants and obligations, could give rise to acceleration of SNAI S.p.A.'s payment obligations in connection with the facility.

It should be noted that il mancato rispetto dei suddetti covenant finanziari ed obblighi, potrebbe comportare per SNAI S.p.A. la decadenza del beneficio del termine.

39. Events which have occurred after the close of the period

39.1 Syndication of the loan agreement

SNAI S.p.A., following the agreements reached on 8 March 2011 with Unicredit S.p.A., Banca IMI S.p.A. and Deutsche Bank S.p.A., entered into a medium/long-term facility agreement structured in several tranches, for a total amount of Euro 490 million; such transaction was conditioned upon the perfection of the acquisition by Global Games S.p.A. of the majority shareholding in SNAI S.p.A., previously held by SNAI Services S.p.A..

Under the agreements reached on 29 March 2011, the previous loans, the Senior and Junior loans, were appropriately repaid, upon the perfection of the above-mentioned acquisition.

The tranches of the loan agreement, in the total amount of Euro 490 million, are remunerated at the rate of Euribor, as contractually defined and determined, plus a margin ranging between 4.50% and 5% per annum, and which may incur adjustments as the result of the Margin Ratchet and the market flex provision provided for the syndication strategy. The parent company entered into a syndication clause for the loan agreements pursuant to which the original lenders of the loan are entitled to have other lenders enter the lending pool. If following a period of tie the syndication is not successfully concluded, the interest rate may be modified, or additional fees may be requested. As of 30 September, the Company has obtained an extension in the syndication period through 31 October 2012.

On 31 October, at the expiry of the extension period, the syndication of the loan agreement was unsuccessful. Since the syndication rules were not satisfied, as provided under the contractual provisions, the Lenders asked to apply the Market Flex clause in the amount of Euro 7.01 million, paid on 9 November 2012.

39.2 Horse racing television tender procedure

On 16 March 2012, the A.S.S.I. – Agenzia per lo Sviluppo Ippico (formerly U.N.I.R.E.) published on the GUCE an “Open tender procedure, in accordance with legislative decree no. 163/2006, for a concession for broadcasting, elaboration and dissemination of the audio-video signal from Italian and foreign racetracks” (the Tender Procedure).

The Tender Procedure, in which the subsidiary Teleippica S.r.l. is interested, which was the company awarded the previous contract and currently the supplier of the related services under an extension regime, concerns services related to the gathering, elaboration and dissemination/broadcasting via satellite of images related to horse races and other services conducted at Italian racetracks and certain foreign racetracks, as well as productions supporting the monothematic channel on horses.

The television broadcasting service consists of:

- **Institutional services**
- **Promotional services**
- **Advertising**

The **Institutional services** include three television channels called:

1. UnireTV Grigio
2. UnireTV Verde
3. UnireTV Blu

aimed at dissemination of images of horse races to the physical network for the acceptance of bets by qualified entities. The institutional services include live Streaming to concession holders of Remote Gaming and Video on Demand for the website www.unire.it.

The **Promotional Services** concern a thematic unencrypted television H24 channel, on the commercial satellite platform Hot Bird 13th Est (the same platform as Sky) and on digital terrestrial (optional – 12 hours covering urban centers with over 100 thousand inhabitants), aimed at the broadcasting of productions supporting the channel dedicated to horse culture and the Italian agricultural and food system, news, feature programs and entertainment. The services will also be available on the Web and Mobile platform.

The company that is adjudicated the concession will be entitled to fund itself through **Advertising** pertaining to the contents of the broadcasted contents on all television channels covered by the Tender Procedure. It will be entitled to exploit advertising spaces, the gathering of advertising and the insertion of advertisements, messages, promotions and sponsorships.

The term of the contract is six years, starting on the date of activation of the services. The Tender Procedure will be adjudicated in accordance with the criterion of most economically advantageous bid (even though the Technical Offer/Bid is also subject to assessment), and an annual amount is provided as the starting point of the auction of Euro 10 million per year, for a total of Euro 60 million (excluding VAT) for the entire duration of the contract. For the gathering of **Advertising Funding**, the candidate must pay to ASSI an annual guaranteed minimum to be stated as part of the Economic Bid.

The deadline for the delivery of the envelope for taking part in the Tender Procedure was scheduled for 8 May 2012 and Teleippica S.r.l. delivered the envelope by the relevant deadline. The first session of the Awarding Commission for the opening of the envelopes took place on 29 May 2012 with the control of the documents related to the participation application and the related required schedules contained in envelope “A”. The second session of the Awarding Commission was scheduled for 31 July 2012 for the opening of the Technical Offer/Bid contained in envelope “B”. Upon an appeal, with request for suspension, submitted to the Lazio TAR by the other participant excluded from the Tender Procedure, the Reviewing Commission decided to interrupt the procedure until the conclusion of the dispute. The hearing was held on 6 September 2012 with the rejection of the precautionary request for the suspension of the ruling of exclusion from the Tender Procedure. The excluded participant therefore submitted two requests for precautionary injunctions – respectively to the Chairman and the Panel – aimed at the readmission to the Tender Procedure, and pending such decision, the suspension of the procedure. Such requests were both rejected. On 10 October 2012, Teleippica S.r.l. was called by the Reviewing Commission and the opening of the Technical Offer/Bid contained in envelope “B” took place.

On 6 November 2012, the session for the opening of the Economic Offer/Bid took place, during which the tender Commission verified the formal correctness of the same and assigned the points of 40/40; in addition, the Commission notified that the points attributed to the Technical Offer/Bid was 53/60. Since both points exceeded 4/5 of the corresponding maximum points envisaged by the tender procedure, the offer submitted by Teleippica must mandatorily be assessed for congruity and, therefore, Teleippica was asked to submit all justifications deemed useful for purposes of ruling out any anomaly in the offer.

Already on 7 November 2012, Teleippica satisfied such request by submitting a special document aimed at proving the congruity of the offer, also taking into account the fact that the assignment of the maximum points (40/40) to the economic component derives solely from the absence of other competing offers.

The winning company must make the service available within 120 days of the award.

39.3 Chiusura liquidation MacHorse

The shareholders' meeting of "Machorse Srl having a sole quotaholder in Liquidation" held on 17 October 2012 resolved upon the closure of the liquidation with the approval of the final Financial statement as of 30 September 2012 and of the allocation plan.

39.4 Resignation of a director

On 5 October 2012, Marco Pierettori submitted his resignation from the role of non-executive director of SNAI S.p.A.. Dr. Marco Pierettori did not belong to any Committee of SNAI S.p.A. and was not an independent director.

39.5 Tender Procedure for the award of 2000 new rights for sports and horse racing stores

On 30 July 2012, a tender procedure for the award of 2000 new rights for the joint operation of the following public games for horse racing and sports through a physical network of stores was published in the Gazzetta Ufficiale of the Republic of Italy (the "Tender Procedure"):

- fixed quota betting on sports events and non-sports events, other than horse races;
- totalizator sports bets on sports events other than horse races;
- bets on horse races, both fixed quota and totalizator;
- pool betting and sports betting;
- bets on simulated events.

For SNAI, the Tender Procedure constitutes an opportunity to replace the betting concessions referred to as "renewed" (which are currently under an extension regime) and to expand the sales network with a new concession structures in a given number of rights awarded at conditions defined by the Tender Procedure.

The new concession will remain in force until 30 June 2016, unless unilaterally extended by AAMS for an additional 6 months with at least 30 days' advance notice prior to the expiry. The following conditions are also imposed:

- (i) mandatory operation for a maximum period of 6 months;
- (ii) devolution of assets comprising the management network and gaming acceptance network, free and clear of third party claims, in accordance with contractually established modalities.

The economic base of the offer is Euro 11,000.00 for each right. The new rights will have no territorial restrictions as to the location of the point of sale. The envisaged temporary guarantee is equal to Euro 20,000.00 for each right for which the award is sought. The final guarantee, for the first year, will be Euro 70,000.00 for each awarded right and, starting from the following year, will be modified in a fixed amount equal to Euro 50,000.00 for each right acquired and a floating portion determined on the basis of the total net volumes achieved by the distribution network of the concession holder over the previous year. The deadline for the submission of the request to participate was scheduled for 19 October 2012 and SNAI submitted its offer by the deadline. The procedure provides for the award of the concessions by December 2012.

On 6 November 2012, the public session for the opening of the envelopes with reference to the "A" Envelopes containing the administrative documentation of the candidates was held. Moreover, this was done without any verification of the ideological contents of the documentation which will be carried out by the selection Commission at a closed session.

The administrative documentation submitted by SNAI was deemed complete.

Upon the conclusion of this phase, the list of candidates admitted to the opening of the "B" envelopes containing the economic offer must be prepared, and the public session of such envelope opening will be announced subsequently.

On behalf of the Board of Directors
Dr. Stefano Bortoli
(Managing Director)

Milan, 12 November 2012

The executive in charge of preparing financial and corporate documents, Dr. Marco Codella, declares, pursuant to paragraph 5 of art. 154 *bis* of the Financial Services Act that the financial disclosure contained in this interim directors' report as of 30 September 2012 reflects the company's documents and accounting records.

SCHEDULE 1						
Composition of the SNAI Group as of 30 September 2012						
(thousands of Euro)						
Company name	Headquarters	Share capital	Percentage held	Note	Business conducted	Consolidation method /Appraisal
- SNAI S.p.A.	Porcari (LU)	60.749	Società capogruppo		Acceptance of horse race and sports betting through its own concessions - coordination of business of subsidiaries and electronic management of data and services dissemination for betting agencies - electronic management of the connection network of entertainment devices - skill games	Integrale
Subsidiaries:						
- Società Trenno S.r.l. held by a sole quotaholder	Milano (MI)	1.932	100,00%	(1)	Organization and operation of horse races and training center	Full
- Immobiliare Valcarenga S.r.l. held by a sole quotaholder	Milano (MI)	51	100,00%	(2)	Lease of horse stables business	Full
- Festa S.r.l. held by a sole quotaholder	Porcari (LU)	1.000	100,00%	(3)	Operation of call center, help desk	Full
- Mac Horse S.r.l. held by a sole quotaholder, in liquidation	Porcari (LU)	26	100,00%	(4)	Editorial initiatives, including electronic initiatives, advertising and graphics	Full
- Teseo S.r.l. in liquidation	Palermo (PA)	1.032	70,00%	(5)	Research and planning/design of software systems of the management	Net equity
- SNAI Olè s.a.	Madrid (Spagna)	61	100,00%	(6)	Acceptance of sports bets and manufacturing of gaming materials - dormant	Full
- SNAI France SAS	Parigi (Francia)	150	100,00%	(7)	Acceptance of remote bets -dormant	Full
- Teleippica S.r.l.	Porcari (LU)	2.540	100,00%	(8)	Dissemination of information and events using all means permitted by technology and the current and future applicable legal framework, with the exception of publication in daily newspapers	Full
Affiliates:						
- HIPPOGROUP Roma Capannelle S.p.A.	Roma (RM)	945	27,78%	(9)	Organization and conduct of horse races and training center	Net equity
- Solar S.A.	LUSSEMBURGO	31	30,00%	(10)	Financial company	Net equity
- Alfea S.p.A.	Pisa (PI)	996	30,70%	(11)	Organization and conduct of horse races and training center	Net equity
- Connex S.r.l.	Porcari (LU)	82	25,00%	(12)	Marketing and sale and assistance related to electronic services, hardware and software	Net equity
Other companies:						
- TIVU + S.p.A. in liquidation	Roma (RM)	520	19,50%	(13)	Multimedia operations, production, reception and general dissemination of television signal	Cost
- Lexorfin S.r.l.	Roma (RM)	1.500	2,44%	(14)	Financial company holding shareholdings in the gaming sector	Cost

Notes on the composition of the Snai Group

- (1) Shareholding wholly-owned by SNAI S.p.A. as the result of a merger by incorporation of Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.). The Company was established on 27 July 2006 and on 15 September 2006, the company Ippodromi San Siro S.p.A. contributed to it the "horse race operations" business unit.
- (2) Shareholding wholly-owned by Snai S.p.A.
- (3) The company was established on 30 December 1999, with subscription by SNAI S.p.A.
- (4) It was acquired on 24 February 2004 by third parties. On 16 March 2012, the extraordinary shareholders' meeting approved the liquidation.
- (5) Established on 13 November 1996 and acquired by Snai SpA on 30 December 1999. On 3 August 2001, Teseo S.r.l. was put into liquidation.
- (6) Established on 19 November 2008. The Company does not conduct any operations.
- (7) Established on 18 July 2010. The Company does not conduct any operations.
- (8) Acquired by third parties on 5 May 2000. On 2 October 2003, the extraordinary shareholders' meeting changed the company name from SOGEST Società Gestione Services Termali S.r.l. to TELEIPPICA S.r.l. and the corporate purpose. In 2005, the extraordinary quotaholders' meeting resolved a capital increase to Euro 2,540,000. On 31 January 2011, SNAI S.p.A. acquired 80.5% of Teleippica S.r.l.'s share capital from SNAI Services S.p.A.. SNAI S.p.A. holds 100% of Teleippica S.r.l.'s share capital.
- (9) On 12 January 2011, the shareholders' meeting of Hippogroup Roma Capannelle S.p.A. resolved, inter alia, the reduction of share capital to Euro 944,520.00. SNAI S.p.A.'s shareholding did not change and amounts to 27.78%
- (10) Company established under Luxembourgish law, established on 10 March 2006 by SNAI S.p.A. as to 30% and by FCCD Limited, a company established under Irish law, as to 70%.
- (11) Shareholding formerly held with regard to 30.70% by Ippodromi San Siro S.p.A. (formerly Società Trenno S.p.A.), which has been merged by incorporation into SNAI S.p.A.
- (12) On 7 December 2000, the shareholding in Connex Srl was acquired by purchase of option rights from former quotaholders and payment of the reserved capital increase.
- (13) On 7 July 2004, the extraordinary shareholders' meeting resolved the liquidation Tivu + S.p.A..
- (14) Acquired on 19 July 1999 in the amount of 2.44% by Società Trenno S.p.A., later merged by incorporation into SNAI S.p.A. of l'Assemblea straordinaria ha deliberato la messa in liquidation delthe Company AI S.p.A.