

Bit Market Services

Informazione Regolamentata n. 0242-45-2015	Data/Ora Ricezione 12 Novembre 2015 19:24:15	MTA
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Societa' : SNAI
Identificativo : 65634
Informazione
Regolamentata
Nome utilizzatore : SNAIN02 - Codella
Tipologia : IRAG 03
Data/Ora Ricezione : 12 Novembre 2015 19:24:15
Data/Ora Inizio : 12 Novembre 2015 19:39:16
Diffusione presunta
Oggetto : 12.11.2015 - PRESS RELEASE

Testo del comunicato

12.11.2015 - Press Release - SNAI Group - Results as at 30 September 2015

Press Release

(Pursuant to Art. 114 par. 5 of Italian Legislative Decree 58/1998)

SNAI Group – Results as at 30 September 2015

Main consolidated economic and financial data

- **Total revenues of Euro 403.3 million, compared to Euro 393.9 million in the first nine months of 2014**
- **On line wagers on sports betting +22,3% vs. first nine months of 2014**
- **EBIT at Euro 33.1 million vs. Euro 35.3 million in the first nine months of 2014**
- **Net financial position of Euro -401.4 million**

Milan, 12 November 2015 – The Board of Directors of SNAI S.p.A., in its meeting which took place in Milan, under the chairmanship of Gabriele Del Torchio, approved the SNAI Group interim management report as at 30 September 2015, which reports revenue of Euro 403.3 million, EBITDA of Euro 56.5 million and EBIT of Euro 33.1 million.

Main consolidated economic data	9M 2015	9M 2014	Diff. %	3Q 2015	3Q 2014	Diff. %
Total revenues	403.3	393.9	2.4	120.5	130.2	(7.5)
EBITDA	56.5	81.2	(30.4)	16.9	26.4	(35.8)
EBITDA Adj	59.6	86.6	(31.2)	19.2	29.8	(35.7)
EBIT	33.1	35.3	(6.3)	(0.4)	12.0	>100
Profit/(loss) before taxes	(9.2)	(9.8)	6.9	(15.1)	(2.5)	>100
Net profit (loss) pertaining to the Group	(14.0)	(9.9)	(40.8)	(14.3)	(3.0)	>100
Basic/Diluted earnings (loss) per share	(0.12)	(0.09)	(33.3)	(0.12)	(0.03)	>100

the figures are expressed in millions of Euro

The EBITDA corresponds to the "Earnings Before Interest, Tax, Depreciation and Amortisation" indicated in the comprehensive income statement, adjusted for non-recurring costs and revenues determined for operational purposes. The EBITDA Adj corresponds to the Current portion of the provision for doubtful debts. The EBIT refers to "Earnings before interest and taxes" indicated in the comprehensive income statement. EBITDA, EBITDA Adj and EBIT are considered alternative performance indicators, but are not measures defined on the basis of International Financial Reporting Standards ("IFRS") and may, therefore, fail to take into account the requisites imposed under IFRS in terms of determination, valuation and presentation. We are of the view that EBITDA, EBITDA Adj and EBIT are helpful to explain changes in operating performance and provide useful information on the capacity to manage indebtedness and are commonly used by analysts and investors in the gaming sector as performance indicators. EBITDA, EBITDA Adj and EBIT must not be considered alternative to cash flows as a measure of liquidity. As defined, EBITDA, EBITDA Adj and EBIT may not be comparable with the same indicators used by other companies.

The Group's total revenues (including revenues from sales and services as well as other revenues) increased by approximately 2.4%, from Euro 393.9 million in the first nine months of 2014 to Euro 403.3 million in the first nine months of 2015. Revenues from sales and services amounted to Euro 374.4 million in the first nine months of 2015, compared to Euro 393.3 million in the first nine months of 2014, with a 4.8% decrease to be attributed to the combined effect of the increased revenues from the Gaming Machines segment (AWPs and VLTs) and Società Trenno S.r.l., offset by the decrease in revenues from sports betting, decreased with respect to the first nine months of the previous year, primarily due to a particularly high payout which stood at 82% versus 77.2% in the first nine months of 2014. The data reported thus outline a better result in 2014 compared to the historical average and a particularly unfavourable result in 2015 (albeit in the presence of better performance with respect to the market average). The above is to be added to lower wagers, also due to some critical issues, connected with a portion of the distribution network and the shutdown of the Gaming Points of SIS until the end of July. These problems were on their way to being solved, at first with the activation, from 22 July 2015, of a lease agreement with future purchase by SNAI Rete Italia S.r.l. of the SIS business unit and subsequently with the re-opening of 54 out of the 55 shops it comprises.

It should be stressed that this had a negative effect on the wagers of the physical channel while the on-line wagers component amounted to Euro 122.1 million versus Euro 99.8 million of the same period of 2014, with an increase of 22.3%. The weight of the on-line wagers amounted to 24.1% on total.

Other revenue and income increased from Euro 0.6 million in the first nine months of 2014 to Euro 28.9 million in the first nine months of 2015, up by Euro 27.5 million due to the settlement of the dispute between SNAI S.p.A. on one side, and

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Barcrest Group Limited, The Global Draw Limited and their parent company Scientific Games Corporation on the other side.

Revenues from AWP's increased due to the higher number of operating gaming machines and a higher average coin-in, while for VLTs, the reported increase is mainly due to the decreased payout of games (-0.4% compared to the same period of the previous year) and as a result of the reallocation and upgrading of gaming terminals implemented during the past year and continued in the nine months of the current year.

Betting on virtual events generated a direct collection of Euro 192.3 million and revenues of Euro 26 million versus wagers of Euro 262.5 million and revenues of Euro 33.4 million in the same period of last year; the decrease was due, in part, to the effect of the temporary closing of some betting shops, mentioned above.

The Group EBITDA in the first nine months of 2015 was Euro 56.5 million versus Euro 81.2 million in the first nine months of 2014, with a contraction of 30.4%.

In the first nine months of 2015, a positive net effect is reported in relation to non-recurring costs and revenues, which amounted to Euro 20.7 million, versus a negative effect of Euro 2 million incurred in the same period of the previous year. It is worth noting that non-recurring revenues, amounting to Euro 27.5 million, were related to the above-mentioned transaction.

In the third quarter of 2015, total revenues amounted by Euro 120.5 million, -7.5% relative to the third quarter of 2014, while EBITDA reached Euro 16.9 million (-35.8% versus Euro 26.4 million in the third quarter of 2014). In the same period, EBITDA Adj amounted to Euro 19.2 million versus Euro 29.8 million in the third quarter of 2014 (-35.7%).

Group EBIT in the first nine months of 2015 was positive by Euro 33.1 million as compared to Euro 35.3 million in the first nine months of last year.

The Group profit (loss) before taxes for the first nine months of 2015 was Euro -9.2 million as compared to Euro -9.8 million in the first nine months of last year.

The net loss for the Group in the first nine months of 2015 was Euro 14 million as compared to a loss of Euro 9.9 million in the first nine months of 2014.

The net borrowing SNAI Group, as at 30 September 2015, amounted to Euro 401.4 million, versus Euro 419.1 million at the end of 2014. The Euro 17.7 million decrease is also due to the positive contribution from the above-mentioned transaction, as well as to the repayment of the ADI security deposit for 2014, reduced by the performance of ordinary operations in the first nine months of 2015.

Milan, 12 November 2015

The director in charge of the preparation of the corporate accounting documents, Mr. Marco Codella, declares, pursuant to paragraph 2 Art. 154-bis of the Finance Act, that the accounting information contained in this press release corresponds to documented results, the bookkeeping and accounting records.

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All press releases issued by SNAI S.p.A. pursuant to Article 114 of Italian Legislative Decree no. 58 of 24 February 1998 and the related implementation regulations are also available on the company's web site www.snai.it and on the authorised "NIS-Storage" storage mechanism at www.emarketstorage.com.



Pursuant to requirements of CONSOB communication ref. 10084105, dated 13 October 2010, we present below the information concerning the company and SNAI Group.

a) Net financial position of the Company and SNAI Group

	SNAI GROUP		SNAI SPA	
	30.09.2015	31.12.2014	30.09.2015	31.12.2014
a) Liquidity	78,385	68,630	71,491	66,922
b) Current financial receivables	0	0	14,655	2,615
c) Current bank debts	(38)	(40)	(38)	(40)
d) Current portion of long-term indebtedness	0	(19,552)	0	(19,552)
e) Current financial payables	(14,097)	(3,331)	(19,329)	(8,263)
Net current financial indebtedness	64,250	45,707	66,779	41,682
f) Non-current bank debts	0	0	0	0
g) Bonds issued	(465,585)	(463,561)	(465,585)	(463,561)
f) Other non-current financial receivables/payables	(98)	(1,208)	(98)	(1,208)
Total net financial indebtedness	(401,433)	(419,062)	(398,904)	(423,087)

The figures are expressed in thousands of Euro

The net financial position does not include the term-deposit bank accounts or unavailable account balances in the amount of Euro 19,739 thousand, and the other non-current financial assets. In addition, it does not include the restricted cash and the related financial liabilities resulting from the refinancing operation of July 2015 carried out for the integration of the Cogemat/Cogetech Group, because the operation is still suspended until the conditions prescribed by the operation itself are met.

b) Overdue accounts payable of the SNAI Group

Current liabilities	Balance as at 30.09.2015	of which due on 30.09.2015
Financial payables	17,062	-
Trade payables	28,135	6,202
Tax payables	17,419	-
Payables to social security institutions	2,605	448
Other payables	103,853	-
	169,074	6,650

The figures are expressed in thousands of Euro

The amounts due as at 30 September 2015, equal to Euro 6,650 thousand, related to:

- trade payables of Euro 6,202 thousand, related to the normal transactions with suppliers of services and materials; these amounts have been mostly paid after 30 September 2015. In certain cases, a new due date has been set. To the present date, no supplier has taken any initiatives in response;
- payables to social security institutions of Euro 448 thousand, related to the social contributions not paid by the subsidiary Finscom S.r.l..

c) Related Parties

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

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



Certain SNAI Group companies have accounts with Banca MPS, Intesa San Paolo, Poste Italiane, Banca CR Firenze S.p.A., Unicredit S.p.A. and Banco Popolare Società Cooperativa, which may be considered related parties to the SNAI Group.

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

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

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

thousands of Euro	30.09.2015	% Impact	31.12.2014	% Impact
Other current assets:				
- from companies related to directors of SNAI S.p.A.	3	0.01%	-	0.00%
- from Alfea S.p.A.	-	0.00%	1	0.00%
	3	0.01%	1	0.00%
Total Assets	3	0.00%	1	0.00%
Trade payables:				
- to companies related to directors of SNAI S.p.A.	2	0.01%	15	0.05%
- to Connex S.r.l. in liquidation	-	0.00%	186	0.57%
- to companies related to shareholders of SNAI S.p.A.	1	0.00%	-	0.00%
	3	0.01%	201	0.62%
Other current liabilities:				
- to Companies related to directors of SNAI S.p.A.	10	0.01%	-	0.00%
- to companies related to shareholders of SNAI S.p.A.	23	0.02%	-	0.00%
- to directors of Teleippica S.r.l.	1	0.00%	1	0.00%
- to Global Games S.p.A.	1	0.00%	-	0.00%
- to Teseo S.r.l. in liquidation	383	0.30%	483	0.53%
	418	0.33%	484	0.53%
Total Liabilities	421	0.05%	685	0.10%

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

First nine months of 2015

thousands of Euro	First nine months of 2015	% Impact	First nine months of 2014	% Impact
Revenues from services and charge-backs:				
- to Companies related to directors of SNAI S.p.A.	3	0.00%	-	0.00%
	3	0.00%	-	0.00%
Other revenues				
- to Global Games S.p.A.	3	0.01%	4	0.69%
- to companies related to shareholders of SNAI S.p.A.	-	0.00%	1	0.17%
- to directors and companies related to Finscom S.r.l.	1	0.00%	-	0.00%
	4	0.01%	5	0.86%
Total revenues	7	0.00%	5	0.00%

Costs for services and charge-backs:

- from companies related to directors of SNAI S.p.A.	5	0.00%	2	0.00%
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	1	0.00%
- from companies related to shareholders of SNAI S.p.A.	1	0.00%	-	0.00%
- from directors of Teleippica S.r.l.	65	0.02%	63	0.02%
- from directors and companies related to Finscom S.r.l.	80	0.03%	-	0.00%
- from Connex S.r.l. in liquidation	-	0.00%	450	0.17%
	151	0.06%	516	0.19%

Other operating costs:

- to companies related to directors of SNAI S.p.A.	9	0.03%	9	0.04%
- to Connex S.r.l. in liquidation	-	0.00%	2	0.01%
	9	0.03%	11	0.05%
Total costs	160	0.05%	527	0.18%

QIII 2015

thousands of Euro	QIII 2015	% Impact	QIII 2014	% Impact
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Revenues from services and charge-backs:

- to Companies related to directors of SNAI S.p.A.	1	0.00%	-	0.00%
	1	0.00%	-	0.00%

Other revenues

- to Global Games S.p.A.	1	0.32%	1	0.54%
- to directors and companies related to Finscom S.r.l.	1	0.32%	-	0.00%
	2	0.64%	1	0.54%

Total revenues	3	0.00%	1	0.00%
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Costs for services and charge-backs:

- from companies related to directors of SNAI S.p.A.	1	0.00%	-	0.00%
- from Companies related to shareholders of SNAI S.p.A.	-	0.00%	1	0.00%
- from companies related to shareholders of SNAI S.p.A.	1	0.00%	-	0.00%
- from directors of Teleippica S.r.l.	23	0.03%	22	0.03%
- to directors and companies related to Finscom S.r.l.	41	0.05%	-	0.00%
- from Connex S.r.l. in liquidation	-	0.00%	150	0.17%
	66	0.08%	173	0.20%

Other operating costs:

- from companies related to directors of SNAI S.p.A.	3	0.03%	3	0.03%
- from Connex S.r.l. in liquidation	-	0.00%	-	0.00%
	3	0.03%	3	0.03%

Total costs	69	0.07%	176	0.18%
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Revenues from services and charge-backs and other revenues accounted for 0.01% of Earnings Before Interest, Tax, Depreciation and Amortisation in the first nine months of 2015 and 2014, while total income had an effect on the Profit (Loss) of the first nine months of 2015 of 0.05% (0.05% in the first nine months of 2015).

The costs for raw materials and consumables, the costs for services and charge-backs and other operating costs represented 0.21% of Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) in the first nine months of 2015 (0.67% in the first nine months of 2014), while total costs represented 1.14% of Profit (Loss) of the first nine months of 2015 (5.30% in the first nine months of 2014).

Parent company SNAI S.p.A.

The following table sets forth a summary of dealings between the parent company SNAI S.p.A. and related parties.

thousands of Euro	30.09.2015	31.12.2014
Trade receivables:		
- from Società Trenno S.r.l.	172	218
- from Finscom S.r.l.	37	-
- from Snai Rete Italia S.r.l.	604	-
- from Festa S.r.l.	-	2
- from Teleippica S.r.l.	61	70
Total trade receivables	874	290
Other current assets:		
- from companies related to directors	3	-
- from Società Trenno S.r.l.	-	65
- from Festa S.r.l.	-	1,197
- from Immobiliare Valcarenga S.r.l.	-	86
- from Teleippica S.r.l.	1,769	1,468
- from Alfea S.p.A.	-	1
Total other current assets	1,772	2,817
Financial receivables:		
- from Società Trenno S.r.l.	6,840	2,614
- from Snai Rete Italia S.r.l.	7,815	-
Total financial receivables	14,655	2,614
Total Assets	17,301	5,721
Trade payables:		
- to companies related to directors	2	15
- to Società Trenno S.r.l.	115	141
- to Finscom S.r.l.	6	-
- to Snai Rete Italia S.r.l.	11	-
- to Festa S.r.l.	-	3
- to Teleippica S.r.l.	334	330
- to Connex S.r.l. in liquidation	-	183
- to companies related to shareholders	1	-
Total trade payables	469	672
Other current liabilities		
- to companies related to directors	10	-
- to Global Games S.p.A.	1	-
- to Società Trenno S.r.l.	5,857	5,722
- to Snai Rete Italia S.r.l.	592	-
- to Festa S.r.l.	-	547
- to Teleippica S.r.l.	105	-
- to Teseo S.r.l. in liquidation	383	483
- to companies related to shareholders	23	-
Total other current liabilities	6,971	6,752
Current financial payables:		
- to Festa S.r.l.	-	3,066
- to Immobiliare Valcarenga S.r.l.	-	255
- to Teleippica S.r.l.	5,232	1,612
Total current financial payables	5,232	4,933
Total Liabilities	12,672	12,357

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

thousands of Euro	First nine months of 2015	First nine months of 2014
Revenues from services and charge-backs:		
- to companies related to directors	3	-
- to Società Trenno S.r.l.	178	168
- to Snai Rete Italia S.r.l.	14	-
- to Finscom S.r.l.	6	-
- to Teleippica S.r.l.	51	-
Total revenues from services and charge-backs	252	168
Other revenues		
- to companies related to directors	-	1
- to Global Games S.p.A.	3	4
- to Società Trenno S.r.l.	423	403
- to Snai Rete Italia S.r.l.	2	-
- to Festa S.r.l.	-	89
- to Immobiliare Valcarenga S.r.l.	-	9
- to Teleippica S.r.l.	380	377
Total other revenues	808	883
Interest income:		
- to Società Trenno S.r.l.	247	221
- to Snai Rete Italia S.r.l.	203	-
- to Teleippica S.r.l.	2	221
Total interest income	452	442
Total revenues	1,512	1,493
Costs for services and charge-backs:		
- to Companies related to directors	5	2
- to Società Trenno S.r.l.	365	302
- to Finscom S.r.l.	600	-
- to SNAI Rete Italia S.r.l.	736	-
- to Festa S.r.l.	-	4,163
- to Teleippica S.r.l.	2,258	2,265
- to Connex S.r.l. in liquidation	-	450
- to companies related to shareholders of SNAI S.p.A.	1	-
- to companies related to shareholders	-	1
Total costs for services and charge-backs	3,965	7,183
Costs of seconded personnel		
- from Festa S.r.l.	-	28
Total costs of seconded personnel	-	28
Other operating costs		
- to Companies related to directors	9	9
- to Finscom S.r.l.	(24)	-
- to Snai Rete Italia S.r.l.	(33)	-
- to Società Trenno S.r.l.	(3)	4
Total other operating costs	(51)	13

Interest expense and fees

Interest expense to Festa S.r.l.	-	85
Interest expense to Immobiliare Valcarenga S.r.l.	-	13
Interest expense to Teleippica S.r.l.	284	-
Total interest expense and fees	284	98
Total costs	4,198	7,322

d) Progress of the debt restructuring plan and of the Group development plans.

In the first nine months of 2015, the Group reported a net loss of Euro 14 million and the shareholders' equity amounted to Euro 35.6 million. Net financial indebtedness, equal to Euro 401.4 million, comprises mainly bond loans issued and subscribed on 4 December 2013, to be repaid in 2018.

The Directors point out that the result of the first nine months of 2015 is worse than in the first nine months of the previous year in spite of the positive effect of the Barcrest transaction. Compared to the forecasts, business performance was below expectations by virtue of certain major phenomena: i) the good results of the ADI segment; ii) the revenues and margins deriving from sports betting below expectations also by effect of the higher payout, which amounted to 82%, whose performance, although it was significantly worse than the average of previous years, falls within the normal fluctuation of this variable and in any case was better than the market average, and because of lower wagers, partly due to certain problems tied to a part of the distribution network with the shutdown, now solved, of some gaming points; iii) the lower revenues and margins generated by bets on virtual events and horse racing bets, partly deriving from the aforesaid problems tied to the shutdown of some gaming points; iv) the performance of skill games, below expectations in terms of revenues and margins.

The Directors had prepared a strategic plan for 2014-2016 fiscal years (the "2014-2016 Plan" or the "Plan"), approved last 14 March 2014, whereby, at the end of the three-year period, revenues and margins will have grown significantly and a positive economic result will be achieved, whilst the consolidated Shareholders' Equity will be substantially unchanged with respect to 2013, there will be adequate operating cash flows to finance the investments necessary for the business development and to cover financial expenses generated by indebtedness. In light of current forecasts, however, the Company is not likely to generate the necessary resources to entirely repay bond loans in 2018.

In the meeting of the BoD held on 12 March 2015, the Plan itself was recently updated to take account of the negative effects resulting from regulations introduced by the Stability Law approved in December 2014, the performance of the distribution network and further actions to support the business. However, the results achieved with the plan updating do not differ significantly from the previously approved plan. Forecasts for 2015 were also supplemented to reflect the equity, economic and financial effects of the Barcrest transaction occurred in the first months of 2015.

Within this framework, with a reduced shareholders' equity, which limits the Group's ability to absorb further losses, and negative effects and uncertainties generated by the new rules set out by the Stability Law, the Group reacted with significant growth expectations in terms of wagers, which would have affected revenues and margins and based on a number of initiatives aimed at a strong increase in the Live and On Line offer, broader offers related to virtual events, as well as the continuation of the reallocation plan of VLT terminals to better performing locations. Moreover, the Group's performance should also benefit from the fact actions that were already put in place aimed to a more efficient sports payout related risk management, whose effects will be appreciated in the medium term. These effects will be added to those deriving from the new agreement which better aligns SNAI's interests with those of the Operators, and from the improved automatic controls on the betting acceptance system, which have already helped to generate better performance with respect to competitors.

The Plan, also in the version approved on March 12th 2015 defines a path towards the achievement of an economic and financial balance. However, certain uncertainties remain, in connection with: (1) the actual achievement of operating and economic-financial results substantially consistent with expected growth in revenues and margins in the various business segments, necessary to maintain the Company's Shareholders' Equity, (2) the Company's ability to obtain the necessary resources to repay and/or replace the outstanding bond loans upon maturity and, more generally, (3) the uncertainty connected with the occurrence of future events and the characteristics of the reference market, including the rumoured possibility of a significant increase in taxation in the Gaming Machines sector, which could negatively affect the actual implementation of the Plan, and therefore the achievement of results and future cash flows on which the main assessments made to prepare these financial statements are based.

As regards to Equity, positive effects may stem, in the near future from the finalisation of the Cogemat Group's acquisition, together with a share capital increase, a better Net Debt/EBITDA ratio, as well as an increase in the total value of expected EBITDA, which will possibly be further increased thanks to cost synergies and a higher efficiency obtained.

In assessing the uncertainties identified, the Directors also considered that the impact on the Group of possible unfavourable deviations, which should occur in aggregate on the results of 2015 with respect to estimates, will be partially offset by the positive effects of the Barcrest transaction. On the other hand, the Directors also acknowledged the need to carry out a careful and constant monitoring of results, in order timely to assess any further possible deviations in performance that might affect current as well as future years and, in general, the achievement of an economic, equity and financial balance. To this purpose, while drawing up these condensed consolidated nine-month financial statements, the Directors evaluated the causes for the deviations in performance over the period with respect to estimates, as summarised above, and they came to the conclusion that there are no elements requiring the material change of estimates taken as a reference for the preparation of this assessment.

In conclusion, Directors believe that, even in the presence of the above-mentioned uncertainties, the targets set out in the Plan are reasonable and the Group has the capacity to continue its business operations in the foreseeable future, and therefore have prepared the financial statements based on the going concern assumptions.

e) Financial covenants

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

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

SNAI S.p.A. has also undertaken to comply with financial parameters under agreements signed with Unicredit S.p.A., Banca IMI S.p.A and Deutsche Bank S.p.A. relating to a Senior Revolving loan for a total amount of Euro 30 million. In particular, we refer to the requirement to maintain a given minimum level of "Consolidated Pro-Forma EBITDA". "Consolidated Pro-Forma EBITDA" is defined in the loan agreement and indicates the consolidated earnings before interest, taxation, amortisation, depreciation and all extraordinary and non-recurring items.

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

At 30 September 2015, the Group was compliant with the aforesaid commitments and covenants.

f) Progress of the business plan.

The 2014-2016 Business Plan, approved by the Board of Directors in its meeting of 20 March 2014, and subsequently updated in the meeting of 12 March 2015, is based on:

- focus on profit margins through more control over the payouts on sports betting to maximize contractual benefits;
- improved territorial balance of the network, to boost market share in significant areas;
- expansion of the "live" and "on-line" offer;
- long-term initiatives promoting loyalty in Betting Shops with a high market share;
- full exploitation of the potential of Virtual Events, to support, inter alia, expansion of the distribution network;
- growth of the Online Skill and Casino Games segment;
- enhancement and requalification of the Gaming Machines area in shops and in arcades;
- development of services dedicated to partners (training, dedicated web site) and actions aimed at retention of customers;
- launch of services to citizens to maximize opportunities for the distribution network.

In its meeting of 20 March 2014, the Board of Directors approved the 2014-2016 Business Plan, which was then updated in the meeting of 12 March 2015. The Plan is focused on development and growth for the Group as listed above and which, once achieved, will contribute to reaching and maintaining economic and financial balance over time and will make available the necessary resources for business development, under the regulatory conditions known at the date of preparation and approval of the aforesaid plan.

The EBITDA performance of the first nine months of 2015 is worse than in the first nine months of the previous year and than expected. The differences of business performance compared to expectations were caused by certain major phenomena: i) the good results of the ADI segment; ii) the revenues and margins deriving from sports betting below expectations also by effect of the higher payout, which amounted to 82%, whose performance, although it was



significantly worse than the average of previous last years, falls within the normal fluctuation of this variable and in any case was better than the market average, and because of lower wagers, partly due to certain problems tied to a part of the distribution network with the temporary shutdown, now solved, of some gaming points; iii) the lower revenues and margins generated by bets on virtual events and horse racing bets, partly deriving from the aforesaid problems tied to the shutdown of some gaming points; iv) the performance of skill games, below expectations in terms of revenues and margins.

The activities for the Integration of the Cogemat Group within the SNAI Group will make it necessary to produce a new Business Plan that, while confirming the principles on which the current Plan is based, is capable of exploiting the opportunities for improvement of the performance both in revenue generation and in operational efficiencies, offered by the ability to share competencies, know how and means available in the two Groups. The activities that will bring to the release of a new Industrial Plan taking into account the new integrated organization including Cogemat Group, and synergies that could derive from that, will be started since the acquisition is fully effective.

Annexes:

- **SNAI Group:**

- Comprehensive consolidated income statement of the first nine months of 2015

- Comprehensive consolidated income statement of the third quarter of 2015

- Consolidated Balance Sheet as at 30 September 2015

- Consolidated Cash Flow Statement as at 30 September 2015

SNAI Group - Comprehensive consolidated income statement

amounts in thousands of Euro	First nine months	
	2015	2014
Revenues from sales and services	374,408	393,338
Other revenue and income	28,897	579
Change in inventory of finished and semi-finished products	(16)	0
Raw materials and consumables	(412)	(853)
Costs for services and use of third party assets	(267,129)	(264,542)
Costs of personnel	(28,843)	(26,834)
Other operating costs	(30,375)	(23,215)
Capitalised internal construction costs	675	675
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	77,205	79,148
Amortisation, depreciation and write-downs	(41,945)	(43,836)
Other provisions	(2,149)	11
Earnings before interest and taxes	33,111	35,323
Gains and expenses from shareholdings	55	(458)
Financial income	948	1,138
Financial expenses	(43,279)	(45,848)
Total financial income and expenses	(42,276)	(45,168)
PROFIT/(LOSS) BEFORE TAXES	(9,165)	(9,845)
Income tax	(4,834)	(98)
Profit/(Loss) for the period	(13,999)	(9,943)
(Loss)/profit from re-measurement on defined benefit plans after taxes	(32)	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	(32)	0
Net (loss)/profit from derivatives as cash flow hedges	1,593	1,593
Profit/(Loss) from available-for-sale financial assets	(110)	0
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes	1,483	1,593
Total profit/(loss) in comprehensive income statement, after taxes	1,451	1,593
Comprehensive profit (loss) for the period	(12,548)	(8,350)
<i>Attributable to:</i>		
Profit (loss) for the period pertaining to the Group	(13,999)	(9,943)
Profit (loss) for the period pertaining to Third parties	0	0
Comprehensive profit (loss) for the period pertaining to the Group	(12,548)	(8,350)
Comprehensive profit (loss) for the period pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	(0.12)	(0.09)
Diluted earnings (loss) per share in Euro	(0.12)	(0.09)

SNAI Group - Comprehensive consolidated income statement

amounts in thousands of Euro	QIII	
	2015	2014
Revenues from sales and services	120,183	130,040
Other revenue and income	311	186
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(111)	(217)
Costs for services and use of third party assets	(85,427)	(85,953)
Costs of personnel	(9,087)	(8,481)
Other operating costs	(10,900)	(9,729)
Capitalised internal construction costs	225	225
Profit/(loss) before amortisation, depreciation, write-downs, financial income and expenses, taxes	15,194	26,071
Amortisation, depreciation and write-downs	(13,327)	(14,534)
Other provisions	(2,238)	459
Earnings before interest and taxes	(371)	11,996
Gains and expenses from shareholdings	0	(14)
Financial income	282	380
Financial expenses	(15,033)	(14,911)
Total financial income and expenses	(14,751)	(14,545)
PROFIT/(LOSS) BEFORE TAXES	(15,122)	(2,549)
Income tax	789	(422)
Profit/(Loss) for the period	(14,333)	(2,971)
(Loss)/profit from re-measurement on defined benefit plans after taxes	(32)	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	(32)	0
Net (loss)/profit from derivatives as cash flow hedges	531	531
Profit/(Loss) from available-for-sale financial assets	0	0
Total other comprehensive income components which will be restated under profit/(loss) for the period after taxes	531	531
Total profit/(loss) in comprehensive income statement, after taxes	499	531
Comprehensive profit (loss) for the period	(13,834)	(2,440)
<i>Attributable to:</i>		
Profit (loss) for the period pertaining to the Group	(14,333)	(2,971)
Profit (loss) for the period pertaining to Third parties	0	0
Comprehensive profit (loss) for the period pertaining to the Group	(13,834)	(2,440)
Comprehensive profit (loss) for the period pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	(0.12)	(0.03)
Diluted earnings (loss) per share in Euro	(0.12)	(0.03)

SNAI Group - Consolidated balance sheet

amounts in thousands of Euro

30.09.2015 31.12.2014

ASSETS
Non-current assets

Property, plant and equipment owned	137,337	140,142
Assets held under financial lease	2,957	3,782
Total property, plant and equipment	140,294	143,924

Goodwill	245,883	231,531
Other intangible assets	76,560	102,857
Total intangible assets	322,443	334,388

Shareholdings measured using the equity method	2,410	2,318
Shareholdings in other companies	46	46

Total shareholdings

Total shareholdings	2,456	2,364
Deferred tax assets	80,165	80,004
Other non-financial assets	2,200	1,967
Financial assets	2,010	1,244
Total non-current assets	549,568	563,891

Current assets

Inventories	365	486
Trade receivables	74,442	58,486
Other assets	30,300	24,509
Current financial assets	131,913	19,663
Cash and cash equivalents	78,384	68,629
Total current assets	315,404	171,773

TOTAL ASSETS
864,972 735,664
SHAREHOLDERS' EQUITY AND LIABILITIES
Shareholders' equity pertaining to the Group

Share capital	60,749*	60,749
Reserves	(11,197)	13,434
Profit/(Loss) for the period	(13,999)	(26,082)

Total Shareholders' Equity pertaining to the Group

Total Shareholders' Equity pertaining to the Group	35,553	48,101
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	35,553	48,101

Non-current liabilities

Post-employment benefits	5,708	4,602
Non-current financial liabilities	573,641	464,769
Deferred tax liabilities	62,467	58,593
Provisions for risks and charges	12,923	10,838
Sundry payables and other non-current liabilities	2,204	2,336
Total non-current liabilities	656,943	541,138

Current liabilities

Trade payables	28,135	32,385
Other liabilities	127,279	91,117
Current financial liabilities	17,062	3,371
Current portion of long-term borrowings	0	19,552
Total financial liabilities	17,062	22,923

Total current liabilities

Total current liabilities	172,476	146,425
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TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY
864,972 735,664

*On September 28th 2015 SNAI SpA's Extraordinary Shareholders meeting approved a Share Capital increase by 37,233,253.20 in connection with the acquisition of Cogemat Group that will be completed once the only remaining contractual CP is fulfilled, most likely on November 18th; as a consequence the Share Capital, reduced by more than one third due to the loss of the period, will be restored.

SNAI Group - Consolidated Cash Flow Statement

amounts in thousands of Euro	30.09.2015	30.09.2014
A. CASH FLOW FROM OPERATIONS		
Profit (loss) for the year pertaining to the Group	(13,999)	(9,943)
Profit (loss) for the year pertaining to Third Parties	0	0
Amortisation, depreciation and write-downs	41,945	43,836
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	3,122	(1,902)
Change in provision for risks	2,048	(4,449)
(Capital gains) capital losses from non-current assets (including shareholdings)	100	1,126
Portion of earnings pertaining to shareholdings measured using the equity method (-)	(55)	458
Net change in sundry non-current trade assets and liabilities and other changes	(365)	(646)
Net change in current trade assets and liabilities and other changes	3,225	2,199
Net change in post-employment benefits	1,062	(200)
CASH FLOW FROM (USED IN) OPERATIONS (A)	37,083	30,479
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment (-)	(8,377)	(7,997)
Investments in intangible assets (-)	(9,741)	(3,878)
Acquisition of business unit	(1,300)	0
Acquisition of equity investments in subsidiaries, net of acquired cash	(84)	0
Proceeds from the sale of tangible, intangible and other non-current assets	93	72
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	(19,409)	(11,803)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	(113,126)	(1,463)
Change in financial liabilities	125,207	11,241
Repayment of financing	(20,000)	0
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	(7,919)	9,778
D. CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)		
E. TOTAL CASH FLOW (A+B+C+D)	9,755	28,454
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)	68,629	45,499
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	78,384	73,953

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

CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE START OF THE PERIOD, BROKEN DOWN AS FOLLOWS:

Cash and cash equivalents	68,629	45,499
Bank overdrafts		
Discontinued operations		
	68,629	45,499

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

Cash and cash equivalents	78,384	73,953
Bank overdrafts		
Discontinued operations		
	78,384	73,953

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