

Bit Market Services

Informazione Regolamentata n. 0242-22-2016	Data/Ora Ricezione 13 Maggio 2016 14:25:39	MTA
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Societa' : SNAI
Identificativo : 74304
Informazione
Regolamentata
Nome utilizzatore : SNAIN05 - Rinaudo
Tipologia : IRAG 09; IRAG 03; IRCG 02; IRCG 03
Data/Ora Ricezione : 13 Maggio 2016 14:25:39
Data/Ora Inizio : 13 Maggio 2016 14:40:40
Diffusione presunta
Oggetto : PRESS RELEASE - SNAI Group Results
as of 31 March 2016

Testo del comunicato

PRESS RELEASE - SNAI Group Results as of 31 March 2016

Press Release

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

SNAI Group – Results of operations as at 31st March 2016:

EBITDA increases to Euro 38.7 million

Main consolidated economic and financial data

- Revenues up by 41% to Euro 220.2 million from 1Q15 due to Cogemat Group consolidation and wagers increase
- EBITDA of Euro 38.7 million compared to 1Q 15 Euro 20.2 million
- Net Consolidated Profit of Euro 1.6 million
- Net Financial Position of Euro -478.5 million

Milan, 13th May 2016 – SNAI S.p.A.'s Board of Directors duly held today in Milan under Gabriele Del Torchio's chairmanship, approved the interim financial report as at 31st March 2016 for SNAI Group which reported revenues of Euro 220.2 million, an EBITDA of Euro 38.7 million, an EBIT of Euro 21.4 million and Net Consolidated Profit of Euro 1.6 Million.

Key Consolidated Income Statement	1Q 2016	1Q 2015	Diff. %
Revenues	220.2	156.1	41.0
EBITDA	38.7	20.2	91.5
EBITDA Adj	40.5	21.3	90.5
EBIT	21.4	32.1	(33.5)
Profit (loss) before taxes	6.0	18.3	(67.2)
Result pertaining to the Group	1.6	11.4	(85.9)
Basic/diluted loss per share	0.01	0.10	(90.0)

figures express in millions 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 statement of comprehensive income. 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.

SNAI core business was characterised by the following key events in the first quarter of 2016:

- Total wagers collected increased overall up to Euro 2,769 million;
- Payout on Sports Betting improved (81.5%) compared to the average level of 2015 (82.2%);
- Relevant increase in wagers collected from Sports Betting business both on retail channel (Euro 191.5 million compared to Euro 150.9 million in 1Q15) and online channel (Euro 68.4 million versus Euro 42.5 million in 1Q15);
- Resilient wagers from Gaming Machines business up to Euro 1,965.1 million despite the ongoing payout reductions on AWP's machines;
- Positive contribution by approximately Euro 50 million to total wagers from SIS and Finscom PoS;
- Kick-off of cost saving actions following the Cogemat Group integration.

Wagers and revenues

Revenues from sales and services raised by 41% up to Euro 220.2 million from Euro 156.1 million in 1Q 2015. Such increase was mainly ascribable to the Cogemat Group integration effects, the reopening of Finscom and SIS PoS and positive performance recorded on Sports Betting and Online Games business.

In order to allow a better understanding of business results achieved in the first quarter of 2016, the table herein below summarises revenues collected by each business unit, including Cogemat contribution over the first quarter 2016.

Euro million	Business	Wagers			Revenues		
		1Q 16	o/w Cogemat	1Q 15	1Q 16	o/w Cogemat	1Q 15
	AWPs	1.046,8	611,6	410,9	91,4	53,3	51,7
	VLTs	918,2	553,6	333,5	56,3	32,0	23,6
	Gaming Machines	1.965,1	1.165,2	744,4	147,7	85,2	75,2
	Sport Betting (Retail channel)	191,5	15,6	150,9	31,5	3,0	21,1
	Sport Betting (Online channel)	68,4	2,7	42,5	6,6	0,2	5,2
	Horse Betting	64,3	5,2	57,0	5,6	0,5	5,4
	Virtual Events	84,1	9,7	68,1	11,0	1,2	9,1
	Betting	408,4	33,2	318,5	54,7	4,9	40,8
	Online Games (Skills, Casinò, Bingo)	233,1	11,4	183,6	6,1	0,3	4,6
	Betting provider	133,7	17,7	119,9	2,1	0,3	1,9
	Financial services	28,7	26,0	0,9	0,6	0,5	0,0
	Television services and horse race mnngt				4,5	0,0	4,0
	Other revenues				3,2	0,6	2,1
	Non-Recurring Revenues				1,3	0,0	27,5
	SNAI Group	2.768,9	1.253,5	1.367,3	220,2	91,8	156,1

Wagers collected on Gaming Machines business (including VLT and AWP) moved to Euro 1,965,1 million as of 31st March 2016 compared to Euro 744.4 million in 1Q 2015 as a consequence of the Cogemat Group integration (wagers of Euro 1,165.2 million in 1Q16) and further rationalisation activities on machines network. Revenues generated by Gaming Machines business settled at Euro 147.7 million compared to 75.2 million in 1Q15. By end of March, SNAI Group managed 64,777 AWP and 9,988 VLTs.

Payout in the first quarter of 2016 moved down to 81.5% from 82.2% registered on 1Q15. Wagers collected from Sports Betting business were up by 34.4% to Euro 259.9 million compared to Euro 193.4 million in 1Q15. Wagers from Online channel accounted for Euro 26.3 million (26.3% weight on Sports Betting total wagers).

Net revenues from Sports Betting settled at Euro 38.1 million compared to Euro 26.3 million in 1Q15. By end of March, SNAI Group relies on 1,589 Point of Sales (including shops and corners).

Wagers collected from Horserace Betting business as of 31st March 2016 were up by 12.7% to Euro 64.3 million (including Euro 5.2 million related to Cogemat Group) compared to Euro 57 million from 1Q15. Revenues grew by Euro 0.2 million in the first quarter totalling Euro 5.6 million compared to Euro 5.4 million from 1Q15.

Virtual Events business collected wagers of Euro 84.1 million in the first quarter of 2016 compared to Euro 68.1 million in 1Q15, with net revenues associated of Euro 11 million (versus Euro 9.1 million in 1Q15).

Online Games business benefited from the implementation of new online strategy and new website release, which contributed to increase net revenues to Euro 6.1 million from Euro 4.6 million in 1Q15.

Betting Provider business recorded an increase in wagers collected up to Euro 133.7 million compared to Euro 119.9 million in 1Q15 due to Cogemat Group integration. Additionally, wagers from Financial Services business (Paymat) totalled Euro 28.7 million.

Non-Recurring Revenues moved down to Euro 1.3 million from Euro 27.5 million in 1Q15 (mainly related to the Barcrest settlement).



Margins, results and NFP

The Group EBITDA in the first quarter of 2016 was up by 91.5% to Euro 38.7 million compared to Euro 20.2 million in 1Q15. Such increase is a direct consequence of the above mentioned wagers and revenues growth due to the Cogemat Group integration effects, the reopening of Finscom and SIS PoS and positive performance recorded on Sports Betting and Online Games business.

Group EBIT in the first quarter of 2016 is positive by Euro 21.4 million compared to Euro 32.1 million from 1Q15 (mainly related to the Barcrest settlement).

Profit before taxes in 1Q16 settled down to Euro 6 million compared to Euro 18.3 million in 1Q15 due to the above-mentioned Barcrest transaction and to higher financial expenses related to the bond issued in November 2015 by Euro 110 million whose proceeds were committed to the Cogemat Group acquisition.

Net Consolidated Profit for SNAI Group is Euro 1.6 million compared to Euro 11.4 million in 1Q15.

The net financial indebtedness of SNAI Group, as at 31st March 2016, was Euro 478.5 million compared to Euro 467.6 million by end of 2015.

Mr Fabio Schiavolin, Group CEO, commented, "such promising results delivered in 1Q16 ratify the soundness and effectiveness of the integration process despite further efforts are required to bring the SNAI Group back to profitable and competitive levels and enhance its market leadership".

Appointment of new Director in charge of the preparation of the corporate accounting documents

The Board of Directors took notice that Mr Marco Codella, Director in charge of the preparation of the corporate accounting documents, leaves the company to pursue new opportunities. In the context of such consensual resolution, SNAI thanks Mr Codella for his significant contributions to the Company and wishes him the best of luck in his future endeavours. Likewise, Mr Codella thanks SNAI for its professional experience.

The Board of Directors has appointed Mr Chiaffredo Rinaudo, currently Group CFO, as new Director in charge of the preparation of the corporate accounting documents.

Change to calendar of corporate events

The Board of Directors has agreed to change the 2016 Company's Corporate Events Calendar (originally issued on 29th January 2016) to postpone the approval of consolidated Half-year Financial Report as of and for period ended 30 June 2016 from 28th July to 5th August 2016. No additional changes apply to the other events already scheduled in the Calendar.

The director in charge of the preparation of the corporate accounting documents, Mr. Chiaffredo Rinaudo, 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 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 website www.1info.it, operated by Computershare S.p.A. located in Milan and authorised by CONSOB with its resolution no. 18852 of 9 April 2014.

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Pursuant to the requirements of Consob communication ref. 10084105 of 13 October 2010, we report below the information concerning the SNAI companies and Group.

a) Net financial position of the Company and SNAI Group

	SNAI GROUP		SNAI SPA	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
a) Liquidity	111,980	109,072	69,046	53,979
b) Current financial receivables	0	0	13,167	9,264
c) Current bank debts	(73)	(71)	(73)	(66)
d) Current portion of long-term indebtedness	0	0	0	0
e) Current financial payables	(16,472)	(3,493)	(26,190)	(13,973)
Net current financial indebtedness	95,435	105,508	55,950	49,204
f) Non-current bank debts	0	0	0	0
g) Bonds issued	(573,872)	(573,030)	(573,872)	(573,030)
f) Other non-current financial receivables/payables	(29)	(71)	(13)	(39)
Total net financial indebtedness	(478,466)	(467,593)	(517,935)	(523,865)

figures expressed in thousands of Euro

The Group Net financial position does not include (i) trapped cash accounts for Euro 19,853 thousand included in the "Current Financial Assets" of the Consolidated Balance sheet (ii) current account for Euro 95 thousand and other non-recurring financial assets for Euro 1,733 thousand.

SNAI S.p.A. Net financial position does not include trapped cash account and other non-current financial assets.

b) Overdue accounts payable of the SNAI Group

Current liabilities	Balance as at 31.03.2016 of which due on 31.03.2016	
Financial payables	16,545	
Trade payables	35,506	7,938
Tax payables	18,646	-
Payables to social security institutions	2,717	-
Other payables	159,779	-
	233,193	7,938

figures expressed in thousands of Euro

The amount due as of 31 march 2016 equals to Euro 7,938 thousand and relates to the usual business run with suppliers of products and services; such amount was mainly paid after 31 march 2016. In certain circumstances, a new payment date has been agreed. To the present date, no single supplier started litigations or similar actions.

c) Related Parties

The Consob Notice 6064293 of 28 July 2006 requires that, in addition to the disclosures required by IAS (International Accounting Standard) 24: "Related Party Disclosures", disclosures are provided in relation to any transaction or position held with related parties, following IAS 24 classification, which may affect incomes, net worth and financial position.

The table herein below reports a summary of all such transactions and positions. The impact of any transaction on the income statement and cash flows of the Company and/or the Group must be analysed bearing in mind that the principal dealings with related parties are entirely identical to equivalent contracts in place with third parties.



Certain companies of SNAI Group held bank 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 also considered related parties given the equity interest of certain SNAI shareholders in the share capital of such banks.

Such transactions were held in the course of regular business, in the only interest of the Group and were settled at market prices and conditions.

Senior Secured Notes and Senior Revolving Facility are also backed by a pledge on SNAI shares, issued by the majority shareholder of the Company. Such pledge between SNAI S.p.A. and the shareholder was also enforced by the favourable binding opinion issued by SNAI Related Party Committee.

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

thousands of Euro	31.03.2016	% impact	31.12.2015	% impact
Trade receivables:				
- from Global Games S.p.A..	1	0.00%	-	0.00%
	1	0.00%	-	0.00%
Other current assets:				
- from companies related to directors of SNAI S.p.A.	3	0.00%	-	0.00%
	3	0.00%	-	0.00%
Total assets	4	0.00%	-	0.00%
Trade payables:				
- to companies related to directors of SNAI S.p.A.	17	0.05%	30	0.07%
	17	0.05%	30	0.07%
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	0.01%	-	0.00%
- to Teseo S.r.l. in liquidation	383	0.21%	383	0.21%
	416	0.23%	383	0.21%
Total Liabilities	433	0.05%	413	0.05%

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

thousands of Euro	FY 2015	% impact	FY 2014	% impact
Revenues from services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	2	0.00%	1	0.00%
	2	0.00%	1	0.00%
Other revenues				
- from Global Games S.p.A.	1	0.04%	1	0.00%
	1	0.04%	1	0.00%
Total revenues	3	0.00%	2	0.00%
Costs for services and chargebacks:				
- from companies related to directors of SNAI S.p.A.	2	0.00%	2	0.00%
- from companies related to shareholders of SNAI S.p.A.	21	0.01%	-	0.00%
- from directors di Teleippica S.r.l.	-	0.00%	20	0.02%
- from directors of Finscom S.r.l.	8	0.01%	-	0.00%
- from directors and companies associated with Finscom S.r.l.	31	0.02%	-	0.00%
- from statutory auditors of Cogetech Gaming S.r.l.	8	0.01%	-	0.00%
	70	0.05%	22	0.02%
Other operating costs:				
- from companies related to directors of SNAI S.p.A.	3	0.02%	3	0.04%
	3	0.02%	3	0.04%
Total costs	73	0.04%	25	0.02%

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.01% in 1Q 2016 (vs. 0% in 1Q 2015) while total revenues affected 1Q 2016 Profit (Loss) by 0.19% (vs. 0.02% in 1Q 2015).

Costs for raw materials and consumables, services and charge backs and other operating costs affected the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.19% in 1Q 2016 (vs. 0.05% in 1Q 2015) while total costs affected 1Q 2015 Profit (loss) by 4.54% (vs. 0.022% in 1Q 2015).

Remuneration costs for executives totalled Euro 412 thousands during the 1Q 2016 and were exclusively related to base salaries.

Parent company SNAI S.p.A.

The following table contains a summary of transactions between the parent company SNAI S.p.A. and related parties:

thousands of Euro	31.03.2016	31.12.2015
Other Financial Assets:		
- to Cogetech S.p.A.	110,738	110,738
Total Other Financial Assets	110,738	110,738
Trade receivables:		
- from Global Games S.p.A.	1	-
- from Società Trenno S.r.l.	247	178
- from Finscom S.r.l.	88	106
- from Snai Rete Italia S.r.l.	773	849
- from Teleippica S.r.l.	64	66
- from Cogetech S.p.A.	2	-
- from Cogeetch Gaming S.r.l.	2	-
Total trade receivables	1,177	1,199
Other current assets:		
- from companies related to directors	3	-
- from Società Trenno S.r.l.	-	62
- from Teleippica S.r.l.	2,082	1,955
- from SNAI Rete Italia S.r.l.	12	-
Total other current assets	2,097	2,017
Current Financial receivables:		
- from Società Trenno S.r.l.	6,994	5,940
- from Snai Rete Italia S.r.l.	3,687	2,949
- from Cogetech S.p.A.	2,486	375
Total current financial receivables	13,167	9,264
Total assets	127,179	123,218
Trade payables:		
- to companies related to directors	17	30
- to Società Trenno S.r.l.	66	182
- to Finscom S.r.l.	7	8
- to Snai Rete Italia S.r.l.	15	16
- to Teleippica S.r.l.	383	333
- to Cogetech S.p.A.	469	20
Total trade payables	957	589
Other current liabilities		
- to companies related to directors	10	-
- to Società Trenno S.r.l.	6,946	6,747
- to Snai Rete Italia S.r.l.	1,611	1,195
- to Steleippica S.r.l.	81	-
- to Teseo S.r.l. in liquidation	383	383
- to companies related to shareholders	23	-
Total other current liabilities	9,054	8,325
Current financial payables:		
- to Teleippica S.r.l.	9,745	10,504
Total current financial payables	9,745	10,504
Total liabilities	19,756	19,418

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

thousands of Euro	1Q16	1Q15
Revenues from services and chargebacks:		
- from companies related to directors	2	1
- from Società Trenno S.r.l.	62	48
- from Snai Rete Italia S.r.l.	38	-
- from Finscom S.r.l.	2	-
- from Cogetech S.p.A.	4	-
- from Teleippica S.r.l.	-	17
Total revenues from services and chargebacks	108	66
Other revenues		
- from Global Games S.p.A.	1	1
- from Società Trenno S.r.l.	105	96
- from Teleippica S.r.l.	137	127
- from Cogetech S.p.A.	1	-
- from Cogetech Gaminig S.r.l.	1	-
Total other revenues	245	224
Interest income:		
- from Società Trenno S.r.l.	140	76
- from Snai Rete Italia S.r.l.	73	-
- from Teleippica S.r.l.	-	2
- from Cogetech S.p.A.	2,111	-
Total interest income	2,324	78
Total revenues	2,677	368
Costs for services and chargebacks:		
- from companies related to directors	2	2
- from Società Trenno S.r.l.	99	99
- from Finscom S.r.l.	392	-
- from Snai Rete Italia S.r.l.	2,461	-
- from Teleippica S.r.l.	798	752
- from Cogetech S.p.A.	4	-
Total costs for services and chargebacks	3,756	853
Costs of seconded personnel		
- from Cogetech S.p.A.	234	-
Total costs of seconded personnel	234	-
Other operating costs		
- from companies related to directors	3	3
Total other operating costs	3	3
Interest expense and fees		
Interest expense to Teleippica S.r.l.	220	13
Total interest expense and fees	220	13
Total costs	4,213	869



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

The economical and financial healthiness of the SNAI Group has been distinguished by: (i) negative results partially due to exogenous events and high level of depreciations and financial expenses; (ii) intangible assets of relevant value combined with a reduced net worth framework due to cumulative losses from previous years; (iii) important level of indebtedness with limited capability to repay down due to large cash flows absorption from business and financial expenses.

With reference to the financial statement as at 31st March 2016, the Directors highlighted a Group Profit of Euro 1.6 million. The net financial indebtedness amounts to Euro 478.5 million and is mainly represented by corporate bonds issued and fully subscribed on 4th December 2013 (Euro 320 million and 160 million) and on 28th July 2015 (Euro 110 million) all due in 2018.

The Directors also noticed that 1Q 2016 results were positive by Euro 1.6 million (vs Euro 11.4 million from 1Q 2015 which included also the positive effect of the Barcrest settlement booked during the first half of 2015). Such result is better than expectation due to: (i) better than expected revenues and margins on Sports Betting business due to increased wagers and improved payout level; (ii) increased wagers from Virtual Events and Online Games (iii) cost efficiencies due to the integration of Cogemat group.

Furthermore, Directors noticed the positive effects of the Cogemat Group integration (executed on 19th November 2015) on shareholding capital and net assets which increased respectively by Euro 37.2 million and Euro 140 million; as a direct consequence of such integration net assets as at 31st March 2016 totalled Euro 137.3 million compared to Euro 135.6 million as at 31 December 2015. Regardless the impact generated by the three corporate transactions implemented in 2015 (Cogemat, SIS and Finscom) on net asset and indebtedness level generate, the new business profile of SNAI Group may be described as follow:

- Direct and deeper PoS coverage (63 new proprietary Point of Sales spread all over the country) in addition to the augmented sales network with additional 185 PoS from Cogemat Group;
- Higher market share in the Gaming Machine market (ranked second national player with market share over 15%);
- Improved and more balanced revenue contributions from betting and Gaming Machines business;
- Lower exposure of the EBITDA to adverse changes in fixed-odd betting payout.

Notwithstanding such elements related to an improved performance and payout risk reduction, there are still uncertainties linked to future events and specific characteristics of reference markets, which may adversely affect margins and future refinancing capabilities of the Group.

As such, the perspective of SNAI Group going-concern is subordinated to the following events:

- Renewal of the concessions due on 30th June 2016 related to Betting. SNAI objective is to renew its betting concessions given their contribution to the overall business; based on current available information on betting tender offer regulated by the 2016 Budget Law, SNAI truly believes the Group to be liquid enough in order to grant renewal of concessions associated with strategic Point of Sales and the full renewal of all actual concessions.

In 2015 ADM notified SNAI in relation to the breach of certain ratios required by the concession agreements. Concessionaries are indeed required to comply with specific levels of solvency ratios whereas any breach event occurred for a prolonged time may result in the withdrawal of concessions. Directors truly believe there are currently no real breach risks which may determine concession withdrawals, based on several factors including (i) the most relevant ratio (net indebtedness level over net assets) is within the limit as at 31st December 2015 (ii) favourable legal opinion ponders high unlikely any withdrawal scenario (iii) written confirmation by ADM confirming the monitoring nature of its early notifications to SNAI.

- SNAI Group capability to produce profits and adequate cash flows. Directors believe that Consolidated SNAI business plan (approved on 12th March 2015) is no longer an updated and reliable forecast given the integration with Cogemat Group and the new macro and regulatory framework. Directors are currently working on a new Consolidated business plan. Directors have produced and approved on 21st April 2016 the key guidelines for business in 2016-2019 ("Business Guidelines for 2016-2019"), which has been adopted to perform valuations on balance sheet for FY 2015.

The New Business Plan would be finalised as soon as (i) there are more predictable forecast on timing and amount of investments associated with Betting tender offer due on 30 June 2016; (ii) the effects of the Cogemat integration materialise (iii) benefits from reorganisation of PoS network related to Finscom/SIS arise.



Given the Business Guidelines for 2016-2019, SNAI Group believes to generate in the coming future an increase of total wagers (and subsequent revenues and margins) based on several initiatives which includes also the increase of Online offering and the broadening of games portfolio for Virtual Events.

In addition to the above-mentioned factors, further benefits are expected from the reduction of operating costs and rationalisation of investments related to Cogemat Group along with an increased wagers following the reopening of 63 SIS/Finscom Point of Sales. Finally, the combined effects introduced by 2016 Budget Law on the industry should have a minimum impact on SNAI Group margins in the first months of 2016 and almost zero for the rest of the year, given the offsetting effects produced by the AWP's payout reduction.

Ultimately, the Business Guidelines for 2016-2019 shows the reduction of depreciation and financial expenses following (i) the renewal of betting licences due on 30 June 2016 which would require an expected level of capital expenditure (based on 2016 Budget Law guidelines) much lower than the book value of current licenses (ii) partial repayment of Group debts with the additional cash flow generated by future business performances.

On such basis, the uncertainties related to the business performance should be partially reduced due to: new combination of the Group offering which leaves more room to Gaming Machines business; potential improvement of Sports Betting payout following the upcoming renewal of the contractual agreements with PoS; furthermore, the new par. 944 and 945 of 2016 Budget Law changed the betting taxable income from wagers to margins and allowed concessionaries to partially mitigate any adverse risk payout fluctuation.

- Group capability to repay outstanding financial debts on due date or to refinance its current debts. On the basis of all the arguments provided earlier, SNAI Group believes to be fully able to deliver improved economic results over time which should also produce enough cash flows to support new investments in the current business and eventually pay down outstanding financial instruments either by refinancing or through new issuance (with characteristics similar or better than the existing ones). However, given the current level of financial indebtedness of SNAI Group, the negative results of previous years and the unpredictability of relevant markets, it must be also noted how some of the following events may undermine the current Group going-concern (assuming no new capital injections and/or funding): missed renewal of a large portion of current concessions and/or prolonged generations of losses and inadequate cash flows and/or missed repayment of outstanding debts at due date or any refinancing inability.

On the basis of all the above considerations, Directors consider fully achievable all the objectives embedded in the Business Guidelines for 2016-2019. Notwithstanding the uncertain framework, Directors believe the Group to be fully entitled and capable to continue running its business in the foreseeable future and have produced a going-concern financial statement.

Directors however acknowledge the need to constantly monitor results such that it may be promptly identified any negative event affecting business performance, current/future results and more broadly the economical, net worth and financial soundness of the Group.

e) Financial covenants

The current outstanding Loan Agreements (revolving credit line and bond loans), in line with market practice, includes several obligations for the Group.

Such agreements, in accordance with similar transactions, require the Company to comply with specific commitments aimed at safeguarding the credit position of financing entities. Among these provisions there is the prohibition to distribute dividends before bonds maturity, the restrictions on early repayment of bonds, restrictions on new financial debts and restrictions on making specific investments and disposals of corporate assets and properties. In addition, there are also events of default which may trigger the early repayment.

SNAI S.p.A. has also agreed to comply with certain financial indicators following the agreements signed with Unicredit S.p.A., Banca IMI S.p.A, Deutsche Bank S.p.A. and JP Morgan Chase Bank N.A. – Milan Branch in relation to a Senior Revolving loan facility totalling Euro 55 million.

In particular, we refer to the requirement to maintain a minimum level of "Consolidated Pro-Forma EBITDA" whereas "Consolidated Pro-Forma EBITDA", as defined in the loan agreement, 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 financial lenders with periodic information on cash flows, incomes and key performance indicators, which includes, among other things, also EBITDA and net financial position.

At 31st March 2016 the Group was fully compliant with all the above-mentioned commitments and covenants.

f) Progress of the business plan

All the above-mentioned activities connected to the integration of Cogemat Group with SNAI Group and to the rationalisation of SIS and Finscom sales network would require the new Business Plan to take into account both potential revenues increase and operating efficiencies and synergies from the new group.

Given also the recent regulatory changes, the previous Business Plan is considered no longer updated and reliable.

The Business Plan, to be finalised later in 2016, would be developed from the Business Guidelines for 2016-2019 previously mentioned and may encompass some of the following input (which will should be clearer later this year):

- i. Timing, cost and outcome of the betting tender offer;
- ii. Cost savings from the integration of SNAI-Cogemat, including current discussions with unions;
- iii. Rationalisation of SIS and Finscom sales network.

1Q 2016 EBITDA beat expectation and past 1Q15 results thanks to three main events: (i) better than expected revenues and margins from Sports Betting business essentially due to higher wagers collected and better payout; (ii) higher wagers from Virtual Events and Online Games (iii) cost efficiencies due to the integration of Cogemat group.



Annexes:

- **SNAI Group:**

Consolidated Comprehensive Income Statement as at 31 March 2016

Consolidated Balance Sheet as at 31 March 2016

Consolidated Cash Flow Statement as at 31 March 2016

SNAI Group - Consolidated Statement of Comprehensive Income

amounts in thousands of Euro	31.03.2016	31.03.2015
Revenues from sales and services	217.931	128.417
Other revenue and income	2.264	27.706
Change in inventory of finished and semi-finished products	0	(16)
Raw materials and consumables	(247)	(151)
Costs for services and use of third party assets	(153.266)	(92.143)
Costs of personnel	(14.866)	(9.364)
Other operating costs	(13.557)	(8.356)
Capitalised internal construction costs	225	225
Earnings before interest, tax, depreciation and amortisation	38.484	46.318
Amortisation, depreciation and write-downs	(17.116)	(14.204)
Other provisions	0	0
Earnings before financial income/expenses and taxes	21.368	32.114
Gains and expenses from shareholdings	0	0
Financial income	232	338
Financial expenses	(15.599)	(14.144)
Total financial income and expenses	(15.367)	(13.806)
PROFIT (LOSS) BEFORE TAXES	6.001	18.308
Income tax	(4.393)	(6.872)
Profit (loss) for the year	1.608	11.436
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	0	0
Net (loss)/profit from derivatives as cash flow hedges	0	531
Net (loss)/profit from AFS Financial Asset	17	0
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	17	531
Total profit/(loss) in comprehensive income statement, after taxes	17	531
Total profit (loss) for the year	1.625	11.967
<i>Attributable to:</i>		
Profit (loss) for the year pertaining to the Group	1.608	11.436
Profit (loss) for the year pertaining to Minority interests	0	0
Total profit (loss) for the year pertaining to the Group	1.625	11.967
Total profit (loss) for the year pertaining to Minority interests	0	0
Basic earnings (loss) per share in Euro	0,01	0,10
Diluted earnings (loss) per share in Euro	0,01	0,10

SNAI Group - Consolidated balance sheet

amounts in thousands of Euro	31.03.2016	31.12.2015
ASSETS		
Non-current assets		
Property, plant and equipment owned	140.821	144.207
Assets held under financial lease	2.863	2.936
Total property, plant and equipment	143.684	147.143
Goodwill	306.203	306.203
Other intangible assets	157.430	166.057
Total intangible assets	463.633	472.260
Shareholdings measured using the equity method	2.490	2.490
Shareholdings in other companies	50	50
Total shareholdings	2.540	2.540
Deferred tax assets	97.957	100.160
Other non-financial assets	3.134	3.304
Financial assets	1.773	1.773
Total non-current assets	712.721	727.180
Current assets		
Inventories	576	641
Trade receivables	144.577	136.169
Other assets	70.025	58.272
Current financial assets	19.972	21.432
Cash and cash equivalents	111.979	107.588
Total current assets	347.129	324.102
TOTAL ASSETS	1.059.850	1.051.282
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity pertaining to the Group		
Share Capital	97.982	97.982
Reserves	37.660	91.874
Profit (loss) for the year	1.608	(54.231)
Total Shareholders' Equity pertaining to the Group	137.250	135.625
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	137.250	135.625
Non-current liabilities		
Post-employment benefits	8.633	8.641
Non-current financial liabilities	573.901	573.101
Deferred tax liabilities	71.833	70.937
Provisions for risks and charges	25.177	27.099
Sundry payables and other non-current liabilities	5.938	6.264
Total non-current liabilities	685.482	686.042
Current liabilities		
Trade payables	35.506	42.365
Other liabilities	185.067	183.686
Current financial liabilities	16.545	3.564
Current portion of long-term borrowings	0	0
Total financial liabilities	16.545	3.564
Total current liabilities	237.118	229.615
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1.059.850	1.051.282

SNAI Group - Consolidated Cash Flow Statement

amounts in thousands of Euro		31.03.2016	31.03.2015
A. CASH FLOW FROM OPERATIONS			
Profit (loss) for the year pertaining to the Group		1.608	11.436
Profit (loss) for the year pertaining to minority interests		0	0
Amortisation, depreciation and write-downs		17.116	14.204
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)		3.099	4.705
Change in provision for risks		(1.922)	(534)
(Capital gains) capital losses from non-current assets (including shareholdings)		52	27
Portion of earnings pertaining to shareholdings measured using the equity method (-)		0	0
Net change in sundry non-current trade assets and liabilities and other changes		(156)	189
Net change in current trade assets and liabilities and other changes		(25.574)	(12.852)
Net change in post-employment benefits		(8)	(4)
CASH FLOW FROM (USED IN) OPERATIONS (A)		(5.785)	17.171
B. CASH FLOW FROM INVESTING ACTIVITIES			
Investments in property, plant and equipment (-)		(1.308)	(2.758)
Investments in intangible assets (-)		(3.786)	(747)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets		12	53
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)		(5.082)	(3.452)
C. CASH FLOW FROM FINANCING ACTIVITIES			
Change in financial receivables and other financial assets		1.477	(533)
Change in financial liabilities		13.781	12.124
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)		15.258	11.591
D. CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)			
E. TOTAL CASH FLOW (A+B+C+D)		4.391	25.310
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)		107.588	68.629
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY			
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)		111.979	93.939
RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):			
CASH AND CASH EQUIVALENTS AFTER DEDUCTING SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:			
Cash and cash equivalents		107.588	68.629
Bank overdrafts			
Discontinued operations			
		107.588	68.629
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:			
Cash and cash equivalents		111.979	93.939
Bank overdrafts			
Discontinued operations			
		111.979	93.939

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