

# Bit Market Services

Informazione Regolamentata n. 0242-43-2016	Data/Ora Ricezione 05 Agosto 2016 15:23:29	MTA
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Societa' : SNAI  
Identificativo : 78125  
Informazione  
Regolamentata  
Nome utilizzatore : SNAIN05 - Rinaudo  
Tipologia : IRAG 02  
Data/Ora Ricezione : 05 Agosto 2016 15:23:29  
Data/Ora Inizio : 05 Agosto 2016 15:38:30  
Diffusione presunta  
Oggetto : SNAI Group - Results as at June 30 2016

*Testo del comunicato*

SNAI Group - Results as at June 30 2016

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

**SNAI Group – Results of operations as at 30 June 2016**  
**Confirms growth trend with € 5,4 billion wagers, € 67,7 million EBITDA**  
**and € 29,7 million cash generation**

**Main consolidated economic and financial data**

- Revenues increased to Euro 442.4 million from first half 2015 results due to Cogemat Group consolidation and wagers increase
- EBITDA of Euro 67.7 million compared to Euro 39.6 million in 1H15
- Net Consolidated Loss of Euro 0.4 million
- Cash flow generation of Euro 29.7 million during the first half of 2016
- Net Financial Position of Euro 440.1 million compared to 467.6 million at Year end 2015

Milan, 5<sup>th</sup> August 2016 – SNAI S.p.A.'s Board of Directors duly held today in Milan approved the half-year financial report as at 30<sup>th</sup> June 2016 for SNAI Group which reported revenues of Euro 442.4 million, an EBITDA of Euro 67.7 million, an EBIT of Euro 38.9 million and Net Consolidated Loss of Euro 0.4 Million.

The following table shows key consolidated performance indicators including Cogemat data for the first semester 2016.

Key Consolidated Income Statement	1Q 2016	1Q 2015	Diff. %
Revenues	442.417	282.811	56,4
EBITDA	67.722	39.563	71,2
EBITDA Adj	70.471	40.422	74,3
EBIT	38.972	33.482	16,4
Profit (loss) before taxes	7.829	5.957	31,4
Result pertaining to the Group	(396)	334	
Basic/diluted loss per share	0,00	0,00	0,0

*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.

In the first half of 2016, SNAI core business was interested by the following key events and dynamics:

- Total wagers grew to Euro 5,356 million with strong performance of Sports Betting and Online Games business;
- Initial Cost saving actions following the Cogemat Group integration;
- SIS and Finscom PoS entirely reopened and fully managed;
- Increase of events offered through Palinsesto Complementare and addition Live Events offered;
- Introduction of new and more effective communication campaigns and new online clients acquisition;
- Bookmaking of events related to the European Football Championship in June.

## Wagers and revenues

Total Revenues raised by 56.4% up to Euro 442.4 million in the first half 2016 compared to Euro 282.8 million in 1H15. Such increase was mainly ascribable to the Cogemat Group integration effects, the reopening of Finscom and SIS PoS, the bookmaking of events related to the European Football Championship and positive performance of 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		
		1H16	o/w Cogemat	1H15	1H16	o/w Cogemat	1H15
	AWPs	2.017	1.190	819	198	117	103
	VLTs	1.783	1.076	656	110	62	46
	<b>Gaming Machines</b>	<b>3.800</b>	<b>2.266</b>	<b>1.475</b>	<b>308</b>	<b>180</b>	<b>149</b>
	Sport Betting (Retail channel)	375	30	276	56	5	41
	Sport Betting (Online channel)	134	4	83	12	0	9
	Horse Betting	126	10	111	11	1	10
	Virtual Events	162	19	131	23	2	19
	<b>Betting</b>	<b>796</b>	<b>64</b>	<b>601</b>	<b>102</b>	<b>9</b>	<b>80</b>
	<b>Online Games (Skills, Casinò, Bingo)</b>	<b>443</b>	<b>18</b>	<b>349</b>	<b>11</b>	<b>0</b>	<b>9</b>
	<b>Other (provider, paymat, television services, horse races)</b>	<b>316</b>	<b>90</b>	<b>226</b>	<b>18</b>	<b>3</b>	<b>17</b>
	<b>Non recurring revenues</b>				<b>3</b>	<b>0</b>	<b>28</b>
	<b>SNAI Group</b>	<b>5.356</b>	<b>2.437</b>	<b>2.651</b>	<b>442</b>	<b>192</b>	<b>283</b>

Wagers collected on Gaming Machines (ADI) business (including VLT and AWP) moved to Euro 3.800 million as of 30 June 2016 compared to Euro 1.475 million in 1H 2015 as a consequence of the Cogemat Group integration (wagers of Euro 2.266 million in 1H16) and further rationalisation activities on machines network. Revenues generated by the Gaming Machines business settled at Euro 308 million compared to 149 million in 1H15. At the end of June, SNAI Group managed 9,988 VLT and 64,777 AWP. In addition, the new internal boards with lower payout (70%) have been replaced in more than 75% of active AWP.

Payout in the half of 2016 moved upwards to 83.3% from 81.7% registered during the 1H15. Wagers collected from Sports Betting business were up by 41.7% to Euro 509 million compared to Euro 359 million in 1H15. Wagers from Online channel accounted for Euro 134 million (26.3% weight on total wagers related to Sports Betting). Net revenues from Sports Betting settled at Euro 68 million compared to Euro 50 million from last 1H 2015. At the end of June, SNAI Group accounts for 1,598 Point of Sales (including shops and corners).

Wagers collected from Horserace Betting business (including Ippica Nazionale) as of 30 June 2016 were up by 13% to Euro 126 million (including Euro 20 million related to Cogemat Group) compared to Euro 111 million from 1H 2015. Revenues grew by Euro 1 million in the first half 2016 totalling Euro 11 million compared to Euro 10 million from 1H15.

Virtual Events business collected higher wagers of Euro 162 million in the first half of 2016 compared to Euro 131 million over the same period in 2015. Net Revenues totalled Euro 23 million versus 19 million booked in 1H15.

Online Games business benefited from the implementation of new online strategy and new website release, which raised Wagers up to Euro 443 million in the first half 2016 compared to Euro 349 million in 1H15 and Revenues increased to 11 million compared to 9 million over the same period in 2015.

### Margins, results and NFP

The Group EBITDA in the first half of 2016 grew by 71.2% to Euro 67.7 million compared to Euro 39.6 million in 1H15. Such increase was a direct consequence of the Revenues increase alongside with the positive effects of the Cogemat Group integration. Cogemat Group showed an EBIDTA of Euro 21.2 million in the first half of 2016. Net of Cogemat Group contribution, in the first half of 2016 the SNAI Group EBITDA grew by Euro 7 million compared to 1H15.

Group EBIT in the first half of 2016 is positive by Euro 39 million compared to Euro 33.5 million from 1H15.

Profit before taxes in 1H16 moved upwards to Euro 7.8 million compared to Euro 6 million in 1H15 due to the consolidation of Cogemat Group and a good operating performance partially counterbalanced by an higher financial expenses associated to the Euro 110 million bond issued in November 2015 and a non recurring revenues booked in 1H15.

Net Consolidated Loss for SNAI Group is Euro 0.4 million compared to a profit of Euro 0.3 million in 1H15.

The net financial indebtedness of SNAI Group, as at 30 June 2016, totalled Euro 440.1 million compared to Euro 467.6 million at year-end 2015. Such decreased is mainly ascribable to the increased level of net cash flow determined by flows from operations, investing activities and retrocession of ADM guarantee deposit for 2015.

*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 D. Lgs. no. 58 of 24 February 1998 and the related implementation regulations are also available on the company's website [www.snai.it](http://www.snai.it) and on the "NIS-storage" storage system through website [www.emarketstorage.com](http://www.emarketstorage.com).**

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	
	30.06.2016	31.12.2015	30.06.2016	31.12.2015
a) Liquidity	138,786	109,072	75,282	53,979
b) Current financial receivables	0	0	8,439	9,264
c) Current bank debts	(330)	(71)	(62)	(66)
d) Current portion of long-term indebtedness	0	0	0	0
e) Current financial payables	(3,432)	(3,493)	(14,445)	(13,973)
<b>Net current financial indebtedness</b>	<b>135,024</b>	<b>105,508</b>	<b>69,214</b>	<b>49,204</b>
f) Non-current bank debts	0	0	0	0
g) Bonds issued	(575,042)	(573,030)	(575,042)	(573,030)
f) Other non-current financial receivables/payables	(36)	(71)	(2)	(39)
<b>Total net financial indebtedness</b>	<b>(440,054)</b>	<b>(467,593)</b>	<b>(505,830)</b>	<b>(523,865)</b>
<i>Figures in thousands of Euro</i>				

The Group Net financial position does not include (i) trapped cash accounts for Euro 18,224 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 1,778 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 30.06.2016	o/w due on 30.06.2016
Financial payables	3,762	
Trade payables	41,164	13,054
Tax payables	24,914	-
Payables to social security institutions	3,445	-
Other payables	145,132	-
	<b>218,417</b>	<b>13,054</b>

*Figures in thousands of Euro*

As of 30 June 2016 the amounts past due are Euro 13.054 thousand and relate to trade payables with business suppliers of products and services; such amounts were mainly paid after 30 June 2016. In certain circumstances, a new payment date has been agreed. To the present date, no supplier raised formal claims 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 shows a summary of 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.

Some companies of the 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. These banks may be also considered related parties given the equity interest of certain SNAI shareholders in the share capital of such banks. However, 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.

<i>Figures in thousands of Euro</i>	<b>30.06.2016</b>	<b>% impact</b>	<b>31.12.2015</b>	<b>% impact</b>
<b>Trade receivables</b>				
- from Global Games S.p.A.	4	0.00%	-	0.00%
	<b>4</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>Total Assets</b>	<b>4</b>	<b>0.00%</b>	<b>-</b>	<b>0.00%</b>
<b>Trade payables</b>				
- to companies related to directors of SNAI S.p.A.	4	0.01%	30	0.07%
	<b>4</b>	<b>0.01%</b>	<b>30</b>	<b>0.07%</b>
<b>Other current liabilities</b>				
- to companies related to directors of SNAI S.p.A.	21	0.01%	-	0.00%
- to companies related to shareholders of SNAI S.p.A.	44	0.02%	-	0.00%
- to Global Games S.p.A.	2	0.00%	-	0.00%
- to Teseco S.r.l. in liquidation	383	0.22%	383	0.21%
	<b>450</b>	<b>0.25%</b>	<b>383</b>	<b>0.21%</b>
<b>Total Liabilities</b>	<b>454</b>	<b>0.05%</b>	<b>413</b>	<b>0.05%</b>

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

<b>First Half 2016</b>				
<i>Figures in thousands of Euro</i>	<b>1H 16</b>	<b>% impact</b>	<b>1H 15</b>	<b>% impact</b>
<b>Revenues from services and chargebacks</b>				
- from companies related to directors of SNAI S.p.A.	2	0.00%	2	0,00%
	<b>2</b>	<b>0.00%</b>	<b>2</b>	<b>0,00%</b>
<b>Other revenues</b>				
- from Global Games S.p.A.	2	0.04%	2	0.01%
	<b>2</b>	<b>0.04%</b>	<b>2</b>	<b>0.01%</b>
<b>Total Revenues</b>	<b>4</b>	<b>0.00%</b>	<b>4</b>	<b>0.00%</b>
<b>Costs for services and chargebacks</b>				
- from companies related to directors of SNAI S.p.A.	4	0.00%	4	0.00%
- from directors of Teleippica S.r.l.	27	0.01%	42	0.02%
- from directors of Finscom S.r.l.	45	0.01%	39	0.02%
- from statutory auditors of Cogetech Gaming S.r.l.	17	0.01%	-	0.00%
	<b>93</b>	<b>0.03%</b>	<b>85</b>	<b>0.04%</b>
<b>Other operating costs:</b>				
- from companies related to directors of SNAI S.p.A.	6	0.02%	6	0.03%
	<b>6</b>	<b>0.02%</b>	<b>6</b>	<b>0.03%</b>
<b>Total Costs</b>	<b>99</b>	<b>0.03%</b>	<b>91</b>	<b>0.05%</b>

<b>Second Quarter 2016</b>				
<i>Figures in thousands of Euro</i>	<b>2Q 16</b>	<b>% impact</b>	<b>2Q 15</b>	<b>% impact</b>
<b>Revenues from services and chargebacks</b>				
- from companies related to directors of SNAI S.p.A.	-	0.00%	1	0.00%
	<b>-</b>	<b>0.00%</b>	<b>1</b>	<b>0.00%</b>
<b>Other revenues</b>				
- from Global Games S.p.A.	1	0.03%	1	0.10%
	<b>1</b>	<b>0.03%</b>	<b>1</b>	<b>0.10%</b>
<b>Total Revenues</b>	<b>1</b>	<b>0.00%</b>	<b>2</b>	<b>0.00%</b>
<b>Costs for services and chargebacks</b>				
- from companies related to directors of SNAI S.p.A.	2	0.00%	2	0.00%
- from directors of Teleippica S.r.l.	6	0.00%	22	0.02%
- from directors of Finscom S.r.l.	6	0.00%	39	0.04%
- from statutory auditors of Cogetech Gaming S.r.l.	9	0.01%	-	0.00%
	<b>23</b>	<b>0.01%</b>	<b>63</b>	<b>0.07%</b>
<b>Other operating costs:</b>				
- from companies related to directors of SNAI S.p.A.	3	0.02%	3	0.03%
	<b>3</b>	<b>0.02%</b>	<b>3</b>	<b>0.03%</b>
<b>Total Costs</b>	<b>26</b>	<b>0.01%</b>	<b>66</b>	<b>0.07%</b>

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.01% in 1H 2016 and similarly in 1H 2015 while total revenues weighted on 1H 2016 Profit (Loss) by 1.01% (vs. 1.20% in 1H 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 0.15% in 1H 2016 and similarly in 1H 2015 while total costs weighted on 1H 2015 Profit (loss) by 25% (vs. 27.25% in 1H 2015).

Remuneration for executives totalled Euro 1.146 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:

<i>Figures in thousands of Euro</i>	<b>30.6.16</b>	<b>31.12.15</b>
<b>Trade receivables</b>		
- from Global Games S.p.A.	4	-
- from Società Trenno S.r.l.	324	178
- from Finscom S.r.l.	106	106
- from Snai Rete Italia S.r.l.	553	849
- from Teleippica S.r.l.	77	66
- from Cogetech S.p.A.	144	-
- from Cogeetch Gaming S.r.l.	4	-
- from Cogemat S.p.A.	3	-
- from Azzurro Gaming S.p.A.	3	-
<b>Total Trade receivables</b>	<b>1,218</b>	<b>1,199</b>
<b>Other current assets</b>		
- from Società Trenno S.r.l.	-	62
- from Teleippica S.r.l.	2,177	1,955
- from Cogetech S.p.A.	152	-
- from Snai Rete Italia S.r.l.	12	-
<b>Total other current assets</b>	<b>2,341</b>	<b>2,017</b>
<b>Current Financial receivables</b>		
- from Società Trenno S.r.l.	7,869	5,940
- from Snai Rete Italia S.r.l.	33	2,949
- from Finscom S.r.l.	162	-
- from Cogetech S.p.A.	375	375
<b>Total Current Financial receivables</b>	<b>8,439</b>	<b>9,264</b>
<b>Other Financial Assets:</b>		
- to Cogetech S.p.A.	110,738	110,738
<b>Total Other Financial Assets</b>	<b>110,738</b>	<b>110,738</b>
<b>Total Assets</b>	<b>122,736</b>	<b>123,218</b>

<i>Figures in thousands of Euro</i>	<b>30.6.16</b>	<b>31.12.15</b>
<b>Trade payables</b>		
- to companies related to directors	4	30
- to Società Trenno S.r.l.	114	182
- to Finscom S.r.l.	7	8
- to Snai Rete Italia S.r.l.	10	16
- to Teleippica S.r.l.	384	333
- to Cogetech S.p.A.	629	20
<b>Total Trade payables</b>	<b>1,148</b>	<b>589</b>
<b>Other current liabilities</b>		
- to companies related to directors	21	-
- to Global Games S.p.A.	2	-
- to Società Trenno S.r.l.	7,037	6,747
- to Snai Rete Italia S.r.l.	2,007	1,195
- to Teleippica S.r.l.	131	-
- to Teseo S.r.l. in liquidazione	383	383
- to Finscom S.r.l.	151	-
- to Cogetech S.p.A.	6	-
- to Cogemat S.p.A.	1	-
- to Cogetech Gaming S.r.l.	1	-
- to Azzurro Gaming S.p.A.	1	-
- to companies related to shareholders	44	-
<b>Total Other current liabilities</b>	<b>9,785</b>	<b>8,325</b>
<b>Current financial payables:</b>		
- to Teleippica S.r.l.	11,035	10,504
<b>Total current financial payables</b>	<b>11,035</b>	<b>10,504</b>
<b>Total Liabilities</b>	<b>21,968</b>	<b>19,418</b>



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

<i>Figures in thousands of Euro</i>	<b>1H 16</b>	<b>1H 15</b>	<i>Figures in thousands of Euro</i>	<b>1H 16</b>	<b>1H 15</b>
<b>Revenues from Services and Chargebacks</b>			<b>Costs for Services and Chargebacks</b>		
- from companies related to directors	2	2	- from companies related to directors	5	4
- from Società Trenno S.r.l.	140	119	- from Società Trenno S.r.l.	188	227
- from Snai Rete Italia S.r.l.	68	-	- from Finscom S.r.l.	743	280
- from Finscom S.r.l.	5	4	- from Snai Rete Italia S.r.l.	4,922	-
- from Cogetech S.p.A.	49	-	- from Teleippica S.r.l.	1,595	1,505
- from Teleippica S.r.l.	-	34	- from Cogetech S.p.A.	9	-
<b>Total Revenues from Services and Chargebacks</b>	<b>264</b>	<b>159</b>	<b>Total Costs for Services and Chargebacks</b>	<b>7,462</b>	<b>2,016</b>
<b>Other Revenues</b>			<b>Costs of Seconded Personnel</b>		
- from Global Games S.p.A.	2	2	- from Cogetech S.p.A.	678	-
- from Società Trenno S.r.l.	259	243	<b>Total Costs of Seconded Personnel</b>	<b>678</b>	<b>-</b>
- from Snai Rete Italia S.r.l.	12	-	<b>Other Operating Costs</b>		
- from Teleippica S.r.l.	272	255	- from companies related to directors	6	6
- from Cogetech S.p.A.	181	-	- from Finscom S.r.l.	-	13
- from Cogetech Gaming S.r.l.	4	-	- from Società Trenno S.r.l.	1	1
- from Azzurro Gaming S.p.A.	1	-	<b>Total Other Operating Costs</b>	<b>7</b>	<b>18</b>
- from Cogemat S.p.A.	1	-	<b>Interest Expense and Fees</b>		
- from Finscom S.r.l.	1	-	Interest expenses to Teleippica S.r.l.	449	144
<b>Total Other Revenues</b>	<b>733</b>	<b>500</b>	Interest expenses to Snai Rete Italia S.r.l.	14	-
<b>Interest Income</b>			<b>Total Interest Expense and Fees</b>	<b>463</b>	<b>144</b>
- from Società Trenno S.r.l.	309	118			
- from Snai Rete Italia S.r.l.	94	52			
- from Teleippica S.r.l.	-	2			
- from Cogetech S.p.A.	4,222	-			
- from Finscom S.r.l.	2	-			
<b>Total Interest Income</b>	<b>4,627</b>	<b>172</b>	<b>Total Costs</b>	<b>8,610</b>	<b>2,178</b>
<b>Total Revenues</b>	<b>5,624</b>	<b>831</b>			

**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 30<sup>th</sup> June 2016, the Directors highlighted a Loss for SNAI Group of Euro 0.4 million. The net financial indebtedness amounts to Euro 440.1 million and is mainly represented by corporate bonds issued and fully subscribed on 4<sup>th</sup> December 2013 (Euro 320 million and 160 million) and on 28<sup>th</sup> July 2015 (Euro 110 million) all due in 2018.

The Directors also noticed that 1H 2016 results were positive by Euro 0.4 million (vs profit of Euro 0.3 million from previous period which included also the positive effect of the Barcrest settlement booked during the first quarter of 2015). Such result is better than expectation due to: (i) better than expected revenues and margins from Online business due to increased wagers; (ii) positive performance of the AWP business despite tax increase (iii) cost efficiencies due to the integration of Cogemat group.

Furthermore, Directors noticed the positive effects of the Cogemat Group integration (executed on 19<sup>th</sup> 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 30 June 2016 totalled Euro 135.2 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 betting concessions past due on 30<sup>th</sup> June 2016. As no tender offer has been published yet and given the expiry of concessions, ADM issued a communication ref. 54917 on 9 June 2016 - to grant usual business continuity related to the gaming activities with the ultimate goal to preserve public order, employment and tax income flows – allowed to continue current activities until the new issuance of the tender offer as long as concessionaires formally committed to join the tender by 30 June 2016 by providing specific guarantees (or an extension of the existing ones) related to those obligations due from the ordinary course of business for the full concession period (until 30 June 2017) and one additional year from such expiry (ie. 30 June 2018). SNAI S.p.A., Cogetech S.p.A. e Cogetech Gaming S.r.l. promptly formalised their intention to continue in their ordinary course of business by providing ADM with required guarantees. 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 fully capable to renew actual concessions.

In 2015 ADM notified SNAI in relation to the breach of certain ratios required by the concession agreements. Concessionaires 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 31<sup>st</sup> 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 12<sup>th</sup> 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 21<sup>st</sup> 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 investment amount of Betting concession to be renewed with the tender past due on 30 June 2016 and currently extended until further notice and publication of the tender offer; (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 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 past due on 30 June 2016 and currently extended until further notice and publication of the tender offer 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 half-year 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 SNAI 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 Group 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 31<sup>st</sup> 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 of SNAI S.p.A. 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 S.r.l. in liquidation and Finscom S.r.l. sales network.

1H 2016 EBITDA beat current expectation and EBITDA level from 1H15 due to several main events: ((i) better than expected revenues and margins form Online business due to increased wagers; (ii) positive performance of the AWP business despite tax increase (iii) cost efficiencies due to the integration of Cogemat group.

**Annex:**

**SNAI Group:**

Consolidated Comprehensive Income Statement as at 30 June 2016

Consolidated Balance Sheet as at 30 June 2016

Consolidated Cash Flow Statement as at 30 June 2016

## SNAI Group - Consolidated Statement of Comprehensive Income

<i>Amounts in thousands of Euro</i>	<b>1H 2016</b>	<b>1H 2015</b>
Revenues from sales and services	436,924	254,135
Other revenue and income	5,493	28,676
Change in inventory of finished and semi-finished products	0	(16)
Raw materials and consumables	(416)	(301)
Costs for services and use of third party assets	(318,738)	(181,666)
Costs of personnel	(30,466)	(19,756)
Other operating costs	(26,884)	(19,511)
Capitalised internal construction costs	450	450
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>66,363</b>	<b>62,011</b>
Amortisation, depreciation and write-downs	(27,241)	(28,618)
Other provisions	(150)	89
<b>Earnings before financial income/expenses and taxes</b>	<b>38,972</b>	<b>33,482</b>
Gains and expenses from shareholdings	(5)	55
Financial income	417	666
Financial expenses	(31,555)	(28,246)
<b>Total financial income and expenses</b>	<b>(31,143)</b>	<b>(27,525)</b>
<b>PROFIT (LOSS) BEFORE TAXES</b>	<b>7,829</b>	<b>5,957</b>
Income tax	(8,225)	(5,623)
<b>Profit (loss) for the year</b>	<b>(396)</b>	<b>334</b>
<b>Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes</b>	<b>0</b>	<b>0</b>
Net (loss)/profit from derivatives as cash flow hedges	0	1,062
Net (loss)/profit from AFS Financial Asset	17	(110)
<b>Total other comprehensive income which will be restated under profit/(loss) for the year after taxes</b>	<b>17</b>	<b>952</b>
<b>Total profit/(loss) in comprehensive income statement, after taxes</b>	<b>17</b>	<b>952</b>
<b>Total profit (loss) for the year</b>	<b>(379)</b>	<b>1,286</b>
<i>Attributable to:</i>		
Profit (loss) for the year pertaining to the Group	(396)	334
Profit (loss) for the year pertaining to Minority interests	0	0
Total profit (loss) for the year pertaining to the Group	(379)	1,286
Total profit (loss) for the year pertaining to Minority interests	0	0
Basic earnings (loss) per share in Euro	0.00	0.00
Diluted earnings (loss) per share in Euro	0.00	0.00

## SNAI Group - Consolidated balance sheet

<i>Amounts in thousands of Euro</i>	<b>30.6.16</b>	<b>31.12.15 (*) Adjusted</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment owned	138,538	144,207
Assets held under financial lease	2,839	2,936
<b>Total property, plant and equipment</b>	<b>141,377</b>	<b>147,143</b>
Goodwill	306,521	306,521
Other intangible assets	157,314	166,057
<b>Total intangible assets</b>	<b>463,835</b>	<b>472,578</b>
Shareholdings measured using the equity method	2,492	2,490
Shareholdings in other companies	46	50
<b>Total shareholdings</b>	<b>2,538</b>	<b>2,540</b>
Deferred tax assets	23,342	29,344
Other non-financial assets	4,102	3,304
Financial assets	1,778	1,773
<b>Total non-current assets</b>	<b>636,972</b>	<b>656,682</b>
<b>Current assets</b>		
Inventories	548	641
Trade receivables	139,480	136,169
Other assets	33,024	55,255
Current financial assets	18,320	21,432
Cash and cash equivalents	138,785	107,588
<b>Total current assets</b>	<b>330,157</b>	<b>321,085</b>
<b>TOTAL ASSETS</b>	<b>967,129</b>	<b>977,767</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity pertaining to the Group</b>		
Share Capital	97,982	97,982
Reserves	37,660	91,874
Profit (loss) for the year	(396)	(54,231)
<b>Total Shareholders' Equity pertaining to the Group</b>	<b>135,246</b>	<b>135,625</b>
Shareholders' Equity pertaining to minority interests		
<b>Total Shareholders' Equity</b>	<b>135,246</b>	<b>135,625</b>
<b>Non-current liabilities</b>		
Post-employment benefits	8,676	8,641
Non-current financial liabilities	575,078	573,101
Provisions for risks and charges	20,848	27,099
Sundry payables and other non-current liabilities	5,613	6,264
<b>Total non-current liabilities</b>	<b>610,215</b>	<b>615,105</b>
<b>Current liabilities</b>		
Trade payables	41,164	42,365
Other liabilities	176,742	181,108
Current financial liabilities	3,762	3,564
Current portion of long-term borrowings	0	0
<b>Total financial liabilities</b>	<b>3,762</b>	<b>3,564</b>
<b>Total current liabilities</b>	<b>221,668</b>	<b>227,037</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>967,129</b>	<b>977,767</b>

(\*) Adjusted for PPA (Purchase Price Allocation) analysis performed on Cogemat

## SNAI Group - Consolidated Cash Flow Statement

<i>Amounts in thousands of Euro</i>	<b>30.6.16</b>	<b>30.6.15</b>
<b>A CASH FLOW FROM OPERATIONS</b>		
Profit (loss) for the year pertaining to the Group	(396)	334
Profit (loss) for the year pertaining to minority interests	0	0
Amortisation, depreciation and write-downs	27.241	28.618
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	6.002	3.842
Change in provision for risks	(6.254)	(240)
(Capital gains) capital losses from non-current assets (including shareholdings)	142	9
Portion of earnings pertaining to shareholdings measured using the equity method (-)	5	(55)
Net change in sundry non-current trade assets and liabilities and other changes	(1.449)	343
Net change in current trade assets and liabilities and other changes	13.444	7.389
Net change in post-employment benefits	35	640
<b>CASH FLOW FROM (USED IN) OPERATIONS (A)</b>	<b>38.770</b>	<b>40.880</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in property, plant and equipment (-)	(3.964)	(6.603)
Investments in intangible assets (-)	(9.142)	(8.578)
Purchase of subsidiaries	0	(84)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	234	84
<b>CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)</b>	<b>(12.872)</b>	<b>(15.181)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Change in financial receivables and other financial assets	3.124	(695)
Change in financial liabilities	2.175	2.338
Repayment of Bond	0	(20.000)
<b>CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)</b>	<b>5.299</b>	<b>(18.357)</b>
<b>D CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)</b>		
<b>E TOTAL CASH FLOW (A+B+C+D)</b>	<b>31.197</b>	<b>7.342</b>
<b>F INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)</b>	<b>107.588</b>	<b>68.629</b>
<b>G NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY</b>		
<b>H FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)</b>	<b>138.785</b>	<b>75.971</b>
<b>RECONCILIATION OF FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS):</b>		
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		
	<b>107.588</b>	<b>68.629</b>
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	138.785	75.971
Bank overdrafts		
Discontinued operations		
	<b>138.785</b>	<b>75.971</b>



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