

Bit Market Services

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2016

Testo del comunicato

Vedi allegato.

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

SNAI Group – Results of operations as of 30 September 2016
Growth trend consolidates with € 7.7 billion wagers, € 97.6 million EBITDA
and € 32.5 million cash generation

Main consolidated economic and financial data

- **Revenues of Euro 662 million increased by 64.2 % compared to the first nine months of 2015 also due to Cogemat Group consolidation, Finscom/SIS PoS reopening and wagers increase**
- **EBITDA of Euro 97.6 million compared to Euro 56.5 million over the first nine months of 2015**
- **Cash flow generation of Euro 32.5 million during the nine months of 2016**
- **Net Financial Position of Euro 450.1 million**

Milan, 14th September 2016 – SNAI S.p.A.'s Board of Directors duly held today in Milan approved the interim financial report as of 30th September 2016 for SNAI Group, which reported revenues of Euro 662 million, an EBITDA of Euro 97.6 million, an EBIT of Euro 53.3 million and Net Consolidated Loss of Euro 7.5 Million.

The following table shows key consolidated performance indicators including Cogemat data for the nine months of 2016.

Key Consolidated Income Statement	9M 2016	9M 2015	Diff. %	3Q 2016	3Q 2015	Diff. %
Revenues	662,091	403,305	64.2	219,674	120,494	82.3
EBITDA	97,627	56,481	72.8	29,905	16,918	76.8
EBITDA Adjusted	102,873	59,589	72.6	32,402	19,167	69.1
EBIT	53,271	33,111	60.9	14,299	-371	>100
Profit (loss) before taxes	6,573	(9,165)	>100	(1,256)	(15,122)	91.7
Result pertaining to the Group	(7,537)	(13,999)	46.2	(7,141)	(14,333)	50.2
Basic/diluted loss per share	(0.04)	(0.12)	66.7	(0.04)	(0.12)	66.7

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.

During the first nine months of 2016, the following key events mainly interested SNAI core business:

- Total wagers growth to Euro 7,765 million with strong performance of Sports Betting and Online Games business;
- Initial effects of cost saving initiative planned with the Cogemat Group integration;
- Reopening of all SIS and Finscom PoS fully back in business;
- Increased number of Live Events and events offered on Palinsesto Complementare;
- Introduction of new and more effective communication campaigns and new online clients acquisition;
- European Football Championship played last summer.

Wagers and revenues

Total Revenues rose 64.2% up to Euro 662.1 million in the nine months of 2016 compared to Euro 403.3 million over the same period in 2015. Such increase was mainly ascribable to the Cogemat Group integration effects, the reopening of Finscom and SIS PoS, the European Football Championship played last summer and positive performance of Sports Betting and Online Games business.

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

Euro million	Business	Wagers			Revenues		
		9M 16	o/w Cogemat	9M 15	9M 16	o/w Cogemat	9M 15
	AWPs	2.920	1.731	1.220	307	182	154
	VLTs	2.626	1.588	984	161	91	69
	Gaming Machines	5.547	3.319	2.205	468	274	223
	Sport Betting (Retail channel)	528	41	383	78	7	58
	Sport Betting (Online channel)	193	4	122	18	0	13
	Horse Betting	174	14	158	15	2	14
	Virtual Events	227	27	192	30	3	28
	Betting	1.123	87	855	141	13	114
	Online Games (Skills, Casinò, Bingo)	654	18	515	16	0	13
	Other (provider, paymat, television services, horse races)	441	125	318	31	5	24
	Non recurring	-	-	-	6	-	28
	SNAI Group	7.765	3.548	3.893	662	291	403

Wagers collected from Gaming Machines (VLT and AWP) rose to Euro 5.547 million as of 30th September 2016 from Euro 2.205 million in 2015 as a consequence of the Cogemat Group integration (wagers totalled Euro 3.319 million over the first nine months of 2016) and further machines relocations to better performing PoS, especially for VLT. Revenues generated by the Gaming Machines business settled at Euro 468 million compared to Euro 223 million recorded in the first nine months of 2015. At the end of September 2016, SNAI Group managed 60.239 AWP and 9,988 VLT. In addition, more than 90% of working AWP have been replaced with new internal board to reflect lower payout.

Payout in the first nine months of 2016 increased to 83.2% from 81.3% in 9M15. Wagers collected from Sports Betting business settled at Euro 721 million compared to Euro 506 million in 2015 with the increase recorded in both channels (Euro 154 million from Retail channel and Euro 71 million from Online channel) and mainly related to the Finscom and SIS PoS reopening, European Football Championship played last summer and Olympics. Net revenues from Sports Betting settled at Euro 96 million compared to Euro 72 million in last 2015. At the end of September 2016, SNAI Group accounts for 1.585 PoS (shops and corners).

Wagers collected from Horserace Betting (including Ippica Nazionale) as of 30th September 2016 increased to Euro 174 million (including Euro 14 million related to Cogemat Group) compared to Euro 158 million in 2015. Revenues grew by Euro 1 million in the first nine months of 2016 totalling Euro 15 million compared to Euro 14 million in 15.

Virtual Events collected Euro 227 million wagers in the first nine months of 2016 compared to Euro 192 million over the same period in 2015. Net Revenues totalled Euro 30 million versus 28 million booked in 2015.

In the Online Games business, cross-selling activities and new online strategy drove wagers up to Euro 654 million from Euro 515 million in the first nine months of 2015 and revenues increased to 16 million compared to 13 million over the same period in 2015.

In third quarter of 2016 total revenues were up by 82.3% at Euro 219.7 million (vs 3Q15) due to the Cogemat Group integration, Finscom and SIS PoS reopening, European Football Championship and Olympics played last summer and positive performance of Sports Betting and Online Games business.

Margins, results and NFP

Group EBITDA in the first nine months of 2016 grew by 72.8% to Euro 97.6 million compared to Euro 56.5 million in 9M15. Higher revenues and contribution margin drove such increase. Net of Cogemat Group EBITDA, SNAI Group stand-alone had an increasing EBITDA of Euro 10.7 million in the first nine months of 2016.

Group EBITDA of 3Q16 settled at Euro 29.9 million, higher by 76.9% compared to Euro 16.9 million of 3Q15.

Group EBIT in the first nine months of 2016 was equal to Euro 53.3 million compared to Euro 33.1 million in 9M15.

Profit before taxes in 9M16 was Euro 6.6 million compared to a loss of Euro 9.2 million in 9M15 due to the consolidation of Cogemat Group and a good operating performance partially offset by higher financial expenses of the 110 million bond issued in November 2015 and non recurring revenues booked last February 2015.

Net Consolidated Loss for SNAI Group is Euro 7.5 million compared to a loss of Euro 14 million in 9M15.

The net financial indebtedness of SNAI Group, as of 30th September 2016, totalled Euro 450.1 million compared to Euro 467.6 million at year-end 2015. Such decrease was mainly due to the positive cash flow generation from operation.

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 and on the "NIS-storage" storage system through website 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	
	30.09.2016	31.12.2015	30.09.2016	31.12.2015
a) Liquidity	141,566	109,072	79,161	53,979
b) Current financial receivables	0	0	11,689	9,264
c) Current bank debts	(135)	(71)	(67)	(66)
d) Current portion of long-term indebtedness	0	0	0	0
e) Current financial payables	(15,541)	(3,493)	(26,895)	(13,973)
Net current financial indebtedness	125,890	105,508	63,888	49,204
f) Non-current bank debts	0	0	0	0
g) Bonds issued	(575,931)	(573,030)	(575,931)	(573,030)
f) Other non-current financial receivables/payables	(29)	(71)	(1)	(39)
Total net financial indebtedness	(450,070)	(467,593)	(512,044)	(523,865)
<i>Figures in thousands of Euro</i>				

The Group Net financial position does not include (i) trapped cash accounts for Euro 16,715 thousand included in the "Current Financial Assets" of the Consolidated Balance sheet (ii) current account for Euro 94 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 30.09.2016	o/w due on 30.09.2016
Financial payables	15,676	-
Trade payables	37,856	14,484
Tax payables	20,949	-
Payables to social security institutions	2,688	-
Other payables	139,573	-
	216,742	14,484

Figures in thousands of Euro

As of 30th September 2016 the amounts past due are Euro 14,484 thousand and relate to trade payables with business suppliers of products and services; such amounts were mainly paid after 30th September 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, 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>	30.09.2016	% impact	31.12.2015	% impact
Trade Receivables				
- from Global Games S.p.A.	4	0.00%	-	0.00%
	4	0.00%	-	0.00%
Other Current Assets				
- from companies related to directors of SNAI S.p.A.	3	0.01%	-	0.00%
- from Teseo S.r.l. in liquidation	170	0.36%	-	0.00%
	173	0.37%	-	0.00%
Total Assets	177	0.02%	-	0.00%
Trade Payables				
- to companies related to directors of SNAI S.p.A.	3	0.01%	30	0.07%
	3	0.01%	30	0.07%
Other Current Liabilities				
- to companies related to directors of SNAI S.p.A.	56	0.03%	-	0.00%
- to companies related to shareholders of SNAI S.p.A.	17	0.01%	-	0.00%
- to Global Games S.p.A.	1	0.00%	-	0.00%
- to Teseo S.r.l. in liquidation	383	0.23%	383	0.21%
	457	0.27%	383	0.21%
Total Liabilities	460	0.06%	413	0.05%

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

9M 2016

<i>Figures in thousands of Euro</i>	9 M 2016	% impact	9M 2015	% impact
Revenues from Services and Chargebacks				
- from companies related to directors of SNAI S.p.A.	2	0.00%	3	0.00%
	2	0.00%	3	0.00%
Other Revenues				
- from Global Games S.p.A.	3	0.03%	3	0.01%
- from companies related to directors of Finscom S.r.l.	-	0.00%	1	0.00%
	3	0.03%	4	0.01%
Total Revenues	5	0.00%	7	0.00%
Costs for Services and Chargebacks				
- from companies related to directors of SNAI S.p.A.	6	0.00%	5	0.00%
- from companies related to statutory auditors of SNAI S.p.A.	-	0.00%	1	0.00%
- from directors of Teleippica S.r.l.	27	0.01%	65	0.02%
- from directors of Finscom S.r.l.	45	0.01%	80	0.03%
- from statutory auditors of Cogetech Gaming S.r.l.	28	0.01%	-	0.00%
	106	0.03%	151	0.05%
Other Operating Costs				
- from companies related to directors of SNAI S.p.A.	10	0.02%	9	0.03%
	10	0.02%	9	0.03%
Total Costs	116	0.02%	160	0.05%

3Q 2016

<i>Figures in thousands of Euro</i>	3Q 2016	% impact	3Q 2015	% impact
Revenues from services and chargebacks				
- from companies related to directors of SNAI S.p.A.	-	0.00%	1	0.00%
	-	0.00%	1	0.00%
Other Revenues				
- from Global Games S.p.A.	1	0.03%	1	0.25%
- from companies related to directors of Finscom S.r.l.	-	0.00%	1	0.25%
	1	0.03%	2	0.49%
Total Revenues	1	0.00%	3	0.00%
Costs for Services and Chargebacks				
- from companies related to directors of SNAI S.p.A.	2	0.00%	1	0.00%
- from companies related to statutory auditors of SNAI S.p.A.	-	0.00%	1	0.00%
- from directors of Teleippica S.r.l.	-	0.00%	23	0.03%
- from directors of Finscom S.r.l.	-	0.00%	41	0.05%
- from statutory auditors of Cogetech Gaming S.r.l.	11	0.01%	-	0.00%
	13	0.01%	66	0.08%
Other Operating Costs				
- from companies related to directors of SNAI S.p.A.	4	0.03%	3	0.03%
	4	0.03%	3	0.03%
Total Costs	17	0.01%	69	0.07%

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.01% in 9M 2016 and by the same amount in 9M 2015 while total revenues weighted on Profit (Loss) by 0.07% in 9M 2016 (vs. 0.05% in 9M 2015).

Costs for raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 0.12% in 9M 2016 (0,21% in 9M 2015) while total costs weighted on Profit (loss) by 1.54% in 9M 2016 (vs. 1.14% in 9M 2015).

Remuneration for executives in 9M 2016 totalled Euro 1.384 thousands of which 1.342 thousands related to salary and 42 thousands related to bonuses.

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>	30.9.16	31.12.15	<i>Figures in thousands of Euro</i>	30.9.16	31.12.15
Trade Receivables			Trade Payables		
- from Global Games S.p.A.	4	-	- to companies related to directors	3	30
- from Società Trenno S.r.l.	196	178	- to Società Trenno S.r.l.	66	182
- from Finscom S.r.l.	32	106	- to Finscom S.r.l.	5	8
- from Snai Rete Italia S.r.l.	19	849	- to Snai Rete Italia S.r.l.	13	16
- from Teleippica S.r.l.	64	66	- to Teleippica S.r.l.	333	333
- from Cogetech S.p.A.	425	-	- to Cogetech S.p.A.	580	20
- from Cogetech Gaming S.r.l.	6	-	Total Trade Payables	1,052	589
Total Trade Receivables	746	1,199			
Other Current Assets			Other Current Liabilities		
- from companies related to directors	3	-	- to companies related to directors	56	-
- from Società Trenno S.r.l.	-	62	- to Global Games S.p.A.	1	-
- from Teleippica S.r.l.	2,338	1,955	- to Società Trenno S.r.l.	7,202	6,747
- from Cogetech S.p.A.	755	-	- to Snai Rete Italia S.r.l.	2,631	1,195
- from Snai Rete Italia S.r.l.	11	-	- to Teleippica S.r.l.	89	-
- from Teseo S.r.l. in liquidation	170	-	- to Teseo S.r.l. in liquidazione	383	383
Total Other Current Assets	3,277	2,017	- to Finscom S.r.l.	224	-
			- to Cogetech S.p.A.	3	-
Current Financial Receivables			- to Cogemat S.p.A.	1	-
- from Società Trenno S.r.l.	6,574	5,940	- to Cogetech Gaming S.r.l.	1	-
- from Snai Rete Italia S.r.l.	2,554	2,949	- to Azzurro Gaming S.p.A.	1	-
- from Finscom S.r.l.	75	-	- to companies related to shareholders	17	-
- from Cogetech S.p.A.	2,486	375	Total Other Current Liabilities	10,609	8,325
Total Current Financial receivables	11,689	9,264			
			Current Financial Payables		
Other Financial Assets			- to Cogetech S.p.A	239	-
- from Cogetech S.p.A.	110,738	110,738	- to Teleippica S.r.l.	11,137	10,504
Total Other Financial Assets	110,738	110,738	Total Current Financial Payables	11,376	10,504
Total Assets	126,450	123,218	Total Liabilities	23,037	19,418

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>	9M 16	9M 15	<i>Figures in thousands of Euro</i>	9M 16	9M 15
Revenues from Services and Chargebacks			Costs for Services and Chargebacks		
- from companies related to directors	2	3	- from companies related to directors	5	5
- from Società Trenno S.r.l.	202	178	- from Società Trenno S.r.l.	278	365
- from Snai Rete Italia S.r.l.	96	14	- from Finscom S.r.l.	1,018	600
- from Finscom S.r.l.	6	6	- from Snai Rete Italia S.r.l.	7,091	736
- from Cogetech S.p.A.	94	-	- from Teleippica S.r.l.	2,394	2,258
Total Revenues from Services and Chargebacks	400	201	- from Cogetech S.p.A.	34	-
Other Revenues			- from companies related to statutory auditors	-	1
- from Global Games S.p.A.	3	3	Total Costs for Services and Chargebacks	10,820	3,965
- from Società Trenno S.r.l.	398	423	Costs of Seconded Personnel		
- from Snai Rete Italia S.r.l.	12	2	- from Cogetech S.p.A.	1,115	-
- from Teleippica S.r.l.	406	431	Total Costs of Seconded Personnel	1,115	-
- from Cogetech S.p.A.	461	-	Other Operating Costs		
- from Cogetech Gaming S.r.l.	6	-	- from companies related to directors	10	9
- from Azzurro Gaming S.p.A.	2	-	- from Finscom S.r.l.	-	(24)
- from Cogemat S.p.A.	2	-	- from Snai Rete Italian S.r.l.	-	(33)
- from Finscom S.r.l.	2	-	- from Società Trenno S.r.l.	1	(3)
Total Other Revenues	1,292	859	Total Other Operating Costs	11	(51)
Interest Income			Interest Expense and Fees		
- from Società Trenno S.r.l.	466	247	Interest expenses to Cogetech S.p.A.	2	-
- from Snai Rete Italia S.r.l.	119	203	Interest expenses to Teleippica S.r.l.	679	284
- from Teleippica S.r.l.	-	2	Interest expenses to Snai Rete Italia S.r.l.	14	-
- from Cogetech S.p.A.	6,333	-	Total Interest Expense and Fees	695	284
- from Finscom S.r.l.	4	-			
Total Interest Income	6,922	452			
Total Revenues	8,614	1,512	Total Costs	1,641	4,198

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 ended on September 30th 2016, the Directors highlighted a Loss for SNAI Group of Euro 7.5 million. The net financial indebtedness amounts to Euro 450.1 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 in 9M 2016 results were negative by Euro 7.5 million (vs loss of Euro 0.4 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) revenues and margins from Sports Betting and Online Games business due to wagers increase; (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 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 of September, 30th 2016 totalled Euro 128.1 million compared to Euro 135.6 million as of December, 31st 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 distribution network with 185 PoS from the Cogemat Group network;
- 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.

On the basis of the bond refinancing settled on November, 7th 2016 through new issuance of Euro 570 million - structured in two tranches respectively of Euro 320 million (fixed rate coupon at 6.375%, due in 2021) and Euro 250 million (floating rate coupon set at 3 months Euribor (floored at 0%) + 6%, due in 2021) - Directors notice the following advantages (to materialize after the repayment of outstanding bonds):

- Significant reduction of interest cost by Euro 17 million on annual basis;
- Maturity extension from 2018 to 2021.

Finally, Directors also notice the expected benefits from the Cogemat Group integration (effective as of November 1st, 2016) with specific reference to the effectiveness and cost saving actions.

Notwithstanding such elements and a more stable scenario, 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 30th June 2016. As no tender offer has been published yet and given the expired 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. 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.

Such Business Guidelines have been updated on September 23rd, 2016 to take into account the new business context and specifically the postponement of the betting tender. The new Business Plan is currently being drafted to refine forecasts related to certain scenarios such as (i) timing and investments related to the betting tender; (ii) effects of the reorganization and layoffs (currently under discussion with labour unions) following the Cogemat Group integration.

Given the indication of the Business Guidelines, the 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.

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 betting taxation scheme (based on margin rather than wagers) which should mitigate fiscal burden in the event of adverse risk payout. In addition, there are further benefits expected from cost saving and investment rationalizations related to the Cogemat Group integration and benefits from wagers collected through the SIS/Finscom PoS reopening.

On the basis of all the above-mentioned 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 for the 9M 2016.

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.

As of September 30th 2016 SNAI Group was fully compliant with all the above-mentioned commitments and covenants.

f) Progress of the business plan

Directors believe that Consolidated SNAI business plan (approved on March, 12th 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 Business Guidelines for 2016-2019, which have been adopted to perform valuations on balance sheet for FY 2015.

Such Business Guidelines have been updated on September 23rd, 2016 to take into account the new business context and specifically the postponement of the betting tender.

The new Business Plan is currently being drafted to refine forecasts related to certain scenarios such as (i) timing and investments related to the betting tender; (ii) effects of the reorganization and layoffs (currently under discussion with labour unions) following the Cogemat Group integration.

The new Business Plan would also reflect the financial benefits rising from the recent refinancing deal executed by SNAI Group on November 7th 2016.

It is also worth to mention how the 9M16 EBTIDA has been higher than EBITDA over the previous corresponding period and also higher than any expectation included in the Business Guidelines. Such differences were mainly related to:

- i. Revenues and margins related to Sports Betting and Online Games due to wagers increase;
- ii. Revenues and margins related to AWP's due to the faster than expected board replacement outweighing the tax increase
- iii. Cost efficiencies due to the Cogemat Group integration.

Annex:

SNAI Group:

Consolidated Comprehensive Income Statement as of September 30th 2016

Consolidated Comprehensive Income Statement for 3 Quarter of 2016

Consolidated Balance Sheet as of September 30th 2016

Consolidated Cash Flow Statement as of September 30th 2016

SNAI Group - Consolidated Statement of Comprehensive Income of the first nine months

<i>Amounts in thousands of Euro</i>	9M 2016	9M 2015
Revenues from sales and services	653,315	374,224
Other revenue and income	8,776	29,081
Change in inventory of finished and semi-finished products	0	(16)
Raw materials and consumables	(590)	(412)
Costs for services and use of third party assets	(480,946)	(267,072)
Costs of personnel	(44,292)	(28,843)
Other operating costs	(41,847)	(30,432)
Capitalised internal construction costs	675	675
Earnings before interest, tax, depreciation and amortisation	95,091	77,205
Amortisation, depreciation and write-downs	(41,646)	(41,945)
Other provisions	(174)	(2,149)
Earnings before financial income/expenses and taxes	53,271	33,111
Gains and expenses from shareholdings	(5)	55
Financial income	638	948
Financial expenses	(47,331)	(43,279)
Total financial income and expenses	(46,698)	(42,276)
PROFIT (LOSS) BEFORE TAXES	6,573	(9,165)
Income tax	(14,110)	(4,834)
Profit (loss) for the year	(7,537)	(13,999)
(Loss)/profit from re-measurement on defined benefit plans after taxes	0	(32)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	0	(32)
Net (loss)/profit from derivatives as cash flow hedges	0	1,593
Net (loss)/profit from AFS Financial Asset	17	(110)
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	17	1,483
Total profit/(loss) in comprehensive income statement, after taxes	17	1,451
Total profit (loss) for the year	(7,520)	(12,548)
<i>Attributable to:</i>		
Profit (loss) for the year pertaining to the Group	(7,537)	(13,999)
Profit (loss) for the year pertaining to Minority interests	0	0
Total profit (loss) for the year pertaining to the Group	(7,520)	(12,548)
Total profit (loss) for the year pertaining to Minority interests	0	0
Basic earnings (loss) per share in Euro	(0.04)	(0.12)
Diluted earnings (loss) per share in Euro	(0.04)	(0.12)

SNAI Group - Consolidated Statement of Comprehensive Income of third quarter

<i>Amounts in thousands of Euro</i>	3Q 2016	3Q 2015
Revenues from sales and services	216,391	120,089
Other revenue and income	3,283	405
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(174)	(111)
Costs for services and use of third party assets	(162,208)	(85,406)
Costs of personnel	(13,826)	(9,087)
Other operating costs	(14,963)	(10,921)
Capitalised internal construction costs	225	225
Earnings before interest, tax, depreciation and amortisation	28,728	15,194
Amortisation, depreciation and write-downs	(14,405)	(13,327)
Other provisions	(24)	(2,238)
Earnings before financial income/expenses and taxes	14,299	(371)
Gains and expenses from shareholdings	0	0
Financial income	221	282
Financial expenses	(15,776)	(15,033)
Total financial income and expenses	(15,555)	(14,751)
PROFIT (LOSS) BEFORE TAXES	(1,256)	(15,122)
Income tax	(5,885)	789
Profit (loss) for the year	(7,141)	(14,333)
(Loss)/profit from re-measurement on defined benefit plans after taxes	0	(32)
Total other comprehensive income which will not be restated under profit/(loss) for the year after taxes	0	(32)
Net (loss)/profit from derivatives as cash flow hedges	0	531
Net (loss)/profit from AFS Financial Asset	0	0
Total other comprehensive income which will be restated under profit/(loss) for the year after taxes	0	531
Total profit/(loss) in comprehensive income statement, after taxes	0	499
Total profit (loss) for the year	(7,141)	(13,834)
<i>Attributable to:</i>		
Profit (loss) for the year pertaining to the Group	(7,141)	(14,333)
Profit (loss) for the year pertaining to Minority interests	0	0
Total profit (loss) for the year pertaining to the Group	(7,141)	(13,834)
Total profit (loss) for the year pertaining to Minority interests	0	0
Basic earnings (loss) per share in Euro	(0.04)	(0.12)
Diluted earnings (loss) per share in Euro	(0.04)	(0.12)

SNAI Group - Consolidated balance sheet

<i>Amounts in thousands of Euro</i>	30.09.16	31.12.15 (*) Adjusted
ASSETS		
Non-current assets		
Property, plant and equipment owned	137,175	144,207
Assets held under financial lease	46	2,936
Total property, plant and equipment	137,221	147,143
Goodwill	306,472	306,521
Other intangible assets	150,350	166,057
Total intangible assets	456,822	472,578
Shareholdings measured using the equity method	2,492	2,490
Shareholdings in other companies	46	50
Total shareholdings	2,538	2,540
Deferred tax assets	18,519	29,344
Other non-financial assets	3,121	3,304
Financial assets	1,778	1,773
Total non-current assets	619,999	656,682
Current assets		
Inventories	518	641
Trade receivables	133,459	136,169
Other assets	47,299	55,255
Current financial assets	16,811	21,432
Cash and cash equivalents	141,565	107,588
Total current assets	339,652	321,085
TOTAL ASSETS	959,651	977,767
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	(7,537)	(54,231)
Total Shareholders' Equity pertaining to the Group	128,105	135,625
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	128,105	135,625
Non-current liabilities		
Post-employment benefits	8,526	8,641
Non-current financial liabilities	575,960	573,101
Provisions for risks and charges	20,302	27,099
Sundry payables and other non-current liabilities	5,373	6,264
Total non-current liabilities	610,161	615,105
Current liabilities		
Trade payables	8,526	42,365
Other liabilities	575,960	181,108
Current financial liabilities	20,302	3,564
Current portion of long-term borrowings	5,373	0
Total financial liabilities	610,161	3,564
Total current liabilities	8,526	227,037
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	575,960	977,767

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

SNAI Group - Consolidated Cash Flow Statement

<i>Amounts in thousands of Euro</i>	30.09.16	30.09.15
A CASH FLOW FROM OPERATIONS		
Profit (loss) for the year pertaining to the Group	(7.537)	(13.999)
Profit (loss) for the year pertaining to minority interests	0	0
Amortisation, depreciation and write-downs	41.646	41.945
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	10.806	3.122
Change in provision for risks	(6.800)	2.048
(Capital gains) capital losses from non-current assets (including shareholdings)	235	100
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	(708)	(365)
Net change in current trade assets and liabilities and other changes	(6.909)	3.225
Net change in post-employment benefits	(115)	1.062
CASH FLOW FROM (USED IN) OPERATIONS (A)	30.623	37.083
B CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment (-)	(4.881)	(8.377)
Investments in intangible assets (-)	(11.859)	(9.741)
Acquisition of business units	0	(1.300)
Acquisition of shareholdings in subsidiaries, net of availability acquired	0	(84)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	490	93
CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	(16.250)	(19.409)
C CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	4.633	(113.126)
Change in financial liabilities	14.971	125.207
Repayment of Bond	0	(20.000)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	19.604	(7.919)
D CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)		
E TOTAL CASH FLOW (A+B+C+D)	33.977	9.755
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)	141.565	78.384
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	141.565	78.384
Bank overdrafts		
Discontinued operations		
	141.565	78.384

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