



SPAFID CONNECT

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Consob n.11971/1999 - SNAITECH results
as of 31 March 2017

Testo del comunicato

Vedi allegato.

Press Release

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

Snaitech – Results of operations as of 31st March 2017 Achieved Net profit of € 2.2 million and EBITDA of € 28.3 million

Main consolidated economic and financial data

- ❖ Total wagers of Euro 2.7 billion in the first quarter of 2017
- ❖ Revenues up by 3.3% to Euro 227.4 million, compared to 1Q 2016
- ❖ EBITDA of Euro 28.3 million, down by 26.9% compared to 1Q16 due to Sports Betting payout
- ❖ Net Profit of Euro 2.2 million, up by 38.9%, compared to 1Q 2016
- ❖ Net Financial Position of Euro -494.5 million

Milan, 15 May 2017 – Snaitech S.p.A.'s Board of Directors duly held today in Milan approved the financial statement of the Group as of 31st March 2017, with revenues of Euro 227.4 million, an EBITDA of Euro 28.3 million, an EBIT of Euro 14.2 million and Net Consolidated Profit of Euro 2.2 million.

The following table shows the key consolidated performance indicators.

Key Consolidated Income Statement Figures in thousand/Euro	1 Quarter		Changes	
	2017	2016	€	%
Revenues	227.417	220.195	7.222	3,3
EBITDA	28.287	38.718	(10.431)	(26,9)
EBITDA Adjusted	29.688	40.522	(10.834)	(26,7)
EBIT	14.223	20.001	(5.778)	(28,9)
Profit (loss) before taxes	4.599	6.001	(1.402)	(23,4)
Result pertaining to the Group	2.234	1.608	626	38,9
Diulted profit (loss) per share	0,01	0,01	0,00	0,00

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 and costs related to any bank guarantees. The EBITDA Adj corresponds to the EBITDA adjusted to take into account any 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 any requisite imposed under IFRS in terms of determination, valuation and presentation. We believe that EBITDA, EBITDA Adj and EBIT may be helpful indicators to explain changes in operating performance and may provide useful information on the company's ability to manage indebtedness. They are also widely used by analysts and investors in the gaming sector as performance indicators. EBITDA, EBITDA Adj and EBIT must not be considered as an alternative to cash flows to measure liquidity. As defined, EBITDA, EBITDA Adj and EBIT may not be comparable with the same indicators used by other companies.

Snaitech business has been interested by the following key events during the first quarter of 2017:

- ❖ Total wagers of Euro 2,680 million with strong performance of the Online business both in the Sports Betting segment (+35.5%) and Online Games segment (+22.3%);
- ❖ Integration with Cogemat Group successfully completed with the achievement of relevant operational efficiencies for the Snaitech Group;
- ❖ Progression with the plan to outsource point of sales of SNAI Rete Italia ("SRI");
- ❖ Purchase of additional 100 VLT rights.



*unica certificata ISO27001
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Wagers and key trends per business units

Table below shows wagers for the first quarter 2017 compared to the same period last year.

Euro million

Snaitech	Wagers		
	1Q 2017	1Q 2016	delta %
Sports Betting	197	191	2,7%
Horse Betting	50	59	-15,6%
Virtual Events	69	79	-12,1%
Betting	316	329	-4,1%
AWPs	929	1.047	-11,3%
VLTs	899	918	-2,1%
Gaming Machines	1.827	1.965	-7,0%
Online Betting	107	79	35,3%
Games	285	233	22,3%
Online	392	312	25,6%
Betting provider	118	134	-11,8%
Paymat	26	29	-8,4%
Altri	144	162	-11,2%
Snaitech Group	2.680	2.769	-3,2%

As shown in the table, the Group wagers were Euro 2.7 billion in 1Q 2017, down by 3.2%, compared to Euro 2.8 billion recorded over the same period last year.

The following section provides with comments on the performance of each business unit. Market shares of Snaitech are based on publicly available industry data.

Retail Betting business

Snaitech retail network for Sports Betting is widespread across the entire country and accounts for 1,599 point of sales. Snaitech consolidates its market leadership in the Retail Betting with a market share of 19.1% and more specifically in the 3 core segments: 17.2% market share in Sports Betting, 38.6% in Horserace Betting and 18.4% in Virtual Events. In the Sports Betting segment, Snaitech wagers grew by 2.9% rising from Euro 191 million in 1Q16 to Euro 196 million in 1Q17 due to an higher payout level and the improvement of products offering.

The fixed odds sports betting recorded a payout of 86.8% during the first quarter of 2017 compared to a lower level of 79.9% over the same period in 2016.

Horserace Betting and Virtual Events collected lower wagers (compared to 1Q 2016) respectively for Euro 50 million (down by 15.6%) and Euro 69 million (down by 12.1%).

Gaming Machines business

In the Gaming Machines segment, Snaitech is the second largest player with a market share of 14.7%.

At the end of March 2017, the Group has 59,313 AWP rights deployed in 14,781 point of sales spread across the country along with 10,378 rights for VLTs, of which 9,989 are installed in 1,258 point of sales.

Wagers for the entire business were lower compared to the same quarter of 2016, moving from Euro 1,965 million to Euro 1,827 million (decreasing by 7%). Such result was mainly due to more severe local regulations on distance and opening hours and to the lower AWP payout occurred in 2016 (from 74% to 70%). VLTs collected wagers for Euro 899 million (down by 2.1% compared to 1Q 2016) and AWP collected wagers by Euro 929 million (down by 11.3%)

Online business

The Group in the Online business, which includes Online Betting and Online Games (Bingo, Skill Games, Cash and Casino Games), collected higher wagers by 25.6% to Euro 392 million in 1Q 2017 compared to Euro 312 million over the same period last year.

The drivers of such growth, both in the Online Sports Betting (+35.3%) and the Online Games (+22.3%), may be identified in the wider range of products offered and the cross-selling initiatives implemented on retail channel. Notwithstanding higher competitive pressure, the market share has been kept stable at 6.3%.

The payout level of the Online Sports Betting averaged 89.1% compared to 86% in 1Q 2016.

Revenues

Total Group revenues rose by 3.3% up to Euro 227.4 million in the first quarter of 2017 compared to Euro 220.2 million of the same period last year. Such increase was mainly due to the lower payout of AWP and the positive performance of Online business, partially offset by the higher payout of the Sports Betting.

The following table highlights revenues by business unit with the aim to better explain the business dynamics occurred in 1Q 2017 compared to the 1Q 2016.

Figures in million/Euro

Snaitech	Revenues		
	1Q 2017	1Q 2016	delta %
Betting Retail	39,0	52,6	-25,8%
Gaming Machines	169,9	150,3	13,1%
Online	14,6	13,8	5,9%
Horsrace tracks management	2,0	2,1	-3,2%
Others	5,6	6,3	-10,2%
Intercompany elimination	(3,7)	(4,8)	-21,9%
Snaitech Group	227,4	220,2	3,3%

Margins, results and NFP

The Group EBITDA in the first quarter of 2017 totalled Euro 28.3 million, down by 26.9% from the same period last year. Such increase was mainly due to the unfavourable payout of Sports Betting partially offset by the strong performance of the Online business.

The following tables set forth the comparison between Income statements and EBITDA.

Figures in thousand/Euro

Snaitech - Consolidated Income Statement	2017	2016	delta %
Total Revenues	227.417	220.195	3,3%
Operating costs	(199.379)	(183.078)	8,9%
Earnings before interest, tax, depreciation and amortisation	28.038	37.117	-24,5%
Amortisation, depreciation and write-downs	(13.766)	(17.116)	-19,6%
Other provisions	(49)	(0)	>100%
Earnings before financial income/expenses and taxes	14.223	20.001	-28,9%
Financial income and expenses	(9.624)	(14.000)	-31,3%
Profit (loss) before taxes	4.599	6.001	-23,4%
Income tax	(2.365)	(4.393)	-46,2%
Profit (loss) for the year	2.234	1.608	38,9%

Figures in thousand/Euro

Snaitech - Consolidated EBITDA	2017	2016	delta %
Earnings before financial income/expenses and taxes	14.223	20.001	-28,9%
+ Amortisation, depreciation and write-downs	13.766	17.116	-19,6%
+ Other provisions	49	0	>100%
+ Commissions on bank guarantees	1.595	1.367	16,7%
+ Non recurring costs (revenues)	(1.346)	234	<100%
EBITDA	28.287	38.718	-26,9%

Group EBIT in 1Q 2017 was equal to Euro 14.2 million compared to Euro 20 million of 1Q 2016.

Profit before taxes in 1Q 2017 settled at Euro 4.6 million with a negative difference of Euro 1.4 million compared to 1Q 2016, due to lower operational margin partially offset by a lower level of amortizations and depreciations and lower interest expenses, resulting from the bond refinancing occurred last November 2016.

Net Consolidated Profit of Euro 2.2 million were up by 38.9% compared to 1.6 million over the same period last year.

The net financial indebtedness, as of 31st March 2017, totalled Euro 494.5 million compared to Euro 480.9 million at year-end 2016.

Business Plan

The Board of Directors of Snaitech has approved its Business Plan for the period 2017-2019.

The guidelines of the new Business Plan 2017-2019 include:

- ❖ Focus on developing the Online business through the introduction of new products, improvement of services and cross-selling activities on retail channel;
- ❖ The renewal of betting licences for the retail network and the technological update of point of sales through the introduction of new self-service betting terminals;
- ❖ The enlarged VLT platform being offered to retail network in the Gaming Machines business along with a more focused selection of gaming contents and local partners for AWP's;
- ❖ The outsourcing strategies of the shops related to SRI;
- ❖ The finalization by first half 2018 of the cost synergies plans approved after the merger with Cogemat.

The objectives of the Business Plan are the following ones:

- ❖ Break-even on Net profit within 2017;
- ❖ Average growth of wagers above 4% in the next 3-year period 2017-2019;
- ❖ Leverage ratio (Net Financial Position/EBITDA) of 2x by the end of the 2019.

The new Decreto Legge n. 50 dated 24 April 2017 has introduced the following regulatory news for the Gaming industry:

- Increase of tax rate (PREU) for AWP from 17.5% to 19% with immediate effect;
- Increase of PREU for VLT from 5.5% to 6% with immediate effect;
- Increase of "Fortune Tax" (from 6% to 12%) applied on VLT players for winnings over 500 Euro with effect starting from 1 October 2017.

Given the current parliamentary debate, it is worth highlight a potential different redistribution of the tax rates mentioned above, with a possible reduction of the PREU increase whenever the Decreto Legge would be converted into law.

Notwithstanding the PREU increase, the Company confirms both goals to break-even on Net Profit in 2017 and achieve an average growth of wagers above 4%. As per the leverage ratio, in the absence of any possible changes, which may be introduced before the conversion of the Decreto Legge into final law, the new ratio for 2019 should move higher to 2.3x from 2x.

Current trading: Wagers and payout in April 2017

In April, Snaitech collected Euro 913 million of wagers, up by 2% compared to Euro 895 million wagers collected last April 2016. The increase is mainly due to the performance of Online business where, Sports Betting collected Euro 37 million wagers (up by 41% vs. April 16) and the Online Games collected Euro 90 million (up by 25% vs. April 2016). Finally, a trend reversal on Sports Betting payout has been recorded, with an average payout level 3% lower than last April 2016.

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 Snaitech 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.snaitech.it and on 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 Company and Snaitech Group.

a) Net financial position of the Company and Snaitech Group

	Snaitech Group		Snaitech SPA	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
a) Liquidity	74.220	82.338	70.874	77.398
b) Current financial receivables	0	0	10.334	9.592
c) Current bank debts	(135)	(141)	(131)	(136)
d) Current portion of long-term indebtedness	0	0	0	0
e) Current financial payables	(10.681)	(5.693)	(22.117)	(18.227)
Net current financial indebtedness	63.404	76.504	58.960	68.627
f) Non-current bank debts	0	0	0	0
g) Bonds issued	(557.624)	(557.115)	(557.624)	(557.115)
f) Other non-current financial receivables/payables	(247)	(299)	(247)	(299)
Total net financial indebtedness	(494.467)	(480.910)	(498.911)	(488.787)

Figures in thousands of Euro

The Group Net financial position does not include (i) trapped cash accounts for Euro 16,778 thousand included in the item "Current Financial Assets" of the Consolidated Balance sheet and (ii) current account for Euro 87 thousand and other non-recurring financial assets for Euro 2,086 thousand.

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

b) Overdue accounts payable of the Snaitech Group

Current liabilities	Balance as at 31.03.2017	o/w due on 31.03.2017
Financial payables	10.816	-
Trade payables	33.283	6.884
Tax payables	16.697	-
Payables to social security institutions	3.476	-
Other payables	121.046	-
	185.318	6.884

Figures in thousand/Euro

As of 31 March 2017 the amounts past due are Euro 6,884 thousand and relate to trade payables due to suppliers of products and services; such amounts were mainly repaid after 31 March 2017. In certain cases, new payment dates have been agreed. To the present date, there is any type of claim raised by suppliers.

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 Snaitech Group held bank accounts with Banca MPSS.p.A., Intesa San Paolo S.p.A., Poste Italiane, Banca, Unicredit S.p.A. and Banco BPM S.p.A.. Such banks may be also potentially considered as related parties. However, such transactions were held in the regular course of 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 Snaitech S.p.A. shares, issued by the majority shareholder of the Company. The pledge between Snaitech S.p.A. and the shareholder was approved with the favourable binding opinion of the Snaitech S.p.A. Related Party Committee.

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

<i>Figures in thousand/Euro</i>	31.13.2017	% impact	31.12.2016	% impact
Trade Receivables				
- from companies related to directors of Snaitech S.p.A.	-	0.00%	1	0.00%
- from Global Games S.p.A.	5	0.00%	4	0.00%
	5	0.00%	5	0.00%
Other Current Assets				
- from companies related to directors of Snaitech S.p.A.	3	0.01%	-	0.00%
- from Teseo S.r.l. in liquidation	-	0.00%	170	0.32%
	3	0.01%	170	0.32%
Total Assets	8	0.01%	175	0.32%
Trade Payables				
- to companies related to directors of Snaitech S.p.A.	340	1.02%	323	0,94%
- to companies related to Shareholders of Snaitech S.p.A.	1	0.00%	(1)	0,00%
	341	1.02%	322	0.94%
Other Current Liabilities				
- to companies related to directors of Snaitech S.p.A.	45	0.03%	-	0.00%
- to companies related to shareholders of Snaitech S.p.A.	29	0.02%	4	0.00%
- to Teseo S.r.l. in liquidation	297	0.21%	383	0.25%
	371	0.26%	387	0.25%
Total Liabilities	712	0.09%	709	0.09%

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

<i>Figures in thousand/Euro</i>	1Q 2017	% impact	1Q 2016	% impact
Revenues from Services and Chargebacks	15	0.01%	2	0.00%
- from companies related to directors of Snaitech S.p.A.	15	0.01%	2	0.00%
Other Revenues				
- from Global Games S.p.A.	1	0.09%	1	0.04%
Total Revenues	1	0.09%	1	0.04%
	16	0.01%	3	0.00%
Costs for Services and Chargebacks				
- from companies related to directors of Snaitech S.p.A.	1	0.00%	2	0.00%
- from companies related to shareholders of Snaitech S.p.A.	1	0.00%	21	0.01%
- from directors of Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	0.00%	8	0.01%
- from directors and companies related to Finscom S.r.l. (now SNAI Rete Italia S.r.l.)	-	0.00%	31	0.02%
- from statutory auditors of Cogetech Gaming S.r.l.	-	0.00%	8	0.01%
	2	0.00%	70	0.05%
Other Operating Costs				
- from companies related to directors of Snaitech S.p.A.	3	0.03%	3	0.02%
	3	0.03%	3	0.02%
Total Costs	5	0.00%	73	0.04%

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.06% in the first quarter of 2017 (vs. 0.01% in 1Q 2016) while total revenues weighted on Profit (Loss) by 0.72% in the first quarter of 2017 (vs. 0.19% in 2016).

Costs for raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 0.02% in the first quarter of 2017 (0.20% in 1Q 2016) while total costs weighted on Profit (loss) by 0.22% (vs. 4.54% in 1Q 2016).

In the first quarter of 2017, remuneration for executives with strategic roles were Euro 196 thousands and related to base salary only.

Parent company Snaitech S.p.A.

The following tables contain a summary of transactions between the parent company Snaitech S.p.A. and related parties:

<i>Figures in thousand/Euro</i>	31.03.2017	31.12.2016
Trade Receivables		
- from Global Games S.p.A.	5	4
- from Società Trenno S.r.l.	257	207
- from Snai Rete Italia S.r.l.	(410)	(44)
- from Teleippica S.r.l.	42	65
Total Trade Receivables	(106)	232
Other Current Assets		
- from companies related to directors	3	-
- from Teleippica S.r.l.	2,443	2,380
- from Snai Rete Italia S.r.l.	9	18
- from Teseo S.r.l. in liquidation	-	170
Total Other Current Assets	2,455	2,568
Current Financial Receivables		
- from Società Trenno S.r.l.	6,632	5,859
- from Snai Rete Italia S.r.l.	3,702	3,733
Total Current Financial receivables	10,334	9,592
Total Assets	12,683	12,392
Trade Payables		
- to companies related to directors	340	323
- to Società Trenno S.r.l.	46	134
- to Snai Rete Italia S.r.l.	84	97
- to Teleippica S.r.l.	321	212
- to companies related to shareholders	1	(1)
Total Trade Payables	792	765
Other Current Liabilities		
- to companies related to directors	45	-
- to Società Trenno S.r.l.	7,394	7,256
- to Snai Rete Italia S.r.l.	3,477	3,306
- to Teleippica S.r.l.	71	23
- to Teseo S.r.l.	297	383
- to companies related to shareholders	29	4
Total Other Current Liabilities	11,313	10,972
Current Financial Payables		
- to Teleippica S.r.l.	11,436	12,533
Total Current Financial Payables	11,436	12,533
Total Liabilities	23,541	24,270

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

<i>Figures in thousand/Euro</i>	1Q 2017	1Q 2016
Revenues from Services and Chargebacks		
- from companies related to directors	15	2
- from Società Trenno S.r.l.	59	62
- from Snai Rete Italia S.r.l.	23	38
- from Finscom S.r.l. in liquidation (now SNAI Rete Italia S.r.l.)	-	2
- from Cogetech S.p.A. (now Snaitech S.p.A.)	-	4
Total Revenues from Services and Chargebacks	97	108
Other Revenues		
- from Global Games S.p.A.	1	1
- from Società Trenno S.r.l.	157	105
- from Snai Rete Italia S.r.l.	28	-
- from Cogetech S.p.A. (now Snaitech S.p.A.)	-	1
- from Cogetech Gaming S.r.l. (now Snaitech S.p.A.)	-	1
- from Teleippica S.r.l.	89	137
Total Other Revenues	275	245
Interest Income		
- from Società Trenno S.r.l.	95	140
- from Snai Rete Italia S.r.l.	73	73
- from Cogetech S.p.A. (now Snaitech S.p.A.)	-	2.111
Total Interest Income	168	2.324
Total Revenues	540	2.677
Costs for Services and Chargebacks		
- from companies related to directors	1	2
- from Società Trenno S.r.l.	67	99
- from Finscom S.r.l. in liquidation (now SNAI Rete Italia S.r.l.)	-	392
- from Snai Rete Italia S.r.l.	2.650	2.461
- from Teleippica S.r.l.	637	798
- from Cogetech S.p.A. (now Snaitech S.p.A.)	-	4
- from companies related to statutory auditors	1	-
Total Costs for Services and Chargebacks	3.356	3.756
Costs of Seconded Personnel		
- from Cogetech S.p.A. (now Snaitech 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 expenses to Teleippica S.r.l.	179	220
Total Interest Expense and Fees	179	220
Total Costs	3.538	4.213

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

On 24th October 2016, the Board of Directors of Snaitech S.p.A. has approved the refinancing of its existing bonds ("Existing Bonds" which includes senior secured notes of Euro 320 million due in 2018, subordinated notes of Euro 160 million due in 2018 and senior secured notes of Euro 110 million due in 2018) through the issuance of a new senior secured bond of Euro 570 million due in 2021 ("New Bonds") and the contextual tender offer to repurchase the Existing Bonds ("Tender Offer"). In the same session, the Board of Director has also approved a new senior revolving facility up to Euro 85 million ("New Revolving facility") to substitute the existing facility of Euro 55 million.

On 26th October 2016, the New Bonds were priced as follows: (i) a senior secured note of Euro 320 million with an annual fixed coupon of 6.375% and an issue price of 100.0% ("Fixed Coupon Senior Secured Notes") and (ii) a senior secured note of Euro 250 million with a floating rate coupon linked to 3-month Euribor (floored at 0%) plus a spread of 6% and an issue price of 99.0% ("Floating Rate Senior Secured Notes"). The New Bonds were issued and settled on 7th November 2016 with maturity date of 7th November 2021.

On 1st November 2016, Snaitech S.p.A. has published results of the Tender Offer for the Existing Bonds issued in 2013 and 2015.

Key terms and conditions of the New Bonds are contained in the Pricing Supplement, the Preliminary Offering Memorandum and the Final Offering Memorandum, all available on the company website (www.snaitech.it) under the Investor Relations section. Within the same section, the results of the Tender Offer are also made available.

The New Bonds, currently traded on the Euro MTF exchange-traded market managed by Luxembourg Bourse, were initially underwritten by Deutsche Bank AG, London Branch, UniCredit Bank AG, Goldman Sachs International and BNP Paribas and subsequently placed to institutional investors only. The same underwriting banks have provided the New Revolving Facility of Euro 85 million.

Proceeds from the issuance of New Bonds, along with further financial resources of the company, were used to finance: (i) the Tender Offer launched on 24th October 2016 in relation to the Existing Bonds, (ii) the reimburse of the residual Existing Bonds untendered and (iii) cost and expenses related to the previous two activities.

The New Bonds issued have bullet maturity due in November 2021 and a significantly lower amount of interest compared to the Existing Bonds (approximately Euro 17 million saving on interest expenses expected in 2017). Furthermore, the New Revolving Facility of Euro 85 million, expiring in 2021, has further increased by Euro 30 million the available Group liquidity compared to the previous revolving line.

Based on the liquidity available at year-end 2016 and the expectation on cash-flow generation, management is not expecting to withdraw the New Revolving Facility, which represents an additional safety net of financial resources for the Group treasury.

On the basis of the above-mentioned new financial structure, management believes to have fully achieved its debt restructuring plan.

More generally, the economical and financial health of the Snaitech Group has been historically affected by: (i) negative results, partially due to exogenous events and to a significant amount of depreciations and financial expenses (ii) high-value of intangible assets and a low amount of net assets eroded by cumulated losses (iii) a significant indebtedness level with limited room to reduce it further due to the cash-flow absorption from operation and financing activities.

With reference to the first quarter of 2017, directors highlight a net profit for the Group of Euro 2.2 million, which is in line with the forecast of the business plan. Such achievement is the combined results of several factors mentioned below, which have contributed to improve the company performance.

In relation to the integration with Cogemat Group, management notices the benefits rising from such transaction: (i) shareholding capital increase by Euro 37.2 million and more generally a net asset increase by Euro 140 million (ii) improvement of balance sheet and financial ratios (iii) consolidation of the market leadership in the retail channel of the

Sports Betting business and the Gaming Machines business (iv) rationalization of the corporate structure and the improvement of operational effectiveness (v) synergies plan to lower operating, corporate and licence costs.

As per the uncertainties highlighted in the previous reports and related to the ability of the Group to reimburse or refinance its Existing Bonds, management notices that the refinancing transaction structured on 7th November 2016 with the issuance of New Bonds would allow to: (i) lower significantly the financial interest expenses borne by Snaitech thanks to a cost saving (given current level of rates) of approximately Euro 17 million (ii) re-profile debt maturity from 2018 to 2021.

As per the risks associated with the renewal of betting concession for the retail network due on 30th June 2016, the uncertainty for the Group may lie in: (i) the renewal of licenses with subsequent negative impact on cash flows, margin and payment of interest on financial debts (ii) the amount to pay for such renewal with subsequent negative impact on the sustainability of Group indebtedness.

The above-mentioned risks are, however, mitigated by the bidding process, which allows to bid each license with a different price, thus removing entirely any digital risk on the Betting concessions.

Furthermore, with reference to the betting tender, it is important to highlight that, according to the public data available from the market, the number of rights to be allotted with the tender is higher than the point of sales currently operating across the entire Italian country: the distribution network, as per the latest ADM revelation on March 2017, has 4,092 corners and 5,638 shops (including 2,518 CTD “grey” operators now fully licensed) against respectively 5,000 and 10,000 rights available with the tender. In addition to the point of sales licensed by ADM, it must also be taken into account those agencies acting as data centre for transmission only (CTD), which collect bets on behalf of foreign bookmakers without any licence. These operators account for approximately 4,800 units, with more than 2,500 fully authorised by ADM, according to the technical annex of the 2016 Stability Law. Even in the possible scenario where all the CTD are authorised and join the tender, the number of rights offered is likely to be higher than the potential demand. Even in such unlikely scenario, given the current level of requests to regularize, the possible amount to pay for the renewal should not negatively affect the sustainability of Group indebtedness.

On this basis, management considers marginal any risk of renewal given its limited, if none, impact on the company ability to produce a sufficient cash flow level to run its business.

Given the implemented debt refinancing, the economic results achieved and the above-mentioned considerations along with the 2017-2019 Business Plan indications, management does not foresee any uncertainty on going concern, despite some unavoidable uncertainty related to future events and specific characteristics of the industry.

e) Financial covenants

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

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

As per the Senior Revolving loan facility, the Company has agreed to send, on a quarterly basis, a *Compliance Certificate* to the financing banks stating the absence of event of default.

Snaitech 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 March 31st, 2017 there has been fully compliance with all the financial covenants.

f) Progress of the business plan

The Board of Directors of Snaitech has approved last April the Business Plan for the period 2017-2019, based on key business development initiatives and targets, in line with the Business Guidelines updated last September 2016, to reflect also the refinancing of the bonds and the finalisation of both mergers between Sanitech-Gogemat Group and Finscom-SRI.

The guidelines of the new Business Plan 2017-2019 include:

- ❖ Focus on developing the Online business through the introduction of new products, an improvement of services and the cross-selling activities performed on the retail channel;
- ❖ The renewal of betting licences for the retail network and the technological update of point of sales through the introduction of new self-service betting terminals;
- ❖ The enlarged VLT platform being offered to gaming machine retail network and a more focused selection of gaming contents and local partners for AWP;
- ❖ The outsourcing strategies of the shops related to SRI;
- ❖ The finalization by first half 2018 of the cost synergies plans approved after the merger with Cogemat.

In the next 3-year period 2017-2019, the Group believes to achieve an average growth of wagers above 4% and a cash-flow generation in line with a 2x leverage ratio (Net Financial Position/EBITDA). The Group is also confident to break-even on Net Profit in 2017.

Following the tax rate (PREU) increase on AWP and VLT introduced by the Decreto Legge n. 50 dated 24 April 2017, the Company still upholds both goals to break-even on Net Profit in 2017 and an average growth of wagers above 4%. As per the leverage ratio, in the absence of any possible changes, which may be introduced before the conversion of the Decreto Legge into final law, the new ratio should move higher to 2.3x from 2x.

Performance of EBIDTA during the first quarter of 2017 is in line with the forecast and lower versus the same period last year, mainly due to the higher payout experienced on Sports Betting.

Annex

Snaitech Group

Consolidated Comprehensive Income Statement as of 31 March 2017

Consolidated Balance Sheet as of 31 March 2017

Consolidated Cash Flow Statement as of 31 March 2017

Snaitech Group - Consolidated Comprehensive Income Statement as of 31 March 2017

<i>Figures in thousand/Euro</i>	1 Quarter	
	2017	2016
Revenues from sales and services	226.271	217.931
Other revenue and income	1.146	2.264
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(143)	(247)
Costs for services and use of third party assets	(173.834)	(154.633)
Costs of personnel	(13.862)	(14.866)
Other operating costs	(11.875)	(13.557)
Capitalised internal construction costs	335	225
Earnings before interest, tax, depreciation and amortisation	28.038	37.117
Amortisation, depreciation and write-downs	(13.766)	(17.116)
Other provisions	(49)	0
Earnings before financial income/expenses and taxes	14.223	20.001
Gains and expenses from shareholdings	0	0
Financial income	156	232
Financial expenses	(9.780)	(14.232)
Total financial income and expenses	(9.624)	(14.000)
PROFIT (LOSS) BEFORE TAXES	4.599	6.001
Income tax	(2.365)	(4.393)
Profit (loss) for the period	2.234	1.608
Total other comprehensive income which will not be restated under profit/(loss) for the period after taxes	0	0
Net (loss)/profit from AFS Financial Asset	0	17
Total other comprehensive income which will be restated under profit/(loss) for the period after taxes	0	17
Total profit/(loss) in comprehensive income statement, after taxes	0	17
Total profit (loss) for the period	2.234	1.625
Attributable to:		
Profit (loss) for the period pertaining to the Group	2.234	1.608
Profit (loss) for the period pertaining to Minority interests	0	0
Total profit (loss) for the period pertaining to the Group	2.234	1.625
Total profit (loss) for the period pertaining to Minority interests	0	0
Basic earnings (loss) per share in Euro	0,01	0,01
Diluted earnings (loss) per share in Euro	0,01	0,01

Snaitech Group - Consolidated Balance Sheet as of 31 March 2017

<i>Figures in thousand/Euro</i>	31.03.2017	31.12.2016
ASSETS		
Non-current assets		
Property, plant and equipment owned	131.962	135.273
Assets held under financial lease	384	420
Total property, plant and equipment	132.346	135.693
Goodwill	306.472	306.472
Other intangible assets	134.693	140.920
Total intangible assets	441.165	447.392
Shareholdings measured using the equity method	2.515	2.515
Shareholdings in other companies	46	46
Total shareholdings	2.561	2.561
Deferred tax assets	49.263	51.288
Other non-financial assets	9.520	3.530
Financial assets	2.086	2.009
Total non-current assets	636.941	642.473
Current assets		
Inventories	286	199
Trade receivables	102.466	114.548
Other assets	70.327	53.326
Current financial assets	16.866	16.858
Cash and cash equivalents	74.219	82.337
Total current assets	264.164	267.268
TOTAL ASSETS	901.105	909.741
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity pertaining to the Group		
Share Capital	97.982	97.982
Reserves	20.528	37.482
Profit (loss) for the period	2.234	(16.954)
Total Shareholders' Equity pertaining to the Group	120.744	118.510
Shareholders' Equity pertaining to minority interests		
Total Shareholders' Equity	120.744	118.510
Non-current liabilities		
Post-employment benefits	7.650	8.089
Non-current financial liabilities	557.871	557.414
Provisions for risks and charges	22.130	30.171
Sundry payables and other non-current liabilities	3.990	4.291
Total non-current liabilities	591.641	599.965
Current liabilities		
Trade payables	33.283	34.330
Other liabilities	144.621	151.102
Current financial liabilities	10.816	5.834
Current portion of long-term borrowings	0	0
Total financial liabilities	10.816	5.834
Total current liabilities	188.720	191.266
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	901.105	909.741

Snaitech Group - Consolidated Cash Flow Statement as of 31 March 2017

<i>Figures in thousand/Euro</i>	31.03.2017	31.03.2016
A. CASH FLOW FROM OPERATIONS		
Profit (loss) for the period pertaining to the Group	2.234	1.608
Profit (loss) for the period pertaining to minority interests	0	0
Financial expenses	9.780	14.232
Amortisation, depreciation and write-downs	13.766	17.116
Net change in assets (liabilities) for deferred tax assets (deferred tax liabilities)	2.025	3.099
Change in provision for risks	(8.041)	(1.922)
(Capital gains) capital losses from non-current assets (including shareholdings)	(448)	52
Portion of earnings pertaining to shareholdings measured using the equity method (-)	0	0
Net change in post-employment benefits	(439)	(8)
Net change in sundry non-current trade assets and liabilities and other changes	(6.291)	(156)
Net change in current trade assets and liabilities and other changes	(12.548)	(25.574)
Cash equivalent from operations	38	8.447
Tax paid	0	0
Interest paid	(3.846)	(11)
B. CASH FLOW FROM (USED IN) OPERATIONS (A)	(3.808)	8.436
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment (-)	(2.004)	(2.265)
Investments in intangible assets (-)	(2.359)	(2.829)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	633	12
C. CASH FLOW FROM (USED IN) INVESTING ACTIVITIES (B)	(3.730)	(5.082)
CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	(85)	1.477
Change in financial liabilities	(495)	(440)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	(580)	1.037
D. CASH FLOWS FROM DISCONTINUED ASSETS /ASSETS HELD FOR SALE (D)		
E. TOTAL CASH FLOW (A+B+C+D)	(8.118)	4.391
F. INITIAL NET FINANCIAL LIQUIDITY (INITIAL NET FINANCIAL INDEBTEDNESS)	82.337	107.588
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
H. FINAL NET FINANCIAL LIQUIDITY (FINAL NET FINANCIAL INDEBTEDNESS) (E+F+G)	74.219	111.979
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	82.337	107.588
Bank overdrafts		
Discontinued operations		
	82.337	107.588
CASH AND CASH EQUIVALENTS LESS SHORT-TERM FINANCIAL PAYABLES AT THE END OF THE PERIOD, ANALYSED AS FOLLOWS:		
Cash and cash equivalents	74.219	111.979
Bank overdrafts		
Discontinued operations		
	74.219	111.979

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