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2017

Testo del comunicato

Vedi allegato.

Press Release

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

SNAITECH – INTERIM RESULTS AS OF 30 JUNE 2017

Net profit of € 2 million; EBITDA of € 55,7 million; Net Financial Position of € 431.5 million, improved by € 50 million from year-end; Leverage ratio reduction to 3.7x

Main consolidated economic and financial data

- ❖ Total wagers of Euro 5.2 billion in the first six months of 2017
- ❖ Revenues of Euro 437.7 million down by 1.1% compared to the first half of 2016
- ❖ EBITDA of Euro 55.7 million, down by 17.8% compared to the first half of 2016 due to Sports Betting payout and PREU tax rate increase
- ❖ Net Profit of Euro 2 million compared to a loss of Euro 0.4 million in the first half of 2016
- ❖ Net Financial Position of Euro 431.5 million, improved by Euro 50 million from year-end

Milan, 4 August 2017 – Snaitech S.p.A.'s Board of directors duly held today in Milan approved the interim report of the Group as of 30 June 2017, with revenues of Euro 437,7 million, an EBITDA of Euro 55,7 million, an EBIT of Euro 27 million and Net Consolidated Profit of Euro 2 million.

The following table shows the key performance indicators of the Condensed Consolidated Financial Statements of the first six months of 2017:

| Figures in thousand/Euro | First six months of | | Changes | |
|--|---------------------|---------|----------|--------|
| | 2017 | 2016 | Euro | % |
| Key consolidated performance indicators | | | | |
| Revenues | 437,683 | 442,417 | (4,734) | (1.1) |
| EBITDA | 55,693 | 67,722 | (12,029) | (17.8) |
| EBITDA Adj | 58,477 | 70,471 | (11,994) | (17.0) |
| EBIT | 26,949 | 36,301 | (9,352) | (25.8) |
| Profit (loss) before taxes | 6,447 | 7,829 | (1,382) | (17.7) |
| Result pertaining to the Group | 2,034 | (396) | 2,430 | >100% |
| Diluted profit (loss) per share | 0.01 | 0.00 | 0.01 | |

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 and cost of personnel related to share-based remuneration (IRFS 2 charges). The EBITDA Adj corresponds to the EBITDA adjusted to take into account any expense related to bad or 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"). Therefore, they must not be considered separately or as a replacement of other items of financial statement drafted according to the IFRS standards. These indicators must rather be used to supplement the results calculated according to IFRS in order to allow a better understanding of the operating performance of the Group. 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.

The performance of the business for the Snaitech Group in the first six months of 2017 has been affected by the following key events:

- Total wagers of Euro 5.222 billion with strong performance of the Online business both in the Sports Betting segment (+33.6%) and Online Games segment (+24.7%);
- Integration with Cogemat Group successfully completed: achievement of significant efficiencies at operational level for the whole Snaitech Group;
- Progression with the plan to outsource the point of sales owned by SNAI Rete Italia ("SRI");
- Beginning of the layoff procedure;
- Purchase of additional 100 VLT rights.

Wagers breakdown by business

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

Figures in million/Euro

| Wagers breakdown by business | First six months of | | Changes % |
|------------------------------|---------------------|--------------|--------------|
| | 2017 | 2016 | |
| Sports Betting | 386 | 375 | 2.8% |
| Horse Betting | 98 | 115 | -14.3% |
| Virtual Events | 128 | 152 | -15.4% |
| Retail Betting | 612 | 641 | -4.6% |
| AWPs | 1,825 | 2,017 | -9.5% |
| VLTs | 1,752 | 1,783 | -1.8% |
| Gaming Machines | 3,577 | 3,800 | -5.9% |
| Online Betting | 207 | 155 | 33.6% |
| Games | 553 | 443 | 24.7% |
| Online | 760 | 599 | 27.0% |
| Total | 4,949 | 5,040 | -1.8% |
| Betting provider | 225 | 256 | -11.9% |
| Paymat | 47 | 60 | -21.5% |
| Group Total Wagers | 5,222 | 5,356 | -2.5% |

In the first six months of 2017, the Group wagers settled at Euro 5.2 billion, down by 2.5%, compared to Euro 5.4 billion recorded in the first semester of 2016.

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 1,601 point of sales (694 shops and 907 corners).

Snaitech consolidates its market leadership in the Retail Betting with a market share of 19.1% and more specifically in the three following segments: 17.4% share in Sports Betting, 38.7% in Horserace Betting and 17.6% in Virtual Events.

In the Sports Betting segment, Snaitech wagers grew by 2.8% up to Euro 386 million from Euro 375 million in the first half of 2016, due to an higher payout level, the improvement of products offering and the rationalization of distribution network. In the first six months of 2017, fixed odds Sports Betting recorded a payout of 85.1% versus 82.1% in the first half of 2016.

Horserace Betting and Virtual Events collected lower wagers compared to the first half of 2016 and were respectively Euro 98 million (down by 14.3%) and Euro 128 million (down by 15.4%).

Gaming Machines business

In the Gaming Machines segment, Snaitech is the second largest player with a market share of 14.6%. At the end of June 2017, the Group has 58,491 AWP rights deployed in 14,568 point of sales spread across the country as well as 10,378 rights for VLT, of which 10,026 are currently installed in 1,255 point of sales.

Wagers of the whole business decreased by 5.9 %, compared to the first half of 2016, moving from Euro 3,800 million to Euro 3,577 million. This result was mainly due to tighter local regulations on distance from sensible premises and opening hours as well as to the lower AWP payout occurred in 2016 (from 74% to 70%). In the first six months of 2017, VLTs collected wagers for Euro 1,752 million (down by 1.8% compared to the first half 2016) and AWP collected wagers for Euro 1,825 million (down by 9.5% compared to the first half of 2016).

Online business

In the Online business, which includes Online Betting and Online Games (Bingo, Cash and Tournament Skill Games, Casino Games and Slot), the Group saw an increase of wagers by 27%, up to Euro 760 million compared to Euro 599 million collected in the first six months of 2016.

The drivers of such growth, both in the Online Sports Betting (+33.6%) and the Online Games (+24.7%), were mainly related to the augmentation of products offering and the cross-selling initiatives implemented on retail channel. Notwithstanding a growing competitive pressure, the market share settled at 6.1%.

In the first six months of 2017, the payout level of the Online Sports Betting was on average equal to 88.5% compared to 86.6% in the first half of 2016.

Revenues

Total Group revenues decreased by 1.1%, down to Euro 437.7 million from Euro 442.4 million recorded in the first half of 2016. The causes of such decrease may be identified in the higher payout of Sports Betting and the increase of PREU tax rate on Gaming Machines (effective from April 2017), partially offset by the increase of wagers from Online Betting and Online Games as well as by the positive impact of lower AWP payout on revenues.

The following table presents a breakdown of revenues by business unit, in order to provide a better comprehension of the business dynamics occurred in the first six months of 2017.

Figures in million/Euro

| Revenues breakdown | First six months of | | Changes |
|---------------------------------|---------------------|--------------|--------------|
| | 2017 | 2016 | % |
| Retail Betting | 79.5 | 95.7 | -17.0% |
| Gaming Machines | 320.4 | 313.0 | 2.4% |
| Online | 29.0 | 25.6 | 13.0% |
| Horse tracks management | 4.5 | 5.1 | -10.8% |
| Others | 11.0 | 13.0 | -15.3% |
| ICE (Intercompany eliminations) | (6.7) | (9.9) | -32.5% |
| Group Total Revenues | 437.7 | 442.4 | -1.1% |

Margins, results and NFP

Group EBITDA in the first six months of 2017 totalled Euro 55.7 million, down by 17.8% from the same period last year. Such result was mainly due to the unfavourable payout of Sports Betting and the increase of PREU tax rate on Gaming Machines, partially offset by the solid performance of the Online business as well as by the achievement of significant synergies and efficiencies at operational level following the merger with Cogemat group.

In the first six months Snaitch Group started several actions to recover profitability and partially offset the negative impact of the recent PREU tax increase:

- Launched a new project of VLT network integration and optimisation, following ADM authorization to merge former SNAI and Cogemat network;
- Roll-out of the additional 100 VLT rights recently purchased; optimization of VLTs payout
- Launch on Snaitch network of the new Virtual Games, recently introduced by Inspired, as well as the finalisation of a second platform of Virtual Games in the second half of 2017.

The following tables set forth a comparison of key items of the Income statements and the calculation of EBITDA.

Figures in million/Euro

| Snaitech – Consolidated Income Statement | First six months of | | Changes % |
|---|---------------------|--------------|-----------------|
| | 2017 | 2016 | |
| Total Revenues | 437.7 | 442.4 | -1.1% |
| Operating Costs | (385.2) | (378.7) | 1.7% |
| Earnings before interest, tax, depreciation and amortisation | 52.5 | 63.7 | -17.6% |
| Amortisation and depreciation | (24.9) | (27.2) | -8.6% |
| Other expenses related to provisions | (0.6) | (0.2) | >100% |
| Earning before interest and tax | 26.9 | 36.3 | -25.8% |
| Financial income and costs | (20.5) | (28.5) | -28.0% |
| Profit (loss) before tax | 6.4 | 7.8 | -17.7% |
| Tax | (4.4) | (8.2) | -46.3% |
| Profit (loss) for the period | 2.0 | (0.4) | >100% |

Figures in thousand/Euro

| Snaitech - Consolidated EBITDA | First six months of | |
|---|---------------------|-------------|
| | 2017 | 2016 |
| Earnings before interest and tax | 26.9 | 36.3 |
| + Amortisation and depreciation | 24.9 | 27.2 |
| + Other expenses related to provisions | 0.6 | 0.2 |
| Gross EBITDA | 52.5 | 63.7 |
| + Commissions on bank guarantees | 3.2 | 2.7 |
| + Share-based remuneration (IFRS 2 charges) | 0.1 | 0.0 |
| + Non recurring costs (revenues) | (0.1) | 1.4 |
| EBITDA | 55.7 | 67.7 |

Group EBIT in the first six months of 2017 was equal to Euro 26.9 million compared to Euro 36.3 million accounted in the first half of 2016.

Profit before taxes in the first six months of 2017 was Euro 6.4 million with a negative difference of Euro 1.4 million compared to the first half of 2016, due to lower operational margin partially offset by a lower level of depreciations and by a significant reduction of financial interest costs, as the result of the bonds refinancing executed last November 2016.

Net Consolidated Profit was Euro 2 million and improved by Euro 2.4 million compared to the first half of 2016.

The net financial indebtedness, as of 30 June 2017, totalled Euro 431.5 million compared to Euro 480.9 million at year-end 2016. The reduction of Euro 49.4 million is for the most part related to the increase in cash and cash equivalents by Euro 51.7 million and due to the rescheduling of concession fees payments and the refund of the security deposit for 2016 related to Gaming Machines.

Business Plan and consequences of the Decree n. 50 of 24 April 2017 and Law n. 96 Of 21 June 2017

A summary of the key 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;
- Renewal of betting licences for the retail network and the technological rejuvenation of the point of sales, through the introduction of new self-service betting terminals;
- Evolution and enlargement of the VLT platform currently offered to via Gaming Machine distribution network as well as a more focused selection of gaming contents and local partners for AWP's;
- Outsourcing strategies of the point of sales owned by SNAI Rete Italia (SRI);
- Finalization by the first half 2018 of the cost synergies plan enforced after the merger with former Cogemat group.

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 decree n. 50 of 24 April 2017 introduced several provisions affecting the Gaming industry, summarised hereinafter:

- 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.

Based on the aforementioned PREU tax increase, Snaitech still confirmed to break-even on Net Profit in 2017 and to achieve an average growth of wagers above 4% over the three-year period forecasted in the Business Plan. On the leverage ratio instead, such tax increase on Gaming Machines, moves slightly upwards the initial target from 2x to 2.3x.

Law n. 96 of June 21, 2017 fully acknowledged the provisions of the decree dated April 24, 2017 and provided guidance on the reduction by 30% of the AWP's, as envisaged by the 2016 Stability Law. In details, within December 31, 2017 the rights should be lower than 345 thousands, by April 30, 2018 rights should be lower than 265 thousands.

On July 31, 2017 the Ministry of Finance issued the ministerial decree on the related AWP's reduction and such decree is currently under publication in the Official Journal.

Notwithstanding the forthcoming publication and based on the prospected AWP's cut, the Company forecasts a reduction of the average growth of wagers down to 3.1% and a possible further increase of the leverage ratio from 2.3x up to 2.4x. The AWP's cut is not expected to affect the goal to break-even on Net Profit in 2017.

Pursuant to par. 2 of art. 154-bis of the Finance Act, the director in charge of the accounting reports, Mr. Chiaffredo Rinaudo, states that the accounting information disclosed in the press release matches with the accounting records and bookkeeping.

For further information

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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 | |
|---|------------------|------------------|------------------|------------------|
| | 30.06.2017 | 31.12.2016 | 30.06.2017 | 31.12.2016 |
| a) Liquidity | 134,026 | 82,338 | 130,926 | 77,398 |
| b) Current financial receivables | 0 | 0 | 12,671 | 9,592 |
| c) Current bank debts | (137) | (141) | (134) | (136) |
| d) Current portion of long-term indebtedness | (475) | 0 | (475) | 0 |
| e) Current financial payables | (5,588) | (5,693) | (19,093) | (18,227) |
| Net current financial indebtedness | 127,826 | 76,504 | 123,895 | 68,627 |
| f) Non-current bank debts | (936) | 0 | (936) | 0 |
| g) Bonds issued | (558,128) | (557,115) | (558,128) | (557,115) |
| f) Other non-current financial receivables/payables | (220) | (299) | (220) | (299) |
| Total net financial indebtedness | (431,458) | (480,910) | (435,389) | (488,787) |

Figures in thousands of Euro

Net financial position does not include restricted bank accounts and deposits of Euro 16,778 thousand (included in the item "Current financial assets"), the dedicated bank account of Euro 39 thousand and other non-current financial assets of Euro 2,198 thousand.

Snaitech S.p.A. net financial position does not include restricted bank accounts and other non-current financial assets.

b) Overdue accounts payable of the Snaitech Group

| Current liabilities | Balance as of 30.06.2017 | o/w due on 30.06.2017 |
|--|-----------------------------|--------------------------|
| Financial payables | 6,200 | - |
| Trade payables | 36,465 | 5,759 |
| Tax payables | 23,325 | - |
| Payables to social security institutions | 4,073 | - |
| Other payables | 126,587 | - |
| | 196,650 | 5,759 |

Figures in thousand/Euro

As of 30 June 2017 the amounts past due are Euro 5,759 thousand and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after 30 June 2017. In certain cases, new payment dates have been agreed. To the present date, there is no claim raised by suppliers.

c) Related Parties

Consob note n. 6064293 dated 28 July 2006 requires, in addition to the provisions of the international accounting standard "Related Party Disclosures" (IAS 24), to disclose information on any transaction or position held with related parties, following IAS 24 classification, which may affect income and financial position.

The table hereinafter shows a summary of such transactions and positions. The impact of any transaction on the income and cash flows of the Company and/or the Group must be read bearing in mind that any dealing with related parties is similar to other dealing currently in place with third parties.

Certain undertakings of Snaitech Group have relationships with Banca Monte dei Paschi di Siena S.p.A., Intesa San Paolo S.p.A., Poste Italiane, Banca, Unicredit S.p.A. and Banco BPM S.p.A, all of them potentially classifiable as related parties. However, such transactions were executed in the course of regular business, in the only interest of the Group and settled at market 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 Snaitech group and related parties.

| <i>Figures in thousand/Euro</i> | 30.06.2017 | % 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. | 8 | 0.01% | 4 | 0.00% |
| | 8 | 0.01% | 5 | 0.00% |
| Other Current Assets | | | | |
| - From Teseo S.r.l. in liquidation | - | 0.00% | 170 | 0.32% |
| | - | 0.00% | 170 | 0.32% |
| Total Assets | 8 | 0.01% | 175 | 0.32% |
| Trade Payables | | | | |
| - To undertakings related to directors of Snaitech S.p.A. | 350 | 0.96% | 323 | 0.94% |
| - To undertakings related to statutory auditors of Snaitech S.p.A. | 15 | 0.04% | - | 0.00% |
| - To undertakings related to shareholders of Snaitech S.p.A. | - | 0.00% | (1) | 0.00% |
| | 365 | 1.00% | 322 | 0.94% |
| Other Current Liabilities | | | | |
| - To undertakings related to directors of Snaitech S.p.A. | 90 | 0.06% | 4 | 0.00% |
| - To undertakings related to shareholders of Snaitech S.p.A. | 54 | 0.03% | - | 0.00% |
| - To Teseo S.r.l. in liquidation | 297 | 0.19% | 383 | 0.25% |
| | 441 | 0.28% | 387 | 0.25% |
| Total Liabilities | 806 | 0.10% | 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> | 1H 2017 | % Impact | 1H 2016 | % Impact |
|---|-----------|--------------|-----------|--------------|
| Revenues from Services and Chargebacks | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 38 | 0.01% | 2 | 0.00% |
| | 38 | 0.01% | 2 | 0.00% |
| Other Revenues | | | | |
| - From Global Games S.p.A. | 4 | 0.25% | 2 | 0.04% |
| | 4 | 0.25% | 2 | 0.04% |
| Total Revenues | 42 | 0.01% | 4 | 0.00% |
| Costs for Services and Chargebacks | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 2 | 0.00% | 4 | 0.00% |
| - From undertakings related to shareholders of Snaitech S.p.A. | 1 | 0.00% | - | 0.00% |
| - From undertakings related to statutory auditors of Snaitech S.p.A. | 16 | 0.00% | - | 0.00% |
| - From directors of Teleippica S.r.l. | - | 0.00% | 27 | 0.01% |
| - From directors and undertakings related to Finscom S.r.l. (now SNAI Rete Italia S.r.l.) | - | 0.00% | 45 | 0.01% |
| - From Statutory Auditors of Cogetech Gaming S.r.l. | - | 0.00% | 17 | 0.01% |
| | 19 | 0.00% | 93 | 0.03% |
| Other Operating Costs | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 6 | 0.02% | 6 | 0.02% |
| - From iZilove Foundation | - | 0.00% | - | 0.00% |
| | 6 | 0.02% | 6 | 0.02% |
| Total Costs | 25 | 0.01% | 99 | 0.03% |

Second quarter 2017

| <i>Figures in thousand/Euro</i> | 2Q 2017 | % Impact | 2Q 2016 | % Impact |
|---|-----------|--------------|-----------|--------------|
| Revenues from Services and Chargebacks | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 23 | 0.01% | - | 0.00% |
| | 23 | 0.01% | - | 0.00% |
| Other Revenues | | | | |
| - From Global Games S.p.A. | 3 | 0.64% | 1 | 0.03% |
| | 3 | 0.64% | 1 | 0.03% |
| Total Revenues | 26 | 0.01% | 1 | 0.00% |
| Costs for Services and Chargebacks | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 1 | 0.00% | 2 | 0.00% |
| - From undertakings related to statutory auditors of Snaitech S.p.A. | 16 | 0.01% | | 0.00% |
| - From directors of Teleippica S.r.l. | | 0.00% | 6 | 0.00% |
| - From directors and undertakings related to Finscom S.r.l. (now SNAI Rete Italia S.r.l.) | - | 0.00% | 6 | 0.00% |
| - From statutory auditors of Cogetech Gaming S.r.l. (now Snaitech S.p.A.) | - | 0.00% | 9 | 0.01% |
| | 17 | 0.01% | 23 | 0.01% |
| Other Operating Costs | | | | |
| - From undertakings related to directors of Snaitech S.p.A. | 3 | 0.02% | 3 | 0.02% |
| | 3 | 0.02% | 3 | 0.02% |
| Total Costs | 20 | 0.01% | 26 | 0.01% |

In the first six months of 2017, revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.08% (vs. 0.01% in the first half of 2016) while total revenues weighted on Profit (Loss) by 2.06% (vs. 1.1% in the first half of 2016).

In the first six months of 2017, cost of raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 0.05% (vs. 0.16% in the first half 2016) while total costs weighted on Profit (loss) by 1.23% (vs. 25% in the first half 2016).

In the first six months of 2017, remuneration to executives with strategic roles was Euro 510 thousands, of which Euro 310 thousand related to base salary, Euro 100 thousand to the Chief Executive Officer and Euro 100 thousand related to extraordinary bonus.

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> | 30.06.2017 | 31.12.2016 |
|---|---------------|---------------|
| Trade Receivables | | |
| - From Global Games S.p.A. | 8 | 4 |
| - From Società Trenno S.r.l. | 308 | 207 |
| - From SNAI Rete Italia S.r.l. | (270) | (44) |
| - From Teleippica S.r.l. | 45 | 65 |
| Total Trade Receivables | 91 | 232 |
| Other Current Assets | | |
| - From Teleippica S.r.l. | 2,506 | 2,380 |
| - From SNAI Rete Italia S.r.l. | 10 | 18 |
| - From Teseo S.r.l. in liquidation | - | 170 |
| Total Other Current Assets | 2,516 | 2,568 |
| Current Financial Receivables | | |
| - From Società Trenno S.r.l. | 8,426 | 5,859 |
| - From SNAI Rete Italia S.r.l. | 4,245 | 3,733 |
| Total Current Financial receivables | 12,671 | 9,592 |
| Total Assets | 15,278 | 12,392 |
| Trade Payables | | |
| - To undertakings related to directors | 350 | 323 |
| - To undertakings related to statutory auditors | 12 | - |
| - To Società Trenno S.r.l. | 90 | 134 |
| - To SNAI Rete Italia S.r.l. | 32 | 97 |
| - To Teleippica S.r.l. | 302 | 212 |
| - To undertakings related to shareholders | - | (1) |
| Total Trade Payables | 786 | 765 |
| Other Current Liabilities | | |
| - To undertakings related to directors | 90 | - |
| - To Società Trenno S.r.l. | 7,448 | 7,256 |
| - To SNAI Rete Italia S.r.l. | 3,741 | 3,306 |
| - To Teleippica S.r.l. | 1 | 23 |
| - To Teseo S.r.l. | 297 | 383 |
| - To undertakings related to shareholders | 54 | 4 |
| Total Other Current Liabilities | 11,631 | 10,972 |
| Current Financial Payables | | |
| - To Teleippica S.r.l. | 13,505 | 12,533 |
| Total Current Financial Payables | 13,505 | 12,533 |
| Total Liabilities | 25,922 | 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> | 1H 2017 | 1H 2016 |
|--|--------------|--------------|
| Revenues from Services and Chargebacks | | |
| - From undertakings related to directors | 38 | 2 |
| - From Società Trenno S.r.l. | 132 | 140 |
| - From SNAI Rete Italia S.r.l. | 42 | 68 |
| - From Finscom S.r.l. in liquidation (now SNAI Rete Italia S.r.l.) | - | 5 |
| - From Cogetech S.p.A. (now Snaitech S.p.A.) | - | 49 |
| Total Revenues from Services and Chargebacks | 212 | 264 |
| Other Revenues | | |
| - From Global Games S.p.A. | 4 | 2 |
| - From Società Trenno S.r.l. | 322 | 259 |
| - From SNAI Rete Italia S.r.l. | 63 | 12 |
| - From Finscom S.r.l. (now SNAI Rete Italia S.r.l.) | - | 1 |
| - From Cogetech S.p.A. (now Snaitech S.p.A.) | - | 181 |
| - From Cogetech Gaming S.r.l. (now Snaitech S.p.A.) | - | 4 |
| - From Azzurro Gaming S.p.A. (now Snaitech S.p.A.) | - | 1 |
| - From Cogemat S.p.A. (now Snaitech S.p.A.) | - | 1 |
| - From Teleippica S.r.l. | 182 | 272 |
| Total Other Revenues | 571 | 733 |
| Interest Income | | |
| - From Società Trenno S.r.l. | 213 | 309 |
| - From SNAI Rete Italia S.r.l. | 131 | 94 |
| - From Cogetech S.p.A. (now Snaitech S.p.A.) | - | 4,222 |
| - From Finscom S.r.l. (now SNAI Rete Italia S.r.l.) | - | 2 |
| Total Interest Income | 344 | 4,627 |
| Total Revenues | 1,127 | 5,624 |
| Costs for Services and Chargebacks | | |
| - From undertakings related to directors | 2 | 5 |
| - From Società Trenno S.r.l. | 135 | 188 |
| - From Finscom S.r.l. in liquidation (now SNAI Rete Italia S.r.l.) | - | 743 |
| - From SNAI Rete Italia S.r.l. | 4,539 | 4,922 |
| - From Teleippica S.r.l. | 1,267 | 1,595 |
| - From Cogetech S.p.A. (now Snaitech S.p.A.) | - | 9 |
| - From undertakings related to statutory auditors | 16 | - |
| Total Costs for Services and Chargebacks | 5,959 | 7,462 |
| Costs of Seconded Personnel | | |
| - From Cogetech S.p.A. (now Snaitech S.p.A.) | - | 678 |
| Total Costs of Seconded Personnel | - | 678 |
| Other Operating Costs | | |
| - From undertakings related to directors | 6 | 6 |
| - From iZilove Foundation | 15 | - |
| - From Società Trenno S.r.l. | - | 1 |
| Total Other Operating Costs | 21 | 7 |
| Interest Costs and Fees | | |
| - Interest costs to SNAI Rete Italia S.r.l. | - | 14 |
| - Interest costs to Teleippica S.r.l. | 368 | 449 |
| Total Costs and Fees | 368 | 463 |
| Total Costs | 6,348 | 8,610 |

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

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 costs (ii) valuable intangible assets against a low equity amount affected by cumulated losses (iii) a significant indebtedness level and limited room to repay it further due to the cash-flow absorption from operating and financing activities.

Directors highlight that the achievement of Group's net profit of Euro 2 million (in the first six months of 2017) is in line with the forecast of the business plan and is due to several factors, briefly mentioned hereinafter, which contributed to structurally improve the business performance.

In relation to the integration with the Cogemat Group, directors notice the benefits rising from such transaction: (i) share capital increase by Euro 37.2 million and more generally an increase of the equity level by Euro 140 million (ii) improvement of financial ratios (iii) consolidation of the leadership in the Retail Sports Betting and Gaming Machines market segments (iv) rationalization of the corporate structure and the improvement of operational effectiveness (v) synergies plan to reduce operating, corporate and concession expenses.

As per the uncertainties reported in previous periods and related to the ability of the Group to repay financial debts at maturity, or to refinance current debts, directors already highlighted, in the Annual Report for 2016, the benefits of the refinancing transaction executed on November 7, 2016, through the issuance of Euro 570 million bonds, with a fixed rate tranche of Euro 320 million (6.375% coupon, maturity 2021) and a floating rate tranche of Euro 250 million (three months Euribor floored at 0% plus a spread of 6%, maturity 2021): (i) significantly reduction of the financial costs born by Snaitech, with an annual savings (at the current market conditions) of approximately Euro 17 million and (ii) reprofiling the debt maturity from 2018 to November 2021.

As per the risks associated with the renewal of Betting concessions expired on June 30, 2016, the uncertainty for the Group may arise from: (i) non-renewal of licenses with negative impact on lower cash inflows and margins as well as the inability to deal with financial indebtedness (ii) high amount required in the bidding process affecting the sustainability of Group indebtedness.

However, the aforementioned risks are mitigated by the bidding scheme, which allows bids for single right with different prices, thus removing entirely any risk of digital outcome typical of other tenders.

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 country: the distribution network, as per the latest ADM revelation on June 2017, has 4,120 corners and 5,639 shops (including 2,521 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 now fully authorised by ADM as of June 30, 2017. 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, directors deem any risk of non-renewal to be minimal with limited, if none, impact on the company ability to produce a sufficient cash flow level to run its business.

Given the refinancing transaction, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2017-2019, directors does not foresee any uncertainty on going concern, notwithstanding the uncertainly related to future events and specific features of the industry.

e) Financial covenants

As with other similar loans, the outstanding loan agreements (revolving credit line and bonds) envisage a number of obligations for the Snaitech Group.

More specifically, the Company is required to undertake commitments aimed at safeguarding the credit position of the financing entities, such as: restrictions dividends distribution until expiration of bonds, restrictions on the early repayment of bonds, restrictions on new financial indebtedness, new specific investments and disposal of corporate assets and properties. Some events of default are also specified, upon which lenders may request early repayment of their loans.

Snaitech S.p.A., according to the Senior Revolving credit facility, undertook to provide a Compliance Certificate, on a quarterly basis, confirming the absence of events of default in the relevant period.

Finally, according to the Senior Revolving credit facility and bonds, the Group is obliged to provide periodically its lenders with financial and income statements.

f) Progress of the business plan

In April 2017, the Board of directors of Snaitech has approved 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 the bonds refinancing and the finalisation of the two mergers Snaitech-Cogemat group and Finscom-Snai Rete Italia S.r.l. ("SRI").

The strategic goal of the Group is centred on the consolidation of the leadership in the Retail Betting market segment and the increase of the Online market share. Following the merger with Cogemat, the Group may now rely both on an augmented products portfolio and the required skills to play as a leader in the Gaming Machine business too. Know-how, available resources and technological platform of the Group along with a strong management team should all help to achieve the Group strategic goal.

Primary goals are instead represented by the improvement of market performance and efficiency at operational and financial level, both achievable thanks to the joint skills and experience brought from Cogemat group and Snai group.

A summary of the key 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;
- Renewal of betting licences for the retail network and the technological rejuvenation of the point of sales, through the introduction of new self-service betting terminals;
- Evolution and enlargement of the VLT platform currently offered to via Gaming Machine distribution network as well as a more focused selection of gaming contents and local partners for AWP's;
- Outsourcing strategies of the point of sales owned by SRI;
- Finalization by the first half 2018 of the cost synergies plan enforced after the merger with Cogemat.

The Business plan forecast for the next three-year period an average growth of wagers above 4% and a cash-flow generation such that the leverage ratio (Net Financial Position/EBITDA) at the end of the period would be 2x. The Group is also confident to break-even on Net Profit in 2017.

Following the Business plan approval for period 2017-2019, the "Additional consolidation measures to the Budget law for 2017" introduced by the decree n. 50 dated April 24, 2017 and converted into law on June 21, set forth the increase of the PREU tax rate on AWP's (from 17.5% to 19%) and VLTs (from 5.5% to 6%).

Based on the aforementioned PREU tax increase, Snaitech still confirmed to break-even on Net Profit in 2017 and to achieve an average growth of wagers above 4% over the three-year period forecasted in the Business Plan. On the leverage ratio instead, such tax increase on Gaming Machines, moves slightly upwards the initial target from 2x to 2.3x.

Law n. 96 of June 21, 2017 fully acknowledged the provisions of the decree dated April 24, 2017 and provides guidance on the reduction by 30% of the AWP's, as envisaged by the 2016 Stability Law. In details, within December 31, 2017 the number of rights should be lower than 345 thousands; within April 30, 2018 the number of rights should be lower than 265 thousands.

On July 31, 2017 the Ministry of Finance issued the ministerial decree on the related AWP's reduction and such decree is currently under publication in the Official Journal.

Notwithstanding the forthcoming publication and based on the prospected AWP's cut, the Company forecasts a reduction of the average growth of wagers down to 3.1% and a possible further increase of the leverage ratio from 2.3x up to 2.4x. The AWP's cut is not expected to affect the goal to break-even on Net Profit in 2017.

Results of the first six months of 2017 fully confirm the goal to achieve a net profit in the current fiscal year.

Annex

Snaitech Group

Consolidated Comprehensive Income Statement as of 30 June 2017

Consolidated Balance Sheet as of 30 June 2017

Consolidated Cash Flow Statement as of 30 June 2017

Snaitech Group - Consolidated Comprehensive Income Statement as of 30 June 2017

| <i>Figures in thousand/Euro</i> | 1H 2017 | 1H 2016 |
|--|-----------------|-----------------|
| Revenues from sales and services | 436,066 | 436,924 |
| Other revenues and income | 1,617 | 5,493 |
| Change in inventory of finished and semi-finished products | 0 | 0 |
| Raw materials and consumables | (388) | (416) |
| Cost of services and third party assets | (333,441) | (321,409) |
| Costs of personnel | (26,693) | (30,466) |
| Other operating costs | (25,260) | (26,884) |
| Capitalised costs | 592 | 450 |
| Earnings before interest, tax, depreciation and amortisation | 52,493 | 63,692 |
| Amortisation and depreciation | (24,900) | (27,241) |
| Other expenses related to provisions | (644) | (150) |
| Earnings before interest and taxes | 26,949 | 36,301 |
| Gains and expenses from shareholdings | (541) | (5) |
| Financial income | 390 | 417 |
| Financial costs | (20,351) | (28,884) |
| Total financial income and costs | (20,502) | (28,472) |
| PROFIT/(LOSS) BEFORE TAXES | 6,447 | 7,829 |
| Income tax | (4,413) | (8,225) |
| Profit/(Loss) for the period | 2,034 | (396) |
| (Loss)/profit from re-measurement on defined benefit plans after taxes | 185 | 0 |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 185 | 0 |
| Profit/(Loss) from available-for-sale financial assets | 0 | 17 |
| Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes | 0 | 17 |
| Total profit/(loss) in comprehensive income statement, after taxes | 185 | 17 |
| Comprehensive profit (loss) for the period | 2,219 | (379) |
| <i>Attributable to:</i> | | |
| Profit (loss) for the period pertaining to the Group | 2,034 | (396) |
| Profit (loss) for the period pertaining to Third parties | 0 | 0 |
| Total profit (loss) for the period pertaining to the Group | 2,219 | (379) |
| Total profit (loss) for the period pertaining to Third Parties | 0 | 0 |
| Basic earnings (loss) per share in Euro | 0,01 | 0,00 |
| Diluted earnings (loss) per share in Euro | 0,01 | 0,00 |

Snaitech Group - Consolidated Balance Sheet as of 30 June 2017

| <i>Figures in thousand/Euro</i> | 30.06.2017 | 31.12.2016 |
|--|----------------|----------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 131,329 | 135,273 |
| Assets held under financial leases | 326 | 420 |
| Total property, plant and equipment | 131,655 | 135,693 |
| Goodwill | 306,832 | 306,472 |
| Other intangible assets | 130,040 | 140,920 |
| Total intangible assets | 436,872 | 447,392 |
| Investments measured using the equity method | 1,974 | 2,515 |
| Investments in other companies | 46 | 46 |
| Total investments | 2,020 | 2,561 |
| Deferred tax assets | 47,354 | 51,288 |
| Non-current trade receivables | 6,777 | 2,314 |
| Other non-financial assets | 1,527 | 1,216 |
| Financial assets | 2,198 | 2,009 |
| Total non-current assets | 628,403 | 642,473 |
| Current assets | | |
| Inventories | 221 | 199 |
| Trade receivables | 93,026 | 114,548 |
| Other assets | 37,428 | 53,326 |
| Current financial assets | 16,818 | 16,858 |
| Cash and cash equivalents | 134,025 | 82,337 |
| Total current assets | 281,518 | 267,268 |
| TOTAL ASSETS | 909,921 | 909,741 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Shareholders' equity attributable to equity holders of the Parent Company | | |
| Share capital | 97,982 | 97,982 |
| Reserves | 20,713 | 37,482 |
| Loss for the period | 2,034 | (16,954) |
| Total shareholders' equity attributable to equity holders of the Parent Company | 120,729 | 118,510 |
| Shareholders' equity attributable to non-controlling interests | | |
| Total shareholders' equity | 120,729 | 118,510 |
| Non-current liabilities | | |
| Employee termination indemnities | 7,311 | 8,089 |
| Non-current financial liabilities | 559,284 | 557,414 |
| Provisions for risks and charges | 17,739 | 30,171 |
| Other non-current liabilities | 5,693 | 4,291 |
| Total non-current liabilities | 590,027 | 599,965 |
| Current liabilities | | |
| Trade payables | 36,465 | 34,330 |
| Other liabilities | 156,500 | 151,102 |
| Current financial liabilities | 5,725 | 5,834 |
| Current portion of long-term loans | 475 | 0 |
| Total current financial liabilities | 6,200 | 5,834 |
| Total current liabilities | 199,165 | 191,266 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 909,921 | 909,741 |

Snaitech Group - Consolidated Cash Flow Statement as of 30 June 2017

| <i>Figures in thousand/Euro</i> | 30.06.2017 | 30.06.2016 |
|--|----------------|-----------------|
| A. CASH FLOW FROM OPERATING ACTIVITIES | | |
| Profit (loss) for the period attributable to equity holders of the Parent Company | 2.034 | (396) |
| Financial expenses | 20.351 | 28.884 |
| Amortisation and depreciation | 24.900 | 27.241 |
| Net change in deferred tax assets and liabilities | 3.876 | 6.002 |
| Change in provision for risks and charges | (12.432) | (6.254) |
| (Gains)/loss on disposal of non-current assets | (349) | 142 |
| Share of profit/(losses) of associates measured using the equity method | 541 | 5 |
| Net change in employee termination indemnities | (535) | 35 |
| Net change in non-current assets and liabilities | (3.053) | (1.449) |
| Net change in current trade assets and liabilities and other changes | 45.495 | 13.557 |
| Cash and cash equivalents generated by operations | 80.828 | 67.767 |
| Taxes paid | (916) | (113) |
| Interest paid | (17.807) | (26.028) |
| CASH FLOW FROM OPERATING ACTIVITIES (A) | 62.105 | 41.626 |
| B. CASH FLOW FROM INVESTING ACTIVITIES | | |
| Investments in property, plant and equipment | (6.318) | (6.681) |
| Investments in intangible assets | (3.755) | (6.425) |
| Purchase of business units | (240) | 0 |
| Proceeds from the sale of property, plant and equipment, intangible and other non-current assets | 353 | 234 |
| CASH FLOW USED IN INVESTING ACTIVITIES (B) | (9.960) | (12.872) |
| C. CASH FLOW FROM FINANCING ACTIVITIES | | |
| Change in financial receivables and other financial assets | (149) | 3.124 |
| Change in financial liabilities | (1.719) | (681) |
| Proceeds from bank loans | 1.450 | 0 |
| Repayment of bank loans | (39) | 0 |
| CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C) | (457) | 2.443 |
| D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D) | | |
| E. TOTAL CASH FLOW (A+B+C+D) | 51.688 | 31.197 |
| 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) | 134.025 | 138.785 |

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