



SPAFID CONNECT

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Testo del comunicato

Vedi allegato.

Press Release

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

SNAITECH, Interim results in the first quarter of 2018

Sound profitability (EBITDA up by 34% to € 38.1 million)

Net profit of € 9.1 million and reduced leverage ratio (2.9x)

Steady growth of Online business (+17.4%)

Main consolidated economic and financial data

- ❖ Total wagers of € 2.67 billion in the first quarter of 2018, fully in line with 2017
- ❖ EBITDA of € 38.1 million, up by € 9.7 million compared to the first quarter of 2017 (up by € 12.1 million net of PREU increase on Gaming Machines)
- ❖ Net Profit of € 9.1 million compared to € 2.2 million in the first three months of 2017
- ❖ Net Financial Position of € 421.8 million, improved by € 7 million from 31 December 2017
- ❖ Leverage (NFP/EBITDA) down to 2.9x

Milan, 15 May 2018 – Snaitech S.p.A.'s Board of directors duly held today in Milan approved the interim financial statements of the Group as of 31 March 2018, with revenues of Euro 223.5 million, an EBITDA of Euro 38.1 million, an EBIT of Euro 23.2 million and Net Consolidated Profit of Euro 9.1 million.

The following table shows the key performance indicators of the Condensed Consolidated Financial Statements:

Key consolidated performance indicators Figures in thousand/Euro	First quarter of		Change	
	2018	2017	€	%
Revenues	223,547	227,417	(3,870)	-1.7%
EBITDA	38,084	28,421	9,663	34.0%
EBIT	23,240	14,223	9,017	63.4%
Profit / (Loss) before tax	13,632	4,599	9,033	>100
Net profit (Loss)	9,058	2,234	6,824	>100
Diluted profit / (loss) per share	0.05	0.01	0.04	

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 EBIT refers to "Earnings before interest and taxes" indicated in the statement of comprehensive income. EBITDA 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 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 and EBIT must not be considered as an alternative to cash flows to measure liquidity. As defined, EBITDA and EBIT may not be comparable with the same indicators used by other companies. Please see pag. 4 for detailed reconciliation.

The business performance of the Snaitech Group in the first quarter of 2018 was driven by the following key events:

- ❖ Total wagers of Euro 2,666 million with strong performance of the Online business both in the Sports Betting segment (+17.7%) and Online Games segment (+17.3%);
- ❖ Progression of the rejuvenation program of SNAI points of sales through the implementation of Smart Technology®;
- ❖ Achievements of the first regulatory reduction of AWP's (9,500 machines removed by Snaitech);
- ❖ Achieved certification of proprietary betting platform for several Spanish provinces.

Wagers breakdown by business

Table below shows wagers for the first quarter of 2018 compared to the same period last year.

Figures in million/Euro

SNAITECH	First quarter of		Changes %
	2018	2017	
Sports Betting	178	197	-9.7%
Horse Betting	44	50	-10.7%
Virtual Events	70	69	0.8%
Retail Betting	292	316	-7.5%
AWP's	908	929	-2.3%
VLT's	879	899	-2.2%
Gaming Machines	1,787	1,827	-2.2%
Online Betting	126	107	17.7%
Games	335	285	17.3%
Online	460	392	17.4%
TOTAL CONCESSIONS	2,539	2,535	0.2%
Betting provider and racecourse	110	118	-6.7%
Paymat	17	26	-35.0%
SNAITECH GROUP	2,666	2,680	-0.5%

Wagers from gambling activities under concessions settled at Euro 2.5 billion, slightly up (0.2%) compared to the same quarter last year.

In the first three months of 2018, the Group wagers settled at Euro 2.7 billion, down by 0.5% from the first quarter 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, as of March 31, 2018 accounts for 1,640 points of sales (714 shops and 926 corners). Snaitech consolidates its market leadership in the Retail Betting with a market share of 18.3% and more specifically in the three following segments: 16.4% share in Sports Betting, 37.6% in Horserace Betting and 17.9% in Virtual Events.

In the Sports Betting segment, Snaitech wagers decreased by 9.7% down to Euro 178 million from Euro 197 million in the first three months of 2017, owing to the lower payout level.

In the first quarter of 2018, fixed odds Sports Betting recorded a payout of 79.7% versus 86.8% in the same period last year.

Horseshoe Betting collected wagers for Euro 44 million (down by 10.7% versus same period last year) while wagers from Virtual Events confirmed the upward trend of the second half of 2017 and settled at Euro 70 million (up by 0.8% from the same period last year).

Gaming Machines business

In the Gaming Machines segment, Snaitech is the second largest player with a market share of 14.5%. At the end of March 2018, the Group had 49,808 AWP rights deployed in 13,298 points of sales spread across the country as well as 10,378 rights for VLT, of which 10,098 are currently installed in 1,230 point of sales.

Wagers of the whole business decreased by 2.2%, compared to the same period last year, moving from Euro 1,827 million to Euro 1,787 million. This result was mainly due to tighter local regulations on distance from sensible premises and opening hours, reduction of VLTs payout as well as regulatory reduction of AWP. In more details, during the first quarter of 2018, VLTs collected wagers for Euro 879 million (down by 2.2% compared to 2017) and AWP collected wagers for Euro 908 million (down by 2.3% compared to 2017).

Online business

In the first quarter of 2018, the Group continued to successfully perform its development activities of online platforms: 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 17.4%, up to Euro 460 million compared to Euro 392 million collected in 2017. The drivers, both for the Online Sports Betting (+17.7%) and Online Games (+17.3%), were mainly related to the augmentation of products offering and the cross-selling initiatives implemented on retail channel.

Notwithstanding the growing competitive pressure, the market share settled at 6.2%.

In the first three months of 2018, the payout level of the Online Sports Betting was on average equal to 85.9% compared to 89.1% in 2017.

Revenues

Total Group revenues decreased by 1.7%, down to Euro 223.5 million from Euro 227.4 million recorded in the first quarter of 2017. The causes may be identified in the increase of PREU tax rate on AWP and VLTs (effective from April 2017) as well as the decrease of wagers from Gaming Machines, partially offset by the increase of wagers from Online Betting and Online Games, the lower Sports Betting payout as well as the positive impact on revenues from lower payout on AWP and VLT.

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 quarter of 2018.

Figures in million/Euro

SNAITECH	First quarter of		Changes %
	2018	2017	
Retail Betting	45.0	39.0	15.4%
Gaming Machines	153.5	169.9	-9.7%
Online	19.7	14.6	35.0%
Horse tracks management	1.7	2.0	-12.7%
Others	5.5	5.6	-2.4%
ICE (Intercompany eliminations)	(1.9)	(3.7)	-50.0%
SNAITECH GROUP	223.5	227.4	-1.7%

Margins, results and NFP

Notwithstanding the higher tax rate on Gaming Machines, the Group EBITDA grew by 34%, totalling Euro 38.1 million in the first quarter of 2018 compared to Euro 28.4 million in 2017. This achievement was mainly due to the lower payout on Sports Betting, solid performance of the Online business, outsourcing of points of sales owned by SNAI Rete Italia and the accounting of the final portion of synergies arising from the merger with the Cogemat group.

The following tables show comparisons of key items of the Income statements and calculation of EBITDA.

Figures in million/Euro

SNAITECH – Consolidated Statement of Comprehensive Income	1Q 2018	1Q 2017	Changes %
Total Revenues	223.5	227.4	-1.7%
Operating Costs	(187.5)	(199.4)	-6.0%
Earnings before interest, tax, depreciation and amortisation (Gross EBITDA)	36.1	28.0	28.6%
Amortisation and depreciation	(12.7)	(13.8)	-7.4%
Other accruals	(0.1)	(0.0)	30.6%
Earning before interest and tax (EBIT)	23.2	14.2	63.4%
Financial income and costs	(9.6)	(9.6)	-0.2%
Profit (loss) before taxes	13.6	4.6	>100%
Taxes	(4.6)	(2.4)	93.4%
Profit (loss) for the period	9.1	2.2	>100%

Figures in thousand/Euro

SNAITECH Group - EBITDA bridge	1Q 2018	1Q 2017	Changes %
Earnings before interest and tax (EBIT)	23,240	14,223	63.4%
+ Amortisation and depreciation	12,746	13,766	-7.4%
+ Other accruals	64	49	30.6%
Gross EBITDA	36,050	28,038	28.6%
+ Commissions on bank guarantees	1,645	1,595	3.1%
+ Share-based remuneration (IFRS 2 charges)	285	134	>100%
+ Non recurring costs (revenues)	104	(1,346)	>100%
EBITDA	38,084	28,421	34.0%

Net of PREU tax increase affecting both AWP's and VLTs, the EBITDA in the first quarter of 2018 would grow by Euro 12.1 million (+43%) compared to the same period last year.

Group EBIT in the first quarter 2018 grew by 63.4%, up to Euro 23.2 million from to Euro 14.2 million accounted in the same period last year, owing to the improved business performance and lower depreciations and amortizations.

Profit before taxes was Euro 13.6 million with a positive difference of Euro 9 million compared to 2017.

Net Consolidated Profit was Euro 9.1 million and improved by Euro 6.9 million compared to 2017.

As of March 31, 2018 the Net Financial Position of the Snaitech Group improved by Euro 7 million compared to year-end 2017 and totalled Euro 421.8 million.

Cash and cash equivalents totalled Euro 149.9 million, up by Euro 12.3 million compared to December 31, 2017.

By including receivables from ADM (Euro 44.7 million related to 2017 security deposit paid in cash by Snaitech and soon to be refunded) when computing the net financial indebtedness, the new level would be equal to Euro 377 million, below 2.6x leverage.

Business Plan

On March 9, 2018, Snaitech's Board of directors approved the update of the Business Plan 2017-2019 by extending the maturity to year 2020, to reflect the new regulations introduced in the past few months affecting the gambling sector: increased tax rates on Gaming Machines, AWP's reduction by 35% in 2018 and a further postponement by one year of the betting tender.

In line with Business Plan 2017-2019, the guidelines of new Business Plan 2018-2020 still uphold the following drivers:

- ❖ Online business development by introducing new products, improving services and strengthening cross-selling activities performed on the retail channel;
- ❖ Renewal of betting licences for the retail network as well as technological rejuvenation of the points of sales, by the introduction of new self-service betting terminals;
- ❖ Evolution of the VLT platforms currently provided to the distribution network in the Gaming Machines segment as well as a more focused selection of gaming contents and local partners for AWP's;
- ❖ Finalization by the first half 2018 of the cost synergies plan implemented after the merger with Cogemat.

The Business Plan 2018-2020 still confirms the ca. 3% annual growth of wagers and the Leverage ratio reduction (Net Financial Position/EBITDA) down to 2.4x by 2019, and furthermore includes a target EBITDA above Euro 160 million in year 2020. The annual average level of capital expenditures (without the renewal of the betting licences) is forecasted in the range of Euro 25 – 30 million.

Results of the first quarter of 2018 are in line with the aforementioned objectives.

Current Trading

In April, wagers for the Group totalled Euro 899 million, slightly lower (1.7%) compared to the same period last year.

In more details, wagers from Retail Betting was Euro 107 million (-8%), wagers from Gaming Machines was Euro 592 million (-4.3%) and Online collected wagers of Euro 154 million (+20.2%). Trend of wagers for Gaming Machines and Retail Betting was affected respectively by the lower and favourable payout for bookmakers over the last months and by the regulatory reduction of AWP's (35%). Such negative effects are offset by the increase in Online business.

In April 2018, the payout on Sports betting was 81.3%, up by 0.3% versus April 2017. Payout in the first four months of 2017 was 81.9%, lower by 3.9% compared to 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, it is disclosed hereinafter the information concerning the Company and Snaitech Group.

a) Net financial position of the Company and Snaitech Group

	Snaitech Group		Snaitech S.p.A.	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
a) Liquidity	149,916	137,592	148,224	136,364
b) Current financial receivables	30	0	3,982	7,932
c) Current bank debts	(132)	(136)	(132)	(136)
d) Current portion of long-term indebtedness	(482)	(479)	(482)	(479)
e) Current financial payables	(10,532)	(5,531)	(25,363)	(21,154)
Net current financial indebtedness	138,800	131,446	(126,229)	(122,527)
f) Non-current bank debts	(574)	(696)	(574)	(696)
g) Bonds issued	(559,903)	(559,385)	(559,903)	(559,385)
f) Other non-current financial receivables/payables	(134)	(163)	(134)	(163)
Total net financial indebtedness	(421,811)	(428,798)	(434,382)	(437,717)

Figures in thousands of Euro

Net financial position does not include restricted bank accounts and deposits of Euro 16,837 thousand and the dedicated bank account of Euro 121 thousand (included in the item "Current financial assets"), other non-current financial assets of Euro 3,403 thousand.

b) Overdue accounts payable of the Snaitech Group

Current liabilities	Balance as of 31.03.2018	o/w due on 31.03.2018
Financial payables	11,146	-
Trade payables	37,244	8,124
Tax payables	17,051	-
Payables to social security institutions	3,501	-
Other payables	135,521	-
	204,463	8,124

Figures in thousand/Euro

As of March 31, 2018 the amounts overdue equal Euro 8,124 thousand and relate to trade payables to suppliers of products and services; such amounts were mainly repaid after March 31, 2018. 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. and Unicredit 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>	31.03.2018	% Impact	31.12.2017	% Impact
Trade Receivables				
- From Global Games S.p.A.	34	0.03%	32	0.03%
	34	0.03%	32	0.03%
Other Current Assets				
- From undertakings related to directors of Snaitech S.p.A.	4	0.01%	-	0.00%
	4	0.01%	-	0.00%
Total Assets	38	0.00%	32	0.00%
Trade Payables				
- To undertakings related to directors of Snaitech S.p.A.	106	0.28%	2	0.01%
- To undertakings related to statutory auditors of Snaitech S.p.A.	256	0.69%	30	0.08%
	362	0.97%	32	0.09%
Other Current Liabilities				
- To undertakings related to directors of Snaitech S.p.A.	45	0.03%	-	0.00%
- To undertakings related to shareholders of Snaitech S.p.A.	25	0.02%	-	0.00%
- To Global Games S.p.A.	15	0.01%	16	0.01%
- To Hippogroup Roma Capannelle S.r.l.	8	0.01%	7	0.00%
	93	0.07%	23	0.01%
Total Liabilities	455	0.06%	55	0.01%

The following table shows the impact of related party transactions on the income statement:

<i>Figures in thousand/Euro</i>	1Q18	% Impact	1Q17	% Impact
Revenues from Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	-	0.00%	15	0.01%
	-	0.00%	15	0.01%
Other Revenues				
- From Global Games S.p.A.	3	0.47%	1	0.09%
	3	0.47%	1	0.09%
Total Revenues	3	0.00%	16	0.01%
Costs for Services and Chargebacks				
- From undertakings related to directors of Snaitech S.p.A.	105	0.06%	1	0.00%
- From undertakings related to shareholders of Snaitech S.p.A.	-	0.00%	1	0.00%
- From undertakings related to statutory auditors of Snaitech S.p.A.	341	0.21%	-	0.00%
	446	0.27%	2	0.00%
Other Operating Costs				
- From undertakings related to directors of Snaitech S.p.A.	3	0.03%	3	0.03%
	3	0.03%	3	0.03%
Total Costs	449	0.26%	5	0.00%

Revenues from services and chargebacks and other income impacted the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) by 0.01% in the first quarter 2018 (vs. 0.06% in the first quarter of last year) while total revenues weighted on Profit (Loss) for the first quarter of 2018 by 0.03% (vs. 0.72% in the same period last year).

Cost of raw materials and consumables, services and charge backs and other operating costs affected the EBITDA by 1.25% in the first quarter of 2018 (vs. 0.02% in the same period last year) while total costs weighted on Profit (loss) by 4.96% (vs. 0.22% in the same period last year).

As of March 31, 2018 remuneration to executives with strategic roles was Euro 196 thousands, of which Euro 146 thousand related to base salary and Euro 50 thousand to the Chief Executive Officer.

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>	31.03.2018	31.12.2017
Trade Receivables		
- From Global Games S.p.A.	34	32
- From Teleippica S.r.l.	52	43
Total Trade Receivables	86	75
Other Current Assets		
- From undertakings related to directors	4	-
- From Teleippica S.r.l.	2,598	2,602
- From SNAI Rete Italia S.r.l.	7	19
- From Snaitech Smart Technologies S.r.l.	28	-
Total Other Current Assets	2,637	2,621
Current Financial Receivables		
- From SNAI Rete Italia S.r.l.	3,587	7,876
- From Snaitech Smart Technologies S.r.l.	364	56
- From SNAITECH IBERIA S.A.	3	-
Total Current Financial receivables	3,954	7,932
Total Assets	6,677	10,628
Trade Payables		
- To undertakings related to directors	106	2
- To SNAI Rete Italia S.r.l.	5	44
- To Teleippica S.r.l.	321	306
- To undertakings related to statutory auditors	221	30
Total Trade Payables	653	382
Other Current Liabilities		
- To undertakings related to directors	45	-
- To Global Games S.p.A.	15	16
- To SNAI Rete Italia S.r.l.	4,395	4,716
- To Teleippica S.r.l.	81	24
- To Hippogroup Roma Capannelle S.r.l.	8	7
- To undertakings related to shareholders	25	-
Total Other Current Liabilities	4,569	4,763
Current Financial Payables		
- To Teleippica S.r.l.	14,831	15,623
Total Current Financial Payables	14,831	15,623
Total Liabilities	20,053	20,768

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 18	1Q 17
Revenues from Services and Chargebacks		
- From undertakings related to directors	-	15
- From Società Trenno S.r.l.	-	59
- From SNAI Rete Italia S.r.l.	6	23
Total Revenues from Services and Chargebacks	6	97
Other Revenues		
- From Global Games S.p.A.	3	1
- From Società Trenno S.r.l.	-	157
- From SNAI Rete Italia S.r.l.	26	28
- From Teleippica S.r.l.	102	89
Total Other Revenues	131	275
Interest Income		
- From Società Trenno S.r.l.	-	95
- From SNAI Rete Italia S.r.l.	95	74
- From Snaitech Smart Technologies S.r.l.	4	-
Total Interest Income	99	169
Total Revenues	236	541
Costs for Services and Chargebacks		
- From undertakings related to directors	105	1
- From Società Trenno S.r.l.	-	67
- From SNAI Rete Italia S.r.l.	1,049	2,650
- From Teleippica S.r.l.	774	638
- From undertakings related to statutory auditors	292	-
- From undertakings related to shareholders	-	1
Total Costs for Services and Chargebacks	2,220	3,357
Other Operating Costs		
- From undertakings related to directors	3	3
Total Other Operating Costs	3	3
Interest Costs and Fees		
- Interest costs to Teleippica S.r.l.	225	179
Total Costs and Fees	225	179
Total Costs	2,448	3,539

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

In the first quarter of 2018, Directors highlight a Group performance in line with previous period 2017, with net profit of Euro 9.1 million fully line with the Business Plan forecasts. This important result was achieved under the influence of different drivers, hereinafter explained, which all significantly affected the performance of the Company.

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 on operating, corporate and concession expenses, which produced a positive impact of approximately Euro 18 million at year-end.

As per the uncertainties reported in previous years 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 (for 2017) 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 March 2018, has 4,204 corners and 5,472 shops (including 2,399 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 2,400 now fully authorised by ADM as of March 31, 2018. 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.

The Group is able to fund with its own cash (more than Euro 149 million as of March 31, 2018) the whole expenditure related to the betting tender renewal, without drawing the undrawn Euro 85 million RCF.

On this purpose, it is also highlighted that the potential merger by incorporation of Snaitech into Playtech Group may require changes to the current debt structure of Snaitech, in order to better exploit the leverage ratio of Playtech Group. Under this scenario, Directors believe that the merger with Playtech should allow Snaitech to improve its financial position and enhance contextually the chances to achieve the goals of participating to the Sports Betting tender.

Finally, according to the Economic and Financial Document of 2018, the tender is currently postponed to the last quarter of 2018 and, for the whole year 2018, it has been introduced a fee to renew the expired licences at a price of Euro 6,000 for shops and Euro 3,500 for corners.

On this basis, Directors deem any risk of non-renewal to be minimal with limited, if none, impact on the company’s ability to produce sufficient cash flows to run its business.

Given the refinancing transaction executed, the financial results achieved and the aforementioned considerations as well as the Business Plan indications for 2018-2020, Directors do not foresee any uncertainty on going concern, notwithstanding the uncertainty 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 on 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 in whole or in part of the loans.

According to the super Senior Revolving loan facility. Snaitech S.p.A. agreed to send, on a quarterly basis, a Compliance Certificate stating the absence of any event of default in the relevant period. The Compliance Certificate, in addition to the above statements, discloses also the Total Net Leverage, which represents the key parameter to assess the margin applied to the Senior Revolving loan facility. Financial documentation does not envisage Maintenance Covenants, which would require the Company and the Group to comply constantly with certain financial parameters in order not to early repay the loans.

Finally, according to the Super 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

On March 9, 2018, Snaitech's Board of directors approved the update of the Business Plan 2017-2019 by extending the maturity to year 2020, to reflect the new regulations introduced in the past few months affecting the gambling sector: increased tax rates on Gaming Machines, AWP's reduction by 35% in 2018 and a further postponement by one year of the betting tender.

The strategic goal of the Group is to consolidate its market leadership in the Retail Betting segment and to improve market share in the Online segment. Following the merger with Cogemat Group and the relevant synergies achieved, the Group may now rely on a product portfolio, technological platforms and relevant skills needed to cover a leading position also in the Gaming Machines business.

In line with Business Plan 2017-2019, the guidelines of new Business Plan 2018-2020 still uphold the following drivers:

- ❖ Online business development by introducing new products, improving services and strengthening cross-selling activities performed on the retail channel;
- ❖ Renewal of betting licences for the retail network as well as technological rejuvenation of the points of sales. by the introduction of new self-service betting terminals;
- ❖ Evolution of the VLT platforms currently provided to the distribution network in the Gaming Machines segment as well as a more focused selection of gaming contents and local partners for AWP's;
- ❖ Finalization by the first half 2018 of the cost synergies plan implemented after the merger with Cogemat.

Among the new regulations included in the Business Plan 2018-20, it is worth mentioning the following:

- The corrective measure on public account contained in D.L. of 24 April 2017 and subsequently converted into Law no. 96 of 21 June 2017, envisaged the increase of PREU tax rates for AWP's (from 17.5% to 19%) and VLTs (from 5.5% to 6%);
- Law no. 96 of 21 June 2017 restated all the measures of D.L. of 24 April 2017 and set additional provisions on timing of the AWP's reduction by 35%, as already enforced by the Stability Law 2016;
- The agreement reached at the Joint-Congress between Central State and Regions (Conferenza Unificata) set several guidelines to promote a single national legal framework to rule points of sales. However, several regional laws approved thereafter (Piedmont region was the first one) threatened the

agreement signed as they effectively took an opposite direction. Directors will constantly monitor the evolution of the regional regulations to assess any impact on the assumptions of the plan;

- According to the Economic and Financial Document of 2018, the tender is currently postponed to the last quarter of 2018 and, for the whole year 2018, it has been introduced a fee to renew the expired licences at a price of Euro 6,000 for shops and Euro 3,500 for corners.

The Business Plan 2018-2020 still confirms the ca. 3% annual growth of wagers and the Leverage ratio reduction (Net Financial Position/EBITDA) down to 2.4x by 2019, and furthermore includes a target EBITDA above Euro 160 million in year 2020. The annual average level of capital expenditures (without the renewal of the betting licences) is forecasted in the range of Euro 25 - 30 million.

Results of the first quarter of 2018 are in line with the aforementioned objectives and in particular they fully confirm the key drivers of growth listed above.

Finally, the possible merger of Snaitech into Playtech Group may require a revision of the Business Plan and underlying goals to include the additional business and financial synergies identified by the new combined entity.

Annex

Snaitech Group

Condensed Consolidated Statement of Comprehensive Income in the first quarter of 2018

Condensed Consolidated Statement Consolidated of Financial Position as of 31 March 2018

Condensed Consolidated Cash Flow Statement as of 31 March 2018

Condensed Consolidated Statement of Comprehensive Income in the first quarter 2018

<i>Figures in thousands/ Euro</i>	First Quarter of	
	2018	2017
Revenues from sales and services	222,902	226,271
Other revenues and income	645	1,146
Change in inventory of finished and semi-finished products	0	0
Raw materials and consumables	(244)	(143)
Cost of services and third party assets	(163,319)	(173,834)
Costs of personnel	(12,177)	(13,862)
Other operating costs	(11,918)	(11,875)
Capitalised costs	161	335
Earnings before interest, tax, depreciation and amortisation	36,050	28,038
Amortisation and depreciation	(12,746)	(13,766)
Other expenses related to provisions	(64)	(49)
Earnings before interest and taxes	23,240	14,223
Gains and expenses from shareholdings	(12)	0
Financial income	161	156
Financial costs	(9,757)	(9,780)
Total financial income and expenses	(9,608)	(9,624)
Profit / (Loss) before taxes	13,632	4,599
Income tax	(4,574)	(2,365)
Profit/(Loss) for the period	9,058	2,234
(Loss)/profit from re-measurement on defined benefit plans after taxes	14	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	14	0
Profit/(Loss) from available-for-sale financial assets	0	0
Total other comprehensive income components which will not be restated under profit/(loss) for the period after taxes	14	0
Total profit/(loss) in comprehensive income statement, after taxes	9,072	2,234
Comprehensive profit (loss) for the period		
<i>Attributable to:</i>		
Profit (loss) for the period pertaining to the Group	9,058	2,234
Profit (loss) for the period pertaining to Third parties	0	0
Total profit (loss) for the period pertaining to the Group	9,072	2,234
Total profit (loss) for the period pertaining to Third Parties	0	0
Basic earnings (loss) per share in Euro	0.05	0.01
Diluted earnings (loss) per share in Euro	0.05	0.01

Condensed Consolidated Statement Consolidated of Financial Position as of 31 March 2018

<i>Figures in thousands/Euro</i>	31.03.2018	31.12.2017
ASSETS		
Non-current assets		
Property, plant and equipment	130,002	132,086
Assets held under financial leases	245	281
Total property, plant and equipment	130,247	132,367
Goodwill	310,027	310,027
Other intangible assets	120,127	116,592
Total intangible assets	430,154	426,619
Investments measured using the equity method	1,465	1,477
Investments in other companies	443	443
Total investments	1,908	1,920
Deferred tax assets	35,756	39,251
Non-current trade receivables	7,845	8,622
Other non-financial assets	1,312	1,473
Non-current financial assets	3,403	3,386
Total non-current assets	610,625	613,638
Current assets		
Inventories	271	205
Trade receivables	104,187	113,297
Other assets	64,644	52,965
Current financial assets	16,989	16,970
Cash and cash equivalents	149,915	137,591
Total current assets	336,006	321,028
TOTAL ASSETS	946,631	934,666
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity attributable to equity holders of the Parent Company		
Share capital	97,982	97,982
Reserves	47,621	20,597
Profit (loss) for the period	9,058	27,010
Total shareholders' equity attributable to equity holders of the Parent Company	154,661	145,589
Shareholders' equity attributable to non-controlling interests	154,661	145,589
Total shareholders' equity	154,661	145,589
Non-current liabilities		
Employee termination indemnities	6,606	6,762
Non-current financial liabilities	560,611	560,244
Provisions for risks and charges	13,199	13,711
Non-current trade payables	338	0
Other non-current liabilities	3,835	4,023
Total non-current liabilities	584,589	584,740
Current liabilities		
Trade payables	37,244	39,155
Other liabilities	158,991	159,036
Current financial liabilities	10,664	5,667
Current portion of long-term loans	482	479
Total current financial liabilities	11,146	6,146
Total current liabilities	207,381	204,337
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	946,631	934,666

Condensed Consolidated Cash Flow Statement as of 31 March 2018

<i>Figures in thousands/Euro</i>	31.03.2018	31.03.2017
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit (loss) for the period attributable to equity holders of the Parent Company	9,058	2,234
Financial expenses	9,757	9,780
Amortisation and depreciation	12,746	13,766
Net change in deferred tax assets and liabilities	3,491	2,025
Change in provision for risks and charges	(512)	(8,041)
(Gains)/loss on disposal of non-current assets	(48)	(448)
Share of profit/(losses) of associates measured using the equity method	12	0
Net change in employee termination indemnities	(138)	(439)
Net change in non-current trade receivables and payables on other changes	751	(6,291)
Net change in current trade receivables and payables and other changes	(14,758)	(12,548)
Cash and cash equivalents generated by operations	20,359	38
Taxes paid	0	0
Interest paid	(3,842)	(3,846)
CASH FLOW FROM OPERATING ACTIVITIES (A)	16,517	(3,808)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investments in property, plant and equipment	(2,251)	(2,004)
Investments in intangible assets	(1,474)	(2,359)
Proceeds from the sale of property, plant and equipment, intangible and other non-current assets	116	633
CASH FLOW USED IN INVESTING ACTIVITIES (B)	(3,609)	(3,730)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Change in financial receivables and other financial assets	(36)	(85)
Change in financial liabilities	(429)	(495)
Repayment of bank loans	(119)	0
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES (C)	(584)	(580)
D. CASH FLOWS FROM DISCONTINUED ASSETS/ASSETS HELD FOR SALE (D)		
E. TOTAL CASH FLOW (A+B+C+D)	12,324	(8,118)
F. INITIAL CASH AND CASH EQUIVALENTS	137,591	82,337
G. NET EFFECT OF THE CONVERSION OF FOREIGN CURRENCIES ON LIQUIDITY		
H. FINAL CASH AND CASH EQUIVALENTS (E+F+G)	149,915	74,219

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