MONTE-CARLO
SOCIÉTÉ DES BAINS DE MER

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ET DU CERCLE DES ETRANGERS A MONACO

Ordinary General Meeting of Shareholders, 22 September 2017

Monaco, 22 September 2017.

The Shareholders of Société des Bains de Mer convened on Friday 22 September at the Salle des Etoiles – Sporting Monte-Carlo at an Ordinary General Meeting, for the purpose of approving the financial statements for the financial year 2016/2017.

The shareholders present or represented passed all of the resolutions tabled.

ORDINARY GENERAL MEETING

Approval of the financial statements for FY 2016/2017

During the 2016/17 financial year, the S.B.M. Group generated revenue of €458.8 million, compared with a figure of €461.4 million the previous year. The decline in business in the gaming sector was partially offset by revenue growth in the hotel and rental sectors.

The Group's operating loss stood at -€32.8 million, compared to -€31.0 million the previous financial year.

This deficit is, however, linked to the ongoing extensive renovation of the Hôtel de Paris. The project's negative impact on operating income was around 17 million euros over the past year, an impact identical to that observed for FY 2015/2016. The operating losses resulting from the reduction in capacity at the Hôtel de Paris nonetheless remain in line with forecasts, which assumed losses in excess of 50 million euros across the entire duration of the works.

Operating income also continues to be impacted by the application of new table games and slot machines collective agreements, which generated additional costs of €10.1 million in FY 2016/2017, compared with €11.3 million the previous year.

Lastly, the equity-accounting consolidation of Betclic Everest Group, an on-line gaming group in which S.B.M. Groups has a 50% stake, requires that 50% of its net income be considered for the period in question, for a negative share of -€4.2 million, compared to a profit of +€2 million for FY 2015/2016. In fact, even though Betclic Everest Group has benefited from a 16% rise in gross gaming revenues, with the opening of new markets and the favorable impact of the UEFA European Championship, the substantial increase in taxes and marketing costs arising from the aforementioned sporting event generated a sharp decline in net profit for these activities in relation to last year.

The General Meeting of Shareholders approved the consolidated financial statements for the financial year 2016/2017 and passed the resolution on allocation of net income. Given the on-going operating deficit, it was decided that no dividend would be distributed.

Authorisation to issue mortgage mandate instructions

To secure the funding of its two major investment projects – extensive renovation of the Hôtel de Paris and the One Monte-Carlo real estate development – the Group finalized the bank financing on January 31, 2017.

These bank financing arrangements totaling €230 million are divided into two tranches:

■ tranche A for a Corporate loan of €86.8 million;

■ tranche B of €143.2 million, combined with a guarantee comprising the granting of an irrevocable mandate to secure a mortgage on the Villas du Sporting.

It should be noted that, under the Loan Agreement, the loan amount made available by Tranche B may not exceed 40% of the assessed value of the guaranteed assets.

Should this commitment for the Villas du Sporting no longer be upheld, the Loan Agreement provides for a possible remediation via the granting of an irrevocable mandate to secure a mortgage on other assets, in this case the Résidences du Sporting and/or the Monte-Carlo Bay Hotel & Resort.

The Meeting duly passed the resolutions tabled to authorise the granting of these mandates.

Authorisation to repurchase Company shares

The General Meeting of Shareholders renewed the authorisation granted to the Board to buyback Company shares, up to a limit of 5% of the share capital, at a maximum price of €60 per share and for a maximum total amount of €30 million. This authorisation is valid for a period of 18 months as from 22 September 2017.

FORWARD-LOOKING PROSPECTS

Business observed over the first quarter of the current financial year (1st April to 30th June 2017) was up on last year. This growth was mainly due to the positive trend in the gaming and rental sector, while the hotel sector remained globally stable in line with the previous year.

This favourable trend extended into July/August, with a rise of 11% in consolidated revenue as compared with the summer period 2016. Revenue from gaming rose by 15%, although the increase was more marked for slot machines than for table games segment. Similarly, the hotel sector recorded a 10% rise in revenues, with fine performance at refurbished venues such as the Hôtel de Paris, Le Grill and Jimmy'z Monte-Carlo.

In cumulative terms over the first five months of FY 2017/2018 (i.e. at the end of August), the S.B.M. Group's consolidated revenue was up by 6% on the same period last year.

While the trend observed up to 31 August is more favourable, the random nature of the gaming activity means that it is not possible to make forecasts for the financial year as a whole.

In the same way, while the partial re-opening of the Hôtel de Paris offers favourable prospects in terms of business, profits will continue to be heavily impacted by the on-going work and difficult operating conditions. The S.B.M. Group will not benefit fully from the major investments until the establishment re-opens completely.

The Group's priority remains to kick-start gaming activity. Some of the measures taken to meet this aim include efforts to segment our various categories of clientele and redouble marketing initiatives targeted at these clients.

The success of these actions and the continuation of the major projects undertaken by the Group - extensive refurbishment of the Hôtel de Paris and the development of the One Monte-Carlo real estate complex - are intended to position the S.B.M. Group as Europe's resort of excellence in the gaming, hotels, residential and retail markets.

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