MONTE-CARLO
SOCIÉTÉ DES BAINS DE MER

Notice of meeting 2018

Ordinary General Meeting

September 21, 2018 at 9.30 a.m.

Sporting Monte-Carlo (Salle des Étoiles)

CONTENTS

The financial statements in English are a faithful translation of the original French version but should not be considered as completely accurate due to the unavailability of English equivalents for certain French accounting terms. Consequently, this English document is intended for general information only.

1

ORDINARY GENERAL MEETING INVITATION

Ladies, Gentlemen, Dear Shareholders,

I am pleased to invite you to attend the General Meeting of Société des Bains de Mer, to be held on ***Friday, September 21, 2018 at 9.30 a.m.*** *at the Salle des Étoiles – Sporting d'Été in Monaco.*

This meeting aims at providing you with information on the Company's developments, and is a privileged occasion to answer all the questions you may have, regardless of the number of shares you own.

I sincerely hope you will be able to participate in this General Meeting, either by attending, or by using the proxy form *which allows you* ***to vote directly, or be represented*** *by the Chairman, or any other Shareholder of your choice.*

In this document, you will find instructions on how to participate in this Meeting, the agenda and the text of the resolutions submitted to your approval.

Finally, we propose you to consult the ***digital interactive version*** *of the "Document de Référence" including the annual report as of March 31, 2018, available on our website (fr.montecarlosbm-corporate.com).*

I would like to thank you in advance for taking the time to consider the resolutions proposed.

Yours sincerely,

Jean-Luc Biamonti
Chairman and Chief Executive Officer

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HOW TO PARTICIPATE IN THE ORDINARY GENERAL MEETING

The terms and conditions for attending General Meetings are defined in Article 30 of the Company's bylaws:

"The General Meeting, ordinary or extraordinary, shall be composed of all holders of a share that was transferred for their benefit at least ten days prior to the date of the meeting.

Only a holder possessing on his or her own behalf a share can take part in the deliberations of meetings.

Any shareholder may be represented by another shareholder at the General Meeting. The proxy shall be filed two days before the date of the meeting. Each shareholder attending the General Meeting is granted as many votes as he or she holds or represents in shares.

The shareholders can vote or give a proxy by any way, especially by transmitting postal voting form or proxy by remote transmission or by online voting before the meeting.

The Board of Directors determines the deadline date for the return form of proxies. This date is communicated in the notice of meeting published in the Bulletin des Annonces Légales Obligatoires (Official Legal Announcement Publication)."

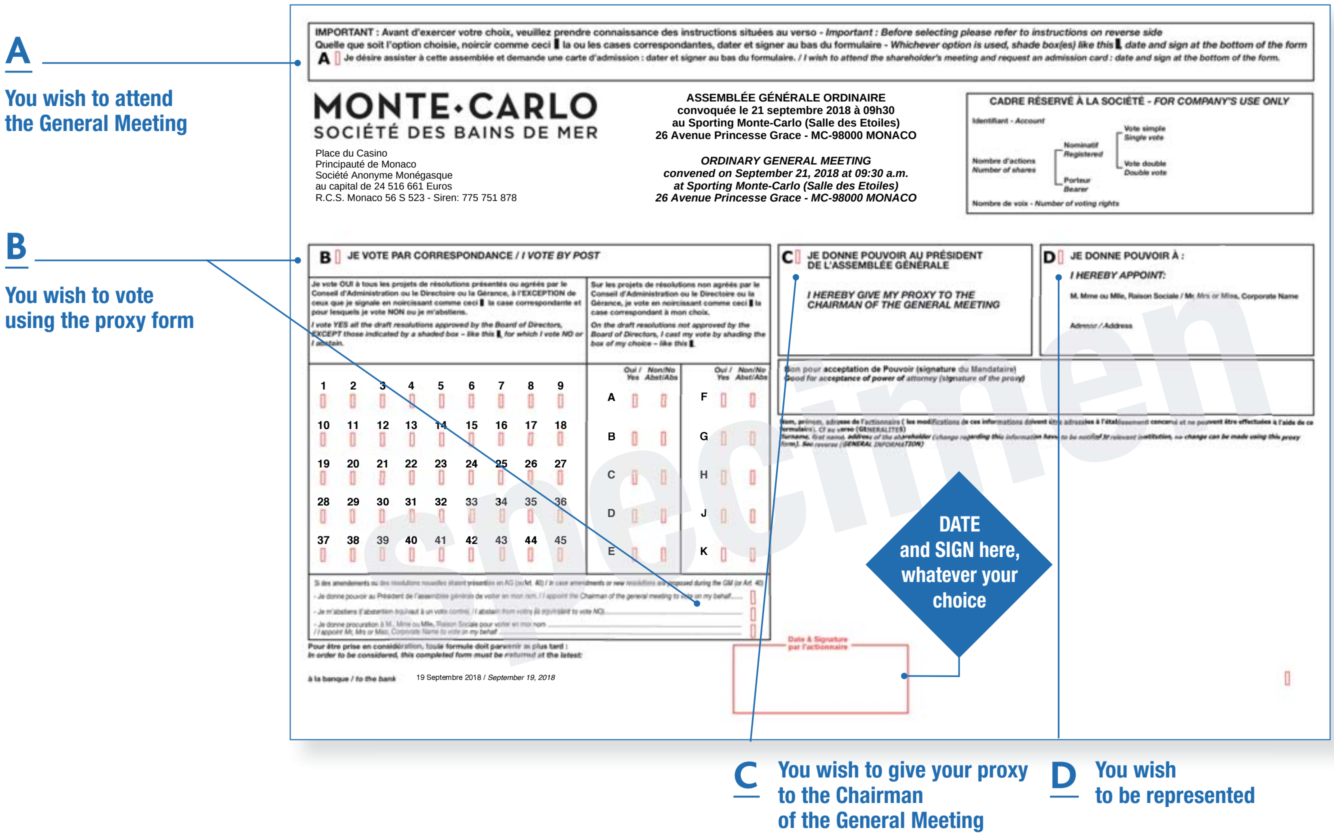
Thus you can attend the Shareholders General Meeting in person, vote using the proxy or be represented. In any case, you must indicate your choice using the proxy form enclosed to the invitation meeting received and detailed hereafter. To ensure a correct preparation of the Shareholders' General Meeting, we ask you to transfer your choice as soon as possible.

Société Générale centralizes the General Meeting:

Société Générale, Service des Assemblées Générales, CS 30812, 44308 NANTES CEDEX 3.

Shares held or represented should be registered or transferred to the Company's Register held by Société Générale Securities Services (SGSS) by no later than **September 11, 2018** (Euroclear settlement-delivery date corresponding to the transfer of share ownership).

The voting right attached to the share belongs to the usufructuary in ordinary general meetings.



A – You wish to attend the General Meeting:

Fill in the box A of the enclosed form, date and sign the bottom of the form.

The form must be returned to SGSS. As from September 6, 2018, you will receive an admission card, which you will be asked to show at the entrance to the meeting room. It is recommended that you make this request as soon as possible in order to receive your card in time for the meeting. Should you represent other Shareholders, we would ask you to enclose the proxies duly granted by the Shareholders with your form.

B – You wish to vote using the proxy form:

Fill in the box B of the enclosed form.

- **Resolutions approved by the Board of Directors (numerical references):**

Boxes correspond to resolutions proposed in section 4.3 of the present document.

If you wish to vote "yes" for all resolutions proposed and approved by the Board of Directors, leave the boxes blank.

If you wish to vote "no – abstention" for one or more resolution(s), shade the corresponding box(es).

- **Resolutions not agreed by the Board of Directors (alphabetical references):**

For each resolution, shade the box of your choice: "yes" or "no – abstention"

- **Amendments or new resolutions proposed during the General Meeting:**

In the case of the agenda of the General Meeting would be completed after the convening of shareholders, according to the Article 40 of the Company's bylaws, you are requested to fill in the box of your choice. Complete the identity of the authorized representative who must be Company shareholders, if needed.

Your proxy form must then be dated and signed in the appropriate box.

C – You wish to give your proxy to the Chaiman of the General Meeting:

Fill in the box C of the enclosed form, date and sign the bottom of the form.

D – You wish to be represented at the General Meeting:

If you wish to be represented at the General Meeting by a representative who must be Company Shareholders:

- fill in the box D;
- complete the identity of the authorized representative;
- date and sign the bottom of the form.

In the event that no authorized representative is specified in a shareholder's proxy, the Chairman of the General Meeting shall cast a vote on the draft resolutions according to the recommendations of the Company's Board of Directors.

In any case, the enclosed form must be received by the Société Générale Securities Services (SGSS), using the T envelop, at the latest on **September 19, 2018,** after being duly completed.

For any additional question, you are invited to contact directly the Société Générale, from Monday to Friday from 8 a.m. to 6 p.m. at 0 825 315 315 (cost of the call: €0.15 excluding tax per minute from France) or at +33 (0)251 856 789 (cost of the call depending on the local operator from outside France).

The "Document de Référence" 2017/2018 including the annual financial report as of March 31, 2018 is available at the Société Anonyme des Bains de Mer et du Cercle des Étrangers à Monaco, Place du Casino, 98000 – Monaco (Principauté de Monaco), as well as in electronic version on the website of the Company (fr.montecarlosbm-corporate.com).

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BOARD OF DIRECTORS AS OF MARCH 31, 2018

Chairman

Mr. Jean-Luc BIAMONTI

Directors

Mr. Michel DOTTA

Mr. Alexandre KEUSSEOGLOU

Mr. Thierry LACOSTE

Mr. Michael MECCA

Mr. Laurent NOUVION

Mr. Pierre SVARA

Mr. William TIMMINS

UFIPAR SAS (permanent representative: Mr. Nicolas BAZIRE)

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ORDINARY GENERAL MEETING HELD ON SEPTEMBER 21, 2018

4.1 Agenda

- Report of the Board of Directors
- Report of the Chairman of the Board of Directors
- Reports of the Statutory Auditors and Contractual Auditor on financial statements as of March 31, 2018
- Approval of the fiscal 2017/2018 Parent Company financial statements
- Approval of the fiscal 2017/2018 Group consolidated financial statements
- Discharge of all Directors from any liabilities with respect to the performance of their mandate
- Final discharge of Director whose term of office ended during the fiscal year
- Appropriation of earnings for the year ended March 31, 2018
- Appointment of a Director
- Authorization granted by the General Meeting to the members of the Board of Directors to deal with the company personally or in an official capacity pursuant to Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws
- Authorization for the buyback of the company shares

4.2 Board of Directors' report

The purpose of this report is to draw your attention to the main points and issues of the draft resolutions submitted by the Board of Directors to the Ordinary General Meeting of Shareholders, due to deliberate on September 21, 2018. Therefore, this report is not comprehensive and should by no means replace your careful reading of the submitted resolutions before exercising your voting right.

The Ordinary General Meeting to be held on September 21, 2018 shall be asked to vote on eight resolutions.

Overview of the resolutions

APPROVAL OF THE CONSOLIDATED AND COMPANY FINANCIAL STATEMENTS (1st AND 2nd RESOLUTIONS)

The first two resolutions enable you, after familiarizing yourself with the reports of your Board of Directors, the Contractual Auditor and Statutory Auditors, to indicate whether you approve or disapprove the Company's financial statements and the consolidated financial statements for year ended March 31, 2018 as well as the transactions reflected in such financial statements and summarized in such reports.

The **first resolution** submitted to you concerns the approval of the Company's financial statements for the fiscal year ended March 31, 2018, which show a loss of €32,147,631.89.

The **second resolution** asks the Meeting to vote in order to indicate its approval (if appropriate) of the consolidated financial statements; said financial statements show a Net Consolidated Loss (Group share) of €14,595,000.

DISCHARGE TO ALL CURRENT DIRECTORS (3rd RESOLUTION)

You are asked to grant discharge to all current Directors with respect to their management during the 2017/2018 financial year.

FINAL DISCHARGE OF DIRECTOR WHOSE TERM OF OFFICE ENDED DURING THE FISCAL YEAR (4th RESOLUTION)

You are asked to grant final discharge to Mr. Michel Rey whose term of office ended as of September 29, 2017.

ALLOCATION OF PROFITS/LOSSES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018 (5th RESOLUTION)

The **fifth resolution** concerns the allocation of profit/loss.

The proposed profit/loss allocation is as follows:

- after noting that the company's net losses for the year ended March 31, 2018 amount to €32,147,631.89 and that retained earnings amount to €107,731,549.96

  Hence net income available for appropriation amounting to €75,583,918.07;
- propose to allocate the total net net income for appropiation, *i.e.* €75,583,918.07 to retained earnings.

APPOINTMENT OF MR. CHRISTOPHE NAVARRE AS A DIRECTOR (6th RESOLUTION)

The **sixth resolution** is to propose that Mr. Christophe Navarre be appointed as a Director for a term expiring at the close of the Shareholders' Ordinary General Meeting to be held to approve the financial year 2023/2024 in accordance with Article 12 of the Bylaws.

Mr. Christophe Navarre is a graduate of the Business Administration School at the University of Liège in Belgium.

He is the CEO of investment fund Neptune International, which he founded, and Chairman of the consultancy firm White Eagle International.

He previously led Jas Hennessy & Co and then Moët Hennessy, contributing over a period of 20 years to the growth and success of the Wines and Spirits Division of the LVMH Group, of which he was also a member of the Executive Board.

He currently holds the following other roles and offices:

- Member of the Heineken Supervisory Board;
- President of the Vinexpo Supervisory Board;
- Member of the Board of Directors, JetSmarter Inc. (USA);
- Chairman of the Board of Directors, Vivino Inc. (USA).

He is also an Officer of the Order of the Legion of Honour, an Officer of the Order of the Crown in Belgium and a Commander of the Order of Léopold II.

AUTHORIZATION GRANTED BY THE GENERAL MEETING TO THE MEMBERS OF THE BOARD OF DIRECTORS TO DEAL WITH THE COMPANY PERSONALLY OR IN AN OFFICIAL CAPACITY PURSUANT TO ARTICLE 23 OF THE ORDER OF MARCH 5, 1895 AND ARTICLE 20 OF THE BYLAWS (7th RESOLUTION)

The **seventh resolution** asks you to:

- approve the transactions carried out over the course of the 2017/2018 fiscal year that fall within the scope of application of Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws;
- renew the authorization granted to the Members of the Board of Directors to enter into contracts with the Company personally or in an official capacity in accordance with said articles.

In Chapter 6.1.7 of this document, we reported on the transactions that took place, directly or indirectly, between your Company and its Directors or your Company and affiliated and unaffiliated companies with the same directors.

Pursuant to Article 23 of the Order of March 5, 1895, we kindly ask you to ratify said transactions.

AUTHORIZATION TO BUYBACK THE COMPANY SHARES (8th RESOLUTION)

The **eight resolution** asks you to renew your authorization to buyback Company shares.

The Ordinary General Meeting held on September 22, 2017 gave such an authorization for an 18-month period as from the date of said Meeting, i.e. until March 22, 2019. This option has not been exercised.

However, the Meeting is asked to renew this authorization and thereby permit the Board of Directors to acquire a maximum of 5% of the Company's share capital.

The objectives pursued are identical to those that were indicated on September 22, 2017, *i.e.*:

- holding and subsequently using the shares in exchange or as payment within the framework of external growth (including the acquisition and increase of shareholding);
- ensuring active operation and market liquidity through an investment service provider, acting independently pursuant to a liquidity agreement that complies with a charter of ethics recognized by the French Financial Markets Authority (*Autorité des Marchés Financiers*);
- holding shares in order to enable the Company to honor its obligations in respect of debt securities that may be converted into shares or other securities granting access to existing shares;
- holding shares that may be allocated to employees and affiliate companies within the framework of stock options or free allocation of existing shares;
- carrying out any other practice as may be permitted or recognized by French law or by the French Financial Markets Authority (*Autorité des Marchés Financiers*), or pursuing any other objective that complies with the applicable laws and regulations.

Consequently, we ask you to adopt the following share buyback program:

- authorization to purchase Company shares, under the conditions set forth here below, and representing a maximum of 5% of the existing share capital as of the date of this General Meeting;
- the maximum purchase price must not exceed €80 per share, it being hereby specified that in the event of capital transactions, including but not limited to, capitalization of reserves and allocation of free shares and/or splitting or pooling of shares, this maximum price shall be adjusted accordingly;
- maximum amount of funds to be used for the buyback program shall not to exceed €30 million;
- authorization valid for an 18-month period as from September 21, 2018;
- shares to be acquired or transferred by any means, including, but not limited to, on the market or by private sale, including block purchases or transfers, through derivative financial instruments traded on a regulated market or by private sale, in accordance with the applicable laws as of the date of the transactions in question, and at such time as the Board of Directors or any person acting on the authority of the Board of Directors deems appropriate.

As from the date hereof such authorization would replace and invalidate the remaining term of any unused portion of any authorization that may have been granted by the Shareholders' General Meeting for the same purpose.

We kindly ask you to authorize the share buyback program that we have submitted to you for approval.

4.3 Resolutions to be submitted to the Ordinary General Meeting

FIRST RESOLUTION

APPROVAL OF THE FINANCIAL STATEMENTS OF SOCIÉTÉ DES BAINS DE MER FOR THE YEAR ENDED MARCH 31, 2018

The Shareholder's General Meeting, having listened to the Board of Directors' report and reports of the Contractual Auditor and Statutory Auditors, approves the financial statements of Société des Bains de Mer:

- the balance sheet as of March 31, 2018, and the statement of income for the year then ended, which show a net loss of -€32,147,631.89;
- the transactions completed during the financial year, as shown in the balance sheet or summarized in the reports of the Board of Directors or the Statutory Auditors.

SECOND RESOLUTION

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2018

The Shareholders' General Meeting, after listening to the report of the Board of Directors and the reports of the Contractual Auditor and Statutory Auditors, approves the consolidated financial statements for the financial year ended March 31, 2018, as presented to it, and the transactions reflected in the financial statements and summarized in these reports.

THIRD RESOLUTION

DISCHARGE TO ALL CURRENT DIRECTORS

The Shareholders' General Meeting granted discharge to the current Directors with respect of their management during the financial year.

FOURTH RESOLUTION

FINAL DISCHARGE TO A DIRECTOR WHOSE TERM OF OFFICE ENDED DURING THE FISCAL YEAR 2017/2018

The Shareholders' General Meeting granted final discharge to Mr. Michel Rey.

FIFTH RESOLUTION

ALLOCATION OF PROFITS/LOSSES FOR THE FINANCIAL YEAR ENDED MARCH 31, 2018

The Shareholders' General Meeting, having read the Board of Directors' and the Statutory Auditors' reports:

■ notes that the loss for the 2017/2018 financial year amount to	-€32,147,631.89
■ notes that the retained earnings amount to	€107,731,549.96
hence, net income available for appropriation amounts to	€75,583,918.07
■ decides to appropriate the resulting total:	
– retained earnings	€75,583,918.07

SIXTH RESOLUTION

APPOINTMENT OF MR. CHRISTOPHE NAVARRE AS A DIRECTOR

The Shareholders' General Meeting appointed Mr. Christophe Navarre as a Director.

Mr. Christophe Navarre's term of office will expire at the Shareholders' Ordinary General Meeting to be held to approve the financial statements for the financial year 2023/2024, in accordance with Article 12 of the Bylaws.

SEVENTH RESOLUTION

AUTHORIZATION ENABLING MEMBERS OF THE BOARD OF DIRECTORS TO ENTER INTO CONTRACTS WITH THE COMPANY PERSONALLY OR IN AN OFFICIAL CAPACITY PURSUANT TO ARTICLE 23 OF THE ORDER OF MARCH 5, 1895 AND ARTICLE 20 OF THE BYLAWS

The Shareholders' General Meeting approved the transactions that were carried out over the course of the 2017/2018 financial year and that fall within the scope of application of Article 23 of the Order of March 5, 1895 and Article 20 of the Bylaws.

It renewed the authorization granted to Members of the Board of Directors enabling them to enter into contracts with the Company personally or in an official capacity in accordance with said articles.

EIGHT RESOLUTION

AUTHORIZATION TO BUYBACK COMPANY SHARES

Pursuant to Article 41 of the Bylaws, the Shareholders' General Meeting authorizes the Board of Directors to purchase Company shares, under the terms defined below and for up to 5% of the share capital as of the date of this meeting:

- the maximum purchase price shall not exceed €80 per share, bearing in mind that in the event of share capital transactions, particularly through the capitalization of reserves and allotment of bonus shares, and/or share splits or reserve splits, this price shall be adjusted accordingly;
- the maximum amount of funds intended for this buyback program may not exceed €30 million;
- this authorization is valid for a period of 18 months as from September 21, 2018;
- these shares may be purchased or transferred, by any means, particularly on the stock exchange or in a private transaction, including through purchase or sale of blocks, use derivative financial instruments traded on a regulated market or in a private transaction, in accordance with the regulations prevailing on the date of the transactions considered, and at times that the Board of Directors or the person acting on behalf of the Board shall see fit.

The Shareholders' General Meeting decides that this share buyback program is as follows:

- retention and subsequent tender of shares within the scope of an exchange offer or for payment in external growth transactions (including new investments or additional investments);
- maintaining an active and liquid market in the Company's shares through an independent investment services provider, pursuant to a liquidity agreement in accordance with an ethics charter recognized by the French Financial Markets Authority (*Autorité des Marchés Financiers*);
- possession of shares enabling the Company to fulfil obligations relating to debt securities exchangeable for shares or other marketable securities granting entitlement to existing shares;
- possession of shares that may be allotted to the Company's personnel and that of affiliates under share purchase option or bonus share allotment plans;
- adoption of any other practice accepted or recognized by French law or the French Financial Markets Authority in the future, or any other objective that would comply with prevailing regulations.

As from the date hereof this authorization shall replace and invalidate the remaining term of any unused portion of any authorization that may have been granted by the Shareholders' General Meeting for the same purpose.

The Shareholders' General Meeting grants full powers to the Board of Directors, with the possibility of delegating such powers, to deliberate and implement this authorization, clarify, if need be, the terms and conditions and approve them, place orders for trades, enter into all agreements, prepare all disclosure documents, allocate, and where appropriate reallocate, the purchased share to the various objectives, perform all formalities and make all declarations with regard to all authorities and, generally, do all that necessary.

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KEY FIGURES

Key figures related to the last three fiscal years

CONSOLIDATED FIGURES *(in million of euros)*	**2015/2016**	**2016/2017**	**2017/2018**
Consolidated revenue	461.4	458.8	474.6
Operating income before depreciation and amortization	19.9	17.1	22.1
Operating income	(31.0)	(32.8)	(27.1)
Consolidated net income attributable to the owners of the parent company	(29.1)	(36.4)	(14.6)
Comprehensive income attributable to the owners of the parent company	(32.6)	(37.2)	(14.6)
Cash generated from operations	23.8	16.4	23.6
Purchase of PP&E, intangible and financial assets	77.8	111.9	191.8
Equity	656.2	639.6	624.8
Net Debt/(Cash position)	(187.0)	(94.0)	50.9
Average number of employees	4,104	4,148	4,213
Market share price as of fiscal year's last day (in euros)	32.55	33.20	54.80
GAMING SECTOR FIGURES			
Casinos operated (number of permanent establishments at the end of the period)	4	4	4
Consolidated revenue (gross gaming revenue)	213.6	201.7	200.7
Operating income*	(8.6)	(20.2)	(14.8)
HOTEL SECTOR FIGURES			
Hotels operated	5	5	5
Accomodation capacity (average number of rooms available)	1,080	1,088	1,100
Occupancy rate (average rate including Le Méridien Beach Plaza)	64.3%	63.6%	67.5%
Consolidated revenue	213.2	218.5	234.7
Operating income*	(8.6)	(9.8)	(5.1)
RENTAL SECTOR FIGURES			
Consolidated revenue	36.1	39.4	40.9
Operating income*	20.4	23.0	23.4

* *Sector figures for 2017/2018 include a change in the sector allocation of certain expenses, previously fully allocated to the gaming sector. This new expense allocation aims to allocate to each sector the cost of dedicated resources. From 2017/2018, over half of these costs (€3.7 million) is therefore allocated to the hotel and rental sectors, favorably impacting the operating income of the gaming sector. Note 21 to the consolidated financial statements for the year ended March 31, 2018 presents pro forma restated figures for fiscal year 2016/2017.*

The key figures related to the last three fiscal years are extracted from the Group consolidated financial statements (statement of financial position, statement of income, cash flow statement) for the fiscal years ended March 31, 2016, 2017 and 2018.

6

ANALYSIS OF THE FINANCIAL POSITION AND ACTIVITY OF S.B.M. GROUP DURING FISCAL YEAR 2017/2018

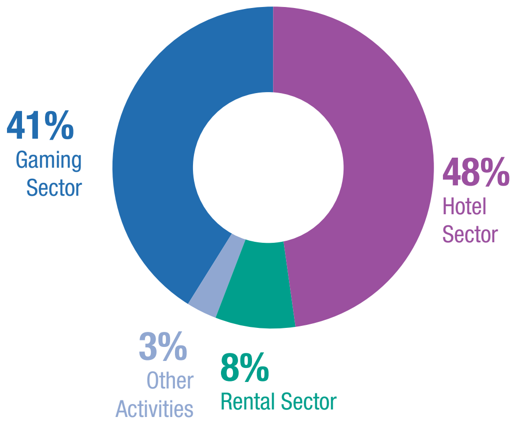
6.1 Presentation of fiscal year 2017/2018 results

6.1.1 Highlights of activity in fiscal year 2017/2018

S.B.M. Group reported consolidated revenue of €474.6 million for fiscal 2017/2018 compared to €458.8 million the previous year, for an increase of +3%.

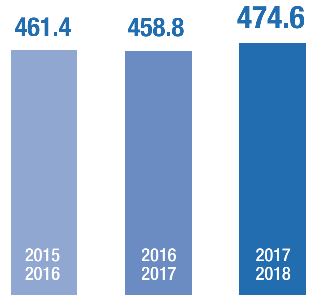
Consolidated revenue by business segment *(in million of euros)*	**2015/2016**	**2016/2017**	**2017/2018**	**Variation**
Gaming Sector	213.6	201.7	200.7	(1.0)
Hotel Sector	213.2	218.5	234.7	16.2
Rental Sector	36.1	39.4	40.9	1.5
Other Activities	13.6	14.3	13.5	(0.8)
Internal transfers	(15.0)	(15.1)	(15.2)	(0.2)
CONSOLIDATED REVENUES	**461.4**	**458.8**	**474.6**	**15.8**

Breakdown of activities



Consolidated revenues

in million of euros



The €15.8 million increase in consolidated revenues follows an improvement in hotel sector receipts and, to a lesser extent, rental sector revenue.

The gaming sector reported revenue of €200.7 million, versus €201.7 million in 2016/2017. This apparent stability nonetheless conceals contrasting changes across the activities. Slot machines revenue increased 7% and Monte-Carlo Casino table games revenue grew 21%, offsetting the downturn in table games receipts at the Café de Paris Casino and Sun Casino. Overall, the establishments reported a drop in table games revenue of 8%.

Hotel revenue totaled €234.7 million, compared to €218.5 million in 2016/2017. This favorable evolution was due to improved activity at Hôtel de Paris and the continued strong performance of the Monte-Carlo Bay Hotel & Resort and Le Méridien Beach Plaza.

The rental sector, comprising the leasing of boutiques and office spaces, and the activities of the Monte-Carlo Bay, Balmoral, and villas du Sporting residences, reported revenue of €40.9 million, up 4% compared to the previous year

Finally, the other activities sector recorded annual revenue of €13.5 million, compared to €14.3 million the previous year.

6.1.2 Analysis of fiscal year 2017/2018 operating results by sector

The developments in the various business sectors – gaming, hotel and rental – are analyzed below for the year ended March 31, 2018.

GAMING SECTOR

The gaming sector reported revenue of €200.7 million, versus €201.7 million in 2016/2017. This apparent stability nonetheless conceals contrasting changes across the activities. Slot machines revenue increased 7% and Monte-Carlo Casino table games revenue grew 21%, offsetting the downturn in table games receipts at the Café de Paris Casino and Sun Casino.

The following table shows the development of gaming sector receipts by business segment.

The other activities segment mainly comprised the entrance fees to the Monte-Carlo Casino and the catering and bar receipts recorded within the gaming establishments.

Gaming revenue *(in million of euros)*		**2015/2016**	**2016/2017**	**2017/2018**	**%**
43%	Table games	104.7	95.2	87.2	(8)%
51%	Slot machines	98.7	96.2	102.8	7%
5%	Other activities	10.2	10.2	10.8	5%
100%	**TOTAL GAMING SECTOR**	**213.6**	**201.7**	**200.7**	**0%**

The **table games** sector reported revenue of €87.2 million for fiscal year 2017/2018, compared to €95.2 million the previous year, for a decrease of €8.0 million, or -8%.

While table games revenue for the first nine months of the year remained stable period-on-period, the sector was unable to repeat last year's Q4 performance, despite an increase in the number of players tracked.

Accordingly, in fiscal year 2017/2018, the drop fell by 11% and the hold (receipts/betting ratio) improved slightly to 14.9%, compared to 14.6% the previous year.

The main trends are as follows:

- the Monte-Carlo Casino primarily operates European Games, which represent over 65% of its activities and, to a lesser extent, American Games. Monte-Carlo Casino receipts increased €11.6 million in fiscal 2017/2018, mainly due to positive European Roulette and English Roulette results. European Roulette remains the establishment's principal game, with nearly €38.6 million in receipts, representing 49% of the Monte-Carlo Casino's gross table games receipts;
- the Café de Paris Casino's table games operations generated revenue of €4.2 million for the fiscal year, down €11.2 million year-on-year. This significant slump in revenue is due to a decrease in the drop and a particularly unfavorable event with a player;
- the Sun Casino reported gross receipts of €16.1 million, down -36%, with a simultaneous decrease in the drop and the hold.

The **slot machines** sector posted a sharp increase in activity, with revenue of €102.8 million in 2017/2018, compared to €96.2 million for the previous year.

Overall, the establishments reported a 7% increase in receipts, primarily driven by a 16% increase in betting volumes, recorded particularly by the Café de Paris Casino and the Sun Casino, with a slight increase in the payout rate over the period.

The improvement in the number of players tracked is also of note, with a 19% increase for the Café de Paris Casino and a 17% increase for the Sun Casino. The Sun Casino also operated year round in 2017/2018, whereas renovation work disrupted operations during four months in the previous fiscal year (September to December 2016).

24/7 opening at the Café de Paris Casino, smoking areas, and a more intense events policy, enable the various establishments to remain highly competitive compared with French Riviera and Italian competitors.

Receipts from **other activities** amounted to €10.8 million, up €0.6 million on previous fiscal year. This increase is mainly attributable to catering in the casinos, with the organization of limited-time events (pop-ups, Atrium events, weddings).

For the **entire gaming sector,** an operating loss before depreciation and amortization of -€8.3 million was recorded in fiscal 2017/2018, compared to an operating loss of -€13.3 million for the previous year.

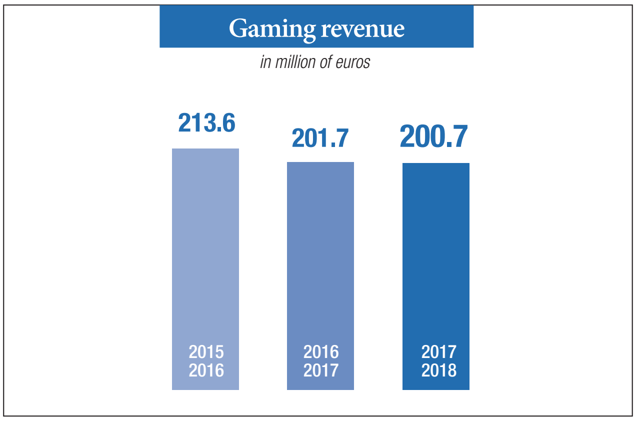
As disclosed in Note 21 – Operating income (loss) – of the consolidated financial statements presented in Chapter 20.3 of the “Document de Référence” filed in the French language on July 12, 2018 with the French Financial Markets Authority (*Autorité des Marchés Financiers*), sector results for fiscal 2017/2018 include a change in the sector allocation of certain expenses, previously fully allocated to the gaming sector. These expenses consist of wages and salaries of teams in the technical, maintenance and environment/garden departments that work across the entire Resort. This new expense allocation aims to allocate to each sector the cost of dedicated resources.

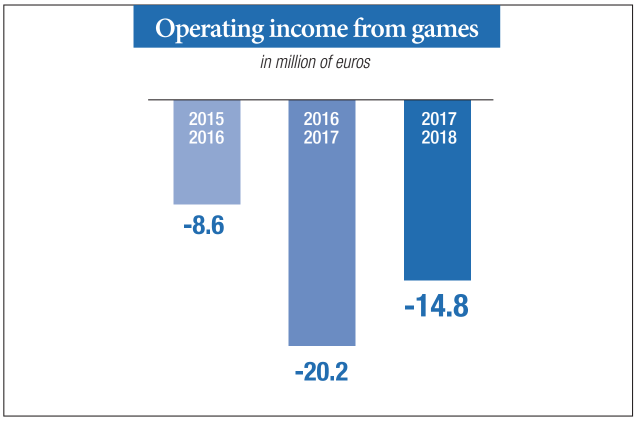
From 2017/2018, over half of these costs (€3.7 million) is therefore allocated to the hotel and rental sectors, with a favorable impact on gaming sector operating income.

The improvement in gaming sector results is also due to a decrease in depreciation of trade receivables of €3.8 million.

Sector results continue to be affected by the new table games and slot machines collective agreements, which generated additional costs of €7.5 million in fiscal 2017/2018, compared to €10.1 million the previous year. This decrease in cost associated with these new agreements should continue to fall over the coming years.

After depreciation and amortization, the S.B.M. Group reported an operating loss of €14.8 million for the gaming sector in 2017/2018, compared to a loss of €20.2 million the previous year.





HOTEL SECTOR

The ongoing extensive renovation of the Hôtel de Paris significantly affects the operating conditions of this establishment, which invariably had a very substantial impact on the hotel sector's performance in terms of revenue and operating income.

For fiscal 2017/2018, the impact of this work on hotel sector operating income was assessed at €10 million, compared to €17 million the previous year.

Even though the above assessment values a partial transfer of activity to the Hôtel Hermitage, it does not take into account the loss in business probably incurred by the other establishments that Hôtel de Paris clients used to frequent, such as the Monte-Carlo Beach seaside complex, the Thermes Marins Monte-Carlo or the other Carré d'Or restaurants.

Overall, the hotel sector posted revenue of €234.7 million for fiscal 2017/2018, compared to €218.5 million year on year, up by +7%, or €16.2 million, with:

- a €9.7 million improvement in Hôtel de Paris revenue, including €6.4 million attributable to the reopening of Le Grill restaurant;
- a €3.1 million increase in Monte-Carlo Bay Hotel & Resort receipts;
- a €2.2 million increase in Le Méridien Beach Plaza receipts, marking a return to activity levels prior to the tragic events in Nice.

The trends of the various activity segments can be analyzed as follows:

Hotel revenue *(in million of euros)*		**2015/2016**	**2016/2017**	**2017/2018**	**%**
41%	Accomodation	88.1	87.9	95.4	9%
45%	Catering	95.4	98.5	106.2	8%
14%	Other activities	29.6	32.1	33.1	3%
100%	**TOTAL HOTEL SECTOR**	**213.2**	**218.5**	**234.7**	**7%**

The Group's **accommodation** revenue stood at €95.4 million, compared to €87.9 million for fiscal 2016/2017.

Despite reduced operations at the Hôtel de Paris over the year as a whole, with an average capacity of 56 rooms, slightly above 2016/2017 levels (43 rooms on average), this hotel reports an increase in the number of rooms sold and an 8-point improvement in the occupancy rate. This increased occupancy and a significant rise in average prices generated a €5.5 million increase in Hôtel de Paris accommodation revenue.

Le Méridien Beach Plaza and Monte-Carlo Bay Hotel and Resort also posted higher accommodation revenue, up +8% and +3% respectively.

The following are some of the accommodation indicators for the S.B.M. Group as a whole:

- the occupancy rate rose slightly to 67.5% compared to 63.6% for fiscal year 2016/2017, with growth across all hotels. As this rate is calculated based on the number of rooms available for sale, the Hôtel de Paris occupancy rate exceeded the previous year due to the limited capacity;
- average accommodation prices rose, with the exception of the Hôtel Hermitage and Monte-Carlo Bay Hotel & Resort, which present a decrease in average receipts following a change in the mix of rooms sold;
- finally, client segmentation by geographical origin remained similar to last year, the share of French clients continuing to dominate with 23% of the market. Russian and American clients respectively accounted for 13% and 12% of the Resort's clients.

The **catering** activity posted revenue of €106.2 million, compared to €98.5 million the previous year, for an increase of €7.7 million. This increase is mainly due to the reopening of Le Grill restaurant on the top floor of the Hôtel de Paris Rotonde (+€6.4 million).

Trends for the S.B.M. Group's other catering establishments were mixed. The number of meals served by the entire S.B.M. Group totaled 989,000, an increase of 42,000 on previous fiscal year. In addition to the Hôtel de Paris establishments, activity growth was most notable at Le Méridien Beach Plaza (+11,000 meals to 234,000) and Monte-Carlo Bay Hotel & Resort (+13,000 meals to 167,000), one of the few establishments to present both an increase in the number of meals sold and the average price.

For all establishments combined, the average price increased 3% on the previous fiscal year due to a favorable mix (increase in the number of meals with the highest average prices, particularly the Hôtel de Paris and Louis XV Alain Ducasse restaurants).

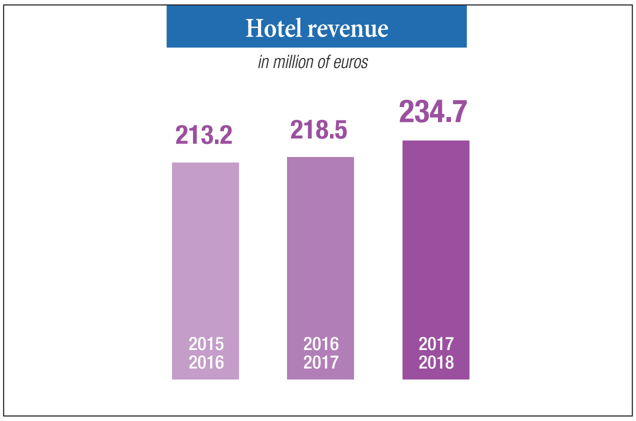
Finally, with 259,000 meals served, a decrease of 4,000 meals on last year, the Café de Paris remains the S.B.M. Group's busiest establishment.

Revenue for the **other activities** of the hotel sector rose 3% to €33.1 million for fiscal 2017/2018, versus €32.1 million the previous year.

As disclosed in Note 21 – Operating income (loss) – of the consolidated financial statements presented in Chapter 20.3 of the "Document de Référence" filed in the French language on July 12, 2018 with the French Financial Markets Authority (*Autorité des Marchés Financiers*), sector results for fiscal 2017/2018 include a change in the sector allocation of certain expenses, previously fully allocated to the gaming sector. This new expense allocation aims to allocate to each sector the cost of dedicated resources. This change has a negative impact on hotel sector operating income of €3.0 million from this fiscal year.

For the **entire hotel sector,** operating income before depreciation and amortization amounted to €18.9 million for fiscal 2017/2018, compared to €14.7 million for fiscal 2016/2017, an increase of €4.2 million.

After depreciation and amortization charges, the hotel sector posted an operating loss of -€5.1 million for fiscal 2017/2018, compared to a loss of -€9.8 million the previous year.



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RENTAL SECTOR

Rental sector revenue rose 4% to €40.9 million for fiscal 2017/2018, versus €39.4 million the previous year.

Rental revenue *(in million of euros)*		2015/2016	2016/2017	2017/2018	%
57%	Commercial rental	19.0	21.0	23.2	10%
43%	Residential rental	17.1	18.4	17.7	(4)%
100%	**TOTAL RENTAL SECTOR**	**36.1**	**39.4**	**40.9**	**4%**

The **commercial rental** sector, which combines the leasing of boutiques and office spaces, reported revenue of €23.2 million for fiscal 2017/2018, compared to €21 million the previous year. The €2.2 million increase is mainly due to the creation of new commercial spaces in the Monte-Carlo Casino.

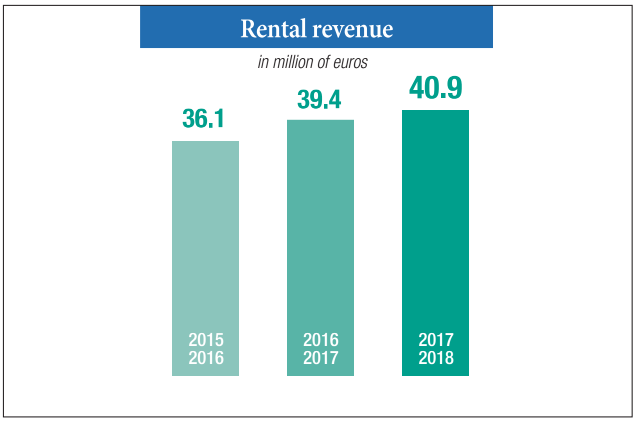
The **residential rental** segment mainly comprises the exclusive Monte-Carlo Bay and Balmoral residences, and the three villas du Sporting. Residential rental revenue amounted to €17.7 million for fiscal 2017/2018, compared to €18.4 million for fiscal 2016/2017, a decrease of -€0.7 million.

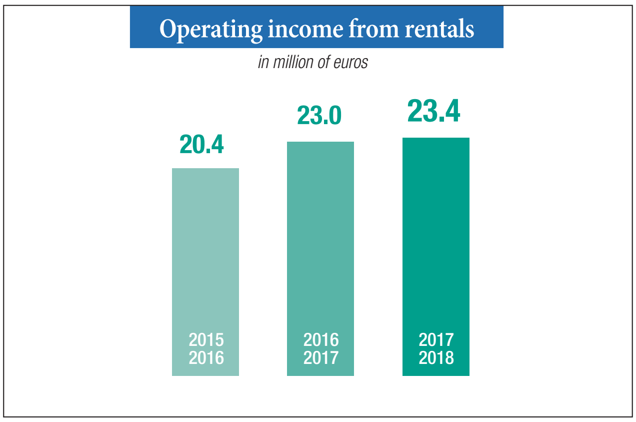
As disclosed in Note 21 – Operating income (loss) – of the consolidated financial statements presented in Chapter 20.3 of the "Document de Référence" filed in the French language on July 12, 2018 with the French Financial Markets Authority (*Autorité des Marchés Financiers*), sector results for fiscal 2017/2018 include a change in the sector allocation of certain expenses, previously fully allocated to the gaming sector. This new expense allocation aims to allocate to each sector the cost of dedicated resources. This change has a negative impact on rental sector operating income of €0.7 million from this fiscal year.

For the **rental sector as a whole,** operating income before depreciation and amortization amounted to €35.7 million for fiscal 2017/2018, compared to €35.2 million the previous year, up by €0.5 million.

Depreciation and amortization charges for the rental sector stood at €12.3 million for fiscal 2017/2018, compared to €12.2 million the previous year.

Taking into account the depreciation and amortization charge, operating income for the rental sector stood at €23.4 million, compared to €23 million the previous year, for an increase of €0.4 million.





6.1.3 2017/2018 consolidated earnings

The table below presents the S.B.M. Group's consolidated statement of income for the years ended March 31, 2017 and March 31, 2018:

CONSOLIDATED STATEMENT OF INCOME

(in thousands of euros)	2016/2017 Fiscal year	2017/2018 Fiscal year
Revenue	**458,832**	**474,589**
Cost of goods sold, raw materials & other supplies	(49,437)	(52,359)
Other external charges	(120,293)	(122,400)
Taxes and similar payments	(31,990)	(31,796)
Wages and salaries	(236,623)	(244,317)
Depreciation and amortization	(49,968)	(49,206)
Other operating income and expenses	(3,342)	(1,628)
Operating income	**(32,821)**	**(27,117)**
Income from cash and cash equivalents	151	4
Gross finance costs	84	(120)
Net finance costs	**235**	**(116)**
Other financial income and expenses	462	277
Income tax expense		
Net income/(loss) of associates	(4,171)	12,511
Consolidated net income	**(36,295)**	**(14,446)**
Non controlling interests (minority shares)	(85)	(150)
CONSOLIDATED NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	**(36,380)**	**(14,595)**
Average number of shares issued	24,516,661	24,516,661
Net earnings per share *(in euros)*	(1.48)	(0.60)
Net diluted earnings per share *(in euros)*	(1.48)	(0.60)

STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	2016/2017 Fiscal year	2017/2018 Fiscal year
Consolidated net income	(36,295)	(14,446)
Items that will not be reclassified subsequently to profit or loss		
◆ Actuarial gains and losses on employee benefits (IAS 19 revised)	(960)	213
◆ Share of profit/(loss) of associates	(20)	
Items that may be reclassified subsequently to profit or loss		
◆ Gains and losses on the remeasurement of available-for-sale financial assets (IAS 39)		
◆ Share of profit/(loss) of associates	128	(180)
TOTAL COMPREHENSIVE INCOME	**(37,147)**	**(14,413)**
Of which attributable to the owners of the parent company	(37,229)	(14,561)
Of which attributable to non controlling interests (minority interests)	82	149

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"Cost of goods sold" and "Other external charges" increased €2.9 million and €2.1 million, respectively, in line with the increase in hotel sector activity.

The decrease in "Taxes and similar payments" is attributable to the decrease in the licensing fee on gross gaming receipts, because of the drop in gaming activity during the year.

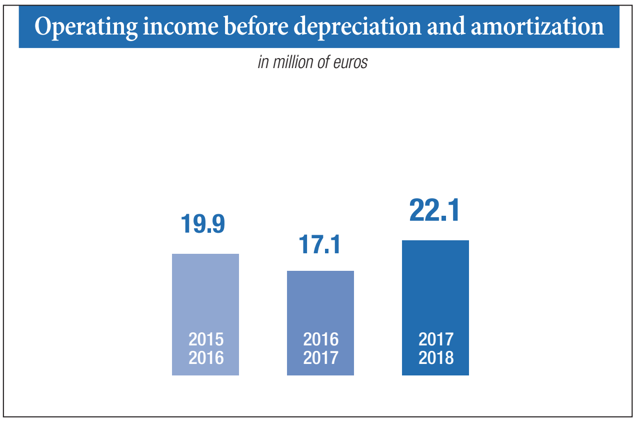
"Wages and salaries" increased €7.7 million in 2017/2018, including a €1.6 million net increase in provisions for employee disputes.

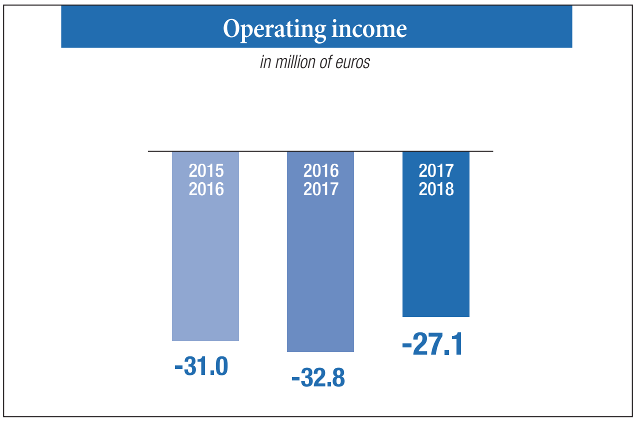
Excluding this movement in provisions, wages and salaries increased €6.1 million as follows:

- €2.7 million increase in hotel sector wages and salaries in line with favorable activity trends and the partial reopening of the Hôtel de Paris and its Le Grill restaurant;
- €1.5 million increase in wages and salaries following the implementation of the security plan and the recruitment of employees to perform previously outsourced services;
- an increase in wages and salaries in the gaming sector, the improvement in table games costs of approximately €1.0 million being offsetting by an increase in wages and salaries for the other activities and slot machines of €1.5 million;
- a €1.4 million increase in wages and salaries for the other sectors.

Lastly, "Depreciation and amortization" fell by €0.8 million. While phase one of renovation work at the Hôtel de Paris on the Rotonde and Alice wings has been completed, work on the Casino and Beaux-Arts wings significantly disrupts operations in the new rebuilt areas. The new equipments will therefore be brought into operation on project completion at the end of 2018. Corresponding depreciation will be charged from this time.

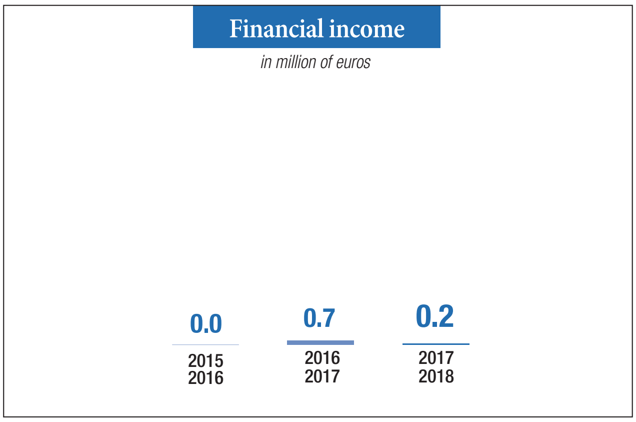
The S.B.M. Group's **operating loss** stood at -€27.1 million, compared to -€32.8 million for the previous year.

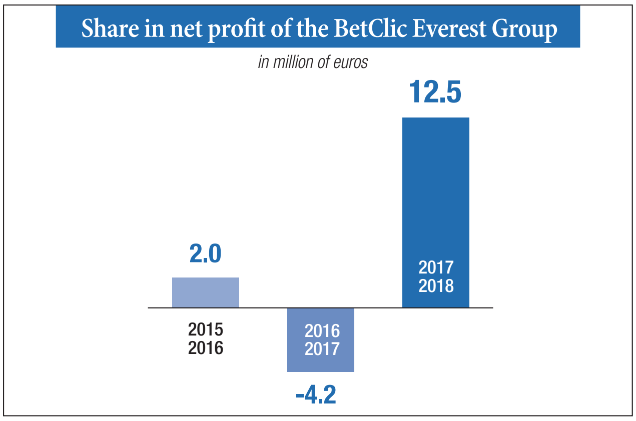




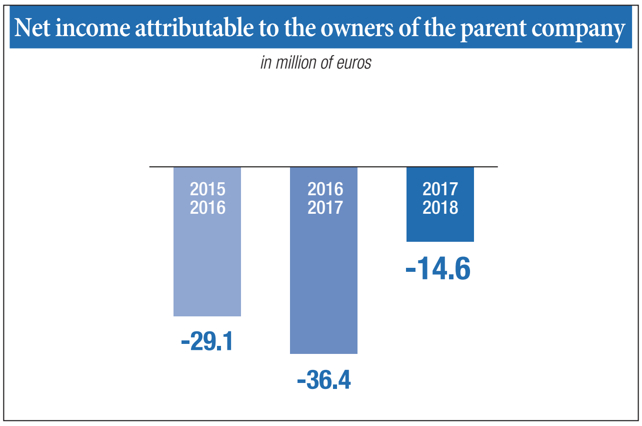
Financial income for fiscal year 2017/2018 posted a profit of €0.2 million, compared to a profit of €0.7 million for the previous year. Borrowing costs related to the financing of works at the Hôtel de Paris and One Monte-Carlo project are capitalized during the construction period.

Lastly, the **equity-accounting consolidation of Betclic Everest Group,** an on-line gaming group in which S.B.M. Group holds a 50% stake, requires the recognition of 50% of its net income for the period in question, or net income of €12.5 million, compared to a net loss of -€4.2 million for fiscal 2016/2017. This improvement reflects the solid performance of Betclic in the French market, following the success with players of new mobile applications. BEG Group results were also favorably impacted by the absence of marketing and communication costs incurred last year for the UEFA European Championship.





The **consolidated net loss attributable to owners of the parent company** stood at -€14.6 million for fiscal year 2017/2018, compared to a loss of -€36.4 million for fiscal 2016/2017, representing a reduction in the consolidated net loss of €21.8 million.



6.1.4 Consolidated balance sheet as of March 31, 2018

ASSETS

(in thousands of euros)	March 31, 2017	March 31, 2018
Goodwill	**32**	**32**
Intangible assets	**6,861**	**7,321**
Property, plant & equipment	**760,164**	**908,787**
Equity investments	99,257	108,637
Other non-current financial assets	23,441	16,230
Non-current financial assets	**122,698**	**124,866**
Non-current assets	**889,755**	**1,041,007**
Inventory	12,082	12,337
Trade receivables	23,565	23,775
Other receivables	31,113	32,776
Other financial assets	28	173
Cash and cash equivalents	94,850	70,952
Current assets	**161,637**	**140,013**
TOTAL ASSETS	**1,051,391**	**1,181,020**

LIABILITIES & EQUITY

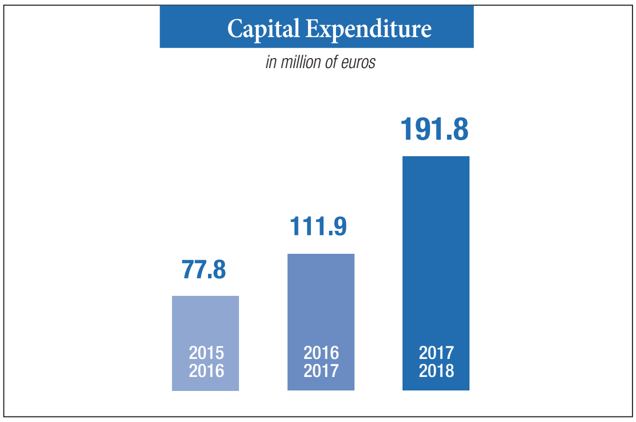
(in thousands of euros)	March 31, 2017	March 31, 2018
Common stock	24,517	24,517
Additional paid-in capital	214,650	214,650
Reserves	436,563	400,132
Reserves related to the change in fair value of financial assets registred in equity	(140)	(556)
Consolidated net income for the period	(36,380)	(14,595)
Equity attributable to owners of the parent company	**639,211**	**624,148**
Non controlling interests (minority interests)	417	604
Equity	**639,628**	**624,751**
Financial liabilities and borrowings	4,721	125,219
Employee benefits	50,074	48,981
Provisions	4,364	7,051
Other non-current liabilities	130,716	130,502
Total non-current liabilities	**829,502**	**936,504**
Trade payables	20,424	23,250
Other payables	196,051	216,118
Provisions	251	483
Financial liabilities	5,164	4,663
Total current liabilities	**221,889**	**244,515**
TOTAL LIABILITIES & EQUITY	**1,051,391**	**1,181,020**

6.1.5 2017/2018 consolidated cash flow statement

(in thousands of euros)	2016/2017 Fiscal year	2017/2018 Fiscal year
OPERATING ACTIVITIES		
Consolidated net income attributable to owners of the parent company	(36,380)	(14,595)
Non controlling interest (minority interest)	85	150
Amortization	49,968	49,206
Net income/(loss) of associates	4,171	(12,511)
Portion of investment grant recorded in profit or loss	(579)	(567)
Changes in provisions	(224)	2,040
Gains and losses on changes in fair value	(613)	(402)
Other income and expenses calculated	(65)	33
Capital gains and losses on disposal	59	267
Cash generated from operations	**16,421**	**23,621**
Net finance costs (excluding change in fair value) and income tax expense	378	518
Cash generated from operations before net finance costs and income tax expense	**16,799**	**24,138**
Tax paid		
Decrease/(increase) in WCR relating to operations	1,427	8,522
CASH FLOW FROM OPERATING ACTIVITIES	**18,226**	**32,661**
INVESTING ACTIVITIES		
Purchase of PP&E, intangible and financial assets	(111,851)	(191,812)
Gains on disposal of PP&E and intangible assets	668	645
Impact of changes in scope of consolidation		
Change in loans and advances granted	(110)	9,523
CASH FLOW USED IN INVESTING ACTIVITIES	**(111,292)**	**(181,643)**
FINANCING ACTIVITIES		
Dividends paid	(43)	(3)
Minority contributions and changes in scope of consolidation		
Share capital increase		
Changes in stable financing activities (including credit line)	794	125,612
Net interest received (paid)	(378)	(518)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	**372**	**125,091**
CHANGE IN CASH AND CASH EQUIVALENTS	**(92,694)**	**(23,891)**
Cash and cash equivalents at beginning of the period	**187,546**	**94,850**
Cash restated at fair value	(3)	(7)
Cash and cash equivalents at the end of the period	**94,850**	**70,952**
Cash and cash equivalents – Assets	94,850	70,952
Bank – Liabilities		

Cash from operations amounted to €23.6 million for fiscal 2017/2018, compared to €16.4 million the previous year. This increase is mainly due to the improvement in operating income before depreciation and amortization of €4.9 million. After taking into account the €8.5 million decrease in working capital requirements, net cash flows from operations totaled €32.7 million for fiscal 2017/2018, compared to €18.2 million for fiscal 2016/2017.

In addition, the continued roll-out of the **investment** program represented a cash outflow of €191.8 million in fiscal year 2017/2018 for acquisitions of property, plant and equipments, intangible assets and long-term investments, compared to €111.9 million the previous year. After taking into account the change in loans and advances granted and gains on asset disposals, net cash flow used in investing activities amounted to €181.6 million for fiscal year 2017/2018, compared to €111.3 million the previous year.



As of March 31, 2018, the S.B.M. Group's **net cash position** was negative at -€50.9 million, compared to a positive position at +€94 million year on year.

To secure the funding of its two major investment projects – extensive renovation of the Hôtel de Paris and One Monte-Carlo real estate development – the Group finalized its bank financing on January 31, 2017. Totaling €230 million, these credit facilities will enable draw-downs at the Group's initiative until January 31, 2019. The sums used at this date will then be gradually repaid, the last instalment being set for January 31, 2024.

As of March 31, 2018, the S.B.M. Group had performed six draw-downs for a total of €126.8 million, i.e. all of tranche A and €40 million of tranche B.

6.1.6 Parent company results of Société des Bains de Mer

The financial statements of Société des Bains de Mer, the Parent Company, present the following results:

Société des Bains de Mer – parent company *(in million of euros)*	2015/2016	2016/2017	2017/2018	**Variation** *(in million of euros)*
Revenue	**399.4**	**394.9**	**405.5**	**10.6**
Operating income before depreciation and amortization	**5.0**	**1.8**	**5.4**	**3.6**
Amortization	(45.0)	(43.7)	(42.7)	1.0
Operating income / (loss)	**(40.0)**	**(42.0)**	**(37.3)**	**4.6**
Financial income / (loss)	7.7	8.8	9.5	0.6
Exceptional income / (loss)	(6.1)	(3.7)	(4.3)	(0.6)
NET INCOME / (LOSS)	**(38.3)**	**(36.8)**	**(32.1)**	**4.7**

REVENUE

Revenue amounted to €405.5 million for fiscal 2017/2018, compared to €394.9 million the previous year, for an increase of €10.6 million.

OPERATING INCOME

Operating income was negative at -€37.3 million, compared to a loss of -€42 million in 2016/2017.

This improvement is mainly due to the increase in hotel sector revenues and, to a lesser extent, rental sector revenues.

FINANCIAL INCOME OR LOSS

Financial income primarily consists of financial income generated by the Company on financing provided to its subsidiaries. This revenue is canceled in the consolidated financial statements as part of the elimination of the S.B.M. Group's inter-company transactions. Borrowing costs relating to financing of works at Hôtel de Paris and the One Monte-Carlo project is capitalized during the construction period.

NET EXCEPTIONAL ITEMS

A net exceptional loss of -€4.3 million was recorded for fiscal 2017/2018, down by -€0.6 million over the previous year. This decline is mainly due to the inclusion of higher losses of the Monte-Carlo SBM International S.à.r.l. subsidiary than last year.

NET INCOME OR LOSS

The parent company net loss for fiscal 2017/2018 amounted to -€32.1 million, compared to a net loss of -€36.8 million the previous year, for an improvement of €4.7 million.

6.1.7 Article 23 of the Order of March 5, 1895

We hereby inform you of the transactions directly or indirectly involving your Company and its Directors during 2017/2018 fiscal year, or between your Company and its affiliated or non-affiliated companies with common Directors:

- transactions involving the affiliates of your Company:
  - Société Anonyme Monégasque d'Entreprise de Spectacles (S.A.M.E.S),
  - Société Anonyme Monégasque des Thermes Marins Monte-Carlo (S.T.M.),
  - Société Anonyme Monégasque Générale d'Hôtellerie (SOGETEL),
  - Société Anonyme Monégasque Hôtelière du Larvotto (S.H.L.),
  - Société Financière et d'Encaissement (S.F.E.),
  - Société Civile Particulière Soleil du Midi,
  - Société Civile Immobilière de l'Hermitage,
  - Société des Bains de Mer, USA, Inc.,
  - Société Monte-Carlo SBM Singapore, Pte Ldt,
  - S.à.r.l Monte-Carlo SBM International,
  - SARL Café Grand Prix,
  - Société Betclic Everest Group;
- and:
  - business relations with Société Monégasque pour l'Exploitation du Tournoi de Tennis (S.M.E.T.T.), in which the Company is a shareholder,
  - the providing of parking spots and a display window on an arm's length basis with Société Anonyme Monégasque Dotta Immobilier, whose Vice-President is Mr. Michel Dotta, for non-material amounts,
  - wine purchases conducted on an arm's length basis with Société SCEA Fondugues Pradugues, which is owned and managed by Mr. Laurent Nouvion, for non-material amounts;
  - and advisory operations conducted on an arm's length basis with Société Lochinvar Consulting, which CEO is Mr. William Timmins, for non-material amounts.

6

6.2 Capital expenditure and future outlook

6.2.1 Capital expenditure

In recent years, the S.B.M. Group has pursued an active capital expenditure program, for a total of €429 million in the last three fiscal years, as shown in the table below, which groups together all capital expenditure, regardless of whether the projects have been completed and commissioned or are still in progress.

Capital Expenditure *(in million of euros)*	**Year ended March 31, 2016**	**Year ended March 31, 2017**	**Year ended March 31, 2018**
Gaming Sector	11,916	5,518	2,573
Hotel Sector	31,060	87,294	96,388
Rental Sector	32,496	45,778	87,785
Other Activities	6,573	9,206	12,456
TOTAL	**82,045**	**147,795**	**199,202**

GAMING SECTOR

Capital expenditure in the gaming sector amounted to €20 million over the last three fiscal years.

In fiscal 2017/2018, the S.B.M. Group pursued its slot machine pool renewal policy, with total capital expenditure of €5 million for the last three fiscal years. The objective is to maintain a competitive edge in terms of gaming offers and innovation and match the latest trends.

Over the last three years, the S.B.M. Group also carried out renovation work at two of its establishments.

The main capital expenditure in fiscal 2015/2016 involved the program to fully refurbish and expand the Casino Café de Paris, particularly with the creation of a new 350 m² outside terrace located on the side of Avenue des Spélugues. The space enable the installation of new machines accessible to all customers, and particularly smokers, and feature a bar and catering service.

The renovation program primarily focused on:

- the construction of a new centrally located bar, a key architectural feature representing a striking focal point for the establishment;
- the creation of a convivial dining area, previously not offered, that required the installation of a kitchen in the basement;
- a major architectural improvement to the existing outside terrace, with the additional of glass canopies;
- a full technical overhaul of all the installations.

All these new installations, and particularly the new terrace, were opened to the public on December 4, 2015.

Furthermore, while the number of machines installed at the Café de Paris Casino did not significantly change, the completion of this works program has enabled the establishment to extend its games offering with table games (American games). It now provides a complete offering in terms of events and a special environment that is highly popular with the clientele.

A total of €10.5 million was invested in this project over the last three fiscal years, excluding the slot machines.

During fiscal 2016/2017, the Sun Casino was refurbished in the spirit of Las Vegas. The layout was revamped: red-toned decor, refurbished bar, extended dining area, everything was done to create an American gaming atmosphere for clients. The games offering was also enhanced with slot machines and Craps tables exclusive to the Côte d’Azur.

This project’s capital expenditure, excluding the slot machines, totaled €1.7 million over the last three fiscal years.

HOTEL SECTOR

Capital expenditure in the hotel sector amounted to €214.7 million over the last three fiscal years.

The extensive renovation project of the Hôtel de Paris (see Note 6.2.2. below – "Main ongoing projects") itself represented more than 80% of the total capital expenditure in the hotel sector in the last three years.

Other capital expenditure projects involved ongoing work such as the renovation of the rooms and suites of the Beaumarchais wing at the Hôtel Hermitage, or the renovation of the Monte-Carlo Beach, as well as the renovation of Jimmy'z carried out in 2016/2017 and 2017/2018 with two closings during the winter period. The renovation modernized the establishment, refurbished the interior bar and VIP spaces and created an outside bar facing the lagoon. Over the last three fiscal years, this renovation work amounted to €5.5 million.

Hotel sector capital expenditure amounted to €96.4 million in fiscal 2017/2018.

RENTAL SECTOR

Major capital expenditure has also been incurred in the rental sector, amounting to €166.1 million over the last three fiscal years, in order to enhance the value of real estate assets, while attracting and strengthening the loyalty of a new international clientele in the Principality of Monaco.

This strategy, initiated in October 2005 with the opening of the Monte-Carlo Bay Residence (24 luxury apartments), and confirmed in May 2012 with the opening of the Balmoral Residence (7 apartments with a hotel service offering an exceptional view of Port Hercules), and in 2014/2015 with the villas du Sporting (3 villas ideally located in the Sporting Monte-Carlo peninsula, constituted an absolutely unprecedented real estate development in Monaco, surrounded by luxurious vegetation, and shaded by stone pines, cypresses, Atlas cedars and magnificent palm trees) has grown in importance with the real estate development project in the heart of Monaco described in Note 6.2.2 below.

Expenses incurred during the last three fiscal years amounted to €161 million, of which €85 million in fiscal 2017/2018.

Rental sector capital expenditure amounted to €87.8 million in fiscal 2017/2018.

OTHER ACTIVITIES AND COMMON SERVICES

Capital expenditure in other activities and common services amounted to €28.2 million over the last three fiscal years.

The capital expenditure mainly involves the software and management systems implemented by the S.B.M. Group support functions such as the Human Resources department (management of time and activities, payroll), or the IT Department (purchasing of licenses, etc.), as well as the significant work carried out at the Monte-Carlo Country Club.

6.2.2 Main ongoing projects and future outlook

PURSUIT OF THE CAPITAL EXPENDITURE PROGRAM

The projects under way as of March 31, 2018 will continue in 2018/2019 as part of the investment program defined by the S.B.M. Group and in line with the policy adopted in previous years.

The main ongoing projects are as follows:

GAMING SECTOR

The main projects undertaken involve the renewal of the slot machine pool.

HOTEL SECTOR

As mentioned previously, the main project in the hotel sector is the extensive renovation of the Hôtel de Paris.

Renovation will concern the entire establishment, with restructuring of both public areas and service facilities. The hotel's overall accommodation capacity will remain virtually the same, but the size of the rooms and suites and the proportion of suites will increase.

The program's other key features are as follows:

- enhanced use of the roof space to host a new fitness, spa and pool area reserved for hotel clients, prestigious suites and a "roof-top villa" with a private garden and pool;
- creation of a garden courtyard in the center of the establishment;
- development of boutiques;
- opening of the Bar Américain and the future restaurant on the south terrace offering a 180° view spanning from the Casino de Monte-Carlo to Port Hercule;
- adaptation to state-of-the-art technologies and a direct underground link with the reception and conference facilities of the future One Monte-Carlo complex.

These renovations and creations will ensure that the Hôtel de Paris continues to satisfy the increasingly demanding requirements of luxury hotel clientele.

The historic facade of the Hôtel de Paris opposite the Café de Paris Monte-Carlo will remain intact. The legendary lobby and the cellar, as well as the emblematic establishments such as the Bar Américain, the Salle Empire, the Louis XV - Alain Ducasse and the Grill, will be maintained.

The Grill, located on the eighth floor, was the first innovation of the Hôtel de Paris to be exclusively revealed in May 2017. Among the novelties: a more contemporary decor, the Princess Grace Suite, and an extended outside terrace with a wider view.

Scheduled for four years, the project, started in 2014, initially covered the Rotonde and Alice wings, which were entirely demolished in order to be rebuilt. The two wings have been completed and marketing began in May 2017 during the Formula 1 Grand Prix. With the commissioning of these two wings, the establishment now had an average 2017/2018 capacity of 56 rooms compared to the previous 40 rooms. The decision was made to keep the establishment partially open throughout the refurbishment to limit to a maximum the project's impact on employees and have an accommodation capacity for regular playing clients

The cost of the Hôtel de Paris renovation for the 2014-2018 period is estimated €270 million, excluding the estimated operating losses.

As of March 31, 2018, a total of €201.7 million had already been invested in this project, of which €175 million in the last three fiscal years.

The project is on schedule and complies with the allocated budget.

RENTAL SECTOR

The main project undertaken in the rental sector is the One Monte-Carlo real estate development, located in the heart of Monaco on the site previously occupied by the Sporting d'Hiver. Its main features are described below.

Comprising seven buildings, the One Monte-Carlo real estate complex forms part of an urban planning project involving a mixed real estate program combining luxury stores, upscale residences, offices and leisure and cultural areas. It will therefore include 4,600 m^2 of high-end boutiques on three floors (basement, ground floor and mezzanine), upscale multi-storey residences covering 12,900 m^2, 2,500 m^2 of office spaces, 2,500 m^2 of conference rooms equipped with multimedia technologies, an exhibition room of 400 m^2 and 350 parking spaces.

One of the priority tasks assigned to the architect was the need to design a complex that will redevelop the district by creating a friendly place for Meeting, Incentives, Conferences and Events (MICE) that is exemplary in terms of green urban planning and sustainable development: 30% of additional space accessible to the public will be created on the landscaped site, with a new pedestrianized street linking avenue des Beaux-Arts to Jardins Saint-James.

The total cost of this major real estate and urban planning project in the heart of Monaco represents an estimated investment of €390 million over the 2013-2018 period.

As of March 31, 2018, a total of €253.8 million had already been invested in the project, including:

- design costs and professional fees for €53.8 million;
- construction costs and technical installations for €128.9 million;
- construction and development costs for the Monte-Carlo Pavilions in the Jardins des Boulingrins for €22.1 million;
- costs to purchase leasehold rights for €33 million;

The share of these investments for fiscal 2017/2018 amounted to €85 million.

All the infrastructures of the real estate complex have been finalized and construction of the building superstructures began in May 2017. The project is slated to be completed at the end of 2018.

Given these various projects, the estimated capital expenditure for fiscal 2018/2019 should amount to approximately €205 million, of which €170 million for the two major projects described above.

OUTLOOK

The extensive refurbishment of the Hôtel de Paris and the One Monte-Carlo real estate development in the heart of Monaco are the two main components of the S.B.M. Group's development strategy.

With the completion of the two aforementioned projects, the S.B.M. Group seeks to generate an additional full-year operating income before depreciation and amortization of more than €50 million, as of the commissioning of these assets, scheduled for early 2019. The S.B.M. Group will thus take on a new dimension through both an expected revenue boost and portfolio growth.

These projects nevertheless represent an unprecedented investment, currently estimated at €660 million, excluding the estimated operating losses generated by the partial closure of the Hôtel de Paris. As of March 31, 2018, the S.B.M. Group commitments with respect to these two projects represented over 90% of the total cost previously cited.

In this context, the aim of the S.B.M. Group's investment policy will be to guarantee services for its clients in accordance with the best market standards, while favoring more profitable projects.

NOTES

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MONTE-CARLO
SOCIÉTÉ DES BAINS DE MER

CASINOS

Casino de Monte-Carlo
Casino Café de Paris
Sun Casino
Bay Casino

HOTELS & RESTAURANTS

Hôtel de Paris Monte-Carlo
Hôtel Hermitage Monte-Carlo
Monte-Carlo Beach
Monte-Carlo Bay Hotel & Resort
Brasserie Café de Paris
Buddha Bar Monte-Carlo
Le Méridien Beach Plaza

LEISURE & ENTERTAINMENTS

Salle Garnier - Opéra de Monte-Carlo
La Rascasse
Monte-Carlo Beach Club
Thermes Marins Monte-Carlo
Salle des Étoiles
Jimmy'z Monte-Carlo
Monte-Carlo Country Club
Monte-Carlo Golf Club
La Promenade Monte-Carlo Shopping

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