

ANALYSIS OF THE FINANCIAL POSITION AND ACTIVITY OF S.B.M. GROUP DURING FISCAL YEAR 2018/2019

PRESENTATION OF FISCAL YEAR 2018/2019 RESULTS

The increase of €51.9 million for the year is the result of higher revenue across all sectors.

The gaming sector reported revenue of €222.7 million, versus €200.7 million in 2017/2018. This change was primarily due to an increase in consolidated revenue from table games amounting to €108.4 million over the year as a whole, compared to €87.2 million the previous year, a rise of 24%. Consolidated revenue from slot machines was stable at €101.9 million for 2018/2019.

Hotel revenue was €253.7 million compared to €234.7 million in 2017/2018. This favorable trend is rooted in an uptick in business at the Hotel de Paris. The S.B.M. Group's other hotels, and particularly the Monte-Carlo Bay Hotel & Resort, experienced a positive trend in business. In addition, the reopening of the Jimmy'z and the opening of the new Coxa restaurant had a positive effect on the hotel sector.

The rental sector, which combines boutiques and office leasing together with the activities of the Résidence du Sporting, the Balmoral and the new villas du Sporting, reported revenue of €51.9 million, compared to €40.9 million previously, an increase of 27%. This increase is primarily the result of leasing out new spaces at the Hotel de Paris on Avenue de Monte-Carlo and in its garden courtyard, and in the new One Monte-Carlo complex over the final quarter of the year.

Finally, other activities accounted for annual consolidated revenue of €13.7 million, compared to €13.5 million last year.

As a reminder, as described in note 2.1.1 of the notes attached to consolidated accounts as of Mars 31, 2019, the S.B.M. Group applies starting from fiscal year 2018/2019 the new IFRS 15 "Revenue from Contracts with Customers".

IFRS 15 is based on a model in which revenue is recognized when the control of the good and/or service is transferred to the client. Taking into account the S.B.M. Group's business, the impacts arising from the adoption of this new standard are limited and mainly concern the games loyalty program set up in 2018. In accordance with IFRS 15, client benefits, which were previously provided for in expenses, are considered as satisfied performance obligations once the client has used such benefits. The related revenue is therefore deferred and recognized as and when the benefits are used.

Excluding the aforementioned standard, consolidated revenue for fiscal 2018/2019 would amount to €527.7 million, gaming sector revenue would stand at €226.2 million and internal transfers would total -€17.7 million. Hotel and rental sector revenue would remain unchanged. Under IFRS 15, revenue therefore declines by 0.2%.

7.1.2 Analysis of fiscal year 2018/2019 operating results by sector

The developments in the various business sectors – gaming, hotel and rental – are analyzed below for the year ended March 31, 2019.

GAMING SECTOR

The gaming sector reported revenue of €222.7 million, versus €200.7 million in 2017/2018, an increase of 11%, mainly

attributable to the rise in table games revenue. Slot machines revenue remained stable during fiscal 2018/2019.

The following table shows the development of gaming sector receipts by business segment, being specified that 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)		2016/2017	2017/2018	2018/2019	%
49%	Table games	95.2	87.2	108.4	24%
46%	Slot machines	96.2	102.8	101.9	(1)%
5%	Other activities	10.2	10.8	12.3	15%
100%	TOTAL GAMING SECTOR	201.7	200.7	222.7	11%

The **table games** sector reported revenue of €108.4 million for fiscal year 2018/2019, compared to €87.2 million the previous year, for an increase of €21.2 million, or +24%.

The sector benefited from the business recovery program that boosted the number of players and the drop (bets).

In fiscal 2018/2019, the drop rose by 20% and the hold (receipts/betting ratio) increased slightly to 15.9%, compared to 14.9% the previous year.

However, these excellent achievements were reported in the first half of the fiscal year, with a revenue increase of €29.4 million. Fourth-quarter business declined period-on-period.

The main trends were as follows:

- the Monte-Carlo Casino, which mainly operates European games, improved its receipts by €22.4 million in fiscal 2018/2019, due to the solid takings from Punto Banco, up by more than €25 million compared to the previous year that had been hindered by a particularly low hold rate. European Roulette, down €4.9 million, remains the establishment's principal game, with nearly €33.7 million in receipts, representing 31% of the Monte-Carlo Casino's gross table game receipts;
- table game activity at the Café de Paris Casino generated revenue of €7.2 million for the year, up €3 million compared to the previous year;
- the Sun Casino generated revenue of €11.9 million for the fiscal year, despite a €4.2 million decline in its gross receipts due to a lower drop.

Slot machines sector activity remained stable, with revenue of €101.9 million in 2018/2019, compared to €102.8 million in the previous year.

Overall, receipts were stable at all the establishments, the moderate decrease in bets being offset by a slight rise in the hold.

The number of players also increased: up 21% at the Monte-Carlo Casino and 27% at the Café de Paris Casino.

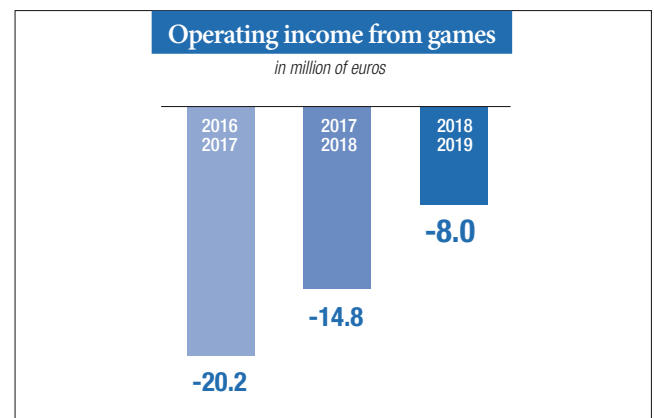
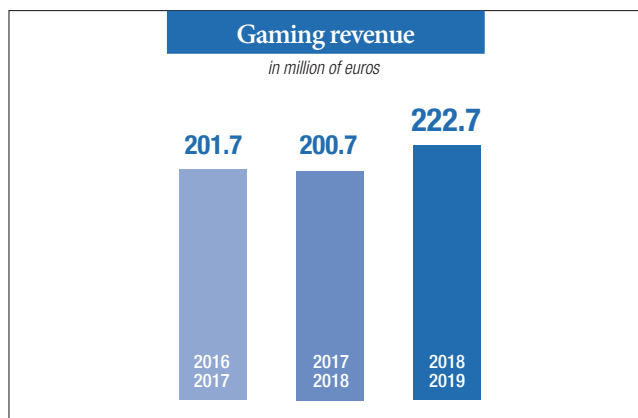
24/7 opening at the Café de Paris Casino, smoking areas, and a more intense events policy, enable the various establishments to remain highly competitive compared with French Riviera and Italian competitors.

Receipts from **other activities** amounted to €12.3 million, up €1.6 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, etc.). Starting from fiscal 2018/2019, the business of the Sun Casino Bar was attached to the gaming sector and contributed +€0.8 million to receipts from other activities during the year.

For the **entire gaming sector**, an operating loss before depreciation and amortization of -€1.3 million was recorded in fiscal 2018/2019, compared to an operating loss of -€8.3 million for the previous year.

The increase in earnings was primarily due to the rise in table games revenue, less greater direct costs inherent to this activity (royalties, entertainment expenses, staff costs, debt provisions, etc.).

After depreciation and amortization, the S.B.M. Group reported an operating loss of -€8 million for the gaming sector in 2018/2019, compared to a loss of -€14.8 million the previous year.



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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.

In fiscal 2018/2019, the hotel was unable to match the operating performance it had achieved prior to the renovations, even though the gradual reopening substantially developed business.

For fiscal 2018/2019, the impact of this work on hotel sector operating income was assessed at near €7 million, compared to €10 million the previous year.

Overall, the hotel sector posted revenue of €253.7 million for fiscal 2018/2019, compared to €234.7 million year on year, up by +8%, or €19 million, with:

- Hôtel de Paris revenue improved by €11.1 million as new rooms were reopened following the refurbishment (97 rooms available for sale in fiscal 2018/2019, compared to 56 in fiscal 2017/2018);
- the opening of the Coya restaurant generated revenue of €5.2 million;
- Jimmy'z recorded a €1.9 million revenue increase due to a longer period of activity than in the previous year;
- the Monte-Carlo Bay Hotel & Resort reported a €1.7 million increase in revenue.

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

Hotel revenue (in million of euros)		2016/2017	2017/2018	2018/2019	%
41%	Accommodation	87.9	95.4	104.4	9%
46%	Catering	98.5	106.2	115.3	9%
13%	Other activities	32.1	33.1	34.0	3%
100%	TOTAL HOTEL SECTOR	218.5	234.7	253.7	8%

The Group's **accommodation** revenue stood at €104.4 million, compared to €95.4 million for fiscal 2017/2018.

Despite its accommodation capacity still being reduced, with an average of 97 rooms available in fiscal 2018/2019, compared to 56 in the previous year, the Hôtel de Paris recorded a sharp increase in overnight stays and an 11% rise in average receipts, directly attributable to the high-quality services proposed. Due to this higher occupancy and the substantial rise in average prices, Hôtel de Paris accommodation revenue increased by €8.4 million.

Accommodation revenue at the Monte-Carlo Bay Hotel & Resort and Le Méridien Beach Plaza increased by +4% and +1%, respectively, whereas it dropped by 2% at the Hôtel Hermitage due to the gradual reopening of the Hôtel de Paris.

The following accommodation indicators concern the entire S.B.M. Group:

- the occupancy rate declined slightly to 66.4%, compared to 67.5% for fiscal 2017/2018. Based on the number of rooms available for sale, the occupancy rate of the Hôtel de Paris automatically fell compared to the previous year, given the sharp increase in its capacity;
- average accommodation prices increased overall by 6% for all five establishments;

- finally, client segmentation by geographical origin remained similar to last year, with French clients continuing to dominate with 18.4% of the market, compared to 23% last year. Russian and American clients respectively accounted for 14.7% and 14.6% of the Resort's clientèle.

Catering revenue totaled €115.3 million, compared to €106.2 million the previous year, for an increase of €9.1 million, primarily due to the opening of the Coya restaurant for €5.2 million, and longer opening for Jimmy'z in fiscal 2018/2019 (favorable impact of €1.9 million).

The other S.B.M. Group catering establishments delivered mixed performances. A total of 1,018,000 meals were served for the entire S.B.M. Group, up 29,000 in relation to last year. The boost in the catering business was particularly striking at the Hôtel de Paris (+14,000 meals to 59,000), which benefited from the increase in the number of clients.

The average price of a meal for all establishments rose by 6% compared to the previous year, due to a favorable mix impact (increase in the highest average meal prices, particularly at the Hôtel de Paris and the Louis XV – Alain Ducasse restaurant).

Finally, despite a decline in the number of meals served (-24,000) compared to last year, the Café de Paris remains the most popular S.B.M. Group establishment with 235,000 meals served during the period.

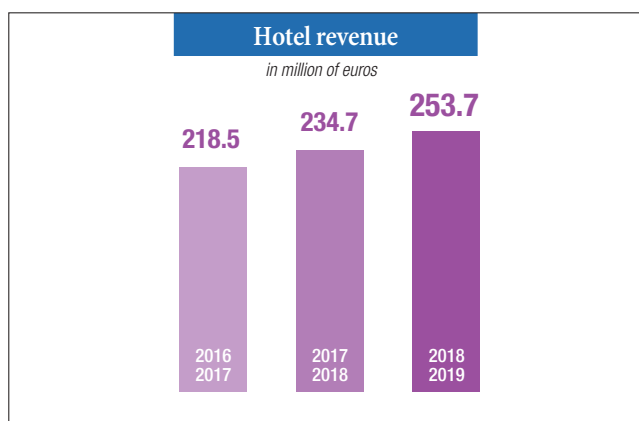
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Revenue for the **other activities** of the hotel sector rose 3% to €34 million for fiscal 2018/2019, versus €33.1 million the previous year.

For the **entire hotel sector**, operating income before depreciation and amortization amounted to €21 million for fiscal 2018/2019, compared to €18.9 million for fiscal 2017/2018, an increase of €2.1 million.

The depreciation and amortization charge for the hotel sector rose by €1.3 million, as the Hôtel de Paris recorded its first depreciation and amortization expense (impact of €2.8 million), partially offset by a decline of the depreciation and amortization expense at the Hôtel Hermitage.

After depreciation and amortization charges, the hotel sector posted an operating loss of -€4.2 million for fiscal 2018/2019, compared to a loss of -€5.1 million the previous year.



RENTAL SECTOR

Rental sector revenue rose 27%, standing at €51.9 million for fiscal 2018/2019, versus €40.9 million the previous year.

Rental revenue (in million of euros)		2016/2017	2017/2018	2018/2019	%
63%	Commercial rental	21.0	23.2	32.7	41%
37%	Residential rental	18.4	17.7	19.2	8%
100%	TOTAL RENTAL SECTOR	39.4	40.9	51.9	27%

The **commercial rental** segment, which combines the leasing of boutiques and office spaces, reported revenue of €32.7 million for fiscal 2018/2019, compared to €23.2 million the previous year. This increase of €9.5 million is primarily the result of leasing out new spaces at the Hotel de Paris (Avenue de Monte-Carlo and in its garden courtyard), and in the new One Monte-Carlo complex over the final quarter of the year.

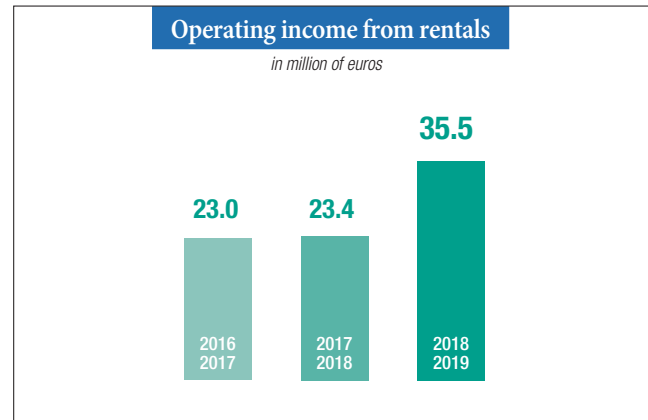
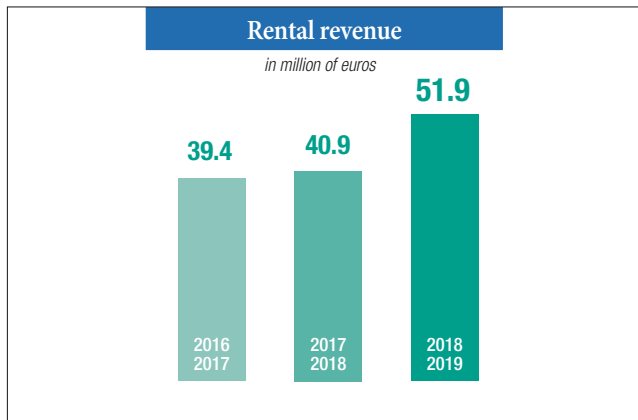
The **residential rental** segment mainly comprises the exclusive Residence du Sporting and Balmoral residence, and the three villas du Sporting. Residential rental revenue amounted to €19.2 million for fiscal 2018/2019, compared to €17.7 million for fiscal 2017/2018, an increase of €1.5 million.

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For the **rental sector as a whole**, operating income before depreciation and amortization amounted to €44.8 million for fiscal 2018/2019, compared to €35.7 million the previous year, up by €9.1 million.

Taking into account depreciation and amortization, down €3 million following the end of depreciation and amortization for the Pavillons Monte-Carlo temporary facilities, operating income for the rental sector stood at €35.5 million, compared to €23.4 million the previous year, up €12.1 million.



7.1.3 2018/2019 consolidated earnings

The table below presents the S.B.M. Group's consolidated statement of income for the years ended March 31, 2018 and March 31, 2019:

CONSOLIDATED STATEMENT OF INCOME

<i>(in thousands of euros)</i>	2017/2018 Fiscal year	2018/2019 Fiscal year
Revenue	474,589	526,536
Cost of goods sold, raw materials & other supplies	(52,359)	(56,315)
Other external charges	(122,400)	(129,359)
Taxes and similar payments	(31,796)	(36,558)
Wages and salaries	(244,317)	(256,199)
Depreciation and amortization	(49,206)	(47,327)
Other operating income and expenses	(1,628)	(10,398)
Operating income	(27,117)	(9,621)
Income from cash and cash equivalents	4	15
Gross finance costs	(120)	(15)
Net finance costs	(116)	
Other financial income and expenses	277	70
Income tax expense		
Net income/(loss) of associates	12,511	12,333
Consolidated net income	(14,446)	2,782
Non controlling interests (minority shares)	(150)	(205)
CONSOLIDATED NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY	(14,595)	2,577
Average number of shares issued	24,516,661	24,516,661
Net earnings per share <i>(in euros)</i>	(0.60)	0.11
Net diluted earnings per share <i>(in euros)</i>	(0.60)	0.11

STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousands of euros)</i>	2017/2018 Fiscal year	2018/2019 Fiscal year
Consolidated net income	(14,446)	2,782
Items that will not be reclassified subsequently to profit or loss		
♦ Actuarial gains and losses on employee benefits (IAS 19 revised)	213	(4,061)
♦ Share of profit/(loss) of associates		
Items that may be reclassified subsequently to profit or loss		
♦ Gains and losses on the remeasurement of financial instruments		(405)
♦ Share of profit/(loss) of associates	(180)	
TOTAL COMPREHENSIVE INCOME	(14,413)	(1,684)
Of which attributable to the owners of the parent company	(14,561)	(1,885)
Of which attributable to non controlling interests (minority interests)	149	201

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“Cost of goods sold” and “Other external charges” increased €4 million and €7 million, respectively, in line with the increase in activity.

The increase in “Taxes and similar payments” was due to the rise in the licensing fee on gross game receipts, on account of the higher takings during the year.

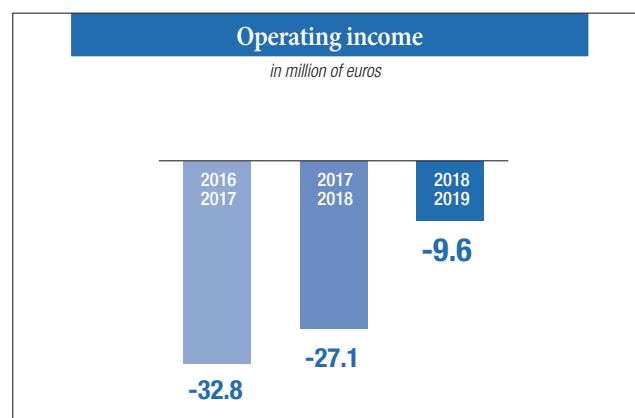
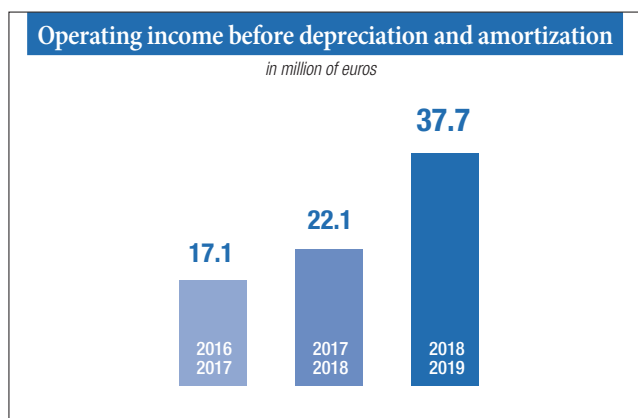
The €11.9 million increase in “Wages and salaries” was attributable to:

- the €8.6 million increase in hotel sector employee costs in line with the positive business trend, openings (Coya, Mada One) or reopenings with the gradual refurbishment of the Hôtel de Paris (Le Grill, Le Louis XV – Alain Ducasse);
- the €2.4 million increase in gaming sector employee costs, mainly due to the drop in tips collected from clients;
- the €1.1 million rise in employee costs relating to the security plan, with the hiring of personnel to perform services that were previously outsourced;

- the €2 million increase in employee costs from other sectors;
- the €2.2 million decrease in provisions for employee litigation.

Lastly, “Depreciation and amortization” decreased by €1.9 million. The decline in rental sector depreciation and amortization, due to the end of the amortization period of the Monte-Carlo Pavillons, was offset by the increase in hotel sector depreciation and amortization. For fiscal 2018/2019, depreciation and amortization concerned the first commissioning of the Hôtel de Paris facilities in early 2019, that was almost fully reopened. The commissioning of most of the new facilities and the corresponding depreciation and amortization were recorded as of the last quarter, as certain areas were still under refurbishment as of March 31, 2019.

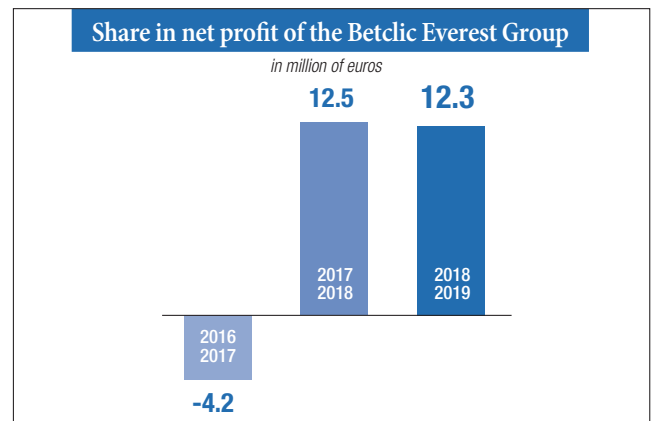
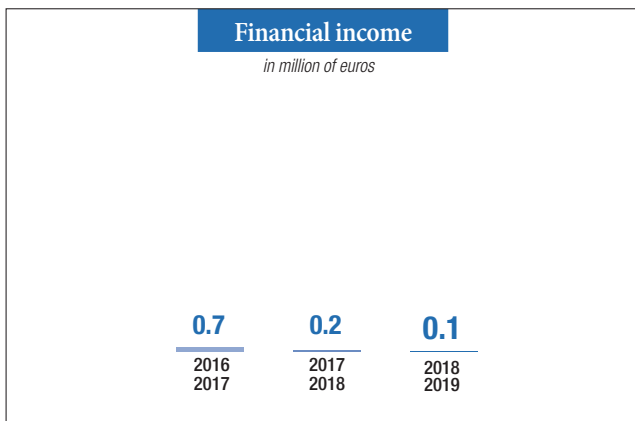
The S.B.M. Group’s **operating loss** stood at -€9.6 million, compared to -€27.1 million for the previous year.



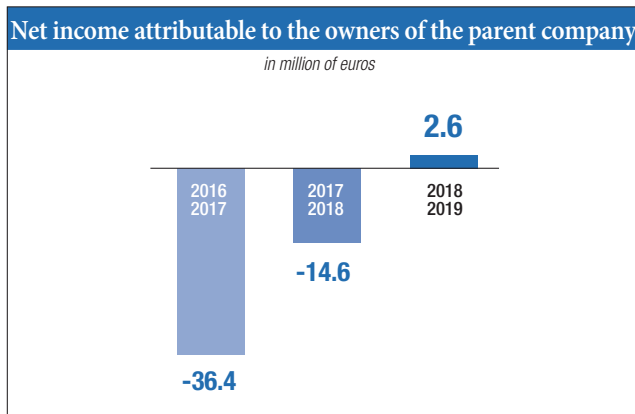
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Financial income for fiscal year 2018/2019 posted a profit of €0.1 million, compared to a profit of €0.2 million for the previous year. Borrowing costs related to the financing of works at the Hôtel de Paris and One Monte-Carlo project are capitalized 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 €12.3 million, compared to a net income of €12.5 million for fiscal 2017/2018. This result notably reflects Betclic's good performance, with the development of its sports betting offers, new mobile apps and the intensification of its marketing actions.



The **consolidated net loss attributable to owners of the parent company** stood at €2.6 million for fiscal year 2018/2019, compared to a loss of -€14.6 million for fiscal 2017/2018, representing an increase of €17.2 million.



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7.1.4 Consolidated balance sheet as of March 31, 2019**ASSETS**

<i>(in thousands of euros)</i>	March 31, 2018	March 31, 2019
Goodwill	32	32
Intangible assets	7,321	8,235
Property, plant & equipment	908,787	1,049,834
Equity investments	108,637	115,974
Other non-current financial assets	16,230	1,075
Non-current financial assets	124,866	117,048
Non-current assets	1,041,007	1,175,150
Inventory	12,337	12,951
Trade receivables	23,775	43,839
Other receivables	32,776	35,351
Other financial assets	173	6
Cash and cash equivalents	70,952	119,025
Current assets	140,013	211,172
TOTAL ASSETS	1,181,020	1,386,322

LIABILITIES & EQUITY

<i>(in thousands of euros)</i>	March 31, 2018	March 31, 2019
Common stock	24,517	24,517
Additional paid-in capital	214,650	214,650
Reserves	400,132	385,531
Reserves related to the change in fair value of financial assets registered in equity	(556)	(5,019)
Consolidated net income for the period	(14,595)	2,577
Equity attributable to owners of the parent company	624,148	622,257
Non controlling interests (minority interests)	604	800
Equity	624,751	623,057
Financial liabilities and borrowings	125,219	237,052
Employee benefits	48,981	51,900
Provisions	7,051	7,478
Other non-current liabilities	130,502	195,088
Total non-current liabilities	936,504	1,114,573
Trade payables	23,250	27,817
Contract liabilities		33,494
Other payables	216,118	204,116
Provisions	483	668
Financial liabilities	4,663	5,652
Total current liabilities	244,515	271,748
TOTAL LIABILITIES & EQUITY	1,181,020	1,386,322

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7.1.5 2018/2019 Consolidated cash flow statement

<i>(in thousands of euros)</i>	2017/2018 Fiscal year	2018/2019 Fiscal year
OPERATING ACTIVITIES		
Consolidated net income attributable to owners of the parent company	(14,595)	2,577
Non controlling interest (minority interest)	150	205
Amortization	49,206	47,327
Net income/(loss) of associates	(12,511)	(12,333)
Portion of investment grant recorded in profit or loss	(567)	(565)
Changes in provisions	2,040	(530)
Gains and losses on changes in fair value	(402)	(327)
Other income and expenses calculated	33	13
Capital gains and losses on disposal	267	1,007
Cash generated from operations	23,621	37,373
Net finance costs (excluding change in fair value) and income tax expense	518	327
Cash generated from operations before net finance costs and income tax expense	24,138	37,700
Tax paid		
Decrease/(increase) in WCR relating to operations	8,522	78,231
CASH FLOW FROM OPERATING ACTIVITIES	32,661	115,931
INVESTING ACTIVITIES		
Purchase of PP&E, intangible and financial assets	(191,812)	(199,941)
Gains on disposal of PP&E and intangible assets	645	223
Impact of changes in scope of consolidation		
Change in loans and advances granted	9,523	12,799
Others		7,500
CASH FLOW USED IN INVESTING ACTIVITIES	(181,643)	(179,417)
FINANCING ACTIVITIES		
Dividends paid	(3)	(5)
Minority contributions and changes in scope of consolidation		
Share capital increase		
Changes in stable financing activities (including credit line)	125,612	111,891
Net interest received (paid)	(518)	(327)
CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	125,091	111,559
CHANGE IN CASH AND CASH EQUIVALENTS	(23,891)	48,073
Cash and cash equivalents at beginning of the period	94,850	70,952
Cash restated at fair value	(7)	
Cash and cash equivalents at the end of the period	70,952	119,025
Cash and cash equivalents – Assets	70,952	119,025
Bank – Liabilities		

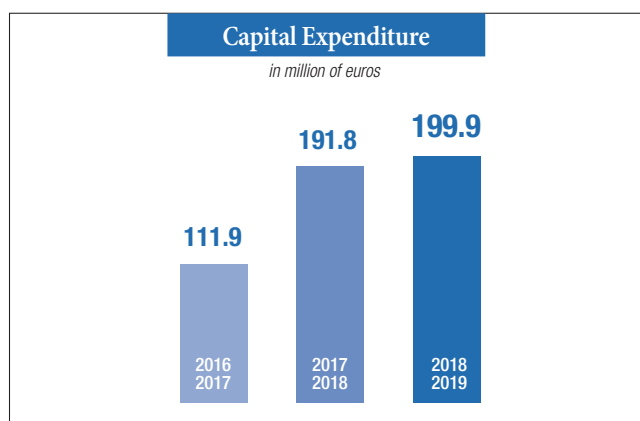
Cash from operations amounted to €37.4 million for fiscal 2018/2019, compared to €23.6 million the previous year. This increase was primarily due to the €15.6 million rise in operating income before depreciation and amortization. After taking into account the €78.2 million decrease in the working capital

requirement due to the collection of leasehold rights relating to the new boutiques at the Hôtel de Paris and One Monte-Carlo, net cash flows from operations totaled €115.9 million for fiscal 2018/2019, compared to €32.7 million for fiscal 2017/2018.

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In addition, the continued roll-out of the **capital expenditure** program (see section 7.2 – Capital expenditure and future outlook) led to a cash outflow of €199.9 million in fiscal 2018/2019 for acquisitions of property, plant and equipment, intangible assets and long-term investments, compared to €191.8 million the previous year. After taking into account changes in loans and advances granted, other gains from investing activities and gains on asset disposals, net cash flow used in investing activities amounted to €179.4 million for fiscal 2018/2019, compared to €181.6 million year-on-year.



As of March 31, 2019, the S.B.M. Group's **net debt** totaled €106.8 million, compared to €50.9 million as of March 31, 2018.

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 S.B.M. Group finalized its bank financing on January 31, 2017. Totalling €230 million, these credit facilities enable draw-downs at the S.B.M. 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, 2019, the S.B.M. Group used all its available bank financing, i.e. a total of €230 million.

This financing will be repaid every six months, with the first installment falling due on June 30, 2020 and the last scheduled for January 31, 2024.

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7.1.6 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)	2016/2017	2017/2018	2018/2019	Variation (in million of euros)
Revenue	394.9	405.5	460.6	55.1
Operating income before depreciation and amortization	1.8	5.4	20.4	15.0
Amortization	(43.7)	(42.7)	(40.5)	2.2
Operating income / (loss)	(42.0)	(37.3)	(20.1)	17.2
Financial income / (loss)	8.8	9.5	10.6	1.1
Exceptional income / (loss)	(3.7)	(4.3)	(0.6)	3.7
NET INCOME / (LOSS)	(36.8)	(32.1)	(10.1)	22.0

REVENUE

Revenue amounted to €460.6 million for fiscal 2018/2019, compared to €405.5 million the previous year, for an increase of €55.1 million.

OPERATING INCOME

Operating income was negative at -€20.1 million, compared to a loss of -€37.3 million in 2017/2018. This improvement is mainly due to the increase in activity in all sectors.

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 are capitalized during the construction period.

NET EXCEPTIONAL ITEMS

A net exceptional loss of -€0.6 million was recorded for fiscal 2018/2019, i.e. a €3.7 million improvement on the previous year. This increase was primarily due to the improved results of the subsidiary Monte-Carlo SBM International S.à.r.l., whose losses were lower than the previous year.

NET INCOME OR LOSS

The Parent Company net loss for fiscal 2018/2019 amounted to -€10.1 million, compared to a net loss of -€32.1 million the previous year, for an improvement of €22 million.

7.1.7 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 2018/2019 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 Ltd,
 - S.à.r.l Monte-Carlo SBM International,
 - SARL Café Grand Prix,
 - Société Betclac 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 and SARL Rainbow Wines, which are 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.

7.2 Capital expenditure and future outlook

7.2.1 Capital expenditure

In recent years, the S.B.M. Group has pursued an active capital expenditure program, for a total of €538 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 thousands of euros)	Year ended March 31, 2017	Year ended March 31, 2018	Year ended March 31, 2019
Gaming Sector	5,518	2,573	5,319
Hotel Sector	87,294	96,388	82,269
Rental Sector	45,778	87,785	94,023
Other Activities	9,206	12,456	8,907
TOTAL	147,795	199,202	190,518

GAMING SECTOR

Capital expenditure in the gaming sector amounted to €13.4 million over the last three fiscal years.

In fiscal 2018/2019, the S.B.M. Group pursued its slot machine pool renewal policy, with total capital expenditure of €3.8 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.

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.

Renovations also got underway in fiscal 2018/2019 at the Monte-Carlo Casino to better satisfy client expectations. These mainly focused on the lighting in the Casino's Europe and Renaissance rooms to create an atmosphere that meets the expectations of clients who come there for leisure, and make the rooms more welcoming by adding light effects. During the year, in the Casino Atrium, a boutique was created while the Bar Rotonde was reorganized as part of the Monte-Carlo Casino multi-annual refurbishment program.

Those two projects' capital expenditure, excluding the slot machines, totaled €3.5 million over the last three fiscal years.

HOTEL SECTOR

Capital expenditure in the hotel sector amounted to €266 million over the last three fiscal years.

The extensive renovation project of the Hôtel de Paris (see section 7.2.2. below – "Main ongoing projects") itself represented more than 80% of the total capital expenditure in the hotel sector in the last three years.

Together with the ongoing refurbishment at the S.B.M. Group's other hotels, other investments mainly involved three projects:

- the renovation of Jimmy'z over three years during the winter closures in order to modernize the establishment, renovate the inside bar and VIP areas and create an outside bar overlooking the lagoon. The total amount of this three-year refurbishment was €6.2 million, of which €0.8 million in the last year;
- the creation of the Coya restaurant, restaurant with flavors of Latin America, open during the summer at the Sporting Monte-Carlo and a stone's throw from Jimmy'z and the Salle des Étoiles. The total amount of this project was €2.8 million, of which €1.9 million in fiscal 2018/2019;
- and finally, the creation of Mada One in the new One Monte-Carlo complex, a new "snackonomy" concept that refers to the gastronomic expertise of chef Marcel Ravin and the simplicity he seeks to bring to this establishment, which serves as a café, bistro or tea room depending on the time of day. This project cost €3.1 million in fiscal 2018/2019.

Hotel sector capital expenditure amounted to €82.3 million in fiscal 2018/2019.



RENTAL SECTOR

Major capital expenditure has also been incurred in the rental sector, amounting to €227.6 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 “Résidence du Sporting” (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 7.2.2 below.

Expenses incurred during the last three fiscal years amounted to €216.5 million, of which €86.6 million in fiscal 2018/2019.

Rental sector capital expenditure amounted to €94 million in fiscal 2018/2019.

OTHER ACTIVITIES AND COMMON SERVICES

Capital expenditure in other activities and common services amounted to €30.6 million over the last three fiscal years.

They mainly concerned the management software and systems rolled out by the S.B.M. Group support functions such as the Human Resources Department (time and activity, payroll management) or the IT Department, particularly as part of the IT master plan, and mostly the completion of major refurbishments at the Monte-Carlo Country Club.

7.2.2 Main ongoing projects and future outlook

PURSUIT OF THE CAPITAL EXPENDITURE PROGRAM

The projects under way as of March 31, 2019 will continue in 2019/2020 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 slot machines and the ongoing Monte-Carlo Casino refurbishment program.

The work planned for 2019/2020 in this establishment will focus on “Salle Médecin” and, more specifically its terrace where private rooms will be created to welcome high rollers. Similarly, there are plans to create a smokers’ terrace, overlooking the allée François Blanc, for fun players.

HOTEL SECTOR

As mentioned previously, the main project in the hotel sector is the extensive renovation of the Hôtel de Paris, under completion in the first quarter of fiscal 2019/2020.

Renovation concerned the entire establishment, with restructuring of both public areas and service facilities. The hotel’s overall accommodation capacity is slightly higher than the one before renovation, with the size of the rooms and suites and the proportion of suites increased.

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 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 project, scheduled to last four years, began in 2014 with the total demolition and reconstruction of the Rotonde and Alice wings. These two wings were completed in May 2017 to be marketed for the Formula 1 Grand Prix. The Casino and Beaux-Arts wings were refurbished at the end of 2018. In fiscal 2018/2019, the establishment had an average capacity of 97 rooms compared to 56 in the previous year.

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

ANALYSIS OF THE FINANCIAL POSITION AND ACTIVITY OF S.B.M. GROUP DURING FISCAL YEAR 2018/2019

CAPITAL EXPENDITURE AND FUTURE OUTLOOK

Among the new features introduced during this reconstruction were the opening of the Princesse Grace Suite, with its extended outside terrace offering a wider view and the creation of the Prince Rainier III Suite, the largest in the Hôtel de Paris in terms of space and the showpiece of this transformation.

The cost of the Hôtel de Paris renovation for the 2014-2019 period is estimated €280 million, excluding the estimated operating losses.

As of March 31, 2019, a total of €271.4 million had already been invested in this project, of which €224.3 million in the last three fiscal years and €69.7 million during the last fiscal year.

The project was being finalized as of March 31, 2019, but most assets were commissioned in the last quarter of 2018/2019. The project is scheduled for completion in the first half of fiscal 2019/2020.

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 m² of high-end boutiques on three floors (basement, ground floor and mezzanine), upscale multi-storey residences covering 12,900 m², 2,500 m² of office spaces, 2,500 m² of conference rooms equipped with multimedia technologies, an exhibition room of 400 m² 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, named "Promenade Princesse Charlène", 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 2013-2019 period.

As of March 31, 2019, a total of €340.4 million had already been invested in the project, including:

- design costs and professional fees for €60.7 million;
- construction costs and technical installations for €183.3 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;
- architectural and decoration costs for €26.2 million.

The share of these investments for fiscal 2018/2019 amounted to €86.6 million.

All the real estate complex infrastructures and the superstructure building construction were finalized, resulting in the new district's official inauguration on February 22, 2019 in the presence of H.S.H. Prince Albert II and H.S.H. Princess Charlène, accompanied by H.S.H. the Hereditary Prince Jacques and H.S.H. the Princess Gabriella.

The interior was still being finalized as of March 31, 2019, with completion scheduled in the first half of fiscal 2019/2020.

Given these various projects, the estimated capital expenditure for fiscal 2019/2020 should be slightly lower than €100 million, of which €50 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.

These projects nevertheless represent an unprecedented investment, currently estimated at €670 million, of which €611.8 million already accounted as of March 31, 2019.

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. The S.B.M. Group will thus take on a new dimension through both an expected revenue boost and portfolio growth.

The S.B.M. Group intends to pursue this growth strategy in the years to come. 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.

The Monte-Carlo Casino investment program will continue to satisfy the expectations of an ever demanding clientèle. Plans have been made to expand the "salle Blanche" and finalize the transformation of the "salle Médecin" into a very high-end, customized and intimate gaming area where its clients and their companions can dine and enjoy themselves.

7

NOTES

NOTES

MONTE-CARLO

SOCIÉTÉ DES BAINS DE MER

CASINOS

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

HOTELS & RESTAURANTS

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

RESIDENTIAL

La Résidence du Sporting
Les Villas du Sporting
Le Balmoral
One Monte-Carlo

LEISURE & ENTERTAINEMENTS

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

Société Anonyme des Bains de Mer
et du Cercle des Étrangers à Monaco (S.B.M.)
Société anonyme au capital de 24 516 661 euros
Siège social : Place du Casino – 98000 MONACO
RCI Principauté de Monaco 56S00523