

# MANEAGEMENT REPORT AND ACCOUNTS

1<sup>st</sup> QUARTER 2016



**ESTORIL SOL SGPS SA**

**ESTORIL-SOL, SGPS, S.A.**

Capital social integralmente realizado 59.968.420 Euros

Sociedade Anónima com sede na Av. Dr. Stanley Ho, Edifício do Casino Estoril, 2765-190 Estoril - Cascais

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**BOARD OF THE ANNUAL GENERAL MEETING**

Chairman	- Pedro Canastra de Azevedo Maia
Deputy Chairman	- Tiago Antunes da Cunha Ferreira de Lemos
Secretary	- Marta Horta e Costa Leitão Pinto Barbosa

**ADVISORY BOARD**

Chairman	- Rui José da Cunha
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**REMUNERATION COMMITTEE**

- Pansy Catilina Chiu King Ho
- Jorge Armindo de Carvalho Teixeira
- Calvin Ka Wing Chann

**BOARD OF DIRECTORS**

Chairman	- Stanley Hung Sun Ho
Deputy-Chairmen	- Mário Alberto Neves Assis Ferreira
	- Patrick Wing Ming Huen
Members	- Pansy Catilina Chiu King Ho
	- Ambrose Shu Fai So
	- Man Hin Choi
	- António José de Melo Vieira Coelho
	- Vasco Esteves Fraga
	- Jorge Armindo de Carvalho Teixeira
	- Calvin Ka Wing Chann
	- Miguel António Dias Urbano de Magalhães Queiroz

**EXECUTIVE COMMITTEE**

Chairman	Pansy Catilina Chiu King Ho
Deputy-Chairmen	Jorge Armindo de Carvalho Teixeira
	Vasco Esteves Fraga
	Calvin Ka Wing Chann

**AUDIT BOARD**

Chairman	- Mário Pereira Pinto
Deputy-Chairmen	- António José Alves da Silva
	- Manuel Martins Lourenço
Alternates	- Armando do Carmo Gonçalves

**COMPANY SECRETARY**

Secretary:	- Carlos Alberto Francisco Farinha
Alternate:	- Artur Alexandre Conde de Magalhães Mateus

**STATUTORY AUDITOR**

- Lampreia, Viçoso & Associado, SROC, Ltd - Represented by José Martins Lampreia

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## Interim Management Report

### 1<sup>st</sup> Quarter 2016

#### 1. THE COMPANY

Estoril Sol, S.A. was incorporated on 25 June 1958 and its company object is “the operation of the gambling concession, on an exclusive basis, in the Estoril permanent area, including other related trade and industries”.

On 18 March 2002, ESTORIL-SOL, SA modified its legal status to “Holding Company, SGPS”, Public Corporation, thereby no longer directly conducting any business activities, and such business is now to be conducted by various associated undertakings which have been incorporated for this purpose.

The Company held indirectly through subsidiaries interests in the tourism sector, in particular, in gaming activities at casinos. The Company owns the Game Concessions of Estoril (Casino do Estoril and Casino Lisboa) and Póvoa de Varzim.

#### 2. SHARE CAPITAL, SHARES AND DIVIDENDS

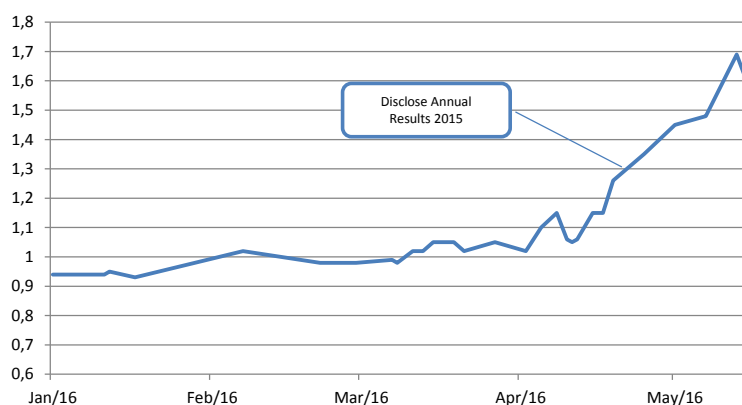
At 31<sup>st</sup> March 2016, the share capital of ESTORIL-SOL, S.G.P.S., S.A. was 59.628.420 Euros, represented by 11.993.684 shares with a nominal unit value of 5 (five) Euros, of which 6.116.779 were registered shares and 5.876.905 bearer shares.

At the time this report was prepared, ESTORIL SOL, SGPS, S.A. held 62.565 treasury shares, with no trading taking place during the financial year.

During the first quarter of 2015, the Company, did not sold or acquired own shares.

The Company's shares are listed on the Lisbon Stock Exchange since February 14, 1986.

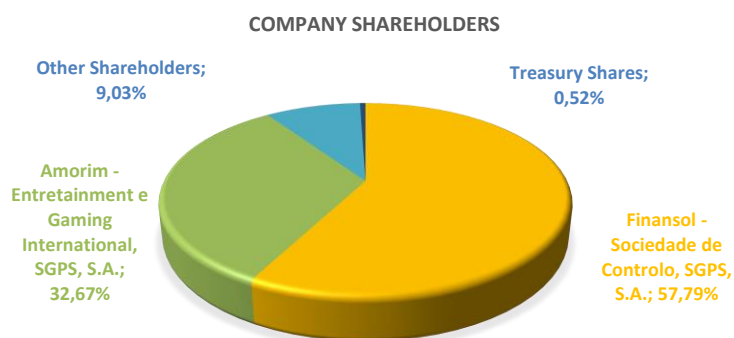
**Estoril-Sol, SGPS, S.A.**  
**Shares price - evolution**



The price and trading volume of Estoril-Sol, SGPS, SA securities, on the dates of reporting to the market during the year 2016 were according table below:

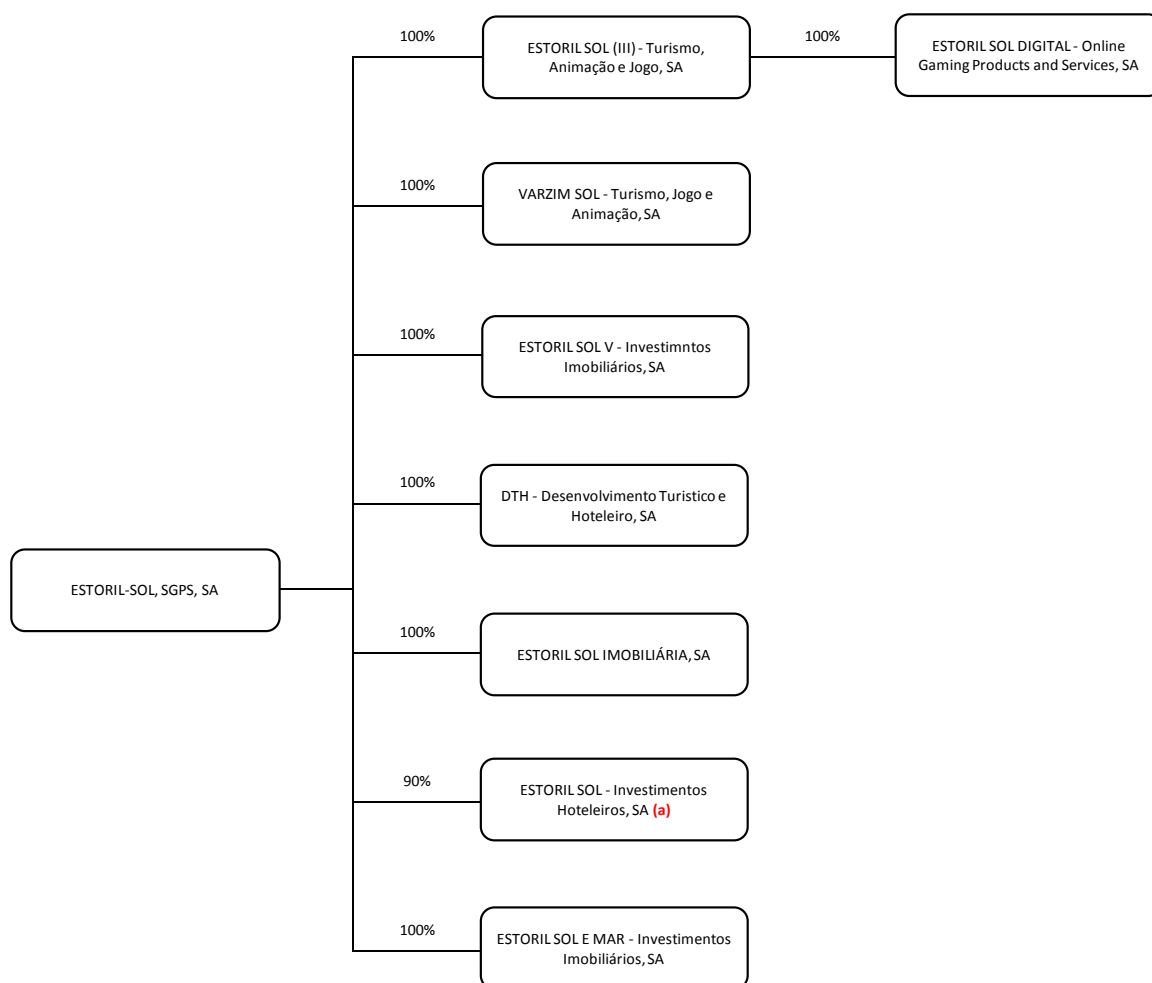
Date for disclosing Estoril-Sol, SGPS, S.A. , information						
Disclosure	Date	Qtd	Price (Euros)			
			Open	High	Low	Close
Annual results for 2015	29/04/2016	95	1,35	1,35	1,35	1,35

As at March 31st, 2016 the Company had two reference shareholders, which control 90,46% of the share capital, as infographics below:



The Company proposes the payment of 0,211€ dividend per share related to the year 2015. This payment will occur during June 2016.

### 3. ESTORIL-SOL GROUP



(a) - Holds 10% of its Share Capital

On March 31<sup>st</sup>, 2016, ESTORIL-SOL, S.G.P.S., S.A. had the following stakes in the following subsidiaries:

ESTORIL-SOL (III) - TURISMO ANIMAÇÃO E JOGO, S.A., incorporated on 26 July 2001, headquartered in Estoril, the social object of which is the operation of games of chance in areas where this is permitted by law and, in addition, may also operate in the tourism, hotel, restaurant and entertainment industries, as well as providing consultancy services in those areas of activity. This company operates the Estoril and Lisbon Casinos.

Its share capital of EUR 34,000,000 is 100% held by ESTORIL-SOL, S.G.P.S., S.A.

VARZIM SOL - ANIMAÇÃO, TURISMO E JOGO, S.A., headquartered in Póvoa de Varzim, has the social object, in particular, of operating the gambling concession of Póvoa de Varzim. This company operates the Póvoa de Varzim Casino.

It has a share capital of EUR 33.650.000, 100% held by ESTORIL SOL, S.G.P.S., S.A..

ESTORIL SOL (V) - Investimentos Imobiliários, S.A. - Its share capital of EUR 50,000 is fully paid up by ESTORIL-SOL, S.G.P.S., S.A.. The Company is now idle, but owns a site located on maritime land in the parish of Ericeira.

DTH - DESENVOLVIMENTO TURÍSTICO E HOTELEIRO, SA – With a share capital of EUR 2,429,146, is 100% held by ESTORIL-SOL, S.G.P.S., S.A.. It owns a plot of land in Monte Estoril, where the former Miramar Hotel stood.

ESTORIL - SOL IMOBILIÁRIA, S.A. - With a share capital of EUR 7,232,570, it is 100% owned by ESTORIL SOL, S.G.P.S., S.A.. Its social object is the construction, promotion, management and sale of tourist complexes and real estate.

ESTORIL SOL - INVESTIMENTOS HOTELEIROS, S.A. - With a share capital of EUR 10,835,000 is 90% held by ESTORIL SOL, S.G.P.S., S.A., with the remaining 10% being held by the company itself.

ESTORIL SOL E MAR - Investimentos Imobiliários, S.A. - With a share capital of EUR 1.286.000, is fully paid up by ESTORIL-SOL, S.G.P.S., S.A..

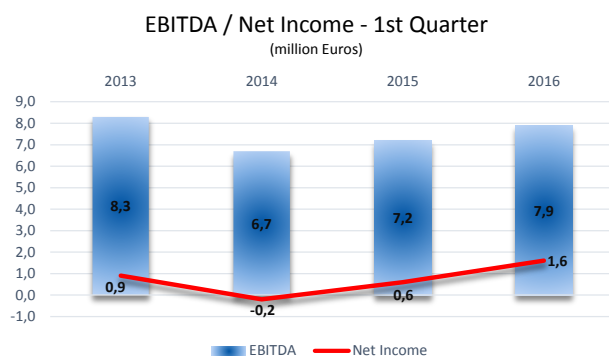
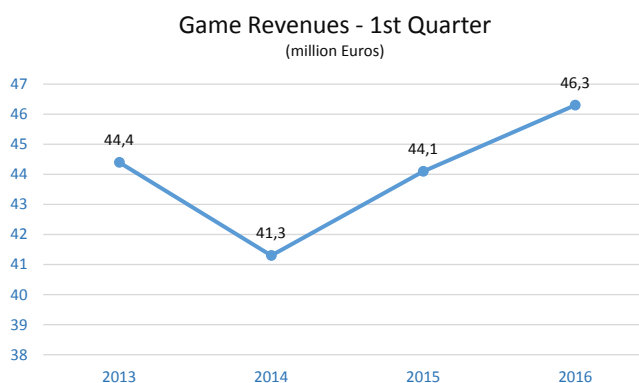
ESTORIL-SOL DIGITAL – ONLINE GAMING PRODUCTS AND SERVICES, S.A. – with a Share Capital of EUR 500.000 is 100% held by ESTORIL-SOL (III) –TURISMO, ANIMAÇÃO E JOGO, S.A.

The Company was founded in September 2015 in order to apply for an online gaming license.

#### 4. ESTORIL-SOL FINANCIAL ANALYSIS – 1ST QUARTER SUMMARY

##### Game Revenues

The growth trend of gaming revenues started in 2015 continued in the first quarter of 2016. During the first quarter of 2016 the gross game revenues of the Estoril Sol Group grew 5,2% and amounted to 46,3 million Euros.



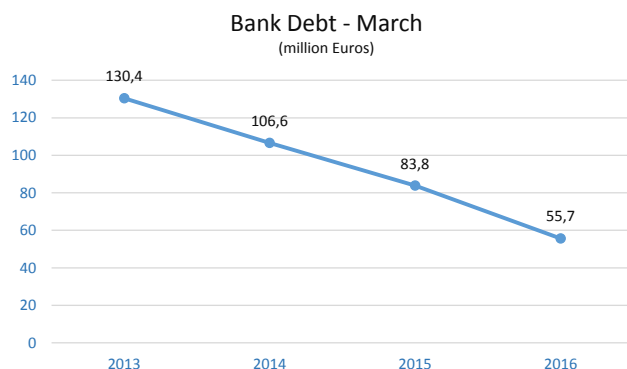
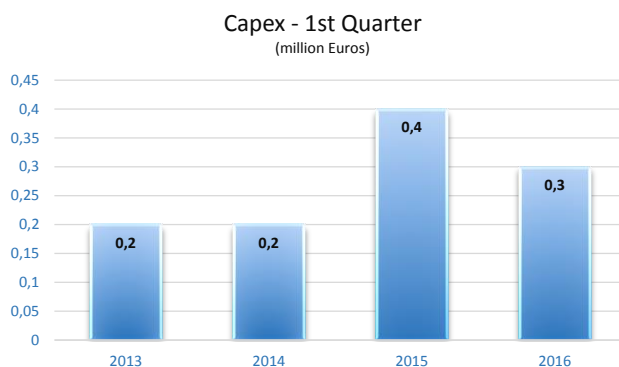
##### Results

In the first quarter of 2016 the Group's EBITDA increased by 9% and amounted to Euro 7,9 million.

For the first three months of 2016 the Group reported positive net results of 1,6 million Euros.

##### Capex

Pursuing a very careful selection of the investments, the Group made investments (CAPEX) during the first quarter of 2016 in the total amount of approximately 0,3 million Euros.



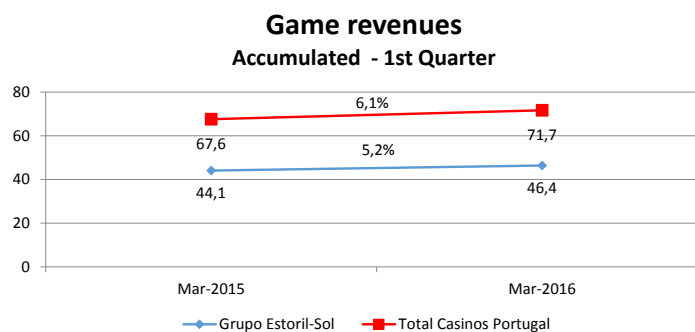
##### Financial Debt

In a concerted effort to financial stability and less dependence on third parties, the Group has consistently reduced its bank debt, this reduction resulted in a significant decrease in financial costs incurred by the Group. By the end of March 2016 the Group bank debt was 55,7 million Euros.

## 5. FINANCIAL ANALYSIS – CONSOLIDATED ACCOUNTS

The recovery trend of gaming revenues growth rate that began in the second half of 2014 remained in the first three months of 2016. As consequence, the gaming revenues increased in the first quarter of 2016 when compared with the same period last year, 6,1% in the industry and 5,2% in the Estoril-Sol Group.

If this positive trend continues in the months to come, the year 2016 may continue the positive game revenue evolution cycle that began in 2015, and broke with a negative cycle observed since 2008 which caused accumulated game revenues losses of nearly 30% in Portugal.



The Estoril-Sol Group, through its subsidiaries, operates three of the four biggest casinos in Portugal, accounting for 64% of net income and taxes paid and generated by the activity in Portugal.

Revenues from gambling in Portugal during the first quarter of 2016 amounted to approximately 71,7 million Euros, an increase of 6,1% compared to last year which represents almost 4,1 million Euros. In the same period the Group game revenues achieved 46,4 million Euros, an increase of 5,2% equivalent to 2,3 million Euros.

The other operating revenues of Estoril-Sol, restaurant and entertainment, grew by 6% to 1,9 million Euros. The increase in these revenues is partially justified by the game revenues increase and also for the strengthening and promotion of leisure and entertainment areas within the casinos operated by Estoril-Sol. The operating cost increase by 6,1% mainly reflects this investment undertaken by the Group to streamline and increase the entertainment offer within the casinos.

	Mar - 2016	Mar - 2015	Var %
Gaming Revenue	46.420.209	44.114.571	5,2%
Special Gaming Tax	-24.285.855	-23.438.943	a)
Effective Tax Rate	52%	53%	
<b>Game Revenue - Net</b>	<b>22.134.355</b>	<b>20.675.628</b>	<b>7,1%</b>
Other revenue ( F&B / Entertainment )	1.945.850	1.824.558	6,6%
Operating costs	-16.138.714	-15.212.090	6,1%
<b>EBITDA</b>	<b>7.941.491</b>	<b>7.288.096</b>	<b>9,0%</b>
Amortization and Depreciation	-5.360.992	-5.293.068	1,3%
Financial Costs	-934.386	-1.321.829	-29%
Income tax (IRC)	-7.000	-	
<b>Consolidated net result of the period</b>	<b>1.639.112</b>	<b>673.199</b>	<b>143%</b>

a) Includes the amounts recorded in "Gaming taxes" as "Special Gaming Tax (current)" and "Annual Gaming tax (difference to minimum grant)".

The Group improved its operating results by 9%, with a positive EBITDA of 7,9 million Euros for the first three months of 2016.

In a concerted effort to financial stability and less dependence on third parties, the Group has been successively reducing its bank debt. This reduction resulted in a significant decrease in financial costs incurred by the Group Estoril-Sol, a decrease of 29% over the first quarter of 2016 compared to same period last year. Estoril-Sol supported almost 0,9 million Euros with loan interests during the first three months of 2016.

The favorable combination of game revenues growth and substantial financial bank debt reduction allowed the Group to show a positive consolidated net result of 1,6 million Euros compared to earnings of 0,6 million Euros in the previous year.

By analyzing the results at casino level, it is possible to conclude that only Casino Lisboa has a positive net result, approximately 3 million Euros. Still, it is important to highlight the fact that in the first three months of 2016, all Group casinos

shown positive gaming revenues growth rates, which were 8,1% in Casino da Póvoa, 4,3% in Casino Lisboa and 3,2% in Casino Estoril. This performance of gaming revenues allowed the Group to present positive operational results (EBITDA) in all its casinos. It must be emphasize that these performances, with special focus over Casino da Póvoa, have

	Estoril	Lisboa	Póvoa	Other
Gaming Revenue	15.378.627	20.503.555	10.538.027	
Special Gaming Tax	-7.635.462	-10.255.393	-6.395.000	
Effective Tax Rate	50%	50%	61%	
Game Revenue - Net	7.743.165	10.248.163	4.143.027	
EBITDA	1.783.019	5.835.779	697.508	
EBITDA Margin	12%	28%	7%	
Amortization and Depreciation	-1.935.009	-1.887.473	-1.437.601	
Financial Costs	-287.976	-304.222	-326.000	
Net Result by casino	-439.966	3.644.084	-1.066.093	
Results from other operations				-498.914
Consolidated net result of the period				1.639.112

been repeatedly penalized by tax rates applied to game revenues, which in the case of Casino da Póvoa achieve a 61% effective tax rate over game revenues for the period ended March 2016, proving once more the high and inadequate levels of taxation over game revenues given the current situation of the Portuguese casinos.

Therefore, It will be prudent and realistic to foresee the continuation of moderate and gradual recovery of activity levels and operational results generated by the Group casinos, conditioned by the need to continue the consolidation budget process as well as the reduction of the Group financial bank debt.

## 6. RELEVANT FACTS

- During the first quarter of 2013, after a unanimous vote taken at the headquarters of the Portuguese Association of Casinos as well as within the Board of Estoril-Sol, the operating companies from the Group Estoril-Sol, have filed lawsuits against the State in which they seek to be restored the financial balance of Gaming Concessions. Such a claim is founded, among other reasons, because the State, through its actions and omissions has given rise to changes in circumstances that were the basis for the negotiation of the gaming concessions. Of them highlights the fact that it was assumed for tax basis a continuing and significant increase of gaming revenue throughout the concession period. Despite not having checked this proposition due to the economic climate and as a result of the State attitude in relation to online gambling and illegal gambling, among others, it continued to require them to pay very high taxes, calculated on revenue that the Concessionaires did not obtain. Thus, remained no alternative to the Concessionaires that was not to challenge with the competent Administrative and Fiscal Courts the settlements of tax to which they were presented, and for that purpose submit the necessary judicial guarantees. However by the time of approval of this report, and despite the fact that all tax settlements were contested by the Group, all taxes are without exception, or paid or its payment was legally postponed under Decree-Law 1/2015, and for this reason the Group Estoril-Sol does not have any overdue debt related with game taxes.

- On the 28th June 2015 the online gambling regulation approved by decree-law 66/2015 entered into force. This regulation now applicable, approved by the Government, represents, once again, a penalty to the gambling concessionaires unilaterally terminating the exclusive right of exploitation of games of fortune and chance in Portugal, - a right by which the concessionaires paid considerable sums and assumed significant additional obligations - the law published, puts them in equal circumstances as the offenders of the past who, in the meantime, managed to illegally build their customer database, key factor to ensure the success of this business, being noticeable by the studies conducted, that the current gambling concessionaires little or nothing would be able to benefit, in the future, from the law deliberated in the meantime, in order to balance their operating accounts.

## 7. SUBSEQUENT FACTS

Between the 31st of March 2016 and the date of this report, no relevant facts occurred that could materially affect the financial position and the future results of Estoril-Sol, SGPS,S.A. and the other Companies of the Group.

Estoril, 31st May, 2016

### The Board of Directors

- |                 |   |
|-----------------|---|
| - Chairman      | - Stanley Hun Sun Ho                              |
| - Vice-Chairmen | - Mário Alberto Neves Assis Ferreira              |
|                 | - Patrick Wing Ming Huen                          |
| - Directors     | - Pansy Catilina Chiu King Ho                     |
|                 | - Ambrose Shu Fai So                              |
|                 | - Man Hin Choi                                    |
|                 | - António José de Melo Vieira Coelho              |
|                 | - Vasco Esteves Fraga                             |
|                 | - Jorge Armindo de Carvalho Teixeira              |
|                 | - Calvin Ka Wing Chann                            |
|                 | - Miguel António Dias Urbano de Magalhães Queiroz |

**FINANSOL, SOCIEDADE DE CONTROLO, S.G.P.S., S.A.**

On 31 March 2016, ESTORIL SOL, S.G.P.S., S.A. held 62.565 treasury shares, and as FINANSOL - SOCIEDADE DE CONTROLO, S.G.P.S., S.A., on 31 March 2016, held 6.930.604 shares of ESTORIL-SOL, S.G.P.S., S.A., it was a direct holder of 57,79% of the share capital and 58,09% of the voting rights.

The members of the Board of Directors and of the Advisory Board of the Companies which are controlled by or grouped under ESTORIL-SOL, held 255,698 shares of ESTORIL-SOL, S.G.P.S., S.A., corresponding to 2,1% of the share capital and voting rights.

Therefore, in overall terms, the direct and indirect stake of FINANSOL in the capital of ESTORIL-SOL is 57,79%, and 60,23% to the voting rights.

**AMORIM - ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., S.A.**

On 31 March 2016, ESTORIL-SOL, S.G.P.S., S.A. held 62.565 treasury shares, and, as AMORIM – ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., S.A. held 3.917.793 shares, this company was a direct holder of 32,67% of the share capital and 32,84% of the voting rights of ESTORIL SOL, S.G.P.S., S.A..

Mr. José Américo Amorim Coelho, held 34,915 shares of ESTORIL-SOL, S.G.P.S., S.A., corresponding to 0,29% of the share capital and voting rights.

Therefore, in overall terms, the direct and indirect stake of AMORIM - ENTERTAINMENT E GAMING INTERNATIONAL, S.G.P.S., SA in the share capital of ESTORIL-SOL, S.G.P.S., S.A. was, on 31 March 2016, 32,67% and 33,13% of the voting rights.



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CONSOLIDATED FINANCIAL STATEMENTS  
AND  
NOTES TO THE ACCOUNTS

## CONSOLIDATED STATEMENT OF THE FINANCIAL POSITION

ESTORIL SOL, SGPS, S.A.

CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION ON MARCH 31st, 2016 And DECEMBER 31st, 2015

(Amounts in Euros)

ASSETS	Notes	Mar - 16	Dec-15
<b>NON-CURRENT ASSETS:</b>			
Tangible fixed assets			
Reversible to the State	10	46.370.957	49.062.404
Not reversible to the State	10	57.177.087	57.724.052
Tax deductions on investments	-	(17.302.890)	(18.341.549)
Total non-current assets		86.245.154	88.444.907
Intangible assets	11	63.990.184	66.962.403
Investment properties	-	202.958	204.346
Other non current assets	-	34.124	31.623
		<u>150.472.419</u>	<u>155.643.279</u>
<b>CURRENT ASSETS:</b>			
Inventories	-	6.759.336	6.753.442
Accounts receivable - trade	-	211.825	249.575
Other accounts receivable	-	1.720.263	1.020.032
Cash and cash equivalents	12	8.317.564	10.883.646
Total current assets		<u>17.008.988</u>	<u>18.906.695</u>
Total assets		<u>167.481.407</u>	<u>174.549.974</u>
<b>EQUITY and LIABILITIES</b>			
<b>EQUITY:</b>			
Capital	13	59.968.420	59.968.420
Treasury shares	13	(708.306)	(708.306)
Share issue premiums	13	7.820.769	7.820.769
Legal Reserves		6.614.782	6.614.782
Other Reserves and Retained earnings		(3.075.115)	(7.271.176)
Consolidated net profit		1.639.112	4.196.063
Total equity		<u>72.259.662</u>	<u>70.620.552</u>
<b>LIABILITIES:</b>			
<b>NON-CURRENT LIABILITIES:</b>			
Financial debt	14	5.003.232	5.003.232
Other accounts payable	15	4.886.853	4.886.853
Provisions	-	8.042.766	8.284.263
Total non-current liabilities		<u>17.932.850</u>	<u>18.174.348</u>
<b>CURRENT LIABILITIES:</b>			
Financial debt	14	50.774.031	50.715.146
Other accounts payable	15	26.514.863	35.039.927
Total current liabilities		<u>77.288.894</u>	<u>85.755.073</u>
Total liabilities		<u>95.221.744</u>	<u>103.929.421</u>
Total equity and liabilities		<u>167.481.407</u>	<u>174.549.973</u>

The notes form an integral part of these financial statements

# CONSOLIDATED INCOME STATEMENTS



## ESTORIL-SOL, SGPS, S.A.

### CONSOLIDATED INCOME STATEMENT

OF THE PERIODS ENDED ON 31st MARCH, 2016 AND 2015

(Amounts in Euros)

		31st March	
	Notes	2016	2015
<b>REVENUE:</b>			
Gaming revenues	6	46.420.209	44.114.571
Gaming taxes	6	(24.285.855)	(23.438.943)
		22.134.354	20.675.628
Other operating revenue	6	1.945.850	1.824.558
		24.080.204	22.500.186
<b>OPERATING EXPENSES:</b>			
Cost of sales	-	(635.300)	(616.785)
Supplies and external services	7	(6.936.844)	(6.452.519)
Wages and salaries	8	(7.784.271)	(7.569.704)
Depreciation and amortization	-	(5.360.992)	(5.293.068)
Impairments - accounts receivable ( (increases) / reversals )		450	(38.675)
Provisions ( (increases) / reversals )	-	-	-
Impairment of non-depreciable / amortizable investments	-	(3.344)	-
Other indirect taxes	-	(74.238)	(80.111)
Other operating expenses	-	(705.167)	(454.297)
Total operating expenses		(21.499.706)	(20.505.159)
Income before financial results and taxes		2.580.498	1.995.027
<b>FINANCIAL (LOSSES) AND GAINS:</b>			
Financial losses	9	(942.112)	(1.326.224)
Financial gains	9	7.726	4.393
		(934.386)	(1.321.831)
Income before taxes		1.646.112	673.196
Income taxes	14	(7.000)	-
CONSOLIDATED NET INCOME	5	1.639.112	673.196
Attributable to:			
Equity holders of the parent		1.639.112	673.196
Net result per share	17	0,14	0,06

The notes form an integral part of these financial statements

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

ESTORIL-SOL, SGPS, S.A.

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIODS ENDED 31st MARCH 2016 AND 2015

(Amounts in Euros)

	Share Capital	Treasury Shares	Issue Premiums	Legal Reserve	Other Reserves and Retained Earnings	Consolidated net result of the year	Total Equity
Balance at 01st January 2015	59.968.420	(708.306)	7.820.769	6.614.782	(5.528.891)	(1.736.283)	66.430.491
Application of the consolidated net profit of the year ended 31st December 2014	-	-	-	-	(1.736.283)	1.736.283	-
Consolidated Other Comprehensive Income (OCI) of the period ended 31st March 2015	-	-	-	-	-	673.197	673.197
Balance at 31st March 2015	59.968.420	(708.306)	7.820.769	6.614.782	(7.265.175)	673.197	67.103.688
Balance at 01st January 2016	59.968.420	(708.306)	7.820.769	6.614.782	(7.271.176)	4.196.063	70.620.552
Application of the consolidated net profit of the year ended 31st December 2015	-	-	-	-	4.196.063	(4.196.063)	-
Consolidated Other Comprehensive Income (OCI) of the period ended 31st March 2016	-	-	-	-	-	1.639.112	1.639.112
Balance at 31st March 2016	59.968.420	(708.306)	7.820.769	6.614.782	(3.075.115)	1.639.112	72.259.662

The notes form an integral part of these financial statements

ESTORIL-SOL, SGPS,S.A.

CONSOLIDATED CASH FLOW STATEMENTS

FOR YEARS ENDED 31st MARCH 2016 AND 2015

(Amounts in Euros)

	<u>Notes</u>	<u>Mar - 2016</u>	<u>Mar - 2015</u>
<u>OPERATING ACTIVITIES:</u>			
Receipts from clients		47.414.198	44.940.954
Payments to suppliers		(8.480.049)	(8.678.781)
Payments to staff		(6.987.896)	(6.595.829)
Cash flow generated by operations		31.946.254	29.666.344
Payment of income tax		(11.700)	(3.000)
Payment of Special Gaming tax		(31.554.846)	(29.041.146)
Other payments relating to the operating activity		(1.741.685)	(828.776)
Cash flow from operating activities (1)		<u>(1.361.977)</u>	<u>(206.578)</u>
<u>INVESTING ACTIVITIES:</u>			
Receipts from:			
Interest and similar income		7.726	4.393
		<u>7.726</u>	<u>4.393</u>
Payments in respect of:			
Tangible fixed assets		(349.857)	(395.551)
		<u>(349.857)</u>	<u>(395.551)</u>
Cash flow from investment activities (2)		<u>(342.132)</u>	<u>(391.158)</u>
<u>FINANCING ACTIVITIES:</u>			
Receipts from:			
Bank loans obtained		93.813.607	196.008.887
		<u>93.813.607</u>	<u>196.008.887</u>
Payments in respect of:			
Bank loans repaid		(93.559.765)	(195.908.273)
Interest and similar costs		(1.075.136)	(1.493.124)
Amortization of finance leasing contracts		-	-
		<u>(94.634.902)</u>	<u>(197.401.397)</u>
Cash flow from financing activities (3)		<u>(821.295)</u>	<u>(1.392.509)</u>
Variation in cash and cash equivalents (4)=(1)+(2)+(3)		(2.525.403)	(1.990.248)
Cash and cash equivalents at the start of the period	12	10.839.350	10.040.238
Cash and cash equivalents at the end of the period	12	8.313.947	8.049.990

The notes form an integral part of these financial statements

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## 1. INTRODUCTION

The Estoril Sol Group, through its subsidiary and associated companies (Note 4), conducts business in gaming, the restaurant sector, entertainment and also real estate.

Estoril Sol, S.G.P.S., S.A. is the Holding Company of the Estoril Sol Group ("Group") and the shares representing its share capital are admitted for trading on a regulated market - the Euronext – as such, on 1 January 2005 it was obliged to prepare Consolidated Accounts pursuant to article 3 of Regulation (EC) no. 1606/2002, of the European Parliament and of the Council, of 19 July, following the Portuguese government's publication of Decree Law no. 35/2005, article 11.

## 2. MAIN ACCOUNTING POLICIES

### 2.1. Bases of presentation

The attached financial statements were prepared on the assumption of the continuity of operations, based on the books and accounting records of the companies included in the consolidation (Note 4), adjusted to comply with the provisions of the IAS 34 as adopted in the European Union and should be read together with the consolidated financial statements for the year ended 31<sup>st</sup> December 2015. The interim financial information now disclose was not subjected to an external audit or limited review.

## 3. JUDGMENTS OF VALUE, CRITICAL ASSUMPTIONS AND MAIN SOURCES OF UNCERTAINTY ASSOCIATED TO ESTIMATES

During the period ended on 31<sup>st</sup> March 2015, there were no changes in accounting policies in relation to those used in the preparation and presentation of the financial statements of the year ended on 31<sup>st</sup> December 2015, nor were any material errors recognised relating to previous periods.

## 4. COMPANIES INCLUDED IN THE CONSOLIDATION AND ASSOCIATE COMPANIES

### 4.1 Companies included in the consolidation

The companies included in the consolidation, their registered offices, the method of consolidation adopted and the proportion of the capital effectively held on 31 March 2016 and 31 December 2015 are the following:

Name	Head office	Method of Consolidation	Effective percentage of the capital held	
			Mar-16	Dec-15
Estoril-Sol, S.G.P.S., S.A.	Estoril	Integral	Holding. Co.	Holding. Co.
Estoril-Sol (III) - Turismo, Animação e Jogo, S.A.	Estoril	Integral	100	100
Varzim Sol - Turismo, Jogo e Animação, S.A.	Póvoa de Varzim	Integral	100	100
Estoril-Sol V - Investimentos Imobiliários, S.A.	Estoril	Integral	100	100
DTH - Desenvolvimento Turístico e Hoteleiro, S.A.	Estoril	Integral	100	100
Estoril-Sol Imobiliária, S.A.	Estoril	Integral	100	100
Estoril-Sol - Investimentos Hoteleiros, S.A.	Estoril	Integral	100	100
Estoril Sol e Mar - Investimentos Imobiliários, S.A.	Estoril	Integral	100	100
Estoril-Sol Digital, Online Gaming Products and Services, S.A.	Estoril	Integral	100	100

ESTORIL-SOL DIGITAL – ONLINE GAMING PRODUCTS AND SERVICES, S.A. – with a Share Capital of EUR 500.000 is 100% held by ESTORIL-SOL (III) –TURISMO, ANIMAÇÃO E JOGO, S.A.

The Company was founded in September 2015 in order to apply for an online gaming license. As described in point 13 “Relevant Facts” of Management Report, the Group Estoril-Sol disagrees with the regulation now applicable for online gambling which represents a penalty to the gambling concessionaires as it unilaterally terminates the exclusive right of exploitation of games of fortune and chance in Portugal.

#### 4.2 Associate companies

Estoril-Sol, SGPS, S.A. indirectly holds 33.33% of the company Parques do Tamariz, S.A., through Estoril Sol Imobiliária, S.A.

These holdings are presented at the value resulting from the equity pick-up method. Using this method, the financial statements include the part attributable to the Estoril Sol Group of the results recognised from the date on which the significant influence starts up to the date on which it effectively ends. Associate companies are entities in which the Estoril Sol Group has between 20% and 50% of the voting rights, or in which the Group has significant influence.

During the first quarter of 2016 the subsidiary company Parques do Tamariz, was dissolved, as it had no longer any assets and did not engage any economic activity. No additional losses resulted from this operation to the Group Estoril-Sol.

### 5. REPORTING BY SEGMENTS

The segments reportable by the Group are based on the identification of segments in line with the financial information that is reported internally to the Board of Directors and which supports the Board in its evaluation of the performance of the businesses and in taking decisions with regard to the allocation of the resources to be used. The segments identified by the Group for reporting by segments, are therefore consistent with the way in which the Board of Directors analyses its business, corresponding to the Estoril Gaming Concession the Estoril Casino and Lisbon Casino, Póvoa Casino and Others (essentially including the effect of the holding companies and of the other operating activities of the Group).

On 31st March 2016 and 2015, the information by business segment, is as follows:

	March - 2016					
	Estoril Game Concession					Total
	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Other	
Net assets	38.635.399	80.378.394	119.013.794	49.271.312	(803.699)	167.481.407
Net liabilities	27.350.310	33.660.040	61.010.349	29.956.268	4.255.127	95.221.744
Result of the segment	(439.966)	3.644.084	3.204.119	(1.066.093)	(498.914)	1.639.112
Investment assets:						
- tangible fixed	176.327	70.310	246.637	5.141	16.900	268.678

	Estoril Game Concession					Total
	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Other	
	Estoril Casino	Lisboa Casino	Sub-Total	Póvoa Casino	Other	Total
Net assets	47.923.694	83.187.020	131.110.714	47.242.945	5.840.567	184.194.226
Net liabilities	37.172.823	41.853.866	79.026.688	33.829.593	4.234.259	117.090.540
Result of the segment	(644.898)	3.068.764	2.423.867	(1.307.348)	(443.322)	673.197
Investment assets:						
- tangible fixed	19.468	212.819	232.287	147.257	-	379.544

## 6. OPERATING INCOME BY NATURE

The consolidated operating income, in the years ended on 31st March 2016 and 2015, is split in the following manner:

Nature	March - 2016					
	Estoril Game Concession		Sub-Total	Póvoa Game Concession	Other	Total
	Estoril Casino	Lisboa Casino		Póvoa Casino		
Gaming revenues:						
- Slot Machines	11.370.468	16.496.485	27.866.953	8.737.836	-	36.604.789
- Table based gaming	3.900.456	4.014.300	7.914.756	1.805.138	-	9.719.894
- Progressive games prizes	107.703	(7.230)	100.473	(4.947)	-	95.526
	15.378.627	20.503.555	35.882.182	10.538.027	-	46.420.209
Gaming taxes:						
- Special Gaming Tax (current)	(7.635.462)	(10.255.393)	(17.890.855)	(5.271.487)	-	(23.162.342)
- Annual Gaming Tax ( difference to minimum grant )	-	-	-	(1.123.513)	-	(1.123.513)
	(7.635.462)	(10.255.393)	(17.890.855)	(6.395.000)	-	(24.285.855)
Other operating revenues:						
- F&B and Entertainment	728.272	153.676	881.949	235.349	-	1.117.298
- Tax deductions - Entertainment	280.209	205.108	485.317	256.194	-	741.511
- Supplementary income	72.836	9.238	82.075	2.932	-	85.007
- Other	1.587	-	1.587	448	-	2.035
	1.082.905	368.022	1.450.927	494.923	-	1.945.850
	8.826.070	10.616.185	19.442.255	4.637.950	-	24.080.205
March - 2015						
Nature	Estoril Game Concession		Sub-Total	Póvoa Game Concession	Other	Total
	Estoril Casino	Lisboa Casino		Póvoa Casino		
Gaming revenues:						
- Slot Machines	10.923.306	15.960.642	26.883.948	7.870.996	-	34.754.944
- Table based gaming	3.862.475	3.698.960	7.561.435	1.881.269	-	9.442.704
- Progressive games prizes	(30.139)	(44.853)	(74.992)	(8.085)	-	(83.077)
	14.755.642	19.614.749	34.370.391	9.744.180	-	44.114.571
Gaming taxes:						
- Special Gaming Tax (current)	(7.392.892)	(9.829.802)	(17.222.694)	(4.876.133)	-	(22.098.826)
- Annual Gaming Tax ( difference to minimum grant )	-	-	-	(1.340.117)	-	(1.340.117)
	(7.392.892)	(9.829.802)	(17.222.694)	(6.216.250)	-	(23.438.943)
Other operating revenues:						
- F&B and Entertainment	676.831	32.431	709.262	198.042	-	907.304
- Tax deductions - Entertainment	273.000	183.000	456.000	327.708	-	783.708
- Supplementary income	38.155	11.305	49.460	3.290	-	52.750
- Other	6.845	-	6.845	448	73.503	80.796
	994.831	226.736	1.221.567	529.488	73.503	1.824.558
	8.357.582	10.011.683	18.369.265	4.057.419	73.503	22.500.186

Income from the segments comes from transactions with external customers. There are no transactions between segments. The accounting policies of each segment are the same as those of the Group.

## 7. EXTERNAL SUPPLIES AND SERVICES

In the periods ended on 31st March 2016 and 2015, external supplies and services were as follows:

	Mar - 2016	Mar - 2015
Gifts to customers	1.058.708	976.953
Subcontracts	977.399	904.381
Energy and other fluids	714.582	713.642
Conservation and repairs	618.027	597.978
Advertising	604.212	416.474
Cleaning and laundry	597.904	566.353
Royalties	508.761	552.598
Specialized work	438.131	364.374
Surveillance and security	374.563	387.532
Rents	277.313	230.006
Insurance	271.373	269.401
Fees	180.784	96.661
Communication	114.805	104.087
Travel and hotels	55.538	56.403
Other	144.743	215.676
	<u>6.936.844</u>	<u>6.452.519</u>

## 8. STAFF COSTS

In the periods ended on 31st March 2016 and 2015, staff costs were as follows:

	Mar - 2016	Mar - 2015
Remuneration of governing bodies	661.824	661.824
Remuneration of staff	5.246.028	5.137.329
Indemnities	35.438	13.135
Charges on remuneration	1.363.298	1.358.529
Insurance	44.710	42.202
Social charges	267.864	237.029
Other	165.110	119.657
	<u>7.784.271</u>	<u>7.569.704</u>

## 9. NET FINANCIAL COSTS

Financial costs and income for the periods ended on 31st March 2016 and 2015 is broken down as follows:

Financial Costs	Mar - 2016	Mar - 2015
Interest borne:		
Financing from banks	(540.347)	(884.184)
Finance and operating leasing	(18.031)	(19.442)
	(558.377)	(903.626)
Other financing costs:		
Comissions and similar charges	(259.405)	(330.288)
Other financial costs	(124.330)	(92.310)
	(942.112)	(1.326.224)
Financial Income	Mar - 2016	Mar - 2015
Interests from bank deposits	-	-
Exchange gains	4.039	4.039
Other	3.687	354
	7.726	4.393
Net financial costs	(934.386)	(1.321.830)

## 10. TANGIBLE FIXED ASSETS

During the periods ended on 31st March 2016 and 2015, the movement in tangible assets, as well as in the respective depreciation and accumulated impairment losses, was as follows:

January to March 2016								
	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	16.513.836	197.253.396	119.447.590	66.744	4.330.748	82.292	131.617	337.826.223
Acquisitions	-	-	260.616	-	8.058	-	4	268.678
Adjustments / Transfers	-	-	-	-	-	-	(60.938)	(60.938)
Write-off	-	-	(182.383)	-	-	-	-	(182.383)
Closing balance	16.513.836	197.253.396	119.525.823	66.744	4.338.806	82.292	70.683	337.851.580
Depreciation and accumulated impairment losses:								
Opening balance	-	129.470.334	97.760.983	45.412	3.682.050	80.995	-	231.039.774
Depreciation of the year	-	1.926.659	1.464.708	2.484	52.114	180	-	3.446.145
Disposals	-	-	-	-	-	-	-	-
Write-off	-	-	(182.383)	-	-	-	-	(182.383)
Closing balance	-	131.396.993	99.043.308	47.896	3.734.164	81.175	-	234.303.536
Net amount	16.513.836	65.856.403	20.482.515	18.848	604.642	1.117	70.683	103.548.044
January to March 2015								
	Land	Buildings and other constructions	Basic equipment	Vehicles	Office equipment	Other tangible fixed assets	Fixed assets in progress	Total
Gross amount:								
Opening balance	16.513.836	197.253.396	113.891.718	66.744	3.928.055	82.292	364.823	332.100.864
Acquisitions	-	-	225.727	-	8.109	-	145.708	379.544
Disposals	-	-	-	-	-	-	-	-
Write-off	-	-	(28.337)	-	-	-	-	(28.337)
Closing balance	16.513.836	197.253.396	114.089.108	66.744	3.936.164	82.292	510.531	332.452.071
Depreciation and accumulated impairment losses:								
Opening balance	-	121.688.433	92.786.527	35.476	3.538.941	80.249	-	218.129.626
Depreciation of the year	-	1.950.733	1.413.990	2.484	36.858	194	-	3.404.259
Disposals	-	-	-	-	-	-	-	-
Write-off	-	-	(28.337)	-	-	-	-	(28.337)
Closing balance	-	123.639.166	94.172.180	37.960	3.575.799	80.443	-	221.505.548
Net amount	16.513.836	73.614.230	19.916.928	28.784	360.365	1.849	510.531	110.946.523

## 11. INTANGIBLE ASSETS

The breakdown of intangible assets on 31<sup>st</sup> March 2016 and 31<sup>st</sup> December 2015 is as follows:

	March - 2016		Net Assets
	Gross Assets	Accumulated Amortization	
Estoril Gaming Concession			
- Casino Estoril	153.576.455	(125.373.100)	28.203.355
- Casino Lisboa	30.000.000	(20.098.521)	9.901.479
Póvoa Gaming Concession - Casino da Póvoa	77.034.109	(51.148.759)	25.885.350
	<u>260.610.564</u>	<u>(196.620.380)</u>	<u>63.990.184</u>

	December - 2015		Net Assets
	Gross Assets	Accumulated Amortization	
Estoril Gaming Concession			
- Casino Estoril	153.576.455	(123.826.853)	29.749.602
- Casino Lisboa	30.000.000	(19.584.235)	10.415.765
Póvoa Gaming Concession - Casino da Póvoa	77.034.109	(50.237.073)	26.797.036
	<u>260.610.564</u>	<u>(193.648.161)</u>	<u>66.962.403</u>

## 12. CASH AND CASH EQUIVALENTS

On 31<sup>st</sup> March 2016 and 31<sup>st</sup> December 2015, this caption was broken down as follows:

	Mar- 2016	Dec - 2015
Cash	7.214.875	8.643.414
Bank Deposits:		
- Immediately available bank deposits	1.076.432	2.210.633
Other treasury applications	26.255	29.599
Cash and bank deposits	<u>8.317.563</u>	<u>10.883.646</u>
Bank overdrafts	(3.617)	(44.296)
Cash and cash equivalents	<u>8.313.947</u>	<u>10.839.350</u>

## 13. CAPITAL

On 31st March 2016 and 31<sup>st</sup> December 2015, the share capital of the Company is represented by 11,993,684 shares, of which 6,116,779 are registered shares and 5,876,905 bearer shares, of a nominal unit value of 5 Euros, which confer the right to a dividend.

The share capital issued by the Company on 31<sup>st</sup> March 2016 and on 31<sup>st</sup> December 2015 is broken down as follows:

	Mar - 2016	Dec - 2015
Share capital	59.968.420	59.968.420
Treasury shares	(708.306)	(708.306)
Issue premiums	7.820.769	7.820.769
	<u>67.080.883</u>	<u>67.080.883</u>

The share capital is represented by the following categories of shares:

Data	Nominal value	No. of shares
31 of March 2016		
Registered	5€	6.116.779
Bearer	5€	5.876.905
		<u>11.993.684</u>
31 of December 2015		
Registered	5€	6.116.779
Bearer	5€	5.876.905
		<u>11.993.684</u>

Treasury shares were acquired by the Company as follows:

Year of Acquisition	No. Shares	Nominal value	Total nominal	Total premiums	Total
2001	34.900	5	174.500	280.945	455.445
2002	43	5	215	184	399
2007	22	5	110	88	198
2008	27.600	5	138.000	114.264	252.264
Total	<u>62.565</u>		<u>312.825</u>	<u>395.481</u>	<u>708.306</u>

Legal persons with more than a 20% holding in the share capital:

- Finansol, Sociedade de Controlo, S.G.P.S, S.A., with 60.2%
- Amorim – Entertainment e Gaming International, S.G.P.S., S.A., with 35.87%.

#### 14. FINANCIAL DEBT

On 31<sup>st</sup> March 2016 and 31<sup>st</sup> December 2015, this caption was broken down as follows:

Nature of the financing	Mar - 2016		Dec - 2015	
	Nominal Value	Balance sheet Value	Nominal Value	Balance sheet Value
Non-current financing:				
- Bank loans	4.992.520	4.992.520	4.992.520	4.992.520
- Financial leasing	10.712	10.712	10.712	10.712
	<u>5.003.232</u>	<u>5.003.232</u>	<u>5.003.232</u>	<u>5.003.232</u>
Current financing:				
- Bank loans	2.815.941	2.858.197	3.750.000	3.789.885
- Commercial paper	27.000.000	26.574.591	30.000.000	29.625.669
- Current accounts	21.331.000	21.331.000	17.168.100	17.246.461
- Bank overdrafts (Note 12)	3.617	3.617	44.296	44.296
- Financial leasing	6.626	6.626	8.835	8.835
	<u>51.157.184</u>	<u>50.774.031</u>	<u>50.971.231</u>	<u>50.715.146</u>
	<u>56.160.416</u>	<u>55.777.263</u>	<u>55.974.463</u>	<u>55.718.378</u>

The average interest rates for financing, borne by the Group, including commissions and other charges, come within an interval of between 4,74% and 6,5%.

Some of the financing operations, mainly bank loans, include commitments to maintain certain financial ratios based on contractually negotiated limits (financial covenants).

These ratios are:

- Net Debt / Ebitda;
- Financial autonomy.

On the 31<sup>st</sup> March 2016 and 31<sup>st</sup> December 2015, these ratios were according the contractually negotiated limits.

The amount classified as non-current bank loans, for a total amount of 4.992.520 Euros, falls due in accordance with the following schedule:

- 3.437.500 Euros in 2017;
- 1.555.020 Euros in 2018;

Depending on the operating funds that are freed up, we feel the financial risk to which the associated undertakings are exposed is minimal, and the same understanding has prevailed in the examination carried out by financial institutions, as shown by the fact that assets guarantees are dispensed with for operations under contract.

The amount included in the column "Nominal value" corresponds to the contracted value that is still owing. The column "Balance sheet value" is added to the nominal value of financial charges already incurred but still not due, less interest and or commissions paid in advance.

## 15. OTHER ACCOUNTS PAYABLE

On 31<sup>st</sup> March 2016 and 31<sup>st</sup> December 2015, this caption was broken down as follows:

	Mar - 2016	Dec - 2015
<b>Other accounts payable - non-current</b>		
Annual payment - Difference to minimum grant		
Installments payment schedule - approved for 2014	3.734.424	3.734.424
Installments payment schedule - approved for 2015	1.152.429	1.152.429
	4.886.853	4.886.853
<b>Other accounts payable - current</b>		
Current suppliers	3.058.157	4.021.681
Suppliers of investments	33.920	115.268
State and Public Sector		
Annual gaming payment	3.805.185	10.965.250
Annual payment - Difference to minimum grant		
Decree 1/2015 - 10% over 50% rate of the annual gaming payment	1.123.512	2.098.102
Installments payment schedule - approved for 2015	576.215	576.215
Special Gaming Tax (to be paid next month)	6.365.132	6.436.312
Social Security contributions	607.188	635.457
Other in favour of the State	673.332	1.082.685
Charges with holidays payable	4.624.201	3.929.751
Responsibilities for accumulated gaming premiums	1.752.358	1.847.883
Other	3.895.663	3.331.323
	26.514.863	35.039.927

**Annual Gaming Tax (difference to minimum grant):**

The Decree Law n.º 29/88 of 3 August, down in paragraph 1 of Article 3, the concessionaire is obliged to pay an annual payment amounting to 50% of the gross gaming revenues. This payment cannot be, under any circumstances, lower than the values in the table attached to that Decree Law.

The minimum annual contributions were established (prices of the year 2000) by Decree-Law No. 275/2001 of 14 December 2001, by the time the Concessions Contracts were extended by fifteen years more.

At the beginning of the year 2015 the Regulatory-Decree n.º1/2015 of 21<sup>st</sup> January came to approve the split payment in installments of the annual minimum contributions calculated based on Decree-Law 275/2001, subject to prior approval from "Turismo de Portugal" of the payments schedule proposed by the Game Concessionaire Companies.

The Regulatory-Decree n.º1/2015 was applied for the first time to the amounts related to the year ended December 2014, which initially payment deadline was on January 31<sup>st</sup>, 2015.

The value of Casino da Póvoa minimum annual payment for the year 2015 at 2000 current prices, is 18.305.883 Euros. According to Article 4 of the Decree n.º 29/88 of 3rd August this value is updated based on the index of consumer prices for the mainland, excluding housing, published by the National Statistics Institute (INE), for the year to which the payment relates to. Following this update, the minimum annual payment for the year 2015 stood at 24.807.765 Euros.

In 2015 Casino da Póvoa gross gaming revenues amounted to 41.962.037 Euros. The 50% annual payment over gross gaming revenues represents 20,981,019 Euros, a figure lower than the minimum annual payment calculated pursuant to Decree-Law No. 275/2001. By that reason the Casino da Póvoa Concessionaire would have to pay to the state the remaining amount in the total of 3,826,746 Euros for the year 2015. (Note 28). Of this amount, 2,098,102 Euros are at the date of this report settled by the Concessionaire Company since they

had the maturity date on January 31<sup>st</sup>, 2016. The remaining 1,728,645 Euros according to prior authorization from Turismo de Portugal will be paid in three equal annual instalments, 576.215 Euros, on December 31<sup>st</sup>, 2016, 2017 and 2018.

The remaining 4,886,853 Euros registered in the caption “Other accounts payable – non-current”, as “Annual payment – difference to minimum grant” is related to the following instalment payment schedules in accordance with a prior authorization from Turismo de Portugal:

- Instalments payment schedule - approved for 2014, that will be paid in three equal annual instalments, on December 31<sup>st</sup>, 2019, 2020 and 2021.
- Instalments payment schedule - approved for 2015, that will be paid in three equal annual instalments of 576.215 Euros, on December 31<sup>st</sup>, 2016, 2017 and 2018. The instalment due in 2016 is recorded as “Other accounts payable – current”.

## 16. CONTINGENT LIABILITIES AND ASSETS, GUARANTEES AND COMMITMENTS

### Contingent liabilities

In the normal course of its activity, the Group is involved in diverse legal proceedings. Given the nature of these and the provisions set up, in accordance with studies and opinions of legal consultants, the current expectation is that the respective outcome will not lead to any material effects in terms of the activity undertaken, the asset position and the result of the operations.

The main situations are the following:

- Differences in understanding between the Group and the Tax Authorities over Corporation Tax (IRC), relating to the years 2007, 2008, 2009 and 2010, with regard to the taxation of undocumented expenses incurred in the course of the gaming activity of subsidiaries that form part of the Group and which operate games of fortune as their main activity. During the year 2013 occurred the 1<sup>st</sup> instance verdict contrary to the allegations and convictions of the Group relating to the process for the years 2007 to 2009. It is the Company's belief, grounded in favourable opinions from legal advisers, that a final decision should be favourable, which is why the Group appealed to higher courts. On the date of these financial statements there are also previous legal decisions that are in the Group's favour, as well as judicial jurisprudence which is favourable to the Group on this matter. Even so, on this date the Group has bank guarantees provided in favour of the Finance Office of Cascais amounting to 7.197.635 Euros.

- One of the subsidiaries of the Group made a collective dismissal in 2010 within the terms established in the Law, which affected 112 employees. Some of these contested this procedure and filed a lawsuit in Court trying to have this overturned and for their reintegration as Company staff. The Company and the legal consultants responsible for the case consider that there is a high probability of the Company winning and, therefore, it has set up a provision corresponding only to the legal obligations allowed for in labour legislation in cases of collective dismissal which it will have to pay to the former employees by way of indemnity evens if it wins the case. As at 31<sup>st</sup> December 2015 there are 30 former employees with pending litigation related with this dismissal. The provision accrued within the accounts amounts to 763.545 Euros. During the first three months of 2016 the Company came to terms with another 10 former employees. As at the 31 March 2016 the Group had dispute with 20 former employees and accrued financial responsibility in the above terms of approximately 506.271 Euros.

- One of the subsidiaries of the Group made a collective dismissal in 2013 within the terms established in the Law, which affected 21 employees. Some of these contested this procedure and filed a lawsuit in Court trying to have this overturned and for their reintegration as Company staff. The Company and the legal consultants responsible for the case consider that there is a high probability of the Company winning and, therefore, it has set up a provision corresponding only to the legal obligations allowed for in labour legislation in cases of collective dismissal which it will have to pay to the former employees by way of indemnity evens if it wins the case. As

at 31<sup>st</sup> December 2015 there are 14 former employees with pending litigation related with this dismissal. The provision accrued within the accounts amounts to 360.000 Euros.

The Group also sets up diverse technical provisions related with the normal functioning of its main activity, the operation of games of fortune. Among the more significant ones we should highlight:

- The existence of an account payable for a total amount of 1.752.358 Euros in respect of liabilities for accumulated gaming premiums. These liabilities are revised on a monthly basis, according to the accumulated premiums announced in the diverse gaming rooms of the Casinos run by the Group.

#### Guarantees provided

On 31<sup>st</sup> March 2016 and 31<sup>st</sup> December 2015 the guarantees provided by the Group were as follows:

	Mar - 2016	Dec - 2015
Obligations related with the Special Gaming Tax	6.650.000	22.050.000
Tax lawsuits in hand / litigation	7.414.888	7.414.888
Current suppliers	39.250	39.250
	<u>14.104.138</u>	<u>29.504.138</u>

In January 2015 the Group saw its responsibilities with bank guarantees reduced by 15,4 million Euros, as they were related with the Special Game Tax from the year ended 31st December 2015 paid during January 2016 (Note 15).

## 17. CONSOLIDATED RESULTS PER SHARE

The consolidated result per basic share of the years ended on 31st March 2016 and 2015 was determined as follows:

	Mar - 2016	Mar - 2015
Consolidated net profit of the period	1.639.112	673.197
Average weighted number of shares in circulation	11.931.119	11.931.119
Result per basic share	<u>0,14</u>	<u>0,06</u>

Due to the fact that there are no situations that cause dilution, the net result per diluted share is the same as the net result per basic share.