

SNAI SpA

“Full Year 2013 & 2014-2016 Business Plan Call”

April 08, 2014

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 MARCO CODELLA, CHIEF FINANCIAL OFFICER**

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the SNAI Full Year 2013 Results and 2014-2016 Business Plan Presentation Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Mr. Giorgio Sandi, CEO of SNAI. Please go ahead, sir.

GIORGIO SANDI: Thank you. Ladies and gentlemen, good afternoon, I am Giorgio Sandi, President and CEO of SNAI. On behalf of all the managers of our Group, I am pleased to welcome you all at our investors presentation we are hosting this meeting today in our most prestigious [indiscernible] horse race track that has been built in 1925, over an area of about some [indiscernible] that are part of the race activity.

Thinking about the perspective of our Company, SNAI is undisputed market leader in sports and horse race betting in Italy. We are also well positioned in the gaming machine market with a network of over 25,000 AWP's and another 5,000 VLT's. Our increasingly diversified product portfolio provides stable cash flows especially as we are becoming more exposed to businesses at fixed payout such as gaming machines, online and mobile games and [technical difficulty] is the most effective faster growing segment in the gaming industry.

Before passing the mike to our CFO, Marco Codella, who will talk to you about the 2013 results [technical difficulty]? Let me briefly talk about the key milestones we achieved in the past financial year.

In 2013, we have been able to renew and expand all of our concessions, refinance our outstanding debt and complete the rollout of our video

lotteries concession side. Moreover we finally settled a legal dispute with the Corte dei Conti.

Now, [technical difficulty] cash generation, while we reap the benefits of our recent investments and our improved organizational structure, I hope that at the end of our presentation you will gain a better understanding of what we are, what we have done and more importantly what we are going to be three years from now. We will give you to a reported basis, the opportunity to back check our target and to discuss further developments with us.

I will now hand over to our CFO, Marco Codella. Marco, please go ahead.

MARCO CODELLA: Thank you Mr.Sandi, can you hear me? Thank you Mr. Sandi and thank you all for attending this meeting today. Our goal for this meeting is to walk you through our business, our Company and our strategy for the future. it is worth reminding that SNAI is a listed company, we are the market leading “one-stop shop” for betting and gaming in Italy. And we have a very strong brand and very strong presence in the territory. Our brand is the history of betting and gaming in Italy. In 2011, SNAI started a new journey, and this is what we tried to report in the chart you are seeing in Page 5. after the change of control that happened in March 2011, 2013 was a turning point here, we did a lot of things most of them are reported in this chart.

So first of all, we strengthened our competitive position by completing the VLT rollouts, so now we have 5,052 machines operating in the territory. We have consolidated our sports betting performance by improving our payout ratio, and we did it performing much better than markets. We successfully launched the virtual games in late December, and the first

results are quite encouraging. Also we were able to renew 228 concessions and to increase by 50 the total number of concessions

In terms of profitability, we improved our business mix, we were able to get payout back to normalized levels and we started to get some, you know, benefits from the new incentive scheme which is included in the new contract in place with most of our shops. Also we were able to improve our capital structure by successfully issuing a high yield bond and we were able to settle the complaint with Corte dei Conti by paying some €66 million. In terms of governance, we now have a best-in-class governance after the changeover...the change of control in 2011, and in terms of cash flow, we have some nice (Ph) cash generation stream with limited CAPEX needs.

If we move to Page 6 of the presentation, this is the agenda for today. I will start my presentation with a market overview, then I will go through our positioning and a brief recap of 2013 financial results; then a view of our plan for the future for the next three years. A Q&A session will follow after the presentation.

Page 7; a quick overview of the Italian gaming market, the Italian gaming market has been experiencing a significant growth from 2005 up to now. In 2005, the total wagers collected were €28.3 billion, now its €84.7 billion at the end of 2013. This was mainly due to legalization of gaming activities and new opportunities provided by AAMS. AAMS is the Italian Government Agency in-charge of Gaming.

Now, the market looks quite mature, but there are still, you know, changes in wagers composition. Gaming machines and online and skill games are gaining ground, and customers are switching to higher payout games and to immediate win games, virtual events are example for that. You can see

in the screen, in fact, on my right side, some examples of virtual events which are now broadcasted in the shops through our TV network. So this is exactly what people are seeing in the agencies in this moment.

Moving to what will be the future of the market, the market has reached maturity in terms of offering and distribution, but there is still some room for improvement based on the technical innovation and new products development.

Moving to Page 8, talking about the market overview, Italy is the largest and most developed market in Europe also in terms of spending per capita. It is fully regulated by AAMS; it is a stable market with significant barriers to entry. The Italian market looks quite decoupled from the macroeconomic trends and the GG revenues are in the range of 1.2% of GDP. The last innovation in the market is represented by virtual events I already described to you, and that will be part of the presentation later on.

In Page 8...Page 9, we already mentioned that gross Gaming revenues are 1.2% of GDP. Gross Gaming revenues are total wagers less payout which is the money paid back to players. Gross gaming revenues are then split into taxes paid to government and to net gaming revenues which is the...what is left for the distribution network made of concessionaires, technology providers, and shops.

After 2013 tax increase related to VLT and AWP Total taxes are 52% of gross gaming revenues which is a ratio that we consider reasonable and sustainable going forward. What happened actually is that the trend of taxation compared to NGR, the net gaming revenues, was increasing up to 2010, when taxes were higher than NGR. After that, there was a two year period of time in which taxes were lower than NGR, after the increase in taxation in 2013, taxes are back higher than NGR, and we do

believe that now this level of taxation in terms of percentage can be quite stable in the future.

Moving to Page 10; we will give you some views about the concessions which are in place in our markets. As you know, our model is a multi-concession model with limited CAPEX and costs which are mainly variable and in percentage of wagers because we have, you know, agreements in place with our shops which are based on revenue sharing.

Our revenue base is made of a diversified portfolio in a multi-concession segments where concessions are significantly less expensive as compared to most of our competitors who are in lotteries and scratch and win business, and therefore our business model is by far less capital intense with lower risk associated to renewals. For what renewals are concerned, no new concessions will be awarded until...it is likely in 2017 for sports betting, although the renewal process will start say in mid 2016, and 2020 is the renewal date for online and skill games and 2022 for AWP and VLTs.

Going to Page 11, and talking about market growth which in present years was mainly driven by VLTs. Also online betting has a significant growth and this positively affected contribution, the distribution costs which are associated to online betting are much lower than those associated to offline betting. Although, the payout that is rewarded to players in the online is normally two, three percentage points higher than the offline payouts.

In December, we launched...as we already mentioned, the virtual events with very encouraging figure and this segment is expected to foster future growth on the Italian gaming market.

In terms of market size for the virtual events, we can expect it in the range of the UK market, around 1 billion pounds in terms of wagers. What are virtual events? Virtual events are computer generated sports events, horse races, greyhound races as you can see in the screens, unfortunately not for those who are on the phone, but people who are in the room can see on the screen some examples of virtual events. And, you know, they are instant win games, with high and fixed payouts, mainly offline 98% of our wagers on the virtual events are collected through our shops. So this is again you know, a conformation that in Italy market of gaming is mainly brick and mortar , it was 82% (Ph), the percentage of wages collected offline it is even higher if we consider the effect of virtual events.

Again , Virtual events are instant win games, with high and fixed payouts and, you know, multiple events per day that's absolutely meeting customers requirement or expectation.

Page 12, to complete the market overview, let us compare 2008 to 2013 by gaming activity. In recent years, the Italian gaming markets switched to higher and fixed payout segments, we've already discussed this about VLTs. The latest example for that is virtual events, this made proceeds less volatile and less exposed to the fluctuation associated to sports payout.

As already mentioned, we are in multi-concession segments which grew from 63.1% in 2008 to 79.6% in 2013, actually the part of our business which is you know, where we are present is 59.7% that grew to 77.6% at the end of this year.

After having described our reference market, I will now move to our positioning in the market . We are now in Page 14; we'll try to give you here a very quick historical view of our Company. It is worth reminding

that SNAI has been a fast mover in betting and gaming with more than 20 years of experience. Starting in 1994 with horse racing totalizer, we built up our distribution networks since then; we also were able to diversify our business by taking all opportunities provided by AAMS and by legalization of gaming activities in Italy. We are #1 distribution network in Italy with 613 shops and some 1,700 corners. Main milestone in the recent years were the change of control in 2011, launch of mobile application in 2012, the completion of VLT roll-out in 2013 and the launch of virtual events that we have already...we mentioned several times.

Page 15; a brief introduction to SNAI. We already mentioned we have a very strong brand which represents the history of betting and gaming in Italy. We can leverage on it and on company's reliability to further increase our online presence also through the mobile applications. We enjoy top-of-mind brand awareness despite the limited advertising spending. This is mostly due to our long lasting presence in the market and to our broad distribution network. Again, our network and our brand are the real competitive advantage we have. For example our market share grows, you know, around high profile events like the Football World Cup, because a number of people who are normally not placing bets when there are you know, special events place their bets in our points of sales because SNAI in Italy is associated to betting and gaming in the mind of our people.

As a result this is a significant barrier to entry for other competitors who would need significant financial efforts in order to start profitable operations in Italy which is our marketplace.

On Page 16, again our Company is one-stop-shop for betting and gaming with a diversified portfolio which reduces volatility also considering the

increase in fixed payout games, and this is reported in the chart on the right side of the chart.

In terms of market position, we are by far #1 in sports and horse betting, 30% market share in sports 54% in horse betting. We are #2 in the online betting and casino games, we are #1 distribution network in Italy made of 613 shops rewarded on a revenue sharing basis. We have 5,052 VLTs operational at the moment in the territory (Ph), and some 25,000 AWP. Our business model is light since we do not own most of the points-of-sales which are operating under SNAI Brand, as they are operated by third-parties. So we have relatively low requirements in terms of funding and capital commitment.

Page 17; our activity is made of three main areas, the first one being the sports betting, horse race betting and virtual events, which are supported by our strong distribution network. The second area is made of gaming machines where we have again some 25,000 AWP and 5,052 VLTs fully deployed. A minor contribution is coming from the online skill and casino games, but this is fastly growing also through the contribution of our mobile applications launched in 2012. We have partnerships in place with main technological players in the market, because we are representing for them a reliable and high performing partner since we are not vertically integrated and we can contribute to actually improve their business.

Just to give you an example, we have a contract in place with INSPIRED which is the #1 player in the virtual events market; they own 50% of UK market which is the biggest one at the moment. Under this contract, we have an exclusivity period for most of the games and also after the exclusivity period expires we have some, you know, royalties coming from wagers collected through other concessioners for a certain number of months. So once again, also in terms of technology our partnerships allow

us to maintain a flexible approach with all variable cost and virtually no CAPEX associated.

Page 18, we tried to position ourselves as compared to some of our competitors. SNAI, again, is one of the leading players in the Italian gaming market. Our model is based on multi-concessions and multi-products which makes us significantly different from players like PokerStars or gamenet which are mono-product players. Our competitors could be identified in Sisal and GETECH [technical difficulty] which are multi-product company but they have different business models, since most of their revenues are coming from, you know mono-concession businesses like lotteries and [indiscernible]. We feel therefore more comfortable in being compared with players like William HILL or Ladbrokes, which, like us, are leveraging on strong brand and physical presence in the territory to develop the online business. The difference with them is that they own their shops, we don't, and our model is more flexible and is based on variable cost structure.

Moving to some of our, you know specific business, we are by far #1 in sports betting and horse betting, we are now on Page 19. We have a very strong and lasting position due to our distribution network and this stable leadership is also due to our very strong brand.

Again, we leverage on brand recognition to develop the online betting also through mobile applications. we are 1.5 times bigger than the main competitor competitor in the sports betting market and there is no competition at all for us in the horse betting market.

Moving to Page 20, I'm talking about the online; for what the online is concerned, we are increasing our percentage of revenues and our market

share. The online betting is 20% of total betting, also through mobile applications, of course, this is very important in terms of distribution costs.

Online market is quite concentrated since five players represents 60% of the market...of the total market. And the online betting is significant in terms of contributions, since distribution cost are much lower than offline and this is more than counterbalancing the higher payout.

For what the gaming machines are concerned, Page 21; we also have a strong position in gaming machines segment about 25,000 AWP's and 5052 VLTs at year end. 2014 is the first year in which we will enjoy full effect of VLTs deployment.

Gaming machines contribution to wagers collections increased from 41% in 2008 to 57% in 2013, and this contributed to reducing performance volatility, since they are fixed payout games. And as I was saying before, most of our customers are switching from, you know variable payout gaming activities to fixed payout gaming activities because most of these are giving them immediate knowledge if they won or not, and this is what, maybe because of the economic situation in Italy, so this is what the customers actually want today, they want to know immediately if they won or not.

Talking about Page 22; our business model and the barriers to entry that are in our model. Our model is very resilient with high barriers to entry which are not only represented by concessions, but also by our dense and well balanced network. In Italy, as I was saying before, gaming is a brick and mortar industry, 82% of wagers are collected offline and this percentage is going to be increased by the effect of virtual events.

We have a best in class distribution network made of 613 shops and a number of corners. Shops are fully devoted to betting and gaming offering a full range of products. Our distribution network again is made of four main channels; the first one being betting shops, where you can find the full range of our offer, which is made of sports betting, horse betting, AWP, VLTs and virtual events. Then we have betting corners, where you can find the same offer excluding VLTs, which are not placed in corners, because they can be played only in locations devoted...totally devoted to betting or gaming. Then we have bars where normally we locate AWP. Last one is Arcades where we locate AWP and VLTs, this last distribution channel is quite important because its average coin in is much higher as compared to average coin in achieved in other locations, because, you know, Arcades are fully devoted to gaming machines, and they are probably attracting people who are much more interested in playing gaming machines than any other kind of games.

Moving back to concession on Page 23; our long lasting concessions and multi-concession segment; the CAPEX associated again are much lower than most of our competitors and we have a very good chance rights (Ph) in renewals. Of course, this gives us an excellent visibility on future revenue and cash flow.

It is important to highlight that , as a multi-concession business, risk and costs of renewals are significantly lower than those of mono-concessions, like lottery or Scratch and win . We also have this flexibility on how many concessions we want to renew in terms of both shops and gaming machines, providing us a lot of flexibility to manage our capital expenditures and liquidity.

And you can see in the chart on the left side of the slide, we have a number of concessions which are expiring in 2016, but it is quite likely

that the actual awarding of concessions will take place 2017, as well as the payment associated. The AWP and VLT concession will expire (Ph) in 2022, the online gaming concession will expire (Ph) in 2020.

A brief update on real estate, SNAI's Milan property we are in Page 24, is 1.5 million square meters. The historical book value of these premises is €130 million. The net book value is 90. Of course, the market value could be expected quite high assuming rezoning. The company is working with former Carlyle Real Estate Italy CEO to optimize real estate value, and the area which could be eligible for a development is the one close to San Siro Stadium and which is...San Siro Stadium is the area, which is circled in red, the area which is eligible for some improvement is the area which is circled in green. And the total area, if you compare the, you know, the area of San Siro Stadium to our property is quite significant.

Again, the area which is eligible for development is the one close to San Siro Stadium because San Siro is expected to host the Champions League Final in 2016, but as today San Siro is not compliant with UEFA regulations. So there is [technical difficulty]. Of course, any possible developments must be agreed with local authorities . it is worth reminding, that our business plan does not include any contribution from any possible value creation in the real estate part of our activity.

Now, let's go quickly through our, you know 2013 results that we already presented on March 20. So I will go very quickly through them. During our road show presentations, we are in Page 26, we committed to several important goals to be completed by year end. We are happy to confirm that all of them were achieved. And it goes without saying that effects of having achieved this goals will positively affect our business in the future years.

Main achievements for 2013 are the full completion of roll-out of 5052 VLTs that will ensure a stable revenue and cash stream, full effects of that will be enjoyed from 2014 onwards. We are back to a very solid and good performance in sports betting, payout is back to a normal level at 78.9 compared to 79.9, which is the market performance in 2013. And more important as compared to 82.7 that was our performance last year.

In order to better manage our sports payout, we enhanced automatic (Ph) controls on betting acceptance, also we changed some 85% of our contracts with shops in order to push them to accept less risky bets because you know, from a statistical point of view, the single and double events bets are much more risky as compared to multiple events. In the past they were rewarded with a fixed percentage not taking into account the quality or the kind of bets they were accepting. Today, they are rewarded with a lower percentage for, you know, more risky bets and with a higher percentage for lower risk bets.

So there is also some, you know contribution...some...let's call it bonus for them provided that they are able to achieve a payout which is lower than a certain range; so that the extra profit will be shared with them.

Also we were very successful in launching virtual games. We launched in late December and the first results are very promising. We were able to actually issue high yield bonds by doing this we enhanced the liquidity profile and the operational flexibility.

Finally, we settled a very significant litigation with Corte dei Conti related to the AWP problem that happened at the beginning of the AWP deployment in Italy. We paid €66 million just to settle this litigation but based on this no related potential liabilities remain on the company. So lot of, you know achievements for 2013.

In terms of our financial performance, the chart on Page 27 is summarizing our financial KPIs. Moving from...starting from wagers which are not reported in the chart, wagers were €5.4 million compared to €5.5 million last year, mainly due to reductions in AWP, partially offset by increase in VLT. We actually had significant increases in terms of wagers collection, VLTs and online betting. Revenues were €478.8 million compared to €514.4 million last year due to a reduction in AWP which is related mostly to tax increase and to the number of...to the reduced numbers of machines. This was partially counterbalanced by increase in VLTs and sports betting. Revenues in our business are important, but you know, at the end of the day they are...it's much more important, the product mix we are actually achieving. And in fact the reduction in revenues is not reflected in the contribution margin which increased by 16% year-on-year and is not reflected in EBITDA as well where we achieved €92.7 million as compared to €64.5 million the previous year, the increase was in the range of 44%.

EBIT as well as pre-tax and net profit were then impacted by non-recurring items, the most relevant of which are the €66 million settlement with Corte dei Conti, €16 million related to financial charges linked to early reimbursement of the old (Ph) financing and some €11 million of non-recurring items. I'll go quickly through them because we already presented this figures a couple of weeks ago.

Moving to Page 28; in this chart we tried to report a bridge from 2012 to 2013 EBITDA, which is mostly made of increased contribution margin as you can see €29.2 million were related to contribution margin, mostly related to sports betting, and to gaming machine. What is worth mentioning is that, the positive effect of gaming machines is made of a reduction in AWP and a very significant increase in VLTs.

In terms of, you know, contribution margin, to make you better understand how contribution margin changed We reported its composition in both, percentage and value. main contributor in 2013 was still sports betting 49% of total contribution margin with very good...due to a very good performance in payout.

VLTs are getting more and more important, and also skill games are increasing significantly in value. The AWP's were down, you know, because of wagers reduction and also because there was a switch to the VLT market. Actually, we feel that the switch is now completed since the VLTs were all deployed in the market, and therefore the AWP market is expected to be stable next year...this year 2014 (Ph).

Page 29, a very quick report on our cash flow statement; again, as you can easily understand cash generation was heavily affected by non-recurring items previously described €66 million to settle the legal proceeding with Corte dei Conti , but apart from that our performance would have been...has been much better than 2012. And in terms of working capital, we have some, you know, positive effect which is mostly related to some of the costs related to the bond issuance that were partially paid in 2014.

Moving to Page 30; and giving you here in this chart the composition and maturity of our debt, this is just to, you know, highlight that we do not need...we do not expect any refinancing until 2018. We will have to reimburse the Tranche B (Ph) of the so-called mini bond, a private placement we did in early November, so we have to repay €20 million in 2015 and we will do it through our cash flow...normal cash flow, and until 2018, we will not have to, you know, do anything on our debts apart from paying interest.

Now, let me now show you our expectations for 2014-2016. Of course, our forecasts have been developed according to the best of our information and knowledge.

Page 32, some assumptions related to Italian gaming markets. The gross gaming revenues are expected to remain broadly stable, but very close to peak levels. The innovation is considered to be still a significant market driver as recently proved by the successful introduction of virtual events; also another important driver will be the enhancement of mobile applications offering.

For what VLTs are concerned, this will be...2014 will be the first year in...of a stable market after full roll-out of concession rights. As, you know, there are today some 55,000 VLTs running in Italian territory. For what the AWP's are concerned, market stabilization is expected, following full deployment of VLT concessions.

Sports betting will be probably affected by, you know a big boost related to the Football World Cup in Brazil, and it is a great opportunity to attract new customer from sports fans.

Online Skill, Casino Games are expected to be "on-the-go" because of the, you know, effect of new products and new applications that we will be able to supply to our customers through smartphones and tablets. And no concession renewal process is expected to be completed by the end of 2016 because, you know, there were delays in the previous bid for the renewal concession in 2013, and so we do expect payments associated to renewal of sports concessions in 2017.

Moving to Page 33, we tried to give you here some flavor about the Italian gaming market trends in the near future. We tried to summarize here our

view of the Italian gaming market in the near future. We analyzed the market through five different perspectives, the market size in 2013, the expected trend for 2014-16, the product innovation, the regulatory framework and the competition. And at the end we gave...we finally assessed an overall ranking through each single gaming segment.

Starting from VLTs, the market in 2013 was €25.5 million, we expect the trend to be neutral (Ph) for the next three year. We do expect a positive effect of product innovation with a negative effect of regulatory framework, the competition is probably neutral. So the overall ranking is positive.

AWP is considered overall neutral, as well as sports betting. Sports' betting here is meant offline sports betting. Horse betting is considered to be negative; the expected trend is quite negative for the period covered by our plan. virtual events ...which were just launched, we do expect a very positive trend in...from now to 2016, also supported by product innovations, no effect either positive or negative on regulatory framework as well as competition.

So at the end of the day, we do expect a very positive contribution and a very positive development of this kind of activity. And it is worth reminding that 98% of virtual events are collected, I mean in terms of...for what SNAI is concerned we do collect 98% of wagers through our shops. So this is another 'brick and mortar' activity in the Italian gaming market.

For what sports online betting is concerned, we do expect some positive effect both in terms of expected trends as well as product innovation. Today, we collect 20% of our online betting through mobile applications and this is very important and it is increasing quite positively.

Finally, the online skill games are expected to be a bit negative in 2014-2016, but this is mostly related to a specific kind of activity which is poker. Product innovation is a positive contributor to this gaming activity, no effect from regulatory framework and...negative effect on competition, the overall ranking is neutral. So we do expect some significant result for the Italian market, for betting on virtual events, we are positive on sports online betting, and we are also positive on VLTs.

Moving to next page, Page 34, we tried to list here some, you know, of the opportunities supporting our plan in the near future. For what the brand is concerned, we have a very strong Brand Heritage and Reliability which offers SNAI fertile ground to enlarge its current product offering. You know, even if we grow and push our online gaming activities, customers in Italy want to rely on a Company which is known, which is...which has been there for quite a long time.

In other words if you need to open a gaming account in Italy ,you have to provide the system with a lot of information which are private information: your tax ID, your bank account and so on. Before giving this information to companies which are not known, which have not been in the market for years, Italians are quite reluctant .we can leverage on our reliability and on our brand to actually build up significant online betting wagers collection.

In terms of virtual events, they are broadcast to our POS , through our TV network and they are operated through terminals which are located in the shops. SNAI enjoys a top-of-mind brand in sports betting business, and we will leverage it...on it in order to improve our online business and to attract new customers.

We are one of the leading operators in both VLT and AWP gaming activities and the deployment of VLT is now fully completed. We are the single largest player in key segments on the online market with a consistent market share. We are still the undisputed market leader in horse race betting since the foundation of SNAI.

Moving to Page 35, we try to give you here some ideas of the main actions we are planning to take, in order to furtherly strengthen our competitive position. We have tried to list the actions in terms of effects on wagers, revenues, profitability and cash flow generation. For what wagers are concerned, we expect broader diffusion of virtual events, we expect a full effect from the rollout of VLT concession rights. We are planning to relocate more than 20% of VLTs towards high performing point-of-sales.

Today some of our VLTs are located in our shops and some of them are not so efficient as we would like them to be. We have a plan in place; we already started to put it in place. under that plan we will be moving 1,000 machines from today's locations to more efficient locations, mostly arcades (Ph). As I was saying before, the average coin in that you can achieve in an arcade is much higher than compared to the coin in you get in a normal shop, because people who go there just want to concentrate on gaming machines.

We are also planning to extend the shops opening hours, since 30% of total wagers in VLTs and AWPs are collected after 8 PM. Most of our shops were normally closed after 8 PM, so we are...by doing this we are trying to increase wagers with virtually no additional cost. Also we will enhance product innovation in the online channel by improving the applications we launched for smartphone and tablets application.

For what revenues are concerned, we have new contractual incentive scheme for the point-of-sales network that we have already described before. We are enhancing IT tools to reduce volatility of betting payouts. And we will support progressive shift towards fixed payout gaming activities. also we plan to start new commercial services like, you know payment services and ticketing, that will contribute to an additional revenue stream for our distribution network.

In terms of profitability, we already discussed about the reduced volatility in sports betting payout. We plan to increase the number of directly owned AWP's. Today, we have 1,000 machines which are owned by us. We plan by the end of the year to increase to 2,000 machines. We will put stricter controls on labor costs and consulting costs, and also we will be streamlining costs in horse race facilities.

In terms of cash flow generation, we have improved...we plan to improve profitability with...we still keep...we will still keep a low CAPEX level and we will strictly be monitoring trade receivables.

Moving to Page 36, we finally reported here the figures we do expect for the period from 2014 to 2016. In 2014, we expect an EBITDA which is in the range from €102 million to €107 million, with a significant increase as compared to the performance in 2013 that was €92.6 million. At the end of 2016, we expect the EBITDA to be in the range between €116 million and €120 million. The reported pre-tax profit actually was a big loss in 2013, due to the non-recurring items we already discussed before. We do expect to have a slightly negative performance in 2014 that will become a positive performance in 2016.

In terms of capital expenditure, we had in 2013 some €40 million related to CAPEX, of which €22 million were maintenance CAPEX, and some

€17 million were development CAPEX mostly related to the renewal of sports concessions in 2013.

In 2014, we plan to have some €20 million in terms of capital expenditures and somewhere in the range of €17 million in 2016. In terms of free cash flow, we had a very bad performance in 2013 affected, of course, by the non-recurring items. We do expect to have some €20 million in 2014 and in the range of €40 million in 2016.

Net debt will be reduced from the existing €443.4 million to some €355 million-€360 million at the end of 2016. Therefore, the ratio between net debt and EBITDA would move from 4.8 to 3.0 three . This is also something that should be noted, and I am referring to the right hand side of this chart, the fixed payout games contribution will move from 51% as it was in 2013 to 66% as we expect in 2016, and this, of course, will reduce volatility of our performance.

Moving to page 37, it is worth reminding that 2013 was a turning point year , we finally resolved some important pending issues we restructured our business and completed a series of investments. Now, from now on and until 2016 which is the timeframe covered by our plan, we expect the business to benefit from greater visibility due to a stable regulatory picture, debt conditions that's already been negotiated in full and limited planned investments . Today, for the first time we have presented a three-year business plan, which indicates significant EBITDA growth and cash generation.

It is worth reminding the main levers we will use to grow our business are: extracting benefits of high flexible cost structure, exploiting state-of-the-art technology by means of international partnerships and leveraging on our strong brand and excellent distribution network. Also we have to

remind some projects and elements that are not currently included in our business plan that could be capable of accelerating our growth paths which are; commercial partnerships in digital gaming, and some value enhancing actions of our property in the San Siro area.

From now on, we plan to report on a quarterly basis, the advancement of our plan. We do expect and our goal is to continue to be a byword for entertainment and reliability for our customers.

I think that the presentation is now completed and it could be time for some Q&A, if any.

Q&A

OPERATOR: This is the Chorus Call conference operator, and we will now begin the question and answer session. The first question is from Karin Elias with Barclays. Please go ahead.

COMPANY REPRESENTATIVE: Sorry, we have a question here in the room. So, I would give priority to the questions we have here.

OPERATOR: Okay, just tell me when you are ready for the question from conference call.

ANALYST: [Inaudible].

MARCO CODELLA: As you probably saw in 2013 results, there was a positive contribution on working capital in that year that was linked to...it's not structured, it is something which is linked to some specific events. So we do not expect that contribution to happen in 2014, and also the charge in terms of interest which will be significant....

ANALYST: [Inaudible].

MARCO CODELLA: No, it's in the range €55 million - €60 million, so it's something that's mostly depends on capital....

ANALYST: [Inaudible].

MARCO CODELLA: I will give my view, and then I will move to Mr. Sandi, to answer the first. What we have seen in the past is that the UK players did a big, big effort in the Italian market; they spent a lot of money in advertising .At the end of the day, they got 3% of market share. I don't know, if I answered your question.

ANALYST: [Inaudible].

MARCO CODELLA: Any other questions here?

ANALYST: [Inaudible].

MARCO CODELLA: I don't think there will be any exit on the Italian market, of course, the settlement of the Corte dei Conti litigation put a lot of financial pressure on this market, not only on us, but on all of the players. So somebody could be in big trouble.

ANALYST: Thank you.

ANALYST: [Technical difficulty]

MARCO CODELLA: For what the virtual events are concerned, we do expect our market share being not far from the market share we have in the sports betting area,

since again, most of this wagers are collected through the shops. So we do believe that we will be in the same range of the existing [technical difficulty]. The payouts is in the range...is in a range of, you know, some 84 to 86. And for what the market size is concerned, as I was saying before, we do expect a market size which is, of course, not at the beginning, but when the deployment will be completed in the market, in the range of the UK market. UK market is 1 million pound...€1 million could be a good estimate for that but not for this year.

ANALYST: [Inaudible].

MARCO CODELLA: The market is going down; the average coin in is going down. But we moved from a very low starting point, since we have to substitute the barcrest platform with a new one, so we had a ramp up period that was quite long, because as you know, in order to have VLTs going to the right path and average coin in, it takes about four to five months. And also, we have planned to move 1,000 machines from existing locations to more efficient locations. By putting together this combination, we expect our coin in to be stable or slightly down, but we do believe that we will do much better than the average of the market because market is going down quite significantly.

ANALYST: [Inaudible].

MARCO CODELLA: I mean, today, the VLTs were all deployed. We do not expect other, you know, new significant number of machines in the market. So the stabilization will happen in the next few months.

ANALYST: [Inaudible].

MARCO CODELLA: No, they are not contributing significantly; we do want to give our shops some extra revenue stream.

ANALYST: [Inaudible]

MARCO CODELLA: We have an agreement in place with INSPIRED, INSPIRED is the main player in the virtual events market. They have 50% of market share in UK. Under this agreement, we have an exclusivity right with them for a certain period for each single game. After that period, they are allowed...INSPIRED is allowed to provide other concessioners with the games that they already provided us with. But we will be receiving royalties which are linked to the wagers collected by other concessioners through the INSPIRED technological platform. Second question...?

ANALYST: [Inaudible].

MARCO CODELLA: Normally, Q1 in each year is a very good quarter. And we are optimistic that 2014 will be in the same trend of previous years. Any other questions in the room? We can move to questions from people connected through the conference call service.

OPERATOR: Right. The first question is from Karine Elias with Barclays. Please go ahead.

KARINE ELIAS: Hi, thank you for the presentation and thanks for taking my questions. I have three, if possible. Going back to your slide, the slide 33, had a couple of comments on the regulatory framework, on both the VLTs and AWP. Is that more a generic comment or do you expect any changes with regards to taxation on both segments? And then secondly, with regards to your target on leverage for fiscal '16, I'm assuming that this is excluding any payments for the renewal of the concession, if you can

confirm that? And just thirdly on the...you talked about the plan of switch out of AWP into VLTs. Are you still seeing that in the first quarter, can you comment on current trend particularly on AWPs? Thank you.

MARCO CODELLA: So in terms of the numbers we've just showed, that is not including any payments related to concession, as I was saying before, because we expect the renewal process to be completed by 2017...but maybe I am...I was a bit confused, but I forgot the other two questions. So could you please repeat?

KARINE ELIAS: Sure, the first question was actually on the regulatory frameworks, you had it as a negative for the VLTs and AWPs. Do you expect further changes on taxation there?

MARCO CODELLA: So for what the regulatory environment is concerned, of course, there are some local authorities, who are trying to somehow limit the number of AWPs, they are, you know, hosting in their territory. The question is that the central government enjoyed €9 billion out of this sector in terms of tax. We do believe that the central government will play a stronger role in trying to keep this kind of, you know, income for them very significant as it was in the past. As I was saying before, the taxation in Italy on gaming, after the tax increase in 2013 on AWPs and VLTs is back to a higher level as compared to NGR. So we believe that that level is sustainable and will stay at that level for quite a long period. So local authorities can do what they want, but at the end of the day there are, you know, significant push from the central government in order to keep the income coming from the gaming industry quite high.

KARINE ELIAS: Great. And then just I had a question with regards to the substitution trend, AWPs to VLTs, is that a trend that you continue to see in the first quarter?

MARCO CODELLA: Not actually, because the VLT completion at market level was now a reality. We have 55,000 machines up and running. So we believe that the AWP market will be stabilized in 2014, since the...since people who wanted to switch from AWP to VLT already did it, and this is reflected in our plan.

KARINE ELIAS: Great, thank you.

MARCO CODELLA: Next?

OPERATOR: The next question is from Helen Rodriguez with BNP Paribas. Please go ahead.

HELEN RODRIGUEZ: Yes, hi. Just to come back a little bit on the previous question. In the UK, we are now seeing a big lobby from all parties and in fact even William Hill is leading this lobby for more regulation on, you know, fixed owned betting terminals VLTs. Is there anything similar in Italy, and is, you know, what's your Company stance towards, you know, the idea that sort of, you know, these types of gambling machines have to be regulated...more regulated?

MARCO CODELLA: The reason is that for us this market is highly regulated. So we are already there. I mean...

HELEN RODRIGUEZ: I mean to be clear it is in the UK, right. I mean, you know, the strict regulations about everything, but people want more now, because of the social impact of these in a poor areas. This is, you know, this week all the newspapers are full of this stuff?

MARCO CODELLA: Okay, but also the Italian newspapers are, you know, hosting these kinds of articles. But the reality is that, our market is already very regulated, both in terms of, you know, the possibility of placing VLTs and AWP's not closer than say 300 meters from churches, schools and things like that. So this is...it is something that we have already been experiencing and is nothing new for us, it's already like that in Italy.

HELEN RODRIGUEZ: Thanks. And then just in terms of, you know, sorry it's been quite [indiscernible]. You said that the Corte dei Conti Fine may cause somebody some problem; I think I heard you say. Do you see any M&A opportunities for you [indiscernible] I couldn't hear, because of that fine having a fore seller or something like that?

MARCO CODELLA: I don't think so, I mean not in the short-term at least.

HELEN RODRIGUEZ: Okay, and then in terms of just new opportunities for different products, is there anything out there that you think is exciting that could, you know, enhance your outlook?

MARCO CODELLA: I think that virtual events are exciting enough.....

HELEN RODRIGUEZ: Okay, all right. Thanks.

OPERATOR: The next question is from Juliano Torii with Ironshield Capital. Please go ahead.

JULIANO TORII: Well, thanks for taking my question. The question that I had is, you know, if you would consider acquisitions abroad or say of the business to players, you know, from other countries. And also the second question is, you know, you mentioned that the payments for your 2016 concessions you only...made in 2017 or at least that's what you expect. So could you

please, maybe clarify why you expect that payment only one year or after that?

MARCO CODELLA: So for the acquisitions abroad are concerned, we do not plan any acquisition abroad.

JULIANO TORII: Okay.

MARCO CODELLA: For what the 2017 payment is concerned, this is easy I mean, the process to actually renew the concessions in 2013 was delayed by more than eight months. So the concessions were given with eight months of delay. we don't think that they will recover the delay which they had in 2013, in 2016, otherwise the concession would last less than the period that they were paid for.

JULIANO TORII: Okay, so just to clarify, if, actually you say that they expiry in June 2016, but if actually they'd expire eight months after that.

MARCO CODELLA: I have to give you a view of what happened in the past. The concessions expired in 2012; I think December. they were awarded, late July or early September 2013.

JULIANO TORII: Okay, thank you.

OPERATOR: The next question is from Ronan Clarke with Deutsche Bank. Please go ahead.

MARCO CODELLA: Before you go ahead, I am sorry you missed the flight, Ronan.

RONAN CLARKE: Thank you very much, I am sorry too. But I am at least to get to ask my questions thanks. I have probably...that's okay. Firstly, can you tell us

the World Cup impact and can you break out what sort of EBITDA that is on a standalone for World Cup, and also the CAPEX guidance. And I am just wondering does that include some of the projects that you've talked about before, like for instant, payment services or is that additional development CAPEX that you might be spending? And then the third one is, I am wondering would you ever consider bidding for a lottery concession, for example if the GTECH concession become a multi-provider one in 2016, I think would that be something you'd look at?

MARCO CODELLA: For what the World Cup is concerned, we expect the extra wagers collected because of that in the range of 2%. We do not expect any CAPEX associated to new businesses as we call them, ticketing or payment services, since we will be using existing devices in the shops. For what the expiring of mono-concession is concerned, again, we did not include anything in our plan for that, it depends on the rules that will be given by AAMS, but that is not part of our business model.

RONAN CLARKE: Okay, all right. Thank you very much.

OPERATOR: The next question is from Emmanuel de Figueiredo with LBV Asset Management. Please go ahead.

EMMANUEL DE FIGUEIREDO: Yes, good afternoon. Thanks for taking my questions, I have three and maybe we can take them by turn, please. The first one is, it's really a clarification, because I can't find it in your presentation. Can you tell us what was your level of equity or shareholders funds at the end of 2013; I believe in 2012, it was a €164 million. So if you could tell me what the equivalent figure is, please.

MARCO CODELLA: Yes, the equivalent figure is...can you hear me?

EMMANUEL DE FIGUEIREDO: Yes.

MARCO CODELLA: The equivalent figure is €73 million, roughly.

EMMANUEL DE FIGUEIREDO: Okay. And my second question which is in a way related to that is, you know, given the recovery we've seen in equity markets basically in the periphery. Wouldn't it be advisable to try and raise some equity, really to get a feel for your...how you look at your equities versus your debt at the moment going forward?

MARCO CODELLA: We have no plan for that.

EMMANUEL DE FIGUEIREDO: Okay, and then third...my third and last question is, you know, given that I am based in London and not in Italy, there has been a...there is a change in government, and I am wondering whether you think that the risk is high, low or medium that the central government will actually try and get more money out of the betting industry in...?

MARCO CODELLA: You know, when they increased taxation in 2012 they increased...they significantly increased taxation, that year...for the first year the total income for the Italian government went down because, you know, people were switching from gaming activities with lower payouts to gaming activities with higher payouts and therefore lower taxation. So by increasing the taxation they just achieved a lower level of income. We do not expect that this will happen again because this is acknowledged by, you know, Corte dei Conti in their official report and is something that our politicians know very well. So a further increase in taxation would probably bring to a lower income for the Italian government.

EMMANUEL DE FIGUEIREDO: Okay, that's very clear. Thank you.

MARCO CODELLA: I think that was the last question. There is another one from the room, sorry.

ANALYST: [Inaudible].

MARCO CODELLA: You are very curious, but unfortunately I haven't got an answer for you. Yes at the moment there is an incentive scheme based on, you know, value creation for the CEO. I think it is quite likely, that there will be an incentive scheme also for the key people in the near future.

ANALYST: [Inaudible].

MARCO CODELLA: It is...the one existing is in case of change of control. I have no idea of how another incentive scheme could be conceived, but it's likely to be quite consistent with the existing one.

MARCO CODELLA: So thank you very much. Thank you all for attending this presentation. I hope it was somehow interesting for you, and we will be presenting our Q1 results in early May. So see you next time. Thank you very much.