

SNAI S.p.A

“Full Year 2015 Results Conference Call”

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OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the SNAI Full Year 2015 Results Conference Call. After the presentation, there will be an opportunity to ask questions.

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

FABIO SCHIAVOLIN: Thank you. Thank you very much. Hello, everybody, good morning. First of all, let me introduce myself, I am Fabio Schiavolin, the new Chief Executive of SNAI Group, after the combination with Cogetech, and Cogemat Group. I am currently running the Company from November 2015, before I was one of the founder of Cogemat Group and Cogetech subsidiaries. And I run the Company through those years till the combination with SNAI. Before, I have got 15 years experience n the industry, mainly of serving as an executive of Cirsa [ph] Group, where I ended being Senior Vice President of the Italian branch.

Today with me, that would handling the conference our new CFO of the Group, Mr. Chiaffredo Rinaudo, and Mr. Antonio Cosentini [ph], which is again a new member of the team in the Investor Relator team.

First of all, before starting the presentation let me extend you my apologies for the delay in releasing those fiscal year 2015 results. We have been very, very busy so far after the acquisition from SNAI of the Cogetech Group, in this new age of the combined Group. We have been focused mainly in the integration procedures assessing our organization, so building up the new management team, working on the first assessment toward the Company organization, working on the different projects of synergies.

And last, which is also the reason for the last little delay; we have been focused on the Purchase Price allocation analysis for the impairments, which lets say caused this little delay. But I don't want to bore you with all this excuses today, and I want to go directly to the presentation...to the presentation we sent you last night. And I will give now the lead to Mr. Chiaffredo Rinaudo, to make an introduction, an overview on the 2015 results.

CHIAFFREDO RINAUDO: Thanks Fabio, and hi, everybody. First of the agenda for today's meeting is composed of first part where we will present the fiscal year 2015 results, and then we will show you some highlights about the business update concerning first quarter 2016, and our outlook for the full year.

Let's say that the aim of today's presentation is to show why SNAI posted a negative performance in 2015. And at the same time, we will try to show how SNAI will recover in 2016, mainly thanks to the business combination of Cogemat and SIS, and thanks to the development strategy in the online space.

We will have an insight on...in Q1 '16 wagers, showing that the operating performance has been significantly recovering since the Cogemat integration and SIS Point Of Sales we opened...which happened in the last part of 2015. Fabio will present the Cogemat integration project also in terms of timing and sizing of the effective synergies.

And finally, we will talk about the 2016 outlook, taking into account the new regulatory framework defined as new Stability Law. We will talk about the increase in the gaming machine taxation, the new regime in betting taxation, and what we expect from the new Betting Tender that should take place this year.

So if we go to Page 5 of the presentation, you may find the highlights of the 2015 Group results. The fiscal perimeter related to the new scope of consolidation which as Fabio said before is considerably changed in 2015. Cogemat Group was consolidated starting from November, even if the combination was announced in May, the completion of the operation was done on November 19th, and so the effect will start from the 01st of November.

And I will add also the Finscom and SIS businesses that started to produce the revenues since April for Finscom and since September for SIS. And for this reason, we will show later in the presentation some pro forma figures for a homogenous comparison versus the 2014 year.

So looking at 2015 results, total revenues were €631 million, including €27.5 million coming from the Barcrest transaction that was announced in the first half of 2015. And the same revenues include also €83.7 million of Cogemat revenues related to November and December period. So if you do on a like-for-like basis, SNAI revenues in 2015 decreased by €10 [ph] million and we will see later in the presentation a detailed breakdown of revenues concerning pro forma data.

EBITDA decreased to €85.5 million from the previous €105.9 million that as posted in 2014. This result is negative result in terms of EBITDA was due mainly to three effects. First one is the introduction of the budget law 2015, which impacted on the gaming machine margin by €7 million on the consolidated figures. The second reason was the unfavorable payout that we experienced in 2015, where we achieved final results under sport betting of 82.2% versus a result of 79% in 2014. And this difference 3.2 percentage point account for €20 million impact on EBITDA. And the third effect is relating to the SIS and Finscom Point of Sales, we are

talking about 63 shops totally, that were completely shutdown in the first part of 2015. 8 shops coming from Finscom were closed until April, and 55 shops coming from SIS were closed until mid September.

Moreover, the 2015 results were impacted by some one-off items, most important ones are the €11.2 million depreciation that was mentioned before by Fabio due to the Purchase Price allocation impairment test on the participation of SNAI Rete Italia and Finscom. Moreover, we had a non-recurring bad debt provision by €7.7 million, which were mainly related to former SIS credit coming from 2014 fiscal year.

And then, we had another additional one-off effect, the deferred tax asset write-off, this accounted for €5.5 million negative, because of the introduction of the new tax rate regime which is the 24% starting from 2017. Today, the tax regime in Italy is 27.5%.

Finally, the net financial position was €467.6 million, which includes €110 million of the new bond issued by SNAI on July to refinance the Cogemat Group debt, and that the same Cogemat Group added its liquidity at the end of the year, which was €47 million, totally and globally at the end of the year SNAI had liquidity for €109 million.

FABIO SCHIAVOLIN: Going to Page 6, we want to make a little bit more of insight about the two main M&A operation done before the end of 2015, which of course are represented by the biggest one, the acquisition of the Cogemat Group and then let's say that the two different procedure to purchase and then to acquire Finscom and SIS which are a group of retail shops that have been let's say integrated into the Group and as Edo [ph] was telling before, we opened through 2015.

So beginning with Cogemat Group and related companies which are Cogetech Gaming and Azzurro Gaming that has been in November 2015 Cogemat has been contributing in the pro forma figures, the numbers of the Group with an EBITDA of €37 million, €36.8 million. And with the net financial position of €63.6 millions which let's say contributed or will contribute to the leverage, the let's say the global leverage of the Group being the leverage of the Cogemat Group or the former Cogemat Group 1.73.

There are of course a lot of areas of synergies. We have a specific synergy plan that is in place and it is one of the main focus of the management team since the acquisition of Cogemat by SNAI. During 2016, the results of such synergies will bring €7.5 million synergies which will be added by €10.7 million in 2017. So for a global amount of €18.2 million of synergies coming out from the activities that the management team has been doing first in that top management organization structure and then all the areas of synergies in which we have found possibility to cut costs and to let's say leverage our economy of scale from the combination of the two Groups.

This is important to be said that the €7.5 million achieved in 2016 are already in the numbers, will be in...already in the numbers, in the current numbers of the current year trading. And we already worked on the definition or resolution of more than this number. We already brought formally home something like €8.2 million of synergies which will be reflected in this year in the number of €7.5 million, but then as I mentioning before, will bring to €18 million in total.

As I was saying, this is one of the combination because we are merging two different companies with two different cultures and ethos [ph] and the gaming market in Italy for SNAI that is let's say the one of the dominant

players in the Italian market with more than 100 years history starting from the horse racing business and then diversifying into sports betting and all the other gaming machines and online gaming. And the Cogemat Group which is let's say quite a young Company, being founded in 2004, mainly focus in gaming machines.

So we had a perfect combination also on the top management side. Of course, we had to make some choices which we hope and we are sure will bring the Group to let's say soon brilliant results for the future. And...but we saw that the expertise and the focus of the two different teams will be very well balanced to achieve the goal that we have in mind.

Going to the second area of M&A of this year, since...as Edo [ph] was telling before, we are talking about 63 with two difference in the kind of let's say distribution in the field being become [ph] more localized northern part of Italy and it is broadly a national operator with this 63¹¹ shops all over Italy from let's say the north through to Sicily. As Edo [ph] was saying, those shops were close at the beginning of the fiscal year 2015 and there will...that being reopened with reference to the Finscom network at the beginning of April. So we have eight months of contribution for eight shops. And for the SIS network, mainly in average that's been opened after summer, so between September and October, so we have just a few months of the year contributing to the results of 2016.

That [technical difficulty] the positive contribution to the consolidated EBITDA of the Group that began to start in Q4, but in the first quarter of the 2016, we are already registering something like €1 million contribution to the consolidated EBITDA from those bunch of shops.

We've been...we will be finalizing the acquisition of SIS business, the 55 shop from the...on the special procedure in the first half, before the end of

the first half of 2016 and then from then on will be the management team that already looking for let's say a change on the business model of those shops will be focused on the progressive outsourcing of those shops to franchisees, so to operators that we are already talking with that, that we already negotiating with. We estimate that this process will bring to 20% of the total number of the shops outsourced by the end of 2016.

So going to the end of the slide, we can assume that 2016 results for sure will benefit from those business integration, both in some of cost of synergies as we were talking about before. And also regarding additional margin from the point of sales and from the organic growth of those point of sales, that I have to remember they have been closed for some months and they need a bit of refurbishment to ramp up to come back to recover to the former results.

Cogemat business, the integration with the Cogemat business in the SNAI Group is also bringing another important effect which is the leverage from let's say the weight of payout related products and there is also the EBITDA contribution of the Group which in the pro forma figures of 2016 will lower down that impact of payout products to 21% of the total, which is again another very good news because we are say focusing that and targeting the Group of having the let's say the main part of this, the contribution to the EBITDA to predictable let's say payout and margin products in this portfolio.

CHIAFFREDO RINAUDO: Okay, Page 7, we go through the pro forma figures, which [technical difficulty] the M&A operation done by Fabio. In this table, Cogemat has been consolidated over 12 months both in 2015 and in 2014.

Total revenues were over €1 billion in 2015, so with the growth of 3.8 percentage points compared to 2014. EBITDA decreased from €145

million down to €114 million in 2015, the difference which is €31 million is mainly due to the already mentioned fact related to the unfavorable payout which account for €20 million and the impact of the Stability Law 2015 which on the pro forma figures accounts for €12 million, €6 million related to SNAI and €6 million related to Cogemat Group.

In terms of proforma contributions of SNAI and Cogemat to the EBITDA, the SNAI Group had 2015 EBITDA of €77.8 million and on the other hand Cogemat contributed by €36.8 million in terms of EBITDA 2015. The net financial position on pro forma basis improved by €36 million of which €27.5 million coming from the Barcrest transaction and €8.5 [ph] million of cash flow generation.

Due to the important contribution of Cogemat that was already mentioned by Fabio [ph] before in terms of gaming machine business, only the 21% of the contribution margin is now exposed in 2015 year to the payout risk, payout risk is related to retail and online betting where the payout is mainly related to market condition.

If we go to Page 08, we have the wagers and revenues breakdown on pro forma basis for the 2015 and the 2014 for the comparison of the two years. If we go briefly through this number, you will see that we had an interesting growth for the gaming machine 5.9% on wagers and 7.1% on revenues mainly related to the increase in the bet for VLTs, coin-in for AWP's and thanks to the continuous machine relocation that we are doing in...for the VLT in our case.

Sports betting wagers were down by 10% and revenues down by 25.6% impacted by the Finscom shops inactivity in the first part of the year and then mainly to the higher payout that we showed before. Online wagers were significantly growing, 30% in terms of wagers. On the other hand,

the revenues were stable mainly related to the said effects of the retail wagers due to the higher payout that we experienced in 2015. On the other hand, Virtual Events were down in terms of wagers and in terms of revenues this negative performance was related again to the SIS temporary inactivity and the competitive pressure that we had in the first part of the 2014 when SNAI was originally a sort of monopoly in this kind of game. Jump in terms of volumes at the end of the year, our networks composed of 1,569 Point of Sales, which is the sum of shops and sports corner and more than 63,548 AWP's and 9.911 VLT's.

Page 9, the usual slide concerning rollout of payout...the trend of the payout over the last three years. As you can see, the 82.2 pro forma for payout in 2015 is by far the worst performance that we had over the last three years. The difference compared to the average of 2014 and 2015 is 3 points which accounts for at least €20 million impact on our consolidated figures.

So for the business update, looking forward 2016 and looking at our wagers performance in the first quarter of the year, I leave the speech to Fabio.

FABIO SCHIAVOLIN: Yes, again as we've been mentioning before, , as you may know, we have some news coming out from the budget law and the 2016 budget law in reality at the end brought a lot of good news for the gaming industry. This is because it brought a bit more stability and despite the fact that we've been let's say charged with an increase of payout on the gaming machine side, we have a lot of other positive effects that will all contribute together with the current discussion with let's say the municipalities and the government from the territory together would bring to like we hope to a stable new era for the gaming industry.

If we follow the presentation, the first effect of the new budget law that we are mentioning here is let's say the new taxation structure on betting, which is passing from let's say variable taxation and wagers that was before close on average to 4.1% on wagers to a new kind of taxation, which is applied to the net revenues, which is not a logical thing, but also it is aligned to the principal jurisdiction in [ph] Europe.

This new regime with the current level of wagers will reduce the impact of taxes and also will reduce the negative impact of payout for all the operators. We already mentioned the increase in gaming machine taxation, which will affect [ph] revenues in 2016 is let's say a material increase because it brought up the taxation up to 4.5% for the AWP's and half a point on the VLT's.

At the same time, the positive thing of 2016, which is a massive positive thing is the repeal of the 2016 budget law, the famous €500 million tax, which was basically a taxation that was foreseeing a reduction of the fees of the value chain and, for many of you that are not aware, generated in the gaming industry in Italy a lot of discussions and problems on the value chain split between operators for the application of such reduction.

You know, thank goodness this kind of structure has been repelled and so with the increase of the taxation in AWP's and VLT's combined with the possibility to decrease payout in the AWP games, we are sure and we are already seeing in the first figures of 2016 that the effect, the impact of the increase of taxation will be balanced by the new payout. At let's say the end of the first quarter, we have more or less 30% of AWP's already updated with the new board running with 70% payout.

No doubt the good thing is that this change so far has not brought any kind of impact on the wagers. In the opposite, we still have wagers going up of

4.9% in the AWP side, which means that so far the impact of lower payout haven't influenced the demand and hasn't influence the value of wagers.

The combination between the decrease of taxation with a new taxation structure and the increase of payout brings to a net that we are estimating of €2 million of impact because as I was saying, the increase of payout is partially offset by the repeal of 2016 budget law and then from the new taxation in sports betting, that's contributing positive to our numbers and we therefore cashed [ph] the payout of about €4 million. So we are...we will have let's say a better figure of €4 millions in the same taxation in the betting area.

Going back and looking to the synergies that we were working on, as I was mentioning before, roughly 40% of those synergies of the big amount of €18.2 millions, which is the big pictures of the synergies project targeted in 2016, so 40% brings to something around €7.5 million, and in the full year and also already which is on track in the first quarter of 2017. We will expect, of course, more synergies by let's say the completion of the full plan of integration between the two companies, which will pass through then the next stage to the downsizing procedure. This is not already reflected in this, in the numbers we are presenting today, but there would be another important space for synergies in the next year.

Going a little bit through the main area, the guidelines for 2016 budget, as I was saying before, talking about AWPs, we will be focusing on the change of the Boards to the 70% [ph] payout and you know, we will carry on acquisition also exploiting the assets that we have in the SNAI Group, and let's say [indiscernible] for the main operators are in the possibility to also exploit sports rights in their operation will be focusing in acquiring new distributors.

And we also have, let's say, apart from the continuous integration project that the Company already started in 2014, by the acquisition of some distributors of the AWP's that in the past has brought to the current portfolio of 4,000 machines managed directly by SNAI, and in 2016 we will bring two additional 700 to 800 more machines to be acquired.

On the VLT side, this is again an interesting [ph] opportunity that we have in the Group by this combination of the two companies. We will be this year, the operators that will have the possibility to exploit the bigger number of VLT platform in the market, by having the possibility to offer our customers five different platforms on the VLT side. We will be working on the game contents with all our suppliers on that side. We are working a lot also with relation to the budget law...the 2016 budget law on the future project of the so-called mini-VLT [ph] that will replace AWP's. And we will be focused again on the relocation and market optimization of the point of sales for VLTs which as Edo was mentioning before, already brought in 2015 good numbers to the SNAI Group, and will be continuing bringing, let's say, a positive effect also on 2016.

On the retail side, we are working a lot again on the integration of the best practice and the best platform of the two companies, by integrating, let's say, the result of the R&D being done by the two companies. And we have the possibility for the next European championship to come out to the market with a completely new acceptance platform for the shop, and also for the counter operators within the shops. We are adding a lot of more streaming in the shops, also in the online by new agreements being signed with [indiscernible] and with some other [indiscernible] we will be able to let's say enhance the offer of the Company, both in terms of quality and number of events, and also in terms of as I was saying live streaming for the integrated betting.

We on the online side, having achieved, let's say, the top performance in terms of website offering with the release of the new website, and also with the integration of all the main important services to the website. We will focus in 2016 more now in the cross-selling operation, and so in the acquisition of, let's say, new customer directly from the physical networks of shops by a more aggressive and direct marketing within the shops.

We will be launching in the virtual event side, new features and new games, sports we will be launching the new soccer game, the evolution soccer game, we will be launching the customized natural features...content of Mike Tyson in our shops, which are...for which we have an exclusivity on the launch on the launch base, we will be working, and again, from this point of view, we are the sole operator that has been developing together with Inspired Group a new kind of horse racing with the imported [ph] which is very new for Italy, and this is, let's say, again an innovation product that's about to being brought in the market within this fiscal year. So a lot of things that of course will be in our aim, let's put in the market between the European Championship and the Olympic Games, and will be at full speed by the end of the year.

To wind up, of course, another thing I wasn't mentioning, but which is important is, you know, that Cogetech is bringing to the new group, let's say more business of commercial services which is in Italy, let's say, quite an interesting area of business in which, of course, we are not now one of the leading operators, but exploring, let's say, the combination of the two networks, Cogetech and SNAI, we will be able to extend those contents to the SNAI network, and enlarge this service which is not only important, let's say, a possible contributor to the margins of the Group. But, also it's very important vis-à-vis, let's say, a process of feudalization [ph] of the customers in which we want to give all our retail customers all the products they need, we don't want...we want to recover in the SNAI

network and to bring back all, let's say, the gaming and non-gaming services that were not being supplied by SNAI in the past.

To end up, on the 2016 outlook, I would mention, of course, the tender procedure for the betting rights, for the betting licenses. You know, that our betting license are about to expire at the end of June 2016. For this reason, we are expecting the regulator to come out with a tender procedure by the first days of May. This tender procedure is supposed to let's say come out with the process that will bring them the new licenses to be full operative from the 01st of July. But, for those of you that are aware about the political discussion in Italy, this tender procedure is strictly related to one of the things that I was mentioning before, which is the agreement that has to be found between the Central government and municipalities, and the government of the regions in terms of the rules, the opening hours and the applied rules that the different municipalities are giving to the operators in their territories.

This is very important, because this is, let's say, strictly related to the capacity of the operators after having being awarded of the new license to really exploit them in the field. From this point of view, all the operators together and also regulator are you know, are talking frequently with government in order to have a clear situation before applying to the new tender.

For those reasons, I am mentioning, there is a possibility that, let's say, the tender have some delay. But, you know so far we don't have any, let's say, real and feasible reason to think that it's really delayed. So we are looking at the tender of course, with the aim...with the minimum target to reconfirm our portfolio of shops and corners, so our presence in the territory. Having in mind that the new...the number of rights that is about to be put on tender is 15,000 point of sales, spilt in 10,000 shops and 5,000

corners, which is more or less in line with the current numbers of point of sales opened and operating in the fields, which are about 10,000 something...more than 10,000, let's say, in the regulated market, and another 4,000 in the so-called grey market which is represented by information on operators in dotcom [ph] area collecting bets in the field in Italy.

This new tender is also, let's say, perceived like a way for the regulator and for the government to finally get rid of the grey market. This is what everybody is expecting for the new tender. This is what also some of the most important grey operators, if we can call like this then, are saying so that the main international operators not being granted with the license, but are working in the market are announcing...public announcing one of them is [indiscernible] for example, are announcing that they will be participating into the bid. Of course, also for them, one of the crucial program is represented to the, let's say, what I was mentioning before to the regional rules that have to be cleared before the application of the tender. But we are forecasting that those grey operators will be participating to the tender with a number between 3,000 to 4,000 new shops.

On the CAPEX, we are let's say foreseeing for the tender related to the strategy I was mentioning before. So my minimum, let's say, target is to reconfirm the current network, as that would bring the Company, the Group to have more or less €45 million CAPEX related to the new licenses. And we have a range that is, let's say, going between €45 million to €75 million, this range is related to the betting [ph] strategy and targets that will be then, let's say, defined before the application.

Just to give you a comfort on this side, the current liquidity of the Group is on average exceeding €100 million. So we do not have any need to

activate the revolving credit facilities, and we are fully confident that we will be able to full participate to this tender procedure with exactly the same targets and the same strategy that we are about to define. So we won't be obliged to redefine a strategy for liquidity stress.

So we want today not only talk about the results of fiscal year 2015, and neither we want to only to tell you dreams of the future, which are not dreams, I am sure. But we want to finish this first call of, let's say, the new management team and anew era of the Group by giving you some material facts and reality, which affected the results that will be showing deeply in when fist quarter results will be giving and discussing on the 13th of May, so in two weeks. But we want to anticipate something because we are...so first of all we are very proud of the work we are bringing and the result we are bringing to the Group. But then also to give you a little bit of, let's say, trend on where the Company is going. So at Page 12, we tried to give you a bit of, color on how the current trading is performing in Q1, 2016, which again will be a minimum anticipation on what we will be showing you in two weeks time with the first quarter results.

CHIAFFREDO RINAUDO: So the good news is that, the minus sign disappeared there. If we look...and go through the main results in the main area of business you will see a positive performance on the gaming machine area, plus 6.9%, and the result is also related to the growth in the AWP's space by 4.9%, despite the progressive decrease in payout of the installed machine.

Sports' betting in the retail area is growing by 14.5%, and most of all the online sports betting are growing by 52.7%. Thanks also the release of the new website of SNAI in January 2016. Another good news for us is the reversal [ph] of the Virtual Races trend that is starting again to grow. The growth was significant, 9.1%, and our view is mainly related to the release of new games during the last part of 2015.

Let's say that these results, the growth of the 8.5% on the overall wagers in our idea confirms the validity of the project, and confirms the work that the Company is doing, the integration with Cogemat, and also the integration with the SIS business that is starting again to bring its effects on our consolidated profit and loss.

Last page is just related to some snapshots coming from our new website, obviously our online department is very, very proud about the new site, but unfortunately there is no main figure to be commented...

FABIO SCHIAVOLIN: No, the only thing is that in the online we increased the betting online from 140 to 190 million euro in 2015. And we are targeting much more for 2016, that means that, let's say, the work we've been making on the offer side, which is both offering, let's say, odds [ph] and services, but also represented by tools and platforms and new way to market the product and new way to do marketing to the customers is bringing really brilliant results. So the presentation is over.

CHIAFFREDO RINAUDO: We can start the Q&A session. I think we have more or less half an hour left to answer your questions. Thank you.

Q&A

OPERATOR: Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session.

The first question is from Andrea Randone of Intermonte. Please go ahead.

ANDREA RANDONE: Thank you for taking my questions and good morning. And my first question is about the ongoing renegotiations of the agreements you had with your shop managers. I wonder if you can tell us some details about you expect from this side. And the second question is more about the cash flows, just to understand what are the extraordinary cash out you expect in 2016, the main item will be the cash out to renew the betting shop concessions and you already detailed us what are your expectations. I wonder if there are any other extraordinary cash outs you expect in 2016. In the press release for instance, you mentioned a €9 million provisions you made for pending litigations this year. And so I wonder if...about this item or other items like the restructuring plan you announced between Cogemat and SNAI you are expecting any extraordinary cash outs? And then...okay, the last question is just if you can confirm that the SNAI standalone adjusted EBITDA in 2015 it would have been equal to €77.8 million? Thank you.

FABIO SCHIAVOLIN: Yes, thank you Andrea, going to the first question you were posing, of course since my entrance in SNAI Group, the first focus that I have been working on was the renegotiation with the current network of shop managers. As you guys know, the major part of the network option [ph] of the shop managers network is represented by the former owners of the Company that you know, were altogether into a vehicle that was controlling the Company and they get out from that deal with let's say a contract that is from one side from the...let's say the time side about to expire. So that's an open window to get out and also there is a new tender which will discontinue the relationship with the network.

And on the other side, that the interest for the Company to rebalance the weights in the relationship with the shop managers being the current structure of compensation of the shop managers based on a percentage of the wagers. With the current dynamics of payouts and with the current

let's say margins and level of margins that we are exposed to, we find and we...and that is how the compensation structure was done in Cogetech for example. We want to also in SNAI to apply a kind of red share [ph] agreement which doesn't expose the sole company to the swings [ph] of payout and which aligns also let's say the interest of both let's say parties to control the acceptance of the game of the bet and let's say to enforce controls in the shops.

Of course, this is mainly let's say a need to align interest and not to have one of the parties that's interested on pushing up wagers and the other one that's interested on pushing down risk. So we can grow both together much better. Of course, we have to go through the different shop managers which are controlling let's say one or more shops of the 550 shops in the network of SNAI. We have been working on this since December, we are...we do think that we will be able to come up to an agreement as I was mentioning before, so an agreement that protects more the Company to the swings [ph] of payout and also align together the parties on the payout strategies and of making strategies.

We think that we will be achieving it...we are currently working and negotiating with roughly 148 shops which are let's say mainly related to a couple of associations of shops. We are already in the safe region with newly negotiated agreements done in 2015, something about 250 shops and we will be working with the...all the small operators not related to the biggest association during the 2016 fiscal year. Of course, our target is to come back to an agreement before the end of year, before mainly if possible the beginning of the European Championship, that's why we are totally focused on that.

CHIAFFREDO RINAUDO: I'll go through the other two questions, the first one, the simplest about the confirmation. I confirm the EBITDA for SNAI standalone full

year 2015 is €77.8 million. On the other side, for the question concerning the cash flow and the investments expected in 2016, let's say that together...there we are targeting a total value of CAPEX around €30 million for the fiscal year 2016 including €5 million of one-off CAPEX related to the synergy plan and integration with Cogemat.

You have to add €5 million for the SIS acquisition operation that is likely to happen before the end of the first half of the year. So €30 million CAPEX plus €5 million for the SIS business acquisition and then obviously we have €60 million of interest to be paid during the year. Concerning the provision that you correctly mentioned, we don't expect then let's say they are mid to long-term provision, so we don't expect to incur of course CAPEX related to those provision in this year.

ANDREA RANDONE: Thank you. Thank you very much.

COMPANY REPRESENTATIVE: Thank you.

OPERATOR: The next question is from Nilesh Desai from Ares. Please go ahead.

NILESH DESAI: Hi, good morning gentlemen, just a quick clarification on your previous point, you said CAPEX for 2016 was €30 million. How does that link into the renewal of the betting licenses?

CHIAFFREDO RINAUDO: No, we are talking obviously about ordinary CAPEX...

NILESH DESAI: Okay, understood.

CHIAFFREDO RINAUDO: The amount of CAPEX related to the renewal, which was said by Fabio in the range between 45 and 75, must be added to this figure.

NILESH DESAI: Okay got you. In terms of the EBITDA on Slide 5, you talk about the EBITDA falling from 106 to 85.5. Could you just tell me the exact amount of Cogetech EBITDA in that number, and also the impact of the 63 shops that were shutdown?

CHIAFFREDO RINAUDO: Okay. In the consolidated figures that Cogemat was consolidated just for two months and the total amount is €7.5 million positive contribution for the consolidated EBITDA. On the other hand, on the full year the contribution of Cogemat was €36.7 million. And the other question sorry was?

NILESH DESAI: Yes, just the impact of the shutdown of the 63 shops?

CHIAFFREDO RINAUDO: Okay. Let's say that, the answer is I don't remember is in Slide 6. If you go back to Slide #6 in the presentation, you will see that in the second part of the slide, second bullet, there is a positive contribution to consolidated EBITDA starting from last quarter 2015 of €1 million per quarter of SIS, so that's a positive contribution that we have today which corresponds ...to the negative contribution until third [ph] quarter 2015.

NILESH DESAI: Okay. That's fine. Can you talk about AWP 2.0 coming in from 2017 onwards, you like to see any one-off costs either, when your cost line in your CAPEX line with respect to sort of improving or upgrading the machines?

FABIO SCHIAVOLIN: Not so far, you know, we are currently talking, let's say, on one side with the regulator, because the final, let's say, structure of the new AWP 2.0 or new mini-VLT as they call, is not really clear so far. It's not really clear, whether it will be a standalone machine with a different kind of control from remote or it would be a downgrade of the current VLT network. So whether it will be a full wide area network type of game with RNG [ph]

and all the...say the logic of the machines of the game content in the center or if it will be something slightly different like a class 3 [ph] product or something. Let's say more, less sophisticated, I am telling you this, because depending on the future shape of the technological solution that they will be taken by the regulator will depend the level of CAPEX that we will be doing. I think, that I can tell you is that from how the market is evolving in the negotiation with potential partners manufactures and suppliers throughout the world.

It seems that the new market will be in the business model more similar to the VLT-1 than to the current AWP-1. What do I mean about that? I mean that, the operators won't be, let's say, purchasing the terminals, the machines, but will be mainly in rev share kind of agreement with the supplier. So that seems to be, let's say, the way that major supplier we are talking with...will come out with the offer. So no news so far, but it seems that the business model will go in that direction.

NILESH DESAI: Okay. And can you comment on the payout ratios in Q1 2016, I mean, maybe not the exact number, but are they so closer to 2015 levels or more like 2013, 2014 levels?

CHIAFFREDO RINAUDO: Let's say, the final figure will be released with Q1 results, slightly better than what we had last year.

NILESH DESAI: Okay. And last question from me. So once you've got this pro forma business now, you've mentioned the 20%, would I be right in saying the EBITDA or contribution level, it's roughly split 80% gaming, 20% betting, is that correct?

CHIAFFREDO RINAUDO: Correct, yes.

NILESH DESAI: Okay, great. Thank you very much.

CHIAFFREDO RINAUDO: Thank you.

FABIO SCHIAVOLIN: Thank you.

OPERATOR: The next question is from Ronan Clarke of Deutsche Bank. Please go ahead, sir.

RONAN CLARKE: Hi, there and two questions, please. I just wanted to, if you could give us some detail on the assumptions behind the 2 million estimated impact of the stability law, so for instance. And do you assume the AWP payout is reduced to 70% on all machines by the end of the year or what's the...what's the inputs in that assumption overall, please. And also, could you tell us what the Euro 2016...what the Euro tournament would normally contribute to EBITDA in a given year, please?

CHIAFFREDO RINAUDO: Okay, so for the first question, let's say that we talked about an overall negative impact by minus €2 million for the interaction of the stability law 2016 compared to last year. This figure comes out from this algebraic sum [ph]. Let's say we have a negative impact of €18 million related to the increase of taxation on the AWP's and VLT's. On the other hand, we will recover €12 million from the repeal of the 2015 budget law. So we will have a negative impact on the gaming machine area by €6 million. And then we have a positive impact coming from the new taxation regime for the betting retail and online, which is estimating you know, total value of plus €4 million. So finally, minus 6 in the game machine, plus 4 in the betting area, and the final impact will be €2 million negative for SNAI Group.

RONAN CLARKE: Thanks.

FABIO SCHIAVOLIN: For the Euro Cup, what we...let's say, that the combined effect of the impact on wagers is estimated to be in the region between 20 and 30 additional million on wagers, and hopefully with a good margins, but we....

RONAN CLARKE: Yes, and from your experience on the Cogetech side during World Cup or Euros tournament, does it cannibalize machine revenues at the same time or wagers?

FABIO SCHIAVOLIN: No, did I hear correctly cannibalize, did you say?

RONAN CLARKE: Yes.

FABIO SCHIAVOLIN: No, on the opposite. We have you know, because it is the Euro Cup is coming, let's say at the beginning of the summer season, and the summer season generally not for gaming machines start with declining trend in wagers, because people like to go to the beach. And with the Euro Cup, and the presence of a lot of important programs, and then after also a little bit with the Olympics we will estimate, let's say, an increase in the retention of players in the shops, of course, in the online, well it won't be affected by, let's say, the weather affect I was mentioning before. But we don't expect cannibalization on the opposite, being let's say, being the program, and let's say in the good season we also are working with our shop managers in order to extend the opening hours of the shops to give the possibility in the betting shops to play on a wider and broader, let's say time during the day also on the gaming machine.

RONAN CLARKE: Alright. Okay. Thank you very much.

FABIO SCHIAVOLIN: Thank you.

CHIAFFREDO RINAUDO: Thank you.

OPERATOR: The next question is from Lisa Tang with Bank of America. Please go ahead.

LISA TANG: Hi, I just have two questions from my side. So first, what are the charges being considered for this in your process, and the SNAI want to keep it within the size of its current sports betting business or does that want to increase or decrease? And second, could you comment with what happened to ADM, and then by commenting that your leverage was a little bit high or/and you are not in compliance with the financial metrics and is this going to be a problem going forward?

FABIO SCHIAVOLIN: Okay. So to come to your first question, as I was before giving a range exactly for this reason because we are looking forward, Lisa, to extend our network with let's say a precise and targeted strategy by trying to acquire top performing with goodwill [ph] Point Of Sales. We will try to extend our network also in consideration that I was mentioning before, with the process of integration of the so-called grey operators, the regulator is giving the possibility to the let's say play with a bigger basket of rights [ph]. So we will try not proportionally, but we will try to extend our network and we will work on that by having let's say, a kind of cherry picking strategy in order to get to the best performing also shops from the competition.

LISA TANG: So, is there a certain number that would correspond to making it the current size of the network and like, would 75 be like the 10% increase?

FABIO SCHIAVOLIN: I think it would be a bit higher.

LISA TANG: Okay. So how much will it cost to maintain the current size of the network?

FABIO SCHIAVOLIN: The current size?

LISA TANG: Yes.

FABIO SCHIAVOLIN: The current size is in the low part of the range.

LISA TANG: Okay, great.

CHIAFFREDO RINAUDO: Concerning, Lisa, your second question for the ADM relationship, but there has been normally modified [ph] by ADM concerning the respect of some indexes that the concessionaires must meet at the end of the fiscal year. Last year SNAI was not meeting let's say one of those indexes, which is ratio between the net financial position and net equity because of the low level of the equity at the end of 2014. But in the 2015 fiscal year, due to the Cogemat operation where...which SNAI added €140 million of equity, this index was totally met at the end of the year. So, ADM just closed this monitoring phase one week ago.

LISA TANG: So, the monitoring phase is now over?

CHIAFFREDO RINAUDO: It's over, yes.

LISA TANG: Okay, great. Thank you.

CHIAFFREDO RINAUDO: Thank you.

FABIO SCHIAVOLIN: But just to underline this, it was simply a monitoring procedure that the regulators took in place with all the operators. So I think that and the buzz

has been little bit let's say causing even stress in different but it's completely over. We have been formally assessed [ph] by the regulator and we are completely in. So I think this was the last question, no?

COMPANY REPRESENTATIVE: Yes. We have time for one more question.

FABIO SCHIAVOLIN: One more, one more, if there is any.

OPERATOR: The next question...I am sorry, the next question is from Herring Dong [Ph] of OFI Asset Management. Please go ahead.

HERRING DONG: Hi, good morning. Can you just talk a little bit about the 2018 bond refinancing, is there something that you are looking at right now or is too early?

FABIO SCHIAVOLIN: Thank you. Now, this is again, I think it's a little bit early, even if of course we are looking forward to it, as you guys know, we have maturity between June and December 2018. So we would start thinking on that after summer ...but we haven't anything so far to share with you guys.

HERRING DONG: Okay, great. Thanks.

COMPANY REPRESENTATIVE: A very last question, if there is another one.

OPERATOR: The next question is from Domenico Ghilotti with Equita. Please go ahead.

DOMENICO GHILOTTI: Good morning. A few questions and thank you for taking the question at the very last and the first is a related follow-up on the impact of the Stability Law, so in particular on the €18 million negative impact that you are calculating on the gaming machine. I wonder if you included the

impact of the replacement of the board [ph] and how did you calculate this impact. The second question is on the wager performance in Q1 this you are reporting. Is it correct to say that net of the €50 million that were contributed by SIS and the other shops that were closed basically were more in a flattish trend, year-on-year. And the last question is on the synergies, you were mentioning some integration investment, integration CAPEX, I wonder if you have also some integration cost to be considered in this year.

CHIAFFREDO RINAUDO: Okay. Let's do it quickly, concerning the impact is just mainly for the Stability Law €18 million, we are expecting that by the end of third quarter, all our stationary [ph] AWP's will be completed turn to 70% payout, the impact of my side is just related to proprietary AWP's and we don't have a direct impact on the third parties AWP's running on our network because the fees for SNAI IS related to fixed fee per day for this part of AWP's.

FABIO SCHIAVOLIN: Just to give you a little bit of more details, we have more than 4000 proprietary AWP's, related to those machines, the CAPEX impact will be €3.7 million to replace.

CHIAFFREDO RINAUDO: So, the CAPEX, the additional effects that we have included in the €30 million of CAPEX that we mentioned before. On the other side, even if we take off the €50 million contribution in terms of wagers in first quarter 2016, we would have a net increase of €160 million, so I wouldn't say that we are in flattish trend.

DOMENICO GHILOTTI: No, I was referring to the sports betting and so probably, the 50 million you are including also...?

CHIAFFREDO RINAUDO: No, but consider that most part...a very good part the contribution coming from SIS is related to AWP's and VLTs.

DOMENICO GHILOTTI: Okay. So €50 million is overall...?

CHIAFFREDO RINAUDO: Okay.

DOMENICO GHILOTTI: Thank you.

CHIAFFREDO RINAUDO: And last part of the question, we don't have integration cost, just CAPEX as we mentioned before.

DOMENICO GHILOTTI: Okay, thank you.

FABIO SCHIAVOLIN: So, let me just wind up with our first call of the new season of the SNAI Group. I would like to thank you everybody again and to apologize for the delay, we have been giving to this call during the last couple of days. Thank you again, we look forward to talk with you guys in the next let's say appointment that will be after...

FABIO SCHIAVOLIN: The release of the third quarter results.

CHIAFFREDO RINAUDO: And for any pending questions concerning these conference call, you can send your request to our investor relation mail, and we can also have a short one-to-one call if needed and requested. Antonio is available for this.

FABIO SCHIAVOLIN: , again given the importance of this new project, the integration and that the new market dynamics we are going through including the tender, the

company is fully available and open to establish full and open conversation with all you guys. Thank you again and have a good day.

CHIAFFREDO RINAUDO: Thank you. Bye-bye.