

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Snaitech First Quarter 2017 Results 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. Fabio Schiavolin CEO of Snaitech. Please go ahead, sir.

FABIO SCHIAVOLIN: Hello, good afternoon to everybody and welcome to the first quarter call of Snaitech, which is by the way the first under the new corporate name. We can follow the presentation, so starting from Page 4, we...in the first three months of 2017 the company continues its way on the finalization of the integration between the two former companies, in a performance scenario which shows slight loss on wagers at €2.6 billion, losing 3.2% on 2016. First quarter performance it has been driven by an unfavorable payout on both online and offline betting, which has gone up by 6.1 this year...87.6%. Digital part continues its strong growth with an average up of 25.6% driven by the top performance of the betting division, sports betting online division which has been growing in wagers at 35.3%.

Gaming machines have absorbed the impact of payout reduction, delivering a performance which is showing a loss of 7% compared to the same period of 2016. This is also influenced by the recent restriction in opening hours that we will talk also afterwards.

We continued our work on the synergy program accounting €3.3 additional million and confirming the global plan of synergies of €20 million per year. We completed the merger of Trenno into Snaitech, the the redundancy program of the personnel will start in July and the betting rejuvenation program as well also €12 million CAPEX over 18 months already started in January.

So resuming at EBITDA level, we registered €28.3 million versus the €38.7 million in first quarter of 2016. This is completely influenced by the unfavorable payout which I was telling before of €10 million. We registered on the opposite a positive net income of €2.2 million which is completely related to the new cost structure post refinancing and also all the reduction and changes we have been carrying over so far. It would have very much different to this payout if won't have achieved those results in terms of cost reduction. Leverage ratio is going up to 4.2 times and 4 times on adjusted basis.

So if we go to Page 5, we have the economic and financial KPIs for the first quarter 2017. As I mentioned before, we just show a reduction of 3%, €89 million, but on the other hand, revenues grew up by 3% to €227.4 million reflecting the payout reduction for AWP, that are now working at 70% payout compared to the first quarter of 2016 when the average of those machines was close to 73% [ph]. You remember that during 2016 we have been carrying over the change of the [indiscernible] games in order to apply the new regulation to 70% and so thus absorbing the taxation [ph] increment.

EBITDA has been registered at €28.3 million versus €38.7 million of first quarter 2016 and the last 12 months EBITDA is near €118 million. Net interest cost was down to €9.6 million compared to €14 million in first quarter 2016 after the refinancing. As I was mentioning, we are already...we are perfectly in target with €17 million saving per year which has brought home from after the financing. We reached a breakeven on the net income which is positive by €2.2 million as a result of the Snaitech new cost structure after refinancing and after the synergy program.

We registered CAPEX of €4.3 million in line with the €20 million target for the current year and the net financial position was about €494.5 million at the leverage of 4.2 times NFP versus LTM EBITDA by €10 million on contribution margin and EBITDA level compared to the first quarter of 2016.

And remember that 2016 credit deposit of Gaming machines, the so called “canone” wielded [ph] by the ADMs to concessionaires during the second quarter 2017 it's €37 million for Snaitech [ph] and this will bring the leverage down under 4 times.

We can proceed to Page 6, Edo [ph], please?

CHIAFFREDO RINAUDO: Thanks, Fabio. Good afternoon, everybody. So if we move to Page 6, you may see the full detail for wagers and contribution margin breakdown per segment and per product. As mentioned, as Fabio mentioned before, total wagers in the quarter were down by 3% mainly because of the weakness of the gaming machines whose performance was impacted by AWP payout reduction and by the regional and local restriction on the opening hours.

With reference to the retail betting, sports wagers grew up by 2.7%, but on the other hand, we had the weak performance for horses and virtual events, and most of all, we suffer from the unfavorable payout effect on marginality that impacted for almost €10 million on contribution margin as well as on EBITDA margin level.

In the online business, we recorded a sound growth for wagers overall and the average at 25.6% of which plus 35% coming from the online betting and this was due to thanks to the new online development strategy of Snaitech based on cross selling initiatives on the retail network, and thanks

to a wider games portfolio that we are providing at this moment. Overall, the contribution margin is in reduction in the concession scope by €12.9 million that is mainly due to the payout impact that I mentioned before.

FABIO SCHIAVOLIN: Edo has just mentioned the positive impact and the positive trend and performance of the digital business unit. Let's get to a little bit of deep insight on Page 7. Again, we observe that retail sports betting wagers are growing from €191 million to €197 million despite a strong double-digit growth of the online which is growing at 35% without any cannibalization. So for another period observation we can see that the growth of the online is not affecting the growth of the retail network.

We are currently working also to improve the percentage of the acquisition of the online new accounts from the retail channel. This is also related to the fact that on a GGR level we see that contribution to overall GGR is granted [ph] at 55% from the customer base acquired through cross-selling with the retail network. So this is a source of competitive advantage for Snaitech given the fact that the extended retail network and the [indiscernible] Snaitech are...can drive...grow...drive and support the growth. It is also confirmed by the fact that on FTD [ph] base for first time depositors, 47 of the new players, percent of the new players are brand driven being acquired without other specific campaigns. This is also again a very strong signal of the strong power of the network and the brand that we can exploit.

CHIAFFREDO RINAUDO: Page 8, as usual, the slide relates to the synergy program which is fully on track. We achieved in the first quarter of 2017 €3.3 million of synergies synergies and we are expecting additional €4.7 million in the remaining part of 2017. And then €2.5 million in the first half 2018, that will be related to the redundancy program that Fabio mentioned before

and that would start beginning of July. So overall, the target of plus €20 million for the whole program is fully confirmed.

Page 9, we go through bridges, Page 9 and 10. Page 9, you can see the EBITDA bridge between the first quarter of '16 and the first quarter of '17. As you can see, the main impact was the €10 million negative contribution coming from betting payout negative results. Retail betting also showed a €3 million reduction in contribution margin because of horse betting and virtual events drop on wagers.

Gaming machine wagers contracted by €1.6 million on marginality and on the other hand, the online segment growth contributed by €1.5 million. So overall, those items represent a total drop of €12.9 million on the contribution margin as we saw in Slide #6.

Finally, we posted €3.3 million coming from synergies and then we had a minus €0.8 million mainly related to the online development costs. So, we've reached finally the EBITDA for the first quarter of 2017 of €28.3 million.

Page 10, we can see the LTM cash flow breakdown. I think you basically know the...all the [technical difficulty] of this value since we are showing on regular quarterly basis the same slide. As in this case, as you can see, the free operating cash flow was €75.5 million and the free cash flow __ refi costs was €10.5 million. Basically starting from this €10.5 million, we can expect two main improvement areas, the one which is related future interest costs that will bear during next 12 months will drive a reduction by €20 million in terms of cost of interest. And the second aspect is the additional synergies, €7.2 million expected over the next 12 months. So basically, we expect that the free cash flow will range between €35 million and €40 million over the next 12 months.

FABIO SCHIAVOLIN: Yes, so far we've been analyzing the results of the first quarter which has been as we've been saying influenced by the unfavorable payout which is related both to predictable results which are you know, in the past years showing a kind of cyclical trend and also to the promotional campaign. So what we did after the first quarter was, you know, trying to take and to apply measures on what we can handle which is the promotional side and the offer side, it's something we've been working a lot very hard and it has brought too some good results that combined with the cyclical trend of the market is bringing to Page 11 through the current trading of April 2017 in which we can see that total wagers are increasing by 3% versus April 2016, basically all the key indicators are turning positive, online wagers grew overall by 30%, so we confirm the double-digit strong growth of the online of which 41% is related to the online betting and...26% to games, may be this 41% is also driven by the positive winning [ph] of the first quarter.

Offline betting was up by 1.4% thanks to sport betting performance which has delivered a double-digit growth of 11% compared to April 2016. Gaming machine were still down by 1%, but it's reducing down on wagers showing a strong performance on the other side on VLTs which are growing 2.8% thanks to the just started relocation strategy and things suffering a little bit due to the impact of AWP's for opening hour restrictions and payout update. But again I won't insist on reducing it.

And remember that in order to regain the growth path talking [ph] on gaming machine wagers, we purchased four additional VLT rights out of the...sorry 100 additional VLT rights out of the 312 still valuable for the Group to start with the extension of the wider platform which Cogemat bought into the Snaitech network of five [ph] platforms of VLTs. ADM also allowed the integration of the two VLT networks, so we can now

really start to make a real and good quality of asset allocation to all the networks.

Finally, good news on the betting payout that showed a favorable performance and recovered more than 3% touch points versus April 2016. So again, we have a combination of [indiscernible] growth on the wagers side on one side, and on the other side a strong performance on the period at the payout level which is now much more under control.

If we go to Page 12, a little bit of looking at the Italian Regulatory framework. As many of you already read, there was some news the Italian Government had just approved an additional budget law to [indiscernible] resources for and after the European Community request. On April 24th, by a Law decree which is now the process of confirmation by the Parliament, the government has increased the full taxation up from 17.5% to 19% for AWP's and from 5.5% to 6% for the VLT's. In the conversion process, there is the possibility that those incremental ratios can be [indiscernible] by a different distribution or combination with a different product in the gaming field which is...so there is the concrete possibility that not all the resources added by government or the majority of resources the government is looking for will be taken from the gaming machines. The so-called "Conferenza Unificata" which is a committee between the government and the regional authorities seems to be in [indiscernible] situation since the government and regional authorities are not able to find a common point to finalize and sign the agreement.

That process influences the possible bidding tender auction which can be postponed again unless the final resolution is not included in the additional resources decree which I was mentioning about. So there is the possibility that the government at the end of the day decide to insert into this decree for the additional resources of the taxation increase also another resolution

dedicated to the distribution of gaming machine products and all the resolution navigating [ph] the opening hours and the distance to sensible points, sensible locations. If that comes, there is a possibility that there can be a procedure really...it's auction by the end of this year, if it doesn't come, we see the possibility by the government from the next budget law to insert a possible let's say process of performance with an additional...with [indiscernible] charge to the different concessioners.

Page 13, just some valid points which I will go through very quickly, our outlook and strategies for 2017, so we expect wagers trend for gaming machines and retail betting recovering after first quarter thanks to the new VLT rights, the 100 VLT rights I was mentioning before roll out for the full deployment of the former Cogemat VLT platforms over to [indiscernible] _Snai network starting in April and going on the next three months. We see an AWP payout stabilization, so the effect of the AWP payout stabilization from the second half of 2017. We do think that also the technology update which we are carrying over throughout all the network for betting point of sales will support despite the negative seasonality of the summer time. We do not have Euro Championship and Copa America and Olympics like last year, but we will make a strong technology refresh in all the network, so we do think that this will support also the recovery. We foresee again double-digit growth in the online business with a strong focus on live events. We are still going on purchasing rights and enlarging our offer portfolio. We are working as we were mentioning on the international development. We are very well advanced on the development of [indiscernible] platform for overseas.

We are starting securing the bolt0on integration both in AWP and the online segments as per our plan, and we will continue rollout and synergy program with additional €7 million savings to be achieved by the first half

of 2018. So we can confirm our expectation for a positive net income before 2017 as a major target for the final year. We are done.

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 Michael Boam with Sona. Please go ahead.

MICHAEL BOAM: Hi, I since recall from the road show that you used to make a license payment this year for €60 million, is that still going ahead or not?

FABIO SCHIAVOLIN: That's your question.

MICHAEL BOAM: Yes.

FABIO SCHIAVOLIN: Yes, as we were saying...as I just finished talking about, that was our provision...that was provisioned by the third or fourth quarter of 2017. We were thinking that that, that is the kind of procedure which was originally....in June 2016 has been postponed because of the discussions which are being taken over the government with the regional authorities. So far, there is not a green light, so there are basically two possibilities, one, that discussion will be brought over after the elections, so next year, and of course, you know that we are at the very end of the electoral period and so, all the parties are taking a very conservative approach to sensible subjects.

There is a possibility that this discussion with the regional authorities which is a major discussion because it does impact the power that the regional authority have in order to limit it or restrict let's say the possibility to open and to manage again in places we have today and to

other territory. So if this discussion is not being let's say concluded, we do think that there would be not to lose a part of the results that we will looking to make a kind of extension of the concession up to 2022 by submitting the concessionaire payment of an annual fee which is calculated in proportion year by year.

On the other side, if it doesn't happen, so if they do want to force in a way without having an agreement on the "Conferenza Unificata" the possibility is that the government insert into the decree of the PREU taxation, also some provisions which were let's say stated in the "Conferenza Unificata" document and especially those provisions that are going to affect let's say the mechanism on how the single operators are allowed to open the new places, so the distance above the gaming places from sensible locations, and also the opening hours throughout the day or let's say on the opposite, the moment of the day in which gaming services are not allowed to be sold. So if this is the case, second scenario there is a possibility that the €60 million CAPEX, which we [indiscernible] in the fourth quarter of 2017 is happening. So we have two scenarios so far, but before the beginning of this decree process, it was more probable that the first scenario was going to be adopted so the one of let's say renewal by the yearly fee.

During the last couple of days, some exponent of the government has already started...has also started mentioning the second scenario possibility, so the one to insert those provision into the decree, hence there is the possibility then to the regulator to issue the tender.

MICHAEL BOAM: Under either scenario, you would expect to still payout with a definite timeframes a similar amount. Is that correct or not?

FABIO SCHIAVOLIN: Can you repeat please, I didn't catch the...

MICHAEL BOAM: Would you expect payout under either scenario a similar amount, but in a different timeframe?

FABIO SCHIAVOLIN: Yes, now maybe you know, it would be a little less in the first scenario because in the first scenario, we will just confirm the current network, so the current number of rights, so the total number will be a little bit less of the second scenario because in the €60 million scenario, if you remember, we were foreseeing both let's say an increase on the day's price of the tender, the single license and also we were foreseeing a possibility to get an increased additional number of rights.

MICHAEL BOAM: Okay. Thank you very much.

FABIO SCHIAVOLIN: Thank you.

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

RONAN CLARKE: Hi there, thank you for taking the questions. I just wanted to ask about the opening hours restriction, so presumably it's the case that the regional authorities have just taken it upon themselves to impose their own rules in the absence of an agreement with the government which could persist for the best part of the year, you know until we get past the elections. So how much was the impact of that you estimate in Q1? And how much would it be sort of I presume it happened during the quarter, so I just wondering a full quarter's impact, how much that might be?

FABIO SCHIAVOLIN: So this is of course an estimation, if I correctly understood, you are referring to the loss we registered in the first quarter of 7% in wagers of the AWP's. If that's the question, we do think that more than 50%...more

than an half of that loss has to related to the restriction...the timing restriction, that's why we look forward positively on the resolution that can come out from the "Conferenza Unificata" because first of all we would have a uniform approach to other territory of the same let's say provision by the state. And second because we knew that talking about the limitation which is in most cases...in the majority of cases, better than existing one.

RONAN CLARKE: And presumably the minus 7% in Q1 could be more in Q2 if this happened during the quarter. It wasn't all uniformly from the first of January, right.

FABIO SCHIAVOLIN: It has been already absorbed, but in second quarter we think it will be less.

RONAN CLARKE: Okay. Does that assume that there is an agreement reached during the quarter or just assuming [multiple speakers].

FABIO SCHIAVOLIN: No, that's assumes that we are absorbing the, you know, the customers are also in away yes, that's flexible by definition, but they are...

RONAN CLARKE: Big change in their behavior, right?

FABIO SCHIAVOLIN: Behavior, yes, that changes in the behavior. So, I thank you for helping me with the English, yes, the changing behavior, yes.

RONAN CLARKE: Yes.

FABIO SCHIAVOLIN: It's a kind of learning curve also for customers.

RONAN CLARKE: One other thing, could you tell us what the sports betting payout margin loss in April this year or last year. So, we know what are 300, or that 3% improvement is?

FABIO SCHIAVOLIN: Okay. Yes, we have...

CHIAFFREDO RINAUDO: Yes, under current trading when Fabio talked about the result in April 2017, that was the point. So there was an improvement in terms of payout by something more than 3 percentage points compared to April 2016.

RONAN CLARKE: Okay. And what was April 2016 margins?

CHIAFFREDO RINAUDO: For that the margin...we are talking about 85 last year and 82 this year.

RONAN CLARKE: Okay, great. Thank you very much.

CHIAFFREDO RINAUDO: Welcome.

OPERATOR: The next question is from Roberto Condulmari with Compass Asset Management. Please go ahead, sir. Mr. Condulmari, your line is open. The next question is from John Mekholis [ph] with [indiscernible]. Please go ahead.

ANALYST: Hi, there, thanks very much for the presentation. Just a few from me, could you give us some more color on why the payout ratio is so far behind, what we have done to improve it. And the second question is you mentioned on Page 5 about the reversal of the reversal of the conone, the credit deposit for gaming machine, how should we think about that, is that the one-off payment that comes back in or we should [technical difficulty] repeat that, that payment going forward.? And finally from me, you mentioned that you guide us to positive net income for the full year 2017,

assuming we reach a positive net income in 2017 what does that mean to the EBITDA line?

FABIO SCHIAVOLIN: Okay. Starting from the payout analysis Edo...so we are in mitigation activities, as I was mentioned before, payout is set by results first of all and those we can't change. So from that point of view there is a kind of cyclical trend we have been observing during, you know, 10 years and we see already that, you know, in the first month and an half after the closing of the first quarter, especially in [technical difficulty] the result have been little less creditable [ph] and so that's one of the two drivers for the payout. And the second driver referring to promotion bonuses, incentivation [ph] to players, what we have been doing in our class, we are in best in class both in retail and also in the online, we have been beginning to trade and get out with promotion less aggressively than we used to do before, and most of our competitors follow us, and we are a kind of trend setter in payout settings.

So, the whole market is now changing also its average level of incentivation [ph] of the customers that of course is the second variable that can influence and take into control the payout. So far, the results of that are that we are buy far best in class in the retail, so in the [indiscernible] classes, which is also the one most exposed to swings and we are altogether with Cogemat best-in-class also in the online segment as a result of those activities.

ANALYST: Okay.

CHIAFFREDO RINAUDO: And so, your second question, it was related to the credit deposits, unfortunately, it's a one-off. The credit deposit is a credit that we accrued along the year and it's calculated as a percentage of the gaming machine wagers. So month after month we paid an advance to again to the Italian

gaming authority, this money and then, at the beginning of the following year, they certify ADM, the 38 gaming hall [ph] for Italy, certify the level of quality that we reached in managing the gaming machine network. Normally we reach a level, which is over 99% that is strictly related to the technological stuff that you manage on the machines. So at the beginning of February normally again certifies this value and between April and May, they pay back the money that you accrued the year before. So the value for us might exceed [ph] €37.5 million and it's going to be paid back I think by the end of May.

ANALYST: Okay. So, this is accrued over the course of 2016?

CHIAFFREDO RINAUDO: Correct.

ANALYST: And how do you account for it. Does that come off before EBITDA or you assume that's a credit that's definitely coming back?

CHIAFFREDO RINAUDO: We assume during the year a payback of 99.32, I think. So there is a slight difference between 99.2 and what the ADM certifies by the end of the year, there is a slightly difference in terms of EBITDA, but it's something that [indiscernible] so meaningless.

ANALYST: Okay. And then, are you still accruing this in '17, and you see the same impact in 2018?

CHIAFFREDO RINAUDO: Yes. So, now we are accruing the same, it's the percentage of the wagers that we are currently experiencing at this moment. It's paid on months, 1, 3, 5, 7 and 11 during the year. And then, we will see at the end of the year. I think that due to the fact that gaming machine went down by 7%, there could be something less this year. But, hopefully, we will

recover in the second part of the year, so I expect a similar value by the end 2017.

ANALYST: Okay. And that goes through the cash flow statement?

CHIAFFREDO RINAUDO: Yes, you will in the second quarter that this is coming back. So this will bring additional cash liquidity for us by June.

ANALYST: Okay.

CHIAFFREDO RINAUDO: Okay. And in terms of net income, that was one of the targets that we set out for the...our Business Plan. So we set this target before the increase of PREU, so what we can say is that this impact that we expect during 2017 is something like €7 million because we will have 8 months of validity of the new law, we expect that we would be able to recover this lower marginality keeping the net income positive at any rate.

ANALYST: Okay. So, what does that mean for EBITDA?

CHIAFFREDO RINAUDO: We don't provide a target for the current year.

ANALYST: Okay. Thanks.

CHIAFFREDO RINAUDO: Okay, thank you.

OPERATOR: The next question is from Elizabeth Stapleton with PGIM. Please go ahead.

ELIZABETH STAPLETON: Oh, hi, two questions, if I may, firstly, sorry to come back to it, but just on this sports payout in Q1. I wonder whether you could give us some examples of you know, things that went against you, so you know, that the

types of results that was so predictable. And then, secondly, on free cash flow, I think you said on the 2016 call that you were targeting kind of €60 million free cash flow for the full year. So, is that something that you would still stick to? Thank you.

FABIO SCHIAVOLIN: So, again, for the first one really to payout. So, if we would know really, which is the event that really you've read more with what I've meant mentioned in some way, but I having just kidding. So the thing that now in the current betting management, trading management is influencing negatively the payout is represented by a specific, let's say a specific way of betting which is of the one related to [indiscernible] means when the customer is betting with the result of the match, which is exceeding a certain number of goals, we used to start with overall 1.5 or 2.5 and now we are going over because of the let's say the modern soft ball, the modern football. Since that is delivering much more goals than it used to be in the past. Italy in the past was originally the home for very simple results like you know, zero [indiscernible] and with the less goals, we are now with a more offensive football teams scoring much more goals. So this is one thing that it was actually the first thing on which I was taking measures.

So moving from away from incentivation [ph] on over 1.5 for example because this is too easy to achieve and dis-incentivizing over 2.5 and going more aggressive in the further over bets. This is basically what is happening you know, what is more influencing global payout is premature betting, so the betting, so the odds, the betting days on the odds before the match, on the live events we are of course able to handle much better what's going on in play and so to minimize the impact even though generally speaking these live events, as I told many times, are putting on a more exposure than the bookmakers, but the bookmakers can't follow the

event and all the open management and also that that risk management of the same event.

CHIAFFREDO RINAUDO: Concerning your second question, I thank you for the question because I said before that the target is €75 million up to €40 million, it's not the target, and it's the adjustment that we can see under the current level. I confirm the €60 million because you have to consider that we will reduce the one-off items that are including some costs related to the staffing of the synergy program that we accounted in 2016, that we don't expect any more in 2017. And basically on the other hand we expect a strong recovery in terms of payout, so in terms of marginality that we posted in the current quarter. So thanks to this two areas of improvement, we expect that the target of €60 million free cash flow will be confirmed during this year.

ANALYST: Okay. Thanks very much.

CHIAFFREDO RINAUDO: Thank you.

OPERATOR: The next question is from Pietro Solidoro with Banca Aletti. Please go ahead, sir.

ANDREA BONFA: Hello, guys. Good morning. Hello, can you hear me?

FABIO SCHIAVOLIN: Yes.

ANDREA BONFA: Hi, good morning to everybody. It's Andrea Bonfa from Banca Aletti. If I may, I would like to ask you if you can expand the let's say the cost increase due to online advertising and streaming services on Page 09 of your presentation. If you can quantify those investments expected for the year? And the second one, if you can remind us when you cash in the

conone for the gaming machines last year, was it in the first quarter of this year and shifting to the second one, just a clarification? And if you can also confirm as you said so correctly that part of what last year you were booking financial charges are now booked below...above EBIT, you called them I think bank guarantees commission, just to understand let's say the number of your net financial charges of this year. And finally, [indiscernible] again, I'm wondering why if I may, why are you so confident that the payout will improve throughout the year considering we are talking of let's say, exceptional events and if I remember correctly, the deterioration happened incidentally in the last quarter of 2016, as far as 2016 full year was concerned. Thank you very much.

FABIO SCHIAVOLIN: Okay. I will try to follow-up all your questions, Andrea, and ask me if I forget something. So for the first one, in terms of additional cost of advertising....

ANDREA BONFA: Yes, yes,

FABIO SCHIAVOLIN: So first one, it's easy, it's related to what I was mentioning before, you know, we are warning the...our offering program to our customers, so we are giving more in play betting and to give more in pay betting, we have to also support our customer with streaming, we made an agreement for [indiscernible], we are doing also an agreement for [indiscernible] to give streaming services via mobile and tablet tools and this is mainly related to advertizing. It is mainly related to the proper market campaign we are bringing over, which are by the way delivering good results also in terms of acquisition, also from on the online space. So those are mainly the two areas in which we are converting more money.

CHIAFFREDO RINAUDO: Concerning your second question for the so called conone for the credit deposit, as of the end of March 2017, it's between our credits and

the day when it's cashed in, it will become liquidity. So we know that the instruction let's say for the payment has been sent from ADM to the Ministry Of Finance and normally since then, it's a question of one or two weeks to get the payment.

So we expect that we will have this money on our bank accounts by the end of May and you would see this additional liquidity by the end of June. That's a cyclical phenomenon that you can see also last year, we were paid at the beginning of June last year. So at the end of June, those money were accounted in our first half results.

In terms of cost related to warranties, the estimation for the full year is between €6 million and €7 million, which is in line with last year and we had €1.5 at the end of March that we just bought in now.

In terms of our estimation on payout, the answer on our side is simple. What we see is that the level of let's say the aggressivity [ph] of bookmakers in terms of also proposal, it's totally similar to last year, even it's something less in terms of bonus that major players, major bookmakers are providing in this moment.

So there is no mathematical reason to explain such a big difference except for the hazard [technical difficulty] that's inside the same events on which we are booking. So we expect that along the year with a long series of events that we have in 12 months, the final results in terms of payout would be quite similar to the final results that we had last year. We expect that by the end of Q2, as we are existing at the end of May...of April, sorry, we will reduce the gap that we had at the first quarter.

ANDREA BONFA: Thank you very much.

FABIO SCHIAVOLIN: Thank you.

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

DOMENICO GHILOTTI: Good afternoon. Just one question, I'm interestingly understanding your confidence on possibility to reach an agreement on the "Conferenza Unificata" I know that is really the \$1 million question but just to understand from your perspective what is your view on this topic because to me, it seems more a political opposition to that agreement and so I wonder if this can be reached before any election, and in particular on the proposal of the government to cut also the number of AWP's even without an agreement "Conferenza Unificata" if you can elaborate on this scenario?

FABIO SCHIAVOLIN: So first of all Ciao [ph] and of course, when we...I think you've been talking to either a few weeks ago that was the trend at that time. Of course, you know I am expecting and you know after meeting after meeting they didn't get to...agreeing like so that is why we slightly changed our let's say forecast on the possibility to achieve the result, that's still especially one or two regions, Lombardi and Liguria which are taking a very rigid position, that's why we started, not only us but also the [indiscernible] so that's the Ministry of Finance thinking that they may not come especially for the specific political momentum which you mentioned. They should not come to an agreement, in that case if they get in into the decree for sure they will move more actively on the reduction of the [indiscernible] which by the way has already started to be done on a current natural evolution by the distributors which after the big change of machines from 74% to 70% have already begun to rationalize this addition in the network.

What they would expect this time is they proceed on putting this measure into the decree which will be to cut out immediately all the secondary or what the so-called secondary network location which are locations in which machines are not really working with the profitable results, such as airports, super markets, railway station or these kind of places. So from that point of view, talking about 20K location, we are not really scared and afraid of.

On the other part of the network which will be affected and in the general, the so-called Generali [indiscernible] which are you know basically [indiscernible] what the regulator and the government together will be doing will be to rationalize the number, the average number per machine, per machine per shop which has been analyzed 12 years, in the last 7 years and that number on average especially in the [indiscernible] location that won't affect the wagers side because you know, the all the operators basically doing the...has been installing the maximum capacity of machines allowed per shop in order to occupy the location to prevent the entrance of competition. So, not all those machines are really contributing in a strong way, most of them are...a part of them are marginal, so we think that the cut to machines which are representing a bigger portion of the big cut that is foreseen by the government won't be...won't have such a bad he impact in our numbers. If we combine the three effects together, so the fact that first of all the machines are really less than the basic starting point number which is affecting the law because our operators have already started to takeaway machines. The second affect represented by the cut of the secondary, so there...let's say that that kind of location that will be shutdown. And as we combine the...taken away all those marginal machines, the 30% cut will affect much less than 10% in wagers in our estimation.

DOMENICO GHILOTTI: Okay, thank you. And a follow up on the VLT environment, you said that you already clearly applying the new taxation, the new 6% PREU, are you managing this increase in anyway?

FABIO SCHIAVOLIN: Yes we should be looking now, this is the market, this is a very good question. As you guys know, we...on the...the difference with AWP environment in which we are basically...the market is basically working on an average of 70.4%, 70.5%, so very close to the minimum. In the AWP...in the VLT environment on the other side, all...most of the market...the average market operators are working with 88.5% on average payout which is slightly away from the minimum allowed by law, which is 85%. That mainly related to the fact that the distribution of prices of VLTs and the direct interaction of the customer with machines than us, really going to allow the possibility to go to change let's say materially the numbers of payout driving them down to 85% because of two reasons mainly. One, because the pay table, the sort of mechanism, the RNG, the random number generator mechanism that drives all the payout in VLTs is for VLTs complicated and is very much...it gets a lot of...it works much better with higher percentages for most games, for most of the slot games. And second because the elasticity of customer on reduction of the payout because of the current inflation, I was mentioning before, is very high and if the whole market doesn't move in the same direction, we have been trying to make some moves with the percentage...payout percentage going down to 86% for example which were not delivering very good numbers.

Of course, there is always a way in the middle and that will be the way in which I think most of the operators will work on. So it will...I think that most of the operators will be working on trying to reduce the average payout by a half point or something more than half a point in order to try to absorb all or at least a part of the increase of taxation in VLTs.

DOMENICO GHILOTTI: Okay. And my last question is going back to the “Conferenza Unificata” agreement, well, it was also envisaged in some way the introduction of the remote AWP, well, it was envisaged also before but it was the green light for that. But, do you think you have this real relevant news without any agreement with the “Conferenza Unificata” so it’s not that the government could decide to introduce without this agreement or not?

FABIO SCHIAVOLIN: You know I don’t think, you know, if what we read in newspapers is correct, so if on reality the Ministry of Finance who really go through the forcing and introducing into the degree some of the decision of the “Conferenza Unificata” I do not think you would be allowed to put such as an extent that the number of contents and [indiscernible] you know, because they are too much difference from the...they have to be related to their let’s say resources needed by the state if...and does not have a correlation on the loan term new technology AWP, three machines with an increasing resource collection from the operators. So I do not think that it’s technically possible, we know that the government is still working on that, they are still looking at a possibility to jointly intervene both in the taxation, also in the mechanism and the technology of the machines.

There could be a third thing which I didn’t mention before, but it is always on the table of the legislator which...or the one of about going into a taxation margin also for AWP and VLTs to align also getting machines to hold a taxation framework of the other products. We hope that would be interesting because if we let’s say our taxation free, so if we neutralize taxation on the [indiscernible] we could play much more especially for VLTs, which I was mentioning before. We need to run with higher payouts. We could make much more efficiency also in cases like this one or in case of taxation but it is again together with the AWP PREU [ph] projects something on the table, which I don’t think is currently applicable to the works of Ministry Of Finance commission related to the decree.

DOMENICO GHILOTTI: Okay. Thank you very much.

OPERATOR: Gentlemen, there are no more questions registered at this time.

FABIO SCHIAVOLIN: So thank you very much to everybody. I hope that everybody enjoys a good spring and we will be joining up together for the second quarter call with much sounder and much better results. Thank you very much.

CHIAFFREDO RINAUDO: Thank you all.