

SNAI S.p.A

“Third Quarter 2015 Results Conference Call”

Friday, November 13th, 2015, 10.00 AM (CET)

MODERATOR: GABRIELE DEL TORCHIO, CHAIRMAN AND CHIEF EXECUTIVE
OFFICER
MARCO CODELLA, CHIEF FINANCIAL OFFICER

OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the SNAI Third Quarter 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. Gabriele Del Torchio, Executive Chairman of SNAI. Please go ahead, sir.

GABRIELE DEL TORCHIO: Good morning. Thanks all of you for attending this conference call. And today myself, Gabriele Del Torchio together with our CFO, Mr. Marco Codella, would like to give you an update on our results at the end of our third quarter. And then some news on the integration of Cogetech into SNAI operation, and some preliminary information about the new budget law for [indiscernible]. Before giving the possibility to Marco Codella to enter more in detail, I would like just to stress the main highlights of our results on the third quarter.

First of all, the total revenue generated by SNAI has been equal to €403 million, compared with €393 million in the first nine months of 2014. Then very important in our opinion is the evolution of our online wager, so sports betting. We achieved...we reached an increase of 22.3% versus the nine months of 2014, and more important to that is that during the last quarter, the percentage of increase has been equal to 39%. We remain very much focused on the online activity and the results are clearly showing the improvement of our position in the market.

Then as far as the EBIT is concerned, we reached €33.1 million versus €35.3 million in the first nine months of the previous year 2014. And the financial...the net financial position is equal to €401.4 million.

Last but not the least, very important the integration of Cogetech is proceeding certainly and we are confident that by the mid of November, actually by the 18th of November the operation, the integration would be completed in the last year one remaining an minor CP (ph) that we believe that will be completely fulfilled by November 18.

Then after the integration of Cogetech as has been already announced, I will maintain my position as Executive Chairman, while Mr. Fabio Schiavolin will be appointed as CEO of the new Group. Those are the main highlights.

Now to enter more in detail and to give you a better flavor of our results, I give the word to Marco Codella, who will bring you through the presentation.

MARCO CODELLA: Thank you, and thank you all for attending this meeting today. So let's start from our Q3 performance. I will give you some additional details later on going through the presentation, but as we start, I would like to point out that our performance in terms of total revenue as Mr. Del Torchio was saying was €403 million compared to €393 million last year. This means plus 2.4%. Those figures are including some €27.5 million generated by the transaction with Barcrest.

Revenues from current operations were €374 million as compared to €393 million last year; this means minus 4.8%, and it is mostly due to the very high payout on sports betting in the period. We achieved 82% compared to 77.2% last year. We are comparing a period in which payout was below the average versus nine months in 2015 where our performance in payout was poor, although it was better than market average that we estimate at 85.9%. So if our estimate is right, we achieved a performance which is

3.9 percentage point better than the market, but again the performance we achieved is anyway significantly worse than last year.

In terms of sports betting wagers, we collected some €506 million compared to €552 million last year. The poor performance was mostly due to low wagers collected through our physical distribution network due to the competition of new shops opened after the 2013 concession and to some problems related to part of the distribution network that caused a temporary closure of a number of point-of-sales. These problems were solved during August and September and all of the points-of-sales are back to full operations.

Also due to these things, Q3 sports betting collection was minus 10.9% as compared to Q3 in 2014 while at the end of Q2 year-to-date figures were minus 16.7% versus previous year, thus showing some signs of recovery.

On the other side our performance in online sports wagers was extremely good. In Q3 we collected €39.5 million compared to €28.4 million last year with an increase by 39%. Wagers collected online were 27% of total wagers, versus 19.2% last year. On a yearly basis online wagers were up by 22.4% and represent 24.2% on total wagers as compared to 18% last year.

So as Mr. Del Torchio was briefly reporting, our efforts in promoting our online business is giving us some good returns in terms of revenues and in terms of contribution margin.

Revenues from gaming machines increased as compared to last year from €198 million to €223 million due to higher average number of operational AWP's and reduced payout in VLTs. Bets on virtual events are down to

€192 million compared to €252 million in the same period of last year with net revenues up €26 million which are compared to €33.4 million in the first nine months of 2014. These segments is not yet benefiting of the increase in the number of events available per day pending the authorization from ADM and was also affected by the above mentioned temporary closure of some points-of-sales.

Contribution margins from virtual events was €14.3 million compared to €16.9 million last year reduced less than proportionally to wagers due to changes in the fee scheme applied to distributors.

EBITDA at the end of Q3 2015 was €56.5 million compared to €81.2 million last year. Most of the difference is due to the sports payout performance. EBIT was €33.1 million compared to €35.3 million last year benefiting of the effect of Barcrest transaction.

We will then go in deeper detail later on, but let me give you now some additional information about the status of the integration of Cogetech into SNAI's operation. As you know, the parties signed an investment agreement which set forth that the contribution coming into SNAI shall consist at least in the shareholding held by the majority shareholders into Cogemat, equal to 75.25% of their share capital, with the possibility for the other Cogemat shareholders to adhere to the investment agreement within August the 5th.

With the execution of the investment agreement, a shareholders agreement has been signed by and between Global Games and Cogemat majority shareholders. It provides among others, [indiscernible] agreement concerning the right to vote in SNAI extraordinary shareholders meeting. All of the Cogemat shareholders are then aware, so 100% of Cogemat share capital will be contributed into SNAI. Therefore the current

shareholders of Cogemat will hold some 71 million new SNAI shares representing a 38% of the SNAI share capital after the share capital increase to be resolved in connection with the contribution in SNAI.

On July the 28th, the shareholders meeting in an extraordinary session approved the share capital increase of SNAI with the exclusion of option rights up to a maximum nominal amount of €37 million by issuance of a maximum 71 million (ph) shares. These are to be paid up by the current shareholders of Cogemat through a contribution in kind of 100% of the ordinary shares held by them in the Cogemat share capital.

The contribution deed was executed on July the 30 and will take effect upon the occurrence of the relevant conditions precedent which by the way are now almost completely fulfilled. The only one left is related to some pledges and which are on some Cogemat shares, but we expect to complete the operation by November the 18th, therefore the only CP remaining will be fulfilled by that time. The filing to require the listing of SNAI shares should occur within the end of this fiscal year.

Let's now move to another topic which is related to 2016 Budget Law. The more relevant items that we can find into this draft, very preliminary draft of the Budget Law, are related to the increase of taxation on gaming machine, plus 2% on AWP and plus 0.5% on the VLT.

The concessions renewal process has to be started no later than May the 1st, the total number of rights available is 15,000 and it is made of 10,000 betting shops and 5,000 Corners. Base price is €32,000 per shop and €18,000 for Corners. Concessions will last nine years.

The third main item is the possible legalization of some 5,000 additional CTD that did not take a similar opportunity provided by 2015 Budget Law.

Before going into some more details on this, it is worth reminding that we are referring to a very preliminary draft of the Budget Law which is due to be approved by the end of December and could be subject to significant changes.

Based on today's situation, I mean the draft that we publicly know, the proposal to increase the taxation on gaming machines would bring to an additional charge on our P&L for some €6.3 million for AWP and some €2.7 million for VLT. The total charge on SNAI distribution network including our share of it could be estimated in some €39 million to €40 million.

Additionally, the €500 million charge introduced by the 2015 Budget Law is confirmed for 2016. I would also take the opportunity to inform you that we paid the second installment of the €500 million tax on November the 2nd and the total payment for that was €11.3 million. In total, we were able to collect 62% of total amount due by the AWP operators and 95% of VLT operators.

Adding our share of the charge, we collected some 70.2% of total due. In fact, the total amount that we were supposed to pay was €37.8 million in total including the first and the second installment and we collected or offset with the ADM deposit account some €26.5 million. Thus far we have some €11.3 million outstanding in our receivables. Total charge to our P&L was €6.2 million.

Let's move now to the Q3 figures presentation, I assume you all downloaded it from our website. So if this is so, I would ask you to go to Page 5 where we tried to list more...the more significant topics that were affecting our business during the period.

Talking about sports betting, our performance was below expectation versus previous year and versus our forecast, mainly due to the higher payout, as I was saying before. We performed 82% versus 77.2% at the end of Q3 of 2014 and also due to lower wagers from retail distribution network.

The payout effect year-to-date on our contribution margins is around €22 million. So it's a very significant negative effect that we are trying to manage through significant corrective actions that we already put in place and that will give some positive effect in the medium term.

It is worth reminding that our performance in payout is significantly worse than last year, but significantly better than the market. In fact we are talking of about some 3.9 to 4 percentage points as compared to the market. Our performance when compared to last year was 4.8 percentage points worse than last year, but we do believe that there are a lot of competitors with...that did even worst.

Total wagers in Q3 on sports betting were €146.7 million as compared to €148.5 million last year. Considering the retail collection only, we performed €107 million versus €120 million last year, which is down by 10.9%. As I was saying before in...at the end of Q2, the year-to-date figures were 16.7% down as compared to last year, and by adding those point of sales that were temporary closed and again operational, we are recovering part of the collection that we lost due to the temporary closures of point-of-sales.

On a yearly basis, retail wagers on sports betting are down by 16% as I was saying before. Q3 performance is showing some signs of recovery due to the reopening of a number of points-of-sales.

Let's talk about the online sports betting collection, where we achieved €39.4 million versus €28.4 million last year, this means plus 39%. You probably read some anticipation in the news giving figures for the October online collection, which are assigned into SNAI, an even better performance than the one in Q3 2015.

On a yearly basis, the online collected €122 million as compared €99.8 million last year, this means plus 22.3%. Online represented 26.9% of total sports bet in Q3 and 24.1% at the end of...on a yearly basis at the end of September. It is worth reminding that we also launched a new application for mobile betting on sports and this is a very state-of-the-art application, it is available for both Android and iOS and it is one of the most downloaded in the category.

Talking about the gaming machines, we were able to achieve a good performance, which was mainly driven by the increase in number of AWP operational machines and by the average coin-in. A positive effect on VLTs was partly due to the relocation plan we put in place in the first nine months of the year and also by the lower payout.

AWPs collected some €1.2 billion year-to-date versus €1 billion last year with an average coin-in of 178 versus 159 last year. VLT generated revenues by €69 million at the end of September versus €68.1 last year.

Talking about virtual events, the low performance in wagers versus last year is mainly due to the maturity and consolidation of the market as well

as the temporary closure of a certain number of points-of-sales that we already reported. They are below expectation also due to delays from ADM to increase the number of events available per day.

More in detail, we collected some €61 million in Q3 compared to €80.2 million last year. On a yearly basis, total collection was €192.3 million versus €262 million and revenues were €26 million versus €33.4 million last year.

As I was saying before, the contribution margin reduced less than proportionally as compared to wagers, due to a new fees scheme in place for distributors.

Moving to next page, sorry to Page 7, we have tried to report here on a graphical basis, some of our KPIs. We were already discussing about revenues where I mean we reported an increase in total revenues by 2.4%, but operational revenues which are directly related to sales and services are down by 4.6%. The difference is due to the effects of the transaction we reached with Barcrest and related to a litigation we had in place with them.

In terms of contribution margin, it is down by €22.7 million and the biggest part of that is due to sports payout as we were saying before. We achieved a performance which is 4.8 percentage points worse than last year considering total collection of €500 million, this means more than €22 million in terms of contribution margin levels. For what the EBITDA is concerned, we are down by €24.7 million, but we need to take into account the effect of sports payout, of course, but also of the €6 million, which are due to our share of the €500 million additional charge on gaming machines. Net of that effect, we were able to effectively control

costs, reduce the negative influence of the sports payout. The net income is minus 14 as compared to minus 9.9 last year.

Moving to next page, Page 08, we have got here some additional information about CAPEX, which are inline with the figure of last year, as well as cash flow where we generated some €17.6 million as compared to €19.4 million last year.

Looking at Page 09, we have tried to report the EBITDA evolution 2014 versus 2015, as we have been saying several times the main effect is on sports payout which contributed by some €22 million...negatively by €22 million to EBITDA this year. We have some positive effects in AWP which are counterbalanced by a lower performance in VLT.

The skill and casino games are down by 0.9%, but this area is not yet benefitting of the new website which is likely to be launched in the second half of this month. Virtual events are down as we reported before. And in the item others, we reported the effect of cost saving actions which are in place. At the end of September, we achieved a level of EBITDA, which is 56.5% down by 30% as compared to previous year.

Before moving to the Q&A session; it is worth spending few words on the payout trend, which is reported in Page 10. And as you can see in the last few quarters, the performance in terms of EBITDA...in terms of payout was significantly above the average of the pervious five years, and this means that this is giving us a negative contribution to our performance of course, as we reported several times.

So this is what the Q3 figures are concerned. We could move now to the Q&A session. I would leave the floor to the operator in order to start the Q&A session.

Q&A

OPERATOR: Thank you. Excuse me; this is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Ronan Clarke of Deutsche Bank. Please go ahead.

RONAN CLARKE: Hi, good morning, Marco.

MARCO CODELLA: Hi, Ronan.

RONAN CLARKE: Hi, couple of questions. Firstly on, just specifically Q3, looking at the EBITDA decline of about €10 million. So how much of that...or much of the total €6 million of stability law payment is booked in that Q3 number. And then, maybe if you could tell us the balance of the decline how much of it is sports betting margin or the other factors?

MARCO CODELLA: Yes, I mean in terms of...are you talking about Q3 or year-to-date (ph) Q3...

RONAN CLARKE: Q3.

MARCO CODELLA: Q3. so in term of Q3, the effect of the budget law is some €3 million. The rest of the difference is due to the poor performance in terms of sports payout. Just to give you an idea, the sports payout in Q3 was 81.5%, and this is compared to a figure in Q3, 2014 of 73.9%. the difference is close to 8 percentage points, which is a lot of money, if you consider that the total collection was more or less the same to 146 this year, 148 last year. So the effect of this 8 percentage point is around €12 million on the quarter which is a significant amount of money. So main effects are, payouts that we could estimate in the range of €11 million to €12 million

at contribution margin level, plus some €3 million for the additional charge related to the €500 million charge in the 2015 budget loss.

RONAN CLARKE: Okay. And can you give us any indication of the payout levels, that payout margin today compared with I think Q4 last year was 84.2?

MARCO CODELLA: I mean, we have...we cannot provide you with official figures, but what we heard on the news is that the payout at market level was not very good in October; I would say it was bad in October. Additionally, talking about the Q3 figure, starting from the end of July we have some additional cost...personnel related costs which are related to the fact that we integrated in our organization the 54 point of sales that were previously owned by a company called SIS which today are directly managed and owned by SNAI. So this is an additional difference as compared to last year.

RONAN CLARKE: Okay. And then, the second area has to do with the Draft Stability Law, and two issues here. First of all, could you give us an indication based on the draft, what you think the total CAPEX would be for betting shop or license renewals in 2016? And then, a second part is, with the increases in the...and approve on machine on gaming machines. Is there any uncertainty about collection on that as there was with the €500 million or is it going to be a much more straight forward in terms of applying the new rates to existing agreements?

MARCO CODELLA: I mean, let's talk about the concessions CAPEX for 2016. First of all, we don't know if it will be 2016 or 2017, as you could probably understand by reading the draft of the budget law. The budget law states the starting period of the concession renewal process, but they don't say anything about the end of the process. So it is very likely that due to the fact that there are a lot of problems in dealing with local authorities before going

into the concession renewal process...., The government needs to solve this...the problem which is between the central government and the local authorities because, based on the existing local regulation, it is virtually impossible to open new betting shops based on new concessions , and these are considered new concessions. So in theory, you could pay for something and not being able to open the shop or obtaining the...what we call TULPS which is the authorization from the local police.

This is a significant problem that needs to be solved by the government before starting the concession renewal process. So in terms of CAPEX, it is difficult to give you an estimate because the number of you know, betting shops and corners that could be eligible for new concessions could change, but we can confirm the original estimate we did. As you probably remember, our estimate was €10,000 to €15,000 per shop per year, and some 10% to 15% of that amount for what corners are concerned. The difference with the previous concession renewals is that the concessions are supposed to last nine years. So if this is true we could probably add some 50% to the total amount that we estimated previously. I don't know, if I was clear enough on that.

RONAN CLARKE: When you said 50%, I thought you are assuming three year renewals, but nine years sounds like three times existing?

MARCO CODELLA: Not actually, because the previous concession renewal, the one that happened in 2013 was for just three years, but normally the concessions were renewed for 6 years. This is a very brand new regulation that stated for nine years. So as far as I remember, our total estimate that we shared during the road show and in several conversations was around €50 to €60 million. Based on that...based on the fact the concession would last nine years, it is likely that amount needs to be increased by 50% because we were talking about six years now we are talking about nine years. But this

is a very...this is just math, then we need to go in detail concession by concession in order to give a proper value to each one of them.

RONAN CLARKE: Okay. That's very helpful. And then just a last one, in terms of collection on increase gaming machine taxes, is that going to be straight forward or is that one [multiple speakers]?

MARCO CODELLA: Based on the existing draft there is no statement about how the charge is split among the different operators in the distribution network. So we are exactly in the same situation of 2015, where the main problem was that there were no rules for sharing the charge among the different operators, and this is what generated the difficulties in collecting that money, and this is why we are having €11.3 million outstanding because of that. So this is another point that needs to be solved before the budget law is finally approved, otherwise we will be in trouble as we were in 2015.

RONAN CLARKE: Yes. Okay, super. That's been very helpful. Thank you.

MARCO CODELLA: Thank you Ron.

OPERATOR: The next question is from GianLuca Pediconi of MOMentum. Please go ahead, sir.

GIANLUCA PEDICONI: Good morning gentlemen. Most of my questions were already answered. Just a follow-up, Marco, I probably missed your calculation were on the new stability law on SNAI, if it's going to be approved as we are ready, if you can please mention again what is the rough estimate of the impact on SNAI? The second question is, if you can give us what is your color about the consolidation process that we are mostly seen in Northern Europe, but we started also to see in Italy. Do you believe that we still have too many

operators, do you expect over the next say three years some more consolidation to happen? Thank you.

MARCO CODELLA: Let's start from the budget law.

GIANLUCA PEDICONI: Yes.

MARCO CODELLA: And the effect...effect on our P&L and on our distribution network, by just making some very simple math. The total effect on distribution network at global level is somewhere between €39 million and €40 million. The charge on SNAI P&L is some €9 million, which is made of €6.3 million for AWP and €2.7 million for VLT.

GIANLUCA PEDICONI: Just to be...sorry, Marco, just to be clear, that would be on top of the last year proposal, so that is for the new stability law?

MARCO CODELLA: This is for the increase in taxation of AWP and VLT.

GIANLUCA PEDICONI: Perfect. Okay.

MARCO CODELLA: Then we have more or less the same effect than in 2015, due to the €500 million additional charges introduced in 2015, which is unchanged in 2016.

GIANLUCA PEDICONI: Okay.

MARCO CODELLA: So this is our estimate for this chart. But again, this is a very preliminary draft.

GIANLUCA PEDICONI: Sure.

MARCO CODELLA: So we don't know what will be the final wording of the budget law.

GIANLUCA PEDICONI: Okay.

MARCO CODELLA: But we will keep you updated on this. For what the consolidation process and expectations are concerned it is worth reminding that we are in a regulated market. We and all of our competitors see our margins going down because of changes in taxation. So consolidation process it is a way to react to that.

GIANLUCA PEDICONI: Okay.

MARCO CODELLA: Let's see. So if something that's going to happen in Europe and maybe in Italy, no, but this is something which is absolutely, you know, sensible at the moment.

GABRIELE DEL TORCHIO: Obviously, we realized that the consolidation among the various players in this market will be important and necessary for the reasons that has been underlined by Marco. And under this point of view, I think that SNAI shopping in the way, because as, you know, we are now consolidating inside our business the Cogetech, and this will be in my opinion one of the first steps I am expecting as it happens in the United Kingdom there will be other consolidation in our domestic market as well.

GIANLUCA PEDICONI: Thank you very much. Very clear. I appreciate it.

MARCO CODELLA: Thank you GianLuca.

OPERATOR: The next question is from Karen Miles of Credit Suisse. Please go ahead.

KAREN MILES: Hi, good morning gentlemen. Just three questions for me. One is can you just confirm the 2016 law is going to be incremental...it's written to be incremental on top of the 2015 law at the moment? Is that right?

MARCO CODELLA: You are talking about the charge.

KAREN MILES: Yes.

MARCO CODELLA: Yes, it is.

KAREN MILES: Okay, and then the €9 million estimate is just for SNAI standalone, do you have an...or I am asking is there a estimate for Cogetech?

MARCO CODELLA: We have no estimate on Cogetech, I mean.

GABRIELE DEL TORCHIO: We are ready to add some estimation from Cogetech, as far as the estimation for SNAI we confirm that our calculation, so far give a result of €9 million, but we are talking with our point of sales in order to slightly revise the condition. And in order to reduce the cost for SNAI. But for the moment, we prefer to maintain this impact assuming...considering even the fact that the budget law is not yet finalized, it's not approved. Frankly speaking, we don't know what will happen because something for sure will change in the coming weeks or in the next months, but for the time being our estimation is €9 million.

KAREN MILES: Okay, would it be broadly fair to say though, I mean when we look at Cogetech's turnover in 2014, on the AWP side there was about 50% greater than yours. On the VLT side, it's about 25% larger than you are. So would it be fair to say that it should be above €9 million double-digit.

MARCO CODELLA: It is probably not fair, because it depends on the contractual agreements which are in place with the distribution network. It depends if those operators are rewarded based on wages or on net gaming revenues. So it depends on that.

KAREN MILES: Okay.

MARCO CODELLA: So you cannot make a very simple math on AWP. You can do it on VLTs, but not on AWP.

KAREN MILES: Okay, fair enough. And then just in terms of the sports betting. You know, right now the draft has 15,000 licenses coming online versus I think what was expected closer to 22,000. You know, what's your feeling for how these bids will come in, do you think you are going to end up having to sort of pay more than you expected given the supply is much less than the market entity (ph)?

MARCO CODELLA: actually the 22,000 were including some 5,000 CTDs which I estimate in being operational in the Italian territory. And they were assuming that they were going to compete for concession. Then they changed their minds, but nothing changed in the market because the 5,000 CTDs are there, and they will not compete for the concession. So this is not...we do not believe this is going to effect the cost for each single concession.

KAREN MILES: Okay, thank you very much.

MARCO CODELLA: Thank you.

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

NILESH DESAI: Hi, sorry. Could you just run me through the numbers for 2015 again for the stability tax one from last year? So what is the total amount that SNAI has paid so far this year?

MARCO CODELLA: Yes, are you talking about total payments also including the share which is not directly related to SNAI.

NILESH DESAI: Correct. I am just going to get through the numbers of...to start with like how much is left to your bank accounting (ph)?

MARCO CODELLA: So in theory, we were requested to pay €37.8 million in two installments, 40% at the end of April, 60% at the end of October. What we actually paid is a total of €26.5 million, which is also including some €4 million that we...I would say settled versus the credit deposits we had in place with ADM. So in total, by directly paying or settling with receivables we had versus ADM, we paid €26.5 million. Therefore, there are €11.3 millions, which are outstanding, and we have receivables in place with our distributors.

NILESH DESAI: No, but you haven't paid that over to the [multiple speakers].

MARCO CODELLA: We didn't pay them, because we did not collect from the distribution network.

NILESH DESAI: Understood. So, you have a receivable, but you have an offsetting payable as well?

MARCO CODELLA: Yes, [technical difficulty] distributors and payables versus ADM.

NILESH DESAI: And how much of that 26.5 is related to yourselves. How much of that was, is to be borne by you in any case?

MARCO CODELLA: 6.2.

NILESH DESAI: So 6.2 is yours, and what is your actual P&L charges. So the cash is all gone for 2015...this was your annual...

MARCO CODELLA: So that is [multiple speakers]

NILESH DESAI: ...so you said earlier on that your...so you

MARCO CODELLA: okay, understood. Okay, that makes sense.

NILESH DESAI: Okay, that's great. 6.2, and just last question on that. You said that €3 million of that was in Q3, I mean, I know the numbers are small, but how [multiple speakers].

MARCO CODELLA: Sorry, that figure is at the end of Q3, which is the second part of the charge on SNAI. So in Q3 as it is at probably €1.8 million.

NILESH DESAI: Understood. So effectively from a P&L perspective it should be roughly [technical difficulty] quarter give or take.

MARCO CODELLA: Yes.

NILESH DESAI: Okay. Great, I think that was the only one other everything else has now been answered. Thank you very much. Sorry, I just have one more. The point of sales that were closed during the year with SIS (ph), I was wondering what period they were recently closed and when they reopened in terms of dates or months?

MARCO CODELLA: Yes, eight of them were closed until say mid April. 54 of them were closed from January the 9th to...I would say the first 10 shops where reopened say mid-August. The process of reopening was completed by September the 25th. So 54 shops were reopened between August 15, let's say and September the 25th.

NILESH DESAI: Okay, and sorry, just one last one?

MARCO CODELLA: So they are now recovering to full operation and they are recovering as compared to the performance in 2014.

NILESH DESAI: Okay. And in terms of the higher payout ratio, is that purely been because of results or is there also some impacts or promotions or just an increasingly competitive environment?

MARCO CODELLA: It is strictly related to the effects of the results of the football matches, mostly the Italian tournament football matches. And also we had some differences in the portfolio mix, because in Italy it's becoming more and more popular a kind of betting which is the so-called live betting, which is normally associated with a higher payout, because of the high number of single bets which are placed by people who like to bet live.

NILESH DESAI: Yes, okay. Thank you very much.

MARCO CODELLA: Thank you.

OPERATOR: The next question is from Jeff Fritzo (ph) of Stifel. Please go ahead.

ANALYST: Hi, my questions were covered. Thank you.

MARCO CODELLA: Sorry, we can't hear you.

GABRIELE DEL TORCHIO: Hello.

OPERATOR: The next...Sir, he told the question has been answered.

MARCO CODELLA: Okay.

OPERATOR: So the next question is from Florent Egonneau of BNP Paribas. Please go ahead.

FLORENT EGONNEAU: Hi, thank you for the presentation. My question will be on the Cogetech current trading. Can you give us some color on how is it performed in Q3?

MARCO CODELLA: Color sorry...?

FLORENT EGONNEAU: Sorry...

MARCO CODELLA: Could you please repeat your question?

FLORENT EGONNEAU: Yes, I would like to have some color on Cogetech current trading please?

MARCO CODELLA: We cannot provide you with the figures on current trading for Cogetech at the moment.

FLORENT EGONNEAU: Okay. Thank you.

MARCO CODELLA: Sorry for that.

GABRIELE DEL TORCHIO: Sorry.

OPERATOR: The next question is from Antonio Casari of Northlight. Please go ahead.

ANTONIO CASARI: Hi, good morning.

MARCO CODELLA: Antonio.

GABRIELE DEL TORCHIO So Antonio, before you go ahead, sorry but we have some time constraint so this is the last question for us.

ANTONIO CASARI: Okay. I am lucky. Reading the press release, you mentioned specifically cost saving initiatives that you already rolled out and should deliver some results in Q4. Could you possibly expand on that and see what could be the impact in Q4 this year and next year? Second question is regarding to the CAPEX for in 2016 or 2017 for the betting shops. Could you please remind us how many betting shop and how many corners do you have. And I think it's important also to understand because your numbers, I am not able to find the number that differentiate between horse betting and sports betting, it would be great to have the difference in order to understand really what is the best we should assume in order to calculate the amount of CAPEX? And last question sorry, I joined a bit late in the call, I was wondering, if you can provide an update on the timeline of Cogetech, and again, in the press release you mentioned the synergies if you have an update on your thoughts around synergies?

MARCO CODELLA: Okay. So for what cost savings are concerned, we are, you know, carrying out some activities in terms of efficiency recovery also on personnel costs. the most significant action at the moment is on the cost of telecommunication, for which we are in the process of signing new contract that will give us significant savings for 2016.

For what the CAPEX are concerned and the number of betting shops and corners, we are talking about some 600 shops. In terms of corners, we will not be required anymore to split between horse betting corners and sports betting corners. So in total, we could consider a number which is from 900 to 1,000.

ANTONIO CASARI: So those...that that's the number that you are going to say target for...

MARCO CODELLA: No, this is the number we have in place today, if we...

ANTONIO CASARI: Okay.

MARCO CODELLA: If we put together horse betting corners and sports.

ANTONIO CASARI: Yes, but are you planning to renew all of them?

MARCO CODELLA: This is what we are going to decide in the near future.

ANTONIO CASARI: Okay.

MARCO CODELLA: Depending also on the process that is going to be launched by...

ANTONIO CASARI: Okay. So I read the starting point is, am I wrong €32,000 for shop and €18,000 for corner?

MARCO CODELLA: You're right, you're right. That's the...

ANTONIO CASARI: So, if I multiply 32,000 times 600 is €19 million, give or take. And even if you buy all the 1,000 corners is €18 million. So I get to 37.

MARCO CODELLA: Yes, but this is the base price.

ANTONIO CASARI: Okay. So just to be clear, your assumption is to be materially above the base price?

MARCO CODELLA: It is likely, it is...what happened in the last two concession renewal process that we took part to .

ANTONIO CASARI: Yes, but in the road show, I remember you mentioning the cost per concession, yes 35 to 38 but for six year. So I understand, we assume that the cost will actually stay the same, okay. Just to clarify the assumption. Thank you.

MARCO CODELLA: For what the update on Cogetech is concerned...

ANTONIO CASARI: Yes.

MARCO CODELLA: As I was mentioning before, there is only one CP left, which is related to some pledges, which needs to be removed from Cogemat shares.

ANTONIO CASARI: Yes.

MARCO CODELLA: And we do it...it needs to happen by November the 18. So it is very likely that the operation will be finalized by that date.

ANTONIO CASARI: Okay. And regarding...you mentioned again in your press release that the cost of the transaction will bring, increase in shareholders equity deleverage and synergies. So could you expand [multiple speakers].

MARCO CODELLA: In terms of deleverage, based on the publicly available figures for Cogetech, they have a net debt which is around 78, and an EBITDA which is 40 more or less.

ANTONIO CASARI: Yes.

MARCO CODELLA: So this will contribute to deleverage the integrated Group. For what synergies are concerned, as we already mentioned in the Offering Memorandum, there are significant activities on that we have, we have and will have teams working on that. We anticipated in the Offering Memorandum that synergy could be somewhere between €10 million and €15 million. But we will confirm or change this figure after the detail work that we are performing will be completed.

ANTONIO CASARI: Yes, okay, perfect. Thank you very much.

MARCO CODELLA: Thank you, Antonio. So I think this was the last question.

GABRIELE DEL TORCHIO: So thanks to all of you for attending our conference and I think that we have finished. Thank you.

MARCO CODELLA: Thank you very much.