

SNAI S.p.A

“Full Year 2014 Results Conference Call”

March 18, 2014, 10:30 AM (CET)

MODERATORS: MARCO CODELLA, CHIEF FINANCIAL OFFICER

OPERATOR: Good morning, this is the Chorus Call conference operator. Welcome and thank you for joining the SNAI Full Year 2014 Results Conference Call. After the presentation, there will be opportunity to ask questions.

At this time, I would like to turn the conference over to Mr. Marco Codella, CFO of SNAI. Please go ahead, sir.

MARCO CODELLA: Thank you and thank you all for attending this meeting. First of all, I am sorry to inform you that Mr. Sandi will not be attending the meeting. Anyway, today I would like to give you an update on our 2014 results, and on our business. Also I am quite sure you will be interested in discussing press rumors about a proposal for regulatory and tax changes included in a decree that the Italian government is likely to issue in a few weeks time.

But let's start from our full year performance. I will give you details later on going through the presentation, but in the meantime, I would like to point out that our performance in terms of revenues was €527 million compared to €478 million last year. The increase was in the range of 10.2%. EBITDA in 2014 was €105.9 million compared to €92.6 million last year, this means plus 14.4%. And our performance was in line with the guidance we gave to the market. As you remember, the guidance was in the range between €102 million and €107 million.

As you probably remember, after Q3 results most of the people attending the call were pushing us to change the guidance expecting a significantly better result at year end. We refused to do so and, unfortunately, we were right since Q4 payout on sports betting was bad at market level. And although we did better than the market, consider that the estimated payout at market level in Q4 is 87, we did 84.2, but our performance in sports payout significantly affected quarterly EBITDA.

In Q4, we did not see significant changes as compared to previous nine months of the year trends , and if we exclude payout in sports betting, we only experienced a slight decrease in wagers collected through virtual events. But we will go in detail later on in the presentation. Wagers in sports betting were down as compared to last year also due to new 950 shops opened in the Italian territory.

Let's now move to some you know, tax and regulatory framework, I am quite sure you are interested to share our view on that. First of all, we have to remember that the Budget Law introduced a new tax on gaming machine sector under which Italian government plans to collect some €500 million. Our share based on the number of operational machines at the end of 2014 as reported by ADM is €37.8 million. €8.2 million are to be charged to SNAI and some €30 million are due by the remaining part of the distribution network. The split is made based on percentage of revenues for each operator. Concessionaires are anyway requested to pay the full amount referred to their specific network in two installments, April 40% and October 60%.

Many concessionaires and operators , SNAI included, filed appeals against this law and the court will render a decisions today. So probably today...later today, we will have some information about their decision and about the future of this additional tax on gaming machine sector.

As most of you know, there are some press rumors about a new decree that will somehow try to redefine the general framework and rules for the whole gaming sector. Comments on these rumors will...are not possible at the moment and they only will be possible when an official document is issued by the government.

Today, there is a discussion on a proposal that will be incorporated into a government decree which is likely to be effective from July 2015. Based on press rumors, there is a part of this decree which is devoted to changes in taxation. Again, we can only discuss based on rumors and some press anticipations of that decree.

As far as we know, the proposal is to introduce taxation on margins instead on wagers as it is today. The taxable amount would be defined as the difference between wagers and payout, less fees and costs associated to each game operation. To be honest, I am quite sure that the final version of the decree will not include this last part of the taxable amount definition because it is too positive for concessionaires and for us too. So this is something that is probably under discussion within the government.

The proposal is to tax margin on AWP at 60%. Today, if we make a very simple calculation, and we compare taxation on wagers to the proposed taxation on margins, today's taxation is around 54%. What is the real issue on these press rumors and anticipation is that it is difficult to understand how the decree will address the collection of the €500 million new tax on gaming machines from 2016 onwards, and if they will be substituted and/or included in the taxation on margin. press anticipation we read are totally unclear on this.

But if starting 2016, taxation on margins is also including the €500 million additional tax, and if the split among different operators in the distribution network is made on revenues, that one for SNAI could be positive compared to today's situation . If this is not, and €500 million are considered additional to taxation on margins, that could result in additional cost for concessionaires. But again, we are just talking about...you know, we based our discussion and our opinion on rumors, so we need to wait for the official version of the decree.

Also there is a proposed taxation on VLT margins in the range of 50% which is not far from today's taxation that is around 48.5%. Also the anticipations provide information about taxation on sports betting in the range of 20% on margin. And this is also including virtual...betting on virtual events. Today, taxation on virtual is 18.8%, so it's not far from the proposed taxation on margin percentage.

In general, taxation on margin is not bad, when we deal with bookmaking risks. So that would be good for us in terms of taxation on sports betting. Also the draft decree is providing rules for placing gaming machines into shops in terms of number of machines per shop, machines per square meter and so on. But it seems that these new rules will only apply to new shops; for the existing shops, they will become effective when the concession expires and this will happen in 2022.

In terms of timing, the official decree is likely to be issued in a few weeks. And once we know the actual document, we will be able to estimate effects on our performance and margins, if any.

In terms of what we think are the main 2015 development guidelines, we could consider a strong increase of our Live offer that will go up to some thousands events per month. We plan to launch our new website to support online betting and skill games and this should happen in September. We will effectively manage our risk related to sports betting payout. We are going to utilize a significant number of available horse racing concessions to open new corners, mostly devoted to virtual events.

We plan to launch new products taking opportunities coming from ADM i.e. what they call Palinsesto Complémentaire, that means additional events not included in ADM portfolio. We plan to further optimize and relocate the number of gaming machines, the number of VLTs; we are talking

about some 500 VLTs. And also, we will carry on cost savings actions. So our expectation for 2015 is to offset part of the negative effect of the Budget Law through the actions I briefly described.

Finally before we go into the presentation, I would like to give you some information about an agreement that we very recently reached with Barcrest Group Limited and the Global Draw Limited as well as their mother company, Scientific Games Corporation whose terms were not disclosed. I am allowed to inform you that we agreed to withdraw the legal case pending in Rome's Court against Barcrest. On the other hand, Barcrest already paid the amount of €25 million and canceled their outstanding receivables towards SNAI equal to €2.5 million. So total transaction is worth €27.5 million, and €25 million in cash. They also provided us with some guarantees that will take SNAI free from most of possible future costs, if any, deriving from the Barcrest failure of April 2012.

So, I just wanted to give you a very quick update on business and on main events that affected last year and the first months of the New Year. So we could now move to the presentation assuming that all of you had the possibility to download it from our website.

So if we go to Page 5, we had tried here to summarize the most significant topics of our business in year 2014. As you know, because this happened already in the previous three quarters, we had very good results from betting on virtual events. We performed €44.2 million in revenues and €22.7 million in contribution margin. Total wagers, I mean direct wagers, so we are not including in this calculation wagers collected by our customers, were in the range of €342 million. This means market share to our Company in the range of 32% and market share for our brand including customers in the range of 38%. In Q4, we collected €80 million

in terms of wagers, slightly below the average of the previous three quarters, and this meant €10.8 million in terms of revenues and €5.8 million as contribution margin. These figures are not including additional revenues from Inspired since as you probably remember, we have a contract in place with them under which we are awarded with royalties in percentage of wagers collected through other concessionaires by the Inspired platform, and this is around €1 million revenues in Q4.

We had a stable performance in sports betting payout since we achieved a level of 79.1% as compared to 78.9% in 2013. Our performance was anyway better than global market performance. We estimate the market performance in payout is in the range of 81.1%. Wagers from sport betting were down mainly due to additional 950 new shops related to the 2013 new concession and the CTDs aggressive competition.

In terms of wagers, the direct wagers collected were in the range of €756 million as compared to €830 million last year. The online contributed to total wagers in the range of 18.5%, increasing from previous year in terms of percentage. In Q4, collection was €204 million, and the online percentage of them was 19%.

Machine Gaming performance improved due to the completion of VLTs relocation plan, and also because of the fact that number of operational AWP is back to 2013 figures. Collection for VLT in the 12 months of 2014 was in the range of €1.4 billion with €40.5 million in terms of margin compared to €34.8 million last year.

For AWP, the total collection was €1.45 billion, margin was €23.4 million compared to €23 million of the previous year. It is worth mentioning that at year end we had 4,950 VLTs operational in the territory, and there were

around...about 100 machines under relocation plan, so that at the year end they were not operational.

In terms of average betting per unit per day, Spielo VLTs collected in average €1,041 as compared to €1,339 last year, while the Novomatic machines collected €823 in average as compared to €657 last year. there was a significant increase for the Novomatic machine counterbalanced by a decrease in Spielo machines.

For what the AWP's are concerned, at year end we had some 25,300 machines operational in the territory. And the average coin-in was €163 compared to an average for 2013 in the range of €158, so there was a slight increase in that.

In terms of performance, we were able to reduce volatility since fixed payout games account 61% of contribution margin as compared to 51% in 2013. we were also able to put in place some effective cost saving actions.

Moving to Page 7, we reported report here our financial KPIs . in terms of revenues, as I've already mentioned before, we were able to improve our performance by 10.2%, contribution margin increased by 8.2%, EBITDA increased by 14.4%, and the net loss we achieved at the end of 2014 was significantly lower than the last...we performed last year and the total loss was €26.1 million.

Moving to next page, Page 8, again, we reported here some additional information including the adjusted EBITDA. Let me remind you that the difference between the EBITDA and the adjusted EBITDA is the recurring part of the allowance for bad debt. In terms of EBIT, our performance was €34.9 million compared to minus €41.8 million last year.

CAPEX, CAPEX were significantly lower than last year because we had no concession related CAPEX this year. As you probably remember, last year we spent about €14.5 million for the concession of sports betting...for the renewal of sport betting concessions, and also we spent some additional €3 million related to AWP.

In terms of cash flow, we had a positive cash flow in the range of €24.3 million as compared to minus €73.8 million last year. And net financial position was negative by €419 million, but better than last year in the range of €24 million.

Going to Page 9, we tried to report here, the contribution of each single segment of our activity to the EBITDA evolution from 2013 to 2014. For what sports betting is concerned, there was a negative contribution by €9.8 million, I mean as compared to the previous year because the contribution was negatively affected by lower wagers and slightly higher payout. So the effect of payout can be estimated in the range of €1.5 million and the effect of volumes...the effect of wagers can be estimated in the range of €8.3 million.

For what the gaming machines are concerned, we already mentioned the fact that the performances for VLTs increased due to the higher average number of machines and also by the activities we carried on in terms of network optimization. As you probably remember, we initially planned to relocate around 1,000 VLTs. At the end of 2014, we actually relocated more than 1,400 VLTs. And this is giving us some good results in terms of average betting per unit per day since most of these machines were relocated into arcades. And as you know, arcades are locations fully devoted to gaming machines, where you normally can achieve a significantly higher average coin-in or betting per unit per day.

In terms of contribution to the EBITDA evolution from last year to 2014, the main contributor was the collection of betting of virtual events where we were able to...we get some €22.5 million in terms of margin and there is no comparison with 2013, since they were just launched at the end of last year.

All of these effects together with some actions in terms the cost reduction, gave us the possibility to achieve a level of EBITDA which is at €105.9 million, plus 14.4% as compared to previous year.

I would then go to...give you a very quick...some very quick information about payout since it is very important in terms of effects on our performance. as you can easily see in Page 10, the performance in Q4 was significantly affecting the whole year performance, and this is quite unusual since normally Q4 is a good quarter for payout as you can see from the historical trends of our performance.

I think that this is most of the information I wanted to share with you based on our presentation. So we could probably move to the Q&A session, so please go ahead.

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 Ronan Clarke of Deutsche Bank. Please go ahead.

RONAN CLARKE: Hi Marco, thanks for the....

MARCO CODELLA: Hi, Ronan, this time it's you. This time it's definitely you.

RONAN CLARKE: It's definitely me, I am pretty sure. So thanks for the overview on the regulation that was helpful. And I was just wondering could you share a bit more on the €38 million panel tax to get down to the €8 million that that will be charged to SNAI ultimately. Could you just give us a better description of the process of passing that down the value chain, how much of it is factual, how much of it will take negotiation and how much time will it take? And added to that, what's the size of the payment you expect to make in April for first installment?

MARCO CODELLA: Oh, yes. So, yes, for what the 38 millions are concerned that is just a figure that was estimated by ADM based on the number of operational machines at the end of December 2014. So they just made a very easy calculation considering the number of machine operational and considering all of the machines that were somehow referred to each concessionaire distribution network, and then they were easily calculating total amount to be paid.

In terms of how we calculated the split among the different operators in the distribution networks, that was just based on revenues that each single operator is generating from VLTs and AWP. To be honest, there is no rule provided by the government or by ADM in order to split among different operators the additional contribution and the additional tax. But it is, you know, a common approach for each single concessionaire to actually operate this way. And at the moment, we are you know, we are having some difficulties in collecting that part of the amounts billed which is related to the additional tax. But at the moment, it's not so significant as we would have expected. And remember that today, the

Court of Rome is expected to render a decision on the applicability of this law.

RONAN CLARKE: Okay. So I guess I'll to put this way, how confident are you that ultimately you will be able to pass on 30 of the 38 to your partners in the value chain?

MARCO CODELLA: We will pass onto them the all €30 million; in order to be safer in terms of our cash flow forecast, We considered a negative effect on working capital by €7.4 million for 2015. And we considered also a couple of million in terms of additional allowance for doubtful accounts.

RONAN CLARKE: Okay. So that's a conservative outside estimate of under collection of that 30, I guess?

MARCO CODELLA: Yes.

RONAN CLARKE: Okay, super. Thank you. And in terms of the April payment, will you have to pay 40% of the 38 subsequently...

MARCO CODELLA: Yes. At the end of April, at the end of April and 60% at the end of October unless the Court of Rome is not, you know, considering not applicable the law.

RONAN CLARKE: Okay. And do you think that the process of passing through will be a lot easier after today once you know one way or the other what the court has said?

MARCO CODELLA: It is very likely that is happening, yes.

RONAN CLARKE: Yes, yes. Okay. Thank you very much for that.

MARCO CODELLA: Thank you.

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

DOMENICO GHILOTTI: Hi, I have three questions. The first is related to the performance of virtual events, in particular on the slowdown that we saw quarter-on-quarter, if you can elaborate on this and particularly on the outlook that we can have on this segment for '15. Second question is related to cost reduction. I didn't catch how much was in '14 and if you can also provide some indication for '15 because I didn't see a contribution to the EBITDA bridge for '14. And last question is on the guidance for '15. Did I understand properly that you are not expecting to fully offset the €8 million basically of higher taxes due to the action that you are implementing?

MARCO CODELLA: Okay. I will start from this last one. You are right, I mean we will try to compensate as much as we can the effect of the additional tax provided that the Court of Rome is not you know, considering new law not operational. And if the new tax is to be paid, then we will only be able to recover part of the €8 million through the actions we just described before. And therefore, your assumption is right. virtual events had some slowdown in the last quarter of the year and if you compare the average collection in the third...second and first quarter of the year, you can very easily see that the reduction is not that much and is probably related to the fact that virtual events are not new anymore, they are perfectly known and they are probably going to be stabilized at this level.

For what we expect to do in 2015 and the results we expect from virtual events, you have to consider that we have a significant possibility, which is offered by a number of available concessions that we have for horse

racing, which are not used at the moment. we have a plan to put in place a significant number of these concessions in order to provide corners with the possibility of offering to customers horse race betting and so that is one point. But additionally and significantly most important, through this concessions for horse racing, we can offer virtual events. And this is how we plan to increase our collection in 2015 on virtual events.

DOMENICO GHILOTTI: May I ask you just...sorry to interrupt you, how many unused concessions do you have available today?

MARCO CODELLA: It is more than 1,000.

DOMENICO GHILOTTI: Okay.

MARCO CODELLA: Because as you know, concessions for horse racing are not very appealing at the moment in Italy. But if you consider the possibility of having virtual events through concessions for horse racing they become much more appealing. Also, we are planning to add a new channel for the online part of the virtual events offer, so that we will be able to increase the number of events we are offering to our customers. For what cost reduction activities are concerned, we put in place some significant cost saving activities in terms of consultancy cost, in terms of outside services. And we plan to carry on this kind of activity also in the future, together with some, you know, activity which is connected to our overall organization.

DOMENICO GHILOTTI: But can I ask you, why I am not seeing, let's say, the...this contribution to the EBITDA bridge?

MARCO CODELLA: Because they are included in...

DOMENICO GHILOTTI: Okay. So you are allocating the fixed cost...

MARCO CODELLA: Yes.

DOMENICO GHILOTTI: Okay, clear.

MARCO CODELLA: Thank you Domenico.

DOMENICO GHILOTTI: Thank you.

OPERATOR: The next question is from Diomidis (ph) Dudunakis of Genovare. Please go ahead.

RAOUL SEQUEIRA: Hi, it's actually Raoul Sequeira from Genovare as well, on behalf of Diomidis (ph). Could you please let us know, given that you were alluding in terms of the December 2014, €500 million tax and the €38 million impact for SNAI to be collected, could there be a situation for example, where some of your competitors would try to offer a better collection or lower collection rate to get rid (ph) of the point of sale or the Justori (ph) to basically leave your own network and to increase market share or is it basically the collection really setting stone in terms of it reflecting a breakdown of the contribution margin between the different players. So could there be a risk that any of the concessionaires, large concessionaire, could try to gain market share during the negotiations in the point of sale. That's the first question. And in terms...the second question is that, given that we are getting closer now to June 16, concession renewal for sports betting and horse betting, could you give us an idea, first, could you confirm that in the 2016 net financial position the payment for the concession is not included i.e. we should expect if you include any of these amounts the net financial position to be significantly higher. I remember that there was €60 million payment in 2006 when you

renewed 450 of your concessions. So just to try to understand if you've included that, and how are you going to be ready for it, because we are now getting closer to that date effectively. And then the third question is on EBITDA guidance for 2015. So I understand that, for 2015, EBITDA is going to be lower than 2014 because of the impact of €8 million, but from an adjusted basis did you also say that in addition to that you will have the impact of higher provision for doubtful accounts as well. So we should expect the combined effect of lower EBITDA before the provision of doubtful accounts, and then also lower EBITDA if you include a higher provision. And could you give us a little bit more...a greater number in terms of what you or how much the decline you are expecting it to be actually, please? Thank you very much.

MARCO CODELLA: Okay. I hope, I remember all of the questions.

RAOUL SEQUEIRA: Yes. We can actually...

MARCO CODELLA: No, okay. For what the first question is concerned, and related to the fact that some competitor could somehow offer better conditions, it's something which is not envisaged by us since we have contracts in place, based on the Budget Law we can change the existing contract and we can consider the, you know, the necessity of sharing with the distribution network the additional tax. So we do not think there are significant possibilities for competitors to actually gain ground because, at the end of the day, we could be in the same conditions and, it is not good for anybody to start a fight on that. And also consider that all of the concessionaires have contracts in place with their distributors. So it is quite difficult in my view for a competitor to be able to gain market share because of this.

About the CAPEX for the concession renewals in 2016, we have recently reviewed our plan in order to consider the possibility of having a payment in 2016, and the financial position at the end of 2016 can be adjusted by considering some €60 million that is our estimate of the concession renewal costs, partially counterbalanced by the €25 million, we just collected because of the agreement we reached with Barcrest. So it's as far as I remember, the net financial position estimated at the end of 2016 considering the two alternative effects that I just described was some 409, but I need to confirm it to you maybe...

RAOUL SEQUEIRA: So the net financial position by end of 2016 would be higher by €60 million net of €25 million, is that what you are saying?

MARCO CODELLA: Yes.

RAOUL SEQUEIRA: Okay, that's as far as the business though. Excuse me, just touching on the important issue of working capital we have to collect the taxes. Are you saying that you are going to have a full negative affect of working capital in Q2 because you won't be able to collect the full amount of the 40% that you have to give to the government?

MARCO CODELLA: No, I'm talking about the full year.

RAOUL SEQUEIRA: Okay.

MARCO CODELLA: And we expect, you know, a negative effect on working capital in the range of €7 million.

RAOUL SEQUEIRA: €7 million, okay. So that would increase the net financial position as well?

MARCO CODELLA: Yes.

RAOUL SEQUEIRA: €7 million, okay.

MARCO CODELLA: Yes, it is included, yes.

RAOUL SEQUEIRA: Thank you very much.

MARCO CODELLA: Okay, thank you.

OPERATOR: The next question is from Samit Mazumdar of UBS. Please go ahead.

SAMIT MAZUMDAR: Hi there, thanks for your excellent summary of the whole situation. I just wanted a bit more color on the new tax impact from a liquidity point of view. And also, I mean, if you do see some of your partner operators come under stress, and if you see some bad debts, who is ultimately liable for non-payment, will it be you or will you be able to collect their share of the taxes back from government. And also how much of this €38 million of taxes will be contributed by machine providers or the technology providers. And my second question was, do you have a bit more clarity as to what could be the positive impact on you from the restrictions on CTDs as a result of these new laws, if you can quantify some numbers, please? And finally, my last question was on the sports betting business, I think...and this was something which came up in the last call as well that do you see any markets share impact because of the fact that you do have a better payout ratio than your competitors? Thank you.

MARCO CODELLA: Sorry, I didn't get your last point. Could you please repeat?

SAMIT MAZUMDAR: On the sports betting business, I think for the last two quarters, you have had a significantly better payout ratio than your competitors. So do you see any impact in terms of market share in there? Thank you.

MARCO CODELLA: Okay. Let's start from the new tax impact and how it is split between us and the distribution network. So again, we as all of the other concessionaires are liable to pay 40% of total amount in April and 60% in October. So it's on us the burden of collecting money from our distribution network. The split between us and the other operators in our distribution network is made on percentage of revenues that each single operator is getting from the operations. So the €38 million in total is split between €8 million to SNAI and €30 million split among different operators including the technology providers. I mean Spielo and Novomatic, but also including the owners of the shops, the owners of the bars where AWP's are located, the owners of AWP. So at the end of the day, all of the operators in the distribution network are affected by this new tax, and the split is made just on percentage of revenues that every single operator is getting.

In terms of how the taxation could positively affect our P&L, this is not true. I mean there is no way that new taxation could affect positively our P&L. What I was trying to say is that based on some press anticipation we had, there is a possibility into the...included in the decree, that the taxable income is defined as the difference between wagers, less payout, less costs and fees associated to the operation of each single gaming activity. If this is not changed, we could consider this fees and costs associated as including also the distribution costs. So at the end of the day, just to make you an example, on sports betting, if you consider an average payout of 80, distribution cost is 9. So at the end of the day, the taxable income would be 11% of total wagers, and 20% on 11% is 2.2-2.4, right. So today taxation is 4.1 of course. So this could result in lower taxation for

concessionaires. But as I was saying before, I am quite sure that the final version of the decree will not be including this opportunity for us because it's you know it's too positive.

Last question was about sports betting payout performance; if this was affecting somehow the market share. As you know, we introduced some significant and effective risk management activity on payouts by enhancing the automatic controls within our IT systems in order to prevent, you know, gathering of bets on single events or you know bets that are above a certain threshold. For sure, we are somehow giving priority to performance as compared to wagers. But the final result of these activities is by far positive. And the market share is mostly affected by the fact that we have 950 new shops operational in the market, and these shops are not performing very well actually, but they are anyway collecting wagers. So at the end of the day, it is resulting in a reduction in market share.

SAMIT MAZUMDAR: Okay. And for the April payment, what is the collection cycle you expect from your partners, when exactly do you think the payment for the tax would come in to you?

MARCO CODELLA: Sorry, could you please repeat?

SAMIT MAZUMDAR: For the first tranche that is expected to be paid in April, the €30 million component that you expect to collect from partners, what is the collection cycle that you expect? When do you think that money will come into your accounts?

MARCO CODELLA: I mean, by now, we are, as I was saying before, we are experiencing some minor problems in collecting the specific amounts which are related to the new tax. We do expect that after today when the Court of Rome should

render a decision, this would be made easier, either if they decide that the tax is operational or they decide which is not because in the second case we will not have the problem anymore. In the first case, the distributors should be more, you know, pushed to pay their part.

SAMIT MAZUMDAR: Okay. Thank you.

OPERATOR: The next question is from Antonello Di Meo of Sound Point. Please go ahead.

ANTONELLO DI MEO: Hello, there. Thanks for taking my questions. I'll go question-by-question rather than all at once. Regarding the Court of Rome decision today, TAR di Lazio...

MARCO CODELLA: Yes.

ANTONELLO DI MEO: The decision...my understanding is that decision is about a potential suspension...

MARCO CODELLA: It is likely.

ANTONELLO DI MEO: ...of the decision, rather that's not going to be an ultimate decision if the stability law, which has been passed by the government is constitutional or not, but it's going to take another 12 months for us actually having a final decision. Is that correct?

MARCO CODELLA: As far as we know, the most likely situation is that they could decide to suspend the effects of the Budget Law. And then later on this year, they should take a final decision on the law itself. So the most likely situation is that by now they just suspend the effects of the stability law.

ANTONELLO DI MEO: Yes.

MARCO CODELLA: And then they would take a decision later on this year, yes.

ANTONELLO DI MEO: If that was the case, if they rule to suspend the rule...the final ruling, so they buy time, from an accounting perspective, in the first quarter, are you going to book a provision? How is it going to work, like are we going to see an EBITDA impact anyway through a provision or until the final ruling comes out, you are going to proceed business as usual assuming that the pro rata of the €500 million stability law impact is not going to touch you?

MARCO CODELLA: You know, in terms of Q1, the effect of the possible decision from Court of Rome should not be that significant, since until today, we have been charging the distribution network with the cost associated. So the problem could come in a more significant way starting Q2. To be honest, I haven't got an answer to your question at the moment.

ANTONELLO DI MEO: Alright. Elaborating on the distribution networks which comprises of the technology providers, the so-called Justori (ph) i.e. managers of the value chain, and the points of sale i.e. the retailers, I understand that there are obviously thousands and thousands of different contracts depending on the counterparties you face in the various jurisdictions, regions, cities and so on. So a factual question and my understanding also is that the current contract framework does not envisage for an automatic adjustment for taxes of this type, and that's a basis upon which the other value chain stakeholders have refused to pay their share of the additional tax. The current contracts...have you started any negotiation with respect to readjusting the contracts with the various stakeholders of the value chain in order to actually come through sharing of the tax or the negotiation has not started yet?

MARCO CODELLA: Actually there is no negotiation, because based on the interpretation we and all of the other concessionaires give to the Budget Law, we are allowed based on a major change in the legislation to communicate to the operators that the contractual conditions are changed, and this is what we did. And all of the other concessionaires did the same, consider that it is what you are saying not perfectly true based and so that we are not allowed to charge...we would not be allowed to charge the other operators unless we go through a negotiation with them, because based on the original wording of the Budget Law, the operators would be required to pay us the gross amount of what they collected. Then the concessionaires should go through the calculation and give back to each single operator, the net of their revenues, net of the additional taxation. So in theory the Budget Law is putting on the concessionaires the burden of making this calculation. But by doing this, the operators in the distribution network would have no money available for their daily operations and that is why concessionaires decided to work differently and to ask the distribution network to pay net of additional taxation.

ANTONELLO DI MEO: Yes, I understand. At the same time the Budget Law says that the negotiation between you and the other stakeholders in the value chain is subject to private contract law and it's not...

MARCO CODELLA: And we solved this requests of the Budget Law by sending them official letters in which we communicated the change in the economic part of the contracts.

ANTONELLO DI MEO: Understood, and the unilateral action by the concession holders.

MARCO CODELLA: Yes.

ANTONELLO DI MEO: And to this unilateral action, I understand from reading the local press that the associations of Justori (ph) and so on have reacted with challenging that unilateral action. So there is litigation going on in that respect.

MARCO CODELLA: There are discussions.

ANTONELLO DI MEO: Okay, understood. The last question I have and thanks for your time is the new decree, which is the fiscal decree in which context the gaming change of regulations will take place, provide for and I think this is not only rumors but there are public statements by Mr. Barrett (ph), who is the Under Secretary, that a third of the AWP's are going to be taken out of the market through the institution of limitations, and in terms of distance but not only distance, but also in terms of our locations inside the bars and the shops of the maximum number of machines per square meter. So once you apply those limitations which they are elaborating it comes down that out of the 350,000 machine parked on a national level, between 80,000 and 100,000 is going to be taken out of the market which equals approximately to 30%. Now, how does that play out in terms of let's assume for a second the flat tax of €500 million stays there. So how...if that means that effectively there is going to be higher pro rata tax, fixed tax for the unit machine of VLTs, and have you thought through about the dynamic, the perverse dynamic of having a flat tax on a reducing number of machines, because ultimately the AWP providers, retailers want given that it's a more disproportionate tax vis-à-vis the VLTs, the economics there don't work. So they will be incentivized alongside the natural incentivization to take out the machines receiving tax breaks from regional IRAP, they will be incentivized to massively decrease the number of AWP's, how does that dynamic vis-à-vis the VLTs play out, I mean have you thought through it?

MARCO CODELLA: Actually, I have no answer on that. Since the...what we read on the press statements from Mr. Barrett is what you said, I mean they are planning to reduce by a significant percentage the number of machines operational in the territory. It depends on, you know, how they calculate the deduction, if they calculate based on operational AWP and VLTs or based on concessions. And that is not exactly the same and we will see. I agree with you that this is totally unfair and I would say stupid to you know split the €500 million among reduced number of machines, because at the end of the day, some of the machines could be not profitable anymore. In terms of coin-in, we do not expect some significant changes, I mean in terms of total collection because it is very likely that most of the machines that could be, you know taken out of the network, you know, those which are less efficient, and at the end of the day, that could come up in an increase in average coin-in. Additionally, what is around in the press is that there is a plan to substitute AWP, with some new kind of you know....

ANTONELLO DI MEO: Mini VLTs.

MARCO CODELLA: Mini VLTs and the mini VLTs business model would be something very similar to VLTs. So they should be connected in a global network without the possibility of disconnecting them from the network unless they stop operating. And so, on one side they decide to reduce the number of machines. On the other side, they plan to substitute AWP with mini VLTs. So if this was done...

ANTONELLO DI MEO: What's the cost, because the substitution of thousands and thousands of AWP machines into mini VLTs just for the benefit of controlling centrally the gaming, it's going to obviously have a cost, because the technology providers, producers are going to retire the existing machine park and

provide a new one, that is a one-off costs to the entire value chain. Is it...how relevant is that cost going to be?

MARCO CODELLA: It's quite impossible to estimate what is the...the final result of, you know, the switch from AWP's to mini VLT's is that some categories in the distribution network would be cancelled like the owners of the AWP's for instance, the so-called [indiscernible], because the mini VLT's are likely to be, you know carried on by providers like Spielo or Novomatic I guess because the business model is very similar to the VLT business model. Anyway it's difficult to give you any idea, any you know, reasonable idea on that.

ANTONELLO DI MEO: Thank you very much for your time today. I appreciate it.

OPERATOR: The next question is from Andrea Randone of Intermonte. Please go ahead.

ANDREA RANDONE: Thank you and good morning, Marco.

MARCO CODELLA: Hi Andrea.

ANDREA RANDONE: Just few points, first of all, I ask you if you can repeat us your strategy as for the sports betting online...online sports betting for this year in order to re-launch your market positioning. The second point is, if you can detail for us the one-off costs you charged in the fourth quarter, if I am not wrong are about €10 million, and I wonder if these costs are related also to redundancies in...for this year. And then last point is about Barcrest, I think this is probably very important point, and I request you to repeat the impact we will observe in the first quarter balance sheet? Thank you.

MARCO CODELLA: Okay, thank you. So for what the online and live offer and strategy we are carrying on in 2015, we plan to significantly increase the number of live events we are offering to our customers and the plan is to go up to 6,000 events per month. Also, we are planning to support our online offer and live offer through the launch of a new website that should be effective by September this year. Additionally, we already launched our offer in the so-called Palinsesti Complémentaire, Palinsesti Complémentaire is a number of events which are not listed in ADM portfolio, but concessionaires are anyway allowed to accept bets on . And this is a totally new area of activity for us and for the other concessionaire which is giving us quite good performances.

In terms of one-off costs, the €10 million are related to two customers where we are experiencing some collection problems. ...two of our main distributors. And that is why we cautiously accrued €10 million on these two positions.

Last question was on Barcrest. what I can tell you is that we agreed to withdraw the legal case we raised against Barcrest in Rome's Court based on the events of April 2012. Because of that Barcrest already paid to SNAI the amount of €25 million and also they cancelled their outstanding receivables towards SNAI that were in the range of €2.5 million. So the total transaction was €27.5 million, €25 million in cash and €2.5 million in terms of P&L, in Q1, 2015. Also based on the agreement we reached, we will be provided with some guarantees that will take [indiscernible] from most of possible future costs if any, which are...that could derive from the Barcrest failure of April 2012. And this is a very important point for our Company.

ANDREA RANDONE: Thank you, Marco. Very clear. Do you think this will be a positive element in dealing with your creditors, debtors, I mean with the banks?

MARCO CODELLA: I mean, we have €25 million in cash more than expected, so that could be helpful.

ANDREA RANDONE: Thank you.

OPERATOR: The next question is from Giovanni Visentin of HSBC. Please go ahead.

GIOVANNI VISENTIN: Hi Marco.

MARCO CODELLA: Hello.

GIOVANNI VISENTIN: Given we are already in March, would you be able to share some color on the current performance of the betting business in particular on the football (ph) results in January and February. SNAI had a very good benchmark last year on sports payout. And also the next question would be, if you could just...if you have them available give again the Q4 figures in terms of wagers amount for AWP and VLTs, please?

MARCO CODELLA: Yes, for what the...for what the Q1, 2015 performance is concerned in terms of sports payout, this is not very good actually. I would say it is bad. Of course, I cannot give you full details, but based on the figures which are publicly available, the market is not doing so well. We are doing better than the market, but our performance as well as the performance at market level is not very good. are you asking about the wagers collected in Q4 in AWP and VLTs, right?

GIOVANNI VISENTIN: Yes.

MARCO CODELLA: For VLTs, the total wagers collected was €365 million, for AWP it was €414 million.

GIOVANNI VISENTIN: Okay, very clear. Thank you.

MARCO CODELLA: Okay. So I think I have to leave the call because of other, you know commitments for today. I thank you all for attending the meeting and we will be hosting a new call early May, I think we are going to approve our Q1 figure on May the 7. So it's very likely that the day after, we will arrange a new quarterly call. Thank you all.