

SNAI SpA

“Third Quarter 2016 Results Conference Call”

Monday, November 14, 2016, 12.30 ITA Time

**MODERATORS: FABIO SCHIAVOLIN, CHIEF EXECUTIVE OFFICER
CHIAFFREDO RINAUDO, CHIEF FINANCIAL OFFICER**

OPERATOR: Good morning. This is the Chorus Call Conference operator. Welcome and thank you for joining the SNAI, Third Quarter 2016 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 SNAI. Please go ahead, sir.

FABIO SCHIAVOLIN: Hello everybody, and welcome to this third quarter call of the SNAI Group. I should drive you into the presentation that we...I am sorry for the delay we occurred...we have been having some problems till this morning, so sorry for having forwarded the presentation a bit late and also for this waiting time for the call.

So if you guys have in front of you our presentation, we should start from Page #4. And talking about the business trends, the performance on total wagers is still riding the company to 5.3% growth on pro forma basis reaching €7.77 billion. This growth has been, let's say, has been by the growth of gaming machines which is still on track, which is registering an increase of 2.1%, despite the higher taxation of the AWP's, and the AWP payout reduction.

We are still growing double-digit in the nine months, both in the online and also in the offline sport betting business, 25% on the retail one and 50% on the online space. Both of those two results are very good, if we consider that regarding the retail space, the market is growing 20%, and regarding the online space, the market is growing a little bit more than 40%, so we are growing more than the market in these two fields.

The contribution from the Euro Championship in the month of July, the second half of the Euro Championship also drove our wagers to be up also in the third quarter. Our network of gaming machine, it is stable in the

first nine months at 60,000 machines AWP, and 10,000 VLTs managing our network.

Regarding the motherboards of the AWP, the change of the motherboards to adapt the new games to the new 70% payout has been done successfully in almost 90% plus of our network which is again coming to the end of this journey on changing the AWP, and the retail network of betting shops is stable in 1,600, which is the same number we presented to you during the Road Show.

We are carrying on two important projects, one related to the renewal of the betting point-of-sales contracts, and one related to the outsourcing of the three and Finscom shops. For both these two projects, we were giving you guys a kind of guidance which was to be close to the end to the compilation [ph] of the renewal of the contracts in the betting retail space before the tender.

And regarding this first aspect, we are well positioned since we have already reassigned for the new betting tender period more than 78% of the point-of-sales. And regarding the betting retail network, the guidance was to...be trying to hit at least one third of the 63 point-of-sale portfolio before the end of the year, and we are updating this guidance because we are going to outsource 21 point-of-sales by the end of the year, and we will also be closing in addition to this number on top 7 point-of-sales, the one that are loss making, and not possible to be even outsourced. So we will dispose 28 point-of-sales out of 63 which is much more than what we expected.

Payout has been stabilizing in the third quarter 82.8% compared to the first half of 2016 that was registering 83.3%. In comparison with the last year, the payout is a little bit unfavorable...but favorable, but we will see

then after that is very well compensated by the growth of wagers, which we were referring before.

The Cogemat integration is perfect under way; we've been telling you guys during the Road Show about the €20 million in the synergies per year. During the year expected in the first quarter, we achieved €3.2 million of those...of that number. In the third quarter, we added to that number, three more additional million euros, so we are now in a way working with the speed of €1 million recover [ph] each month, so we are projecting by the end of the year to be achieving €10 million out of the €20 plus million of total synergies.

Regarding the fourth quarter 2016, a relevant update, we...after the refinancing that has been successfully managed during the last two weeks. We extended the maturity of our corporate bonds to 2021, having an interest saving of €17 million per year, and also a gross at the reduction of €20 million as you know already. We have also a new corporate structure, the Cogemat entities is fully merged with the formal effect by the 01st of November into the SNAI Group, and that's also a source of potential [ph] saving as you know.

Regarding the financials, the EBITDA is growing to €97.6 million versus €82.8 million of the first nine months 2015, so with an increase of almost €15 million year-on-year, and the adjusted at the end EBITDA is reaching almost a €137 million.

Net financial position has improved to €450 million with a €26 million cash generation over the last twelve months. And the last important thing, I should say in this slide is represented by the deleveraging effect has done by the new trend of the Company combined also with the integration of Cogemat leverages now at 3.3 times compared to the 4.1 times of 2015.

So I will let now Audo [ph] go a little bit more into the first nine months KPIs some of them we already anticipated in the first slide, Audo please go ahead.

CHIAFFREDO RINAUDO: Okay, good morning everybody. Page 5, you may find the economic and financial KPIs of SNAI Group as of September 2016. I remind you that the Cogemat Group was consolidated in November 2015, so we are presenting the tables some pro forma figures for the year 2015 to offer you a homogenous comparison for the current year.

Total revenues were €662 million decreasing by €70 million versus the 2015. This result is due to the Barcrest transaction which was €27.5 million deal that happened in 2015, and to the increase in taxation for the Gaming Machine mostly related to the AWP's introduced by the Budget Law 2016.

In any case the contribution margin as you can see in the table increased by €20.5 million, which means that the reduction on Gaming Machine revenue basically had no impact on SNAI marginality, since it mainly, affected the owners of the AWP's and SNAI that it owns only 5,700 machines which means 9% of our 60k mass [ph] machines. The increase in contribution margin was reached, thanks to the growth on wagers, that Fabio has just described, and partially by the reopening of the SIS point-of-sales and despite the favorable payout year-to-date that we had in the 2016 year.

Looking down the EBITDA in the nine months was €97.6 million, €102.9 million on adjusted basis which means €15 million plus versus 2015. The EBITDA LTM was €129.4 million compared to €114.6 million in 2015 and €137 million on adjusted basis. CAPEX was €16.7 million of which

€10 million related to AWP board [ph] replacement processes that's now basically completed.

The net financial position improved from €476 million to €450 million which means that we had a positive net cash generation of more than €26 million in the period. And the leverage, and as Fabio mentioned before was reduced to 3.3 on adjusted basis.

Page 6, you have the bridge in terms of EBITDA nine months 2015 to 2016. You can see that the main positive contribution are coming from the organic growth on wages, which accounts up to €11 million and from the new regulatory scenario that was introduced with the new budget law which accounts for additional €5 million plus. €6.2 million are coming from the synergies and the consolidated contribution from SIS point-of-sale fully counterbalance the negative impact that we had from the increased payout in 2016. So overall, an EBITDA the €97.6 million as of September 2016.

Page 7, Fabio again, for the business performance.

FABIO SCHIAVOLIN: Yes, just a quick look to, this slide is, organized in three areas. So we have on the top left part a resume [ph] on wages and contribution margin given to the Company results by different business units. And then we have got a little bit of breakdown on wages and contribution margin. But let's have a look a little bit on the topics that make this result possible on gaming machine.

The key performance drivers are machine relocation, as we were telling in the last calls. We are fully operational on the relocation and on the asset management of the AWP's and VLT's machine. This first part of the project is a little bit also influenced by all the former procedures we are

doing together with the regulator in order to combine together the different system...gaming systems of the two companies, but we are completely working on that. We have an increasing wagers on the VLTs and we have been as I was mentioning before a very fast update on the AWP's motherboards, and also some positive effects from the 2016 Budget Law in comparison with the previous 2015 one that was affecting more in a more material way, wagers on AWP's.

On the Sports Betting area, in retail as I was mentioning before, we are working a lot with the new rev-share contracts which will help us to have a less exposition on payout swings. We are working, you know, facing the future launch of the betting tender on the new shops format and new marketing activities to boost our participation to the tender procedures. And we are also very open, let's say very much focused on the reopening franchising of the SIS and Finscom point of sales retail network which is one of the area in...from which we are expecting an over...an excess from the reallocation of the shops, given the fact that the new ownership and the new management of those shops will be made with an entrepreneurial approach by our franchisees.

We had a possible...positive contribution from the new taxation scheme in the betting field, both in the online and the offline. We've been talking a lot, while we are launching the bond on this point, the fact that that's really giving a good result and level of contribution margin. And all these things combined together are been able to compensate the unfavorable payout registered in that last period.

On the online space, we are working and going on...we are leveraging our brand, and also on the new acquired Cogemat network, we are also in the full part of the project in which we are...let's say re-branding, all the margin [ph] activities both offline and also online.

Level of contribution margin the first thing to be said, if you look at the chart in the bottom part on the left is that, the new balance in between the different products that has been possible given the integration with Cogemat, and also we have increased an exposure in Gaming Machines which are as a product has a flexible approach and effective revenue share model, both in the AWP's and also in the VLTs. And by the combination on the wager side of...and also...and at the contribution level of the new Gaming Machine products with a predictable payout, we have a lower exposure to betting payout risk, and that exposure is...has been driven down to 23% from the 26% of the first nine months 2015 of SNAI standalone.

Page 8, we have the LTM cash flow structure. So starting from the LTM EBTIDA of €129 million, then we posted €14 million of non-recurring costs, mainly related to the M&A deals that happened in 2015, and one-off costs of the synergy plan. Then we have €20.7 million of ordinary CAPEX, including as we said before €10 million for the AWP board substitution, and so we get to an operational cash flow of about €95 million. Then interest costs for €61.6 million, mostly driven by former bond cost of the interest. And finally, €6.8 million of delta working capital of which €6.3 million are due to the SIS acquisition payment that was done in July 2016. So at the end the net cash generation of €26 million in the last 12 months.

Page 9, here you may find the new capital structure of the issuance of the two senior secured notes for a total of €570 million completed in...on November the 8th. As you know, we issued a fixed rate tranches of €320 million coupon 6.375%, and the floating rate tranches coupon 6% both with the five year maturity. This transaction will fully refinance the existing notes represented by €430 million of Senior Secured Notes

expired on June 18, and €160 million subordinate expired December 18 for a total of €590 million. The reimbursement of the existing notes has been partially achieved for a tender also launched in-parallel with the new board issuance having redemption of €86 million. And the remaining part will be reimbursed through the exercise...the call option mid December.

Thanks to the new capital structure will have a gross debt reduction of €20 million and most important annual savings in terms of reduced interest costs close to €17 million which means higher cash flow generation obviously, and improved interest coverage ratio. The one-off costs for the call option exercise in December will be in the range of €13 million. In the new capital structure, we will also have a new RCF line of €85 million that will replace the existing one of €55 million thus increasing the liquidity buffer for the Company.

The Company has been simplified a lot after the integration of Cogemat and the merger of Cogemat into SNAI Group. At Page 10, you can see from the chart, what I am saying so from 1st of November the new corporate structure post merger would be the one picture in bottom part on the right, having SNAI as a holding company, controlling 100% of the Teleippica Srl, Società Trenno Srl and SNAI Rete Italia Srl, which is the one we are going or we are about to put into the...outsource the business.

So we have new simplified and streamlined corporate structure, with SIS Srl and Finscom fully merged. The Cogemat Betting licenses are being already migrated into the SNAI's and AWP/VLT concessions will be progressively converged by the early 2017. From this point of view, as I was referring before, we still save phase in the phases of the process together with our regulator related to the integration of the platform which will drive then after, the merge and the migration of the concession. There is further opportunity to improve the corporate efficiency and boost even

more synergy implementation given by a far simplification that we will announce in the next call related to one of the three companies that SNAI [technical difficulty].

A little bit of outlook at Page 11, before going through the Q&A session. So on the SNAI business trend, we expect wagers on sports betting retail and online, and online games likely to continue over the last quarter of 2016, so we still...are waiting for a double-digit growth on this base. AWP wagers and margin should stabilize due to the updated payout. The VLT business is waiting to take out the benefits from the full deployment of the bigger platform that Cogemat flow into the Group. And as I was anticipating before, we are expecting to hit...to achieve €10 million by the year end, having start for the first nine months in €7.2 [ph] million and working at least a million per month. This is a target that we think we will achieve.

Regarding the regulatory framework, on the budget law 2017, about the rumors that we have from the Budget Law 2017, there is no forecast for additional tax increase on the first half, and then the initial papers that the government and the commission are discussing. There is the conference on [indiscernible] that has this draft, the first outlines. We are expecting [indiscernible] to have the next meeting to take place the next Thursday and on the area in which the conference [indiscernible] and so the regional authorities and the regulator are working together with the government on the opening hours. So from that point of view, the feeling we have is that there is the constraint we had before about opening hours dedicating less than 10 hours per day is not something that will take place. We are expecting a bigger portion of the day available for gaming...for regulated gaming agreed between these two entities.

There is a confirmation of the reduction of the 30% reduction of AWP in 2017, and this confirmation is together with certification of the location is sustaining also our thoughts...our beginning thoughts about, let's say, an optimization of this network, but with no cancellation of what we call primary point of sales which are bars and tobacconists that will be, let's say, asked to certify those shops, but not to take away the machines from the shops.

There is also, let's say, the landscape possibility that the regulator and the government will work on changing the interfacial [ph] structure also for Gaming Machines, aligning in a way the new trend, which is an European trend, in comparison with the other jurisdiction of taxation system based on GGR also for gaming machines.

We are not expecting from all of these things any negative impact on SNAI wagers, betting point of sales are already compliant, naturally compliant with the new requirements, because all the shops, the 1,600 shops of our network, both betting shops and corners are already compliant with the new regulation that will be launched with the new certification of the shops. So there is a room for downsizing the low performing machines, and we are ready for the next AWP three [ph] rollout, whether it will be introduced by the end of this year.

Letting [ph] to the betting tender which is expected to take place in the first half 2017, we still confirm as per our feeling some competitive landscape scenario for the tender lowering our risk because there were a number of rights are exceeding the current potential of the market including also the gray market operators that will think to apply to the tender procedure. We will...the structure of the tender is made to give a clear possibility to the operators to diversify bids for single license, and then the license should be moved all around the territory. This allows the

operators a big flexibility and also potential to decrease the risk in putting the price for the bid.

So I think that we are foreseeing a stable outlook and a stable framework for concessioners to operate and run in an efficient way, licenses in our portfolio. We think that nothing will happen as we were mentioning before, the referendum but also, if I may spend the last couple of words on the referendum, which was one of the potential worries during the Road Show. The expectation in Italy is to...is not clear that no party will be able to overcome the, "yes" one, led by Mr. Renzi [ph] but what Mr. Renzi is doing from one point of view. He is working a lot to other territory in order to try to balance the increase imposed for the "no" party. And on the side, there is a lot of science from the political power, and also from the most influence [ph] institution that even a possible negative outcome from the referendum will not change stability in the government. So in way confirming what we were telling you guys during the Road Show.

I think this is over for our presentation. We are ready for any kind of Q&A.

Q&A

OPERATOR: Excuse me; this is a Chorus Call conference operator. We will now begin the question and answer session. The first question is from Pietro Solidoro with Banca Aletti. Please go ahead.

ANDREA BONFA: Hello, good morning to everybody. It's Andrea Bonfa from Banca Aletti. I've got two questions. So the first one, if you can elaborate on the overall amount of D&A which vis-à-vis our estimates are a bit above, actually materially above and it is pretty volatile between quarters, because the first one, if I'm correct, were roughly €17 million, the second quarter was €10

million, now you got another €14 million, so if you can elaborate why you got the swings, and what is maybe an estimate for the full year which we had €53 million as discussed with you guys, just to be assured on that front? Secondly, on the, let's say, the way you build your EBITDA bridge which is pretty useful. I was wondering, if the improvement in taxation will continue in the last quarter, as far as the €2.5 millions are concerned. And finally, if you can elaborate what are the 1.3 others, if there is one off. And the third one, if I may, is the taxation, you had €40 million of taxation. If you can elaborate why you are, let's say, charging taxation if there are cash actually despite the fact that the pretax income is pretty low, and if can also maybe give us a hint of what are the absolute amount to expect to book for the full year? Thank you very much.

CHIAFFREDO RINAUDO: Okay, we try to answer to all the question briefly. So concerning the D&A value and level of estimate for the current year, I would say that your estimate of 53 is correct, and related as far as the swings that we had in Q1 and Q2, they are mainly related to the fact that when we close the Q1 D&A, there was the expectation that the betting tender would happen in June, so we had the [indiscernible] depreciation for the betting license that were due to finish in June. Then since the betting tender didn't happen, we have to re-modulate the same value over 18 months, because we are now expecting that the same tender will happen in June next year. That's the reason why the level of depreciation in Q2 was so low. So now, having found again sort of regimen in terms of expectation, our estimation is to run at the annual level of the D&A of €53 million, €55 million, that what we estimate for the current year.

In terms of taxation, if you look again to the Page of the LTM of the presentation, which was Page 8, the minus €6 million and €8 million are basically not related to taxes or working capital, as we said before, €6.3 million out of €6.8 million are related to the cash out that we had for the

final acquisition of SIS in July this year. So without counting this effect, the real effect of taxes and working capital would be close to zero as in the former quarters along this year. So we don't expect not having any other kind of acquisition like SIS. For the remaining part of the year, we expect that this value should be kept quite stable over the last quarter of the 2016.

In terms in general talking about taxes as we said in the former call conference, we estimate that the level of cash taxes for SNAI at this moment is normally between €3 million and €5 million, which is the component related to the so-called IRAP [ph] of the Italian taxes, other components related to IRES [ph] are completely shielded by the carried forward losses that we are bringing on from the last years.

Looking at the P&L and the €14 million of taxes that we had in the first nine months; we are talking about value that are not cash related obviously as said before, but this calculation comes out for the particular mechanism of the Italian taxes where you have a threshold of the interest that you can use to shield your revenues which are limited to one-third of the EBITDA. So given the fact that in this moment, current interest cost are quite above one third, we have €15 million of interest cost in the first nine months that cannot be used to reduce the level of the revenues for taxes. So we have apparently a higher level of taxes to be calculated. This is temporary because next year, thanks to the new level of our interest cost will be under this threshold. So that the new calculation will be quite reduced compared to the current one, but as I told you before in terms of final cash this has not an real impact in terms of our cash out.

ANDREA BONFA: Thank you very much. Just too final check, so for the last quarter of the year you are expecting D&A of just €4 million to €6 million is that correct?

FABIO SCHIAVOLIN: Yes, let's say the overall amount will be around 55.

ANDREA BONFA: Okay. Thank you very much till I comeback. Thank you.

OPERATOR: The next question is from Andrea Randone with Intermonte. Please go ahead, sir.

ANDREA RANDONE: Thank you. Good afternoon to everybody. My first question is related of what you were just discussing now. If you can remind us the total amount of your tax assets in order to get, I mean, the cash balance for the next year. If I understand correct, the cash taxes will remain just in the range between 3 and 5, and just related to IRAP [ph] also for next year. Second question is, if you can give us a sort of indication for the net financial position by the year-end. I mean, what you expect, because you mentioned that the AWP's conversion is completed, and so maybe next quarter...the last quarter can be cash generative. And the last question is about cost synergies, you updated the indication for 2016 to €10 million synergies. I wonder if you think that during next year you can also update the total synergies you expect from the integration. Thank you.

CHIAFFREDO RINAUDO: Okay. So we'll try to answer point-by-point. The first one concerning the carried forward tax shield for the company, in this moment thanks also to the integration with Cogemat, we can count on more than €200 million of carried forward losses having part of them and not in our balance sheet. They are coming from the ex-Cogetech gaming that has just been merged inside SNAI, and we received a positive answer for the Italian tax authority for the future potential use of those losses.

So in terms of potential shield, there is a huge amount of losses that can be used. I remind you that given the new Italian Regulation about those losses. They will never expire over next year but you can shield up to

80% of future net taxes to be paid. So if you run your model taking into consideration that you will have a 20% of net taxes to be paid for the future year.

In terms of net financial position for the...up to the end of the year; what we said during the Road Show for the bond issuance was that we estimated up to €30 million of one-off costs related to the same transaction, 50% of them has been related to the call option exercise, and the other part related to one-off cost for taxes, fees, listing costs and advisory costs. So practically we have this kind of cash out over this period. On the other part, obviously we will have starting for the 01st of January, the new bond fully in place with a longer maturity, with lower level of cost interest, and with the gross debt reduced to €570 million. So we will get the full benefit from the transaction for next year.

In terms of CAPEX, we think that the current level €20 million could be a sort of a reference level for the next years in terms of maintenance CAPEX for the company, aiming at replacing part of the one-off cost that we have this year for the AWP substitution basically 50% of the CAPEX will be used to renew along next year and also the 2018 year. All the equipment that we had inside our distribution network, so we are able to launch a program of rejuvenation of the hardware and functionality that we are providing to our customer, which is obviously a very important point in this moment when we are renewing also the contract for the next nine year with the same customers. So let's consider for the future year, a current and ordinary level of maintenance CAPEX, which should be around €20 million as the current year.

In terms of synergies, we are targeting in the first slide Page 04 we indicated €20 plus million meaning that we are aiming at €70 million of synergy in line with what we described in the former calls, and we are

adding additional €3 million coming from the redundancy program that we are discussing in this moment with national unions and with Italian Ministry for Development. So if and we are quite confident that this agreement will be found in the...at the beginning of next year, if and when this agreement will be signed, we can add additional €3.5 million of synergy starting from the beginning of next year. So overall, we think that we should target at complete program, we should be over €20 million.

ANDREA RANDONE: Thank you very much, Mr. Rinaudo.

CHIAFFREDO RINAUDO: You're welcome.

OPERATOR: The next question is from Mehmet Dere with UniCredit. Please go ahead.

MEHMET DERE: Hello guys. Thanks for taking my question. Just had a question regarding the working capital at year-end, if you could give us guidance there? Second question regarding the replacement of the AWP machines; you've mentioned that you have 5,700 AWPs. So if you have to replace them over the next two three years. What is your CAPEX expectation here and in what timeline? Thank you.

CHIAFFREDO RINAUDO: Thanks, Mehmet. In terms of working capital, we don't expect any kind of changes over the last part of the year. So we think, and we see the current level stable, but see we are talking about the neutral...delta working capital, let's say that the toughest part of the year has already been over, that was the first six months when the distribution network or the AWPs manager mainly were engaged in renewing and changing their motherboards. So the fear was just for initial part of the year when there was a good part of investment to be borne by our same network. But given the fact that today we are running at more than 90% of the substitution already done. This fear is completely over and basically with

no impact on our current working capital. Concerning future changes of our AWP's, I don't know Fabio if you want to add something.

FABIO SCHIAVOLIN: No. Yes, as we've already been talking to you and discussing on the new change for the new AWP's or they have been called here in Italy mini-VLTs, first of all, there is no, there is not so far a scheme of technical specification on those kind of machines, but we are foreseeing a new generation of machines that have been controlled in a wide area network environment by a central server like the VLT1 and because of that we are already talking with the principal manufacturers of all over the world and mostly Italian ones that are working on the development of the new system, which will in a way mirror the current environment of the VLTs in which we are not purchasing, you know, and we are not buying the machines, but we are being serviced by those manufacturing you know, a rev share kind of agreement, it's rev profit kind of agreement. So, we have the split of the GGR and divided for the different participant [ph] to the daily change. So, we are expecting to sign agreements with those manufacturers and give them a percentage of the GGR to compensate both the availability of the platform and so the possibility of having the machines connected and begin content loaded in our network and also to have the availability of the terminals to cabinets for which the rev share percentage will compensate both the supply of those boxes and also all the maintenance costs related to the machines and to the update [ph] that the machines will...may suffer. So, to answer properly to your question we are not expecting CAPEX for the changeover of those machines; but we will sign rev share agreements with our manufacturers.

MEHMET DERE: Okay. Thank you very much.

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

DOMENICO GHILOTTI: Good afternoon. I have one question, so if you...on the conference [indiscernible] you were commenting before the results for the recent discussion. Frankly speaking it's not clear to me if we are still stuck within the middle of discussion, if we have had any progress in the discussion and what can be the timetable for any definitive decision on this front, so, if you can come back on this topic? Thanks.

FABIO SCHIAVOLIN: Yes, yes, of course. I'm please to, yes, the only update is that it seems that the Ministry of Finance and the Deputy Minister of Finance, Mr. Beretta [ph] wants to hurry up and to give a bit of speed to the process of the reduction of the machines to get to the conclusion to that results he has to find an agreement basically on two aspects related to new network. One is opening hour issue. So, there is a bit of negotiation between the regional authorities that will push the number below what the Deputy Minister was asking and that was arranged between 12 and 14 hour opening and of course, so from one side we have the regions that are at one...a little bit less than of that number and on the other side there is the ministry of finance stating that there is a minimum number of hours to let those economic activities be successful and not to have...to face problems of revenues. We do think that from this point of view that the final number that we get to will be above 10 hours, that's we are working for and most probably between 10 and 12 hours a day.

The second thing is related in order to avoid any kind of rule of distances between a shop and a potential sensible sport or sensible building that could be a school, churches and signing of hospitals. In order to avoid those regulations, the government is trying to draft together with the regional authorities, a set of rule for those shop that would be certified, that are considered let's say the minimum set of rules in order to avoid any kind of underage gaming or under controlled gaming. So, the process of

certification and the rules related to the certification are also under the final negotiation between the two parties.

We expect that this two topics, which are the final ones, because on the other topics they have...they are fully agreed and the other topics basically are related to the complete elimination of the secondary point of sales, which are basically supermarket or commercial centers and airports and railway stations. And on that topic everybody agreed, so the operators, the regional authorities and also the regulator. The ones still on the table are the one that I described before. There would be the next meeting this Thursday and our Deputy Minister of Finance; Mr. Beretta [ph] is publicly saying that he will have the things solved before the referendum. Hopefully it comes in the shape we are expecting it, which is the one that I described to you, if not I think that it will be done just after referendum but before the end of the year.

DOMENICO GHILOTTI: Okay. And when you say...so basically the qualification of the point of sales to avoid the restriction and you said before that you are quite let's say comfortable because your network is already fully, I would say fully consistent with this?

CHIAFFREDO RINAUDO: Yes. But that's a part of the issue. Now, of course, if I would consider it theoretically you know, even the total elimination from bars and tobacconists of the gaming machines, being the first operator **in retail** and having the widest network in the ground so far, for sure SNAI has a competitive strong position. But if we look for example, on the corner side, on the corner space at those locations that will be possibly a matter of certification for the future. If I look at the corners, the corners we are managing to fulfill the betting requirements are already in full compliance to the future possible rules that will be asked for the certification of the

primary point of sales like bars and tobacconists that was the meaning and I think that we feel comfortable.

We feel comfortable, of course in case, there is a complete cancellation even though we are not a huge fan of that because we still have a fear that a complete prohibition can bring a drive to little bit of restart of the real gaming and that's something that the regulator has completely understood. So that gave...that scenario I would consider it as, let's say a residual scenario, not, not a real one. But, the same...by having, by managing a network in the sports betting that is already used to fulfill a lot of obligation in order to deliver services to avoid any public number or potential customers, we think to have a competitive advantage.

DOMENICO GHILOTTI: Okay. Thank you.

CHIAFFREDO RINAUDO: Thank you.

OPERATOR: Mr. Schiavolin, gentlemen, there are no more questions registered at this time.

FABIO SCHIAVOLIN: Thank you, thank you very much. So I would like to thank you a lot also for this morning call and to say hello to the next one that will be for the first quarter in the new upcoming year. Thank you very much everybody.

CHIAFFREDO RINAUDO: Thank you.