

SNAI S.p.A

“First Quarter 2015 Results Conference Call”

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**MODERATORS: GIORGIO SANDI, 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 Group First Quarter 2015 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. Giorgio Sandi, CEO of the SNAI Group. Please go ahead, sir.

GIORGIO SANDI: Good morning, good morning, everybody. Ladies and gentlemen, I am very pleased to be here and to present to you the result of our Company in this first quarter of 2015, and to give you some information about the operations we are carrying out, together with the Group of the companies, Cogemat and Cogetech, that is aimed to create a clear leader in the entertainment market in Italy. And I am with Marco Codella, CFO of the Company that you already know, and we are going to present the results. But I want to before that to underline at what level of our programs we are now.

As you know, we started with our activities within the Group, with the aim to consolidate the results, to clarify the position of being a leading Company in the bet segment in both sectors, so that means horse races and sports betting, and furthermore to launch and to use them to support the launch in Italy of the bets on the virtual races.

And after that, our idea was to create a strong area of the business of the Company in the area of the gaming machines, this was a big opportunity. And it has been demonstrated to be a big part of the market, around 60%, more than half of the market is carved out by gaming machines. We use all our rights purchased by ADM to create our own network, using our paying networks and adding to that original one also, the arcades and shops that are particularly performing.

And after that we always imagine to be able to create an aggregation of...on that segment and on that market. And the opportunity carried out by the merger of the two activities carried out by SNAI and Cogetech may have once all the preliminary activity will be carried out and deployed, to become a clear leader also a clear co-leader at least or a clear leader in the segment of the gaming machines. So we have two very strong legs on which we can work on.

And the third area where we can through this operation combine our efforts is become able to create a third leg, and this one should be the online and mobile segment, where we strongly believe there is a high potentiality and potentiality comes also from the current network of the two companies that combine and bring an edge (ph) only to the Company that make...if you compare our activities with the Company make only online business, a much, much powerful tool, to get into the heart and mind of the customers.

And this is combined with the need to prepare ourselves to become even more able to manage our costs, and to consult them to make all the potentiality deployed in the area of cost saving, and also on bet area we are hard working, we have already achieved some results, but we can do even more, as we will do in the next months. And taking into account, the operation with Cogetech that could be an even stronger opportunity to achieve further results.

And I think that Marco at this point can help me and take you through our presentation, and we are available for your questions. I hope to be able to remain with you; this is a very busy moment in our activities. And so I am already asking you for your permission, should I have to leave before the end of this call. Marco, go ahead. Thanks.

MARCO CODELLA: Thank you, Mr. Sandi, and thank you all for attending this meeting. I am quite sure that this call is much more crowded than previous ones, and I wonder why. I don't know if you have any idea about that. But trying to be serious, today we would like to give you an update on our Q1 results, and some very preliminary information on the envisaged integration of Cogetech into SNAI's operation.

On this topic, let me remind you that at the moment, we can only refer to the detailed information we provided the market with, in our press release. And that we only know publicly available Cogetech's figures. So let me also remind you that a due diligence which is one of the CP (ph) did not start yet. So excuse me if I cannot answer to detailed questions at this stage.

Let's now move to our Q1 performance. I will give you details that are ongoing through the presentation, but by now I would like to point out that our performance in terms of total revenues was €156.1 million versus €142.4 last year, which means 9.6% more. Total revenues are including some €27.5 million, which were generated by the transaction with Barcrest that you are already informed about.

Revenues from current operations were €128 million, as compared to €142 million last year that means minus 9.7%, mostly due to the very high payout on sports betting in the period. The...our performance was 82.4% compared to 74.3% last year. The effects on margin just because of the increasing payout could be estimated at some €16 million. This means that we are comparing one of the best quarter ever for SNAI, which is Q1 2014, with Q1 2015, where our performance in payout was poor, although it was better than the market average.

In terms of sports betting wagers, we collected some €193 million, compared to €221 million last year, mostly due to the effects of the deployment on the territory of 950 new shops after 2013 concessions, and to some problems related to part of the distribution network that caused the temporary closure of a number of points of sales.

Revenues from gaming machines increased as compared to last year, from €64.9 million to €75.2 million, due to the higher average number of operational machines and reduced payout in VLTs.

Bets on virtual events are down to €68 million compared to €92 million in the same period of 2014, with net revenues of €9.1 million compared to €11.8 million in the first three months of last year. It is worth reminding that this segment is not yet benefiting of the increase in number of events available per day, pending the authorization from ADM, and was also affected by the temporary closure of some point of sales that I've already mentioned before.

EBITDA in Q1 2015 was €20.2 million compared to €36.4 million last year and as you can see, most of the difference is...I mean the difference is very similar to the difference in payout performance. But EBIT was €32.1 million versus €20 million last year, benefiting of the effects of the Barcrest transaction. But we will then go in detail later on.

Going to the other topic of this call, let me give you some additional information about the envisage integration of Cogetech into SNAIs operation. Keeping it in mind that as I was saying before. At the moment, we can only rely on the publicly available figures of Cogetech, and we can only refer to the detailed information we provided the market with through our press release.

We entered into an agreement with OI Games and OI Games 2, which represent Cogemat's majority shareholders which upon the occurrence of certain conditions precedent will bring to the integration of Cogemat, Cogetech Groups businesses into SNAI Groups businesses through a transaction, which provides a contribution into SNAI's share capital.

The combination which upon the occurrence of certain conditions precedent might be closed within the month of September will create the first listed group in Italy dedicated to entertainment and we will allow SNAI Group to consolidate its position in the gaming machine sector becoming the core leader of the market with a 15% market share. The combined gaming machines operation will include some 59,000 AWP's and more than 10,000 VLTs, and also enhancing the leadership of the Group in the horse racing and sports betting sectors.

As a result of the actual integration, Cogemat's current shareholders, Cogemat is the parent company of Cogetech which is the operational legal entity will hold a shareholding of more than 71 million SNAI's newly issued shares with a preliminary value approximately among €1.82 and €2.02, which is equivalent to 38% of SNAI's share capital post-capital increase and this is somehow implying a preliminary valuation of Cogemat Group, I mean the 100% value of the share capital, which is comprised in a range between €130 million and €145 million. This value was included by OI Games and OI Games 2 in the proposal they submitted to SNAI's Board of Directors and that was approved by SNAI's Board of Directors on May the 5th.

In detail, the proposal submitted by Cogetech...Cogemat sorry majority shareholders, as approved by our Board of Directors provides that, subject to the prior favourable opinion of SNAI's related parties committee and the satisfactory result of the due diligence, an investment agreement

comprising the terms and conditions of the transaction shall be executed by and between SNAI and all Cogemat's shareholders.

The investment agreement shall include, among others, the commitment by Cogemat's shareholders to contribute the entire share capital of Cogemat to SNAI for the subscription and payment of a capital increase in kind for a total amount of 71,602,410 of SNAI's newly issued ordinary shares which are equivalent to 38% of SNAI's share capital post-capital increase. Also the investment agreement will include the regulation of the day to day management of Cogemat, its subsidiaries and pending contribution affiliates and the commitment by some of the contributing shareholders to sign non-compete and lock-up agreements.

Also the investment agreement shall provide the...that the execution of the contribution is subject, among others, to the occurrence of some conditions precedent among which we would like to remember the obtainment of a clearance certificate from the relevant antitrust authority. The obtainment of the authorization from ADM; the obtainment of any other necessary authorization pursuant to the loan agreements and bond loan agreements in place between SNAI and its lenders and between Cogemat/Cogetech and its lenders, in order to carry out the contribution. The New SNAI Shares shall be subject to the request for the admission to listing on the Mercato Telematico Azionario by the following 3 months as from the related issuance date.

With the execution of the investment agreement, a shareholders' agreement will be signed by and between Global Games and Cogemat's Majority Shareholders. It provides, among others a lock-up clause on the New SNAI Shares until 31December 2016; a syndicate agreement concerning the right to vote in SNAI's extraordinary shareholders'

meetings pursuant to which the Cogemat's Shareholders will comply with the decisions taken by Global Games.

Being related-parties transactions, and given the shareholding indirectly held by Investindustrial both in Global Games and in OI Games 2 S.A., the subscription of the final agreements in relation to the transaction is subject to SNAI related-parties committee's favourable opinion, the issuance of which is currently scheduled over the course of the month of May. It is then foreseeable that, in case all conditions precedent occur, the transaction could be executed by September a New SNAI shares' listing could occur by the end of the current financial year.

We will try to go in more detail of some Cogetech's business and financial figures during the presentation. But now, it's time to move to the first quarter results of SNAI. So you can probably download the presentation from our website and we could then move to Page 5 of the presentation.

Time to give you an update on our business in Q1 2015; main topics are reported in the chart; let's start from the performance in Gaming Machines. This segment, gave a very good performance, mainly driven by the increase in average number of operational AWP's, and also we had positive effects from the relocation plan that was completed in 2014, you can probably remember that we relocate from sports betting shops mostly to arcades a significant number of VLT terminals around 1,500.

And you probably remember that the market performance was much better in arcades than betting shops. So what we actually achieved in terms of AWP's is that, we have 25,500 AWP's operational in the territory as compared to 23,000 last year with an average coin-in, which is 181 compared to 163 last year. So there was a significant increase in terms of wages collected through AWP's, because this year we perform...this

quarter we performed 411 million as compared to 335 million last year, which is more or less plus 22%.

The other reason for you know, the good performance in gaming machines is that the average payout for VLTs decreased from 89% last year to 87.9% this year. You probably remember that we planned for last year since the very beginning of the year, a reduction in payout due to the approval that was expected from [indiscernible] of lower payout...new lower payout games. These actually occurred only at the end of June. So this year, we are benefiting from this reduction in payout as we were not able to do last year.

In terms of the overall performance, VLT performance was flat as compared to last year, despite negative market performance, mainly due to the positive effects that I already mentioned for the relocation plan and the lower VLT payout.

Going to sports betting performance, this was below expectations and below the very good results of last year, mostly due to the fact that payout was 82.4% as compared to 74.3% last year...sorry, there is a mistake, it was not 2013, and it was 2014. Okay, again it is worth reminding that Q1 2014 was one of the best quarters ever in SNAI's history for payouts. This quarter was not used for payouts, but the performance looks even worse because it is compared to the one...to one of the best performances ever.

The effect of payout on contribution margin could be estimated in a range of €16 million. Anyway, our performance was better than the market, which performed of course, it's an estimate, because as you know, it is very difficult to get official figures from ADM, but the estimate we were

able to put together is 85.9, so our performance was much better than the market, if not better enough.

In terms of wagers on sports betting, I mean both wagers and market shares are down, mainly due to the addition of 150 new shops that were, you know, deployed during 2014, and are now fully operational. And as a result of some problems affecting the part of the distribution network which led to the temporary closure of certain number of points of sales.

In terms of revenues, sports betting revenues are down to €26 million as compared to €45 million last year.

Going back to wagers, €42 million out of €193 million were collected online; this is representing 22% of total wagers in sports betting. In...for what virtual events are concerned, our performance was quite negative, since we achieved €68 million as compared to €92 million last year. We consider this being mainly due to the maturity and consolidation of the market. You can probably remember that we were you know, first movers in this business. So the comparison in Q1 2014 was not including a number of concessionaires that started their operations during the quarter.

Also the segment of our activity was affected by the temporary closure of a number of points of sales as it happened for sports betting. Last but not least, we had significant positive effects on EBIT, because of the Barcrest transaction that is worth €27.5 million, but you have been already informed about this transaction.

Moving to Page 7, we have tried to give you here some, you know visual indication of our main KPI. As I was saying before, revenues are increasing from €142.4 million to €156 million, but €27.5 million are due to the transaction with Barcrest. In terms of contribution margin, this KPI

is down from €75.8 million to €41.7 million, and the difference is €16 million and it is exactly the effect of payout as compared to last year.

The same reduction is affecting EBITDA, because it is down from €36.4 million to €20.2 million, down by €16.2 million. In terms of net income, we have increased our performance from €2.2 million to €11.4 million, due to the effect of Barcrest transaction again.

Going to Page 8, we have reported here some additional information in...as compared to the previous charts. As you can see in the bottom part of the slide, in terms of CAPEX, we spent €3.5 million as compared to €2.8 million last year. In terms of cash flow, we generated €13.9 million as compared to €3.4 million last year. Our net financial position...net debt is €405 million.

Again, it is worth reminding that revenues in 2015 are including €27.5 million which are related to the Barcrest transaction and like-for-like revenues are deteriorating by some 9%.

Moving to next page, Page 9, we have been trying here to give you an idea of what happened with the EBITDA from Q1 2014 as compared to Q1 2015. As I was saying before, there was a significant effect of payout you can see in the first column in the bridge, which is worth about €16.9 million (ph). A positive contribution came from AWP, VLTs are flat. Going back to AWP, the increased AWP's performances are due to an aggregate average number of operational machines and higher average coin-in.

VLTs are flat, as I was saying before, and virtual events are down by €1.1 million because of the reduction in wagers collection. So the overall

performance at the end of Q1 2015 is €20.2 million, which is some 44.5% down as compared to last year.

Just to give you a very quick information about our payout, you can find in Page 7 how we performed in payout in the last two years. And as you can see, the performance that we had in Q1 2015 is one of the worst performance we had in this period of time.

I think we could now move to the other topic of today's call and then leave some room for Q&A at the end of the second presentation. So again, I hope you have been able to download the presentation from our website. And if we go to the update to investors we prepared in Page 2, we have tried here to describe the proposed deal. And on May the 5th of 2015, SNAI's Board of Directors approved an irrevocable offer issued by OI Games S.A and OI Games 2 S.A which represent the majority shareholders of Cogemat, aimed to integrate the activities of Cogemat Cogetech Group into those of SNAI.

According to the offer, shareholders will contribute into S.p.A. the whole share capital of Cogemat. SNAI will increase its share capital awarding Cogemat shareholders with some €71.6 million new shares equal to 38% of total SNAI's share capital after the deal. The parties will then enter into an investment agreement after satisfactory completion of the due diligence. The investment agreement will include some CPs including authorisations from anti-trust authority and ADM. Some Cogemat shareholders will enter into lock up and on complete agreements and Global Games following the transaction will own some 55% of the combined Group.

Going to Page 3, a few words on Cogemat Cogetech business and positioning. Again, let me remind you that you know, we can only rely on

publicly available Cogetech figures. So if we were to go in deeper detail, if we do not...available other more detailed information. But just to give you an idea of what Cogemat, Cogetech is, Cogemat is a leading player in the Italian gaming industry and it is mostly devoted to gaming machines with a total market share of 9% in the Italian market.

In terms of AWP, they manage some 34,000 devices which are installed in a network of around 10,000 retailers. They also directly manage and own some 1,000 AWPs. They have 5,226 VLT Drives and VLTs installed in about 500 shops. Also they operate in sports and virtual events through 186 Easy Play branded (ph) betting point of sales. They are present in the online gaming as well as in the payment service business. The Group is based in Milan and employs approximately 270 people.

And in terms of financial performance, in 2014 they achieved €42 million in terms of EBITDA, and they have some €78 million of net debt. The structure is made of an holding company Cogemat, which is controlling Cogetech and Easy Play, which are two different companies. The first one is devoted to gaming machine and the other one is mostly devoted to sports betting and betting of virtual events. In terms of market positioning they are #4 in terms of VLTs, managing 5,200 VLTs, and they are #4 as well in AWPs, they manage and operate some 34,000 AWPs.

If we move to next page, Page 04, we have tried here to give some views about the product portfolio of Cogemat/Cogetech. As I was saying before, they are managing 34,000 AWPs with a daily average coin-in of €200. The concessions for AWP as well as VLTs is expiring in 2022, they are also managing 5,200 VLTs with an average coin-in of €1,100 which is better than our average coin-in.

As I was saying before, the concession is expiring in 2022. They operate 186 point of sales with a franchise like approach of which 116 betting shops and 70 coin-in. They have some concessions rights available and they expect to increase the number of point of sales to 215 by year-end. In terms of on line, this is not a very big part of their activity, at the moment they have some 20,000 active players, they own their website and application. And they also in the payment services business and they are in the [indiscernible] segments of this area of activity.

Revenues have made 48% of VLTs contribution, 28% from AWP, and as you can see betting is 20%, and the contribution from payment services and online is quite low it is 2% respectively. Contribution margin is mostly coming from VLTs, where they reported 64%, AWP are 30%, payment is 1%, betting is 8%, and online business is giving at the moment a negative contribution to their performance.

Moving to next page, and again trying to give you a view of their positioning in the market. They performed quite well in 2014, since they increased significantly the VLTs wagers, increasing by 11% as compared to last year. This was mostly driven by the machines rollout and improvement in operating efficiency. So they were also able to increase their market share by 1.1%, moving from 7.8 in 2013 to 8.9 in 2014. They have a low churn rate in AWP due to longstanding relationships with operators, and they are implementing franchising strategy, so they are exiting from the direct management of betting points of sales. Also they successfully launched their virtual events offer.

For what their performance on gaming machines is concerned, as you can see in the chart in the left bottom part of the table, they have significantly increased their performance from 2008 up to last year, reaching a level of €4.2 billion in terms of wagers collected...gross wagers collected, and this

is made of 1.9 of VLTs and 2.3 in AWP. The market share is 9.2% in AWP, and 9% in VLTs.

Trying to compare Cogemat to the market in terms of wagers, they were not so highly performing in AWP since they were minus 2.5% as compared to 0.2%...minus 0.2% in the market, but they were very, very good in VLTs since they increased their collection by 10.9% while the market was performing minus 3.1%. Overall, the performance in gaming machine increased wagers by 3.2%, which is even more significant as we compare...if we compare to the overall market performance that was minus 1.6%.

Moving to next page, Page 06; we have tried to give you here some information about the distribution network, as well as some information about their financials based on publicly available figures. They have quite a consolidated distribution network, which is mostly located in northern Italy with possible expansion to other areas, for instance in Central Italy and Southern Italy because they have some rights available.

In terms of financials, the revenues accounted for €111 million in 2014 with reported EBITDA of €42 million. It is worth reminding that they are reporting revenues net of distribution costs, taxes and wins. So this is something which differs from our accounting principle and something that in case this operation is fulfilled, we will need to address in term of standardization of accounting principles. They have quite a small amount of CAPEX per year, and in terms of conversion...cash conversion ratio they achieved 88% at the end of 2014.

Next page is devoted to give you some very preliminary ideas about what would mean in terms of market presence, the combination of SNAI and Cogetech. This newly created group would become the second largest

player in Italian AWP VLT betting segments. And as I was saying before, we would be managing together 59,000 AWPs and more than 10,000 VLTs with a 15% market share. And we would also be the Italian leader in sports, virtual events and horse betting segments.

Today Cogetech is #5, in terms of combined gaming machines wagers and combined...I'm saying AWPs plus VLTs. Together with SNAI, we would achieve the second place collecting €7.1 billion with a market share of 15.1%. So what sports betting and betting shops and corners are concerned? Today, we are not talking about horse race corners; this is just betting shops and sports corners.

Today, SNAI is #2 with 592 betting shops and 842 sports corners, and some 19 CTDs that were...former CTDs that were included in our network. Cogetech is today managing 116 betting shops and some 70 corners. So the combination of the two would bring the newly created distribution network to be the #1 in Italy for what sports betting is concerned.

I think that the part of this call devoted to presentations is now completed. And I would like to move to the Q&A session. And before doing so, I would like again to remind you that at the moment at this stage we are not in...is not in a position to have the figures, but those which are publicly available. Please go ahead, operator.

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 GianLuca Pediconi of MOMentum. Please go ahead.

GIANLUCA PEDICONI: Hi Marco, Gianluca speaking. I have a couple of questions; the first question is what is the ultimate rationale of the deal. I understand that you will be the co-leader in gaming machine, but obviously, you are also increasing exposure to an area which at the moment has some regulatory issues. So I would like to understand if the idea is to extract material synergies even if you cannot elaborate on the number, because you were very clear about that. And the second part of the question is, if we may have just some color about what is behind this operation. So if you look at 2016 market polls (ph), what was the assumption that you are assuming behind the impact on Cogetech in term of higher taxes, because of there were known issue about gaming machine and how you value the real estate business of SNAI in this operation. Thank you.

MARCO CODELLA: Okay, thank you, gentlemen. So the first question was about the rationale.

GIANLUCA PEDICONI: Yes.

MARCO CODELLA: As you were mentioning, of course, there are some synergies that can be achieved, but this is not on the table at the moment, of course. In my view, there are you know, apart from synergies, there is a significant contribution that could come from this integration when considering a higher percentage of fixed payout business in the combined group. As you have been informed a few minutes ago, we were significantly exposed to payout [indiscernible] and the performance in Q1 2015 is witnessing this.

So if we are able to actually have a higher percentage of fixed payout business, and therefore being less volatile, this would be in my view, a significant contribution. Then it's for sure there are significant opportunities also in terms of growth of business because for sure, having some more you know, power let's say, some more you know,

opportunities to play would result in something which is more than the sum of the two entities.

GIANLUCA PEDICONI: Okay.

MARCO CODELLA: For what the effects of the new tax on gaming machines, I haven't got detailed figures on that, but what I can say is that if I consider the effect on SNAI which is in the range of some €7 million to €8 million, the effect on Cogetech in 2016 would be in the range of €10 million probably, provided that no changes are made to the existing rules of taxation, so this was what was considered in...

GIANLUCA PEDICONI: And then you apply a similar multiple for SNAI and Cogetech in...because we haven't implied this operation because there is a value for Cogetech and there is...

MARCO CODELLA; I mean the value for SNAI is there, I mean it's what we are...now we have our shares listed in Milan. So in a very rough estimate, the multiple would be around 6 for what Cogetech is concerned. And to be honest, in this field, I don't think there is a significant I mean meaning for the real estate business of SNAI.

GIANLUCA PEDICONI: Okay. Sorry just a catch up, you mentioned that one of the condition is obviously the due diligence. But due diligence may also affect the number of new shares to be issued or that is fixed and there is no...you can just...it's just a condition that can cancel the deal, but the number of new shares will be...

MARCO CODELLA: The due diligence should bring to satisfactory conclusions, this is what is...

GIANLUCA PEDICONI: Okay so, yes or no, but we have the affect of the...this operation in number in your shares.

MARCO CODELLA: We do not expect that.

GIANLUCA PEDICONI: Okay. Thank you very much.

MARCO CODELLA: Thank you.

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

DOMENICO GHILOTTI: Good afternoon, good morning. I have two questions, first on the Cogemat deal. First of all, I would like to understand if there is any condition precedent related to the potential say changes in the regulation for the gaming machine business, so any news coming from the Delega Fiscale? And second, I would like to understand who will be in charge of the integration and if it is let's say already possible to say. And a follow-up on the previous question on the synergies, I can understand you cannot elaborate on the numbers, but more in general, what are the areas where you can assume synergies thanks to the new leading position in gaming machines in particular?

MARCO CODELLA: I mean, let's start from the first question. There is some, you know...the proposal is including our condition, it's a more than a condition [indiscernible] for which if there are changes which are above a certain level of profitability due to changes to the budget law, to the stability law, then this is a condition that could bring to a...not to complete the operation. It has not yet been decided who will be in charge of the integration. And as you were saying, at the moment it is difficult to elaborate on synergies. But in my view, what is likely to happen is that

there are...you know, these two companies are completely separated and they do the same business and they carry on the same operations. So it is quite likely that at least for what you know, overheads are concerned, there would be significant rooms for savings and synergies.

DOMENICO GHILOTTI: Okay. Then I have a follow-up on your performance as standalone, I mean. First, I would like to understand the trend in the virtual events, do you expect the decline that we have seen in Q1 continuing quarter-on-quarter, so do you expect Q2 to be pretty stable or still declining. And I would also like to understand, so I have an update on the situation with the network, the disruption in the network that you were mentioning as one of the reason for the weaker sport betting performance. And last, how did you manage the April payment for the new tax, and if there is any issue related to the payment by your clients basically?

MARCO CODELLA: Okay. So the trend in virtual events in the...after Q1 looks stable. I mean we believe that virtual events are now somehow suffering or some maturity...mostly as compared to Q1 2014, when they were the very news in the market. So at the moment, they look quite stable.

Second question was on the distribution network. As you probably know, we have two....we have...our main problems are related to two companies which are managing some 60 shops in total. One is FESCOM the second one is SIS. The first one was already sold. I am talking of something that happened in April, and the shops belonging to FESCOM are now operational again. SIS betting shops are not yet operational, there is a procedure which is managed by the Court of Rome, and we submitted to SIS and to the Court of Rome a proposal to solve the problem. We do believe that our proposal is quite competitive as compared to other proposal that were submitted, but of which we have no details by now.

We are waiting for the Court...for SIS and the Court of Rome to give us an answer in order to understand if our proposal was chosen or not. For what the payment of the first instalment of the new tax, on this so-called stability law or budget law, we paid some €11.2 million as compared to a total of €15.1 million that was equivalent to the 40% of €37.8 million stated by ADM.

This was more or less 75% of total payment that we were supposed to do. If we take out our part of the payment, that was around €2.4 million, of course we paid 100%, we collected some 92% on VLTs, and some 65%...64% in AWP, considering that AWP are much more you know affecting this payment. The overall average...the overall payment was 75 including our parts. And as you probably know because there was news in the press, there is some agreement with the government under which they will deduct the payment. The part of the payment that was not fulfilled from the [indiscernible], I mean the 0.50% on AWP that we were supposed to be collecting in probably May. But this is not considered as being the balance of the first instalment, but it is considered to be an advance payment on the second instalment. I understand that is crazy, but this is what is happening. And we have been informed that it is very likely that during the month of June, the government will issue some decree or you know rules anyway in order to clarify the contribution of each single operator in the distribution network to the payment of the new tax.

We are confident that would bring to less, you know, conflictuality (ph) between...among the different operators in the distribution network would prevent operators from having you know, very good excuses for not paying. So this is something that is understood by the Italian Government, and they committed to do something in order to solve the problem and in order to relieve somehow the concessioners from this burden.

DOMENICO GHILOTTI: Okay. Thank you.

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

LISA CHANG: Hi, so I just want some more detail on first the transaction, can you confirm that it's all equity funded and can you comment on if any of the Cogetech will be taken out or will this like or will SNAI be issuing more debt to fund the transaction?

MARCO CODELLA: No, I mean, this is a paper deal, there is no cash attached to this transaction.

LISA CHANG: In that case, are there any like change control provisions in the existing debt of Cogetech.

MARCO CODELLA: This is something which is under investigation, as you know, as you can imagine; I mean we have a number of persons which are working on this. And if this is the case, we have several options in order to address the issue, which are under investigation at the moment. So by now, I cannot give you an answer.

LISA CHANG: And then, I saw Series B notes (ph) are maturing, I guess tomorrow, do you have any...

MARCO CODELLA: We are ready to pay it.

LISA CHANG: Okay. So that...did the repayment come after March or after the first quarter?

MARCO CODELLA: Yes, it was done two days ago, on the 5th.

LISA CHANG: Okay great. And then, I was wondering. Does this acquisition change your strategy in terms of renewing licenses next month, like for sports betting and horse race betting?

MARCO CODELLA: Sorry, I didn't get your question.

LISA CHANG: Does this change your strategy for renewing your horserace betting and sports betting licenses next month or no next year?

MARCO CODELLA: Next year.

LISA CHANG: Sorry.

MARCO CODELLA: I was a bit worried about the fact that I had to renew all of the concessions in sports and horse betting next month. Now, it's something that we are working on, but it is ongoing as you can imagine.

LISA CHANG: Okay. And then, could you comment more on virtual events that, I don't understand the temporary closure of the stores?

MARCO CODELLA: Yes. And...okay there are a couple of...you know we do not own our betting shops, we operate them through third parties and we have contracts in place with them. So they are fully responsible for managing their own companies. There are a couple of them which were under financial stress. One is called, FESCOM (ph) but this was also already sold because we were able to reopen the nine or ten shops belonging to FESCOM. The other one is SIS, for this Company the situation is more complicated since due to the fact that they were on the financial stress. The all activities of SIS are now under Court of Rome control. So everything which is made with SIS must be agreed and approved by the Court of Rome.

Under these circumstances, the SIS is now for sale, right. And we have submitted a proposal for buying this company, and we believe as I was saying before that this offer is quite competitive as compared to others...to other offers that could have been submitted. But at the moment, we have no evidence that the Court of Rome will choose our offers compared to others, because they did not give us any answer yet.

LISA CHANG: Okay. So this is...

MARCO CODELLA: So at the moment shops belonging to SIS are not operational.

LISA CHANG: So this is the same SIS, your competitors is always trying to buying.

MARCO CODELLA: Yes, it's that one. So actually what was reported in the press was not perfectly through since SIS submitted an offer. They are not...I think, I mean, I hope because it is not possible under Italian law. They cannot deal directly with SIS in order to buy the Company they need to go through a specific procedure which is ruled by the Italian Law.

LISA CHANG: Okay. So [multiple speakers].

MARCO CODELLA: And goes through the Court of Rome, goes through the court of Rome.

LISA CHANG: Okay. And SNAI has also made an offer for these same numbers?

MARCO CODELLA: Yes.

LISA CHANG: Okay. So if you were to acquire them, do you have an idea of how much that would be?

MARCO CODELLA: You are talking about cash?

LISA CHANG: Yes.

MARCO CODELLA: In terms of cash, it would be...no I cannot tell you, because it's not official, it's not publicly known, and I cannot tell you sorry.

LISA CHANG: Okay. And then...

MARCO CODELLA: How many questions?

LISA CHANG: Okay. Last one, when can we expect an update in the Business Plan, because presumably there are lot of changes now?

MARCO CODELLA: Sorry, could you repeat the line was not very good?

LISA CHANG: When can we expect an update in the Business Plan?

MARCO CODELLA: We have updated our Business Plan a couple of months ago. Now, if the...as you can imagine, if the integration that we are foreseeing goes on, we will have to go through the Industrial Plan and review it again as you can imagine.

LISA CHANG: Okay, alright. Great, thanks.

MARCO CODELLA: Thank you.

OPERATOR: The next question is from Cathie Ruchi (ph) of JP Morgan. Please go ahead.

ANALYST: Hi, Marco.

MARCO CODELLA: Sorry Kathy, because before you go ahead. I am very sorry, but we are running out of time. And as you can imagine, this day is quite busy. So if you don't mind, I would like [technical difficulty] two questions.

ANALYST: It's fine, actually I literally have just two questions, and I really mean two not like 20. The first one is, if you can give us just a quick update a little bit about the trends in the current quarter, if you are seeing anything sort of similar to the first quarter or maybe some improvement? And then, the second one, and I don't know if...because you did say there is still an investigation going on. But the second one is, can you tell me what the composition of the debt is...so I guess, I am looking for, you do have the amount on the presentation, but I was wondering is it you know, what the tenure is of it, and is it [multiple speakers]. If you have the question, I understand that you are obviously still working on the details?

MARCO CODELLA: So what the trends of the new quarter are concerned. You know, I cannot give you, you know precise figures. But looking at the market, the payout in April was not so good. So this is you know, we are part of the market...we are significant part of the market, so maybe I gave you an answer.

In terms of the composition of the net debt of Cogetech, as far as I know, and I know it because it's publicly known, they have some €50 million in a private placement they issued when they were requested to pay the fine to settle the Corte dei Conti litigation. So 50 out of 78 should be made of that.

ANALYST: Okay. That's great. Thank you very much. Good luck with it.

MARCO CODELLA: Thank you, Cathie. So I'm sorry, but unfortunately I have to leave. And Mr. Sandi already left after his speech, and he is anyway in this picture. And I am quite sure we will have several occasions to go more in detail with the transaction we are envisaging. Thank you all for attending this call. Bye-bye.