

# **SNAI SpA**

## **“Full Year 2013 Results Conference Call”**

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**MODERATORS:**      **GIORGIO SANDI, PRESIDENT AND CHIEF EXECUTIVE OFFICER.**  
**MARCO CODELLA, CHIEF FINANCIAL OFFICER**

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining this Full Year 2013 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, President and CEO of SNAI. Please go ahead.

GIORGIO SANDI: Good afternoon, everybody. I am Giorgio Sandi. I think it's very important that we have this opportunity that is new for our Group, to have immediately at the end of the Board of Directors' meeting, that approve the proposal of balance of the Company to have the opportunity to share with you our experience, and to get immediately a reaction from your point of view and your opinion. I am glad to ask to Mr. Codella, who is our CFO, to pass through a number of elements that we want to address as a support for the information and the main results we achieved at this last year. And of course, after I speak half an hour of presentation, there would be a dedicated area for questions and hopefully good answers. Thank you. Marco.

MARCO CODELLA: Thank you. First of all, I would like to thank you for attending this call. Our goal today is to give you a quick update of our 2013 results. Also we will go through a strategic update. I would also like to inform you that we will arrange a more detailed presentation on 2013 results, and also a presentation of our 2014-2016 plan in early April, most likely on the 3<sup>rd</sup>. So you could probably pencil in this date in your diary, so that we can host a crowded presentation.

Today, as Mr. Sandi was saying, after the presentation we will have a short Q&A session in order to give you some clarification on the questions you may have. In terms of the agenda, we are on Page 4. We are going to

present the main achievements, we will follow with the 2013 results. And then we will go through the strategic updates.

Moving to Page 6, most of you attended the road show presentation, and during the road show presentation, we committed to several important goals to be completed by year end. We are very happy to confirm that all of them were achieved.

Let's go quickly through the last year list of achievements . First one was the full completion of 5,052 VLTs rights roll-out. This was achieved and this will ensure stable revenues and cash stream in the future. And 2014 will be the first year in which we will enjoy the full effect of having 5,052 VLTs operating in the territory.

Second achievement was related to a solid sport betting performance. As you remember, in 2012, we achieved a level of payout that was unsatisfactory. We achieved 82.7, although the market was at 82.9. Now payout on sports betting is back to a normal level, we achieved 78.9 in 2013, and this must be compared to a market performance which is in the range of 79.9. Of course, one percentage point in payout is a lot of money in terms of contribution margin.

Reasons for that are mainly related to the new contractual agreement we have in place with our shops. As you know, we are now changing the contractual structure in order to have a different reward in terms of different kinds of bets they are accepting. We will be rewarding with a lower percentage, single and double event bets, we are rewarding with a higher percentage multiple events bets which are much less risky for the bookmaker, for us.

The third achievement of 2013 is the successful launch of virtual games. They were launched late December. The first figures we got from the market are very, very promising. Also, we were able to refinance our company. We issued a high yield bond and by doing this, we enhanced the liquidity profile and the operational flexibility.

Also we were able to settle the legal proceeding with Corte dei Conti on AWP. The litigation was settled by paying €63 million plus interest. It was a big effort on our side; it affected significantly our bottom line results and financial position. But by doing this, no potential liability remains on the Company for this specific topic. So it was a very important year. We achieved all of the commitments that we set. And it goes without saying that effects of having achieved these goals will positively influence future years' results.

We can now move to Page 8, of the presentation. We'll try to give you here some information about the key results of 2013. In terms of wagers, we achieved a level of €5.4 billion as compared to €5.5 billion in 2012. Most of the reduction was due to the reduced collection in AWP, which was partially offset by increase in VLTs . We achieved on the offline sports betting a reduction in total wagers by 10.7% that was partially counterbalanced by an increase in terms of the online sports betting that increased by 18.3%. VLTs increased by 38%, and the so-called online skill games increased by 8.2%, while we had negative results on the horse race betting decreased by 15.9% and AWP decreased by 21.4%.

In terms of revenue, total revenues were €478.8 million as compared to €514.4 in 2012. And this is mainly due to reduction in AWP due tax increase and reduced number of machines, since one of our main customer, we call them "gestori" became direct concessionaire and took out of our networks some 3,500 machines.

This negative effect on revenues was partially offset by increase in VLTs and sports betting. This is also representing a market trend, since the players are moving or switching to higher payout games ; this is affecting revenues, but it's not reflected in contribution margin.

And in fact, as you can see in the next bullet point, contribution margin increased from €152 million in 2012 to €176.6 million in 2013, so that we got an increase by 16%,; we will have a specific chart on contribution margin later on.

In terms of EBITDA, the adjusted EBITDA increased by 41.6% compared to 2012 from 68.9 to 97.6. The adjusted EBITDA is obtained by adding to the EBITDA the recurring part of the allowance for bad debt, and this is consistent with what we did during the road show presentation.

In terms of pre tax loss, the adjusted pre-tax loss, is equal to €2.4 million if we exclude impacts of non recurring items and as you know, as you all of them know...all of you know, the non-recurring...the main non-recurring items this year was the settlement of the Corte dei Conti legal proceedings that affected our bottom line in the range of €70 million if you consider interest too. And also, the loss was affected...the impact of the non-recurring items was also including some costs which were associated to repayment of the old financing. In terms of net financial position, we achieved €443.4 million as compared to €369.6 in 2012, also this you know figure was significantly affected by the settlement of Corte dei Conti legal proceedings.

We could now move to Page 9, where we try to report you know, the...our key...our financial KPIs. We already discussed the revenues trend, so we could better concentrate on contribution margin and EBITDA, which

showed a significant increase which was depending on...mainly on sports betting payout, which is back to historical levels. The progressive deployment of VLT concession; and by the double-digit growth of the online channel. So the contribution margin was increased by 16% if we compare 2013 to 2012.

We already mentioned the adjusted EBITDA... where we show 92.6 as compared to 64.5. What is worth mentioning is that at EBIT level, we show a negative result which is €41.8 million as compared to €13.9 million in 2012, and this was affected by significant effects of the settlement of the Corte dei Conti fine and of course, in terms of depreciation this was affected in the range of €54.9 million. But we...you can see details in the right hand side of the chart.

So going down to the pre-tax profit, we achieved 100.9 as compared to 56.5, but this must be ,you know, carefully analyzed since we had non-recurring items including every effect of the settlement of Corte dei Conti, plus the costs associated to the repayment of the old financing in the range of €93.5 million. So if we compare the adjusted pre-tax profit...the adjusted pre-tax loss we achieved 2.4 as compared to 44.9 last year, and this is somehow showing the very good performance in terms of operating and standard activities as compared to the, you know, to the non-recurring part of that.

In terms of CAPEX; we got €39.8 million as compared to €21.8 million, but this €39.8 million are including some €17.6 million which are concession related CAPEX. In terms of cash flow, we show a very negative result, but again, all these figures are affected by the several negative non-recurring effects that we already described.

We could now move to Page 10, which is a special chart for contribution margin. In order to make you better understand how contribution margin changed, we reported its composition in both percentage and value. Main contributor in 2013 is still sports betting, due to the very good performance in payouts. VLTs are getting more and more important. Skill games are increasing significantly in value. If you concentrate on percentage, it appears that skill and casino games are less relevant as compared to 2012. But going to the part...to the bottom part of the chart, you can see that skill and casino games increased from €15 million to €16.8 million.

AWPs are down for both wages reduction, as we already mentioned some players switched to VLT, but now the VLT deployment is completed at market level at industry level. So we do believe that AWP will stay flat in the near future. And AWP in our case went down also because number of machines reduced significantly from 28,500 (Ph) to 25,000 because of the, you know, the reason we already described having one of our main customers moved from our network to its own network.

So just to give you also an update on our distribution network which is strictly related to the...to sports and VLTs and AWP results, at the end of the year, we had 613 betting shops, and more than 1,700 corners. And this is by far the #1 distribution network in Italy.

Going to Page 11, we have described here the trend of payout which is a very important figure in our P&L. We were able to improve our business mix in order to reduce volatility associated to sports payout, and also in order to better manage our sports payout, we enhanced automatic controls on betting acceptance.

Furthermore we changed 85% of our contracts which are in place with shops, in order to push them to accept less risky...sorry we tried to make them accept less risky bets, in order to do so give them a reduced percentage on wagers on single and double events bets . As you remember, we have a model with the...we have contract in place with shops, based on revenue sharing model, so we do not have fixed costs associated to most of the activities we have with the shops.

by changing the contract, we were able to actually better align our goals to those of the shops .we will reward them with a higher percentage if they accept multiple events bets which are less risky for us. By doing this, we do believe we will be able to better manage the payout through our distribution network. Also, we will reward them with a percentage of the extra profit they will be able to generate through a better performance in payout as compared to the average.

The first effects of these actions are reflected in our 2013 payout since as I was saying before; we achieved 78.9% while the market did 79.9%. In terms of payout on the offline part of the business, we achieved 78.5% the payout on the online was 80.7%.

We could now move quickly to a strategic update. We tried to summarize in Page 13, our view of the future Italian gaming market. Now, we will go quickly through the different gaming sectors. We tried to analyze them through five different perspectives. First one, being the market sizes in 2013 the expected trend for 2014-2016, the product innovation; the regulatory framework and the competition. By doing an average of all of these perspectives, we come to an overall ranking that gives a flavor of what we do expect in the near future on each single segment of our activity.

In terms of VLTs, the market size...of course, these are, you know, overall data that were obtained through AAMS which is the Italian Government Agency in-charge of gaming in Italy. But they are not so much detailed, so actually AAMS is not providing us with any detailed figure on this industry but anyway. So the market size is 25.5, we do not expect significant changes in trend in 2014-2016. We do expect some product innovation; we have been attending several shows all over Europe and some significant product innovation will come.

The regulatory framework is envisaged negative since there are some, you know, local restriction...there could be some local restriction to VLTs, mainly the AWP's actually, but also VLTs would be affected. And competition is considered neutral. So the overall ranking for the trend of the VLT market for us will be positive in the next three years.

For what AWP's are concerned...the market size was 22.3, the difference between VLTs and AWP's for us is that we do not foresee any significant product innovation on AWP. So the overall ranking is equal.

Sports betting, the market size we are talking about is offline sports betting. The market size was 2.5 million, the expected trend is negative. We do not expect product innovation and changes in regulatory framework. The competition for us is quite positive since we have the #1 distribution network in Italy. We have the strongest brand on sports betting. So for us this is a plus. The overall ranking is equal.

Horse-betting is going down, as it was than in the past; this part of our business is totally subsidized by the government. So at the moment, the government is concentrating on saving, instead of, you know, spending money on horses. And for us, the trend on this is negative. Although, we

do believe that we will be able to better focus on horse racing in the near-future.

Betting on virtual events were just launched, the trend is extremely positive for us. The product innovation is very high, the regulatory framework and competition are neutral. So the overall ranking for us is super plus. Just to give you an idea, the UK market is quite significant in the range of 1 billion pounds. And the first figures we got in January and February are very interesting on this kind of gaming activity.

Sports and horse online betting; the market size was 1.4 in 2013; the expected trend is positive, as well as the product innovation and regulatory framework. And so for us, the overall ranking is positive. Just to remind you, we have some very good mobile applications which accounts for 20% of total sports...online sports betting.

Last is the online skill games mobile app and mobile application. The market size was 13.3; the expected trend is negative, mostly because of the Poker part of this business. The product innovation is expected to be significant; no effect on...from regulatory framework and competition is negative. So the overall ranking for us is equal. Going to the summary of this chart, we do expect a very important return from the betting and virtual events. We do believe that online sports betting will be extremely important. And remember that in Italy, if somebody wants to place a bet through the online system wants to rely on the Company is giving its private data and private information to. So for us the strength of the brand is a real competitive advantage also on the online part of the business.

And last but not least, the VLTs are still positive for us, we still have to enjoy full effect of the 5,052 machines that we now are able...were able to deploy on the delivery.

Going to Page 14, we try here to give you a view of the key actions we are planning to take in order to strengthen Company's competitive position. And in terms of sports betting, we are going to fully exploit the betting of virtual events. We plan to reduce volatility on sports betting payout as we already mentioned, through enhancing the automatic controls and new contractualized incentive scheme to the point of sales. There will be actions to increase customer's fidelization in highly performing point of sales, and there will be a renewed focus on horse racing.

We need to remember that we still have 53.9% in terms of market share on horse race betting. So for us, it's significant not because of the contribution to our contribution margins because it's below 4%, but because of the effect of the horse race betting on our distribution network.

As far as the gaming machines are concerned, we plan to relocate some 20% of the installed VLTs to more productive locations mainly arcades. By doing this, we do believe we will be able to increase the average coin in and contribution, the first effects of this plan that we started in October are already in our figures, already in our books. We want to increase the number of owned AWP's within the network. Today, we own some 1,000 machines; we plan to reach 2,000 by the end of the year. And as you probably remember, we will be placing...we will locating these AWP's in, you know, more efficient and more productive shops, not in corners, but directly in the shops we normally devote to sports betting.

Another important action which is already in place is the fact that we are asking our shops manager to keep their shops open after 8 PM, since 30% of total wagers in VLTs are collected between 8 PM and midnight.

On the online and mobile application, we are evaluating possible commercial partnerships with qualified operators. We will enhance product innovation in the online channels through smart phones and tablets application and also, we will set up an in-house division focused on new products, customers profiling and fidelization.

Lastly, we want to start taking into consideration new businesses and we will introduce new commercial services like payments, financial services or ticketing.

I think that we covered most of the topics I wanted to cover in this very quick presentation. So I think we could now move to the Q&A, if any

## 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 Alvaro Mata of UBS. Please go ahead.

ALVARO MATA: Sure. Hi, guys, a couple of questions from me. If you can please give us...?

MARCO CODELLA: Could you please speak a bit louder, please?

ALVARO MATA: Okay. Can you hear me better now?

MARCO CODELLA: Yes, better.

ALVARO MATA: Okay. So now the first question is about the VLT, and AWP performance during the fourth quarter. If you can give us a bit a more color in terms of like-for-like numbers?

MARCO CODELLA: Okay, so...

ALVARO MATA: You know contribution margin or EBITDA, whatever you have?

MARCO CODELLA: Yes, so in terms of...in terms of AWP's and VLT's, the results of Q4 are not so different from the overall figures we just reported in for the full year. The AWP's collected some €350 million going down to the same period of last year by some 20%. The VLT collection in Q4 was close to €400 million. And this is about 13% up as compared to last year Q4.

ALVARO MATA: Okay.

MARCO CODELLA: In terms of number of machines, the VLT's as I already mentioned, were deployed in full at the end of December. But of course, the average number of machines in Q4 and in full year is lower than that because of the ramp up of the Novomatic platform that substituted the Barcrest after the major failure we had in 2012.

ALVARO MATA: Okay, that's understood. The second question is about the adjusted EBITDA number of an additional €0.6 million. Does that compare with the 108 that you reported at the time of the bond insurance or not, I mean I remember that on the 108, you were including about €10 million of run rate...?

MARCO CODELLA: No, we did not report...in the figures we just mentioned, we did not report any adjustment due to the run rate. So although we do not.....I mean, we do not have yet every VLT's at the standard level we do expect, but we did not consider any run rate adjustments as we did in the bond. This is because, we are, you know, we are a listed Company, we are reporting based on the IFRS, we have to report any single figure we have in our

balance sheet and P&L so that we did not consider any adjustments related to run rates.

ALVARO MATA: Okay. Is the €10 million that you reported on the...in memorandum, is that still a valid number for the full year?

MARCO CODELLA: You mean the total effect of having 5,000 machines after running in the full year 2014, yes.

ALVARO MATA: Correct.

MARCO CODELLA: It is a good estimate.

ALVARO MATA: Okay. And then third question is regarding your payout ratio. I mean I realize in the presentation that it was very low during the first quarter 2013, only 73.7%, would you say that that is going to be [indiscernible] comparable for this coming quarter or...

MARCO CODELLA: I cannot give you figures for 2014, I mean, but normally Q1 of each single year is a good quarter.

ALVARO MATA: Okay. So the payout ratio is normally lower in the first quarter. So it's a seasonal effect more than anything else?

MARCO CODELLA: Normally, it's like that.

ALVARO MATA: Okay. Last question from me then and I will jump back in the queue. I think you have an important license coming during 2016 in June. If I remember correctly, at the time of the road show, you gave some guidance in terms of, you know, how much you may have to extend or renew that

license. And I seem to remember that...that number is somewhere around €60 million, is that still the case?

MARCO CODELLA: Actually, the estimate we gave was based on the, you know, the assumption that the 2016 concession will be based on the same rules that were placed in 2013. So based on that, we do expect cost of renewals for shops is somewhere between €10,000 to €15,000 per year per shop. In terms of corners, we expect a value which is 10% to 15% of that value. But it is worth mentioning that the renewal of the concession, renewing the concession will start say mid-2016, but we...it's quite unlikely that payment will be made in 2016 since the previous renewal started six months late. So it's quite likely that payments will go in 2017 although the renewal process will start say mid-2016.

ALVARO MATA: And you say between €10,000 and €15,000 per shop and how many shops you do you have, again, is it close to 500?

MARCO CODELLA: 613, but again, we are in a multi-concession business. So we could decide to apply for more or to reduce number. So there is a lot of flexibility, but provided that we plan to renew all of them, it's 613.

ALVARO MATA: 613 stores and you have to pay €10,000 per store, is that what you are saying?

MARCO CODELLA: €10,000 to €15,000 per year per shop. So if the concession lasts six years, it's from €60,000 to €90,000 per shop.

ALVARO MATA: Okay. And can you give me...

MARCO CODELLA: Maybe we could move to other attendees, you know...

ALVARO MATA: Yes, I know that's understood, thank you very much for the answers?

OPERATOR: The next question is from Max Lee of Fore Research Management. Please go ahead, sir.

MAX LEE: Hi, thanks for taking my question. First, I just want to congratulate you guys on the great quarter. The question, basically I just want to know a little bit more about your outlook for this year. I mean what we should we expect and depending on what can give you like income of EBITDA and income of leverage, how, you know, how should we think about it, that's it. Thank you.

MARCO CODELLA: I mean, well, for the detailed figures, you have to wait until probably April the 3<sup>rd</sup>.

MAX LEE: April 3<sup>rd</sup>, okay.

MARCO CODELLA: Because otherwise, I would not be fair with other people, okay.

MAX LEE: Okay.

MARCO CODELLA: And also... based on the numbers and the strategic update we gave you few minutes ago, we expect that the results at the end of 2014 could be enough satisfactory. But if you want...

MAX LEE: Okay, thank you.

MARCO CODELLA: If you want some, you know, extra detail, I mean you have to wait until April the 3<sup>rd</sup>.

MAX LEE: Okay, okay. Thank you.

MARCO CODELLA: Sorry about that, but, you know, we are a listed Company.

OPERATOR: The next question is from Jennifer Halliwell of Deutsche Bank. Please go ahead.

RONAN CLARKE: Hi, there. Actually it's Ronan Clarke from Deutsche Bank.

MARCO CODELLA: You don't sound like a lady actually.

RONAN CLARKE: Well, no I don't sound like a lady, I am sure. I just wanted to ask a couple of questions on VLT. First of all, you mentioned some possible local restrictions, and could you explain what they are. And then, could you give us a bit more color on sort of profitability per machine, the trends you are seeing there, as you reached the completion of the roll out, I mean has it declined as you got towards the end, is that just based on locations or is the market overall sort of trending downwards.

MARCO CODELLA: You know, the market overall is going down. I mean the...there are no official data, no official figures. But based on the analysis that we get from, you know, specialized market analysts, The market is going down in terms of average coin in. For what SNAI is concerned, based on the fact that we start from a very low, you know, starting point, because the average coin in is affected in 2013 by the ramp up of the second platform the Novomatic platform. And also based on the actions we have in place, I was talking about the relocation of some 1,000 machine, and also the opening of the shops after 8 PM. We are experiencing a coin in which is slightly declining or stable. And if you consider that most of our competitors are going down by 15% to 20%, this is a very good result.

RONAN CLARKE: Okay, and on the regulatory issues you mentioned that [multiple speakers]...

MARCO CODELLA: For the regulatory issue, I mean, you know there are some local municipalities, local authorities which are...were trying to somehow fight the giving machines by setting stricter rules in terms of opening new shops or in terms of having access to the shops. But at the end of the day, the overall decision is taken by Central Government, and Central Government is getting out of this sector 9 billion per year, which is probably the highest contributors in Italy whichever industry you consider. So at the end of the day, the local authorities need to comply with this central interest of the Italian Government and the income they get out of the gaming industry.

RONAN CLARKE: Okay, and then one final question. On the commercial services you mentioned in the new business part of the last slide. And how are you going to build a network or something like that, does that involve a lot of CAPEX on machines...

MARCO CODELLA: Not actually, we will not build any network which is asking for...which is requiring CAPEX. We will...90% use the existing technology we have in our shops in order to provide our customers with some extra service. But no significant CAPEX is associated to this new business opportunity.

RONAN CLARKE: Okay and what kind of timeframe you think you could be launched in that space?

MARCO CODELLA: Sorry, I didn't get you.

RONAN CLARKE: What timeframe do you think it would take to launch in that area.

MARCO CODELLA: You know, there will be several opportunities; the first one it's not far from now actually.

RONAN CLARKE: Okay, and...

MARCO CODELLA: But, we do not expect first year significant results in terms of P&L. It's just you know, a matter of giving extra services, making people understand, that you can find different things and different opportunity in a betting shop or in a corner, in order to make our brand even more known and even more reliable.

RONAN CLARKE: Okay, all right. That's very helpful. Thank you.

MARCO CODELLA: Thank you.

OPERATOR: The next question is from Alan Yesner of Morgan Stanley. Please go ahead.

ALAN YESNER: Hi, and thanks for taking the questions. I've got three, they should be quick. The first is; do you have any expectations on changes to tax rates for VLTs and over what time period?

MARCO CODELLA: Actually, there is no expectation on that. Of course, this is not in our hands. But there is something we must say. For the first time in 2012, the Italian Government increased taxation on both VLTs and AWP's, but the overall income for them went down. So this is something which is acknowledged by Corte dei Conti in their yearly report. And this is something which is now known by Italian politician. So we cannot say because this is not in our hands, but further increase in taxation on VLTs is not foreseen at the moment.

ALAN YESNER: Thanks, that's helpful. In earlier question, you had related to concessions, and I understand you've got some of that start in 2016 that will roll into 2017. Are there any other concession renewals before that?

MARCO CODELLA: No, the first one will be the sports betting concession renewal, and then there will be in 2020 the online concession renewal, 2022 VLTs and AWP.

ALAN YESNER: 2022 VLTs/AWPs, okay. And I understand...I just want to confirm, you said, it's for the 2016ish renewal on your sport shops, its €10,000 to €15,000 per shop per year for 613 shops.

MARCO CODELLA: Yes, and then we have corners...

ALAN YESNER: Right.

MARCO CODELLA: And we estimate from 10% to 15% of that amount for each single corner for each year, and we have 1,700 corners at the moment.

ALAN YESNER: 1,700 corners, okay that's very...

MARCO CODELLA: Now, in total should be somewhere between 50 to 60 million.

ALAN YESNER: Understood.

MARCO CODELLA: The sports shops and corner...sports bets, sport shops and corner.

ALAN YESNER: 50-60 million sports...

MARCO CODELLA: If we decide to renew all of the concessions we have today and this is for six year of course.

ALAN YESNER: Yes, that's the total amount, correct.

MARCO CODELLA: Yes, six year is just...because the previous renewal apart from the last one was made for six years.

ALAN YESNER: Understood, and on your Slide 9, you gave CAPEX, and you broke out, let me say was like roughly 40 million, 17.6 was concession related. If I break...if I subtract out the 17.6 million from the CAPEX figures, that's roughly a fair run rate CAPEX for you?

MARCO CODELLA: It's somewhere around 20 million per year.

ALAN YESNER: Thank you.

MARCO CODELLA: Most of it is related to IT infrastructure that for us is key business.

ALAN YESNER: Thank you. That's very helpful. And those were all my questions. I appreciate it.

MARCO CODELLA: Thank you.

OPERATOR: The next question is from Oralisa Fontier (Ph) of BlackRock (Ph). Please go ahead.

STEFANO DONATI: Hi, actually this is Stefano Donati call on...

MARCO CODELLA: Hi, Stefano.

STEFANO DONATI: And again, again I don't sound like Ron, I am changing my voice. I've got a couple of questions for you. One is, if I had to adjust the full year

number for...to give a full pro forma effect of the growing number of machines, and the cost saving initiatives and everything. What will be a negative adjustment to apply to the EBITDA...reported EBITDA to give a full pro forma contribution for those? And the second, going forward, my question was about potential, further taxation, but the answer has already been given. So the question is that about going forward, if you can give some guidance in term of what you see next year leverage or cash flows heading to the strength of the guidance you can give.

MARCO CODELLA: Okay, you know, the figures that we could expect in terms of additional contribution coming from VLTs that have now been fully deployed. As I was saying before, we could be in the range of €10 million. For what the cash flow is concerned for 2014. Again, at the moment, I can't give you detailed figure, but, you know, during the road show we were talking about an average EBITDA, expected EBITDA from €100 million to €110 million, then we had some €50 million for interest, €20 million for CAPEX and €5 million for taxes. So that should be not too far from what we do expect at the minimum for this year.

STEFANO DONATI: Sorry, just to clarify the €20 million of CAPEX is fully inclusive or is lack of a run rate excluding the expansion plans.

MARCO CODELLA: This is the run rate, let's call the maintenance CAPEX.

STEFANO DONATI: Do you expect some expansion CAPEX next year.

MARCO CODELLA: Not for 2014.

STEFANO DONATI: Okay. Thank you.

MARCO CODELLA: Thank you Stefano.

MARCO CODELLA: Okay, I think that now the Q&A session should be over, since we are running out of time. Thank you very much to all the attendees , we plan to have all of you attending next April 3<sup>rd</sup> , the presentation of the plan for 2014-2016. Thank you very much.