



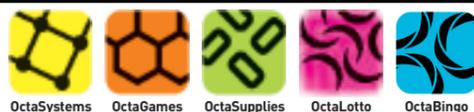
Global Games & Gaming Magazine | Special Issue



MARKET REVIEW '09

International Gaming Country Reports and Statistics

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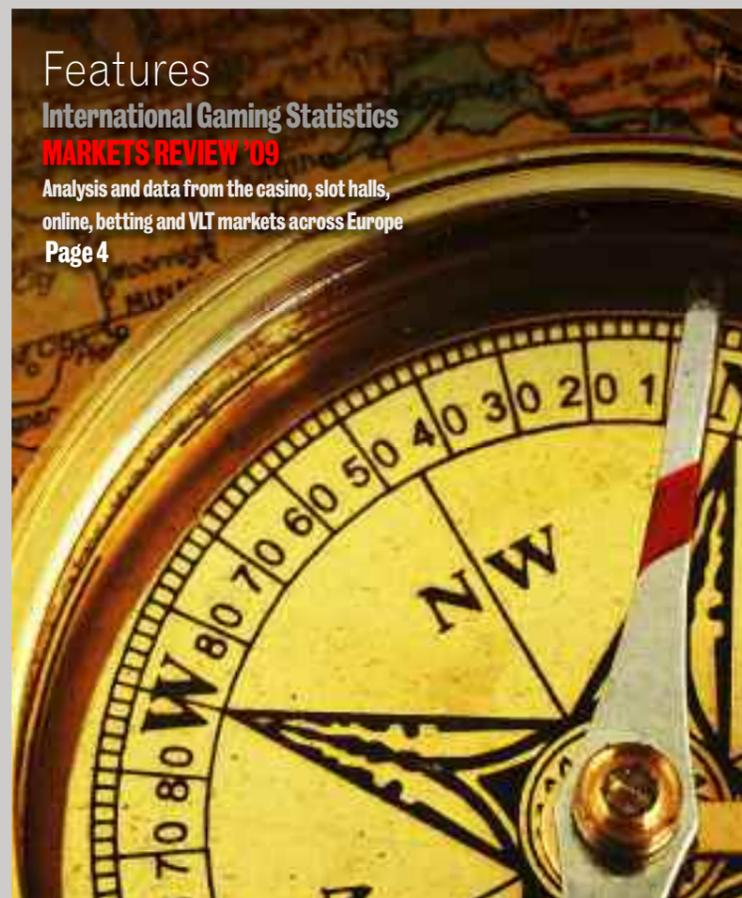
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OctaSystems



Living in interesting times

For the third year running we have compiled our Annual Market Review providing you with the most up to date statistics for the gaming world. The Annual Review 2009 provides data on 16 European countries including figures on locations and product sectors and a general overview for each country including turnover figures and legislation changes.

It's interesting times. With online gaming laws at the forefront of most news and the sports betting market opening and growing rapidly.

Due to demand we have kept the same format and the idea behind the supplement is to provide you with a one-stop easy reference guide for key figures alongside all the market reports we have also covered over the last year.

Therefore this year's review includes our country reports covering the Czech Republic and Germany and also our comprehensive coverage of the 12 Latin American markets which were featured in our summer issues last year. This was the first of our continental reports and proved such a hit that we plan to continue with the same theme again in autumn with another growth market - Asia.

There are also still many more countries to tackle in our monthly G3 issues and many more countries already covered



What is G3? Global Games and Gaming = G3

G3 is an international high quality monthly magazine for the gaming and casino operator. It sources games and gaming products from around the world and delivers them direct to you each month. How to buy, where to buy and why you should buy are all covered. Each issue will feature the latest games, in-depth country reports and special focuses on stand-out products. If you're considering

which are in the process of changing their laws as we speak.

It's interesting times. With online gaming laws at the forefront of most news items and the sports betting market opening and growing rapidly, our core industry is expanding upwards and indeed sideways.

Everything has become interlinked. The lines between real gaming and remote gaming are blurring and in times of hardship it seems that gambling is one area which will continue to survive. The figures in our 2009 report are in the main positive and despite some drops, on the whole show revenues in most countries and most gaming sectors are on the increase.

Again a big thank you as always to Octavian who sponsors our Annual Review and indeed the various trade associations, government bodies and individuals in the various countries who have helped supply figures and found time in their busy schedules to answer my begging emails.

So grab a cup of coffee, or indeed something stronger, and enjoy the next instalment. If you're an avid collector and now have the Annual Review trilogy (who hasn't) you should of course be entitled to our free gift . . . if we had one that is.

buying a new game - don't move until you've read G3. G3 is all about games. The games players want operators to buy. It's about the creation, the application and the ultimate experience of playing games from all types of sources, media and location. Think of the mantra - location, location, location and now think games, games, games - because without them you have no location.

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Austria

NUMBER OF:	
CASINO SLOTS:	1,814
CASINO TABLES:	238
AWPs:	7,800 (3,300 Vienna; 2,700 Styria; 900 Carinthia; 600 Lower Austria)
MULTIPLAYERS:	13 multiplayer networks
VLTS:	624 (operated by Austrian Lotteries)
AMUSEMENTS (TOTAL):	8,000 -10,000
PINBALL:	2,000
VIDEO:	2,000
TOUCHSCREENS:	4,000
JUKEBOXES:	2,860

NUMBER OF:	
CASINOS:	12
GAMING ARCADES:	11 WINWIN outlets (operating VLTS)
SINGLE SITES:	3,000
AMUSEMENT ARCADES/FECs:	40
BETTING SHOPS:	Approx 500 (183 are operated by Admiral which has 50 per cent of the market). There are almost 4,000 lottery retail outlets in Austria
OPERATORS:	1,000

OVERVIEW

Austria's casinos and lottery sector are governed by the state monopoly and are operated by Casinos Austria and Austrian Lotteries. AWP's are permitted in four regions only with limited stakes of 50c and €20 payouts. There are a total of 7,800 AWP's which saw a GGR in 2007 of €88.4m. There are 12 casinos operated by Casinos Austria and revenues from this sector in 2007 rose by 9.4 per cent to €1.37bn which includes revenues of €1.1bn from the CAI network and €277m from the 12 national casinos.

New law changes were introduced in September 2008 which now enables EU based casinos able to advertise their services in Austria whilst money laundering and player identification standards were extended across the Austrian casino sector.

A new draft law has been proposed in Austria which could see several changes including the continued prohibition of online gaming for any operators other than Casinos Austria and Win2Day. This has obviously stirred the online sector. The proposals could also see the end of single site operations and the demise of at least 1,000 small to medium businesses. It suggests that AWP's will be limited to arcades only and could effectively mean one or two large operators could become the sole operators of such sites.

CAPITAL:

Vienna

POPULATION:

8,205,533 (2008)

LAND AREA:

82,444sq.km

MEDIAN AGE:

41.7 years

CURRENCY:

Euro

GOVERNMENT:

Federal Republic

ELECTIONS:

President elected

by direct popular

vote for six year

term. Last

election held

2004, next due

2010. Chancellor

is formally

chosen by

president but

determined by the

coalition parties

forming a

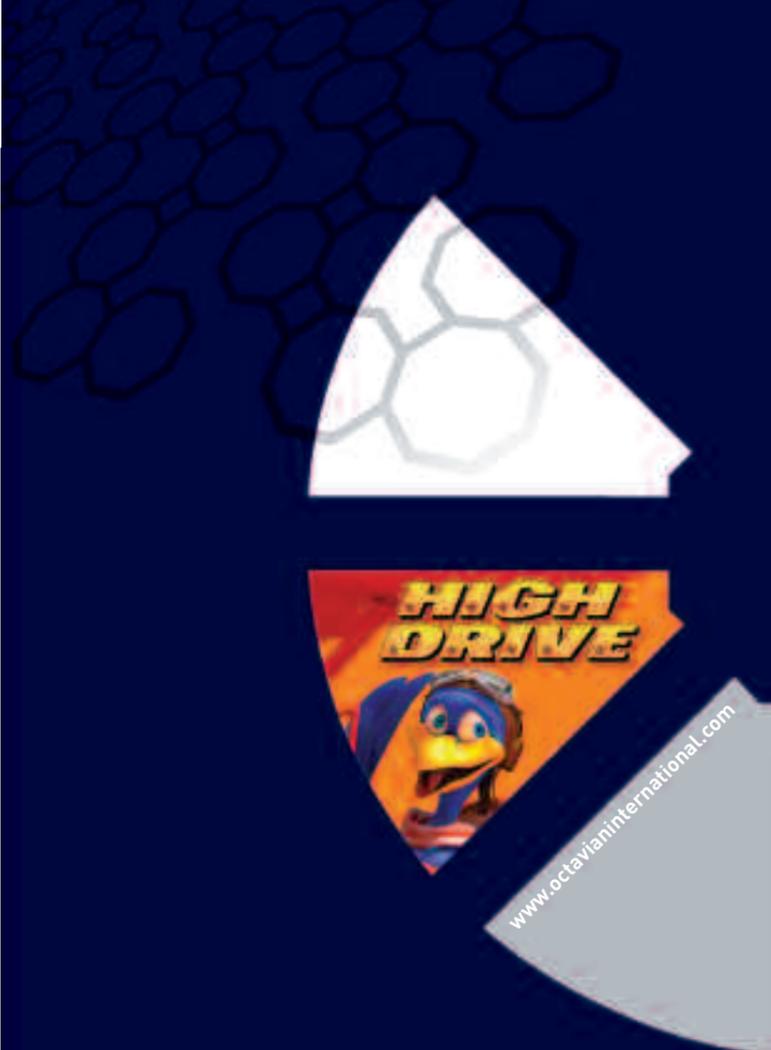
parliamentary

majority.



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OctaGames



Belgium

NUMBER OF:	
CASINO SLOTS:	900
CASINO TABLES:	110
AWPS:	25,984
BINGO MACHINES:	10,300 (bars/cafes). 7,400 locations have C licence approval - each C licence can have a maximum of two bingos
MULTIPLAYERS:	350 (B licence arcades with max. 3 machines).
AMUSEMENTS (TOTAL):	37,744
PINBALL:	600
VIDEO:	1,000
TOUCHSCREENS:	4,000
REDEMPTION:	150
POOL TABLES:	600
JUKEBOXES:	2,360

NUMBER OF:	
CASINOS:	9
GAMING ARCADES:	180
SINGLE SITES:	7,400
AMUSEMENT ARCADES/FECS:	12
BETTING SHOPS:	460
OPERATORS:	200

OVERVIEW

Belgium operates under the gaming act of 1999, National Lottery Act of 2002 and sports betting act of 1963. There are five different operating licences including Licence A for casinos, B for gaming arcades, C for street locations, D for casino and arcade employees and E for import, export and distribution.

Access to gaming arcades is prohibited to those under 21 years of age and every player which enters must be registered in a computerised system, which is then linked to the EPIS database of the gaming commission to verify the person is permitted to enter. Meanwhile players in pubs must be 18 years of age and the slots are also linked to a server installed at the gaming commission. The system appears to be working.

There are nine casinos in Belgium and the sector saw revenues of €105m in 2007 whilst employing around 1,000 people. A new bill which modifies the 1999 has been proposed. This would open up the Belgian internet market and could see the National Lottery given the authorisation to manage online gaming. Foreign internet operators could be offering their services in Belgium by this year under the new rules. However with turmoil in the Belgian political arena it is hard to predict when this will now take place.

CAPITAL: Brussels
POPULATION: 10,403,951 ('08)
LAND AREA: 30,278 sq.km
MEDIAN AGE: 41.4 years
CURRENCY: Euro
GOVERNMENT: Federal Parliamentary Democracy/ Constitutional Monarch
ELECTIONS: Monarchy is hereditary and following legislative elections leader of the majority party or majority coalition is appointed Prime Minister.



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Czech Republic

NUMBER OF:	
CASINO SLOTS:	3,511
CASINO TABLES:	APPROX. 500
AWPS:	57,500
VLTs:	13,400
AMUSEMENTS (TOTAL):	9,000
PINBALL	200
CRANE MACHINES:	600
VIDEO:	4,000
TOUCHSCREENS:	1,500
REDEMPTION:	100
POOL TABLES:	2,000
JUKEBOXES:	2,000

NUMBER OF:	
CASINOS:	200
GAMING ARCADES:	5,200
SINGLE SITES:	6,500
AMUSEMENT ARCADES/FECS:	20
BETTING SHOPS:	5,278 bookmakers. Sazka has 946 outlets which operate odds betting and 6,500 online terminals
OPERATORS:	450

OVERVIEW

The Czech market has one of the highest number of gaming machines per capita in the EU with 57,000 slot machines equating to almost one machine per 200 Czechs. There are around 200 casinos and an estimated 5,000 gaming halls. The Czechs are big gamblers and in 2007 gambled CzK90bn via its lottery and gaming activities. Meanwhile the total amount bet in all gaming sectors in 2007 amounted to CzK108.3bn – a 10 per cent increase on the previous year, whilst CzK84bn was paid out in prizes. The biggest sector in terms of revenue is the AWP products whilst VLTs have seen the biggest growth. The Czech industry has been re-assessing its gaming laws over the last year and at the end of 2008 submitted its new draft bill to the government. The draft addressed problem gambling and also whether to permit online gaming in the country.

Meanwhile, in January 2009 the Czech government agreed to a regulatory licenced system which now grants five of the country's largest bookmakers permits to introduce internet gambling. Fortuna is one of the companies and says the favourable outcome was partly due to the large amount of money the government is losing to foreign online operators. The regulatory regime is expected to be fairly rigid with ID registration required at an actual office in person.

CAPITAL:

Prague
POPULATION: 10,220,911 (July 2008)
LAND AREA: 77,276 sq.km
MEDIAN AGE: 39.8 years
CURRENCY: Czech Koruna (CZK)
GOVERNMENT: Parliamentary democracy
ELECTIONS: President elected by Parliament for five year term. Last election was in February 2008. Next due February 2013. Prime Minister is appointed by the President.

CAPITAL:

Copenhagen
POPULATION: 5,484,723 ('08)
LAND AREA: 42,394 sq.km
MEDIAN AGE: 40.3 years
CURRENCY: Danish Krone (DKK)
GOVERNMENT: Constitutional Monarchy
ELECTIONS: Monarchy is hereditary. Following legislative elections the leader of majority or majority coalition party is usually appointed Prime Minister by Monarch

OVERVIEW

Denmark operates under the gaming act which was introduced in 2003. This states that AWP's can only be operated in alcohol licenced restaurants (with one to three AWP's allowed) and approved arcades (individual licences). Gaming licences are issued for one to five years or the limit of the alcohol licence in restaurants. A gaming licence fee is DKr750 per machine annually whilst games operate on a 7c and €40 payout maximum (equivalent).

In 2007 the Danish AWP operators saw takings of €318m of which the Danish state received €118m as taxes, €23m went to charities and €3m to research for problem gaming. Meanwhile there are six casinos and the sector saw revenues of €77m in 2007.

In August 2007 the smoking ban came into place and the only exception is bars and bars of less than 40sq.m that do not serve food. The catering industry estimates a 25 per cent decline in income because of this whilst the AWP sector says the ban has caused a 10-15 per cent decline in business.

Denmark

NUMBER OF:	
CASINO SLOTS:	459
CASINO TABLES:	90
AWPS:	26,700
MULTI-PLAYERS	100 TouchBet roulette terminals in casinos
AMUSEMENTS (TOTAL):	7,500
VIDEO:	4,500
TOUCHSCREENS:	2,000
SPORTS GAMES:	1,000

NUMBER OF:	
CASINOS:	6
GAMING ARCADES:	1,100
SINGLE SITES:	2,600 (restaurants with alcoholic licences)
AMUSEMENT ARCADES/FECS	100
BETTING SHOPS:	Danske Spil games are sold via 3,800 retailers (60 per cent of the market)
OPERATORS:	500-600



Finland

NUMBER OF:	
CASINO SLOTS:	345 (Grand Casino Helsinki)
CASINO TABLES:	21 (Grand Casino Helsinki) plus 342 (in restaurants) and 58 (in arcades)
AWPS:	18,697
BETTING MACHINES:	3,050 online terminals , 810 instant terminals (Veikkaus)
MULTI-PLAYERS:	One roulette wheel with 22 terminals and one horse race game with 10 terminals (Grand Casino Helsinki) plus one roulette wheel with eight terminals (arcade).
AMUSEMENTS (TOTAL):	5,000
VIDEO:	500
TOUCHSCREENS:	3,000
POOL TABLES:	900
NUMBER OF:	
CASINOS:	1 (Grand Casino Helsinki)
GAMING ARCADES:	61 - including 34 Potti arcades (AWPs), 25 Tayspotti (AWPs/casino games) and two Club RAYs (AWPs, casino games, bar).
SINGLE SITES:	8,800
AMUSEMENT ARCADES:	No traditional amusement arcades. Some products in cinema centres based on street location concept.
OPERATORS:	One gaming operator (RAY)

OVERVIEW

Gaming in Finland is illegal for private operations and today only three licences have been issued by the government for each type of gaming. Oy Veikkaus runs the national lottery whilst toto games are organised by Fintoto Oy (owned by Suomen Hippos) and RAY has the licence for casinos and slot machines.

RAY's gaming revenue and turnover were both up by one per cent in 2008 with revenues of €659.5m and turnovers of €605.2m - the difference between the two represents lottery duty of €54.3m which is then paid to the state. Profit for the period was €402.5m. Of total revenues for RAY around 78 per cent comes from slot machines, 3.3 per cent from table games, 13 per cent from RAY's arcades and 5.4 per cent from Grand Casino Helsinki.

Of the 18,697 AWPs in Finland, 1,986 of these are operated in the arcades alongside 58 casino style table games. In single sites there are 16,711 AWPs and 342 casino style table games. In 2009 RAY plans to offer slot machines which will accept electronic payments as well as coins. RAY's plan is to extend the ePayments and associated ID checking systems to all its games. RAY is also planning to invest more in new technology and game development this year.

CAPITAL:

Helsinki
POPULATION: 5,244,749 ('08)
LAND AREA: 304,473 sq.km
MEDIAN AGE: 41.8 years
CURRENCY: Euro
GOVERNMENT: Republic
ELECTIONS: President elected by popular vote for six year term. President appoints the Prime Minister and deputy prime minister from the majority party or majority coalition after parliamentary elections.



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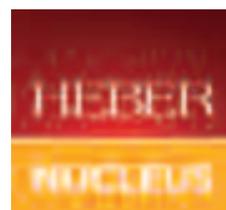
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CAPITAL:

Berlin

POPULATION:
82,369,552
(July 2008)

LAND AREA:
349,223 sq.km

MEDIAN AGE:

43.4 years

CURRENCY:

Euro

GOVERNMENT:

Federal Republic

ELECTIONS:

President elected for five year term by a Federal Convention. Chancellor elected by an absolute majority of the federal assembly for a four year term. Elections due May 2009.

OVERVIEW

In 2006 when the new Gaming Ordinance came into play the 60,000 plus fun games disappeared from the German market and it wasn't really until 2007 that the market saw the positive effects of the law. The market is now made up of three product groups – AWP's, Amusements (which includes touchscreens, pinball, videos and since last year internet terminals) and the sports machines sector.

Over the last few years video based AWP's have entered the market and it is reported that there is now an increase in the number of female players. However sales of AWP's shrank in 2008 whilst on the other hand the sports betting market has grown considerably and tripled between 2000 and 2003 with around 3,200 shops in 2005.

In 2007 some 113,450 jukeboxes, sports games and amusement machines with and without prizes were sold into the market – a 17 per cent increase on the previous year. Total turnover for all sectors came to €4.4bn in 2008 whilst machine manufacturers enjoyed a growth rate for the third year running.

Meanwhile, gross gaming revenues for the casino sector in 2008 came to €722m. Tables games saw a drop in GGR by 12 per cent down to €186m whilst slots fell by 25 per cent to €537m.

NUMBER OF:

CASINO SLOTS:	8,283
CASINO TABLES:	454
AWP'S:	225,000
AMUSEMENTS (TOTAL):	108,240 (jukeboxes, sports games and amusements with/without prizes)
TOUCHSCREENS:	13,300
SPORTS GAMES:	24,50000
PINBALL:	2,400
VIDEO:	13,600
SCORE GAMES:	20,000
Internet Terminals:	30,000

NUMBER OF:

CASINOS:	82
GAMING ARCADES:	220
SINGLE SITES:	60-70,000 restaurant locations plus 8,000 other venues.
AMUSEMENT ARCADES/FEC'S	8,000
OPERATORS:	6,000



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Octavian develops, installs and supports the systems that link playing terminals, jackpots, data and other assets at single or multiple venues into efficient, customer-focused gaming operations





Hungary

NUMBER OF:	
CASINO SLOTS:	213
CASINO TABLES:	92
AWPS:	7,847 (category I) and 22,638 (category II)
AMUSEMENTS (TOTAL):	5,200
VIDEO:	1,000
TOUCHSCREENS:	1,000
PINBALL:	2,000

NUMBER OF:	
CASINOS:	6
GAMING ARCADES:	1,129 (category I) and 16,812 (category II)
SINGLE SITES:	17,000
AMUSEMENT ARCADES/FECs	1,500
BETTING SHOPS:	4,396 operated by state gambling operator
OPERATORS:	1,207

OVERVIEW

Category I machines can only be operated in gaming halls and there are a maximum of two category II gaming machines permitted in bars and pubs. Licences are renewed annually and in 2007 there were 30,485, a 0.6 per cent decrease on 2006 figures. Category I licences cost HUF125,000 and category II cost HUF75,000. Taxes are HUF100,000 per month per machine. Gaming hall licences cost HUF20,000.

Total revenue from gaming tax came to €160m with around €10.7m from licence fees. The industry on the whole has seen a decline with one of the lowest numbers of slots and gaming halls in the last decade (the number of total gaming machines has dropped by 10 per cent since 2003). The sector is still calling for a revision of the 1991 gaming act although nothing is yet in the pipeline. One of the reasons for the lull is the gaming tax whilst other costs and fees have also been increasing whilst real income for players has dropped.

Meanwhile Szerencsejatek Zrt, the state lottery, achieved HUF144.2bn in gaming revenues for 2007 with players' gross winnings reaching HUF79.3bn. The company has the exclusive rights to distribute number draw games, sports bets, prize draw tickets and has interests in four of the casinos.

CAPITAL:

Budapest

POPULATION:

9,930,915

(July 2008)

LAND AREA:

92,340 sq.km

MEDIAN AGE:

39.1 years

CURRENCY:

Forint (HUF)

GOVERNMENT:

Parliamentary

Democracy

ELECTIONS:

President

elected by

national

assembly for

five year term.

Last election

held June 2005

(next June

2010). Prime

Minister elected

by national

Assembly.

CAPITAL:

Dublin

POPULATION:

4,156,119

(July 2008)

LAND AREA:

68,890 sq.km

MEDIAN AGE:

35.4 years

CURRENCY:

Euro

GOVERNMENT:

Republic,

parliamentary

democracy

ELECTIONS:

President

elected by

popular vote for

seven year term.

Prime Minister

nominated by

House of

Representatives

and appointed

by the

president.

OVERVIEW

Ireland continues to operate under the archaic 1956 gaming act and although casinos are not authorised under Irish law they currently operate as private members clubs although the legal status of these clubs remains unclear. The Casino Regulation Committee has now issued a report backing the idea of legalising medium sized casinos and legislation to control these clubs will be included in a new anti-money laundering bill to be published soon.

In 2006 there were 10,105 gaming machine licences issued bringing in €2.8m in licence fees. Amusements yielded €794,584 in licence fees. There are anything from 50 to 200 casinos, some with three or four gaming tables up to 10 or 20 tables. A DKM report estimated that if Ireland received a regulated casino sector, the industry could over the next 12 years, employ more than 3,000 people and generate a total of €50m per year to the exchequer through gaming and corporation taxes etc.

It is assumed Ireland would be able to attract five per cent of the global online gaming sector and could, over the next 12 years, employ 10,000 people in those sectors connected to it generating up to €230m annually.

NUMBER OF:	
CASINO SLOTS:	0
CASINO TABLES:	150
AWPS:	10,105
AMUSEMENTS (TOTAL):	21,586
CRANE MACHINES	1,000
REDEMPTION	500
JUKEBOXES	4,000
PINBALL:	500
SPORTS GAMES	6,000 (pool) 1,000 (soccer)

NUMBER OF:	
CASINOS:	50 (with possibility of up to 200)
GAMING ARCADES:	92
SINGLE SITES:	10,000
AMUSEMENT ARCADES/FECs	300
BETTING SHOPS:	700
OPERATORS:	300

Ireland



Italy

NUMBER OF:	
CASINO SLOTS:	1,500
CASINO TABLES:	250
AWPS:	200,000 (comma 6)
BETTING MACHINES:	1,500 (approx)
MULTI-PLAYERS:	100 (approx)
AMUSEMENTS (TOTAL):	90,000
VIDEO/TOUCHSCREENS:	40,000 (7c)
CRANE MACHINES:	(32,000 (7a)
PINBALL:	3,000
REDEMPTION	3,000
POOL TABLES	10,000
JUKEBOXES	2,000
OTHERS:	3,000

NUMBER OF:	
CASINOS:	5
GAMING ARCADES:	1,100
SINGLE SITES:	100,000 (bars, pubs etc)
AMUSEMENT ARCADES/FECs	500 (bowling/FECs)
BETTING SHOPS:	17,000
OPERATORS:	3,000

OVERVIEW

The Italian market saw changes back in 2007 when the old comma 6 games were replaced by the new 6a type machines. All licences released in 2005 expired in September last year with a few remaining until June 2009. There are between one and four slots permitted per coffee shop or pub, maximum of 24 units in betting shops, maximum 75 in bingo halls and in arcades the number of slots can double that of amusement machines. Revenue from gaming in Italy is around €2.5bn.

Italy has just five casinos. Casino di Campione bordering Switzerland is struggling and recently shed some of its workforce and has seen long delays in the opening of a new casino building. Lottomatica is Italy's lottery operator and has around 210,000 terminals in 90,000 points of sales throughout Italy. Since 1993 it has been the sole concessionaire for the Italian Lotto game which is the largest online lottery in the world in terms of wagers.

In 2006 Lottomatica was awarded 1,145 sports betting rights and 500 horse racing betting rights and became the leading operator in the sports betting shop distribution sector. Total revenues in 2008 were €2.06bn whilst its sports betting and gaming sector recorded revenues of €234m, an increase of 239 per cent.

CAPITAL:

Rome
POPULATION:
58,145,320
(July 2008)
LAND AREA:
294,020 sq.km
MEDIAN AGE:
42.9 years
CURRENCY:
Euro
GOVERNMENT:
Republic
ELECTIONS:
President
elected by an
electoral college
consisting of
both houses of
parliament and
58 regional
representatives
for a seven year
term. Last
election was
May 2006. Next
is 2013.

CAPITAL:

Amsterdam
POPULATION:
16,645,313
(July 2008)
LAND AREA:
33,883 sq.km
MEDIAN AGE:
40 years
CURRENCY:
Euro
GOVERNMENT:
Constitutional
Monarchy
ELECTIONS:
Monarch is
hereditary.
Following
second chamber
elections the
leader of the
majority or
majority
coalition party
is usually
appointed Prime
Minister by the
Monarch.

OVERVIEW

The Dutch industry has seen a drop in sales partly due to the smoking ban introduced in 2007 and increased costs due to the introduction of the new gambling tax on gaming machines and abolition of the VAT system. The new tax rate is 29 per cent after lobbying to drop it from a suggested 40.85 per cent initially.

Turnover for AWP operators in the single site sector was €120m in 2007 and €243m for the arcade sector. Turnover for the amusements sector was €9m whilst the total contribution to the government came to around €321m. Meanwhile since 1975 the 14 casinos are run under an exclusive licence by Holland Casinos. The GGR for the company in 2007 was €756.7m and the casinos saw a total of 7.4 million visitors whilst the lotteries turnover amounted to €1,685m.

A new law that was predicted for 2008 is still being discussed. It is proposed that Holland Casino would have the sole license for online gaming. The company had to postpone its Holland Casino Online trial.

Netherlands

NUMBER OF:	
CASINO SLOTS:	7,225
CASINO TABLES:	544
AWPS:	23,478 (single sites), 14,360 (arcades)
MULTI-PLAYERS:	1,000
AMUSEMENTS (TOTAL):	8,197 (single sites), 1,096 (arcades)
VIDEO:	6,000
TOUCHSCREENS:	9,000
SPORTS GAMES:	20,000

NUMBER OF:	
CASINOS:	14 (Holland Casinos)
GAMING ARCADES:	271
SINGLE SITES:	14,500
AMUSEMENT ARCADES/FECs	15
OPERATORS:	800



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Norway

Poland

NUMBER OF:	
CASINO SLOTS:	0
CASINO TABLES:	0
VLTS:	700
BETTING MACHINES:	4,500
AMUSEMENTS (TOTAL):	3,000
VIDEO:	500
TOUCHSCREENS:	500
SPORTS GAMES:	1,000

NUMBER OF:	
CASINOS:	0
GAMING ARCADES:	5
SINGLE SITES:	10,000
BETTING SHOPS:	4,000 (Norsk Tipping)
OPERATORS:	60

OVERVIEW

Norsk Tipping is wholly owned by the Norwegian state and was set up in 1946 as the country's gambling company. Profits from Norsk are divided between sports and culture sectors and the group operates Lotto, Viking Lotto and Joker; games of skill Tipping and Oddsens and scratch game Flax.

The company announced in 2007 that it intended to increase its market share and establish a monopoly on gaming machines. All slots by private operators had to be removed from the market and Norsk Tipping began to introduce VLTS into the market in August 2008 for a trial period. With that period over the aim now is to have a total of 5,500 VLTS on the market by summer 2010. The new terminals come with strict restrictions. Players must pre-register and use pre-paid cards to play and be over 18 years old and there are also maximum loss limits of \$80 a day and \$400 per month. Players can also set their own time limits or gambled limits whilst the machines are connected to a central network.

The company saw revenues of around NOK10bn in 2007 representing a growth of NOK770m. There is now an online debate in Norway with talks that the country is about to enforce a total ban on online gaming companies although not targeting Norsk Tipping.

CAPITAL:

Oslo

POPULATION:
4,644,457
(July 2008)

LAND AREA:
307,442 sq.km

MEDIAN AGE:
39 years

CURRENCY:
Norwegian
Krone (NOK)

GOVERNMENT:
Constitutional
Monarchy

ELECTIONS:
The Monarch is
hereditary.

Following
elections the
leader of the
majority party
or the leader of
the majority
coalition is
usually
appointed prime
minister.

CAPITAL:

Warsaw

POPULATION:
38,500,696
(July 2008)

LAND AREA:
304,465 sq.km

MEDIAN AGE:
37.6 years

CURRENCY:
Zloty (PLN)

GOVERNMENT:
Republic

ELECTIONS:
President
elected by
popular vote for
a five year term.

Last election
held October
2005 and next
due in Autumn
2010. Prime
minister and
deputy prime
ministers are
appointed by the
president.

OVERVIEW

In 2007, the Poles spent around PLN11.9bn on gambling which is twice as much as 2006 figures. This is partly due to the increase in AWP in the market. In 2007 the AWP sector saw revenues increased by 104 per cent with players spending around €1.2bn on AWP. In 2004 there were just 9,078 AWP rising to 15,606 in 2005 and currently there are almost 38,000 machines although it is suggested the market can easily take up to 90,000.

Of the 27 casinos in Poland seven are located in Warsaw. Figures for the first and second quarter of 2008 released by the Department of Customs and Excise show the total tax basis for the casino sector coming to PLN144,730,625 which is a 17 per cent increase on the same period in 2007 (PLN123,747,961).

Casinos Poland operates 210 slots and 65 tables in its seven casinos. Meanwhile a new gambling act is being proposed by the Ministry of Finance and could see an additional 10 per cent tax added to the casinos sector. A new law to upgrade the gambling taxation system will be introduced this year.

NUMBER OF:	
CASINO SLOTS:	800 (approx)
CASINO TABLES:	200 (approx)
AWPS:	37,875 (June 2008)
AMUSEMENTS (TOTAL):	50,000
VIDEO:	9,000
DEDICATED GAMES:	5,000
REDEMPTION:	150
SPORTS GAMES:	17,000

NUMBER OF:	
CASINOS:	27
GAMING ARCADES:	228
SINGLE SITES:	19,000 (operational)
AMUSEMENT ARCADES/FECs	48 permanent, 98 seasonal and 12 FECs
BETTING SHOPS:	1,200 and 11,000 lottery outlets (Totalizator sportowy)
OPERATORS:	2,000



Slovakia

NUMBER OF:	
CASINO SLOTS:	165
CASINO TABLES:	455
AWPS:	20,845
AMUSEMENTS (TOTAL):	5,000
PINBALL:	100
VIDEO:	2,800
TOUCHSCREENS:	1,000
SPORTS GAMES:	3,000

NUMBER OF:	
CASINOS:	8
GAMING ARCADES:	1,000
SINGLE SITES:	10,994
BETTING SHOPS:	2,090
OPERATORS:	316

OVERVIEW

Slovakia operates under the 2005 gambling act and operators must apply for a licence and have a share capital of at least SKK2m for gaming machines or SKK50m for casinos. Casinos pay a 27 per cent tax whilst gambling machines pay SKK45,000 per year per machine.

There are eight casinos in Slovakia operated by three operators – Casinos Slovakia with five casinos, Regency Casinos with one and Olympic Entertainment Group with two.

OEG opened its first casino in 2008 and received the first new casino license to be issued in Slovakia in the last 10 years. The company entered the Slovak market in the summer of 2008 with its casino in the Radisson SAS Carlton Hotel in Bratislava which has 11 tables and 61 slots. The group's second casino opened in the city of Trnava at the beginning of 2009 with an investment of €1.9m and has 29 slots and six tables and is located in the shopping centre Arkadia.

Casinos Slovakia opened its first casino in 1991 and today has five casinos in Bratislava, Nitra, Piestany, Zilina and Kosice. Regency Casino operates its casino in the Crowne Plaza Hotel in Bratislava. From January 1st 2009 Slovakia adopted the Euro currency.

CAPITAL:

Bratislava
POPULATION:
5,463,046
(July 2008)
LAND AREA:
48,800 sq.km
MEDIAN AGE:
36.9 years
CURRENCY:
Euro
GOVERNMENT:
Parliamentary Democracy
ELECTIONS:
President elected by popular vote for a five year term.
Next elections due 2009.
Leader of the majority party or majority coalition is usually appointed Prime Minister.

CAPITAL:

Madrid
POPULATION:
40,491,052
(July 2008)
LAND AREA:
499,542 sq.km
MEDIAN AGE:
40.7 years
CURRENCY:
Euro
GOVERNMENT:
Parliamentary Monarchy
ELECTIONS:
Monarchy is hereditary following legislative elections.
Leader of the majority party or leader of the majority coalition usually proposed president by Monarch.

OVERVIEW

Spain's AWP sector controls a huge slice of the total gaming market and has a 40 per cent market share compared to eight per cent by casinos. The average amount spent per player each year is around €56 in casinos, €81 in bingo halls and €279 on AWP's. Average AWP's taking in 2007 came to €12,566. There are 525 bingo halls in Spain and some €3.7bn are spent on cards. Meanwhile in 2007 there were 3,782,713 visitors to the casinos.

Spain has just permitted sports betting last year in some regions although players can only bet on sports and in shops. Madrid and the Basque country were the first regions to permit bookies shops and others are now following their lead. Spain's betting market is now expected to grow to €39bn by 2010. Spain is now calling for urgent regulation of its online betting and gaming market which at the moment exist with no controls.

Meanwhile, the Gran Scala leisure and gaming complex planned for Spain by ILD, an international consortium of investors, is due to start construction next autumn with a new deadline of 2012. It will include 10 casino hotels initially.

Spain

NUMBER OF:	
CASINO SLOTS:	2,344
CASINO TABLES:	540
AWPS:	251,994
AMUSEMENTS (TOTAL):	92,361
VIDEO:	85,000
TOUCHSCREENS:	46,000
SPORTS GAMES:	30,000

NUMBER OF:	
CASINOS:	42
GAMING ARCADES:	3,118
SINGLE SITES:	250,000
AMUSEMENT ARCADES/FECs	931
OPERATORS:	3,000



Sweden

NUMBER OF:	
CASINO SLOTS:	910 (300 slots Stockholm; 275 Gothenberg; 200 Malmo; 135 Sundsvall)
CASINO TABLES:	97 (31 tables Stockholm; 29 Gothenberg; 24 Malmo and 13 Sundsvall)
VLTS:	6,606 Vegas VLTs in restaurants and 393 in bingo halls.
AMUSEMENTS (TOTAL):	3,000
VIDEO:	2,200
SPORTS GAMES:	100
PINBALL:	500
TOUCHSCREENS:	300

NUMBER OF:	
CASINOS:	4 (Casino Cosmopol in Stockholm, Gothenberg, Malmo and Sundsvall)
GAMING ARCADES:	2,155 restaurants and 90 bingo halls.
SINGLE SITES:	1,000
AMUSEMENT ARCADES/FECs	5-10
BETTING SHOPS:	2,865 gaming retailers and 3,520 lottery retailers.
OPERATORS:	50

OVERVIEW

State owned Svenska Spel is still the largest gaming operator in Sweden with a 55 per cent market share. The company runs gaming, lotteries and sports betting and total revenue from gaming in 2007 amounted to SEK21,716m and profit was SEK5,247m. Casino operations increased by 15 per cent to SEK1,153m and saw a record 1,153,661 visitors wee made to the four Casino Cosmopols.

The company opened its first bingo halls called BingoLive in autumn 2007 and in the same year the EU Commission began to look at the monopoly Svenska holds with the sporting betting, VLT and internet poker sectors. Meanwhile Svenska's Vegas (previously called Jack Vegas and Miss Vegas) is the only VLT permitted outside of casinos with a stake of SEK1-5 and payout of SEK500. However there are still an estimated 3,000 or so illegal VLTs in the market. Vegas VLT's generated SEK7,093m GGR in 2007.

There is now a Swedish enquiry on gambling to look at opening up the market and changing gaming regulations. The idea is to allow foreign and Swedish gaming companies to operate in the country by buying a licence to operate.

CAPITAL:

Stockholm
POPULATION:
9,045,389
(July 2008)
LAND AREA:
410,934 sq.km
MEDIAN AGE:
41.1 years
CURRENCY:
Swedish Krona (SEK)
GOVERNMENT:
Constitutional Monarchy
ELECTIONS:
Monarchy is hereditary. Following legislative elections the Prime Minister is elected by the parliament. Next due 2010.

CAPITAL:

London
POPULATION:
60,943,912
(July 2008)
LAND AREA:
241,590 sq.km
MEDIAN AGE:
39.9 years
CURRENCY:
British Pound (GBP)
GOVERNMENT:
Constitutional Monarchy
ELECTIONS:
Monarchy is hereditary. Following legislative elections the leader of the majority or coalition party is usually the Prime Minister.

OVERVIEW

Of the 261,000 machines it is estimated there are 27,000 FOBTs; 12,000 B3; 17,000 B4; 131,000 C and 72,000 D machines. The total gambling industry in the UK saw a turnover of £84.2bn in 2007. The gaming machine numbers have increased due to fact that FOBTs are now permitted in LBOs and classified as gaming machines.

The new gambling act introduced in 2007 resulted in several consequences with the traditional arcade (particularly seaside resorts) businesses struggling as customers migrated to the higher stake gaming machines. The UK seaside industry saw a 21 per cent drop in revenue over a 12 month period and up to 170 arcade businesses have closed.

This is expected to change following revised proposals announced in early 2009 which saw category C and D machines have their stakes and payout increased. A panel has now been established by the gambling commission to look at high stake high prize gaming machines which basically covers B2 machines (FOBTs) located in casinos and betting shops, B3 machines (in arcades and betting shops and B3a machines in non commercial clubs. A report is due to published at the end of June and will evaluate problem gambling.



United Kingdom

NUMBER OF:	
CASINO SLOTS:	2,300 estimate
CASINO TABLES:	1,300 estimate
AWPS:	261,000 (total in all venues)
FOBTs:	27,000
AMUSEMENTS (TOTAL):	150,000
VIDEO:	27,500
NOVELTIES:	26,000
TOUCHSCREENS:	12,000
JUKEBOXES:	29,000
CRANE/PINBALL/PUSHERS:	17,000

NUMBER OF:	
CASINOS:	143
GAMING ARCADES:	1,615 (AGC and FEC) plus 675 bingo halls
SINGLE SITES:	70,000
AMUSEMENT ARCADES/FECs	2,000
BETTING SHOPS:	8,800. There are 579 on course licensed bookmakers and 801 off course bookmakers licensed. (There are five main operators of betting shops which account for 80 per cent of shops. For example Coral has 1,876 shops; William Hill has 2,200; Ladbrokes has 2,200).
OPERATORS:	1,700



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G3 explores the history of gaming in Bolivia from past to present where taxation is proving a high hurdle for operators

Bolivia's history dates back to the Andean empires of the Aymara civilisation, which was conquered by the Incas at the end of the 15th Century. The Spanish arrived in the 16th Century and with their obsessive pursuit for gold and silver, defeated the Incas and changed the economic and social fabric of Bolivia.

Spain ruled for 300 years until 1809 when Simon Bolivar (the country's namesake) began the battle for independence and after Spain was defeated in 1824, Bolivia gained its freedom a year later.

Typically of a new country, political instability was commonplace with around 200 coups until the late 1800s when civilian governments came into power and stability was resumed for around 50 years.

After losing a regional war with Paraguay in 1935, when it lost much of its original territories, military control returned until 1982 when the country again returned to a democratically elected form of government.

In 2005, Movement Toward Socialism leader, Evo Morales, was elected president with his promise to change the country's traditional political class and empower the nations poor majority. However, his controversial strategies merely increased racial and economic tensions between east and west communities.

Despite the fact the country is naturally beautiful with vast untapped gas, gold, oil and silver deposits, Bolivia today remains one of the poorest and least developed countries in South America and is dependent on foreign aid. The country faces difficult problems of deep-seated poverty, social unrest and illegal drug production.

GAMING IN BOLIVIA

Up until 1976, all types of gaming in Bolivia, with the exception of the national lottery, were prohibited. The national lottery and gaming is protected by the 583 law of 1928 and the supreme decree 24446 of 1996, which was made by ex-President Sanchez de Lozada.

Technically, slot machines were not permitted, however, the law gave the authorisation for slot machines that could be operated in local shops and arcades that opened early in the day. However, in some cases licenses were sub-leased, which explains the large number of slots in the country.

At the moment the situation is somewhat confusing. There are no casino games permitted, however, slots, betting and lotteries are permitted. There is no limit to the number of machines or locations an operator can have.

Some gaming halls operate under permits granted by the national lottery, whilst others have received authorisation from local municipalities. And many (an estimated 200) simply operate illegally.

According to the Bolivian lottery, when one location opens

Bolivia



with machines, another 40 start operating even though only half of these may hold the actual licence.

In Santa Cruz alone it is reported that the sector loses more than BAB1.1m a year in taxes with the operation of some 4,000 illegal machines.

Around 700 cases of illegal gaming were registered in 2007. Some government ministers say the rule to only allow eight gaming companies is causing the loss of some BAB20m per year.

However, the ex-director of the national lottery, Laura Encinas, said that in 2006 the tax contributed came to BAB18m and BAB27m in 2007 and that the state could receive more if it raised its tax percentages.

It was back in 2002 when things changed. The national lottery, Lonabol, delegated the concession of the lottery game to the company Lotex SRL. Lonabol then signed joint venture contracts with other private companies that operate slots, thus taking advantage of the lack of legal definition of a slot machine.

The concession idea came about as the lottery was struggling due to a scandal at the time. The idea was to launch a concession for a legal gaming sector to strengthen the image of the lottery.

In 2002, a process of public tenders took place and Lotex was given the exclusive right to operate bingo halls for 10 years with a contribution of 15 per cent of the profits going to the national lottery.

Up until February 2008, Lotex has given

BAB8.2m to Lonabol. Initially, the company had to pay BAB25m for the first year and BAB35m the second year to the national lottery before it could even open its doors.

The idea was to present traditional and electronic formats of bingo to complement the national lottery and this was the first time the government had awarded such a concession.

A licence was also granted at the time to Corhat Bolivia SA to operate bingo and gaming halls, whilst further licences were granted between 2003 and 2005 to six other companies: La Gloria, 7-Sietes, Raffle Games, Game Winning, ODDY and Tournaments

Since 2006, two of these licensees have had difficulties in fulfilling their contract

In 2006 a draft bill 85/2007 was presented by the Bolivian National Lottery aimed at regulating gaming in the country, ending illegal gaming, generating employment and looking at the loss of taxes to the state. The new law is aimed at financing the public health sector through gaming tax.

and have had their licences revoked.

In 2006, a draft bill 85/2007 was presented by the Bolivian National Lottery aimed at regulating gaming in the country, ending illegal gaming, generating employment and looking at the loss of taxes to the state. The new law is aimed at financing the public health sector through gaming tax.

The proposed legislation would give the exclusive authority to the state lottery (Lonabol) to operate and regulate all games of chance, betting and lotteries. This would be via its own company or through issuing concessions to third parties.

The new law covers all types of gaming from slots to Internet, telephone and mobile gaming and would seek to remove

various loopholes that exist under the present law.

The new law would also see a special gaming tax (Impuesto Especial al Juego -IEJ) introduced. The IEJ is set at 40 per cent of the profits for some locations or a fixed fee of 1,500 to 5,000 UFV (units calculated by Central Bank) monthly for each slot machine. This applies to all gaming and betting games. This 40 per cent is then divided between the treasury with 40 per cent, 40 per cent for a social programme and 20 per cent for the national lottery.

However, there is some argument between operators as to the differences between the two amounts. Existing concessions would have 60 days to bring themselves into compliance with the new regulations and Lonabol intends to clamp down on slots operated in shops and supermarkets. Another change was the reduction of the current 21 years minimum age to 18 years. The bill is still in parliament

Meanwhile, other operating companies include Quiniela Boliviana SA, which is a company with Russian investment. The company has 14 gaming halls in operation in Santa Cruz. The company recently opened another El Dorado in the city this year and has installed 280 KSI slots, made in Russia, which play with a Bs10 note and have 14 types of games. The location is 1,200 sq.m and has a capacity for 500 people.

The investment of Quiniela is partly due to a franchise from Corhat Bolivia and is the first of its type in Santa Cruz, A similar hall but smaller gaming hall exists in Cochabamba and there is a project for another in La Paz and other South American countries.

Also in Santa Cruz is Maya's Gold club, a franchise of Gloria SRL which opened its doors in March 2008 after being closed for a short while pending investigation of its license. The site has 100 machines. Lotex opened its first casinos, Bingo Bahiti, in Santa Cruz in 2003 and has a concession to operate for 10 years. The company pays the government 15 per cent of its income in royalties.

Lotex is owned by the Ritzio Group and today the group operates 15 Bahiti Bingo and Bahiti Club branded gaming clubs and 1,600 machines. Lotex is the biggest authorised operator in Bolivia.

The first to open was Bingo Bahiti in Santa Cruz with an investment of US\$3m



BOLIVIA: VITAL STATISTICS
Capital: La Paz
Population: 9,119,152 (July 2007)
Land Area: 1,084,390 sq.km
Median age: 22.2 years
Languages: Spanish (official), Quechua (official), Aymara (official)
Currency: Boliviano (BAB)
Government: Republic
Land Divisions: 9 administrative departments

No. Casinos: 0
Gaming Arcades: Estimated 300 (legal and illegal)
Operators: 8
Gaming Board: www.lonabol.gov.bo
Lottery: www.lonabol.gov.bo

the location includes 2,000 bingo seats, bar and restaurant for up to 350 people, VIP room, outdoor grill and seating. The site is 4,200sq.m in size and has a gaming room with 150 slots and video bingo and a VIP lounge with capacity for 20 bingo terminals.

Bingo Bahiti was the first of other locations, which followed in La Paz and Cochabamba, Sucre, Trinidad and Tarija with a total investment of around US\$15m. La Paz Bingo Bahiti opened in 2006 and has a total of 120 slots

Bingo Bahiti clubs focus on a wide range of customers and serve as major entertainment centres. Bahiti Club is the brand for smaller, high end gaming clubs with an upscale atmosphere and restaurant and bar facilities.

The group will open another large location with 300 gaming machines in Santa Cruz this month.

Lotex SA is a large company in the entertainment industry and arrived in Bolivia in 2002, headed by Spaniard Pedro Centeno. In February 2003, the group

made a bid to launch the National Lottery and was awarded a 10 year concession to operate and administer bingo games and the lottery in the country.

Lotex has contributed some US\$6m to the lottery since 2002. In 2007, there was an investigation of Lotex of fraud regarding its payments to Lonabol.

Meanwhile, Corhat has had a contract with the Loteria Nacional de Beneficencia y Salubridad (Lonabol) since 2004 to install gaming machines in the country having put aside 50 per cent of its profits to social programmes.

Corhat is a Paraguayan company that successfully runs a scheme called 'Banco de los Pobres' (Bank for the Poor) that awards loans to families that need help with initiatives.

Corhat wanted to repeat the experience in Bolivia and has a 'joint venture' contract with Lonabol to install lottery games, football pools, sports books and number games.

Up to now the company has invested

Corhat was recently acquired by a Swiss/Korean investment group which plans to invest US\$46.8m in the football pools and gaming. Corhat has around 20 gaming halls and a total of 840 machines distributed in 28 single site locations.

some US\$3m and over the next few years plans to increase this to US\$18m.

Corhat was recently acquired by a Swiss/Korean investment group, which plans to invest US\$46.8m in football pools and gaming. Corhat has around 20 gaming halls and a total of 840 machines distributed in 28 single site locations.

Corhat plans to open eight gaming halls and install around 1,650 slots whilst creating 450 direct jobs. The company is also planning to manufacture machines and software for gaming machines.



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Chile is currently one of the most exciting gaming markets in South America with new licences and regional development

In the late 15th century the Incas moved their empire south and attempted to conquer Chile. They were successful in the north, but their influence elsewhere was limited and they faced fierce resistance from the indigenous Araucanian Indians (Mapuches)

In 1540, Spanish explorer Pedro de Valdivia arrived and later founded the capital city of Santiago in 1541. He managed to control the local Indians although the southern Araucanians refused to budge.

Numerous Spanish settlements were built in central Chile despite repeated attacks from the Araucanians which remained a problem well into the 19th century.

Although the colonies secretly detested Spain's military rule, they remained loyal to the crown for nearly three centuries. When the King of Spain was overthrown at the beginning of the 19th century the Chileans began to consider independence and self government. Independence was achieved in 1818.

Chile defeated Bolivia and Peru in a regional war (1879-1883) for the control of the Atacama Desert areas and, during the war, Chile gained more land to the north whilst Bolivia lost its outlet to the sea.

From 1891, for the next 80 years Chile was governed by self-serving parliamentary regimes, military rule, left wing, right wing parties and a long line of democratically elected presidents.

Democracy was thrown aside when in 1973 the dictatorship of General Augusto Pinochet began and ended in 1989 when democratic elections resumed again.

Today, sound economic policies and have contributed to steady growth since the 1980s and the country's poverty rate has been reduced.

GAMING IN CHILE

Chile is probably South America's biggest hotspot at the moment in terms of new casino development and one which many operators have been eager to enter.

Up until three years ago the country only had seven casinos, which are located primarily in holiday resorts. These were municipal concessions that were originally authorised by the town's local authorities between 1928 and 1990.

Three of these original concessions are operated by Enjoy (Coquimbo, Pucon and Viña del Mar), who is also a partner with Pacifico Sur group (Fischer brothers) in the Puerto Varas casino.

The local authorities receive a significant chunk of gaming revenues and the seven casinos reported pre-tax profits of US\$87m in 2004. The Viña del Mar casino accounted for some 45 per cent of this figure.

In May 2005 the law 19.995 was introduced, which will

Chile



permit a maximum of 24 casinos whilst a 70km exclusivity zone between casinos must be respected.

In 2005/06, a tender was held for the first 15 regulated casino licences in nine regions. The seven existing casinos are still valid until 2015 and the law establishes a selection process so local or foreign investors can later apply for these licences.

Although it paves the way for new casino operations, the law also aims to tighten up regulations by the creation of a national supervisory body, the Superintendencia de Casinos y Juegos (SCJ).

All the communities of the regions will pay a special tax of 20 per cent of the gross income generated by gambling. Around 50 per cent of the tax will be allocated to the community in which the casino is located. The remainder goes to the regional government.

Initially, 15 new licences have been granted in two different stages. Stage I awarded 10 new licences with a further five new licenses which followed.

The first stage of the tender was announced in July 2006 when 10 gaming casino licences were awarded in six regions for Antofagasta, Calama, Copiapo, Los Angeles, Pinto, Talcahuano, Temuco,

Valdivia, Osorno and Punta Arenas.

The second stage saw licences in regions V, VI and VII in San Antonio, Rinconada, Mostazal, Santa Cruz and Talca. The bids saw a total investment of US\$607.3m for all the projects.

Of the 15 new licences issued to date, the majority went to operators of existing casinos, however, new operators such as Spain's Egasa Nervion and Austrian/Chilean venture Polaris also entered the market.

Meanwhile, at the beginning of this year, the SCJ announced that it would accept applications for the remaining three

In 2005/06 a tender was held for the first 15 regulated casino licences in nine regions. The seven existing casinos are still valid until 2015 and the law establishes a selection process so local or foreign investors can later apply for these licences.

licences to be awarded by the first quarter of 2009. The SCJ released its report in January and asked operators interested in bidding for the remaining three licences to apply by the end of February.

In March, operators had to submit their projects and paperwork, which will now be evaluated over the following months with the winners being announced this month, if there are no delays.

The criteria is pretty much the same as the previous 15 licences and those projects which have the biggest impact on casino hotel development, tourism and general economy in the region will be awarded the licence.

Several foreign operators are now linking up with local partners, such as Spain's Cirsa, who failed to win a licence last time around after going it alone. Off-shore gaming companies such as Clairvest, which invested in Chilean company Valmar, and Sun International which acquired a stake in IGGR, are also involved.

The SCJ says it has received 10 proposals and regions of interest include Coquimbo, Maule, Los Lagos and Aisen.

As one of the aims is to boost investment and employment in the regions; development is banned from the metropolitan region whilst one new licence is reserved for Aisen in the country's south which is the only province so far which does not have a casino.

The casinos are all due to be opened in small towns and cities and with none of them in the capital Santiago, and hopefully they will provide a greater opportunity for jobs and local development in the interior area of Chile.

Apart from boosting local and foreign tourism the new locations will also help with other areas such as theatres, museums, and improved infrastructure. In economic terms it is a key role for both large and small companies in the supply chain from construction to equipment.

Any of the regions can be chosen although current casino regulations only allow each Chilean province to have up to three casinos so the regions of Valparaiso and BioBio, which already have their quota, are banned from the new tender.

Meanwhile, Chile does have some problems with illegal slots that are mainly found in the rural and poorer areas of the country and are often small machines from Asia.

There are no gaming arcades, although amusement arcades do seem to function very well particularly in shopping malls and are often linked with bowling locations for family entertainment.

There are around 50 or so amusement arcades. Larger operators include Happyland with around 22 sites, Aventura with eight and some smaller arcades in various provinces.

Ten-pin bowling on the whole is also expanding in the country. Interestingly, three bowling installations are going into three of the 15 new casino projects with Calama, Talca and Osorno.



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Brunswick importer, Steve Geyger, who runs Family Entertainment Centre Geyger Maliath Ltda, also supplies amusement products, and is installing bowling lanes in a range of locations from malls to petrol stations.

His company handles Chile, Peru and Bolivia for Brunswick. The company recently completed a 12 lane installation in a Shell petrol and service station in Rancauga.

Mr. Geyger said: "Chile is more than 5,000km long and 40 per cent of its weather in the south is hard, with cold and rain, which makes sport activities difficult, so bowling has been of great interest to the people. Chile also has a solid economy that brings businessmen to invest in real estate projects."

Meanwhile, the country's lottery is run by Polla Chilena de Beneficiencia SA, which is an autonomous state-owned company covering lottery, sports pools and other random draw number games.

Polla Chilena was created in 1934 with the first draw held at Club Hipico. In 1975, Sports pool game was set up followed by a modern online gaming system 10 years later. The company has 2,000 agents across the country while profits go to health services.

CHILE'S CASINOS ARICA (MUNICIPAL CONCESSION)

This casino is one of the first of the seven casinos in Chile and the second oldest. It was created in March 1960 in the Hotel Arica, which at the time was one of the most important hotels in the region. Since 2001 it has been operated by Latin Gaming and has undergone a refurbishment programme both inside and out. The casino contains 240 slots and 15 table games and there are three restaurants, three bars and events centre. Latin Gaming also has the license for a casino in Calama and Osorno.

IQUIQUE (MUNICIPAL CONCESSION)

This casino holds 659 slots and 23 gaming tables. There is one bar and it is operated by Casino de Juegos de Iquique SA (Citigroup Venture Capital International).

COQUIMBO (MUNICIPAL CONCESSION)

This is operated by the biggest Chilean gaming group Enjoy. The casino includes 800 slots and 35 table games and 228 Bingo positions – the only bingo in the fourth region of Chile.

VIÑA DEL MAR (MUNICIPAL CONCESSION)

An hour's drive from Santiago the casino

CHILE: VITAL STATISTICS

Capital: Santiago
Population: 16,284,741 (July 2007)
Land Area: 748,800 sq.km
Median age: 30.7 years
Languages: Spanish
Quechua (official), Aymara (official)
Currency: Chilean Peso (CLP)
Government: Republic
Land Divisions: 15 regions

No. Casinos: 22 at present with 24 maximum permitted. There are seven existing (Arica is not counted due to status of the borough and comes under its own law) and 15 new licenses due to open.
Gaming Arcades: 0
Operators: 15 casino operators
Casino Slots: approx 4,300 (in the seven existing casinos)
Casino Tables: approx 218 (in the seven existing casinos)
Gaming Board: SCJ - www.scj.cl
Lottery: www.pollachilena.cl

is located in a five star hotel with spa, four restaurants and convention centre. There are more than 1,200 slots and 48 table games and 200 bingo positions. Operated by Enjoy.

PUCON (MUNICIPAL CONCESSION)

Located in the IX region the Hotel del Lago casino includes 488 slots and 44 table games. Operated by Enjoy.

PUERTO VARAS (MUNICIPAL CONCESSION)

The casino is found in the centre of lakes, volcanoes and native woods and is located in a five star hotel with spa, restaurants, events centre and business centre. The casino has 700 slots and 33 table games. Operated by Enjoy/Fischer.

PUERO NATALES (MUNICIPAL CONCESSION)

Operated by Inversiones del Sur.

ANTOFAGASTA

In the north of the country is the region of Antofagasta. Enjoy has the license to operate the new casino here which was scheduled to open in June this year. In the II region of Chile the casino cost an investment of US\$47.7m and created 847 jobs. It is located in a 92 room five star hotel with convention centre, show centre, spa and gym, restaurants and bars. The casino will hold 700 slots and 48 table games and 320 bingo positions.

CALAMA

In the II province the licence to operate in this region went to Latin Gaming. With



an investment of US\$27.8m and creation of 600 jobs the project includes a 112 room hotel.

COPIAPO

In the III region the licence for Copiapo went to Spanish firm Egasa Nervion. With an investment of US\$16.6m and creation of 292 jobs the project includes a 40 room five star hotel, two theatres, convention centre, swimming pool, disco and bar/restaurants. Egasa & Grupo Nervion is made up of two business groups – Egasa operates some 6,000 slots and 47 arcades in Spain with a turnover of €50m. Nervion is the Spanish operating arm and has casinos in San Sebastian, Mallorca and Bilbao.

OSORNO

In the X province the license to operate went to Latin Gaming. With an investment of US\$24.7m and the creation of 560 jobs the project includes a 100 room five star hotel, gym, swim pool, theatres, bowling and commercial centre. The company linked up with the Vallele family (which owns supermarkets in the south of the country) for the concession and the casino will include 300 slots and 20 table games.

LOS ANGELES

In the VIII region of Bio Bio this casino license went to Polaris (a joint venture between Austria's CAI and Chile's Urenda.) It cost US\$11.6m investment creating 116 jobs and opened in July. The 40 room four star hotel, convention centre, spa, gym, exhibition room and library will open at the end of the year. It is 1,300 sq.m and offers 12 gaming tables, 200 slots and 40 bingo seats. Urenda is a banking, hotel and real estate group.

PINTO

In the VIII region this license was awarded to Casino Termas de Chillan (JL Giner group) with an investment of US\$5.4m and creating 345 jobs.

TALCAHUANO

Also in the VIII region Valmar was granted the licence for Casino Marina del Sol. Valmar recently sold a 50 per cent stake in its business to Toronto based Clairvest Group which paid a reported US\$41.6m for the deal. With an investment of US\$82.1m and 1,044 jobs created, the project contains a 114 room hotel and is due to open August 2008.

TEMUCO

In the IX region the casino bid was won by brothers Humberto and Claudio Fischer of Pacifico Sur. This group won the most licenses in the 2005/06 tender with sites in Temuco, Valdivia and Punta

Arenas with a total investment of US\$136.7m. This casino includes a 96 room five star hotel, spa/gym, swimming pool, convention centre, disco and shops. There will be 437 jobs created and an investment of US\$49m.

VALDIVIA

This project includes a 104 room five star hotel, restaurant, bar, spa/gym, swimming pool and convention centre. Total investment was US\$49.2m and it is operated by Pacifico Sur.

PUNTA ARENAS.

Project investment is US\$38.5m and includes a restaurant, coffee saloon, bar, 80 room five star hotel, spa/gym, indoor pool and convention centre. Operated by Pacifico Sur.

SAN ANTONIO

In the V region San Antonio the casino was given to Casinos de Juego del Pacifico SA (IVISA) for an investment of US\$28.9m. The project will include a 60 room four star hotel, convention centre, spa/gym, commercial centre with 77 shops and supermarket. It will create 1,037 jobs. Parque Arauco, a principal shopping mall developer in Latin America acquired 51 per cent of the development project to build the Paseo del Pacifico Mall. The mall will be the first of its kind in Chile to include a casino, hotel and shopping in the same site. It will cover 17 floors.

RINCONADA

Also in the V region this casino will be operated by Salguero Hotels Chile with an investment of US\$16m.

MOSTAZAL

This project in VI was won by San Francisco Investment SA (IGGR) with an investment of US\$60.5m. Sun International of South Africa has a 40 per cent stake in the company and the casino is expected to have 1,500 slots and 80 tables and 300 bingo seats with shops, hotel, conference and sports facilities.

SANTA CRUZ

Also in the VI region, the casino will include a commercial centre with 47 shops and coffee shops. The project went to Casino de Colchagua SA (Cardoen-Enjoy).

TALCA

In the VII region the project goes to Sociedad Casino de Talca SA with an investment of US\$7.6m The project includes a 48 room four star hotel, events centre, bowling, cultural site, swimming pool, children's entertainment area and commercial centre.

Guyana is virgin gaming territory, but despite its size, the country could open up with at least 30 new casino licences

This small piece of South America at the top of the continent was first inhabited by wandering Amerindians who had migrated to South America from the Caribbean.

The country was discovered by the European explorers at the end of the 16th Century and it was the Dutch who began to build settlements here in 1621, followed by African slaves who arrived later.

Guyana history is littered with battles fought and won as the Spanish, French, Dutch and British all wrangled for centuries to own this land.

After the last major battle between England and Holland in 1803, the country was given to England and its largest settlement was renamed Georgetown.

Guyana remained a British colony until it finally gained independence in 1966 and today remains South America's only English speaking country.

Ruled into the early 1990s by Socialist governments, in 1992 Cheddi Jagan was elected president in what is considered the country's first free and fair elections since independence. After his death five years later, his wife Janet Jagan became president, later resigning in 1999. Her successor Bharrat Jagdeo was re-elected in 2001 and 2006.

Meanwhile, the Guyanese economy showed moderate growth between 2001 and 2007 due to expansion in agricultural and mining sectors.

GAMING IN GUYANA

Guyana is virgin gaming territory, which is about to open with the possibility of up to 30 casinos permitted in this small country.

In January last year, the Guyana Parliament brought the casino gambling legislation before parliament, which then approved the Gambling Prevention (Amendment) Bill 2006. The new bill is an amendment of the Gambling Prevention Act Chapter of 1902.

The change of law is seen as a huge step to boost entertainment and tourism in the country, which previously had no casinos and was aimed at providing at least one casino licence before the start of the Cricket World Cup in March earlier this year.

Over the last few years tourism has been given a higher priority in Guyana's economic development strategy and since 1986 there has been significant development.

The country received a financial boost earlier this year with an allocation of US\$1.2m from the national budget for the enhancement of the tourism industry.

While tourism is not a traditional sector in Guyana, it has been placed on the high priority list to help the economy. The funds will be used to upgrade several venues.

The government aims to put the emphasis on niche sectors

Guyana



such as yachting, bird-watching and eco-tourism and last year the tourism authority received US\$322,000.

The new legislation permitted a casino at Buddy International Hotel and Resort, which was built last year ready for the World Cup with an investment of US\$13m.

The hotel is located in the capital Georgetown and although the hotel was completed in time, the casino licence is still dependent on the gaming authority approval – an authority which has yet to be created.

However, since its construction Buddy's hotel has received a lot of bad press and has since been nick-named 'Buddy's Criminal Enterprise.'

It was built by businessman Omprakash

Shivraj, known as Buddy, and there are questions as to the actual permission to build and some say the casino is merely based on a promise made by the President Jagdeo's administration to the alleged drug lord.

The six-storey, 270 room hotel with swimming pool and shopping mall was built next to the new Providence cricket stadium and local press continues to believe it was funded by laundered money from fuel and drug smuggling.

The hotel also contains 15 executive suits, two restaurants, five bars, a conference room for 500 people and a gym. To complete the project the hotel also received several mortgages including a loan from the state on the sale of rooms to the Guyana government.

Currently, the Buddy's Hotel project is set

to be purchased by Sudi Ozkan, President of Turkey's Princess Hotel and Casino group, for US\$15m. The deal is expected to be finalised by October this year.

Princess is expected to invest a further US\$10m to upgrade the hotel, which has apparently not been built to five star standards. The deal is subject to establishing and operating a casino, however, the casino can only go ahead once a gaming authority has been established. The Princess Group hopes to have the casino up and running by the end of the year.

Ozkanlar Group of companies was founded in 1974 by Sudi Ozkan, who was born in Turkey. The company currently operates hotels and casinos in Belarus, Belize, Bulgaria, Romania, Slovenia, St. Maarten and Turkey.

The Guyana Lottery Company is owned by Canadian Bank Note, a company which supplies printed products and control systems for lotteries, identification systems, payment systems and shareholder services.

This is the first casino licence expected to be granted in Guyana, and it is said a total of four licenses will be permitted in four and five star hotels with at least 150 rooms. At the moment, only Buddy's is eligible, however, there are negotiations with developers for further hotel construction.

A hotel is now being built in Kingston by New York company Adam Development. Although the project is being advertised as the Georgetown Marriot Hotel and Casino Complex, Marriot say no decision has been made yet as to whether it would be operating and managing the hotel.

The government is also accepting applications for investments in the Lilliendaal Greater Georgetown area on state land.

Guyana has a mixed population with

GUYANA: VITAL STATISTICS

Capital: Georgetown
Population: 769,095 (July 2007)
Land Area: 196,850 sq.km
Median age: 27.8 years
Languages: English, Amerindian dialects, Creole, Caribbean Hindustani, Urdu
Currency: Guyanese dollar (GYD)
Government: Republic
Land Divisions: 10 regions

No. Casinos: 0 (permission for 30 in total)
Gaming Arcades: 0
Gaming Board: Not yet established
Lottery: www.guyana-lottery.com

many Hindus, Christians and Muslims and none of its religious leaders are in favour of any form of gambling.

The government opposition, the Peoples National Congress Reform (PNCR), was against the new law purely on religious grounds and claims it will lead to money laundering, increased crime and disintegration of social values.

Lengthy discussions took place between the government and religious leaders and the government has promised to take measures to limit the possible harm of problem gambling.

It is thought that the new law will not allow the Guyanese to gamble, only tourists, however, many Guyanese already travel across the borders to do so anyway.

Fines of at least US\$100,000 and imprisonment of between six months and two years will be imposed on locals (other than workers and guests of the hotels or resorts) who enter the casinos. The bill also limits each administrative region to no more than three casinos with a maximum of 30 licences in total.

Meanwhile, the Guyana Lottery Company is owned by Canadian Bank Note, a company that supplies printed products and control systems for lotteries, identification systems, payment systems and shareholder services.

The lottery in Guyana began in August 1996 with the launch of instant ticket games later followed by other games.

Today, the lottery products are sold via 150 agents across the country and 24 per cent of the company's gross monthly sales is given to the government for social causes and projects with a contribution to date of more than G\$2.6bn.



Paraguay

There's a sense of forboding hanging over the Paraguay gaming market as the country elects a new president this month

Located in the heart of South America, Paraguay was discovered by Italian explorer Sebastian Cabot who sailed up the Parana River in 1526. The surrounding lands of Paraguay were originally home to many fierce indigenous Indian tribes.

In 1537, Spain's Juan de Salazar founded the now capital city of Asuncion and Spain began to colonise the interior and the Jesuits converted the Indians to Catholicism.

However, although Paraguay appeared to be a valuable Spanish domain, with no gold found, no silver to be mined and no local Indians for slave labour, Paraguay remained an isolated and peaceful colony that stayed out of the spotlight.

After 250 years of Spanish rule the Spanish King was overthrown by Napoleon and the country became independent in 1811 and was the first country on the continent to do so.

With independence, however, came dictatorships, revolutions, military rule and wars. In the disastrous war of the Triple Alliance in 1865-70 with Argentina, Brazil and Uruguay, the country lost two thirds of its adult males and much of its territory.

Paraguay's economy crashed and a long series of dictatorships continued into the late 20th century when the 35 year rule of Alfredo Stuesser was finally overthrown in 1989.

Paraguay has held relatively free elections since the year 2000, despite a marked increase in political unrest and failed coups.

GAMING IN PARAGUAY

Paraguay is due to see some changes in its gaming laws when a new President takes over this month.

Former Roman Catholic bishop Fernando Lugo won Paraguay's presidential elections in April ending more than 60 years of rule by the Colorado Party.

Allegations of corruption have always surrounded Paraguay's political establishment and national gaming commission. CONAJZAR's regulations have also been accused of automatic licensing and a static tax regime.

But with a new president about to take charge many believe his religious and political background could signal impending doom for Paraguay's gambling market.

In the meantime, prior to the new president taking office on August 15 there has been some discretion regarding the licence renewals granted by gaming authority, CONAJZAR, which are considered irregular by some in the industry.

It is understood that one application would be presented for each licence and this would be granted with a three to five year operating licence in exchange for a minimum fee.

Paraguay currently operates under the law number 1016/97, which established the conditions for the operation of games of chance followed by the decree number 6206/99.

It states that for the tender process of games of chance, a public tender must be performed as long as regulations allow CONAJZAR to grant temporary licences. They say temporary authorisation was granted to the operator, Jockey Club, for the horse racing track licence and renewals of Asuncion and Central casino licences.

There are currently five casinos in Paraguay in the regions of Asuncion, Central, Alto Parana, Itapua and Amambay. There is a bid to re-open the Casino Guarani, although nothing has been decided yet. Law 1016/97 includes the following points:

- Concessions for the operation of gaming are given via a public tender for the time period of five years.
- Finance or a guarantee of funds are required whilst a minimum monthly royalty or percentage on takings also needs to be provided.
- Casinos are permitted in Asuncion and the departments of Alto Parana, Itapua, Amambay, Cordillera, Misiones and Central.
- More than one casino can only be permitted in Asuncion and departments with more than 250,000 people.
- Horse racing tracks are permitted in districts with more than 100,000 people
- For gaming machines operated nationally and departmentally - the

royalty is distributed with 30 per cent going to the municipal governments; 30 per cent to the departmental governments; 30 per cent and 10 per cent to DIBEN (social welfare assistance) and the national treasury respectively

- For gaming machines operated in Asuncion - of the royalty, 25 per cent goes to the Municipal Capital, 20 per cent to the departmental governments, 20 per cent to the municipal government 25 per cent to DIBEN and 10 per cent to Rentas Generales.

There are six types of gaming concessions granted - football pools, telebingo, bingo halls, casinos, horse racing and betting.

CONAJZAR, however, has the authority to permit more casinos in Asuncion and those departments with 250,000 or more

Under CONAJZAR's proposals the municipal governments will continue to issue licenses for gaming halls but the regulation of machine gaming itself will be overseen by CONAJZAR who is already talking to GLI about machine testing.

population. Gaming brings the state more than PYG\$4,000m a month in total. The football pools brings in most revenue for the state with PYG\$2,863m per month. This is operated by the firm Repsur which has operated in Paraguay since 1975.

Casinos follow and each bring in around PYG\$300m monthly. The Casino Asuncion pays around PYG\$283m monthly and the Yacht Club almost PYG\$344m.

Televised bingo follows with approximately PYG\$148m a month and then the Paraguay lottery with around PYG\$75m a month. The horse racing track brings in around PYG\$5m

In 2004, the Commission received a total of PYG\$34,000m which increased to PYG\$52,000m last year.

Meanwhile, last year the Commission for

Economics and Finance in Paraguay met to modify articles 21 and 22 of the 1016/97 law, which establishes the legal parameters for the operation of games of chance.

The idea was to set up a legal framework for gaming in Paraguay, whilst limiting the three daily lottery draws to just one. In addition, the commission wanted to formulate a gaming law that provided more control over gaming venues in Paraguay and increase public participation for more gaming tax revenue.

The issue in Paraguay now concerns impending licences and renewals. In 2005, the licence was renewed for Casino Entertainment for the operation of the Yacht and Golf Club in Asuncion which is the most important casino in Paraguay.

Meanwhile, the Hipodrome of Asuncion licence, currently administered by the Jockey Club of Paraguay, expired in March this year. Casinos of Asuncion and Central are also due to expire.

Last year, Cosmopolitan was issued a licence for satellite betting, which was the last licence authorised by CONAJZAR pending the new law 6206/99.

Various companies interested in new licenses for casinos have put forward their applications before president Nicanor Duarte Frutos leaves in August. It is understood a bribe of US\$1m was even offered to the Vice President of Paraguay, Federico Franco, to sign documents to operate the Hipodrome in Asuncion. This is the only pending licence which has now been suspended.

It is understood that the commission would rather wait for the new government to come into place before dealing with the concessions and they say that once the new government takes office it will submit slot machine operators to more stringent regulations.

One of the problems is that although CONAJZAR covers the country's five casinos, it does not have regulatory authority over slot machine halls. They are authorised at municipal level.

Under CONAJZAR's proposals the municipal governments will continue to issue licences for gaming halls, but the regulation of machine gaming itself will be overseen by CONAJZAR, which is already talking to GLI regarding machine testing.

CONAJZAR also aims to combat money laundering and illegal gambling, which apparently accounts



apparently accounts for more than 50 per cent of the market. The commission also says more casinos will be introduced in Paraguay's larger cities and remote areas in the near future.

There's also talk of a new casino to be built by Argentinean operators Boldt (Casino Tigre in Argentina), Paraguay operators American Gaming and Worest (Argentina) who have teamed together to form the 7 Saltos Company to build a casino in Salto del Guaira, in the region of Canendiyu, North West region of Paraguay.

With a share capital of US\$3.2m they aim to build a casino in this remote region, which will target the Brazilian market as it is right on the border

PARAGUAY'S CASINOS

ASUNCION HOTEL RESORT CASINO YACHT AND GOLF CLUB

This resort is located on the river bank south of Asuncion and just 14 kilometres from the city. It has a private beach and surrounded by natural vegetation. The Casino Tower opened in 2001 and features 65 gaming tables and 20 table games. The

resort also includes five restaurants, one bar and hotel with a total of 128 rooms. The casino is operated by Worest of Argentina the group via a company called SES SA.

AMAMBAY CASINO AMAMBAY HOTEL

Located in Pedro Juan Caballero which is a city in the Amambay department. It lies on the Brazilian border. The casino has 65 slots and the hotel has 42 rooms and is operated by Casinos Cerro Cera.

ITAPUA CASINO CARNAVAL

Opened in June last year in the city of Encarnacion the casino is operated by Casinos Paraguayos SA, which is a group made up of national and foreign investors headed by Casinos del Litoral SA which operates casinos in Argentina. The casino cost an investment of around US\$2m.

CENTRAL CASINO SAN BERNARDINO

Located in the city of San Bernardino there are 28 slots and 14 table games at the San Bernardino Country and Golf Club and Hotel Acuario International, one

There's talk of a new casino to be built by Argentinean operators Boldt (Casino Tigre in Argentina), Paraguayan operators American Gaming and Worest (Argentina) who have teamed together to form the 7 Saltos Company to build a casino in Salto del Guaira, in the region of Canendiyu, North West region of Paraguay.

PARAGUAY: VITAL STATISTICS

Capital: Asuncion
Population: 6,669,086 (July 2007)
Land Area: 397,300 sq.km
Median age: 21.6 years
Languages: Spanish (official), Guarani (official)
Currency: Guarani (PYG)
Government: Constitutional republic
Land Divisions: 17 Departments and one capital city

No. Casinos: 5
Casino Slots: 270
Casino Tables: Approx 70
Gaming Board: CONAJZAR

of the most original hotels in the country. It is operated by Casino Entertainment.

ALTO PARANA CASINO CIUDAD DEL ESTE

Located in Ciudad del Este this casino is the oldest in Paraguay and has been open since the 1970s. Located on the Brazilian border it is based on a Las Vegas style and features 60 slots and 14 table games. It is operated by Azar International.



Novomatic leads, others follow.

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Uruguay

Private operations exist in Uruguay, though the majority of the gaming business in the country is state controlled

When Spanish explorer Juan Diaz de Solis came ashore at Uruguay in 1516, he was promptly killed by the large groups of indigenous Indians who occupied this land.

In 1680, the Portuguese founded Colonia on the edge of the River Plate, directly across from the Spanish controlled city of Buenos Aires.

In response, the Spanish established Montevideo in 1726 as a military stronghold and with its natural harbour this settlement soon became an important regional centre of commerce.

Claimed by Argentina but annexed by Brazil in 1821, Uruguay began its fight for freedom led by Jose Gervasio Artigas. Independence was declared in 1825 and in 1828 the State of Uruguay was officially created.

Government reforms were introduced in the early 20th Century and there was a real effort to improve the economy. However, financial pressures on its new welfare state brought political unrest.

A violent Marxist urban guerrilla movement (the Tupamaros) arrived in the late 1960s and they led the government into military control in 1973.

Civilian rule was finally restored in 1985 and in 2004 a new coalition party, Frente Amplio, won national elections that effectively ended 175 years of political instability.

GAMING IN URUGUAY

Up until the 1950s casinos in Uruguay were operated privately, but a series of bad situations led the authorities to pass the casinos into state control.

In 1994, the Direccion General de Casinos (DGC), which comes under the Ministry of Economy and Finance, set up the 'sistema mixto' of tourism complexes and commercial centres which began the following year.

Today, the casino market is closely controlled by the government and has seen considerable growth that has enabled both state and private casinos to exist

Back in 1996 there were 26 gaming halls with just 1,221 gaming machines. There are now 37 gaming establishments (casinos and gaming halls) throughout 17 of the 19 departments in the country.

The state operates four of the eight casinos in total – Punta del Este, Atlantida, Pirapolis and Rivera. The state also manages four gaming halls, which are annexed to casinos – two in Punta del Este, one in Rivera and one at Atlantida and 17 individual gaming halls.

In 1994, the system enabled jointly run establishments by tourist complexes and/or commercial companies.

The gaming machines operated within these establishments are, however, still under the control of the the country's DGC.

The four casinos that fall under this category include: Casino Colonia del Sacramento, Casino Carmelo, Casino La Barra de Maldonado and Casino Victoria Plaza. There is also one gaming hall annexed to a casino (Victoria Plaza) and four individual gaming halls.

The majority of the casinos are located in the Maldonado region and on coastal resort Punta del Este. The region aims to be the main casino hub and has announced plans to attract further tourism investment. The centre piece of this plan is the construction of a cruise ship port and adjacent five star hotel and casino with an investment of around US\$300m.

Meanwhile, earlier this year the government authorities in the capital of Montevideo opened an international public tender for a 30 year concession to

renovate and operate the casino at the Hotel Carrasco.

The hotel is a landmark building on the coast. It was opened in 1921 in the style of the French 'Palais Royal' and was declared a National Historic Monument in 1975.

Since the late 1990s, Carmitel SA has held the rights to operate the hotel. However, the company has failed to carry out required renovation work and its licence has now been suspended. The project aims to bring the hotel in line with five star international standards with 118 rooms and modern facilities.

The casino is at the moment operated by the Montevideo Municipal Government and the plan is to privatise the operation via the public tender. The winning company will be given a 30 year licence

GAMING MACHINES IN URUGUAY

YEAR	GAMING MACHINES (SLOTS)	GAMING LOCATIONS	AVERAGE SLOTS PER GAMING LOCATION
2001	3,048	33	89.70
2002	3,425	33	92.36
2003	4,412	39	113.12
2004	4,928	36	136.89
2005	4,928	36	136.89

and will have to renovate the property (estimated at US\$40-50m), which could take up to two years to complete.

Bidders had until May to present their offers and some 11 groups from the US, Spain, Portugal and France have expressed an interest in the bid, including Hyatt Hotel, which says its intention is to develop the property with local Grupo Liberman.

The majority of the Uruguay casinos are located in the Maldonado region and on coastal resort Punta del Este.

URUGUAY: VITAL STATISTICS

Capital: Montevideo
Population: 3,460,607 (July 2007)
Land Area: 173,620 sq.km
Median age: 32.9 years
Languages: Spanish, Portuguese or Brazilerio (Spanish/Portuguese mix)
Currency: Uruguayan Peso (UYU)
Government: Constitutional Republic
Land Divisions: 19 Departments

No. Casinos: 8
Gaming Arcades: 29
Casino Slots: 1,800
Casino Tables: 160
Gaming Machines: 4,928
Gaming Board: www.dgc.gub.uy
Lottery: www.loteria.gub.uy

The move represents a significant split from state controlled gambling in Uruguay's capital that has been tarred with allegations of corruption.

Six months ago the Director of Casinos, Juan Carlos Bengoa was sent to prison for irregularities during his term as director of casinos, including charges of fraud. It is said some US\$14m went missing in the Montevideo state during 2000 and 2005.

Meanwhile, the bid for the licence of a new casino to be opened in a four star hotel in the city of Rivera (near to the Brazilian border) was postponed and re-opened on June 18.

The decision to change the opening date for bids was down to difficulties one company had with a guarantee. There are only two companies bidding for the licence.

The tender will be issued for 15 years for the construction of a new complex building. If the project is for a refurbishment of the current hotel, the licence is for 30 years. Both options must contain a hotel and the licence is for a 'sistema mixto'.

Meanwhile, the well known Maronas Horse Racing Track has been operated since 2001 by the Sociedad Latinoamericana de Inversiones (Grupo SLI) and Spain's Codere group. The two companies are represented by Hipica Rioplatense SA, which was set up to manage racetracks in South America.

The racetrack had been closed for seven years and is one of two major tracks in the country.

Codere runs a system which combines horse race betting and the management of the gaming machines installed within the racetrack complex.

The concession of the racetrack permits five slot machine halls. Codere and Grupo SLI opened four halls and the company owns racing agencies with domestic and international horse races and international greyhound racing. The centres have a total of 1,523 slots.

CASINOS IN URUGUAY

CANELONES CASINO ATLANTIDA

This casino is located within the Argentino Hotel. There are 170 slots and eight roulette tables (state run).

COLONIA CASINO COLONIA DEL SACRAMENTO

This casino is located in the Hotel Radisson Colonia and has 100 slots and 12 table games.

CASINO CARMELO

This casino is located in the Hotel Four Seasons Resort Carmelo. There are 48 slots and eight table games. The hotel has 90 rooms

MALDONADO CASINO PUNTA DEL ESTE

This casino is located in the Conrad Resort. The hotel has 296 rooms and 30 suites. The Las Vegas style casino is 3,400 sq.m in size and has 72 tables and 560 slots whilst the VIP room has 66 slots. Under management by Harrahs (state run).

CASINO LA BARRA DE MALDONADO

This casino is located in the Hotel Mantra Resort Spa & Casino on the coast of the Atlantic Ocean. The casino is 2,500 sq.m and spread across four rooms. There are 185 slots and 32 table games including a poker room.

CASINO PIRIAPOLIS

This casino has 100 slots and seven table games. The hotel has 500 rooms. (state run).

MONTEVIDEO CASINO VICTORIA PLAZA

Located at the Hotel Radisson Montevideo in the heart of the financial and commercial district this casino has an annexed gaming hall. There are 500 slots and 13 table games.

RIVERA CASINO RIVERA

Located in the Hotel Municipal the casino has 74 slots and eight table games. The hotel has 300 rooms. (state run).



Argentina

Argentina has see-sawed between state and private control of its gaming industry but is currently enjoying a boom period

Originally, Argentina was populated by scattered groups of Indians when Italian explorer Amerigo Vespucci arrived in the country in 1502.

Juan Diaz de Solis of Spain was hot on his heels and in 1516, Vespucci was killed and over the next few decades the Spanish began to build settlements despite resistance from the indigenous Indians.

A permanent Spanish settlement was finally established near present day Buenos Aires in 1580 and 200 years later a Spanish monarchy was established.

In 1816, the United Provinces of the Rio Plata declared their independence from Spain and after Bolivia, Paraguay and Uruguay went their separate ways, the area that remained became Argentina.

For many years, Argentina suffered border disputes and wars. By the 19th century levels of peace were restored and the Europeans (especially Spanish and Italians), began to move in and Argentina began to emerge as one of the leading South American nations.

After World War II, the era of 'Peronist' authoritarian rule began. But as the rule of Juan Peron and his wife Eva collapsed, the last traces of military leadership faded away with the defeat to the British during the Falkland Islands war. Democracy returned in 1983.

Despite various challenges including the severe economic crisis in 2001/02, democracy has persisted and the economy has recovered strongly.

GAMING IN ARGENTINA

Since 1989 Argentina's government has embraced privatisation following the economically turbulent years of the 1980s.

This was thanks to former president Carlos Menem, who not only began a programme of privatisation of state owned businesses, but enabled the currency to be pegged to the US dollar.

With this came the decision to set up a structure similar to the US where each of the 23 Argentinean Provinces are given the autonomy to regulate their gaming industry within its jurisdiction.

Therefore, there are currently 23 gaming authorities, plus the federal gaming authority, known as the National State Lottery Company.

Usually, the provinces hold a public bidding process to award operation concessions to a single company, which gives the winning company an exclusive monopoly.

The Loteria Nacional Sociedad del Estado (LNSE - National State Lottery Company) was originally created back in 1893 to aid social economic problems.

In 1944, the national government took over the casinos, gaming halls and relaxation centres and put the national lottery in charge of its administration and operation.

This began with halls operating in the cities of Mar del Plata (Casino Central, Anexos I and II), Necochea and Miramar (Buenos Aires), extending later to halls in Iguazu (Misiones) Resistencia and Roque Saenz Peña (Chaco), Alta Gracia and La Cumbre (Cordoba), Parana (Entre Rios),

Bariloche and Las Grutas (Rio Negro), Puerto Madryn and Comodoro Rivadavia (Chubut), Tandil, Monte Hermoso, Sierra de la Ventana and Pinamar (Buenos Aires) – administrating a total of 18 halls.

It has also operated the horse racing tracks at Palermo and San Isidro since 1953. In 1992, the state gave the concession to HAPSA company who undertook a renovation programme.

In 1971, it launched the football pools

and in 1990 the national lottery was turned over to the Sociedad del Estado, which undertook a modernisation programme of the operation and administration.

In 1993, the first Bingo hall, Bingo Lavalle was opened and in 2002 the Hipodromo de Palermo was granted permission to operate slots and today there are 3,000 slots in this location alone.

In October 1999, the National Lottery

In 1993, the first Bingo hall, Bingo Lavalle was opened and in 2002 the Hipodromo de Palermo was granted permission to operate slots and today there are 3,000 slots in this location alone.

opened the first floating casino. Just five minutes from the Buenos Aires city centre the ship is located in Puerto Madero.

The concession for the casino was given to Casino Buenos Aires SA and today it operates via the Estrella de la Fortuna and Princess boats which are replicas of the traditional casinos, which went along the Mississippi. Both ships can go along the Rio de la Plata and anchor in the Port.

The casino has a capacity for 1,700

machines and 99 table games and is open 24 hours a day with free entry. The Princess is only equipped with slots and it is managed by Spain's Cirsa group.

In 1993, the National Lottery was authorised to open five bingo halls in the federal capital and these are located in the centre and districts of Belgrano, Congreso, Caballito and Flores.

In 1988, an agreement was put into effect with the National Lottery (law 10,756), which meant the province de Buenos Aires would pay a 35 per cent royalty of net profits for their casino operations.

The Loteria de la Provincia de Buenos Aires is an independent entity that operates gaming in the Buenos Aires province, including bingo halls, casinos and horse racing tracks.

In 1992, a new agreement between the two was signed that established an extension of this agreement and in 1993 a decree enabled the Buenos Aires government to operate casinos in this jurisdiction and this was followed by the opening of the Trilennium.

In the Buenos Aires province there are now 11 casinos including: Trilennium, Casino Central Mar del Plata, Hotel Casino Hermitage, Casino Mar de Ajo, Casino Miramar, Casino Monte Hermoso, Casino Necochea, Casino Pinamar, Casino Sierra de la Ventana, Casino Tandil and Casino Valeria del Mar.

Meanwhile, the Loteria de la Provincia was also given permission to operate bingos in 32 districts in Buenos Aires under the law 11,018.

Today, there are 46 halls in 31 districts. Each hall can have a minimum of five and a maximum of 15 slots and players must have a minimum of three bingo cartons to play.

In addition, the group operates the Hipodromos de La Plata, San Isidro, Tandil, Azul and Mar del Plata. In March last year, the group was given permission to re-open the Hipodromo de Tandil after 22 years of it being closed. The site was founded in 1866 and was the first race track in South America.

The agencies for the provincial hipodromos are distributed throughout the country. There are 55 provincial agencies, 58 local distributors in the country and four in Uruguay. There are also 3,070 official lottery sales offices throughout the Buenos Aires province.



ARGENTINA: VITAL STATISTICS

Capital: Buenos Aires
Population: 40,301,927 (July 2007)
Land Area: 2,736,690 sq.km
Median age: 29.9 years
Languages: Spanish (official), English, Italian, German, French
Currency: Argentine Peso (ARS)
Government: Republic
Land Divisions: 23 provinces and one autonomous city (Buenos Aires Capital Federal)

No. Casinos: Approx 70
Gaming Machines: 31,800
Bingo Halls: 150
Gaming Board: www.loteria-nacional.gov.ar
Lottery: www.loteria-nacional.gov.ar

majority of which are located in the San Luis province.

Locations in San Luis include Golden Palace branded casinos in San Luis and Necochea; the first themed casino called New York Casino in San Luis, Casino Tropicana brand with six locations in San Luis, a Flamingo slot hall, the American Palace Hotel Casino, Golden Plaza casino and a new Casino Dos Venados brand which opened recently in Villa de Merlo, San Luis. The new casino includes a slot hall, VIP room, Bingo, restaurant and art gallery.

Casino Magic Hotel & Casino is part of the Pinnacle Entertainment group and has casinos and hotels in Nevada, Indiana, Missouri, Europe and the Bahamas.

The company won the contract to operate a casino in Neuquen and two slot halls in San Martin de los Andes and Junin de los Andes.

Casinos del Litoral SA was born in 1991 and opened the Casino de Corrientes in this year which was the first privatised casino in Argentina. It has 28 roulette tables and 30 card tables and 1,014 slots.

The company now also has casinos in the cities of Goya, Bella Vista, Esquina and Santo Tome. It also operates a casino via a company in Paraguay.

The Worest Group obtained the concession to operate casinos in 1992 via a casino in the city of Corrientes. This followed with further casinos across the country and today the group has seven casinos.

There is one casino in the province of La Pampa with 328 slots and 34 tables; four casinos in the province of Chubut with a total of 550 slots and 31 tables; one in province of Misiones with 147 slots and 10 tables; one in La Rioja with 146 slots and nine tables; one in Mendoza with 193 slots and nine tables; two in Tierra del Fuego with a total of 251 slots and 18 tables and two in Santa Cruz with a total of 273 slots and 17 tables.

The Worest Group obtained the concession to operate casinos in 1992 via a casino in the city of Corrientes. This followed with further casinos across the country and today the group has seven casinos.

Slot Machines SA is a company which operates gaming halls in Argentina, the

up with Argentinean businessman Julio Camsen to develop and operate a hotel-casino in Mendoza.

Camsen has several companies that are involved in real estate projects and joins Enjoy with a 50 per cent share each.

The hotel will be operated by the Sheraton chain while the casino will be managed by Enjoy. The project will cost around US\$65m and is expected to open by the end of the year. The project will include a 180 room hotel, convention centres, bars, gym, spa, sky lounge and restaurant and the casino.

Casino Club is an operator which was born in 1991 and today operates 12 casinos and 16 slot halls across the country.

and poker. The casino receives around 250,000 visitors per month.

The casino has recently increased its slot range with the installation of new video reel slots from the Blue Bird series by WMS Gaming.

Boldt also operates more than 1,200 slots in casinos in the cities of Mar del Plata Central, Miramar, Mar de Ajo, Pinamar, Valeria del Mar and Necochea for the Buenos Aires Provincial Lottery and Casino Entity.

Recently, the company, together with Inversama SA, acquired the Casino Puerto Santa Fe for almost US\$14m, which was previously owned by Grainco SA.

Chilean casino operator, Enjoy, has joined

Boldt Gaming, which builds and runs casinos in Argentina, including the largest casino in Latin America, the Trilenium. Profits from this casino are allocated by the Provincial Lottery and Casino Entity among welfare activities.

The industry has generated an estimated US\$42.bn. There are around 31,800 slot machines and 1,200 roulette tables.

Major operating groups now in Argentina, apart from the lottery associations, include:

Boldt Gaming, which builds and runs casinos in Argentina, including the largest casino in Latin America, the Trilenium. Profits from this casino are allocated by the Provincial Lottery and Casino Entity among welfare activities.

The Trilenium Casino offers 22,000sq.m. of gaming distributed on three floors. There are a total of 1,900 reel and video slot machines, electronic roulettes, Royal Ascot and 76 table games, including: roulette, Punto y Banca, Blackjack, Craps

Meanwhile, in the north western province of Chaco, Loteria Chaqueña, has announced that both local and foreign companies can now bid for tender documents for three casinos in the districts of Charata, Castelli y General San Martin.

The winning bids will be expected to pay royalties to the province of at least 30 per cent. If private operators fail to win the bid, the casinos would continue to be operated by the lottery organisation on a private basis.

Currently, there are more than 70 casinos and 150 bingo halls in Argentina and numerous betting shops. The gaming sector has doubled in the last two years and the manufacture of equipment moves around US\$100m per year.

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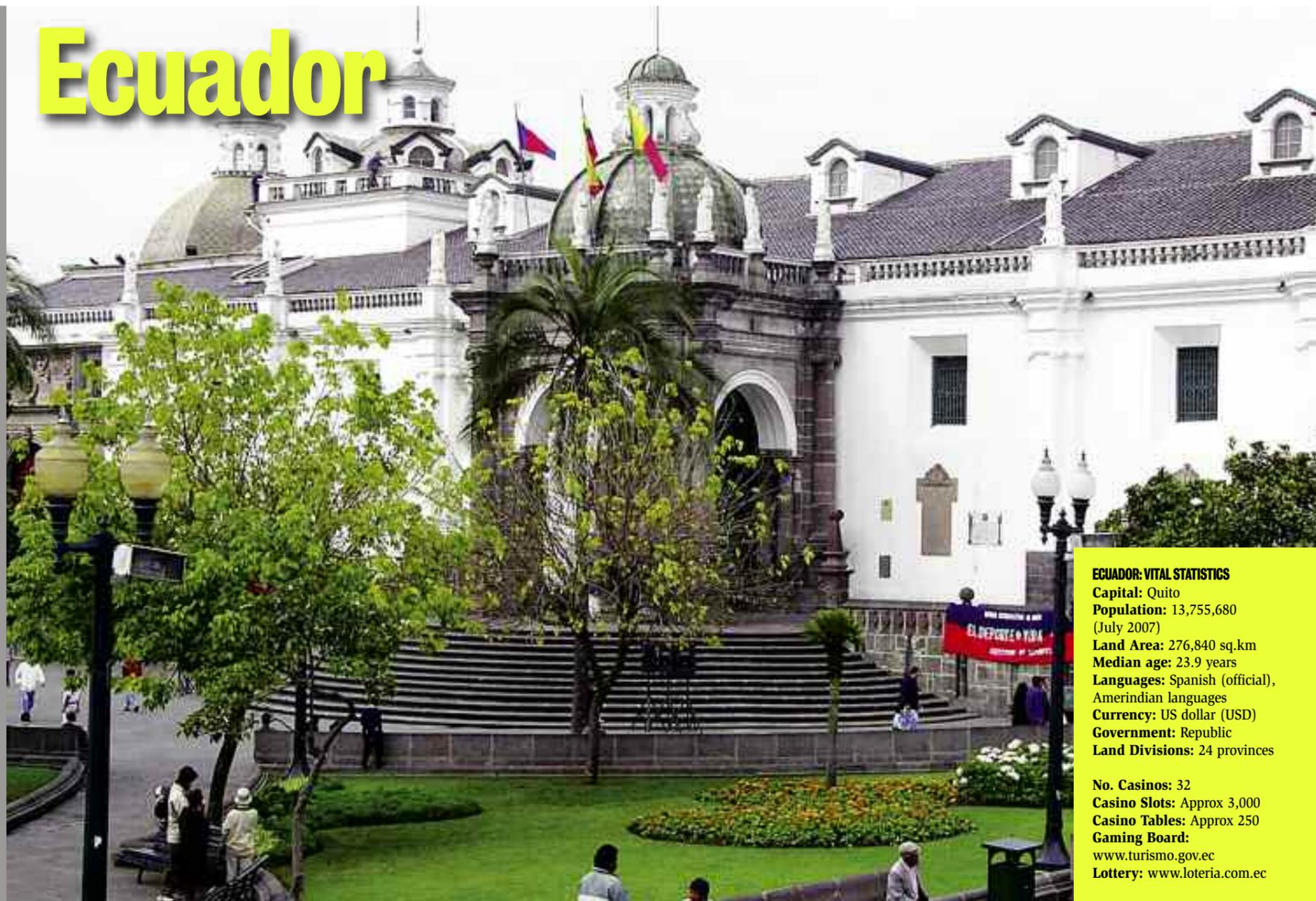
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Ecuador



Crackdowns on illegal gaming have had a marginal effect in a country still grappling with legal issues and dilemmas

Before the great Inca empire began its conquest in 1463 of what is now known as Ecuador, the country was populated by indigenous Indian tribes, which were often at war with one another.

The Spanish discovered and conquered Ecuador in 1533 and ruled for the next two centuries. Quito became a seat of Spanish colonial government in 1563 and part of the Viceroyalty of New Granada in 1717.

At the same time, the Spanish also brought with them smallpox and measles, which wiped out much of the indigenous Indian population.

After a severe depression throughout most of the 18th Century, Ecuador began its struggle for freedom and independence was finally achieved in 1830. Over the next 140 years a series of military and political groups ruled the Ecuador landscape.

Between 1904 and 1942, Ecuador lost territories in conflicts with its neighbours and even though the country marked 25 years of civilian governance in 2004, the period has been marred by political instability. Seven presidents have governed the country since 1996.

Today, the indigenous population mixed with those of European descent give Ecuador a unique cultural texture.

Ecuador is still dependent on its petroleum resources, which have accounted for more than half the country's export earnings and the economy has been growing since 1999/2000's severe economic crisis.

GAMING IN ECUADOR

Casinos first opened in the 1940s in Ecuador with the first casino located in the Hotel Majestic in the centre of Quito.

There are now 32 casinos in Ecuador and the sector is regulated by the Ministry of Tourism. The majority are located in the regions of Guayas and Pichincha, which covers the capital Quito.

The growth of the casino market has been fairly strong over the last few years. In 2006 there were five casinos in Quito and three more luxury casinos opened that year bringing the total to eight.

However, some of the smaller casinos are now being forced to close due to competition from the high class luxury casinos.

Ecuador's gaming law is quite specific and only permits slots in gaming halls and casinos, while at the same time only permitting casinos within high standard hotels.

The gaming law in Ecuador states that:

- Slots can only be operated in casinos and casinos can only be operated in hotels and according to zones.

Zone I – the cities of Quito and Guayaquil casinos can only be operated in five star hotels with a minimum of 100 rooms. The minimum investment for the casino will be US\$400,000

Zone II – the provincial capitals will operate in five and four star hotels with a minimum of 60 rooms. The minimum initial investment for the casino will be US\$200,000.

Zone III – the capital cities of Amazonia and remaining cities in the country. Casino will be located in five and four star hotels with a minimum of

50 rooms. Minimum initial investment will be US\$150,000.

Zone IV – Province of Galapagos and territorial sea, Casinos and games rooms are only permitted in passenger tourist cruises in the insular zone and territorial sea if they have a minimum of 40 double cabins.

- Casinos within a 'luxury' category must have a minimum of three international games whilst 'first category' casino must a minimum of two international games.

- Casinos which operate in the cities of Quito and Guayaquil must have a minimum of six tables and 60 slots and complementary services such as bar, security and café.

- For zones II, III and IV the casinos must have a minimum of three tables and 30 slots and complementary services.

- No casinos can be permitted in the province of Galapagos except on the cruise ships as specified above.

- Game rooms (mechanical bingos) can

In August 2007, the government signed an agreement to look after the wellbeing of children and teenagers by stamping out illegal gaming.

ECUADOR: VITAL STATISTICS
Capital: Quito
Population: 13,755,680 (July 2007)
Land Area: 276,840 sq.km
Median age: 23.9 years
Languages: Spanish (official), Amerindian languages
Currency: US dollar (USD)
Government: Republic
Land Divisions: 24 provinces

No. Casinos: 32
Casino Slots: Approx 3,000
Casino Tables: Approx 250
Gaming Board: www.turismo.gov.ec
Lottery: www.loteria.com.ec

Games rooms are classified as luxury, first, second and third category locations.

In August 2007, the government signed an agreement to look after the wellbeing of children and teenagers by stamping out illegal gaming.

One of the most important points of the agreement was to maintain an interchange of information about casinos and games rooms and non -tourism sites, which operate slots and other gaming.

In October last year, the government undertook an operation to clear the country of illegal gaming and a total of 1,151 slot machines were seized from 10 locations in the cities of Guayaquil, Quito, Loja and Esmeraldas.

And in May this year, some 78 illegal gaming halls in nine provinces were closed. The majority of which were located in Guayas, Los Rios and Pichincha.

Despite the legislation, small slot parlours are opening up fast and many operate outside of the law, whilst others manage to operate under special court orders known as 'amparos'.

One such example is the company Tesupe, which is continuing with the construction of its casino in the municipal of Malecon Simon Bolivar in Guayaquil. Although the law states that no casinos can be located outside of a hotel, the Ministry of Tourism has not intervened in the municipal's decision to halt works.

Meanwhile, Ecuador's national lottery is run by the Junta de Beneficencia of Guayaquil, a private company that was founded back in 1887 by Francisco Campos Coello.

The idea was to improve the conditions and lives of the underprivileged living in Guayaquil, the most populated city in Ecuador.

Initially, the association relied on donations until the lottery was created in 1894. Revenues from the lottery now go towards the hospital in and around the Guayaquil province.

However, the National Assembly, which has been elected to develop a new constitution for Ecuador is considering the suspension of the national lottery monopoly, held by the Junta de Beneficencia. The assembly believes that the revenues should also be distributed to other hospitals in the country.

operate bingo games and are only permitted in establishments that are more than 300m from schools, churches and police stations. No games of chance or indoor games are permitted. Again the game rooms come under the following zones:

Zone I – games rooms must be a minimum of 800 sq.m

Zone II – game rooms must be a minimum of 400 sq.m

Zone III – Game rooms must be a minimum of 200 sq.m

There is now a national debate over the situation as the lottery says the group funds more than 50 foundations with countrywide reach.

ECUADOR'S CASINOS/GAMING HALLS

GUAYAS

Eight luxury class casinos:
CASINO COLON is located in the Hilton Hotel and features 107 slots and nine table games. The hotel has 290 rooms

ORO VERDE HOTEL AND CASINO has 83 slots and 10 tables. The property has five restaurants, a bar and hotel with 212 rooms

HOTEL RAMADA GUAYAQUIL'S casino has 10 slots and six tables. The hotel was founded in 1981 and has 76 rooms.

UNIPARK HOTEL AND UNICASINO has 113 slots and seven tables. The property has six restaurants, one bar and hotel with 139 rooms.

CASINO SOL operated by Latin Gaming is in the Hotel Sheraton with 164 slots and 10 gaming tables.

FARAON CASINO BOULEVARD is located in the El Hampton Inn Boulevard Hotel which has 95 rooms in total. The casino has 140 slots.

CASINO CALYPSO is located in Salinas.

MIRAMAR has 39 slots and eight table games. The casino is located in the Barcelo hotel which has 95 rooms.

One first class casino:
CASINO ROYAL

PICHINCHA

Five luxury casinos:
CASINO PLAZA QUITO is located in the Best Western Plaza Hotel and based on a Las Vegas theme.

HILTON HOTEL AND CASINO COLON QUITO is operated by Latin Gaming and has 91 slots and 16 table games. The hotel has 250 rooms.

JOKERS CASINO opened in 2006 in the Dann Hotel Carlton with an investment of \$3m. There are 100 slots and eight table games.

MONTECARLO was opened in 2005 and is operated by IGGR. The casino includes a 175 room five star Hotel Mercure operated by ACCOR whilst the casino includes 185 slots and 16 table games, bar, restaurant and entertainment area for shows. The investment for the casino was around US\$10m.

QUITO HOTEL CASINO opened in November



2005 and has 180 slots and nine table games.

Five First class casinos:
HOTEL AUCA CONTINENTAL (now closed)

HOTEL CHALET SUISSE is in Quito and is located in a hotel with 50 rooms. The casino has Blackjack, Caribbean poker, seven card poker and roulette and slots. (now closed)

HOTEL TAMBO REAL has 90 rooms and restaurant and lobby bar.

IMPERIAL REYNABEL

AZUAY

One Luxury casino:
MAJESTIC is located in the Hotel Presidente in Cuenca. The hotel has 70 rooms and the casino features slots and table games.

CHIMBORAZO

One luxury casino:
ZEUS PLAY is located in Riobamba.

EL ORO

One luxury casino:
CASINO MAR

Montecarlo was opened in 2005 and is operated by IGGR. The casino includes a 175 room five star Hotel Mercure operated by ACCOR whilst the casino includes 185 slots and 16 table games, bar, restaurant and entertainment area for shows. The investment for the casino was around US\$10m.

Two first class casinos:
RUTMAR COCAMAG

ESMERALDAS
 One first class casino:
LOS CHACHIS

IMBABURA

One first class casino:
AJAVI CASINO is located in the hotel of the same name which was founded in 1973 and has 60 rooms.

MANABI

Two first class casinos:
CASINOS PORTOVIEJO ATAHUALPA DE ORO

TUNGURAHUA

Two first class casinos:
AMBAPLAY CASINO HOTEL EMPERADOR

LOJA

One first class casino:
BUCARO CASINOS

LOS RIOS

One first class casino:
CASINO CLUB LAS VEGAS

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APEX

GAMING TECHNOLOGY



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Colombia

Gaming is booming in Colombia as the country continues to blur the boundaries of casinos, bingo and gaming halls

Colombia's history dates back well over 13,000 years. However, over time many Andean and Caribbean cultures have occupied in the area.

The Spanish arrived in the early 1500s and the country became Spain's chief source of gold. Cartagena and Bogota were founded by the mid-century.

Spain began to tax the colonists to help fund their home-front war expenses and the uprising that occurred marked the beginning of the revolution to come.

In 1810 Simon Bolivar and his armies defeated the Spanish and the independent Republic of Gran was formed. This included Colombia, Ecuador, Panama and Venezuela.

By the early 20th Century the other countries withdrew from the association and by 1905, Colombia was on its own. Since then it has survived a 40-year conflict between government forces and anti-government insurgent groups and illegal paramilitary groups which escalated during the 1990s.

Violence has been decreasing since 2002 but there are continued attacks against civilians and guerrilla warfare continues.

Political and internal unrest has limited tourism to the Caribbean coastal resorts and Cartagena, even though it remains the most attractive and mysterious country within the South American continent.

GAMING IN COLOMBIA

Gaming in Colombia operates under a state monopoly regime that comes under a constitution from 1991. It is regulated by the decree 643 of 2001, whilst the territorial health company ETESA is in charge of organising and regulating the monopoly.

Slots, casino games and bingo are granted via ETESA, which authorises them on a concession basis to any private company that is able to operate them.

A fixed monthly fee per slot or gaming table is then paid to ETESA, whilst a sales tax is also paid on each slot.

In 2007, the Colombian gambling sector saw a total of US\$275.3m (a 9.69 per cent increase on 2006 figures) of which gaming (slots/casinos) was responsible for 23 per cent or US\$63.5m.

Gambling is very much part of the Colombian culture and there has been considerable growth over the last few years.

There are currently 3,592 gaming establishments in Colombia. There is no breakdown of actual casinos as many locations blur the edges arcades and casinos. This figure has increased from 2,168 back in 2002.

The industry is one of the boom countries within South America and is making a huge bid to boost tourism. Already special investment conditions have been put into

place for Spanish companies to encourage more hotel and casino development.

For example, there is a 30 year company tax break for the construction of hotels, whilst taxation is set at 15 per cent for 'free zones' compared to 33 per cent in the rest of Colombia.

Tourism has grown by more than 135 per cent in five years with around 1.3 million visitors in 2007.

Colombia now hopes to introduce new laws to combat the illegal gambling problem and cope with an expected influx of machines.

To operate gaming machines, operators must first get authorisation from ETESA and the mayor of the city where the game

will be operated. Gaming licences for the operation of gaming machines are issued for not less than three years and no more than five years.

The minimum amount of slots (MET) for which a company/person can be authorised is 80 with a minimum of three machines per location. If the operation is mixed (ie: bingo, casino machines) the concessionaire is granted the equivalent of 80 machines.

Colombia operates with the Law 643 unveiled in 2001, which includes the following points:

- Game operators must give a percentage of the net profit to a special account for the health sector ETESA. Lotteries give 12 per cent of the net income.

- Concession contracts for the operation of games of chance cannot be less than three years or more than five years.

- Returns from permanent betting games in Bogota and Cundinamarca will be distributed; 70 per cent for the health finance fund in Bogota and 30 per cent for the Cundinamarca health fund.

- Operators of localised games that are bingo, slots and casinos must pay ETESA a monthly fixed amount per slot or gaming table depending on the value of the bet.

For slots with winnings of 0-\$500 – pay 30 per cent

For slots with winnings of \$500 plus – 40 per cent

GAMING MACHINES AND LOCATIONS (2005- JULY 2008)

	2005	2006	2007	2008
Machines (slots)	56,736	63,973	64,714	68,729
Locations (total)	3,197	3,672	3,672	3,592
Bingo seats	31,215	33,672	38,823	30,502
Casino tables	313	391	411	420

SOURCE: FECEAZAR

Progressive interconnected slots– 45 per cent

Casino games pay a monthly fixed fee

- National horse racing bets pay two per cent of its net income, horse racing betting on foreign races pay 15 per cent of their net income. Prizes distributed must be at least 60 per cent.

COLOMBIA: VITAL STATISTICS

Capital: Bogota
Population: 44,379,598 (July 2007)
Land Area: 1,038,700 sq.km
Median age: 26.6 years
Languages: Spanish
Currency: Colombian Peso (COP)
Government: Republic
Land Divisions: 32 Departments and one Capital District

Gaming locations: 3,592 (includes arcades, bingo halls, casinos)
Gaming machines: 68,729
Casino tables: 420
Bingo seats: 30,502
Gaming board: www.etsa.gov.co

With the legalisation of gaming, a national assembly was created called the Federacion Colombiana de Empresarios de Juegos de Azar (FECEAZAR).

This is a federation that brings together companies in the various gaming sectors. This includes localised games and permanent bets. To date, the federation has 52 members in the country and represents 44 gaming companies.

Illegal gaming is a major problem in Colombia. It is reported that Colombians spend around three trillion pesos annually on gaming although a chunk of this does go on illegal gambling.

According to FECEAZAR, gaming generates some US\$1,500m annually, of which a third comes from casinos, bingos, gaming halls and lotteries. Approximately US\$217m annually goes to the state health system.

Illegal gaming accounts for around 30 per cent of the market so of the 65,000 gaming machines said to be in operation it is estimated that around 19,000 are illegal. The legal machines have provided the regions with more than 220,000m pesos in the last two years.

The plan now is to speed up proceedings to introduce a law that will seek to combat illegal operation,s particularly focusing on sites with a minimum number of 20 machines.

Baltazar Medina of FECEAZAR said: "We need to present to the government what we, the industry, believe should be the basis for formulating a public policy of the games of chance in Colombia, which means that the government defines in which category or in which level of

importance it considers the sector and that this be included in a public policy of compromise.

“With that policy in place as a framework then obtain the possibility of a CONPES document for the gaming industry that is a macro regulation framework from which all the regulations, law and decrees derive from it to stimulate the development of this activity.”

One of the main issues is to remove slots from establishments like shops, cafes and even hairdressing salons.

In regions like Pereira, for example, the operation of slots within these locations is rife and a new decree now bans these operations unless they are in gaming halls. It also states that in cities like Pereira, the minimum number of slots permitted in locations is 16 and the maximum 80.

Figures released by ETESA shows that in Pereira there are 52 gaming establishments with 1,686 slots. In Risaralda, there are 111 establishments with a total of 2,414 slots and in Quindio there are 119 places with 1,446 slots.

Main operators in Colombia include Winner Group, Maca Ltda and foreign companies such as Codere, which has one casino, seven bingo halls and a total of 8,463 slots in the market.

The Spanish company opened its first location in 1999, the Cali Gran Casino in Santiago de Cali, and since 2007 has been working on its growth in this market.

Codere acquired a leading bingo operator in the market and now has seven Mundo Fortuna branded halls with 1,503 seats. The company will open another casino in 2009 in Bogota.

The Winner Group is another large operator with 21 casinos/gaming hall operations in Bogota, Medellin, Cali, Barraquilla and Cartagena which operate under the brand names of Rio, Hollywood, Broadway and Rock n Jazz.

There are nine large casino operations and 12 electronic games halls. Five casinos are located in Bogota.

The group has a total of 2,400 machines and more than 100 table games and 15,000 sq.m of gaming space. There are three million visitors to the locations each year and profits in 2006 reached US\$24.48m

Unidelca (Universal de Casinos SA) has



52 gaming locations and recently set up four main brands. The Caribe and Condado brands are international style casinos. Havana gambling halls are smaller locations with slot machines and multilayer games, whilst the Real Game brand offers slots and video games. Unidelca operates a total of 5,300 slots in Colombia.

The Real Game games halls contain a total of 1,500 slots and have the Red de la Fortuna progressive jackpot system installed. There are 14 in Bogota, one in

Codere acquired a leading bingo operator in the market and now has seven Mundo Fortuna branded halls with 1,503 seats. The company will open another casino in 2009 in Bogota.

Cali, eight in Medellin, three in Eje Cafetero and three in Costa.

There are many lottery associations in Colombia. The first lottery in Colombia dates back to 1801 and was organised and controlled by the Cabildo Municipal of Santa Fe of Bogota.

Other lottery associations include The lottery of Bogota, which was created in 1967 and The Red Cross national lottery which began in 1953. The company can also operate slots under the 2001 law.

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Brazil slowly rebuilds its gaming industry after scandals within government brought severe reprisals for the bingo market

Native Americans have occupied this region of South America for eons. That was until 1500, when the Portuguese navigator Pedro Alvares Cabral, en route to India, landed and claimed the land for Portugal.

Thus began the 300 year Portuguese era in Brazil. Over the years more explorers arrived and small settlements were set up along coastal areas.

In 1580, Portugal took control of the land and in the late 16th century when the Portuguese crown was inherited by Spain, the country came under a 60 year Spanish rule until it reverted again to Portuguese sovereignty.

In the early 1800s, Portugal's king fled to Brazil and he established the country as the capital to his empire until his son took over and declared independence from Portugal in 1822.

Brazil's famous coffee business began to take over the then profitable sugar plantation business in the early 1890s and this funded a military coup that forced the emperor to flee. The coffee producers seized power and half a century of instability resumed.

This end in 1985 when military rulers ceded power to civilian rule and the country finally overcame coups and corrupt leaders.

Today, Brazil continues to pursue industrial and agricultural growth and is South America's leading economic power and a regional leader.

GAMING IN BRAZIL

Although Brazil could be a serious gambling giant in the Latin American gaming market, there is still no sign that it will legalise the casino industry in the future.

Gambling is deep rooted in the country despite the prohibition by President Dutra's conservative government back in 1946. This saw around 70 casinos closed and 40,000 employees out of work.

The law banned casinos, claiming they spread prostitution and encouraged the mafia and money laundering. Brazilians today either bet via the Internet or if they can afford it, go to Paraguay or Uruguay and play there.

Lotteries and horse racing survived and in the 1980s bingo began to enter the market via Peru, and in the early 1990s slots were slowly reintroduced throughout breaches in a new law.

The Zico law in 1993 legalised bingo and the first bingo to be opened was Bingo Pamplona. However, this rather ambiguous law covered an array of electronic devices and bingo halls resembled casinos without the card tables and roulette wheels.

In 2000, these locaitons were banned under the Maguito Law, but continued to operate based on court orders under the leniency and 'blind eye' of governors and the police.

Brazil



By 2004, Brazil had around 100,000 video gaming machines that could be found in thousands of bingo houses throughout the country. It was estimated that Sao Paulo had 1,000 bingos alone.

The year was looking promising for bingo operators, as since 2003 a working group had been established to look at regulating bingo games and a draft legislation was being written.

In February 2004, President Luis Inacio Lula da Silva announced his decision to

regulate the industry, when just a few days later the Waldomiro Diniz gambling scandal erupted.

Mr. Diniz was fired after a video emerged showing him demanding a kick-back in 2002 from gambling boss Carlos Ramos, who at the time headed the Rio de Janeiro lottery. There were also rumours that he helped extend a lottery contact with a US lottery giant.

Although Lula's Workers' Party claimed there was no wrongdoing during his time

in office, politically the incident was embarrassing for the president.

In response, President Lula quickly passed the Provisional Measure 168 in February 2004, which prohibited commercial bingo games of any kind, including slot machine style electronic games, from operation.

Effectively, this closed down all bingo halls and some 100,000 workers lost their jobs overnight. At the time, huge demonstrations by some 30,000 bingo

By 2004, Brazil had around 100,000 video gaming machines that could be found in thousands of bingo houses throughout the country. It was estimated that Sao Paulo had 1,000 bingos alone.

workers protested against the decision.

Today, the industry limps along in its struggle to survive with lots of illegal operations still in existence. Many have been shut down while others are inspected. The lack of regulation and political turmoil has stalled the growth of bingo and the slot machines market and Brazil remains one of the most problematic countries in the South American continent. Analysts predict that legalised bingo could produce up to US\$3bn in tax revenue.

Today, President Lula is trying to settle the bingo problem with a review of the current proposals aimed at forming a single legislative response, however, slots machines are not included and their future remains unclear.

A government minister has now been appointed to liaise between bingo operators and politicians with the aim of introducing licences for bingo halls regulated by Caixa Economica Federal (CEF) – a federal bank that holds the monopoly to the lottery in Brazil.

Caixa is the main agent for the Federal government's public policies and the largest public bank in Latin America.

It is a 100 per cent public institution and is not only a bank, but deals with lotteries, urban infrastructure investments, social program payments and unemployment benefit. Through all these services, Caixa has put more than R\$115bn into the economy.

Caixa began in 1861 when the Caixa Economica and Monte de Socorro was created with the purpose of providing savings accounts and small loans to Rio de Janeiro's poor. It later added mortgages and other services to its portfolio.

The Federal Lottery was set up in Brazil as a monopoly in 1961. Total sales of the nine lottery games rose by 23 per cent last year from US\$2.37bn in 2006 to US\$2.93bn in 2007.

Previously, the lottery has outsourced GTECH's online lottery system, but in mid 2006 the company brought the lottery system in-house and teamed up with IBM to implement a new lottery system.

A new system was introduced that saw a more secure and quicker lottery system. More than 25,000 terminals were installed in some 8,800 sales points throughout the country.

By the end of 2008, CEF expects to open 2,200 new sales points, bringing the number of terminals to 30,800.

Meanwhile, in March this year, after five years of planning and negotiations, the company launched a new lotto game, Timemania (Teammania) with 22 per cent going to the soccer clubs aimed at solving their financial problems.

In the meantime, the crackdown on illegal slots continues with weekly reports of illegal slots or establishments closed down by the Federal Police.



In April, the police seized a total of 158 slots that were operated in bars and restaurants across three cities in the metropolitan region of Rio.

And the Jockey Club in Santa Maria was also closed in April after illegal bingo games were found on site.

Last year some 22 Fantasia bingo clubs in Rio de Janeiro were closed down following an investigation by the police.

Between 2003 and 2007, the Ministerio Publico Federal (MPF) claims some 6,000 slots were seized in bingo halls. The association of administrators of bingos in Rio de Janeiro (ABERJ) claim some 2,000 people lost their jobs due to closure of bingo halls and another 4,000 run the risk of losing their jobs.

Meanwhile, amusements are also on the hit list. In January this year a ban on popular role-playing computer games such as 'Counter Strike' and 'EverQuest' was implemented.

The countrywide prohibition was ordered back in October 2007, but not immediately implemented. It is claimed the games incite violence and are harmful to consumer's health.

In March this year, the Ministry of Agriculture decided to ban the transmission of international horse racing. However, following fears that this could destroy the country's horse racing industry, the government has agreed to push back the ban.

Carnegie Cooke & Company is a media

Between 2003 and 2007, the Ministerio Publico Federal (MPF) claims some 6,000 slots were seized in bingo halls. The association of administrators of bingos in Rio de Janeiro (ABERJ) claim some 2,000 people lost their jobs due to closure of bingo halls and another 4,000 run the risk of losing their jobs.

BRAZIL: VITAL STATISTICS

Capital: Brasilia
Population: 190,010,647 (July 2007)
Land Area: 8,546,510sq.km
Median age: 28.6 years
Languages: Portuguese (official), Spanish, English, French
Currency: Real (BRL)
Government: Federal Republic
Land Divisions: 26 States and one federal district

No. Casinos: An estimated 100 illegal casinos
Casino Machines: 500,000 (estimation of illegal slots)
Lottery: www.caixa.gov.br
Gaming Board: www.abrabin.com.br

and distribution company within the Brazilian turf industry and was granted the right by the Brazilian Ministry of Agriculture to distribute international simulcast racing throughout Brazil. In 2006, horse racing wagers in Brazil amounted to around US\$128m.

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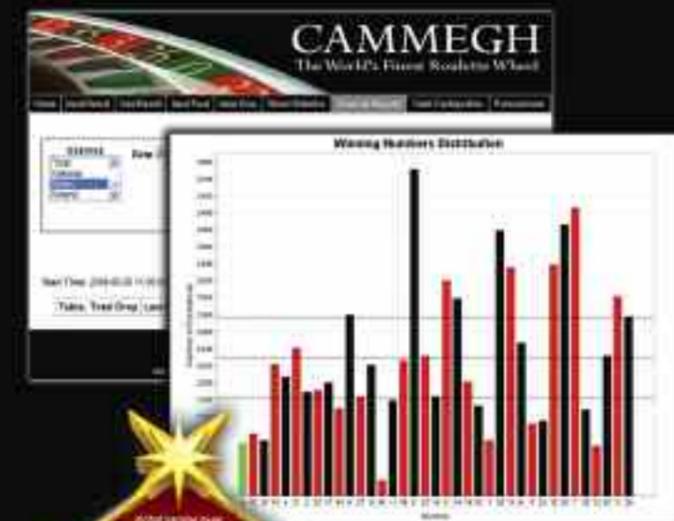
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Tiny in size, but big in stature, the country of Suriname punches above its weight in the gaming stakes in South America

Arawak and Caribbean Indians had lived on the northern edges of South America for centuries and in 1498 Spanish explorer Alonso de Ojeda discovered Suriname.

Dutch settlements began in the early 17th century at the mouths of several rivers and Suriname became a Dutch colony in 1667. Even though the land was briefly held by the English, the Dutch continued to control the land for almost 300 years.

Over time the plantations began to decline as the Dutch government started to provide less financial support to its colony and in the early 20th Century, American firm ALCOA invested in the indigenous bauxite deposits and Suriname's economy surged.

Later that century, Suriname became an autonomous part of the Kingdom of the Netherlands and finally gained independence in 1975.

Five years later the civilian government was replaced by a military regime that declared the country a socialist republic. It continued to rule through a succession of civilian administrations until 1987 when international pressure forced a democratic election.

In 1989 the military overthrew the civilian government, but a democratically elected government returned to power in 1991, which remains today.

GAMING IN SURINAME

Although Suriname is South America's smallest country, with its unspoilt tropical rainforest covering more than 80 per cent of its territory, it is often referred to as the 'beating heart of the Amazon.'

It is nestled between Guyana, French Guyana and Brazil and has the beautiful Atlantic coastline to the north. Half of the inhabitants live in the capital, Paramaribo, leaving the rest of the country sparsely populated.

The country has more than 13 nature reserves and eco-tourists are eager to venture here and the country is trying to attract such appreciative visitors.

One of the attractions in Suriname, especially for the neighbouring Brazilians, is the country's casino industry.

The casino situation in Suriname is a little confusing. There was said at one point to be some 21 casino licences issued in this country, which was always far too many for such a small population.

However, it is believed many of these were violating their licences and the Association of Casino Owners (VCS) claim there are actually 13 legal casinos now in operation.

In an attempt to clamp down on illegal activities and regulate the casino industry, the Suriname government began to take action last year against those casinos operating in breach of their licence.

Suriname



The industry is currently fighting against government plans, claiming some 2,000 locals could lose their jobs, while as many as 10 casinos could close. Many of these are also funded from foreign investments and the government stands to lose significant income.

However, the government submitted a bill to parliament last year to increase tax on casinos by 300 per cent and the VCS say the higher tax will force many casinos to close anyway.

In addition, casinos already pay 50 per

cent corporate tax rate, compared to 36 per cent for other businesses in Suriname. Previously, casinos paid US\$145 monthly for slots, US\$1,450 for roulette tables and US\$1,090 for blackjack.

Last year, the Torarica paid SRD440,000 in casino taxes and SRD719,000 income tax. The casino has warned that the 300 per cent increase could lead to them shutting down.

The casino sector saw a boom period between 1996 and 2000, when Jules Wijdenbosch, the current opposition

leader, was President. He issued around 21 casino licences based on tourist projects.

His plan was to link casinos to the tourism industry. However in 2000 Mr. Wijdenbosch was forced to call early elections, which saw Ronald Venetiaan and his team take over and put an end to the political and economic crisis in which Suriname found itself.

In the first year the new Venetiaan government managed to pull the economy out of a nose dive and applied structural

Last year, the Torarica paid SRD440,000 in casino taxes and SRD719,000 income tax. The casino has warned that the 300 per cent increase could lead to them shutting down.

reforms in a bid to attract foreign investment and stimulate the private sector.

When the Venetiaan administration came into office, stricter measures were also taken to deal with the gambling sector as many felt that casinos had been left to 'go it alone.'

In 2005, the law changed and all those casinos given licences during the Wijdenbosch period had to comply with new licensing laws to remain open. One of the clauses was they must function

SURINAME: VITAL STATISTICS

Capital: Paramaribo
Population: 470,784 (July 2007)
Land Area: 161,470 sq.km
Median age: 27.1 years
Languages: Dutch (official), English, Sranang Tongo (Surinamese), Caribbean Hindustani, Javanese
Currency: Surinam Dollar (SRD)
Government: Constitutional Democracy
Land Divisions: 10 districts

No. Casinos: 13
Casino Slots: 2,400
Casino Tables: 250

within a hotel, which must have available at least 20 rooms.

They are required to report all questionable bets by customers and ensure adequate surveillance systems are in place.

They must have security checks to prevent local nationals from entering casinos illegally – Suriname nationals are supposed to carry their ID cards when accompanying foreigners visiting casinos.

Many hotels did not meet this requirement and in August 2004 they were given six months to comply or 12 months with special circumstances.

During this period, American company, Lottery and Wagering Solutions withdrew its operations in Suriname and sold its subsidiary company which operated a small casino in the Golden Tulip Casino Hotel.

The company's principal operations were conducted from the Plaza Hotel until 2004 via the subsidiary company, Suriname Leisure Company, which was run by Lottery and Wagering and Parbhoes Handelmaatschappij, which operated the Palace Casino.

The two joint partners came to loggerheads and in 2005 Palace Casino was evicted from its premises in the Plaza Hotel.

Other gaming operators include Pasha Gaming Group operates casinos in various countries and is headquartered in Istanbul, Turkey. It was founded in 2004 and now has five hotel and casinos, two in Suriname and two in Cyprus and one in Uganda.



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An active gaming market, Peru has followed a back-to-basics approach to recent changes in gaming regulations

Although at one time Peru was homeland to several Andean civilisations, the Incas were the most notable.

They built amazing mountain temples and palaces (with no mortar), constructed almost 10,000 miles of roads, engineered functional bridges and built aqueducts to transport their water.

At the height of the Inca's influence in 1533, the Spanish arrived in their quest for gold and executed the indigenous Indians, captured their cities and destroyed this innovative culture.

For almost 300 years Peru functioned as a Spanish colony, but in the early 19th Century the calls for independence began with local uprisings and then civil war in 1821 with the Spanish finally defeated in 1824.

Peru suffered many wars over the next century or so and dictatorial rule and political upheaval followed. In 1980 Peru finally returned to democratic leadership, but experienced economic problems and growth of an increasingly violent insurgency.

President Alberto Fujimori's election in 1990 saw a decade with a dramatic turnaround in economy and a halt in guerrilla activity, but his reliance on authoritarian measures and an economic slump in the late 1990s saw his demise in 2000.

After a caretaker government and Peru's first democratically elected president, Alejandro Toledo, the elections of 2006 saw the return of Alan Garcia who promises to improve social conditions.

GAMING IN PERU

Currently, there are eight authorised casinos in Peru and 182 authorised gaming halls. However, it is estimated there are actually around 780 gaming halls that exist alongside bingo halls, which do not require authorisation.

Peru's casino industry is governed by the law Number 27153, which was introduced in 1999 and later modified by the law 27796 in 2002.

The law 27153 (modified by 27796) includes:

- Casinos and slots can only be operated in establishments not less than 150m away from churches, educational institutes, police stations and hospitals.
- Casinos and gaming halls can only be operated within four or five star hotels and five star tourist restaurants or equivalent style resorts in the provinces of Lima and Callao.
- In the remaining provinces they can be operated in three, four and five star hotels or resorts and five star tourist restaurants.
- Characteristics of slots include a minimum payout of 85 per cent



Peru

- An Authorisation Express must be granted to operate which is published in the Official Diary of the 'El Peruano'
- Licences are granted for a minimum of three years, which is renewable.
- Operators must have an annual guarantee in the form of a bank deposit. Casino must have the equivalent of UIT500 for five star hotel/resort casino, UIT400 for four star hotels, UIT300 for three star. For slot machines UIT1 is payable per slot machine.
- Creation of the CONACTRA - National Commission of Casinos and Gaming machines.
- Gaming machines no older than two years can be imported

Peru has a big problem with the number of slot halls which exist and also illegal gaming. This all came to a head in 2006 when the new APRA party administration came into office and a campaign against grey gaming began.

At the time it was suggested that of the 700 plus gaming halls in Peru, only 36 were actually licensed, whilst at least half operated through Judicial Habeas Corpus resolutions and the other half were found to be totally illegal.

Some 55,000 plus slots generate around US\$350m per year in gaming revenues and it is estimated that the slots bring in around US\$700,000 daily with less than 10 per cent contributing to the government tax system.

In 2006 slot machine and casino operators were fighting with the state over unpaid

taxes worth around US\$80m according to SUNAT, the national tax body. Casinos currently pay around PEN\$90m (US\$28m) annually in game tax.

One of the issues has been the haphazard way in which amendments have been added to Peru's gaming law. As some of the additions were 'anti constitutional' it enabled some companies to bypass the law completely. Many even go to court to obtain favourable rulings, which allow them to avoid paying gaming taxes.

In December 2006, a new law came into place. The idea was to introduce a law that took Peru back to its original gaming law and eliminate all the clauses that enabled operators to 'rework' the amendments to their advantage.

At the beginning of this year, the Law 28945 Reordering and Formalisation of

The new authority, Direccion General de Juegos de Casino y Maquinas Tragamonedas (DGJCMT), comes under the direction of the Ministerio de Comercio Exterior y Turismo (MINCETUR). This organisation has the authority to supervise and administer the sector.

PERU: VITAL STATISTICS
Capital: Lima
Population: 28,674,757 (July 2007)
Land Area: 1.280,000 sq.km
Median age: 25.5 years
Languages: Spanish (official), Quechua (official), Aymara and minor Amazonian languages
Currency: Nuevo Sol (PEN)
Government: Constitutional Republic
Land Divisions: 25 regions and one province

No. Casinos: 8
Gaming Arcades: 182 authorised halls
Operators: 140
Casino Slots: Approx 2,800
Casino Tables: 152
Gaming Machines: Approx 80,000
Gaming Board:
www.mincetur.gob.pe
Lottery:
www.loteriasperugana.com.pe

the operation of casinos and gaming machines, was introduced.

This concentrated on the slot machine business and introduced more stringent technical regulations for operations, including the creation of a new gaming regulating body.

The new authority, Direccion General de Juegos de Casino y Maquinas Tragamonedas (DGJCMT), comes under the direction of the Ministerio de Comercio Exterior y Turismo (MINCETUR). This organisation has the authority to supervise and administer the sector.

According to Claudia La Puerta Vasquez of DGJCMT, the law was introduced to reduce the margins of unreliability whilst the DGJCMT could introduce control and prosecutions to close machines operated in unauthorised gaming halls.

One of the main issues was illegal gaming halls and the plan is to close many of the smaller locations that do not comply with the standards set by the new General Board of Gaming Casinos and Slot Machines.

This means only 450 of the current 770 applications are expected to meet the new criteria, which will see only the best/strongest operators survive.

The new law also stated that detailed audio and video footage of each table

game, payout areas, doors and counting room must be kept for both casinos and slot halls. Also, licences are now issued for five years and can be renewed for an additional four years.

Following the introduction of the new legislation the ministry says there has already been a decrease of illegal machine activity in the city of Lima. But they are often still found in small towns outside of the capital.

The Peruvian Gaming Commission, however, reported record takings for 2007 with around US\$4m monthly compared to US\$1m the previous year. Last year saw a total of US\$38m.

The reason is due to the more rigorous control in the licensing structure and an online control system, which connects all slot machines.

Illegal machines are still a problem. The 'Chinitas' or 'de Bolita' as they are called, can be found in many illegal premises. In a year the DGJCMT seized around 1,500 slots. They are often found in small shops such as bakeries, hairdressers and bars.

Meanwhile, after a delay of three years, La Huaca Hotel Spa and Casino, is once again up and running. The five star resort located in the Asia region, some 60 miles south of Lima, is due to be finished in 2009.

It is costing developer Revolutions Peru around US\$50m and apart from the Mountain Magic Casino will include a hotel with 220 rooms, spa, museum, distillery and private beach club.

Plaza Sur commercial centre in Asia attracts 1.5m visitors generating more than \$15m in sales and La Huaca expects the same. The shopping centre is constructed on 2,200 sq.m with 30 shops and two restaurants.

Other operators in Peru include Ritzio, which entered the Peruvian market in 2006 and today its company Viera operates three gaming clubs and 1,000 slot machines. New York, Flamingo and Aladdino are large clubs aimed at customers of middle to high income levels.

Spain's Cirsa is also active in Peru with the Majestic Casino operation and its electronic gaming halls including La Sala Jokers in Lima with 143 slots, La Sala Miami with 202 slots and La Sala Premier with 134 slots.

Since 1993 the Admiral Group in South America has been located in Lima and

also represents Austrian Gaming Industries as distributor.

The company currently has 1,300 slot machines distributed across 13 gaming halls, all of which meet the new regulations and between them create around 600 jobs.

At the beginning of last year, the company also took over the operation of 12 businesses that were run under the Liberty brand. Admiral is one of first and only companies in Peru to date which has been granted such a number of licences.

Admiral now has a base in Peru headed by Rudolph Binder and is focusing on improving its range of slots via the new Novomatic products. There will be satellite sales offices in Chile and Argentina primarily for the group's expansion in South America.

Since Novomatic became a shareholder of Admiral Group, the company has sold some 700 slot machines in just one month in Peru.

Novomatic's Max Lindenberg said: "The emergence of Novomatic as a new majority shareholder in Admiral will provide an important support to the activities of the company and pave the way towards Admiral's next targets.

"In the medium term the company's objective is to find the perfect location for the development of a large scale operation. This project will, in addition to being a gaming venue for slot machines, also include other options in terms of services that will be attractive to potential clients."

Meanwhile, Intralot Peru was awarded a 10 year contract with Sociedad Beneficencia Publica de Jaen (beneficiary of the lottery) for the licence of the lottery organisation in 2002.

The first game began in 2003 with Gana Diario, which was distributed through 1,000 points of sale.

In 2003, the company bought the 100 per cent share of the Tektron Company owner of the brands Tinka, Kabala, RapiTinka and Juega 3 and became the leader of the Peruvian lotteries market.

Intralot now handles Tektron brands and PeruGana lotteries, which recently launched the game Gana Diario.

In 2005, they signed a contact with the Football Federation of Peru (ADFP) for fixed odds betting games operation for the



next five years. This was the first sports lottery offered in the Peruvian market.

Peru was the second country in Latin America, after Chile, whose national lottery company introduced fixed odds betting games

Loterias PeruGana is the market leader (96 per cent) in lottery games with online sales network of 1,700 points of sale in Peru.

CASINOS IN PERU

LIMA

ATLANTIC CITY CASINO

Located in a five star restaurant and opened in 2007. The casino is part of a huge entertainment complex and includes 33 table games and 336 slots. Operated by Corporacion Turistica Peruana SAC, this company was founded in 1995. The casino cost around US\$24m and generated 700 direct jobs.

LOS DELFINES CASINO

Located in the residential area of San Isidro overlooking Lima Golf Club this resort, Los Delfines Summit Hotel and Casino, is located in a five star hotel with 197 rooms. The casino has 19 table games and 288 slots. It was opened in 2006 and is operated by Euro Corporacion SAC.

CASINO LA HACIENDA

La Hacienda Hotel and Casino is located in the district of Miraflores and is close to the Costa Verde beaches. It is located in a four star hotel and was opened in 2005.

The new authority, Direccion General de Juegos de Casino y Maquinas Tragamonedas (DGJCMT), comes under the direction of the Ministerio de Comercio Exterior y Turismo (MINCETUR). This organisation has the authority to supervise and administer the sector.

The casino has 10 table games and 236 slots and it is operated by Golden Gaming SA.

CASINO GOLDEN PALACE

Situated in financial area of San Isidro it is located in a five star restaurant. Opened in 2005 and operated by Gold Investment SA the casino has 30 table games and 900 slots.

MAJESTIC CASINO

Located in the five star Marriott Hotel in Miraflores the 300 room hotel is a 25 storey glass tower and offer views of the Pacific Ocean. It was formerly known as the Stellaris Casino and was purchased in 2005 by Cirsa (Gran Casino de Lima SAC) who refurbished and renamed it. The casino is 19,500 sq.ft and has 25 table games and 350 slots.

CASINO FORTUNA

Located in a five star restaurant this casino opened in 2006 and is operated by Inversiones Hanson SAC. It has 14 table games and 364 slots, three electronic roulettes and a Derby.

JOKERS CASINO

Operated in a five star restaurant the casino opened in 2006 and is operated by Inversiones Larimar SA. There are 11 table games and 201 slots.

CASINO CLUB SOCIAL MIRAFLORES

Located in a five star restaurant it opened in 2007 and is operated by Recreativos del Pacifico SA. There are 10 table games and 148 slots.

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Venezuela



The introduction of huge tax increases across the bingo and casino sector has hit the gaming industry hard in Venezuela

Human settlements in Venezuela can be dated back to 13,000BC. The land was discovered in 1498 by Christopher Columbus and named Venezuela (Little Venice) by Amerigo Vespucci in 1499.

It remained a colony of Spain until declaring its independence in 1811. After the defeat of the Spanish by Simon Bolivar in 1819, along with Colombia, Ecuador and Panama, it formed the independent Republic of Gran. Venezuela later emerged from that coalition in 1830 to become an independent nation.

Since then, and for most of the first half of the 20th Century, the country was ruled by numerous military strongmen who profited from the oil industry and allowed for some social reforms.

Democratically elected governments first took place in 1959 and on the back of this, Venezuela established its own constitution in 1961.

The election of President Hugo Chavez in 1999 saw the implementation of his 21st Century Socialism, which claims to alleviate social ills, while at the same time attacking globalisation and undermining regional stability.

Today, concerns include a weakening democratic institution, political polarisation, drug related violence, over-dependence on the petroleum industry and irresponsible mining operations, which endanger the rain forest and indigenous communities.

GAMING IN VENEZUELA

Venezuela is governed by the leftist government of Hugo Chavez and many types of gaming are prohibited.

The casino sector provides a great source of tourism revenue and jobs for the locals and is also popular with Venezuelans as they are the only legalised type of gambling in the country.

No sports betting or gaming outside of casinos is permitted although illegal dog and horse racing does exist, alongside illegal casinos and slot halls.

The country currently has four casinos that remain open, although accuracy of this figure is somewhat sketchy. They are found along the coastal cities and one on Margarita Island, just off the coast of Venezuela.

There are also two Internet casinos. The Internet gaming companies do not operate on the mainland, but via the Venezuelan island of Margarita Island. The two online companies are CasinoOnAir and Casino Bar, with rather dubious reputations.

Margarita Island is a resort island less than 25 miles off the coast of Venezuela and has a permanent population of 300,000 residents.

It has an ideal climate of a steady 80° and 320 days of

sunshine a year, sandy beaches and abundant leisure activities.

In 2007, SENIAT (the Ministry of Tourism customs and excise service) collected a record US\$17.7m from bingos and casinos in Venezuela.

The total gaming tax was a 13 per cent increase on 2006 figures, whilst MINTUR (Ministry of Tourism) predicted a further increase for this year to around US\$21.4m. The money will go to the

development of the non-gaming tourism sector in Venezuela.

The gaming sector is governed by the Comision Nacional de Casinos (CNC), which comes under the Ministry of Tourism in Venezuela and is responsible for the control, supervision, licensing and inspection of the sector. It is headed by President Olga Cecilia Azuaje.

At the beginning of the year the commission announced that it would no

longer renew or issue licences for the installation or operation of casinos and bingos for the next three years starting in March 2008.

Meanwhile, the commission has also requested that anyone operating authorised slots must present the details of each machine to the commission.

Last year, the CNC worked hard to wipe out illegal gaming and 23 operations were closed. Some of the most recent include

In 2007, SENIAT (the Ministry of Tourism customs and excise service) collected a record US\$17.7m from bingos and casinos in Venezuela.

sites in Caracas, operated in the commercial Centre Ciudad Tamanaco, which were closed in August this year.

Venezuela is governed by the Law for the Control of Casinos, Bingos and Slot Machines, which includes the following:

- Operators of casinos or bingo halls must be constituted as a corporation whose corporate capital is represented in nominative shares.

- Foreign capital can not exceed 80 per cent of the corporate capital of the company.
- Operators of casinos in five star hotels must purchase an investment of not less than 300,000 tributary units.
- Operators of bingo halls must purchase an investment of not less than 100,000 tributary units.
- Casinos must be located within five star hotels and have a minimum of 200 rooms.
- Bingos must be located in four or five star hotels or in other locations authorised by the commission. In other locations they must provide the following amenities: bar, restaurant, lounges, parking and live shows.
- Casinos, bingo and slot machine operations must be located in areas declared as tourist zones and apt for the operation of such premises. They cannot be located near to education centres, temples, health centres and hospitals and there must be at least 200m distance between them.
- Casinos and bingo must install a double system of computerised security for entrance and games.
- Slots may only be operated in casinos and bingos.
- Casinos or bingos cannot advertise or promote their games.
- Casinos are taxed with 10 per cent of the net earnings. Bingos are taxed at 12 per cent.
- A monthly royalty of 40 TU is established for each gaming table. Each slot machines pay 10 TU.

In May last year, a new law was established which saw huge tax increases across the bingo and casino sector.

The law saw a new monthly tax of between 120 TU and 320 TU (US\$2,100-US\$5,600) for each table game installed in a casino. Slots saw a minimum of 100 TU and maximum of 200 TU (US\$1,750-US\$3,500) monthly for each machine in casinos and bingo halls.

Bingo halls pay between 12 and 20 per cent on profits from revenues whilst operators of gaming machines pay between 30 and 50 per cent.



The tax debate had been discussed for over a year, but many say the increase was based on hearsay and a misreading of local slot statistics.

Mr. Chavez was expected to send a bill to congress this year banning all gaming related operations. Last summer, the Chavez administration implemented a new gaming tax structure that brought widespread outcry from the industry.

The Nueva Esparta State Bingo Workers Union even requested that the Supreme Court suspend the new regulations.

The union argues that the ten-fold increase in gambling taxes has put undue economic pressure on bingo operators and many have been forced to lay workers off.

On the island of Margarita, six bingo halls and three slot casinos have closed their doors in protest at the tax hike.

Lottery operators are also complaining that their sales have dropped as the new taxes and fees have led to a reduction in the value of prizes.

It is understood that lottery retailers are now keeping just two per cent of the value of each bets, which is not enough to cover operational costs.

Under the new regulations, SENIAT immediately began to crack down on operators that did not abide by the new rules and has fined and temporarily closed several operations.

Meanwhile, the main operators in

It is understood that lottery retailers are now keeping just two per cent of the value of each bets, which is not enough to cover operational costs.

Venezuela include Tilley Entertainment, which has two casinos in Venezuela – the Casino Maruma since 2002 and the El Dorado since May 2007.

The company did have a third casino, which was opened prior to last year's Copa America Tournament, however it had to close when the promised international airport in the area failed to open in the area.

The company also operates a casino in Colombia with plans to open another four within the year.

Tilley Entertainment's Elena Chavez commented: "The tax increases did affect us and our operations and as a direct result we have had to reduce our gaming positions."

"In our view the gaming industry in Venezuela is very unstable due to unpredictable policies made by the government, however, we are optimistic towards the future."

New casino projects include Group Caroni's plans for a casino, convention centre, hotel tower and shopping malls at the Hotel Bella Vista property, again on Margarita Island.

The group bought the hotel in 1997 and has received the licence for the casinos and is due to start work on the project.

CASINOS IN VENEZUELA
FIESTA CASINO GUAYANA

Located in the Intercontinental Guayana Hotel. There are 26 tables and 101 slots

and was the first casino to open in the city. There are three restaurants, a bar and hotel with 189 rooms.

MARUMA INTERNATIONAL HOTEL AND CASINO

This casino opened in 2002 in the busy industrial city of Maracaibo. It was built to complement the five star Crowne Plaza Hotel complex, which includes a hotel with 410 rooms, convention centre, restaurants and bars and shops. There are three levels of live gaming and sports book with several large screens. The casino has 37 tables, 320 slots including two eight seat electronic roulettes and a horse racing machine. It is operated by Tilley Entertainment

GRAN CASINO MARGARITA

Located at the Hilton Margarita and Suites

New casino projects include Group Caroni's plans for a casino, convention centre, hotel tower and shopping malls at the Hotel Bella Vista property, again on Margarita Island.

Hotel on Margarita island, the resort sits on the Morena Beach facing the Caribbean sea. It has 38 tables and 200 slots and is operated by Cirsa.

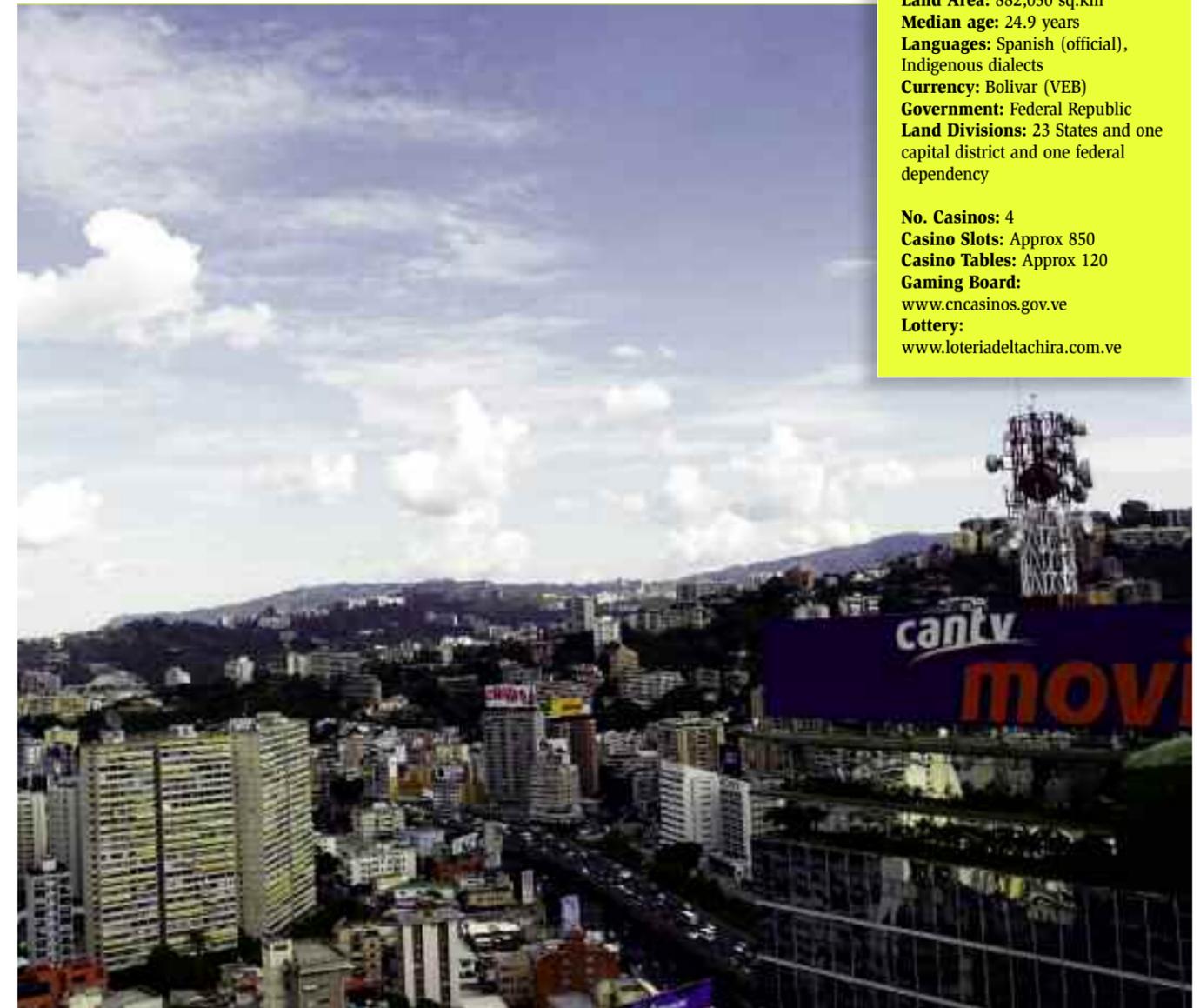
CASINO EL DORADO

This casino opened in May 2007 and has two levels of gaming via the main floor and VIP club and includes a restaurant and two bars. The casino has 20 tables and 214 slots including two electronic roulettes with eight seats and a 23 seater horse racing machine. Operated by Tilley Entertainment

VENEZUELA: VITAL STATISTICS

Capital: Caracas
Population: 26,023,528 (July 2007)
Land Area: 882,050 sq.km
Median age: 24.9 years
Languages: Spanish (official), Indigenous dialects
Currency: Bolivar (VEB)
Government: Federal Republic
Land Divisions: 23 States and one capital district and one federal dependency

No. Casinos: 4
Casino Slots: Approx 850
Casino Tables: Approx 120
Gaming Board:
www.cncasinos.gov.ve
Lottery:
www.loteriadeltachira.com.ve



THE Czech Republic or Czechia as it is also known, is a landlocked country in the heart of Central Europe bordering Poland, Germany, Austria and Slovakia.

Today it is one of the most stable and prosperous of the post Communist states of Central and Eastern Europe.

However, history has not been all that kind and the Czech Republic has fought hard to achieve this status. The country's history dates back to prehistoric human settlements in the Neolithic era whilst Celtic and Germanic migrations settled there from the early third century BC.

The Slavic people and Carpathian regions later moved into the area together with people from Siberia and Eastern Europe, whilst during the 7th century, the Frankish merchant Samo became the ruler of the first known Slav state in Central Europe.

The Bohemian and Czech state began to emerge in the late 9th century whilst the kingdom of Bohemia was a significant regional power in the Middle Ages.

The 13th century was a period of large scale German migration and they began to populate towns and mining districts and formed German colonies in the interior lands.

In 1241, the Mongol army launched an invasion into Europe and carried their tyranny into Moravia.

In 1306, when the Premyslid family line of Kings had died out after dynastic wars, a new Luxemburg dynasty took over the crown. The 14th century with the reign of Charles IV is considered the Golden Age of Czech history.

However by 1380 the Kingdom of Bohemia had been decimated by the Black Death raging through Europe at the time and religious conflicts in the 15th and 17th century also had a devastating effect on the population.

The Great Famine in 1770 killed off a further 12 per cent of the population whilst the peasants revolted.

After the collapse of the Austro-Hungarian Empire after World War I, the independent republic of Czechoslovakia was created in 1918 and incorporated regions of Bohemia, Moravia, Silesia, Slovakia and Carpathian Ruthenia with significant German, Hungarian, Polish and Ruthenian speaking minorities.



The streets ahead

Global Games and Gaming examines the diverse and progressive gaming markets in the Czech Republic as new laws are drawn up



It did not grant the minorities any territorial political autonomy which resulted in discontent and some began to break away from Czechoslovakia. Adolf Hitler took advantage of this by gaining the largely German speaking Sudetenland through the 1938 Munich Agreement.

As the Nazis invaded, the Czechs resisted and the most notable event during this period was the assassination of the leading Nazi leader Reinhard Heydrich in Prague in 1942. The Czech army fighting against the Germans were acknowledged by Allies and occupation ended in 1945 with the arrival of the Soviet and American armies and the Prague uprising.

In 1945-46 around 2.7 million German Czechoslovakians were expelled to Germany and Austria or held in prisons or massacred.

Czechoslovakia tried to play the role of the 'bridge' between the East and West but the communist party increased in popularity and in 1946 the communists became the largest party in the Czech

parliament.

They formed a coalition government with other parties of the National Front and finally took over control in 1948 which continued for the next 41 years.

This period established a command economy which grew rapidly in 1950 and 1960 but slowed in the 1970s with problems the following decade.

In 1989 Czech returned to a democracy through a peaceful 'Velvet Revolution' and the country split in 1993 into the Czech Republic and Slovakia whilst both countries went through economic reforms and privatisations.

In Czech many state owned industries such as banks and telecommunications were privatised through the voucher privatisation scheme and the most important change in 1989 saw the return of the right to own property.

The current government plans to continue with privatisation and last year also implemented the Schengen Agreement with has abolished border

In Czech many state owned industries such as banks and telecommunications were privatised through the voucher privatisation scheme and the most important change in 1989 saw the return of the right to own property.

controls with its neighbours.

Czech has seen low unemployment, stable exchange rates and exports to the EU rise and has shown signs of a strong recovery of foreign and domestic investment.

Restructuring among large enterprises, improvements in the financial sector and the effective use of available EU funds should continue to strengthen Czechs output growth. The Civic Democratic Party led government also approved plans in 2007 to cut spending on some social welfare benefits and reform the tax system with the aim of reducing the budget deficit by 2010.

The country aims to meet the Euro-zone criteria by 2012 after withdrawing its initial 2010 target date.

Some challenges remain however - the rate of corruption remains high and public budgets are still in deficit despite strong economy growth in recent years.

RETAIL AND REAL ESTATE

Since 2000 the Czech Republic has been

divided into 13 regions and the capital city of Prague. Each region has its own elected Regional Assembly and President. In Prague the powers are executed by the city council and the mayor.

The older 76 districts including three 'statutory cities' were disbanded in 1999 in an administrative reform. They do however remain as territorial divisions and seats of various branches of state administration.

Of the 10.2 million inhabitants there are more than 392,000 foreigners legally residing in Czech making up 3.2 per cent of the population with the largest groups being Ukrainians and Slovaks.

The Czech economy gets a substantial income from tourism. The total revenue from tourism reached CzK216.8bn in 2006 of which CzK118.6bn came from foreign visitors and the remainder from Czechs. This was a 24 per cent increase compared to 2003.

Tourism's contribution to the total GDP was CzK98.9bn which represented three percent of Czech's GDP. The number of foreign visitors reached 23.2 million.

Czech's landscape has much to offer and it varies from the recreational areas in the centre to the flat lands, peat-bogs and lakes in the south, low mountainous ranges and spa towns in the Bohemia west, hilly Moravian area in the east and ski resorts in the north.

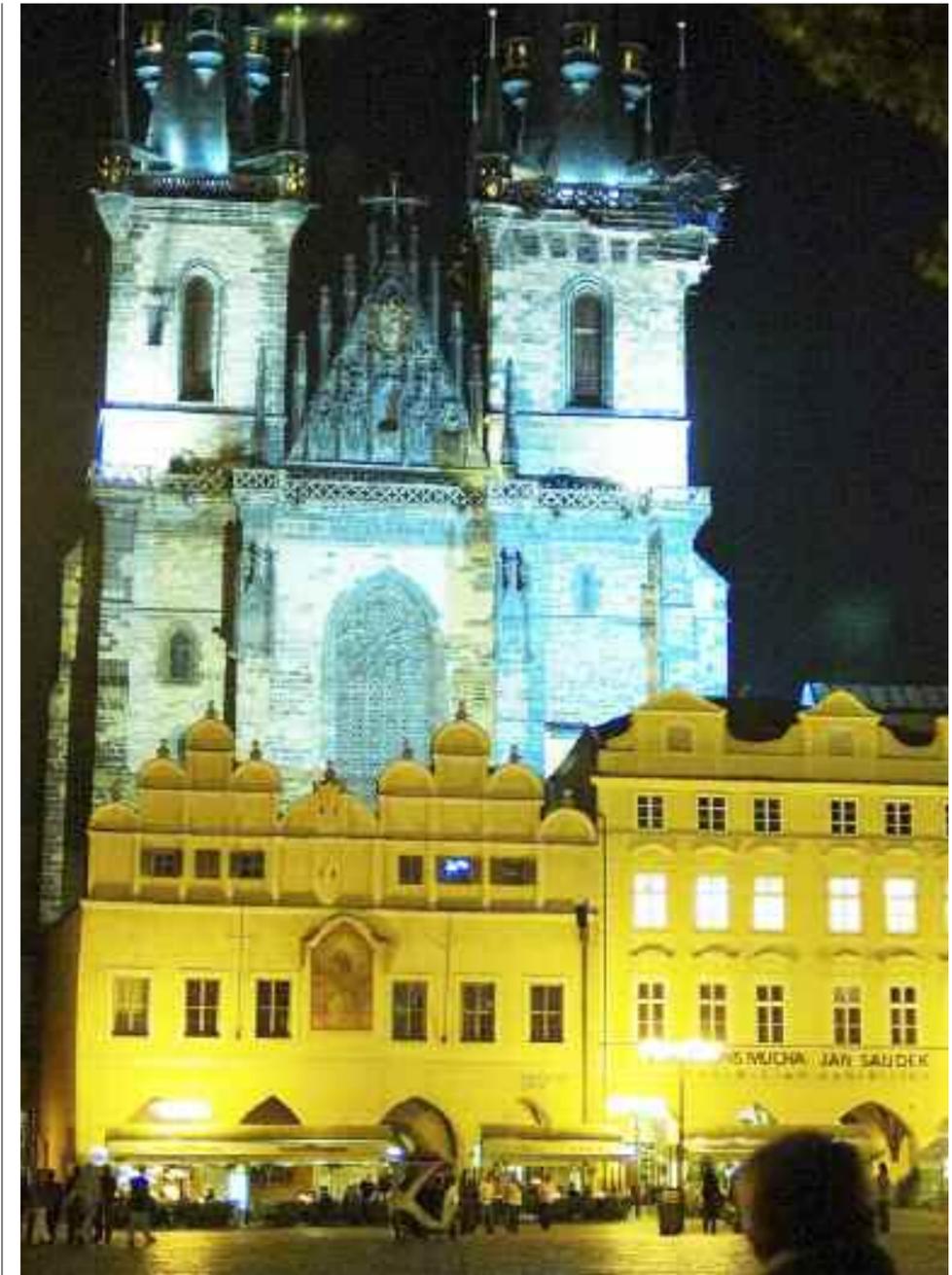
The historic and cultural city of Prague is a primary tourist attraction although the spa towns and mountain resorts are popular holiday destinations whilst some 2,000 plus castles and chateaux are also key attractions for visitors.

Meanwhile the last 15 years or so has seen an increase in the purchasing power of Czech citizens mainly due to the free market and application of democratic principles of the government.

The average wage is increasing both in the commercial and state sector and the Czech crown has been strengthening against foreign currencies.

In the year 1989 the average gross wage of Czech employees was CzK3,170. In 2005 it was CzK19,000 and by 2010 it is estimated to stand at around CzK25,000 (€990).

Czechs spend around one third of their income on groceries followed by housing



expenses (20 per cent), transport and telecommunications (15 per cent) and 10 per cent on culture and leisure activities.

There are almost one million prefabricated apartments in the Czech Republic although these are gradually being reconstructed.

There are several ownership types for housing - municipal flats which are rented with a lease from the municipality, a housing cooperative where the cooperative is the owner of

In the year 1989 the average gross wage of Czech employees was CzK3,170. In 2005 it was CzK19,000 and by 2010 it is estimated to stand at around CzK25,000 (€990).

the building and flats which are rented to members of the cooperative and personal ownership where individuals own houses, buildings or single apartments.

Prices for apartments have been rising steadily since 1990 and outpaced increases in real wages. The average price of a 68 sq.m apartment is CzK850,000. In Prague this can rise to as much as CzK3bn.

A census back in 1999 showed there

were just over four billion housing units in the country.

There has been a positive progress in the housing development market in recent years including the mortgage market improvements and increasing number of loans connected to housing.

The office market in Prague is particularly strong with leasing activity for the first half of 2008 standing at almost double the total recorded in the same period the previous year.

Office rents have increased, however there is a slowing of investment activity in Prague, as in other parts of Europe and new supply is limited due to the historic nature of the city centre.

Meanwhile since the demise of communism the Czechs have embraced consumerism which in turn has led to the construction of dozens of shopping centres and the retail sector is already well developed.

Shopping malls began to open in the mid 1990s and included the smaller mini mall Vinohradsky Pavilion and Myslbek shopping gallery and malls built under the passageways on Na Příkope Street.

Larger western style centres appeared in the early 2000s and there has been a boom ever since with around 60 of them now dotted throughout the country.

The total shopping centre sales space at the end of 2007 reached 740,000 sq.m whilst Prague has more shopping malls per head than any other country in central and eastern Europe.

One of the latest developments is the Palladium, a \$413bn shopping mall specialising in luxury goods which opened last year in the capital. There are 170 retail stores including Marks & Spencers, C&A and around 30 restaurants within 39,000sq.m of retail space.

The mall mimics the shape of the medieval fortress upon the ruins it was built and stands in Prague's old town opposite the now outdated 1970s Kotva department store, which like many of the department stores built before the fall of communism, are now struggling as the new style shopping malls open.

Other new centres include Arkady Pankrac in Prague 4 which is due to be completed this year with 40,000 sq.m of retail space while the new 31,000 sq.m



Galerie Moda Outlet Centre is currently being built near the airport.

The number of foreign owned super and hypermarkets has also boomed. Back in 1997 there were just two hypermarkets in Czech rising to 50 in 2000 and 160 in 2005.

The first hypermarket to open was a Globus brand in Brno. Within three years there were many international names including, Makro Cash & Carry, Ahold, Schwarz (Kaufland and Lidl), Rewe, Tesco, Tengelmann, Delvita, Carrefour and Spar.

Ahold Czech Republic is a division of the Netherlands-based company and is responsible for the Albert chain of supermarkets and Hypernova hypermarkets with around 300 locations in total. In 2006, Tesco bought 11 Carrefour supermarkets in Czech when the French company pulled out of Czech and Slovakia.

The number of foreign owned super and hypermarkets has also boomed. Back in 1997 there were just two hypermarkets in Czech rising to 50 in 2000 and 160 in 2005.

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GAMING MARKET

With more than 57,000 slot machines, the Czech Republic has roughly one machine per 200 Czechs which is the highest number per capita in the EU. In fact more than two thirds of the Czech adult population gamble. There are around 200 casinos operated by 29 companies and an estimated 5,000 gaming halls (hernas) dotted throughout the country with 60 plus in Prague alone.

The Czechs gambled a huge CzK90bn last year (US\$4.6bn) via its lottery and gambling activities and the country's gaming industry has just multiplied over the last few years.

The Czech gaming law 202/90 was prepared post revolution in 1989 by the Ministry of Finance in just four months and was introduced in May 1990. It includes the following:

- Licenses to operate lotteries can only be issued to legal entities with a

CZECH REPUBLIC: VITAL STATISTICS

Total Area: 78,866 sq.km

Capital: Prague

Population:

10,220,911 (July 2008)

Median age: 39.8 years

Male: 38.2 years

Female: 41.6 years

Ethnic groups: Czech (90.4%), Moravian (3.7%), Slovak (1.9%), other (4%).

Religions: Roman Catholic (26.8%), Protestant (2.1%), other (3.3%), unspecified (8.8%) unaffiliated (59%).

Languages: Czech (94.9%) Slovak, other

Government types: Parliamentary Democracy

Chief of State: President Vaclav Klaus (since 2003)

Head of Government: Prime Minister Mirek Topolánek (since 2007)

Cabinet: Cabinet is appointed by the president on the recommendation of the Prime Minister

Elections: President elected by parliament for five year term (eligible for second term). Last successful election held February 2008. Next elections due 2013. Prime Minister appointed by the President.



registered address in the Czech territory and the state or joint stock companies must have a registered capital of at least CzK100m.

- Betting games in bookmakers and casinos can be operated by joint stock companies with a registered capital of at least CzK30m.
- A deposit of CzK2m must be paid into a special bank for slot operators and CzK20m for casinos.
- Slots operate with a stake of CzK2-5 for those installed in arcades and maximum stake of CzK50 for casino slots. The highest payout is CzK300-750 for arcade slots and CzK50,000 for casino slots.
- The slots must have a minimum payout of 75 per cent whilst the highest hourly loss is CzK1,000 - 2,000 for arcade games and CzK10,000 for casinos slots.

- Linked machines in arcades and casinos can payout a maximum accumulative jackpot of CzK10,000 (arcades) and CzK100,000 (casinos).

- Arcades must be 100m from buildings such as schools, medical centres, governmental buildings and churches.

- Casino licenses are issued for ten years.

- Casinos pay the following taxes:

1. Live game revenue is taxed at 11 per cent flat rate of which 10 per cent goes to the central government and one per cent to the local Ministry of Finance as a supervisory fee.

2. Plus live games pay a sliding scale of tax on revenue which is CzK0-50m (6%); CzK50-100m (8%); CzK100-500m (10%); 500-1000 (15%) and over 1000 (20%).

3. Slots pay CzK50,000 tax per machine

Apart from several amendments over the years, the law in principal has never been changed. The most changes happened in 1998 which included a tightening of the age limit control, the minimum share capital for joint stock companies, more stringent checks on operators and employees and stricter penalties for violations of the law.

per year

4. Plus they also pay a sliding scale on slot revenue which is the same as the live game tax rates above.

Apart from several amendments over the years, the law in principal has never been changed. The most changes happened in 1998 which included a tightening of the age limit control, the minimum share capital for joint stock companies, more stringent checks on operators and employees and stricter penalties for violations of the law. Meanwhile municipalities were also given the authorisation to issue regulations for the operation of gaming machines.

As a result more and more gaming outlets began to open and today there are gambling parlours on almost every street corner. And this increase has always been tolerated due to the income they bring in. Casinos pay a percentage of their profits to the state whilst arcades

fund the local municipalities.

But the huge growth in the gaming sector does not come without its problems. Back in 2004 following a huge bomb explosion outside a casino in Prague the government was forced to sit up and take notice. The failed attempt at killing the casino owner sent ripples of money laundering rumours and the industry was suddenly in the spotlight.

The Mayor of Prague himself promised to reduce the number of gaming clubs and at the end of 2004 there was a call to remove slots from metro stations.

But there was a problem. The Transport Authority makes around Czk8m alone from renting its property to bars with slot machines, whilst the Prague districts collect around Czk140m from gambling clubs.

As these sectors waved these figures in the air, the government stepped back and nothing happened.

But more recently with an increase in gambling addiction problems the government has been again forced to re-look at the situation.

This time around the Ministry of Finance opened up a consultation process which was the first step in a comprehensive overhaul of the gambling legislation.

The figures alone show the huge growth spurt in the Czech gaming market. In 2003 some €3.2bn was bet compared to €3.4bn in 2004, €3.7bn in 2005, €4bn in 2006 and €4.4bn in 2007.

Meanwhile the total amount paid out in prizes shows the following €774m in 2003, €800m in 2004, €875m in 2005, €895m in 2006 and €978m in 2007.

One reason for the high increase year on year is in some part due to the arrival of the VLTs which were introduced following an amendment to the Czech law in 1998.

Last year this sector saw total bets of €176m which is a 646 per cent increase from the amount six years previously (or on average 100 per cent increase annually). By comparison, the AWP's remain popular machines, but saw stakes rise from €420m in 2005 to €509m in 2007 – an increase of 3.5 per cent per year.

It is estimated that video AWP's still have about 50 per cent of the market share compared to reel AWP's, although they



are becoming less interesting for players and are now being replaced by VLT terminals, which not only offer more to the players, but can also be controlled by the authorities. According to Czech distributor, manufacturer and operator, Synot, its domestic market has shifted from reels and video to one completely dominated by VLT products. Offering a wide portfolio of products in the local market, Synot has steered the development in Czech from a mechanical reels to video and now to the downloadable games environment. "We

Last year VLTs saw total bets of €176m which is a 646 per cent increase from the amount six years previously (or on average 100 per cent increase annually).

continue to sell a small number of reel-based games from JPM in Czech," explained Synot's Michaela Lejsalová. "However, the overwhelming trend in the Czech market is towards video lottery terminals. I believe that there will always be players who prefer mechanical reels, and we will continue to support them, but the future of gaming in the domestic market right now is focused on our VLT range."

The Ministry of Finance's summary of operational results for 2007 is shown in



Operation	Bet	Paid	Revenue from game	Amount paid in administrative charges to state budget	VPU (amount paid for public projects)
Lottery	7,256.9	3,579.4	3,677.5	70.1	718.6
Sportsbook	11,972.4	10,100.8	1,871.6	72.7	245.8
Bingo	150.7	105.5	45.2	4.5	3.2
Casino	9,625.6	7,714.9	1,910.7	210.0	158.8
Slots (AWPs)	57,165.0	44,630.0	12,534.0	1,998.0	840.6
Technical games	22,160.2	17,842.1	4,318.1	384.5	429.4
TOTAL	108,330.8	83,972.7	24,357.1	2,739.8	2,396.4

SOURCE: WWW.MFPR.CZ FIGURES IN CZK (MILLIONS)

the chart above. It shows that the highest revenue in 2007 was returned by gambling machines and amounted to Czk57.2bn.

Meanwhile, on the amusement front there are currently around 9,000 products in the market of which 4,000 are video games, 1,500 touchscreens and 4,000 sports games and jukeboxes.

FECs began to enter the market in the mid 1990s although today still have a tough time competing against the more

popular gaming arcades.

Back in the 1990s a huge entertainment complex opened in Czech and was the first of its kind in this country.

Babylon Centre is a family entertainment and shopping complex based in the Liberec region and has become a popular destination for both national and foreign visitors.

Within this entertainment complex, the aqua park is the most popular tourist

FECs began to enter the market in the mid 1990s although today still have a tough time competing against the more popular gaming arcades.

attraction whilst Luna Park provides fairground rides. There is a mirror labyrinth, virtual reality and laser games, children's castle, bowling alley and gaming arcade, night club, restaurants, cafes, bars and shopping arena.

There is a 1,000 room four star hotel on site or camping and B&B plus business and convention centres and the Casino Las Vegas provides a range of slots, American Roulette, blackjack, electronic roulette, dice and on-line betting systems for sports fixtures.

The bowling market in Czech has come to virtual standstill recently in terms of new developments although this is mainly due to the current economic crisis.

However those in the sector say although there has been no growth there has also been no decline. Nick Keppe of Bowltech said: "There has been some new input in terms of smaller restaurant facilities of two and four lane bowling, but the big lane developments have stopped now due to the current financial situation."

The reasoning is that many of the smaller locations are privately owned establishments who may still have ready cash available whilst the larger facilities are reliant on borrowing.

NEW LEGISLATION

The Czech gaming law is, of course, about to change and a new draft law is being put together and is expected to be finalised by 2010.

The idea is to develop a new law aimed at protecting the public, such as the underage and vulnerable.

Early last year the Ministry of Finance enlisted the help of Ernst & Young in the management of a public debate to discuss the main themes of the new gaming law which will replace 202/1990.

An open website was set up enabling public input from operators, associations and professionals regarding the new law whilst open discussions have been held for suggestions and comments.

Mr Ondrej Vltavsky, Head of the Gambling and Lottery Supervision Department at the Ministry of Finance said: "The challenge for Ernst and Young was to act as an independent, impartial and effective facilitator of this discussion with the end result providing various solutions to the main themes of gambling and lotteries."

In September last year the second phase of the public consultation was held whilst discussions regarding online betting continued throughout October and November. The finished product was submitted to the government at the end of 2008 and was due to be sent to the cabinet in March.

Subjects discussed include the arguments for and against online betting, the impact of the competitive environment, the economic burden on operators whilst also comparing the Czech law to other



CZECH REPUBLIC - A BRIEF HISTORY

Following the First World War the closely related Czechs and Slovaks of the former Austro-Hungarian Empire merged to form Czechoslovakia. During the interwar years, the new country's leaders were frequently preoccupied with meeting the demands of other ethnic minorities within the republic, most notably the Sudeten Germans and the Ruthenians (Ukrainians).

After world war II a truncated Czechoslovakia fell with the Soviet sphere of influence. In 1968 an invasion by Warsaw Pack troops ended the efforts of the country's leaders to liberalize communist party rule and create 'socialism with a human face'.

Anti Soviet demonstrations the following year ushered in a period of harsh repression. With the collapse of Soviet authority in 1989 Czechoslovakia regained its freedom through a peaceful 'Velvet Revolution'. On January 1 1993 the country underwent a 'velvet divorce' into its two national components the Czech Republic and Slovakia. The Czech Republic joined NATO in 1999 and the European Union in 2004.

Czechs spent around CzK108bn on lottery and betting games last year – an average of CzK12,900 per person over the age of 18.

The number of gaming machines (slots) increased by 12 per cent whilst video gambling machines increased by 50 per cent. It is also estimated that Czech could have up to 100,000 pathological gamblers.

In addition Members of the Czech Association of Poker Clubs are also pushing the Ministry of Finance to recognise poker as an official sport.

The game has surged in popularity over the last two years with an estimated 60,000 Czech poker players with around 1,000 organised into 19 official clubs around the country.

At the moment poker is permitted outside of casinos provided the game is played without any monetary stakes. It is not known whether poker game restrictions will be altered under the new legislation.

Meanwhile the new law will also address video gambling (VLTs). Under a provision in the law in 1998 these games were permitted and the Ministry of Finance authorised Sazka to offer betting games by way of a central lottery system with VLT and storeowner terminals.

At the time around 200 to 300 terminals were manufactured each month and sited primarily in casinos, sports bars and gaming sites as well as Sazka retail sites.

The central system and terminals were supplied by Cyberview Technology under a 10 year contract. It was the first system of its kind at the time to be licensed.

Starport is now Sazka's third biggest product after number lotteries Sportka and Stastynch 10 and stakes after deduction of winnings were up by 60 per cent in 2007. Starport offers nearly 30 slot, casino and number games, sports bets and instant lotteries and also offers a 'system jackpot'

There are now around 23 companies who license their own VLTs and there are a total of 15,000 electronic games on the market – 13,400 VLTs, 1,600 electronic roulette and 250 dice and other similar games.

Synot offers its own VLT system which was developed in cooperation with its

EU legislations.

In addition the industry is also suggesting a new concept of state supervision of its gaming sector. This will be in the form of either a separate office within the Ministry or a new division covering all aspects of gaming.

Mr Vltavsky added: "The aim of the process is to prepare a law that takes into account the principles set out at the beginning of 2008 such as the promotion of equal treatment of equal competitive environments, fair economic burden and the accountability of the state and municipalities."

Some suggest that gambling should be totally governed by a national law and

Early last year the Ministry of Finance enlisted the help of Ernst & Young in the management of a public debate to discuss the main themes of the new gaming law which will replace 202/1990.

not by decrees issued by individual municipalities.

At the moment gaming halls can be banned by a decree if located near to schools and medical facilities however some say this rule should come under a special law.

It has also been recommended that slots be limited to special premises whilst the number of gaming machines in bars and restaurants should be radically reduced.

An association made up of various business people, called Stop Hazard, is calling for changes including a law to reduce accessibility to gambling.

Stop Hazard want operators to lose their

license if found to be allowing under age players to gamble, they want local governments to have the power to decide if they want gaming establishments open on their streets and also to outlaw the 24 hour opening rule and a stricter control over taxes.

At the moment gambling establishments must give some of their profits to 'public' charities but some say many businesses merely set up their own foundations or charities and the money simply disappears.

Brett Samuelson, Managing Director of Czech Casinos said: "There is an argument that there are far too many casinos and arcades for a country of this size and there is widespread concern

about the number of arcades in particular that are currently operating.

"From our point of view the most important issue is how the government will implement the changes, what conditions for operating casinos and other segments and an improvement in the level of supervision from government gaming inspectors."

Apparently a survey carried out in 100 municipalities found that 80 per cent of Czech municipalities would like to limit gambling in their authority. More than 85 per cent said the negative effects of gambling such as crime overwhelmed the financial benefits the casinos brought to their budgets.

"There is an argument that there are far too many casinos and arcades for a country of this size and there is widespread concern about the number of arcades in particular that are currently operating."
Brett Samuelson, Managing Director of Czech Casinos.

Swedish partner, Boss Media. The company's portfolio offers IVT 1 and IVT2 products and IVT3 is currently being prepared.

Synot's Michaela Lejsalova said: "The growth of the VLT market is mainly thanks to new and constantly developing technologies which enable more interesting, attractive and player drawing product offers."

"There has been an expansion in online systems which offer higher bets and that is logically connected to higher wins. And because it is online technology it enables more transparent control of all transactions."

OPERATORS

The 200 casinos in Czech are managed by around 29 operating companies which include the following:

CZECH CASINOS

In cooperation with Casinos Austria International, Czech Casinos was founded in 1989 and became the first company to open a casino in the country. Today the group owns eight casinos including:

Casino Palais Savarin which is located in Prague in the Baroque/Rococo style dating back to 1745. The casino has 12 gaming tables, 12 Touchbet Roulette and 10 slots.

Casino Grand Brno is located in the Grand Hotel in Czech's second largest city and has seven gaming tables, nine Touchbet Roulette and 15 slots, whilst City Casino opened in 1991 and relocated to a new location in the town square of Plzen in 1998. It holds seven table games, five Multi Roulette and 10 slots.

Pupp Casino Club is located in the Grand Hotel Pupp in Karlovy Vary one of the most traditional and famous spa towns and Casino Ceske Budejovice is located in the town square of this 13th century city famous for its Budvar brewery producer of Budweiser beer. The casino has eight gaming tables and 15 slots.

Finally, Casino Savoy is located on the Czech-German border of Folmava and was opened in 2001. It is the largest and most luxurious of Czech Casino's operations and has 10 gaming tables, eight Touchbet Roulette, eight Multi Roulette and 51 slots.

CAI also operates the Casinos 777 brand. These were established in 1990 by one of



the first joint stock companies in Czech called Balnex Inc.

After they opened its Karlovy Vary operation in 1990 (the first casino in Czech), Balnex then opened several more 777 casinos with a management contract with CAI.

The company Balnex was renamed Casinos 777 Inc which today operates two casinos - the Casino 777 Brno site offers five gaming tables and is located in the main town square and the Casino 777 in Teplice offers five gaming tables, six Touchbet Roulette and eight slots.

MERKUR CASINOS

Merkur Casino is a member of the international operating arm of the Gauselmann Group which has in total some 70 entertainment centres across 10 European countries.

Under the name of Spielothek Czechoslovakia the company opened its first Czech arcade in Hradec Kralove in 1992.

The company quickly expanded with eight locations in 1998 and now has a total of 23 arcades operating throughout the country. On average the arcades are

Casino Grand Brno is located in the Grand Hotel in Czechs second largest city and has seven gaming tables, nine Touchbet Roulette and 15 slots whilst City Casino opened in 1991 and relocated to a new location in the town square of Plzen in 1998. It holds seven table games, five Multi Roulette and 10 slots.

around 300 sq.m in size and there are a total of 1,407 slots.

In 2000 the group linked up with partner Tipsport and transferred some of its arcades into multifunctional arcades with integrated sports bar and bookmaking offices. The arcades feature the Merkur gaming products like Merkur roulette and AWP machines equipped with jackpots.

The company's plan is to open a further three locations this year whilst continuing to sell its VLT terminals into the Czech market, manufactured by Merkur Gaming.

AMERICAN CHANCE CASINOS

ACC is a European subsidiary of a publicly traded US company Trans World Corporation (TWC) which has its headquarters in New York.

The company underwent an aggressive reorganisation in 2000 and now manages small to medium sized casinos and hotels. The casino division was branded ACC with themed designs implemented whilst TWC plans to develop three hotels near to the sites of three of its casinos. The government recently renewed the license of ACC for another 10 years.



The company now has four casinos in Czech, mainly located near the German/Austrian border including Ceska Kubice Casino near the German border with a 1920s Chicago theme and Rozvadov Casino near the Waidhaus border with Germany with a South Pacific theme.

Route 59 Casino is located in a small town of Hate between Czech and Austria and has the New Orleans theme. TWC is also developing a four star hotel called Savannah near this casino which was due to be completed at the end of 2008.

Route 55 is located in Dolni Dvoriste near the Austrian border and has a 1950s Miami Beach theme. There is 995 sq.m of gaming area with 23 tables and 120 slots and is ACC's largest casino.

ACC also manages one casino in Croatia called the Grand Casino Lav and Club InMotion which is located in the five star Hotel Le Meridien Lav in Split.

INGO CASINOS

Ingo Casino AG is a German company with its headquarters in the Czech Republic. The name comes from Ingolstadt where the owner's first operation was founded.

In Czech the company operates eight of the 30 or so casinos located on the Czech border with Germany. One of the most prestigious is the 12 year old Casino Bellevue in Marienbad just 40 km from the border.

It is located in a 150 year old building is the historic spa resort and the casino has 30 slots and 14 table games and VIP lounge.

The Ingo Casino Franzensbad located in the town of the same name was opened in 2000 after the company spent 18 month renovating the old building. It houses a bistro and restaurant.

Others include Pomez, Strazny, Zlin, Zelezna Ruda, Royal AS and Estor.

RITZIO ENTERTAINMENT GROUP

Ritzio Entertainment began its development of gaming halls in Czech in 2007 with the acquisition of the Gran Prix gaming chain.

Today the company has 35 gaming clubs and four entry level casinos in the country. The group's Gran Prix gaming clubs have been operating successfully in Czech and are based on Formula 1 themes.

American Chance Casinos is a European subsidiary of a publicly traded US company Trans World Corporation (TWC) which has its headquarters in New York.

The company underwent an aggressive reorganisation in 2000 and now manages small to medium sized casinos and hotels. The casino division was branded ACC with themed designs implemented whilst TWC plans to develop three hotels near to the sites of three of its casinos. The Czech government recently renewed the casino license of ACC for another 10 years.

GENTURY CASINO

Century Casinos was founded in 1993 in Delaware, USA and is an international casino entertainment company.

The company currently owns or operates a total of 20 casinos with 180 table games and 2,800 slots. These include two casinos in Colorado, one in Canada, two in South Africa and one in Czech alongside its cruise liner concessions. It also has a 33.3 per cent stake in Casinos Poland.

The Century Casino Millennium is located at the five star Marriott Hotel and Millennium Plaza shopping complex in the Prague centre.

The casino includes American Roulette, Blackjack and Pontoon as well as Triple Poker and an electronic version of Texas Hold 'em.

NOVOMATIC

Novomatic's sister company, Admiral Casinos and Entertainment, currently operates more than 750 casinos, electronic casinos and sports betting outlets and 85,000 gaming machines.

In Czech, the company has 34 casinos including their flagship - Casino Admiral Colosseum. This casino is located in Hate on the Czech/Austrian border and was opened on the day of the European Community's eastern enlargement.

It is sited close to the Excalibur City shopping outlet and is popular with day trippers, tourists and locals. The casino has an ancient Rome theme and offers a range of live gaming and slots.

Other casinos include Casino Admiral JR's which is also located in Hate, whilst Casino Admiral Bohemia and Casino Admiral U Novaku are found in Prague.

Admiral also operates 17 electronic casinos throughout Czech and the company also has manufacturing affiliates in Czech.

COMAR

Spanish company Comar operates casinos in Spain, Dominican Republic, Venezuela, Mexico and one in the Czech Republic.

The Casino President is located on the bank of River Vltava in the heart of the capital in the five star Hotel President.

It was opened in 1992 although following the floods in 2002 which



damaged it severely the casino underwent complete refurbishment lasting two years.

There are numerous table games from American Roulette, Blackjack, Pontoon or Caribbean Poker and slots.

CASINO VIP CLUB

This company has been operating in Czech since 1992 and today has the Ambassador, Club and Panorama Casinos which are all located in Prague.

The Ambassador is located in the hotel of the same name in Wenceslas Square and was opened in 1992 and the first casino in Prague to open 24 hours.

In 2002 the casino underwent a refurbishment and the casino now offers American Roulette games, Blackjack, pontoon, Oasis Poker and slots.

Casino Panorama is located in the hotel of same name and includes a congress centre on site whilst the Casino Club is located in Corinthia Towers Hotel but is closed temporarily.

The group offers Just For Fun in all

Although Czech companies can not offer online casino gaming there is an infusion of foreign companies offering pages in the Czech language backed by advertising campaigns.

With around 100,000 gamblers in Czech there is a huge interest in the online market and it is estimated that CzK4bn is spent on foreign online gambling sites in the Czech Republic.

casinos from 8pm until 10pm where new players can play the games for free to familiarise themselves with the various games.

LOTTERY AND BETTING

In January this year, after years of lobbying, the Ministry of Finance is finally issuing permits to introduce online sports betting for Czech operators. This has been permitted under a clause in the existing law.

In the past no form of online gaming was permitted in Czech, which included online casinos and online sports books. Czechs who wanted to make a bet traditionally went to casinos, arcades or betting shops.

Although Czech companies can not offer online casino gaming there is an infusion of foreign companies offering pages in the Czech language backed by advertising campaigns.

With around 100,000 gamblers in Czech there is a huge interest in the online market and it is estimated that CzK4bn is spent on foreign online gambling sites in the Czech Republic.

The problem with monitoring and controlling online betting sites is a world wide problem. It is estimated there are 15,000 such sites on the web, of which 13,000 are illegal.

Foreign online operators, particularly UK companies, have been offering online betting to the Czech market for some time and intentionally target Czech customers by providing sites in the Czech language. Many of these online companies have even increased their profile by TV commercials or by sponsoring sporting teams.

These online gaming companies argue they have better guarantees for age control via online gaming (ie: asking for ID for prizes and the use of credit cards for bets) and often with limited betting amounts.

Under Czech law players found taking part in online gaming could be fined up to CzK50,000.

It is understand the biggest foreign player in Czech at the moment is Bwin which has around 70 per cent of the Czech market.

So far the Ministry's attempts to block what they regard as unlawful internet gambling options have so far fallen by the wayside thanks to European law which protects the companies.

Foreign firms say online betting is unstoppable while domestic rivals have always claimed that if this is the case, then they should be permitted to share in the rich pickings and have been campaigning for such rights for the last three years.

Fortuna had already applied for a license whilst Sazka had set up its e-sazka site in anticipation. Fines for any Czech company offering online services was US\$23,000 with a possible loss of license.

With ongoing talks with the Ministry of Finance it was always assumed that online gambling was set to be legalised even though the street market plans to suggest recommendations to help stamp out the online gaming activities completely.

At the end of 2008, Mr Samuelson of Czech Casinos said: "The government has so far rejected any license application for online gaming but this option is becoming more relevant from our point of view. Regulating this segment is the main issue, along with possible taxation on revenues and this is currently being debated from an EU level."

Meanwhile the Ministry of Finance's Ondrej Vltavsky had made some suggestions on how to combat the age limit problem.

He said: "There are variations of how to resolve the situation such as betting on the internet only in gambling centres, operating a gambling club where the age of players can be checked onsite or players will have to present an identity type card."

However in January this year all this all changed when the Ministry announced that five of the country's largest bookmakers are now set to receive permits for online sports betting.

Fortuna is one of the companies believed to be in line for the permit. It is understood that the change of heart is partly due to the large amount of money being lost in taxes by the foreign companies who already operate online gaming. By granting permits the country can now start benefiting and have some



legal control over the sector.

It is believed one of the restrictions will be for players to register in an actual office with ID card before they can access the internet which should help prevent underage users.

There were several lottery and sports betting companies eagerly waiting for the law to change.

Sazka is a joint stock company founded in 1956 and today is the largest lottery operator and the largest non-governmental provider of funds for good causes in Czech.

It launched its first odds betting game in September 1956 on the results of sports matches and events and became a public limited company in 1993.

According to a survey compiled by US magazine Forbes the company is also the third most successful company in Czech (in terms of revenues and profits) after SSP Bohomia (gas company) and CEPS (power industry).

It operates several lotteries including

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number lottery, instant lotteries, odds and sports betting and VLTs alongside a number of other non-lottery activities.

In 2007 Sazka reported total revenues of CzK10.4bn (€422.48m) with a net profits of CzK1.4bn (€56.87m). Betting and lottery activities made up more than 90 per cent of the earnings after tax.

Total proceeds to good causes exceeded the CzK1bn mark with Sazka paying out nearly CzK285m to good causes in sport, physical education, culture and healthcare.

In 2007 Sazka expanded the Starport VLT game portfolio by three extra games and this sector saw its revenues increase by almost 60 per cent from the previous year to CzK192bn.

Sazka had 946 outlets operating odds betting in 2007 and 6,500 online terminals available in a wide range of outlets ranging from petrol stations, post offices, shops, restaurants, newsagents and bars.

In anticipation of the proposed changes regarding online gaming in Czech, last

year Sazka launched a play-for-fun online casino.

Sazka has focused heavily on its online system which aims to give the public a taste of what will come and in the meantime possibly beat a potential influx of foreign competitors who will no doubt enter the market if the country's law changes and legalises online gaming.

The new e-sazka.cz site enables players to make bets at home and then place them at the Sazka terminals or via phone after registering with the Klub Sazka loyalty scheme. The games offered include roulette, blackjack, texas hold 'em and other poker games on a play-for-fun basis with the ability to switch to real money gaming when and if the law changes.

If no changes happen the site will continue as a 'fun' only portal. The e-sazka.cz site was set up in January 2008 and usually Sazka, which usually offers no more than 800 betting events per week says the e-Sazka portal will offer up to 4,000 a day.

Meanwhile the sports betting industry also includes several other operating companies including TipGames, which was founded in 2002 as a subsidiary of the largest Eastern and Central European bookmakers Tipsport.

TipGames mainly deals with the operation of gambling machines and electronic roulettes and also has a license to operate VLTs.

The company is headquartered in Prague and first opened a Sportbary games centre in 2002 in Lovosice and now has 70 locations and also has products in more than 200 establishments in Czech.

Tipsports is one of the biggest betting shops in Eastern Europe and was established in 1991 with the aim of becoming a major shop in the area of odds betting.

Today, Tipsport has a network of around 950 branches in the Czech Republic although bets can be placed by telephone. Fortuna Group is the biggest operator of sports betting in Europe and the group includes companies in Czech, Slovakia, Poland and Croatia.

The parent company was established in the Czech Republic in May 1990 and lays the foundations to odds betting in Central Europe.



It opened a network of branch offices throughout the country and in 2005 was acquired by the Czech/Slovak private equity group Penta Investments. This company joined Czech Fortuna with Slovak betting agency Terno and Polish betting agency Profesjonal in the same year. Croatian betting agency Favorit joined the group at the end of 2007.

Penta has 100 per cent stake of Fortuna, 100 per cent stake in Terno, 33 per cent in Profesjonal and 80 per cent in Favorit.

The company then underwent a renovation programme with new software and products whilst each of the Polish, Slovak and Croatian companies then changed their names to Fortuna.

In Czech, Fortuna now has 600 betting shops covering sports betting, live betting, phone betting, lottery and games and 170 sports bars. They sell around 100,000 tickets per day with around 4,000 odds per day.

Sportsbook Chance is a joint stock company founded in 1991 and opened its first branch in Ostrava.

Today the company has more than 500 branches throughout the Czech Republic and is still expanding rapidly. Since 2000 bets can be made over the telephone via Telechance and since 2003 a loyalty system Golden Club has been working giving members extra benefits such as

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discounts and free gifts.

Finally Synot Tip is a successor of the Teletip organisation which deals with foreign exchange betting via the phone.

It is part of the Synot Holding group and was established in 2003 to primarily focus on betting exchange particularly sporting events. This system is offered via the online terminals which can be installed in any location throughout the country.

Synot Holding is made up of 50 individual companies in Czech and 15 companies in other European countries.

In Czech the companies not only focus on AWP and VLT gaming products but also operate their own gaming arcades and currently operate 3,000 AWP's, 2,000 VLTs, 1,000 sports betting sites within the arcades and 250 other devices such as roulettes.

Synot's Michaela Lejsalova said: "There are a lot of companies which operate abroad which have Czech alternation on their web pages and this is 'illegally' offered in the Czech Republic.

"Synot wants online gaming to be approved in Czech legislation which would then make the market transparent and all providers would have the same right and obligations which also relates to the same tax payments to the state."

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The Germany gaming market continues to evolve with new operations and new machines changing the face of gaming

In this edition we take a look at how the casino slots and AWP in Germany are regulated. The most highly populated country in the EU has over 220,000 AWP in operation in almost 8,000 arcades. The 85 casinos operate around 8,000 slots.

Let's us begin with an anomaly by looking at the different levels of regulation between casino slots and AWP (street machines). These two sections fall under different jurisdictions due to the fact that they both cater for different market-segments. The federal government is responsible for the street market, whereas the local states (there are 16 of them) govern the casinos.

AWPs are governed by the federal gaming law called the Spielverordnung. This gives explicit details of what can or cannot be done. Basically, these regulations ensure a legal, well-working market. There is no limit on the number of arcades allowed in Germany. The restrictions focus on how much can be won and lost per set definition and the locations in which the AWP can be found.

Let's look into these restrictions. The Spielverordnung is split into 20 separate paragraphs with the most recent edition that became law on January 1, 2006, paving the way to a completely different type of market. There is no restriction on how an AWP has to look, which has resulted in the opening of the market to multi-games. The Spielverordnung relates to both AWP and machines that pays out prizes. AWP may only be sited in arcades, locations where food and drink are served and can be consumed and at bookmakers.

The number of AWP is regulated – with a maximum of three for bars/food locations and bookmakers and 12 in arcades. The way the AWP are placed in the arcades is regulated again. Each AWP requires 12sq.m. floor space – which leads to a minimum size of an arcade of 144sq.m. and only two AWP may be placed side-by-side. There has to be a gap of at least one metre between the AWP and a physical barrier that juts out 80cm. This has been done to hinder players playing on more two AWP at any one time.

Each arcade has to have a 'concession,' in other words a licence to operate. It is possible to have multi-concessions, in other words several arcades linked together on the inside but looking like one big arcade on the outside. This has an anti-Tardis effect, going from the large to the small. The reason is simple. By law each concession/arcade has to have its own entrance and exit and it is not possible to enter through between the arcades. This sometimes gives the impression of being in a rabbit's warren, looking for a way to get from one hall to the next. Operators are showing interesting solutions around this. The most popular seems to be to place a walking zone in the middle to enter into several halls. It's like a star formation.

The entrance/exit to the arcade must be accessible from outside. Depending on your point of view, this is allowing the player greater choice or negating the reason-d'etre of the law – with the concern that large arcades closely resemble casinos with the increased potential of problem gaming.



Germany - past and present

The federal government focuses on preventing addiction and all AWP have to be clearly marked as to how they operate and there's a number to call if any player feels they need specialist help. It's a fair comment that the German AWP industry works very hard to prevent gaming addiction. In casinos the new ruling of interlinked entry control is there to prevent banned players from one casino being able to play in another.

The emphasis is also very much on

entertainment for AWP. Alcohol is in a way seen as something that can impede this and reserved for gaming-only locations, thus allowed in casinos. If an arcade owner wishes to serve alcohol, then the number of AWP allowed reduces to three per arcade. A trading licence is required to operate an arcade. Here it clearly states where an arcade may not be operated, for example, near schools. Furthermore, it clearly states that only bona-fide people may receive a trading licence, which may be withdrawn at any time should the

licensee come into disrepute. Only one testing body is allowed to license AWP, namely the PTB in Berlin. Each AWP type requires a licence which costs up to EUR 4000, potentially up to double that in certain cases. An AWP manufacturer may only sell AWP that have a licence. Each machine sold requires a licence form that clearly states several things – type of AWP, name and address of owner, explanation of the AWP, identification of the hardware and software and the length of time the AWP may be operated.

An AWP has to undergo a licence renewal every two years to allow its continued operation. Paragraph 13 clearly states the limits. The maximum stake is EUR 0.20 with a maximum win of EUR 2 for a five second game. If the length of the play increases, then the stakes may increase as well, by three cents per second for the stake and 30 cents per second for the win.

The maximum loss may not exceed EUR 80 per hour, with an averaged-out loss per hour of EUR 33 to be adhered to.

Looking at the market size of AWP, the coin-in was at EUR 6.8bn in 2006 with coin pay-out at EUR 4bn. The gross revenue was approx

The maximum win is EUR 500 per hour. The maximum credit allowed is EUR 25 – this is why the banknote readers in the Germany's AWP machines do not accept the EUR 50 note.

Looking at the market size of AWP, the coin-in was at EUR 6.8bn in 2006 with coin pay-out at EUR 4bn. The gross revenue was approx. EUR 750m or approx. EUR 3,400 per AWP. The gross revenue for casino slots was approx. EUR 2.3bn or approx. EUR 267,000 per slot per year.

Ulrich Schönleiter works for the Federal Ministry for Economics and Technology and has much experience with the German gaming laws. He explains that the whole set of rules and regulations ensure legal operations in Germany. Secondly, as all manufacturers and operators must follow the same guidelines, this allows a level playing-field in the market. Free market aspirations are catered for in the way that the number of arcades allowed are not de jure limited. Mr. Schönleiter furthermore expressed that the federal government is aware of the dangers of over-regulating the AWP market. An over-regulated market may entice illegal operations, something that the federal government works very hard to ensure does not occur.

The states have a legal monopoly on casino gaming. The restrictions are in themselves limited. Players can win up to EUR 50,000 on one slot and up to EUR 500,000 via a jackpot. A player can lose up to EUR 50,000 in one hour and the average loss per hour is approx EUR 300 per slot. There are no restrictions on stakes nor wins. Thus, banknote readers commonly accept the EUR 50 note. Not only that, some casinos accept right up to the EUR 500 note.

The 8,000 slots generate approx. EUR 780 million in taxes p.a., thus at over EUR 90,000 per slot. The amount of tax reaped per AWP is much lower at about EUR 450 per AWP. With over 25 AWP's being operated per each casino slot, the total tax revenue from AWP's is above the EUR 1 billion mark.

Returning to the federal Spielverordnung, Mr. Schönleiter underlines the fact that regulations require flexibility. He gives an example of a recent change in the rulings. Via a point system some AWP manufacturers were allowing a pay-out win reaching EUR 7000 (paid out at rates of EUR 500 per hour). This goes against the intention of the law, as such high pay outs resemble casino slots and potentially increase player addiction. Therefore, all AWP's licenced by the PTB from July 1 onwards may only allow a maximum one-off win of EUR 1000.

The question remains what happens to the 150,000 AWP's that are in the market according to the Spielverordnung. These AWP's must be updated to resemble the new rulings and so receive a new licence. However, this change does not have to be completed overnight – manufacturers and operators have until 01.01.2011 to ensure that they achieve this.



The reason for the generous time scale is to avoid potential legal conflicts with operators and manufacturers, as the AWP's in operation today corresponded to the current AWP law. Mr. Schönleiter therefore advises that governments who are contemplating altering their AWP laws integrate a limited time span that a particular AWP may be operated. The affects of a gaming system are not fully clear until it is released in the market. Therefore, governments should allow themselves the right to be able to alter the laws when necessary.

OPERATING AWP'S IN GERMANY

In 2007, there were approx 220,000 AWP's in operation in Germany. The German law has set room for growth

Mr. Schönleiter advises that governments who are contemplating altering their AWP laws integrate a limited time span that a particular AWP may be operated. The affects of a gaming system are not fully clear until it is released in the market. Therefore, governments should allow themselves the right to be able to alter the laws.

with a possibility of placing three instead of two AWP's in diners and 12 instead of 10 within the country's arcades.

Being a bureaucracy-friendly nation, one would expect detailed information on arcade owners, the number of arcades and the overview of who owns what. However, here the market bureaucracy lovers are stifled and statistic hunters challenged. Each German state has its own association/lobby as many laws are governed by the local states.

The national arcade owner association is known as the Bundesautomatenverband (BA) and can boast a membership rate of less than a third of the market.

Approx. 2,500 arcade concessions are members of the BA out of a total of 8,000. But what does a concession mean? The arcade concession refers to one arcade hall (the better term is often room) where a maximum of 12 AWP's can be placed.

Returning to the structure of the market, there seems to be one side that is very public in its intentions and one side that wants to be left alone to get on with their business. In other words the large and small operators.

The major players can be linked into five chains – the Gauselmann Group, the Novomatic group, Löwen Play, the Ritzio group and the Schmidt Group.

The Novomatic Group operates a number of arcade chains. In the last two years Novomatic has greatly increased its presence with the emergence of Extra Games and Alpha Play.

The Gauselmann Group runs its arcade operations in Germany under the name of Merkur Spielothek. There are approx. 200 of these in Germany, mostly with multiple concessions per site.

The Novomatic Group operates a number of arcade chains. In the last two years Novomatic has greatly increased its presence with the emergence of Extra Games and Alpha Play. Extra Games is operating in five German states with a clear focus in Southern Germany. Presently over 100 arcades are run under the names Spielcenter Extra or Novolino. Next up is Alpha Play that are strictly linked with operations in the most-populated German state – Northrhine Westphalia. Alpha Games was formed in

2006 and already has over 12 multi-concession arcades. Another traditional arcade group is Löwen Play, which formerly belonged to NSM-Löwen, but was sold to ABN Amro and then in turn to a private investor. Despite the Löwen name, the arcades do not belong to Löwen/Novomatic. Figures from August 2006 showed the Group to own and operate 159 arcades, but this figure has risen and the company currently operates 200 arcades and is expanding this number further.

Ritzio, although relatively new to the German market, is making strong inroads. Ritzio exhibited for the first time at this year's IMA and already has 160 gaming clubs operating over 2,700 AWP's in 33 cities and towns across Germany. The strong message is growth with a plan to increase its presence tenfold by the end of the year. The brand name of Ritzio's arcades is called Vulkan Stern.

Finally, the Schmidt Group is a large independent arcade chain owner. This company definitely has financial clout as during the IMA it was rumored that this company was planning to purchase Bally Wulff – a rumour that was killed immediately by the owner of the Schmidt group. The Schmidt Group runs over 160 arcades in Germany.

Thus, the larger groups dominate the market with an estimated 2,500 of the 8,000 arcade hall concessions. Another 5,500 are in smaller hands. The question is, for how long? Ritzio is not the only large operator looking for growth. Both Uwe Köppel and Christian Kägeler were independent operators until recently. Both sold their arcades to Ritzio and joined the company to help spearhead its growth. Merkur Spielothek had its own stand outright at this year's IMA.

Dieter Kuhlmann – Merkur Spielothek's Managing Director – explained of the company philosophy. The company is actively looking to expand its operations. Indeed, independents need not part with their arcade completely thanks to the 50-50 concept. Here an independent can team up with Merkur Spielothek, each investing 50 per cent into the joint venture. Merkur Spielothek manages the arcade/machines 100 per cent and from the remaining profit both sides receive 50 per cent.

This sounds enticing for those operators who want to pull away from the active management but want to keep a slice of the business. Naturally Merkur Spielothek want to grow their brand so this offer is made under the condition that the arcade is renamed Merkur Spielothek. This offer focuses on the

possibility to link individual arcades into a larger multi-hall arcade. Indeed, all the major operators are offering to either buy independent arcades or form a joint venture. There are certain stipulations. For example the location. Locations in large towns and cities are preferred.

THE WIDER MARKET

All in all, 2007 was a good year for the coin-operated vending and amusement machine industry in Germany and the outlook for 2008 remains positive despite the troubles in financial markets. The new gaming regulations that entered into force on January 1, 2006 triggered a sea change in the offer of amusement machines with and without prize in arcades and pubs.

In the last year, operators continued to invest heavily in amusement machines with prizes that comply with the new gaming regulations. In total, more than 100,000 AWP's were sold, which corresponds to an increase of approximately 19 per cent.

The new gaming regulations gave our industry the possibility to make headway, although the Bundesrat in the last minute curtailed the original version of the gaming regulations as drawn up by the Federal Ministry of Economics. As chairman of the industry association and as an entrepreneur I have every reason to look confidently into the future.

The provisions of the new gaming regulations ensure the player protection that is politically desired by clearly limiting the stakes and wins on the one hand. On the other hand they offer game developers and manufacturers more freedom, i.e. allow them to finally offer interesting amusement games also in Germany – that are already common almost everywhere else in Europe. The increased entertainment character of commercial gaming with AWP machines is the decisive reason for the positive trend in recent months."

According to critics, however, the result is that when the old gaming regulations were still valid an average of 2.57 machines were played for 12 second games, which has fallen to today to a figure of only 1.38 machines. And this despite the fact that many last generation machines are still in the field. In other words, the barriers to prevent players playing several machines simultaneously appear to be working.

Furthermore, under the old gaming regulations the average hourly income per machine was EUR 20.00 to EUR 25.00. With the new machine generation it has dropped to EUR 15.00 to EUR



20.00. Meaning people play significantly longer for considerably less money. This is an effect of the new gaming regulations that the legislator wanted to achieve and that was in the end also put into practice by the manufacturers.

Almost 18 per cent more juke boxes, sports and amusement machines with and without prize were sold in Germany in 2007. The mainstay of the industry, the amusement machines with or without prize are no longer the

Almost 18 per cent more juke boxes, sports and amusement machines with and without prize were sold in Germany in 2007.

traditional simple wall-mounted or upright AWP ("Daddelautomaten").

Video-based machines are offering 20 or even more games appealing to a wide audience. They also meet with tremendous interest, so that they have excellent capacity utilisation, especially in arcades. This makes arcades much more attractive and among others has the effect that what used to be a purely male domain in the past now also attracts a sizable number of women. On



average they made up far more than 10 per cent of the patrons in arcades in 2007.

The Physikalisch-Technische Bundesanstalt (PTB) announced 113,154 new approvals for the most important product group – amusement machines with prize in 2007. Since not all machines with approval actually come into use, the market volume of the machines was somewhat lower, with more than 100,000 machines sold or leased, whereby the demand increased by approximately 19 per cent.

The investments resulted in an increase of amusement machines with prize installed in arcades to an average of 10.6 machines per arcade license. However, this number is still significantly lower than the maximum number of 12 machines admissible on a minimum surface of 144sq.m.

As of December 31, 2007, a total of approximately 360,000 amusement machines with and without prize, sports gaming machines, and the coin-operated internet terminals were installed in Germany. For many years the country had seen a dramatic drop in the numbers of amusement machines and sports gaming machines in the field

which dramatically decreased after the ban on fun games came into force on January 1, 2006. At the end of 2005, more than 80,000 fun games had been installed in Germany.

The industry expects another slight growth of the number of machines installed for 2008, because almost all of the fun games have been dismantled and there is space available now to install the latest generation of AWP's that are well accepted by players. But a positive trend is also expected for the product groups of touchscreen machines, pinball machines, internet terminals, and sports gaming machines etc.

Last year, the new gaming regulations that improved the framework conditions showed a tangible benefit to Germany's operators, who saw their revenues rise by 8.1 per cent to EUR 3.3bn. In a nutshell, after negative developments in 2006 revenues have reached the 2004/2005 level again. Manufacturers generated revenues of EUR 420m and the wholesalers revenues of EUR 450m. Revenues totaled across all sectors of the industry amount to EUR 4.18bn, which corresponds to an increase of about 9%.

In recent years, commercial AWP gaming has continuously lost market

"Since the beginning of th 1980s, casinos with their gaming halls have been chasing customers in our market. With 10 cent machines without ceiling they entice part of our customers to their machines – without any regulatory framework. Neither stakes nor wins are limited. Machines do not have to be approved. In view of the possibility of large assets changing hands, player protection at these machines is a farce."
Paul Gauselmann, Gauselmann Group.

share in the gaming and gambling markets. At the same time, state-owned casinos as well as lottery and pools have reached a market share of 75 per cent (in 1995 the market share was 70 per cent).

The conditions of the previous gaming regulations made it impossible for the very stringently regulated commercial gaming industry to follow the growth of state-run and state-licensed gambling with prize. At the same time, according to arcade operators, the lottery and casino market has infringed upon its core player market.

"Since the beginning of th 1980s, casinos with their gaming halls have been chasing customers in our market," states head of the Gauselmann Group, Paul Gauselmann. "With 10 cent machines without ceiling they entice part of our customers to their machines – without any regulatory framework. Neither stakes nor wins are limited. Machines do not have to be approved. In view of the possibility of large assets changing hands, player protection at these machines is a farce. Furthermore, you will find 100 machines on average in a gaming hall, in contrast to a maximum of 12 amusement machines with prize in commercial operations."



OctaSupplies

Octavian supplies world-leading casino and amusement equipment through which game content and related services are delivered easily and attractively to customers



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Octavian develops systems and game content and provides complete end-to-end lottery solutions, from consulting and set-up, through systems implementation and supplier management, to marketing, training and ongoing support



Mr. Gauselmann deplors the fact that some casinos and the Ministers of the Interior of the Länder use the excuse of player protection to hide what he sees as anti-competitive practices when complaints are made as to the similarity of AWP machines and casino slots. This was accompanied by the threat to use an initiative in Bundesrat to make the gaming regulations even more stringent. However, with the new approval rules that reduce the possible win scores but do not curtail the actual direction of the gaming regulations, the Federal Ministry for Economic Affairs contributes to making the discussion more objective.

“We are able to live with the new rules. We can also live with the restriction that wins in the form of points or special games must not exceed a potential cash value of EUR 1,000.00, because the players are usually rather more interested in the entertainment than in the actual wins. Only true gamblers will be disappointed,” stated Mr. Gauselmann.

OPPORTUNITIES AND NEW ENTRANTS

Ritzio Entertainment Group took a stand at the IMA show in Germany at the start of the year to underline its commitment and stance on the domestic market. The company used the stand to inform the market as to the aims and ambitions of the Eastern European company in Germany's operations business, to develop contacts with local machine manufacturers and meet with domestic operators looking to merge their operations with those of the Ritzio Group.

Developing an enormous multi-national gaming operations business in such a short timeframe is a major undertaking that Ritzio has achieved without breaking its stride. Its projections for market growth in Spain, Italy and Germany are unprecedented in the European gaming market, as is the company's ability to micro-manage its operations within markets that now span: Romania, Ukraine, Russia, Germany, Italy, Belorussia, Bolivia, Colombia, Peru, Czech, Estonia, Serbia, Croatia, Latvia and Lithuania.

It's obvious that the group has spent a great deal of time, effort and resources in ensuring that its operations in every market in which it operates meet the standards and best-practice that has proved so successful to date.

To maintain its constant grip on an ever widening international operating base, Ritzio relies upon its analytics department, which is effectively an Intranet that the company utilises to



share information between operators to increase profitability across the ever expanding group.

Using its knowledge base, Ritzio has been able to evaluate different geographical markets, diversify in terms of products and legislation, and present models for growth based on empirical data from over 900 locations and 50,000 slot machines.

The degree of market scrutiny undertaken by Ritzio is remarkable. Its

Ritzio determined that the local market was not developing as quickly as it could and should. By establishing a company in Germany, Ritzio could quickly establish its business model in the marketplace.

management team is like a walking encyclopaedia of gaming legislation, facts, figures and regulatory information. This detailed knowledge of the European gaming market has led the company to new markets in 2007-08 in Italy and Germany. In 2007, law changes in both of these countries made it possible to establish the Ritzio gaming model in both Germany and Italy. Ritzio had previously examined these markets, but had determined that it was impossible, even through a policy of widespread acquisitions, to develop the business in



these markets. However, the liberalisation of the law created new opportunities.

Ritzio determined that the local market was not developing as quickly as it could and should. By establishing a company in Germany, Ritzio could quickly establish its business model in the marketplace. In the end, Ritzio in fact created three companies over a three-month time period with local groups supplying top tier management to run these new businesses.

Ritzio used its business model, infrastructure and sheer financial muscle to launch itself into the German market. Where possible, Ritzio uses local management, training and develops best-practices in this changing marketplace.

As the company continues to acquire small-scale operations at a rapid pace, several location managers have left the company, but many have also been revitalised by the processes and procedures put in place by Ritzio. While there have been many operators looking

Ritzio has first-hand experience of unstable markets and wants to ensure that it invests in gaming markets with long-term prospects. As such, in Germany, Ritzio is not just acquiring companies, it's also developing its own halls.

to retire from the business, there are also those looking for new opportunities presented by a major company that provides support and growth potential.

Every location Ritzio creates or acquires is unique. Unique in terms of the set of circumstances in which it operates, its staff, its legal requirements, players and environment. The company encountered a lot of businessmen that had created a family business, but whose sons and daughters had no interest in a career in gaming.

There were also operators who would want to renovate their location, operate higher quality machines and deliver greater service-levels, and for whom a merger with Ritzio was a perfect solution. In order to process such a wide range of differing challenges, Ritzio created a management model that adapts to each location while at the same time delivering the right business model for its individual needs.

Management, operating and financing are standard procedures that Ritzio adopts throughout its international gaming estate. While there are certain requirements that the company absorbs into its basic model, such as the need for surveillance in Germany's gaming halls as opposed to security staff, which is the norm within its other sites, the methods and the means by which Ritzio implements them may differ, but its standards remain the same.

Ritzio fundamentally believes that the AWP markets of Germany, Italy and Spain are the same as the casino slots business that it has established in its other markets. Taking a long-term investment view, Ritzio is seeking to grow its business over 5-10 years in stable gaming markets with stable laws, in which operators are made aware of the factors affecting future business.

Ritzio has first-hand experience of unstable markets and wants to ensure that it invests in gaming markets with long-term prospects. As such, in Germany, Ritzio is not just acquiring companies, it's also developing its own halls. The pace of development will not be as quick, but there are a large number of self-build projects in the pipeline.

The company has already determined a specific format for its gaming halls that Ritzio believes will be successful in the market. Ritzio is creating a range of large-scale halls and its currently working with three manufacturers in Germany to supply machines for these locations.

Casting wide the spotlight



Unconventional, overly complicated and convoluted, the French market is in equal measure both fascinating and frustrating

The name France comes from the Latin Francia, which literally means 'land of the Franks' or 'Frankland.'

The borders of the country are pretty much the same as those of ancient Gaul, which was inhabited by the Celtic Gauls from as early as 1000BC.

The land was conquered by the Romans and Julius Caesar in 52BC and the Romans ruled for the next 500 years, during which time the Gauls adopted the Latin language (from which French evolved) and the Roman culture.

In the fourth century AD, Gaul's eastern frontier along the Rhine was overrun by Germanic tribes, mainly the Franks, and this tribe was the first among the Germanic conquerors of Europe, after the fall of the Roman Empire, to convert to Catholic Christianity.

Existence as a separate entity began with the Treaty of Verdun with the division of Charlemagne's Carolingian empire. The Carolingians ruled France until 987 when Hugh Capet was crowned King of France and the Capetian dynasty began its 800 year rule.

Hugh Capet's descendants unified the country through a series of wars and dynastic inheritance and as a result the monarchy reached its height during the 17th century and the reign of Louis XIV.

At this time France possessed the largest population in Europe and had tremendous influence over European politics, economy and culture.

French became the common language of diplomacy in international affairs and France also obtained many overseas possessions in the Americas, Africa and Asia.

The French revolution in 1789 saw the end of the monarchy and the execution of Louis XVI and his wife Marie Antionette together with thousands of citizens.

After several short lived governmental schemes, Napoleon Bonaparte took control of the republic in 1799 making himself Emperor of the 'First Empire,' which held power in France from 1804 to 1814.

Following Napoleon's defeat in 1815, the French Monarchy was re-established, but with new constitutional limitations. Assorted kings, emperors and wars followed and in 1875 the monarchy finally ended with the adoption of a republican constitution.

In the 19th and 20th centuries France's global overseas colonial empire was the second largest in the world behind the British Empire, peaking between 1919 and 1939.

After World War I, France suffered enormous human and material losses, which weakened the country for decades and the 1930s were marked by various social reforms.

During World War II, France disregarded Churchill's Franco-British Union and signed the Second Armistice at Compiegne in 1940. The Germans established its puppet

regime, Vichy France, and France was liberated in 1944.

After the war, the Fourth Republic was established, but it struggled to maintain its status as a dominant nation state. The Indo-China war and conflict in Algeria led to a Fifth Republic in 1958 taking control, with Charles de Gaulle eventually taking steps to end the war and broker peace negotiations in 1962, which led to Algerian independence.

More recently, France's cooperation with Germany proved central to the evolution of the European Union and also the introduction of the euro currency.

France's economy today comprises of extensive private enterprises (almost 2.5 million companies) with substantial government intervention. In fact the government has, until recently, had considerable influence over sectors such as railway, electricity and telecoms.

It has, however, been relaxing its control over these sectors since the 1990s and is now slowly selling off holdings in France Telecom and Air France amongst others. France is ranked as the fifth or sixth largest economy by nominal GDP.

The country is divided into 26 administrative regions of which 22 are in metropolitan France (including one in Corsica) and the remaining four are in overseas regions.

The regions are then subdivided into 100 departments in total, which are then subdivided into 341 arrondissements, which are then subdivided even further into 4,032 cantons. Finally the cantons are divided into 36,680 communes which are municipalities with an elected municipal council.

Three communes, Paris, Lyon and Marseille, are also subdivided into 45 municipal arrondissements.

In 2006, France saw 79.1 million foreign tourists and the country is ranked as the first tourist destination in the world whilst tourism is accountable for six per cent of the country's income.

TOURIST HOT SPOT

France is the 19th most populous country in the world and has an estimated 4.9 million foreign born immigrants. With cities of high cultural interest, beaches, seaside resorts, ski resorts and rural regions the country is an absolute haven for tourists.

In 2006, France saw 79.1 million foreign tourists and the country is ranked as the first tourist destination in the world

A WIDER PERSPECTIVE

Although ultimately a victor in World War I and II, France suffered extensive losses in its empire, wealth, manpower and ranks as a dominant nation-state. Nevertheless, France today is one of the most modern countries in the world and is a leader among European nations. Since 1958 it has constructed a hybrid presidential-parliamentary governing system resistant to the instabilities experienced in earlier more purely parliamentary administrations. In recent years, its reconciliation and cooperation with Germany have proved central to the economic integration of Europe, including the introduction of a common exchange currency, the Euro, in January 1999. At present, France is at the forefront of efforts to develop the EU's military capabilities to supplement progress towards EU foreign policy.

whilst tourism is accountable for six per cent of the country's income.

Some 200,000 businesses are connected to tourism. Disneyland Paris attracted the most visitors within the most popular cultural and recreational sites, with some 12.8 million in 2006 followed by the Louvre Museum with 8.3 million and the Eiffel Tower with 6.7 million.

There are approximately 29,000 hotels, almost 100,000 restaurants and 53,000 cafes in France.

On the retail side, although Parisian department stores such as Le Bon Marche, Galeries Lafayette and Le Printemps have become icons of French retailing, the French have never really embraced the 'department store' concept as much as other nations

On the other hand, France is the home of the hypermarket, which sells everything from groceries to electronics in stores as large as 100,000 sq.ft on average. These hypermarkets account for around 20 per cent of France's retail consumption, whilst department stores account for a mere 1.5 per cent.

A couple of years ago there were around 1,000 hypermarkets in France compared to around 112 department stores. Of the 500 plus shopping centres in the country, department stores anchored just six.

The majority of hypermarket space is located in Paris, whilst the country's largest department store chain is Galeries Lafayette, which has 77 stores and controls 68 per cent of the country's department store square footage.

Galeries Lafayette have begun a large scale renovation programme to compete in the market. The idea is to improve the rather old fashioned image and upgrade merchandise.

PPR Group, which operates 24 Printemps stores, accounts for 20 per cent of the market and is offering higher-end brand names that cannot be found in the hypermarkets.

Supermarkets and hypermarkets account for 65 per cent of food sales in France and the largest supermarket chain is Leclerc. However, French grocery retailer, Carrefour, is the undisputed market leader in Western and Central Europe and by 2009 it is estimated that Carrefour will have 7.2 per cent of the region's grocery market.

First quarter sales in 2007 for Carrefour rose by 5.2 per cent to €21,478bn and it's total number of stores is expected to rise



to almost 12,000 from 9,500 back in 2004. In France the group has 226 branches.

Other leading supermarket chains include Intermarche and Auchan and between the four they account for 55 per cent of all sales through large grocery retailers.

Another group is Casino, which has 9,850 stores in 11 countries ranging from hypermarkets, supermarkets, discount stores and restaurants. There are 8,397 Casino stores in France including 129 hypermarkets, 1,361 supermarkets, 489 discount stores, 6,040 convenience stores and 257 cafeterias.

One huge step for the retail industry was the lift on the ban on advertising in 2006 for supermarkets, department stores and hypermarkets. The ban was one of the most restrictive marketing regulations in Europe and designed to safeguard

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advertising revenue for French local newspapers and also protect the country's smaller retailers. Meanwhile, investment in traditional commercial real estate in France in 2006 came to more than €3bn, whilst investments within the real estate market in general was up by 45 per cent upon 2005 figures. However, as in other countries France's property market continued to slump in 2007 with property prices rising by only three per cent.

The slowdown follows a peak period in pricing back in 2004. For years France had one of the most vibrant housing markets in the EU and house prices have been rising substantially since 1998.

The French market was the first in Europe to see significant growth in a short period of time and the President has made it a priority to restimulate growth within this market.

The Brits accounted for around 60 per cent of all foreign buyers although the Russians are now also buying. Meanwhile, the government also provided substantial subsidies for new housing.

THE GAMING MARKET

Although France boasts the highest number of casinos in Europe, the gaming and betting market has a long and complex history. Gaming activity was prohibited across France until a law, in 1907, permitted casinos to be opened in coastal and health resorts and thermal spa communities.

In 1919, a law was introduced prohibiting gambling within a 100km radius of Paris, whilst a later law in 1931 permitted thermal spas within this 100km radius to operate casinos, with the result that the Enghien-Les-Bains casino spa was opened within this 100km range.

A decree was introduced in 1959, and in 1987 a law, authorising slots in certain establishments. This was recognised as a major revolution in France at the time. Until 1987 only table games were permitted in casinos and once slots were allowed they became a dominant revenue generator for French casinos.

A year later, in 1988, an amendment was introduced allowing major cities, with a population of more than 500,000 and with tourist and cultural activities, permission to operate casinos.

The casino sector today is governed by the Ministry of Interior and Finance. Until May 2006, a stamp duty (Droit de Timbre) was paid on entrance fees for access to the table games, which varied depending on the length of admission card issued (weekly, daily, monthly etc).

Droit de Timbre was first introduced in

The casino sector today is governed by the Ministry of Interior and Finance. Until May 2006, a stamp duty (Droit de Timbre) was paid on entrance fees for access to the table games, which varied depending on the length of admission card issued (weekly, daily, monthly etc).

1959 and cost €10 for a day card to access the traditional gaming salons, €37 weekly, €91 monthly and €182 for a season. In 2004, gathering more than €5.5m it represented more than 6.4 per cent of the gross gaming revenue. In 2005 the country abandoned the system and all casino games were finally mixed together.

France currently boasts a total of 197 casinos (2008 figures), which between them see 64 million visitors per year. The growth of the casino sector has been steady. Back in 1969 there were 155 casinos. By 1985 this had dropped to 135, but since this date until 2006 there has been a 46 per cent increase in the number of casinos.

The number of slots has also grown from around 2,110 in 1989 to 19,384 in 2006. Today there are 21,400 slots and 1,650 table games (2008 figures). Slots have a statutory minimum payout of 85 per cent.



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OctaBingo

Octavian provides the electronic terminals and develops the games, bonus features and multi-level and mystery jackpots that are the core attractions of exciting, successful bingo operations



Visitor breakdown shows almost 50 per cent of casino players are unemployed or retired, whilst those over the age of 50 or under 30 represent 30 per cent of all slot players with 57 per cent of them men.

The casino sector reported a gross gaming revenue of €2,788.2m in 2006/07 year, which was a three per cent increase on the previous year's figures. However, only 30 casinos showed year on year increases with a hundred of them experiencing a decline.

Gaming machines take the highest amount with 93 per cent of GGR, whilst table games generate around 10 per cent of GGR. After a long period of decline the increase of GGR for table games is seen as good news.

Figures for the first half of 2008 revealed a significant downturn in revenue and turnover has fallen by 14 per cent. Some believe at least five per cent of current operations could now face closure.

There are several factors to blame for the general decline in the casino sector. These include the introduction in November 2006 of strict identification checks at the entrance; the smoking ban, in place since the beginning of 2008, which has been responsible for a 10 to 15 per cent drop; and the global economic recession affecting all countries.

Smaller casinos have been suffering in particular with the reduced number of visitors, however, even larger groups such as Lucien Barriere have reported long-term problems.

Barriere's Casino d'Enghien, which is France's number one casino, has seen a decline of 20 per cent of its turnover since January this year, despite its 1,500 daily visitors and 450 slots.

Partouche has also reported that its first half year net profit fell by seven per cent to €7.9m from €8.5m a year ago. In the second quarter alone revenue was down by 4.2 per cent and Partouche claims this is due to higher taxes, restructuring charges and the smoking ban slowing business down greatly.

On the positive side, poker games, particularly Texas Hold 'em Poker, which have been permitted since the middle of last year, are proving popular, whilst easier access to table games (the end of the Droit de Timbre) and more attractive slots are all positive changes.

However, many say the taxation for casinos is too high and maladjusted particularly for live gaming and there are mounting call for lower tax rates as



FRANCE: VITAL STATISTICS

Total Area: 545,630 sq.km

Capital: Paris

Population: 64,057,790 (2007)

Median age: 39 years

Male: 37.5 years

Female: 40.4 years

Ethnic groups: Celtic and Latin with Teutonic, Slavic, North African, Indochinese, Basque minorities

Religions: Roman Catholic 83-88%, Protestant 2%, Jewish 1%, Muslim 5-10%, unaffiliated 4%

Languages: French

Government types: Republic

Chief of State: President Nicolas Sarkozy

Head of Government: Prime Minister Francois Fillon

Cabinet: Council of Ministers appointed by the president at the suggestion of the prime minister.

Elections: President elected by popular vote for five year term. Next election 2012. Prime minister nominated by the National Assembly majority and appointed by President.

operators say traditional games are no longer profitable.

Casinos are taxed at a national and local level. Nationally the taxes include a progressive tax applied to the gross gaming revenue (after deducting a 25 per cent tax allowance).

Local authorities also levy a maximum rate of 15 per cent on the same tax base as the state levy. However, the combined amount cannot exceed 80 per cent.

In addition, a fixed percentage levy is charged on the first Euro of revenue generated set at 0.5 per cent for table games and two per cent for slots.

Since 1996 a three per cent CRDS (Contribution to the Repayment of Social Debt) tax is levied on GGR followed in 1997 by a CSG (General Social Contribution) tax on slot machine gross gaming revenue.

In January 1998 the rate of CSG increased to 7.5 per cent and was calculated on a reduced basis of 68 per cent of slot GGR. In 2005 the CSG rate was further increased to 9.5 per cent.



CASINO	NUMBER IN FRANCE	GROSS GAMING REVENUE 2007 (€million)
Group Partouche	47	786.9
Group Lucien Barriere	30	780.4
Group Tranchant	16	242.1
Group Joa	20	239.8
Group Cogit	8	80.9
SMCFC	2	70.4
Group Emeraude	8	64.8

Source: Syndicat des Casinos Modernes

CASINO OPERATORS

There are many casino operators in France, however the main six groups, Partouche, Lucien Barriere, Tranchant, Joa, Cogit and Emeraude control the majority of the market with a 70 per cent share.

Smaller groups with three to five casinos, such as IGGR, Viking Casinos and SMCFC have a 10 per cent share, whilst independent casinos account for the remainder (33 casinos in 2006).

At the end of 2007 there were 194 casinos and the main division looked like this:

There are several factors to blame for the general decline in the casino sector. These include the introduction in November 2006 of strict identification checks at the entrance; the smoking ban, which has been responsible for a 10 to 15 per cent drop; and the global economic recession affecting all countries.

GRUPE PARTOUCHE

CASINOS 47 in France and seven overseas – 3 Belgium, 2 Switzerland, 1 Spain, 1 Tunisia

LOCATIONS Calais, Boulogne s/mer, Le Touquet, Berck s/mer, Dieppe, Forges-les-Eaux, Le Havre, Cabourg, Agon-Coutainville, Plouescat, Pleneuf Val Andre, La Trinite s/mer, Pornichet, Pornic, La Roche-Posay, St-Armand-le-Eaux, Contrexeville, Plombieres-les-Bains, Andemos, Arachon, Salies-de-Bearn, Port Barcares, St-honore les Bains, Divonne les Bains, Annemasse, St Julien en

Genevois, Vichy Grand Café, Vichy Elysees Palace, Evaux les Bains, La Tour de Salvagny, Lyon, Royat, St Nectaire, St Galmier, Greous les Bains, Aix-en-Provence, La Grand Motte, Palavas-les-flots, La Ciotat, Bandol, Hyeres, Juans les pins, Beaulieu s/mer, Nice, Palais de la Mediterranee, Cannes, Palm Beach.

SALES €86.9m (GGR 2007)

SLOTS 5,716 (2007)

Groupe Partouche is the leading operator of casinos in France with around 30 per cent of the market in terms of gross gaming revenue. The company currently has 47 casinos on home territory and seven overseas.

The company dates back to 1973 when Isidore Partouche arrived in France from Algeria and with help from his family bought the St-Armand-les-Eaux casino together with the location's spa and mineral water source.

Three years later Le Touquet Casino was bought from Mr. Lucien Barriere, followed by a third casino in 1982, the Calais Casino.

Other casinos followed although up until 1988 the business remained secondary to Mr. Partouche's primary business, which was focused on the bottling and distribution of brand waters. However as the casino sector increased, he withdrew from the water business in 1989 to concentrate on gaming.

In 1991 the company was granted its first slot machine operating licence and also took control of the Lyon Vert casino that same year.

In March 1995, Groupe Partouche SA was launched on the Paris Stock Exchange in a bid to finance the development of the business, particularly at the international level. In September that year the group acquired the Belgian casino and resort of Knokke-le-Zoute.

In 1996 the group bought out the minority interest of the Generale des Eaux Group in Societe Fermiere du Casino Municipal de Cannes. This company operates the Croisette casino and controls the Hotel Majestic company and the Gray d'Albion in Cannes.

Expanding rapidly across the French market, the group was also busy increasing its international portfolio. Partouche opened its first casino in Agadir, Morocco in 1996 in association



with Club Mediterranee, whilst a casino in Tunisia followed in 1998. The group also bought the Carlton Casino Club in Cannes from the UK's London Clubs International and a 99 per cent interest in Cannes Balneaire which owned Cannes Palm Beach casino.

In Spain, the San Roque Grand Casino opened a year later followed by the Hilton Bucharest Casino. In October 1999 the group acquired a majority stake in the Societe Francaise de Casino (SFC) group, which owns four casinos, later ending this in 2005.

In 2002, following a protracted battle on the stock market, the Partouche group took control of the Compagnie Europeenne de Casinos.

In 2003, the group's first Swiss casino was opened and its Belgian casino sold the same year. In 2005 the group acquired Groupe de Divonne, which consisted of five casinos in the Lake Geneva area.

In 2006, the group created Partouche Interactive specialising in new technology platforms, particularly Internet gaming and interactive television.

Expanding rapidly across the French market the group was also busy expanding internationally. Partouche opened its first casino in Agadir, Morocco in 1996 in association with Club Mediterranee, whilst a casino in Tunisia followed in 1998. The group also bought the Carlton Casino Club in Cannes from the UK's London Clubs International and a 99 per cent interest in Cannes Balneaire which owned Cannes Palm Beach casino.

The company has shown a turnover for the first nine months of 2007/2008 of €66.3m with the casino sector of the group taking the largest chunk with €29.4m. Hotels follow with €8.5m.

LUCIEN BARRIERE

CASINOS 34 in France and five overseas (3 Switzerland, Malta, Egypt)

LOCATIONS Lille, Touquet, Benodet, Carmac, Deauville, Dinard, Baule, Ouistreham, Perros-Buirec, Saint Malo, Trouville, Bordeaux, Biarritz, Dax, Jonzac, Rochelle, Royan, Sables d'Olonne, Toulouse, Briancon, Cannes, (2), Chamonix, Cassis, Carry-le-Rouet, Leucate, Menton, Nice, St Maxime, St Raphael, Blotzheim, Besancon, Niederbronn, Ribeauville.

SALES €58m gross takings on slots and tables.

SLOTS 6,287

Lucien Barriere was originally founded by Francois Andre who founded the Haussmann Club in 1918 in Paris before

taking on the management of the Ostend casino followed by the Deauville Casino.

He went on to develop many tourist resorts including casinos, hotels and sport facilities until his nephew, Lucien Barriere took over in 1962 and centralised the control of all establishments and created the group Lucien Barriere.

He opened new sites and in 1987 backed the arrival of slot machines in France, before introducing them to the Deauville and Cannes casinos.

In 1990, Diane Barriere Desseigne succeeded her father as President of the group and launched a new style and renovation plans, but after a serious plane crash later turned the management over to Dominique Desseigne in 1997.

As Chairman of the group Lucien Barriere SAS and Chairman of the Societe Fermiere du Casino Municipal de Cannes (SRCMC), Mr. Desseigne entered the group into a partnership with Accor and Colony Capital investment funds in 2004, enabling the company to double in size by taking on Accor casinos.

Groupe Lucien Barriere SAS is an unlisted company and divided between 51 per cent ownership by the Desseigne-Barriere family, 34 per cent Accor and 15 per cent Colony Capital.

SFCMC is a listed company with over 65 per cent Desseigne-Barriere family and over 18 per cent Amber Master Fund.

The company has a 30 per cent share of the French casino market and a total of 39 casinos in France and Europe, 6,287 slots, 404 gaming tables (50 per cent of the French market), 15 luxury hotels, 100 restaurants and three golf courses.

In 2006 the group opened the Hotel Fouquet on the Champs-Elysees – the first palace built in Paris since 1929 and the only one whose capital is held by a majority of French investors.

In Enghien-les-Bains the group also opened a resort with the biggest casino in France, two hotels, well-being centre, thermal baths, conference centre and seminar complex.

The group recently opened the Lille Hotel Casino with nine tables and 150 slot machines in November 2008, and the Blotzheim Casino in the same month. The Majestic Barriere extension in Cannes is due to open 2010.

Overseas the group is planning to increase its turnover by 50 per cent with a luxury hotel complex in Marrakech.



GRUPE JOA (MOLIFLOR LOISIRS)

CASINOS	20
LOCATIONS	Antibes, Argeles, Ax-les-Thermes, Le Boulou, Canet, Etretat, Gerardmer, Lamalou-les-Bains, Luxeuil-les-Bains, Montrond-les-Bains, Port Crouesty, Les Sables d'Olonne, St-Aubin sur Mer, St-Cyprien, St-Jean de Luz, St-Pair sur Mer, St-Paul-les-Dax, Santenay, Treport and Uriage-les-Bains.
SALES	€275m (GGR 2007)
SLOTS	1,970

Moliflor Loisirs is France's third largest casino operator and in March 2008 changed its name to Groupe Joa. Headquartered in Lyon, Joa operates casinos throughout France, but

Groupe Lucien Barriere SAS recently opened the Lille Hotel Casino with nine tables and 150 slot machines in November 2008, and the Blotzheim Casino in the same month. The Majestic Barriere extension in Cannes is due to open 2010.

particularly concentrates on the country's southern coastal areas.

Since the start of the 2000's Joa has more than tripled its number of casinos and today has 20 casinos with an annual revenue of €275m last year.

The company operates a total of 1,970 slot and most of the group's casinos feature a combination of restaurants, hotel and entertainment facilities.

The company dates back to 1948 when Adrien Moliner purchased his first casino location in Canet-en-Rousillon in the south of France. The casino was closed at the time and in 1956 he received permission to re-launch casino operations, before being joined by his nephew, Claude Florensa, and so the company Moliflor began.

Initially, the casino's gaming facilities were limited, but in 1965 Moliflor was granted the right to add roulette tables. The company then purchased its second casino, Casino de Boulou in the western Pyrenees region of France. A third casino was added in 1976 when Moliflor bought a controlling stake in Saint Cyprien casino followed by a fourth in the Argeles region in 1980.

Claude Florensa took over as head of the company the same year and in 1987 he renamed it Moliflor Participation. The company received authorisation to install slot machines in the casinos and this helped popularise the casino market in France.

The slots soon accounted for the biggest share of the company's revenues and enabled it to expand further. The fifth casino came in 1992 when it acquired a

controlling stake in a casino in Lamalou-les-Bains.

In 1998, the company operated six casinos and had changed its name again to Moliflor SA and went public. With the capital it bought a seventh casino in Amelie-les-Bains.

By the late 1990s, rival companies had launched a consolidation of the market, whilst the French government had decided to tighten the limits on the addition of new slots.

In response, venture capital group PPM Ventures bought 92 per cent of Moliflor (renamed Moliflor Loisirs) and was headed by Marc Leonard, formerly of Lucien Barriere.

This marked a new growth phase for the company and several more casinos were

acquired including the Casino d'Antibes on the Cote d'Azur, which is one of the largest single casinos in France.

By 2002, Moliflor had 19 casinos under its control and had also acquired two new shareholders when PPM sold its stake to an investment partnership.

In 2005, Marc Leonard was named CEO and leading investment company, Bridgepoint Capital took over as the group's majority shareholder. This company later sold a 35 per cent share to Loto Quebec which brought the company the experience of a key North American gaming specialist.

This new partnership fuelled an expansion drive and brought the company's total casino operations to 20 with the company changing its name to Groupe Joa earlier this year.

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GRUPE TRANCHANT

CASINOS 16 in France and five overseas (2 Switzerland, 3 Dominican Republic).

LOCATIONS Dunkerque, Yport, Villers sur Mer, Luc ser Mer, Roscoff, Amneville, Pougues les Caux, Neris les Bains, Saint Gervais, Cagnes sur Mer, Grau du Roi, Sete, Valras Plage, Bagneres de Bigorre, Pau, Argeles Gazost.

SALES €808m gross takings

SLOTS 2,235

Groupe Tranchant was created in 1987 by Chairman Georges Tranchant and today is a family run business. The company has 16 casinos in France and five overseas and also manufactures and imports and distributes slots.

In the year 2007 the group saw more than five million visitors through its casinos and has a total of 2,235 slots, 64 Mix machines, 74 progressive jackpot machines, 987 jackpots (with payouts of more than €5,000) and 158 table games.

The three casinos in the Dominican Republic - Casino Santana, Casino Uvero Alto and Bavaro Casino - offer a total of 68 slots and 22 table games.

The Group operates a casino in Basel, Switzerland, the Grand Casino Basel, with a total of 357 slots and 15 tables.

GRUPE COGIT

CASINOS Four in France and four overseas (2 Guadeloupe, 2 Martinique)

LOCATIONS Biscarrosse, Cherbourg, Lacanau, Mimizan

SALES €80.9m (GGR 2007)

SLOTS n/a

Founded in 1990 Groupe Cogit (Compagnie Generale d'Investissements Touristiques) is based in Martinique.

The company began its activities with two casinos in Guadeloupe and today as a private company the group is the fifth largest French casino operator.

Today, the company has a total of eight casinos in Martinique, Guadeloupe and four France and employs 650 employees.

The company is headed by Chairman Henri Ernoult and the company is divided into three areas - casinos, real estate and cinema. The four casinos in France are located in Cherbourg, Lacanau, Biscarrosse and Mimizan-Plage.



GRUPE EMERAUDE

CASINOS Eight in France

LOCATIONS Bagnoles de L'Orne, Bourbonnes les Bains, Fecamp, Chatelaillon, Fouras, Lons le Saunier, St Brevin les Pins, St Jean de Monts

SALES €64.8m (GGR 2007)

SLOTS n/a

Groupe Emeraude has eight casinos in France and also operates three hotels.

The company belongs to the Groupe Pierre Le Foll and the parent company itself is the sixth largest motorway construction company, eighth largest cement trader and sixth largest casino group.

Emeraude also owns and operates

Other operators in the French market include The International Group of Gaming Resorts, which is an international group of companies that specialises in casino development and management and currently has 12 operations in Europe, Middle East and South America - three of which are in France.

tourism and leisure facilities such as hotels, restaurants, tennis and theatres.

Other operators in the French market include The International Group of Gaming Resorts, which is an international group of companies that specialises in casino development and management and currently has 12 operations in Europe, Middle East and South America - three of which are in France.

The company was founded 25 years ago and began operations in 1984 with the purchase of a resort casino in Lyon, France.

During the 80s and 90s the group bought several more casinos in France including casinos on the French Riviera such as Casino du Golfe in Cavalaire sur Mer near Saint Tropez.



In 1995 it took its casino development to international levels and also sold some of its operations to the Partouche Group. Today the company has three casinos in France and nine overseas. The company has a GGR of US\$150m per year (2006).

Casino du Golfe in Cavalaire near St Tropez is the company's flagship operation and has 121 slot machines and 10 gaming tables. Casino de Noiretable is situated between Clermont Ferrand and Saint Etienne and has 60 slots and three gaming tables.

La Societe Francaise de Casinos (SFC) operates three casinos in Gruissan, Chatel-Guyon and Port la Nouvelle.

The group also operates amusement gaming centres in 16 centres throughout France, with one site in Paris and others in cinemas, bowling centres, gaming

CURRENT TOP TEN CASINOS IN FRANCE AND FIGURES

RANKING	CASINO	GROUP	TABLES	SLOTS	GGR TOTAL 2006/07
1	Enghien les Bains	Lucien Barriere	51	450	€166m
2	Aix en Provence	Partouche	28	280	€69m
3	La Tour de Salvagny	Partouche	17	400	€68m
4	Saint Amand Les Eaux	Partouche	12	250	€58m
5	Deauville	Lucien Barriere	36	350	€56m
6	Amneville	Lucien Barriere	14	330	€54m
7	Nice	Lucien Barriere	22	300	€48m
8	Bordeaux	Lucien Barriere	15	275	€47m
9	Cassis	Lucien Barriere	23	250	€46m
10	Gannes	Lucien Barriere	19	290	€43m

Source: www.lescasinos.org

parks and holiday villages throughout France, with the exception of two centres in Belgium.

In 2006/07 the group saw a turnover of

17.2m compared to €10.4m in 2006. The casino sector took €12m whilst the amusement centres saw €3.2m and the thermal spas took a turnover of €2.2m.

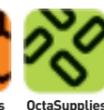


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The casino in Gruissan was opened in 1975 and renovated in 1994 and holds 100 slots and table gaming halls. Chatelet-Guyon was opened at the beginning of the 20th century and is integrated in the thermal spa and has 50 slots and Port la Nouvelle opened in 1995 and also has 50 machines and traditional gaming tables.

Meanwhile, Vikings Casinos is based in Falaise, Normandy and was founded in 1998 by combining the Vikings Group, headed by Serge Foucher, and Jeux C Casino Consultant, managed by Luc Le Borgne.

Today, the company has seven casinos in Houlgate, Bourbon-L'Archambault, Barbazan, Bourbon-Lancy, Castera-Verduzan, Bussang and Vittel.

STREET GAMING

Whilst the casino sector is well established, operators existing outside the confines of this gaming sector continue to battle for a gaming business in line with their European neighbours.

Despite constant lobbying from the non-casino sector, it is still thought unlikely that France will ever be permitted low-

stake gaming machines (AWPs).

Together with Portugal, France remains one of only two countries in Europe without some form of limited gaming in the street market and with fierce resistance from the casino, sports betting and lottery market, it is thought unlikely the government will ever permit them.

The casino sector believes the government would be unable to control the street market as it does the casino sector, with French casino operators earning some of the highest slot incomes in the world and, of course, paying some of the highest taxes too.

One of the main lobbying groups, the Confederation Francaise des Jeux (CFA) has also now joined forces with French Cafes to continue its battle.

The CFA was founded in 1982 combining two different organisations representing the amusement machines industry.

CFA has now started a campaign with an organisation called Sauvons Les Cafes Francais (Save the French Cafes), which aims to keep the traditional café and

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bistros in France in business.

Some 50,000 establishments have joined the campaign and one of the aims of the petition is to change gaming legislation, particularly to permit limited gaming machines and lower the double taxation on bar games. By June of 2008, more than 129,000 had signed the petition.

At the moment, the French street market can only operate jukeboxes, pool tables, football tables and touchscreen games.

The cafes have been further affected by the smoking ban at the beginning of this year and many fear the traditional café as it is known may disappear altogether.

Last year the CFA managed to win a couple of battles, although it continues to lobby the government for a change in the gaming law.

Earlier this year the CFA submitted a bill that aims to provide a legislative framework to operate limited payout games, whilst a questionnaire on gambling policy was also sent out to 27 member states that mainly referred to online gaming. The report is due to be

published this month.

Meanwhile, new games introduced into the market never seem to survive the tough guidelines and most recently was the story of the Visionex Terminals.

Visionex was a new concept recently introduced to the French market, which provided a multimedia system with Internet access, multimedia information, games and promotional material.

The terminal was designed for cafes, hotels, restaurants, airports, campsites and train stations.

The game was developed by entrepreneur Olivier Sigoignet of New Games and distributed by Avranches Automatic and New Games.

The idea was to provide a legal product with Sigoignet ensuring it went through the right channels to gain approval. Although the legality of Visionex was approved in writing, he had to wait for the go-ahead from the Director General.

More than 350 terminals were installed and not long after Avranches, where the machines were manufactured, was visited by the police. The two companies underwent a complete investigation.

The company has now been told the terminals can no longer be sold and its servers are being blocked. Many believe the FDJ and PMU are behind the closure.

The association L'ASL Interactifs (Association of Operators of Interactive Games) represented the Visionex terminals alongside other products such as table football, pinball, darts, video games, billiards and touchscreens.

The association claims one of the main problems for the French street market is the control and influence the casinos, PMU and FDJ have over the market

The Pari Mutuel Urbain (PMU) was created in 1930 by the horseracing association to permit off track betting. It became an Economic Interest Group (EIG) in 1985 and brings together 51 non profit making racing associations.

Two parent companies are now in charge of regulating racing – France Galop for flat and jumps and La Societe du Cheval Francais for trotting.

The aim is to promote horse racing for the associations and there is a range of 10 different bets and the events attract around 6.5 million customers each year.

The PMU was the first pari-mutuel



company in Europe and the second in the world. The company processed two billion bets last year (2007) and saw a turnover of €8.8bn of which €727m net income was paid back to the horseracing associations and €6.5bn was paid back to punters (74 per cent).

Internationally, PMU promotes French racing abroad via partnerships with licensed operators and local partners.

There are 252 racecourses in 75 regions in France and in 2007 there were 17,000 races including 7,310 with a betting offer from PMU.

In 2007, the PMU began to increase its sales network. By the end of 2007 there were 9,785 sales outlets in France.

In addition, the Pariez Spot outlets saw an extra 216 sales outlets open last year bringing the total to 1,168 outlets which contributed €292.6m to the turnover.

Interactive betting terminals were also increased by an extra 329 last year, bringing the total to 1,648 whilst the turnover for these increased by 43 per cent to €66.5m.

COMPARISON OF GAMING COMPANIES

Company	Turnover (2006)	Gross Gaming Revenue
FDJ	€9.473m	€3.821m
PMU	€8.106m	€2.204m
Casinos	€38.671m	€2.707m
TOTAL	€56.250m	€8.730m

The pmu.fr website saw a turnover of €431.8m in 2007 and controls 67 per cent of placed bets compared to telephones or interactive television betting. A new version of the website was launched at the beginning of this year and provides new services.

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Back in 1933, the French parliament authorised the establishment of a national lottery with the profits at the time going to public causes.

In 1979 the government took control of the lottery by setting up a semi-public enterprise called the Societe de la Loterie Nationale et du Loto National. This was renamed France Loto in 1989 and La Francaise des Jeux in 1991.

The gaming products offered by Francaise des Jeux are still the most popular in France with almost 29 million players compared to 6.5 million for PMU horse bettors and 6.4 million casino visitors.

The company is owned by the state (72%) and La Francaise de Jeux Employee Investment Fund (5%), Former issuers of Loterie Nationale tickets (20%) and Soficoma (sales agent organisation) which has 3%.

FDJ is the world's third largest lottery operator and ranks 32nd in terms of wagers per capita. Turnover in 2005 was €9.9bn which was mainly attributed to the growth of the European online lottery game, Euro Millions, which attracts 15 million European players each week through a joint venture involving nine state lotteries.

In addition, during that year the company increased its distribution network with the addition of 1,200 new draw game points of sale.

The total number of players registered on the FDJ Internet site more than doubled in 2005 and the number of weekly players rose during that year to 66,000 compared to 22,400 the previous year.

Today, the FDJ has 39,520 points of sale across 149 regional sectors and sales of €3.30bn in 2007.

Sales of draw games saw the highest turnover for the company with a turnover of €6,656m (an increase of 10 per cent on the previous year). As usual the growth was driven by the Euro Millions game which generated sales of €1,306m alone.

Scratch cards saw sales of €430m whilst sports betting saw €87m a growth of 36.6 per cent thanks to a new version of the Cote & Match game. In 2006 the groups had of net profit which totalled €115m.

ONLINE OR OFFLINE

One continual argument is the French government's decision which has permitted Francaise des Jeux to operate online gaming since 2001 whilst banning other casino operators the same privilege.

FDJ's services have expanded to include online games such as blackjack and roulette and the industry says this goes against the famous Gambelli ruling.

The French casino sector has been unsuccessfully lobbying the government for years to obtain the right to offer online gaming and has now taken the case to the European commission on the



grounds that Francaise des Jeux is guilty of abusing a dominant market position.

In March last year, Patrick Partouche was fined €40,000 and received a suspended prison sentence for lending his name to an online poker website. Two website administrators also received suspended sentences and fines, whilst the Partouche international company was fined €150,000.

And in April last year the French ASO banned the team Unibet from the Tour de France and several other races because of its sponsor.

FDJ has upheld its right to a monopoly by making three claims. Firstly, that the FDJ does not sponsor football clubs, viewing such as a conflict of interest; secondly the FDJ website imposes a weekly maximum of €500 on France National, something that most 'illegal' sports betting sites do not do. And thirdly, there is no overlap as regards products currently offered by PMU, the FDU and the online casinos.

The fdjeux.com website recorded a 57.3 per cent increase in wagers even though

the overall share is still only 1.1 per cent of total sales.

In 2006, the site was upgraded to offer players a better service and the gaming product line was increased for online users.

The fdjeux.com site is reserved for adults living in France and players must have a bank card, age verification and prize payouts require a bank identification number or copy of ID documents for prizes of more than €5,000. A player cannot put more than €500 into his account per week and FDJ has also adopted weekly wager limits for some games on its site.

On the plus side, however, the French media reports that the Budget Minister Eric Woerth is aiming for a 'controlled opening' of the country's betting market by mid-2009.

Brussels has already given France a warning to change its gaming rules or be taken to the European Court of Justice and although the French government still aims to keep its share of revenues from the gambling sector, said to be around

The French casino sector has been unsuccessfully lobbying the government for years to obtain the right to offer online gaming and has now taken the case to the European commission on the grounds that Francaise des Jeux is guilty of abusing a dominant market position.

€5.3bn, France is more than likely expected to change its rules.

Mr. Woerth said that private betting providers are expected to be licensed to operate under French regulations and they will be subject to the same conditions and tax regimes as PMU, the current monopoly operator for betting.

The new rules will open the market for online casinos and some reports suggest that France intends to develop a new 'system' for online gaming and betting in partnership with other EU states such as Belgium, Germany and Holland, rather than adopt existing models such as those in the UK or Italy.

In France, operators will have to be licensed and there will be strict guidelines for money laundering and player protection. Some key suggestions involve strict licensing requirements restricting operators to those with a minimum of seven years industry experience. Operators could also be subject to regular auditing and provide details of their investors, shareholders and employees.

Meanwhile, the French National Olympic and Sports Committee outlined its requirements saying it demanded a 'legitimate financial return' from online sports betting operators.

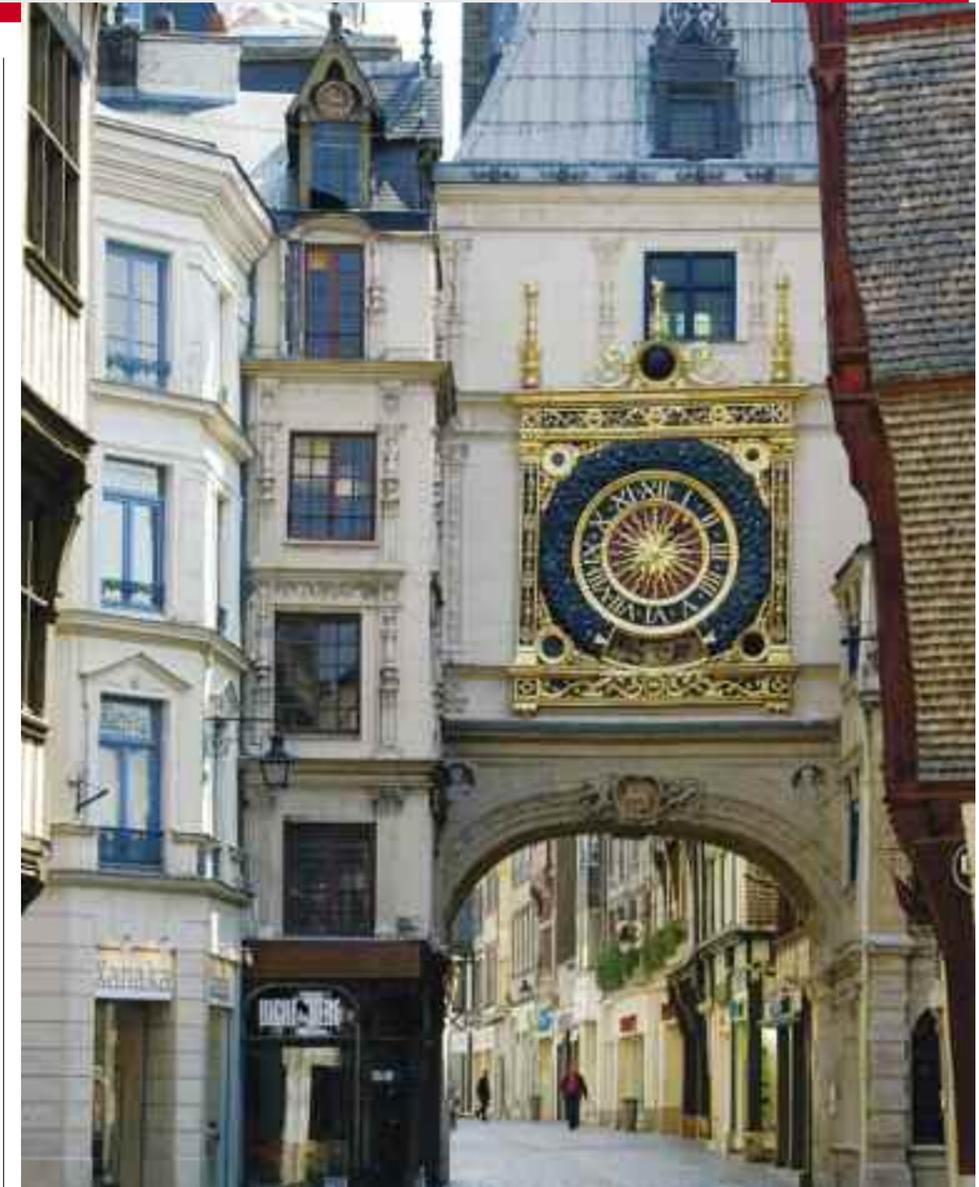
The CNOSF said it wanted to see a tax of 2.5 per cent levied on sports bets for the benefit of French sports and would also expect to be included in any regulatory body established to oversee the online gaming market. Already in anticipation of the online gaming market opening, several companies are waiting on the sidelines.

Former CEO of Endemol France, Stephan Courbit, who purchased BetClick.com in May 2008, is rumoured to now be in discussions to acquire NordicBet.com based in the Isle of Man. Courbit's holding company, Mangas Capital Gaming, is building a gaming portfolio to extend its territories throughout Europe.

For other sports, such as football, fixed odds bets would be offered. Online casino and poker gaming would be licensed, although slot machines for now are still not approved on the grounds they are considered too addictive.

Online bingo is also expected to boom and BingoNews.fr, a French online bingo news and directory website, predicts that the industry will experience a similar growth to the UK market.

The UK Gambling Commission estimates



there are 500,000 plus online players in the UK across some 250 websites. In France the bingo website has already seen significant growth in site traffic for newsletter subscriptions.

France is still quite wary of the whole online gaming market. A report showed that illegal gaming represented some €300 to 400m in the country, with 76 per cent of online gaming offered in France was conducted by illegal off-shore companies whilst 15 per cent was offered by PMU and nine per cent by FDJ.

The online situation has been expensive to those who have taken risks. In 2006 joint CEOs of BWIN were charged with violating France's internet gaming laws and ordered to pay a huge fine.

Back in 2005, PMU threatened to take a number of online bookmakers to court for offering French Internet sites with

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odds on French sporting events.

In January the Court of Appeal in France questioned the nation's gaming legislation with respect to European competition law and asked the authorities to justify their regulatory framework.

The ruling follows a request by Didier Dewyn, former Chief Executive of Maltese gaming company, Mr Bookmaker, who had criminal proceedings brought against him last year for allegedly organising 'illicit lottery' and 'clandestine betting on horse races'.

The court asked for further information to decide whether the criteria used under the ECJ was respected by the French gaming system. The ECJ has ruled in the past that betting business legally established in one EU state may offer its services elsewhere within in the 27 member states.



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