

G3-247 Report

PANAMA

Latin America's gaming channel

Built upon the foundations of its banking sector, the gaming sector in Panama has developed into a stable industry with international interest at all levels, from casinos to bingo, slot halls, horse racing, lotteries and most recently, online gaming



Panama is one of the most significant banking, business and tourism hotspots in Latin America. Today its skyline is home to luxurious skyscraper hotels and conference centres whilst its inland area is also home to 14 national parks, a dozen forest reserves and 10 wildlife refuges. Officially known as the Republic of Panama, the country is the southern most country of Central America and is situated on the isthmus connecting two continents - North America to South America.

It is bordered by Costa Rica on the west, Colombia to the south east, the Caribbean to the north and the Pacific Ocean to the south.

The earliest known inhabitants of Panama were the Cuevas and the Cocle tribes however when the Spanish arrived in the 16th century these two tribes were massacred and wiped out between 1510 and 1535 and the Spanish imported African slaves to search for pearls.

Rodrigo de Bastidas who sailed from Venezuela in search of gold was the first European to explore Panama followed by Christopher Columbus a year

- 01 Panama has an upper-middle income and is a country of stark contrast with over a third living in poverty. Its GDP was around \$56.83bn in 2012 and has a real growth rate of eight per cent for 2013. Unemployment rate is 4.4 per cent.
- 02 The famous Panama Canal was built by the Army Corps of Engineers between 1904 and 1914. In 1977 an agreement was signed for the transfer of the canal from the US to Panama by the year 2000. The canal connects the Atlantic Ocean and the Caribbean Sea to the North of the Pacific Ocean. Today revenue from the canal represents a significant portion of Panama's GDP.

later who established a short lived settlement. Vasco Nuñez de Balboa arrived in 1513 and quickly established the land as a crossroads in the New World.

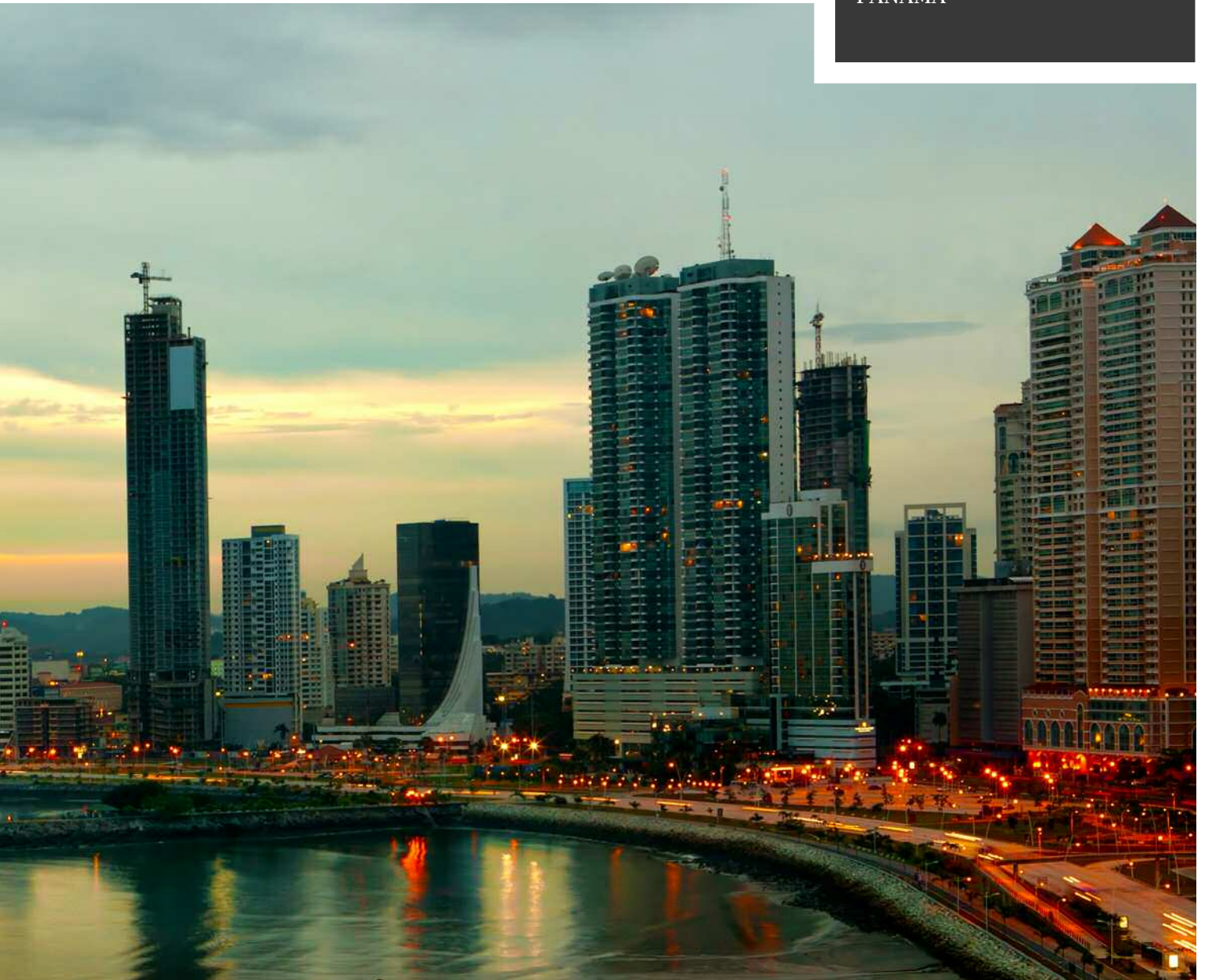
Gold and silver were brought by ship from South

America and hauled across the isthmus and loaded for ships for Spain. The route became known as the Camino Real or Camino de Cruces (due to the number of graveyards dotted along the way).

Panama was part of the Spanish empire for 300 years but in 1821 Panama then separated from Spain and formed a union with Nueva Granada (Colombia), Ecuador and Venezuela and was renamed the Republic of Gran Colombia. This later dissolved in 1831 although Panama remained part of Colombia.

With the backing of the US Panama seceded from Colombia in 1903 and signed a treaty with the US which allowed for the construction of the famous Panama Canal.

Until 1968 Panama was a constitutional democracy dominated by a commercial orientated oligarchy. In 1968 Arias Madrid took office as President promising an end to corruption. A week and a half later he was ousted by the National Guard. This culminated in an invasion by the US in 1989.



The military began to take over and called themselves the Revolutionary Government and this transformed the political and economic structure of the country including social security coverage and expanding public education. In 1972 the constitution was changed and Omar Torrijos was put into power until he died in 1981 in a plane crash.

Nicolas Ardito Barleta then won the elections and inherited a country in economic ruin and hugely in debt. During his regime however a well hidden criminal economy involving drug and money laundering schemes were uncovered culminating in a wave of Chinese migrants arriving in Panama in the hope of migrating to the US. The smuggling of the Chinese was a huge business at the time.

The military dictatorship spiralled in the late 1980s and the US stepped in which resulted in an invasion in 1989 which brought an end to the 21 year military dictatorship.

After the invasion Panama began to rebuild the civilian constitutional government and today the political landscape is made up of two major par-

Although tourism slumped in 2009 Panama saw a total of just over two million visitors last year of which 1.4 million came via the airport.

ties (Democratic Change or CD and Democratic Revolutionary or PRD) and many smaller parties. In 2009 Conservative supermarket magnate Ricardo Martinelli was elected as the 49th president of Panama with a landslide victory.

He has since introduced a number of measures to help alleviate poverty, pension plans for the elderly, increase in minimum wage and subsidies for students.

Panama is the most competitive economy in Latin America. It has seen an economic boom in recent years and is said to be the fastest growing and best managed economy in Latin America. The country has the third or fourth largest economy in Central

America and has the largest per capita consumer spend in Central America. The global recession has taken its toll however.

Meanwhile an expansion of the Panama Canal costing US\$5.3bn began in 2007 and is expected to be completed by 2015. The expansion project will more than double the canal's capacity and enable larger ships to pass through.

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Panama is also constructing a metro system in the city due to open in 2014 and has free trade agreements with the US which is expected to boost expansion for some time. Its main economic sectors also include banking, the Colon Free Zone, insurance, commerce, tourism and trading.



01 In 1994 the country passed the Law No 8 – a very modern and comprehensive law for the tourism sector. The country has declared different parts of the country as Special Tourism Zones which can then receive multiple tax exemptions such as income tax exemption for 15 years, real estate tax and import duties exemptions.

02 "Currently traditional draw based lottery games are the only lottery offering in Panama. We will be launching the first instant ticket product into the marketplace. This is an important opportunity to demonstrate how the products, technology and best practices we use around the world can be successfully deployed in selling instant tickets in Panama to help grow our customer's lottery business."

Jeffrey Lipkin, Senior VP and Chief Financial Officer, Scientific Games.

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The country however is renowned for its light tax burden and personal income tax is based on a sliding scale of seven per cent minimum of the first \$9,000 up to a maximum rate of 27 per cent.

Panama is divided into nine provinces – Bocas del Toro, Chiriqui, Cocolé, Colon, Darien, Herrera, Los Santos, Panama and Veraguas – and has ten cities. There are also five regions populated by indigenous people. Its central spine of mountains is a dominant feature and the country is made up of



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mountain ranges, forests and some 500 rivers and a hugely diverse wildlife structure in the remote rainforests.

Tourism is rapidly growing and its fascinating nature, tropical islands and varied culture offer a huge allure for travellers. The country is also a safe country and very accessible. The government offers tax and price discounts to foreign guests, which is also a huge incentive and there has been a significant increase in the number of European tourists.

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The tourism zones are located in La Amistad, Bastimentos, Arco Seco, Farallon, Metropolitan, Portobello, San Blas, Las Perlas and Darien. Since the law was enacted many large hotel chains have taken advantage of the deal.

THE LOTTERY

The Panamanians have been playing the lottery for almost a century and it is an important part of their lives and culture and is commonly referred to as 'la esperanza del pobre' or 'the hope of the poor'.

Lotteries have existed in Panama since 1872 when the first lottery was established to benefit the education system.

The Loteria Nacional de Beneficencia (The National Charity Lottery) was founded in 1914 and the profits were used to cover the cost of the maintenance of the public hospitals in Panama.

The lottery was reinstated in the 1990s to support local charities and hospitals and it is wholly owned by the government and draws are held on Wednesdays and Sundays at 1pm and the people are extremely superstitious about these days and their numbers and will gather for the drawing, which are broadcast live on television and radio.

Tickets are sold via some 10,000 street vendors and retail locations and street sellers who perch themselves outside the major supermarkets and tickets start at just 25c for two numbers up to \$1. The lottery law was introduced in August 1969 and national lottery company sales are around \$500m.

Tickets cost just \$2 and you can buy a sheet of 30 tickets for \$60. First prizes of around \$2,000 aren't large and many buy multiple tickets so the maximum prize could be up to \$600,000.

This year, Scientific Games signed a 10 year contract with the Loteria Nacional to supply instant tickets under a cooperative services programme. This is a new jurisdiction for instant tickets and



Scientific Games is the exclusive supplier of instant tickets and related services.

Jeffrey Lipkin, Scientific Games' Senior VP and Chief Financial Officer said: "Currently traditional draw based lottery games are the only lottery offering in Panama. We will be launching the first instant ticket product into the marketplace. This is an important opportunity to demonstrate how the products, technology and best practices we use around the world can be successfully deployed in selling instant tickets in Panama to help grow our customer's lottery business."

The Loteria Nacional de Beneficencia was founded in 1914 and profits covered the maintenance of public hospitals in Panama.

HORSE RACING

Horse racing is a traditional sport in Panama and has been around since the 19th century and historically arrived via the French who had come to work on the Panama Canal. The Club Hipico de Panama (or Panama Jockey Club) was founded in 1922. During this year plans to build the stands and clubhouse on the 62 acres of land of Juan Franco were put forward but delayed thanks to the then President Dr Belisario Porras who was against horse racing. The state had recently acquired the National Lottery and Porras thought the racetrack would prejudice betting on the lottery.

However he finally approved the racetrack development and the Hipodromo opened its doors on October 15 1922.

After 20 years when the contract expired a new company won the bid for the licence. This coincided with the 1946 constitution which said all games of chance and bets could only be operated by the state monopoly. So the operating company was forced to cease operations and the horse track was contracted to the highest bidder. In 1956 it was rebuilt and reopened under the name of President Remon who was president at the time (Jose Antonio Remon Cantera). President Remon was a staunch supporter of horse racing but was shot by machine gun fire in 1955 when he attended the races at the Hipodromo Juan Franco. Six months later the new oval, which was already under construction, was opened and dedicated to his memory. Apparently the joke in Panama is: "How do you arrange to have a racetrack named after you in Panama?" Answer: "Get shot."

The sport was declining in popularity in the US but reached its peak in the 60s and 70s in Panama and by the 1980s those involved with military dictator Manuel Noriega were apparently throwing packets of corrupt dollars into the sport.

In 1988 this all stopped when Ronald Reagan froze Panamanian government assets in all US organisations and the local economy withered, as did the track. It struggled on until civil unrest in 1989 and the track was pretty much left to fend for itself.

Resurgence began several years ago when the track was privatised and in October 2005 Spanish company Codere won the contract to become the new concessionaire of the President Remon

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Racetrack under its subsidiary company Hipica de Panama SA.

Codere now has a contract for 20 years to operate the track. At the end of 2006 Codere also purchased Crown Casinos and the following year opened up the Racino Crown Casino at the racetrack. The casino opened in April 2007 and has 339 slots with more than 120 different games and 29 tables. The casino also has a bar, restaurant buffet, entertainment and screens to view the horse racing, simulcast racing and sportsbook.

Codere invested around \$13m into the racetrack which included the re-modelling of the track. The company also spent \$1.35m on the new Turff Bet and Sports Bar at the Hipodromo and also in Via España and \$4.8m on the Racino.

Spanish company Codere is a leading operator in the Latin American market with 116 bingo halls, 51 sports betting centres, three racetracks and casinos in Spain, Italy, Argentina, Brazil, Colombia, Mexico, Panama and Uruguay. In Panama Codere currently operates a total 12 casinos. The company has been active in the Latin American market for the last six years which began with the concession of the Hipodromo Nacional de Maroñas in Uruguay followed by the racetrack in Panama and then the Hipodromo de la Americas in Mexico. In these three countries Codere operates 'super

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agencies' for horse race betting, where via simulcast the public can follow and bet on live races at home and abroad. These are called Turff Bet and Sport Bar both in Panama and Brazil.

There are five Turff agencies in Panama – Turff Via España, Turff Phone Bet, Turff David at the Hotel Plaza Mirage, Turff Crown Hipodromo and Turff Hipodromo President Remon.

Today the Hipodromo employs 300 people and has approximately 148 race meetings per year with eight races per session including the famous Classico de Caribe series. There are two tracks and the average length for the main track is 1,600 metres. The stand has a capacity for 8,000 visitors seated and 15,000 standing and a capacity for 1,000 stabled horses. It is located just 10 minutes from the centre of Panama City.

Meanwhile Codere has expanded its services and now there are 88 betting agencies in Panama City, four inside the Hipodromo and 24 in the rest of the country.

In 1985 Tote was launched in Panama under the administration of the state and this was the first tote betting system which was operated by Scientific Games Racing. In 1998 after the privatization of the racetrack the company continued with the Scientific Games system.

Meanwhile race wagering is contracted to private companies by the gaming board - Junta de Control de Juegos - and is heavily taxed by the government. Annual revenue for the race wagering sector is around US\$11.3m.

Codere is a leading operator in the Latin American market. In Panama Codere currently operates a total of 12 casinos.

Outside of the racetrack poker rooms and bingo halls have entered the market more recently alongside a well organised sports betting industry. Codere controls some 81 per cent of the betting shops making it the largest bookmaking franchise in the country.

Sportbooks can be located at betting shops at the racetrack or in casinos and bets can be placed on most sporting events. Prior to 2005 this sector was in a decline but increased immensely after this date. Today the annual sports betting revenue is around US\$11.6m.

CASINOS

Until the late 1990s the gambling industry was run by the Panamanian government and there were just a handful of casinos. However in 1997 the government began an aggressive privatisation programme which included the gaming industry and as such the various sectors such as



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Gaming and Services de Panama (CIRSA) won a 20 year contract to operate slot hall areas and in 1998 two other concessions were awarded the administration of the eight government run casinos at the time including Thunderbird Gaming and Antonio Martinez Segui. These companies paid a total of \$6.5m.

In 1998 El Decreto Ley 2 was approved and this paved the way for much of Panama's gaming industry.

Operators began to compete for various licences



and the government appointed the Ministry of Economy and Finance's Junta de Control de Juegos (JCJ) as the gaming control board to regulate the industry and oversee the financial regulation, tax, inspection and licensing process. The JCJ was established back in 1947.

Between 1997 and 2009 a total of 56 operational licences were awarded of which 15 were for casinos and 30 for Type A slot parlours, 10 for sports betting and one bingo licence.

Today there are 67 concessions to operate gaming facilities which include 17 'fully fledged' casinos which are all operated in five star hotels. There are also 28 electronic casinos/slot halls and 13 betting

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shops and a bingo hall. The majority of the casinos are located in the city.

There are a total of 1,637 slots and 190 table games (including poker) at the casinos whilst the one Racino at the Hipodromo Remon has 339 slots and 29 table games.

In total there are some 12,000 class III slot machines in Panama and over 250 gaming tables. There are an additional 3,500 slots operated in bars and cafes which have a maximum bet of \$3.

The casinos last year saw a combined income of \$600m whilst bets made on slot machines in both casinos and slot parlours between 2000 and 2010 amounted to \$6.5bn. Gross earnings for casinos during that same 10 year period came to \$10.6bn.

Contributions to the government amounted to a total of \$76.4m from the gaming industry in total with \$37.4m from Type A slot machines Class and \$24.3m from casinos.

In the first 10 months of 2012 some US\$2.1bn were bet on gambling activities with \$1.3bn bet on type A slots, \$269.7m on table games and \$28.5m on sportsbooks.

The Type A slot is responsible for around 70 per cent of the gross gambling yield and casinos are responsible for over 20 per cent. The rest is divided between horseracing, sports betting and bingo.

The JCJ covers all types of gaming from raffles, tombola, bingo, slot machine halls, casinos, bet-

The casinos were primarily developed as a draw for the tourist industry with some only to be attached to luxury five star hotels.

ting and sporting events. At least 80 per cent of the gaming establishment's profits must be handed over to the government.

The casinos were primarily developed as a draw for the tourist industry and as such there were some rules and casinos can only be installed in luxury hotels or five star hotels with more than 300 rooms. The development of the casino industry also allowed foreign investment to enter the country and today the industry supplies work for over 7,000 people and is one of the biggest employers.

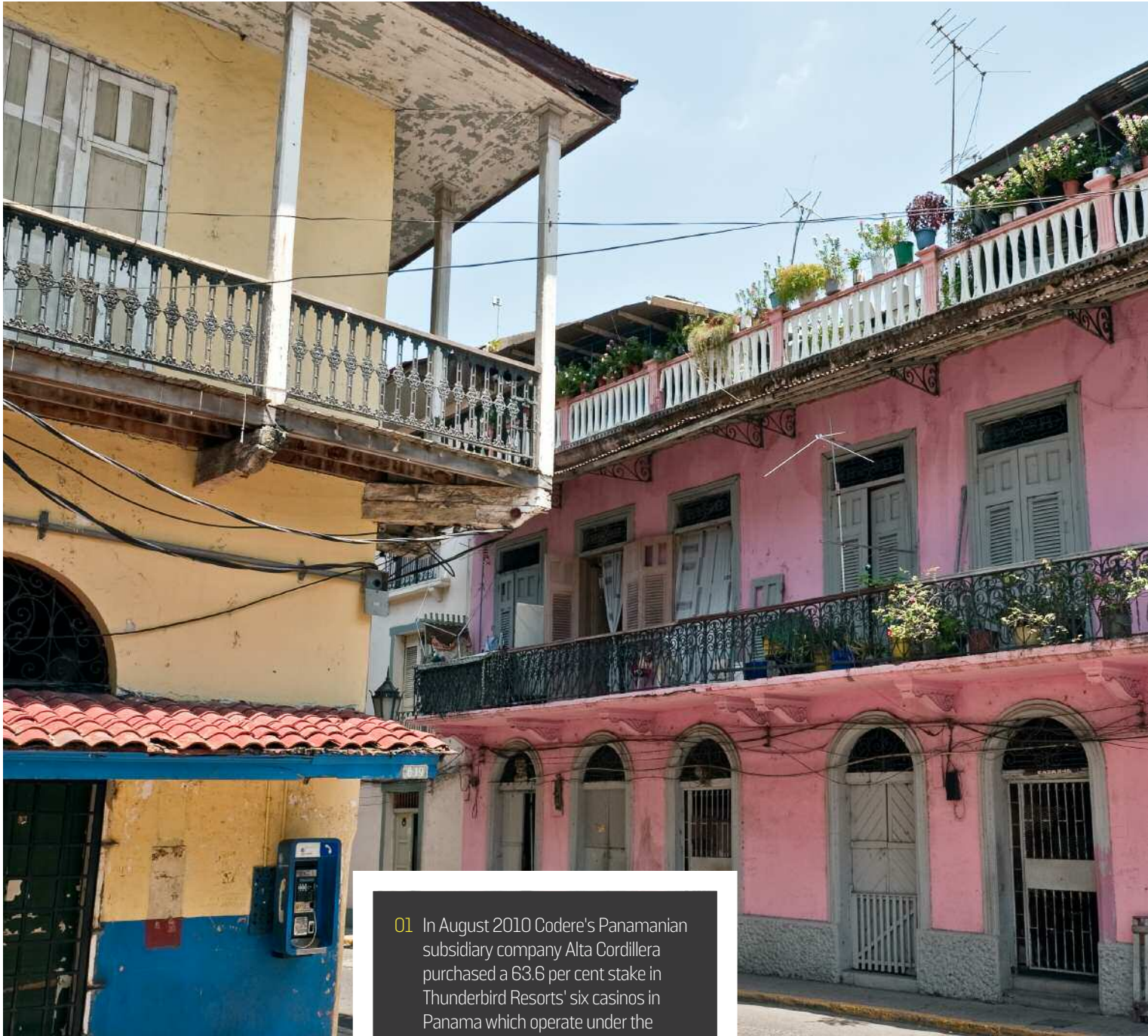
In the mid 2000s the industry was booming as casinos opened up at a fast rate particularly in downtown Panama City. With only 3.5 million population however there are more Panamanians playing than tourists and the government began to re-address the situation. By 2006 there was a halt in the number of casino licences issued and talks of ways to restrict gaming and control it and gambling addiction programmes were set up.

Several operators applied for licences in 2006 including Trump Ocean Club, Los Faros de Panama and Ice Tower. It is only now plans are coming to fruition for some of these.

Today it is thought around 35 per cent of visitors

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Sun International is to operate all on-site gaming at the trump ocean club when the 75,000sq.ft. venue opens its new casino mid-2014.

to the casinos are tourists and the number is expected to increase with the increase in tourists visiting the country.

Codere is currently the largest operator of the casinos in Panama and has a total of 3,272 gaming machines and 12 casinos which operate under the

- 01 In August 2010 Codere's Panamanian subsidiary company Alta Cordillera purchased a 63.6 per cent stake in Thunderbird Resorts' six casinos in Panama which operate under the Fiesta Casino brand.
- 02 New casino operations are now due to open next year at the Trump Ocean Club which announced last year that Sun International will operate their on site casino due to open in mid 2014. The 75,000 sq.ft casino will be located on the Mezzanine level and include 32 gaming tables and 600 slots, restaurant and bar/lounge. There will also be a Salon Privee on the 66th floor for private gaming whilst the 65th floor will be reserved private suites for the elite clientele.

Fiesta and Crown Casino brands including the Hipodromo racino.

Codere began its entry in Panama in 2005 with the purchase of the Hipodromo racetrack followed a year later by the purchase of Crown Casinos. Initially Crown Casinos were opened in Panama city in 1998 with three casinos. In 2007 Codere opened the Crown Casino racetrack Racino.

In 2008 Codere opened the Crown Casino Radisson Colon 2000 and in 2010 the company then purchased six new casinos from Canadian company Thunderbird.

The company has now invested \$4m to open a new



casino and remodel the existing Crown casinos and created a new image for the casino brand. In April the company opened the reformed Crown El Panama which is the first of the six casinos to be renovated.

Furthermore El Panama casino has now had a TITO system installed and also launched the Crown Club system to offer promotions and discounts to clients. Turnover in 2012 for Codere's Panama operations topped €92.5m with EBITDA of €14.2m.

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03 In March this year Sonesta International Hotels Corporation also announced the opening of its first hotel in Panama called the Royal Sonesta Hotel and Casino. Located in the city the hotel has 304 rooms and will be managed by Colombia's GHL Grupo Hotels as are the sister hotels in Colombia, Peru, Ecuador and Chile.

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Panama which operate under the Fiesta Casino brand.

The deal for \$38m was a strategic move by Codere to enable its new Fiesta Casino brand to run alongside its Crown Casino brand which it purchased in 2006.

The six Thunderbird casinos had been operated under long term property lease arrangements by the Thunderbird group and the sale meant the company could develop, own and operate its own integrated resorts anchored by casinos. The company had been active in Panama for 11 years previously and had a 30 per cent market share at the time.

CODERE'S FIESTA CASINOS

- Gran Hotel Nacional & Fiesta Casino is located in the business banking district of David which is the capital of Chiriqui – the land of coffee and bananas! It is situated in a very traditional hotel which has 117 rooms and suites. The 16,673 sq.ft Las Vegas style Fiesta Casino is open 24 hours a day and houses 280 slots and 10 table games and two poker tables.
- Fiesta Casino DeCameron in Farrallon is in the Pacific area. The casino has 50 slots and seven table games.
- Gran Hotel Soloy and Fiesta Casino is in the shopping district of Panama City and the casino is 3,444 sq.ft in size and it has 193 slots, six table games whilst the hotel has 220 rooms.

• Hotel Barcelo Guayacanes is a four star hotel located in Chitre in the Azuero region, a cosmopolitan city on the pacific coast of Panama. It is a newly built hotel and has 64 rooms and eight suites. The casino has 80 slots and four table games and one poker.

• Hotel El Panama and Fiesta Casino is located in the banking and hotel part of Panama City and also houses a convention centre for up to 3,000

delegates. The hotel was opened back in 1951 and renovated in 1990. The five star hotel has 335 rooms and its 20,000 sq.ft casino has 320 slots, 16 table games and five poker.

- The Radisson Colon 2000 Hotel and Casino is located near the cruise port just outside the Colon Free Zone. The 7,535 sq.ft casino has 93 slots and nine table games whilst the hotel has 84 rooms.

CODERE'S CROWN CASINOS

• Crown Casino Continental is situated at the Continental Hotel in Panama City which was formerly known as the el Riande Continental. The hotel has 365 rooms and a swimming pool. The 7,535 sq.ft casino on site has 150 slots and nine table games.

• Crown Casino Granada is located at the Riande Aeropuerto Hotel just two minutes from the international airport of Tocumen. The hotel has 183 rooms whilst the casino has 40 slots and table games.

• Crown Casino Sheraton is located at what was once called the Hotel Caesar Park (now Sheraton) in Panama City. The hotel is made up of colonial charm architecture and is a European style casino with three restaurants. The hotel has 361 rooms with views of the city of the Panama Bay. It opened in September 1998 and is one of the most prestigious casinos in the country. The casino has 316 slots and table games.

The gaming board appears to be willing to offer further casino licences and in 2011 offered four new licences for large scale venues to open.

• Crown casino Plaza Mirage is located at the Plaza Mirage Hotel in David, Chiriqui.

• Crown Casino Colon 2000 is located in Ciudad de Colon in the Hotel Radisson and reopened in September 2010 under the Crown Casino brand. This was the latest of the Crown casinos to open and Colon is a popular stop over for cruise liners with around 40 per cent of visitors arriving in Panama on cruise ships.

• Crown Casino Hipodromo is the Racino located at the racetrack. There are 339 slots and 29 table games.

OTHER CASINOS

• Casino Majestic in Panama City is owned by Cirsa. It is located in the heart of the city in the shopping centre Multicentro and connected to the Hotel Radisson Decapolis. There are 500 slots and 30 table games on two floors plus a VIP room and bars. The casino is 53,820 sq.ft in size. Cirsa also operates 28 electronic casino slot parlours in Panama.

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Ice Tower was another cancelled project. This super tall skyscraper was planned for the city and would have been 381 metres high with 104 floors.

- Veneto - A Wyndham Grand Hotel was built in 2005 in the heart of the city in Via España in Panama City and is owned by Silver Entertainment LLC. The 17 floor hotel has 327 hotel rooms and four restaurants and two bars. The casino houses 625 slots and 42 table games and 14 poker plus a racebook and sportsbook. This casino is said to be the largest contributor in gaming tax of all Panama's casinos. New York company Silver Entertainment is a hospitality and gaming company established in March 2007 by The Andalex Group. The company acquired the gaming licence in 2007 and as such this was Silver Entertainment's first venture into Latin America and the company's first acquisition. The casino was previously owned by Moises Haskey, Alberto Daniel Btsh and Abraham Btsh. The Wyndham Grand Hotel collection is a brand in the Wyndham family offering five star accommodation. The Andalex Group was founded in 1989 by Allen Silverman and specialises in acquisition, development and construction.

- Royal Casino at the Marriott in Panama City is owned by Marriott International with 400 slots, 25 table games and five poker tables.

- The Princess Casino Panama is located in the Four Points Hotel by Sheraton in the city at the World Trade Centre. The casino has 400 slots and table games and VIP lounge. The casino is operated by the Princess Group.

- Four Points by Sheraton in the Free Zone Colon is located in the Millennium Plaza. The hotel has 237 rooms and various facilities.

The gaming board appears to be willing to offer further casino licences and in 2011 offered four new licences for large scale venues to open by the end of 2011.

New casino operations are now due to open next year at the Trump Ocean Club which announced last year that Sun International will operate their on site casino due to open in mid 2014.

The 75,000 sq.ft casino will be located on the Mezzanine level and include 32 gaming tables and 600 slots, restaurant and bar/lounge. There will also be a Salon Privee on the 66th floor for private gaming whilst the 65th floor will be reserved private suites for the elite clientele.

Sun International acquired the space at the Ocean Club and the rights to operate the casino for \$45.5m and the company now plans to invest \$60m to build and develop the casino.

The Trump Ocean Club is built on the Panama Bay in Punta Pacifica and is a 70 storey hotel in the shape of a yacht sail and was the first international venture for the Trump Hotel Collection. It is the largest hotel in Latin America and has 369 rooms and 47 suites.

It will house shops, business centre, spa and is Trump's first investment in Latin American market.

In March this year Sonesta International Hotels Corporation also announced the opening of its first hotel in Panama called the Royal Sonesta Hotel and Casino. Located in the city the hotel has 304 rooms and will be managed by Colombia's GHL Grupo Hotels as are the sister hotels in Colombia, Peru, Ecuador and Chile.

There are two restaurants, bar, fitness centre, sauna, spa and beauty centre. The casino and rooftop swimming pool will open later this year.

In April the first phase of the Hard Rock Panama Megapolis opened bringing the Hard Rock brand to Latin America. The 66 storey hotel is in Panama City and was developed and owned by the Megapolis Investment group and managed locally by DeCameron Hotels & Resorts.

The hotel has 1,499 rooms including 796 suites. The Hard Rock Café is attached in the Multicentro Mall next door. Megapolis Investment Group is part of the Elhayek Group headed by Jacobo Torres with real estate portfolio around Panama including Panama's first shopping mall, Multicentro and has interests in Hotels DeCameron Panama which owns the Radisson Megapolis and is also co-owner of the Majestic Casino (Cirsra).

There are 28 slot halls which have almost 8,000 slots in total and 40 table games. Around 3,500 slots are operated in the bars and cafes.

Other projects like Los Faros de Panama never really got off the ground. This was a skyscraper project which included an 84 storey building. Construction began in 2006, but was cancelled five years later due to financial problems. There was talk of a casino at this location but for now the project is merely a hole in the ground.

Meanwhile, Ice Tower was another cancelled project. This super tall skyscraper was planned for the city and would have been 381 metres high with 104 floors. Excavations began in 2007 but halted three months later and cancelled. Again a casino was talked about for this venue.

Although Panama could in many aspects become

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- 01 Last year Cirsa opened its latest casino in Tocumen which was 1,300 sq.m and has 300 machines. Cirsa saw its operating profit increase by 11 per cent last year to €322m thanks to its business in Latin America. The company currently has 31 casinos, 80 bingos and 154 gaming arcades divided between Spain, Italy and Latin America. The company says 33 per cent of its business comes from Latin America.
- 02 The slot parlours are also often large sized and can house anything from 30 to 200 slots and often go under the name of casinos. Casino profits have been affected over the last few years partly due to the economic climate plus the number of slot parlours open and the introduction of a minimum wage in 2010.

Cirsa operates the only bingo hall in Panama, a venue called Casino Bingo 90. Bingo is the least popular gaming sector.

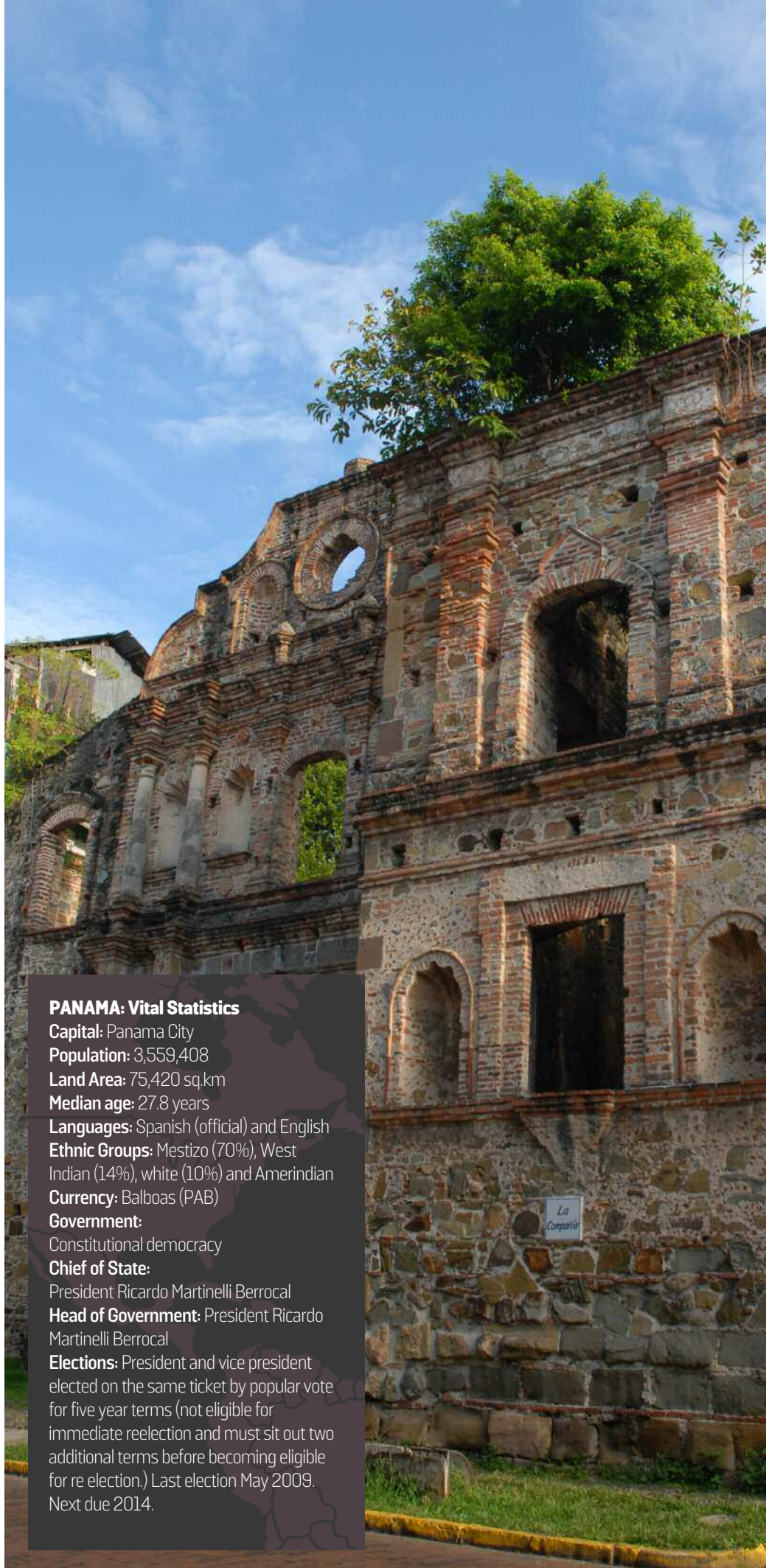
the next Las Vegas the government's funding issues are still struggling.

In 2004 the government introduced a Fiscal Fairness Programme aimed at reducing debt and raising taxes. Casinos came under attack and in 2005 a proposed five per cent tax rate on prizes of over \$250 was suggested for the casinos with a 10 per cent tax on prizes of more than \$300 on slots. Of course it was impossible to put into practice and lobbying brought the proposal to a halt. Casinos are currently taxed at seven per cent on payouts of more than \$300 on slots with no additional tax on tables.

In 2009 the government looked at ways of raising taxes to help fund police and social security costs and initial proposals said it would double tax on casinos from 10 to 20 per cent on gross income to bring in \$70m.

The law was passed as part of a fiscal reform package in September 2009 and also imposed a fee for the rights to run a casino. Hotels with casinos on their premises now have to pay \$1m to operate whilst slot parlours pay half a million dollars.

Monthly gross income tax for casinos was increased to 15 per cent (from 2012) whilst slot parlour tax increased to 19 per cent (from 2012/13) and would rise to 22 per cent after 2014.



PANAMA: Vital Statistics

Capital: Panama City

Population: 3,559,408

Land Area: 75,420 sq.km

Median age: 27.8 years

Languages: Spanish (official) and English

Ethnic Groups: Mestizo (70%), West Indian (14%), white (10%) and Amerindian

Currency: Balboas (PAB)

Government:

Constitutional democracy

Chief of State:

President Ricardo Martinelli Berrocal

Head of Government: President Ricardo Martinelli Berrocal

Elections: President and vice president elected on the same ticket by popular vote for five year terms (not eligible for immediate reelection and must sit out two additional terms before becoming eligible for re election.) Last election May 2009. Next due 2014.

- 03 In 2002 Panama adopted regulations governing the licensing of electronic games of chance and sports betting via the Internet. The regulations permitted master licences to be granted which are valid for up to seven years. A licence fee is US\$40,000. There is also an annual licence fee of US\$20,000.
- 04 There are about 24 gaming websites now established in Panama such as 2-4-1bingo.com, amigobingo.com, betonline.com, zexcasino.com, pokereale.com, juegoyak.com, casinorodeo.com
- 05 Betonline and Bestline Sports merged in 2005 and now run betonline.com which is a full sportsbook, racebook and casino and the company is run by CEO Eddie Robbins III. In 2009 they launched a new website betonline.ag to avoid seizure by the US.

However association ASAJA believes this increase could see contributions to the state dropping by \$60m over the next six years. Meanwhile there is also the question of saturation. Much of the gaming industry revenue depends on tourism. Many of the casinos in the hotels are built to a large scale often 40,000 sq.m or more in size and can offer up to 500 slots.

The slot parlours are also often large sized and can house anything from 30 to 200 slots and often go under the name of casinos. Casino profits have been affected over the last few years partly due to the economic climate plus the number of slot parlours open and the introduction of a minimum wage in 2010.

Meanwhile the association Asociacion de Administradores de Juegos de Azar are calling for more transparency in dishing out licences after the Four Points Sheraton Hotel was given a licence despite having less than 300 rooms and was a four not five star hotel.

SLOT HALLS

In 1997 a resolution was passed which permitted the operation of Slot Halls type A and full casinos. There are 28 slot halls which have almost 8,000 slots in total and 40 table games. Around 3,500 slots are operated in the bars and cafes.

Slot machines are divided into three class types – A, B and C.

Class A (casino) machine allow players to use cash and don't have a payout ceiling limit and can only be operated in casinos or slot halls.

Class B machines can only read and pay out via

player cards and have a maximum bet of \$5 and maximum payout of \$5,000. These can be located outside of casinos and slot halls.

Class C machines can only accept cards but their maximum bet is limited to \$3 and payout is \$200 maximum. These machines were approved in May 2012 and can only be located in bars and billiard halls.

Type A machines performance has been exceptional and today makes up around 70 per cent of total gaming revenue.

The main operator of the slot parlours is Cirsa which operates 28 Fantastic branded electronic casinos (slot halls) in total in Panama with a total of 7,500 slots and 35 table games. The majority are located in the city with some outside in Chorrera, Vista Alegre, Chitre, San Miguelito, Cocle and also in Colon.

The gaming board has given authority to International Cybergaming, which can then grant sub-licences.

All have bars-restaurants and large screens hosting sporting events and some also have live music, karaoke and DJs. They all hold on average 200 slots plus multiplayer American roulette and are between 500 and 800 sq.m in size on average.

In these slot halls there are three non Fiesta branded electronic casinos which include the Magic Casino Dorado which is located in the shopping centre El Dorado in the city. The size is 866 sq.m and offers slots and multiplayer American roulette; Magic Casino 12 de Octubre is located in the shopping centre Metro Plaza in the city. The area is 279 sq.m and it houses multiplayer roulette and slots.

Cirsa also operates the only bingo hall operator in Panama and the venue is called Casino Bingo 90. Bingo is the least developed and least popular sector of the gaming industry and its peak in the market was back in 2000 when its revenue reached \$1.7m. Today it stands at around \$1.1m.

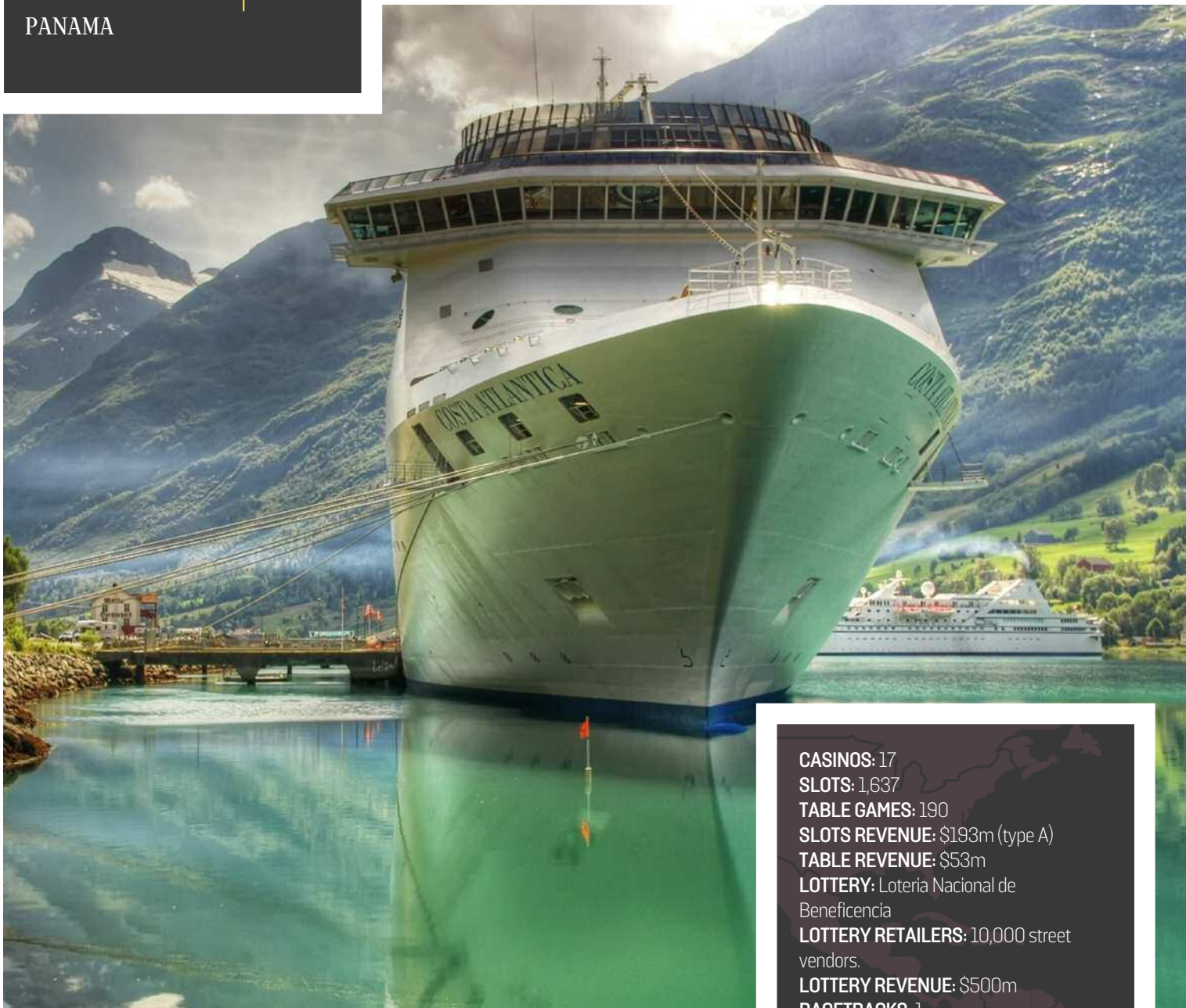
Bingo 90 is located in Veraguas in Panama City. It is open daily from 11am to 5am and there are 216 slot games. This was recently renovated and houses the latest slots and new bingo salon and restaurant.

Last year Cirsa opened its latest casino in Tocumen which was 1,300 sq.m and has 300 machines.

Cirsa saw its operating profit increase by 11 per cent last year to €322m thanks to its business in

G3-247 Report

PANAMA



Latin America. The company currently has 31 casinos, 80 bingos and 154 gaming arcades divided between Spain, Italy and Latin America. The company says 33 per cent of its business comes from Latin America.

ONLINE GAMING

Panama is of course the banking capital of Latin America and in 2002 Panama adopted regulations governing the licensing of electronic games of chance and sports betting via the internet.

The regulations permitted master licences to be granted which are valid for up to seven years. A licence fee is US\$40,000. There is also an annual licence fee of US\$20,000

The master licence holders can then grant sub-licences which are subject to the annual fee and applicants must also pay investigation costs during the application process. However gaming companies are then essentially able to operate tax free when accepting foreign wagers.

This is basically because Panamanians cannot

bet on Panama online gaming sites and therefore operators, bar their payment to the JCJ, can then claim their income is from a foreign source and exempt from income tax and profit participation.

The gaming board has given authority to consultancy firm International Cybergaming Corporation which means every operator is sub-licensed by this company and only they can issue online licences to third parties.

Cybergaming is responsible for collecting the fees, monitoring game payouts, record all transactions are available for inspections and compiling with regulations.

There are about 24 gaming websites now established in Panama such as 2-4-1bingo.com, amigobingo.com, betonline.com, zexcasino.com, pokereale.com, juegoyak.com, casinorodeo.com

Betonline was set up in 1991 and is one of the biggest companies in the online field. It operates out of Panama City and offers a sportsbook in all major sports and leagues. There are also the vir-

CASINOS: 17
SLOTS: 1,637
TABLE GAMES: 190
SLOTS REVENUE: \$193m (type A)
TABLE REVENUE: \$53m
LOTTERY: Loteria Nacional de Beneficencia
LOTTERY RETAILERS: 10,000 street vendors.
LOTTERY REVENUE: \$500m
RACETRACKS: 1
RACINOS: 1
SLOTS IN RACINO: 339
TABLE GAMES: 29
RACE REVENUE: \$11.3m
SPORTS BETTING: \$11.4m
BINGO: 1
REVENUE: \$1.1m
SLOT HALLS: 28
SLOTS: 8,000
TABLE GAMES: 40
SINGLE SITE SLOTS: 3,500
TOTAL GAMING GGR: \$2.1bn

tual casinos with table and card games and blackjack tournaments.

Betonline and Bestline Sports merged in 2005 and now run betonline.com which is a full sportsbook, racebook and casino and the company is run by CEO Eddie Robbins III. In 2009 they launched a new website betonline.ag to avoid seizure by the US.