



## Clinging to the status quo

Poland continues to wrestle with the concept of gaming as it attempts to introduce an ever changing tide of legislative changes and regulative mixes

The establishment of a Polish state is often identified with the adoption of Christianity by its ruler Mieszko I back in 966.

The area covered the territory similar to that of present day Poland and today Poland is the 69th largest country in the world and the ninth in Europe.

Catholic Christianity became the nations new official religion to which the majority of the population converted to over the next few centuries.

In the 12th century Poland fragmented into several smaller states and in 1320 Wladyslaw I became King of a reunified Poland with his son Kazimierz III and is remembered as one of the greatest Polish Kings.

**Today, Poland is considered to have one of the healthiest economies of the post-communist countries with GDP growth for the first quarter of 2008 at six per cent.**

Under the Jagiellon dynasty Poland forged an alliance with its neighbour the Grand Duchy of Lithuania and in 1410 the Polish-Lithuanian army defeated the Teutonic Knights in the battle of Grunwald.

After the thirteen years war the Knights state became a Polish vassal and Polish culture and economy flourished under the Jagiellons.

The golden age arrived in the sixteenth century after the Union of Lublin delivered the Polish Lithuanian Commonwealth.

The Szlachta (nobility) of Poland took pride in their freedoms and parliamentary systems and during the golden age Poland expanded its border to become the largest country in Europe.

However this all came to an end in the mid 17th century when a Swedish invasion took place and the Cossacks Chmielnicki Uprising ravaged the country.

Numerous wars against Russia coupled with government inefficiency then marked the steady deterioration of the commonwealth from a European power into a near-anarchy controlled by its neighbours.

Meanwhile, the reforms, particularly those of the Great Sejm which passed the constitution in 1791, were foiled with the three partitions of Poland in 1772, 1793 and 1795 which left Poland being erased from the map and its territories divided between Russia, Prussia and Austria.

The Poles rebelled against the partitions several times particularly in the 19th century and in 1807 Napoleon recreated a Polish state, the Duchy of Warsaw. But after the Napoleonic wars Poland was again divided in 1815 by the allies at the Congress of Vienna. The eastern area was ruled by the Russian Czar but the Czars soon reduced Polish freedoms and Russia eventually annexed the country.



During World War I the Allies all agreed on the reconstruction of Poland and after the surrender of Germany in 1918 Poland regained its independence as the Second Polish Republic.

This independence was reaffirmed after a series of military conflicts the most notable being the Polish Soviet War.

In 1926 and the May Coup the Second Polish Republic was turned over to the Sanacja movement which controlled Poland until 1939 when Nazi Germany invaded and the Soviet Union followed.

Poland was then split into two zones, one of which was occupied by Germany whilst the other was occupied by the Soviet Union.

Of all the countries in the war, Poland lost the highest percentage of its citizens with more than six million dying of which half were Polish Jews.

At the end of the war, Poland's borders were shifted westwards, pushing the eastern border to the Curzon line. The western border was moved to the Oder-Neisse line.

The new Poland was 20 per cent smaller and the shift forced the migration of millions of people including Poles, Germans, Ukrainians and Jews.

The Soviet Union meanwhile had instituted a new communist government and despite some liberal regimes the persecution of communist opposition continued.

Labour turmoil in 1980 led to the formation of the trade union Solidarity which over time became a political force and eventually eroded the dominance of the communist party and in 1989 triumphed in parliamentary elections.

Lech Walesa eventually won presidency in 1990 and became the first popularly elected President of Poland, whilst the Solidarity movement heralded the collapse of communism across Eastern Europe.

During the early 1990s the country began to transform its economy and like other post-communist countries suffered temporary slumps in social and economic standards.

**Poland is surrounded by many neighbours including Germany, Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Kaliningrad Oblast (a Russian exclave) whilst the Baltic Sea completes the jigsaw.**

However, it also became the first post-communist country to reach its pre-1989 GDP levels and there were numerous improvements in human rights and free speech.

The country's first free parliamentary elections were held in 1991 and Poland later joined NATO in 1999. Poles voted to join the EU in June 2003 and it became a full member in May 2004.

Today, Poland is considered to have one of the healthiest economies of the post-communist countries with GDP growth for the first quarter of 2008 at six per cent.

It has pursued a policy of liberalising the economy and the privatisation of small and medium state owned companies and the establishment of new firms have allowed the development of an aggressive private sector.

Between 2007 and 2010 the government plans to float 20 public companies on the stock market including parts of the coal industry.

The biggest challenge now is for Poland

to meet the strict economic criteria for entry into the European Single Currency. This is expected by 2012 or 2013.

#### SHOPPING CULTURE

Poland is surrounded by many neighbours including Germany, Czech Republic, Slovakia, Ukraine, Belarus, Lithuania and Kaliningrad Oblast (a Russian exclave) whilst the Baltic Sea completes the jigsaw.

The Baltic coastline is marked by several coastal lakes and dunes and although largely straight is indented by the Szczecin Lagoon, the Bay of Puck and the Vistula Lagoon.

The country is made up of lowlands in the centre and north rising to four hilly lake districts. The Masurian lake District is the largest of the four and covers much of north eastern Poland.

Mountain regions lie in the south with the Carpathian Mountains amongst them. The Tatra Mountain is the highest mountain group in Poland and is in the Carpathian range and runs along Poland's southern border.

Poland has 21 mountains in total over 2,000m high, 23 national parks, one of the highest number of lakes in the world and a coastline of around 528 kilometres.

Poland also hosts one of only five natural deserts in Europe. The Bledow Desert was created thousands of years ago by a melting glacier and has a total area of 32sq.km.

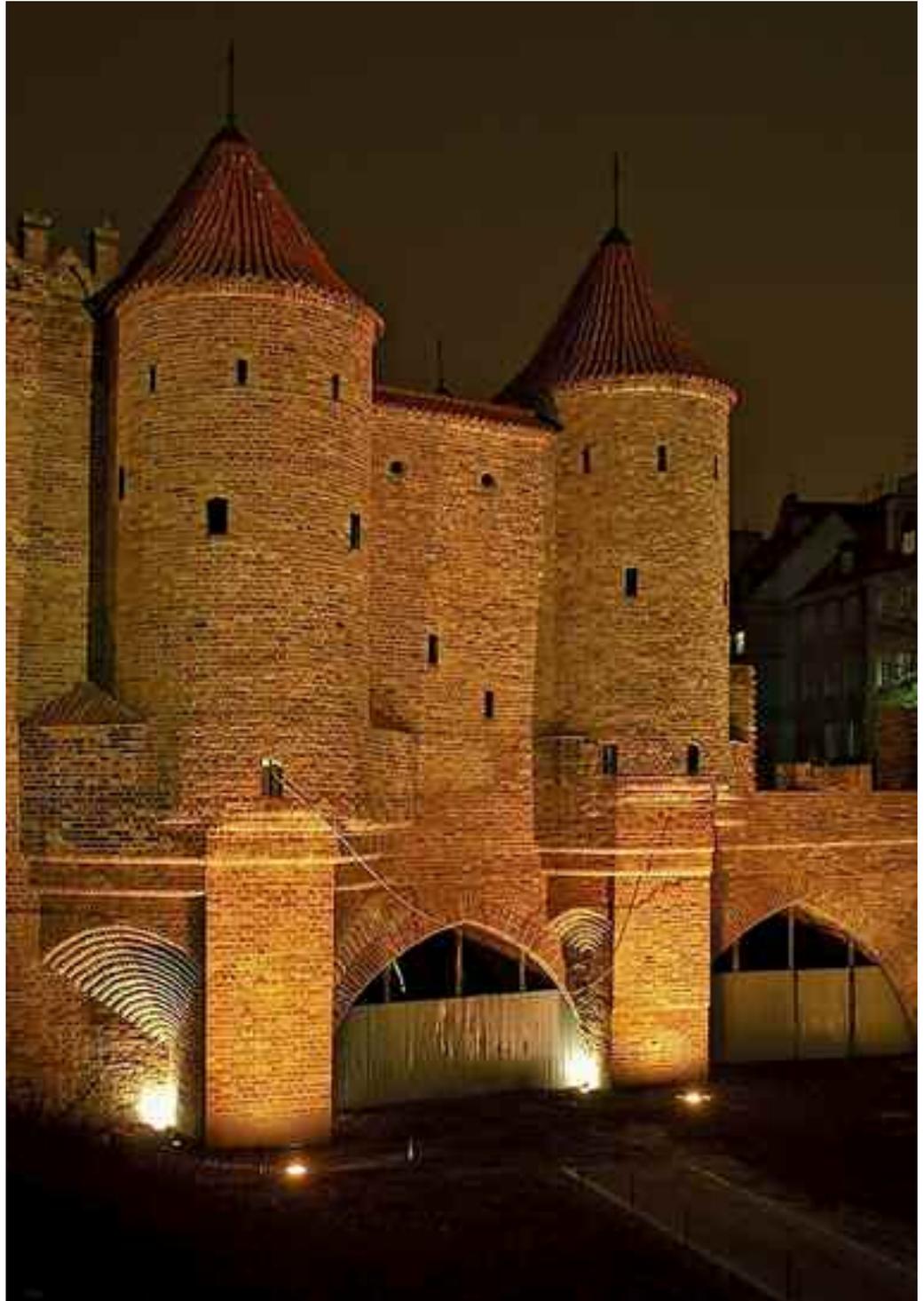
Poland is divided into 16 voivodeships (provinces) which are then subdivided into 379 Powiats (counties) including 65 cities with Powiat status and then further divided into 2,478 gminas (communes or municipalities).

Despite the sights Poland has never really been a traditionally popular tourist destination and is ranked 24th in terms of economy size worldwide. Tourism generated around PLN125.4bn (US\$43.5bn) of economic activity in 2007 which is expected to grow annually by four percent.

Poland's travel and tourism sector contributes around 7.7 per cent to GDP whilst real GDP growth for the travel and tourism economy was around 1.5 per cent in 2008.

On the other hand Poland's modern retail space market has developed dramatically since the mid 1990s and this has in the main been due to the expansion of the supermarket chains and shopping centres.

Intensive investments involving shopping



malls have been pumped into most of the major Polish cities and by the end of the 1990s these shopping malls were also offering entertainment options such as cinemas, fitness studios, restaurants and supermarkets.

The supply of shopping centres peaked in 1998/99 and by 2006 there were 230 outlets. Today the biggest shopping centres are Manufaktura in Lodz and Arkadia in Warsaw.

Today Poland has around 6.3 million sq.m

**In 2008, only one casinos opening took place in Poland, that of Olympic Entertainment Group's casino in Kielce.**

of modern retail space with more being constructed. Developers are now moving their shopping mall activity into the medium sized cities with populations of 100,000 to 400,000.

Many developers are also keen to develop malls along main shopping streets within the big cities and the first to demonstrate this was the Stary Browar business and art centre in Poznan.

To meet the demand for such developments, investors are now



modernising existing tenement houses and adapting them for trade, food service and entertainment purposes.

Meanwhile there is a concentration of large non-grocery stores in suburban shopping malls whilst supermarkets and discount stores are expanding in housing estates.

The hypermarkets started to build smaller stores in medium sized cities to increase their competition whilst international supermarket chains and discount stores

**In all areas of gaming activity, AWP, gaming arcades and casinos, saw significant growth in 2008 compared with 2007.**

also began to enter the market and between 2003 and 2007 many new retail and entertainment centres were built in the large cities.

In total there are around 180 hypermarkets in Poland many of them within large shopping centres. The sector is dominated by large foreign chains such as Auchan, Carrefour, Real and Tesco.

The grocery sector saw a huge consolidation process in 2005/06 when Geant hypermarket was taken over by

Real and Hypernova/Ahold was taken over by Carrefour. Later Tesco took over Leader Price and Carrefour bought Albert/Ahold stores.

Polish retail sales rose an annual 20.9 per cent in January 2008, the highest in almost four years, and at a rate of 12.4 per cent compared to year on year growth.

Car sales are at their peak followed by sales of textiles and footwear. Food sales also rose 12.5 per cent in January compared to the previous year.

Clothing and footwear saw a 15 per cent growth for the second year in a row in September 2008 totalling PLN28.8bn.

One reason is of course the strong zloty against the Euro and dollar at the moment and consumer confidence in spending is at an all time high.

Meanwhile there was a major increase in investment in the Polish real estate market in 2006 with transactions involving commercial real estate rising by 60 per cent. According to analysts in 2006 Poland accounted for 53 per cent of total value of real estate transactions in central and eastern Europe.

Poland's retail property market is the third most active in Europe behind Russia and Italy whilst foreign investors continue to be attracted by the size of the Polish market.

Forecasters predict that Warsaw's retail space market is now close to saturation however work to regenerate the city centre is expected to provide new retail space.

The country has also seen improvements in its employment sector. Average salaries are around PLN3,137 (€925) for the enterprise sector and the median wage in Warsaw is around PLN4,600 (€1,200).

Poland however has the second highest unemployment rate in the EU and because of this many have left to work in other EU countries in the past and particularly since 2004. However the rapid growth of salaries and booming economy say those who returned to Poland in 2008 outnumber those leaving the country.

## THE GAMING MARKET

The Polish word 'hazard' (gamble) comes from the Arabian word az-zahr which stands for playing dice.

The history itself of organised gambling in Poland dates back to the middle of the 18th century when the first classic lottery was established in the country in 1748.



The income from this lottery went to the building of the Collegium Nobilium (College Hospital) run by Piarist monks and also the Infant Jesus Hospital in Warsaw.

The real beginning of numerical games began in 1768 with the aim of supporting the State Treasury. An agreement between the Treasury Committee and Genoa Company was made the following year and the first Polish agency of its kind was founded called Lotto di Genowa.

This enabled rich citizens to gamble and this went on until 1839 when the lottery dissolved. After independence in 1920 a permanent lottery was established and in 1936 the lottery operation was taken over

**In June 2008, the Polish government attempted to introduce a new tax regime, an extra 10 per cent charge to be paid by the player. The revenue generated was to be directed towards the organisation of the UEFA Euro football championships in 2012.**

by a state company under the name of Polski Monopol Loteryjny (PML).

The lottery was suspended during the war but after the second World War PML gained a competitor called Totalizator Sportowy and this company was later established as a state institution in 1955 and started functioning the following year. The same year saw the beginning of bookmaker bets in Poland.

The games of chance market was governed by the 1992 act which was later amended in 2003 to permit low payout slot machines which up until this point had been operated illegally.

Today the Polish market is made up of six



entities including the lottery (Totalizator Sportowy and PML),

casinos, gaming halls, bingo halls, mutual bets and AWP's (street gaming).

The gambling market in Poland is regulated by the Act of 29 July 1992 on games and mutual wagering which includes the following:

- Slot machines can be operated by joint stock companies or a limited liability company with its seat in the territory of Poland.
- These shares however can be purchased by members of the European Economic Union.
- The amount of capital of a joint stock company or limited liability company must be the equivalent of the following: €1m for casinos, €500,000 for gaming hall or bingo salons and €200,000 for single site slot operations.
- Only one casino per 250,000 inhabitants can be opened.
- Only one gaming hall can be sited in



towns with a population of 100,000.

- Operators must pay a financial guarantee ranging from the equivalent of €1,000 for slot machines to €300,000 for casinos. This is increased depending on the number of locations.
- Slot machines winnings cannot exceed the equivalent value of €15 and the maximum stake for a single game is 7c (amendment in 2003)
- Casinos must have a minimum of four table games and between five and 30 slot machines.
- Gaming halls must have between 15 and 70 slot machines.
- Single sites can also operate slot machines with a maximum of three machines per site.
- AWP's pay a tax rate of €180 per machine per month.
- Casinos and gaming halls pay a gaming tax rate of 45 per cent.
- License fees for casino games stands at

€321,732 and for gaming halls €128,803.

The Poles are actually big gamblers. According to studies the Polish spend more on gambling than they do on alcohol with around PLN11.9bn (€3bn) spent in 2007.

This is almost twice as much as 2006 figures which is partly due to the rapid increase of the AWP market in Poland. And this figure looks set to rise.

In 2007 the AWP market saw an increase in revenues of 104 per cent as players spent more than PLN4.9bn (€1.2bn) on AWP's – almost twice as much as the previous year and the arcades sector saw an increase in incomes of 40 per cent.

Many say the AWP sector has still not reached its full potential. Back in 2004 there were just 9,078 AWP's 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. The market is a mixture of western style AWP's coming from the likes of Novomatic, JPM, Barcrest, Merkur, Bell Fruit, Apex and Errel and Polish produced machines.

**August 2008 saw the Polish government's attempt to introduce new supervisory rules for the gaming sector in Poland. The ruling was dropped, but it would have seen the switching of responsibility for gaming moved from the Ministry of Finance to that of the Polish Customs Office.**

One of the main issues with the AWP sector is the fact that the maximum stake and prize is set in Euros (€15) which four years ago amounted to PLN60 and in November 2008 was around PLN53.

Operators say a figure should be set not more than once every six years. At the moment the exchange rate is based on the December 31st rate of the previous year, however permissions can take up to six months and with fluctuating exchange rates this often means machine payout rates need to be changed. Operators say the cost and time in changing software is proving expensive.

Meanwhile the Department of Customs and Excise recently released its figures for the first and second quarter of 2008 which shows a total of 37,875 AWP's (as of June 2008) with a total of 19,063 operational sites.

The biggest amount of gaming is concentrated in the regions of Katowice, Warsaw and Wroclaw.

The first half of 2008 saw a total declared income of PLN952,818,282 which is a massive 69 per cent increase on the same six month period in 2007 which saw PLN562,458,298.

The chart on page () shows data for the AWP sector for the last four years.

The gaming hall sector has also grown from 176 locations in 2005 to 228 today. There are about 15 companies who operate gaming halls including ZPR (65 per cent market share) as the biggest operator, Fair Play Group, Fortuna and Grand.

Fair Play Group was set up in 2000 and today operates 12 gaming halls the first opening in Tarnowski Gory and Ruda Slaska in 2003.

Grand is one of the oldest companies in Poland and has six gaming halls located throughout Poland and also has around 2,500 slots in operation.

Fortuna Games was founded in 1997 and operates AWP's throughout Poland and also has four of its own gaming halls.

Other companies include Eurogame which operates AWP's in pubs, restaurants and arcades throughout the country and distributes for JPM, Novomatic, Barcrest, Apex and Gamesystem.

It is understood that around 30 per cent of gaming halls are not profitable due to the high 45 per cent tax. Many say this should be reduced to 20 per cent.

## GAMING STATISTICS IN POLAND

TABLE A - AWP MACHINE TOTAL FROM 2005-'08

AWPs	2005	2006	2007	First 6 months of 2008
Number of machines	15,606	22,375	32,766	37,875
Number of operational sites	9,647	12,741	17,091	19,063
Average number of AWP's per site	1.62	1.76	1.92	1.99
Declared income (total)	€101.6m	€194.8m	€364.0m	€242.6
Declared income per site annually	€6,511	€8,710	€11,109	
Declared income per site monthly	€543	€726	€926	

TABLE B - NUMBER OF GAMING ARCADES IN POLAND 2005-'08 / TAXABLE REVENUE

GAMING ARCADES	2005	2006	2007	First 6 months of 2008
Number of sites	176	187	201	228
Taxable amount	€68.4m	€75.5m	€94.1m	€65.9m
Taxable amount per site annually	€388,907	€403,896	€468,621	
Taxable amount per site monthly	€32,409	€33,658	€39,053	

TABLE C - NUMBER OF CASINOS IN POLAND 2005-'08 / TAXABLE REVENUE

CASINOS	2005	2006	2007	First 6 months of 2008
Number of sites	27	27	26	27
Taxable amount (total)	€51.5m	€61.8m	€73.6m	€36.8
Taxable amount per site annually	€1.9m	€2.2m	€2.8m	
Taxable amount per site monthly	€158,982	€190,794	€236,125	

The Department of Customs and Excise figures for the first and second quarter of 2008 show a total of 228 gaming halls. The total tax for these locations came to PLN258,779,418 which is a 25 per cent increase on the same six month period in 2007.

The chart on page () shows the gaming hall sector for the last three years.

At the end of April the Ministry of Finance published a revision project for the Gaming and Mutual Wagering Act to introduce a special surcharge.

This would have affected casino games, bets, amusement games and AWP's and

was designed to level the playing field between games operated by the government owned companies and private entities.

The surcharge of 10 per cent meant that when a player exchanged his money for tokens he would then have received 10 per cent less tokens than the amount he had paid for.

The industry was in uproar saying a player is now being charged a tax for his 'willingness' to play rather than actually playing and said the new rule would merely see a reduction in the number of players.

**In a strange move in April last year, the Polish government attempted to delete all barriers in regards the localisation of gaming arcades and casinos in Poland. The motion was not ratified, but the government continues to meddle with the regulations of the gaming industry on a monthly basis.**

The government said the surcharge was suggested to increase income from taxes. Fortunately in April this suggestion was withdrawn from parliament.

Meanwhile the current problem in Poland now being discussed is the interpretation of the stake and payout rates. Many AWP's payout more than the equivalent of €15 limit and recently the Central Bureau of Investigation and Customs seized some 300 machines in April mainly in North East Poland.

At the moment due to the extra bonus games and Superbank features players can in theory win up to €1,000 by continuous play as the Polish law does





not specify any time for each game.

At the moment the Ministry of Finance is waiting for the public prosecutor investigation to be completed before possibly changing the law. This could in theory mean a huge replacement market if a new law is introduced however at the moment the problem is the interpretation of the approval process.

In addition the government is also proposing that extra games and bonus games in amusement games will also be viewed as prizes and could essentially eliminate all video games, simulators and pinball machines that offer these features.

The Ministry of Finance has already ruled that the Pump-It-Up dancing game is now a gambling machine although the Polish association is opposing this project.

Another possibility of change is the talk of introducing VLTs into Poland via the monopoly run by Totalizator Sportowy. This could see the demise of the private gambling sector.

#### THE CASINO MARKET

There are currently 27 casinos in Poland of which seven are located in Warsaw. The numbers however have dropped over the last decade as the country boasted 33 casinos back in 2000.

**The thought process behind so many government interventions appears to be to create a new gaming set-up in Poland, with a view to introducing a state-run video lottery monopoly to control the gaming sector in the country.**

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).

In May this year a debate appeared in the media as to whether to lift the restrictions limiting the number of casino licenses.

At the moment one full casino license is permitted per 250,000 inhabitants. These restrictions have kept the number of full casinos and slot halls reasonably low compared to say France or Great Britain.

However this proposal was met with criticism from the gaming industry itself who said the lifting of the restrictions would create a host of possible new problems such as the increase in gambling addictions and criminal organisation operational activity.

Meanwhile a new gambling act which was proposed by the Ministry of Finance was withdrawn in April. The new idea was a 10 per cent tax levied on gambling games and was aimed at funding the construction of a sports stadium for the Euro 2012 football championships.

The Ministry of Finance suggested that an additional 10 per cent tax should be added to the casinos sector. A study by the large casino operators said the amendment of the additional payment meant casinos would then contribute a sum of PLN238m to the state budget per year which is an increase of 82 per cent.

The 27 casinos in Poland are operated by the following companies:

- **CASINOS POLAND**

Casinos Poland was the first company to open a casino in Poland. The company began its operations back in 1989 when the gaming market began and the company was the first to receive a casino operator license.

The company now operates seven casinos and one slot hall and has a 50 per cent market share in the market.

More than 303,000 guests visited six casinos within the Casinos Poland chain in 2007 of which 31 per cent were foreign visitors.

The company has two casinos in Warsaw with the other five in the main cities of Poznan, Wroclaw, Gdynia, Katowice and Krakow, which was the first to open in 1989. The group also operates a slot hall in Szczecin.



In total the group has just over 200 slots across its seven casinos and 100 table games. The slot hall has 33 slots and two Admiral multiplayer roulettes both with eight terminals. Other slots include those from IGT, Aristocrat and Bally.

Casinos Poland is owned by Century Casinos which has held a 33.3 per cent share in Casinos Poland since March 2007 (via its subsidiary company G5) with the remainder held equally by LOT Polish Airlines and State Enterprise Polish Airports.

However both LOT and the airport have stated that they intend to sell of their stake in the company by the end of 2008.

- **ORBIS**  
A year after Casino Poland was founded

**Having seen intense growth in the gaming sector in 2008, with the development of small city gaming in Poland, the expectation is that there will be a period of stabilisation in 2009.**

the Orbis group began its operations with a casino in Warsaw in the Hotel Victoria.

Orbis is the largest tourist and hotel group in Poland and Central Europe and offers hotel, travel agent, tour operation and casino services.

The group is led by Orbis SA, the largest hotel company in Poland, which forms the Orbis Hotel Group with other sectors such as Orbis Travel and Orbis Transport coming under this group.

The company was started in 1920 with a small travel agency. It soon grew and began to develop its operations. In 1939 the company had 136 branches in Poland and 19 abroad together with four hotels.

The war damaged its activity for a while

but between 1946 and 1959 the company went on to manage a guest house network offering 5,000 beds. In 1951 nine of the best Polish hotels were incorporated into Orbis

Between 1960 and 1980 34 new hotels were built and by 1980 Orbis had 60 per cent of all hotel rooms in Poland. In the 1970s when international investment projects began six Novotel hotels were built.

New hotels continued to be built and by 1990 the Orbis network included 53 hotels. In 1991 the state owned enterprise was transformed into a company wholly owned by the State Treasury.

In 1993 two companies Orbis Travel and Transport were divided under the Orbis



Casino Ltd began in 1989 when Orbis SA and two Swedish companies, Skanska and Cherryfuretagen were registered as Orbis Casino Ltd.

Their first casino opened in September 1989 in the Victoria Hotel in Warsaw. Today the company has 10 casinos and five slot halls. In total the casinos offer 452 slots and 80 tables. The latest casino was opened in 2007 in Bydgoszcz.

In 1992 following legislative changes the Swedish shareholders sold their stakes to 100 per cent owned Polish companies ZPR SA and Fincorp Ltd.

#### • ZPR

ZPR was set up under the ZPR group of companies as a result of the privatisation process and now covers a range of outlets from internet, radio and entertainment sectors.

The group has a 20 per cent share of the Polish gaming market with a network of casinos and gaming centres and also manufactures slots, automatic roulette and other game machines.

Since 1973 ZPR SA has been involved in casino and game hall operations and today has 85 gaming halls and two casinos in the country via the brands Royal Casino (casino) and Poker Club (average gaming hall) and Tip Top (standard gaming hall). Also the group owns shares in the 10 Orbis casinos.

The group also operates Bingo Centrum game halls which since 1993 has a total of 17 sites in Upper Silesia and Krakow. In addition GameTek is the company's manufacturing arm supplying AWP's.

#### • OLYMPIC ENTERTAINMENT GROUP

OEG operates casinos in Estonia, Latvia, Lithuania, Belarus, Ukraine, Romania, Slovakia and Poland.

The group entered the Polish market in 2007 and today has three casinos under the Olympic brand plus five more casinos in Poland which were acquired from Casinos Polonia (at the time Poland's third largest operator) which have yet to be re-branded under the OEG banner.

OEG's newly built casinos include Olympic Casino Sunrise in Warsaw which was opened at the end of April 2007 and is one of the largest casinos in Poland with a total investment of around €7m.

Also Olympic Casino Kielce which opened in September 2008. This casino cost an investment of around €2.5m and is the only casino in the town of 320,000 inhabitants. This is designed in the Ancient Greek theme and is 500 sq.m in

SA parent company and in 1997 the Orbis SA shares were offered on the public market. The stake held by the State Treasury was reduced to less than 50 per cent by 1999.

The last stage of the privatisation process was completed in 2000 when French giant, Accor became a partner.

Today Orbis operates a total of 67 hotels across 30 towns and resorts in Poland. It has 100 per cent shares in Hekon Hotels which has eight Ibis hotels and two Novotels in Poland plus a hotel in Lithuania.

It runs hotels under the Accor brands in Poland and the Baltic States.

The gaming arm of the company, Orbis

#### INFO PANEL

Poland is an ancient nation that was conceived near the middle of the 10th century. Its golden age occurred in the 16th century and during the following century the strengthening of the gentry and internal disorders weakened the nation.

In a series of agreements between 1772 and 1795 Russia, Prussia and Austria partitioned Poland amongst themselves.

Poland regained its independence in 1918 only to be overrun by Germany and the Soviet Union in World War II. It became a Soviet satellite state following the war, but its government was comparatively tolerant and progressive.

Labour turmoil in 1980 led to the formation of the independent trade union 'Solidarity' that over time became a political force and by 1990 had swept parliamentary elections and the presidency.

A shock therapy program during the early 1990s enabled the country to transform its economy into one of the most robust in Central Europe but Poland still faces the lingering challenges of high unemployment, underdeveloped and dilapidated infrastructure and a poor rural underclass.

Solidarity suffered a major defeat in the 2001 parliamentary elections when it failed to elect a single deputy to the lower house of parliament and the new leaders of the Solidarity Trade Union subsequently pledged to reduce the Trade Union's political role.

Poland joined NATO in 1999 and the European Union in 2004. With its transformation to a democratic market orientated country largely completed, Poland is an increasingly active member of Euro-Atlantic organisations.

**Experts predict that the fastest growing sector in the Polish gaming market will continue to be AWP's, with the market stabilising at between 50,000-75,000 machines under the current legislation.**

size with 10 tables and 30 slots, including two electronic roulettes. The group also recently opened a new slot gaming hall in Janki shopping centre.

In April 2007 OEG acquired 80 per cent shares in Casino Polonia with plans to invest €30m into the Polish market. The group has already re-branded the Olympic Casino Metropol into an Olympic brand and plans to do the same with the five other Casino Polonia casinos.

OEG is listed in the Warsaw and Tallinn Stock Exchange and now operates casinos in Warsaw, Kielce, Wroclaw, Szczecin and Gorzow.

OEG's Andri Avila said: "Compared to all the markets we operate in, Poland clearly has the highest tax rate and is the market of most regulated and limited licenses. On the other hand the Polish market has been a truly pleasant experience since Polish people really value quality casino entertainment."

#### LOTTERY AND ONLINE GAMING

Totalizator Sportowy is more than 50 years old and today is one of the largest Polish companies with 17 branches across the country.



The state owned monopoly company began in 1956 with football betting whilst the lottery followed the following year. In 1959 the Polish League of football betting establishments joined the English league and in 1973 the Duzy Lotek game was launched followed by two new numbers games in 1976.

In 1991 the G-Tech Corporation introduced the online system and the transition lasted four years.

In 1997 the company was transformed to a limited liability company whilst a new computer system was introduced at the turn of the millennium.

Today Sports Tote is the biggest network with 11,000 online lottery retailers. It is estimated that numbers games and the lottery is played by more than 16 million Poles (53 per cent of the population) whilst their favourite game is Duzy Lotek followed by Multi Lotek. The Totalizator Sports game attracts around three million Poles.

Sales of lottery and number games in 2007 reached PLN2.7bn with sales profits of PLN239.9m. The biggest ever prize via the Duzy Lotek was offered late last year which came to PLN40m (\$13m) which was won by six tickets.

**A series of new companies entered the gaming sector in Poland in 2007-08, while existing companies enjoyed a period of rapid expansion. However, 2009 has seen a dramatic slow down in this area and is not expected to see much further improvement until late 2010.**

Last year around PLN1.3bn was given to the state budget. The lottery contributes to the Ministry of Sport and Ministry of Culture. Prior to 2002 the Ministry of Sport received 20 per cent from the price of lottery tickets. In 2002 this was increased to 25 per cent and then also subdivided between two ministries - 80 per cent of which goes to the Ministry of Sport and Education and 20 per cent goes to the Ministry of Culture. The money has helped refurbish or build nearly 3,000 sports facilities and support national culture.

In mid 2008 G-Tech launched a new five-minute keno game into Poland with Totalizator Sportowy. It enabled the two groups to open 1,100 keno locations.

G-Tech provides the software, terminals and marketing consultation for the new keno game and the number of locations is expected to grow over the next few years.

Meanwhile Polski Monopol Loteryjny the state owned lottery company went into liquidation on October 1 2008.

The company was set up in 1936 and is being closed down due to its 'poor financial condition'.

The move comes just six months after

new PML President Rafal Wiatr took over the helm of the company. PML had an annual sales revenue of just over PLN1m which is a far cry from its multimillion figures in the early 1990s.

However the company is not losing money, in 2006 it brought the government PLN161,000 in gaming taxes.

The liquidation will give TS a complete monopoly in the lottery sector. It also means that the 10 year contract with Intralot signed five years ago following the introduction of scratch games will be broken and compensation would need to be paid.

It also puts into question the operation of VLTs. It is rumoured that Intralot is now preparing a tender for VLTs in Poland through TS and could spend up to €76.8m on the project.

Meanwhile online gaming is not officially regulated in Poland and online gaming companies are also not legally permitted to operate in Poland.

Despite numerous legislative proposals which have been presented to the government regarding online gaming none, as yet, have made it to the Sejm for a vote.



## INFO PANEL

**Country:** Poland  
**Total Area:** 312,679 sq.km  
**Capital:** Warsaw  
**Population:** 38,500,696 (2008)  
**Median age:** 37.6 years  
**Male:** 35.8 years  
**Female:** 39.5 years  
 Ethnic groups: Polish (96.7%); German (0.4%), Belarusian (0.1%), Ukrainian (0.1%) and other (2.7%)  
**Religions:** Roman Catholic (89.8%); Eastern Orthodox, Protestant  
**Languages:** Polish (97.8%)  
**Currency:** zloty (PLN)  
**Government type:** Republic  
**Chief of State:** President Lech Kaczynski  
**Head of Government:** Prime Minister Donald Tusk  
**Cabinet:** Council of ministers responsible to the prime minister and the Sejm. The Prime Minister proposes, the president appoints and the Sejm approves the council of ministers.  
**Elections:** President elected by popular vote for a five year term. Election last held October 2005 next to be held Autumn 2010. Prime minister and deputy prime ministers appointed by the president and confirmed by the Sejm.

The problem lies with Poland's gaming law which of course dates back to 1992 prior to internet gaming.

Then in 2007 the Polish government proposed an outright ban on internet gaming altogether. To ensure that online gaming could not occur, the then-current draft of the law included wording that permitted local tax authorities to monitor online gaming websites (including the right for website database information and customer records).

The proposal was a non-starter due to its conflict with EU law whilst also violating other Polish protection acts. The government is now working on a draft law that would permit online gaming.

Apparently Poland's Deputy Finance Minister has been quoted as saying the best way to control online betting and gambling is to tax and regulate the industry.

Online gaming in Poland is growing rapidly. Gambling site, Bet-at-Home.com has apparently tripled its Polish client base to 450,000 within the last two years. However many say as online gaming grows so does gambling addiction problems.

Under the current law it is illegal to take part in gambling games offered by foreign companies. However this hasn't stopped these sites operating. Of course the ban of foreign companies is impossible to enforce.

Many in the industry, including Zbigniew Macioszek a board member of Casinos Poland, are now calling for a change in the law to support online regulations.

He believes a great deal of synergy would be created with traditional casinos through the legalisation and development of the online gaming market.

## CASINOS IN POLAND WARSAW

Operated by Casinos Poland this casino is located in the Marriot Hotel and has 30 slot machines including one eight station multi roulette and three progressive jackpot systems. There are also 27 table games on the main floor and six in the VIP salon. This is Casinos Poland's flagship casino and late last year the company extended it by almost 300 sq.m bringing the total gaming floor to around 750 sq.m.

Operated by Casinos Poland this casino is located in the Hyatt Hotel and has 26 slot machines plus 20 table games including

**The number of AWP machines in Poland between 2007 and 2008 grew by over 40 per cent, while the number of operating sites saw a growth of over 30 per cent.**

American roulette, Blackjack and Casino Poland Poker tables.

Operated by Orbis the casino was the group's first casino to open and is located at the Sofitel Victoria Hotel. It hosts 15 table games and 22 slots.

Olympic Casino Metropol was the first Casino Polonia casino to be re-branded by OEG.

Olympic Casino Sunrise is located in the Hilton Hotel. This was opened last year in the new Hilton Hotel which features the city's largest conference centre and health spa. The casino is spread over three storeys on 1,600 sq.m and offers 20 tables and 100 slots. It also offers the Ez-Pay system the first of its kind in this market.

Casino Royal is located at the Gromada Hotel. The hotel is part of a chain of hotels and recently the building underwent a modernisation which saw a new wing being built. There are a total of 300 rooms and the casino is operated by ZPR.

Casino Royal is located at the Hotel Europejski which is located in the centre of the city overlooking Victoria Square. The hotel is one of the oldest of its kind in Europe and opened in 1857 and was

recently renovated. There are 224 rooms. The casino has 10 slots and 5 tables and is operated by ZPR.

#### KRAKOW

Operated by Casinos Poland this casino is located in the Novotel hotel in Bronowice. It offers 30 slots plus 11 table games in total.

Operated by Orbis the casino was once situated at the Sofitel Forum Hotel but was reopened in the newly revamped location at the Cracovia hotel some years ago. There are nine tables and 26 slots.

#### KIELCE

Opened in September 2008 by Olympic Casinos this casino has 10 tables and 30 slots including two electronic roulettes.

#### POZNAN

Operated by Casinos Poland this casino is located in the Hotel Polonez and has 30 slots plus 10 table games and an eight station old Club multi-roulette.

Orbis Casino operates this casino at the Novotel Centrum Hotel which is located in the financial and cultural centre of the city. There are 480 rooms and 10 suites.

#### KATOWICE

Operated by casinos Poland the casino is located in the Altus Building and has 30 slots plus one Admiral multi-roulette and 11 table games.

Orbis - Hotel Centre

#### WROCLAW

Operated by Casinos Poland the casino is found at the Hotel HP Park Plaza and offers 30 slots and an eight station Gold Club multi roulette plus 14 table games.

Casino Polonia (OEG) has 22 slots and six tables games.

Casino PoLonia Zilia

#### GDYNIA

Operated by Casinos Poland the casino is found in the Musical Theatre and has 28 slots plus seven table games.

#### GDANSK

Orbis Casino - The Novotel Marina Hotel is a modern hotel on the border of Gdansk and Sopot on the sea front. It has 176 rooms

#### SOPOT

The casino is operated by Orbis in the recently refurbished Sofitel Grand Sopot which is located at the seaside of the Gdansk Bay. This casino first opened at the Spa Hotel in Sopot and was a favourite spot for gamblers in this period. After extensive refurbishment works this



luxurious casino-hotel complex reopened in 1927. The hotel has 127 rooms. This was Orbis' third casino to be opened in Poland and offers eight table games and 22 slots.

#### GORZOW

Casino Polonia Gorzowie (OEG) has 22 slots and four table games.

Casino Polonia (OEG) at the Hotel Mieszko offer slots, multiplayer roulettes and table games.

#### SZCZECIN

Orbis Casino operates in the Neptune Hotel Szczecin, which is located in the city centre near to the main financial and

**Apparently Poland's Deputy Finance Minister has been quoted as saying the best way to control online betting and gambling is to tax and regulate the industry.**

shopping area. The hotel has 277 rooms and eight suites.

Casino Polonia (OEG)

#### BYDGOSZCZ

Orbis Casino at the City Hotel Bydgoszcz was Orbis' 10th casino to open. The casino holds 22 slots and eight table games. The hotel has 167 rooms.

#### PLOCK

Orbis Petropol.

#### LODZ

Orbis Casino at the Grand Hotel is located in the heart of Lodz in what is known as the longest street in Europe.