



INTRACTABLE

The threat of nationalisation sparks a local and international casino split that has wide reaching effects, not least for the Argentinean gaming exhibition, SAGSE

Following Argentina's decision to nationalise the Spanish majority stake in the YPF oil company, previously owned by Repsol, much of the Spanish-owned casino sector is now waiting to see if the same happens to them.

The threat of nationalising the casino industry is very much on the cards having been touted by Argentina's President Cristina Kirchner. Many licences are coming up for renewal in the next few years, only adding to the opportunity for the state to step in.

The AFIP (Administración Federal de Ingresos Públicos) of Argentina has added to the drama by requesting casinos and bingo halls across the country to supply data on their slot turnover to the government.

The government has the right to automatically nationalise all casinos with congressman Mario Daniel Caputo recently drafted legislation that would give the state "exploitation, regulation,

control and administration" of gaming in the state, whilst banning "privatisation, awarding and outsourcing under any conditions."

Mr. Caputo said: "From the Chamber of Representatives of the Province of Buenos Aires, it is essential to revise the whole system to bring the regional government a legal instrument that enables to take the most of the resources generated by the games of chance."

A bill would need to be drafted and approved by local legislative leaders. The nationalisation of YPF has concerned investors but is said to be popular in Argentina with locals. The same situation is developing with the casinos.

The AMS Union which represents casino workers in Buenos Aires is very much for the nationalisation. The General Secretary of the union Roberto Paez, said: "We believe gaming should be state-owned. The state is able to take over. The nationalisation needs to be discussed with

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any conclusions carried to politicians. We have our point of view, but we have no connection with private bingo. The nationalisation means that all companies that today have some share of a casino concession would automatically have to go. The full nationalisation means that the provincial government would handle everything, including slot machines."

Whilst some legislators are looking to nationalise the gaming business in the province of Buenos Aires, Casino del Tigre is believed to have offered local



government US\$400m to extend its operating licence past the designated 2013 expiration.

Trilenium, the owner of Casino del Tigre since 1999, wants to receive an automatic 15-year extension to its operating permit with no need for a competitive bidding process in exchange for an immediate fee of \$1.1m followed by 60 instalments taking the total to \$400m. Trilenium, a partnership between Boldt Company and Sociedad Comercial del Plata, has operated the Casino del Tigre since 1999. The venue offers 1,900 slots, 74 table games, seven restaurants and a theatre. Its owners are also arguing that the government has already broken its contractual agreement as despite being granted an exclusivity licence, several bingo halls have been established in its 'zone.'

Governor Daniel Scioli is believed to have offered a similar cash for licence offer to bingo operator Codere who runs 14 of the 46 bingo halls in the province. That deal would see Codere pay \$136m for a 15-year extension to all of its licences. Codere runs three bingo halls in La Matanza and two others in Moron and

San Miguel. Codere's Lily Arteaga, Director of Investor Relations, added: "Our current expectation is that our bingo licences will be renewed as they mature in 2013 and 2014. Having said that, this is could change depending on how the Governor wants to look at it. We have one renewal due in 2013 and four in 2014 and that is our best estimate at this point. Regarding the framework which will be used, we believe the framework is now in place and that the framework should be maintained."

"However the governor has not yet defined the framework. The regulator is the Province of Buenos Aires not the public administration, not the federal governments. To the best of our knowledge, there are no conflicts existing between the provincial government and the Government of Spain. So from that perspective we do not believe that it would have any interference in that process. There is no relation between the specific relation with Repsol and our case in which we are one of several operators in the Province of Buenos Aires and the only Spanish one in that province."

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Codere's second quarter revenues and 'continued to generate notable revenue growth and profitability.' Revenues grew 25 per cent to €160m. Codere's CFO Angel Corzo added: "This strong performance reflects a significant increase in wpd which reached €300 in the quarter, an increase of 18 per cent over Q1 2011. The wins continue to benefit from unmet demand, economic growth and inflation in the country. Revenues in the quarter were also boosted by a 10 per cent increase in the number of machines installed primarily as a result of the relocation of the Mar del Plata hall. Mar del Plata opened in February with approximately 400 machines, 200 more than the hall which it replaced."

Lily Arteaga added: "For the past nine years the Argentine economy experienced very healthy growth rates, supported by high commodity prices and government policies which incentivised consumption. This has resulted in very high inflation, which has not translated into commensurate devaluation, as the government has taken specific measures to control the exchange rate. In pursuing this objective, since October 2011, the government has implemented measures to protect the foreign currency reserves, including controlling the purchase of foreign currency. The stricter controls have affected all Argentine and foreign companies, including Codere. In light of this situation, our liquidity needs for 2012 are completely covered without requiring any additional monies to be repatriated from Argentina this year," she added. "While each situation is different, and we cannot predict the effect of further measures, or the duration of the current controls, it is not the first time we have lived through this type of situation in Argentina. We entered the market in the late 80s and therefore operated through the 2001 devaluation, during which time there were also stringent capital controls. As such, over the last 25 years of successfully operating in the country, the company has demonstrated its strong capacity to adapt to changing environments."

Rival operator Cirsa said in mid-July that whilst it was aware of recent reports in the Argentine media regarding the mindset of some Argentine politicians to nationalise the gaming sector in Argentina, it had not been contacted by any government officials regarding a change in ownership to its operations. Cirsa has conducted business in Argentina for over ten years under concessions approved by the Argentine gaming regulator. Its operations include casinos in Buenos Aires and Rosario, in partnerships with local Argentine companies.