

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

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

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

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

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

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

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

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

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

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

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



Past and present

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





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

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

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

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

parliament.

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

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

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

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

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

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controls with its neighbours.

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

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

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

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

RETAIL AND REAL ESTATE

Since 2000 the Czech Republic has been

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

A census back in 1999 showed there

were just over four billion housing units in the country.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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GAMING MARKET

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

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

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

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

CZECH REPUBLIC: VITAL STATISTICS

Total Area: 78,866 sq.km

Capital: Prague

Population:

10,220,911 (July 2008)

Median age: 39.8 years

Male: 38.2 years

Female: 41.6 years

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

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

Languages: Czech (94.9%) Slovak, other

Government types: Parliamentary Democracy

Chief of State: President Vaclav Klaus (since 2003)

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

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

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



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

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

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

- Arcades must be 100m from buildings such as schools, medical centres, governmental buildings and churches.

- Casino licenses are issued for ten years.

- Casinos pay the following taxes:

1. Live game revenue is taxed at 11 per cent flat rate of which 10 per cent goes to the central government and one per cent to the local Ministry of Finance as a supervisory fee.

2. Plus live games pay a sliding scale of tax on revenue which is CzK0-50m (6%); CzK50-100m (8%); CzK100-500m (10%); 500-1000 (15%) and over 1000 (20%).

3. Slots pay CzK50,000 tax per machine

Apart from several amendments over the years, the law in principal has never been changed. The most changes happened in 1998 which included a tightening of the age limit control, the minimum share capital for joint stock companies, more stringent checks on operators and employees and stricter penalties for violations of the law.

per year

4. Plus they also pay a sliding scale on slot revenue which is the same as the live game tax rates above.

Apart from several amendments over the years, the law in principal has never been changed. The most changes happened in 1998 which included a tightening of the age limit control, the minimum share capital for joint stock companies, more stringent checks on operators and employees and stricter penalties for violations of the law. Meanwhile municipalities were also given the authorisation to issue regulations for the operation of gaming machines.

As a result more and more gaming outlets began to open and today there are gambling parlours on almost every street corner. And this increase has always been tolerated due to the income they bring in. Casinos pay a percentage of their profits to the state whilst arcades

fund the local municipalities.

But the huge growth in the gaming sector does not come without its problems. Back in 2004 following a huge bomb explosion outside a casino in Prague the government was forced to sit up and take notice. The failed attempt at killing the casino owner sent ripples of money laundering rumours and the industry was suddenly in the spotlight.

The Mayor of Prague himself promised to reduce the number of gaming clubs and at the end of 2004 there was a call to remove slots from metro stations.

But there was a problem. The Transport Authority makes around CzK8m alone from renting its property to bars with slot machines, whilst the Prague districts collect around CzK140m from gambling clubs.

As these sectors waved these figures in the air, the government stepped back and nothing happened.

But more recently with an increase in gambling addiction problems the government has been again forced to re-look at the situation.

This time around the Ministry of Finance opened up a consultation process which was the first step in a comprehensive overhaul of the gambling legislation.

The figures alone show the huge growth spurt in the Czech gaming market. In 2003 some €3.2bn was bet compared to €3.4bn in 2004, €3.7bn in 2005, €4bn in 2006 and €4.4bn in 2007.

Meanwhile the total amount paid out in prizes shows the following €774m in 2003, €800m in 2004, €875m in 2005, €895m in 2006 and €978m in 2007.

One reason for the high increase year on year is in some part due to the arrival of the VLTs which were introduced following an amendment to the Czech law in 1998.

Last year this sector saw total bets of €176m which is a 646 per cent increase from the amount six years previously (or on average 100 per cent increase annually). By comparison, the AWP's remain popular machines, but saw stakes rise from €420m in 2005 to €509m in 2007 – an increase of 3.5 per cent per year.

It is estimated that video AWP's still have about 50 per cent of the market share compared to reel AWP's, although they



are becoming less interesting for players and are now being replaced by VLT terminals, which not only offer more to the players, but can also be controlled by the authorities. According to Czech distributor, manufacturer and operator, Synot, its domestic market has shifted from reels and video to one completely dominated by VLT products. Offering a wide portfolio of products in the local market, Synot has steered the development in Czech from a mechanical reels to video and now to the downloadable games environment. "We

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continue to sell a small number of reel-based games from JPM in Czech," explained Synot's Michaela Lejsalová. "However, the overwhelming trend in the Czech market is towards video lottery terminals. I believe that there will always be players who prefer mechanical reels, and we will continue to support them, but the future of gaming in the domestic market right now is focused on our VLT range."

The Ministry of Finance's summary of operational results for 2007 is shown in



Operation	Bet	Paid	Revenue from game	Amount paid in administrative charges to state budget	VPU (amount paid for public projects)
Lottery	7,256.9	3,579.4	3,677.5	70.1	718.6
Sportsbook	11,972.4	10,100.8	1,871.6	72.7	245.8
Bingo	150.7	105.5	45.2	4.5	3.2
Casino	9,625.6	7,714.9	1,910.7	210.0	158.8
Slots (AWPs)	57,165.0	44,630.0	12,534.0	1,998.0	840.6
Technical games	22,160.2	17,842.1	4,318.1	384.5	429.4
TOTAL	108,330.8	83,972.7	24,357.1	2,739.8	2,396.4

SOURCE: WWW.MFCR.CZ FIGURES IN CZK (MILLIONS)

the chart above. It shows that the highest revenue in 2007 was returned by gambling machines and amounted to CZK57.2bn.

Meanwhile, on the amusement front there are currently around 9,000 products in the market of which 4,000 are video games, 1,500 touchscreens and 4,000 sports games and jukeboxes.

FECs began to enter the market in the mid 1990s although today still have a tough time competing against the more

popular gaming arcades.

Back in the 1990s a huge entertainment complex opened in Czech and was the first of its kind in this country.

Babylon Centre is a family entertainment and shopping complex based in the Liberec region and has become a popular destination for both national and foreign visitors.

Within this entertainment complex, the aqua park is the most popular tourist

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attraction whilst Luna Park provides fairground rides. There is a mirror labyrinth, virtual reality and laser games, children's castle, bowling alley and gaming arcade, night club, restaurants, cafes, bars and shopping arena.

There is a 1,000 room four star hotel on site or camping and B&B plus business and convention centres and the Casino Las Vegas provides a range of slots, American Roulette, blackjack, electronic roulette, dice and on-line betting systems for sports fixtures.

The bowling market in Czech has come to virtual standstill recently in terms of new developments although this is mainly due to the current economic crisis.

However those in the sector say although there has been no growth there has also been no decline. Nick Keppe of Bowltech said: "There has been some new input in terms of smaller restaurant facilities of two and four lane bowling, but the big lane developments have stopped now due to the current financial situation."

The reasoning is that many of the smaller locations are privately owned establishments who may still have ready cash available whilst the larger facilities are reliant on borrowing.

NEW LEGISLATION

The Czech gaming law is, of course, about to change and a new draft law is being put together and is expected to be finalised by 2010.

The idea is to develop a new law aimed at protecting the public, such as the underage and vulnerable.

Early last year the Ministry of Finance enlisted the help of Ernst & Young in the management of a public debate to discuss the main themes of the new gaming law which will replace 202/1990.

An open website was set up enabling public input from operators, associations and professionals regarding the new law whilst open discussions have been held for suggestions and comments.

Mr Ondrej Vltavsky, Head of the Gambling and Lottery Supervision Department at the Ministry of Finance said: "The challenge for Ernst and Young was to act as an independent, impartial and effective facilitator of this discussion with the end result providing various solutions to the main themes of gambling and lotteries."

In September last year the second phase of the public consultation was held whilst discussions regarding online betting continued throughout October and November. The finished product was submitted to the government at the end of 2008 and was due to be sent to the cabinet in March.

Subjects discussed include the arguments for and against online betting, the impact of the competitive environment, the economic burden on operators whilst also comparing the Czech law to other



EU legislations.

In addition the industry is also suggesting a new concept of state supervision of its gaming sector. This will be in the form of either a separate office within the Ministry or a new division covering all aspects of gaming.

Mr Vltavsky added: "The aim of the process is to prepare a law that takes into account the principles set out at the beginning of 2008 such as the promotion of equal treatment of equal competitive environments, fair economic burden and the accountability of the state and municipalities."

Some suggest that gambling should be totally governed by a national law and

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not by decrees issued by individual municipalities.

At the moment gaming halls can be banned by a decree if located near to schools and medical facilities however some say this rule should come under a special law.

It has also been recommended that slots be limited to special premises whilst the number of gaming machines in bars and restaurants should be radically reduced.

An association made up of various business people, called Stop Hazard, is calling for changes including a law to reduce accessibility to gambling.

Stop Hazard want operators to lose their



CZECH REPUBLIC - A BRIEF HISTORY

Following the First World War the closely related Czechs and Slovaks of the former Austro-Hungarian Empire merged to form Czechoslovakia. During the interwar years, the new country's leaders were frequently preoccupied with meeting the demands of other ethnic minorities within the republic, most notably the Sudeten Germans and the Ruthenians (Ukrainians).

After world war II a truncated Czechoslovakia fell with the Soviet sphere of influence. In 1968 an invasion by Warsaw Pact troops ended the efforts of the country's leaders to liberalize communist party rule and create 'socialism with a human face'.

Anti Soviet demonstrations the following year ushered in a period of harsh repression. With the collapse of Soviet authority in 1989 Czechoslovakia regained its freedom through a peaceful 'Velvet Revolution'. On January 1 1993 the country underwent a 'velvet divorce' into its two national components the Czech Republic and Slovakia. The Czech Republic joined NATO in 1999 and the European Union in 2004.

license if found to be allowing under age players to gamble, they want local governments to have the power to decide if they want gaming establishments open on their streets and also to outlaw the 24 hour opening rule and a stricter control over taxes.

At the moment gambling establishments must give some of their profits to 'public' charities but some say many businesses merely set up their own foundations or charities and the money simply disappears.

Brett Samuelson, Managing Director of Czech Casinos said: "There is an argument that there are far too many casinos and arcades for a country of this size and there is widespread concern

about the number of arcades in particular that are currently operating.

"From our point of view the most important issue is how the government will implement the changes, what conditions for operating casinos and other segments and an improvement in the level of supervision from government gaming inspectors."

Apparently a survey carried out in 100 municipalities found that 80 per cent of Czech municipalities would like to limit gambling in their authority. More than 85 per cent said the negative effects of gambling such as crime overwhelmed the financial benefits the casinos brought to their budgets.

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Czechs spent around CzK108bn on lottery and betting games last year – an average of CzK12,900 per person over the age of 18.

The number of gaming machines (slots) increased by 12 per cent whilst video gambling machines increased by 50 per cent. It is also estimated that Czech could have up to 100,000 pathological gamblers.

In addition Members of the Czech Association of Poker Clubs are also pushing the Ministry of Finance to recognise poker as an official sport.

The game has surged in popularity over the last two years with an estimated 60,000 Czech poker players with around 1,000 organised into 19 official clubs around the country.

At the moment poker is permitted outside of casinos provided the game is played without any monetary stakes. It is not known whether poker game restrictions will be altered under the new legislation.

Meanwhile the new law will also address video gambling (VLTs). Under a provision in the law in 1998 these games were permitted and the Ministry of Finance authorised Sazka to offer betting games by way of a central lottery system with VLT and storeowner terminals.

At the time around 200 to 300 terminals were manufactured each month and sited primarily in casinos, sports bars and gaming sites as well as Sazka retail sites.

The central system and terminals were supplied by Cyberview Technology under a 10 year contract. It was the first system of its kind at the time to be licensed.

Starport is now Sazka's third biggest product after number lotteries Sportka and Stastynch 10 and stakes after deduction of winnings were up by 60 per cent in 2007. Starport offers nearly 30 slot, casino and number games, sports bets and instant lotteries and also offers a 'system jackpot'

There are now around 23 companies who license their own VLTs and there are a total of 15,000 electronic games on the market – 13,400 VLTs, 1,600 electronic roulette and 250 dice and other similar games.

Synot offers its own VLT system which was developed in cooperation with its

Swedish partner, Boss Media. The company's portfolio offers IVT 1 and IVT2 products and IVT3 is currently being prepared.

Synot's Michaela Lejsalova said: "The growth of the VLT market is mainly thanks to new and constantly developing technologies which enable more interesting, attractive and player drawing product offers."

"There has been an expansion in online systems which offer higher bets and that is logically connected to higher wins. And because it is online technology it enables more transparent control of all transactions."

OPERATORS

The 200 casinos in Czech are managed by around 29 operating companies which include the following:

CZECH CASINOS

In cooperation with Casinos Austria International, Czech Casinos was founded in 1989 and became the first company to open a casino in the country. Today the group owns eight casinos including:

Casino Palais Savarin which is located in Prague in the Baroque/Rococo style dating back to 1745. The casino has 12 gaming tables, 12 Touchbet Roulette and 10 slots.

Casino Grand Brno is located in the Grand Hotel in Czech's second largest city and has seven gaming tables, nine Touchbet Roulette and 15 slots, whilst City Casino opened in 1991 and relocated to a new location in the town square of Plzen in 1998. It holds seven table games, five Multi Roulette and 10 slots.

Pupp Casino Club is located in the Grand Hotel Pupp in Karlovy Vary one of the most traditional and famous spa towns and Casino Ceske Budejovice is located in the town square of this 13th century city famous for its Budvar brewery producer of Budweiser beer. The casino has eight gaming tables and 15 slots.

Finally, Casino Savoy is located on the Czech-German border of Folmava and was opened in 2001. It is the largest and most luxurious of Czech Casino's operations and has 10 gaming tables, eight Touchbet Roulette, eight Multi Roulette and 51 slots.

CAI also operates the Casinos 777 brand. These were established in 1990 by one of



the first joint stock companies in Czech called Balnex Inc.

After they opened its Karlovy Vary operation in 1990 (the first casino in Czech), Balnex then opened several more 777 casinos with a management contract with CAI.

The company Balnex was renamed Casinos 777 Inc which today operates two casinos - the Casino 777 Brno site offers five gaming tables and is located in the main town square and the Casino 777 in Teplice offers five gaming tables, six Touchbet Roulette and eight slots.

AMERICAN CHANCE CASINOS

ACC is a European subsidiary of a publicly traded US company Trans World Corporation (TWC) which has its headquarters in New York.

The company underwent an aggressive reorganisation in 2000 and now manages small to medium sized casinos and hotels. The casino division was branded ACC with themed designs implemented whilst TWC plans to develop three hotels near to the sites of three of its casinos. The Czech government recently renewed the casino license of ACC for another 10 years.

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The company now has four casinos in Czech, mainly located near the German/Austrian border including Ceska Kubice Casino near the German border with a 1920s Chicago theme and Rozvadov Casino near the Waidhaus border with Germany with a South Pacific theme.

Route 59 Casino is located in a small town of Hate between Czech and Austria and has the New Orleans theme. TWC is also developing a four star hotel called Savannah near this casino which was due to be completed at the end of 2008.

Route 55 is located in Dolni Dvoriste near the Austrian border and has a 1950s Miami Beach theme. There is 995 sq.m of gaming area with 23 tables and 120 slots and is ACC's largest casino.

ACC also manages one casino in Croatia called the Grand Casino Lav and Club InMotion which is located in the five star Hotel Le Meridien Lav in Split.

INGO CASINOS

Ingo Casino AG is a German company with its headquarters in the Czech Republic. The name comes from Ingolstadt where the owner's first operation was founded.



In Czech the company operates eight of the 30 or so casinos located on the Czech border with Germany. One of the most prestigious is the 12 year old Casino Bellevue in Marienbad just 40 km from the border.

It is located in a 150 year old building is the historic spa resort and the casino has 30 slots and 14 table games and VIP lounge.

The Ingo Casino Franzensbad located in the town of the same name was opened in 2000 after the company spent 18 month renovating the old building. It houses a bistro and restaurant.

Others include Pomez, Strazny, Zlin, Zelezna Ruda, Royal AS and Estor.

RITZIO ENTERTAINMENT GROUP

Ritzio Entertainment began its development of gaming halls in Czech in 2007 with the acquisition of the Gran Prix gaming chain.

Today the company has 35 gaming clubs and four entry level casinos in the country. The group's Gran Prix gaming clubs have been operating successfully in Czech and are based on Formula 1 themes.

CENTURY CASINO

Century Casinos was founded in 1993 in Delaware, USA and is an international casino entertainment company.

The company currently owns or operates a total of 20 casinos with 180 table games and 2,800 slots. These include two casinos in Colorado, one in Canada, two in South Africa and one in Czech alongside its cruise liner concessions. It also has a 33.3 per cent stake in Casinos Poland.

The Century Casino Millennium is located at the five star Marriott Hotel and Millennium Plaza shopping complex in the Prague centre.

The casino includes American Roulette, Blackjack and Pontoon as well as Triple Poker and an electronic version of Texas Hold 'em.

NOVOMATIC

Novomatic's sister company, Admiral Casinos and Entertainment, currently operates more than 750 casinos, electronic casinos and sports betting outlets and 85,000 gaming machines.

In Czech, the company has 34 casinos including their flagship - Casino Admiral

American Chance Casinos is a European subsidiary of a publicly traded US company Trans World Corporation (TWC) which has its headquarters in New York.

The company underwent an aggressive reorganisation in 2000 and now manages small to medium sized casinos and hotels. The casino division was branded ACC with themed designs implemented whilst TWC plans to develop three hotels near to the sites of three of its casinos. The Czech government recently renewed the casino license of ACC for another 10 years.

Colosseum. This casino is located in Hate on the Czech/Austrian border and was opened on the day of the European Community's eastern enlargement.

It is sited close to the Excalibur City shopping outlet and is popular with day trippers, tourists and locals. The casino has an ancient Rome theme and offers a range of live gaming and slots.

Other casinos include Casino Admiral JR's which is also located in Hate, whilst Casino Admiral Bohemia and Casino Admiral U Novaku are found in Prague.

Admiral also operates 17 electronic casinos throughout Czech and the company also has manufacturing affiliates in Czech.

GOMAR

Spanish company Comar operates casinos in Spain, Dominican Republic, Venezuela, Mexico and one in the Czech Republic.

The Casino President is located on the bank of River Vltava in the heart of the capital in the five star Hotel President.

It was opened in 1992 although following the floods in 2002 which



damaged it severely the casino underwent complete refurbishment lasting two years.

There are numerous table games from American Roulette, Blackjack, Pontoon or Caribbean Poker and slots.

CASINO VIP CLUB

This company has been operating in Czech since 1992 and today has the Ambassador, Club and Panorama Casinos which are all located in Prague.

The Ambassador is located in the hotel of the same name in Wenceslas Square and was opened in 1992 and the first casino in Prague to open 24 hours.

In 2002 the casino underwent a refurbishment and the casino now offers American Roulette games, Blackjack, pontoon, Oasis Poker and slots.

Casino Panorama is located in the hotel of same name and includes a congress centre on site whilst the Casino Club is located in Corinthia Towers Hotel but is closed temporarily.

The group offers Just For Fun in all

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casinos from 8pm until 10pm where new players can play the games for free to familiarise themselves with the various games.

LOTTERY AND BETTING

In January this year, after years of lobbying, the Ministry of Finance is finally issuing permits to introduce online sports betting for Czech operators. This has been permitted under a clause in the existing law.

In the past no form of online gaming was permitted in Czech, which included online casinos and online sports books. Czechs who wanted to make a bet traditionally went to casinos, arcades or betting shops.

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The problem with monitoring and controlling online betting sites is a world wide problem. It is estimated there are 15,000 such sites on the web, of which 13,000 are illegal.

Foreign online operators, particularly UK companies, have been offering online betting to the Czech market for some time and intentionally target Czech customers by providing sites in the Czech language. Many of these online companies have even increased their profile by TV commercials or by sponsoring sporting teams.

These online gaming companies argue they have better guarantees for age control via online gaming (ie: asking for ID for prizes and the use of credit cards for bets) and often with limited betting amounts.

Under Czech law players found taking part in online gaming could be fined up to CzK50,000.

It is understand the biggest foreign player in Czech at the moment is Bwin which has around 70 per cent of the Czech market.

So far the Ministry's attempts to block what they regard as unlawful internet gambling options have so far fallen by the wayside thanks to European law which protects the companies.

Foreign firms say online betting is unstoppable while domestic rivals have always claimed that if this is the case, then they should be permitted to share in the rich pickings and have been campaigning for such rights for the last three years.

Fortuna had already applied for a license whilst Sazka had set up its e-sazka site in anticipation. Fines for any Czech company offering online services was US\$23,000 with a possible loss of license.

With ongoing talks with the Ministry of Finance it was always assumed that online gambling was set to be legalised even though the street market plans to suggest recommendations to help stamp out the online gaming activities completely.

At the end of 2008, Mr Samuelson of Czech Casinos said: "The government has so far rejected any license application for online gaming but this option is becoming more relevant from our point of view. Regulating this segment is the main issue, along with possible taxation on revenues and this is currently being debated from an EU level."

Meanwhile the Ministry of Finance's Ondrej Vltavsky had made some suggestions on how to combat the age limit problem.

He said: "There are variations of how to resolve the situation such as betting on the internet only in gambling centres, operating a gambling club where the age of players can be checked onsite or players will have to present an identity type card."

However in January this year all this all changed when the Ministry announced that five of the country's largest bookmakers are now set to receive permits for online sports betting.

Fortuna is one of the companies believed to be in line for the permit. It is understood that the change of heart is partly due to the large amount of money being lost in taxes by the foreign companies who already operate online gaming. By granting permits the country can now start benefiting and have some



legal control over the sector.

It is believed one of the restrictions will be for players to register in an actual office with ID card before they can access the internet which should help prevent underage users.

There were several lottery and sports betting companies eagerly waiting for the law to change.

Sazka is a joint stock company founded in 1956 and today is the largest lottery operator and the largest non-governmental provider of funds for good causes in Czech.

It launched its first odds betting game in September 1956 on the results of sports matches and events and became a public limited company in 1993.

According to a survey compiled by US magazine Forbes the company is also the third most successful company in Czech (in terms of revenues and profits) after SSP Bohemia (gas company) and CEPS (power industry).

It operates several lotteries including

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number lottery, instant lotteries, odds and sports betting and VLTs alongside a number of other non-lottery activities.

In 2007 Sazka reported total revenues of CzK10.4bn (€422.48m) with a net profits of CzK1.4bn (€56.87m). Betting and lottery activities made up more than 90 per cent of the earnings after tax.

Total proceeds to good causes exceeded the CzK1bn mark with Sazka paying out nearly CzK285m to good causes in sport, physical education, culture and healthcare.

In 2007 Sazka expanded the Starport VLT game portfolio by three extra games and this sector saw its revenues increase by almost 60 per cent from the previous year to CzK192bn.

Sazka had 946 outlets operating odds betting in 2007 and 6,500 online terminals available in a wide range of outlets ranging from petrol stations, post offices, shops, restaurants, newsagents and bars.

In anticipation of the proposed changes regarding online gaming in Czech, last

year Sazka launched a play-for-fun online casino.

Sazka has focused heavily on its online system which aims to give the public a taste of what will come and in the meantime possibly beat a potential influx of foreign competitors who will no doubt enter the market if the country's law changes and legalises online gaming.

The new e-sazka.cz site enables players to make bets at home and then place them at the Sazka terminals or via phone after registering with the Klub Sazka loyalty scheme. The games offered include roulette, blackjack, texas hold 'em and other poker games on a play-for-fun basis with the ability to switch to real money gaming when and if the law changes.

If no changes happen the site will continue as a 'fun' only portal. The e-sazka.cz site was set up in January 2008 and usually Sazka, which usually offers no more than 800 betting events per week says the e-Sazka portal will offer up to 4,000 a day.

Meanwhile the sports betting industry also includes several other operating companies including TipGames, which was founded in 2002 as a subsidiary of the largest Eastern and Central European bookmakers Tipsport.

TipGames mainly deals with the operation of gambling machines and electronic roulettes and also has a license to operate VLTs.

The company is headquartered in Prague and first opened a Sportbary games centre in 2002 in Lovosice and now has 70 locations and also has products in more than 200 establishments in Czech.

TipSports is one of the biggest betting shops in Eastern Europe and was established in 1991 with the aim of becoming a major shop in the area of odds betting.

Today, Tipsport has a network of around 950 branches in the Czech Republic although bets can be placed by telephone. Fortuna Group is the biggest operator of sports betting in Europe and the group includes companies in Czech, Slovakia, Poland and Croatia.

The parent company was established in the Czech Republic in May 1990 and lays the foundations to odds betting in Central Europe.



It opened a network of branch offices throughout the country and in 2005 was acquired by the Czech/Slovak private equity group Penta Investments. This company joined Czech Fortuna with Slovak betting agency Terno and Polish betting agency Profesjonal in the same year. Croatian betting agency Favorit joined the group at the end of 2007.

Penta has 100 per cent stake of Fortuna, 100 per cent stake in Terno, 33 per cent in Profesjonal and 80 per cent in Favorit.

The company then underwent a renovation programme with new software and products whilst each of the Polish, Slovak and Croatian companies then changed their names to Fortuna.

In Czech, Fortuna now has 600 betting shops covering sports betting, live betting, phone betting, lottery and games and 170 sports bars. They sell around 100,000 tickets per day with around 4,000 odds per day.

Sportsbook Chance is a joint stock company founded in 1991 and opened its first branch in Ostrava.

Today the company has more than 500 branches throughout the Czech Republic and is still expanding rapidly. Since 2000 bets can be made over the telephone via Telechance and since 2003 a loyalty system Golden Club has been working giving members extra benefits such as

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discounts and free gifts.

Finally Synot Tip is a successor of the Teletip organisation which deals with foreign exchange betting via the phone.

It is part of the Synot Holding group and was established in 2003 to primarily focus on betting exchange particularly sporting events. This system is offered via the online terminals which can be installed in any location throughout the country.

Synot Holding is made up of 50 individual companies in Czech and 15 companies in other European countries.

In Czech the companies not only focus on AWP and VLT gaming products but also operate their own gaming arcades and currently operate 3,000 AWP's, 2,000 VLTs, 1,000 sports betting sites within the arcades and 250 other devices such as roulettes.

Synot's Michaela Lejsalova said: "There are a lot of companies which operate abroad which have Czech alternation on their web pages and this is 'illegally' offered in the Czech Republic.

"Synot wants online gaming to be approved in Czech legislation which would then make the market transparent and all providers would have the same right and obligations which also relates to the same tax payments to the state."