

Unconventional, overly complicated and convoluted, the French market is in equal measure both fascinating and frustrating

The name France comes from the Latin Francia, which literally means 'land of the Franks' or 'Frankland.'

The borders of the country are pretty much the same as those of ancient Gaul, which was inhabited by the Celtic Gauls from as early as 1000BC.

The land was conquered by the Romans and Julius Caesar in 52BC and the Romans ruled for the next 500 years, during which time the Gauls adopted the Latin language (from which French evolved) and the Roman culture.

In the fourth century AD, Gaul's eastern frontier along the Rhine was overrun by Germanic tribes, mainly the Franks, and this tribe was the first among the Germanic conquerors of Europe, after the fall of the Roman Empire, to convert to Catholic Christianity.

Existence as a separate entity began with the Treaty of Verdun with the division of Charlemagne's Carolingian empire. The Carolingians ruled France until 987 when Hugh Capet was crowned King of France and the Capetian dynasty began its 800 year rule.

Hugh Capet's descendants unified the country through a series of wars and dynastic inheritance and as a result the monarchy reached its height during the 17th century and the reign of Louis XIV.

At this time France possessed the largest population in Europe and had tremendous influence over European politics, economy and culture.

French became the common language of diplomacy in international affairs and France also obtained many overseas possessions in the Americas, Africa and Asia.

The French revolution in 1789 saw the end of the monarchy and the execution of Louis XVI and his wife Marie Antionette together with thousands of citizens.

After several short lived governmental schemes, Napoleon Bonaparte took control of the republic in 1799 making himself Emperor of the 'First Empire,' which held power in France from 1804 to 1814.

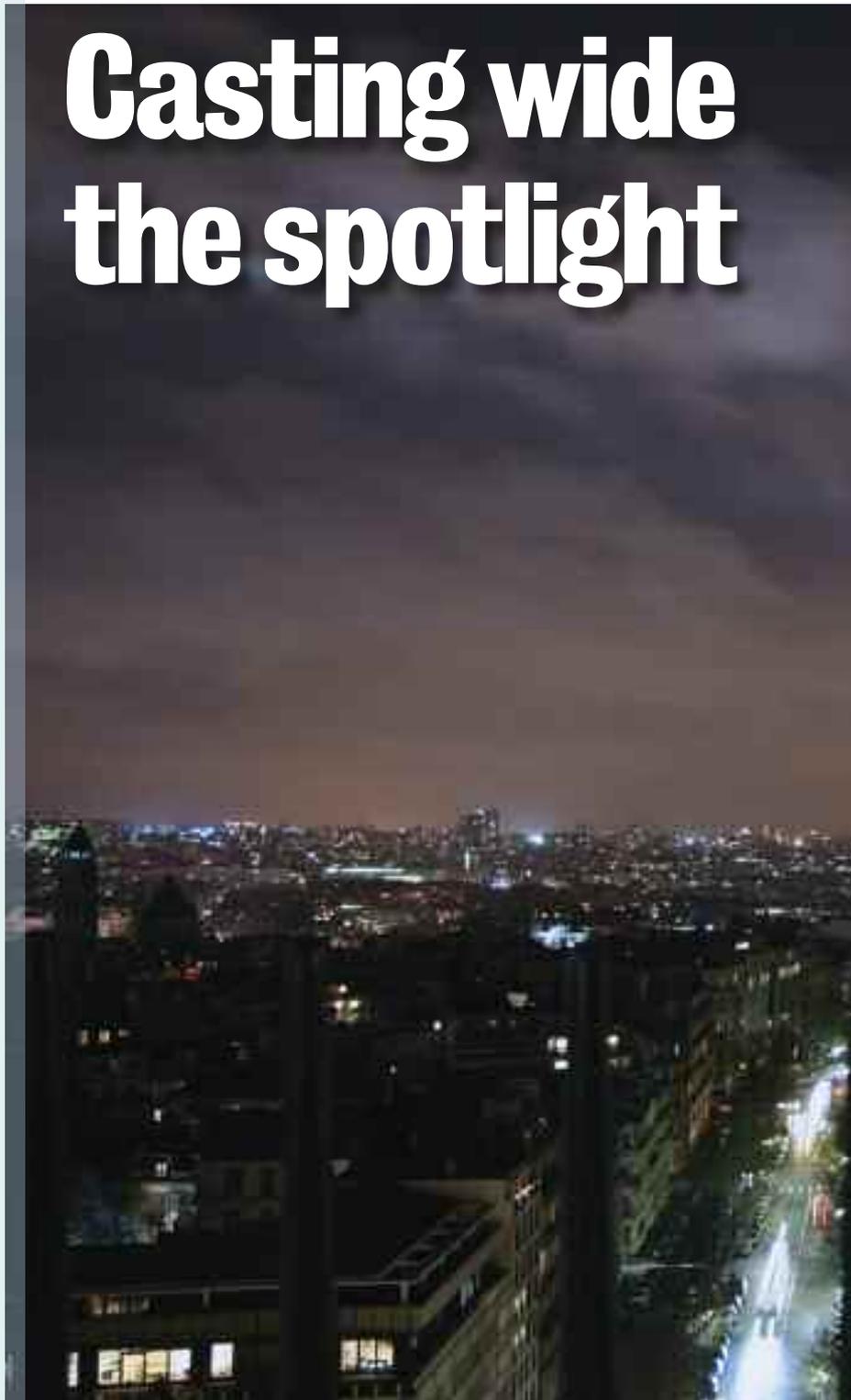
Following Napoleon's defeat in 1815, the French Monarchy was re-established, but with new constitutional limitations. Assorted kings, emperors and wars followed and in 1875 the monarchy finally ended with the adoption of a republican constitution.

In the 19th and 20th centuries France's global overseas colonial empire was the second largest in the world behind the British Empire, peaking between 1919 and 1939.

After World War I, France suffered enormous human and material losses, which weakened the country for decades and the 1930s were marked by various social reforms.

During World War II, France disregarded Churchill's Franco-British Union and signed the Second Armistice at Compiègne in 1940. The Germans established its puppet

Casting wide the spotlight



regime, Vichy France, and France was liberated in 1944.

After the war, the Fourth Republic was established, but it struggled to maintain its status as a dominant nation state. The Indo-China war and conflict in Algeria led to a Fifth Republic in 1958 taking control, with Charles de Gaulle eventually taking steps to end the war and broker peace negotiations in 1962, which led to Algerian independence.

More recently, France's cooperation with Germany proved central to the evolution of the European Union and also the introduction of the euro currency.

France's economy today comprises of extensive private enterprises (almost 2.5 million companies) with substantial government intervention. In fact the government has, until recently, had considerable influence over sectors such as railway, electricity and telecoms.



A WIDER PERSPECTIVE

Although ultimately a victor in World War I and II, France suffered extensive losses in its empire, wealth, manpower and ranks as a dominant nation-state. Nevertheless, France today is one of the most modern countries in the world and is a leader among European nations. Since 1958 it has constructed a hybrid presidential-parliamentary governing system resistant to the instabilities experienced in earlier more purely parliamentary administrations. In recent years, its reconciliation and cooperation with Germany have proved central to the economic integration of Europe, including the introduction of a common exchange currency, the Euro, in January 1999. At present, France is at the forefront of efforts to develop the EU's military capabilities to supplement progress towards EU foreign policy.

It has, however, been relaxing its control over these sectors since the 1990s and is now slowly selling off holdings in France Telecom and Air France amongst others. France is ranked as the fifth or sixth largest economy by nominal GDP.

The country is divided into 26 administrative regions of which 22 are in metropolitan France (including one in Corsica) and the remaining four are in overseas regions.

The regions are then subdivided into 100 departments in total, which are then subdivided into 341 arrondissements, which are then subdivided even further into 4,032 cantons. Finally the cantons are divided into 36,680 communes which are municipalities with an elected municipal council.

Three communes, Paris, Lyon and Marseille, are also subdivided into 45 municipal arrondissements.

In 2006, France saw 79.1 million foreign tourists and the country is ranked as the first tourist destination in the world whilst tourism is accountable for six per cent of the country's income.

TOURIST HOT SPOT

France is the 19th most populous country in the world and has an estimated 4.9 million foreign born immigrants. With cities of high cultural interest, beaches, seaside resorts, ski resorts and rural regions the country is an absolute haven for tourists.

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Some 200,000 businesses are connected to tourism. Disneyland Paris attracted the most visitors within the most popular cultural and recreational sites, with some 12.8 million in 2006 followed by the Louvre Museum with 8.3 million and the Eiffel Tower with 6.7 million.

There are approximately 29,000 hotels, almost 100,000 restaurants and 53,000 cafes in France.

On the retail side, although Parisian department stores such as Le Bon Marche, Galeries Lafayette and Le Printemps have become icons of French retailing, the French have never really embraced the 'department store' concept as much as other nations

On the other hand, France is the home of the hypermarket, which sells everything from groceries to electronics in stores as large as 100,000 sq.ft on average. These hypermarkets account for around 20 per cent of France's retail consumption, whilst department stores account for a mere 1.5 per cent.

A couple of years ago there were around 1,000 hypermarkets in France compared to around 112 department stores. Of the 500 plus shopping centres in the country, department stores anchored just six.

The majority of hypermarket space is located in Paris, whilst the country's largest department store chain is Galeries Lafayette, which has 77 stores and controls 68 per cent of the country's department store square footage.

Galeries Lafayette have begun a large scale renovation programme to compete in the market. The idea is to improve the rather old fashioned image and upgrade merchandise.

PPR Group, which operates 24 Printemps stores, accounts for 20 per cent of the market and is offering higher-end brand names that cannot be found in the hypermarkets.

Supermarkets and hypermarkets account for 65 per cent of food sales in France and the largest supermarket chain is Leclerc. However, French grocery retailer, Carrefour, is the undisputed market leader in Western and Central Europe and by 2009 it is estimated that Carrefour will have 7.2 per cent of the region's grocery market.

First quarter sales in 2007 for Carrefour rose by 5.2 per cent to €21,478bn and its total number of stores is expected to rise



to almost 12,000 from 9,500 back in 2004. In France the group has 226 branches.

Other leading supermarket chains include Intermarche and Auchan and between the four they account for 55 per cent of all sales through large grocery retailers.

Another group is Casino, which has 9,850 stores in 11 countries ranging from hypermarkets, supermarkets, discount stores and restaurants. There are 8,397 Casino stores in France including 129 hypermarkets, 1,361 supermarkets, 489 discount stores, 6,040 convenience stores and 257 cafeterias.

One huge step for the retail industry was the lift on the ban on advertising in 2006 for supermarkets, department stores and hypermarkets. The ban was one of the most restrictive marketing regulations in Europe and designed to safeguard advertising revenue for French local

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newspapers and also protect the country's smaller retailers.

Meanwhile, investment in traditional commercial real estate in France in 2006 came to more than €23bn, whilst investments within the real estate market in general was up by 45 per cent upon 2005 figures. However, as in other countries France's property market continued to slump in 2007 with property prices rising by only three per cent.

The slowdown follows a peak period in pricing back in 2004. For years France had one of the most vibrant housing markets in the EU and house prices have been rising substantially since 1998.

The French market was the first in Europe to see significant growth in a short period of time and the President has made it a priority to restimulate growth within this market.



The Brits accounted for around 60 per cent of all foreign buyers although the Russians are now also buying. Meanwhile, the government also provided substantial subsidies for new housing.

THE GAMING MARKET

Although France boasts the highest number of casinos in Europe, the gaming and betting market has a long and complex history.

Gaming activity was prohibited across France until a law, in 1907, permitted casinos to be opened in coastal and health resorts and thermal spa communities.

In 1919, a law was introduced prohibiting gambling within a 100km radius of Paris, whilst a later law in 1931 permitted thermal spas within this 100km radius to operate casinos, with the result that the Enghien-Les-Bains casino spa was opened within this 100km range.

A decree was introduced in 1959, and in 1987 a law, authorising slots in certain establishments. This was recognised as a major revolution in France at the time. Until 1987 only table games were permitted in casinos and once slots were allowed they became a dominant revenue generator for French casinos.

A year later, in 1988, an amendment was introduced allowing major cities, with a population of more than 500,000 and with tourist and cultural activities, permission to operate casinos.

The casino sector today is governed by the Ministry of Interior and Finance. Until May 2006, a stamp duty (Droit de Timbre) was paid on entrance fees for access to the table games, which varied depending on the length of admission card issued (weekly, daily, monthly etc).

Droit de Timbre was first introduced in 1959 and cost €10 for a day card to

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access the traditional gaming salons, €37 weekly, €91 monthly and €182 for a season. In 2004, gathering more than €9.5m it represented more than 6.4 per cent of the gross gaming revenue. In 2005 the country abandoned the system and all casino games were finally mixed together.

France currently boasts a total of 197 casinos (2008 figures), which between them see 64 million visitors per year.

The growth of the casino sector has been steady. Back in 1969 there were 155 casinos. By 1985 this had dropped to 135, but since this date until 2006 there has been a 46 per cent increase in the number of casinos.

The number of slots has also grown from around 2,110 in 1989 to 19,384 in 2006. Today there are 21,400 slots and 1,650 table games (2008 figures). Slots have a statutory minimum payout of 85 per cent.

Visitor breakdown shows almost 50 per cent of casino players are unemployed or retired, whilst those over the age of 50 or under 30 represent 30 per cent of all slot players with 57 per cent of them men.

The casino sector reported a gross gaming revenue of €2,788.2m in 2006/07 year, which was a three per cent increase on the previous year's figures. However, only 30 casinos showed year on year increases with a hundred of them experiencing a decline.

Gaming machines take the highest amount with 93 per cent of GGR, whilst table games generate around 10 per cent of GGR. After a long period of decline the increase of GGR for table games is seen as good news.

Figures for the first half of 2008 revealed a significant downturn in revenue and turnover has fallen by 14 per cent. Some believe at least five per cent of current operations could now face closure.

There are several factors to blame for the general decline in the casino sector. These include the introduction in November 2006 of strict identification checks at the entrance; the smoking ban, in place since the beginning of 2008, which has been responsible for a 10 to 15 per cent drop; and the global economic recession affecting all countries.

Smaller casinos have been suffering in particular with the reduced number of visitors, however, even larger groups such as Lucien Barriere have reported long-term problems.

Barriere's Casino d'Enghien, which is France's number one casino, has seen a decline of 20 per cent of its turnover since January this year, despite its 1,500 daily visitors and 450 slots.

Partouche has also reported that its first half year net profit fell by seven per cent to €7.9m from €8.5m a year ago. In the second quarter alone revenue was down by 4.2 per cent and Partouche claims this is due to higher taxes, restructuring charges and the smoking ban slowing business down greatly.

On the positive side, poker games, particularly Texas Hold 'em Poker, which have been permitted since the middle of last year, are proving popular, whilst easier access to table games (the end of the Droit de Timbre) and more attractive slots are all positive changes.

However, many say the taxation for casinos is too high and maladjusted particularly for live gaming and there are mounting call for lower tax rates as



FRANCE: VITAL STATISTICS**Total Area:** 545,630 sq.km**Capital:** Paris**Population:**

64,057,790 (2007)

Median age: 39 years**Male:** 37.5 years**Female:** 40.4 years**Ethnic groups:** Celtic and Latin with Teutonic, Slavic, North African, Indochinese, Basque minorities**Religions:** Roman Catholic 83-88%, Protestant 2%, Jewish 1%, Muslim 5-10%, unaffiliated 4%**Languages:** French**Government types:** Republic**Chief of State:** President Nicolas Sarkozy**Head of Government:** Prime Minister Francois Fillon**Cabinet:** Council of Ministers appointed by the president at the suggestion of the prime minister.**Elections:** President elected by popular vote for five year term. Next election 2012. Prime minister nominated by the National Assembly majority and appointed by President.

operators say traditional games are no longer profitable.

Casinos are taxed at a national and local level. Nationally the taxes include a progressive tax applied to the gross gaming revenue (after deducting a 25 per cent tax allowance).

Local authorities also levy a maximum rate of 15 per cent on the same tax base as the state levy. However, the combined amount cannot exceed 80 per cent.

In addition, a fixed percentage levy is charged on the first Euro of revenue generated set at 0.5 per cent for table games and two per cent for slots.

Since 1996 a three per cent CRDS (Contribution to the Repayment of Social Debt) tax is levied on GGR followed in 1997 by a CSG (General Social Contribution) tax on slot machine gross gaming revenue.

In January 1998 the rate of CSG increased to 7.5 per cent and was calculated on a reduced basis of 68 per cent of slot GGR. In 2005 the CSG rate was further increased to 9.5 per cent.

CASINO	NUMBER IN FRANCE	GROSS GAMING REVENUE 2007 (€ million)
<i>Groupe Partouche</i>	47	786.9
<i>Groupe Lucien Barriere</i>	30	780.4
<i>Groupe Tranchant</i>	16	242.1
<i>Groupe Joa</i>	20	239.8
<i>Groupe Cogit</i>	8	80.9
<i>SMCFC</i>	2	70.4
<i>Groupe Emeraude</i>	8	64.8

Source: Syndicat des Casinos Modernes

CASINO OPERATORS

There are many casino operators in France, however the main six groups, Partouche, Lucien Barriere, Tranchant, Joa, Cogit and Emeraude control the majority of the market with a 70 per cent share.

Smaller groups with three to five casinos, such as IGGR, Viking Casinos and SMCFC have a 10 per cent share, whilst independent casinos account for the remainder (33 casinos in 2006).

At the end of 2007 there were 194 casinos and the main division looked like this:

There are several factors to blame for the general decline in the casino sector. These include the introduction in November 2006 of strict identification checks at the entrance; the smoking ban, which has been responsible for a 10 to 15 per cent drop; and the global economic recession affecting all countries.

GRUPE PARTOUCHE

CASINOS 47 in France and seven overseas – 3 Belgium, 2 Switzerland, 1 Spain, 1 Tunisia

LOCATIONS Calais, Boulogne s/mer, Le Touquet, Berck s/mer, Dieppe, Forges-les-Eaux, Le Havre, Cabourg, Agon-Coutainville, Plouescat, Pleneuf Val Andre, La Trinite s/mer, Pornichet, Pornic, La Roche-Posay, St-Armand-le-Eaux, Contrexeville, Plombieres-les-Bains, Andemos, Arachon, Salies-de-Bearn, Port Barcares, St-honore les Bains, Divonne les Bains, Annemasse, St Julien en

Genevois, Vichy Grand Café, Vichy Elysees Palace, Evaux les Bains, La Tour de Salvagny, Lyon, Royat, St Nectaire, St Galmier, Greous les Bains, Aix-en-Provence, La Grand Motte, Palavas-les-flots, La Ciotat, Bandol, Hyeres, Juans les pins, Beaulieu s/mer, Nice, Palais de la Mediterranee, Cannes, Palm Beach.

SALES €786.9m (GGR 2007)

SLOTS 5,716 (2007)

Groupe Partouche is the leading operator of casinos in France with around 30 per cent of the market in terms of gross gaming revenue. The company currently has 47 casinos on home territory and seven overseas.

The company dates back to 1973 when Isidore Partouche arrived in France from Algeria and with help from his family bought the St-Armand-les-Eaux casino together with the location's spa and mineral water source.

Three years later Le Touquet Casino was bought from Mr. Lucien Barriere, followed by a third casino in 1982, the Calais Casino.

Other casinos followed although up until 1988 the business remained secondary to Mr. Partouche's primary business, which was focused on the bottling and distribution of brand waters. However as the casino sector increased, he withdrew from the water business in 1989 to concentrate on gaming.

In 1991 the company was granted its first slot machine operating licence and also took control of the Lyon Vert casino that same year.

In March 1995, Groupe Partouche SA was launched on the Paris Stock Exchange in a bid to finance the development of the business, particularly at the international level. In September that year the group acquired the Belgian casino and resort of Knokke-le-Zoute.

In 1996 the group bought out the minority interest of the Generale des Eaux Group in Societe Fermiere du Casino Municipal de Cannes. This company operates the Croisette casino and controls the Hotel Majestic company and the Gray d'Albion in Cannes.

Expanding rapidly across the French market, the group was also busy increasing its international portfolio. Partouche opened its first casino in Agadir, Morocco in 1996 in association



with Club Mediterranee, whilst a casino in Tunisia followed in 1998. The group also bought the Carlton Casino Club in Cannes from the UK's London Clubs International and a 99 per cent interest in Cannes Balneaire which owned Cannes Palm Beach casino.

In Spain, the San Roque Grand Casino opened a year later followed by the Hilton Bucharest Casino. In October 1999 the group acquired a majority stake in the Societe Francaise de Casino (SFC) group, which owns four casinos, later ending this in 2005.

In 2002, following a protracted battle on the stock market, the Partouche group took control of the Compagnie Europeenne de Casinos.

In 2003, the group's first Swiss casino was opened and its Belgian casino sold the same year. In 2005 the group acquired Groupe de Divonne, which consisted of five casinos in the Lake Geneva area.

In 2006, the group created Partouche Interactive specialising in new technology platforms, particularly Internet gaming and interactive television.

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The company has shown a turnover for the first nine months of 2007/2008 of €366.3m with the casino sector of the group taking the largest chunk with €329.4m. Hotels follow with €28.5m.

LUCIEN BARRIERE

CASINOS 34 in France and five overseas (3 Switzerland, Malta, Egypt)

LOCATIONS Lille, Touquet, Benodet, Carmac, Deauville, Dinard, Baule, Ouistreham, Perros-Buirec, Saint Malo, Trouville, Bordeaux, Biarritz, Dax, Jonzac, Rochelle, Royan, Sables d'Olonne, Toulouse, Briancon, Cannes, (2), Chamonix, Cassis, Carry-le-Rouet, Leucate, Menton, Nice, St Maxime, St Raphael, Blotzheim, Besancon, Niederbronn, Ribeauville.

SALES €958m gross takings on slots and tables.

SLOTS 6,287

Lucien Barriere was originally founded by Francois Andre who founded the Haussmann Club in 1918 in Paris before

taking on the management of the Ostend casino followed by the Deauville Casino.

He went on to develop many tourist resorts including casinos, hotels and sport facilities until his nephew, Lucien Barriere took over in 1962 and centralised the control of all establishments and created the group Lucien Barriere.

He opened new sites and in 1987 backed the arrival of slot machines in France, before introducing them to the Deauville and Cannes casinos.

In 1990, Diane Barriere Desseigne succeeded her father as President of the group and launched a new style and renovation plans, but after a serious plane crash later turned the management over to Dominique Desseigne in 1997.

As Chairman of the group Lucien Barriere SAS and Chairman of the Societe Fermiere du Casino Municipal de Cannes (SRCMC), Mr. Desseigne entered the group into a partnership with Accor and Colony Capital investment funds in 2004, enabling the company to double in size by taking on Accor casinos.

Groupe Lucien Barriere SAS is an unlisted company and divided between 51 per cent ownership by the Desseigne-Barriere family, 34 per cent Accor and 15 per cent Colony Capital.

SFCMC is a listed company with over 65 per cent Desseigne-Barriere family and over 18 per cent Amber Master Fund.

The company has a 30 per cent share of the French casino market and a total of 39 casinos in France and Europe, 6,287 slots, 404 gaming tables (50 per cent of the French market), 15 luxury hotels, 100 restaurants and three golf courses.

In 2006 the group opened the Hotel Fouquet on the Champs-Elysees – the first palace built in Paris since 1929 and the only one whose capital is held by a majority of French investors.

In Enghien-les-Bains the group also opened a resort with the biggest casino in France, two hotels, well-being centre, thermal baths, conference centre and seminar complex.

The group recently opened the Lille Hotel Casino with nine tables and 150 slot machines in November 2008, and the Blotzheim Casino in the same month. The Majestic Barriere extension in Cannes is due to open 2010.

Overseas the group is planning to increase its turnover by 50 per cent with a luxury hotel complex in Marrakech.



GRUPE JOA (MOLIFLOR LOISIRS)

CASINOS	20
LOCATIONS	Antibes, Argeles, Ax-les-Thermes, Le Boulou, Canet, Etretat, Gerardmer, Lamalou-les-Bains, Luxeuil-les-Bains, Montrond-les-Bains, Port Crouesty, Les Sables d'Olonne, St-Aubin sur Mer, St-Cyprien, St-Jean de Luz, St-Pair sur Mer, St-Paul-les-Dax, Santenay, Treport and Uriage-les-Bains.
SALES	€275m (GGR 2007)
SLOTS	1,970

Moliflor Loisirs is France's third largest casino operator and in March 2008 changed its name to Groupe Joa. Headquartered in Lyon, Joa operates casinos throughout France, but

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particularly concentrates on the country's southern coastal areas.

Since the start of the 2000's Joa has more than tripled its number of casinos and today has 20 casinos with an annual revenue of €275m last year.

The company operates a total of 1,970 slot and most of the group's casinos feature a combination of restaurants, hotel and entertainment facilities.

The company dates back to 1948 when Adrien Moliner purchased his first casino location in Canet-en-Rousillon in the south of France. The casino was closed at the time and in 1956 he received permission to re-launch casino operations, before being joined by his nephew, Claude Florensa, and so the company Moliflor began.



Initially, the casino's gaming facilities were limited, but in 1965 Moliflor was granted the right to add roulette tables. The company then purchased its second casino, Casino de Boulou in the western Pyrenees region of France. A third casino was added in 1976 when Moliflor bought a controlling stake in Saint Cyprien casino followed by a fourth in the Argeles region in 1980.

Claude Florensa took over as head of the company the same year and in 1987 he renamed it Moliflor Participation. The company received authorisation to install slot machines in the casinos and this helped popularise the casino market in France.

The slots soon accounted for the biggest share of the company's revenues and enabled it to expand further. The fifth casino came in 1992 when it acquired a

controlling stake in a casino in Lamalou-les-Bains.

In 1998, the company operated six casinos and had changed its name again to Moliflor SA and went public. With the capital it bought a seventh casino in Amelie-les-Bains.

By the late 1990s, rival companies had launched a consolidation of the market, whilst the French government had decided to tighten the limits on the addition of new slots.

In response, venture capital group PPM Ventures bought 92 per cent of Moliflor (renamed Moliflor Loisirs) and was headed by Marc Leonard, formerly of Lucien Barriere.

This marked a new growth phase for the company and several more casinos were

acquired including the Casino d'Antibes on the Cote d'Azur, which is one of the largest single casinos in France.

By 2002, Moliflor had 19 casinos under its control and had also acquired two new shareholders when PPM sold its stake to an investment partnership.

In 2005, Marc Leonard was named CEO and leading investment company, Bridgepoint Capital took over as the group's majority shareholder. This company later sold a 35 per cent share to Loto Quebec which brought the company the experience of a key North American gaming specialist.

This new partnership fuelled an expansion drive and brought the company's total casino operations to 20 with the company changing its name to Groupe Joa earlier this year.

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GROUPE TRANCHANT

CASINOS 16 in France and five overseas (2 Switzerland, 3 Dominican Republic).

LOCATIONS Dunkerque, Yport, Villers sur Mer, Luc ser Mer, Roscoff, Amneville, Pougues les Caux, Neris les Bains, Saint Gervais, Cagnes sur Mer, Grau du Roi, Sete, Valras Plage, Bagneres de Bigorre, Pau, Argeles Gazost.

SALES €308m gross takings

SLOTS 2,235

Groupe Tranchant was created in 1987 by Chairman Georges Tranchant and today is a family run business. The company has 16 casinos in France and five overseas and also manufacturers and imports and distributes slots.

In the year 2007 the group saw more than five million visitors through its casinos and has a total of 2,235 slots, 64 Mix machines, 74 progressive jackpot machines, 987 jackpots (with payouts of more than €5,000) and 158 table games.

The three casinos in the Dominican Republic - Casino Santana, Casino Uvero Alto and Bavaro Casino - offer a total of 68 slots and 22 table games.

The Group operates a casino in Basel, Switzerland, the Grand Casino Basel, with a total of 357 slots and 15 tables.

GROUPE COGIT

CASINOS Four in France and four overseas (2 Guadeloupe, 2 Martinique)

LOCATIONS Biscarrosse, Cherbourg, Lacanau, Mimizan

SALES €80.9m (GGR 2007)

SLOTS n/a

Founded in 1990 Groupe Cogit (Compagnie Generale d'Investissements Touristiques) is based in Martinique.

The company began its activities with two casinos in Guadeloupe and today as a private company the group is the fifth largest French casino operator.

Today, the company has a total of eight casinos in Martinique, Guadeloupe and four France and employs 650 employees.

The company is headed by Chairman Henri Ernoult and the company is divided into three areas - casinos, real estate and cinema. The four casinos in France are located in Cherbourg, Lacanau, Biscarrosse and Mimizan-Plage.

**GROUPE EMERAUDE**

CASINOS Eight in France

LOCATIONS Bagnoles de L'Orne, Bourbonnes les Bains, Fecamp, Chatelaillon, Fouras, Lons le Saunier, St Brevin les Pins, St Jean de Monts

SALES €64.8m (GGR 2007)

SLOTS n/a

Groupe Emeraude has eight casinos in France and also operates three hotels.

The company belongs to the Groupe Pierre Le Foll and the parent company itself is the sixth largest motorway construction company, eighth largest cement trader and sixth largest casino group.

Emeraude also owns and operates

Other operators in the French market include The International Group of Gaming Resorts, which is an international group of companies that specialises in casino development and management and currently has 12 operations in Europe, Middle East and South America - three of which are in France.

tourism and leisure facilities such as hotels, restaurants, tennis and theatres.

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The company was founded 25 years ago and began operations in 1984 with the purchase of a resort casino in Lyon, France.

During the 80s and 90s the group bought several more casinos in France including casinos on the French Riviera such as Casino du Golfe in Cavalaire sur Mer near Saint Tropez.



In 1995 it took its casino development to international levels and also sold some of its operations to the Partouche Group. Today the company has three casinos in France and nine overseas. The company has a GGR of US\$150m per year (2006).

Casino du Golfe in Cavalaire near St Tropez is the company's flagship operation and has 121 slot machines and 10 gaming tables. Casino de Noiretable is situated between Clermont Ferrand and Saint Etienne and has 60 slots and three gaming tables.

La Societe Francaise de Casinos (SFC) operates three casinos in Gruissan, Chatel-Guyon and Port la Nouvelle.

The group also operates amusement gaming centres in 16 centres throughout France, with one site in Paris and others in cinemas, bowling centres, gaming

CURRENT TOP TEN CASINOS IN FRANCE AND FIGURES

RANKING	CASINO	GROUP	TABLES	SLOTS	GGR TOTAL 2006/07
1	<i>Enghien les Bains</i>	<i>Lucien Barriere</i>	51	450	€166m
2	<i>Aix en Provence</i>	<i>Partouche</i>	28	280	€69m
3	<i>La Tour de Salvagny</i>	<i>Partouche</i>	17	400	€68m
4	<i>Saint Amand Les Eaux</i>	<i>Partouche</i>	12	250	€58m
5	<i>Deauville</i>	<i>Lucien Barriere</i>	36	350	€56m
6	<i>Anneville</i>	<i>Lucien Barriere</i>	14	330	€54m
7	<i>Nice</i>	<i>Lucien Barriere</i>	22	300	€48m
8	<i>Bordeaux</i>	<i>Lucien Barriere</i>	15	275	€47m
9	<i>Cassis</i>	<i>Lucien Barriere</i>	23	250	€46m
10	<i>Cannes</i>	<i>Lucien Barriere</i>	19	290	€43m

Source: www.lescasinors.org

parks and holiday villages throughout France, with the exception of two centres in Belgium.

In 2006/07 the group saw a turnover of

17.2m compared to €10.4m in 2006. The casino sector took €12m whilst the amusement centres saw €3.2m and the thermal spas took a turnover of €2.2m.



The casino in Gruissan was opened in 1975 and renovated in 1994 and holds 100 slots and table gaming halls. Chatel-Guyon was opened at the beginning of the 20th century and is integrated in the thermal spa and has 50 slots and Port la Nouvelle opened in 1995 and also has 50 machines and traditional gaming tables.

Meanwhile, Vikings Casinos is based in Falaise, Normandy and was founded in 1998 by combining the Vikings Group, headed by Serge Foucher, and Jeux C Casino Consultant, managed by Luc Le Borgne.

Today, the company has seven casinos in Houlgate, Bourbon-L'Archambault, Barbazan, Bourbon-Lancy, Castera-Verduzan, Bussang and Vittel.

STREET GAMING

Whilst the casino sector is well established, operators existing outside the confines of this gaming sector continue to battle for a gaming business in line with their European neighbours.

Despite constant lobbying from the non-casino sector, it is still thought unlikely that France will ever be permitted low-

stake gaming machines (AWPs).

Together with Portugal, France remains one of only two countries in Europe without some form of limited gaming in the street market and with fierce resistance from the casino, sports betting and lottery market, it is thought unlikely the government will ever permit them.

The casino sector believes the government would be unable to control the street market as it does the casino sector, with French casino operators earning some of the highest slot incomes in the world and, of course, paying some of the highest taxes too.

One of the main lobbying groups, the Confederation Francaise des Jeux (CFA) has also now joined forces with French Cafes to continue its battle.

The CFA was founded in 1982 combining two different organisations representing the amusement machines industry.

CFA has now started a campaign with an organisation called Sauvons Les Cafes Francais (Save the French Cafes), which aims to keep the traditional café and

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bistros in France in business.

Some 50,000 establishments have joined the campaign and one of the aims of the petition is to change gaming legislation, particularly to permit limited gaming machines and lower the double taxation on bar games. By June of 2008, more than 129,000 had signed the petition.

At the moment, the French street market can only operate jukeboxes, pool tables, football tables and touchscreen games.

The cafes have been further affected by the smoking ban at the beginning of this year and many fear the traditional café as it is known may disappear altogether.

Last year the CFA managed to win a couple of battles, although it continues to lobby the government for a change in the gaming law.

Earlier this year the CFA submitted a bill that aims to provide a legislative framework to operate limited payout games, whilst a questionnaire on gambling policy was also sent out to 27 member states that mainly referred to online gaming. The report is due to be

published this month.

Meanwhile, new games introduced into the market never seem to survive the tough guidelines and most recently was the story of the Visionex Terminals.

Visionex was a new concept recently introduced to the French market, which provided a multimedia system with Internet access, multimedia information, games and promotional material.

The terminal was designed for cafes, hotels, restaurants, airports, campsites and train stations.

The game was developed by entrepreneur Olivier Sigoignet of New Games and distributed by Avranches Automatic and New Games.

The idea was to provide a legal product with Sigoignet ensuring it went through the right channels to gain approval. Although the legality of Visionex was approved in writing, he had to wait for the go-ahead from the Director General.

More than 350 terminals were installed and not long after Avranches, where the machines were manufactured, was visited by the police. The two companies underwent a complete investigation.

The company has now been told the terminals can no longer be sold and its servers are being blocked. Many believe the FDJ and PMU are behind the closure.

The association L'ASL Interactifs (Association of Operators of Interactive Games) represented the Visionex terminals alongside other products such as table football, pinball, darts, video games, billiards and touchscreens.

The association claims one of the main problems for the French street market is the control and influence the casinos, PMU and FDJ have over the market

The Pari Mutuel Urbain (PMU) was created in 1930 by the horseracing association to permit off track betting. It became an Economic Interest Group (EIG) in 1985 and brings together 51 non profit making racing associations.

Two parent companies are now in charge of regulating racing – France Galop for flat and jumps and La Societe du Cheval Francais for trotting.

The aim is to promote horse racing for the associations and there is a range of 10 different bets and the events attract around 6.5 million customers each year.

The PMU was the first pari-mutuel



company in Europe and the second in the world. The company processed two billion bets last year (2007) and saw a turnover of €8.8bn of which €727m net income was paid back to the horseracing associations and €6.5bn was paid back to punters (74 per cent).

Internationally, PMU promotes French racing abroad via partnerships with licensed operators and local partners.

There are 252 racecourses in 75 regions in France and in 2007 there were 17,000 races including 7,310 with a betting offer from PMU.

In 2007, the PMU began to increase its sales network. By the end of 2007 there were 9,785 sales outlets in France.

In addition, the Pariez Spot outlets saw an extra 216 sales outlets open last year bringing the total to 1,168 outlets which contributed €292.6m to the turnover.

Interactive betting terminals were also increased by an extra 329 last year, bringing the total to 1,648 whilst the turnover for these increased by 43 per cent to €566.5m.

COMPARISON OF GAMING COMPANIES

Company	Turnover (2006)	Gross Gaming Revenue
FDJ	€9.473m	€3.821m
PMU	€8.106m	€2.204m
Casinos	€38.671m	€2.707m
TOTAL	€56.250m	€8.730m

The pmu.fr website saw a turnover of €431.8m in 2007 and controls 67 per cent of placed bets compared to telephones or interactive television betting. A new version of the website was launched at the beginning of this year and provides new services.

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Back in 1933, the French parliament authorised the establishment of a national lottery with the profits at the time going to public causes.

In 1979 the government took control of the lottery by setting up a semi-public enterprise called the Societe de la Loterie Nationale et du Loto National. This was renamed France Loto in 1989 and La Francaise des Jeux in 1991.

The gaming products offered by Francaise des Jeux are still the most popular in France with almost 29 million players compared to 6.5 million for PMU horse bettors and 6.4 million casino visitors.

The company is owned by the state (72%) and La Francaise de Jeux Employee Investment Fund (5%), Former issuers of Loterie Nationale tickets (20%) and Soficoma (sales agent organisation) which has 3%.

FDJ is the world's third largest lottery operator and ranks 32nd in terms of wagers per capita. Turnover in 2005 was €8.9bn which was mainly attributed to the growth of the European online lottery game, Euro Millions, which attracts 15 million European players each week through a joint venture involving nine state lotteries.

In addition, during that year the company increased its distribution network with the addition of 1,200 new draw game points of sale.

The total number of players registered on the FDJ Internet site more than doubled in 2005 and the number of weekly players rose during that year to 66,000 compared to 22,400 the previous year.

Today, the FDJ has 39,520 points of sale across 149 regional sectors and sales of €9.30bn in 2007.

Sales of draw games saw the highest turnover for the company with a turnover of €5,656m (an increase of 10 per cent on the previous year). As usual the growth was driven by the Euro Millions game which generated sales of €1,306m alone.

Scratch cards saw sales of €3,430m whilst sports betting saw €387m a growth of 36.6 per cent thanks to a new version of the Cote & Match game. In 2006 the groups had of net profit which totalled €115m.

ONLINE OR OFFLINE

One continual argument is the French government's decision which has permitted Francaise des Jeux to operate online gaming since 2001 whilst banning other casino operators the same privilege.

FDJ's services have expanded to include online games such as blackjack and roulette and the industry says this goes against the famous Gambelli ruling.

The French casino sector has been unsuccessfully lobbying the government for years to obtain the right to offer online gaming and has now taken the case to the European commission on the



grounds that Francaise des Jeux is guilty of abusing a dominant market position.

In March last year, Patrick Partouche was fined €40,000 and received a suspended prison sentence for lending his name to an online poker website. Two website administrators also received suspended sentences and fines, whilst the Partouche international company was fined €150,000.

And in April last year the French ASO banned the team Unibet from the Tour de France and several other races because of its sponsor.

FDJ has upheld its right to a monopoly by making three claims. Firstly, that the FDJ does not sponsor football clubs, viewing such as a conflict of interest; secondly the FDJ website imposes a weekly maximum of €500 on France National, something that most 'illegal' sports betting sites do not do. And thirdly, there is no overlap as regards products currently offered by PMU, the FDU and the online casinos.

The fdjeux.com website recorded a 57.3 per cent increase in wagers even though

the overall share is still only 1.1 per cent of total sales.

In 2006, the site was upgraded to offer players a better service and the gaming product line was increased for online users.

The fdjeux.com site is reserved for adults living in France and players must have a bank card, age verification and prize payouts require a bank identification number or copy of ID documents for prizes of more than €5,000. A player cannot put more than €500 into his account per week and FDJ has also adopted weekly wager limits for some games on its site.

On the plus side, however, the French media reports that the Budget Minister Eric Woerth is aiming for a 'controlled opening' of the country's betting market by mid-2009.

Brussels has already given France a warning to change its gaming rules or be taken to the European Court of Justice and although the French government still aims to keep its share of revenues from the gambling sector, said to be around

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€5.3bn, France is more than likely expected to change its rules.

Mr. Woerth said that private betting providers are expected to be licensed to operate under French regulations and they will be subject to the same conditions and tax regimes as PMU, the current monopoly operator for betting.

The new rules will open the market for online casinos and some reports suggest that France intends to develop a new 'system' for online gaming and betting in partnership with other EU states such as Belgium, Germany and Holland, rather than adopt existing models such as those in the UK or Italy.

In France, operators will have to be licensed and there will be strict guidelines for money laundering and player protection. Some key suggestions involve strict licensing requirements restricting operators to those with a minimum of seven years industry experience. Operators could also be subject to regular auditing and provide details of their investors, shareholders and employees.

Meanwhile, the French National Olympic and Sports Committee outlined its requirements saying it demanded a 'legitimate financial return' from online sports betting operators.

The CNOSF said it wanted to see a tax of 2.5 per cent levied on sports bets for the benefit of French sports and would also expect to be included in any regulatory body established to oversee the online gaming market.

Already in anticipation of the online gaming market opening, several companies are waiting on the sidelines.

Former CEO of Endemol France, Stephan Courbit, who purchased BetClick.com in May 2008, is rumoured to now be in discussions to acquire NordicBet.com based in the Isle of Man. Courbit's holding company, Mangas Capital Gaming, is building a gaming portfolio to extend its territories throughout Europe.

For other sports, such as football, fixed odds bets would be offered. Online casino and poker gaming would be licensed, although slot machines for now are still not approved on the grounds they are considered too addictive.

Online bingo is also expected to boom and BingoNews.fr, a French online bingo news and directory website, predicts that the industry will experience a similar growth to the UK market.

The UK Gambling Commission estimates



there are 500,000 plus online players in the UK across some 250 websites. In France the bingo website has already seen significant growth in site traffic for newsletter subscriptions.

France is still quite wary of the whole online gaming market. A report showed that illegal gaming represented some €300 to 400m in the country, with 76 per cent of online gaming offered in France was conducted by illegal off-shore companies whilst 15 per cent was offered by PMU and nine per cent by FDJ.

The online situation has been expensive to those who have taken risks. In 2006 joint CEOs of BWIN were charged with violating France's internet gaming laws and ordered to pay a huge fine.

Back in 2005, PMU threatened to take a number of online bookmakers to court for offering French Internet sites with

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odds on French sporting events.

In January the Court of Appeal in France questioned the nation's gaming legislation with respect to European competition law and asked the authorities to justify their regulatory framework.

The ruling follows a request by Didier Dewyn, former Chief Executive of Maltese gaming company, Mr Bookmaker, who had criminal proceedings brought against him last year for allegedly organising 'illicit lottery' and 'clandestine betting on horse races'.

The court asked for further information to decide whether the criteria used under the ECJ was respected by the French gaming system. The ECJ has ruled in the past that betting business legally established in one EU state may offer its services elsewhere within in the 27 member states.