

G3-247 Report
ROMANIA MARKET REPORT

Government
makes online bet

As in great swathes of Europe right now, Romania is betting the farm on online and sports-betting opportunities to fill the short-falls in its budget and keep the IMF off its back



Romania is located in the north of the Balkan Peninsula on the western shore of the Black Sea. It borders Bulgaria, Hungary, Moldova, Serbia and Ukraine and has a 225km coastline.

It is the seventh most populous member of the EU and its capital Bucharest is the sixth largest city in the EU.

In the Middle Ages the Romanians lived in Wallachia, Moldavia and Transylvania. By 1541 the entire Balkan Peninsula was under Ottoman control until the mid 19th century. Romania emerged from the territories of the ancient Roman province of Dacia and was formed in 1859 through the union of the principalities of Moldavia and Wallachia. The new state was officially named Romania in 1866.

After a failed revolution in 1848 the country fought on the Russian's side during the Russo-Turkish War in 1877 and in the aftermath was recognised as an independent state. The new Kingdom of Romania underwent a period of stability after this.

01 In 2005, the Romanian currency, the leu, dropped four of its zeroes, such that what used to be 10,000 lei became printed as just 1 lei. They also started making them out of plastic instead of paper. Legend has it that the banks were advised that they should start using more plastic (credit cards) systems, and they took it literally and started making the Lei out of plastic.

02 Romania's Astra Museum in Sibiu is the second-largest outdoor museum in the world. It features more than 300 buildings as well as watermills and windmills, gigantic presses for wine, fruit and oil, hydraulic forges and more.

03 It also is Europe's richest country in gold resources.

For the first couple of years of World War I the country remained neutral but joined the Entente Powers and declared war in 1916. At the end of World War I Romania united with Transylvania, Bukovina and Bessarabia.

After World War II the country became a social republic and member of the Warsaw Pact. In 1947 King Michael I abdicated after the communist government took over and the country remained under military occupation until the late 1950s.

In 1948 the state began to nationalise private firms and established a terror regime via its secret police. In 1965 Nicolae Ceausescu came into power. He was overthrown and eventually executed with his wife after the violent Romania Revolution in December 1989.

After the revolution the Social Democratic Party and Democratic Party have mainly led. The country developed ties with Western Europe and the US after the Cold War and became a full member of the EU in 2007.

Free Travel and economic stability throughout the 1990s meant a large number of Romanians emigrated with large communities in Italy and Spain.

It has seen rapid growth during the 2000s and has an economy based on services whilst the country is also a producer and net exporter of machines and electric energy. Setbacks occurred during the recession which led to a large GDP contraction and budget deficit.

Worsening economic conditions triggered a political crisis in 2012 and the country faces issues related to infrastructure, medical services, education and corruption.

Living standards have improved lately and today Romania is an upper middle income country with a GDP of around \$274bn (2012).

In 2005 the progressive tax rate was replaced with a 16 percent flat rate for both personal income and corporate profit – among the lowest in Europe.

The country is made up of 41 counties and one municipality (Bucharest). Each county is then subdivided into 319 cities and 2,686 communes.

Tourism is a significant contributor to the economy and generates around 4.8 percent of GDP. Romania was estimated to have the fourth fastest growing travel and tourism demand in the world with an estimated growth rate of eight percent from 2007 to 2016.

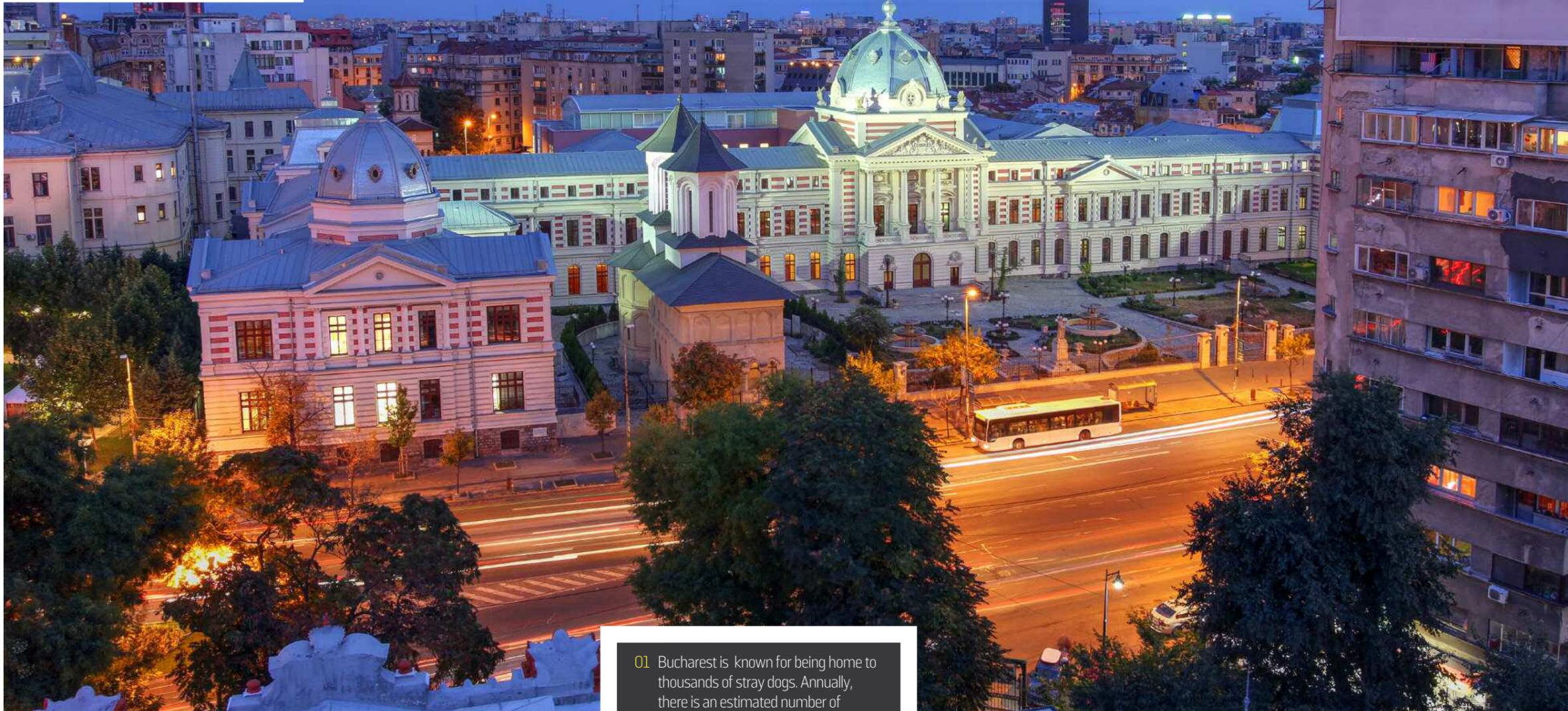
Popular resorts include the Black Sea Resorts and skiing resorts whilst rural tourism and folklore have brought people to see sites such as Bran and Dracula's Castle. Around 6.9 million tourists visited Romania last year compared to 2.4 million back in 1999. Tourism supports around 100,000 jobs.

The government of Romania has not been without its turmoil. President Basescu was the fourth President of Romania serving from 2004 to 2014 having formerly served as Mayor of Bucharest from 2000 to 2004.

He was suspended from office in 2007 but reconfirmed a month later in a referendum. He was narrowly re-elected as President for his second five year term amid claims of electoral fraud. In 2012 he was suspended again for interfering in government business and legal affairs, but reassumed office six weeks later.

A presidential election at the end of Basescu's term in November last year saw Klaus Iohannis, Mayor of Sibiu and leader of the Christian Liberal Alliance take on the role.

Meanwhile the Bulgarian economy has seen a slow recovery from the recession. The government took out a €1.5bn loan from private banks to support the banking system but in December the Corporate Commercial Bank (KTB), the country's fourth largest lender, collapsed leaving customers without access to about \$4bn in deposits. GDP was around €41bn in 2013 and is expected to grow by 1.6 percent this year. Unemployment rate is 11.8 percent.



LAWS AND LEGISLATIONS

The government's Emergency Ordinance 159/1999 basically set up the National Lottery company in Romania. During the dictatorship of Nicolae Ceausescu gambling was made illegal but in 1990 after his regime was toppled gambling became legal and the first post communist casino opened in 1991.

Today there are seven casinos in Romania and around 13,000 slots in gaming halls. Sports betting is fully legal and high street betting shops are found in most cities.

In 2013 The National Gambling Office (onjn.gov.ro) was set up to manage and regulate the gambling activities in Romania. It is the first time the authorisation, supervision and monitoring of gambling has been made by a single dedicated institution.

The legal framework in Romania is currently governed by the GEO77/2009. Last year there were a total of 418 slot hall operators, five casino operators, 26 sports betting operators and 12 bingo operators.

The Law GEO 77/2009 states:

- Entrance tickets are applied to casino and poker club visitors.
- Slot machines should be equipped with a 'black box'
- Minimum number of slots to be operated by an operator is 50 machines which can be in the same or different locations.
- Number of slot machines per location is at least 15 but also electronic tables included.
- There must be a minimum of 12 table games in casinos in Bucharest of which two must be roulette tables. There must be a minimum of 10 gaming tables in other locations with at least two roulette tables.
- Minimum number of tables in poker clubs in Bucharest is 10 and five in other locations.
- Bookmakers and LOTTO agencies can have between two and five slots.

01 Bucharest is known for being home to thousands of stray dogs. Annually, there is an estimated number of 9,000 people being bitten by these abandoned dogs.

02 The Danube River flows 1,788 miles from its springs in Germany's Black Forest to the Black Sea. Just before reaching the sea it forms the second largest and best preserved of Europe's deltas: 2,200 square miles of rivers, canals, marshes, tree-fringed lakes and reed islands.

03 The actor who first played the role of Tarzan was Romanian born Johnny Weissmuller, who starred in Tarzan the Ape Man in 1932.

04 The Black Church in Brosov, has the largest organ in Europe, with 4000 tubes. It also has the largest bell in Romania, weighing 41,000 lbs (6.3 tons).

- Small locations such as bars, restaurants can have between three and five slots.

- Operators must have a minimum registered capital and guarantee

The annual licence fee for organisation of the main offline gambling activities is:

- Lottery – €115,000
- Totalisator – €45,000
- Fixed betting – €25,500
- Betting exchange – €25,000
- Casino machines – €95,000
- Slot machines – €20,000
- Bingo games – €10,000

The annual fee for the operation of the main offline gambling activities is:

It is anticipated that the online gaming sector could bring in €100m in direct taxes this year. It will also help increase public revenues and harmonise legislation with European standards.

- Lottery – €180,000
- Totalisator, fixed betting and betting exchange – 16 percent of GGR (but not less than €90,000)
- Casino tables – €30,000 per table (Romania) and €60,000 per table (Bucharest)
- Slot machines – €2,600 per machines and €1,500 per AWP
- Bingo games – €7,000 plus three percent per room on value of cards.

- Poker Clubs – €30,000 per location (Romania) and €70,000 (Bucharest)

There are two main associations which monitor the Romanian market.

AOPJNR was set up in 1995. At the time there were 21 gaming operators in Romania and the AOPJNR sought to introduce a gateway between the authorities and the operators. Today, it represents 55 operators and is a member of Euromat.

ROMSLOT is the second association which was set up in October 2010 aimed at creating a coherent and applicable legislation for the slot machine sector. Today, it comprises of 18 operators and is also a member of Euromat.

In June 2012 Dan Iliovici Chief Executive of ROMSLOT said in an interview: "There is a real need for transparency from both authorities and operators. The same for a legal framework to be fully adjusted to the reality and specific features of any game. There are signs that things are getting better and this is where Romslot comes in – to contribute along with our members – to building a legal framework as correct as possible for anyone involved no matter the size of the business they are running.

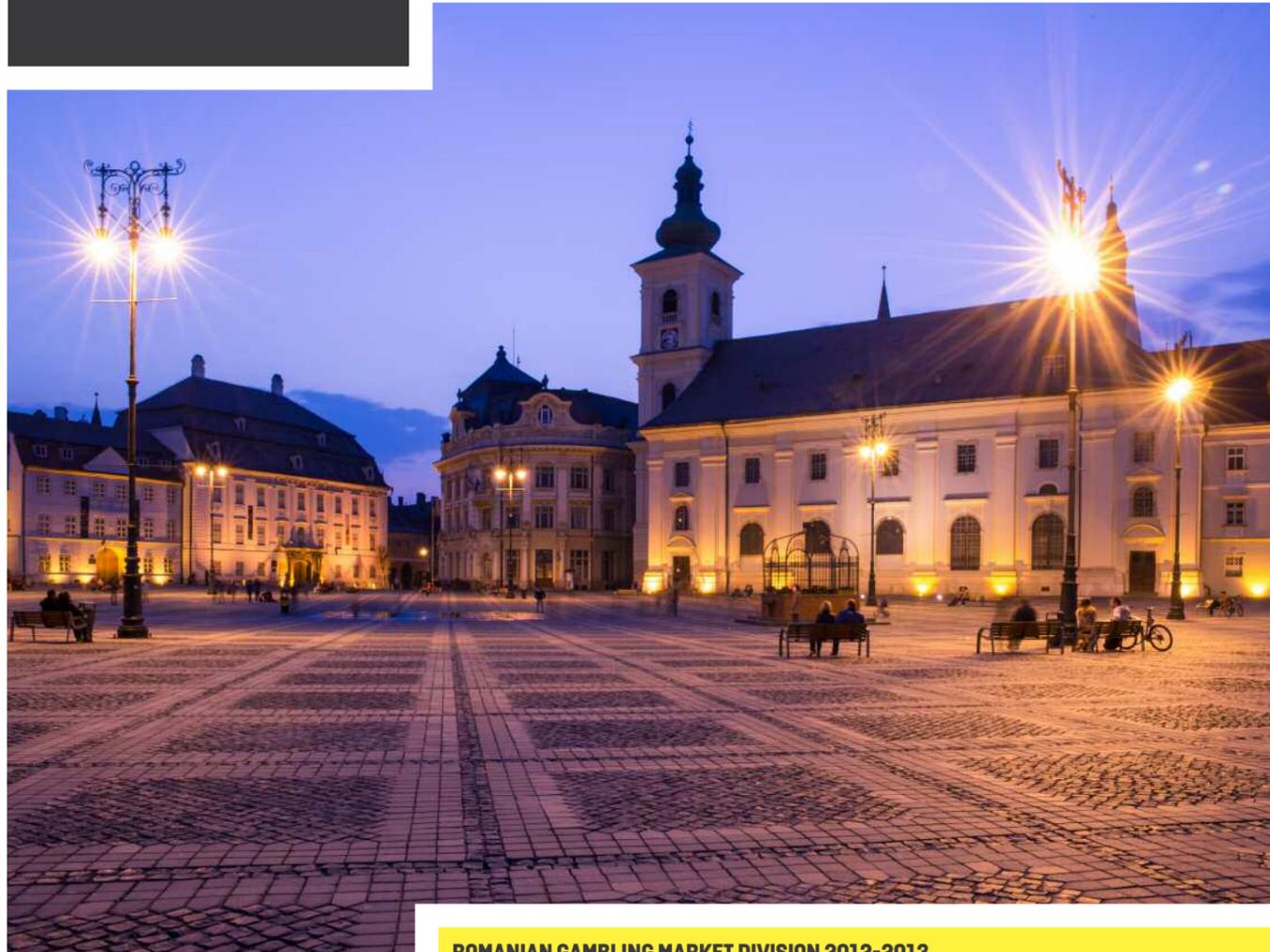
"Romania has taken huge steps in the last years in terms of slot machine type gaming and the market has the potential to soon become a good match for any 'older' market in Europe. Now with the online market opening on the way (following certain required legal modifications) this difference will be almost invisible. This is an advantage for everyone involved as a catch 22 but with a positive meaning. If the player is happy then the slot organiser can develop which means large earnings going to the budget. But it can happen the other way. Should the legislation and fiscality allow it then the organiser can improve his business and make investments so as the player be happy."

In December, with an agreement with the International Monetary Fund, Romania committed to reduce its debt to 1.83 percent of GDP in 2015 compared to 2.2 percent last year. It looked at the gambling sector to help and in particular the online sector.

It is anticipated that the online gaming sector could bring in €100m in direct taxes this year. It will also help increase public revenues and harmonise legislation with European standards.

Last year (2013) gaming brought in €175m in taxes (around 0.1 percent of GDP). However on the other hand they will increase taxes which could affect operators and it is thought the market will decrease due to the increase. It is said casinos see on average 50 customers per day compared to 400 in their prime.

Accordingly to the AOPJNR the fees and taxes collected in 2013 amounted to:



In January 2015 the Romanian Lottery has dished out total prizes of more than RON44m (over €10m). In 2013 the company saw a net turnover of RON1.06bn

ROMANIAN GAMBLING MARKET DIVISION 2012-2013			
ACTIVITY	2012	2013	2014
CASINOS	9	6	7
SPORTS BETTING OPERATORS	14	16	26
BINGO HALLS	12	14	12
TV BINGO OPERATORS	-	2	1
SLOT MACHINES OPERATORS	412	423	418
SLOT MACHINES	56,252	60,136	70,000 (APPROX)
FEE PER MACHINE	€1,950 ANNUAL	€1,800 ANNUAL	€1,800 ANNUAL

- Authorisation fees - RON654m (RON575.5m 2012)
- Tax on revenues from gambling (players) - RON70.2m (RON84m 2012)
- Amount cashed by the operators - RON49.2m (RON44.2m 2012)
- Total - RON773.5m (RON703.7m 2012) - equivalent to €175.4m.

THE LOTTERY SECTOR

The Compania Nationale Loteria Romana (CNLR) or Romanian lottery was founded in 1906 and is the only operator in the country of lotteries and totalisator. It started out as a charity establishment and tickets were initially sold via churches with small value prizes and the rest of the funds were used for charitable actions.

The lottery as an institution was set up during the two World Wars as a response to the nation's interest in other European lotteries.

In 1999 the Compania Nationala Loteria Romaniaa was established which replaced the communist era Loteria Nationala.

Today it is headed by CEO Adrian Manolache Misu and it has been involved in various cultural and charitable projects and has helped raise funds for several building renovations including the Romanian Athenaeum and the Saint Joseph Catholic Cathedral in Bucharest. There are 220 retailers in Bucharest alone.

Funds from the lottery are dished out in primary focus groups such as sports, cultural, arts,

healthcare and social services.

Currently the lottery has several games including Lotto 6/49, Noroc (Good Luck), Lotto 5/40, Super Noroc, Joker, Noroc Plus, Sweepstakes and Prono S. The most popular game is 6/49 where players choose six numbers between 1 and 49.

Draws are held twice a week and six winning jackpot numbers are drawn on Thursday and Sunday and players can win cash prizes with as few as three numbers.

In 2001 an existing online lottery network was extended in order to reduce illegal gaming via CNLR's launch of VLTs.

Intralot was undertaken in a 13 year agreement to

supply the VLT systems officially launched in 2002 and this provided for 15,000 VLTs by Lotrom who set up the communications network.

In January 2015 the Romanian Lottery has dished out total prizes of more than RON44m (over €10m).

In 2013 the company saw a net turnover of RON1.06bn which was an increase of over six per cent from the previous years.

THE VLT SECTOR

In 2003 the CNLR selected Intralot to supply its VLTs. Some 500 terminals were initially installed in 2003 followed by another 1,500 terminals at the end of the following year. The games offered at the time were poker, blackjack, reels, bingo and keno.

Following a 13 year agreement with CNLR Intralot undertook the supply and services related to the operation of the VLT system and the agreement provided for the installation of up to 15,000 online VLTs connected with a central system.

Intralot's subsidiary in Romania, Lotrom, dealt with the after service and has also set up an online satellite communications network which has been operational since 2001.

Also in 2003 Intralot's agreement introduced fixed odds betting into the country and saw Intralot

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install a 1,800 Coronis terminal network into the market.

In December 2014 the lotto games contract with Intralot expired and the contract was not extended. The lotto was continued via Intralot subcontractors.

The Romania lottery has come under the spotlight many times with controversy over the years and criticism in the press. The lottery company and Intralot were due to re-sign another 10 year contract but anti corruption prosecutors at the time began criminal proceedings due to the lack of transparency over the new partner choice and The Romanian Competition Council issued fines totalling €3.76m.

The scandal over Romania's lottery contracts unveiled that the National Lottery signed preferential deals for its VLTs. The contract awarded 80 per cent of all profits made by VLTs in Romania to three privately held companies - Intralot, Integrated Lottery Systems and Services and Intracom SA Holdings and Lotrom.

When CNLR began the search for a lottery partner apparently the company's management did not look far and they 'stumbled upon' two Greek creditors and a Romania gambling machine provider. The creditors Intralot and Intracom came up with the money for all investments and Lotrom provided the equipment.

A non compete clause in the agreement awarded them exclusivity on all VLT related investments whilst the state paid all the taxes and handed over 80 percent of the total revenue generated by the VLTs between 2003 and 2006; 75 per cent from 2006 to 2009 and 70 per cent from 2009 to 2013.

The situation was unveiled in 2013 by the Romania press and all four companies were fined by the Competition Council - The CNLR was fined €2m, Intralot €1.2m, Intracom €397,000 and Lotrom €114,000. The contract expired in October 2013.

Then just a few months later the CNLR signed a contract with Austria's Novomatic. The Romania



MACHINES & LOCATIONS	BUCHAREST	CONSTANTA	CLUJ	IASI	TIMIS	BIHOR	ARGES	MURES
Hall A	785	513	407	482	380	344	368	416
Hall B	185	35	61	25	40	40	23	22
Total	970	548	468	507	420	384	391	438
Slots (Hall A)	2,981	1,841	1,447	1,689	1,373	1,268	1,312	1,391
Slots (Hall B)	7,125	910	1,310	662	939	795	689	406
Total	10,106	2,751	2,757	2,354	2,312	2,063	2,001	1,797
Operators	108	59	52	53	54	41	45	46
Av. Machines per hall	10.4	5	5.9	4.6	5.5	5.4	5.1	4.1

Source: AOPJNR

01 The statue of Dacian king Decebal, carved in the rocky bank of the Danube river, is the tallest rock sculpture in Europe (135 feet tall).

02 The Danube River flows 1,788 miles from its springs in Germany's Black Forest to the Black Sea. Just before reaching the sea it forms the second largest and best preserved of Europe's deltas: 2,200 square miles of rivers, canals, marshes, tree-fringed lakes and reed islands.

03 The Carpathian Mountains are home to one of the largest virgin forests in Europe. 400 unique species of mammals, including the Carpathian chamois, call the Carpathian Mountains home. 60% of European brown bear population lives in the Carpathian Mountains.

Lottery has selected Novomatic to provide a total of 10,000 VLT ultimate generation terminals including VLT system, maintenance services and spare parts. The partnership was signed for 15 years and the deal is 50/50. The system is based on a bank guarantee of €20m. The contract was signed October 2013 and the first games installed Dec 2013 and at present there are 5,000 VLTs installed in 1,300 lotto agencies.

Novomatic said at the time: "Following a successfully completed negotiation and selection procedure between five of the leading international VLT providers Loteria Romania has selected Novomatic to supply 10,000 state of the art VLTs and the relevant Video Lottery System including jackpot system, maintenance services, spare parts, logistics etc, nationwide at locations provided by Loteria Romania under a partnership concluded for 15 years."

The agreement stated that the Video Lottery System had to be implemented within a specified time period and the VLT rollout is via a plan with a secured bank guarantee of €20m. Loteria Romania

meanwhile granted a proportionate minimum revenue guarantee of €75m.

Ryszard Presch, Chief Operating Office at Novomatic said: "For our Group of Companies this agreement is a very important step in the expansion of our market position in the VLT business. This long term agreement is an endorsement of our competence in this sector and highlights once again our leading role in the international VLT market."

Five companies were included in the tender initially – Novomatic, Gtech/Spielo, Inspired Gaming, Scientific Games and Synot.

SLOT HALLS

Meanwhile there are around 418 slot hall operators in Romania which operate around 13,000 slot halls in the country and around 70,000 slots. The rules state there are a minimum of 15 slot machines per gaming hall which are dedicated sites; there are a minimum of three but no more than five slots permitted in sites such as bars and cafes and there are a minimum of two and no more than five for other sites such as betting and lotto outlets.

A study conducted in 2013 by Romslot showed the profile of a Romanian slot player is 92 percent male and average age is 29 years old. Average monthly personal income of a slot player is RON1,274.

Romanians associate slots with benefits such as socialising, fun and enjoyment and gain.

Novomatic first entered the Romanian operations market in 1990 and since the year 2000 has been represented by Intertop as a gaming and sports betting operator in the Admiral Clubs and since 2005 by Novo Invest Co. a company which develops the renting of Novomatic's equipment. In 2009 TIMAX joined the group with more than 50 locations.

Intertop has 79 gaming clubs throughout the country and under the Admiral brands operates almost 1,500 slots in its own clubs.

Since its initial market entry Novomatic says it has made investments in Romania to the tune of €65m in new Romanian headquarters and expansion of gaming clubs.

All in all, Novomatic has 79 gaming clubs which operate 1,438 slot machines and 32 electronic roulettes plus some 155 slots in 36 bar locations. The company also has co-operations with sports betting locations and has 106 slots in 35 locations.

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Other operators include Viva Casinos which has

three slot halls in Romania – In Viva Casino Bucharest in Plaza Mall here are 67 slots and four electronic roulettes whilst Casino Berceci has 27 slots and an electronic roulette and finally Casino Lujerului has 43 slots and electronic roulette.

Ritzio Entertainment Group entered the Romanian market in 2005 and today has around 43 slot halls and 1,869 slot machines via its Romania subsidiary Intergame. It is one of the largest gaming operators in the country.

The brand is Million which is an international chain of gaming clubs whilst Fortuna Palace is a large gaming property in Bucharest and this is 1,600 sq.m in size, with a mix of 114 slots and three electronic roulettes. As such it is one of the largest gaming halls in Romania.

Merkur (part of the Gauselmann Group) has been present in Romania since 2004 and operates under the brand Merkur Sala Jocuri. They have a slot hall in four regions – Sibiu, Craiova, Buzau, Ploiesti and two slot halls each in Bucharest and Constanta.

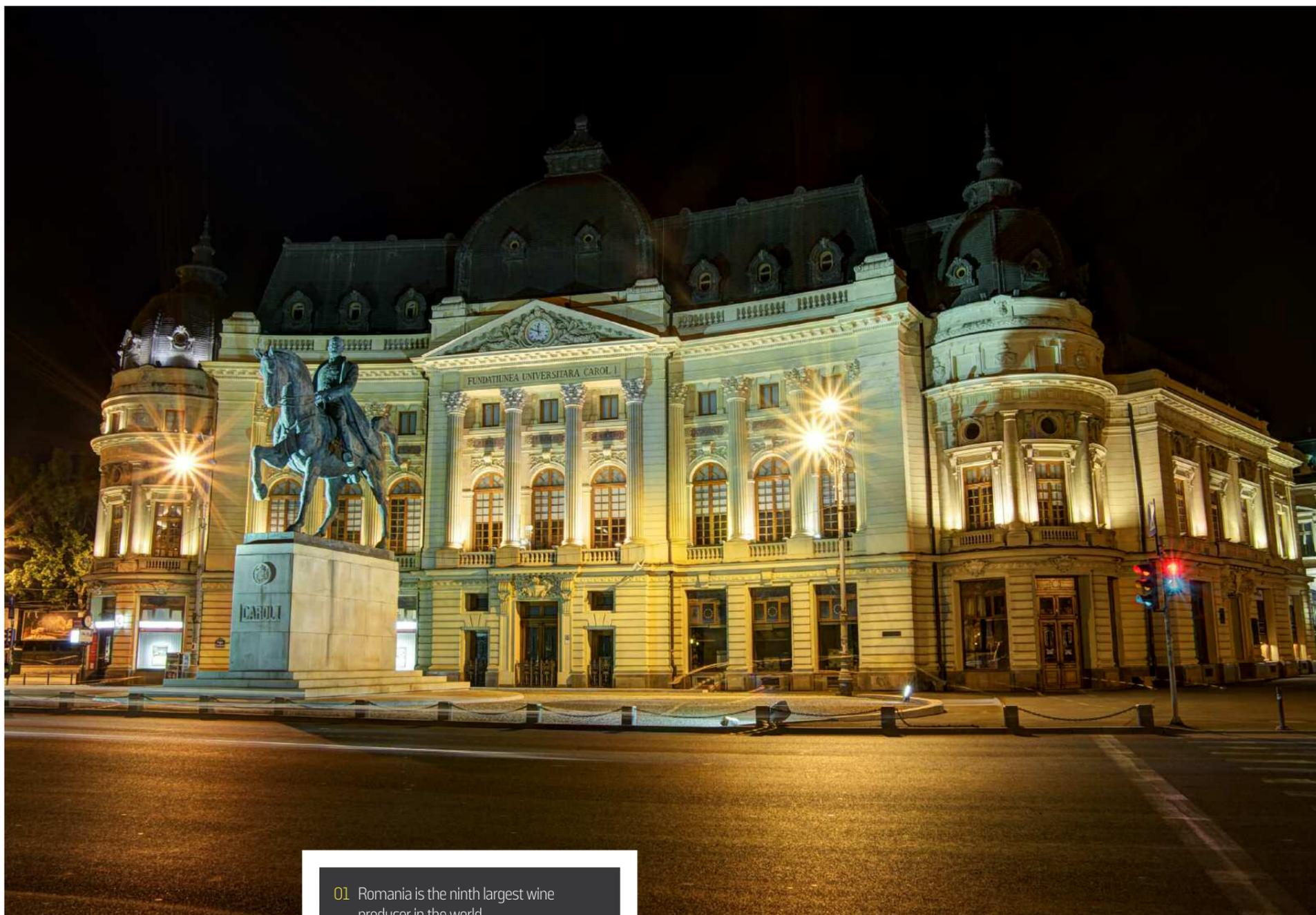
Game World Romania is one of the main operating companies in Romania and operates entertainment centres mainly in shopping centres. The company has five locations in Bucharest and one slot hall in five other cities – Cluj-Napoca, Constanta, Brasov, Sibiu and Alba Iulia.

Game World opened its first centre in 1999 in Bucharest and has grown its network to 11 slot halls today with 720 slot machines and 500 employees.

Game World also now operates in Hungary, Slovakia, Moldova and Croatia. They partner with Stanley Bet and Mega Jackpot of Romania.

The chart above shows the division of the slots and gaming halls in the main regions for 2013. In total there are 11,470 Gaming Hall A (which have 2-5 slots) and 735 Gaming Hall B (more than 15 slots) or a total between the two of 12,205 gaming halls. There are a total of over 40,000 slots operated in Hall A and 18,629 in Gaming Hall B.

Casino Technology has been involved in the Romanian market since 2006 following a huge interest in their products so a local branch was set up in Bucharest during this year which serves as both a sale and service centre.



- 01 Romania is the ninth largest wine producer in the world
- 02 Romania's 10-bani note issued in 1917 is the smallest paper money ever printed (dimensions: 1.08 x 1.49 in).
- 03 The modern jet engine was invented by the Bucharest-born inventor Henri Coanda in 1910.
- 04 Bucharest's mass transit network is the fourth largest in Europe.
- 05 Soprano Alma Gluck – the first lyrical artist to sell one million records – was born in Bucharest, Romania on May 11, 1884.
- 06 The city of Brasov is home to the largest Gothic church between Vienna, Austria and Istanbul, Turkey.

The real market boom for the company came a few years later with the introduction of SENSE PLUS cabinets and a wide range of new multi game collections which offered a huge diversity of game titles and an ergonomic cabinet design.

This was strengthened in spring of 2012 with the introduction of Gamopolis multi game series with 20 games, themes, features and bonuses. This proved highly popular.

Martin Ivanov at Casino Technology Bucharest said: "Currently the Romanian market is in a period of major changes associated with rapid influx of online technologies in gambling and betting businesses and updating of the legal framework governing such activities.

"With an ordinance approved right before the end of 2014, Romanian government made significant changes in online gambling regulations, abandoning some of the most restrictive provisions applied to the gambling industry. The regulation that entered

into force in February 2015 includes a new taxation replacing the universal 25 percent tax with three tier system, option of issuing of time limited licences, measures intended to prevent gambling addiction and participation of minors and, last but not least, opening of the national market to EU based companies.

"My expectations are that after the entry of the new provisions in force there will be a period of adaptation to the new rules that are more restrictive for slot machines and casinos, but less rigorous for online gambling. Operators will be forced to reorganise their businesses in response of new requirements such as larger fees, guarantees, costs for mandatory online systems, possible fines etc. provided by the new law.

"A potential source of problems and discrepancies is the still missing by law on gambling regulations, expected soon, that will indicate procedures and ways to implement the new gambling ordinance."

Today Casino Technology's product range for Romania includes latest cabinet Aurora and multi game Gamopolis Highway. The company is now looking at developing and marketing new AWP products for this market.

Meanwhile there are some changes for the slots sector following the amendments by the GEO 92/2014. Under the changes slot operators will now have to operate a minimum of 100 slots (raised from 50) and this is likely to affect those smaller slot operators. On the other hand the legislation is intended to provide a working framework for AWPS and apparently there are talks about converting slots on the market into AWPs so those with less than 100 in total can use the machines in bars and cafes but converted to AWPs.

The slot hall market has always over shadowed the casino market. However at one time there were 20 plus casinos compared to the seven today, although the number of slots in the market is growing.

GROWTH OF SLOT HALL MARKET

MACHINES PER OPERATOR	OPERATORS 2011	SLOTS 2011	OPERATORS 2012	SLOTS 2012	OPERATORS 2013	SLOTS 2013
<50	-	-	-	-	-	-
50	77	3,096	74	3,217	80	3,424
51-99	192	13,207	174	12,390	157	10,791
100-150	56	6,573	73	8,625	80	9,752
151-200	30	5,290	28	4,846	34	5,942
201-250	14	3,113	21	4,643	24	5,412
251-1,000	34	14,230	39	17,467	36	17,383
1,000+	2	3,262	3	5,064	3	5,962
TOTAL	405	48,771	412	56,252	414	58,666

THE CASINOS

At one time anyone could open a casino in Romania. Literally. All you needed was a licence and a venue. Background was not a problem as the licence was issued under a corporation name not under the name of the individual. Romania was one of the busiest gaming destinations with some 700 slot halls and 24 casinos back in 2010. Today there are seven casinos, five of which are in Bucharest:

CASINO PLATINUM is located at the Radisson Blue five star hotel and is one of the largest luxury hotels in Bucharest with 424 rooms and suites. It's located in the centre of the city and offers spa and Platinum Casino – one of the largest casinos in Romania.

QUEEN CASINO is one of the large casinos and located in the heart of Bucharest at the Howard Johnson five star hotel. They introduced a unique voucher system called Queen Money and after an initial visit a computer randomly chooses a client to receive a voucher. This offers 100 vouchers daily.

CASINO BUCHAREST is located in the heart of the capital city in the five star 22 floor Intercontinental Hotel. It features 283 rooms, stylish bar and lounge, restaurant and the casino offers 12 table games including six American Roulette, three Blackjack and three poker games. The casino was the first casino in Romania and was opened in 1991.

GRAND CASINO MARRIOTT is a grand five star hotel and although traditional is also very glitzy and glamorous. It is located just next to the monumental Parliament Palace and offers 400 rooms, six restaurants and bars, fitness centre, spa and onsite casino. The casino has 18 table games and located in Bucharest.

CASINO GRAND VIE is said to be the biggest live and electronic casino in Romania with 2,400 sq.m of gaming area and located in Bucharest. There are over 100 slots and three VIP rooms and three restaurants. Accommodation is provided by partner hotels Novotel.

CASINO VESUVIUS is located in Brasov and is a luxury casino with slots and table games and restaurant and bar services.

CASINO METROPOLIS is in the Hotel Continental in Timisoara and offers various slots and table games including Alfastreet electronic roulette table and Abbiati Casino Equipment products. The Metropolis Group also operates a casino in Hotel Novotel. The company has also operated slots since 2002 and has 12 gaming hall locations (with more than 50 slots) in various cities.

The Romanian law has different specifications for casinos which operate in the capital and outside. For those in Bucharest each operator is required to now have a minimum of 12 tables (two of which must be roulette) whilst outside the capital the minimum number of tables is 10 (two of which must roulette).

The number of casino visitors has been dropping over the years and apparently this has decreased by as much as 60 percent between 2011 and 2013.

Queenco at one point aimed to develop in the Romania market. In 2007 the company owned, through a number of holding companies, a casino in Bucharest called Casino Palace, which was opened in 1995. But due to ongoing losses the group disposed of this in January 2012 and a third party invested in the casino. There were some problems with the transfer and the casino was closed the new casino owner underwent insolvency proceedings. Casino Palace was shut down in 2012 due to unpaid taxes.

Meanwhile there is talk of a new Casino Athenee to open in the capital at the Hotel Athenee Palace Hilton Bucharest. The hotel is a grand building built in 1914 and is in a prime spot in the heart of the city.

SPORTS BETTING

There are a total of 4,200 betting agencies across the country of which the Romanian Bookmakers association represents 3,000 and the association aims to raise the standards of the sector.

The association members account for more than 6,000 employees. In 2010 the members paid almost €24m in 2010 in taxes and contributions which was part of the total €68m paid.

The Romanian Bookmakers association represents



many of the leading companies in Romania who between them cover 70 percent of the sports betting market which in turn operate some 9,000 slot machines (14 percent of the market). There are in total some 26 sports betting operators (November 2014) according to the AOPJNR.

Members of the association include Mozzart, Casa Pariurilor, Bet Café Arena, Public Bet, Sky Bets, Baum Bet and StanleyBet.

Mozzart was founded in August 2000 and initially they opened 340 betting offices in Serbia. In 2006 they expanded further a field and today Mozzart is one of the leading companies in Eastern Europe in the sports betting and gaming fields. They have a total of 460 branches and 2,500 employees and operate in Serbia, Romania, Republic Srpska and Macedonia.

It runs one of the largest loyalty clubs in the region with 140,000 members in the four countries and has also opened bars at 110 of their betting offices.

They offer 10,000 high quality odds per day over 500 events per day and covering eight sports.

01 Present-day Constanta has been associated with the legend of Jason and the Argonauts, who embarked on a long voyage from Greece to Kolchis, Georgia on the Black Sea coast in search of the Golden Fleece.

02 The Romanian language is 1,700 years old.

03 The name "Romania" comes from the Latin word "Romanus" which means "citizen of the Roman Empire."

04 Three clay tablets, dated to around 5300 BC, discovered in the village of Tartaria in central Romania, have been the subject of considerable controversy among archaeologists, some of whom claim that the symbols represent the earliest known form of writing in the world.

Meanwhile they also manufacture their own slots – the MO1 and MO2 models which are equipped with 17 inch displays and can house various game boards.

Casa Pariurilor offers sports betting and lottery.

Bet Café Arena offers a new concept of agency combined as an entertainment centre offering betting and slots. The company is in partnership with GTech. They have a total of 177 agencies in 72 localities. They offer sports betting, lotto, live betting and greyhound racing.

Public Bet has nearly 200 agencies throughout the country and offers sports betting, live betting, lotto and dog racing.

Sky Bets Sports was founded in 2005 and today has 280 bookmaker agencies and is the largest sports betting operator franchise in Romania. They offer sports betting plus slots, electronic roulette and electronic poker tables in many of their venues.

BaumBet offers sports betting throughout Romania. Also manufacture casino games via their subsidiary Baum Games which was set up in 1993. Today with

500 employees the company develop slots and in 2008 developed multigames under the banner of Dracula's Games and has to date seven versions.

StanleyBet Romania is a subsidiary of Stanley Leisure International which has licences in Belgium, Croatia, Cyprus, Denmark, Germany, Lithuania, Italy, UK and Romania. It has headquarters in Bucharest and it has around 140 agencies in Bucharest and a substantial number of other agencies across Romania.

Meanwhile Novomatic is planning to introduce a new terrestrial sports betting brand called Tip & Cash into the Romanian market as from March this year which will bring new betting possibilities into the country.

ONLINE GAMBLING

Although online gaming was first regulated back in 2010, the requirements for obtaining a licence made it virtually impossible for online operators to actually licence themselves. One of the big issues of the former licensing regime for remote operators was the requirement to submit a contract to the regulator which was concluded with a monitoring

Online operators based in EU/EEA or the Swiss Confederation will now be able to apply for a Romanian licence without being required to set up a Romanian legal entity for such purpose. Also the condition of holding directly or indirectly an offline licence was removed.

operator. However such monitoring operator did not even exist in Romania, since the respective licensing conditions were quite problematic and therefore no entity expressed an interest to obtain such a licence.

The secondary legislation detailing the licensing conditions for remote operators was finalised in August 2011 and approved through the government's Decision No. 823/2011 which amended the government's Decision No. 870/2009.

The online licensing conditions included certain requirements such as the obligation to set up a Romanian company and to hold directly or indirectly a Romanian offline licence, which were either in breach of the TFUE principle of free movement of services or were raising completion concerns.

All these circumstances led to a de facto standstill period for the Romanian online sector in which there was no licensed operator.

At the end of last year a new amendment package was introduced to the gambling legislation through GEO 92/2014 which amends and supplements GEO 77/2009, the latter being the primary piece of legislation in the gaming industry.

This legislative act is set to change the playing field of the online gaming sector even more. The new rules entered into force on February 13 2015. So how does the situation stand now?

At present, the new legislation removes many of the former barriers for the entry on the Romanian market. For instance, online operators based in EU/EEA or the Swiss Confederation will now be able to apply for a Romanian licence without being required to set up a Romanian legal entity for such purpose. Also the condition of holding directly or indirectly an offline licence was removed and the Romanian authorities will accept the location of the operators' central servers in any EU/EEA country or in the Swiss Confederation as long as there will be a mirror and a safe server located on the Romanian soil.

Among the other important novelties for the gambling industry is the express recognition of the betting exchange as a permitted gambling activity in Romania.

The new regulation introduces the 'Black List' concept which will contain all operators (along with all their TLDs) that are offering games to Romanian

ROMANIA: Vital Statistics

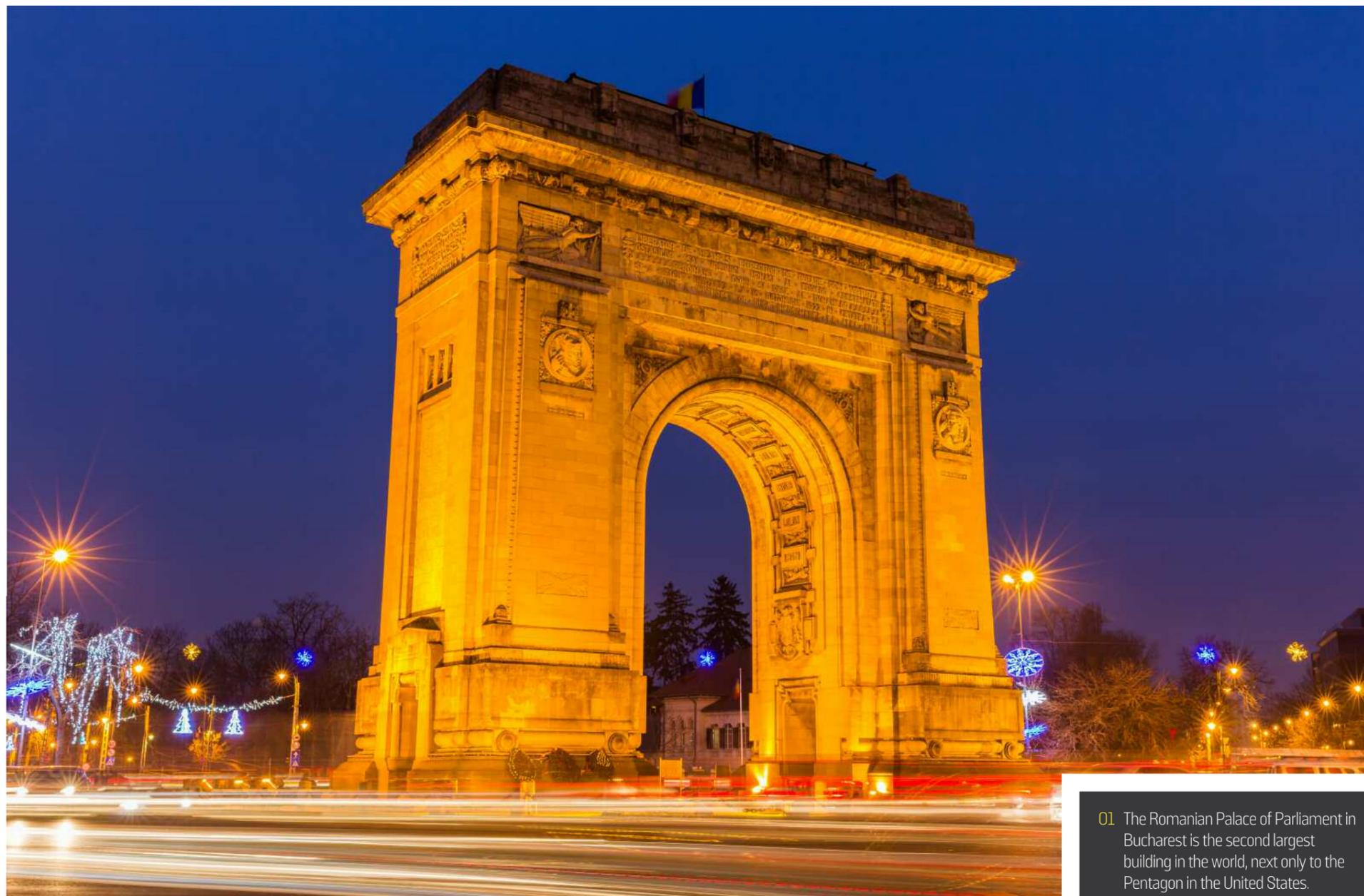
Capital: Bucharest
Population: 21,729,871
Land Area: 238,391 sq.km
Currency: RON
Median age: 39.8 years
Languages: Romanian (85%), Hungarian (6%), Romany (1.2%) others
Ethnic Groups: Romanian (83%), Hungarian (6%), Roma (3%) other
Government: Republic
Chief of State: President Klaus Iohannis (Christian Liberal Alliance)
Head of Government: Prime Minister Victor Viorel Ponta (PSD – social democratic party)
Cabinet: Council of Ministers appointed by the Prime Minister
Elections: President elected by popular vote for five years. Last election held in 2009 with a runoff a few weeks later.

Taxation has also been amended and operators will now pay an authorisation fee of 16 percent on the GGR and online operators are no longer obliged to withhold taxes on players' winnings.

online players without a licence. This means ISPs will block Romanian players from accessing their websites whilst the operator cannot apply for a licence unless it meets the requirements for the delisting – which will be defined through the secondary legislation.

Meanwhile taxation has also been amended and operators will now pay an authorisation fee of 16 percent on the GGR and online operators are no longer obliged to withhold taxes on players' winnings. Players now have to declare their winnings and pay taxes directly to the authorities. Previously players had a 25 percent income tax rate enforced. This is now one percent for all players' revenues below €15,000, 16 percent for revenues higher than €15,000 but less than €100,000 and 25 percent for revenues higher than €100,000.

Online operators will also have to pay an annual tax of €5,000 for the Responsible Gambling Foundation



THE NEW LICENSING FEES FOR ONLINE GAMBLING

Romanian turnover	Licence fee
Less than €500,000 / per year	€6,000
€500,001-€1m / per year	€24,000
€1,000,001 – €5m / per year	€60,000
€5,00,001 – €10m / per year	€96,000
More than €10,000,001 / per year	€120,000

Cristian Radu, partner at Tuca Zbarcea Asociatii (legal firm) said: "GEO 92/2014 is a step forward in view of making the Romanian online market an operational one. However this needs to be complemented with a clear and comprehensive secondary legislation, which is not yet in place.

"GEO 92/2014 provides that the Romanian government has 30 days at its disposal calculated from February 13 this year to approve the application norms, which will certainly not happen. Realistically the secondary legislation could be ready in May.

"The secondary legislation is extremely important since it will lay down the licensing requirements for online operators and other entities connected to the online gaming industry, such as payment processors, software developers and distributors, certifiers and auditors.

Also there are important topics for the conduct of the online sector which are only addressed in the secondary legislation such as: definition of the players (to be considered for the GGR calculation), advertising and other promotional activities which may be performed by the operators, protection of the players' funds and management of the players' accounts."

Cristian Radu added: "The whole process of finalising the legal framework applicable to the online sector is even more intricate since GEO

LOTTERY: CNLR
LOTTERY RETAILERS: 1,300
LOTTERY REVENUE: RON1.06bn (net turnover)

BETTING AGENCIES: 4,200
SLOTS IN BETTING SHOPS: 9,000
SPORTS BETTING OPERATORS: 26

CASINOS: 7
BINGO HALLS: 12
SLOT HALLS: 12,908
SLOT MACHINE OPERATORS: 418
TOTAL SLOTS: 70,000 approx

TOTAL GGR: €800m

The secondary legislation is extremely important since it will lay down the licensing requirements for online operators and other entities connected to the online gaming industry.

92/2014, while in force starting from February 13, will need to be validated by the Romanian Parliament which may bring amendments in turn to the primary piece of legislation."

"One of the important envisaged amendments concerns the regulation of the transitional period in which online operators may be granted the right to offer remote games to Romanian players, having nonetheless the obligation to meet all the licensing conditions by the end of the transitional period, estimated to be a maximum 12 months, and operate thereafter on the basis of a standard licence.

By regulating such transitional period, two important goals could be achieved – the operators will have the possibility to operate legally in Romania while the Romanian authorities will start to tax the online sector.

"An important topic which should be also addressed in the secondary legislation which concerns the transitional period in which online operators may obtain a Romanian gambling licence in a fast forward process, having nonetheless the obligation to meet all the licensing conditions within a certain period of time from the commencement of the transitional period."

01 The Romanian Palace of Parliament in Bucharest is the second largest building in the world, next only to the Pentagon in the United States.

02 Romania is known for having one of the largest gypsy populations in Europe.

03 Romanian inventor Traian Vuia was the first European to build and fly a fully self-propelled, fixed-wing 'automobile airplane in March 18, 1906.

04 The first ever perfect 10 in the Olympic Games was given to Romanian gymnast Nadia Comaneci. She bagged the score after her performance in Montreal, Canada in 1976.