

**OPAP PRIVATISATION AND  
BUSINESS UPDATE  
14 JUNE 2013**

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# SLOW PROGRESS IN PRIVATISATION

- Major delays until the completion of the transaction are expected:
  - Difficulties regarding the closure of the previous transaction where a consortium led by OPAP was preselected to manage the National Lottery for 12 years, are complicating the current transaction.
  - The contract for the technology provider is still a divisive issue between the prospective buyer and the current OPAP management.
  - The Audit Court has to decide on the legality of the transaction and that is not a foregone conclusion.
  - Questions about the ability of the preselected bidder Emma Delta Ltd to raise the necessary funds are also circulating in the market.
- Risk of non completion medium to high as complexities lead to frictions with possible legal repercussions.

# NEW BUSINESS PROSPECTS

- Over the next semester three major initiatives are expected to start:
  - The re-introduction by OPAP of the scratch cards in September 2013 will give a major push to sales.
  - VLTs, according to the latest management presentation, will become operational in the first quarter of 2014. However, with current problems in the closure of privatization and the change in top management upon transaction closure, a delay of 3/6 months is likely to occur in the introduction of VLTs (assuming the European Commission gives the green light in late June as expected).
  - Internet based games can be now introduced and Gtech which is the provider for the development of OPAP's internet based games are working on the plan.
- Hellenic Games Commission has published the Regulation on Internet based games. HGC has identified 482 sites offering illegal betting and has blacklisted them. The next stage of the process is to block transfer of funds through credit cards to these companies. From the 21<sup>st</sup> of June the HGC will block all existing internet sites offering games without a license.

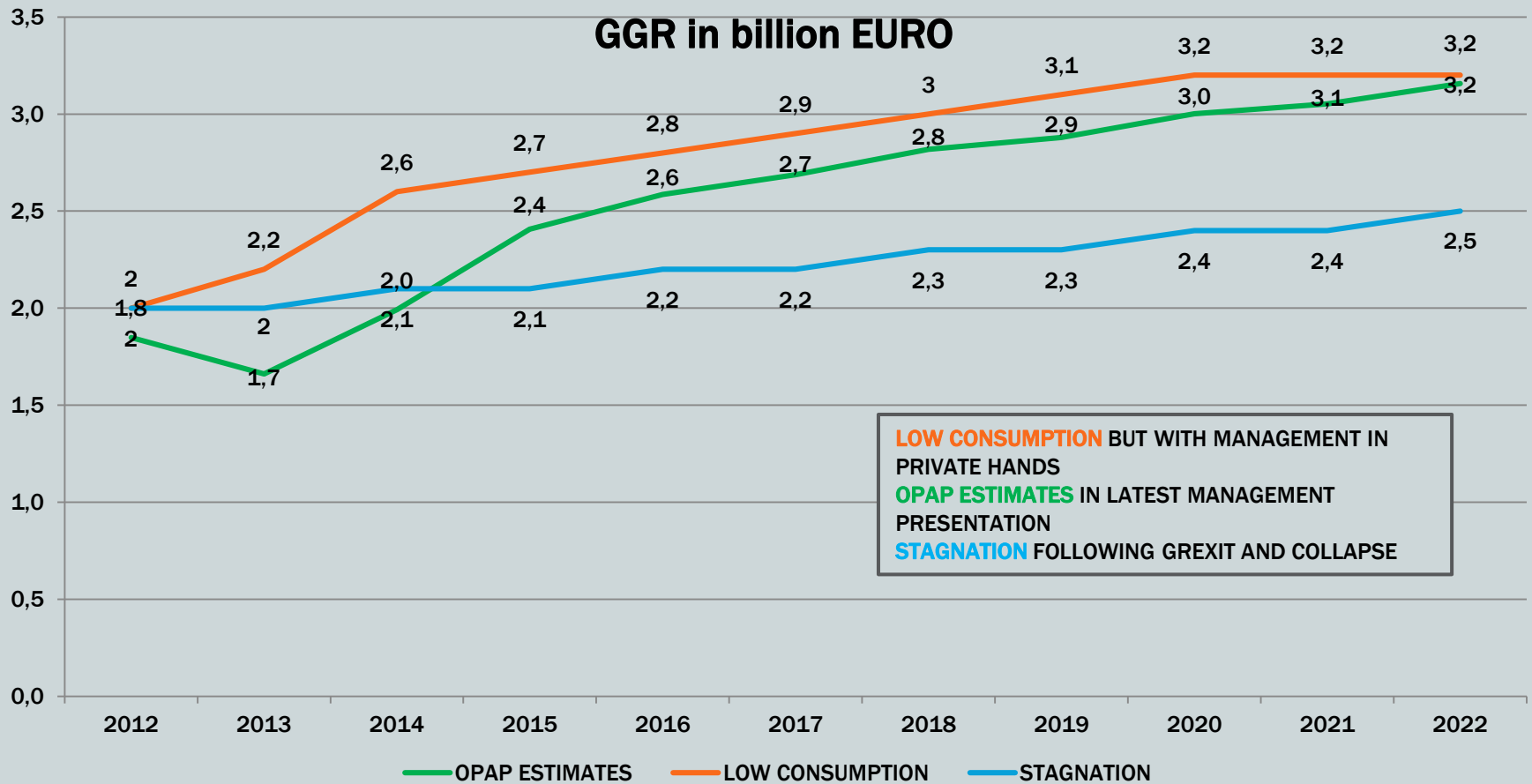
# ON LINE BETTING TRENDS

- Wide ranging estimates about the current level of illegal market activity in internet based games:
  - Existing illegal internet based betting estimated at 200 to 250 million euro of gross earnings in 2011 with a tendency to grow rapidly over time. Around 400K Greeks have participated in on line games (about 100K committed players). Estimates according to University of Athens survey.
  - According to H2GC on line GGR has peaked at 189 million euro in 2011 and declined to 173 million in 2012.
  - The Chairman of Hellenic Games Commission has given evidence in a parliamentary committee, in early June, suggesting that the gross gaming turnover of illegal internet based betting is close to 1 billion euro with gross earnings of around 200 million.

# OLD AND NEW CHALLENGES TO THE MONOPOLY

- In autumn the State Council will decide on the status of OPAP monopoly and especially whether restrictions in operations introduced following the European Court of Justice ruling are considered adequate from a regulatory point of view.
- The Remote Gambling Association – RGA and the European Gaming and Betting Association – EGBA have recently launched a formal complain with the European Court of Justice on the internet based games concessions.
- British sports betting operator Stanleybet has also threatened to sue Greece for lost revenue in a long-running legal battle over the monopoly of OPAP. Stanleybet accuses Greece of tacitly rejecting its 2004 request to offer sports betting in the country and said it had told the government and OPAP it will seek damages of about 240 million euros.

# LATEST FORECASTS GAMING MARKET



# NEW FORECAST UNCERTAINTIES

- Three key issues with medium to long term impact on forecasts:
  - Transformation in the consumption patterns due to the crisis difficult to incorporate in modeling as estimates based on GDP tend to underestimate structural shifts. In the latest Hellenic Statistical Authority survey of households budget and expenditures for 2011 the first major shifts in consumer behavior have already been recorded: considerable reductions from 2010 in clothing (- 20,1%), durables (- 15,7%) various products and services (-9,7%) etc.
  - The rate of internalization of the illegal market is difficult to capture. Evidence from other countries indicates that only with full liberalization illegal markets are contracting. The retaining of the monopoly may result in continuing high levels of illegal activity.
  - The new restrictions imposed on OPAP operations (including advertising) will have an impact on future business especially in the speed of penetration of new games. At this stage this new development cannot be properly modeled.