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The Company PMU : key actor of the French equine sector

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The Company PMU



Specificity of the company PMU

- **Status**

- **PMU is an Economic Interest Group created by the horseracing associations in 1930**
- **PMU conceives, promotes, markets and totalizes off course bets on horse races**
- **One single objective: to bring the highest possible financial resources to horseracing associations**

- **Responsibility**

- **PMU funds 80% of the French equine sector**, paying its whole net result to Horseracing Associations
- The French equine sector represents **69,000 direct jobs** (+3% vs 2007)
- **130,000 people** in France, notably in rural zones, live thanks to the horse activity



Specificity of the company PMU

- **A balanced relation with the French State**

- The PMU is run by a Board of Directors **under the supervision of two ministries**, the Ministry of Agriculture and the Ministry of Budget
- The PMU's **Board of Directors** consists of :
 - the President and CEO and the Managing Director of the PMU
 - **four representatives of the member horseracing authorities**
 - .. 2 for France Galop
 - .. 2 for Cheval Français
 - **four representatives of the Ministries of Budget and Agriculture**
- A State controller attends the Board meetings of the main racing associations and those of the PMU



Key figures 2008

Financial indicators for 2008

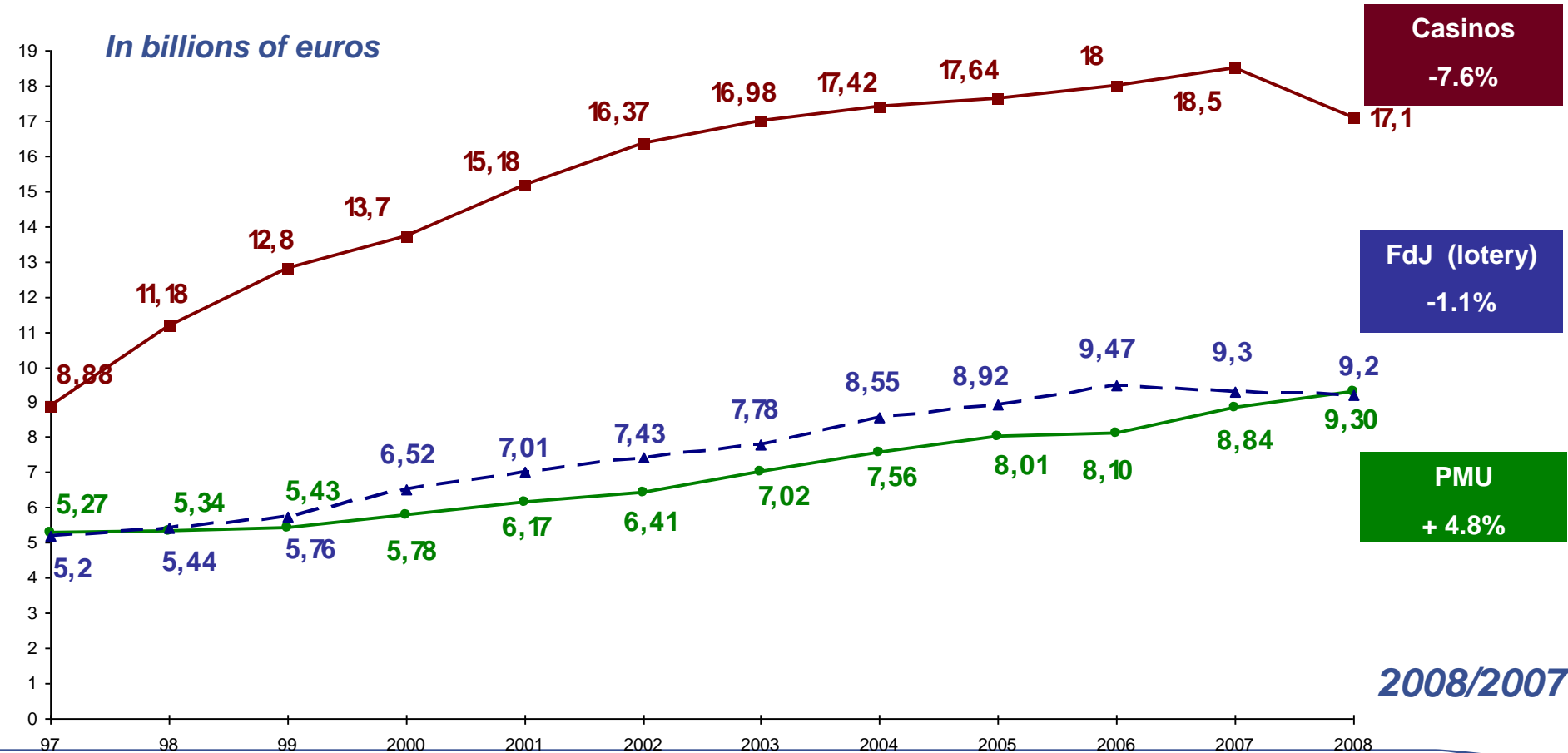
In € millions	2008	2007	%
Turnover	9,262	8,842	+ 4.8
Gross margin	1,236	1,207	+2.4
Operating expenses	-500	-480	+4.2
Net results	736	727	+1.3



Key figures 2008

PMU in the French gambling market

- Total handle in France in 2008 : € billion 37 (-3.3% / 2007)*
- With a Market share of 26.1%, PMU has become in 2008 the first French gambling operator in terms of handle

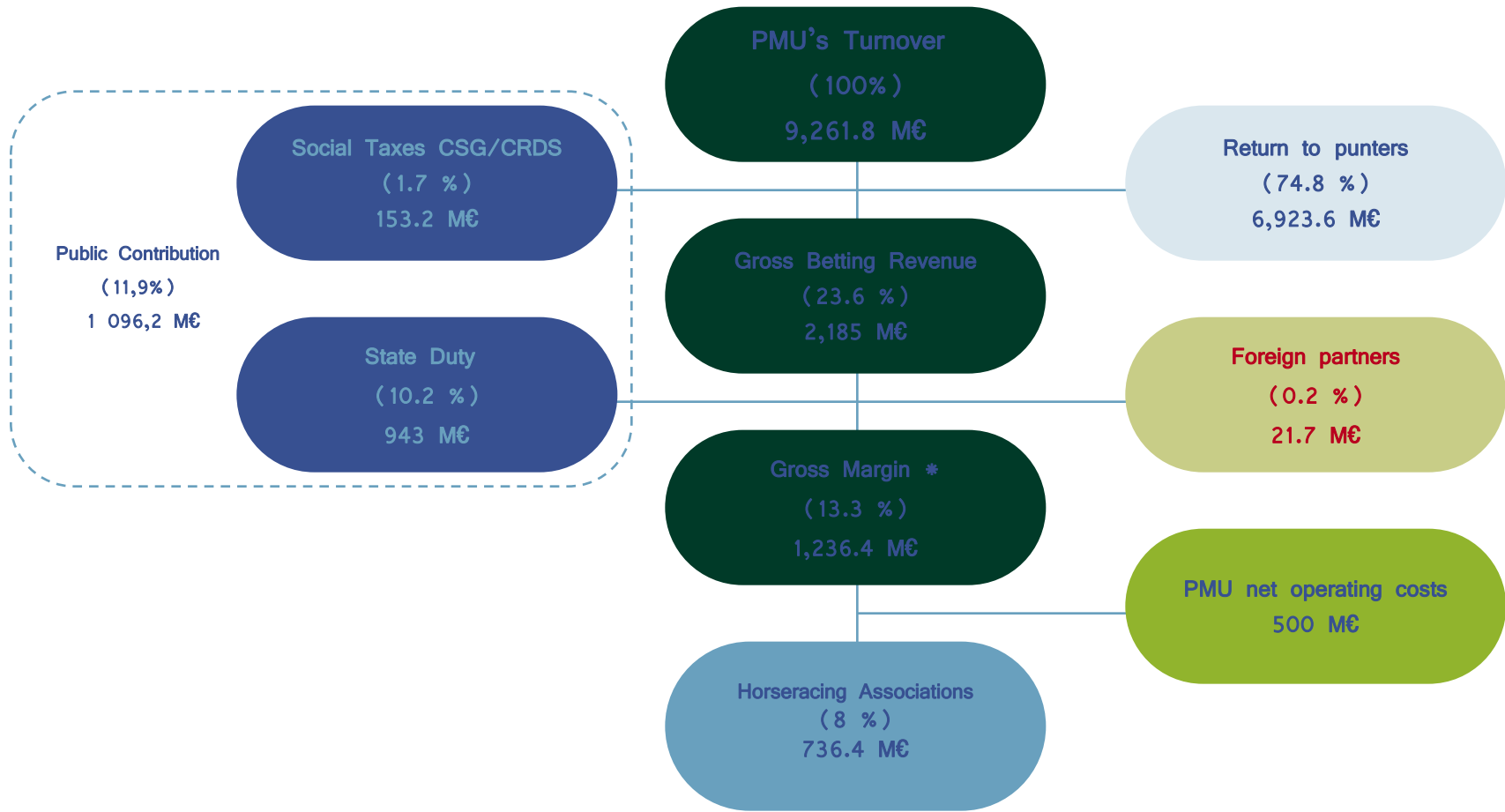


* PMU, Française des Jeux (Lottery), Casinos (estimated) 7



Key figures 2008

PMU's contribution to beneficiaries



* Included 0.2 % of various revenues (16,1 M€)



PMU's strategy over the past decade

- **Progressive Increase in the number of races offered to punters**
 - 856 meetings with PMU betting in 2008 (+300 vs 1998). Almost 2 meetings out of 3 are run in Province.
 - 174 prestigious foreign races (vs 13 en 1998) including the Oslo Grand Prix and the Forus Open
- **A multi-canal strategy : offline and online betting networks**
 - A strong commercial policy through **a network of 10.000 licensed sales outlets** (+2 000 vs 1998)
 - A constant development of **betting through the Internet:**
 - Launch of pmu.fr in 2003
 - € 540m handle in 2008 (6% of the global company's turnover)
 - PMU was the first company in the world to launch betting through **Interactive television** in 2000
 - Betting through **mobile phone** launched in 2006



PMU's strategy over the past decade

- **Implementation of a powerful data processing system**
 - All betting terminals are connected online to the central system
 - 2 billion bets processed in 2008
- **Renewal and feminization of the client base thanks to Pariez Spot and a work on PMU's image**
 - **6,5 million customers**
 - less than 35 year old : 1/4
 - 2,6 million women (40% of the customers)
- **Development of the International activity**
 - Common pool partnerships in 7 countries (2 in 1998)
 - Separate pool partnerships in 32 countries in 2008 (14 in 1998)



The efficiency of this policy

<i>En € millions</i>	1998	2008	%
Turnover	5 332	9 262	+ 73,7
Gross Betting Revenue *	1 576	2 185	+ 38,6
Expenses	- 329	- 500	+ 52,2
Net profit paid back to horseracing	415*	736	+ 77,7
Direct jobs in the horseracing sector	50 000	69 000	+ 38
PMU's Workforce	2 000	1 400	- 30

**Gross Betting Revenue = Turnover minus winnings and social taxes.*



2009 Outlook



2009 outlook

First quarter 2009

€ million	2009 Q1	2008 Q1	difference	%
Turnover	2,368	2,379	-11	-0.4
Gross Betting Revenue*	556	562	-6	-1.2

NB : Q1 2009 had one day of activity less than Q1 2008

**Gross Betting Revenue = turnover minus winnings and social taxes.*



2009 outlook

Estimates 2009

	<i>estimated growth</i>
Turnover	+ 3.2 %
Gross Betting Revenue	+ 2.3 %

A stronger growth is expected over the last 9 months of the year thanks to :

- An increased racing offer, notably through Saturdays with 3 meetings
- Recruiting campaigns on the Internet
- Novelties in terms of products and services



2009, outlook

Development of the racing program

- **901 national meetings (+45)**
- **22 new foreign races** in 2009
- Extension, since February 2009, of the **3 overlapping meetings** concept to the Saturday :
 - 3 overlapping meetings on Thursday and Saturday, first race at 12.00 pm
 - Average daily turnover of 3 meeting Saturdays : M€ 32 (31 March 2009)
 - Average additional daily turnover : M€ 2.8 (31 March 2009)
- **Enlargement of racing offer dedicated to the Internet :**
 - After a successful test realised in 2008, a new offer of local and regional races is proposed in exclusivity on pmu.fr
 - About 200 specific meetings offered in 2009



2009, outlook

New Products and Services

- **Multi & 2sur4 offered twice on each meeting** since February 2009
- **Launch of the Flexi Quinté+** throughout the retail network (April 4th, 2009)
- Enlargement of the **Spot offer to Quarté+ and Tiercé bets** in July 2009
- **General implementation of payment by debit card** in retail outlets since April

Evolution of sale networks

- **Further improvement of the website and recruitment of e-customers**
- **Further densification of the retail network**

Responsible gaming policy

- Contribution to the **knowledge** on the excessive game and on the prevention to set up **partnerships with hospitals**
- **Development of analytic tools** of risked behaviour
- **Auto limitation system** available for punters on Internet





2009, outlook

New international partnerships :

- **Sweden : common pool agreement with ATG,** for a selection of French trotting races (since January)
- **Australia : separate pool agreement with TabCorp,** an Australian betting company, for a selection of French meetings (since February)
- **Ireland : agreement with Tote Ireland,** Irish mutual betting operator, **for common pool on French flat races**



The opening of the French online Gambling Market



The opening of the French gambling market

- **Internet exclusively**
- **3 sectors concerned :**
 - **Horseshoe betting : exclusively in pari-mutuel**
 - Sports betting : fixed odds and pari-mutuel betting will be authorized (including « live betting »).
No Betting exchange
 - Games of casino : skill games and poker
- **Horseshoe and sports betting will only be registered on the real results of real events (no virtual events)**
- **Tax scheme :**
 - Taxes will be calculated **on turnover**
 - **Same tax regime for all sales networks** (retail & internet)
 - **Same take out rate for horseshoe racing and sports bets** (7.5% of handle)
 - Poker take out rate of 2%



The opening of the French gambling market

- **Maximum rate for the return to punters between 80% and 85% of stakes**
- **Financial return to sports organisations :**
 - Recognition of the proprietary right of the events organisers (commercial partnership with gaming operators are available)
 - Sponsoring of professional sport allowed
- **Financial return to the horseracing industry :**
 - Recognition of the public service mission of Horseracing Associations
 - Introduction of a 8% fee on horseracing handle to be paid by operators to the Horseracing Associations



The opening of the French gambling market

- **Implementation of a Gambling Commission named ARJEL**
 - ARJEL will regulate, control and supervise the French Gambling Market
 - Each company who wants to operate and promote its activity in France will need a 5 years licence
- **Tools implemented to fight illegal operators**
 - Every offenders to the law will be exposed to criminals and financials prosecutions
 - bank transfers and access to the illegal websites will be blocked
- **Responsible gaming measures**
 - Creation of a Games Consultancy Committee which will implement a responsible gaming policy for the entire gambling market, online and physical
- **Provisional planning**
 - Discussion of the bill at the Parliament before the Summer
 - Opening of the gambling market announced for January 1st, 2010



The opening of the French gambling market

Others elements

- European Union Committee - Competitiveness (December, 2008) :
 - Submission on gambling markets regulations and policies of EU states members
- European Parliament
 - March 10th, 2009, European Parliament largely adopted a report on “online betting integrity” which stipulated that gambling market regulation must remain a competence of each EU state member

Thank you