



Turkish National Lottery Privatization of Games of Chance

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The objective of this document is to provide investors preliminary information regarding to the privatization of national lottery operation.

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Legal Structure of Turkish National Lottery



The operations in lottery market and privatization of national lottery operation are regulated by;

- ▶ Law on the Organization of National Lottery no. 3670 dated 5/7/1939,
- ▶ Decree Law on the Organization and Duties of General Directorate of National Lottery Administration no. 320 dated 4/4/1988,
- ▶ Law on the Changes of Decree Law on the Changes and Duties of General Directorate of National Lottery Administration no. 4971 dated 1/8/2003, appendix article 2
- ▶ Law Regulating Taxes, Funds and Shares on the Proceeds from Games of Chance no. 5602 dated 14/3/2007,
- ▶ Some sentences have been changed in law no. 5793 dated 24/7/2008 within the scope of decision number 320 appendix article 2
- ▶ Regulation on Granting License Pertaining to Games of Chance and Supervision of Activities subject to License was published on the official gazette on 15/8/2008

Structure of the Privatization of the Games of Chances



The privatization of national lottery operation will only include the license that transfers the rights to plan, organize the games of chance and execute draws and install systems of games of chance and operation activities.

- ▶ Except the games of chance, any asset, liability of National Lottery and personell Administration will not be subject to privatization.
- ▶ The license will be an exclusive license and no further license will be granted by the National Lottery Administration.
- ▶ The license will be granted to the bidder with highest upfront fee proposal for 25% of gross sales proceeds (total sales proceeds less VAT) and 28% of all kinds of other proceeds.
- ▶ The license period will be 10 years period.
- ▶ The license is including passive drawing game (piyango), instant scratch card game (hemen kazan), lotto (sayısal loto and süper loto) and numeric games (on numara and şans topu).
- ▶ The licensee will able to conduct new games with certain conditions.



License Owners Responsibilities

- ▶ The license owner will make all necessary investment for the installation of games of chance system and the investment period will not be included in the license period.
- ▶ Any type of operational expenses, such as retailer commissions and advertising expenses, will be met by the license owner.

Role of National Lottery Administration After the Privatization

- ▶ National Lottery Administration will remain as a supervisory and regulatory body after the privatization.
- ▶ All game plans for the new games that can be introduced to the market will be subject to the approval of National Lottery Administration.
- ▶ The concept of responsible gaming and its principles will be the basis of National Lottery Administration in the approval process.
- ▶ The Administration will not allow games in which multiple drawings are performed within a single day, video game terminals and bingo rooms during the term of the license, due to their nature which might promote excessive participation.
- ▶ The Administration will allow gaming activities through internet

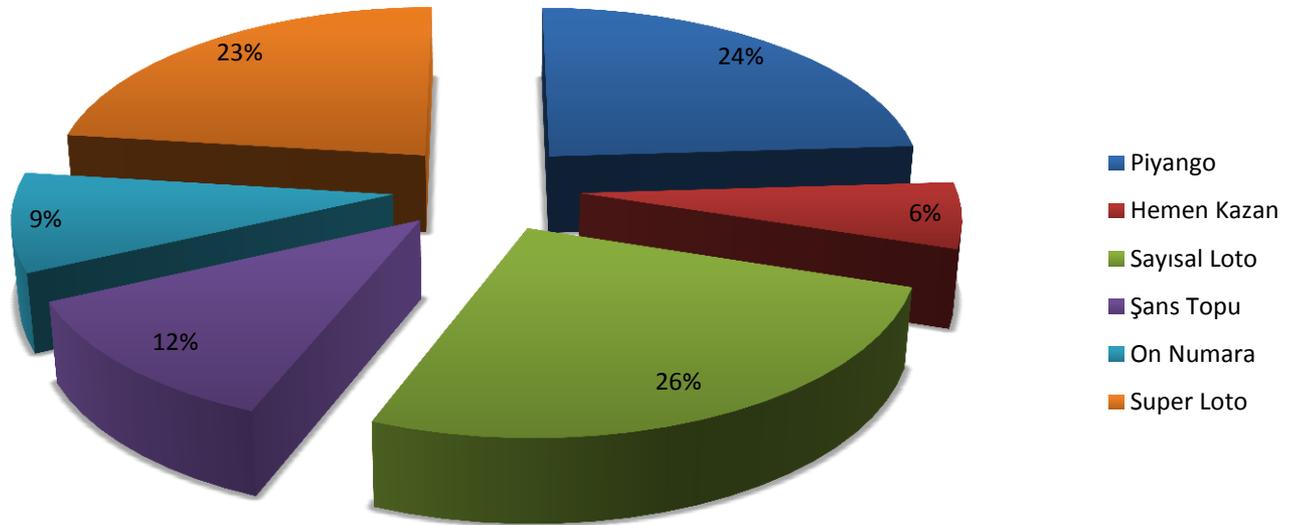
Current Situation of the Turkish Lottery Market



- ▶ Turkish games of chance market, a significant part of lottery market is under the control of National Lottery Administration which is a government entity and appertained to the Ministry of Finance.
- ▶ Turkish games of chance market has a monopolistic characteristic which is determined by a legal framework.
- ▶ Currently, the retail of games of chance are conducted through 4.861 lotto retailers and 10.4485 street retailers
- ▶ The games that are currently proposed by National Lottery Administration are: Milli Piyango (drawing based passive game), Sayısal Loto (6/49 drawing based lottery game), Hemen Kazan (instant rewarding scratch card game), Şans Topu (5+1 drawing based lottery game), On Numara (drawing based numeric game), Süper Loto (drawing based numeric game).
- ▶ The total market size of games of chance was \$ 1.251 billion in 2012.
- ▶ Sayısal Loto has the largest market share with 26% of total revenues.
- ▶ 50% of total revenues in 2012 were collected from the 3 largest cities (istanbul, Ankara and İzmir) of Turkey in 2012.

Current Situation of the Turkish Lottery Market

Distribution of the total revenue gained from games of chance



Key Investment Highlights of the Games of Chance Market in Turkey

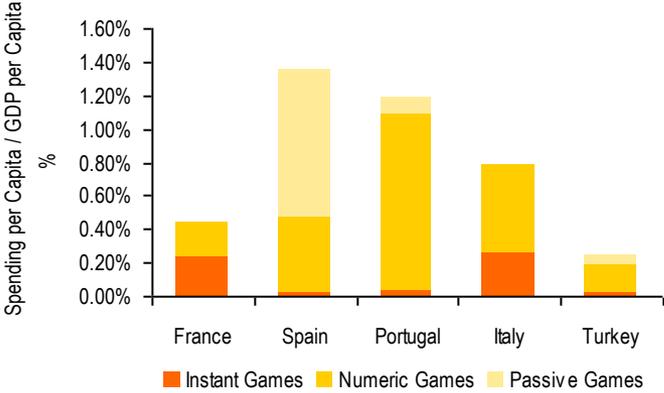


- ▶ Currently the per capita lottery spending in Turkey is low compared to similar Mediterranean countries, therefore with effective marketing and sales activities the per capita spending is expected to increase.
- ▶ The young demographic structure of Turkey and the increasing per capita income is expected to further contribute to the growth of the lottery market.
- ▶ The successful privatization of sports betting games in Turkey and the consequent quick growth of sports betting market is a perfect example that when operations are conducted by the private sector the market has great growth potential.
- ▶ Turkish games of chance market has been very active due to state management and has a great growth potential for post privatization period since;
 - ▶ Sales and marketing activities are currently very limited,
 - ▶ There are small number of retailers, and sales are concentrated in the largest three cities of the country,
 - ▶ Alternative sales channels such as, internet and automatic sales machines are not utilized,
 - ▶ There are limited number of games.
- ▶ After the privatization the licensee will have a monopolistic power since no further license will be granted.

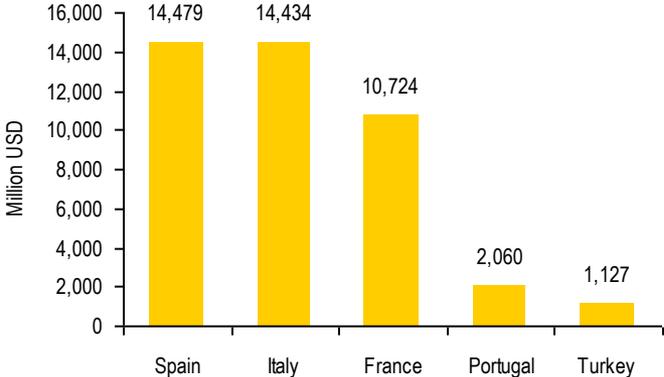
Games Of Chance Market in Europe

- ▶ Global average return per person in lottery games market is estimated to be around 60\$.
- ▶ This figure is approximately 26 \$ in Turkey.

Per Capita Games of Chance Spending



Games of Chance Market Size in Similar Countries



Current Status of the Privatization Process

- ▶ The Council of Ministers and Privatization High Council endorsed the commencement of the privatization process of game of chances.
- ▶ PA is going to conduct the tender and PGlobal Global Advisory and Training Services with the PA has started to work on valuation.
- ▶ Based on the legal framework developed in 2008, modifications are being made. Also based on the feedback from the investor information session some further modifications are being considered by the PA and National Lottery Administration
- ▶ Following the reports of the advisor which will be hired and the endorsement of the valuation report by Council of Ministers the tender process is envisaged to commence on 3Q pf 2013.
- ▶ During the tender process meetings to inform the participating investors will be organized.
- ▶ Currently, there are very high investor appetite and MPI and PA negotiates with potential investors.