

The smallest of the Baltic States, Estonia is punching above its weight in the gaming industry with big plans in 2008

It was only when the ice from the last glacial era melted away some 11,000 to 13,000 years ago that mankind began to move into Estonia.

The country is now the smallest of the Baltic States compared to Latvia and Lithuania. And the three have little in common today other than geographical proximity, their small size and a shared history of Soviet occupation. The oldest known settlement in Estonia is the Pulli, which located themselves on the banks of the river Parnu in southern Estonia.

The Bronze Age and Iron Age saw great cultural changes in Estonia, significantly the transition to farming, which has remained at the core of the Estonian economy and culture today. Resident farming became widely established between the first and fifth centuries AD and the population grew, settlements expanded and cultural influences from the Roman Empire began to reach Estonia.

By the early 13th century Estonia was divided into eight large counties and many smaller ones and the country tried to establish a state. Until this time Estonia retained a pagan religion until Estonia was Christianised when southern Estonia was conquered as part of the Northern Crusades in the early 13th century.

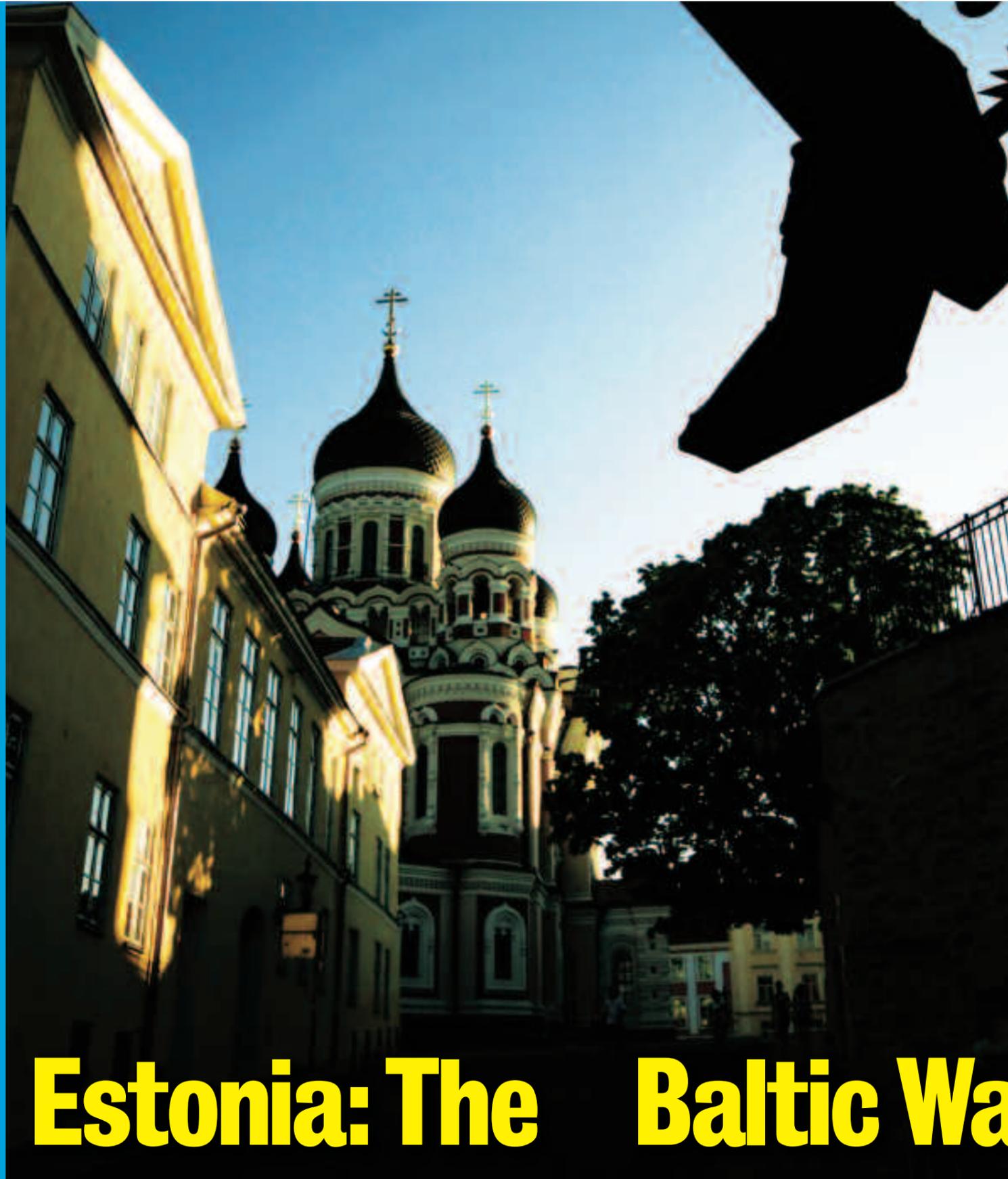
It was at this time that Denmark also tried to take possession of northern Estonia and the country was consolidated under the two forces by 1227. Northern Estonia remained under Denmark's possession until 1346. Several invasions occurred around this time including unsuccessful attempts by the Russians. In 1524 after the Protestant Reformation Estonia converted to Lutheranism. During the Livonian War in 1561 northern Estonia submitted to Swedish control while southern Estonia briefly came under the control of Poland in the 1580s. In 1625 mainland Estonia came entirely under Swedish control and the country was divided administratively between the provinces of Estonia in the north and Livonia in the south and northern Latvia.

After the Great Northern War Sweden lost Estonia to Russia in the early 1700s. Although the war devastated the population it did recover and peasants' rights, granted by king Gustaf Adolf during the last century, were weakened and serfdom was later abolished.

As a result of this and the availability of education to native Estonians, an active nationalist movement developed in the 19th century. It began on a cultural level and formed Estonia's national identity.

The Estonian Declaration of Independence was issued in 1918 and Estonia maintained its independence for 22 years. Initially a parliamentary democracy, parliament was disbanded in 1934 following political unrest and later the country was ruled by decree by Konstantin Pats who became President in 1938, the year parliamentary elections resumed. In 1940 Russia occupied Estonia after a pact between Stalin and Hitler, which allowed the Russians to establish military bases and station 25,000 troops on Estonian soil for 'mutual defence'.

Estonia was formally annexed by the Soviet Union in August 1940, even though Russia denied this was an illegal procedure. Mass deportations of political, intellectual leaders and citizens took place during this period. Subsequently Nazi Germany then took over occupation from 1941 to 1944 which in reality was no better. When the Soviet Army invaded, some 38,000



Estonia: The Baltic Way



ESTONIA'S PAST AND PRESENT

After centuries of Danish, Swedish, German and Russian rule, Estonia attained independence in 1918. Forcibly incorporated into the USSR in 1940, an action never recognised by the US, it regained its freedom in 1991 with the collapse of the Soviet Union. Since the last Russian troops left in 1994, Estonia has been free to promote economic and political ties with Western Europe. It joined both NATO and the EU in spring 2004. Estonia has a modern market based economy with strong ties to the West. The economy benefits from strong electronics and telecommunications sectors and is greatly influenced by developments in Finland, Sweden and Germany. The current account deficit remains high however the state budget is essentially in balance and public debt is low.

Estonia has pursued a foreign policy of close cooperation with its Western European neighbours and it has formed even closer ties with its Nordic neighbours, particularly Finland and Sweden.

Estonian volunteers formed an army and defended their country against Soviet advances.

But the Soviets re-conquered in 1944 and thousands of Estonians either retreated to Germany, Finland or Sweden in response. Meanwhile 20,000 people were forcibly deported to labour camps or Siberia. This started a guerrilla war against the Soviet authorities in the 1950s and this, together with the World Wars, significantly slowed Estonia's economic growth.

Russians and Ukrainians were shipped into the country increasing Estonia's population by around half a million during the 45 years of occupation.

Estonia formally declared independence in August 1991 and the last Russian troops left in 1994. Estonia then joined NATO and the EU in 2004.

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Today, three quarters of foreign investment in Estonia originates in the Nordic countries and Estonia sends 42 per cent of its exports to these countries.

Estonia has a strange taxation system. A new law on income tax was introduced in 2000, a new social tax was introduced in 2001 and a new law on VAT was passed in 2003.

The Estonian tax system now has a flat rate of tax and a non-welfare state model which differentiates it from its Nordic and indeed other European neighbours.

The flat income tax rate was introduced at 26 per cent regardless of personal income and was slowly reduced to 20 per cent. It is expected to reach 18 per cent by 2011.

At the same time the new law on income tax states that undistributed



ESTONIA: VITAL STATISTICS

Country: Estonia
Land Area: 43,211 sq.km
Capital: Tallinn
Population: 1,315,912 (July 2007)
Median age: 39.4 years
Male: 36 years
Female: 42.9 years
Ethnic groups: Estonian 67.9%; Russian 25.6%; Ukrainian 2.1%; Belarusian 1.3%; Finnish 0.9%; Other 2.2%
Religions: Evangelical Lutheran 13.6%; Orthodox 12.8%; Other Christian 1.4%; unaffiliated 34.1%; Other 32%, None 6.1%.
Languages: Estonian (official) 67.3%; Russian 29.7%; Other 2.3%
Currency: Estonian Kroon (EEK)
Government types: Parliamentary Republic
Prime Minister: Prime Minister Andrus Ansip (April 2005)
Chief of State: President Toomas Hendrik Ilves (October 2006)
Cabinet: Council of Minister appointed by Prime Minister, approved by Parliament.
Elections: President elected by Parliament for five year term. If a candidate does not secure two-thirds of votes after three rounds of balloting then an electoral assembly elects the President choosing between the two candidates with the largest percentage of votes. Next election due 2011.



>> profits of the companies are not subject to income taxation. However tax is due on profit distributions at a rate of 22 per cent. This current legislation is said to be in violation of one of the fundamental freedoms of the EU and Estonia is to remove this law by January 2009, although Estonia then has an option to bring in a very low corporate income tax of either 10 per cent or even 0 per cent. Today the Estonian economy is growing quickly. The country experienced its worst year economically in 1999 since it regained independence in 1991. But with assistance from the EU, World Bank and Nordic Investment Bank, Estonia completed its preparations for EU membership by 2002 and now has one of the strongest economies of the new member states. In the last quarter of 2006, Estonia's economy grew by 10.9 per cent and this is said to be one of the most rapid growths within the European Union. A number of Scandinavian companies have relocated their operations to the country and Russian oil transits are now using Estonian ports. The country also has a strong information technology sector. Its annual GDP growth rate in 2006 came to 11.4 per cent and

unemployment was 4.2 per cent in July 2006 – one of the lowest in the European Union. In 1992 Estonia replaced the Ruble with its own currency the Kroon and it intends to adapt the Euro by 2010.

TICKET TO TOURISM

The government funded Estonian Tourism Board advertises Estonia's national parks and reserves and seaside resorts alongside cultural visits to Tallinn and Tartu. Estonia lies on the Eastern shores of the Baltic Sea immediately across from the Gulf of Finland. The country is divided into 15 counties and has an estimated 1,500 islands and islets, two of which are large enough to constitute their own countries (Saaremaa and Hiiumaa). Small and heavily forested it is the most northerly of its Baltic neighbours and although not a hugely popular tourist destination does however receive a steady number of visitors. In 2006, 1.94 million foreign tourists had overnight stays in Estonia, a 1.2 per cent increase on the previous year. Inbound tourism generated over €1bn in 2006. There is a rise in visitors from Russia and Latvia whilst Finns love visiting Tallinn for shopping and pleasure. The abolition of visa requirements for Nordic countries

The property market [in Estonia] is booming. Estonian banks started to offer low interest mortgage rates about six years ago and the growth of the property market since then has been huge.

and lower travel costs boosted this figure by over a third from the previous year. Finnish shoppers are attracted by Estonia's lower VAT whilst food and alcohol is also cheaper. In addition many Finnish retail companies are drawn by liberal regulations and now also dominate many retail outlets in Tallinn. Tourism is expected to increase as new hotels are due to open. More than 2,100 additional bed places in mainly four and five star hotels are due to be available in Tallinn this year, whilst Tartu will increase its bed capacity by 30 per cent with a new 400 bed hotel. Meanwhile the property market is also booming. Estonian banks started to offer low interest mortgage rates about six years ago and the growth of the property market since then has been huge. Between 1995 and 2004 interest rates fell from 12 per cent to 4.5 per cent and averaged 4.3 per cent in 2006. These are predicted to remain low due to a controlled economy and fierce competition between banks. Prices in the capital have risen by 12 per cent over the last year and the country is also in the grip of a building boom. Many Estonians prefer new build homes to renovated buildings and demand is often outstripping supply. >>

>> Some fear however that with household debt rising by more than 50 per cent per year in the past three years any change in economy could be catastrophic. On the other hand foreign investment has been made easier and since Estonia joined the EU in 2004, investors are able to buy and sell property freely. The main source of property investment is coming from Sweden and Finland although Europeans are buying in smaller numbers. Meanwhile Estonia's retail trade and consumer products are some of the most developing areas of economy within the Baltic States. During the first quarter of 2006 foreign investment into Estonia increased by five per cent, a part of which involved wholesale and retail trade (7.6 per cent). With unemployment at a 15 year low and a 20 per cent increase in wages, retail spending is now on the increase with sales in textiles and clothing stores leading the way in the main supplied by Finnish and Swedish and other Baltic chains. Nordic retail chains entered the market in the mid 1990s and today several large shopping centres, supermarkets and hypermarkets exist. There are currently

around 130 supermarkets and 50 retail chains. Some 82,000sq.m of retail space was added in 2004 bringing total space to around 379,000sq.m. The key players include Lithuania's VP Market (now Maxima LT), which is the biggest group and has a leading position in Latvia and also invests in Estonia. Also present are Finland's SOK group (Prisma hypermarkets), Finland's Stockmann (large department stores) and Estonia's Selver with 22 supermarket and hypermarket stores. Maxima LT announced sales of €1.07bn for the first half of 2007 – 57 per cent of this due to an increase in Estonia. The company is planning to open a further 17 stores in Estonia this year. Finland's Kesko and RIMI Baltic have both united their activities in the Baltic States and Lithuanian retail chain IKI is also expanding. RIMI is a wholly owned subsidiary of Swedish Retailer ICA and announced a 22 per cent growth in sales for the first quarter of 2007 compared to the previous year. The group Kesko moved into Estonia in 2001 and operates its own distribution centre in Tallinn. There are around 60 Saastumarkets in Estonia including a handful of SuperNetto discount stores and

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larger Citymarket stores. The largest shopping centre is Ulemiste Shopping Mall, a 50,000sq.m site next to Tallinn Airport which was developed by Norwegian group Linstow Varner. Other sites include Viru Square, a 32,000sq.m city centre scheme by Finland's SRV and Estonia's Merko. There are three other large shopping centres in Tallinn including Stockman, Kristiine Keskus and Rocca al Mare.

IT'S A GAMBLE

In the first six months of 2006 gambling companies paid the government around EEK170m of gambling tax, an increase of 16 per cent on the previous year. The Estonian Gambling Operators Association believes the market has grown due to an improved economic environment, increased incomes and external demand. Foreign tourists visiting the Estonian gaming halls has also risen and this is believed to be due to an improved service. During the first half of 2006 the number of gambling places rose by one-tenth and the number of gaming machines by one-fifth. However with a new gambling act proposal currently being discussed, the market has been on hold somewhat. >>



>> At the moment the industry is covered by the Gambling Tax Act 1995, which was amended in 1997 and replaced in 2002.

The act covers all gambling games (except lotteries) and is divided into games of chance, games of skill, totalisators and betting. It currently includes the following points:

- Gambling operators are granted a licence for activities for a 10 year period.
- The licences can be applied for by public limited companies and private limited companies with a share capital or holding of at least EEK2m. The company cannot have any other area of activity except gambling.
- State fees of EEK50,000 must be paid before applying for the operations licence and once a decision is made (although prior to licence being issued) a further EEK700,000 state fee must be paid.
- The operators permit is valid for five years and enables operators to have games of chance, betting and totalisator at the venue. Games of skill permits are replaced by written consent of a municipal or city government official.
- Operators with an activity licence for games of chance, betting or totalisator can apply for an operating permit for a state fee of EEK50,000.
- Operators must ensure order and safety in locations. Players under the age of 21 or those who do not understand gambling activities, are only permitted to play games of skill.
- Winnings exceeding EEK5,000 must be registered whilst a certificate confirming the amount won must be issued.
- Fines for organising illegal gambling or for those without licences can be between EEK50,000 and EEK1m.
- Slot machines must pay EEK7,000 per month per slot gambling tax whilst gaming tables pay EEK20,000.
- The following tax rates also apply:
 1. 5 per cent for betting
 2. 5 per cent for totalisator
 3. 18 per cent for game of skill
 4. 18 per cent for game of chance (not table or slot)
 5. 18 per cent for passive lottery
 6. 18 per cent for instant lottery
 7. 10 per cent for a numbers game
- Revenues for gambling tax is divided between 46 per cent for the Cultural Endowment; 3.9 per cent for Estonian Red Cross; 12.7 per cent to support programmes for the elderly and disabled; 37.4 per cent for supporting regional programmes such as educational projects and youth organisations, Olympic Games preparation projects and sports projects.
- Gambling is permitted to the over 20s whilst advertising is prohibited.

- There must be a minimum number of four tables and eight slot machines in a gambling establishment.

There is currently a new draft version of the law in place which outlines a number of changes. However this law is still currently in the approval round in the ministries and other relevant state institutions before it even goes to government. The changes are quite significant and include:

- The overall mandatory registration of the clients (both for slot casinos and

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- live casinos)
- Increasing the minimum number of slot machines and tables per location from eight slots and four tables to 30 slots and five tables.
- Higher capitalisation requirements for gaming operators to a suggested €1m.
- Stricter control of licence applicants.
- New reporting requirements.
- Certification of slot machines and other gaming equipment.
- Some restrictions on the location of the casinos (ie: proximity to schools etc)

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- >> • Changes in the self-exclusion programme for problem gamblers (currently problem gamers can self exclude themselves via a list kept by the gaming association. Under the new law the list will be kept by the tax board and will be mandatory for all operators.)

Andri Avila of Olympic Entertainment Group said: "The law is very raw at the moment and has not even gone to the government yet so it is really difficult to say what will finally come out of it.

"The underlying idea of the changes is to push for more transparent operations and operators and having fewer but higher quality venues."

The issue of problem gaming is not taken lightly in Estonia and the situation is explored by the Institute for Problem Gambling and Treatment (HUVI). According to HUVI it is estimated that there are 150,000 gamblers in Estonia, 25,000 of these have described themselves as addicted to gambling. The institute is headed by a team of psychologists and the aim of the group is to set up a specialised establishment which will be able to provide help for people with gambling addictions in particular a rehabilitation programme for

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problem gamblers.

One of the new suggestions is to also limit slot hall operations to a minimum of 100sq.m per site and forbidding any locations to open close to kindergartens or schools.

One fear for operators is that this will reduce the number of slot halls and the number of sites each operator can open. However on the whole operators do support the suggested regulations. Ritzio's Elena Bocharova said: "If new regulations are welcomed by local people and players, help to control the gaming business and make it even more safe, transparent and responsible, but at the same time provide profitable conditions and an opportunity for us to be a part of this market - then we support this idea."

THE OPERATORS

There are 14 main operators of casinos and slot halls in Estonia. These include AS Angervaks, AS Dolphin, AS Dominos, AS ELC, AS IMG Kasiinod, AS Kingpin Management, AS MC Kasiinod, AS Novoloto, AS Pafer, AS Videomat Casino Group, Casino Cleopatra OU, Cityclub OU, Olympic Casino Eesti AS and Play-in Casino Group AS.

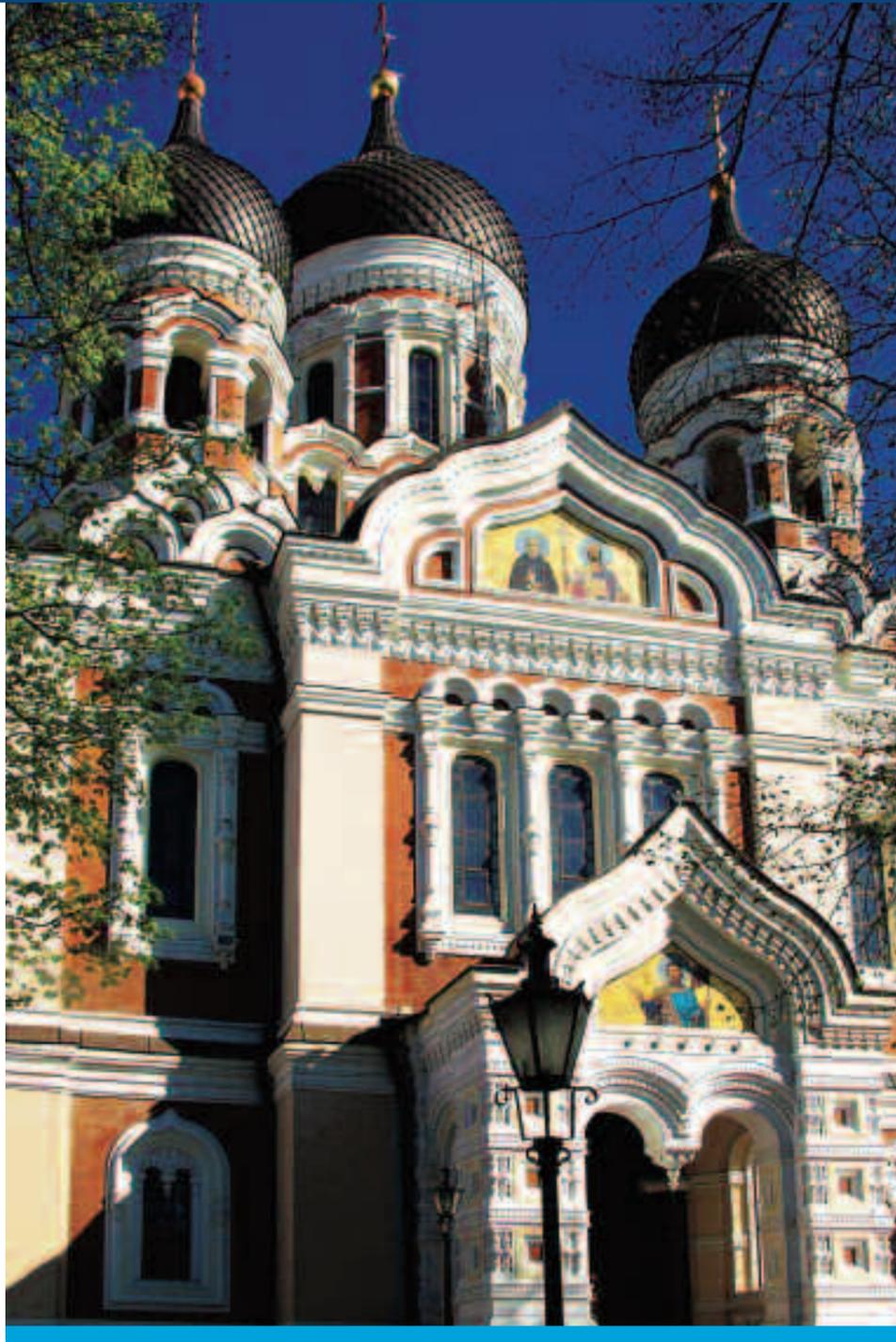
There are a total of six live gaming

casinos (with tables) which are operated by Olympic (two casinos), Ritzio, Casino Sfinks, Kingpin Management and MC Kasiinod. There are also a total of 162 slot halls. Between them all there are a total of 4,566 slot machines and 61 gaming tables between them.

The largest operator in Estonia is Olympic Entertainment Group (OEG) which has a 39 per cent of the Estonian market. The company operates under the Olympic Casino brand and currently has casinos in Estonia, Latvia, Lithuania, Belarus, Ukraine, Romania and Poland. A subsidiary company also exists in Slovakia.

The company began its operations in Estonia in September 1993 when a company called Benetreks Ltd was established. The group opened its first slot hall in December that year in the Hotel Pirita in Tallinn with 57 slots, two pinball machines and two arcades games. Today Olympic is the market leader in Estonia and has 35 locations, two of which are casinos based in Tallinn and Tartu and 33 slot halls in Tallinn, Tartu, Narva, Johvi, Kallavere and Parnu. Olympic currently has 22 gaming tables and around 1,109 slot machines across its locations, 323 of which are

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Casino which opened in December 2001 in Tallinn and the City Casino brand of slot halls which exists in Lithuania and Estonia.

There are now a total of 22 City Casinos in Estonia which are all designed with a Vegas theme and includes more than 1,000 slots in total.

Ritzio's Elena Bocharova said: "Today we have 22 City Casino slot halls but in the near future more halls will be opened. Most of the slot halls are located all across Tallinn, in the city centre and the suburbs. We also have slot halls in other Estonian cities such as Narva, Johvi,

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Parnu and Tartu.

"Estonia has been a good country for gambling operators during the last five years," said Ms. Bocharova. "We hope that discussed regulations will not limit our business considerably. One positive aspect, in addition to stable economics, is a low crime rate especially around the casinos area. It means that customers can feel safe in our casino and slot halls." The third largest slot hall operator is Casino Grand Prix (AS IMG Kasiinod) with around 550 machines. This company is a new brand which was founded in 1997 as a side-project from

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>> connected to EZ Pay System.

The group opened six new gaming halls last year whilst its casino in Tallinn was completely redecorated.

Olympic Casino in Estonia employs around 500 people and during its 13 years of activities has paid around EEK270m in gambling tax.

In March this year the company acquired Kristiine Kasino (KK) from owners AS KC Grupp for a total of EEK251m. The legal merger of OEG and KK took place in July and all activities of KK are now incorporated into OEG.

Initially the Kristiine Casino trade mark will continue after the transaction comes into effect and the gaming halls will come under the Olympic trade mark after one year.

Kristiine Casino AS was founded in 1994 when the group opened its first gaming hall. Today the group has 11 gaming halls, eight of which are in Tallinn, one in Tartu, one in Parnu and its latest in Narva. There are 290 slots across the 11 halls and the group has a 7.2 per cent share of the market in terms of turnover. The latest hall in Narva opened in March this year and cost EEK8.5m. The location is 134sq.m and houses 22 of the latest video slots and video poker machines.

This number could increase to 35.

The gaming halls also house the Mystery Jackpot system which connects all Kristiine Casino gaming halls with more than EEK1.3m and two cars a year as prizes.

The acquisition means that Olympic now has a total turnover share of the Estonian market of around 42 per cent and a 29 per cent share in number of gaming machines.

Kristiine Casino earned EEK29.7m in net profit with a net turnover of EEK111.3m in 2006. Last year the company paid EEK20.6m in gambling tax.

The company also invested EEK16m in a new control system called Casolink, employs 140 people and is one of the founding members of the Estonia Gambling Operator Association.

Olympic has not released any plans for regional investment in the Estonian market but says its total investment budget for its Estonian operations for 2007 is €100m.

The second largest operator is Ritzio Entertainment Group, a huge international operations business which covers various sectors from gaming clubs, casinos, bars, nightclubs and restaurants. Established in 2002 the group now operates more than 900 gaming clubs, 12 casinos and three entertainment centres across 12 countries including Russia, Ukraine, Kazakhstan, Latvia, Lithuania, Estonia, Romania, Peru, Bolivia and Mexico.

In Estonian the group operates two types of venues via its CityClub brand - Bally's



>> Estonia's oldest chain of casinos Casino Videomat. This happened as the new gaming act came into place and the industry began to boom. The first Casino Grand Prix halls opened in 1997 and there are now 16 gaming halls throughout Estonia. Casino Videomat was set up in 1989 and is the oldest chain of gaming hall operators in Estonia. The group currently has 18 locations with more than 500 slots in total.

There are seven halls in Tallinn alone plus three in Parnu and others in Kuressaare, Viljandi, Tartu, Johvi and Narva. Amatic are the main suppliers of slot machines to Casino Videomat and work via the so-called 'credit system'. This means players pay the cashier the desired bet for a certain slot machine. Credits are increased by feeding paper money into the machines with winnings collected at the cash desk.

Fourth in line is Admiral. The company was founded eleven years ago in September 1996 when AS Novolotto was formed, which is an Austrian joint venture between Novomatic AG and AS Eesti Loto, Estonia's state owned lottery company.

At the beginning of 1997 the company opened the first three arcades in Parnu,

Tallinn/Lasnamae and Kohtla-Jarve. There were a total of 40 slots within these three sites.

In 2004 Novoloto received a further 10 years licence and became a wholly owned subsidiary of the Novomatic Group of Companies.

Novomatic's Max Lindenberg said: "Due to major investments and the opening of further arcades during the last years the company's capacities have been increased significantly. Today Novoloto operates 17 arcades and 421 slot machines under the Admiral brand."

New slot halls which opened this year include Kuressaare in January, Valga in March and Kiviõli in July. This year another four are planned to open and three of the existing locations will be refurbished.

Eight of the slot halls are equipped with TITO and after a test period all arcades are now planning to be operated with TITO.

Other operators include a live casino location run by Casino Mapau (Kingpin Management) which is operated in the Metropolis Hotel in Tallinn. This belongs to the Sunny Group of Companies which began in Barbados in 1981 as a distributor of educational books.

This expanded and over the years the

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group expanded into various markets and now has divisions in education, retail, leisure, finance, property construction, software development and marketing. Since 1986 the group's leisure division has owned and operated land based casinos in the Caribbean and Southern Africa and now has gambling licences in six countries on three continents. This division has expanded to include restaurants, slot machine route operations and more recently online gaming. Casino Mapau was the first land based casino to go live on the internet in 1996 and today the flagship of the company, Casino Fortune Online, is now boosted by other sites including MaPau Casino Online, GoldGate Casino Online, Miami Beach Casino Online and MaPau Bingo. Mapau has a licence to operate by the Gaming Commission of Antigua and Barbuda. Meanwhile Casino Sfincks was set up in July 1996 and is an Estonian company which began business operating a few slot machines.

Today the company operates one casino and nine gambling halls in total. The company has slot halls in Elva, Narva, Parnu, two in Tallinn and four in Tartu. The Casino Pattaya in Tartu is basically an entertainment centre

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TURNOVER FOR CASINO AND GAMING HALLS OPERATORS IN ESTONIA

Operator	Turnover 2006 (EEK)	Profit 2006 (EEK)
Olympic Casino Eesti AS	642	309.3
Dolphin AS	68	20
Novolotto AS	75.5	11
MC Kasiinod AS (montecarlo)	80	15.3
Videomat Casino Group AS	77.2	13.5
Play-in Casino Group AS	136.3	20.3
Kristiine Kasino AS	111.3	29.3
Pafer AS	72.9	3.9
IMG Kasiinod AS (Grand Prix)	136.7	32.3
ELC AS	5.1	-4.6
Dominos AS	11.5	0.3
Nordic Gaming AS	1.2	-2.6
Angervaks AS	17.1	5.3
OU Cityclub	212.5	35.1
Kingpin Management	26.6	-0.4
Kasiino Paradis	4.2	-1
TOTAL (BILLION EEK)	1,678.1	477.5

SOURCE: Estonian Association of Gambling Operators

>> featuring blackjack, poker, roulette and slots.

There are a total of 208 slot machines across the casinos including slots from IGT, Atronic and Bally.

Finally, MC Kasiinod operates one casino and 12 slot halls in Tallinn, Tartu, Parnu and Virumaa under the Monte Carlo Casino banner. Meanwhile Play-In Casinos, which are operated by Play-In Casino Group AS, began back in 1993 with a location at the Tallinn hotel and café Toome in the capital. There are currently 17 gaming halls across Estonia, four of which are situated in Tallinn. There are more than 200 slot machines supplied by Bally and IGT.

In 2004 EGET delivered an internet scratch card game to Spordiennustus which was the first game of its kind to be offered in Estonia. The scratch card had a basketball theme and offered winnings of up to EEK100,000.

PROGRESS OF PRODUCTS

Although a decade ago Estonia was among Europe's poorest relations, today the country is undergoing a technological revolution.

Between 2001 and 205 more than 280 wireless internet points, many of them free, sprung up around Tallinn and can be seen at kiosks and gas stations offering free Wi-Fi to clients.

With players preference for slots rather than table gaming and the huge demand for slot casinos it was only natural this

would progress to online gaming. Sports betting is widely accepted and some casinos also provide an additional sports betting features for their players. Estonian Olympic Committee, Spordiennustus, has a licence to operate fixed odd sports betting in Estonia and is a joint venture of the Olympic committee and PAFER, Alands. The company set up Fortuuna.ee which since 2004 has been offering sports betting and lottery games and more

recently bingo. EGET (European Game and Entertainment Technology) based in Finland supplied the internet sports betting solution and was initially launched with the classical 12 betting fixtures on sports events such as football, ice hockey and basketball. The company was founded in 1999 and provides lottery games, casino games, bingo games and event betting for sports.

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The tradition of state lotteries in Estonia dates back to 1971 when lotteries began under the Estonia Regional Board of Central Board of Sports lotteries under the USSR State Sports Committee. The first lottery draw in Estonia was played in April 1971 and was called Spordiloto 6/49 followed by quick draw lottery which appeared in 1977. The Estonian lottery organisation, Eesti Loto, was established in 1990 and today has a market share of 95 per cent. The company is a state owned limited company and the major operator of

lotteries in Estonia and offers instant, lotto, keno, bingo and other lottery products. Lotto terminals and software are provided by Gtech. The rest of the Estonian lottery market is in the hands of Bristol which only offers instant and break-open games.

In 2001 total lottery sales came to more than \$7.8m whilst 50 per cent of the Estonian population participates in lottery from time to time. The average inhabitant spends \$5.71 on lotteries. One of the games, Viking Lotto, is played across several Scandinavian countries and although it was created in 1993, Eesti Loto has only participated since March 2000. The sales share of Viking Loto in Estonia in 2001 rose by almost 72 per cent and continues to have a rapidly growing market share. In December 2001 Eesti Loto launched its online gaming site where games such as Viking Lotto and Keno can be played via the internet.

Meanwhile, other companies see Estonia as a key product market and interestingly it is hungry for new and innovative products and new technology. Progressive Gaming International Corporation has been involved in the

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Estonian market for several years and three years ago opened a regional sales office in Tallinn which supports the whole of the Baltic region, Finland, Russia and Ukraine.

The company which is a leading provider of diversified products for the gaming industry now supplies a range of equipment to Estonian slot halls and casinos particularly the CasinoLink management system.

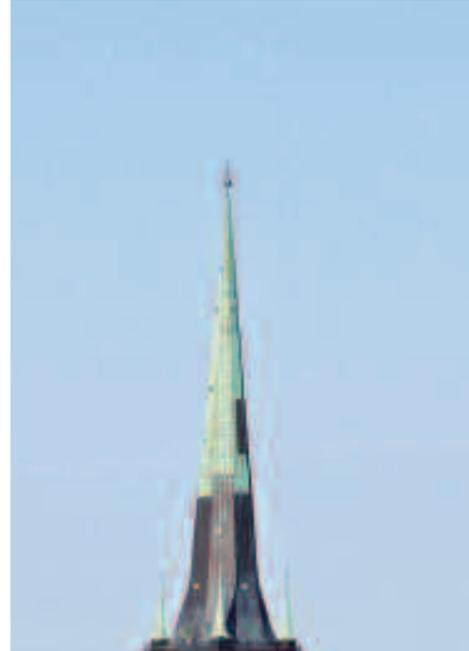
PGI's Tim Parker said: "The Baltic region is a strange market because most of the area is made up of small slot halls, but Estonia probably has the biggest true casino market."

The company works closely with Olympic Casinos and therefore is heavily involved in the sector.

Tim Parker added: "It is not an easy market. It is unique in the requirements that they have and obviously being part of Russia in the past they have a different way of looking at things. The market is price sensitive, but the technology is very advanced."

"Also you have to understand the mentality of Estonia and the Baltic region in general to do business there. So the office we have there gives us a real advantage."

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CASINOS BY REGION

TARTU

Tartu Olympic Casino is spread over 400sq.m across two floors on the river Emajogi. It includes four tables including Roulette, Oasis Stud Poker, Blackjack and Baccarat and 42 slot machines all equipped with EZ Pay. Six slot machines by IGT are linked to the Fort Knox jackpot system. This casino is operated by the Olympic Entertainment Group.

Casino Pattaya in Tartu is basically an entertainment centre inspired by the Pattaya resort in Thailand. The location includes a lobby bar and two roomed casino featuring slots and blackjack, poker, roulette. The centre also includes a nightclub and private rooms. It is operated by Casino Sfinks.

TALLIN

Ballys Casino is situated in the centre of Tallinn and covers four floors of a luxury 19th century building. There are 48 slots on the first floor and a total of 10 gaming tables located on two different floors. The restaurant is located on the ground floor and there are three luxury suites on the top floor. The casino receives around 16,000 visitors per year. Products are supplied by IGT, Atronic, WMS, Konami, AGT (Unicum), AGI and Novomatic. The casino is operated by Ritzio Entertainment Group.

The Reval Park Hotel and Casino is a Las Vegas style casino in the centre of Tallinn. The casino has 18 tables including Roulette, Blackjack, Oasis Poker, Three Card Poker and Baccarat and 93 slots in

an area of 800sq.m. The casino is operated by the Estonia-based Olympic Entertainment Group.

Casino Mapau is located on the first floor of the three star Metropol Hotel which was opened in 1999 and renovated in 2006. The hotel has 149 rooms whilst the casino has 10 slots and six table games including American Roulette, Blackjack, Oasis Stud Poker and Poker. The casino is

operated by Kingpin Management (Sunny Group of Companies)

PARNU

Kasiino Mirage operates 26 slots supplied by IGT, WMS, Atronic and Novomatic and five tables including American Roulette, Blackjack and Poker. The casino is managed by MC Kasiinod AS which operates under the MonteCarlo casino banner.