

Centralised gaming power

Austria is a powerhouse of manufacturing, supply and operation, but its identity as a gaming nation is complex and conflicting

Established in prehistoric times, the land sandwiched in the heart of Europe, now known as Austria, was overrun in pre-Roman times by various tribes, including the Celts.

After the fall of the Roman Empire, of which Austria was part, the area was then invaded by the Bavarians and Slavic Avars. Charlemagne conquered the area in 788 and encouraged colonisation and Christianity.

During the following centuries, Bavarian settlers began to set up home along the Danube and in the Alps which later led to Austria becoming the mostly German speaking country it is today.

In 1192, the Babenbergs also acquired the Duchy of Styria through the Georgenberg Pact and at the time the Babenberg dukes were one of the most influential ruling families in the region.

But following the extinction of the Babenbergs in 1246, Austria came under the rule of the King of Bohemia, Otakar II. However, he later lost the territories to Rudolf of Hapsburg in 1278 who ruled for the next 640 years.

The Habsburgs began to accumulate other provinces in the land and these became known as the Habsburg Hereditary Lands or simply combined together and called Austria.

During this period came the Thirty Years War between 1618 and 1648 when Ferdinand II attempted to re-Catholicise, not only the Hereditary Lands, but Bohemia and Habsburg Hungary, as well as most of Protestant Europe within the Roman Empire. This war had a significant

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impact on the economy and population.

In 1815, Austria emerged from the Congress of Vienna as the continent's dominant power and the Ausgleich of 1867 provided for a dual sovereignty - the empire of Austria and the kingdom of Hungary, which came under the rule of Franz Joseph I. He ruled until his death in 1916. The decades until 1914 saw a lot of construction, expansion of cities and railway lines and development of industry. During this period Austria became an industrialised country even though the Alpine regions remained characterised by agriculture.

In 1878, Austria-Hungary occupied Bosnia and Herzegovina although the territory was annexed in 1908 and put under joint rule by the governments of both Austria and Hungary.

Nationalist strife increased and when Archduke Francis Ferdinand was assassinated by a Serbian nationalist, the Austro-Hungarian Empire disintegrated and World War I began.

During the war, Austria-Hungary was one of the central powers with Germany, Bulgaria and Turkey and the conflict left the country in political chaos and economic ruin. Austria, now shorn of Hungary, was proclaimed a republic in 1918 and the monarchy was dissolved the following year.

Although Austria Hungary had been one of the Central Powers, the allied victors were more lenient with a defeated Austria than either Germany or Hungary and the country did not have to pay reparations. It was also the only country to acquire additional territory.

In 1934, the Dollfuss cabinet established the Patriotic Front. When he was assassinated, his successor, Kurt von Schuschnigg, lost his struggle to keep Austria independent. In March 1938, German troops occupied the country and Hitler proclaimed its union with Germany, annexing it to the Third Reich.

And so, Austria ceased to exist as an independent country. The country's Jewish population of around 200,000 at the time were deported to concentration camps or killed.

In 1945, American troops came to Austria and the Soviet Union's Red Army arrived two days later taking Vienna. American and British troops occupied the western and southern regions and prevented the Soviet forces from completely controlling the country.

Finally, Austria concluded a state treaty with the USSR and the other occupying powers and regained its independence on May 15 1955, and was proclaimed a neutral country.

The political system of the Second Republic also meant that posts of some political importance were now split evenly between the members of the SPÖ and ÖVP until 1966 when the ÖVP-SPÖ coalition ended.

The 1970s were seen as a time of liberal reforms in social policy, although today the economic policies of the Kreisky era are often criticised as large national debt was also acquired.

In 1986, former UN secretary Kurt Waldheim was elected president, despite protests due to his possible involvement with the Nazis and war crimes from that period of history.

Austria joined the European Union in 1995, although it retained its strict constitutional neutrality and forbade the stationing of foreign troops on its soil.

In 2000, the Conservative People Party (ÖVP) formed a coalition with the far-right Freedom Party (FPÖ) headed by Jörg Haider. A nationalist against immigration Haider was controversial and his gradual rise to power was credited to voters weary of decades of rule by the Social Democratic Party.

But the European Union condemned the new coalition, froze diplomatic contacts and imposed sanctions and accused Haider of being a racist and Nazi sympathiser. He resigned as FPÖ chairman, but still remained influential to the party.



In 2002 the coalition dissolved, but after failed coalition talks with other parties again formed a government with the Freedom Party in 2003.

A new liberal party was formed and in 2006 the SPO won the elections and formed a coalition with the OVP and Alfred Gusenbauer became Chancellor of Austria. This coalition collapsed in 2008 over disagreements with the country's EU policy and early elections that year which resulted in losses for the two ruling parties and gains for the FPÖ and BZÖ.

However, SPO and OVP renewed their coalition under the leadership of SPO party chairman, Werner Faymann. In October 2008, Jörg Haider died in a car accident.

ECONOMICS OUTLOOK

The economy of Austria has been characterised as a social market economy similar in structure to that of Germany. In 2004, Austria was the fourth richest country in the European Union.

Growth was steady between 2002 and 2006 and because of its position in central Europe it has gained significance as a gateway to new EU member states.

In 2007 the economy grew by 3.1 per cent whilst the national unemployment rate was around 6.2 per cent. With the current economic crisis, however, predictions are that Austria's economy will shrink by up to 0.5 per cent this year, but rebound to 0.9 per cent growth in 2010.

Austria has been hit by the trouble in Eastern Europe as many companies and banks have expanded into this region. In addition, Austria relies heavily on exports and these are also expected to fall sharply. The country saw a boom in 2006/07 helped by a buoyant German economy, which usually devours a third of Austria's exports.

Having instigated massive spending increases and tax cuts, Austria is fighting the downturn and many predict that recovery will be stronger than the Euro zone average.

Many of the country's largest firms were nationalised in early post war years to protect them from Soviet takeover in war reparations. Although for years the state owned industries played an important role in the Austrian economy, in the early 1990s firms began to operate largely as private businesses and many were wholly or partially privatised.

The service sector in Austria is the most significant and generates the vast majority of the GDP. Viennese firms are among the leading corporations in business and finance. The country also has a small but well developed agricultural sector.

The country has a strong labour movement and around 1.5 million, more than half of the 3.5 million working Austrians, are members of the Austrian Trade Union Federation.

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On the retail front, consumer expenditure for food and non-alcoholic beverages amounted to €15.6bn in Austria in 2007. Living standards are high in country with a demand for high quality products and luxury items.

The retail sector still remains very traditional and is subject to government control. Most retailers are still not permitted to open their shops on Sundays or official holidays.

Back in 1991 the wholesale and retail trade in Austria accounted for 12 percent of GDP and provided employment for 435,000 people. At this time there were around 17,000 wholesale outlets and 33,000 retail outlets.

Although dominated by small shops, mainly because of the small towns and communities outside of Vienna, the majority of these were owned by around 20 large Austrian companies including names such as grocery store chain, Billa, Merkur and Spar Österreich and wholesaler Metro SB-Grosshandel.

Konsum Österreich (KO) is the country's largest retailer and was founded in 1978. It has hundreds of stores across Austria and is also involved in manufacturing some of its products.

German retailer groups such as Rewe, Aldi and Lidl dominate the sector. Discount food retailers Hofer (as a subsidiary of Aldi) and Lidl are expanding rapidly and today Hofer leads the market with 395 outlets.

In the supermarket sector, market leaders, Spar and BML, control about 66 per cent of the industry between them.

Meanwhile, shopping malls are no longer just limited to Vienna and can be found in other cities. The first shopping centre was opened in 1970 in Innsbruck. DeZ shopping mall offers over 110 specialist stores, restaurants and cafes and has an average of 18,000 visitors per day. DeZ is Tirol's largest shopping complex.

Vienna still boasts Austria's largest centre, however, called Shopping City Süd in Vösendorf, a 230,000 sq.m site with 300 shops and in the northern outskirts of the city, Shopping Center Nord, with 26,000 sq.m and 77 shops.

In Lower Austria there is Fischpark, a 20,800 sq.m site and Traisenpark in St. Pölten offers 70 shops.

Burgenland offers one of Austria's most attractive shopping facilities at the Designer Outlet Center in Parndorf, whilst Plus City in Linz is Upper Austria's largest shopping centre.

Interestingly, Austria has always boasted a low crime rate, is politically stable and is a reasonably safe place to live and visit with no discernable corruption. It has a thriving economy and a high standard of living.

Almost 50 per cent of Austrians are home owners, although there are only around 50,000 homes sold each year.

In recent years, several of Austria's provinces have relaxed rules that had prevented foreigners from owning property. These restrictions did, however, keep prices low in the country's second home market and now property prices are competitive, especially in the ski resorts.



The country is landlocked and sandwiched between Czech, Germany, Hungary, Italy, Liechtenstein, Slovakia, Slovenia and Switzerland.

The country is divided into nine states (Bundesland) which include Burgenland, Carinthia, Lower Austria, Upper Austria, Salzburg, Styria, Tyrol, Vorarlberg, Wien (Vienna)

Austria boasts spectacular scenery with picturesque lakes surrounded by soaring mountains, vineyards and historic cities and has, therefore, always been linked with tourism.

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Austria is the 10th most visited country in the world with more than 22 million tourists in 2007. Tourism accounts for around 10 per cent of Austria's GDP.

Austria is heavily dependent on German visitors with almost 53,000 German visitors in 2007. However, the winter ski resorts are becoming more popular now with Eastern Europeans and Americans.

The Alps, of course, has long been a tourist attraction both for skiing in winter and camping in summer and the mountainous regions of Tyrol, Carinthia and Vorarlberg produce the greatest tourist revenues.

Salzburg is a big summer tourist attraction, whilst Vienna remains a year round city venue, although still does not yield as much revenue as the ski resorts.

There are around 20,000 hotels and apartments in Austria as well as 50,000 private rooms available for visitors plus youth hostels and camping.

THE GAMING SECTOR

How can a country which gave us Arnold Schwarzenegger, Mozart and apple strudel not be a shining example when it comes to its gaming sector?

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The two main aims of the law are to 'promote public order and obtain socio-politically related objectives,' whilst also increasing fiscal revenues. Basically, the country has permitted gaming, but under a very controlled system that they say is aimed at protecting the players.

There is one licence issued for lottery games, which is limited to 15 years and was granted to the private company Oesterreichische Lotterien (Austrian Lotteries) until 2012 and the 12 maximum licences for casino operations are allocated to one private casino company, Casinos Austria, again for a period of 15 years. Those licences expire in 2012 and should then be subject to an EU wide public tender offering.

Meanwhile, lower stake machines (AWPs) are exempt from the monopoly and are in turn partly regulated by regional laws. They are prohibited except in four provinces.

The introduction of legal AWPs began when the 1989 Games of Chance Act was amended, which saw the start of the re-organisation of the gaming market.

This made it easier for private companies to offer card games, slots and sports betting, and sports betting cafes (Sportwettlokale) began to open while at the same time street gaming of AWPs also began to spread.

The introduction of these regulations permitted what is called 'Kleines



Gluecksspiel' (little gambling or AWPs), which permitted machines playing with a stake of 50c maximum and a maximum payout of €20. These games are exempt from the state monopoly.

The machines have no other stipulations regarding game definitions, technical specifications or time limits, although regional governments can then impose their own restrictions. To date, the AWPs are only permitted in four of the nine Austrian provinces - Vienna, Styria, Carinthia and Lower Austria.

VIENNA – In this capital province there are on average 3,300 machines in any given month, which has remained fairly steady. A maximum number of two machines are permitted per site, except in the two especially designated areas for gambling arcades, the Prater and the Boehmische Prater. Concession period is limited to 10 years and tax rates are set at €1,400 per month for AWPs.

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STYRIA – Although 4,700 licenses have been issued there are only around 2,700 AWPs operating. This is mainly because in this way operators can prevent the competition introducing more machines into one location. The monthly tax is €476.50.

CARINTHIA – There are around 900 machines in operation at the moment which are operated under strict regimes. The county government has imposed its own restrictions on AWPs which are tested for a minimum payout of 85 per cent and a game time of at least five seconds. There are a maximum of eight machines permitted per location with concessions granted for three years.

LOWER AUSTRIA – Only gaming arcades are permitted in this region and a maximum of 15 machines are allowed per location with strict entry controls for identification and counting the number of visitors. Concession periods are limited to 10 years. There are around 600 machines in total and around 30,000 entry cards had been issued by the end of 2008. Arcades must pay a security bond of €4m per location and monthly taxes per machine



are €650 for the first year, €800 for the second year and €1,000 for the third year of operation.

In 2007, there were 7,570 registered AWPs in Austria, which saw a GGR of €88.4m after taxes, with around 10,000 direct employees in the production and operation sector. Today, there are around 7,800 machines, of which around 1,800 are located in the casinos or the WINWIN arcades. The rest of the gambling sector pays the following taxes:

- A federal licence levy of between two and 27.5 per cent is applied to lotteries depending on the type of game.
- For casino games a progressive scale of taxes of 35-80 per cent based on stakes minus winnings is levied. The federal government receives 60 per cent of the casino levy up to the amount of €725,000 followed by five per cent to provincial governments and 35 per cent to local authorities.
- For games of chance a federal tax of 12 per cent of the stake and 12-25 per cent of the winnings is levied.

- Betting services pay a federal tax on stakes of two per cent.

THE NEW PROPOSALS

In August last year, the European Commission received notification of the first approved amendments to Austria's gaming law.

These changes mean that EU-based casinos will now be restricted to advertise their services in Austria only based on the Austrian Finance Minister's consent, whilst money laundering and player identification standards will also be extended across the Austrian casino sector, which conforms to the EU's Third Money Laundering Directive of 2005. Player protection and identification standards have to be equally applied to Austrian and EU citizens.

The Austrian government hopes to bring to an end the in-depth scrutiny of its gaming market with these moves. The monopoly situation in Austria is still being questioned, however, and there are two cases pending at the ECJ in Strasbourg that question the conformity of the Austrian gambling monopoly with EU

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Austrians spend four times more per head on Internet gaming compared to that spent in Germany, even though, of course, Internet gaming outside of the monopoly is prohibited in Austria.

The only company granted an Austrian concession to operate online gaming is Casino Austria's Win2Day gaming site, although there are numerous online sites available to players via foreign companies, particularly those offer by online betting firms.

The association, Automatenverband, says anonymous payment cards can be bought at any post office and shop and have been on the market for nearly 10 years.

Technically, online gaming is not permitted or cannot be advertised within Austria. According to the Ministry of Finance the offenders are 'punishable by civil law or administrative penalty regulations of the gambling law,' although so far no one has been prosecuted.

Bettina Glatz-Kremsner of the Board of

Austrian Lotteries stated: "Over many years the Austrian Lotteries have proved they are well aware of the special sensitivity of gaming legislation. We optimise our profit, but we do not use all available resources to maximise it.

"This means that in maintaining the state's regulatory interests we pay the utmost attention to the protection of youth and of people at risk of addiction. On Win2Day.at, for instance, we introduced a limit of €800 per week."

However, some point out that it was only three years ago that the 16 year age limit for legal online gambling was raised to 18 years on the Win2Day website.

In November last year, Austria's now ex-Finance Minister Wilhelm Molterer proposed a new gaming legislation, which received widespread criticism. Molterer is also the former OeVP Vice Chancellor.

His proposal stated that private online gaming operators should still be banned from providing online gaming services and also repeated the unsuccessful prohibition from 1997, which was supposed to stop financial institutions from processing any payments to an unauthorised operator.

The draft law, however, also left Casinos Austria and Win2Day to continue with their monopolistic position.

Many argue these ideas favour a monopoly situation, which is in defiance of EC law and Austria's own online betting company, Bwin, has reacted to the draft and is now drawing up its own proposals.

Bwin argues it is more than willing to pay taxes in Austria on income generated in the country, if legislation opens the market to online gaming. The company has even threatened to cease any development of new technologies in its Austrian-based company and move their offices from Vienna to Bratislava, Slovakia, if parliament approves the Finance Minister's proposals. This would seriously affect the Austrian company's 800 employees in Vienna.

Meanwhile, the proposals also suggested a new gaming machine licence, which has left existing arcade owners and operators in a state of uncertainty. The draft legislation proposes an idea that could effectively eliminate AWP's outside of arcades and states that operators could apply for a national licence if they have a company capital of at least €50m to be able to cover liabilities of up to €10m. It said the minimum number of machines per venue would be 15.



Novomatic, as Austria largest operator of betting shops (183 outlets via the Admiral subsidiary), which also houses AWP's, is likely to be the only company in the sector to be able to open such arcades alongside Casinos Austria or Austrian Lotteries.

At the moment, the casino monopoly prevents Novomatic from opening casinos in Austria. However, the company does operate 163 electronic casinos called Entertainment Centres, which house sports betting, slots and catering facilities.

If the new law goes ahead then AWP's could effectively come under the federal

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law for the first time and we could see them legalised throughout the country with a possible 20-30 per cent nationwide tax levy depending on location, netting the government an estimated €130-150m (in reality this is likely to be much closer to €50-70m).

The proposed law will see a maximum limit to the number of gaming machines and VLTs in the Austrian market and maybe a five year transition period. It will also lower the casino tax for comprehensive casino concessions to a uniform rate of 30 per cent. Meanwhile, games operating without a monopoly concession, such as poker, will be legal



AUSTRIA: VITAL STATISTICS

Total Area: 83,870 sq.km
Capital: Vienna
Population: 8,205,533 (July 2008)
Currency: Euro
Median age: 41.7 years
Male: 40.7 years
Female: 42.8 years
Ethnic groups: Austrian (91.1%), former Yugoslavs (4%), Turks (1.6%), German (0.9%), other (2.4%)
Religions: Roman Catholic (73.6%), Protestant (4.7%), Muslim (4.2%), other/none (14%)
Languages: German (official), Turkish, Serbian, Croatian (official in Burgenland), other (Slovene, Croatian)
Government type: Federal Republic
Chief of State: President Heinz Fischer (SPOe)
Head of Government: Chancellor Werner Faymann (SPOe) and Vice Chancellor Josef Proell (OeVP)
Cabinet: Council of Ministers chosen by the President on the advice of the chancellor.
Elections: President elected by direct popular vote for a six year term. Presidential election last held 2004 with next due 2010. Chancellor is formally chosen by the president but determined by the coalition parties forming a parliamentary majority. Vice chancellor chosen by the president on the advice of the chancellor.

FIGURES FOR THE LOTTERY AND CASINO SECTORS

Company	Year	Total wagers
Austrian Lotteries	2005	€967m
	2006	€988m
	2007	€926m
		Gross Game Revenue
Casinos Austria	2005	€201m
	2006	€182m
	2007	€194m

but will be forced to pay a 16 per cent tax on the stakes.

The current state tax on gaming machines and combined federal and state tax will be eliminated under the new law and local authorities will instead receive parts of a new combined federal machine tax through revenue sharing.

In addition, all machines and VLTs will be connected with the Ministry of Finance via its data computer centre and arcades will have special entry cards for each player. It is also suggested that stakes will rise from 50c to €5 and €10, whilst there will be a prohibition of automatic start

buttons, parallel games and the introduction of a maximum playing time for players' protection. There will be an automatic 'shut off' system after three hours per day for every player, but only in pub locations with lower stakes. Licences will be granted by the Finance Ministry rather than regional governments as exists at present.

The industry is now in uproar and together with the Federal Chamber of Commerce is lobbying the government to put a halt to the worst proposals. They say if this law goes ahead some 1,000 healthy small to medium businesses will be destroyed leading to the loss of up to



AUSTRIA - A BRIEF HISTORY

Once the centre of power for the large Austro-Hungarian Empire, Austria was reduced to a small republic after its defeat in World War I. Following annexation by Nazi Germany in 1938 and subsequent occupation by the victorious allies in 1945, Austria's status remained unclear for a decade.

A State Treaty signed in 1955 ended the occupation, recognised Austria's independence and forbade unification with Germany. A constitutional law that same year declared the country's 'perpetual neutrality' as a condition for Soviet military withdrawal. The Soviet Union's collapse in 1991 and Austria's entry into the European Union in 1995 have altered the meaning of this neutrality. A prosperous, democratic country, Austria entered the EU Economic and Monetary Union in 1999.

10,000 jobs in favour of one or two concessionaires, receiving the licence to operate AWP's and VLT's exclusively for 15 years.

One major issue of the draft of the new law in Austria is problem gambling, which the government wants to tackle. However, many say in reality the problem is actually the amount many officials are making out of problem gambling!

The joke in Austria is that there are more psychotherapists than gambling machines. Many say Austrian lotteries (whose shareholders include a large TV station, plus newspapers groups) are inflating figures relating to gambling addiction and some treatment organisations merely see the treatment of pathological gamblers as a business opportunity, as they receive grants from parts of the industry.

Currently, under the new law, poker is expected to be classified as gambling and subject to the new legislation with a 16 per cent tax and could see operations restricted to the monopoly concessionaires only.

There is a big boom of private poker clubs with business licences in Austria at the moment. Operations include Concord Card Casino, which opened 14 years ago and is basically a poker club offering Texas Hold 'Em, Omaha, Seven Card Stud, Draw or Concord Aces.

The club also offer sports betting with over 5,000 different bets per week on some 30,000 sporting events across 45 countries.

Back in 1993, poker was classed as illegal gambling. When the law changed and poker was classified as a game of skill, poker casinos gradually began to open their doors in Austria and Europe.

Poker Royal is another operation which opened in 2007, offering poker tournaments and has a capacity for more than 600 players with 60 tables at the new Poker Royale Card Casino.

Meanwhile, Vienna-based Red Planet Gaming is the only company in Austria which currently offers online poker software for sale and licensing.

The company, with additional offices in the US, offers complete poker solutions for online card rooms or networks and has provided services to companies such as the Partouche Group in Gibraltar, Everleaf Gaming in Malta and Practice Chips Network in Las Vegas.

The company recently won the 2009 Gaming Award for Innovation for its

Practice Chips Network, a special loyalty program designed to increase gaming revenue.

THE CASINO SECTOR

The origins of the Casinos Austria group date back to 1934 when the first casinos were opened in the country.

They were operated by Oesterreichische Casinos AG and in 1967 Oesterreichische Spielbanken AG was established and this company took over the casinos of the former company.

Casinos Austria, as it later became known in 1985, began its operations in 1968 and has held the sole concession to operate casinos in Austria since this date.

Today, the parent company, Casinos Austria AG, owns and manages the 12 Austrian casinos which operates a total of

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1,814 slot machines offering around 200 games and 238 table games.

There is of course competition from the 80 or 90 casinos that are dotted along the Austrian borders in neighbouring countries, which are visited frequently by Austrian players.

Casinos Austria's subsidiary companies include Casinos Austria International, Austrian Lotteries, Congress Casino Baden, Casinos Austria Security Technology (CAST), Win2Day.at, Tipp3 and WINWIN.

Aggregate total revenues for the Casinos Austria Group, including all the subsidiaries, saw a 4.1 per cent increase in 2007 to a record €3.49bn.

Revenues from the group's casino sector in 2007 rose by 9.4 per cent to €1.37bn,

which includes revenues of €1.1bn from the CAI network and €277m from its 12 national casinos.

At the beginning of this year, Casinos Austria announced its restructuring programme aimed at taking its already comprehensive list of operations a step further.

After acquiring an additional one third stake in Austrian Lotteries, the group planned to take its range of national gaming products into the international market, where it already operates some 63 land-based casinos in 19 countries.

After years of success in the Austrian market the group now plans to offer, market and sell products and services for the lotteries, online gaming, video lotteries, sports betting and slots parlour sectors via the CAI subsidiary to the

international market.

Casinos Austria International (CAI) is a casino project development and management company, which has operations all over the world. It was established in 1977 and since that time has opened 215 casinos in 35 countries and 90 cruise ships. Today, the group and its partners operate a total of 63 land based casinos in 19 countries and 11 shipboard casinos.

In 2007, the CAI group announced that aggregate revenues for the casino operations it owns or partly owns had risen by 10.7 per cent to a record €1.1bn. Guest numbers increased to 17.5 million.

Eight new casinos were opened in 2007 by the company. Swiss subsidiary (Casinos Austria Swiss AG) acquired a 29 per cent stake in Casino Lugano and thus

increased its number of casinos to seven in the country, whilst four new shipboard casinos were added to the CAI fleet.

Also in 2007, the company's Serbian casino opened at Grand Casino Beograd with partners Club Hotel Loutraki and Serbia's State Lottery (although CAI later sold its stake in this casino) and at the end of that year CAI's South African partner opened two new casinos.

In 2008, the company opened the Gran Casino Los Angeles in Bio-Bio, Chile, which houses 12 gaming tables and 200 slots and a 40-seat bingo room, whilst also receiving a licence for a second casino in Chile in Ovalle. And in Argentina, CAI with its partner ENJASA launched Casino Oran and Casino Tartagal, two outlets which had previously only operated slots.

In fact, the connection with ENJASA has also sparked the company's first entry into the international lottery market by joining forces with ENJASA in Argentina, which in addition to its casino and slot halls, also offers lottery products across the province.

This was later followed by Casinos Austria's entry into the Russian Federation. The company is due to launch scratch card lotteries and Lotto 6 game in the summer this year in the Republic of Bashkortostan.

This country is an autonomous republic in the Russian Federation and home to around four million inhabitants and is about 1,200km from Moscow. It is one of Russia's wealthiest republics with a well developed infrastructure.

With the new gaming regulations in Russia, the republic has decided to introduce lottery games to compensate for the loss in tax revenues from the closure of the casinos.

Austrian Lotteries was chosen as a partner and in December last year the first scratch cards were launched on the market. A network of up to 2,000 sales outlets were also opened whilst plans to open a lottery similar to Austria's '6 aus 45' lotto by summer are in operation.

The contract for the production of the lottery terminals was awarded to KEBA, Austrian Lotteries' long term partner.

Although the casino operations side of the sector runs under a monopoly in Austria there are, however, a number of home-grown casino and slot suppliers which are top in their fields including Atronic, Amatic, Impera, Apex Gaming and Webak.

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Atronic is a provider of casino games and services and has offices in the US, Europe, Russian, Latin America and Asia and today has products which are operated in almost 100 countries whilst the company holds a total of 229 worldwide gaming licences.

Atronic is owned by the GTECH Corporation and has supplied around 130,000 machines to some 1,300 casinos. In the Austrian market the company has seen successes with its multi-level progressives particularly The Game of Life and Cash Fever and hopes its new multi-progressive links will have an even higher success.

Atronic's Sylvia Dietz said: "We received very positive feedback on the performance of our innovative core games across the Austrian casinos."

"With a huge variety of top performing linked gaming solutions, broad range of successful core games and flexible casino management solutions, Atronic is in the perfect position to offer Austrian casino customers gaming concepts that allow them to distinguish themselves to the street market."

AUSTRIAN LOTTERIES

It is said the first number lotto in Austria took place more than 250 years ago in Vienna when Lotto di Genova set up the 1-90 Austrian Number Lottery.

For 21 years this lottery was run via a private operator and later became a state affair until 1813 when it was ordained that the Lotto Patent had expired and a new legislation was introduced which ran until 1986 when the law was changed.

Casinos Austria's subsidiary company, Oesterreichische Lotterien, was founded in 1983 and was a joint venture between Casinos Austria and Oesterreichische Postsparkasse.

They were commissioned by the Federal Minister of Finance to devise a new sports lottery (pools) system. And so Toto was restructured and a game called '6 aus 45' was introduced.

As Oesterreichische Lotto Toto became so successful the Minister of Finance then transferred other games, which until that point had been organised by Oesterreichische Glücksspielmonopolverwaltung, to the new company.

In 1989, it was licensed to operate Brieflotterie, Zahlenlotto and Oesterreichische Klassenlotterie.

The company was then renamed



Oesterreichische Lotterien (Austrian Lotteries) in 1991 and four years later Rubbellos, a lottery with immediate pay out, was introduced which was later followed in 1997 by a Wednesday draw of '6 aus 45' and Joker.

In 1998 WebClub.at launched the electronic games Schatzinsel (Treasure Island) and Penalty, followed by Bingo a year later. A further four games were introduced in 2001 followed not long after by '6 aus 45' and Joker.

Also in 2001, Tipp3 was introduced which is a cooperation between Austrian Lotteries and Casinos Austria and several Austrian newspapers. Tipp3 is a sports betting pool which offers players in Austria combination wagering on a fixed quota basis via the Austrian Lotteries and WINWIN outlets or via the internet. It includes various fixtures from football, ice hockey, formula 1 racing and skiing events.

In 2003, WebClub.at was replaced by Win2day.at which was launched by Austria Lotteries and Casinos Austria as a multi-channel gaming platform accessible via PC or mobile phone.

It offers players a choice of traditional Austrian lottery games and a selection of online casinos games.

Although the casino operations side of the sector runs under a monopoly in Austria there are however a number of home-grown casino and slot suppliers which are top in their fields including Atronic, Amatic, Impera, Apex Gaming and Webak.

In 2007 Win2day.at saw a total sales volume of €808.02m the highest turnover of all the games and facilities offered by Austrian Lotteries.

Meanwhile, VLTs offer electronic lotteries, which under section 12a of the Austrian Gaming Act are defined as contracts entered into via electronic media.

The licence to run VLTs is held by Austrian Lotteries and the project is managed by a joint subsidiary of Austrian Lotteries, Casinos Austria and Glucks-und Unterhaltungsspiel Betriebsges. In 2004 WINWIN was launched by Austrian Lotteries and Casinos Austria which enabled the companies to introduce VLTs into the country via gaming outlets. There are currently 624 VLTs in the market and 11 WINWIN locations.

The WINWIN branded outlets are modern gaming entertainment locations in trendy settings of around 500-600 sq.m with catering and bar facilities. The first location was opened in Mayrhofen in Tyrol in May 2004.

Today there are locations in Wels, Steyr and Scharding in Upper Austria, Zwettl, Ebreichsdorf and Bruck/Lietha in Lower Austria, Donauplexx Mall in Vienna (this was later closed in 2007), Zell am See in Salzburg and Lienz and Mayrhofen in Tyrol.



The VLTs operate with a minimum stake of 1c and maximum stake of €9 and the maximum win is €25,000. Money is wagered by tickets or bills with ticket payouts. The WINWIN terminals saw a total sales volume of €223.14m in 2007.

Meanwhile, Austrian Lotteries total sales volume in 2007 came to just over €2,067m. Austrian Lotteries shareholders include Casinos Austria AG with 68 per cent, Lotto-Toto Holding with 26 per cent and Osterreichischer Rundfunk (Austrian Broadcasting Corporation) with six per cent.

The company works with almost 4,000 retail partners of which 62 per cent are tobacco shops, 12 per cent food retailers and five per cent post offices amongst others, ensuring a network of one retailer per 2,127 residents on average.

Other Casino Austria subsidiaries also include Congress Casino Baden, which was set up in 1993 in cooperation with the city of Baden to market and operate the Kongresshaus.

The company organises events in Baden and attracts guests to the casino in Baden at the same time.

In addition, Casinos Austria Security Technologies (CAST) which was founded in 1994 and has become an expert in the

security and surveillance sector. It offers all planning in the field of security.

SPORTS BETTING

Betting is not covered by the gaming monopoly as it is an issue of state legislation (regional governments) and Toto (pools) is the only game to be regulated by the monopoly

Up to 10 accumulated sports bets on an odds basis are not subject to the games of chance monopoly in Austria. Licences for sports betting are issued by the individual provinces on the basis of each of their laws. Austrian Lotteries sports betting subsidiary obtained licences in all nine provinces and in 2007 Tipp3 sales amounted to €48.55m

Toto was introduced in 1949 after a new legislation was brought in and generated income for sports associations. The Toto was a pool system with 12 football matches.

Meanwhile, the Osterreichischer Buchmachers Verband (Austrian bookmakers Association) was set up in 1994 and has several members including Admiral, Cashpoint and Fortuna.

Bookmaker licences are relatively easy to acquire in Austria and therefore there are many licensed bookmakers in Austria including:

"With a huge variety of top performing linked gaming solutions, broad range of successful core games and flexible casino management solutions, Atronic is in the perfect position to offer Austrian casino customers gaming concepts that allow them to distinguish themselves to the street market."
Sylvia Dietz, Atronic.

BWIN – BetandWin.com Interactive Entertainment was founded in 1997 and brought to the Austrian stock exchange (BWIN) in 2000. The company later took over AG Simon Bold (Gibraltar) in 2001 and the company was renamed BAW International and registered in Gibraltar. Simon Bold is now MD of BAW and BAW is the operating arm of betandwin.com which has sports betting and casino licenses issued in Gibraltar.

The betandwin Gaming Group is a publicly licensed company in Austria as well as Gibraltar and listed on the Vienna Stock Exchange and was renamed Bwin Interactive Entertainment AG in 2006.

The company operates in 25 European countries and offers platforms for sports betting, poker, casino games, soft games and skill games under various licences. Bwin offers LIVE betting which has bets in real time plus 67 casino games. Bwin saw gross gaming revenues of €350.3m in 2007 (excluding US and Turkish operations) compared to €288.6m in '06.

INTERWETTEN SPORTWETTEN – This company began in 1990 in Vienna with a telephone betting service for soccer and ice hockey bets and in 1997 became a pioneer in offering internet sports bets.

In 2000, the company changed its name to Interwetten AG with its holding



company based in Malta.

Today, the company offers a total of 8,000 different bets per week on football, tennis, baseball and ice hockey for example. Annually there are 45,000 sporting events from 50 countries. The company now has 750,000 registered users from 200 countries with 10.5 million sports bets placed in 2007. The company is expecting a betting turnover of around €345m.

GAMEBOOKERS – The company was founded in 1998 and is an international betting group headquartered in Antigua & Barbuda. The Austrian licence was obtained in 2002 from the province of Styria. The group offers online, phone and offline betting operations in the UK, Ireland, Austria, Romania and Antigua & Barbuda etc.

ADMIRAL SPORTWETTEN – This company was founded in 1991 and is a subsidiary of Novomatic which has a 72.49 per cent share in the betting arm. In Austria today there are 183 Admiral betting shops whilst the company has had outlets in Romania since 2005 and Italy since 2007.

CASHPOINT – Cashpoint was founded in 1996 and developed the first self service terminals. The internet terminals were

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operated in Germany for a year and the company opened a branch in the Austrian market in 1998.

The company later moved to new headquarters in Vienna with an additional production area and in 2000 finished its Cashpoint 'three tier Architecture' with the introduction of its own internet platform followed by live betting in 2001 and since 2003 Cashpoint Wettprogramm. By 2008 there were 2,000 terminals in operation.

Meanwhile, CBC-X is an Austrian based betting system provider which was founded in 1985 and was one of the pioneers in the betting sector and today has a network covering Austria and Europe.

The CBC-X group supplies equipment to betting cafes, betting shops, online betting shops and modern betting terminals and has a number of franchise partners.

Two of CBC-X's recent projects include the launch of the new betting terminal called the Bar Station CX3 and the new live betting system XLive which combines regulars sports betting and live betting systems with the 'Rest-Of-The-Match' bet.

CBC-X's CEO Peter Matausch said: "We

believe that new products and highly sophisticated technologies combined with state-of-the-art security and monitoring systems lead to an ever increasing popularity of sports betting so CBC-X prepares for a further growth of sales and revenue figures."

THE AMUSEMENTS SECTOR

There are between 8,000 and 10,000 amusement products currently in Austria although this number has dropped over the years.

The most significant drop in amusement products across Austria are the simulators and pinball machines mainly due to the fact that more and more bars and restaurants have closed down over the last few years.

Another reason is, of course, the high taxes for operating amusement products which often makes them uneconomically viable.

The highest taxes are in Vienna where the numbers are naturally lower. In fact amusement games are almost extinct in Vienna. Back in 2004 these games saw a high monthly city tax of €218 and this, plus home video games, has taken its toll. In 2002 there were around 1,300 amusement games which dropped to

almost 800 in 2004 and today there are just 361.

Meanwhile, there are around 4,000 touchscreen games in the Austrian market and touchscreen operators pay between €15 and €1,300 taxes per month depending on the region

As Herbert Ehmer, Sales Manager for Funworld Austria said: "Upper Austria is Funworld's best performing province containing the highest number of amusement products comprehensively.

"We estimate there to be around 4,000 touchscreen terminals in total in Austria, which have been mainly widespread in the gastronomy and gambling sector.

"In addition to that some terminals like the children's TouchToy have also successfully entered new locations such as shopping centres, surgeries and nurseries."

Funworld claims it has a 50 per cent market share with around 1,500 PhotoPlay products, 400 Touch Toy models and some Touch2win betting terminals in the market at the moment. The company began to sell touchscreens in 2000 and since that date has sold around 8,000 units into Austria.

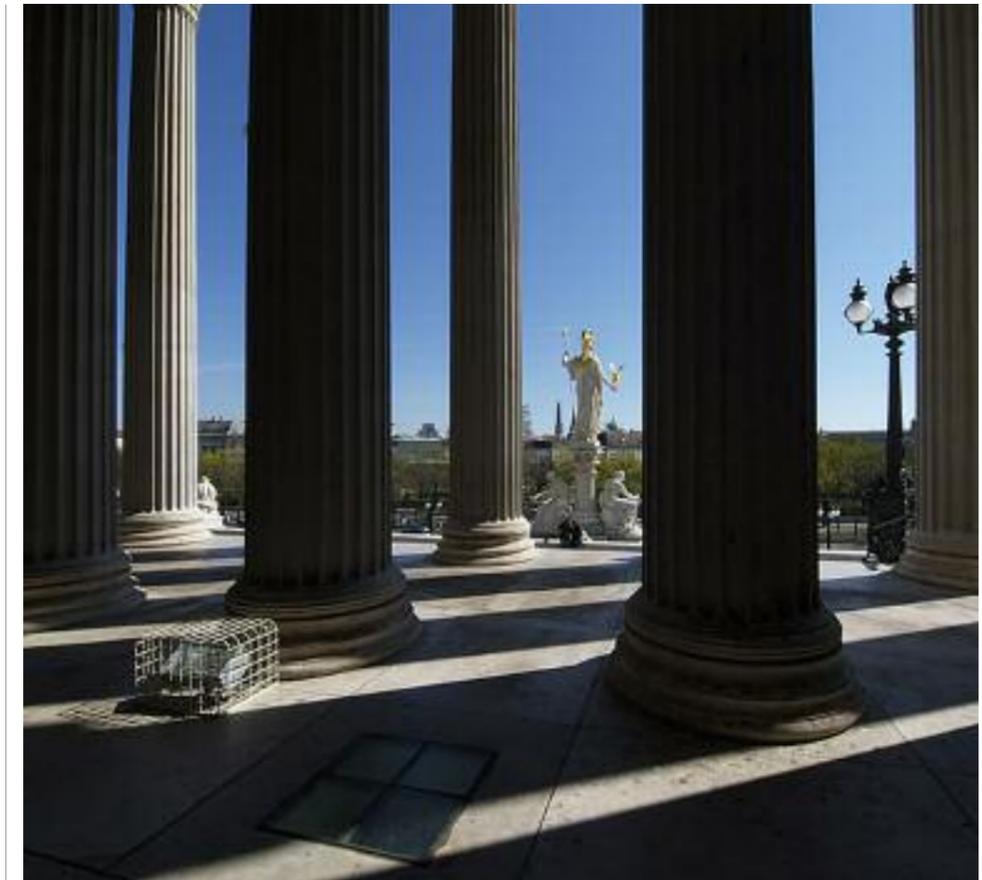
Another strong amusement and touchscreen company is TAB which began business back in 1962 with the sale of jukeboxes, football tables and pinball machines. What began as a small husband and wife team developed into a large family run business.

Since Automaten Dattl was originally established in 1962 the company split in 1983 to form TAB Austria and Dattl Unterhaltungselektronik.

TAB went on to expand into Germany and Italy and the then Silverball brand of touchscreens became synonymous in the entertainment field. Later the company also developed digital jukeboxes, touchscreen gambling terminals and virtual pinball.

TAB's Dietmar Straubinger said: "We constantly create new consumer orientated games, features and software updates for our products. We have developed games like the Fun4Four and MaxFire jukebox and we have created new ways of selling music and videos for the music and amusement industry.

"Currently an Austrian wide TV campaign with our MaxFire jukebox with the new U2 videos is running whilst the Silverball terminals have over 245 games, browser to surf the web, email access etc."



CASINOS IN AUSTRIA:

GRAND CASINO BADEN was opened in April 1934 as the first year round casino belonging at the time to Oesterreichische Spielbanken. It was closed during the Second World War and reopened in 1955 later moving to the Kongresshaus. In 1977 it was renovated several times and reopened with slot machines introduced and fitted in a new slot machine hall in 1979. The casino was extended in 1990 and finally reopened in March 1995 as the biggest casino in Europe with the congress and event centres.

Since its relocation to the Kongresshaus it has welcomed some 12 million guests and dished out a total of €275m in prize money. The cumulative takings are €595m

There are a total of 26 gaming tables plus one Easy roulette and one multi roulette plus 188 slot machines. Jackpot Corner houses 63 slots and a blackjack table.

CASINO BAD GASTEIN was opened in the summer of 1937 but closed again in 1938 after a short season. However it was the first casino to reopen after the war in July 1950 and is the only casino in Austria to operate on a seasonal basis.

It changed its location three times before

"We believe that new products and highly sophisticated technologies combined with state-of-the-art security and monitoring systems lead to an ever increasing popularity of sports betting so CBC-X prepares for a further growth of sales and revenue figures."
Peter Matausch, CBC-X.

settling in the Grand Hotel de l'Europe in 1984. The casino offers 10 gaming tables and 40 slots.

CASINO BREGENZ was opened in 1975 and moved several times until settling and today the casino complex consists of individual pavilions on the lake side. In 2002 the Jackpot Casino was opened which houses slots and specially adapted roulette and blackjack tables. It offers 23 gaming tables and 133 slots.

CASINO GRAZ is Casino's Austria's 11th casino, which opened in the Styrian capital in 1984. It is located in the congress centre and in 1995 became the first casino to offer a regional variation of poker called '41'. In 1996 Jackpot Corner opened with 69 slots and one blackjack table.

CASINO INNSBRUCK is the newest casino in the portfolio and opened in 1992 and has become Austria's most successful casino. The casino houses 22 gaming tables and 210 slots in an area of 2,900 sq.m and in 2008 the casino welcomed more than 235,000 guests. The Jackpot Corner was opened in 1995 and is home to 88 of the slots plus an automatic roulette and blackjack table.

CASINO KITZBUHEL was opened in 1934 and



was the third casino to open after Baden and Salzburg. After a 16 year pause because of the war period it reopened in 1954 with two French roulette double tables and one baccarat table. It is located at the Hotel Goldener Greif, a building constructed in 1274. Major construction work took place in 1989 and the official reopening was held in January 1990. The casino is home to 17 gaming tables (busy season) and 52 slots in the Jackpot Casino.

CASINO KLEINWALSERTAL opened at Sporthotel Riezlern in 1972 and its popularity led to the construction of a purpose built casino which opened in 1975. New games were added, the restaurant enlarged and the casino was redesigned in 1983. Due to its geographical location 96 per cent of its visitors are from outside Austria whilst before the introduction of the Euro the games were played in German currency. The casino has 13 gaming tables, five multi roulette and eight Easy roulettes plus 74 slots.

CASINO LINZ is Casino Austria's 10th casino which opened in 1982. It was expanded in 1995 to include the Jackpot Casino and further expanded in 1997 with the

opening of a 200 sq.m event hall. To mark its 25th anniversary the casino underwent major refurbishment and today it houses 18 tables games and two slot areas with 107 slots and multi roulette in Jackpot Casino and 99 slots and an Easy roulette in Casino Classic area.

CASINO SALZBURG was Casino Austria's second casino to open in 1934. It closed down during the war to reopen in 1950 and as it grew larger it then moved residence in 1977 to Café Restaurant Winkler overlooking the city. A further enlargement was necessary some years later and the additional premises at the baroque castle, Schloss Klessheim, were so popular the casino moved there permanently in 1993. The casino has 18 gaming tables and 10 Easy roulette terminals plus 110 slot machines.

CASINO SEEFELD was the second casino in Tyrol to open in 1969 in the tourist resort of Seefeld. It was initially housed in converted premises at Hotel Karwendelhof before a new annex was opened. Originally it was a seasonal operation but after the premises were enlarged in 1971 it offered year round

"We constantly create new consumer orientated games, features and software updates for our products. We have developed games like the Fun4Four and MaxFire jukebox and we have created new ways of selling music and videos for the music and amusement industry."
Dietmar Straubinger,
TAB Austria.

gaming in 1973. A new tower-like building was added in 1980 for the slot machines and in 1989 a further extension was completed. The casino now has a total area of 1,795sq.m and includes 99 slots and 10 Easy roulette terminals plus a minimum of 21 tables.

CASINO VELDEN was opened in 1950 and was the company's fifth casino. It became a big tourist attraction and the premises were enlarged and in 1974 an outdoor gaming area was set up. As it was not possible to enlarge the building any further, eventually a new casino building was built on the banks of the Veldener Bucht and opened in 1989. Today the casino has a total of 20 table games and 210 slots.

CASINO VIENNA is housed in the Esterhazy Palace which dates back to the 15th century. The building was destroyed in a fire in 1968 and after it was renovated it was reopened and converted into a casino. The casino was expanded several times during the 1990s and today offers gaming on three floors. There are 92 slots in the Classic Casino hall and 21 gaming tables plus 88 slots and four tables in Jackpot Casino.