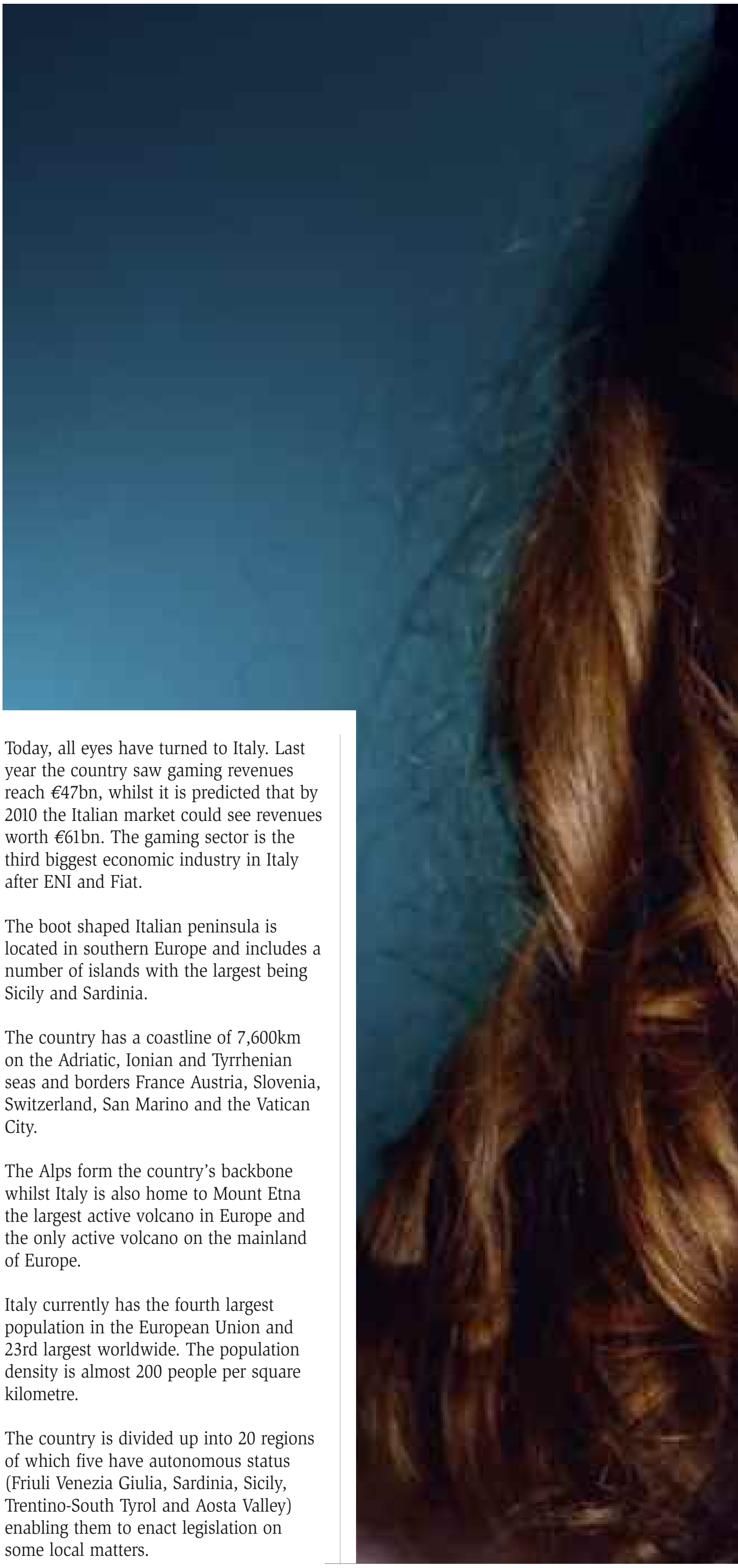

Italy: playing hard to get

Opportunities in the Italian gaming market are abundant, but who's going to capitalise on them and who's going to ultimately lose out?

The saying 'Rome wasn't built in a day' could easily apply to many things in Italy, including the country's gambling market.

With a population of 60 million and a capacity to be a huge player in the worldwide gaming market the country, however, never really reached its full potential when it came to constructing the gaming industry.

One regulation followed another which never seemed to work and just when you thought you had a grasp of the new regulations out popped a new decree and you began the whole process again.

In addition it was always a fairly closed domestic shop. Foreigner manufacturers repeatedly tried, and invariably failed, against the army of home grown products which traditionally served the market.

Then three years ago the Italians released the regulations for the NewSlots, as the AWPs are now known, and along came a reasonably monitored market with payout AWPs.

Then more recently the climax hit the Italian market with the announcement of the VLT law. Not only did this create a new doorway in the gaming sector but it has also enabled the market to step sideways and allow the international casino sector to enter what was before a very limited product market for them.

Italy currently has the fourth largest population in the European Union and 23rd largest worldwide. The population density is almost 200 people per square kilometre.

Today, all eyes have turned to Italy. Last year the country saw gaming revenues reach €47bn, whilst it is predicted that by 2010 the Italian market could see revenues worth €61bn. The gaming sector is the third biggest economic industry in Italy after ENI and Fiat.

The boot shaped Italian peninsula is located in southern Europe and includes a number of islands with the largest being Sicily and Sardinia.

The country has a coastline of 7,600km on the Adriatic, Ionian and Tyrrhenian seas and borders France Austria, Slovenia, Switzerland, San Marino and the Vatican City.

The Alps form the country's backbone whilst Italy is also home to Mount Etna the largest active volcano in Europe and the only active volcano on the mainland of Europe.

Italy currently has the fourth largest population in the European Union and 23rd largest worldwide. The population density is almost 200 people per square kilometre.

The country is divided up into 20 regions of which five have autonomous status (Friuli Venezia Giulia, Sardinia, Sicily, Trentino-South Tyrol and Aosta Valley) enabling them to enact legislation on some local matters.

The country is then further divided into 109 provinces and 8,100 municipalities. Rome is the largest city with a population of 2.7 million.

After World War II the economic boom saw an influx of people moving from rural areas to the cities and at the same time transformed the nation from a massive emigration country to a nation of immigrants.

In the late 1800s and early 1900s approximately 750,000 Italians emigrated each year many to the Americas with around 25 million Americans today claiming Italian descent.

Meanwhile, more recently, the number of immigrants has grown by 122 per cent over the last six years and today the country receives around 450,000 immigrants each year.

At the moment the country has 3.4 million registered immigrants and the majority are from Romania, Morocco, Albania and China.

On the other hand, Italians are living longer, marrying later and having fewer children, whilst around 70 per cent live in urban cities.

On the economic front, in 2008 Italy was the 7th largest economy in the world and 4th largest in Europe. The country is divided into a developed industrial north dominated by private companies and agricultural state assisted south.

The country has in the past been referred to as the 'sick man of Europe' due to its economic stagnation and political instability. It suffers from a lack of raw materials and energy resources and the territory is mostly mountainous making it unsuitable for intensive cultivation whilst communication is difficult.

Secondly the Italian economy is weakened by the lack of infrastructure development, market reforms and research investment and thirdly the country has a smaller number of world class multinational corporations and its economic strength is in the processing and manufacturing of goods primarily in the small and medium sized family owned firms.

Italy's GDP stood at -0.5 per cent during the second quarter of this year and is expected to drop to minus 1 per cent by the end of the year. However the country is showing positive signs of economic recovery.

Italy offers a complete range of tourist delights from skiing in the Alps, to the ruins of Pompeii to the vineyards in Tuscany. Visitors can relax on sandy beaches or history lovers can visit some 3,000 museums, churches and archaeological sites.

The government has been aiding the country through the recession by helping companies to invest in their businesses with lowering taxes on profits, helping businesses with research and innovation and safeguarding employment.

Amongst other measures approved in parliament before the summer break were tax shields for capital return, new pension schemes, financial incentives for small and medium companies and collective indemnity for domestic workers.

On the plus side tourism is one of the fastest growing and most profitable sectors for the national economy with 43.7 million international tourist arrivals and total receipts at around US$42.7bn. Italy is the fifth major tourist destination and the four highest tourist earner in the world. Rome, Florence and Venice are the top three tourist destinations and Italy is also home to 43 UNESCO World Heritage sites.

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The islands such as Capri and Ischia offer thermal spas whilst the cities provide sightseeing trips and designer shopping whilst the country is also famous for its literature, music, theatre and arts, breeding the talents such as Michelangelo, Leonardo da Vinci, Donatello, Caravaggio and Titian.

However although shopping is a huge Italian culture, shopping malls are far from typical due to a highly regulated environment.

Strange really when story has it that the Galleria Vittorio Emanuele II, which opened in Milan in 1877, was cited as the inspiration for the modern enclosed shopping mall.

The first Italian shopping mall, Cittamercato, opened in 1972 in Brescia but by 1987 only 40 centres larger than 53,000 sq.ft had opened in the country. Development after this time did accelerate, however Italy today still only has around 500 shopping centres.

One of the main reasons for the growth in recent times is the need for hypermarket retailers and many foreign brands are urging development.

Traditionally Italy was made up of the small family owned grocery stores which at one time represented about 60 per cent of the existing selling space in Italy.

These far out numbered the supermarket and discount stores. However times have changed recently as people have less time to shop daily in the small local delis whilst more affluent families now do their weekly stock up at the supermarkets, and ethnic specialities, which once covered one or two shelves, are now taking over whole stands as tastes begin to vary.

Supermarkets have a market share of around 43 per cent whilst hypermarkets have a 14 per cent share. The main supermarket chains now include Coop, GS, Carrefour, Auchan, Esselunga (mainly in the north), Lidl and Conad.

HISTORY OF GAMING

With a market that's almost locked into a system of perpetual change it is however of course a huge appeal to manufacturers eager to provide new products for this market.

The country's gaming industry dates back to the early 1960s when pinball machines were permitted after they had been banned under the earlier 1931 law.

Five years later the 507/65 was introduced although it then took the Italians another 21 years to bring in a law that permitted a maximum of three free plays on machines as a prize.

This law was passed in 1986 and continued until the mid 1990s when the 425/95 was introduced which permitted 10 free plays or 10 token payouts.

This saw a new era for gaming machines however as the gaming law was left wide open to interpretation it also saw an influx of illegal operations. Cheap video poker machines began to flood the market around this time and operators merely swapped the 10 token payout for over the counter cash.

These machines were ideally suited for the Italian bars and domestic companies led the way. However the market became out of control rapidly.

The industry began to campaign for a coin in/coin out and 'preponderance of skill' legislation but the government ignored this option and instead introduced the 388/00 which allowed players to win either a prolonged game session or free games up to a maximum of 10 credits. Single games had to last 12 seconds and games were only legal if entirely skill based.

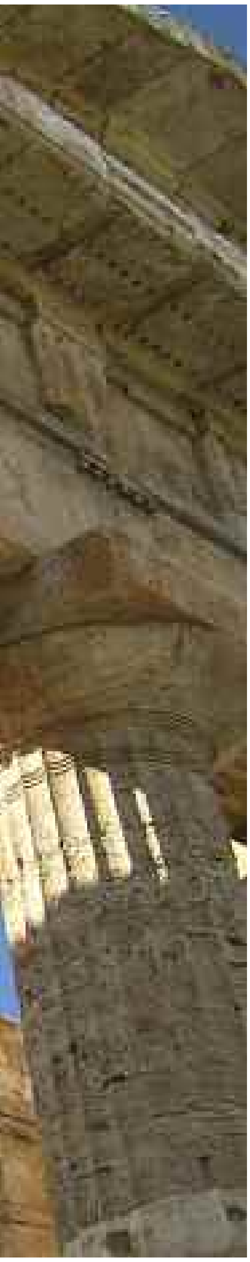
The market went from bad to worse and finally two years later the law was amended and the 289/02 was written.

The country's gaming industry dates back to the early 1960s when pinball machines were permitted after they had been banned under the earlier 1931 law.

This permitted payout machines but with a 50c stake and €10 maximum payout, 10 second game time and 90 per cent payouts on a cycle of 7,000 games. But they were hardly what the Italians had hoped for.

In a concentrated bid to wipe out the estimated 800,000 video poker games once and for all the government went so far as to ban any images of poker games within AWP or other games.

NewSlots (AWPs) as they are called were then introduced starting with the Comma 6 games. These operated with a maximum payout of €50, a 7-13 second game time and 75 per cent payout on 14,000 cycle and all AWPs had to be linked to a central monitoring system set up by SOGEI (the AAMS information technology supplier).



In 2006 the Comma 6a machine law was introduced and this marked the beginning of a new era for the Italian gaming industry both in terms of real gaming and remote gaming.

The comma 6a games are not only modern with a higher pay structure but are also server controlled and can be switched off automatically if the operator does not pay taxes on a regular basis.

SOGEI's remote gambling solution is supported by a central services unit which controls each step of the game in real time. The new updated Comma 6a protocol provided a way of tightening up the communications environment via smartcard technology. The requirement is for the game software to work only if it is able to communicate with the smartcard and the communications network, and therefore introduce a higher level of security.

Previously reports of operators disconnecting their machines from the network enabled them to manipulate their incomes. The new protocol and technology means that the communication between the smartcard and the machine connection must be certified as a unit for the game to work.

In terms of real gaming this meant that the 6a machines were to replace the Comma 6 machines over a period of three years with licences expiring on 15 December 2009.

Comma 6a machines were to be distributed by March 2008 and it was reported that in 2008 some 175,000 Comma 6a machines were placed in the market to replace comma 6. It is still thought that 40 per cent of machines on the market are still Comma 6 and many fear the deadline for changeover will not be met.

In a concentrated bid to wipe out the estimated 800,000 video poker games once and for all the government went so far as to ban any images of poker games within AWP or other games.

The Comma 6a regulations include:

- A maximum stake of €1 and maximum payout of €100
- Game duration of not less than four seconds
- A 75 per cent minimum payout of not more than 140,000 game cycle.
- Games can be operated in bars, cafes, restaurants, arcades, hotels, private clubs etc
- Tax rate is set at 12.6 per cent (PREU)
- All machines must now be connected to a central network management system.

Under the Comma 6a law, multiplayers are now also entering the Italian market with most major manufacturers now developing machines for this market.

They have to be especially adapted for the Comma 6a law and there is some scepticism as to how operators can afford such luxurious and expensive pieces in their arcades when the payouts are the same as an AWP.

As the 75 per cent minimum payout cannot be guaranteed in the mechanical feature of a multiplayer roulette for example, a pre-game is played to enter the game which then credits the player with chips for the main roulette game.

These machines are an attraction piece for gaming arcades, but are often only found in the large upscale arcades which are currently opening in the major cities.

Meanwhile despite the economic climate the Italian gaming market seems to be growing and the first half of 2009 saw a 10.6 per cent increase on takings compared to the same period in 2008.

The Italians spent a total of €47.5bn in 2008 on AWPs, betting and lotteries which made it the third largest domestic economic sector and a 12 per cent increase on 2008 figures.

This is compared to just €15bn back in 2003 whilst it is thought the end of 2009 could see takings soar to €52bn.

The AWPs are still taking the lions share (€22bn) and NewSlots have collected some €12.4bn for the first half of 2009 alone – an increase of 16.2 per cent on the same period in 2008.

The industry, which is governed by the AAMS (Gaming Authority under the Ministry of Finance) is divided into seven gaming areas – Fixed odds number games (€6bn revenue), draw based lottery (€2.5bn), sport and horse betting (€6bn), poker and skill games online (€0.2bn), instant lottery (€9bn), bingo (€2bn) and AWPs (€22bn). The slots sector accounts for 47 per cent of the total gaming market.

At the end of 2008 there were a total of around 340,000 Comma 6 and 6a machines in total in the Italian market with between one and four machines permitted per coffee shop, pub and restaurant.

A maximum of 24 machines are permitted per betting shop and a maximum of 75 units are permitted in bingo halls. In arcades the number of slots can double that of other amusement machines.

Of these machines around 280,000 have now been converted or changed for Comma 6a machines with conversions costing on average €1,000 per machine. The remainder, around 60,000 still have until next month (December) to convert.

The best selling Comma 6a machine last year was Haunted House manufactured by Italy's MAG with software supplied by the UK's CMS and distributed exclusively by Tecnoplay.

THE CONCESSIONAIRES

As in most cases the liberalisation of the law was driven by budgetary needs. However after decades of control by SNAI, Lottomatica and SISAL it finally permitted a new wave of operators to legally and legitimately enter the gaming market.

In 2004 10 concessionaire licences were awarded to companies to set up the remote network to manage legal slot machines. The concessionaire's activity involves the real-time connection of all machines and the collection and recording of all the information regarding wagers and winnings of each single slot machine.

The companies selected were the main Comma 6 players in the Italian market who met the criteria of having a strong financial and gaming background and a minimum 5,000 AWP network.

The process of becoming a concessionaire was fairly complex and difficult and required a thorough screening of the capability of the company, past experiences in similar activities and financial status. The company needed to establish large bank guarantees towards the administration and produce a number of contracts with operators who would connect to the particular network.

Once the concession was granted the company then had a certain amount of time to connect all the operators and then establish a connection with SOGEI to transmit the data collected.

LIST OF CONCESSIONAIRES AND THE MAXIMUM DIVISION OF VLTS

Concessionaire	Number of AWPS Comma 6a	Numbers of VLTs Comma 6b	Percentage of market	Investment
Atlantis Group	85,000	11,953	21%	€179.3m
Lottomatica	77,000	10,761	18.9%	€161.4m
Gamenet	55,752	7,805	13.7%	€117.1m
Cogetech	37,329	5,226	9.4%	€78.4m
Snai	36,088	5,000	8.9%	€75.8m
Sisal Slot	35,172	4,900	8.6%	€73.9m
HBG	34,270	4,790	8.4%	€71.9m
Cirsa Italia	18,453	2,580	4.5%	€38.7m
Gmatica	15,971	2,235	3.9%	€33.5m
Codere	9,707	1,358	2.35%	€20.4m

Italian operators Sisal, Lottomatica and SNAI were awarded five year licences together with Spain's Codere and Cirsa and domestic operators Atlantis World, Cogetech, Gamenet, HBG and GMatica.

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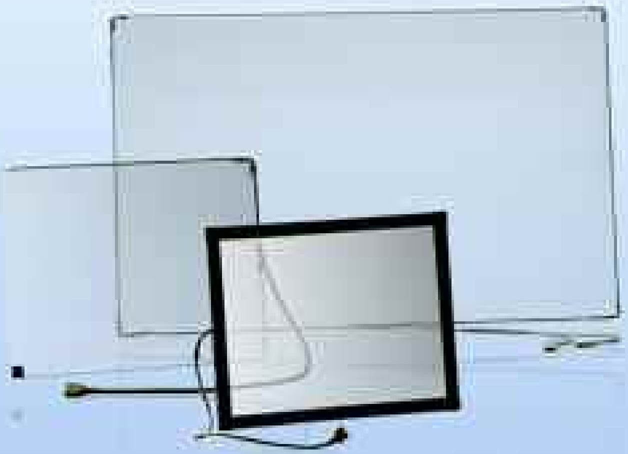

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Of the ten concessionaires who can operate Comma 6a machines the market leader is Atlantis World with 21 per cent followed by Lottomatica (18.9%) and then GameNet (13.7%).

- **ATLANTIS WORLD GIOCO LEGALE LIMITED**

Atlantis World is one of the companies of the Atlantis World Group of Companies NV based in the Caribbean. In Italy, Atlantis World is headquartered in Rome and is one of the largest players in the New Slot field and today operates around 85,000 AWPs throughout the country and has a market share of around 21 per cent.

Atlantis World's partner for the sports betting sector is BetPlus and players can enter the portal betplus.it and atlantisbet.it for a range of sports betting, scratch cards and computer games.

In 2004 10 concessionaire licences were awarded to companies to set up the remote network to manage legal slot machines. The concessionaire's activity involves the real-time connection of all machines and the collection and recording of all the information regarding wagers and winnings of each single slot machine.

- **LOTTOMATICA**

Lottomatica is the worldwide leading lottery operator (in terms of overall wagers). It is directly controlled by media, publishing and finance company De Agostini SpA (59.8%).

In 2006, Lottomatica invested €3.6bn and acquired GTECH Corporation and is now a leading supplier of technological solutions for the lottery industry. The company now operates in some 50 odd countries, employs 7,500 people and sees more than €2bn in revenues annually.

The company has some 77,000 machines in the Italian market and of the total €21.7bn in wagers from this sector Lottomatica saw €3.5bn in 2008. In the first six months of 2009 the gaming segment's business (AWPs) wagers increased by 24.4% to €2.1bn from €1.7bn for the same period in 2008.

In terms of revenues for the first half of 2009, the company's lottery sector is the leader with €361m followed by sports betting sector with €96m (37 per cent increase) and AWPs with €73m a huge increase of 95 per cent on the same period in 2008.

In terms of the lottery sector Gratta e Vinci is the most popular game in Italy with more than 14 million customers and it was the first instant lottery in the world with some €9.2bn in wagers. Lotto is the top performing numerical lottery in the world with total wagers of €15bn in 2008.

- **GAMENET SPA**

GameNet was born in October 2006 and today operates some 55,000 slots and has also branched into betting, online gaming, lotteries and VLTs.

GameNet is 100 per cent owned by Criga, the Consortium Network Managers Auto Italy which was founded in 2003 by 14 operators which later grew to 300 operators. GameNet has teamed up with Austria's Novomatic to develop products for the VLT sector

- **SISAL SLOT**

Sisal is a private Italian company owned by Giochi Holding and headquartered in Milan and employs around 700 people. It began in 1946 when it launched a pool game on the Italian football championship later called Totcalcio.

The company now runs lottery and tote related games such as SuperEnalotto, Tris, Totocalcio, Totogol, Big Match and Big Race. It has a network of 30,000 retailer shops which are equipped with online terminals. The company also provides 230 non-gaming related products and also operates in the bingo market.

Its subsidiary Sisal Match Point operates in the sports and horse betting market and has 150 betting shops and 4,000 outlets and an e-gaming platform.

In 2006 Sisal was authorised by AAMS to set up a slot machine network and Sisal Slot, a new subsidiary of Sisal, was founded together with Magic Matic, one of the main operators in the AWP market. They have 30,000 plus machines in some 10,000 outlets.

The company also operates free-to-play online skill games with GameAccount Network who provides the software for various games. GameAccount also provides skill games for other Italian sportsbook operators such as Cogetech and Lottomatica.

In 2008 the company's gross turnover was €6.5bn and is ranked as the 10th largest lottery operator worldwide.

- **COGETECH**

Cogetech was founded in July 2004 and today has offices in Milan and Rome and operates through a capillary commercial network within Italy. The company currently operates 37,000 gaming machines under the Comma 6a legislation and also has 400 betting shops.

Cogetech saw a €250m turnover in its betting operations and €1.4m turnover for its AWP sector during the first half of 2008.

Last year, in anticipation of the new VLT legislation Cogetech joined forces with ACE Interactive (owned by Aristocrat) to develop VLTs for the new Comma 6b market.

ACE was founded in 2003 to develop and market video game systems and in May 2006 it was acquired by Aristocrat. The company is renown for its TruServ platform and products such as Indago interactive video terminal combined with Aristocrat games and third party providers.

- **SNAI**

The SNAI Group was founded in 1990 with the establishment of SNAI Services which provides logistical support to betting shops. By 1999 the SNAI Group was a leading provider in Italy and Europe of computer services to high end technology for the collection and management of horse race betting, sports, pools and entertainment machines.

Today the group's principal activity is the management of race courses and related betting services but has several subsidiary companies involved in real estate, publishing and television and multimedia.

SNAI SpA is the operating arm of the group and today the company has 1,206 sports rights (342 shops and 864 points of sale) and 3,886 horse rights (99 shops and 3,787 points of sale).

The group also operates around 35,000 slot machines and in 2008 saw total group revenues of €540m with SNAI SpA achieving revenues of €522m.

Comma 6b machines will supply Server Based Gaming services and will hopefully then reduce many of the existing limitations at the moment regarding central monitoring, taxation, money laundering and underage gaming.

- **HBG GROUP**

Founded in 2000, HBG Group is one of the leading bingo hall operators in Italy and in 2003 consolidated its position by acquiring Bingo Plus Spa of Lottomatica.

Today the company operates 20 bingo halls in Italy plus after receiving the concession for the NewSlots in 2004 now has more than 30,000 slots distributed in 12,000 outlets with 400 partner operators.

Earlier this year the group presented the new totem SmartGames – a new range of games including poker, sports betting and Scratch which can be distributed online to operators.

- **CIRSA ITALIA**

Cirsa Italia is part of the Cirsa Corporation which was founded in Spain in 1978. The Italian arm of the company was set up in 1996 with Unidesa, the manufacturing arm of Cirsa.

Since that time the company has grown steadily and in 2000 Cirsa Bingo was set up followed by Cirsa Interactive to offer a complete range of services and machines.

• **G.MATICA**
G.Matica was set up in 2004 and is owned by the Group AlvavivA, an Italian company which has 17 companies and a group turnover of €652m. Headquartered in Rome G.Matica now operates GBet Sportsbook plus slots. The company has teamed up with Adria Gaming International, a subsidiary of Novomatic for the Comma 6b market.

Adria recently acquired the majority of assets of PuntoItalBet, an Italian operator which holds five concessions for sports betting and six for horse racing.

• **CODERE NETWORK**
Spanish gaming company Codere entered the Italian market in 2001 and operated bingo halls called Operbingo. In 2005 the company acquired eight Operbingo salons and in 2006 acquired Palace Bingo in Turin followed by Bingo Maxibingo and Mortara and Bingo Regina the following year. The growth of the bingo sector has been significant and in 2004 Codere entered the slots market in Italy by acquiring Opergiochi, an operator in the north of Italy who had more than 2,300 machines in bingos, bars and restaurants.

Today Codere Network operates slots and 12 bingo halls in Italy and has a turnover of €141.4m. In July 2008 the company entered a joint venture with William Hill for sports betting in Italy.

THE NEW VLT MARKET
The Italians are always full of surprises. In a less than a decade the country has managed to change from a dismal illegal video poker market to a thriving gaming sector.

As the government became more aware of server based gaming, last year the new decree for the Comma 6b (VLTs) machines was announced by the AAMS and was officially introduced last month (October).

Comma 6b machines will supply Server Based Gaming services and will hopefully then reduce many of the existing limitations at the moment regarding central monitoring, taxation, money laundering and underage gaming.

There are initially just over 50,000 VLT licences available which are offered primarily to the 10 concessionaires who can operate up to 14 per cent of their total AWP number base. Additional licences were due to be issued in October 2010.

The Comma 6b concessionaries will have to pay a licence fee of €15,000 which lasts nine years for each machine. The first part payment of €7,500 was paid in October with the remainder due by April. The state could stand to collect around €850m in total.

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- Stakes of 50c to €10.
- Maximum payout of €5,000
- A percentage return of not less than 85%
- Venue jackpot maximum of €150,000
- System wide progressive jackpot of €500,000
- Tax rate of 2 per cent up to 2011 increasing to 3 per cent (2012) then 4 per cent (2013)

With the huge licensing fees on the concessionaires' shoulders some suppliers are of course 'buying' their way into the market with not only their software knowledge but funds. The Italian players need the "international" market to have access to the platforms, which are a key requirement for the server based systems.

Others who have the product knowledge but no capital are hooking up with Italian cabinet manufacturers who are of course eager not to miss out on the VLT opportunity. It's all a case at the moment of who's in bed with who.

There are currently some 16 system providers who are submitting their products for approval in the Comma 6b category. It is thought most concessionaires will have two or three providers with many cross-overs and as yet not all parties have arranged deals or signed contracts.

The main VLT suppliers in Italy however will probably include Barcrest/Cyberview, IGT CDS, Ace Interactive, Octavian, Bally, Spielo, WMS, Novomatic, Merkur, Inspired Technology, Unidesa, Apex and Adria Gaming (Novomatic).

However there are also many other suppliers looking at the Italian market and there are also several manufacturers who are providing cabinets for either their own systems and also for third parties. These include Tecnoplay, Sogema, Zest, Magic Dreams, Go Play Group, Astro Corp, IGT, Bally, WMS, Novomatic, Spielo, Marim, Win-Tek and Nazionale Electronica.

Some concessionaires have already openly announced some of their partnerships like Cogetech linking up with Ace Interactive; Atlantis Group and IGT CDS System, Novomatic and WMS; Gamenet with Spielo and Novomatic and Gmatica with Adria Gaming.

VLTs can now be sited in the same gaming hall rooms as Comma 6a although the single sites (bars, cafes etc) are, at the moment, restricted to AWP operations only.

The law on the 6b is still awaiting EU approval although samples of VLTs have been presented and the concessionaries have had to commit themselves to their quota. Testing of the VLT products began in October which is divided into two parts, primarily initial product testing and then experimentation and test run.

As the first half the licence fee has already been paid by the concessionaires obviously the pressure is now on to get the products out into the market for a return on their investment.

It is expected however that February will be the earliest time for the release of the first VLTs in the market.

Everything runs via SOGEI which is owned by the Italian Ministry of Economy and Finance and provides ICT solutions and services to the Italian tax administration.

It has worked with the State Monopolies Authority's gaming sector since 1998 and implemented the IT systems to carry out the control and management of gaming.

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SOGEI also designed the ICT solutions for the concessionaries aimed at managing the funds directed from their activities.

SOGEI has now engaged GLI as its exclusive partner to help them run the testing of the new Comma 6b machines. GLI is one of four other testing institutes which offer services for the Comma 6a sector.

Meanwhile rumours that the market will open in April to another 10 concessionaires is still circulating the industry.

In April 2010 the licences for the current concessionaires expires however an automatic renewal process is in place. At this time other companies may apply for the concessionaire rights although the criteria for such an application is tough.

Some suggest that the government will require more revenue from the VLT licences than the current concessionaires can afford to meet. Therefore the government may well open the door to further concessionaires at this time.

In the meantime not everyone is happy with the new law. Some operators are sceptical of the success of the VLTS. Traditionally Italy has welcomed bar machines and operators say they are happy with the performance and return on investment of the Comma 6a machines.

However on the other hand some say the VLTs can herald a whole new gaming era with players demanding new games forcing operators to renew and invest.

Although the foreign casino suppliers are eagerly developing VLTs for one of the few available lucrative markets in a time of economic troubles, the Italian operators are not as positive.

Some believe although the advent of new technology is always a good thing the timing is poor plus with plans for large scale gaming hall operations about to be developed to house VLTs the future for small to medium operators looks bleak.

Tiziano Tredese of Elmac said: "The time is wrong. We need a minimum of two years to pay for the change over to the Comma 6a and no other manufacturers can do anything because of the concessionaire's hold on the market."

Meanwhile the details of how operations will work within the new VLT market are still sketchy and indeed have not been formally arranged.

VLTs can be operated in bingo halls, betting shops, dedicated arcades and gaming arcades (with a separate accessed room) and some predict they may also be permitted in bars eventually.

There will be up to 30 VLTs permitted in a gaming hall of 50-100 sq.m and 70 VLTs in a hall of 101-300 sq.m and 150 VLTs for gaming halls over 300 sq.m in size.

Although some operators say it will no doubt work on a revenue split the question is will that prove profitable enough for the operators of smaller arcades.

There will be up to 30 VLTs permitted in a gaming hall of 50-100 sq.m and 70 VLTs in a hall of 101-300 sq.m and 150 VLTs for gaming halls over 300 sq.m in size.

Filippo Ferri of GLI Italia said: "There is some social stigma about gaming halls. We do not have casinos and the moment you create them you create a different environment.

"The Comma 6a machines are everywhere and it justifies the old lady playing but when you make it into a destination in a period of crisis there are some implications. There is bound to be some backlash.

"One major thing is in the new VLT dimension the traditional Italian operator disappears. What was the cornerstone of this industry, the small regular operator, in the new VLT scenario they will disappear.

"System providers will create their own venues or the concessionaires will create their own venues and what is left for the medium sized operator to do?"

Auxiliary companies are also keen to cash in on the Italian market at the moment particularly regarding cashless system, board developers and touchscreen manufacturers.

The legislation states that VLTs should include the 'necessary devices' for the conduct of the game including coin in/out, notes in/out and the ticket in/out

Sports Betting Market Share

Operator	Total Outlets	Share of Licences
SNAI	5,104	37%
Matchpoint	3,899	28.3%
Lottomatica	1,644	11.9%
Intralot	589	4.3%
Eurobet	403	2.9%
Merkur	233	1.7%
Ladbrokes	142	1%
William Hill/Codere	55	0.4%
Leisure & Gaming	58	0.4%

During the first six months of 2009 the total amount collected was €1.7bn (the estimated total amount for 2009 year end is €2.2bn) The biggest earner was skill games with €1bn in six months which has taken a massive 71 per cent of the online market share followed by sports betting (23.3%), facebook betting (3%), scratchcards (1.7%), horse racing (0.9%) and pools/tote (0.3%)

as well as devices to read/write smart cards.

TITO is the preferred cashless solution for many gaming machines around the world in slots, VLTs, AWP and bingo machine.

Futurelogic which produces Thermal Ticket printers to the industry is keeping a close eye on the Italian market.

Futurelogic's John Edmunds said: "Ticket Out Solutions provides a secure anonymous way of delivering tangible value direct to players' hands as cash-out tickets or promotions coupons.

"Ticket-In Solutions close this loop enabling players to move easily between games with their winning tickets, enjoy extended play by inserting winning tickets back into the game without the distraction of cashing up at the bar, try new game titles immediately by inserting promotional tickets directly into the game."

Another technical enhancement of the VLT is the use of more intuitive HMI devices such as touchscreens.

Touchscreens, such as those supplied by 3M, allow the slot makers to have more flexibility on the software design. While it is not a requirement by AAMS, it adds to the value that each game brings. This potentially will make the VLT more attractive to the player than some other existing systems, providing more choice of games to play.

ONLINE GAMING

Meanwhile Italy has a very pro-active remote gambling stance and this sector is growing at a fast rate.

The year 2007 became a transition period where new authorised companies set up online gaming platforms and the AAMS implemented the online bingo and skill gaming rules and also legalised online poker tournaments.

The European Commission was notified and by 2008 after several meetings and amendments the regulations were ready for issue. These rules include the following:

- Any gaming company licensed and operationally based in another EU jurisdiction may apply for an AAMS licence subject to proving a global gaming turnover of not less than €1.5m over the last two years.

- A non gaming operator can apply for an AAMS remote gaming licence subject to providing logistic and technical infrastructure and releasing a €1.5m bank guarantee and setting up a company in an EU jurisdiction.

The regulatory framework which Italy adopted means the country is now at the forefront of the online gaming business in the EU. The AAMS decision to blacklist unlicensed foreign based sites whilst granting gaming services to local residents only is now being analysed by EU regulators.

The AAMS data presented in June 2009 shows that games which are available

Online Betting Revenues

Provider	Collection (July 2009)	Market Share
Lottomatica	€11.7m	26.8%
Microgame	€9.9m	22.7%
SNAI	€5.6m	12.8%
Matchpoint	€5.4m	12.4%
Bwin	€3.6m	8.2%
Gioco Digitale (Bwin)	€2.6m	5.9%
Altri	€4.9m	11.2%
TOTAL	€43.7m	

remotely include Fixed odds sport betting, betting, instant lottery, national and international horse racing (since March 2008), pools and tote (since March 2008) and games of skill (since September 2008).

During the first six months of 2009 the total amount collected was €1.7bn (the estimated total amount for 2009 year end is €2.2bn) The biggest earner was skill games with €1bn in six months which has taken a massive 71 per cent of the online market share followed by sports betting (23.3%), racebook betting (3%), scratchcards (1.7%), horse racing (0.9%) and pools/tote (0.3%)

Online poker and Skill Games were launched in September last year and have already seen €1bn in takings during the first half of 2009 and is fast becoming the largest online game ever played in Italy.

It is thought the growth of skill games which peaked during its first nine months since September 2008 when it was introduced will now begin to peter out as the boom saw players 'return' from unauthorised sites whilst summer also heralds a drop in players.

The total collected in 2008 was almost €1.5bn. This biggest earner was sports betting with just over €1bn alone.

Online poker and Skill Games were launched in September last year and have already seen €1bn in takings during the first half of 2009 and is fast becoming the largest online game ever played in Italy.

The year 2008 saw the first online poker tournaments launched by Italian operators Gioco Digitale and Microgaming whilst Bwin and Lottomatica also set up online poker products whilst large poker rooms PokerStars and PartyGaming also received licences in Italy.

It is suggested that the monthly turnover for poker tournaments was around €65m last year (despite the fact that the AAMS only allows tournament open to local residents) and was predicted to rise to €400m by the end of 2009.

Meanwhile the Italian government very recently enlarged the scope of the online games within the regulatory framework to now incorporate casino games which includes cash poker giving the AAMS the possibility to offer these games from next year.

During the month of June 2009 some 7.5 million poker tournaments were played with 27.5 million tickets sold. Tickets cost between 50c and €100 and the average ticket price is around €6.87 with a total of €166m on average paid out in prize money during that same month.

Online poker is booming. In May 2009 alone collections reached €197.6m compared to €184.7 in April. Between January and June 2009 Italian online poker has collected €845.7m

In anticipation of this several companies are now looking at the Italian online poker market. Austria's Bwin is planning to raise its market share in the Italian online poker market and in September completed the acquisition of Gioco Digitale, one of the biggest online poker operators in the country.

The deal is worth 2.3 million Bwin shares and €25m cash plus a further €20m cash after the audited accounts for 2009 are presented and a further €5m on the second anniversary of the deal.

ITALY: VITAL STATISTICS

Capital: Rome
Population: 60,157,214 (July 2009)
Land Area: 301,340 sq.km
Median age: 43.3 years
Languages: Italian (with German, French and Slovene minorities along the borders)
Currency: Euros
Religions: Roman Catholic (90%) plus Protestant, Jewish and some Muslim communities.
Government: Republic
Chief of State: President Giorgio Napolitano (since 2006)
Head of Government: Prime Minister Silvio Berlusconi (since 2008)
Cabinet: Council of Ministers nominated by the Prime Minister and approved by the President
Elections: President is elected by an electoral college consisting of both houses of parliament and 58 regional representatives for a seven year term. Prime Minister is appointed by the President and confirmed by parliament.

Gioco is the biggest online poker and sports betting brand via its www.giocodigitale.it site in Italy and has a market share of around 20 per cent.

The company was founded by CEO and entrepreneur Carlo Gualandri and was the first operator to launch tournament poker in Italy in September 2008.

Gioco today has more than 80,000 active customers per month and also offers sports betting and instant lotteries although 94 per cent of its total income in the first half of 2009 came from its poker products.

Gioco saw first half year 2009 total income of €20.1m (2008 full year equalled €13.7m). Bwin currently has about seven per cent share of the Italian market.

Norbert Teufelberger of Bwin said: "Gioco Digitale ideally positions Bwin to take advantage of the opportunities offered by the booming Italian online gaming market which is sustained by modern, pro-active regulation."

Bwin entered the Italian market and was the first company to have skill games in Italy with payment authorised by the AAMS for real money skill games.

From the beginning of 2009 Bwin has been offering eight games including solitaire, Blackjack, 3 card poker, Eldorado, Yatzy, Formula 0-01, Backgammon and 8-ball billiard.

Rumour has it that other big players such as Britain's PartyGaming and 888 are also looking at investing in European companies.

Meanwhile GameAccount Network, a software developer and supplier, has signed a multi year software licensing agreement with Lottomatica for its online skill games.

The games are due to be launched this autumn and will include poker dice, gin rummy, backgammon and dominoes.

In 2000 1,000 shops were authorised for sports betting and 671 for horses and until 2002 these were managed by the Italian National Olympic Committee and kept out foreign competition which sparked legal battles with Stanley Leisure.

Earlier this year GameAccount also launched a range of free-to-play skill based games for Sisal including Solitaire, poker dice, blackjack and backgammon. Lottomatica was GameAccount's sixth Italian operator it had signed up for the launch of cash skill games.

On the sports front the most popular sport in Italy is football and Serie A is one of the most famous competitions in the world.

Italy's national football team is the second most successful team in the world with four World Cup victories since 1934.

Cricket is growing in popularity whilst basketball, volleyball, water polo, fencing, rugby, cycling and ice hockey are also popular sports.

Up until 2000 two operators SNAI and SPATI dominated the shops market though only had 330 shops between them.

In 2000 1,000 shops were authorised for sports betting and 671 for horses and until 2002 these were managed by the Italian National Olympic Committee and kept out foreign competition which sparked legal battles with Stanley Leisure.

The 1,000 shops at the time generated turnovers of around €2.28bn on a payout ratio of around 25 per cent. Average revenue per shop was €2.28m with gross wins of €50,000.

Then in 2006 the AAMS opened up the Italian betting market and a total of 16,700 licences were permitted which were divided into four sub-groups. Around 14,000 of these were new licences which were bid for via a tender process.

Of the licences 2,300 were for sports betting shops, 4,400 were for sports betting corners, 500 horseracing shops and 9,500 horseracing corners.

Ladbrokes at the time was awarded 142 new betting licences which included 33 dedicated horseracing licences, 58 dedicated sports betting licences and 51 non dedicated sports betting licences.

Ladbrokes targeted around €104m to fund its expansion in Italy for shops, shop acquisitions and licences.

William Hill and joint venture partner Codere was awarded 20 concessions to operate horse racing betting shops, seven concessions to operate sports betting shops and 28 concessions relating to sports betting points. Remote betting licences were also granted and the companies targeted €40m to fund the expansion in Italy.

Lottomatica was awarded 1,644 new betting licences which comprised of 1,144 sports betting rights and 500 horse racing betting rights and online betting licence. Intralot won 426 new betting licences whilst Betfair and Unibet won remote betting licences.

Gala Coral which already operated an Italian language website and betting shop in Genoa paid around £30m for 403 licences for general sports betting.

Lottomatica was awarded 1,644 new betting licences which comprised of 1,144 sports betting rights and 500 horse racing betting rights and online betting licence. Intralot won 426 new betting licences whilst Betfair and Unibet won remote betting licences.

SNAI and SISAL were the biggest overall winners and were awarded 64 per cent of new licences between them.

The Italian sports betting market is worth €3,909m whilst sports betting shops are permitted up to 24 gaming machines so long as half the space is taken up by sports related products and these shops therefore have to be between 1,000-4,000 sq.ft in size. They can also sell scratchcards. It is estimated that the Italian retail betting market is expected to grow to €14bn by 2010.

Meanwhile online betting revenue accounts for around 30 per cent of all online gaming turnover reaching €43.7m in July this year.

Lottomatica is the leader in this market followed by Microgame which between them account for around 50 per cent of the online betting market.

Microgame is a service provider for all remote gaming sectors from fixed-odds bets, horse racing bets, lotteries and poker and saw an overall gaming turnover in 2008 of €492m with almost 1 million registered gaming accounts.

The Italian lottery market is the largest lottery in Europe. Lottomatica is one of the largest lottery operators worldwide and also the market leader in the Italian gaming industry.

Since 1993 the company has run the exclusive concession for the only on-line lottery in the world, the Italian 'Lotto' and since 2004 has also had the concession for instant and traditional lotteries with 18.7 million tickets sold at the end of 2004.

It distributes its games and services through one of the most extensive real-time, online networks in Europe and has a network of 44,000 lottery terminals and 1,200 points of sale.

With headquarters in Rome the company has revenues of €585.8m and over 1,000 employees and its parent owner is the De Agostini group which holds 58 per cent of its share capital through FinEuroGames and Nuova Tirrena.

Real-time online data transmission systems adopted by Lottomatica now offer games such as Lotto game and also instant and traditional lotteries (scratch and win), Sports pools (Totocalcio and Totogol and Tris), gaming machines and new Pari-mutuel bets on cars, motorcycle and cycle races.

The Ministry of Finance granted Lottomatica the concession to manage Lotto Game in 1993 until 2012. More than 80 per cent of Lottomatica's revenue comes from Lotto Game, which are based upon the commission received as a percentage of the wagers.

In 2006 Lottomatica acquired GTECH and the deal has now created one of the worlds leading gaming solution providers with global market presence and a significant portfolio of lottery technology and content solutions.

Following completion of the transaction, GTECH will continue to operate as a separate business unit within a newly formed Lottomatica group structure.

In August this year the AAMS launched a bidding process for the tender of four new Italian scratchcard concessions although Lottomatica remains the only participant after Intralot, Sisal and SNAI withdrew.

Lottomatica's current concession for the scratchcard expires in May and Intralot claims it did not agree with a €800m upfront shared payment required by the concessionaires and is also switching its focus to investment in the VLT market.

CASINOS

Italy is subdivided into 20 regions – Abruzzo, Aosta Valley, Puglia (Bari), Basilicata (Potenza), Calabria (Catanzaro), Campania (Naples), Emilia-Romagna (Bologna), Friuli-Venezia Giula (Trieste), Lazio (Rome), Liguria (Genova), Lombarda (Milan), Marche (Ancona), Molise (Campobasso), Piedmont (Turín), Sardinia, Sicily, Trentino-South Tyrol, Tuscany, Umbria and Veneto (Venice).

Only five of these regions – Aosta Valley, Friuli-Venezia Giulia, Sardinia, Sicily and Trentino-South Tyrol have a special autonomous status which enables them to enact legislation on some of their specific local matters.

The Italian Penal Code generally forbids gambling however three ad hoc provisions authorised the opening of SanRemo, Campione and Venice followed by a regional authorisation for Saint Vincent. And so the Italian casino market remains small with only four licensed casinos.

It is said that Italians gamble three times as much as their own domestic casinos earn at the casinos which are dotted along the Italian borders in Slovenia, Switzerland and Austria

The first eight months of 2009 saw the four Italian casinos collect almost €313m. Venice casino saw the highest revenues of €113m with a 36 per cent market share, following by Casino di Campione with €81.1m and almost 26 per cent market share.

Saint Vincent had €63.4m (20.3%) and SanRemo saw €55.2m (17.6%). It is predicted that if things continued the same for the rest of the year, 2009 could

close with revenues of €470m. This is a drop of around seven per cent on €506m revenues last year.

Casino slots rake in the biggest share of the revenues taking on average 70 per cent of the earnings. For example Venice casino's revenues on slots for August 2009 was €9.1m whilst SanRemo collected €7m the same month.

Meanwhile visitors in August topped 105,000 for Venice, 100,000 in SanRemo, 55,000 for Campione and 70,000 for Saint Vincent.

The casino sector hit the headlines recently as the trial starts in December for the son of Italy's last king, Prince Vittorio Emanuele di Savoia who was arrested back in 2006 after being involved with prostitution and the mafia.

In addition it was said the 72-yer old Prince conspired with a Sicilian businessman Rocco Migliardi to obtain licences for illegal video poker machines to sell into the Swiss enclave, Campione D'Italia where the Prince lives.

The last king of Italy, Umberto II, was forced into exile in 1946 when Prince Vittorio Emanuele was just nine years old. After the 1946 referendum, the royal family and descendants were banned from entering Italy until 2002 when the ban was lifted. Prince Vittorio has maintained his Swiss residency.

Meanwhile one of the problems now is the adverse affect the Comma 6a machines is now having on the casino industry in Italy and also along the border towns.

The NewSlots can now feature Blackjack, roulette, poker and bingo and some say players seem to prefer to play on the Comma 6a games and revenue for this sector is increasing.

Others however still believe the two players are completely different and the casino market still has its niche clientele.

Tecnoplay's Mauro Zaccaria said: "The casinos are very angry with our AWP machines because they play on the same machine and VLTs are more like a casino machine. You can bet €500 on a casino slot and walk away with nothing. But on these machines if you pay €500 you will get something back and it is a longer lasting game."

Recently the Venice municipality announced its intentions to sell off its minority share in the casino to a Russian interest.

However the chief executive of the Maltese owned Venice Casino says that the municipality shareholding cannot be relinquished as it is bound by contract until 2015.

It is understood the Mayor of Venice Massimo Cacciari was in discussion with Russian businessmen over a possible privatisation of the casino. The casino is owned by Malta's Vittoriosa Gaming Ltd of which the municipality holds a 40 per cent share whilst BetLive Ltd holds the majority.

The casino suffered €17m in losses whilst it was fully owned by the municipality up until 2005 and after selling off 60 per cent in 2006 the losses curtailed to around €500,000.

Meanwhile the casino recently obtained a licence to open six gaming halls plus four gaming halls in the water resorts in Italy (kursaal). The sites include:

- Abano- Located in the Hotel Venezia Terme the gaming hall opened in October 2008. It includes Newslots, two tournament poker tables and two computers with internet access.

- Venice Lido which opened in August 2008 at the Hotel Excelsior. The hotel celebrates its 100th anniversary and the gaming halls includes a bar, 24 slots and Texas Hold 'em Poker tables, internet gaming stations and casino merchandise.

- Kursaal in Lignano opened in August 2008 and holds the largest number of slots plus Texas Hold 'em and casino merchandise and bar.

- Gallio opened in August 2008 at the Gaarten Hotel Benessere and features slots and games.

- Palace of the Jesolo opened in July 2008 and includes NewSlot machines and Texas Hold 'em Poker tournaments, a bar and entry is for 18 years and over.

In October the minister of Tourism has started the process to open further "mini casinos" in the 255 five star hotels across Italy.

CASINO DI CAMPIONE

Casino di Campione is located in Campione d'Italia, an Italian enclave in Swiss territory on the shores of Lake Lugano, about 60 km from Milan.

The casino was originally built in 1917 but two years later it was forced to close its doors and didn't then re-open until 1933.

In 2006 the casino hit the headlines when reports that the son of the last King of Italy, Vittorio Emanuele di Savoia, was accused of sending girls to casino clients.

In 2007 the new Casino di Campione opened which is 55,000 sq.m over nine floors. There are 600 slots from video slots to multigames and video poker. There are three restaurants. It is run by the Municipality of Campione.

CASINO MUNICIPALE DI SANREMO

This is Italy oldest casino and was designed in the art nouveau style by French architect Eugenio Ferret.

The building has remained relatively unchanged over the years although it was closed from 1940 until the end of World War II but escaped unscathed by the war

It is located in the heart of SanRemo and is about 139km from the Genova airport or 59km from Nice Cote d'Azur airport.

SanRemo began to develop as a tourism haven in the mid 19th century and winter tourism was promoted alongside the development of large hotels

The casino complex is located over 2,500 sq.m consisting of two restaurants and several rooms such as Sala Gio Ponti which holds French roulette, Chemin de Fer and Trente et Quarante tables, the Sala Comne dedicated to French games, Sala 500 with gaming tables, Sala de Sanctis featuring American games and the Golden Hall private gaming room. The old ballroom on the ground floor has been transformed to hold around 470 slots. It is run by municipality of SanRemo.

CASINO DE LA VALLE

Casino de la Vallee is located in the spa town of Saint Vincent in Valle d'Aosta some 90 km from Turin in North West Italy.

The first gambling house appeared in Saint Vincent back in 1872 as an attraction for visitors to the spa. In 1921 a request to the mayor was made to open a casino although this didn't happen until 1947 when Casino de la Valle opened its doors. The aim was to boost tourism and revenues and in 1982 the casino was enlarged and new American games and slots were added. Today the casino houses a restaurant and hotel with 240 rooms. It is run by the Municipality of Aosta Valley.

CASINO DI VENEZIA

The first gaming houses were established in Venice back in 1638 although in 1959 the Casino Ca' Vendramin Calergi (Winter casino) opened its doors in Calergi.

The first gambling house appeared in Saint Vincent back in 1872 as an attraction for visitors to the spa. In 1921 a request to the mayor was made to open a casino although this didn't happen until 1947 when Casino de la Valle opened its doors. The aim was to boost tourism and revenues and in 1982 the casino was enlarged and new American games and slots were added. Today the casino houses a restaurant and hotel with 240 rooms. It is run by the Municipality of Aosta Valley.

ITALY: GAMING STATISTICS

No. Casinos: 4
Casino Slots: 1,500
Casino Tables: 250
AWPs (Newslots) 340,000
Gaming Arcades: 1,100
Single Sites: 100,000
Amusements: 90,000
Gaming Revenue: €22bn
Casino Revenue: €506m (2008)

Housed in an elegant Palace which overlooks Venice's Grand Canal it is said to be one of the most

beautiful gaming houses in the world.

Then in 1999 the Ca' Noghera (summer casino) opened its doors and was the first American style

casino located in a 50,000 sq.m building on the mainland near the airport.

The casino is owned by Vittoriosa Gaming Ltd of which 40 per cent is owned by Municipality of Venice and BetLive Ltd.

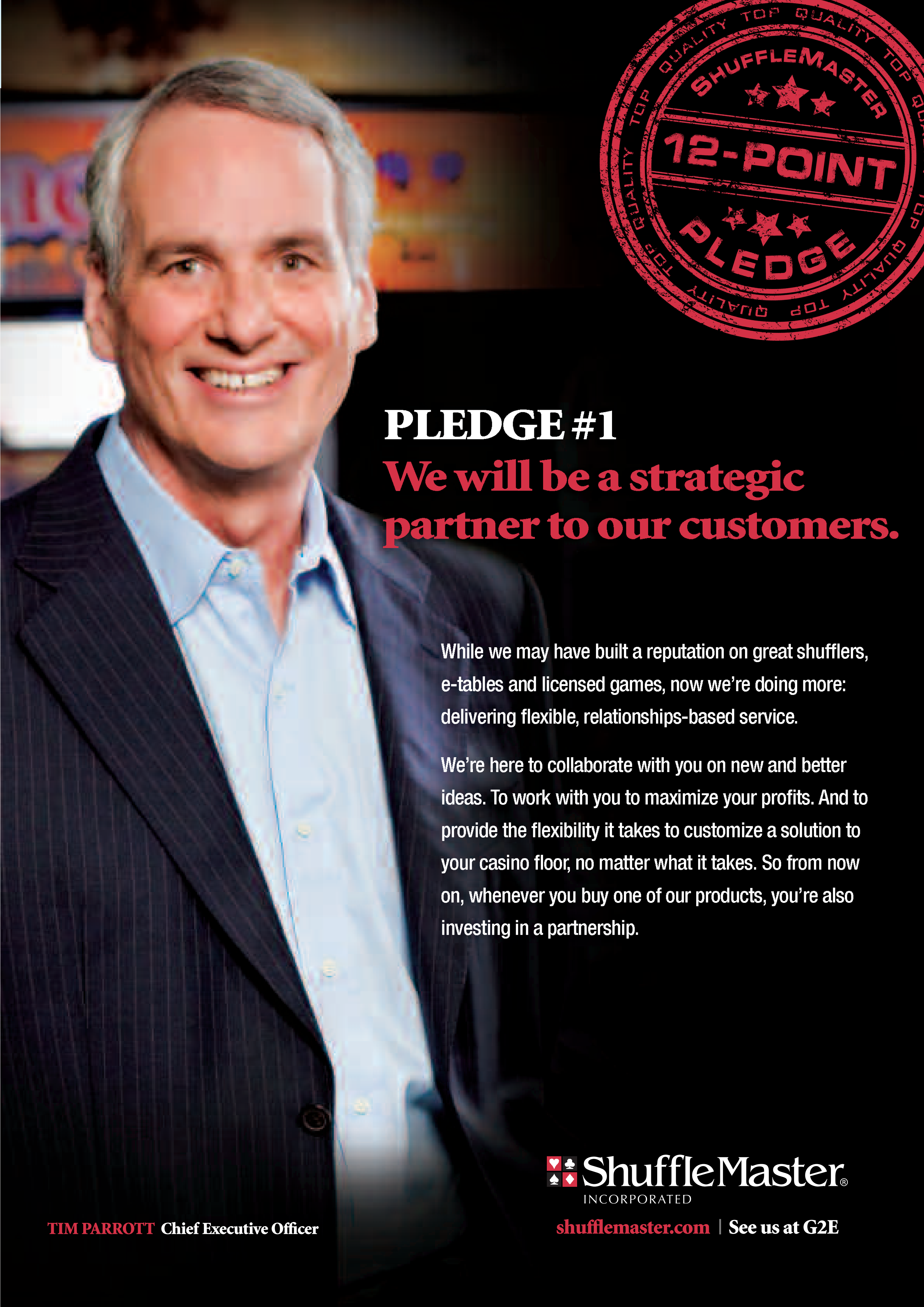
HISTORY

Human presence in Italy dates back to the Palaeolithic period some 200,000 years ago whilst several Greek colonies were established along the coast of Sicily in the 7th and 8th centuries BC.

This area was densely inhabited by the Greeks who formed agricultural communities which grew to encompass much of the Mediterranean Sea.

The Gauls roamed in the mountainous north while the Etruscans, a group from western Turkey, settled in central Italy and established a number of city states and created bold architecture; paved streets, aqueducts and stone arches.

According to legend Rome was founded in 753BC by Romulus and Remus, twin brothers who claimed to be the sons of war god Mars. Apparently Romulus wanted Rome to inherit the mantle of ancient city Troy and when Remus laughed at the notion, Romulus killed his brother and declared himself king of Rome.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TIM PARROTT Chief Executive Officer

Country Update: Italy

Rome saw seven kings until 509BC when the last king was overthrown and the Roman Republic was formed. It was then ruled by two elected officials – a Senate made up of wealthy aristocrats and a lower assembly made up of the common people.

Although this format worked well for a while Rome expanded beyond a mere city state and took authority over Italy and overseas as well. By the 1st century BC Spartacus, a slave, led the common people in revolt against the rule of the aristocrats although the rebellion was curbed it later led to the Republic dissolving into a series of military dictatorships which ended up with the assassination of Julius Caesar.

Julius Caesar's nephew Octaviou eventually seized power and declared himself Emperor Augustus and the Roman Empire was born. For the next two hundred years Rome thrived and ruled over a vast territory.

This peace time ended in 180AD which the death of Marcus Aurelius and a combination of economic problems, domestic instability and territorial rebellions resulted in a gradual decline of Rome.

According to legend Rome was founded in 753BC by Romulus and Remus, twin brothers who claimed to be the sons of war god Mars. Apparently Romulus wanted Rome to inherit the mantle of ancient city Troy and when Remus laughed at the notion, Romulus killed his brother and declared himself king of Rome.

By the end of the 4th century AD the Roman Empire was split into two – the east based out of the newly built capital of Constantinople (now Turkey) which thrived whilst capital of the west Tome continued to decline.

For the next thousand years Italy became a patchwork of city states during a period known as the Dark Ages and prosperity did not return until the 14th century when states such as Florence, Milan, Pisa and Genoa and Venice became trade centres and transformed the country into a centre of culture.

Italy became vulnerable to conquest by Spain, France and Austria and was controlled through proxy by various European powers until the 19th century when the King of Savoy (Piedmont, Liguria and Sardinia) Vittorio Emanuel II started from Turin to conquer various other regions in the North. At the same time he was sending Garibaldi on a mission from the south with only 1000 men (the famous team of "Mille"). The majority of Italy was conquerd with the support of the rebelling population. In 1861 Vittorio Emanule II was declared the first king of Italy

After World War I a small national fascist party, led by Benito Mussolini, was set up and in 1922 he seized power and spent the next 20 years consolidating power and formed a dictatorship whilst dreaming of leading a new Roman Empire. In the 1930s he invaded Ethiopia and Albania.

When the second world war broke out Italy remained neutral at first but later Mussolini joined Hitler in the war effort which backfired as he lost control of North Africa, Mediterranean and eventually his own country. Mussolini fled Rome and was eventually captured and executed.

After the war Italy abolished the monarchy and the King was forced into exile. In 1946 Italy declared itself a republic and rebuilt its economy through loans from the Marshall Plan and became a strong supporter of the European Union.

From the late 1960s to the late 1980s the country experienced a hard economic crisis with periods of social conflicts and terrorists acts.

From 1992 to 2009 Italy then faced a series of challenges as voters became disenchanted with past political paralysis, government debts and corruption and they demanded political reforms. Media magnate Silvio Berlusconi became Prime Minister for the third time in 2008.