



Slovenia: gaming junction

The intersection of gaming in terms of both operations and manufacturing, means that Slovenia is ideally placed in Europe to service the domestic, border and international gaming public

Slovenia has sometimes been referred to as the revolving door of Europe due to the fact it has always been a huge gateway lying at the junction of trading routes. In the last 15 years Slovenia has raised itself to that of a major player within the EU member states and has proved itself a small but reliable partner.

After more than 70 years within the structure of Yugoslavia, almost 90 per cent of Slovenians opted for independence in the referendum of 1990. Independence was declared in June 1991, which was then followed by the 10 day war, with Yugoslav troops withdraw several months later.

The country joined the EU in 2004, even though geographically, historically and culturally the country has always been a part of Europe. It also became a member of NATO the same year and adopted the Euro currency in 2007.

The country has increasingly developed into a service economy specifically between the period of 1995 and 2005 followed by the industrial sector and agriculture. The average gross monthly wage in Slovenia is around €1,439 and the GDP for 2009 was €36.08bn.

Located in the heart of one of Europe's ethnic crossroads, Slovenia is a small but

picturesque country, which stretches from the Alps to the Mediterranean Sea and is surrounded by the countries of Italy, Croatia, Hungary and Austria.

The collision of four major European geographical units has created a wide variety of landscapes in a relatively small space from the Alps in the northeast to the Mediterranean in the southwest, the Pannonian Plains in the northeast and Dinaric mountain range in the southeast.

Around 40 per cent of Slovenia's land mass is elevated land mostly in the form of mountains and plateaus mainly found in the interior regions, and with more than half the country covered in forests it is the third most forested country in Europe and almost a third of the land is protected. With a population of just over two million the vast majority are ethnic Slovenes which live in the main towns and cities.

The Slovenes are renowned as a diligent and hardworking nation and the country strives for the preservation of its national identity with a simultaneous openness to the world. The capital Ljubljana is filled with Baroque and Art Nouveau buildings whilst other attractions around the country include the Julian Alps, Lake Bled, Soca Valley, Karst Plateau as well as the nation's highest peak, Mount Triglav.

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Along the Adriatic coast the town of Portoroz is a popular tourist resort whilst the former fishing town of Izola has also been transformed into a popular holiday destination. Slovenia's second largest city Maribor is renowned for its wine making whilst the north eastern part of the country is known for its spa tourism.

The Slovenian Tourist Board is

responsible for promoting tourism in the country and was set up in 1983. Today Slovenia accounts for no more than 0.3 per cent of tourist visits in Europe. However it does contribute around €400bn in total turnover or 9.1 per cent of GDP and employs 52,500 people in this country. In this regard it is an important economic activity and has been invested into heavily to promote and develop.

The number of tourist arrivals in 2009 came to 2.7 million of which 1.6 were foreign visitors with some 8.3 million overnight stays of which 54 per cent were foreign tourists.

The majority of visitors come from Italy followed by Austrians then Germans which between them make up around 50 per cent share of the total number of

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visitors. The country has seen fluctuating figures for its tourism starting at around 1.7m back in 1970 peaking to 2.7 million the late 1980s before dropping again in the early 1990s then steadily rising again to date. Tourism receipts reached €1.9bn in 2009.

It is predicted that if growth continues by 2014 the country will see around 3.1 million visitors. There are a total of 91,332 beds available in Slovenia and tourism accounts for around 12% of the total GDP. The biggest lure is the health resorts followed by seaside resorts and then mountain retreats.

There are 27,828 beds in hotels, 13 motels, 60 boarding houses, 84 guest houses, 33 lodgings, 39 apartments and 39 camps. Meanwhile, there are 672 restaurant facilities in Slovenia and almost 3,000 bars.

Meanwhile there are around 11,000 small stores and 200 plus supermarkets in Slovenia of which Mercator, Spar and TUS between them shared 80 per cent of the market with other branches such as Lidl and Hofer (Aldi) taking the remaining.

Mercator was founded in Ljubljana in 1949 and is the biggest chain operating hypermarkets, supermarkets and grocery stores not only in Slovenia, but since 1990 also over into Croatia, Bosnia and Herzegovina, Serbia, Bulgaria and Albania. The company was recently acquired by Gero chain and has around 36 per cent of the Slovenia supermarket/hypermarket sector with a total of 1,500 retail stores in seven countries. During the first quarter of 2010 Mercator saw net sales of €405m in Slovenia.

Spar has 69 supermarkets in Slovenia and generates around €552m in sales whilst TUS opened its first store in 1989 in Slovenia and today has around 30 supermarkets. In addition Hofer (Aldi) opened in 2005 in Slovenia and has around 40 stores whilst French group Leclerc entered Slovenia in 2000.

At the beginning of the 1990s a large number of small shops began to open followed by larger modern supermarkets and hypermarkets located in shopping malls which has seen the corner shop market decline. Today, the grocery retail market value is around €4.49bn.

There was a significant boom in retail trade in the mid 1990s when the number of companies tripled to over 3,000 whilst the number of outlets doubled to over 6,000. There are around 40 plus shopping malls in Slovenia. The biggest shopping mall in Ljubljana is BTC City, a multiplex of malls situated three kilometres from



the centre which sells anything and everything from household appliances to furniture and fashion.

GAMING LAW

Slovenia is a relatively small market and limited in terms of growth. At the moment slots and multiplayers can only be operated in casinos and gaming halls and gaming tables solely in casinos.

There are limits on the number of operations permitted and also restrictions as to where such operations can be opened. Casinos can be operated only in local tourist communities where there are over 40,000 inhabitants and foreign tourist visitors expected.

Casino games can only be operated within casinos (tables and slots) and in gaming halls (slots only) by a company which has been awarded a concession by the government.

According to the gaming act the government can award up to 15 concessions for casinos and up to 45 concessions for gaming halls. The law however does not limit the number of concessions awarded to one company and in practice one company has more concessions for either operating games in casinos or gaming halls.

Gaming halls were introduced in Slovenia in 2001 after an amendment to the Gaming Act was added. A gaming hall can have a minimum of 50 slots and a maximum of 200 and should be located within a tourist infrastructure. There is no limit to the number of slots in a casino.

Casino ownership must be held by a joint stock company although there are no special restrictions on advertising or opening hours. The Gaming Act was introduced in 1995 and was later amended in October 2001 and again in October 2003 and more recently in February 2010.

The latest amendment was regarding certain areas of gaming primarily with the emphasis given to responsible gaming and gaming supervision to protect minors and those with addictive gambling problems, whilst also seeking to combat illegal gambling.

The Act now gives players the opportunity to submit a written statement for self exclusion giving the operator the right to refuse admission for at least six months and up to three years.

Further amendments now permit new technologies in casinos and gaming halls such as cashless gaming machines and self-service cash desks and the use of

new types of gaming machines (ie: electronic poker gaming machines).

There is also further clarification on the law regarding the location of gaming halls, licences for key employees and record keeping. The current legislation includes the following points:

- A maximum of 15 licences will be issued for casino operations and a maximum of 45 licences for gaming hall operations.
- Classical games of chance include lottery, quiz lotteries, bingo games, lotto games, sport forecasts, sport bets,

At present tax rates include a gaming tax of 18 per cent on GGR for both casinos and gaming halls and a concession tax is a flat rate of 20 per cent for gaming halls or fast progressive 5-20 per cent on GGR for casinos.

raffles and similar games.

- The total value of winnings from these games must be at least 40 per cent. Funds from these games are used to finance humanitarian and disabled people organisations and sports activities.
- Particular games of chance include all types of casino games (boards, dice, cards, balls etc) and games played on slot machines or other gaming devices. There is no restriction on the number of slots allowed.
- These can only be operated by joint-

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ADVANSYS - SLOVENIAN ONLINE SYSTEMS SUPPLIER BETS ON NEW MARKETS AND PRODUCTS

Advansys' slot management system, 'SlotScanner', is world renowned. And while the economic crisis has considerably reduced revenues of casino operators and consequentially the number of new casino projects, Advansys took the decreased demand for casino technology from traditional markets as a challenge. In fact, Advansys has opened both new markets for its existing products and begun to develop new ones for the management of live games.

At the beginning of this year, Advansys made an important breakthrough in Latin America. Despite very strong regional competition, Advansys has to date installed its Accounting & Cage and Mystery Jackpots modules in seven slot halls in Peru's capital, Lima. Each operation has reported considerably higher revenues in just the first month after the installation.

In May, Advansys delivered "SlotScanner to Casino Peace located in the brand new hotel Sheraton in Batumi on the Black Sea in Georgia. The location is operating Accounting & Cage and Ticketing modules on more than 100 slots.

End of June Advansys completed an important installation for "Giochi del Titano S.p.a.", the exclusive casino operator in Republic of San Marino. Advansys won the business when they decided to change their existing slot management system and add ticketing functionality. Advansys delivered for the first time Accounting & Cage and Ticketing modules in Italian.

In July Advansys signed a contract with Century Casinos for three installations in their casinos onboard the cruiseships Seven Seas Voyager, Seven Seas Navigator and Seven Seas Mariner. Due to the specifics of ships construction, Advansys developed wireless communication between the casino floor and server room.

In mid September, Advansys's engineers and technicians will travel to Venezuela to install SlotScanner on 250 slots in Casino Maruma, one of the biggest casinos in Latin America, located in Maracaibo. Besides Accounting & Cage, Mystery Jackpot and Player Tracking module, Casino Maruma also ordered Advansys' cashless system. All modules will be delivered in Spanish and represent the largest Advansys cashless installation worldwide.

Next year, online systems will be mandatory for all casinos and slot operators in Croatia. For this market, with plenty of locations under 50 slots in size, Advansys has already developed a special version of its online system, 'SlotScanner Express.'

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Advansys is also currently working on development of completely new management system for gaming tables, fully integrated with its slot management system 'SlotScanner'. Advansys will officially present this new product branded TableScanner at the IGE 2011 exhibition in London.

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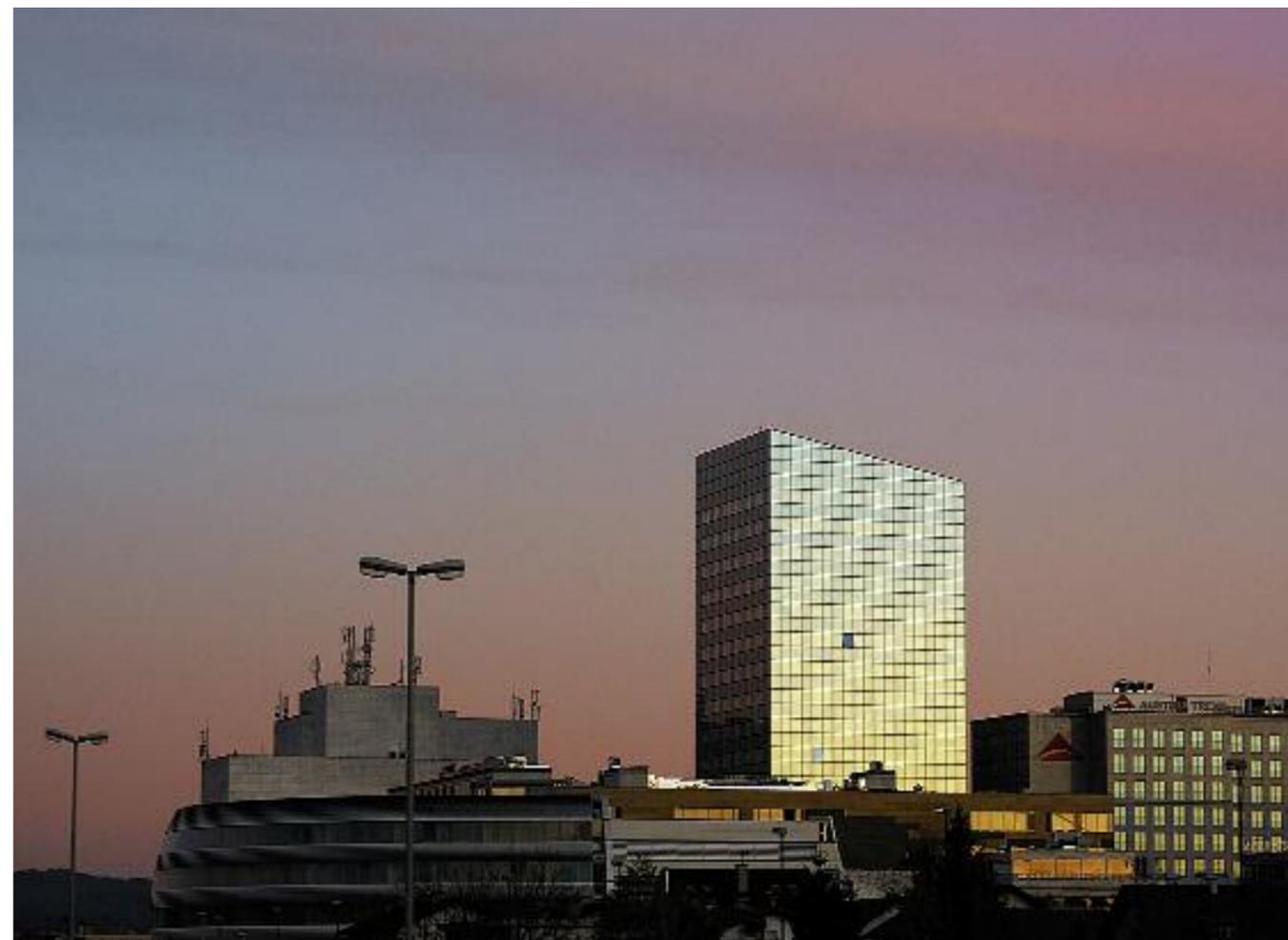
oneCheck™ reduces my player disputes by 50%...not to mention improves player retention. - Andy Moravina, VP Slot Operations, Tropicana Casino and Entertainment, Atlantic City, NJ

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stock companies, which are seated in the Republic of Slovenia on the basis of a concession.

- To operate a casino a concessionaire must have a starting capital of at least €416,000 for one concession. For every additional concession another €416,000 capital is required.
- Concessionaires must also pay a security bond of at least 50 per cent of the value of the initial capital although this can be submitted gradually within three years of starting business.
- Concessionaires shall have at least two members and a supervisory body. Concessions are granted within six months of application and last for 10 years. This can be extended thereafter for a period of five years.
- Concessionaires will pay a tax of 2.2% to humanitarian and disabled people organisations, 2.2% to sporting organisations and of the remaining sum 50 per cent is allocated to the Slovenia budget for development and promotion of tourism.

- Slot machines pay a sliding scale tax based on the amount earned. Other games pay a five per cent standard rate.
- Casino operators must provide an audio and visual security system.
- Gaming Halls (slot rooms) can be operated by joint stock or limited companies only operating slot machines. They should be located in an area of tourist infrastructure. (ie: hotels, marinas or casinos).
- Gaming Hall concessionaires need a minimum capital of €208,000 for one concession. Another €208,000 is required for each additional concession.
- A security deposit of 50 per cent of the capital is also required and can be formed over the first three years of business.
- Gaming halls can have a minimum of 50 machines and a maximum of 200 machines. Gaming machines shall have a return of 90 per cent to the players.

The latest amendment (to the Gaming Act) was regarding certain areas of gaming primarily with the emphasis given to responsible gaming and gaming supervision to protect minors and those with addictive gambling problems, whilst also seeking to combat illegal gambling.

For multiplayers each gaming position is considered as one gaming device.

- Gaming Hall concessionaires pay a tax of 20 per cent.
- At present tax rates include a gaming tax of 18 per cent on GGR for both casinos and gaming halls and a concession tax is a flat rate of 20 per cent for gaming halls or fast progressive 5-20 per cent on GGR for casinos.
- Gaming operators have no redemption on input VAT (for non-gaming products) and represents around 3-7 per cent on GGR.

This has caused some controversy over the years as VAT makes investments in the tourist infrastructure unattractive which in turn contradicts the whole Slovenian tourism strategy.

There is a suggestion to generate tourist gaming resorts in Slovenia and to introduce a flat gaming tax rate of five per cent on GGR minus concession tax paid. Concession tax rate on GGR should be from 36 per cent to zero depending on gaming amenities in integrated resorts

SLOVENIA: GAMING REVENUES IN THE PAST DECADE

YEAR	LOTTERY	CASINOS	GAMING HALLS	SLOTS OUTSIDE OF CASINOS	TOTAL
2000	€31.7m	€187.5m	-	€19m	€238.2m
2001	€38.5m	€195.6m	-	€23.2m	€257.3m
2002	€45.3m	€203.2m	€4.2m	€18.3m	€271m
2003	€39.1m	€208.6m	€33.1m	€1.4m	€282.2m
2004	€51.2m	€222.7m	€61.4m	€1.1m	€336.4m
2005	€53.6m	€256.5m	€75.9m	€0.2m	€386.2m
2006	€54.9m	€256.6m	€105.3m	-	€416.8m
2007	€60.5m	€243.8m	€128.3m	-	€432.6m
2008	€77.5m	€219m	€136.2m	-	€432.7m
2009	€72.5m	€194.9m	€136.5m	-	€403.9m

and the concession tax should be divided four ways between state, province, municipality and gambling addiction programmes.

The input VAT paid by gaming operators should be a deductible sum from gaming tax and the concession tax to be paid to the state. Hit for example, as a concessionaire, pays concession duty stipulated by the Gaming Tax Act and the Gaming Act for each concession granted. The calculation is made on the amount paid in by players on the gaming machines less the winnings paid out and revenues earned by the operator. In 2008 the concession duty was set at five per cent, except for slot machines, where a progressive scale applies for casinos and a fixed rate of 20 per cent for slot halls.

Meanwhile the Office of Gaming Supervision supervises all aspects related to gaming from implementing regulations, setting up concessionaires and analysing data. Although the development of the gaming and entertainment industry was set out in the Strategy of the Development of Gaming in Slovenia back in 1997 it has however not been implemented.

The country has a huge opportunity to develop an attractive and export orientated gaming industry but depends on the development of large scale projects. The demand now is for the government to develop a new gaming legislation which defines the criteria for granting concessions for gaming operators which together with the Ministry of Finance and Ministry of Economy limits the number of gaming halls, defines the regions of operations, develops an integrated tourist product and establishes

a national system to prevent negative consequences and defines where concession funds are best allocated.

Gambling is Slovenian's most developed tourist product and helps support the country's organisations. In 2008 the local community received a total of €25.9m whilst the FIHO (foundation to support disabilities) received €22.8m, the FSO (Sports foundation) €10.2m and the state budget €90.9m (60%).

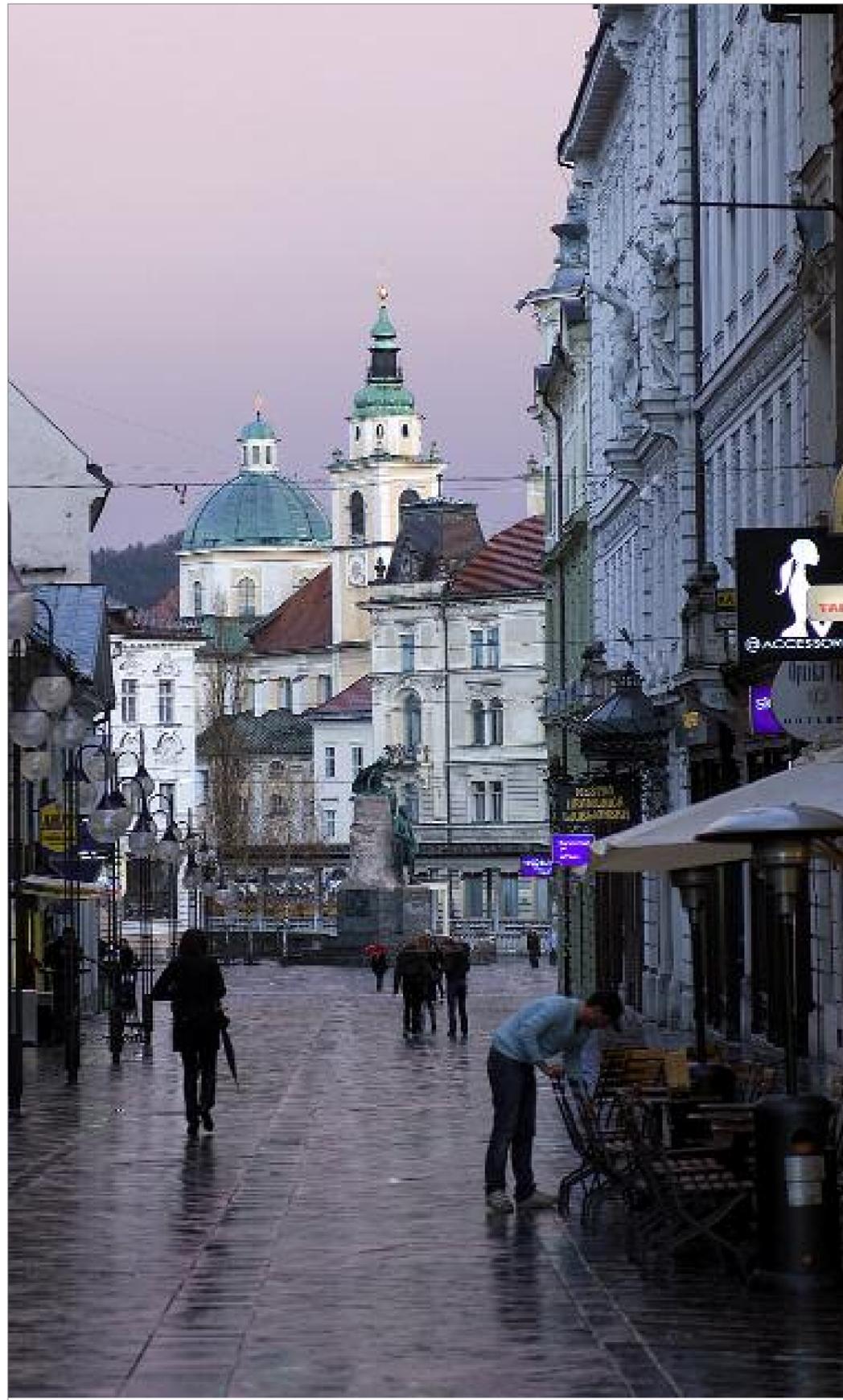
Gross revenue from gambling (2009) amounted to €403.9m compared to €432.3m the previous year. Of this figure casinos and gaming halls are responsible for 82 per cent compared to 18 per cent for the lottery sectors. However casinos share is around 59 per cent (compared to 90 per cent some eight years ago) and gaming halls have the 41 per cent share.

Casino sector GGR for 2009 was €194.9m with some 2,177,680 visitors whilst gaming halls was €136.5m with 2,739,625 visitors. There has been a decline over the last couple of years and there was an 11 per cent drop in revenues in casinos between 2008 and 2009. The number of gaming tables fell by around three per cent between 2008 and 2009 whilst the number of gaming slots was reduced by 170 (4 per cent).

Ales Gornjec, Business Development Manager for Gaming at Com Trade said: "The market in Slovenia experienced a decline in revenues over the last two years. Revenues show that the big casinos are losing their position against the smaller operators (gaming halls). Sport betting is the smallest source of revenue but has seen consistent growth.

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CASINO OPERATORS

The first casinos were permitted in Slovenia after 1963 where they operated as small venues in selected places in tourist resorts with the primary aim of collecting foreign currency. Gaming was supervised by the secret police and Slovenian citizens were not allowed to gamble. Profits were used to build tourist facilities.

In 1984 the small hotel company HIT received a licence to open a small casino in industrial town Nova Gorica. A low eight per cent gaming tax on profit was introduced which later increased to 20 per cent and HIT grew to develop modern American style casinos.

Between 1991 and 1999 when Slovenia achieved independence things changed dramatically. Slovenians were now allowed to gamble and many restaurants opened up slot halls within their venues.

However the market was unsupervised with no real gaming legislation until the government passed the Gambling Act in 1995. Meanwhile until 1993 and there were no, or very little, taxes for slots outside of casinos. On the other hand progressive taxes of up to 60 per cent were introduced to help the smaller casinos survive alongside HIT.

In the 2000s things began to change. Slovenia introduced VAT in 1999 to help HIT survive plus gaming law amendments were introduced in 2001-2003 which saw a maximum limit of 200 slots per gaming hall and a maximum of 45 gaming halls increased from 25.

The government encouraged the building of new tourist gaming resorts which saw Harrah's announce its plans for a huge hotel and casino resort.

The joint development for a hotel-casino in Slovenia was between HIT, Harrah's and the government. Initially Harrah's would only receive a 20 per cent stake in the business due to Slovenian law however this was later altered to give the company a 49 per cent share and taxes on profits from gaming were to be cut from 38 per cent to 17.5 per cent.

Some non-governmental groups were against the project saying due to its huge scale it would have a detrimental affect on the community. The project was expected cost in the region of €750m and would have included an 800-1,200-room hotel and 50,000 sq.ft casino, conference centre, spa, restaurants, retail and entertainment venues.

The whole deal fell apart due to disagreements concerning management contracts, however it did gain HIT worldwide exposure in the gambling world although on the downside also gave Venice something to worry about. Today Slovenians can enjoy all forms of gambling and much of the gaming market in the country is aimed at tourists with as much as 25 per cent of all tourism in Slovenia in gambling tourism.

The larger casinos are located near to the Italian border and tap in on the relatively restricted market there. In fact the casinos in Gorica, Primorska and Karst region recorded 92 per cent foreign visitors in 2009. Those casinos based in the west of Slovenia also generated some 78 per cent of the GGR of all the casinos (€142.5m).

HIT GROUP

The Hit Group operates casinos and gaming and entertainment centres, hotels, a travel agency plus various snack bars, coffee houses, sports arenas and exhibition and congress halls. The Hit Group comprises of 11 subsidiary companies which includes the parent company Hit d.d established in Nova Gorica and ten subsidiary companies of which six are located in Slovenia and four in Croatia, Bosnia and Herzegovina, Montenegro and Serbia which are:

Hit Colosseum which is a Sarajevo registered company and was set up in 2002 to manage HIT's business in Bosnia and Herzegovina, primarily the company's casino operation there – Casino Colosseum gaming and entertainment centre. The centre has 150 slots ranging from poker, video slots, multigames and electronic roulette plus 11 table games.

Hit Montenegro was set up in 2004 and today operates the Maestral Resort and Casino which includes 107 slots, three electronic roulettes plus table games at the casino located on the Montenegrin coast. Hit International in Serbia acquired land in 2007 for the development of a gaming and entertainment centre and is currently submitting plans.

The Casino Kristal Umag is the Croatian company which opened the Kristal Gaming and Entertainment Centre in Umag. This is housed in the three star hotel which has 80 rooms and four suites and has 245 slots and 13 gaming tables. The company's Slovenian based subsidiaries include ICIT development company, Hit Alpinea hotel operations company, Casino Kobarid, Hit Bovec ski resort, Hit Sentilj and Hit Larix slot hall.

At the end of 2008 the company had 1,300 rooms available to hotel guests and the number of overnight stays came to 462,000. The HIT group began in 1983 when several smaller companies merged into HGP Gorica, a hotel and tourism company. This was followed by a casino opening at the Park Hotel in Nova Gorica the following year.

In 1986 the company changed its name to d.o (working organisation) HIT and in 1989 the Hit Casino Rogaska Slatina, now known as Casino Fontana was



In 2009 the Hit Group was given the status of Superbrand 2008 and opened a new wellness centre called Spa Perla. Today the company operates five casinos – Park, Perla, Korona, Mond and Fontana and was also granted two concessions for operating slots gaming halls – Larix and the Casino Drive-in (Vrtojba) both of which expire at the end of this year.

opened. In 1990 the company name was changed to HIT d.o.o Nova Gorica and the following year a third casino was opened in Kranjska Gora followed by one in Otocec called Kastel Casino in 1992.

In 1993 the Perla Gaming and Entertainment Centre opened which was later renovated in 2001 and in 1997 HIT opened its own sports centre. HIT was transformed into a joint stock company in 1998 and a year later the HIT Hotel Casino Kranjska Gora was renovated and renamed the Korona Casino and Hotel.

In 2004 HIT opened the Aurora Gaming and Entertainment centre in Kobarid (of which it owns 60 per cent) and also the renovated Maestral Hotel, now known as the Maestral Resort and Casino.

By 2006 the company had opened a

Casino Drive-In in Vrtojba (later closed in 2008) and opened a new hotel wing in the Perla Gaming and Entertainment Centre in Nova Gorica.

The following year the Park Gaming and Entertainment Centre was renovated whilst in 2008 the Hit Company began a new development strategy for the group for its 2008 to 2012 period. This included the renovation of the Kanin Hotel in Bovec and the purchase (Hit owns 75.3%) of the Casino Larix, a slots hall in Kranjska Gora tourist destination covered by umbrella company Hit Alpinea.

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operating slots gaming halls – Larix and the Casino Drive-in (Vrtojba) both of which expire at the end of this year. The Drive In operates 188 slot machines and 12 electronic roulettes and is designed in 1950s American style.

The global economic crisis has affected all areas of business in Slovenia and Hit has also suffered. Economic growth slowed considerably in 2008 due to smaller growth of capital investments and exports generally. Average inflation rate during 2008 soared to 5.7 per cent driven by rising food and energy prices and coupled with all these factors the anti smoking law was introduced.

Hit experienced some drop in business back in 2007 which was mainly due to the anti smoking legislation introduced that year. The following year saw some

stabilisation combined with capital investments in both Slovenia and Croatia. However, with the arrival of the global recession the company saw a drop in business due to a lack of disposable income from consumers which affected revenues at the gaming establishments. In addition competition increased which led to some closures.

Italy, which is Hit's most important market, was one of the first countries to be hit by the recession and therefore affected business. In addition Casino Kobarid saw major competition from the Venice Casino which installed more gaming devices plus the area saw new slot halls opening also offering live games such as Texas Hold 'em.

The only exception for Hit during this period was the Montenegrin Maestral

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SLOVENIA: VITAL STATISTICS

Capital: Ljubljana
Population: 2,003,136 (2010)
Land Area: 20,273 sq.km
Median age: 42.1 years
Languages: Slovenian 91%, Serbo-Croatian 4.5%, other 4.4%
Government: Parliamentary Republic
Chief of State: President Danilo Turk (since 2007)
Head of Government: Prime Minister Borut Pahor (since 2008)
Ethnic Groups: 83%, Serb 2%, Croat 1.8%, Bosniak 1.1%, other 12%
Cabinet: Council of Ministers nominated by the Prime Minister and elected by National Assembly.
Elections: President is elected by vote for five year term. Next elections due in Autumn 2012.

Casinos: 9 (max permitted 15)
Slots: 8,917 (gaming halls 4,851 and casinos 4,066)
Casino Tables: 277
Gaming arcades: 33 (max permitted 45) with alcoholic licences)
Gross Revenue: €402.8m
Visitors: 4.9m (gaming halls and casinos)

Resort which saw a 29 per cent increase whilst the other Hit casino gaming establishments saw drops of around 10 per cent in gaming revenues from €204m in 2007 to €178m in 2008.

Meanwhile gross operating revenues for the company from games of chance and casino entrance fees amounted to €223m (a three per cent drop from 2007 figures). The aim during 2009 was the stabilise revenues and improve the utilisation of the group's capacities

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The casinos saw a total of 2.2 million visitors, an increase of 15 per cent from 2007 which is partly a consequence of new openings of Mond, Kristal and first full year of operations for Larix. The group operates in total across all its domestic and international casinos some 4,010 slots and 215 table games.

In 2008 the Hit Group casinos and slot halls accounted for €61.9m of gaming tax and other duties. Of this €60.3m (or over 97%) of taxes came from casinos and slot halls established in Slovenia. Total Hit Group Gross operating revenues amounted to €239.9m in 2009 of which 86 per cent were generated via the Slovenian based companies whilst total revenues came to €245.7m and with total expenses of €266.1m the consolidated net loss for the group came to €17.2m.

In recent developments, the CEO Hit Group, MD. Drago Podobnik, the Deputy Governor of the Altai district of central administration and the President for Economic Affairs and Investment, Dr. Mikhail Ščetinim, have signed a letter of intent to participate and advise upon the development of a casino bid in the Siberian Federal District.

A cooperative agreement was formed several months ago taking into consideration that last year the Russian Federation, following the closure of all casinos in July 2009, identified four zones in which development is allowed to offer gambling. These include Altaic* county, established in Barnaul, which has decided to set up and begin to develop the gaming zone based on US gaming and entertainment lines, and attract a distinguished and experienced partner for consulting in this field. Operation of this zone is related to the implementation of gaming and tourism activities.

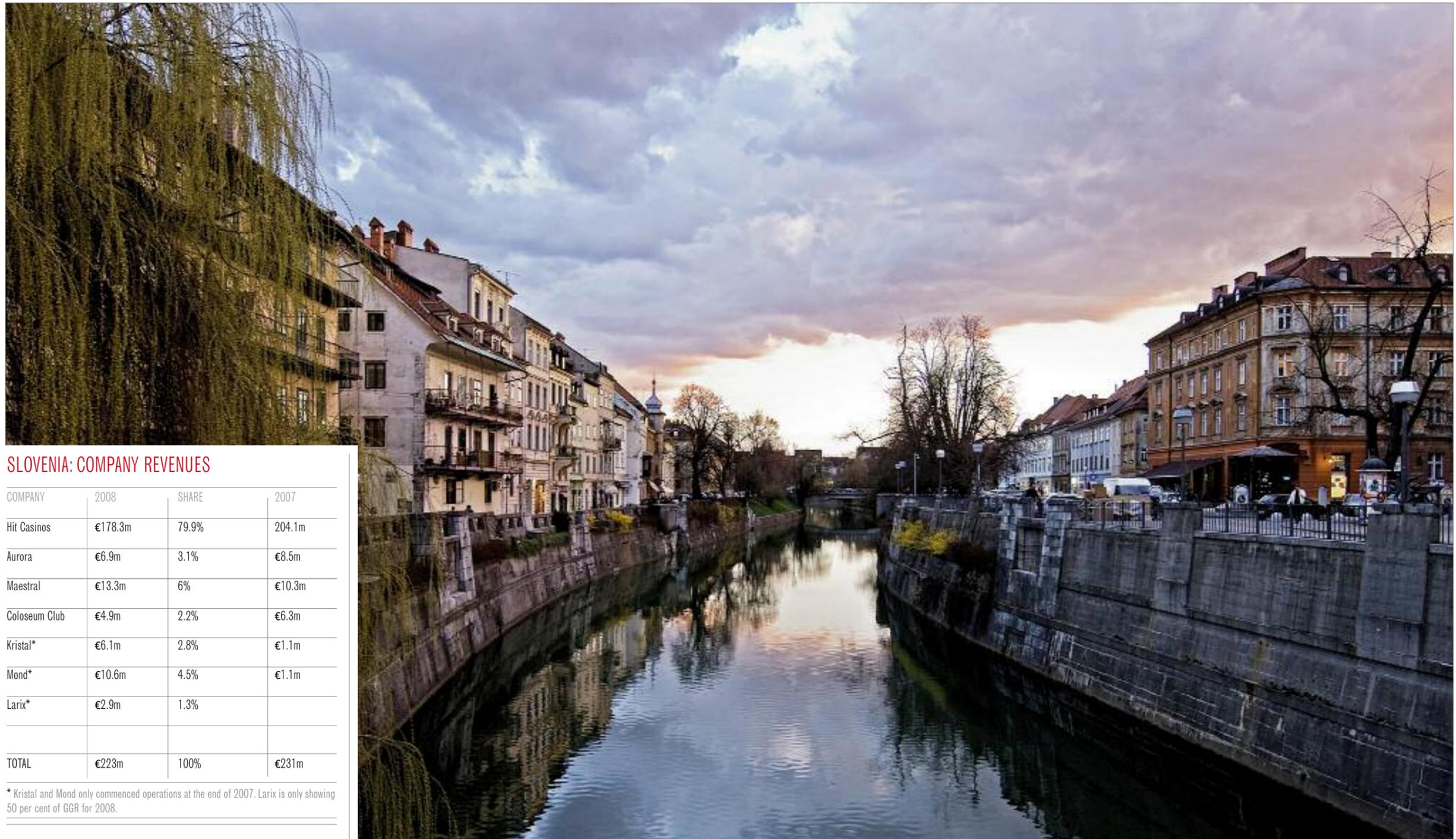
Hit is to provide advice on matters relating to the establishment of the zone, but as an investor itself does not intend to enter into operations. Altai district administration is committed to this agreement to prepare all the necessary information, provide the conditions for implementation of activities and events, and approve procedures to promote investment in the zone.

This Letter of Intent is an important part of the administration's efforts for the future development of Hit, which is facing a deepening economic crisis and unfavourable operating conditions and circumstances. Hit is also facing union threats of strikes as it tries to agree a redundancy and pay reduction plan with staff. The company's management believes that the agreement in Russia represents a new significant revenue from the transfer of knowledge and experience.

"From this cooperation we expect a lot because the potential is truly unique. This is an area of around six million inhabitants; capital is relatively rich, but in terms of gaming and tourism they are without experience. I am sure that using our advanced knowledge and extensive experience they can not only offer quality assistance and professional counselling, but also many new lessons," said CEO, Dr. Drago Podobnik.

*Altaic, the Russian federal district unit of the south-western Siberian federal district and should not be confused with the Autonomous Republic of Altai.

CASINO POROTROZ
Casino Porotroz is the second largest casino operator in Slovenia and is a joint



SLOVENIA: COMPANY REVENUES

COMPANY	2008	SHARE	2007
Hit Casinos	€178.3m	79.9%	204.1m
Aurora	€6.9m	3.1%	€8.5m
Maestral	€13.3m	6%	€10.3m
Coloseum Club	€4.9m	2.2%	€6.3m
Kristal*	€6.1m	2.8%	€1.1m
Mond*	€10.6m	4.5%	€1.1m
Larix*	€2.9m	1.3%	
TOTAL	€223m	100%	€231m

* Kristal and Mond only commenced operations at the end of 2007. Larix is only showing 50 per cent of GGR for 2008.

stock company which operates two casinos and one slot hall plus has interests in various hotels.

It operates the oldest casino in Slovenia, Casino Portoroz, which first opened in the Palace Hotel in Portoroz and this was later moved to the Hotel Metropol followed by Casino Lipica which opened in 1989 and Casino Lido in 2001.

In 1983 in accordance with the Slovenian tourism and casino development policy

The casinos are all state owned and managed by companies who obtain concessions for the licences and there are five casino operating companies (Hit, Casino Kobarid, Hit Sentilj, Portoroz and Bled). In 2009 there were a total of 2,177,680 visitors.

Casino Portoroz set up a gaming hall together with the hotelier Hotel Park from which the company HIT was developed. Six years later in December 1989 Portoroz opened an independent casino in Lipica. The casino has since seen several refurbishment programmes due to its success and was modernised in 1991 and in 1993.

In 1990 Casino Portoroz and Kompas Magistrat opened a casino in Slovenia's capital Ljubljana and 1992 the company

separated its gaming activities and established the company Casino Portoroz d.o.o. The mid 1990s saw the casino industry grind to a halt in Slovenia due to legal regulations and gaming activities were restricted for several years. In 1998 following an ownership reorganisation the joint stock company Casino Portoroz d.d was established. And in 2001 the company began to expand and opened the Grand Casino Lido in the thermal spa town of Catez Spa near the Croatian border followed by the opening a slot hall

in Zusterina in 2003.

Portoroz Slot Club Casino, Zusterina is located in the main tourist centre of the city of Koper and offers 70 slots and three electronic roulettes.

CASINO BLEED

Casino Bled is a joint stock company which dates back to 1924 when it was first opened although only for just one season. The real birthday for the opening of the casino officially is 1965 following

Of the 33 gaming halls the majority are operated by independent companies though include operations from Admiral d.o.o (subsidiary of Novomatic) which has the Admiral Hotel and Casino Resort in Kozina, southeast Slovenia.

the new law on gambling which was introduced three years previously and is housed on the lake in the centre of Bled.

Casino Bled also operates the Casino Vulcan gaming hall at the border crossing in Karavanke which has 40 slots and electronic roulette games.

CASINOS

There are currently 33 gaming halls in operation and nine casinos in Slovenia compared to 14 casinos at the end of

2009. Nova Gorica is the region with the most casinos boasting three locations whilst the largest casino is Hotel Perla.

The casinos are all state owned and managed by companies who obtain concessions for the licences and there are five casino operating companies (Hit, Casino Kobarid, Hit Sentilj, Portoroz and Bled). In 2009 there were a total of 2,177,680 visitors to the casinos whilst the sector took €194.9m GGR compared to €219m the year previously. There were 277 gaming tables and 4,066 slots.

In 2009 there were a total of 2,739,000 visitors to the gaming halls whilst the sector took a total of €136.5m GGR compared to €136.2m the year previously. There were 4,851 slots.

PERLA CASINO AND HOTEL

Located in Nova Gorica, Perla Gaming and Entertainment Centre offers 1,138 slot machines and 69 gaming tables including Roulette, Black Jack, Punto Banco and Poker. The casino is the largest in Slovenia and also offers a private slots room with 35 slots from video and poker slot machines with bets of up to €800 and table games. It is located in the four star hotel which features 225 rooms and 20 suites and four deluxe suites. Operated by HIT and concession is valid until 2014.

CASINO PARK

This casino was Hit's first establishment to be opened and is located in Nova Gorica. It houses 36 gaming tables and 789 slot machines. It is located in the four star hotel which has 78 rooms and four suites. Concession is valid until 2014.

KORONA CASINO AND HOTEL

Located in Kranjska Gora the Korona offers 380 slot machines including reel or video and 23 gaming tables from American Roulette to Black Jack and Midi Punto Banco. The four star hotel offers 25 rooms and four suites. Operated by Hit and concession is valid until 2014.

CASINO FONTANA

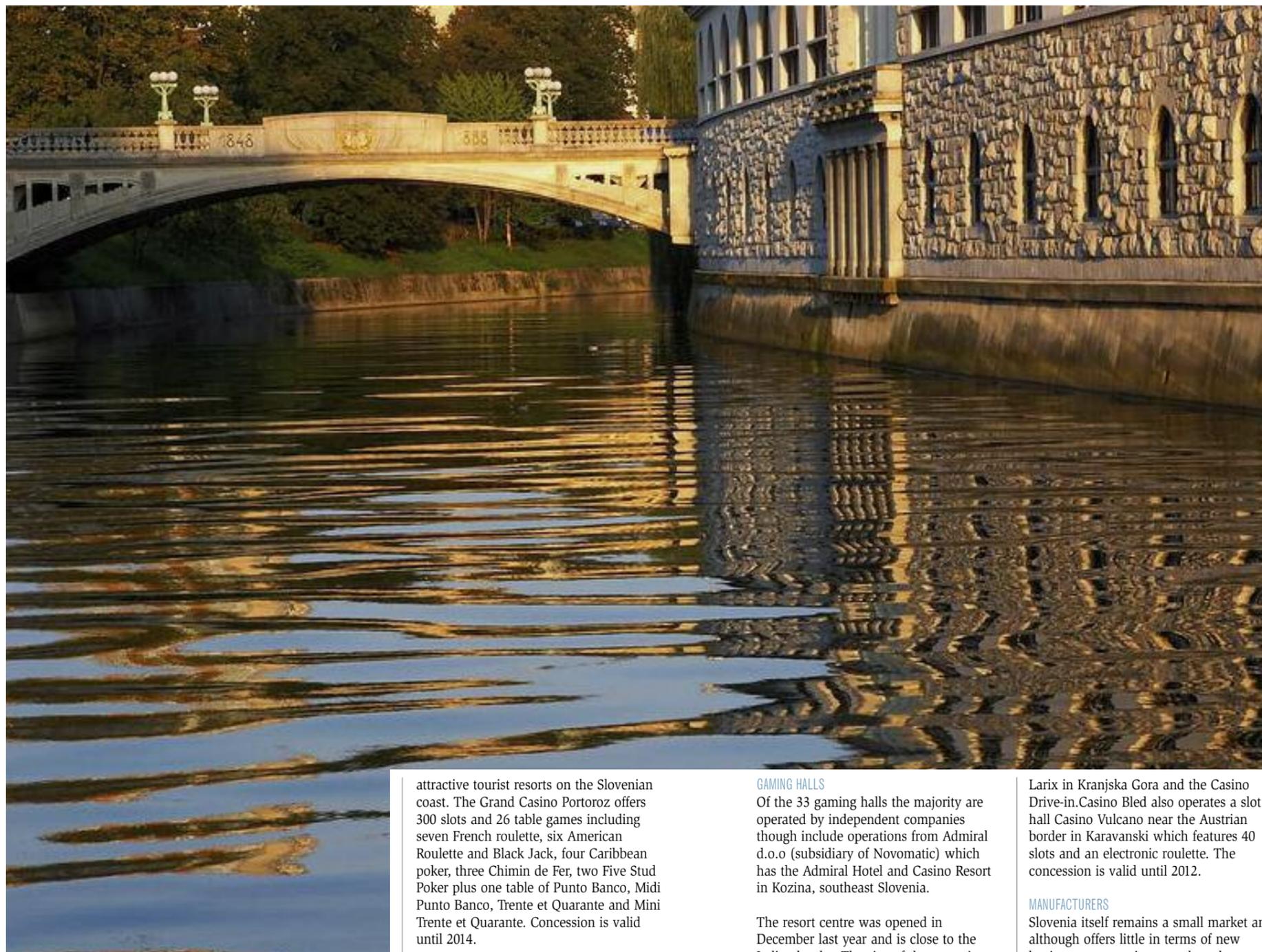
Located in the Donat Hotel in the health resort at Rogaska Slatina and surrounded by a beautiful resort park. The Mediterranean style casino houses 100 slots, an eight terminal electronic roulette and eight gaming tables. Operated by Hit and concession is valid until 2014.

CASINO MOND

The newest casino to be opened by Hit Sentilj it houses 26 gaming machines and 408 slot machines. Concession is valid until 2010 (October)

CASINO AURORA

Casino Aurora is operated by Casino Kobarid (Hit) which operates the casino



in Staro Selo near Kobarid. The casino has eight gaming tables and 280 slot machines and bingo. The concession is valid until 2012.

CASINO BLED

Located on the lake, Casino Bled operates slot, bingo and 15 table games including six American Roulette, four Black Jack, one Hit Draw Poker, one Punto Banco and three Texas Hold 'em.

GRAND CASINO PORTOROZ

Portoroz is one of the largest and most

Slovenia itself remains a small market and although offers little in terms of new business or excessive growth on home turf, has however managed to become home for a number of key manufacturing companies.

GRAND CASINO LIPICA

Lipica is located in the middle of the Karst landscape and is home to the renowned Lipizzaner white horses. A tourist centre has developed in this area which is near to the Slovene and Italian border. This is both an amusement venue and casino and host numerous shows and entertainment. The location features a stage which hosts international music events whilst the gaming area offers 373 slots and electronic roulettes plus 18 table games. Concession is valid until 2014.

GAMING HALLS

Of the 33 gaming halls the majority are operated by independent companies though include operations from Admiral d.o.o (subsidiary of Novomatic) which has the Admiral Hotel and Casino Resort in Kozina, southeast Slovenia.

The resort centre was opened in December last year and is close to the Italian border. The size of the resort is 25,000 sq.m and Novomatic invested around €10m in the project which includes a three star hotel and new access roads. The casino area is 1,300 sq.m and features 200 slots plus three electronic roulettes. The site where the new casino is housed replaces an old two star hotel which was completely renovated during the project. The new hotel features 40 rooms, a la carte restaurant, bar and sun terrace.

Casino Portoroz operates one gaming hall in Zusterma whilst HIT operates the Hit

Larix in Kranjska Gora and the Casino Drive-in. Casino Bled also operates a slot hall Casino Vulcano near the Austrian border in Karavanski which features 40 slots and an electronic roulette. The concession is valid until 2012.

MANUFACTURERS

Slovenia itself remains a small market and although offers little in terms of new business or excessive growth on home turf, has however managed to become home for a number of key manufacturing companies.

The country houses a number of companies particularly those in the multiplayer sector. Some of the main ones include:

INTERBLOCK

Interblock is a worldwide recognised trademark in multiplayer gaming machines from roulette, blackjack, dice, craps, keno, bingo and video games

Advansys is a company which develops top of the line, innovative systems for the gaming industry such as powerful slot management systems called the SlotScanner range. This product offers various systems from SlotScanner Accounting and Cage, SlotScanner Ticketing, Play Tracking, Progressive Jackpot System, Cashless and Multisite option. Advansys operates systems in a total of 56 casinos on more than 9,000 slot machines all over the world.

which are operated in casinos, arcades and gambling lounges.

The company was founded in 1999 as an associated company of Elekroncek d.d and today sells its products worldwide and has since set up other subsidiary companies in Asia-Pacific, Canada and the US. It was a company started by Joze Pececnik, who back in 1989 was asked to fix a gaming machine by a local casino operator and from there developed Princess, an electronic roulette prototype.

It was met with staggering response from its introduction at ATEI in London in 1998 and sold to Bulgaria, Hungary, Romania and ex-Yugoslavian countries. That same year the company introduced its first generation of multiplayer games, Megastar roulette, dice and video.

Development continued and in 2000 the company began to receive constant orders from the ELAM Group and in 2006 sold a 50 per cent share of Elekroncek to Aristocrat. The company then began to expand worldwide and this was boosted by the introduction of the fourth generation multiplayer, G4 Organic.

The company's net sales revenue in 2008 amounted to €31m of which €11m was from the domestic market with the remainder from foreign markets.

ALFASTREET

AlfaStreet was the first company in Slovenia to produce the multiplayer roulette. It began its production back in 1997 and throughout the years has developed a good reputation for such products and today has around 3,000 multiplayers worldwide.

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The family owned business is most well known for its multiplayer electronic roulette however the company has developed a series of new products over the last few years such as multiplayer bingo, blackjack, multi game/multi wheel/multi terminal platform. There is also the ability to connect the games to be played in electronic or live set up.

Alfastreet's Albert Radman said: "We are constantly developing our products and we try to follow the gaming market trends. At the moment the gaming fashion is turning towards single terminal gaming stations instead of classic closed composition like the most common eight player machines.

"Slovenia is a small market although we still have a considerable share of our local market but this means around 30-35 multiplayers. Slovenia will not see any growth for a long time. The existing clubs are already operating at a marginal profit



so it is safe to say that the picture we see today is the same we expect in a couple of years from now.”

GOLD CLUB

Gold Club is one of the largest producers of gaming devices and is currently present in 100 different countries with subsidiaries in many locations.

The company is located in Sezana on the Italian border. It began its business by developing slot machines and electronic roulettes and also operates its own slot halls in Slovenia including the Igralni Salon located in Lipica near the Italian border, the Casino Vis a Vis which is located in Krvavi Potok and houses 116 slots, near the Italian border and Hotel Gold Club in Ajdovscina which operates 150 slots.

In terms of multiplayer the company produces a range of models from the Integra and Star roulettes to blackjack and poker table games. The company continues to develop slot machines.

ADVANSYS

Advansys is a company which develops top of the line, innovative systems for the gaming industry such as powerful slot

Lotteries have been operating since 1945 when it was operated under the Yugoslav Lottery until it was established under Slovenia in 1972. The lottery games are sold via 1,154 sales outlets whilst other games (number games, bingo and instant) are sold via 846 sales outlets which are either specialised shops or via petrol service stations and the postal company. Instant tickets are sold at 340 sales outlets (tobacco shops and postal company).

management systems called the SlotScanner range. This product offers various systems from SlotScanner Accounting and Cage, SlotScanner Ticketing, Play Tracking, Progressive Jackpot System, Cashless and Multisite option. Advansys operates systems in a total of 56 casinos on more than 9,000 slot machines all over the world.

In Slovenia the system is located in eight venues including HIT casinos. At the Perla the system supports more than 1,100 slots and in Casino Mond Ticketing is installed on 400 slots.

It is also sold worldwide and the on-line system was recently introduced by the Hrvatska Lutrija (Croatian State Lottery) for instance and installed at two locations, Casino International and Casino Fortuna.

ROYCE AND BACH

Royce and Bach has some 30 years experience in the field of games and multiplayer installations and today develops products such as the Archipelago 8'07. This roulette game has random variation wheel speed and alternate right and left wheel direction. It comes with a 17 inch touch screen, bill

acceptor and secure card reader.

INTERGAMES

Intergames was founded in 1998 with the aim of supplying equipment to operators in Eastern European countries.

The company is now the official distributor of products for Unidesa Gaming and also ICIT electronic roulettes and is also the official service and technical support for Aristocrat in Slovenia and Croatian markets.

In March 2010 the company became the official exclusive distributor for Konami Gaming in Italy, Slovenia and Austria and also distributes products for Ecash of Australia, Camlock Systems, GPT, JCM, Gary Platt Manufacturing, BUIC, Ceronix and Money Controls.

COM TRADE

Com Trade, previously known as Hermes SoftLab is an international company providing IT solutions and software engineering services with special focus on the gaming industry. It was established in 1990 and today has offices in Slovenia, Bosnia and Herzegovina, Ireland, Germany, Austria and USA.



In 2008 Hermes joined the Com Trade Group and together with Spinnaker New Technologies now represents the IT solutions and services business unit of the Com Trade Group.

Com Trade is the parent company of both Hermes and Spinnaker and has a presence in 14 countries and has a total revenue of €300m. In the gaming industry the company provides technology solutions for casino operations, online gaming providers and gaming operators and was recently awarded a UK gaming license enabling them to offer a unique product within the live gaming market.

It has developed the Server Based Gaming (SBG) System for gaming vendors and has also developed gaming software services for casino, arcade and pub operators. Hermes is also active in the online gaming field.

Ales Gornjec, Business Development Manager for Gaming at Com Trade said: “At present we do not have direct dealings in Slovenia however we are always looking for new opportunities within our own country. The economic climate of 2009 meant that a number of Slovenian operators became cautious and

budgets were frozen. We have however noticed signs of recovery in the first half of 2010.”

THT

THT is a two year old Slovenian company which specialises in electronic poker tables available in two, five or 10 player models. After initially focusing on the Italian market new projects have since been developed to enter other markets including the Fairplay Baccarat table, Blackjack table and the Trente et Quarante table.

At the moment THT is certifying machines through SIQ standards and does not yet have products available for the Slovenian market but has had a successful year with products to date in Italy and Ireland. “Our patented gaming concept is something never seen before in the gaming world and our plan is to install several machines in Slovenia and Croatia but our core targeted market is Asia for baccarat and the rest of the world for other games like blackjack and poker etc.,” commented THT’s Alenka Sršen regarding the new developments.

LOTTERY AND ONLINE

There are two companies permitted to

In February 2010 an amendment was added to the Gaming Act in a bid to combat the illegal online gaming situation. This gave the State Office for Gaming Supervision the freedom to impose explicit provision on IP blockings to block websites which are offering illegal gaming.

operate other games of chance which are the Slovenian Lottery Company (Loterija Slovenije) which operates eight games and Sports Lottery and Gambling (Sportna Loterija) which operates six games.

Loterija Slovenije is an organiser of classical games of chance in Slovenia and has been doing so since 1972 as an independent company before becoming a public limited company in 1998 operating under the Ministry of Finance.

Lotteries have been operating since 1945 when it was operated under the Yugoslav Lottery until it was established under Slovenia in 1972. The lottery games are sold via 1,154 sales outlets whilst other games (number games, bingo and instant) are sold via 846 sales outlets which are either specialised shops or via petrol service stations and the postal company. Instant tickets are sold at 340 sales outlets (tobacco shops and postal company). Each sales outlet covers around 2,400 inhabitants and at the moment there are sales outlets at some 340 locations across Slovenia.

The lottery is the most popular game in Slovenia and this began in 1962 followed