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Operation of gaming machines in Hungary in 2008

Some typical figures characterising the industry

-Number of gaming machines

Category I: 7,916
Category II: 21,335

Total: 29,251

-Machines per site

Category I: depends on the size of the hall, at least 2 m² are required per machine
Category II: (bars and restaurants) maximum 2 machines

At present, there are 1,039 Category I gaming halls and
15,404 Category II gaming halls

-Activities involved

In Category I gaming halls only gaming and amusement machines can be operated, no other activity can be pursued.

In Category II gaming places 2 gaming machines are allowed in addition to catering.

-Cost of the various licences

Category I gaming machines: 125,000 HUF / year (500 euros)
Category II gaming machines: 75,000 HUF / year (300 euros)

The licence for gaming halls is valid until withdrawn; it does not need to be renewed every year.
Licence for gaming halls: 20 000 HUF (80 euros)

- Revenue from Gaming and Amusement Licences

Total from gaming tax: 157,000,000 Euro

From licensing fees: approximately 10,000,000 Euro (only the Gaming Board has information of the exact figure, but last year's data have not been published yet)

Only the Gambling Supervision Department of the Hungarian Tax and Financial Control Administration has information on the exact figure, but last year's data have not been published yet.

-Growth of industry

It has been declining continuously for years; the decrease reached 5 per cent in 2008.

New Legislation

A thorough modification of the Gaming Act of 1991 (which has been modified several times since it took effect) is planned for this year. According to our knowledge, the concept will be prepared by June 2009, which needs to be approved by the government. After it has been accepted, the process of drafting can be started. The revised Act is planned to take effect on 1st January 2010.

Taxation

-Tax rates

Extra tax levied for gaming machines: 100,000 HUF/ monthly per machine

-How taxes must be paid

Monthly: based on tax returns

Industry News

- Annual Exhibition

Gamexpo Budapest - 15-17th September 2009

-Other important events

Bingo game has been reintroduced in Hungary under the operation of the state organiser called Hungarian Gaming Corporation (Szerencsejáték Zrt)

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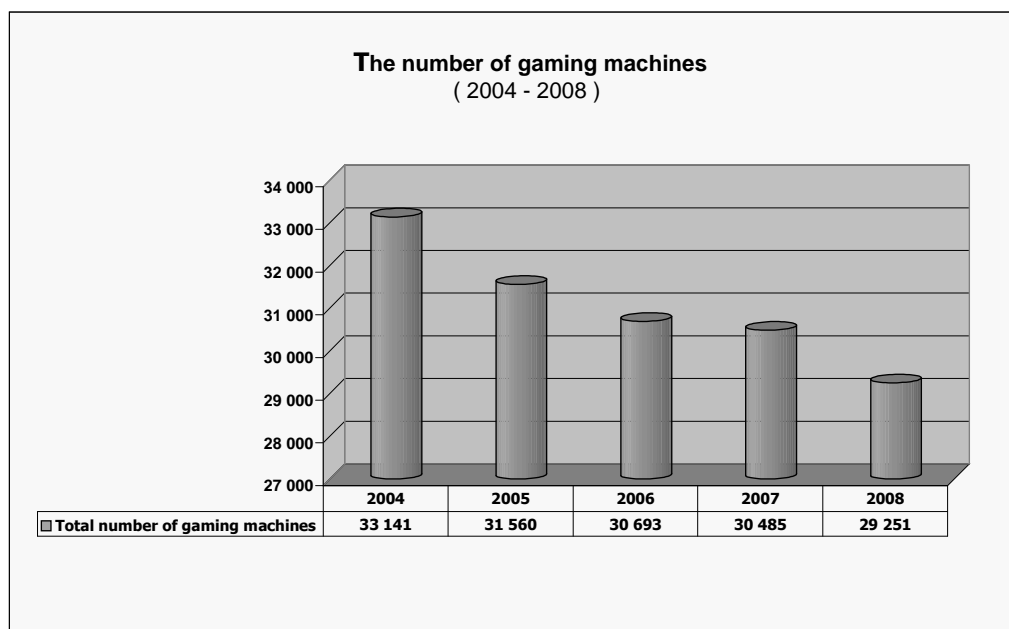
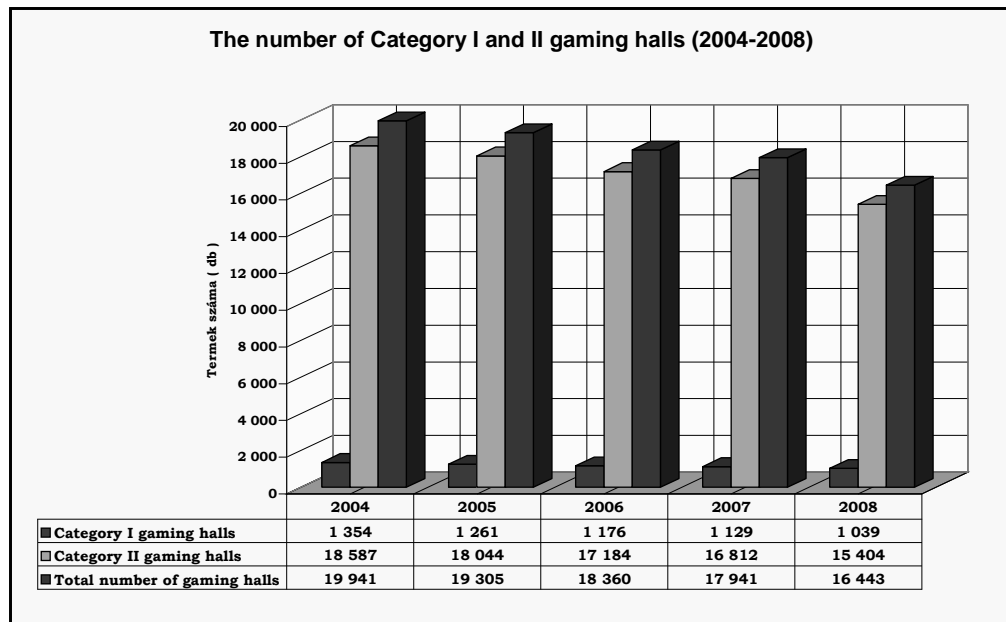
A brief description of the situation of the industry

In general, the Hungarian gaming market can be characterised as having two poles since 1995. The state organiser Szerencsejáték Zrt represents one pole, while the liberalised gaming machine operation accounts for the other pole.

Szerencsejáték Zrt organised 22 types of drawing games in 2008 (lottery, keno, scratch cards).

The characteristics of the operation of gaming machines:

Since 2004, a gradual fall has been experienced in the industry regarding the number of machines.



Recently, 3 500 gaming halls have been closed, and the number of machines operated in the market is 4 000 fewer than 5 years ago. The main reason for the above is the significant rise in gaming tax in 2004; Also, with the decline in the personal income of players the amount spent on gaming has dropped.

Paralelly, the costs of operation have also risen. The decline has affected producers and distributors as well, and had an unfavourable effect on the turnover of restaurants and bars.

The Hungarian Gaming Association has also submitted its proposals regarding the modification of the Gaming Act. We recommended creating a new category of gaming machines and gaming halls in addition to the existing two types. In the new category, bets and prizes would be lower and its taxation would be different, too. The purpose of our suggestion is to fill the 4000 former gaming places that have ceased to operate. The operation of these gaming places has been suspended primarily because their owners cannot finance the taxes imposed on them. Our suggestion had a positive welcome by the decision-makers.

In the case of Category I gaming halls, the Hungarian Gaming Association would like to achieve that at least catering activities and prize-drawing (with advertising purposes) can be organised, since at present no other activity is permitted besides gaming machines operation. This would greatly improve the comfort of players and thus it could increase the turnover of gaming halls, which would be badly needed in the present economic situation.

The Association has been emphasising in every forum the need for the regulation of card games that are rather popular in Hungary. We submitted a detailed plan to the authorities regarding this issue. In addition, internet games should also be regulated in order to ensure the organised and legal operation of the market.

In 2008, the Association set up an advisory service for problem gamblers. The telephone service is available during the day, and the calls are received by an addiction expert who analyses the condition of the patient and sends him/her to the relevant special institution if necessary. Furthermore, the service provides an opportunity for consultation for experts working in the field of assistance.

Our Association organises courses and trainings for those working in the industry. The 4-month courses attract a wide-range of interest. Participants are instructed by university teachers and reknowned experts of the profession. They are informed about the most important issues and events in the industry as well as of the changes in legislation. At the same time, participants receive detailed information on the general rules of enterprises, business know-how and other questions of ethics.

The Hungarian Gaming Association continues to publish the monthly professional journal called "Tét", which helps the activities of entrepreneurs with up-to-date information of the profession.

The 2008 statistical figures characterising the industry as a whole are not available at the moment. As soon as the authorities forward the data to us, we shall prepare our Almanac this year, too. The Almanac generally contains the results of the industry in the preceeding year, and it provides an analysis and evaluation of the processes. The document is available on the website of the Association (www.szerszov.hu) together with other useful information.