The Maltese Land-based and Remote Gaming Industry

January – June 2016

The Maltese Gaming Industry in the First Half of 2016: An Overview of Performance and Medium-Term Outlook

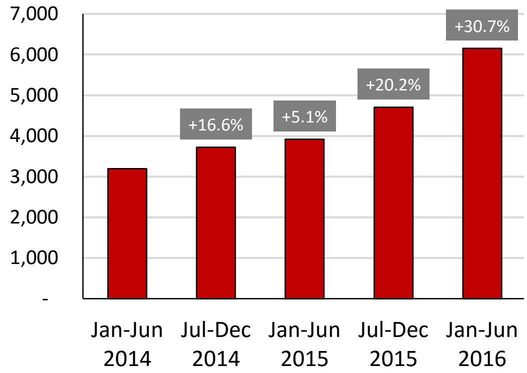
This report reviews the performance of business operators regulated by the Malta Gaming Authority (MGA) during the first half of 2016 within a medium-term perspective. This is presented in terms of the economic value added, employment and tax revenue results attained by the industry, together with developments in demand trends and in the supply capabilities of operators licensed under the Maltese jurisdiction. This report also details major achievements in the operations of the MGA during the period to support a sustained and orderly growth of the gaming industry in Malta. It concludes with an outlook for the expected development of the Malta-based industry over the coming months.

This analysis is published by the MGA alongside a detailed Interim Report on developments in the gaming industry in Malta for the first half of 2016. Methodological approaches and sources for the data used are detailed in the Interim Report.

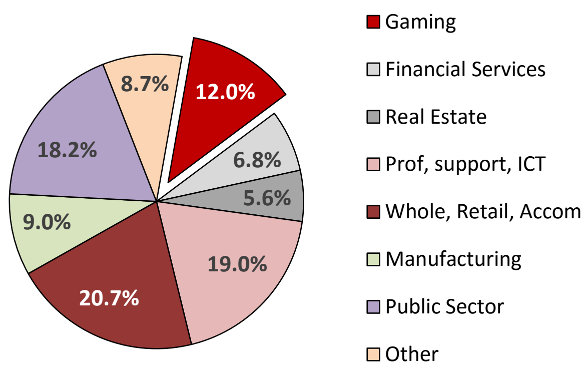
Headline Industry Developments

The gaming industry in Malta continued to advance steadily during the first half of 2016, in spite of a downturn in global activity in 2015 and indications of flat revenues in major international markets this year. This was, in the main, reflected in a 31% increase in employment within the gaming industry in Malta during the period, which represented a peak upon the already strong rates of growth over the past two years, as shown in Graph 1. Among the major drivers behind this were organic growth in revenue experienced by several firms as well as the expansion of the services offered. Other drivers comprised new investment, including relocation of businesses to Malta, also on account of mergers and take-overs taking place internationally. Employment growth was also sustained by business trends geared towards consolidating service delivery robustness, quality and consumer satisfaction - partly driven by regulatory requirements – and enhancing marketing activities.

Employment in the gaming industry in Malta rose by 31% during the first half of 2016



GRAPH 1: GAMING INDUSTRY EMPLOYMENT (FULL-TIME EQUIVALENT)



GRAPH 2: ECONOMINC VALUE ADDED (JAN-JUN 2016) SOURCE: NATIONAL STATISTICS OFFICE

The number of full-time equivalent jobs in the gaming industry is estimated to have reached 6,150 by June 2016, as shown in Table 1. While land-based activities generated over 250 new jobs during the first half of 2016 when compared to the first half of 2015, the number of new jobs in remote gaming business increased by eight times as much. These estimates include solely jobs within firms which are licensed by MGA. The activities of firms in the gaming industry operating from Malta but not licensed under the Maltese jurisdiction, including employees hired by third companies to service the gaming sector, are in the process of being surveyed by the MGA to derive a more comprehensive assessment of the contribution of the industry to the Maltese economy.

Jobs in land-based activities increased by 250, but those in remote gaming rose by eight times as much

Headline Indicators	2014		2015		2016
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Number of Licences in Issue (Remote)	414	465	474	490	490
Number of Companies in Operation	271	289	283	276	257
Gross Value Added (€m)	396.3	399.0	449.0	450.6	502.7
Employment (FTE jobs)	3,193	3,724	3,915	4,707	6,150
Remote	2,634	3,102	3,318	3,908	5,295
Land-Based	559	622	597	799	855
Gaming Tax Revenue (€m)	24.3	28.3	26.9	28.2	28.0

TABLE 1: HEADLINE INDICATORS OF GAMING INDUSTRY ACTIVITY

The gaming industry directly contributed 12.0% of the total economic value added generated in the Maltese economy during the first half of 2016, as indicated in Graph 2 above, and grew by 11.9% compared to the first half of 2015. Indeed, the industry is an important component of a burgeoning 'new economy' segment in Malta, which provides services to and benefits from the expenditure of firms and employees in the gaming business. These 'new economy' activities comprise financial services, real estate, business support including ICT services, and, to a lesser extent, the retail, accommodation and catering sector, together generating over one half of the value added of the Maltese economy.

The gaming industry directly generates one-eighth of the value added of the Maltese economy

These notable growth results were attained in the context of a declining number of operators licensed under the Maltese jurisdiction, which, by June 2016, amounted to 257, as shown in Table 1. The declining number of operators is partly due to effective monitoring procedures adopted by the MGA resulting in more cancellations, but also due to a process of business consolidation in the remote gaming segment which has been ongoing for around 18 months and has recently gathered momentum. Overall, it is leading to enhanced operating efficiencies and capabilities

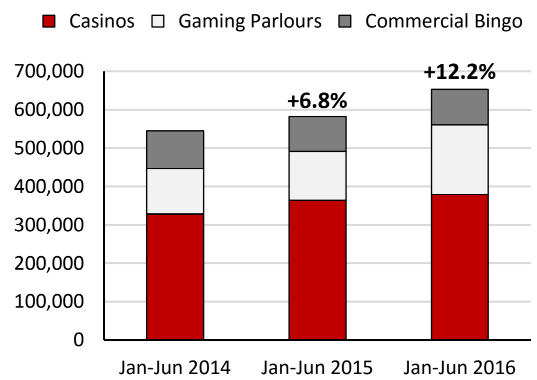
Growth in the gaming industry took place within a context of consolidation of business activity to reap market opportunities to sustain growth of compliant business. The number of remote gaming licences remained stable at 490 during the period under review.

Gaming tax intake grew by 3.8% to account for 4.6% of indirect tax revenue

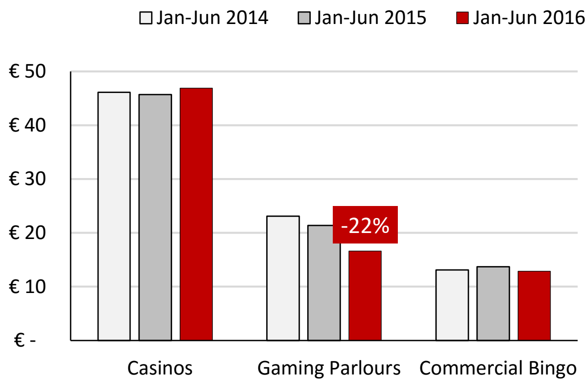
Reflecting these developments, tax revenues amounted to €28 million during the first half of 2016. This represented 4.6% of the total indirect tax intake of the Maltese Government during the period. On the basis of a year-on-year comparison to account for seasonal elements in casino activity, revenue from gaming taxes increased by 3.8%. Growth in tax revenue was mainly underpinned by increased activities of gaming parlours as well as of remote gaming operators which utilise a B2B service licensed by the MGA.

Gaming parlour visits increased substantially as average spend dropped

From a more detailed market behaviour perspective, there was growth in all segments of land-based gaming activities in the first half of 2016, with total visits to outlets increasing by 12.2%, as shown in Graph 3. This increase concerned all of the three types of land-based outlets, but over two-thirds of the increase was generated by gaming parlours. This segment was characterised by an increasing range of service offering which led to a substantial rise in the number of visits. At the same time, the average gross gaming revenue per visit fell by a substantial 22%, reflecting the changing nature of the services offered. Furthermore, players' expenditure in gaming parlours has decreased by 11%.



GRAPH 3: VISITS TO OUTLETS



GRAPH 4: GROSS GAMING REVENUE PER VISIT

Gross gaming revenue of land-based activities grew by 5.8%

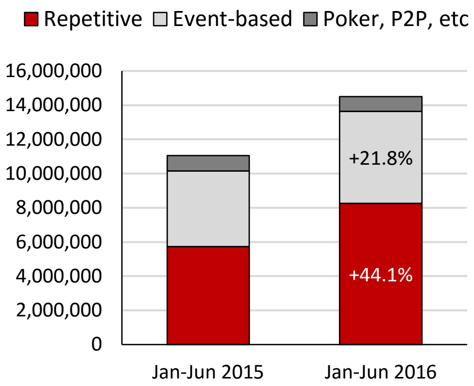
Overall, the gross gaming revenue of the land-based sector, including lotteries, grew by 5.8% during the first half of 2016 over the comparable period of last year. This was in the main driven by spending on lotteries - which reversed a decline in 2015 - on account of draw-based games and sports games driven mainly by the UEFA European Football Championship. The increase in visits by players in land-based activity in the recent years is a result of the extensive regulation of the market that encouraged a shift of customers to regulated outlets. The total visits are inclusive of both Maltese nationals and foreign nationals living in Malta as well tourists visiting the Maltese islands.

The remote gaming sector experienced growth and an evolution in activities…

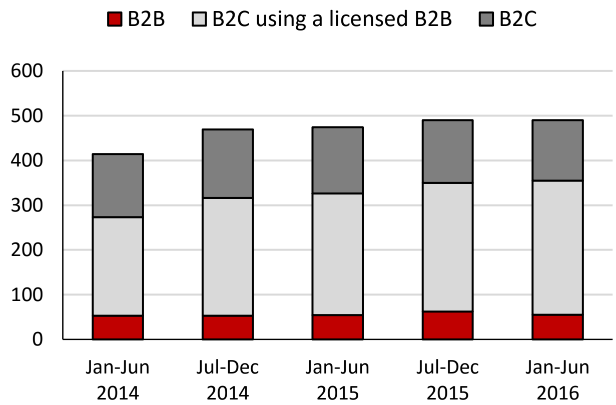
Two notable developments characterised the remote gaming sector during the first half of 2016. One was a significant increase in active players, which was consistent with the broad-based expansion in gaming industry activity in Malta which took place during the period. The other was the increase in gaming licences utilising B2B services licensed by the MGA. This indicates an element of shift towards a stronger requirement for B2B services to be underpinned by a licensing framework, which is, in good part, driven by market demand trends.

The number of active accounts in remote gaming rose by an average of 31% over the twelve-month period to exceed 14 million by the end of June 2016. This was driven mainly by accounts in the repetitive and event-based game categories, as shown in Graph 5. The growth in licences, involving an element of B2B service licensed by the MGA observed since 2014, persisted in the first half of 2016. Licences of this nature increased by over 10% on year-on-year basis to reach 300 units, as illustrated in Graph 6.

…as active accounts advanced by 31% while licences involving a B2B element increased by 10.2%



GRAPH 5: ACTIVE CUSTOMER ACCOUNTS



GRAPH 6: REMOTE GAMING LICENCES

Operations of the MGA

A regulatory overhaul which will future-proof gaming licencing in Malta is being brought into force in 2017

In line with its commitment to achieve a high level of integrity, efficiency and cutting-edge regulation, MGA proceeded with the overhaul of the entire regulatory framework governing the Maltese gaming industry, which begun in 2015 and will come into force in 2017. This process is geared to address the technological, political and legal developments facing the industry and will streamline the Maltese legal framework on various levels, ensuring the necessary latitude for modern operational setups and allowing for further developments and innovation to future-proof the Maltese regulatory jurisdiction in a highly dynamic global environment.

MGA piloted a specific regulatory framework for games of skill

Other notable initiatives undertaken by MGA during the first half of 2016 included amendments to remote gaming regulations that introduced measures designed to strengthen licensees' obligations in respect of consumer protection, requiring increased transparency in the information which licensed operators provide to players. A second amendment introduced a power for MGA to implement a monitoring system to automate and enhance compliance processes, reduce complexities in investigations and strengthen the regulatory framework. This initiative followed a process of public consultation in 2015, and is now being implemented by MGA.

Remote gaming regulations were amended to strengthen consumer protection and promote administrative simplification

Another significant milestone reached by MGA during the first half of 2016 was the development of a regulatory framework for games of skill, which was notified to the European Commission in August. The new framework distinguishes between games which call for a significant degree of regulatory oversight such as fantasy sports, and others which may not need any intervention. The Authority will continue to closely monitor these operations to provide a stable regulatory environment conducive to business growth and adequate consumer protection.

During the review period, MGA continued to work with the Financial Intelligence Analysis Unit on the implementation of the 4th Anti Money Laundering Directive set to come into force next year. Through this Directive, all gaming operators shall, for the first time, be considered as subject persons in terms of anti-money laundering and countering of terrorism obligations. A number of stakeholder consultations have been held on this matter and more are planned throughout 2016.

Work on new anti-money laundering requirements is on-going

MGA continued to safeguard the interests of the sector at international fora

At EU level, MGA was strongly involved in activities aimed at introducing standardisation towards regulatory simplification, addressing the problems of match-fixing, and safeguarding the interests of the gaming industry within the context of the inception of the European Single Digital Market. MGA continued to follow jurisdictional developments in other EU Member States, and beyond, in order to enhance collaboration efforts with other national regulators.

Outlook for the Gaming Industry in Malta

The global outlook for the gaming sector in 2017 appears to be a positive one, with industry sources citing potential revenue growth rates in excess of 10%. The gaming industry in Malta is expected to be conditioned by this. Over the coming months, the industry in Malta is furthermore expected to continue growing on account of the factors that shaped its development over the past couple of years. It is however, recognised that the high and broad-based rates of growth registered in the first half of 2016 may be difficult to sustain over a prolonged period of time, and a return to more sustainable yet robust growth can be expected through 2017.

The gaming industry in Malta is expected to continue growing robustly through 2017

The strong results achieved so far and the positive outlook for the short term provide no justification for complacency in the policy and regulatory attitude towards the gaming industry in Malta. Globally, the sector is subject to important dynamics of a technological, legal and market demand nature. These create both challenges and opportunities for the industry in Malta, which has now become an integral and essential component of the economy. The regulatory overhaul which will be implemented by the Authority in 2017 will place the industry on a sounder and more sustainable footing in the future, with the aim of reinforcing Malta's standing as a world-class reputable jurisdiction for gaming licensing.

The regulatory overhaul to be implemented in 2017 is intended to sustain growth in the longer term

Detailed Interim Statistical Report on the Performance of the Gaming Industry in Malta During the First half of 2016

Land-based Sector Statistics

This reporting period has seen the first full six months of the Casino Malta's operation, resulting in an increase in the number of casinos from three to four. The developments in this sector provided substantial economic benefits and tax revenues for the Maltese Islands. The number of other land-based outlets remained fairly stable over the last reporting period.

I Land-based Casinos

1. Casino Players' Visits

During the period under review, local casinos reported a total of 379,344 visits, an increase of 4% when compared with the corresponding period of 2015 and a 15% growth in visits when comparing with the period January to June 2014.

Casino: Players' Visits	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total	328,465	395,027	364,052	417,006	379,344

TABLE 2: LAND-BASED CASINOS - NUMBER OF VISITS

During the reporting period, the highest increase in the number of visits was reported in January (+22%) and June (+22%). In March 2016, visits to casinos went down by 28% when compared with the same month in 2015. This is in light of the international poker tournament organised in March 2015 which resulted in the significant increase of visits (by 35%) when compared with the corresponding month of 2014. In 2015, no major events were organised during this month.

Apart from visits reported for regular customers, casinos also offer their facilities to junket groups. From January until June 2016, a total of 331 junket players visited local casinos, an increase of 17% when compared with the period January to June 2015. The highest number of players in the first six months of 2016 was reported in June (89 players) and April (78 players).

Casino: Junket Players	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total	251	343	284	275	331

TABLE 3: LAND-BASED CASINOS - NUMBER OF PLAYERS (JUNKETS)

2. Casinos: New Players' Registrations[1]

During the period under review, 44,336 new registrations were reported by casino operators. This can be attributed to the novelty of the opening of a new casino and the high number of new registrations reported during the first full six months of its operation.

3. Casinos: Number of Tables[2]

As at 30 June 2016, there were 91 different gaming tables in casinos and a total of 965 gaming devices. The highest number of tables in the Maltese licensed casinos were reported for Texas Hold'em and Roulette, with 28 and 27 tables respectively.

Casinos: Industry tables	No. of tables
Texas Hold'em	28
Roulette	27
Blackjack	18
Casino Poker	5
Punto Banco	4
Other	9
Total	91

TABLE 4: LAND-BASED CASINOS - NUMBER OF TABLES

4. Profile of the Casinos' Players

Nationality

During the period January to June 2016, a total of 196,325 visits by Maltese nationals were registered, together with an additional 183,019 visits by non-Maltese players. Visits of both groups to the Maltese casinos went up by 6% and 2% respectively when compared with the period January to June 2015. During the reporting period, visits by Maltese residents represented 52% of the total visits while visits of non-Maltese for 48% remained nearly on the same level when compared with the levels reported during the corresponding period of 2015 (51% visits of Maltese nationals vs. 49% of non-Maltese).

Casino: Players' Visits	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Maltese	189,518	198,433	185,358	196,250	196,325
Non-Maltese	138,947	196,594	178,694	220,756	183,019
Total	328,465	395,027	364,052	417,006	379,344

TABLE 5: LAND-BASED CASINOS - PLAYERS' PROFILE (BY NATIONALITY)

[1] Refers to the total number of new players' registrations during the period under review. This is not a unique number of registered customers for the casino sector and should not be interpreted as such. If the customer registered in May 2016 in Casino 1 and registered in Casino 2 in June 2016, this was recorded as two new registrations during the period January – June 2016.

[2] Total number of tables for casinos' games as at 30 June 2016.

Gender

Casinos offer a wide variety of games, from low-stakes slot machines to high-stakes table games, in order to attract players with different profiles. During the period January to June 2016, visits by male players represented a significantly greater proportion (60%) to the total visits to casinos from female players (40%).

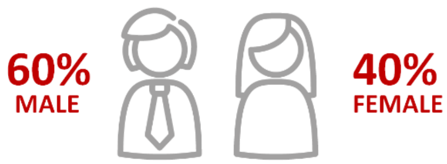
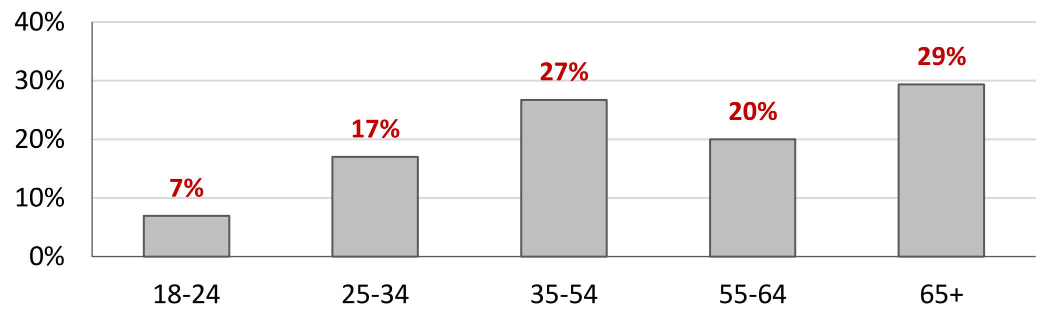


FIGURE 1: LAND-BASED CASINOS - PLAYERS' PROFILE (BY GENDER)

Age Group

The minimum entrance age to the local casinos is 25 years for Maltese citizens and 18 years for non-residents. The local casinos are popular among customers from different age groups with nearly one third (29%) of all visits reported for customers aged 65 years or more during the reporting period. Visits of players between the 35-54 and 55-64 age bracket constituted 27% and 20% of all visits respectively. Visits to casinos by customers between 25 and 34 years constituted 17% of total visits for the sector. Visits by the youngest age group, that is, between 18 to 24 years, are the least common and represented 7% of all visits during the period January to June 2016.



GRAPH 7: LAND-BASED CASINOS - PLAYERS' PROFILE (AGE GROUP DISTRIBUTION)

Method of Payment

During the period under review, the most common method of deposit for casinos was cash, constituting 69% of all payments. Deposits by credit / debit card constituted the remaining 31% of payments.

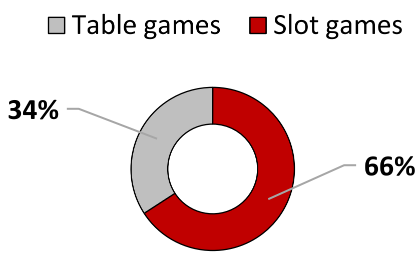
FIGURE 2: LAND-BASED CASINOS - PLAYERS' PROFILE (METHOD OF PAYMENT)

5. Casinos' Gross Gaming Revenue

During the first half of 2016, the GGR generated by casinos increased by 7% when compared with the corresponding period of 2015. This is in line with the growth in the number of visits to casinos during the period under review. This increase was mainly driven by the opening of the new casino in the local market in its first six months of full operations.

The most notable increases in GGR were reported in January and February 2016, 21% and 26% respectively, when compared with the same period of 2015. The highest drop, reported in March 2016, was of 17% from the levels registered in March 2015. In March 2015, an international poker tournament was organised in one of the local casinos, attracting many foreign players, thus contributing to the increase in GGR generated during this month.

Out of the total GGR generated during the first six months of 2016, 66% was generated through slot games whereas 34% through table games. This remained nearly at the same levels as those registered for the period January to June 2015 when the GGR generated from slot games constituted 67% of the total figure.



GRAPH 8: LAND-BASED CASINOS - GROSS GAMING REVENUE DISTRIBUTION

During the first six months of 2016, the casino sector reported 4% of the GGR from junkets. During the equivalent period of 2015, GGR generated from junkets stood at just less than 1% of the total casinos' GGR.

Average GGR per visit

The average GGR per visit had been decreasing from €46.1 in the year 2014 to €45.7 as registered during the reporting period January to June 2015. However, from the latter period, the average GGR per visit is on the increase, reaching nearly €47 during this reporting period.

Casino: Average GGR per visit	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	46.1	45.7	45.7	46.0	46.9

TABLE 6: LAND-BASED CASINOS - AVERAGE GGR PER VISIT

6. Casinos: Gaming Tax

The increase in casinos' gross gaming revenues, as expected, led to a growth in gaming tax due, with companies returning €6.6 million in tax to the Government — a 4% increase over the corresponding period of the previous year. Tax payable by the casino operators constituted 48% of the total tax owed by the land-based sector.

Casinos: Gaming Tax	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	5,736,802	6,777,524	6,382,033	7,337,642	6,642,312

TABLE 7: LAND-BASED CASINOS - GAMING TAX

7. Casinos' Employment

As at June 2016, the number of full-time equivalent (FTE) direct employees working in the casinos was 638, an 11% increase over the number of employees reported as of December 2015. This increase can be attributable to the opening of a new casino that provided additional employment opportunities within the sector.

Casino: Employment	As at December 2014	As at June 2015	As at December 2015	As at June 2016
Total FTEs	417	392	574	638

TABLE 8: LAND-BASED CASINOS - EMPLOYMENT

Employment distribution by gender

During the period under review, the casino sector employed 56% male and 44% female workers. When compared with the figures reported as of December 2015, the percentage of male casino workers increased during the period January to June 2016 (as at December 2015, casinos employed 53% male and 47% female).

Employment distribution by nationality

The nationality distribution between Maltese and non-Maltese employees remained fairly stable, with a slight decrease in the percentage of Maltese workers, which went down by 5%, from 56% as at December 2015 to 51% as at June 2016. The non-Maltese workers constituted 49% of the casino workforce during the period under review.

II Gaming Parlours

1. Approved Gaming Parlours

As at the end of June 2016, there were 46 approved gaming parlours in Malta and Gozo, spread throughout 28 different localities. During the period January to June 2016, new gaming parlours were licensed in Birżebbuġa and Ħal Luqa while two outlets were closed down in Fgura and San Ġwann.

As at the end of second quarter of 2016, the highest number of gaming outlets were located in the Northern Harbour and Southern Harbour District (as defined in Appendix 2) having 14 and 18 approved gaming parlours respectively. As at the end of this reporting period, four gaming parlours were located in each of the following localities: Ħamrun, Paola and Valletta. There are no limits of gaming outlets per locality; however, there are a number of restrictions provided by law in order for the MGA to grant a licence. Authority approvals for the locations thereof are in line with the current restrictions in place to safeguard and protect minors and the general public.

Operator	2014		2015		2016
	As at June	As at December	As at June	As at December	As at June
Izibet	23	23	24	24	26
Bestplay	6	6	6	6	6
Media Games Malta EU	4	5	5	7	5
Fairbet	4	5	5	6	6
Bingo	3	3	3	3	3
Total	40	42	43	46	46

TABLE 9: APPROVED GAMING PARLOURS

2. Gaming Devices per Operator

The number of licensed gaming devices has increased by 5% from 343 as at December 2015 to 359 as at June 2016. As at the end of second quarter of 2016, there was an average of 7.8 gaming devices per gaming outlet. This is in line with the Regulations stating that there cannot be more than 10 gaming devices in each parlour.

Operator	2014	2015		2016
	As at December	As at June	As at December	As at June
Izibet	150	162	178	201
Bestplay	41	43	43	44
Media Games Malta EU	29	39	49	40
Fairbet	23	33	43	43
Bingo	30	30	30	30
Total	273	307	343	359

TABLE 10: DISTRIBUTION OF GAMING DEVICES PER LICENSED OPERATOR

3. Gaming Parlour Visits

In the first half of 2016, the number of visits to gaming parlours has increased by 42%, from 127,975 as at June 2015 to 181,091 as at June 2016[3]. The number of visits to gaming outlets has increased in each month of 2016 when compared with the previous year. This can be attributed to the increase in the number of new gaming devices as well as to the introduction of new types of devices in the gaming outlets.

Number of visits by locality

For the purpose of producing regional statistics, the Maltese Islands have been divided into six districts in accordance with the system applied by Eurostat – Local Administrative Units (LAUs). The districts were identified as follows: the Southern Harbour District, Northern Harbour District, South Eastern District, Western District, Northern District and Gozo & Comino District (Appendix 2).

During the period under review, 40% of visits were registered in the Southern Harbour District, which is where the highest number of gaming parlours are located (18 as at June 2016). In addition, this district reported the highest increase in the number of visits in absolute terms, of 23,732, when comparing January to June 2016 with the corresponding period of 2015. This growth is a result of the increase in the number of outlets in the Southern Harbour District, from 16 as reported in January to June 2015 to 18 in January to June 2016.

District	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Gozo and Comino District	3,672	2,834	4,623	6,335	10,240
Northern District	19,944	19,497	18,318	23,122	27,860
Northern Harbour District	36,507	39,946	44,651	49,417	47,521
South Eastern District	5,161	5,645	5,848	9,264	15,311
Southern Harbour District	49,044	49,546	49,027	59,462	72,759
Western District	4,268	4,922	4,846	6,015	7,400
Total	118,596	122,390	127,313[4]	153,615	181,091

TABLE 11: GAMING PARLOURS - NUMBER OF VISITS BY DISTRICT

[3] This is not a number of unique visits to gaming parlours but rather a sum of all separate entries by customers to these gaming outlets.
[4] This figure does not include 662 visits which were marked as "no site", and therefore could not be allocated to a particular district.

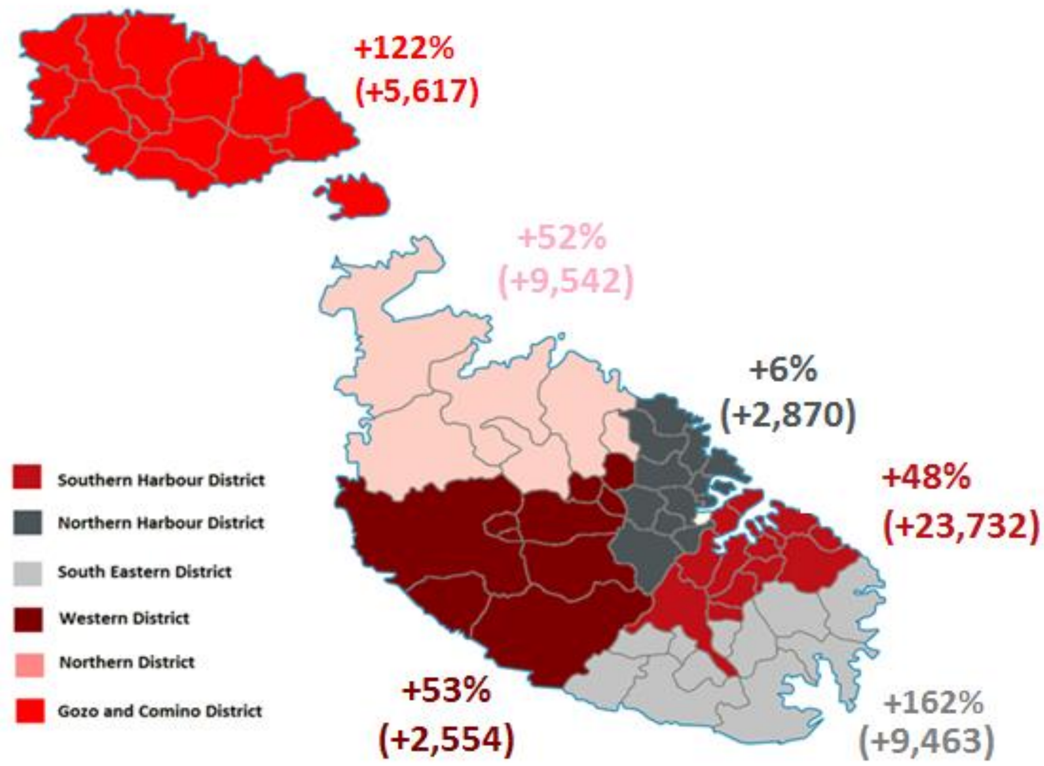


FIGURE 3: GAMING PARLOURS - NUMBER OF VISITS BY DISTRICT (% CHANGE – JANUARY TO JUNE 2015 VS. JANUARY TO JUNE 2016)

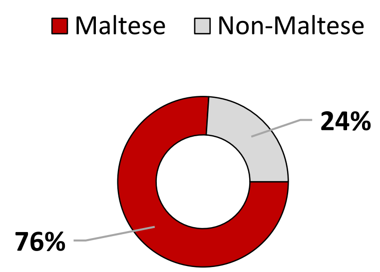
4. Gaming Parlours' New Registrations

During the period under review, the gaming parlour sector reported 8,049 new registrations. This can be attributable to the increase in the number of new gaming outlets within different districts during the period January to June 2016.

5. Profile of Gaming Parlours' Players

Nationality

During the first six months of 2016, the gaming parlours outlets were mostly popular amongst local players, with 76% visits reported for Maltese nationals and 24% reported for non-Maltese players.



GRAPH 9: GAMING PARLOURS - PLAYERS' PROFILE (BY NATIONALITY)

Gender

During the period January to June 2016, approximately 66% of all visits to the gaming parlours' establishments were registered for male players. Visits by female players constituted 34% of overall visits to gaming outlets.

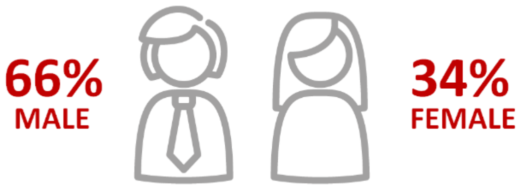
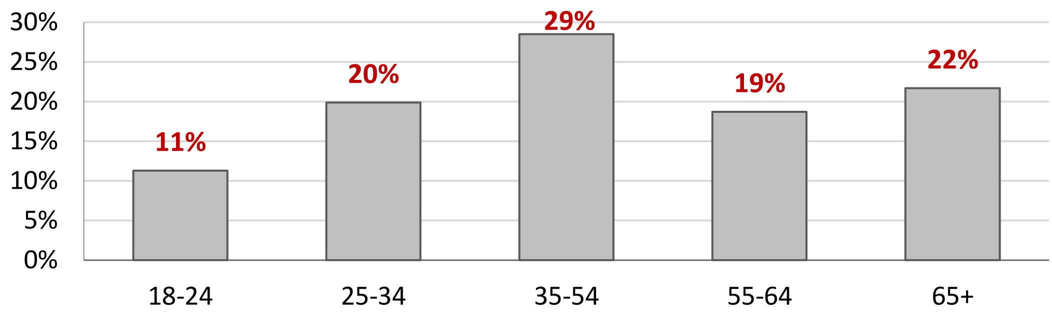


FIGURE 4: GAMING PARLOURS - PLAYERS' PROFILE (BY GENDER)

Age Group

Gaming parlour outlets are popular amongst customers of all age groups. Visits from players aged 35 to 54 years constituted the highest share - 29% of the overall number of visits as reported during the period under review. The lowest number of visits was reported for the 18 to 24 age group, constituting 11% of all visits in this sector. One-fifth (20%) of all visits were registered for players aged between 25 and 34 years of age. Older groups aged between 55 to 64 years and 65 years or older represented 19% and 22% of the total number of registered visits respectively.



GRAPH 10: GAMING PARLOURS - PLAYERS' PROFILE (AGE GROUP DISTRIBUTION)

6. Gaming Parlours' Gross Gaming Revenue

During the period under review, the GGR of the gaming parlour sector increased by 10% when compared with the corresponding period of last year. The highest growth in GGR, that of 33%, was reported in May 2016 when compared with the same month of 2015. Only for February 2016 did the gaming parlour sector report a decrease in GGR of 3% when compared with February 2015.

Average GGR per visit

Over the last two years, the average GGR per visit to gaming parlours has been decreasing as shown in Table 12. During the period January to June 2016, it stood at €16.6, 22% less than for the corresponding period of 2015. This decrease derives from the fact that once sports betting devices in gaming parlours were introduced, the number of visits increased significantly, by 42% during the reporting period, whilst the GGR also grew but at a slower pace (10% increase was reported during January to June 2016 vs. January to June 2015).

Gaming Parlours: Average GGR per visit	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	23.1	21.3	21.4	18.4	16.6

TABLE 12: GAMING PARLOURS - AVERAGE GGR PER VISIT

7. Gaming Parlours: Payout Ratio

During this reporting period, the payout ratio averaged at 89%. The minimum payout ratio required by Gaming Devices Regulations SL.438.07 is 85%.

Gaming Parlours: Payout ratio	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total	90%	91%	91%	91%	89%

TABLE 13: GAMING PARLOURS - PAYOUT RATIO

8. Gaming Parlours: Gaming Tax

During the period January to June, the tax due from gaming parlours operations increased by €255,171 from €505,044 in 2015 to €760,216 in 2016. This growth is a result of a high number of new gaming devices that were licensed in the first half of the year as well as a result of the growth in GGR during the reporting period. The amount of tax due by the gaming parlour operators is calculated on the GGR but also depends on the number of devices operators hold as stated in the Regulations.

Gaming Parlours: Gaming Tax	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	669,489	394,493	505,044	636,190	760,216

TABLE 14: GAMING PARLOURS - GAMING TAX

8. Gaming Parlours' Employment

The number of employees in this sector increased significantly from the figures reported in June 2015 to December 2015, by 28%, due to the opening of new gaming outlets; from December 2015 onwards the number of employees remained fairly stable. As at June 2016, the total number of full-time equivalent direct employees in gaming parlours stood at 110.

Gaming Parlours: Employment	As at December 2014	As at June 2015	As at December 2015	As at June 2016
Total FTEs	96	86	115	110

TABLE 15: GAMING PARLOURS - EMPLOYMENT

Employment distribution by gender

At the end of June 2016, three quarters (75%) of all employees within the gaming parlour sector were male. The proportion of women to men in this sector remained close to the figures reported as of December 2015 where male workers constituted 70% of the gaming parlours' employees.

Employment distribution by nationality

The proportion of Maltese and non-Maltese workers in the gaming parlour sector remained fairly stable compared with the figures reported as of December 2015. Maltese nationals constitute the vast majority (97%) of all gaming parlour employees.

III Commercial Bingo

Non-profit tombola

Apart from commercial bingo, which requires a licence under the Commercial Bingo (Tombola) Regulations of 2016, it is also possible for anyone to organise one-off tombola games where proceeds go to non-profit causes. This activity is subject to an ad-hoc approval/permit by the MGA. During the first six months of 2016, 1,144 permits were issued by the MGA, an increase of 11% when compared with the corresponding period of 2015.

1. Commercial Bingo Visits

Estimated visits to commercial bingo halls for the period under review amounted to 93,045, an increase of approximately 3% when compared with the same period of 2015. When compared with the period January to June 2014, a 5% drop in visits to commercial bingo halls was reported.

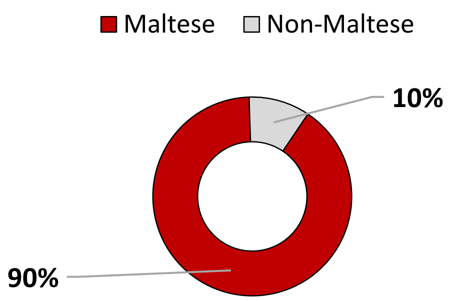
Players' Visits: Commercial Bingo	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total	98,255	92,858	90,343	90,635	93,045

TABLE 16: COMMERCIAL BINGO - NUMBER OF VISITS

2. Profile of Commercial Bingo Players

Nationality

Commercial bingo is a game which has been enjoyed locally for a number of years. During the period January to June 2016, 90% of visits were reported for Maltese nationals. The remaining 10% of visits were recorded for non-Maltese visitors.



GRAPH 11: COMMERCIAL BINGO - PLAYERS' PROFILE (BY NATIONALITY)

Gender

The vast majority of the land-based bingo players in the reporting period were women. During the period January to June 2016, the commercial bingo sector reported that visits from female players constituted 86% of the 93,045 visits whereas the remaining 14% were male.

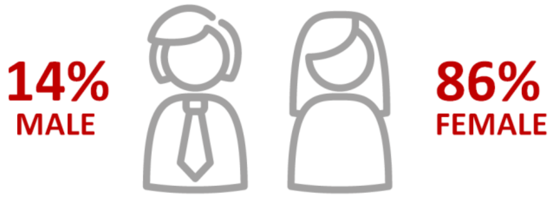
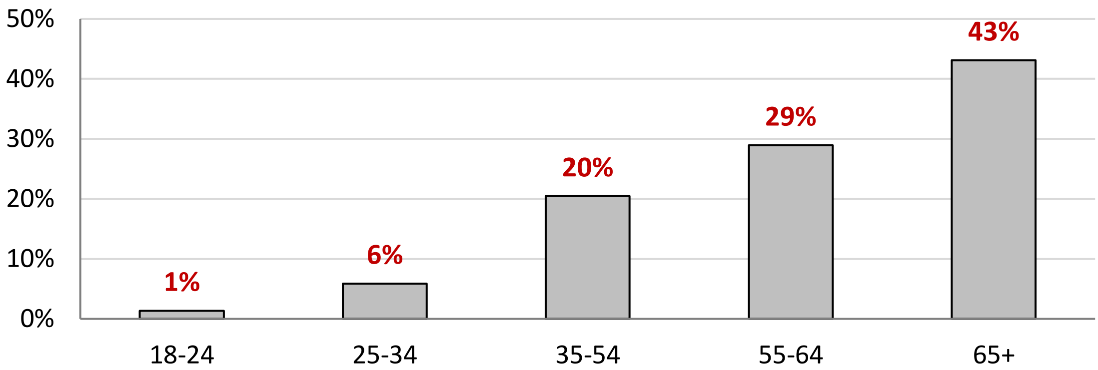


FIGURE 5: COMMERCIAL BINGO - PLAYERS' PROFILE (BY GENDER)

Age Group

Traditionally, land-based bingo is associated with senior citizens. In fact, during the period under review, 43% of the customers visiting commercial bingo halls were over the age of 65. In addition, visits of players from the 55-64 age group represented nearly one third (29%) of all entries to the bingo halls. Visits by players between the ages of 35 and 54 constituted 20% of the 93,045 visits. Players between the 25- to 34-year age bracket represented 6% of the total visits. Visits to commercial bingo halls by the youngest age group (18-24) constituted 1% of the total visits to these bingo halls.



GRAPH 12: COMMERCIAL BINGO - PLAYERS' PROFILE (AGE GROUP DISTRIBUTION)

3. Commercial Bingo Gross Gaming Revenue

During the period January to June 2016, the commercial bingo sector reported a 3% decrease in GGR when compared with the corresponding period of 2015. The highest decrease in GGR in this sector was reported in March 2016 when the generated GGR went down by 14% when compared to the same period last year.

Average GGR per visit

During the period under review, the average GGR per visit went down by 5% from €13.7 during the period January to June 2015 to €12.9.

Commercial Bingo: Average GGR per visit	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	13.1	13.1	13.7	13.2	12.9

TABLE 17: COMMERCIAL BINGO - AVERAGE GGR PER VISIT

4. Commercial Bingo: Payout Ratio

The average payout ratio of the bingo sector for the first half of 2016 stood at 60% as established by the Commercial Bingo (Tombola) Regulations SL.438.05. The average payout ratio for this sector always stood at 60% over all periods reported in the table below.

Commercial Bingo: Payout Ratio	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [%]	60%	60%	60%	60%	60%

TABLE 18: COMMERCIAL BINGO - PAYOUT RATIO

5. Commercial Bingo: Gaming Tax

During the six-month period ending June 2016, the tax due by the commercial bingo operators went down by 2%, from €313,506 (January to June 2015) to €307,109 (January to June 2016).

Commercial Bingo: Gaming Tax	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	325,026	300,640	313,506	287,187	307,109

TABLE 19: COMMERCIAL BINGO - GAMING TAX

6. Commercial Bingo Employment

As at the end of June 2016, the commercial bingo sector directly employed 42 full-time equivalent employees. The number of employees remained relatively stable when compared with the previous reporting period.

Commercial Bingo: Employment	As at December 2014	As at June 2015	As at December 2015	As at June 2016
Total FTEs	40	52	43	42

TABLE 20: COMMERCIAL BINGO – EMPLOYMENT

Employment distribution by gender

At the end of June 2016, 71% of all commercial bingo halls' employees were female. The proportion of women to men employees in this sector has decreased by 8% when compared with the figures reported as of December 2015 when female workers constituted 79% of all land-based bingo employees.

Employment distribution by nationality

During this reporting period, Maltese nationals constituted the vast majority (87%) of all commercial bingo employees. However, a decrease over the figures reported as of December 2015 was registered when Maltese employees constituted 93% of all employees as against the 7% figure representing non-Maltese workers.

IV National Lottery

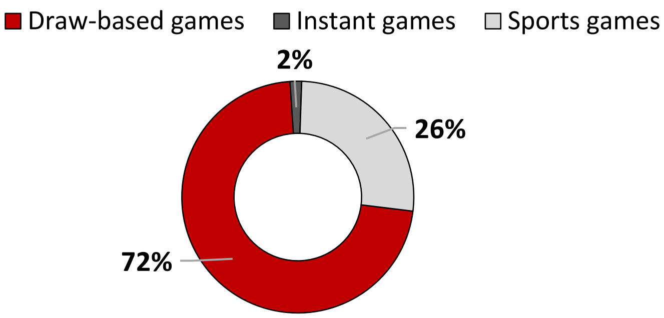
1. Turnover by Game Category

During the period under review, the total activity of the National Lottery operator, Maltco Lotteries Limited (Maltco), as measured in sales across the three game categories (draw-based games, instant games and sports games), went up by 13% when compared with the corresponding period of 2015. This increase can be attributable to the turnover generated from the sports games that increased by 25% during the reporting period due to the European Football Championship (UEFA EURO 2016) organised in June 2016.

Product sale by game category	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Draw-based games	31,087,291	34,364,505	30,729,967	31,333,012	33,866,633
Instant games	777,840	854,308	776,310	747,190	762,223
Sports games	10,898,368	9,545,007	9,955,183	10,018,766	12,427,523
Total [€]	42,763,499	44,763,820	41,461,460	42,098,968	47,056,379

TABLE 21: MALTCO LOTTERIES LIMITED - PRODUCT SALE BY GAME CATEGORY
SOURCE: MALTCO LOTTERIES LIMITED

During the first six months of 2016, draw-based games represented 72% of the total Maltco's sales. Sports games constituted 26% of the total sales whilst instant games represented 2%.



GRAPH 13: MALTCO LOTTERIES LIMITED - TURNOVER BY GAME
SOURCE: MALTCO LOTTERIES LIMITED

2. National Lottery: Gaming Tax

The gaming tax due by the National Lottery operator increased by 9%, from €5,705,555 to €6,227,253, when comparing January to June 2016 with the corresponding period of 2015.

Gaming Tax: Maltco	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Total [€]	5,962,181	6,613,854	5,705,555	5,828,746	6,227,253

TABLE 22: MALTCO LOTTERIES LIMITED - GAMING TAX

Maltco's Contribution to the Good Causes Fund

In addition to gaming tax, according to law and concession conditions, Maltco contributes to the National Lotteries Good Causes Fund under the Ministry for Finance. During the first six months of 2016, Maltco passed on €290,294 to this Fund.

Contribution to the Good Causes Fund	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Unclaimed Funds [€]	333,850	316,838	321,762	327,281	290,294

TABLE 23: MALTCO LOTTERIES LIMITED - CONTRIBUTION TO THE NATIONAL LOTTERY GOOD CAUSES FUND

3. Points of Sale

Maltco Lotteries Limited offers its services through an extensive network of Lotto Booths (Points of Sales) where one can participate in games. As at June 2016, there were 241 Maltco outlets spread across the Maltese Islands.

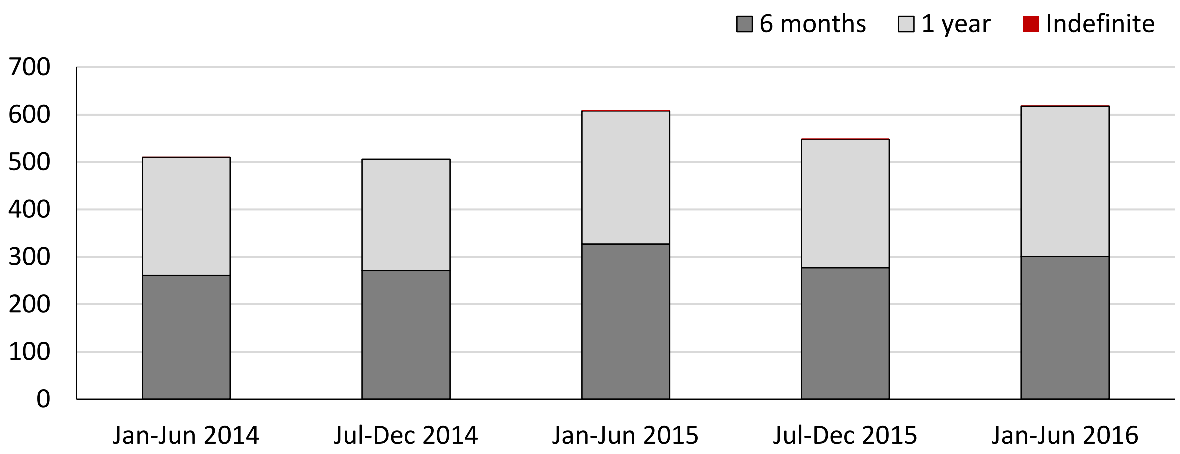
Points of sale	As at December 2014	As at June 2015	As at December 2015	As at June 2016
Number	225	251	246	241

TABLE 24: MALTCO LOTTERIES LIMITED - POINTS OF SALE

V Responsible gaming measures: Self-barring

As stipulated in the Self-Barring Directive of 2011, a player may request to be denied access to all licensed land-based gaming activities for six months or one year. This helps the gambler to recover from the risk of addiction and financial losses. If players choose to bar themselves from any land-based premises - being casinos, commercial bingo halls or gaming parlours - then the players are barred from all such premises for the stipulated period. The self-barring programme is confidential and once registered, players may not withdraw from the programme until such time that the period of exclusion elapses.

During the period January to June 2016, a total of 619 self-barring requests were processed, 2% more than in the corresponding period of last year. Out of these, 49% of players have barred themselves for a period of six months, while 51% of all players for one year. During this reporting period, there was only one gambler who chose to bar himself for an indefinite period.



GRAPH 14: LAND-BASED - SELF-BARRING

Self-barring requests	2014		2015		2016
	January -June	July - December	January -June	July - December	January -June
6 months	261	271	327	277	301
1 year	249	235	281	271	317
Indefinite	1	0	1	2	1
Total	511	506	609	550	619

TABLE 25: LAND-BASED - SELF-BARRING

Remote Gaming Statistics

Over the past years Malta has successfully established itself as a leading jurisdiction in the remote gaming business, particularly since the introduction of the Remote Gaming Regulations (L.N. 176 of 2004). These Regulations divided the remote gaming activities into four licences classes, depending on which type of operation companies fall under. The new legislation, that is expected to be launched in 2017, will be introducing only two licences: B2C (Business to Consumer) and a B2B (Business to Business) that will result in a faster service to its customers since the elimination of duplication of checks and requirements as well as simplification of administrative procedures.

1. Remote Gaming Licences

During the period January to June 2016, the MGA has received 61 applications for remote gaming licences whereas during the same period it issued 42 licences. During this reporting period, 11 licences were terminated on the operator's request whilst 16 licences were cancelled due to regulatory breaches by the respective remote gaming operators. In addition, the MGA enforcement unit suspended one remote gaming licence during the period January to June 2016.

Remote Gaming Licences	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
New applications	55	65	58	41	61
Licences Issued	49	77	43	45	42
Voluntary Licence Terminations	21	19	22	13	11
Cancelled Licences[5]	0	0	8	5	16
Suspended Licences	2	1	8	15	1

TABLE 26: REMOTE GAMING - REMOTE GAMING LICENCES

2. Number of Remote Gaming Companies

The number of companies holding remote gaming licences stood at 250 as at 30 June 2016, 7% less than what was reported at the end of 2015.

Number of companies	2014		2015		2016
	as at June	as at December	as at June	as at December	as at June
Total	265	283	277	269	250

TABLE 27: REMOTE GAMING - NUMBER OF COMPANIES

Over the last year, consolidation in the industry was a common phenomenon, with a number of companies merging in order to be better equipped to face the new regulatory challenges in Europe. This, coupled with the more effective monitoring and enforcement procedures adopted by the

[5] Licences cancelled by the Enforcement Unit due to regulatory breaches by the respective gaming operators.

Authority, which lead to a number of licences being cancelled, resulted in a marginal year on year decrease in the number of companies holding an MGA licence.

3. Distribution of Licences by Class Type[6]

As at the end of June 2016, the total number of MGA active remote gaming licences stood at 490, which is the same level as that registered at the end of December 2015, and 3% more when compared with the figures registered as at June 2015.

Remote Gaming Licences	2014		2015		2016
	as at June	as at December	as at June	as at December	as at June
Class 1	23	25	20	21	17
Class 1 on 4	177	222	232	246	253
Class 2	83	91	95	88	91
Class 2 on 4	9	9	10	12	16
Class 3	35	37	33	31	27
Class 3 on 4	34	32	30	30	31
Class 4	53	53	54	62	55
Total	414	469	474	490	490

TABLE 28: DISTRIBUTION OF LICENCES BY CLASS TYPE

Class 1 licences[7]

The Class 1 group of licences (including Class 1 and Class 1 on 4) continued to represent the highest share of total remote gaming licences in issue and accounted for 55% of the total licence base as at June 2016. The overall number of Class 1 licences went up by 1% from 267 at December 2015 to 270 as at the end of June 2016.

As shown in the table below, the total number of Class 1 registered licences continued increasing from 2014 until June 2016.

Class 1 and Class 1 on 4	2014		2015		2016
	as at June	as at December	as at June	as at December	as at June
Class 1	23	25	20	21	17
Class 1 on 4	177	222	232	246	253
Total	200	247	252	267	270

TABLE 29: REMOTE GAMING - CLASS 1 LICENCES

[6] The number of licences is a snapshot as of the end of June and December. Therefore, fluctuations in the number of licences between these months are not reflected in Table 28.

[7] Class 1 – a remote gaming licence whereby the operators manage their own risk on repetitive games. It is also possible to have a Class 1 on 4 whereby the Class 1 licensee operates its games on the software and in certain cases through the equipment of a Class 4 licensee. Examples of Class 1 licences would include casino-type games and online lotteries.

Class 2 licences[8]

The Class 2 group of licences (including Class 2 and Class 2 on 4 licences) has the second highest share of the total number of licences, constituting 22% of the total licence base. As at the end of June 2016, the total number of Class 2 licences stood at 107, 7% more than as at December 2015.

Class 2 and Class 2 on 4	2014		2015		2016
	as at June	as at December	as at June	as at December	as at June
Class 2	83	91	95	88	91
Class 2 on 4	9	9	10	12	16
Total	92	100	105	100	107

TABLE 30: REMOTE GAMING - CLASS 2 LICENCES

Class 3 licences[9]

As at June 2016, Class 3 licences (including Class 3 and Class 3 on 4) accounted for 12% of the total MGA licence base. The number of licences within this class has been decreasing in recent years as shown in the table below. As at the end of this reporting period, it stood at 58, 5% less than as at December 2015.

Class 3 and Class 3 on 4	2014		2015		2016
	as at June	as at December	as at June	as at December	as at June
Class 3	35	37	33	31	27
Class 3 on 4	34	32	30	30	31
Total	69	69	63	61	58

TABLE 31: REMOTE GAMING - CLASS 3 LICENCES

Class 4 licences[10]

The Class 4 group of licences constituted 11% of the total licence base as at June 2016. From the end of December 2015 until the end of June 2016, the number of Class 4 licences went down by seven licences, reporting a decrease of 11%.

Class 4	2014		2015		2016
	as at June	as at December	as at June	as at December	as at June
Total	53	53	54	62	55

TABLE 32: REMOTE GAMING - CLASS 4 LICENCES

[8] Class 2 – a remote betting licence whereby operators manage their own risk on events based on a matchbook. It is possible to have a Class 2 on 4 licence whereby the Class 2 licensee operates its games on the software and in certain cases through the equipment of Class 4 licensee. An example of Class 2 licence would include fixed-odds betting.
[9] Class 3 – a licence to promote and/or abet remote gaming in or from Malta. It is possible to have a Class 3 on 4 licence whereby the Class 3 licensee operates its games on the software and in certain cases through the equipment of Class 4 licensee. An example of Class 3 licence would include poker networks, peer-to-peer (P2P) gaming and game portals.
[10] Class 4 – a licence to host and manage remote gaming operators, excluding the licensee itself, whereby software vendors provide management and hosting facilitates on their platform. In essence, this is a business to business (B2B) gaming licence.

4. Customer Accounts

During the period under review, the estimated number of active customer accounts[11] on Class 1 licensed activity amounted to 8.2 million. When compared with the corresponding period of last year, a substantial increase of 44% was reported. The number of active accounts on Class 2 increased by 22%, from 4.4 million (January to June 2015) to 5.4 million (January to June 2016). The number of active accounts on Class 3 licensed activity went down by 4% during this reporting period when compared with the figures reported for the corresponding period of 2015.

Active Customer Accounts	Class 1	Class 2	Class 3
January to June 2015	5,725,456	4,423,146	897,231
January to June 2016	8,253,205	5,386,150	862,970

TABLE 33: REMOTE GAMING - ACTIVE CUSTOMER ACCOUNTS

During the period January to June 2016, an increase was observed in the number of new active customer accounts[12] across all class types. Out of all active accounts on Class 1 licensed activity, 60% were reported as new active customer accounts meaning that the customer played for the first time during this six-month period ending June 2016. New active customer accounts on Class 2 licensed activity constituted 45% of all active accounts for this class whilst the new active accounts on Class 3 constituted29% of all active accounts for this class during this reporting period.

New Active Customer Accounts	Class 1	Class 2	Class 3
January to June 2015	2,710,331	1,512,248	248,183
January to June 2016	4,911,038	2,434,065	250,396

TABLE 34: REMOTE GAMING - NEW ACTIVE CUSTOMER ACCOUNTS

5. Profile of the Remote Gaming Players

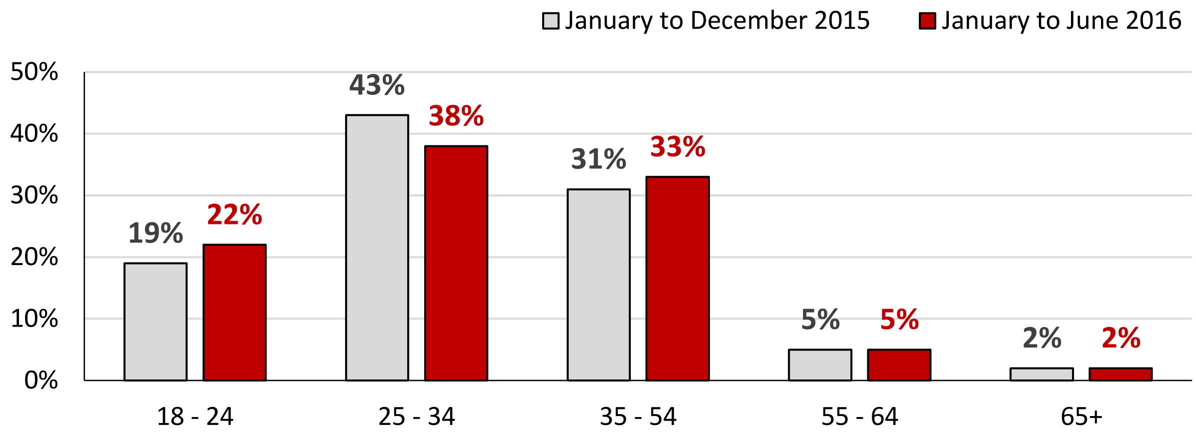
Age Group

During the period January to June 2016, 38% of the customers playing on websites operating under MGA licences were in the 25- to 34-year age bracket. The customers in the 35- and 54-year age bracket constituted 33% of the players' base. The youngest group of players, between the ages of 18 and 24, accounted for 22% of all customers. The remaining 7% of customers were either in the 55- and 64-year age group (5%) or were 65 years or older (2%).

As shown on graph 16, the proportion between three age groups, 18-24, 25-34 and 35-54, has changed only slightly when comparing data for the period January to December 2015 and January to June 2016. The age distribution for the age groups 55-64 and 65+ has remained the same.

[11] Those accounts on which customers played at least once during the reporting period. The number of active customer accounts for Class 1, Class 2 and Class 3 licensed activity needs to be treated separately as these are not the unique number of accounts for the sector.

[12] These accounts on which customers played for the first time during the reporting period. The number of new active customer accounts for Class 1, Class 2 and Class 3 licensed activity needs to be treated separately as these are not the unique number of accounts for the sector.



GRAPH 15: REMOTE GAMING PLAYERS - AGE GROUP DISTRIBUTION

Gender

During this reporting period, the vast majority of the customers were male, accounting for 79% of the total number of players. Female players constituted 21% of all players. When compared with the data reported for the full year 2015, the proportion between male and female players has changed only slightly (77% male, 23% female).

FIGURE 6: REMOTE GAMING – GENDER DISTRIBUTION OF REMOTE GAMING PLAYERS

Self-exclusion[13]

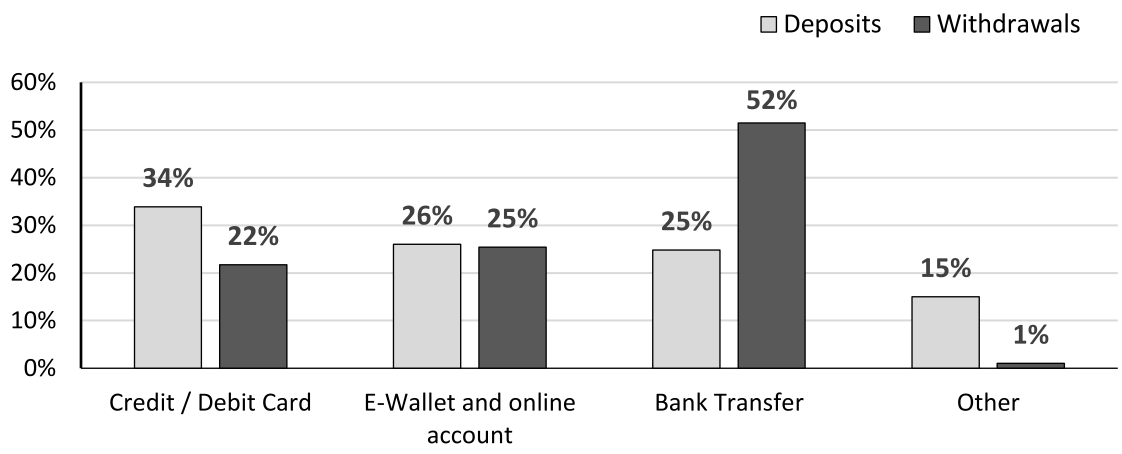
The MGA's commitment to player protection includes an obligation to put in place safeguards to ensure responsible gaming. The remote gaming operators under the MGA licence are required to provide self-exclusion facilities to all their customers. Self-exclusion means that the customer accounts will remain closed for a minimum period of six months, and will not be reactivated by the player or the operator under any circumstance during the exclusion period. During the six-month period ending June 2016, the average number of self-exclusion requests went up to approximately 2,110 per registered company against 1,141 reported during the period January to June 2015. Furthermore, during the period January to June 2015, the average number of self-exclusion requests averaged at 2,444.

[13] For scope of this analysis, companies with Class 4 licence were not considered as these are business to business (B2B) companies.

Method of Payment – Deposits and Withdrawals[14]

Between January and June 2016, the most popular method of deposits amongst customers of the MGA's licensed companies were credit/debit cards, which accounted for 34% of all deposit methods. In addition, 26% of deposits were made through e-wallet and online accounts while 25% through bank transfers. The remaining 15% of all deposit payments were made by other types of payment methods (e.g. mobile payment methods, pre-paid vouchers and other methods).

In case of withdrawals, 52% were made through bank transfer. E-wallet and online accounts, and credit/debit cards, were the chosen method for 25% and 22% of the withdrawals respectively. The remaining 1% of the withdrawals were made through pre-paid vouchers, mobile payments and other methods.



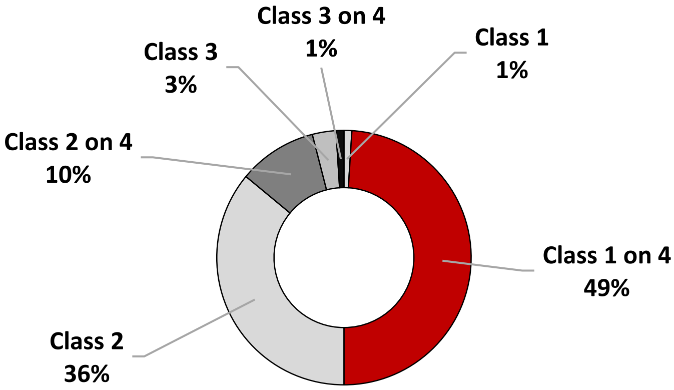
GRAPH 16: REMOTE GAMING - METHOD OF PAYMENT (DEPOSITS AND WITHDRAWALS)

6. Gross Gaming Revenue Distribution[15]

It has been estimated that, during the first six months of 2016, 50% of the total GGR was generated through Class 1 activity (Class 1 – 1%, Class 1 on 4 – 49%). This is an increase of 3% when compared with the figures reported as at 31 December 2016. During this reporting period, the GGR generated by Class 2 operators constituted 46% of the total GGR for the remote sector (Class 2 – 36%, Class 2 on 4 - 10%), whereas during the period January to December 2015, the GGR generated was 47%. The remaining 4% of the GGR was generated through Class 3 operations (Class 3 – 3%, Class 3 on 4 – 1%).

[14] The MGA requested a split between withdrawals and deposits for the first time for the period January to June 2016. Therefore, no comparable data is available.

[15] The business model of Class 4 operation is different from Classes 1,2 and 3. Consequently, it is not possible to compute the GGR since Class 4 operators do not deal with any aspects of the game or players' winnings, but offer platform services for other operators (B2B).



GRAPH 17: REMOTE GAMING - GGR DISTRIBUTION

Class 1 / Class 1 on 4

The GGR generated by Class 1 / Class 1 on 4 licence holders for the six months ending 30 June, 2016 constituted half of the total GGR of the remote gaming sector. During this period, 69% of the GGR was generated by slot games whilst 14% by table games. The remaining 17% of the GGR was generated by other games, the most popular of which were video poker, other side/mini games, card games and live casino.

FIGURE 7: REMOTE GAMING - GGR - CLASS 1 DISTRIBUTION

Class 2 / Class 2 on 4

During the period January to June 2016, GGR generated by Class 2s group of licences constituted 46% of the total remote gaming GGR. During this six-month period, 69% of the GGR for Class 2/Class 2 on 4 was generated through football bets. Betting on tennis games accounted for 9% of the total GGR whilst bets on basketball for 5%. The remaining 17% of GGR was generated through other bets (e.g. betting on horses, cricket, motor sports, golf, volleyball, ice hockey, handball).

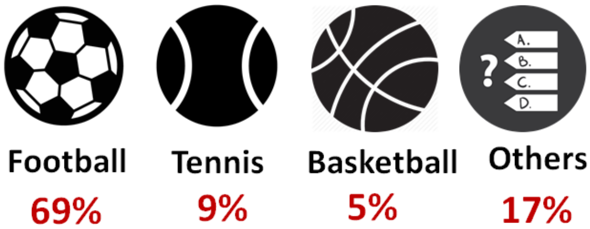


FIGURE 8: REMOTE GAMING - GGR - CLASS 2 DISTRIBUTION

Class 3 / Class 3 on 4

The GGR generated by Class 3 / Class 3 on 4 licence holders constituted 4% of the total GGR of the remote gaming sector. The GGR of Class 3s is mostly generated through betting exchange (57%) and poker (25%). The GGR from bingo accounted for 12% of the total Class 3s GGR while the remaining 6% is generated by other games.

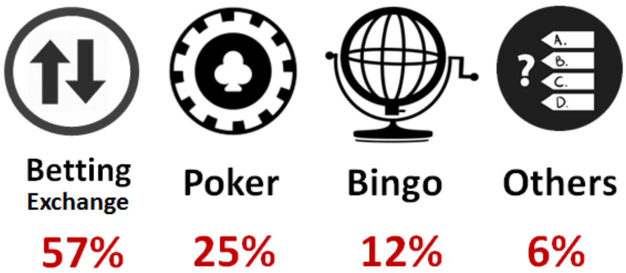
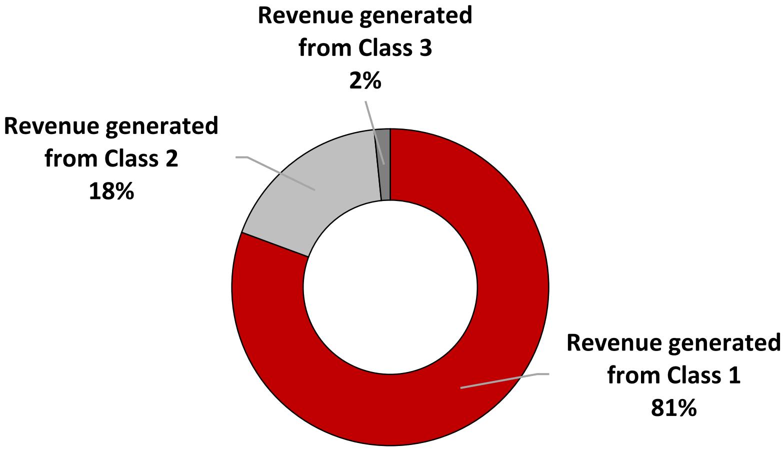


FIGURE 9: REMOTE GAMING - GGR - CLASS 3 DISTRIBUTION

7. Revenue - Class 4

It has been estimated that out of the total revenue generated by Class 4 operators during the six-month period ending 30 June, 2016, 81% was generated from Class 1 activities whilst 18% from Class 2s. The remaining 2% of the Class 4 operators was generated from Class 3s.



GRAPH 18: REMOTE GAMING - REVENUE - CLASS 4

8. Remote Gaming: Gaming Tax

The licensees of the MGA are subject to the payment of remote gaming tax. The tax due depends on the type of licence held by the operator as set by the Remote Gaming Regulations (S.L. 438.04) issued under the Lotteries and Other Games Act (Cap. 438 of the Laws of Malta).

During the first six months of 2016, the total gaming tax payable by the remote gaming operators amounted to €14,068,706, a minor increase when compared with the same period of 2015. The gaming tax due from Class 2 licences accounted for 46% of the total remote gaming tax. Tax due from Class 1 on 4 represented 13% of the total tax, likewise Class 4. Tax due by Class 2 on 4 accounted for 10% of the remote gaming tax, followed by Class 3 on 4 (8%), Class 3 (6%) and Class 1 (5%).

Remote Gaming Tax	2014		2015		2016
	January-June	July-December	January-June	July-December	January-June
Class 1	882,000	800,140	802,440	740,840	695,320
Class 1 on 4	828,000	1,872,085	1,645,200	1,787,002	1,860,000
Class 2	6,065,323	7,185,885	6,656,322	6,561,525	6,506,714
Class 2 on 4	529,618	986,596	1,416,182	1,411,916	1,376,806
Class 3	888,282	800,619	802,618	769,634	778,985
Class 3 on 4	1,257,594	1,041,882	1,142,659	1,145,231	1,068,237
Class 4[16]	1,148,690	1,549,031	1,603,040	1,698,390	1,782,645
Total [€]	11,599,508	14,236,237	14,068,462	14,114,538	14,068,706

TABLE 35:REMOTE GAMING - GAMING TAX

[16] Class 4s category includes tax paid by the European Economic Area (EEA) operators working on Class 4.

9. Remote Gaming Employment[17]

Malta’s outstanding reputation in the remote gaming market attracts a high number of local and foreign workers with an ambition to pursuit their career in this thriving industry. In this section, all the gaming classes were considered, including Class 4 operations. As at 30 June 2016, the total number of full time equivalent direct remote gaming employees increased by 35% when compared with the period ending 31 December 2015.

Remote Gaming: Employment	As at December 2014	As at June 2015	As at December 2015	As at June 2016
Total FTEs	3,102	3,318	3,908	5,295

TABLE 36: REMOTE GAMING - EMPLOYMENT

Employment distribution by gender

As at the end of June 2016, 63% of all employees within the remote gaming industry in Malta were male while the remaining 37% were female. The ratio of male to female employees has remained stable when compared with the data for the year 2015 (64% male, 36% female).

Employment distribution by nationality

The number of non-Maltese workers in the remote gaming industry constituted 67% of all employees in this sector, an increase of 3% when compared with the figures reported for the year 2015. The number of Maltese gaming employees accounted for 33% of the remote gaming employees as reported at the end of the six month-period ending June 2016.

[17] This number refers to direct employees working on the MGA licensed activity. Kindly refer to point 6 of the Methodology for more information.

Methodology

1. These statistics relate to the gaming industry in Malta and have been collated by MGA. The sources are:

    - regulatory returns submitted by operators in terms of article 11(o) of the Lotteries and Other Games Act;
    - information provided by operators through specific questionnaires and correspondence with the MGA;
    - financial information provided by operators to the MGA.

2. Unless otherwise stated, figures are representative of the position as at the end of June 2016.

3. The data contained in this review covers both the Maltese land-based gaming sector (casinos, gaming parlours, commercial bingo, national lottery, betting and the suite numbers games provided by the National Lottery operator Maltco) and remote gaming all regulated by the MGA.

4. In the section referring to remote gaming, the data collected is based on the Industry Performance Return disseminated amongst all companies within the gaming industry that are licensed by the MGA. In order to collect this data, licensed companies were asked to answer a set of questions for the Maltese licensed activity only. The response rate was 74%. The remaining missing data has been estimated by the Authority to provide a clear picture of the Maltese gaming industry.

    One of the main aims of this research, is to acquire an accurate snapshot of the activity being generated by all the companies that are licensed under the MGA. Hence, several imputation methodologies and weighting techniques were adopted to 'fill-in' the missing data. In order to ensure better data representation, companies were divided into two groups. The first group represented those companies with Class 1, Class 2 or Class 3 licences, and the second group represented those companies that have Class 4 activity only. Replies for these two groups of companies were analysed differently as most of the Industry Performance questions are not applicable to the same extent.

    After performing data collection, data cleaning commenced to ensure consistency of results. In case of doubt, operators were contacted again to clarify their responses. Subsequently, an imputation technique was applied to account for the missing data and thereafter questions were analysed thoroughly one by one. After obtaining the initial results, weighting techniques were applied to ensure that the results represented the whole population. Results were analysed in a way to obtain the total values amongst all Maltese-licensed activity.

5. New data has been added to this report (i.e. new casinos registrations, industry table numbers, profile of the players). It is advisable that the accompanying notes and definitions are read carefully to ensure an accurate interpretation of data.

6. Employment figures reported in this document refer to full-time equivalent jobs as at the end of each reporting period provided by the gaming operators (both land-based and remote) in the Industry Performance Return conducted by the MGA. The remote gaming figures relate to direct

employees working on the MGA licensed activity. The estimates for the year 2014 are based on National Statistics Office Nace 92 annual values for 2014 and 2015, distributed into half-year estimates as per the 2015 pattern. These estimates do not include employees hired by third party companies to service the gaming sector. These business service activities are in the process of being surveyed by the MGA to obtain a more comprehensive assessment of the contribution of the industry to the Maltese economy. Furthermore, the land-based figures exclude the employees working in Maltco's Points of Sale.

7. The contribution of the gaming industry to the Maltese economy relates solely to Gambling and Betting activities (Nace 92) in accordance with the European industrial activity classifications. At industry level, Gambling and Betting activities in Malta comprise land-based casinos, gaming parlours, lotto receivers, the National Lottery operator and remote gaming companies (excluding Class 4 operators).

8. Where possible, the MGA has provided comparable datasets.

9. The terminology used in this document is explained under Definitions.

10. Totals and percentages are calculated from unrounded figures.

11. The statistical figures reported for the previous periods have been revised to reflect any changes reported after their publication.

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Appendix 1 - Definitions

Gaming Tax	The tax imposed on the gross gaming revenue or turnover as stated in the regulations or the licence conditions. The applicable gaming tax and basis for computation differs by segment and class of licence.
Gross Gaming Revenue (GGR)	The amount retained by operators after payment of winnings and jackpot allocation but before the deduction of the cost of the operation. The GGR is the figure used to determine what a gaming operation earns before taxes, salaries and other expenses are paid.
Junket	Junket is an arrangement whereby a person or a group of persons is introduced to a casino operator by a junket promoter to play in a licensed casino, pursuant to which and as a consideration for which, any or all of the costs of transportation, food, lodging and entertainment for the said persons is directly or indirectly paid by the casino licensee. The junket receives a commission or other payment from the casino operator depending on the arrangement made.
Players' Visits	Represents the number of separate visits, rather than the number of unique customers. In cases of casino attendance, the total figure includes junket players.
Payout Ratio	The amount of money that is rewarded upon a win.
Total Players' Spend	The total amount of money spent on gambling activities by players.
Total Players' Winnings	The total amount won by players.

Appendix 2- Statistical Regions and Districts of Malta

Local Administrative Units (LAUs)	
Districts (LAU 1)	Locality (LAU 2)
Southern Harbour	Cospicua, Fgura, Floriana, Ħal Luqa, Ħaż-Żabbar, Kalkara, Marsa, Paola, Santa Luċija, Senglea, Ħal Tarxien, Valletta, Vittoriosa, Xgħajra.
Northern Harbour	Birkirkara, Gżira, Ħal Qormi, Ħamrun, Msida, Pembroke, San Ġwann, Santa Venera, St Julian's, Swieqi, Ta' Xbiex, Tal-Pietà, Tas-Sliema.
South Eastern	Birżebbuġa, Gudja, Ħal Għaxaq, Ħal Kirkop, Ħal Safi, Marsaskala, Marsaxlokk, Mqabba, Qrendi, Żejtun, Żurrieq.
Western	Ħad-Dingli, Ħal Balzan, Ħal Lija, Ħ'Attard, Ħaż-Żebbuġ, Iklin, Mdina, Mtarfa, Rabat, Siġġiewi.
Northern	Ħal Għargħur, Mellieħa, Mġarr, Mosta, Naxxar, St Paul's Bay.
Gozo and Comino	Fontana, Għajnsielem, Għarb, Għasri, Munxar, Nadur, Qala, San Lawrenz, Ta' Kerċem, Ta' Sannat, Victoria, Xagħra, Xewkija, Żebbuġ.