The Maltese Land-based and Remote Gaming Industry

January – June 2017

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A Message from the Executive Chairman

I am pleased to present the interim report for the first six months of 2017 of the Malta Gaming Authority (MGA). During the period under review, the gaming sector in Malta continued to grow, in both land-based and remote gaming segments as well as in its contribution to the Maltese economy.

Between January and June 2017, the gaming industry contributed over 12% of the total value added of the Maltese economy, resulting in the third-largest productive sector. A further growth was also registered in the number of employees working within the gaming industry, reaching over 6,400 full-time equivalent jobs by June 2017. The number of companies licensed in Malta grew by 6% from December 2016, reaching 282 as at the end of this reporting period. Additionally, the land-based sector continued to grow, registering an increase of 13.8% in the number of visits to various gaming establishments during the first half of 2017. Such performance reflects the continued investment by the Authority to consolidate Malta's standing as a gaming jurisdiction on all global fronts.

The gaming industry is constantly subject to development in terms of ongoing convergence, technology and its increasing attractiveness and, as a result, from a regulatory perspective, requires frequent reconsideration. Against this backdrop, and the stable growth experienced by this industry during 2017, we should bear in mind that gaming services have always raised social, psychological and criminal concerns, compelling regulators to provide adequate controls in a number of areas, ranging from consumer protection to social well-being. In fact, as the Authority charged with the regulation of the gaming industry we often find ourselves in difficulty trying to achieve the right balance between setting the right environment for regulated business to thrive and promoting responsible and legal behaviour.

Hence, the quest for this balance is what continues to inspire Malta and jurisdictions all over Europe to do more in the name of clear and coherent regulation. The Authority believes in open dialogue and recognises the importance of face-to-face discussion between key stakeholders having the ability to shape the future of gaming regulatory policy, whilst being aligned on a proper understanding of our common aims. It is no coincidence that Maltese operators who are also licensed in other jurisdictions have chosen Malta as their primary place of establishment to service their global operations. This trend continued also throughout the period under review.

Our operations continued to develop steadily. We constantly seek to enhance our regulatory efficiency and efficacy, improving compliance systems and strengthening the player protection mechanisms, aiming at exceeding the established regulatory standards of practice and retaining Malta's global leadership and standing as a world-class regulator. We have given our skilled workforce more development and training as part of our commitment to reach excellence and focus more on outcomes within a risk-based regulatory framework.

During the first half of 2017, the Authority continued to work on the legal overhaul, whose overall objective is to future-proof all gaming sectors under one legislative umbrella by consolidating and modernising the existing regulatory framework, moving away from a prescriptive approach towards a risk-based and technology neutral regime. This will not only provide greater convergence between the land-based and remote gaming sectors but will also allow the necessary flexibility for the Authority to embrace innovation whilst safeguarding consumers. This risk-based approach is also intended to do away with unnecessary duplication, allowing us to focus further on the areas which require the most regulatory oversight.

During this reporting period, extensive work was undertaken in terms of the Licensee Relationship Management System by offering a set of eServices available through the building of a secure web-based portal. This is another step forward in transforming the way we do business. As a global remote gaming jurisdiction of excellence, the Authority's objective is to exceed the expectations of the licensees, business partners and stakeholders at large.

The Authority also gave particular focus on the implementation of the 4th Anti-Money Laundering Directive. Over the past months the MGA has worked in close collaboration with the Financial Intelligence Analysis Unit (FIAU) to issue a set of implementing procedures about the licensees' requirements in the light of such a Directive. Having a team actively working on such fronts provides sounder safeguards both for the Authority and the Maltese jurisdiction to better manage external risks generated through money laundering and financing of terrorism.

In the remaining months of 2017, we shall remain in operational overdrive to deliver on the exciting projects underway. Our continuous improvement programme should lead to more efficiency and proactivity in an increasingly disruptive environment in the years ahead. We need to create a future which is mastered by our own destiny. To create our future, we need to understand what the future will look like and instil a sense of dynamism and proactivity in the way we do business and manage change and innovation effectively. Technological innovation and the disruption it brings with it should be embraced and harnessed as an opportunity for growth and development.

In conclusion, I would like to thank all my team for their continuous efforts in making the first six months of 2017 a successful start to the year. In addition, I would like to equally thank all the industry stakeholders for their constant support in such a period of change. The performance registered in the first half of this year provides the right momentum to continue to do better in the months ahead.

Joseph Cuschieri
Executive Chairman

The MGA - Corporate Profile

The MGA is the regulatory body responsible for the governance and supervision of all gaming activities in and from Malta. Malta's gaming regime is based on fair, responsible, safe and secure provision of gaming services and seeks to ensure that the three main pillars of gaming, namely (i) the fairness of games, (ii) the protection of minors and vulnerable persons and (iii) the prevention of crime, fraud and money laundering, are safeguarded as much as possible.

The Authority's key functions include:

- regulating gaming;
- issuing licences and enquiring into suitability of licensees;
- supervising licensees and overseeing gaming operations;
- supporting and investigating player complaints;
- advising the Government on new developments and risks in the sector; and
- submitting legislative proposals to address changes within the sector.

The Authority's vision is to:

- make Malta the primary jurisdiction of choice for the international gaming industry;
- render Malta's gaming regulatory framework responsive to evolving market needs aiming for excellence;
- raise standards within the gaming sector to make gaming fairer and safer so as to protect the interests of consumers of gaming services;
- deliver a year-on-year sustainable growth within a robust framework that manages innovation and embraces technological advances; and
- explore potential options and initiatives for growth, leveraging existing assets and capabilities.

Key Highlights and Figures

- The gaming industry contributed almost 12% of the total value added of the Maltese economy during the first half of 2017, up from 11.8% during the same period last year. With over €556 million in terms of gross value added in the first half of 2017 (representing an increase of over 10% when compared to the corresponding period in 2016), the gaming industry consolidated its position as the third-largest productive sector in the economy.

- Reflecting continued growth in employment, the gaming industry was directly generating in excess of 6,400 full-time equivalent jobs by June 2017. A survey carried out by the MGA towards the end of 2016 indicates that when taking into account indirect employment, the total employment in the gaming industry was estimated to be around 9,000 full-time equivalent (FTE) jobs.

- Gaming tax revenue reached €29 million in the first half of 2017, representing 5.5% of the total indirect tax intake of the Maltese Government during the period.

- The number of companies licensed in the Maltese jurisdiction stood at 282 in June 2017, growing by 6% from December 2016, reflecting continued investment in the sector.

- Land-based gaming visits increased by 13.8% during the first half of 2017, spurred by growth in both land-based casinos and gaming parlours.

- The MGA proceeded with the overhaul of the regulatory framework which will streamline, consolidate and future-proof all gaming sectors under one legislative umbrella. The new framework shall also strengthen the MGA enforcement powers and consumer protection standards.

- In exploring the practical challenges to the implementation of the 4th Anti Money Laundering Directive to the gaming industry, MGA has performed an extensive industry outreach and collaborated closely with the FIAU.

- Early in 2017, the MGA published regulations for the online skill games sector thereby creating a licensing and regulatory regime for so-called ‘controlled skill games’.

- The MGA continued to engage in discussions at international fora to safeguard the interests of the gaming industry in Malta.

- The gaming industry in Malta is expected to continue growing robustly throughout the rest of 2017, and in 2018.

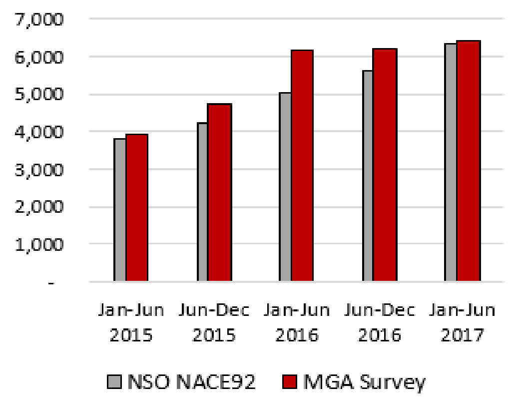
The Maltese Gaming Industry in the First Half of 2017: An Overview of Performance and Medium-Term Outlook

This report reviews the performance of business operators regulated by the MGA during the first half of 2017 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 under review to support a sustained and orderly growth of the gaming industry in Malta. It concludes with an outlook of 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 2017. Methodological approaches and sources for the data used are detailed in the Interim Report.

Headline Industry Developments

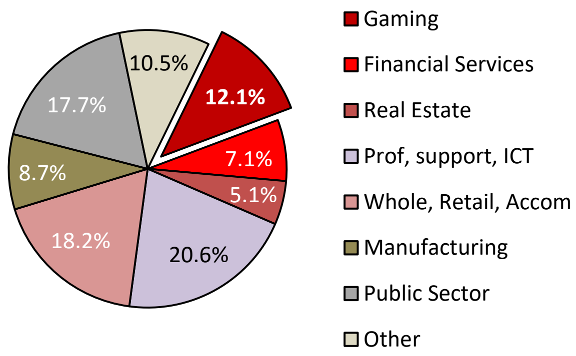
The gaming industry contributed over 12% of the total value added of the Maltese economy during the first half of 2017.

The strong growth of the gaming industry in Malta over the past five years was sustained in the first half of 2017. Employment continued to increase, reaching around 6,400 full-time equivalent jobs during the first half of 2017, as shown in Graph 1. The contribution of the industry to economic value added was even more marked, at almost 12.1% of the total of the Maltese economy during the period, up from 11.8% in the same period of last year. As indicated in Graph 2, the gaming industry continued to consolidate its position as a major economic pillar during the review period.



NSO NACE 92 data refers to period mid-point. MGA survey data refers to end-of-period point. Enterprise coverage varies slightly between the two sources.

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



GRAPH 2: ECONOMINC VALUE ADDED (JAN-JUN 2017)
SOURCE: NATIONAL STATISTICS OFFICE

This continued to be sustained by global industry growth and Malta's competitiveness based on its reputation as a leading licensing jurisdiction and its advantages for business. In the land-based segment, gaming activity benefited from improvements in household income and the growing tourism market. It was also influenced by the growth in the resident population through immigration, and by an enhanced attractiveness of the country for specific junket events for existing and new foreign markets.

Developments in Key Economic Indicators

The gaming industry is estimated to have generated just over €556 million in terms of gross value added in the first half of 2017, as shown in Table 1. This represented a 10.4% growth over the same period of last year, when the industry had already increased its gross value added by a similar amount. The gaming industry has established itself as the third-largest sector in the private economy, exceeding, in terms of size of value added, other sectors which were traditionally major economic pillars. Gaming furthermore contributes to the generation of value added through input-output linkages in other major sectors, including professional services, financial and ICT activities, hospitality and catering services, distributive trades and real estate.

Headline Indicators	2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Number of Licences (Remote)	474	490	490	513	558
Number of Companies in Operation	283	276	257	266	282
Gross Value Added (€m)	450	451	503	507	556
Employment (FTE jobs)	3,915	4,707	6,150	6,193	6,407
Remote	3,318	3,908	5,295	5,327	5,542
Land-based	597	799	855	866	865
Gaming Tax Revenue (€m)	27.0	28.2	28.0	28.3	29.0

Note: Number of licences (remote) and number of companies in operation relates to stock as at the end of June and December.

TABLE 1: HEADLINE INDICATORS OF GAMING INDUSTRY ACTIVITY

Employment growth during the period was mainly sustained by requirements for improvement in service availability and marketing activities. On the other hand, there are indications that growth may have been constrained by the availability of sufficient skills.

The continued growth in employment resulted in more than 6,400 jobs in the gaming industry.

The number of full-time equivalent jobs in the gaming industry is estimated to have reached 6,407 by June 2017, as shown in Table 1 above. The growth in employment was mainly spurred by the number of new jobs in the remote gaming business which increased by almost 250 jobs from the comparable period in 2016.

Gaming tax revenue grew by 3.4%, accounting for 5.5% of indirect tax revenue

Gaming tax revenue developed in line with the growth in activity, reaching €29.0 million in the first half of 2017, as compared to €28.0 million in the same period of last year. This represented 5.5% 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 3.4%.

The growth in gaming industry activity in Malta registered in the first half of 2017 followed on an equally strong performance in the previous two years. From a medium-term perspective, growth was driven by business investment in the sector, partly on account of relocation of businesses to Malta, but also due to mergers and take-overs taking place internationally. Several firms also experienced an organic growth in revenue which served as a base for an expansion of the services offered in a dynamic market environment.

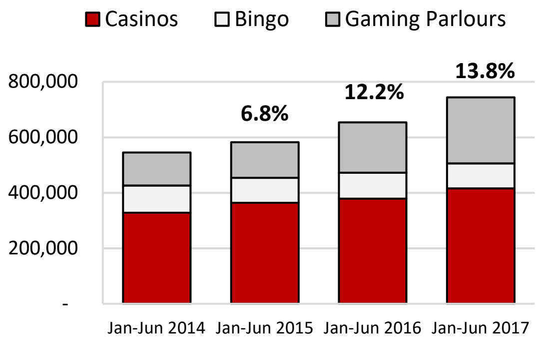
The positive performance registered during the first half of 2017 was underpinned by the organic expansion of existing gaming operators and by investment by new companies in Malta. As Table 1 shows, the number of companies licensed in the Maltese jurisdiction increased by 6%, from 266 companies reported as of December 2016 to 282 in June 2017. These developments indicated that Malta has re-established its position in attracting new investment in the sector. The number of remote gaming licences increased by 14% during the first half of 2017 when compared to the same period in 2016. While remaining a relatively small part of overall activity, inland gaming activity also experienced significant growth in the first half of 2017, driven by buoyant tourism activity and higher domestic consumption expenditure.

The number of companies licensed in the Maltese jurisdiction grew by 6%, reflecting Malta's success in attracting new investment in the sector.

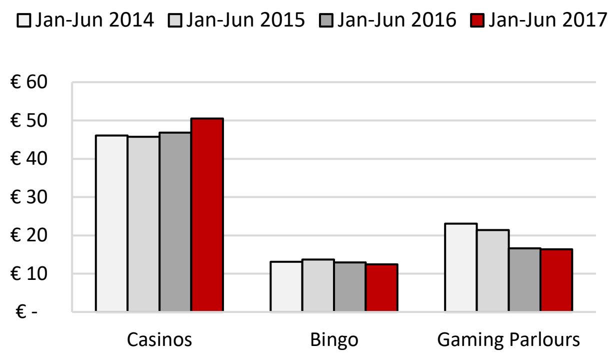
From a more detailed market behaviour perspective, there was a growth in the land-based gaming sector during the first six months of 2017, with total players' visits to outlets increasing by 13.8% as shown in Graph 3. Both segments - land-based casinos and gaming parlours - registered growth in visits of 9.7% and 31.2% respectively.

Land-based gaming visits increased by 13.8%, spurred by growth in both land-based casinos and gaming parlours.

Whilst the increase in the number of players in casinos can be explained by the growth in tourism and increase in the number of operators during the recent years, changes in the gaming parlours sector were mostly driven by the increasing range of service offerings. This can also be reflected in decreasing average Gross Gaming Revenue (GGR) per visit as shown in Graph 4. In contrast, visits to commercial bingo halls went down by 3% when comparing this reporting period with January to June 2016.



GRAPH 3: VISITS TO OUTLETS



GRAPH 4: GGR PER VISIT

As a result of these developments, the land-based gaming sector experienced an increase of 11.4% in GGR when compared with the corresponding period of 2016. This was mainly driven by a significant growth in activity reported by casinos and gaming parlours operators.

Growth in the remote gaming sector is projected to consolidate with the new regulatory framework which will come into force during 2018.

With respect to the remote sector, a growth of 8.8% was registered in the number of licences when compared to December 2016. This positive performance is expected to consolidate with the overhaul of the regulatory framework governing the gaming sector in Malta which will come into force during 2018. During the first six months of 2017, the MGA reported a significant growth in the number of applications received, representing a 95% increase over the corresponding period last year. The number of new licences issued went up by 73.8%, from 42 licences, reported in first half of 2016, to 73 licences issued between January to June 2017.

Operations of the MGA

The MGA carried out 74 audits between January and June 2017, following the issuance of the licence and on ad hoc basis.

The MGA continued its work in ensuring that all licensed entities operate in accordance with their obligations mandated by law and the relevant conditions imposed upon issuance of the licence. The Compliance Directorate, responsible for the ongoing monitoring programme, focused on two main areas, namely: review of the licensees' systems that were up for renewal and additional reviews of the compliance audits to scrutinize policies, procedures and operations of licensees. During the first six months of 2017, the MGA carried out 74 audits, following the issuance of the licence and on an *ad hoc* basis in line with a risk-based approach.

Through its regulatory supervision function, the MGA continued the safeguarding of declared players' liabilities by ensuring that these are sufficiently covered by funds held in designated bank accounts and funds in transit. Moreover, the function's supervisory role further enhanced the Authority's ongoing regulatory checks through the performance of thematic reviews, mainly relating to player protection mechanisms, the operations of approved systems, and approved policies and procedures. With a view to embracing a more holistic regulatory approach, this function was further complemented by the performance of periodic financial health checks on the Authority's licensees, to ensure that their financial stability did not impede the protection of players' funds.

The MGA resolved 1,861 players' complaints, an increase of 1.9% over the 2016 figures.

In line with its commitment to player protection, the MGA offered ongoing assistance to players who experienced any issues with operators licensed by the MGA. Between January and June 2017, the Authority received a total of 2,081 complaints, an increase of 17.5% over the number of complaints received during the same period in 2016. The MGA resolved 1,861 complaints, an increase of 1.9% over the 2016 figures.

During this period, the MGA persisted with its enforcement activities and monitoring procedures which resulted in the cancellation of one licence and the suspension of an additional four licences. Furthermore, the Authority issued a number of administrative fines for the total value of €90,000 for regulatory breaches to remote and land-based operators. With effect from April 2017, the investigatory activities of the Authority were shifted under the remit of the Enforcement Directorate. The main aim of such a change was to further strengthen the MGA's enforcement and investigative functions. During the first six months of 2017, a number of investigations were conducted on reported or identified gaming operations considered to be suspicious, due to breaching the applicable legislation most commonly related to unlicensed remote gaming operations.

Strengthening of the MGA's enforcement activities through investigatory function.

A total of 7,178 checks were conducted by the MGA in the land-based establishments.

On the land-based front, the MGA carried out inspections in all licensed gaming establishments, namely casinos, gaming parlours, Maltco's Points of Sale, commercial bingo halls (including non-profit tombola events) and during the draws of Maltco's Lotto and Grand Lottery. During the first six months of 2017, the MGA's Inspectorate Unit conducted 7,178 checks, a significant increase of 43.3% over the number of inspections carried out during the same period in 2016.

Furthermore, the Authority conducted 921 due diligence tests, during the period under review, to ensure that both remote and land-based operators are fit and proper to conduct operations in and from Malta and that such operations are not used for money laundering or financing of terrorism.

In addition, the MGA has been actively working with the FIAU on implementing procedures that are specific for the remote gaming sector, and on a consultation process with respect to the implementation of the 4th Anti-Money Laundering Directive (AMLD). In exploring the practical challenges of the implementation of the 4th AMLD to the gaming industry, the MGA has performed extensive industry outreach. Furthermore, the MGA commissioned a specific risk assessment on Anti-Money Laundering/Combating the Financing of Terrorism risks in the gaming industry by an independent advisory firm, and is currently working on addressing the risks identified.

An extensive industry outreach was performed as part of ongoing work on the 4th Anti-Money Laundering Directive.

The regulatory overhaul progressed to streamline, consolidate and future-proof all gaming sectors under one legislative umbrella.

The Authority proceeded with the overhaul of the regulatory framework governing the gaming sector in Malta. The new framework is characterised by a more comprehensive and coherent legislative design to allow for further innovation and industry development, convergence of the remote and land-based sectors, simplification of administrative processes, and a strengthened governance structure and regulatory mechanisms that ensure high levels of accountability and transparency in the MGA's decision-making, operations and processes.

A new regulatory regime for the online skill games sector was developed.

Another milestone reached by the MGA was the publication of the Skill Games Regulations (S.L. 438.11) in January 2017, regulating the online skill games sector, and creating a licensing and regulatory regime for so-called 'controlled skill games'. The rolling out of this new regulatory regime by the MGA has resulted in the issue of 13 controlled skill games licences by the end of June 2017. The MGA is currently working on more detailed technical specifications covering skill games, and is considering widening the range of activities falling under this classification.

The MGA continues to actively contribute to the national Anti-Corruption & Transparency Experts' Task Force, and within the two subcommittees formed by the Task Force. One subcommittee was tasked with setting up educational campaigns regarding match-fixing, while the other subcommittee worked on a Bill which will provide the relevant Authorities with improved tools to tackle sports corruption and to protect the integrity of sport.

The MGA continued to engage in discussions at international fora to safeguard the interests of the gaming industry in Malta.

During the first half of 2017, the MGA has kept abreast of international developments and discussions regarding match-fixing in order to assist in determining any weaknesses in the system. The Authority was also involved in other initiatives at EU level, specifically related to the Digital Single Market Strategy. Although gambling was excluded from the scope of this Strategy, the MGA remains vigilant so that any of the proposals do not have adverse impacts on the gaming industry in Malta.

The Authority participated in the two Expert Groups on Gambling Services at EU level held under the auspices of the European Commission in the first half of 2017. One of these meetings was held in Malta for the first time. The meetings were primarily related to the strengthening of cooperation between all EU Member States, and to the protection of the integrity of sport. During these meetings, Member States also took the opportunity to put forward any concerns and to share best practices in relation to the gaming industry.

The MGA continued to work on reviewing all the draft laws, and amendments to laws, related to gaming, notified to EU Member States via the Technical Regulation Information System (TRIS). The Authority reviewed a total of 17 laws in the first half of the year.

The MGA continued to encourage the exchange of information between all stakeholders…

Throughout 2017, the Authority continued to encourage the exchange of information between the MGA and all stakeholders. During the first half of the year, the Authority has received around 10 official cooperation requests from other EU Regulatory Authorities by virtue of the Administrative Cooperation Arrangement, while the MGA itself sent out two such requests to receive information. In parallel, the Authority continues to invite the industry to share best practices with each other, and with the Authority itself.

…and to support collaboration within the industry.

Representatives of the MGA attended and participated in various panel discussions, as well as various gaming specific fora, such as the ICE Totally Gaming Expo 2017 which took place in February and the Gaming Regulators European Forum 2017 which took place in May. The MGA makes use of these platforms in order to encourage and support continued collaboration within the industry. Notably, the MGA also hosted a conference titled "The Developing Landscape of Gaming Regulation. What Next?" in February. The event brought together advisors and regulators from all the global gaming spheres and provided an excellent opportunity for operators, suppliers, attorneys, investors, regulators and other stakeholders to meet and discuss key challenges facing the gaming industry today.

The number of Conferences and Expos in which the MGA participated are listed below:

International events

- CS Conference – London, United Kingdom – February 2017
- ICE EXPO 2017 – London, United Kingdom – February 2017
- Panel debate on the Audio-visual Media Services Directive – Strasbourg, France - February 2017
- International Forum for Sports Integrity – Geneva, Switzerland – February 2017
- IGIC – London, United Kingdom – March 2017
- Cebit – Hannover, Germany – March 2017
- ASEAN Gaming Summit – Manila, Philippines – March 2017
- IGaming Stockholm – Stockholm, Sweden – April 2017
- eSports Conference – London, United Kingdom – April 2017
- Regulatory Summit – London, United Kingdom – April 2017
- Betting on Football Conference – London, United Kingdom – May 2017
- Convocation to the 11th EPAS Governing Board Meeting – Limassol, Cyprus – May 2017
- IMGL Miami – Miami, United States – May 2017
- IAGA – Summit – New York City, United States – May 2017
- 19th Meeting of the Expert Group on Gambling Services and GREF – Brussels, Belgium – May 2017
- GREF Annual Meeting – London, United Kingdom – May 2017

Local events

- The Developing Landscape of Gaming Regulation. What Next? – conference by the MGA – February 2017
- National Conference on New Economic Growth Areas – April 2017
- iGaming meets the Maltese Capital Markets - conference by Malta Stock Exchange – April 2017

Other Initiatives

In a quest of spearheading innovation, the Authority entered the second phase of a study around the possible regulation of the usage of cryptocurrencies within the gaming industry. The study focused on inherent risks and ways on how relevant risks could be mitigated.

Simultaneously, the Authority continued to build on its strategic direction by increasing its focus and/or embarking on the following initiatives:

- publishing of the Study of Gambling Behaviours amongst the Maltese population – "An Inquiry into the Consumption of Gaming Service by Maltese Residents";
- launching of the Game of Skill regulatory platform;
- launching of the first phase of the Licensee Relationship Management System through the publishing of an initial set of eServices available through an online portal;
- issuing of the tender for the Enhanced Automated Reporting Platform (EARP) aimed at augmenting the Authority's supervision and data collection processes;
- researching on the adoption of ISO 9001 and ISO 27001 with a view to launch these initiatives in 2018 to consolidate the quality drive; and
- reviewing of the framework for the assigning of Compliance and Systems audits to third parties.

Moreover, in order to live up to continued challenges and exploit arising opportunities throughout the opening half of 2017, key competencies and skills were recruited via the on-boarding of experienced officers within the fields of quality management, Customer Relationship Management (CRM) technical development, finance, legal, corporate affairs, and regulatory affairs. The ongoing recruitment of specific expertise is part of the drive by the Authority to remain at the forefront in all spheres of supervision and regulation of the industry.

Outlook for the Gaming Industry in Malta

The gaming industry in Malta is expected to continue to grow throughout the rest of 2017 and in 2018. The remote gaming sector is expected to remain one of the main sectors driving Malta's growth. This is within the context of opportunities that could be opened through the growth of the global market and regional developments, including Brexit. On the other hand, the sector could face a number of challenges, possibly arising from protectionist measures within national markets. Against this background, the regulatory overhaul which is anticipated to be implemented by 2018 is expected to stimulate further investment within this sector. Expectations with respect to land-based operations are also positive, reflecting the regulatory overhaul itself, general economic trends in tourism and domestic consumption, as well as specific activities which are expected to enhance the exposure of the inland market to international clientele.

The gaming industry in Malta is expected to continue to grow throughout the rest of 2017 and in 2018.

Detailed Interim Statistical Report on the Performance of the Gaming Industry in Malta during the First Half of 2017

Land-based Sector Statistics

The land-based gaming sector in Malta is composed of four main activities, namely: casinos, gaming parlours, commercial bingo halls and national lottery games. The number of operators in this segment remained unchanged during the period under review.

I Land-based Casinos

During January and June 2017, there were four licensed casinos in Malta: Dragonara Casino, the Casino at Portomaso, Oracle Casino and Casino Malta.

1. Casino Players' Visits

The number of visits to casinos reached 415,994 during the first six months of 2017. This represented a 9.7% growth over the same period of last year. Part of such growth can be attributed to the increase in the number of casino operators from three to four in the last quarter of 2015.

Players' Visits	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	328,465	395,027	364,052	417,006	379,344	525,068	415,944

TABLE 2: LAND-BASED CASINOS - NUMBER OF VISITS

In addition to visits reported for regular customers, casinos also offer their facilities to junket groups. Between January and June 2017, there were 694 registered junket players, an increase of 363 players when compared to the period January to June 2016.

Junket Players	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	251	343	284	275	331	628	694

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

2. Casinos: New Players' Registrations

During the period under review, 56,563 new registrations were reported by casino operators, part of which represents multiple registrations by a single player in more than one casino. This represents an increase of 27.6% over the first six months of 2016.

New Players' Registrations	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2017
Total	44,336	92,520	56,563

TABLE 4: LAND-BASED CASINOS - NEW PLAYERS' REGISTRATIONS

3. Casinos: Number of Tables[1] and Slots

As at the end of June 2017, there were 94 gaming tables and a total of 933 slots in casinos in Malta. The highest number of tables were for Texas Hold'em and Roulette, with 34 and 25 tables respectively.

No. of tables	As at Jun 2016	As at Dec 2016	As at Jun 2017
Texas Hold'em	28	29	34
Roulette	27	27	25
Blackjack	18	18	16
Casino Poker	5	8	8
Punto Banco	4	6	6
Other	9	5	5
Total	91	93	94

TABLE 5: LAND-BASED CASINOS - NUMBER OF TABLES

No. of slots	As at Jun 2016	As at Dec 2016	As at Jun 2017
Total	965	934	933

TABLE 6: LAND-BASED CASINOS - NUMBER OF SLOTS

4. Profile of the Casinos' Players

Nationality

Visits to casinos were almost equally split between Maltese and non-Maltese players during the first half of 2017. When compared to the same period in 2016, the number of visits by Maltese increased by 2.9% while that of non-Maltese players increased by a significant 16.9%. The predominance of foreign players, which typically characterises the second half of a calendar year, is also permeating to the first six months - indicative of the buoyant tourism industry characterising the Maltese economy also in the shoulder season. The increase in junket event activity would have contributed to this trend as well.

Players' Visits	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Maltese	189,518	198,433	185,358	196,250	196,325	230,431	202,026
Non-Maltese	138,947	196,594	178,694	220,756	183,019	294,637	213,968
Total	328,465	395,027	364,052	417,006	379,344	525,068	415,994

TABLE 7: LAND-BASED CASINOS - PLAYERS' PROFILE (BY NATIONALITY)

[1] Total number of tables for casinos' games as at 30 June and 31 December.

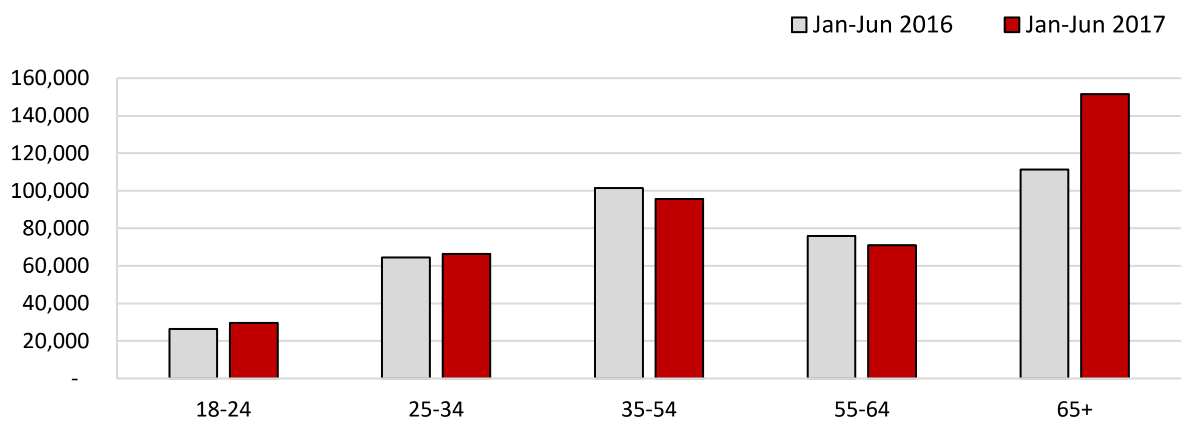
Gender

During the period under review, the majority of visits were made by male players, which were reported to be 61.4% of the total visits. This is in line with the ratio for the corresponding period of 2016.

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. The growth in visits registered during the first half of 2017 was, however, virtually entirely attributable to the 65+ age group, wherein visits grew by 36.4% when compared to the first half of 2016, to account for one third of the total. Visits to casinos by players between 18 – 24 years rose by 12.3% and accounted for only 7.1% of the total visits. A decline, of 5.6% and 6.6% respectively, was reported for the number of visits in the age groups between 35 - 54 and 55 – 64.

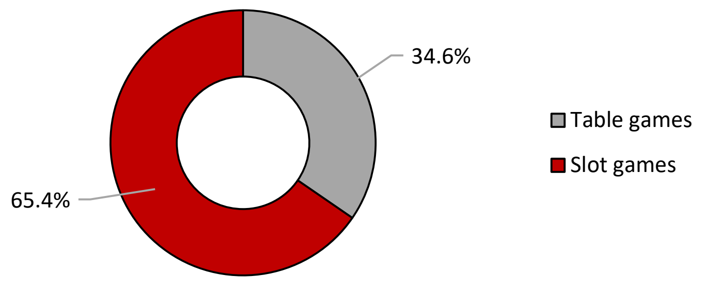


GRAPH 5: LAND-BASED CASINOS - PLAYERS' PROFILE (AGE GROUP DISTRIBUTION)

5. Casinos' GGR

The GGR generated by casinos rose by 18.3% during the first half of 2017 when compared to a year earlier. This was almost twice the growth in the number of visitors, indicating an increase in the average spend per visit. It is worth noting that the monthly fluctuations are, in part, related to the organisation of international poker tournaments.

Out of the total GGR generated during the first six months of 2017, 65.4% was attributable to slot games and 34.6% to table games. These ratios were comparable to those registered during the same period of 2016.



GRAPH 6: LAND-BASED CASINOS – GGR DISTRIBUTION

During the first six months of 2017, junkets accounted for 8.3% of the total GGR generated by the land-based casinos. This is quite a considerable increase when compared to that reported for the same period during 2016, where the GGR generated by junkets was 4.3%. During this reporting period, total GGR generated from junkets went up by 127% when compared to the first six months of 2016.

Average GGR per visit

The average GGR per visit amounted to €50.5 in the first half of 2017. This represents an increase of 7.9% over the previous year level, and follows upon a three-year period of virtually flat performance in this variable. This is, in good part, underpinned by the substantial increase in non-resident visitors with a higher *per capita* spending.

Average GGR per Visit	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	46.1	45.7	45.7	46.0	46.9	41.8	50.5

TABLE 8: LAND-BASED CASINOS - AVERAGE GGR PER VISIT

6. Casinos: Gaming Tax

The gaming tax due by the casino operators during the first six months of 2017 was registered at €7.8 million, an increase of 17.8% over the corresponding period of the previous year. This directly mirrors the growth in GGR. Tax payable by the casino operators represents half of the total tax due to Government by the land-based sector.

Gaming Tax	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	5,736,802	6,777,524	6,382,033	7,337,642	6,642,312	7,778,875	7,823,544

TABLE 9: LAND-BASED CASINOS - GAMING TAX

7. Employment in Casinos

As at the end of this reporting period, the total number of full-time equivalent (FTE) direct employees working in casinos hardly changed from last year's levels, and stood at 632. Within the context of the increase in GGR, it can be inferred that worker productivity in the sector has increased in 2017.

Employment	2014	2015		2016		2017
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Total FTEs	417	392	574	638	648	632

TABLE 10: LAND-BASED CASINOS - EMPLOYMENT

The gender balance remained nearly unchanged to that reported in December 2016 as 44.7% of employees were female. The share of non-Maltese employees also remained at the same level as of the end of 2016, again at 54.5% of the total workforce.

II Gaming Parlours

1. Approved Gaming Parlours

As at the end of June 2017, the number of approved gaming parlours totalled 49, spread across 27 localities in Malta and Gozo. The highest number of gaming outlets were located in the Southern Harbour and Northern Harbour Districts (as defined in Appendix 2) having 21 and 15 approved gaming parlours respectively.

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. The Authority's 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		2017
	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Izibet	23	23	24	24	26	27	28
Bestplay Gaming	6	6	6	6	6	6	6
Media Games	4	5	5	7	5	5	5
Fairbet	4	5	5	6	6	7	7
Bingo	3	3	3	3	3	3	3
Total	40	42	43	46	46	48	49

TABLE 11: APPROVED GAMING PARLOURS

2. Gaming Devices per Operator

The number of licensed gaming devices has remained practically unchanged since the end of 2016, with an increase of only four gaming devices, bringing the total of gaming devices as at the end of June 2017 to 388. This represents an average of 7.9 gaming devices per gaming outlet, which is in line with the Regulations which stipulates a limit of 10 gaming devices in each parlour.

Operator	2014	2015		2016		2017
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Izibet	150	162	178	201	214	218
Bestplay Gaming	41	43	43	44	48	49
Media Games	29	39	49	40	40	40
Fairbet	23	33	43	43	52	51
Bingo	30	30	30	30	30	30
Total	273	307	343	359	384	388

TABLE 12: DISTRIBUTION OF GAMING DEVICES PER LICENSED OPERATOR

3. Gaming Parlour Visits

During the first six months of 2017 the number of visits to gaming parlours increased by 31.2%, resulting in a total of 237,511[2]. 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 are divided into six Local Administrative Units (LAUs) in accordance with the system applied by Eurostat. These are the Southern Harbour District, Northern Harbour District, South Eastern District, Western District, Northern District and Gozo & Comino District (as defined in Appendix 2).

During the period under review, 36.7% of visits were registered in the Southern Harbour District, followed by the Northern Harbour District (25.7%). These are the districts in which the largest number of gaming parlours are situated.

District	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Gozo & Comino	3,672	2,834	4,623	6,335	10,240	11,172	13,509
Northern	19,944	19,497	18,318	23,122	27,860	36,737	44,708
Northern Harbour	36,507	39,946	44,651	49,417	47,521	55,271	61,032
South Eastern	5,161	5,645	5,848	9,264	15,311	19,773	21,431
Southern Harbour	49,044	49,546	49,027	59,462	72,759	78,580	87,282
Western	4,268	4,922	4,846	6,015	7,400	8,940	9,549
Total	118,596	122,390	127,313[3]	153,615	181,091	210,473	237,511

TABLE 13: GAMING PARLOURS - NUMBER OF VISITS BY DISTRICT

When compared to the first six months of 2016, the District which experienced the highest increase in the number of visits was the Northern District, with a 60.5% growth, followed by the South Eastern District with a 40% increase in the number of visits. Such increases, which may, in part, be influenced by demographic movements, could also be indicative of a potential shift of players towards the regulated gambling market.

[2] 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.
[3] This figure does not include 662 visits which were marked as "no site", and therefore could not be allocated to a particular district.

4. Gaming Parlours' New Registrations

During the first two quarters of 2017, the gaming parlour sector reported 5,165 new registrations, 35.8% less when compared to the corresponding period of 2016. On average, operators registered 1,033 players each during the period January to June 2017.

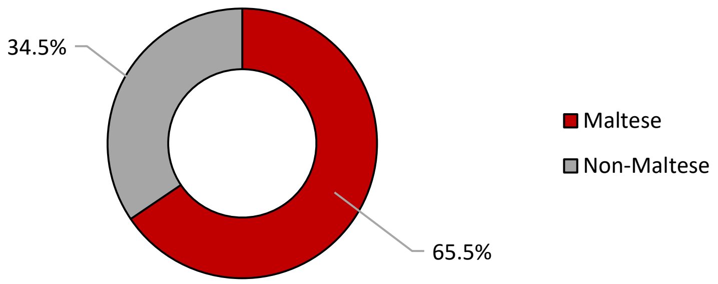
New Players' Registrations	Jan-Jun 2016	Jul-Dec 2016	Jan-Jun 2017
Total	8,049	2,826	5,165

TABLE 14: GAMING PARLOURS - NEW PLAYERS' REGISTRATIONS

5. Profile of Gaming Parlours' Players

Nationality

Between January and June 2017, the gaming parlours outlets were mostly popular amongst local players, with 65.5% visits reported for Maltese nationals and 34.5% registered for non-Maltese players. The share of non-Maltese players rose by 10 percentage points from the levels reported for the period January to June 2016.



GRAPH 7: GAMING PARLOURS - PLAYERS' PROFILE (BY NATIONALITY)

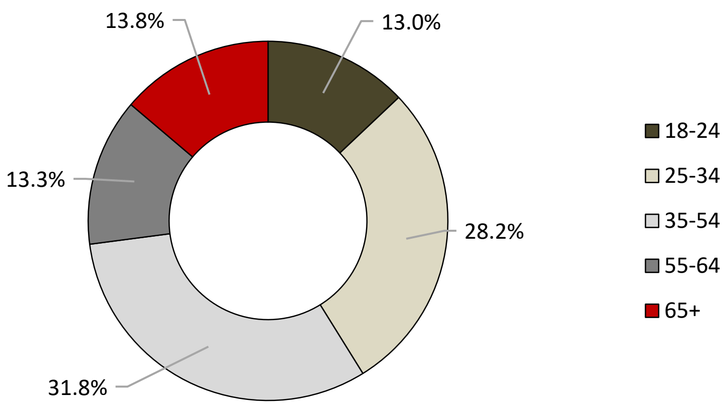
Gender

During the first six months of 2017, the majority of visits to the gaming parlours' establishments were registered for male players, which stood at approximately 84.9%. This reporting period has seen an increase of 19 percentage points in the number of visits for male players, when compared to the period between January to June 2016.

FIGURE 2: GAMING PARLOURS - PLAYERS' PROFILE (BY GENDER)

Age Group

Gaming parlour outlets are quite popular amongst customers of all age groups. Visits from players aged 35 to 54 years have the highest share, with a level of 31.8% of the total number of visits during the period under review, followed by the 25 to 34 years' age group, which represented 28.2% of the total registered visits. The rest of the age groups have approximately an equal share of the remaining number of visits.



GRAPH 8: GAMING PARLOURS - PLAYERS' PROFILE (AGE GROUP DISTRIBUTION)

6. Gaming Parlours' GGR

Following the increase recorded for the number of visits, during the period under review, the GGR of the gaming parlour sector increased by 29.1% when compared to the corresponding period of last year. The main element contributing towards such performance is the increasing range of service offering by gaming parlours, coupled with an increase in visits noted above.

Average GGR per visit

The average GGR per visit to gaming parlours tended to stabilise in the first half of 2017 as compared to the same period of last year, following significant successive decreases in preceding periods. During the period under review, it stood at €16.4, representing a marginal decrease of 1.5% over the 2016 figure. This reflects the changing nature of the services offered in the gaming outlets.

Average GGR per Visit	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	23.1	21.3	21.4	18.4	16.6	17.9	16.4

TABLE 15: GAMING PARLOURS - AVERAGE GGR PER VISIT

7. Gaming Parlours: Payout Ratio

Between January and June 2017, the payout ratio averaged at 90.4%, an increase of 1.4% over the 2016 level. The minimum payout ratio established by Gaming Devices Regulations SL.438.07 is 85%.

8. Gaming Parlours: Gaming Tax

During the first half of 2017, the tax payable by the gaming parlours operators increased by 37.9% from €0.76 million in 2016 to €1.05 million. This growth can be attributed to both the increase in new gaming devices as well as the growth in GGR during the period.

Gaming Tax	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	669,489	394,493	505,044	636,190	760,216	856,796	1,048,254

TABLE 16: GAMING PARLOURS - GAMING TAX

9. Gaming Parlours' Employment

The number of employees in this sector increased by 14.7% when compared to December 2016. As at the end of this reporting period, the total number of FTE jobs in gaming parlours stood at 123.

Employment	2014	2015		2016		2017
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Total FTEs	96	86	115	110	107	123

TABLE 17: GAMING PARLOURS - EMPLOYMENT

As at June 2017, the majority of employees within the gaming parlour sector were male (69.7%), five percentage points less when compared to the figure reported as of December 2016. The proportion of Maltese and non-Maltese workers in this sector remained unchanged when compared to the figures reported for December 2016, with Maltese nationals constituting the vast majority (97%) of all gaming parlour employees.

III Commercial Bingo

1. Approved Commercial Bingo Halls

During the period under review, there were four licensed commercial bingo halls, situated in Bugibba, Paola, Sliema and Valletta.

Permits for non-profit tombola

Permits for non-profit games are issued by the MGA in accordance with the Public Lotto Ordinance (Chapter 70 of the Laws of Malta). During the first six months of this reporting period, 1,267 permits were issued by the MGA, an increase of 10.8% when compared to the corresponding period of 2016.

Permit for non-profit tombola	2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	1,027	973	1,144	952	1,267

TABLE 18: COMMERCIAL BINGO - PERMITS FOR NON-PROFIT TOMBOLA

2. Commercial Bingo Visits

Between January and June 2017, the number of visits to commercial bingo halls amounted to 90,336, registering a drop of approximately 2.9% when compared to the same period of 2016.

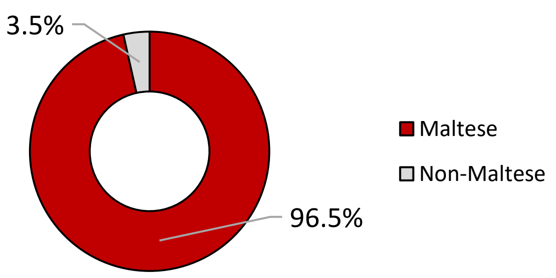
Players' Visits	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total	98,255	92,858	90,343	90,635	93,045	96,114	90,366

TABLE 19: COMMERCIAL BINGO - NUMBER OF VISITS

3. Profile of Commercial Bingo Players

Nationality

Commercial bingo is a game which has been enjoyed locally for a number of years and has gained a degree of popularity. During the period January to June 2017, 96.5% of visits were made by Maltese nationals.



GRAPH 9: COMMERCIAL BINGO - PLAYERS' PROFILE (BY NATIONALITY)

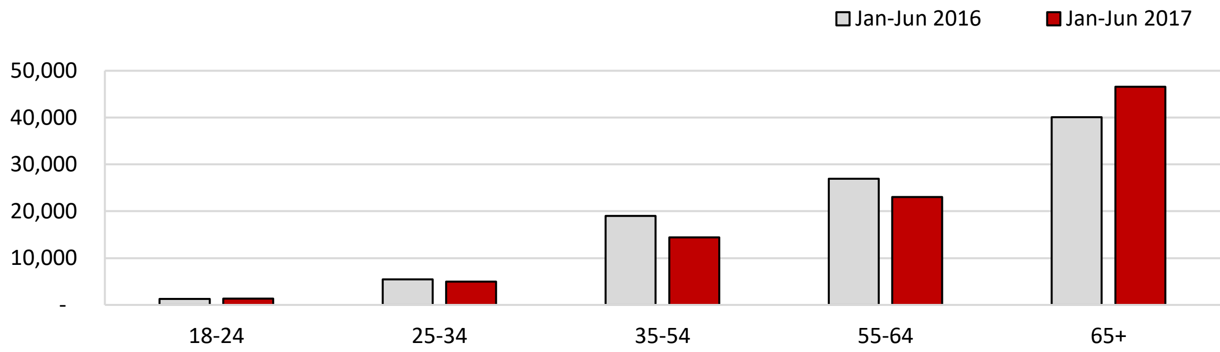
Gender

The vast majority of the players who visited commercial bingo halls during this reporting period were women, amounting to 85.5%. This is in line with the ratio reported in the first half of 2016.

FIGURE 3: COMMERCIAL BINGO - PLAYERS' PROFILE (BY GENDER)

Age Group

The data collected over the past months confirm that, traditionally, land-based bingo is associated with senior citizens. During the period under review, 51.5% of all visits to commercial bingo halls were reported for the customers over the age of 65. Between January and June 2017, visitors within this age group increased by 16.1% when compared to the corresponding period of 2016. Visits by the 55-64, 35-54 and 25-34 age groups decreased significantly by 14.4%, 24.1% and 9.6% respectively. Visits to commercial bingo halls by the youngest age group (18-24) constituted only 1.5% of the total number of visits and increased by 7.1% over the last reporting period.



GRAPH 10: COMMERCIAL BINGO - PLAYERS' PROFILE (AGE GROUP DISTRIBUTION)

4. Commercial Bingo GGR

During the first six months of 2017, the commercial bingo sector reported a decline of 6.6% in GGR when compared to the corresponding period of 2016. It has been noted that the GGR has been decreasing year on year since 2014, with this reporting period experiencing the largest drop.

Year-on-Year Percentage Change in GGR	Jan-Jun 2014-2015	Jan-Jun 2015-2016	Jan-Jun 2016-2017
Percentage [%]	-4%	-2.5%	-6.6%

TABLE 20: COMMERCIAL BINGO - YEAR-ON-YEAR PERCENTAGE CHANGE IN GGR

Average GGR per visit

In the first half of the year, the average GGR per visit went down by 3.8% from €12.9 in 2016 to €12.4 in 2017.

Average GGR per visit	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	13.1	13.1	13.7	13.2	12.9	12.3	12.4

TABLE 21: COMMERCIAL BINGO - AVERAGE GGR PER VISIT

5. Commercial Bingo: Payout Ratio

The average payout ratio of the bingo sector for the first six months of 2017 stood at 60% as established by the Commercial Bingo (Tombola) Regulations SL.438.05.

6. Commercial Bingo: Gaming Tax

Between January and June 2017, the tax payable by the licensed commercial bingo halls operators fell by 6.6% when compared to the corresponding period in 2016, from €307,109 (January to June 2016) to €286,939 (January to June 2017). It could be noted that the tax due has been decreasing since 2014, with this reporting period reaching the lowest levels ever recorded.

Gaming Tax	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	325,026	300,640	313,506	287,187	307,109	301,393	286,939

TABLE 22: COMMERCIAL BINGO - GAMING TAX

7. Commercial Bingo Employment

As at the end of June 2017, the commercial bingo sector directly employed 43 FTE employees. The number of employees remained relatively stable when compared to the previous reporting period.

Employment	2014	2015		2016		2017
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Total FTEs	40	52	43	42	46	43

TABLE 23: COMMERCIAL BINGO - EMPLOYMENT

As at June 2017, 69.2% of all commercial bingo halls' employees were female, a decrease of five percentage points when compared to the figures reported as of December 2016. The ratio of Maltese nationals employed in the bingo sector went down to 81.5%, seven percentage points less when compared with the year-end 2016.

IV National Lottery

1. Turnover by Game Category

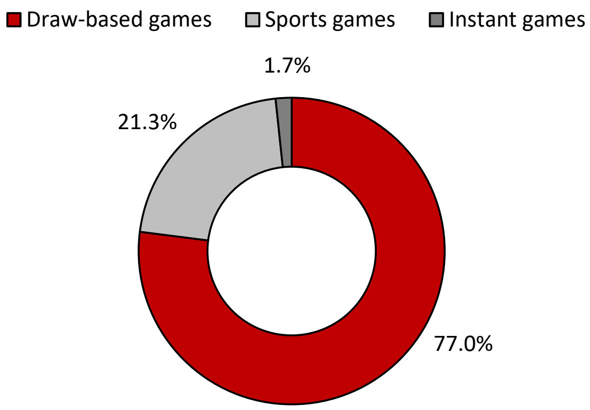
For the first six months of 2017, the total activity of the National Lottery operator, Maltco Lotteries Limited (Maltco), as measured in sales across the three game categories (draw-based games, instant games and sports games), stood at €47.2 million. This represents a marginal increase of 0.3% over the corresponding period in 2016.

The National Lottery operator registered a healthy growth in sales of draw-based games and instant games of 7.3% and 3.9% respectively. However, sales generated from sports games went down by 19.1% when compared to the corresponding period in 2016. The latter drop can be explained by the significantly higher turnover generated from sports games in June 2016 during the European Football Championship (UEFA EURO 2016).

Product sale by game category	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Draw-based games	31,087,291	34,364,505	30,729,967	31,333,012	33,866,633	33,913,804	36,329,902
Sports games	10,898,368	9,545,007	9,955,183	10,018,766	12,427,523	10,274,447	10,055,924
Instant games	777,840	854,308	776,310	747,190	762,223	696,680	792,191
Total [€]	42,763,499	44,763,820	41,461,460	42,098,968	47,056,379	44,884,931	47,178,017

TABLE 24: MALTCO LOTTERIES LIMITED - PRODUCT SALE BY GAME CATEGORY
SOURCE: MALTCO LOTTERIES LIMITED

During the period under analysis, the draw-based games represented 77% of the total Maltco's sales, while sports games and instant games constituted 21.3% and 1.7% respectively.



GRAPH 11: MALTCO LOTTERIES LIMITED - TURNOVER BY GAME
SOURCE: MALTCO LOTTERIES LIMITED

2. National Lottery: Gaming Tax

Between January and June 2017, the gaming tax payable by the National Lottery operator stood at €6.5 million, an increase of 4.4% over the 2016 figures.

Gaming Tax	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Total [€]	5,962,181	6,613,854	5,705,555	5,828,746	6,227,253	5,962,181	6,500,110

TABLE 25: 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 administered by the Ministry for Finance. During the first six months of 2017, Maltco passed on €350,131 to this Fund.

Contribution to the Good Causes Fund	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Unclaimed Funds [€]	333,850	316,838	321,762	327,281	290,294	360,724	350,131

TABLE 26: 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 2017, there were 232 Maltco outlets spread across the Maltese Islands.

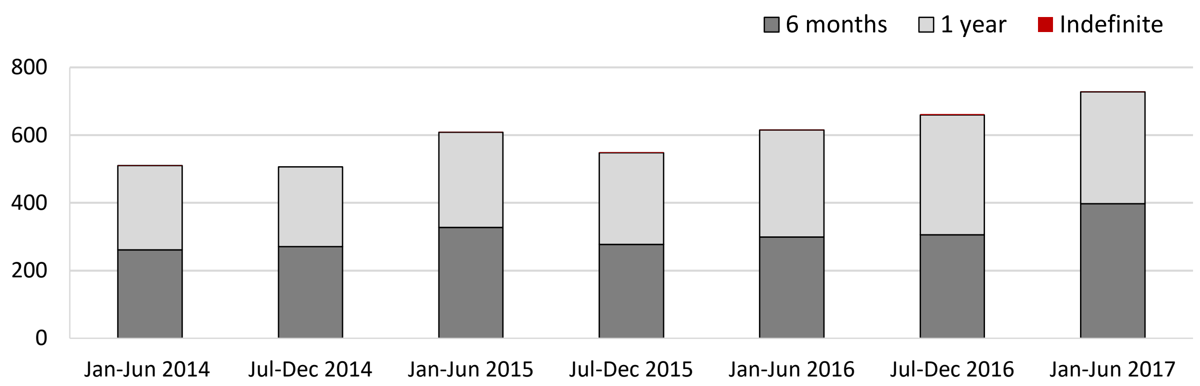
Points of sale	2014	2015		2016		2017
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Total	225	251	246	241	235	232

TABLE 27: 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 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, the number of self-barring requests has risen by 17.8%, from 616 in 2016 to 729 in 2017. Out of all requests processed during the period under review, 54.5% were received for a period of six months, while 45.4% were received for one year. During this reporting period, one individual chose to self-bar for an indefinite period.



GRAPH 12: LAND-BASED - SELF-BARRING

Self-barring requests	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
6 months	261	271	327	277	299	306	397
1 year	249	235	281	271	316	354	331
Indefinite	1	0	1	2	1	2	1
Total	511	506	609	550	616	662	729

TABLE 28: LAND-BASED - SELF-BARRING

Remote Gaming Statistics

During the first six months of 2017, the remote gaming sector continued to grow significantly, registering an 8.8% increase in the number of licences over the figures reported in December 2016. This positive performance is expected to consolidate with the overhaul of the regulatory framework governing the gaming sector in Malta which will come into force by 2018. The proposed framework is characterised by a simplified legislative design that allows for further innovation and industry development, convergence of the remote and land-based sectors, simplification of administrative processes, and a strengthened governance structure and regulatory mechanisms that ensure high levels of accountability, clarity and transparency in the MGA's decision-making, operations and processes.

1. Remote Gaming Licences

During the period January to June 2017, the MGA received a total of 119 applications for a remote gaming licence, representing a 95.1% increase over the corresponding period last year. In line with this, the number of new licences issued went up by 73.8%, from 42 licences reported in first half of 2016 to 73 licences issued between January to June 2017. During these six months, the Authority terminated 25 licences on the operators' request whilst only one licence was cancelled due to regulatory breaches by the respective remote gaming operators. Furthermore, four remote gaming licences were suspended by the Authority's Enforcement Unit.

No. of Licences	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
New applications	55	65	58	41	61	67	119
Licences Issued	49	77	43	45	42	49	73
Voluntary Terminations	21	19	22	13	13	28	25
Cancelled Licences[4]	0	0	8	5	16	5	1
Suspended Licences	2	1	8	15	1	1	4

TABLE 29: REMOTE GAMING - REMOTE GAMING LICENCES

2. Number of Remote Gaming Companies

As at June 2017, the number of companies holding remote gaming licences stood at 275, an increase of 10% when compared to the number of operators registered at the end of June 2016. Following upon a decline in the number of companies registered during 2016, mainly due to corporate consolidations and regulatory measures to remove inactive entities, developments during the first six months of 2017 indicate that Malta has re-established its position in attracting new investment in the sector.

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

No. of Companies	2014		2015		2016		2017
	as at Jun	as at Dec	as at Jun	as at Dec	as at Jun	as at Dec	as at Jun
Total	265	283	277	269	250	259	275

TABLE 30: REMOTE GAMING - NUMBER OF COMPANIES

3. Distribution of Licences by Class Type[5]

By the end of June 2017, the total number of active remote gaming licences stood at 558, an increase of 13.9% when compared to 30 June 2016. In January 2017, the Skill Games Regulations (S.L. 438.11) were published, regulating the online skill games sector, and creating a licensing and regulatory regime for so-called 'controlled skill games'. The rolling out of this new regulatory regime by the MGA has resulted in the issue of two types of controlled skill games licences, a controlled skill game service licence available for operators transacting directly with players (B2C) and a controlled skill game supply licence available for business-to-business service providers offering the gaming platform to controlled skill game service licensees (B2B).

Remote Gaming Licences	2014		2015		2016		2017
	as at Jun	as at Dec	as at Jun	as at Dec	as at Jun	as at Dec	as at Jun
Class 1	23	25	20	21	17	16	17
Class 1 on 4	177	222	232	246	253	277	306
Class 2	83	91	95	88	91	89	82
Class 2 on 4	9	9	10	12	16	14	20
Class 3	35	37	33	31	27	28	27
Class 3 on 4	34	32	30	30	31	30	27
Class 4	53	53	54	62	55	59	66
Controlled Skill Game – Service (B2C)							10
Controlled Skill Game – Supply (B2B)							3
Total	414	469	474	490	490	513	558

TABLE 31: DISTRIBUTION OF LICENCES BY CLASS TYPE[6]

[5] 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 31.
[6] The Remote Gaming Regulations establish four (4) Classes of Remote Gaming Licences:
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 – 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.
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.
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.
The Skill Game Regulations establish two (2) Controlled Skill Games Licences:
Controlled Skill Game – Service (B2C) - a controlled skill games licence to provide a service for the purpose of engaging with end consumers.

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. During the months under review, they accounted for 57.9% of the total licences registered as at the end of June 2017, an additional 19.6% when compared to the end of June 2016.

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 18.3% of the total licence base. It could be noted that the total number of Class 2 licences as at June 2017 dropped by 4.7% when compared to June 2016.

The Class 3 licences (including Class 3 and Class 3 on 4) accounted for 9.7% of the total MGA licence base, with a total of 54 licences. Given the general slowdown in the popularity of poker and other peer-to-peer games, the number of licences within this class has been decreasing over the years. To this end, the figures registered as at the end of June 2017 represent a 6.9% drop over the corresponding figures of 2016.

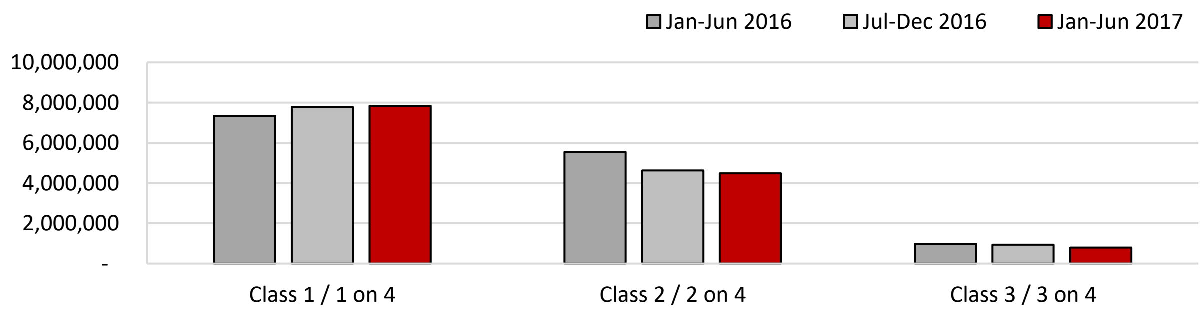
The Class 4 group of licences constituted 11.8% of the total licence base as at June 2016. This represents an increase of 20% over the figure reported for June 2016.

The rolling out of the new regulatory regime for "controlled skill games" resulted in the issue of 13 licences, out of which 10 were issued for a Controlled Skill Game Licence – Service (B2C) and three for a Controlled Skill Game Licence – Supply (B2B). These constitute 2.3% of the total licence base, namely 1.8% and 0.5% respectively.

4. Customer Accounts[7]

Active customer accounts

During the period under review, the estimated number of active customer accounts[8] on Class 1 increased by 6.8% when compared to the corresponding period of last year. The number of active accounts on Class 2 and Class 3 went down by 19.3% and 18.7% respectively, similarly to the drop in the number of licences within these groups.



GRAPH 13: REMOTE GAMING - ACTIVE CUSTOMER ACCOUNTS

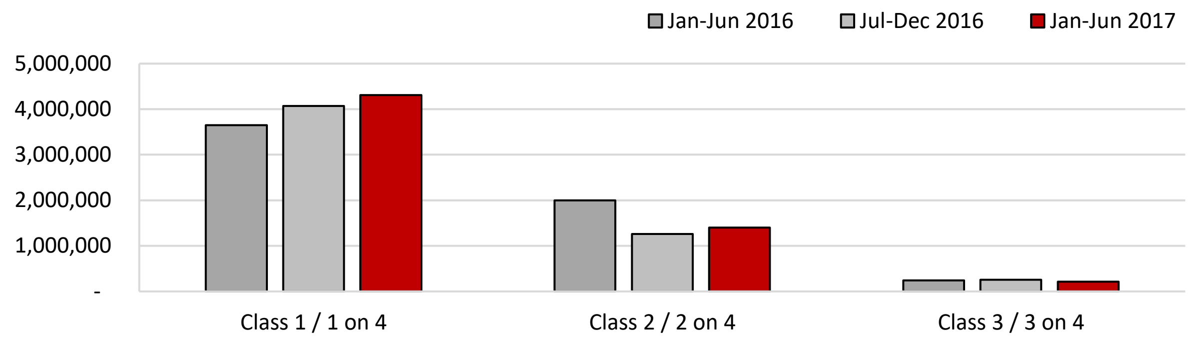
Controlled Skill Game – Supply (B2B) - a controlled skill games licence to provide a supply, that is, in a business-to-business capacity.

[7] Customer accounts data has been revised following the last year's publication.

[8] 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.

New active customer accounts

The estimated number of new active customer accounts[9] for Class 1 group of licences was increasing steadily over the last reporting periods as shown on Graph 14. Total number of accounts for this group went up by 18% when compared to the first six months of 2016. The number of new active customer accounts for Class 2 group of licences went down by 29.7% when compared to the corresponding period last year. Such a drop is partly due to the fact that sportsbook games were less popular during the first six months of 2017 since no particular major competitions, like the European Football Championship in 2016, were organised. Likewise, the number of new active accounts on Class 3 licensed activity dropped by 11.8% during the first six months of 2017, reflecting the decline in the popularity of poker and other peer-to-peer games.

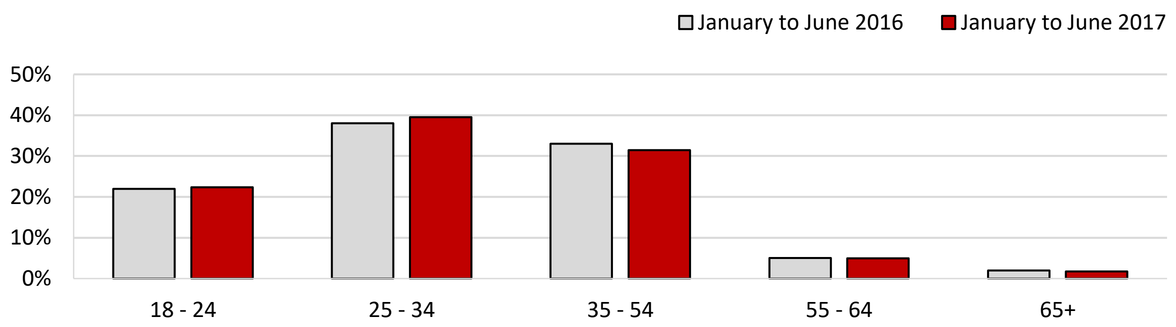


GRAPH 14: REMOTE GAMING - NEW ACTIVE CUSTOMER ACCOUNTS

5. Profile of the Remote Gaming Players

Age Group

During the period January to June 2017, players within the 25-34 age group continued to constitute the largest category, accounting for 39.5% of all the customers playing on the websites regulated by the MGA. Customers within the demographically wider 35-54 age group constituted 31.4% of the players' base, representing a drop of two percentage points over the 2016 figure. The rest of the age distribution groups remained the same as those registered during the first six months of 2016.



GRAPH 15: REMOTE GAMING PLAYERS - AGE GROUP DISTRIBUTION

[9] Those accounts on which customers played for the first time 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.

Gender

The gender distribution among players during the period under review was similar to that reported for the same period in 2016, with the vast majority of the customers being male and accounting for 78% of the total number of players.

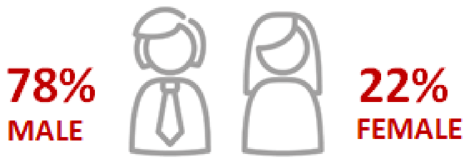


FIGURE 4: REMOTE GAMING - GENDER DISTRIBUTION OF REMOTE GAMING PLAYERS

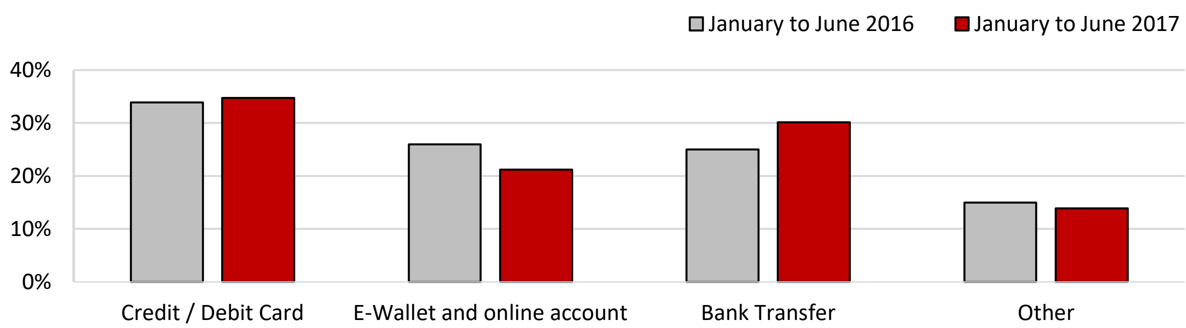
Self-exclusion[10]

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.

During the six-month period ending June 2017, the total number of self-exclusion requests for gaming websites licensed by the MGA amounted to just over 460,000, an increase of 12.9% over the figure recorded for the corresponding period in 2016.

Deposits as a Method of Payment

In line with what was reported for first half of 2016, the most popular method of deposits amongst customers of the MGA's licensed companies were credit/debit cards during the period under review. This payment method accounted for 34.8% of all deposit methods, a marginal one percentage point increase over 2016. However, a considerable change was noted between deposit payments made through e-wallet and online accounts as well as those made through bank transfers. While in the first six months of 2016, 26% of deposits were made through e-wallet and online accounts and 25% through bank transfers, during the corresponding period of 2017, it transpires that 21.2% of deposits were made through e-wallet and online accounts, and 30.1% through bank transfers. The remaining 13.9% of all deposit payments were made by other types of payment methods (for example, mobile payment methods, pre-paid vouchers and other methods).

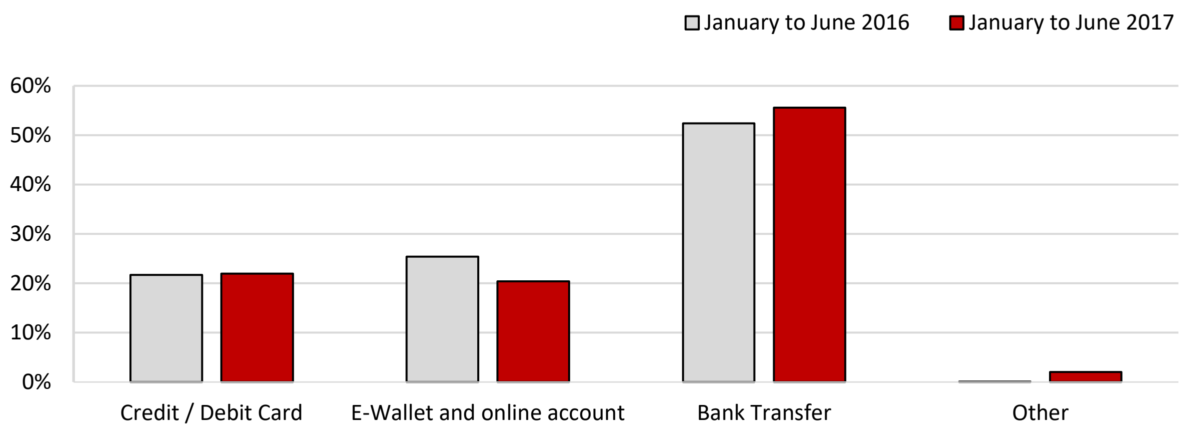


GRAPH 16: REMOTE GAMING PLAYERS - METHOD OF PAYMENT (DEPOSITS)

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

Withdrawals as a Method of Payment

In the case of withdrawals, bank transfer remains the most preferred method, resulting in 55.6% of all the withdrawal methods. This represents an increase of three percentage points over the 2016 figure. The e-wallet and online accounts method of payment experienced a drop of five percentage points, to 20.4%, when compared to what was registered for 2016, while the option of credit/debit cards remained at 21.9% of all withdrawals. The remaining 2% of the withdrawals were made through pre-paid vouchers, mobile payments and other methods.



GRAPH 17: REMOTE GAMING PLAYERS - METHOD OF PAYMENT (WITHDRAWALS)

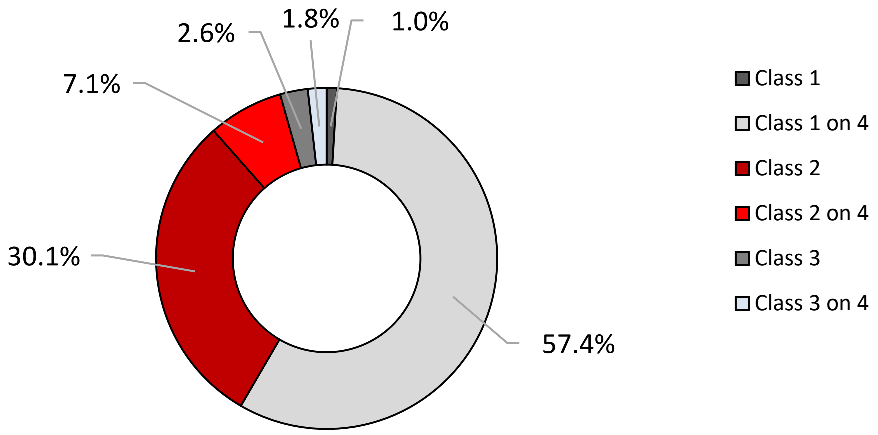
6. Gross Gaming Revenue Distribution[11]

It has been estimated that more than half of the total GGR was generated through Class 1 activity (Class 1 – 1%, Class 1 on 4 – 57.4%) during the first half of 2017. This represents an increase of seven percentage points when compared to the same period last year.

During this reporting period, the GGR generated by Class 2 operators constituted 37.2% of the total GGR for the remote sector (Class 2 – 30.1%, Class 2 on 4 – 7.1%), whereas during the same period in 2016, the GGR generated was 46%. This is partly attributed to a decrease in the number of licences recorded during the first six months of 2017.

The remaining 4.4% of the GGR was generated through Class 3 operations (Class 3 – 2.6%, Class 3 on 4 – 1.8%), a marginal increase over the 2016 figure.

[11] 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 18: REMOTE GAMING - GGR DISTRIBUTION

Class 1 / Class 1 on 4

The GGR generated by Class 1 group of licences for the six months ending June 2017 constituted more than half (58.4%) of the total GGR of the remote gaming sector. During this period, 76.2% of the GGR was generated by slot games whilst 20% by table games. It is worth noting that, when compared to the figures reported for the same period of 2016, GGR generated by slot games was seven percentage points higher, while that generated from table games was six percentage points higher. The remaining 3.8% of the GGR was generated by other games, the most popular of which were video poker, scratch cards, live casino and card games.

FIGURE 5: REMOTE GAMING - GGR - CLASS 1 DISTRIBUTION (JANUARY-JUNE)

Class 2 / Class 2 on 4

During the period January to June 2017, GGR generated by Class 2 group of licences constituted 37.2% of the total remote gaming GGR. During this six-month period, 71.5% of the GGR for Class 2 group of licences was generated through football bets. Betting on tennis games accounted for 10.1% of the total GGR while bets on basketball were 5.5%. The remaining 12.8% of GGR was generated through other bets (for example, betting on horses, cricket, motor sports, golf, volleyball, ice hockey and handball).

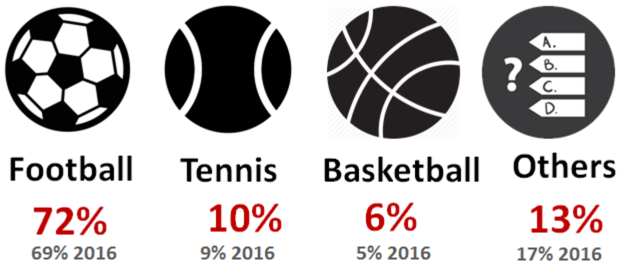


FIGURE 6: REMOTE GAMING - GGR - CLASS 2 DISTRIBUTION (JANUARY-JUNE)

Class 3 / Class 3 on 4

The GGR generated by Class 3 licence holders constituted 4.4% of the total GGR generated by the remote gaming sector. The GGR of Class 3s was generated through betting exchange (44.7%), poker (34.1%) and bingo (19.7%). The remaining 1.4% was generated by other games. In particular, the GGR generated by bingo games was eight percentage points higher when compared to what was registered for the period January – June 2016.

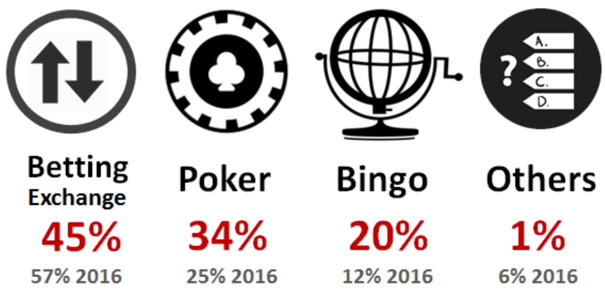


FIGURE 7: REMOTE GAMING - GGR - CLASS 3 DISTRIBUTION (JANUARY-JUNE)

7. Revenue - Class 4[12]

During the first half of 2017, out of the total revenue generated by Class 4 operators, 85.9% was generated from Class 1 activities, 12.5% from Class 2s, whilst the remaining 1.6% of the Class 4 operators was generated from Class 3s.

8. Remote Gaming Tax

During the first six months of 2017, the total gaming tax payable by the remote gaming operators amounted to €13,302,303, a 5.4% drop when compared with the same period of 2016. The gaming tax due from Class 2 licences accounted for 44.1% of the total remote gaming tax. Tax due from Class 1 on 4 represented 15.5% whilst that from Class 4 accounted for 13.8%. Tax due by Class 2 on 4 accounted for 10.8% of the remote gaming tax, followed by Class 3 on 4 (7.9%), Class 1 (4.7%) and Class 3 (3.3%). The gaming tax due from Controlled Skill Games Licence, both B2B and B2C, accounted for less than 0.5% of the total remote gaming tax due to limited activity during the first six months of 2017.

[12] The revenue for Class 4s operators is a commission/royalty which is being invoiced to the gaming operators for the usage of the platform (before expenses are subtracted to determine net income).

Remote Gaming Tax	2014		2015		2016		2017
	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun	Jul-Dec	Jan-Jun
Class 1	882,000	800,140	802,440	740,840	695,320	600,433	625,260
Class 1 on 4	828,000	1,872,085	1,645,200	1,787,002	1,860,000	1,896,418	2,061,718
Class 2	6,065,323	7,185,885	6,656,322	6,561,525	6,506,714	6,274,317	5,860,393
Class 2 on 4	529,618	986,596	1,416,182	1,411,916	1,376,806	1,172,521	1,430,588
Class 3	888,282	800,619	802,618	769,634	778,985	650,875	439,687
Class 3 on 4	1,257,594	1,041,882	1,142,659	1,145,231	1,068,237	964,855	1,047,865
Class 4[13]	1,148,690	1,549,031	1,603,040	1,698,390	1,782,645	1,649,287	1,834,875
Skill Games							1,916
Total [€]	11,599,508	14,236,236	14,068,462	14,114,538	14,068,706	13,208,706	13,302,303

TABLE 32: REMOTE GAMING - GAMING TAX

9. Remote Gaming Employment[14]

As at June 2017, the total number of FTE direct remote gaming employees went up by 4% from the figures reported in December 2016.

Remote Gaming: Employment	2014	2015		2016		2017
	As at Dec	As at Jun	As at Dec	As at Jun	As at Dec	As at Jun
Total FTEs	3,102	3,318	3,908	5,295	5,327	5,542

TABLE 33: REMOTE GAMING - EMPLOYMENT

As at the end of June 2017, 63.3% of all employees within the remote gaming industry in Malta were male. The ratio of male to female employees has remained unchanged when compared with the data registered for the first six months of 2016.

The number of non-Maltese workers in the remote gaming industry constituted 67.7% of all employees in this sector, an increase of one percentage point when compared to the same period of 2016.

[13] Class 4s category includes tax paid by the European Economic Area (EEA) operators working on Class 4.
[14] 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 the 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 2017.

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 Lotteries Limited) and remote gaming as 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 89%. 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. Figures related to skill games operation were excluded from the following sections: (4) Customer Accounts, (5) Profile of Remote Gaming Players, (6) Gross Gaming Revenue Distribution, due to limited activity throughout the period under review.

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 (land-based, remote and controlled skill game licence holders) in the Industry Performance Return conducted by the MGA. The remote gaming figures relate to employees working directly 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. Wherever 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.