G3-247 Report

SPAIN

Highs and lows

When the global recession arrived it felt like someone pressed the pause button on the Spanish channel. Whilst other countries slowly began to crawl their way out of the recession, Spain sat back and let the tidal wave of the crisis wash over it, hoping that by the time the storm subsided there would still be some survivors. There weren't many to be fair. It left a quarter of the population out of work, the housing market at rock bottom, increasing numbers on the poverty line and a marked rise in crime. Where next for a country that almost ground to a halt?

The problems Spain faces stem back to 2007. According to some economists Spain's underlying problem is its dependence on external financing due to the ongoing current account deficit. This is turn led to the banks failure in raising external financing and so when the crisis hit, Spain found itself in a unique situation with the doors of the global money markets shut and firmly locked.

The aftermath has been crucifying. Banks stopped lending. Properties remained up for sale. There were apparently half a million new homes left lying empty after the housing bubble burst with an estimated one million houses for sale overall.

Five years on the country has found the play button and the country is beginning to see some movement and some changes, albeit slowly and with some interference and buffering.

But stability and growth is on its way and foreign investors are bargain hunting. Spain's export industry increased by 3.1 per cent in January this year and GDP growth is now at 0.3 per cent, which although isn't anything to party about, is Spain's biggest rise in GDP since the beginning of 2008. It's not a rapid recovery but analysts predict a one per cent expansion this year as the economy is held back by heavy debts, whilst unemployment is expected to fall to 23 per cent by 2015.

At the moment there is still 26 per cent unemployment and wages have fallen. Andalucia, Extremadura, Canaries and Castilla la Mancha have been most affected by the unemployment and the popping of the housing market bubble. But growth in manufacturing and services is now creating new jobs and consumer demand is creeping back and the housing market is seeing the first signs of recovery.

Meanwhile, Spanish women have found new avenues into employment and are entering the job market and becoming higher valued than they ever (under the Franco rule women had few rights and women working was frowned upon).

It's going to be a long road and many Spaniards have yet to feel the positive effects of this change as they struggle with day-to-day life. The government has introduced tough economic reforms and austerity policies to pull Spain back from the precipice of a bailout that was feared back in 2012.

These policies are still causing unrest in the nation from people already struggling to make a living on reduced wages and job losses.

01 Sports betting arrived in the mid 2000s and then online betting arrived in the summer of 2012 and the structure of the Spanish gaming market changed again. Things began to improve and grow and the players finally began to grasp and welcome the concept of change, development and growth.

02 Today the gaming market is divided between various sectors: LAE lottery with 44 per cent share in GGR; ONCE lottery with 12 per cent; casinos with four per cent, bingos seven per cent, AWPs (B machines) with 32 per cent, betting shops with 0.6 per cent and online betting with 1.4 per cent share. Total GGR was €8.6bn in 2012 a 4.5 per cent drop on the year previous.

THE KNOCK-ON EFFECT

Whilst the country wallowed in the midst of the recession many industries were affected, including the gambling industry.

Spain, had in the past, played the role of the European gaming industry's Golden Goose. It its heyday in the late 1990s and early part of the 2000s, it was a flourishing market that boasted a 250,000 AWP sector, 1,900 gaming arcades, 130,000 amusement machines and 1,100 amusement arcades.

International developers kept a keen eye on Spain's gaming industry and managed to take a fair share of the developmental pie alongside the Spanish giants Cirsa, Franco and Sente, who between them dominated the market.

Tradition and culture plays a huge part in Spain and although the big three continue to dominate the market, their status came crashing down when the recession hit in 2007/2008 and no matter how well known and traditional you are in this sector, there was no magic wand to increase player spend.

Over the last few years hybrids and video AWPs slowly entered the market and reels were reluctantly replaced. Bar owners saw revenues drop as the Ducado smoking, coffee drinking older men saw their trustworthy traditional mini reels replaced.

Operations shut down and machine numbers dropped significantly with the biggest lurch in 2010. Coupled with that was the arrival of new technology in the form of video AWPs, which although arrived with a welcome bang in other markets were treated with caution and distrust in Spain.

With the average Spanish player age around 40-50 years old, the new technology scared players more than attracted them, and the introduction of video was a very slow process, which began with the release of hybrid models to ease the cross over pain.

Over the last few years hybrids and video AWPs slowly entered the market and reels were reluctantly replaced. The bar owners saw their revenues drop as the Ducado smoking, coffee drinking older men saw their trustworthy traditional mini reels replaced with something alien.

But everything must change. Sports betting arrived in the mid 2000s and then online betting followed in the summer of 2012 and the structure of the Spanish gaming market changed again. Things began to improve and grow and the players finally began to grasp and welcome the concept of change, development and growth of new technology.

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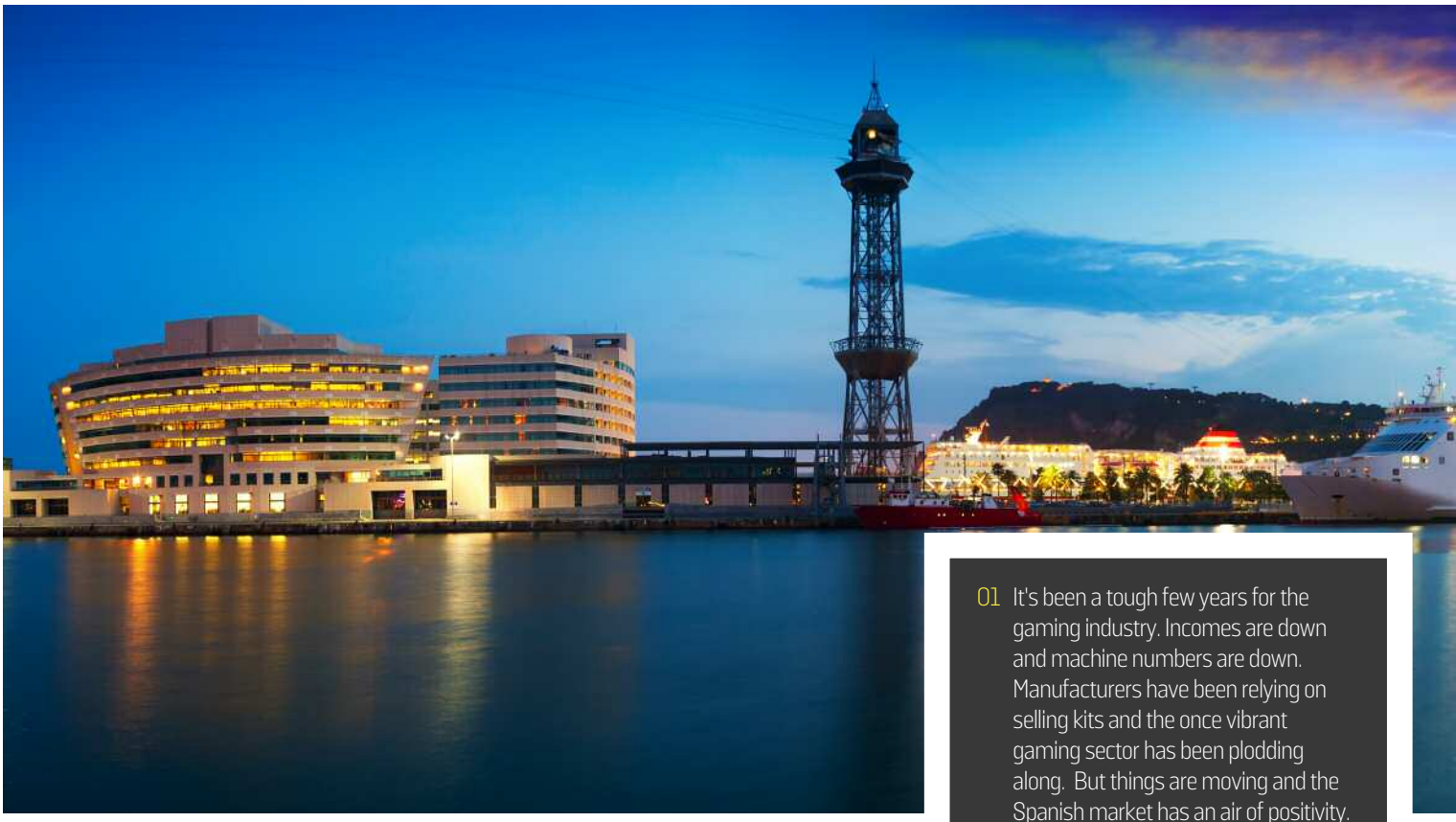

01 It's been a tough few years for the gaming industry. Incomes are down and machine numbers are down. Manufacturers have been relying on selling kits and the once vibrant gaming sector has been plodding along. But things are moving and the Spanish market has an air of positivity.

02 At the moment the VLTs are legalised in Aragon and Murcia. The remaining regions are set to follow suit very quickly and most regions are keeping their development ideas the same making the whole development process much easier and quicker.

THE VIEW ACROSS THE SECTORS

CASINO – There are 39 casinos currently open in Spain, a figure which has remained fairly stable over the years. The number of visitors is around 4.1 million with an average spend of €74 per client.

There are 2,352 slot machines in operation in casinos as compared to 2,411 in 2011.

In 2012, casinos saw €1.4bn worth of sales, which was 7.6 per cent drop on 2011 figures. The GGR was €307m, a reduction of 9.6 per cent on 2011, of which €171m came from table gaming and €105m came from slots with the remainder from tips and entry fees.

BINGO – Bingo is hugely popular in Spain, however, numbers have dropped over the years. Back in 1997 there were 539 bingo halls, which has declined steadily to 372 in 2012. The GGR for bingo halls was €1.7bn, which is a drop from €1.9bn in 2011. At its highest, bingo saw a GGR of €3.2bn in 2006 and 2007. The highest volume of business comes from bingo halls in Madrid, Cataluña, Valencia, Andalucia and the Canaries, which between them accounts for 70 per cent of income.

AMUSEMENT MACHINES – The drop has been significant for pure amusement products. Back in 2001 there were 155,451 amusement games in the Spanish market. Today, there are around 38,000. The reason for this enormous shift lies in the home consumer market primarily and the lack of interest in video-game amusement arcades, which were once a staple diet in Spain.

AWP MACHINES – Category B machines as the slots are known, stand today at around 214,000 in total. Back in 2001 the figure was 245,000, which peaked in 2008 with 252,000 machines across Spain.

There are 2,590 gaming arcades in Spain. In the past there were 3,994 in 2001 at its peak, but the decline has been steady.

The amount gambled on B machines came to €8.5bn in 2012, whilst GGR was €2.7bn. Madrid, Andalucia, Cataluña and Valencia boast the highest incomes and represent 60 per cent of total incomes from category B machines.

GROSS GAMING REVENUE PER SECTOR 2006-2012

YEAR	TOTAL	CASINOS	BINGOS	B MACHINES	LAE	ONCE	ONLINE
2006	€9.3BN	€553M	€1.4BN	€2.7BN	€3.5BN	€1.1BN	-
2007	€9.8BN	€557M	€1.3BN	€3.1BN	€3.6BN	€1.1BN	-
2008	€10.1BN	€499M	€1.2BN	€3.6BN	€3.6BN	€1.0BN	-
2009	€9.4BN	€429M	€1.0BN	€3.3BN	€3.6BN	€1.0BN	-
2010	€9.3BN	€388M	€988M	€3.3BN	€3.6BN	€945M	-
2011	€9.0BN	€340M	€727M	€3.0BN	€3.8BN	€1.0BN	€118M
2012	€8.6BN	€307M	€637M	€2.7BN	€3.7BN	€1.0BN	€117M

THE ARRIVAL OF VLTS

One of the biggest changes in the Spanish market at the moment is the arrival of Server Based Gaming. This has sparked a huge and renewed interest in the market and an influx of developers are keenly looking at Spain.

At the FER-Interazar exhibition held in Madrid, there was a definite buzz about the changes, something which has been distinctly lacking over the last few years. The industry has something new to focus upon and operators are looking to invest.

It's been a tough few years for the gaming industry. Incomes are down and machine numbers are down further. Manufacturers have been relying on selling kits and the once vibrant gaming sector has been plodding along. But things are moving and the Spanish market has an air of positivity.

At the moment the VLTs are legalised in Aragon and Murcia. The remaining regions are set to follow suit very quickly and most regions are keeping their development criteria the same, making the whole development process much easier and quicker.

Novomatic entered the Spanish market some years ago with the introduction of casino products. It was a limited market and so the Austrian giant added the arcade sector to its portfolio with products including the Novo Line series and multigame products.

With the arrival of VLTs Novomatic has introduced the Admiral III product line ready for the Murcia region.

Bernhard Teuchmann, General Manager of Novomatic Gaming Spain, said: "Now we are observing the other

SPAIN'S CASINO SECTOR - 2012

REGION	CASINOS	GGR TOTAL	GGR SLOTS	GGR TABLES
ANDALUCIA	4	€34M	€12.2M	€18M
ARAGON	1	€4M	€1.4M	€2M
ASTURIAS	1	€3M	€1M	€2M
BALEARICS	3	€22M	€4.9M	€15M
CANARIES	8	€28	€12.7M	€12
CANTABRIA	1	€3M	€1.8M	€1M
CASTILLA Y LEON	3	€5M	€1.3M	€4M
CASTILLA LA MANCHA	-	-	-	-
CATALUÑA	4	€84M	€36.8M	€40M
VALENCIA	6	€36M	€9.9M	€23M
EXTREMADURA	1	€6M	€3.4M	€2M
GALICIA	2	€4M	€1.5M	€2M
MADRID	2	€55M	€9.5M	€37M
MURCIA	2	€7M	€1.3M	€5M
NAVARRA	-	-	-	-
BASQUE	2	€13M	€6.7M	€5M
LA RIOJA	1	€2M	€0.3M	€1M
CEUTA	1	€1M	€0.2M	€1M
MELILLA	1	€1M	€0.2M	€1M
TOTAL	**43**	**€307M**	**€105.1M**	**€171M**

regions. The arcade market in Spain is developing very fast. Before it was mainly dominated by mechanical reels and now they're mainly video technology.

"Over the last four years revenue in Spain has dropped by 40 per cent in all land-based areas. It's a difficult and very saturated market and machines numbers have been going down, but because of the crisis some legislative bodies in the regions are now more open to looking at new legislation and products. So we try to offer new things, new technology and make use of the new possibilities in the Spanish market."

Novomatic presented its Camping Cash, hybrid AWP for the traditional market at the Madrid show, plus the Novo Line arcade games and the Admiral III, which offers 15 games for the VLT sector.

Meanwhile E-Gaming, via Cocamatic, has also launched a new SBG multigame product, which is currently homologated for Murcia with testing in Aragon .

Urbain Thewissen commented: "A lot of regions have the same rules so it makes it much easier for development and each region is watching to see what the others are doing and copying their regulations. VLT will eventually enter all the regions in Spain.

"Since 2013 we see operators are getting more confidence as the economy improves, so they are ready to invest again. Operators have more confidence in the future and if they invest it will be a knock-on effect."

NUMBER OF B MACHINES PER REGION

REGION	B MACHINES 2012	B MACHINES 2011	SUM GAMBLED 2012	GGR 2012
ANDALUCIA	32,235	36,235	€1.5BN	€460M
ARAGON	7,778	8,308	€245M	€101M
ASTURIAS	6,033	6,292	€49M	€14M
BALEARICS	4,976	6,624	€330M	€178M
CANARIES	7,579	7,975	€146M	€60M
CANTABRIA	3,401	4,128	€130M	€31M
CASTILLA Y LEON	15,659	15,717	€628M	€188M
CASTILLA LA MANCHA	9,207	9,638	€408M	€122M
CATALUÑA	35,039	37,374	€1.0BN	€413M
VALENCIA	25,618	26,347	€683M	€281M
EXTREMADURA	5,057	5,724	€159M	€65M
GALICIA	11,055	11,619	€544M	€136M
MADRID	27,054	29,077	€2.0BN	€478M
MURCIA	7,481	8,320	€207M	€85M
NAVARRA	2,011	2,149	€99M	€30M
BASQUE	11,678	10,624	€225M	€92M
LA RIOJA	1,743	1,750	€41M	€17M
CEUTA	123	187	€1M	€0M
MELILLA	181	276	€1M	€0M
TOTAL	**213,908**	**228,434**	**€8.5BN**	**€2.7BN**

GAMING INCOME PER REGION

REGION	GAMING INCOME	PERCENTAGE
MADRID	€4.5BN	19.5%
ANDALUCIA	€3.7BN	16.1%
CATALUÑA	€3.2BN	14.2%
VALENCIA	€2.4BN	10.8%
CASTILLA Y LEON	€1.4BN	6.4%
GALICIA	€1.2BN	5.3%
CANARIES	€953M	4.1%
BASQUE COUNTRY	€911M	3.9%
CASTILLA LA MANCHAS	€909M	3.9%
ARAGON	€692M	3%
BALEARIC ISLANDS	€675M	2.9%
MURCIA	€643M	2.8%
EXTREMADURA	€448M	1.9%
ASTURIAS	€418M	1.8%
CANTRABRIA	€308M	1.3%
NAVARRA	€271M	1.2%
LA RIOJA	€145M	0.6%
CEUTA	€21M	0.1%
MELILLA	€21M	0.1%

Bally Wulff is still active in Spain via Cirsa and launched its multigame, Action Star, in a sit-down or upright version, plus top box Secret Island jackpot feature. The arcade game features 30 games and has had success in the German market.

Bally Wulff has brought in well known Dutch man Willem Korteweg, who retired from Barcrest last year. He will now focus on Bally's involvement in the Spanish and Italian markets whilst also looking at other territories. Meanwhile, Darek Borowiec is the new product and sales manager for Spain at Bally Wulff.

Synot has five different product lines including Blue, Golden, Green, Red and Black and White with 75 different games across these models. Synot has 19,000 VLTs in operations in Czech.

Aristrocrat Technologies has also entered the Spanish market with its first SBG games for the Aragon region. With a huge circus themed stand at the recent show Aristocrat presented its VLT terminal which housed the Players World Los Juegos Favoritos (Favourite Games) multipack. At the moment the games are in a 19 inch cabinet and have six games. The product is now live in Aragon.

Operated by Dioper 2000, a salon based in Zaragoza, the products use the TruServ SBG system pioneered by the Aristocrat Lotteries division.

Raul Rubio, Vice President of Dioper 2000 said: "Our customers have responded very encouragingly to this new form of multigame on the gaming floor and we are proud to have pioneered its introduction in Spain."

The new system is be able to deploy new games and enhancements remotely and offers a back office management system. Payments can also be tickets, coins, notes or card-based. At the moment the system is in seven sites owned by three different operators in Aragon.

Meanwhile, there were a few companies eager to test the Spanish waters with the new VLT laws and Czech company Synot took a stand in Madrid to exhibit and present its VLT products in a bid to make expand its contacts in the sector.

It was Synot's first look at Spain and although the company did not have software developed for Spain as yet, it presented cabinets and game concepts that could easily be adapted for the sector.

Synot's Roland Andrysek said: "We have been very happy with the market response. We do not want to operate here in the beginning, but we are looking for distributors or partners that we can work in Spain. We only decided recently to explore this market and we can easily change the software for Spain within our range."

Synot currently has five different product lines including Blue, Golden, Green, Red and Black and White, with 75 different games across these models. Synot is a major operator and has 19,000 VLTs in operations in Czech.

R.Franco made a positive announcment having teamed up with the Inspired Gaming Group. Inspired will supply its Open Core platform and games to R.Franco, enabling two to work together to create VLTs using a selection of games from each company.

Jesus Franco said: "We are delighted to be uniting this industry leading technology with R.Franco's leading cabinets, games and experience in the Spanish market."

The company presented Lucky Wheels at the FER show, which is a game in the Constellation series with five reels and additional games in video.

Luke Alvarez of Inspired predicted: "Server-based, multigame products will modernise the landscape of machine gaming in Spain."

Other companies such as Sente had their usual presence with new products La Ruleta Darma and Master Game Turbo, whilst Zitro saw the huge launch of new bingo technology this year and unveiled three different types of community games for the popular bingo market.

Titled 'Zitro Revolution' the company has invested a lot of time and effort in R&D to revitalise the video bingo sector and launched a range of new productions. For the first time the company has developed its own SBG technology for its Blackwave machines.

Firstly, there is Air Cash, which is compatible with two platforms – Bluewave and Blackwave and where play-

ers can participate in community games with four prizes instead of one. El Botin, which has a pirate theme, is available on the Bluewave platform with more prize options and bonus points. Salpicon is a community game where players can achieve bonuses when others play in the Free Bingo or Revenge games. When one player achieves a bonus the other automatically gets the same chance to play.

Zitro has also launched Jack and the Beans with 3D technology with outstanding graphics for a video bingo.

ONLINE LAW CHANGES

The online gaming sector will see several changes this year with the introduction of slots online. Online gaming was first legalised in 2011 with further regulations and the market opening in June 2012.

At that time operators were required to pay back taxes calculated against earnings when the sector was unregulated, whilst databases were wiped clean and a new start began with an .es domain. Spain eventually awarded 53 companies licences for online gaming.

In 2012 there were said to be just over one million online players with various games permitted, such as sports pool betting, fixed odds betting, horserace pool betting, raffles and competitions.

At the moment the distribution of online games in terms of GGR is 49 per cent market share for sports-betting, 19 per cent for Poker Cash, 10 per cent for Poker Tournament, nine per cent for Roulette, four per cent for Blackjack and then the rest for bingo and horse betting.

By the end of 2012 there were 32 operators active offering online gaming in Spain and by the end of the fourth quarter of 2013 the amount annually gambled in the online sector was €5.4bn with an average spend of around €431m per month– an increase of 14 per cent from the quarter before.

The number of registered players grew in the fourth quarter of 2013 by 9.4 per cent compared to the previous quarter and by the end of last year there were 1.5 million players with around 250,000 new players each month.

Corporation tax is 30 per cent whilst gaming tax is between 10 per cent (prize draws) and up to 25 per cent.

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There are currently three types of licences – general, single and permits

The draft decree regulations for online slots and exchange betting have been published and a public consultation phase was held until the end of March. It is thought final approvals will be made in three to four months.

The main point within the draft regulation includes the permission of slots to be available in the list of allowed games online. Although the concept of slot games is fairly broad the regulation will set a number of features of the slot games that will be allowed. The rules will indicate the prizes offered and combinations that will award prizes and should contain information on the percentage

of return of prizes to the player.

The draft includes the possibility for operators to offer progressive jackpots. There is also talk of offering slot games on manual and automatic play modes and in automatic mode, players will be required to configure the number of plays they want to run in automatic mode with a maximum of 25 plays.

Players will also be able to configure their own play settings to determine amounts gambled and player time and also how often they will receive warnings on time spent playing. Each play time will be a minimum of three seconds and operators must provide a summary document outlining amounts staked during a session.

The draft regulation on Exchange Betting is aimed at filling a gap that has existed in the betting market since the online betting law was introduced. A lack of secondary regulations outlining the offering of types of products was missing and now the draft will clarify that exchange betting is defined as any "bet resulting from matching an offered bet and a counter offered bet, both issued by different players on a particular event or market in which the gaming operator acts only as an intermediary and guarantor of the amounts placed among participants in such bets."

THE ONLINE GAMING SECTOR FIGURES

GAME	TOTAL GAMBLED 2013	GGR 2013
SPORTS-BETTING	€1.8BN	€111M
HORSE BETTING	€19M	€1.4M
CONCURSOS	€10M	€6.9M
POKER CASH	€1.7BN	€45.3M
POKER TOURNAMENT	€486M	€22.2M
BLACKJACK	€344M	€9.5M
GAMES	€67.6M	€1.4M
PUNTO AND BANCO	€3.7M	€37,014
ROULETTE	€805M	€22.7M
BINGO	€60M	€7.4M
TOTAL	€5.4BN	€228M

The Spanish have really consolidated in a single decree all the provisions referred to in exchange betting related to sports, horses and other types. Operators will now only require a single licence not three.

There was a buzz about this new law at the recent exhibition. Novomatic's Greentube was present at the show ready for the online slots law, whilst newcomers to the Spanish market, Bet Construct, were also present looking at developing contacts in the market.

The company currently has clients in Europe, Central and South Eastern Asia and Africa and their key product is for the sports-betting sector.

Bet Construct develops, supplies and manages a range of products for the online sector including retail Sportsbooks, Data Feed and statistics, financial betting. Live and RNG casinos, poker and skill games.

The Sportsbook Online has over 14,000 live games and over 50 sports whilst the live casinos offers real time gaming including the main table games and classic and 3D slots, keno, video poker and arcade games.