



Sweden

New dawn for the gaming industry

After years working under a gambling monopoly, Sweden is opening up its online industry to private operators and the face of the gambling sector looks set to change.

The country has been planning a re-regulation of the market for the last few years and finally in August 2018 the Swedish Gambling Authority began to accept licence applications for a new law which finally kicked into play in January 2019. This basically means new tax rates and new licences for the online sector. Apart from the increase in revenue the main objective of the re-regulation is to create a safer market place.

Historically, gambling in Sweden dates back to the third century AD whilst card games arrived in the 1400s and the first casino Ramlosa Brunn opened in the 18th century. By the mid 19th century casinos were banned and a revised view of the sector was implemented to bring gambling under a governmental control so they were legal and regulated.

A state gambling monopoly was established back in 1934 mainly to combat illegal gambling activities, and two main acts – The Lotteries Act of 1994 and The Casinos Act in 1999 – ensured that all gambling remained under the control of the Swedish state and its agencies.

This brought the gambling offer down to a permitted six state owned licensed casinos (although four casinos have always been considered adequate); sports betting; lotteries and gaming machines (VLTs), which are all operated via Svenska Spel, whilst a monopoly run horse racing sector is controlled by AB Trav och Galopp (ATG). Any other licences are granted

by the Swedish Gaming Authority for any private operations although these are few and far between.

In 2002 changes to the lottery act enabled Svenska Spel to embrace digital platforms with instant scratchcards games and bingo online whilst ATG could also offer its services online. In 2005 Svenska Spel was also given the right to introduce online poker.

The monopoly situation has long been a bone of contention for private operators eager for a piece of the lucrative Swedish gambling pie. But their attempts to enter the market have been largely unsuccessful and they can still only operate slots in restaurants which rakes in a share of around SEK197m of the SEK22.6bn total industry revenue.

When online gambling arrived, however, it became clear that there was no realistic way of preventing offshore online betting companies from targeting the Swedes, and as such it became harder for Svenska Spel to control player's gambling activities.

There was a surge in overseas online gambling sites and the government realised the monopoly was no longer working in this field whilst the EC also stepped in requesting Sweden to open up its betting market. The Swedish market has been growing by around three per cent annually mostly driven by the increase in online gaming.

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Essential information and facts about Sweden:

Capital	Stockholm
Total Area	450,295 sq.km
Population	9,960,487
Median age	41.2 years
Religion	Church of Sweden (Lutheran 63.5% and other)
Ethnic Groups	Swedes with Finnish and Sami minorities
Languages	Swedish
Currency	Swedish Kroner (SEK)
Government type	Parliamentary Constitutional Monarchy
Chief of State	King Carl XVI Gustaf (since 1973). Heir apparent is Princess Victoria
Head of Government	Ingrid Alice Desiree Acting Prime Minister Stefan Löfven (since 2014). Löfven was ousted in a no-confidence vote in September 2018 and is heading a caretaker government until a new government is formed.
Elections	Next elections due 2022



“We are very much in favour of the new regulation in Sweden. With more regulations comes more complexity, we are now regulated in six markets, seven with Sweden, making everything we do a bit slower. But still we see this as a positive development since regulated markets offer a more secure environment both for us as operators and for the players.”

Last year SEK5.5bn in revenue was attributed to offshore operators.

And so talks of liberalising the market began after a series of thorough and lengthy investigations which looked at various alternative options. Finally at the beginning of 2018 a proposed new legislation was submitted and the new bill ‘A Re-regulated Gambling Market’ was approved in June bringing in a new gambling act and licensing system ready for a launch date of January 1 2019.

The bill gives the state continued control over the four landbased casinos, the large lotteries and slots outside of casinos (via Svenska Spel) but the online sports betting market, online casinos, online bingo and other products such as virtual sports will be open to those who are given a licence. Licences will be issued for five years with an 18 per cent tax rate.

The market will be divided into three sections

including: a competitive sector mainly covering online and betting; a public benefit sector such as lotteries and bingo plus a third sector reserved for the state covering casinos and slots.

The new gambling law SFS 2018:1138 includes the following points:

- New tax rate of 18 per cent for commercial gaming companies.
- A zero per cent tax rate will continue for non-profit gambling activities.
- Licensing fees now vary and include:
 1. Licence for Commercial online games and licence for betting both SEK400,000 each or SEK700,000 combined licence. Renewal fee is SEK300,000.
 2. Public lottery licences depending on prizes range from SEK5,000 to SEK150,000.

3. Licence for bingo is SEK5,000.

4. Horse betting licence is SEK3,600.

5. Licence per slot SEK2,800.

6. Casino licence fee is SEK70,000.

- Age limit is set at 18+ to play online and 21+ for landbased casinos (previously 20 for casinos).

- There are six different licensing options now available to include:

1. State owned licence for casino games, slots games and some lottery available to state owned companies only.

2. Public purpose games for some types of lotteries available only for non-profit organisations only.

3. Commercial online game for casino games,



slots and bingo online available to any company with a licence.

4. Betting for all types of online and offline betting available to any company with a licence.

5. Commercial landbased games for slot games and card games outside a casino in certain tournaments, available to any company with a licence.

6. Cruise ship games for casino games and slot onboard available to ships on international waters.

BETTING AND ONLINE

The Swedish Gambling Authority (Lotteriinspektionen) is anticipating around 50 to 70 applications under the new licensing system, whilst others anticipate more than 100 applications, which will change the Swedish gambling landscape considerably.

Many casino operators such as Mr Green, Kindred Group and Leo Vegas, although have their roots in Sweden, were previously forced to establish their headquarters abroad whilst software providers such as NetEnt, Evolution Gaming and Play n Go are also key Swedish players.

The main offshore companies which have been active in Sweden over the last few years include Bet 365, Betsson, Expekt, Kindred Group (Unibet), Leo Vegas, Mr Green, Nordic Bet and Pokerstars. There will now be a clean slate for players who had previously registered for online offshore casinos so players can re-register on the new Swedish online sites whilst operators can only offer a one time welcome bonus to players.

Jesper Kärrbrink CEO of Mr. Green Group said: "We are very much in favour of the new regulation in Sweden. We, as most other igaming companies, want to operate in regulated

markets and have applied for two Swedish licences, Mr Green and Redbet (including three local brands).

"With more regulations comes more complexity, we are now regulated in six markets, seven with Sweden, making everything we do a bit slower. But still we see this as a positive development since regulated markets offer a more secure environment both for us as operators and for the players."

The Kindred Group also formally applied for a betting and online licence in August 2018 and has welcomed the re-regulation saying by the end of the second quarter of 2018 some 43 per cent of gross winnings revenue was derived from locally regulated markets. Subject to approval, Sweden will be Kindred Group's 13th locally licensed market.

Henrik Tjärnström, CEO of Kindred Group said: "It is very satisfying that we finally can take this

Reports

SWEDEN MARKET

“What is even more pleasing is that we can extend our commitment to Swedish society through different sponsorship and partnerships. Already in the days following the parliament’s ruling in June we have demonstrated our ambition by signing a 12 year sponsorship deal with the Swedish Elite Football Association.”

important step towards fair and equal terms within the Swedish market competing on the same level as other operators.

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There is a lot of interest at the moment in the Stockholm Stock Exchange and Nasdaq is currently the second largest in the world after the US whilst Brexit is also expected to have an impact as companies possibly shift over to Sweden as a base.

A new national self shutdown system will also be up and running from the beginning of this year (2019) so players can choose to turn off all registered games for money. Spelpaus.se aims to protect players from excessive gambling or help them reduce their gambling.

Prior to the new gambling act betting was solely organised by Svenska Spel whilst ATG organised horse race betting.

Sweden is one of the leading countries for horse racing and can be found via 33 tracks. Horse racing arrived in Sweden in the late 1800s and the first track opened in 1907 in Jägersro just outside Malmö.

ATG was founded in 1974 and established by the state and offers horse race betting (pari-mutuel betting) and V75 is the game form with the largest turnover in horse racing and involves the player finding the winner in seven





predetermined races. Betting is via ATG agents or online.

ATG saw a GGR of SEK4.1bn in 2017, an increase of 3.1 per cent from the previous year. Online gaming saw an increase of 13.9 per cent whilst track gambling decreased by 12 per cent.

Meanwhile online gambling in Sweden accounts for the largest growth pattern in Sweden and GGR for this sector in 2017 amounted to a total of SEK10.3bn, an increase of 11.4 per cent from the previous year. Operators with permits have a GGR of SEK4.8bn whilst those without permits saw SEK5.5bn.

MARKET DATA

The Swedish Gambling Authority (Lotteriinspektionen), controlled by the Ministry of Finance, is responsible for the market and grants licences and approvals, and is headed by Camilla Rosenberg.

The authority governs casino games, restaurant casinos, poker, slot machines, betting, national lotteries, bingo and Svenska Spel's lotteries and number games.

Total GGR for Sweden's gambling regulated sector amounted to SEK17.2bn in 2017 with total stakes of SEK48bn. It is estimated that an additional SEK5.7bn is taken in GGR for the

LOTTERY

4 LOTTERIES

LOTTERY REVENUE

SEK3.4BN (NATIONAL LOTTERIES)

RACETRACKS

33

HORSE RACING REVENUE

SEK4.1BN

VLTS

5,100 (VEGAS)

VLT LOCATIONS

1,640

VLT REVENUE

SEK1.1BN

CASINOS

4

CASINO REVENUE

SEK1.1BN

TOTAL GGR

SEK17.2BN (REGULATED)

TOTAL GGR

SEK22.6BN (+UNREGULATED)

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unregulated market (mostly offshore gaming companies).

Svenska Spel has a 40 per cent market share of the total GGR compared to ATG with 18 per cent, offshore companies with 24.5 per cent and the remaining by other regulated gaming companies.

The gross gaming revenue for non governmental companies including games and lotteries saw a total of SEK3.89bn whilst within this the national lotteries saw a GGR of SEK3.4bn.

The four major players in the national lottery market are:

Svenska Postkodforeningen – this company is the largest operator in terms of revenues and has been operating since 2005. It is run by Novamedia Sverige AB which also runs the Dutch Postcode Lottery (launched 1989) and the People's Postcode Lottery in the UK (2005). The bulk of its revenue (around 40 per cent) is returned in prizes whilst running costs are around 28 per cent. The remaining is distributed

to the Postcode Lottery's beneficiaries. The lottery has over one million players and around 1.7 million tickets sold annually.

Folkspel – this lottery was set up in 1989 and is made up of NGOs. It offers various games including its most popular product BingoLotto. Lottery revenues in 2017 were SEK1.2bn.

Miljonlotteriet – this is owned by the charity IOGT-NTO and has organised lotteries since 1964. The charity is a drug and alcohol prevention group and the company offers lottery and bingo games. Annually turnover is around SEK500m and it provides SEK120m on average to the charity.

Finally Kombispiel was created in 1956 by the Socialist Workers Party (SAP) and the Swedish Social Democratic Youth group (SSU) and organises three kinds of lotteries, scratch cards and bingo. The most popular game is Kombilotteriet launched in 1981 whilst other games are Dromrese (Dream Travel), Motor and Skrap (scratchcards).



SWEDEN 2016/17 TURNOVER AND GGR

CATEGORY	2016 STAKES	2016 GGR	2017 STAKES	2017 GGR
Gambling companies (total)	SEK39.4bn	SEK13bn	SEK40.5bn	SEK13.1bn
ATG	SEK13.2bn	SEK4bn	SEK13.6bn	SEK4.1bn
Svenska Spel	SEK20.3bn	SEK7.8bn	SEK21.3bn	SEK7.8bn
Casino Cosmopol	SEK5.8bn	SEK1.1bn	SEK5.5bn	SEK1.1bn
Non state companies (total)	SEK7.1bn	SEK3.9bn	SEK7.0bn	SEK3.8bn
Bingo	SEK1.1bn	SEK366m	SEK1.1bn	SEK366m
National Lotteries	SEK5.8bn	SEK3.4bn	SEK5.7bn	SEK3.4bn
Local/regional lotteries	SEK175m	SEK88m	SEK175m	SEK88m
TOTAL (Regulated market)	SEK47.0bn	SEK17.1bn	SEK48.0bn	SEK17.2bn
Private Operators (total)	SEK454m	SEK5bn	SEK454m	SEK5.7bn
Operators with no permits		SEK4.8bn	SEK5.5bn	
Restaurant casinos	SEK454m	SEK197m	SEK454m	SEK197m

Svenska Spel also has a permit to offer lottery games such as the lotto, bingo and number games offered at over 5,118 retailers and online.

SVENSKA SPEL

Svenska Spel was founded in 1997 after a merger between Tipstjänst and Penninglotteriet which had existed since the 1930s as lottery companies. The Lotto was launched in 1980 and subsidiary Casino Cosmopol began operations in 2001.

Today Svenska Spel operates games under the categories Games of Chance (54 per cent share), Sports Games (20 per cent share) and Casinos (26 per cent share). Brands include Lotto, Keno, Joker, Viking Lotto and Eurojackpot plus online

Bingo and Pick n Click plus lotteries Triss, Penning and Scratchcards. Sports games brands include Oddset, Stryktipset, Topptipset and EuroPatipset available via retailers or online whilst the casino games include the exclusive right to operate the four Cosmopol brand casinos plus the Vegas VLTs at various restaurants and bingo halls throughout Sweden. Games via Vegas are the only VLTs permitted in Sweden.

The company has over 7,000 agents in Sweden and hands over SEK4.7bn to the treasury each year. The company reported total net gaming revenues of SEK8.9bn and net profit for the year 2017 of SEK4.7bn and has a 40 per cent market share whilst its online market share is around 22

per cent. Revenue was down by SEK13m mostly due to a decline in sales via retailers, restaurants, bingo halls and the landbased casinos. However revenues in the online sector grew by SEK342m to SEK2.2bn.

The first casino to open by Svenska Spel was Casino Cosmopol in Sundsvall followed by casinos in Malmö, Gothenburg and Stockholm.

Sundsvall is housed in an old wooden station building which offers 12 table games (four poker) and 158 slots plus restaurant and poker tables. It's the smallest casino in terms of revenues with almost 107,000 visitors and SEK76m in revenues. Gothenburg is located a short walk from the city centre in the Stora



Tullhuset building (an old customs house) once used as a last stop before people emigrated to America. It offers 44 table games (18 poker), one Touchbet Roulette (12 terminals) and 347 slots plus a restaurant. Total visitors last year amounted to over 300,000 and revenues of SEK328m.

Malmo is situated in Slottsparken in an old pavilion building and offers a poker room, restaurant, bar and sport zone plus 27 table games (eight poker), one Touchbet Roulette (12 terminals) and 232 slots and visitor figures were 198,800 and revenues of SEK226m.

Finally Stockholm is located in an old movie theatre which opened in 1918 in the heart of the capital city. It has a cinema, poker room, restaurant and sports bar and five floors of gaming with 46 table games (16 poker), one Touchbet Roulette (12 terminals) and 401 slots. There were 378,000 visitors and revenues of SEK498m last year.

The casinos have a SEK150 stake limit for slots with an 85 per cent return payout. Total visitors at all the casinos amounted to 985,329 last year and total revenues of SEK1.12bn made up of

SEK458m from table games and SEK670 from the slots.

Meanwhile VLTs can only be operated by Svenska Spel (Vegas machines) and were introduced into the market in 1995. They can be placed in hotels or restaurants which hold a permit to sell alcohol or bingo halls with a permit. The stakes are SEK1-6 and SEK600 maximum payout and players have to be 18 years to play.

A gaming location can not have more than five Vegas VLTs whilst the maximum number of VLTs permitted in total is 7,000 in restaurants and 500 in bingo halls. At the end of 2017 there were just over 5,000 Vegas machines in operation distributed among 1,640 partners. Vegas revenues amounted to SEK1.1bn last year with 1,576 restaurants and 64 bingo halls with VLTs.

Vegas games offer three types of games – poker, wheel and number games. Players log in to play and also set personal loss limits of amounts per day or month.

In addition there are restaurant casinos with card, dice, roulette and poker tables. Licences



Jenny Nilzon,
CEO of SPER

"The current situation with the Swedish gambling market is characterised by the fact that online gambling companies, not regulated in Sweden, are taking an increasing part of the Swedish market at the expense of the companies that are regulated in Sweden.

"The government control, which is a very important part of today's gambling regulation, is non-existent when it comes to the online companies that have no licence in Sweden.

The online companies operate in Sweden without paying tax and the consumer protection is limited since the Swedish Gambling Authority can't exercise supervision over these companies. Therefore the motive for the Swedish government to re-regulate the gambling market is to gain control over the whole gambling market through regulation and licensing. This involves taxes, responsible gambling and consumer protection. We the Swedish Gambling Association (SPER) think that the regulation will change the market for the better.

Obviously today's regulation does not work and it is obsolete. I would like to say that most (if not all) operators now regulated in Sweden think that the current situation in the market is untenable. They all think that the market needs to be re-regulated and are mainly positive for the upcoming licensing system. SPER think that this is a change in the right direction and as mentioned before it is necessary.

In the future it looks like a mix of the biggest online operators, small operators and national operators will enter the Swedish market. If we look at Denmark who re-regulated in 2012 we could see that people started playing online casinos for the first time at Danske Spil. It could be the same in Sweden when both Svenska Spel and ATG are going to offer online casino games for the first time.

There are a few elements still unclear. For example how the new bonus restriction is going to work but also how to inform the Gambling Authority on how a company will work with duty of care.

These are just a couple of examples that I think a lot of companies would like to have more explanation on. But if necessary, the Gambling Authority, have the space or the power to give out more regulation and general advice on responsible gambling if needed."

“Svenska Spel welcomes a re-regulation of the gaming market as it contributes to regain control over the Swedish gaming market and enhances customer protection.”

are granted to private companies or individuals. Players have to be 18+ to access and at the moment there are around 50 companies authorised to operate restaurant casinos with 600 gaming tables at approximately 500 locations.

Meanwhile Svenska Spel recently signed an agreement with Norsk Tipping for the use of the PLAYScan responsible gaming tool and also an agreement with Evolution Gaming for live casino products.

Svenska Spel's CEO Lennart Käll left in the summer of 2018 after seven years at the helm saying a new gaming market was an ideal time to hand the reigns over to someone new whilst new CEO Patrik Hofbauer took over in the autumn.

Svenska Spel's Press officer Lotta Örtén said: “Svenska Spel welcomes a re-regulation of the gaming market as it contributes to regain control over the Swedish gaming market and enhances customer protection.

“The recommendation for the new gaming regulation contains a number of relevant responsible gaming measures such as registration of all games, an obligation for gaming companies to monitor customers' gaming and to take action should they suspect gambling problems, and the option for customers to exclude themselves from gambling (both from an individual company and in a central register administered by the Gambling Authority) to set their own limits for their gaming, requirements for moderate marketing and more.

“The work with changing and preparing Svenska Spel for the transit to the new gambling market is right now in an intense phase, but we move forward according to plan and will be ready on January 1 2019. Svenska Spel will be a cohesive group with three business areas – Sport and Casino; Tur and Casino Cosmopol and Vegas. The purpose of the reorganisation is partly to live up to the competition legislation and the new gambling legislation and partly to create a clearer business focus.”



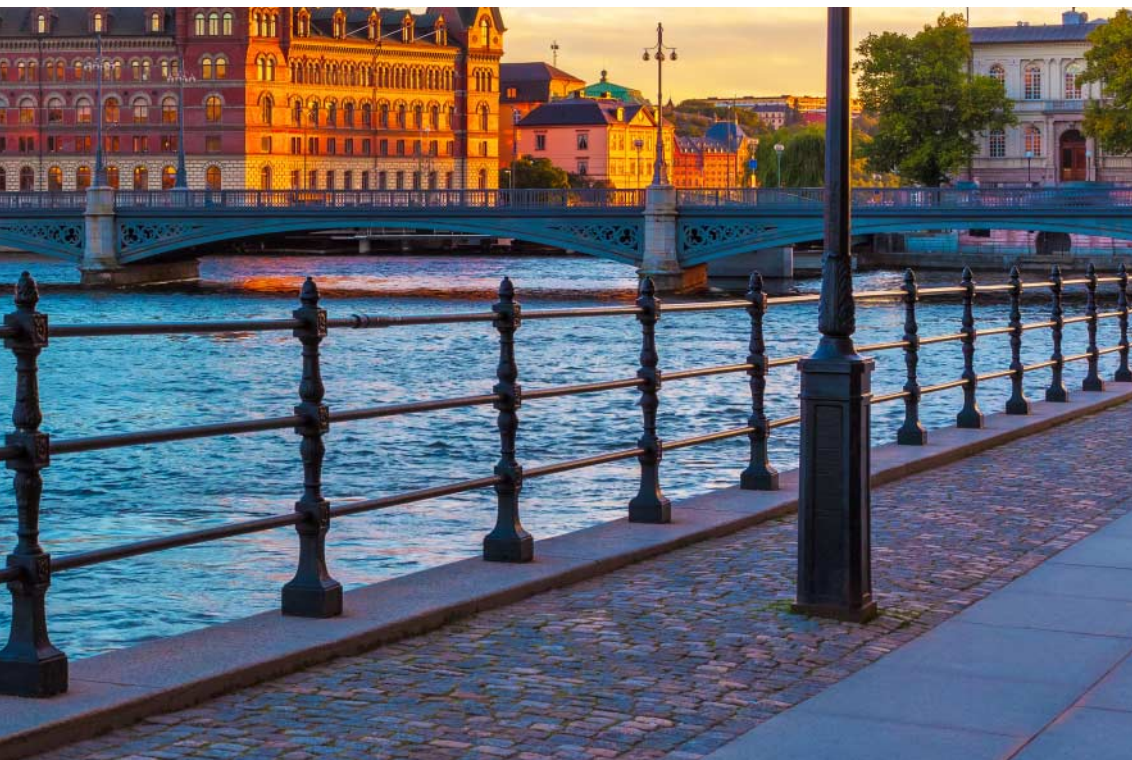
SVENSKA SPEL NET GAMING REVENUES

PRODUCTS	2017	2016
Games of Chance		
Lotto	SEK1.44bn	SEK1.48bn
Keno and KenoXpress	SEK557m	SEK549m
Joker	SEK479m	SEK487m
Eurojackpot	SEK457m	SEK395m
Bingo and Pick n Click	SEK129m	SEK100m
Viking Lotto	SEK69m	SEK32m
Triss	SEK1.63bn	SEK1.70bn
Scratchcards	SEK71m	SEK57m
Other	SEK4m	SEK5m
Sports Games		
Oddset	SEK837m	SEK764m
Stryktipset	SEK419m	SEK401m
Eurotipset	SEK227m	SEK217m
Topptipset	SEK243m	SEK242m
Maltipset	SEK64m	SEK66m
Poker Games		
Poker at Svenskaspel.se	SEK101m	SEK118m
Casino games		
Casino Cosmopol Stockholm	SEK498m	SEK520m
Casino Cosmopol Gothenburg	SEK328m	SEK349m
Casino Cosmopol Malmö	SEK226m	SEK227m
Casino Cosmopol Sundsvall	SEK76m	SEK77m
Vegas VLTs (restaurants/bingo)	SEK1.11bn	SEK1.20bn
TOTAL	SEK8.97bn	SEK8.98bn

Creating Memories in the new Swedish gaming environment

Insight

Market Analysis
SWEDEN



Casino Cosmopol operates the four casinos in Sweden. The first one opened in 2001 and today remains the only land-based casino operator in Sweden.

What will change for Casino Cosmopol?

"Casino Cosmopol will remain the only land-based casino operator in Sweden. However, unlike today, it will be completely legal for poker clubs all over the country to offer poker tournaments. We will therefore have competition in this area.

Prior to the introduction of the new gaming legislation, there remained scope to open two more casinos, but this possibility has now been ruled out. It has been decided to maintain the status quo, in that only the current four landbased casinos will be allowed to operate. It is also clear that Casino Cosmopol will not be permitted to arrange sports betting or online gaming, which is of course a limitation compared to what foreign casinos are able to offer."

Looking ahead, will the new laws allow Casino Cosmopol to develop and add other offerings?

"No. Casino Cosmopol will be able to apply for and obtain licences for classic casino games. In terms of what else we can offer, there may be changes to our restaurant offers and other forms of entertainment. I hope that we will be able to offer some surprises in this area. A casino visit should be exciting and interesting, even for those who aren't gambling.

We want to be able to offer an extraordinary casino experience. Casino Cosmopol should be the leisure venue of choice for all those with an interest in gambling, whether they are hospitality guests, tourists, frequent visitors or experienced casino players.

So from January 1 2019 you fully expect Cosmopol to compete very effectively in the new Swedish gaming market?

"Given that we are only at four locations nationwide and the fact that you can play at an online casino from pretty much anywhere you find yourself, the internet will provide stiff competition. That's been the case for a long time now. However I hope and believe that advertising will be considerably curtailed and that we will be able to present our unique sales proposition – namely the physical meeting with our guests and our work with Creating Memories. Creating Memories is our proprietary service concept, influenced by Caesar's Palace in Las Vegas, Disney, various hotels and, not least, best practice obtained from our own highly experienced staff. This is something that no internet casino can come close to. This is a field in which we must strive to be even better; to create even more memorable experiences for our guests."

Do you see changes happening to Cosmopol's gaming and product mix going forward?

"We are constantly looking for fresh, exciting and entertaining games; we have recently introduced Craps and Baccarat Squeeze. We have also developed our casinos by installing the very latest slot machines. It is our hope that, through innovation, game developers and suppliers will be able to help us renew our gaming floors in the future for the benefit of our guests. Although the mix is unlikely to change, there are always new and exciting games to trial in our casinos, while others don't stand the test of time. However it is important that we have the courage to regularly try new products."



Thérèse Liljeqvist,
General Manager and VP Marketing,
Casino Cosmopol

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