

63%

of Swedes are explicitly positive to Svenska Spel.
Source: Svenska Spel's image tracking 2011.

73%

of the 18–75 age group are customers of Svenska Spel.
Source: Svenska Spel's 2011 gaming survey.

The Swedish gaming market

The number of gaming companies on the Swedish market has increased in recent years in pace with technological progress. Svenska Spel competes both with Swedish regulated gaming companies and foreign gaming companies – and an illegal market.

Historically, the Swedish gaming market has been relatively insensitive to macroeconomic fluctuations. This was also the case in 2011, when gaming increased despite the prevailing global financial turbulence. Growth is likely to continue in the foreseeable future, though perhaps at a slightly slower rate.

Social consideration lays the basis for regulation

According to Swedish law, it is essentially illegal to organise gaming for monetary gain for the general public. However, in a bid to restrain illegal gaming, the State has granted exemptions for a number of gaming companies, for reasons of social consideration, whose operations are strictly controlled through, for example, the Lotteries Act. The Swedish Gaming Board has overall responsibility for the control and supervision of gaming and lottery activities

Competitive situation

The known Swedish gaming market consists of regulated, nationwide gaming companies and foreign gaming companies with cross-border operations. The wholly State-owned company Svenska Spel; the State-controlled horse racing organisation, AB Trav och Galopp (ATG); NGO gaming activities, plus bingo halls and PostkodLotteriet, the A-lotteries and Miljonlotteriet are the major Swedish gaming companies. There are also private operators of restaurant casinos, but they account only for a very minor market share.

There are hundreds of Internet gaming companies targeting Swedish players, such as Ladbrokes of the UK, based in Gibraltar, and Unibet, Expekt and Betsson, which are based in Malta. Foreign Internet companies are not covered by the legislation and restrictions for the gaming companies subject to Swedish

regulations. Nonetheless, they compete with the regulated gaming companies offering similar games: poker, horse racing, bingo, sports games, number games and lotteries. Moreover, there are numerous casinos on the Internet with a wide-ranging offering of slot machines, and table games – games that are strictly reserved for restaurant casinos and Svenska Spel's casinos and Vegas VLTs.

Unknown illegal market

In parallel with the known gaming market, there is an unknown illegal market with gaming machines and gaming clubs operating without a permit. An assessment by the Swedish Gaming Board indicates that there are thousands of illegal gaming machines nationwide that have a combined turnover amounting to several billion annually. Police crackdowns are conducted every year and machines confiscated, but to date such measures have proved insufficient in halting illegal operations.

Swedish Supreme Court establishes precedent for practice

A decision by the Supreme Court established that a licence for arranging gaming on VLTs could essentially be granted solely to Svenska Spel. The decision made clear that only Svenska Spel's VLTs are to be available on the market. Following several years of uncertain practice, the legal authorities now have the support to act against illegal slot machines.

The Supreme Court adopted a definite position regarding what are referred to as the two EMV cases, which involved gaming machines connected via the Internet to a server outside Sweden. The cases involved two issues of principle. One issue was whether the machines should be viewed as slot machines or whether it was a matter of Internet-based gaming (virtual lottery). The other case involved whether this gaming should be viewed as being arranged in Sweden or abroad.



Sweden's neighbours

have different approaches to their gaming markets:

- In Finland and Norway efforts are in progress to retain the monopoly or strictly regulated markets.
- In Denmark, the market has been opened for a licence-based system, with special requirements in terms of taxes, surcharges, marketing and financial contributions for the treatment of gambling addiction.

In its decision, the Supreme Court established that machines and games for monetary gain that were linked to a server abroad represent slot machines pursuant to the Lottery Act. The slot machine gaming was viewed as being arranged in Sweden. The decision entailed that the gaming machines are illegal, since they lack a permit.

The debate intensifies

Over a number of years, there has been a need to adjust gaming market regulations to reality. 2008 saw the appearance of the "Future Gaming Regulation" report, which had been initiated by the Government. The report has not led to any decisions. During the past year, spokespersons for the various political parties agreed that at least parts of the Swedish gaming market should be opened up to foreign gaming companies. They note the deregulation process in other European countries, notably Denmark.

Svenska Spel believes that far too little is said about the core of Swedish gaming policy – that social consideration should be in the foreground – and questions the need for a new gaming policy. What is required is greater focus on the gaming policy objectives established by the Swedish Parliament, and more effective sanctions against regulatory breaches.

Swedish National Audit Office to study the gaming market

In March 2011, the Swedish Audit Office decided to conduct a review of the State's role in the gaming market. The review is expected to be completed in May 2012. This is aimed at examining the Government's current gaming regulations and the organisation of the State's undertakings so that Parliament's goal of a sound and secure gaming market can be attained in an effective manner.

Deregulation and monopoly

The EU Court established that each member state shall itself determine the form of regulation. Licencing systems or more restrictive regulation, such as a monopoly, are thus permissible.

As a result, the legal trend in the European gaming market is developing in different directions. In some countries, such as Norway and Finland, efforts are being made to retain a monopoly or strictly regulated markets.

In other countries, such as Denmark, Italy, France and Belgium, deregulation has been conducted and a system introduced that involves the purchase of licences and special tax rules for licensed gaming companies. This offers a favourable situation for major gaming companies to acquire or merge with small companies that lack the resources to invest in the license system.

The European Parliament proposes national regulation for gaming companies and a system in which European gaming companies can gain licenses and be blacklisted. This applies in particular to Internet gaming as part of efforts to prevent crime and gambling addiction. There is also a desire to have a common system to ring-fence tax receipts and combat organised crime.

Increased revenue from a shrinking player base

Over a five-year period, Svenska Spel's market share in the known Swedish gaming market has declined from 56% to 50%. This is the result of competition and the restrictive issuance of permits to Svenska Spel, but also to a certain extent as the result of the responsible gaming programmes pursued by Svenska Spel, which have adversely impacted on gaming revenue.

The gaming market is growing in absolute terms while the player base is contracting: fewer players are playing more. In 2011, net gaming revenue for the regulated Swedish gaming companies totalled SEK 17,299 million (16,673) according to the Swedish Gaming Board's annual estimates. Adding the net gaming revenue – approximately SEK 2,200 million (some SEK 1,900) according to Svenska Spel's estimate – the total known Swedish gaming market in 2011 amounted to some SEK 19,500 million (18,600).

Overall, Svenska Spel is the market leader with a market share of 50% (52); ATG accounts for 20% (21); and other regulated gaming companies have raised their market share to 19% (17), primarily due to the success of PostkodLotteriet (Post Code Lottery). According to Svenska Spel's estimates, foreign Internet companies have a market share of about 11% (approx. 10).

For Internet-based gaming, Svenska Spel has a net market share of 25% (27), ATG 29% (29), NGO games and lotteries hold 1% (1) and foreign-based Internet companies 45% (43). ■

Data on the regulated Swedish gaming market

Total, confirmed Swedish net gaming market, 2011



Source: Preliminary statistics from the Swedish Gaming Board and Svenska Spel's estimates of the net gaming revenue of foreign Internet companies.

The regulated Swedish net gaming market, 2011



Source: Preliminary statistics from the Swedish Gaming Board.

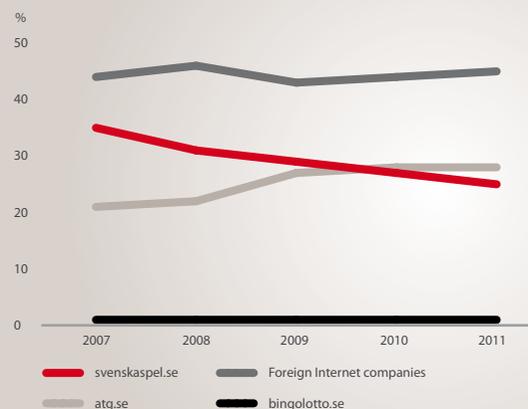
The regulated Swedish net gaming market

Net gaming revenue, SEK million	2011	2010	2009	2008	2007
Svenska Spel ¹	9,687	9,624	9,889	9,771	9,594
ATG	3,910	3,812	3,776	3,544	3,521
Restaurant casinos ²	218	216	228	245	208
NGO games and lotteries ³	3,484	3,021	2,793	2,411	2,426
Total	17,299	16,673	16,686	15,971	15,749

1. The Swedish Gaming Board shows net gaming revenue from bingo games in Svenska Spel's Bingo-Live halls for the period 2007–2009 under NGO games and lotteries/Bingo.
2. There is a low response frequency from surveyed restaurant casino operators, which means the information on restaurant casino gaming is not as reliable as other areas.
3. NGO games and lotteries include: Bingo, national lotteries (e.g. PostkodLotteriet, Folkspel, Miljonlotteriet, A-lotterierna), regional lotteries, local lotteries.

Source: Swedish Gaming Board. 2011 values are preliminary or estimated.

Net market share, Internet, 2007–2011



Source: The graph is based on actual net gaming revenue from Svenska Spel, ATG, NGOs and estimated net gaming revenue of foreign Internet companies. The estimates for foreign Internet companies' net gaming revenue are based largely on Svenska Spel's regular market analysis.

The ten major games in Sweden⁴

Net gaming revenue, SEK million	2011	2010	2009	2008	2007
Vegas	2,083	2,039	2,081	2,011	1,928
PostkodLotteriet ⁵	1,773	1,590	1,266	961	677
V75	1,726	1,647	1,660	1,490	1,502
Triss	1,640	1,621	1,682	1,682	1,672
Lotto	1,625	1,610	1,585	1,462	1,393
Casino Cosmopol	1,203	1,190	1,198	1,224	1,153
Oddset	813	790	766	704	716
Keno	585	603	626	631	590
Joker	513	496	478	456	437
Dagens Dubbel	428	443	456	478	497

4. Net gaming revenue reported, that is after the pay-out of winnings.

5. Since the Gaming Board for Sweden only has gross data for PostkodLotteriet in 2011, Svenska Spel has only calculated net gaming revenues following the same deductions for paid winnings in 2010, meaning 40%.