



THE NORTHERN DELIGHTS

Finland's traditional closed gaming market is changing with the opening of online gaming, greater emphasis on the street sector and a recently re-branded casino offer.

As the enchanted home to our once a year mythical super hero Santa Claus, Finland is also known as the Land of the Midnight Sun and the Land of a Thousand Lakes. It is also a country where ice swimming is considered sport.

Finland is a Nordic country situated in the Fennoscandian region of Northern Europe. It is bordered by Sweden in the west, Norway to the north and Russia in the east whilst joining the Baltic Sea, Gulf of Bothnia and the Gulf of Finland. It has a long boundary with Russia and Helsinki is the most northern national capital on the European continent.

It is the eighth largest country in Europe in terms of area and the most sparsely

populated country in the EU. The majority of the 5.4 million population reside in the southern region and one million live in the Greater Helsinki area which includes Helsinki, Espo, Kauniainen and Vantaa.

The country is made up of thousands of lakes and islands. In fact there are some 187,888 lakes, 647 rivers and 179,584 islands. The largest lake is Saimaa which is the fourth largest in Europe and almost all Finnish cities are located by a lake, river or the sea. The Finnish landscape is mostly flat and the highest point is Halti at 1,324m which is located in the extreme north of Lapland between the border of Finland and Norway. Forest covers some 86 per cent of the country's area and

Finland's only casino was renamed Casino Helsinki, on September 19, 2011, dropping the 'Grand' from its former title. The name change is part of the new direction the newly christened Casino Helsinki has taken during the year.

logically Finland is Europe's largest producer of wood. There are 336 municipalities which operate in 74 sub regions and 20 regions.

Finland was settled at the latest around 8,500BC during the Stone Age as the last ice age receded. Swedish Kings established their rule from the 12th century and the land became a fully consolidated part of the Swedish kingdom. In the 18th century wars between Sweden and Russia led to the occupation of Finland twice by Russian forces and in 1809 Finland became an autonomous Grand Duchy in the Russian Empire after being taken over by the armies of Alexander I.



THE FINNISH MARKET IS A CLOSED SHOP IN TERMS OF OPERATIONS AND IS ORGANISED AS A NATIONAL GAMING MONOPOLY.

The first part of facelift included the renovation of the restaurant and gaming areas on the ground level in the summer, with work continuing in the cloak room, reception and upstairs bar area in August and early September.

During the 1860s a strong Finnish nationalist movement known as the Fennoman movement grew whilst the Finnish Famine of 1866 killed 15 per cent of the population over two years. The famine led the Russian Empire to ease financial regulations and investment rose over the following years. The relationship between the Grand Duchy and the Russian Empire soured as the Russian government made moves to restrict the Finnish autonomy and the call for independence grew.

In 1917 the February Revolution took place and the position of Finland as part of the Russian Empire was questioned. The October Revolution took the revolt one step further and in January 1918 the

government began to disarm the Russian forces whilst the Social democratic party staged a coup and managed to take control of southern Finland and Helsinki. This sparked a civil war resulting in thousands dying.

Finland eventually became a presidential republic and Kaarlo Juho Stahlberg was elected as the first president in 1919. The Finnish and Russian border was determined in 1920 and the relationship between the two remained tense and during World War II Finland fought the Soviet Union twice whilst treaties signed during this period saw territories ceded to Russia.

However the country regained its

independence and established trade with Western powers and transformed from a farm/forest economy to a diversified modern industrialised economy with a per capita income now among the highest in Western Europe. During the 1970s and 1980s Finland built one of the most extensive welfare states in the world and although this has been cut back over the years it is still one of the most comprehensive in the world. Although the country headed into a deep recession in the early 1990s due to a banking crisis and economic downturn, over the last 10 years it has seen a steady economic growth.

Like other Nordic countries Finland has liberalised its economy since the late 1980s, some state enterprises have been privatised and there have been modest tax cuts. Finland joined the EU in 1995 and Eurozone in 1999 whilst the Euro currency was introduced in 2002. GDP in 2010 was US\$186bn with a 3.1 per cent growth rate and was expected to reach 3.6 per cent in 2011.

Finland has a high industrialised mixed economy with the largest sector being service following by manufacturing and refining. Its largest industries are electronics, machinery, vehicles, forestry and chemicals. The country suffered a



huge slowdown in 2009 and the recession has left a deep mark on general government finances with deficits expected for the next few years. Finland must also address a rapidly aging population. Meanwhile the beautiful Finnish landscape attracts many visitors with its labyrinth of lakes and inlets plus 35 national parks.

The Finnish Tourist Board was established in 1973 under the Ministry of Trade and Industry (now Ministry of Employment and the Economy) to promote tourism in Finland. The number of visitors has been increasing steadily over the years from 5.3 million back in 2006 to some 6.2 million foreign visitors in 2010 which is a nine per cent increase on the previous year and they brought some €2bn into the country.

Around 40 per cent of these visitors came from Russia followed by Sweden and then Estonia. Half of these visitors were on leisure trips whilst 12 per cent were visiting family or friends and 22 per cent came on business.

THE FINNISH MARKET

The Finnish gaming market is a closed shop in terms of operations and is organised as a national monopoly. The gaming market is divided between three organisations – RAY (slots and casinos and gaming arcades), Veikkaus Oy (lottery, scratch cards and football pools) and Fintoto Oy (horse racing).

THE MARKET HAS GROWN RAPIDLY. SOME 73 PER CENT OF FINNS INFREQUENTLY GAMBLE, WHILE 41 PER CENT GAMBLE EVERY WEEK.

Finnish lotteries were first held back in the 17th century but in the 19th century, when under the control of Russia, lotteries gradually ceased and later the criminal code of 1899 announced gambling as an illegal act. After independence in 1917 permission to run gambling in Finland was granted again by the government and the first lottery was held in 1926.

The first slot machines appeared in Finland in the 1920s when Payazzo machines were imported from Germany by private businessmen. The name is derived from the Latin word meaning clown or fool with the aim of shooting a ball into the hat of the clown using your finger. The manufacture of home grown Payazzo machines then began in 1929 and the first one developed was a five-row Payazzo called Sininen ihme (Blue Wonder).

However the public began to complain that private businesses were taking advantage of people's need to play the machines and in 1933 the state intervened and issued a decree giving charitable organisations the exclusive right to operate slot machines. This resulted in competition between various organisations and so a new decree was issued in 1937 which specified that a new association should be set up and given the exclusive right to carry on gaming operations whilst using its gaming revenue to fund the promotion of public health.

And so Finland's Slot Machine Association (RAY) was launched a year later in 1938 and was established by eight charity organisations together with representatives of the Finnish state. RAY began its operations in April 1938 and also began to manufacture its own machines at this time.

Today, the Finnish market is well established and well organised. It has grown rapidly over the last few years. Some 73 per cent of Finns infrequently gamble and 41 per cent of them gamble every week. An average Finn spends €13 a week on gambling and the average gambling expenditure of gamblers is around €90. The Finnish gaming market saw a total market value of €2,557m in 2010, a 6.1 per cent increase on the previous year. The fastest growth was in the internet gaming market which saw an increase of 21 per cent.

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RAY'S REVENUES 2010

YEAR	TOTAL REVENUE	SLOTS	RAY ARCADES	CASINO HELSINKI	ONLINE	CASINO GAMES
2010	€674.5m	€536m	€92.1m	€26.8m	€2.4m	€15.5m

CONSUMER GROUPS AND SURVEYS SHOW THAT 80 PER CENT OF FINNS UNDER THE AGE OF 40 NOW PLAY DIGITAL GAMES ONCE A WEEK.

There has been a considerable change in the demographics of consumer groups and surveys show that 80 per cent of Finns under the age of 40 now play digital games once a week. Another contributory factor is the launch of new gadgets and content whilst the proliferation of online games and game distribution has made social playing even more possible.

Finland's gaming industry is governed by several laws and decrees:

- The Lotteries Act 1047/2001 – focuses on the activities of the gaming operators and contains provisions about the games provided by the operators and the use of the proceeds.
- Gaming Licence for 2007-2011 – This gives the right to operate slot machines, casino games and casino activities. It also guarantees the legal protection of players, prevents abuse and criminal activities.
- Decree on Slot Machine Association – organisational structure and administration as well as rendering accounts of the proceeds. Proceeds are used to promote health and social welfare.
- Act on Slot Machine Funding Assistance – Awarding of grants,

Finns overall are playing slot machines in ever-increasing numbers. The region-specific statistics from Finland's Slot Machine Association, RAY, from January to June show that the average Finn spends €60 on slot machines every six months. This is an increase of €4 on last year.

payment, use, supervision and recovery of grants.

- Decree on certain time limits applicable to slot machine funding assistance.

The Lotteries Act (1047/2001) was adopted in 2002 and the latest amendments were added in 2010. According to the Act lotteries may not be operated by private purposes and only the government can issue a licence and no more than one licence is valid at the time for each type of gaming. Licences are granted for five years.

Non-money lottery licences are granted by the District police or the State Provincial Office for small scale charity lotteries. But no money prizes can be awarded and the licences are issued for six months and pay a gaming tax of 1.5 per cent of the proceeds. The value of the prizes awarded has to be at least 35 per cent of the total sales which cannot be more than €2,000.

Last year amendments to the country's Lotteries Act saw the gaming monopoly in Finland strengthened whilst foreign gambling companies were pushed further out into the cold.

The amendments came into force in October 2010 and Stage I saw two main changes for the Finnish market – first the rise to an 18 year age limit for gambling (increased from 15 years) and secondly new marketing policies.

The age limit amendment affected Veikkaus and Fintoto games initially and then in July 2011 it was also amended to include gaming machines. Previously although the age limit for RAY's arcades and casino was 18, those over 15 years were permitted to play slot machines in other locations.

RAY claims the increase in the age limit has not had a detrimental affect on incomes and in July 2011, just a month after the change, it was reported that five per cent more Finns were playing the slots than they did the same month the previous year.

Veikkaus said they had imposed the new age limit as a voluntary law back in 2009 so retail outlets and sales clerks were already partly trained and the transition was smooth.

Meanwhile the marketing of gaming was restricted and it was specified that it should not be targeted at minors. The new marketing restrictions govern all gaming operations and means certain games can no longer be marketed and only product information can be supplied.

The National Police meanwhile were given new powers to tackle illegal gaming activities and inappropriate marketing. It is still stated that only Veikkaus Oy, RAY and Fintoto Oy can operate in Finland. Foreign gaming operators are not permitted.

Minister of the Interior Anne Holmlund said: "Finland wants to strengthen its national monopoly system because it is the most effective way to reduce the negative effects of gaming and possible gaming related crime and to supervise gaming activities.

"The message to gaming operators other than those licensed by the Government is clear, gaming may only be conducted under a licence granted by the government."

The second phase of the amendments to the Lotteries Act was approved by Parliament in February 2011 and was aimed at reducing crime as well as social



RAY'S REVENUES FIRST SIX MONTHS 2011

	1-6-2011	Change %	1-6-2010
Gaming operation profits	€355.8m	10.5%	€322m
Lottery tax	€35.5m	34%	€26.5m
Turnover	€320.3m	8.4%	€295.5m
Profit	€200.1m	9.4%	€182.9m
Profit of turnover	€62.7%		62%

and health problems. The main change was to provide exclusion rights to the three gaming operators. This means that as from January 2012 when their last five year licence expires, Veikkaus Oy, RAY and Fintoto Oy will no longer have to apply for their gaming licences every five years as they have done previously. They are now given guaranteed exclusive rights for their operations. At the same time the aim is to increase the role of government officials in supervising these operators whilst the categorisation of games remains unchanged.

Martti Sillanmaki, Customer Relations Manager at Casino Helsinki said: "In this regards our position is now quite strong because the Finnish parliament has granted us the exclusive rights for casino

The popularity of slot machines was still on the rise in July, despite the fact that the minimum age for playing slot machines was raised to 18 at the start of the month. In July, Finns played nearly five per cent more than they did in July last year.

gaming. The EU has taken a favourable position in regards to Finland's monopolies, as well as to the monopolies in other EU countries, as long as we strictly follow the EU guidelines."

Meanwhile on the other side however RAY was under scrutiny recently after being accused of dishing out profits towards political parties and affiliated associations between 2000 and 2009.

There were eight suspects including Jukka Vihriala, a former chair of RAY and Sinikka Monkare, a former minister and RAY Managing Director. The suspected parties were suspected of dishing out subsidies of around €80,000 involved advertising in political party newspapers, attendance fees for seminars plus travel



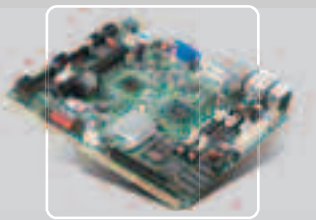
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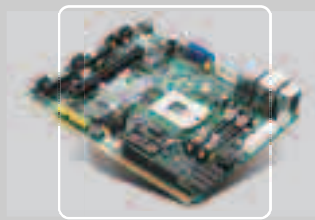
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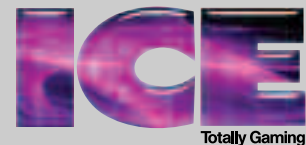


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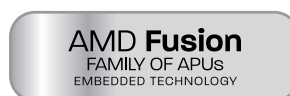
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bills, gifts and even a painting. In November 2011 the Finnish prosecutor decided not to charge RAY bosses with misappropriation.

A BRIGHTER RAY

The founding organisations of RAY at the time were the Mannerheim League for Child Welfare, The Finnish National Rescue Association, Finnish Red Cross, Finnish Lifeboat Institution, Association for Disabled War Veterans, Aid Associations for Police Officers and Federation of Mother and Child Homes and Shelters.

The company has held the monopoly on gaming since 1938 and later on this was extended to include casino games and operations. RAY became a public corporation in 1962. The company began producing their own slot machines although at first Payazzo machines were only permitted in 'first class' restaurants. By the end of the 1950s there were 2,000 Payazzo machines in the country.

The first reel based slots arrived in Finland in the 1960s and were initially operated on passenger ships and later in restaurants and fun park arcades. They were called 'rollers' because of their reels. In the 1970s Finland began to export

THE FIRST REEL SLOTS ARRIVED IN FINLAND IN THE 1960S AND WERE INITIALLY OPERATED ON PASSENGER SHIPS AND ARCADES.

Payazzo machines to Norway, Sweden and Iceland. RAY produced its first electronic fruit machine in 1980 and the first poker machine was launched in 1986.

In the 1990s new fruit games Tuplapotti, Apila and Tahti arrived and in the 2000s game development accelerated with new graphics and video dimensions. A new version of Payazzo was launched in 2008.

RAY is headed by an Executive Committee which is formed by seven representatives elected by the Finnish government and seven representatives appointed by the General Meeting. The Board of Administration is responsible for RAY's day-to-day operations and

RAY's operations are governed by the Lotteries Act (1047/2001) and the Act on Slot Machine Funding Assistance (1056/2001). Company revenues come from the slot machines operated by business partners, casino game in restaurants, arcade operations, the casino operation and online slot machine, casino and poker games.

preparing matters for the Executive Committee. The profits from RAY's games support almost 900 organisations and associations which must apply each year for funding. Money goes towards supporting Finnish health and welfare associations and the country's war veterans. The company employs over 1,600 full and part time workers.

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RAY's gaming revenue in 2010 was €674.5m and of this €537.7m was produced by slot machines, €92.1m came from RAY's own arcades and other establishments, €15.5m from casino games in restaurants and €26.8m from the casino and €2.4m from online gaming.

A sum of €367.5 was accumulated last year to be distributed to 781 social welfare and health organisations for 1,587 causes. The three biggest receivers of RAY's funding include the Y Foundation, which helps groups find accommodation which received €8.1m, the Finnish Federation of Visually Impaired which received €7.6m and the Federation of Mother and Child Homes and Shelters which received €5.1m.

Meanwhile RAY's revenues for the first six months of 2011 saw an increase of 10 per cent on profits rising to €355.8m of which the majority share came from slot machines (€275m)

SLOT MACHINES

Payazzo arrived in Finland in the 1920s and this very simple game of using your finger to try and shoot a coin into the winning slot, still exists today. In 2008 RAY introduced a new version of Payazzo and the world championships are held every two years. Today there are just over 19,000 slot machines in Finland operated in the single sites and gaming arcades.

Roulette machines were introduced into the market in 1980 and the first game was the Gemran Weltron roulette machines. Other games include card games such as Jokeripokeri, Kortikeno and Ventti machines which gained popularity in 1986 whilst new touchscreen games include Loisto, Paletti and Monipeli2.

Some 90 per cent of revenue is generated by slot machines. Machines return an average of 90 per cent stakes as winnings

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and RAY's typical player base is twice as many males than females, they are relatively young and play mainly at service stations, shops and restaurants. Average investment in one game is €4-5. The most popular games today are Tahti, Tuplapotti and Mansikka and Kulta-Jaska.

Research undertaken by RAY shows that Finns are spending around €60 in total on slot machines every six months, an increase of €4 on last years figures. Those regions which see a higher number of tourists are seeing more revenues and the most popular gaming region is currently Pertunmaa in southern Savonia. In Pertunmaa an average of €143 was spend on slot machines per head per year.

CASINO

RAY opened the first casino in Finland called Casino RAY in December 1991 and the company is celebrating over 20 years of casino business. Re-named Grand Casino Helsinki this then opened in April 2004 at the address it is now based at and in September 2011 in a bid to halt sliding revenues the casino changed its name to Casino Helsinki with the idea of opening the casino up to all players

The casino remains the only casino in Finland and RAY has been granted the one licence for the time being. The casino currently has 298 slots and 23 gaming

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tables for cash games plus four demo tables for gaming schools. There are also two electronic poker tables and two touch table roulettes. The gaming revenue from the casino last year was €26.8m and profit was €7.3m. Of the revenue €18.9m came from slots and €7.8m from table gaming.

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EVERYTHING CHANGES

"Everything changes and then some" explains Casino Director Marko Hurme of Casino Helsinki. "The retired Casino Director Hannu Jokipaltio left a lasting legacy during his 19 years in charge of the only casino in Finland, but it was time to move on. We have already gone through a management restructure and now we are focusing on our strategy, marketing and facilities. In September we held a major "reopening" party for the brand new casino."

The new strategy of Casino Helsinki is to be more entertaining, more relaxed, more social and, most of all, more exciting. "After studying our customer base and potential customers we found out that the

THE NEW STRATEGY OF CASINO HELSINKI IS TO BE MORE ENTERTAINING, MORE RELAXED, SOCIAL AND, MOST OF ALL, MORE EXCITING.

image of GCH was a bit too expensive and too glamorous. Some very attractive customer segments were staying away from the casino without even giving us a chance," states Customer Relations Manager Martti Sillanmäki. "Over two thirds of our visitors only visited us one time during the year and that is definitely something we want to change with the new strategy and refurbished premises."

The first part of facelift included the renovation of the restaurant and gaming areas on the ground level in the summer, with work continuing in the cloak room, reception and upstairs bar area in August and early September.

Grand Casino Helsinki's parent company Raha-automaattiyhdistys (Finnish Slot

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Machine Association – RAY) aim is to bring the company’s various distribution channels closer together and under the umbrella on RAY. Based on this premise GCH also changed the graphic design of its logo and name along with the newly refurbished premises. “We are coming out strongly with our new image, strategy and casino design. Because of the new gaming law and our renovation program we had been holding back marketing wise during the first part of the year, but fall will signal a new beginning for us in every way,” stresses Casino Director Hurme.

“Naturally we have to take into an account the world wide recession that has affected the gaming industry all over the world. However we were not able to explain our diminishing returns only by economic downturn. We saw that we

“We saw that we needed more drastic measures to take a turn for the better and that we had to reposition ourselves in the entertainment and gaming markets,”
Marko Hurme,
 Casino Director,
 Casino Helsinki.

needed more drastic measures to take a turn for the better and that we had to reposition ourselves in the entertainment and gaming markets,” explains Mr. Hurme. “Grand Casino Helsinki’s image was too luxurious and potential customers had the perception that our casino was expensive in many ways. Even though we take pride in our excellent service and fabulous refurbished facilities, we are not aiming to be Monte Carlo and that is the reason for repositioning.”

Repositioning means that Casino Helsinki will appeal to a more mainstream clientele, without forgetting the true gamblers. Despite the new very strict gaming law the new direction will be heavily marketed in print, outdoor advertising and even on television. “We are finally starting to cope with the new

gaming law and finding the way to express ourselves without upsetting the authorities,” said Mr. Hurme.

Casino Helsinki is the only casino in the world whose profit goes solely to social and welfare programs. The only casino in Finland – Casino Helsinki – is run by RAY. The main purpose of Finland’s Slot Machine Association (RAY) is to raise funds through gaming operations to promote Finnish health and welfare. RAY’s gaming operations are based on offering entertaining and exciting games and services in a responsible manner. RAY’s entire proceeds are used for supporting Finnish health and social welfare organisations as well as for the benefit of the country’s war veterans.

ARCADES

Profits from RAY’s own arcades increased during the first half of 2011. Profits amount to €46m, a growth of 3.4 per cent on the same period last year. In 2010 the annual profit was €92.1m.

There are a total of 74 RAY gaming arcades and they are operated under five different brands – there are 45 Potti, 24 Tayspotti, two Club Ray and three Pelikioski. The two Gold Dust arcades closed in 2011.

Club Rays have four gaming tables and 25 machines; Potti has 20 machines; Tayspotti have 1-4 gaming tables and 25-100 machines. They also have roulette, blackjack and poker.

RAY’s slot machines and casino games can be played in over 8,000 single site locations from hotels, bars, restaurants, cafes, service stations, markets and kiosks. They offer business partners 17 per cent of the slot machine revenue each month.

Card payment is now possible and at the beginning of 2011 there were 7,000 machines with this facility. The maximum spend limit per day is €100 although lower limits can be set by player.

ONLINE GAMING

Online gaming in Finland was permitted in November 2010 and RAY and Veikkaus were given permission to run online facilities with the aim of bringing an extra €50m a year in revenue. RAY’s online gaming service provides poker and casino games plus online versions of familiar RAY classics.

RAY signed a four year contract with casino software company Playtech who supplies RAY with its EdGE software platform and game library. The EdGE platform was developed by Gaming Technology Solutions which Playtech

acquired recently. Playtech will also offer RAY its mobile gaming capabilities. RAY has since signed a deal with Svenska Spel in Sweden so enable RAY to make us of an online gambling tool called PlayScan which is owned and licensed by Svenska.

PlayScan delivers unique and customised solutions for problem gambling for the international and national gaming market and was launched in 2007. It is now licensed to other gaming operators with strong involvement with responsible gaming.

There are a total of 150 games on offer. Registration is required for using the service and limited to aged 18's and over. Rules state credit cards cannot be used and the maximum balance of the gaming account is €3,000. Money cannot be transferred between midnight and 6am and a player can lose a maximum of €500 in slot machine games and €500 in casino games per day. These limitations do not apply to poker.

Meanwhile every player must define a daily and monthly maximum loss value, they can impose a voluntary gaming ban on themselves, a shortcut gaming ban key prevents gaming for 12 hours and a timer will inform the user of the set time limit or log the user out automatically. A Playscan service can analyse gaming habits in real time and this is connected to the gaming account and history of the players.

RAY's profit from online gaming amounted to €14m for the first 6 months of 2011. The target profit for the whole year was budgeted to be €28m. This saw its first full year of operation in 2011 and it was estimated at the time of launch that there are around 200,000 Finns who play online and at least 50-100,000 of these were expected to become RAY clients.

When RAY launched its service in November 2010 there were around 40,000 players registered within the first month and around 60,000 during the first six months of 2011. By June 2011 there were 100,000 registered customers which RAY claims is surprisingly low. However RAY claims the introduction of online gaming has only been favourable to the industry in general and the opening of Ray.fi gives the casino sector and arcade sector synergy benefits.

Meanwhile in May 2011 RAY's online service was audited to look at the social responsibility infrastructure in particular and concentrated on age verification procedures; free play games only being allowed to play by adults then age verification; the use of an immediate 'lock



MOST POPULAR GAMING MUNICIPALITIES (JAN-JUNE 2011)

Region	Amount spend per resident 2011	Amount spent per resident 2010
Pertunmaa	€142.52	€130.76
Toysa	€138.81	€132.29
Virolahti	€130.47	€108.26
Kyyjarvi	€121.73	€102.49
Forssa	€155.56	€99.37
Utsjoki	€105.49	€90.43
Kittila	€99	€94.49
Aura	€98.20	€98.63
Hartola	€95.47	€81.28
Kemi	€94.47	€89.40

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out'; the large financial investment in Playscan; the care-of-a-friend scheme; no promotional bonuses and innovative self exclusion options.

Janne Perakyla, Executive Vice President for RAY said: "Decision makers here in Finland gave us a task to do. We were invited to open a safe and responsible channel for internet based gaming. I have no doubts about the matter. We have now fulfilled, or even exceed the expectations."

There is of course some contention over the online gaming industry in Finland. As it is controlled by the monopolies this situation looks likely to continue until the European Parliament agrees on a pan-European system.

At the moment the European Parliament rejected the suggestion of cross border online gambling offers and has now adopted a draft resolution on online gambling which was confirmed without many changes in November 2011. The Green Paper consultation ended in July

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and at the moment the answers from the ECA, EGBA, member states and operators are all publicly available. The countries now wait for the Commission's next move.

Meanwhile the European Parliament is also talking extensively about online gaming in the Internal Market and published a report recently to look at the aspect of a pan European code of conduct and control for online gaming.

PAF SUPPORTS OPEN PLAN

Also waiting to hear is PAF which is based on the Aland Island, the autonomous Swedish speaking province of Finland.

PAF was founded in 1966 as a public association with the purpose of generating funds for the public benefit by offering gambling services. It was granted a licence by the provincial government of Aland and today provides online gaming globally via its Aland government licence.

PAF's gaming service is exclusively governed by the Aland Lottery legislation. Prior to PAF's existence non profit making organisations on the island operated their own gambling machines. Gaming began in 1967 and is supported by the Public Health Service, Save the Children, The Red Cross and a child welfare foundation.

Initially PAF introduced 36 Payazzo

INTERNET GAMING REPRESENTED 75 PER CENT OF THE PAF GROUP'S TURNOVER IN 2009.

machines and in 1973 then acquired the sole rights for gaming onboard Aland registered car ferries. During the 1990s business began to grow strongly and in 1999 the company launched its online gaming site paf.fi which provided betting and later in 2001 expanding into slot machines, casinos, bingo, lotteries, poker and skill games.

Today PAF operates in Aland, Sweden, Finland and on ships at sea. Internet gaming and via mobile phones. Internet gaming represented 75 per cent of its turnover in 2009 whilst PAF group turnover in 2010 was €93.4m a decline of 2.9 per cent from the previous year's figure of €96.1m

Turnover for the internet business fell by 11.1 per cent to €56.1m mainly down to a decrease in poker revenue. However turnover for land and ship activities has increased by 8.3 per cent to €34.2m.

"Decision makers here in Finland gave us a task to do. We were invited to open a safe and responsible channel for internet based gaming. I have no doubts about the matter. We have now fulfilled, or even exceed the expectations."
Janne Perakyla,
 Executive Vice President for RAY.

There is of course an on going dispute between PAF and the Finnish government about the provision of online gambling services to Finland while Veikkaus and RAY have the monopoly on providing these services.

A Finnish court ruled against marketing by PAF back in 2002 but did not prevent players from taking part in gaming via the internet. So although PAF does not operate any gaming on the Finnish mainland or market their games in Finland they do offer websites in the Finnish language which can be played by Finnish people.

PAF's Head of Press and PR, Anders Sims said: "PAF supports an open licensing system on the gaming market instead of a monopoly system that cannot be controlled due to internet's cross border effects. Finland keeps a very strict regulation on gaming while we can see many countries in Europe are introducing licensing systems.

"In a licensing system several operators are let into the market by applying for a licence and are able to operate under the same strict and controlled forms. With such a system Finland would be able to control and also receive taxes from the offshore operators.

"We have to look at the consumer's demand which is obviously not just the state option, and regulate the market based on that. As long as the consumers want a various supply the offshore operators will still be there and why not regulate them instead? PAF of course would be very happy to be accepted as a legal operator also in mainland Finland."

VEIKKAUS OY

This is Finland's national betting agency and is entirely owned by the Finnish government. It has the monopoly to operate lotteries, sports betting, instant games and other draw games. It is governed by the Ministry of Education although the rules of the game are controlled by the Ministry of Internal Affairs.

Veikkaus currently organises 20 different games and the most popular is the lottery which generates more than a third of the company's total sales. Other games include the football pools and fixed odds betting and scratch cards.

Veikkaus was founded in 1940 by the Football Association of Finland and the Finnish Workers Sports Federation under the name of Oy Tipaustoimisto AB. At the time the agency only offered sports betting and was set up to collect money for Finnish Sports. But in 1971 the lottery

VEIKKAUS TURNOVER LAST TWO YEARS Region

	2010 turnover	2009 turnover
VEIKKAUS 'DREAMS'		
Lotto	€468m	€475m
Lotto plus	€60m	€29m
Viking Lotto	€112m	€96m
Viking Plus	€22m	€9m
Jokeri	€98m	€83m
TOTAL	€762m	€694m
VEIKKAUS 'LEISURE'		
Football pools	€63m	€65
V75 + V5 Off track horse betting	€50m	€54m
Other V games	€171m	€92
Betting (fixed odds)	€151m	€135
Betting (result odds)	€37m	€32
Multibet	€66	€70
Winner odds Betting	€11m	€10m
Live winner odds betting	€500,000	€295,000
TOTAL	€381m	€368m
VEIKKAUS INTERNET*		
Keno	€347m	€333m
Internet e-bingo (new)	€19.7m	-
Internet Syke (new)	€1.8m	-
Casino instant	€41m	€42m
All other games*	€135	€118m
TOTAL	€545m	€493m

*Assa instant, veikkaus bingo, mega assa instant, nature instant, lucky woods instant, themed instants, Christmas instant, elstants.

began and became extremely popular and in 1976 it was granted an exclusive right to operate lottery games and in 1991 then began to operate sports betting and gaming via the internet and mobile phones. Today 70 per cent of Finnish people have played at least once during the year and 45 per cent play at least once a week. Finns spend an average of €318 per person on Veikkaus games per year.

Veikkaus recently set up a subsidiary

In 1996 Veikkaus obtained a licence to operate its games on the internet and today online games represent about 20 per cent of turnover.

They introduced new online games e-bingo and Syke last year.

company called Veikkaus Solutions which is aimed at developing business internationally. The company saw a turnover in 2010 of €1,690m, a rise of almost nine per cent from the previous year figures of €1,557m. Veikkaus profit's increased by eight per cent to €504m of which €463m goes towards supporting arts, sports, science and youth work for the Ministry of Education.

In 2010 Veikkaus saw 89.9 million retail customer visits which was seven per cent



IN 2010 VEIKKAUS SAW 89.9 MILLION RETAIL CUSTOMER VISITS, WHICH WAS A SEVEN PER CENT FALL FROM THE PREVIOUS YEAR.

less than the previous year. Veikkaus has since extended its opening hours of the game system and it is now open from 6am until midnight for point of sale transaction and internet gaming.

The number of registered players now stands at over 1.2 million and there are 966,790 Veikkaus Card holders. In 1996 Veikkaus obtained a licence to operate its games on the internet and today online games represent about 20 per cent of turnover. They introduced new online games e-bingo and Syke last year.

The lottery saw a turnover of €529m; Keno saw a turnover of €347m; e-bingo saw a turnover of €19.7m and fixed odds betting saw a turnover of €151m

CEO Risto Nieminen said: "Veikkaus profits have risen by €100m in only four



years. But we must not take it for granted that a national lottery company can successfully meet all the challenges posed by the many rapid changes in our operating environment.

“Some of the most important changes in 2010 were the rapid growth in internet gaming and amendments to the Finnish legislation government the whole industry. Veikkaus has already begun adapting to the amended Lotteries Act by, for example, introducing the new age limits long before the legislation came into force.

“It is evident that the Finnish gaming industry’s fine monopoly system requires further development and fine tuning. When it comes to the responsibility, profitability and legality of this system, our goal is very clear and straightforward.”

The Internet gaming sector saw a growth in 2010 of 26 per cent, whilst transactions at Points of Sale (POS) also increased by 3.6 per cent. Veikkaus has a total of 3,200 retailers and POS receive an average of 6.8 per cent on sales of Veikkaus games.

Back in 2007 British bookmaker Ladbrokes was denied a licence to operate betting and gaming operations in Finland for a second time after originally applying in 2003. This led to British bookmaker Ladbrokes closing down its dedicated

FINLAND'S INTERNET GAMING SECTOR SAW A GROWTH IN 2010 OF 26 PER CENT, WHILE POINT OF SALE ALSO INCREASED BY 3.6 PER CENT.

Finnish language website and Unibet, which has a strong presence in the Nordic regions, also shifting its marketing budget elsewhere.

Veikkaus restrictions on gaming are:

- 18 year age limit for internet and POS
- Gaming is not permitted at night only between 6am – midnight
- Games cannot be sold on credit
- Customers can only register one account
- Accounts have a maximum balance of €5,000
- Elstants, ebingo and Syke are subject to a daily limit of €100

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Risto Nieminen,
CEO, Veikkaus.

Finland: Vital Statistics

Capital: Helsinki

Population: 5,259,250

Land Area: 338,145 sq.km

Median age: 42.5 years

Languages: Finnish (91%), Swedish and other.

Ethnic Groups: Finn 93%, Swede 5.6%, Russian 0.5%, Estonian 0.3%, Roma and Sami.

Currency: Euro

Government: Republic

Chief of State: President Tarja Halonen (since 2000)

Head of Government:

Prime Minister Jyrki Katainen (since 2011) National Coalition Party.

Elections: President elected by popular vote for six year term. Next due in 2012. President appoints the Prime Minister and deputy prime minister from the majority party or majority coalition after parliamentary elections.

Casinos: 1

Casino Slots: 298

Casino Tables: 23 plus 72 in arcades

AWPs: 19,385

Gaming Halls: 74 arcades and 250 restaurants (with casino table games)

Gaming Machines: 19,000 (2,500 of which are located in the arcades)

Single Sites: 8,060

Total GGR: €2,557m total. €674.5m (RAY)

Casino GGR: €26.8m

- Live betting is subject to a daily limit of €300

FINTOTO OY

Fintoto Oy was established by Suomen Hippos in 2001. The company markets and organises pari mutual wagering for the state and has a licence for operating totalisator wagering. It organises all types of tote betting and revenues are allocated to horse breeding horse sports and equestrian organisations which is owned by Suomen Hippos. The share capital of the company is owned entirely by Suomen Hippos ry.

There are 43 race tracks in Finland and the most popular sport in Finland is Harness Racing and this attracts around 800,000 annually. Tote betting is available at race tracks and via more than 700 betting outlets or online. Last year the total amount spent on horse racing was €243.3m of which €193.9m was spent on Tote betting.