



Gaming in Denmark a burning issue

Changes to the gaming market in Denmark, both in the land-based and online sectors, are creating opportunities in this once closely sealed marketplace

The Nordic countries are not only bound by a longstanding historical and cultural tradition, but they have also developed similar structures within their traditional and new media gaming sectors.

They have all worked under monopolistic systems with the aim of generating revenue from gaming to then be used to help fund charitable organisations.

However recently members of this Nordic family are going their separate ways and, primarily due to pressure from the European Commission, some have had to re-think their entire gaming structure.

The Danes are a prime example of this and as such the country has become one of the first EU countries to respond to the growing internet market demands.

After a 60 year monopoly Denmark is now hoping to cut some of the apron strings and is currently setting itself apart from its Nordic neighbours with a proposed new legislation which will see a partial liberalisation of the gaming market and online gaming regulations.

The question is will this dismantling of a monopoly and its approach to online gaming also have some influence over Denmark's close Scandinavian neighbours?

As the world's oldest kingdom Denmark hovers in between Northern Europe and the other Scandinavian nations and between dry land and sea.

Despite being known as a former Viking territory Denmark was ranked as the second most peaceful country in the world last year.

Today it is renowned as the land of fairy tales and dreams and of course is home to storyteller Hans Christian Andersen and his Little Mermaid, whilst not forgetting tortured sole Hamlet.

Historically Denmark has been one of the most socially progressive cultures in the world. In 1969 it was the first country to legalise picture pornography and in 1989 enacted the registered partnership law enabling marriages between same-sex couples.

Denmark is the southernmost of the Nordic countries and borders the Baltic Sea to the east and the North Sea to the west

It is located on a peninsula called Jutland (Jylland) sharing a 68 kilometre land border with the north of Germany and consists of 406 named islands (there are a total of 1,419 islands above 100sq.m in size) of which 78 are inhabited.

The largest islands are Zealand (Sjælland) and Funen (Fyn). Many of the larger islands are connected by bridges whilst the Oresund Bridge connects Zealand with Sweden, the Great Belt Bridge connects Funen with Zealand and the Little Belt Bridge connects Jutland with Funen. Ferries and small aircraft connect to the smaller islands.



The country is mostly flat with an average height above sea level of just 31 metres. The highest natural point is Mollehoj at 170.68m.

Denmark has long controlled the approach to the Baltic Sea as over water this can only take place via one of three channels which are known as the Danish Straits.

Natural resources include petroleum, natural gas, fish, salt, limestone, chalk, stone, gravel and sand. Flooding is a threat in some parts of the country especially along the southern coast of the island and a system of dykes protect the land from the sea.

Since a reform in 2007 Denmark has been divided up into five regions (Hovedstaden, Midtjylland, Nordjylland, Sjælland and Syddanmark) which replaced the country's traditional 13 counties. At the same time the number of municipalities was reduced from 270 to 98 municipalities. Most of the new municipalities have a population of at least 20,000 people.

Main cities include capital Copenhagen (on Zealand) which has a population of 1.7 million, Aarhus, Aalborg and Esbjerg (on Jutland) and Odense (on Funen).

Copenhagen was founded in 1167 and has been the capital since 1417 and is located in the Oresund region which has a total population of 3.6 million.

Germany is a close partner with the country in terms of imports with almost 21 per cent of imported goods coming from here. Other partners include Sweden, Netherlands, Norway, China and the UK.

With few natural resources Denmark's economy relies almost entirely on human resources and the service sector makes up the vast amount of the employment and economy.

Denmark has a mixed market capitalist economy and is said to have the worlds highest level of income equality with the highest minimum wage and is ranked 16th in the world in terms of GDP.

It is said to have the best business climate in the world and has a thoroughly modern market economy. It has comfortable living standards, a stable political system and a stable currency.

It has the most flexible labour market in Europe with a policy called 'flexicurity' which means it is easy to hire and fire and

Taxes on individuals in Denmark are among the highest in Europe with, up until recently, income tax ranging from 42 per cent up to 63 per cent for income over €40,000 approximately. Capital income is taxed up to 59 per cent and share income is taxed at between 28 per cent and 45 per cent for income over €15,000.

find a job whilst also offering ample state benefits.

This mixture seems to have served Denmark well and it has shown a good economy whilst unemployment is usually as low as 1.8 per cent although in this current climate has risen to 3.7 per cent. The public sector accounts for around 30 per cent of all employees.

However recently there has been reports of a lack of labour as many workers are moving overseas to avoid the high taxation rates which Denmark is renowned for.

Denmark is often called Welfare State Denmark and has a well developed welfare safety net which works on the basis of using taxes to provide an equalisation of income. The Danish Model means a third of tax is paid back to the citizens as transfer income.

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In 2009 the country passed the Danish Tax Reform which came into force at the beginning of this year. This will see the income tax margin reduced slightly from 63 per cent to 56 per cent for high end earners whilst share income has dropped slightly to 27-42 per cent.

Company tax rates of 25 per cent remain as does VAT which is also 25 per cent. Education and medical and hospital services are free.

Meanwhile the country has not escaped the global credit crisis and import and export dropped significantly in the summer of 2008. Economic forecasts however predict stabilisation during 2010.

Although Denmark has been a member of the EU since 1973 so far it has not joined the other EU members in the Euro currency even though the Danish Kroner is pegged to the Euro.

The end of a housing boom in 2007 saw Denmark's economy slowing which was then exacerbated by the global economic crisis with increased borrowing costs and lower export demand. But there are still a lot of developments taking place in Denmark, some of which have been

postponed or cancelled, including projects in the harbour area.

Although consumer confidence is at an all time low at the moment it has grown strongly over the last decade and only Spain has equalled growth to that in the Scandinavian countries. The retail sector is extremely inter-Nordic with most national large chains operating across all four countries.

Denmark's two major supermarket chains are Dansk Supermarked and Coop Denmark with 1,500 outlets and a market share of around 60 per cent. Other brands include Supervib, Dagrofa, Aldi and Metro.

Around 85 per cent of food sales take place in supermarkets compared to kiosks, petrol stations and speciality shops and there are around 3,800 supermarket outlets.

Meanwhile the combined shopping centre industry across the Nordic countries has one of the highest shopping centre densities in Europe. The first purpose built enclosed shopping centre in the world was actually opened in Sweden back in 1955.

Total retail sales across the four countries

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reached €190bn in 2007 with a total of 700 shopping centres between them. Denmark saw total retail sales of €29.2bn in 2008.

The largest shopping centre owner in the region is Steen & Strom which has 55 centres in Denmark, Norway and Sweden. Others major owners in Denmark include Danica and Dades.

In Denmark shopping centres have a 27 per cent market share. The largest shopping centre in the country is Field's Shopping Centre in Copenhagen with a GLA of 67,500sq.m whilst Rodovre Centrum was the first shopping centre to open in Copenhagen in 1966. It has 105 shops and has a GLA of 38,200sq.m in size.

In 2008 there were 103 shopping centres throughout Denmark with 15 new centres which have opened since the year 2000 whilst another eight new centres are in the pipeline for the 2009 to 2013 period.

Meanwhile from the modern metropolis of Copenhagen with the royal castles and plazas to sandy beaches along the coast, Denmark offers a little something special for most visitors from Tivoli Gardens to concerts and shopping.



Tourists to Denmark are mainly from neighbouring Germany, Sweden, Norway and the Netherlands. In 2007 the country received 4.7 million visitors and the country is ranked 43rd in the World Tourism rankings.

Tourism is a major industry in Copenhagen with the number of overnight stays in hotels in the city reaching 5.3 million in 2008. The city offers around 13,000 rooms.

In addition the city boasted 106 international congresses in 2008 and is popular due to the short distance between hotels and conference facilities, the low crime rate, efficiency and its cultural and entertainment attractions.

In addition more than 300 cruise ships leave the city per year providing around DKK978m for the city in annual turnover.

THE GAMING MARKET

Back in 1947 the Danish Social Democratic Government proposed the country's first legislation to permit pool betting despite earlier resistance from many parties who feared gambling addiction problems.

But Denmark's major sporting associations and organisations had managed to change many minds and even organised a demonstration to support the government in its battle for a 'betting act'.

In 1948 the special Danish Pools Act was finally passed by Parliament and as a result of the Act Danske Tipstjeneste A/S

was founded - Denmark's state owned pool agency.

For more than 40 years the Tips 1X2 soccer pools was the only game Danske Spil operated until, following legislative changes, the company later began to offer other games within five main groups - number games, sports games, instant scratch card games, horse and greyhound racing and gaming slot machines.

The company at the time was founded with a share capital of DKK250,000 whilst the government contributed DKK200,000 and the Danish Sports Association and Danish Shooting and Gymnastics and Athletics Association both invested DKK25,000.

Today Danske Spil's shareholders include the Danish state (80%), Danish Sports Federation (10%) and the Danish Gymnastics and Sports Association (10%) and the company comprises of Danske Spil A/S and subsidiary Dansk Automat Spil A/S.

Between the year 2000 and 2005 Dantoto A/S was another subsidiary to Danske Spil but the two companies merged in 2005. The company currently has around 270 employees.

Initially when the company began the first pool series was issued in May 1949 with 12 football matches on a coupon and the first weeks turnover reached DKK423,000.

Danes were only allowed to bet 48 rows per week. This later changed in 1956 when they were allowed to bet on an unlimited number of rows and the prize ceiling was also raised from DKK50,000 to DKK100,000, a ceiling limit which was later abolished in 1963.

During the 1970s many changes took place including five-week coupons which were introduced followed by 13 matches on one coupon by 1975. In 1976 the 18 year age limit was abolished and turnover for pools was increasing rapidly.

In 1989 Danske Spil launched the Danish Lotto and turnover for this game reached DKK12m during the first week and today remains the company's largest game.

In 1990 Online Betting was introduced and in 1992 Quick, the first scratch card game was born. This was followed by many other lotto, keno and number games.

Today Danske Spil's games are sold via some 3,800 retailers in Denmark, Greenland and the Faroe Islands.

New 15 inch flat screen terminals were installed in retailers in 2008 throughout

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JPM ENTERS DANISH MARKET!

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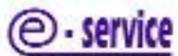
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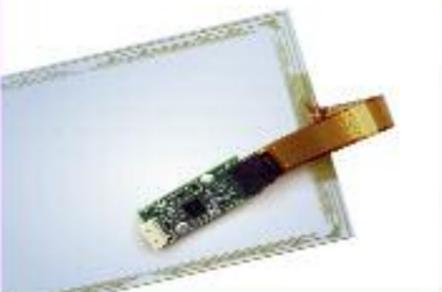


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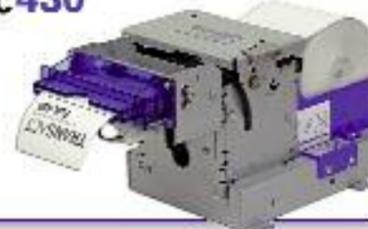
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Denmark but by the autumn of 2008 the lottery and other number games were hit hard in Denmark by the recession and number game sales dropped by five per cent.

In the year 2001 Denmark's new gaming law finally permitted low payout gaming machines to be operated in kiosks and amusement arcades. The legislation stated that all AWP's had to be connected to the gaming authorities' (SKAT) central server and the market was transformed overnight into a highly regulated industry.

With that came the foundation of Dansk Automat Spil which was formed in 2001. The share capital of Dansk Automat Spil is DKK10m and the net capital is DKK0.5m. The turnover for Dansk Automat Spil was DKK2.1 in 2007.

In 2001 Dansk Automat Spil opened the first of many betting shops under the brand name PitStop which is a gaming café combining a gambling hall enabling players to bet on anything from horse and sports games to gaming machines. By 2008 there were 32 PitStops.

In 2008 Danske Spil's online games began under the Zezam Multiplayer Games brand

which was launched on the danskespil.dk website where players can compete against each other in real time online. A series of multiplayer games have been launched since then such as Whist, Hearts, Yatzy and Ludo.

Today Danske Spil games account for more than 60 per cent of the Danish gaming market and the group is among the largest 50 companies in Denmark. The Danish government together with the Danish Sports Association and the Danish Gymnastics and Sports Associations receive 80 per cent, 10 per cent and 10 per cent respectively of the share of capital from gaming activities. In 2008 DKK1,641m was distributed by the Danish parliament to good causes.

At least 45 per cent of the stake must be distributed by the lottery company in prize money. Whilst the minimum age requirement of 16 is for players who buy via licensed agents and an 18 year age limit for those purchasing tickets via Trackside or the website.

In 2008 Danske Spil Group recorded a turnover of DKK10.9bn (DKK8.7bn Danske Spil and DKK2.1bn Dansk Automat Spil).

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Meanwhile Dansk Spil established a telephone hotline for compulsive gamblers which opened in March 2008 which will run for an initial test period of two years.

Dansk Automat Spil and Compu Game became the two main AWP manufacturers in Denmark and due to the specific protocol governing the Danish games foreign manufacturers have traditionally steered well away from this market.

Some UK companies have dabbled in Denmark in the past. Astra for example some years ago had a development run of six or seven models with modest sales of around 200 machines per model.

Compu Game was founded in 1972 to develop and manufacturer wall mounted slot machines. The company is owned by Genua AS which is an investment company owned by the Grunnet family. Compu Game is famous for its Yatzy game which although launched in 1975 can still today be seen in some bars.

In 1978 the company began to import pinball machines into Denmark and achieved a market share of 75 per cent and later went on the develop its own AWP's and sell video games into the market



AWP GAMING REVENUES OVER THE LAST THREE YEARS

CATEGORY	2007	2008	2009
Number of AWP	26,700	27,500	27,150
AWP gross gaming revenue	DKK2,389m	DKK2,236m	DKK2,034m
Number of AWP in arcades	19,900	20,500	20,250
Arcades gross gaming revenue	DKK1,725m	DKK1,607m	DKK1,478m
Number of AWP in restaurants	6,800	7,000	6,900
Restaurants gross gaming revenue	DKK664m	DKK629m	DKK556m

Source: DAB

Dansk Automat Spil and Compu Game became the two main AWP manufacturers in Denmark and due to the specific protocol governing the Danish games foreign manufacturers have traditionally steered well away from this market.

In 2000 the company removed its amusement products from its product list and concentrated on payout machines to coincide with the new legislation launched the following year and the AWP market developed rapidly from this point. Between 2006 and 2007 the Danish market grew from 15,000 AWP to 27,500.

Today Compu Game develops AWP gaming machines and more recently developed the C-Tec machine which works with two flat panel LCD display screens, of which one is touch sensitive.

This enables games to run with 3D options for all the C-Tec games whilst the reels and features also run as live 3D objects.

The Danish market currently operates under the Danish Gaming Act of 2003 which states:

- AWP are only permitted in alcohol licensed restaurants and approved arcades (individual licences)



- Between one and three AWP are allowed in restaurants
- All sites must have a licence to operate AWP
- Gaming licences are issued for one to five years or the limit of the alcohol licence.
- Gaming licence fee is DKK750 (€100) per machine per year
- Games operates with a 50 ore (7c) and DKK300 (€40) maximum payout
- Taxes are paid monthly and in restaurants 40% of cash box is paid for up to DKK30,000 (approx €4,000) or 70% of cash box for anything over DKK30,000. A further 1% is paid for gaming addiction research.
- In arcades taxes are 40% of cashbox for up to DKK250,000 (approx €33,000) or 70% for anything over DKK250,000. Plus the 1% for gambling research.

- Operators need to pay a deposit to guarantee the tax before operations begin. The deposit is DKK7,500 for restaurants and DKK95,000 for arcades.

The Games, Lotteries and Betting Act issues licences to lottery operators provided they pay taxes to the Danish government. However it states lottery licences can only be issued to a Danish company set up as a limited liability company.

Although relatively small the Danish gaming market is still a very attractive one and around DKK11bn (around US\$230m) is spent on gambling each year whilst state profits amount to DKK2.8bn of which DKK1.6bn goes to charitable organisations.

Total turnover in 2008 for the Danish gaming market (not including casinos or online casinos) amounted to DKK25bn according to Skatteministeriet (Tax Ministry). The gross gaming revenue is estimated to be around DKK7.7bn in 2008 which includes land and online casinos

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Total turnover in 2008 for the Danish gaming market (not including casinos or online casinos) amounted to DKK25bn according to Skatteministeriet (Tax Ministry). The gross gaming revenue is estimated to be around DKK7.7bn in 2008 which includes land and online casinos whilst each Danish person spent approximately DKK150 per month on gaming.

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Denmark has been hit by the recession like other countries worldwide and October and November 2008 saw a decline in income from AWP of around 20 per cent. Many of the larger operators appear to be struggling the most in keeping up their turnover.

Meanwhile the smoking ban also hit the industry hard and sales in practically all arcades have declined. Dansk Automat Spil's saw a drop of 10 per cent in its turnover last year.

But as the saying goes "One man's loss is another man's gain" and there is now a renewed interest in the Danish market due to its current situation, coupled with the legislation changes expected next year.

One of the problems is that the current manufacturers in Denmark are now also offering direct rentals with site owners, which has caused issues with many operators.

To take advantage of this situation and in anticipation of new market legislation JPM has developed a new range of products specifically for the Danish market. A new company called JPM Spil has been set up and is headed by Vagn Buchwald, formerly of CompuGame who has 20 years experience and knowledge of the market.

Vagn Buchwald of JPM Spil said: "Takings in the past have been good in Denmark which has meant that most operators have not invested in new machines. It is therefore not difficult to understand why takings in Denmark are now falling.

"Takings in 2009 fell by more than nine per cent and this resulted in the Danish manufacturers hardly selling anything for the last six months. They have now started selling or leasing slot machines directly to gambling premises with a licence for three slot machines each or to arcades.

"This however is not popular among Danish slot machine operators in the established business. They are now looking for new suppliers, which means I can see an opportunity to enter the Danish market right now. I can hopefully sell to the established businesses."

JPM Spil is now presenting two models to the Danish market which will be housed in JPM's Linear cabinet which until now has had limited exposure outside central Europe.



TURNOVER IN THE DANISH GAMBLING MARKET IN 2008 (SKAT.DK)

CATEGORY	DEPOSITS (DKK millions)	GROSS GAMING REVENUE
Danske Spil		
BETTING		
Tipping	165	85
Odds	2,225	620
Horses/greyhound racing	610	160
LOTTERIES		
Lottery Games	3,870	2,130
Joker	530	295
Keno	185	75
Scratch card	905	425
Bingo	130	45
Other games	125	40
TOTAL	8,745	3,875
OTHER DANISH PROVIDERS		
Lottery	655	220
Agricultural lotteries	175	65
Humanitarian sweepstakes	405	245
Bingo	420	190
Slot machines	12,425*	2,235*
Casino	n/a	425
TOTAL	14,080	3,380
FOREIGN GAME PROVIDERS		
Bookmaker Spil	2,100	180
Online casino games/poker	n/a	350
TOTAL	2,100	430
TOTAL OVERALL GAMING MARKET	24,925	7,685

* Approx SKK2,200m in deposits and DKK395 in GGR is from Dansk Automat Spil.

In April 2009 the Danish government (Liberal and Conservative party), the Social Democrats, Danish People's Party, Socialist People's Party, Liberal Party and Liberal Alliance put forth a draft legislation to partially liberalise and modernise the Danish gaming market.

To take advantage of this situation and in anticipation of new market legislation JPM has developed a new range of products specifically for the Danish market. A new company called JPM Spil has been set up and is headed by Vagn Buchwald, formerly of CompuGame who has 20 years experience and knowledge of the market.

The two products are Jungle Fever and Chinatown alongside a Top Box development. Both are reel based games and Jungle Fever was due to be launched last month (April) whilst the follow on game Chinatown will be launched in the coming months. The company says it will also support the market with conversion kits for both these games.

JPM's Simon McCarthy said: "It is a good opportunity for us to get involved in at this stage. We have invested in the here and now and this will generate some reasonable sales volumes, whilst at the same time we can be recognised as a successful brand for the future when the market requirements changes."

NEW LEGISLATION

Meanwhile all eyes have been focused on the Danish market recently due to the proposed new legislative changes announced at the beginning of this year.

Danske Spil has enjoyed a virtual monopoly of the Danish gaming sector for the last 60 years despite a number of disagreements with the European Commission.

The monopoly situation has been well documented over the years and back in 2003 Danske Spil's control of the market started to come under particular threat.

As online gaming began to take shape around the world in the early part of the last decade, Danske Spil was one of the first state operators to offer lottery and sports betting games online.

This prohibited outside companies from freely competing in the Danish gaming market and thus for the last decade Denmark has been in a battle against the EU over free trade agreement violations.

At the moment foreign gambling providers are prohibited from directly or indirectly targeting Danish players through marketing methods which includes internet gaming.

The Danes have for years skirted around the monopoly situation and it is estimated that the Danes spend DKK350m at foreign online casino sites whilst there are said to be around 5,000 compulsive gamblers in Denmark.

The Danskespil.dk site sees around 800,000 users per month and each year transactions total DKK25m. By the end of 2008 some 410,000 gamblers had an account on this particular website.

In May last year Ladbrokes launched a campaign under the slogan 'Danish Games-British Odds' and Danske Spil brought an action against Ladbrokes for



violation of the Danish Marketing Act and Danish Trademark Act.

Nothing really changed until 2008 when Denmark shocked the gambling nation and announced that it would open its doors to outside gaming vendors and put a free-trade online gaming practice in place within the next two years.

It all reality the monopoly was under increasing attack from the European commission and the 200,000 plus Danish players who were gambling on unlicensed sites which were advertising illegally via the Danish media.

In addition Danish politicians and TV broadcaster TV2 all wanted a piece of the Danish gaming market pie. State owned broadcasting company TV2 had already launched its own website offering games of skill such as poker, Ludo, chess and sudoku. Players can set up accounts and deposit money and use it to play.

And so Danish Tax Minister Kristian Jensen proposed a bid for opening the gaming market with the aim of regulating and taxing the gaming activities. The proposal was met with enthusiasm.

Despite the government's defence of the monopoly the Danish were still continuing to gamble on illegal sites and the concern over lack of control had been growing.

Finally in April 2009 the Danish government (Liberal and Conservative party), the Social Democrats, Danish People's Party, Socialist People's Party, Liberal Party and Liberal Alliance put forth a draft legislation to partially liberalise and modernise the Danish gaming market.

The idea was to give players a choice between several game companies with the aim that the competition between the new providers would create better products for the players.

It wanted Danish games to be channelled into a regulated and controlled environment and put more focus on player protection.

The new legislation proposes that internet casino games can now be offered in a free market competition to commercial gaming operators with a Danish licence. In doing so, the government is aiming to put a stop to illegal marketing and game supply from foreign providers without a licence.

In April 2009 the Danish government (Liberal and Conservative party), the Social Democrats, Danish People's Party, Socialist People's Party, Liberal Party and Liberal Alliance put forth a draft legislation to partially liberalise and modernise the Danish gaming market.

The government felt that the number of people playing foreign online gaming sites was growing and because it was not regulated could have an adverse effect on its society.

The gambling reform should provide a profit for the Danish state and 'non profit' organisations equal to the level it currently provides. Online gaming will be taxed at 20 per cent

It seems both private operators and Danske Spil are pleased with the new changes permitting Danske Spil to now operate poker and online gaming. In addition the company was hoping its 30 per cent of its intake payable to the state would be reduced if deregulation went ahead. Meanwhile the charities have seen declining revenues over the last couple of years and welcome a long term solution to reform the market.

It has been suggested in the proposals that gaming operators will pay a total application and authorisation fee of between DKK650,000 to DKK1m for authorised betting and online gaming whilst licensees will then pay an annual fee of around DKK2m.

Meanwhile under the new proposed regulations Danske Spil will still have its monopoly within the lottery, horse and greyhound racing market.

Organised racing has been happening in Denmark since 1820 and there are currently eight trotting tracks. These lanes attract between 350,000 and 400,000 spectators per year. Two of the major horse racing tracks are located in Copenhagen and are a huge tourist attraction.

Danske Spil has an agreement with ATG (Swedish provider of horse racing) so players have access also to Swedish racing. The government wants to keep the racing under the monopoly fearing if it was an open market more 'professional' players would be attracted to play on foreign racing games rather than the Danish horseracing and its revenue would be reduced.

A draft bill for the new legislation was submitted to the European Commission in July last year. Initially although the draft text of the law was notified to the European Commission and made public the Danish government later invoked the confidentiality procedure.

However the draft law was finally published on February 12 and if all goes to plan via Parliament it will come into force on January 1 2011. It can be viewed in full at: www.skm.dk/public/dokumenter/hoerings svar/spil.pdf (in Danish only).

It includes the following provisions:

- The provision of the lottery licence is still given to one company, Danske Spil, for an indefinite period of time.
- Horse and greyhound racing betting licence is also given to one company (Danske Spil)
- Betting permits are offered for a period of five years these cannot offer horse/dog/pigeon racing and lotteries. Only land based betting.
- Online casinos maybe authorised for the provision of combination bets and roulette and AWP permits offered for up to five years.
- Permits for games providers can be given to Danish or foreign EU companies
- The Gaming Authority will ensure compliance with the law regarding regulations and licensing conditions and can revoke any licences.
- The Ministry of Taxation will set the fees for costs associated with the



administration of licensing and permit holders etc.

- A tax rate of 20 per cent of the GGR for betting and online casino games.

In a bid to stop non-licensed companies entering and operating within the Danish online gaming market the government is proposing to introduce a system of ISP and financial transaction blocking and a marketing ban for non-licensed operators.

This is aimed at preventing non licensed operators from attracting Danish customers and a prohibition for non Danish residents to participate in Danish licensed game.

Online poker over the last few years has become increasingly popular and is the most popular online game played at the moment in Denmark.

Because poker cannot really be played in a closed network with just Danish players, it is now authorised to offer poker via an open network even though operators are controlled by Danish law and must pay tax on that game.

Danske Spil has also recently partnered with online gaming provider Party Gaming to prepare for upcoming competition. The two companies signed a five year agreement in January this year.

Meanwhile UK based wagering operation, Ladbrokes, has already indicated that it would be prepared to submit to regulations if the Danish market opens to the online gaming industry.

A draft bill for the new legislation was submitted to the European Commission in July last year. Initially although the draft text of the law was notified to the European Commission and made public the Danish government later invoked the confidentiality procedure.

However it is thought new licences offered by the government could prove too expensive for some with notoriously high taxes on players' winnings derived from online poker and casinos.

For example, the 2008 World Series of Poker champion was taxed at a 45 per cent rate for the first \$4m he won and then a whopping 75% for the remainder of the money leaving him just US\$2.5m from total winnings of US\$9.1m.

The problem is prizes won via EU licensed operator sites are not taxed however prizes won on non-EU operator sites are taxed with the income tax rate – around 50 per cent.

It is thought non-EU companies who want to offer online poker will have to jump through hoops to get on the government's exclusive non-tax list permitting players to remain untaxed on certain sites.

Hollywood Poker is one such site which has a no-tax status whilst Danske Spil's upcoming poker venture will have the same privilege.

Land based poker tournaments have been permitted under the new draft legislation since January this year. It means that individuals, companies and associations can now apply for authorisation to arrange public poker tournaments for up to a two year period, enabling them to host tournaments for up to five times a week. Total prize pool will be limited to DKK15,000 with a maximum buy in of DKK300.



Meanwhile the regulation of the gaming sector has been simplified and grouped under the Ministry of Taxation and the regulation and control will now be carried out by the Danish Gaming Board. In the future this could see a positive effect on changes in AWP legislation.

Some operators are talking about possible changes for the AWP sector which could see AWP's not only operated in different locations in the future but the stake could be doubled to DKK1 with a maximum payout of DKK600 whilst also offering DKK4,000 payouts via jackpot games. However the Danish Ministry of Taxation (Skatteministiet) says there are no concrete plans for any changes. There is also a rumour that VLTs could also begin to enter the market in the near future.

One such company interested in the changes in the AWP market is Jack.Pot operations which has some 1,800 AWP's in restaurants and arcades throughout Denmark and its own operations.

Jens Uldall Pedersen of Jack.Pot said: "Previously it was per specifications in the law how the machines should operate and that has been taken out and given to the authority to make the decisions. So we do not need to go to parliament each time to change the specifications.

"This could be a significant change over the next few years. Our machines are very different than those in other European countries. We have no double or features and it is possible now the authorities will look outside of Denmark to see how other

machines work.

"I think next year the gaming authority will come up with new specifications and we will see some changes that will be very interesting and positive for our industry."

CASINOS

The casino market in Denmark didn't really open up until 1990 when the law was changed to permit the operation of casinos by both domestic and foreign operators.

Story has it that back in 1859 the original Marienlyst Hotel was built as an inland health resort but when the hotel became too small the new Marienlyst was built and the Crown Prince also granted the hotel permission to run a casino.

Until 1990 when the new gambling act was passed the Marienlyst was the only casino in Denmark. When the law changed a further five casinos opened – three by Casinos Austria International and another two run by independent companies.

The casino sector is regulated under the Casino Gaming Act and the Casino Executive Orders. The Danish government does not hold a monopoly over the casino market but has always strived to control and regulate the casinos and has done so by restricting the number of operators in the market.

The Ministry can also determine the maximum and minimum stake permitted in casinos and may stipulate the age limit

Danske Spil has recently partnered with online gaming provider Party Gaming to prepare for upcoming competition. The two companies signed a five year agreement in January this year.

for entry. Casino slots must pay out a minimum of 80 per cent and most slots across the casinos actually pay out 93 per cent.

However there are no limitations to the number of slots or tables operated and casinos pay no licensing fees. To enter a Danish casino visitors must register their name, address, birth date and nationality and show identification papers.

Casinos are taxed with a progressive tax on their gaming income with the first DKK4m per month being taxed at 45 per cent and anything above taxed at 75 per cent.

The Danish Jackpot was set up in 2005 and enables the six Danish casinos to offer jackpot machines which are all connected in a network with a nationwide pool.

The jackpot offers up to DKK2 million in prizes for just a minimum bet of €1 and maximum of €27 per game.

A percentage of the bet is then contributed to the national pot and the value can be followed via website dedanskecasinoer.dk. The jackpot has a 93 per cent payout which is double that of the national lottery.

Under the new gaming proposals it is suggested that the gaming authority will take control of all licensed casinos and the authority will be responsible for accesses the market and making any 'adjustments'

Some suggest the new liberalisation of the Danish market could pave the way for further land-based casinos to be opened although if so it is only expected another two will probably open. However the proposed changes to allow online gaming will certainly affect land based businesses.

As Erik Jensen, Operations Manager at Casino Copenhagen said: "The online casinos only have to pay 20 per cent in gaming tax thereby gaining an unfair advantage in the financial ability to promote their product."

CASINO MUNKEBJERG VEJLE

This casino was opened on New Years Eve in 1990 and is operated by CAI. Located in the Munkebjerg Forest in central Jutland the casino offers stunning view of the Vejle Fjord. It is located in the Hotel Munkebjerg and is also home to the gourmet 'Jackpot' Restaurant complementing the hotel's own restaurants.

The casino is also attached to a 27 hole golf club and there are various golfing and casino packages available. The casino is open from 7pm until 4am and charges a daily entrance fee of DKK60.



There are 12 table games including four American Roulette, four Blackjack, two Texas Hold Em, one Viking Poker and one Ultimate Texas Hold Em. Plus 10 Touch Bet Roulettes and 70 slot machines.

CASINO COPENHAGEN

This is Denmark's only casino located in the capital city and is also operated by CAI. It offers a mix of 24 table games including 10 American Roulette, eight Blackjack, one Midi Punto Banco, three Texas Hold em Poker, one Viking Poker and one Ultimate Texas Hold em. There are also 20 Touch Bet Roulette terminals and 140 slot machines.

The casino is located just minutes from the city centre in the Radisson SAS Scandinavia Hotel which has 542 rooms, four restaurants and entertainment.

The casino was opened on New Years Eve in 1990 and is open every day from 2pm until 4am. The casino charges an entrance fee of DKK90 per day.

CASINO ODENSE

The third casino to be opened and operated by CAI is located on the island of Funen in the city of Odense (birthplace of Hans Christian Andersen). The casino is housed in the Radisson SAS H C Andersen Hotel and Congress Center and the casino has become known as one of Denmark's

Until 1990 when the new gambling act was passed the Marienlyst was the only casino in Denmark. When the law changed a further five casinos opened – three by Casinos Austria International and another two run by independent companies.

"Previously it was per specifications in the law how the machines should operate and that has been taken out and given to the authority to make the decisions. So we do not need to go to parliament each time to change the specifications." Jens Uldall Pedersen Jack.Pot.

friendliest nightspots. It was opened in April 1991.

The casino is open from 7pm until 4am and charges DKK60 entrance fee per day. There are 40 slots and eight Touch Bet Roulettes plus 11 tables including four American Roulette, three Blackjack, three Texas Hold Em and one Ultimate Texas Hold Em.

CASINO AALBORG

Casino Aalborg is located in the Radisson SAS Limfjord Hotel. The casino features 34 different slot machines plus American Roulette, Blackjack, Poker and TouchBet Roulette. The casino is open from 8pm until 4am and it cost DKK50 per day

CASINO MARIENLYST

The casino was founded in 1902 and is the first Danish casino and one of the most elegant. It is located in the internationally renowned four star Hotel Marienlyst, which is located in the holiday resort of Oresund on the island of Zealand next to the beach offering views to the Kronborg Castle and the Swedish coast line.

The Casino Marienlyst is open from 7pm until 4am and offers four American Roulette, five Blackjack, Ultimate Texas Hold Em, Texas Hold Em and 60 slot machines.

DENMARK: VITAL STATISTICS

Capital: Copenhagen
Population: 5,511,451 (2009)
Land Area: 43,094 sq.km
Median age: 40.5 years
Languages: Danish, Faroese, Greenlandic, German
Currency: Danish Kroner (DKK)
Government: Constitutional Monarchy
Chief of State: Queen Margrethe II (since 1972)
Head of Government: Prime Minister Lars Lokke Rasmussen (since 2009)
Ethnic Groups: Scandinavian, Inuit, Faroese, German, Turkish, Iranian, Somali
Cabinet: Council of State appointed by the monarch
Elections: The Monarch is hereditary. Following legislative elections the leader of the majority party, or majority coalition, is usually appointed prime minister by the monarch.

Casinos: 6
Casino Slots: 459
Casino Tables: 90
AWP machines: 27,150 (20,250 in arcades/6,900 in restaurants)
Single Sites: 2,500 (restaurants with alcoholic licences)
Operators: Approx 500-600

ROYAL CASINO AARHUS

This casino is located in Aarhus and is open from 2pm until 4am. It houses American Roulette, Blackjack, Super Seven, Perfect Pairs, Hold Em Poker and 60 slot machines and 20 Novo TouchBet Roulettes.

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