



*VEIKKAUS ANNUAL REPORT 2000*





 **VEIKKAUS**

*Suomalainen voittaa aina*

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## REVIEW BY THE MANAGING DIRECTOR

Veikkaus' sixtieth year of operations was successful. The company achieved the greatest turnover and the best result of its entire history. The turnover was EUR 1,082.7 million, with an increase of EUR 73.2 million, i.e. 7.2%. There was growth in all games groups. The gross margin on sales increased to EUR 425.0 million, being 9.4% larger than the year before. As the operating profit grew even more, i.e. 10.1%, it is obvious that the management of operating expenses has been carried out successfully.

Despite the excellent result, Veikkaus had to resort to appropriations in order to return to the Finnish State the required EUR 378.6 million. The State-defined target profit has for several years now exceeded Veikkaus' own estimations. In the long run, this would lead into an unsupportable situation. Veikkaus and the State discussed the question of the target and the details of allocation extensively in the course of the year. As a result, we made an agreement to adopt the normal budget practices, i.e. to determine the target profit on the basis of the estimation of the company's Board of Directors. The new practices will probably be implemented when drafting the State budget for 2002.

At the beginning of the year, the composition of Veikkaus' Board of Directors was changed so that it now consists mainly of external experts. This change has provided the company with many-sided expertise and authority. One of the core decisions made during the first year of operations of the Board of Directors was the establishing of the strategic objectives of Veikkaus until 2005. The basis for the strategy work initiated in 1999 was the awareness of the quickly and profoundly changing operational environment of the company. The games offered internationally on the Internet have boomed recently. The migration to large population centres is increasing and the pace of the structural change of the trade has become faster. There are more and more domestic TV-channels offering an increasing amount of entertainment. In spite of its monopoly position Veikkaus is already faced with competition both with regard to games and in the field of entertainment on a more general level.

The strategy project "Veikkaus 2005" was completed in the autumn of 2000. In its strategy, Veikkaus expresses its willingness to be a friendly and reliable customer service company following its time and being the leading expert in its field in the world. The quantitative objective is to increase Veikkaus' profit faster than the total State budget.

The management of the company is responsible for implementing the strategy. The sub-strategies drafted for the implementation of the strategy emphasise, on the one hand, the developing of the present range of products and service networks and, on the other hand, strong investing in the opportunities to create new attractive service methods offered by information technology.

Veikkaus is a minority shareholder in the digital technology-based Suomen Urheilutelevisio Oy (Finnish sports television company) established in the spring of 2000. Veikkaus is involved in the digital TV operations in order to develop its games and to make most of the possibilities of the new distribution channel. The digital TV makes it possible to offer real time games in connection with TV-programmes.



**EACH MARK SPENT  
ON VEIKKAUS' GAMES  
BENEFITS  
FINNISH SOCIETY**


Technological development holds a central position in the consolidating of Veikkaus' competitive capacity. Veikkaus was the first lottery operator to launch games on the Internet as early as in 1996. Gaming over the Net has doubled every year since then. Last year, the limit of FIM four million (EUR 0.7 million) weekly turnover was exceeded for the first time. The system behind Internet gaming is being developed continually. The projects launched in 2000 aim specifically at the realisation of fast games.

The international organisation of the lottery world was reformed so that year 2000 was the first full year of operations of the new unified World Lottery Association WLA. Veikkaus' role in the improvement of the organisation structure and the leading of the international associations is significant. The international co-operation is essential for lotteries. The European association EL is in an especially important position with regard to the pursuit of the interests of the lotteries in the European Union. From the customers' point of view, international co-operation means significant reforms; a good example of this is the European joint game, which is being developed. Veikkaus has practical experience of international co-operation through Viking Lotto, which was extended beyond the Nordic lotteries in 2000, as the Estonian national lottery joined the game.

During its jubilee year Veikkaus gained considerable publicity. Unfortunately, part of the publicity had to do with topics that easily give rise to misleading ideas. The fixed match trial was started in the autumn. The process has been commented widely in the public. Veikkaus asked the authorities and the court to investigate the case, wanting to make sure that betting would maintain its position as reliable and fair entertainment. The way Veikkaus has acted in this connection withstands the closest inspection. In addition to the fixed match trial, the attempts to break the legally determined licence system of game operations have been in the focus of attention. This is a matter between the Finnish Law and the enterprisers testing its firmness. Of course, Veikkaus wants to protect the position of legal and controlled gaming. It is very unfortunate that the new Lottery Act that has been prepared for years was still not considered in Parliament.

Veikkaus has a mission: it has been assigned the task of raising funds for the Finnish culture: arts, sports, science and youth work. Each Markka spent on Veikkaus' games is used for the benefit of the Finnish people. In addition to the prize money of EUR 504.5 million, returned to players, the contribution of EUR 378.6 million to the Ministry of Education and the Lottery tax of EUR 54.1 million, the retailer commissions of EUR 77.2 million and the company's own operating expenses of EUR 69.9 million benefit the Finnish national economy. Veikkaus' monopoly position is also justified by ethical reasons. The natural demand for money games is submitted to a lottery company, which is strictly controlled by society and which can be required to act according to firm ethical operating principles.

Veikkaus is an expert working community. The strategy underlines the meaning of competent personnel. The results of the year under review show that Veikkaus' staff has worked with great expertise and commitment. I would like to express my sincerest thanks to the entire personnel.



Matti Ahde

# MANAGEMENT

## The Tasks of the Board of Directors

The tasks and responsibilities of the Board of Directors are defined in the Limited-liability Companies Act. The Board of Directors makes decisions on issues that are important from the point of view of the operations of the company. Such issues are, inter alia, discussing the company's strategic guidelines and confirming them, approving the annual operating plan and budget, as well as deciding on central investments. The Board of Directors appoints the Managing Director and the other directors of the company, and agrees on their salary and other benefits.

## Board of Directors

### **Juha Niemelä**

Chairman

(from 10 October 2000)

b. 1946

①. M.Sc.,Econ.

President and CEO of UPM-Kymmene

Current memberships of other Boards of Directors: Metsä-Botnia Oy, Finnish Forest Industries Federation, TT-The Confederation of Finnish Industry and Employers, Confederation of European Paper Industries-CEPI (Chairman), Merita-Nordbanken (Member of Board until 13 April 2000).

### **Markku Linna**

Vice Chairman

(from 10 October 2000, chairman until 10 October 2000)

b. 1942

②. Master of Laws

Director General of the Ministry of Education

Current memberships of other Boards of Directors: SITRA – the Finnish National Fund for Research and Development

### **Matti Ahde**

(Vice Chairman until 10 October 2000)

③. b. 1945

Managing Director of Oy Veikkaus Ab

Current memberships of other Boards of Directors: Oy Kvaritto Ab (Vice Chairman), Friends of the National Opera, Foundation of Finnish National Opera (Vice Chairman), Supervisory Board of Alma Media, Supervisory Board of Mutual Life Insurance Company Tapiola (Chairman), Council of the Finnish Olympic Association (Chairman), World Lottery Association (Senior Vice President), European Lotteries, European Football Pool.

### **Pentti Hakkarainen**

b. 1958

④. Master of Laws, M.Sc.,Econ.

Director of Sampo-Leonia Group

Current memberships of other Boards of Directors: Helsinki Chamber of Commerce (Vice President), The Finnish Bankers' Association (Vice President)

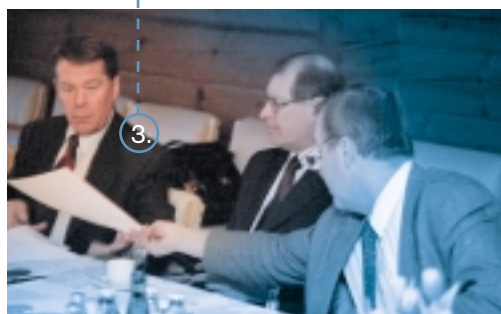
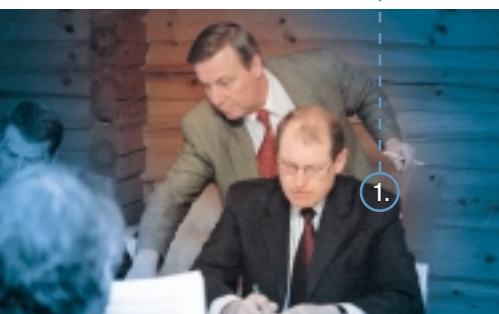
### **Jussi Isotalo**

b. 1947

⑤. Diploma in Business and Administration

Director of Sales and Marketing of

Oy Veikkaus Ab



### **Heikki Lehmusto**

b. 1947

⑥ Master of Laws

Director of TV channels 1 and 2

Current memberships of other Boards of Directors: Savonlinna Opera Festival Patrons' Association (Chairman), Gummerus Publishers, A-lehdet Oy

### **Heikki Niskakangas**

b. 1948

⑦ Doctor of Laws

Professor, Helsinki School of Economics and Business Administration

Current memberships of other Boards of Directors: Fortel Invest Oy, Ojala Group Oy, Helsinki School of Economics and Business Administration Holding Oy

### **Leena Paananen**

b. 1950

⑧ M.Sc,Econ.

Managing Director of Dagmar Oy

Current memberships of other Boards of Directors: Dagmar Oy, CIA Media Marketing Finland Oy

**Maija-Liisa Lindqvist**, Training Manager

**Pirkko Peltomo**, Member of Parliament

**Kirsi Piha**, Member of Parliament

**Vuokko Rehn**, BA

**Irja Tulonen**, Member of Parliament

**Dag Wallgren**, Fund Manager

### **Personnel Representatives:**

Regular personnel representative

**Teijo Loikkanen**, Data Processing Planner

Deputy personnel representative

**Teuvo Aho**, Product Manager

### **Auditors**

M.Sc, Admin. **Osmo Valtonen**, State Audit Office (Deputy Auditor Audit Counsellor **Erkki Mäki-Ranta**, State Audit Office) and M.Sc,Econ., Authorised Public Accountant **Pentti Savolainen**, KPMG Wideri Oy Ab.

The supervisory audit was carried out by KPMG Wideri Oy Ab auditors.

### **Supervisors**

**Reijo Naulapää**, National Police Commissioner (chief supervisor)

**Matti Bäckman**, Chief Police Inspector (from 1 September 2000)

**Aulis Gerlander**, Senior Adviser, Legal Affairs

**Hannele Juusela**, Adviser

**Seppo Juvonen**, Inspector General of the Police

**Matti Launiainen**, Chief Superintendent

**Aulis Mäkinen**, Chief Superintendent (until 31 July, 2000)

**Leena Piipponen**, Chief Superintendent

**Reijo Pöyhönen**, Inspector General of the Police

**Rauno Sintonen**, Deputy Police Chief

**Kaija Uusisilta**, Chief Information Officer for the Police

**Kirsti Vihermaa**, Senior Adviser, Legislative Affairs (until 1 September, 2000)

### **The Tasks of the Supervisory Board**

The task of the Supervisory Board is to control the company's management, administered by the Board of Directors and the Managing Director, as well as to give their opinion of the financial statement and the audit report to the General Meeting.

### **Supervisory Board**

**Ilkka Kanerva**, Member of Parliament (Chairman)

**Matti Saarinen**, Member of Parliament (Vice Chairman)

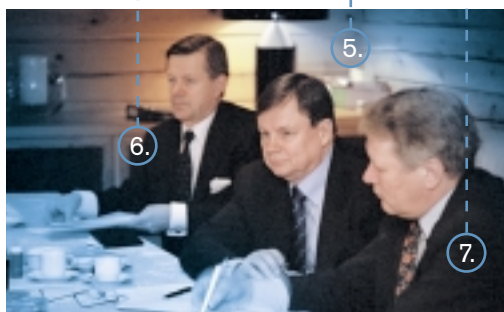
**Jukka Gustafsson**, Member of Parliament

**Susanna Huovinen**, Member of Parliament

**Matti Huutola**, Member of Parliament

**Kauko Juhantalo**, Master of Laws

**Jari Leppä**, Member of Parliament



## VEIKKAUS' PERSONNEL ENCOURAGED TO DEVELOP

Even the most advanced technology is worthless without human skills. In the past few years, education and the development of the skills of Veikkaus' personnel have become more and more important because of the enormous pace of the development of new technologies and the changes in the competitive situation. A highly skilled staff at ease with its work is the best asset when facing the challenges of competition.

### Developing the quality of working communities

The core objective of 2000 in the field of human resources policy was to improve the work of the foremen and to develop leadership, which largely provide the basis for the quality of working communities. Setting targets and following their realisation, along with an annual evaluation of quality, guide the development of working communities.

The leaders of working communities and teams, i.e. the coaches, take part in training events organised three or four times a year. The great challenge is to reinforce the learning procedures within the working communities.

The coaches have been given new tools for the improvement of their working communities. Year 2000 was increasingly demanding for the foremen, as it was the first time that Veikkaus' personnel put the new development methods into practice on their own.

### Objective: meaningful development programmes

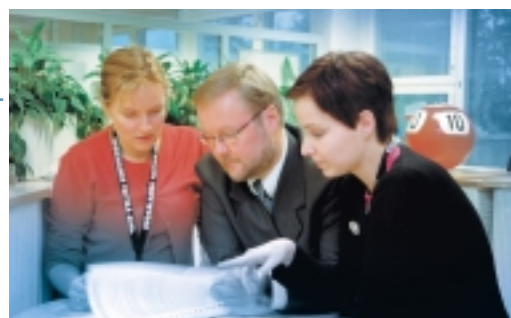
More attention will be paid to the contents and quality of assessment discussions. It is our objective to establish more meaningful personal development programmes, which will be the cornerstone of new learning processes both for individuals and for members of the working community. Veikkaus encourages all its employees to study independently and to develop themselves.

Veikkaus' values include openness, equality and humanity. According to the feedback by the staff, openness has improved in the working communities. An open and confidential atmosphere is essential in all activities, e.g. in assessment discussions.

### The first year of the Games Academy

One of the factors supporting personal development is the Games Academy, Veikkaus' own training programme. Its first year was a success: more than half of the personnel studied at the Academy.

The training offered at the Games Academy supports the personal development programmes; in the autumn of 2000, there were over 40 courses available - from games-related studies to foreign language teaching, from IT-training to courses in interpersonal skills. Moreover, the six-day seminar preparing for the Veikkaus diploma provides the participants with a thorough overview of the operations of the company.





## **New developments of the human resources strategy and salary system**

The company started to plan its human resources strategy in 2000. The purpose of this project is to evaluate the guidelines of the human resources policy from a comprehensive perspective. It should advance the company's business strategically. The central elements in the development of the human resources policy will be the so-called Veikkaus' Strategy 2005, as well as the best existing practices and new objectives.

The cornerstone of the human resources policy is that Veikkaus will offer its staff good opportunities to develop and maintain their personal skills. For example, Veikkaus participates in apprenticeship training. The inner rotation will be expanded as much as possible. The basic principles of recruitment were established last year.

At the end of the year, Veikkaus launched a project the purpose of which is to reform the salary and bonus systems. The core objectives of this project are to increase fairness and encouragement.

### **Key figures of the human resources policy**

The personnel expenses were EUR 15.1 million (EUR 14.5 million in 1999); there was a growth of 4.3% over the year before. The share of the personnel expenses was 31.5% of the company's fixed costs (31.6% in 1999). The salary expenses changed by 6.7%.

The personnel were trained with EUR 673 per employee, with 2–3 days of training per employee.

The costs of occupational health services were EUR 930 per person (EUR 739 in 1999). The expenses of the staff's social activities were EUR 137,326 (EUR 172,954 in 1999), i.e. EUR 411 per person.

### **Number of employees**

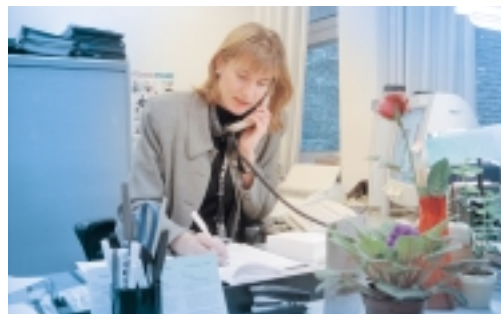
The number of personnel was 334 on 31 December, 2000 – twelve fewer employees than in 1999. There were 258 employees at the headquarters in Vantaa, 28 in the office of Tampere, 5 in Kuopio, 5 in Oulu and 38 at the company's service points. There were 64 part-time employees. The turnover of regular personnel was 5.1%.

### **Positive development**

It has been – and still is – important to make the human resources policy of the company more active. The objective set a few years ago – developing Veikkaus into a genuine expert organisation – is a great challenge. The company now has a development-minded atmosphere allowing open discussions.

The organisation of Veikkaus appreciates the crucial importance of working community's continuous development. The leaders of the working communities, i.e. the coaches, are in a key position. The new development methods are based on a regular yearly rhythm. The coaches have a positive attitude towards learning, and the meaning of personal development programmes has increased.

Veikkaus is on its way to becoming a genuine learning organisation, where people learn from each other in target-oriented and developing working communities. ::



**VEIKKAUS OFFERS  
GOOD OPPORTUNITIES  
TO IMPROVE AND MAINTAIN  
PERSONAL COMPETENCE**

## VEIKKAUS' YEAR 2000

### January

Veikkaus' online system had its 10th birthday on 15 January 2000.

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### March

Veikkaus launched Maailman Ympäri (Around the World) game. The TV quiz Around the World, started in January, was thus supplemented with a money game offered by Veikkaus, which can be played either by using a play slip or by choosing quick-pick.



The Nordic joint game Viking Lotto gained new ground, as the National Lottery of Estonia Eesti Loto joined the co-operation. The Estonians had a chance to play Viking Lotto for the first time in the draw of 22 March 2000.

The TV game show Kymppitonni (Ten Grand) entered the Internet era. The Net Ten Grand game is part of Veikkaus' plan to develop its Internet services to a more entertaining direction. The questions of the TV game show are available on the Internet a week before the broadcast. The players on the Net can view the questions as video clips or on a reply form, and they can try to guess the correct words just as the competitors in the TV studio. After this, the players are rated according to their points. Those who have collected the most points participate in a draw deciding which one of them will be admitted to the TV show as a competitor.

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### April

Veikkaus and the Folklore Archive of the Finnish Literature Society launched a national collection project of Veikkaus-related memories.

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### May

The first theme instant game of the year, Onnenkesä (Lucky Summer) instant, was introduced in May. The game is identical with the Onnenvuosi (Lucky Year) instant, on sale at the turn of the year. It has ten games, all of which may contain a prize.

Players spent nearly EUR 5.5 million on betting on the Ice Hockey World Championships.

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### June

Bingolotto was reformed on round 25/00. The core changes were the ending of the TV studio game and the introduction of four-phase draws.

The changes in Football Pools became effective from round 25/00. The payout percentage of the game was raised from 40 to 45, and the playing time was extended to only 15 minutes before the kick-off, even though some of the objects are not played until Sunday.

Veikkaus participated in the historic first congress of WLA (World Lottery Association), held in Glasgow in June. Veikkaus Managing Director Matti Ahde was elected Senior Vice President of the association. The new World Lottery Association, founded as a result of the merging of two international lottery associations, has a membership of over 150 lotteries from over a hundred countries. The theme of the Glasgow congress was the influence of the new technologies on gaming. The key-note speaker of the congress was Finland's former President Martti Ahtisaari.

Oy Veikkaus and the Finnish baseball league Superperis Oy started for negotiate on the return of baseball to a betting object offered by Veikkaus.

The 600th jackpot in Viking Lotto was drawn on round 26/00.

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### July

Luontoarpa (Nature) instant was reformed in July. The jackpot was raised to EUR 10,019, and there are now 30 jackpots in a batch of tickets. The scratch surface now contains six sums of money instead of the former seven. The outward appearance of the tickets was changed, as well.

In the summer of 2000, the Finnish Lotto players had a chance to follow the Lotto draws on site for the first time. The Lotto draw that has been conducted indoors since the 1970s made a tour of seven different summer festivities because of the redecoration of the drawing studio. This was simultaneously a celebration of the 60-year-old Veikkaus.

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### August

A Jubilee version of the Ässä instant was sold on round 33/00. The batch of jubilee tickets contained as many as sixty jackpots worth EUR 16,819. A normal batch of Ässä instants has ten jackpots. The other prize classes were also supplemented with more wins.

Football Pools was reformed on round 34/00. An opportunity to bet on the Formula 1 racing competition in Belgium was offered on that particular round, in addition to the traditional Saturday Pools. The Formula 1 racing Pools has eleven objects. There are two prize classes, i.e. you have to bet on either ten or eleven objects correctly to win. In the autumn, ice hockey was also introduced as a pools object.

Veikkaus' Board of Directors decided to end its betting operations in the province of Åland from 2 October 2000. The reason for this was a position statement by the Provincial Parliament of Åland on the gaming operations conducted by Veikkaus in Åland. The Provincial Parliament announced that the exclusive right to offer betting games in the province of Åland belonged to

PAF, the Slot Machine Association of Åland.

At the same time, Veikkaus decided to file an application to the Provincial Parliament for a licence to continue other pools and lottery activities in the province. Veikkaus has offered its games in the province of Åland since its founding in 1940.



420,470. The athletics betting objects, which the Finns played with some EUR 336,375, were by far the most popular.

## September

Veikkaus celebrated its 60th anniversary at the Finnish National Opera on 3 September 2000. The President of the Republic Tarja Halonen honoured the event with her presence.

Veikkaus hosted the Executive Committee meetings of both the European Lottery Association EL and the World Lottery Association WLA in Helsinki on 3 and 4 September. Managing Director Matti Ahde was elected chairman of the Strategic Development Committee of the World Lottery Association.

Round 38/00 offered an opportunity to win the largest jackpot of the history of Veikkaus, ca. EUR 4.7 million. The all-time jackpot included a rollover jubilee jackpot of EUR 1.7 million from round 35/00. The result was, however, that the jackpot increased for the first time up to over EUR 5 million. The jackpot of approximately EUR 5.1 million was finally shared between three jackpot-winners.

Playing via OnNet, Veikkaus' Internet gaming service, reached a record high weekly turnover on round 38/00, EUR 723,208. The former record from the previous week was broken by over EUR 151,370.

## October

The Jubilee Casino instant was introduced in week 39/00.

Betting on the Sydney Olympics brought a turnover of nearly EUR

Veikkaus' General Meeting 10 October 2000 elected Juha Niemelä, Managing Director of UPM-Kymmene, President of Veikkaus Board of Directors. Niemelä was appointed to the Board as a new member. Chief Director Markku Linna was elected Vice President.

An R-kiosk retailer from Savonlinna, Esa Puhakka, received the title of the Best Veikkaus Retailer of the Year 2000. The title of the Best Veikkaaja-magazine retailer was awarded to Timo Lahdentausta from the online coffee shop in the town of Ikaalinen.

The Formula 1 racing season, which ended in October, brought record high betting sales. The turnover from Formula 1 betting was over EUR 6.5 million, i.e. approximately EUR 0.8 million more than during the previous season. Formula 1 racing has been offered as a betting object by Veikkaus since 1994. Until the season of 2000, its sales have amounted to a total of EUR 25.3 million.

## November

The 400th draw of Viking Lotto was held on round 45/00. The jackpot of this draw was ca. EUR 1.7 million. The only jackpot winner of the round was a Finn.

The online retailers' rights to pay out prizes were extended from round 47/00 onwards. Veikkaus reformed its prize payout system so that online outlets can now transfer, after having

confirmed the win, all prizes worth FIM 300–50,000 (EUR 50–8,410) directly to the winner's bank account. The player thus receives the money instantly on the same day. The background for this reform is the closing down of banking services offered by post offices. Until now, the players have had the chance to direct their wins to their bank accounts by filling in a special form. The most significant effect of the reform is that prize payout has become faster and more secure, and that the number of payout sites has increased considerably.

A new play slip for Veikkaus' off-track horse betting games was introduced on round 47/00. This reform was carried out in preparation of the changes to the game, effective from January 2001.

The 500th draw of Spede's TV Games was held on round 47/00.

The number of players on the OnNet, Veikkaus' Internet gaming service, exceeded 100,000 on round 47/00.

## December

The European Lottery Association EL appointed Managing Director Ahde to chair a working group whose task is to start the development of a common European lottery game.

WAP gaming was launched as a pilot project in co-operation with the teleoperator Radiolinja.

The jackpot in Lotto was EUR 5 million on round 51/00. The sum reached, after three rollovers, EUR 3.3 million. Veikkaus added an extra jackpot of EUR 1.7 million to the draw held two days before Christmas. There were eight winners to share the jackpot, which was an all-time record.

The number of registered OnNet players was 107,641 at the end of 2000 (the respective number at the end of 1999 was 57,498).

## VEIKKAUS' GAMES IN 2000

The lotto games (Lotto and Viking Lotto) continued to be Veikkaus' biggest game group. Their combined turnover was EUR 507.4 million, growing by EUR 56.3 million (12.5%) over the previous year. The turnover from Lotto, the company's flagship, was EUR 449.6 million, with a growth of EUR 48.9 million (12.2%). Viking Lotto, with its turnover of EUR 57.7 million showed a growth of EUR 7.3 million (14.5%).

The reason for the increase in the sales was, especially in Lotto, the exceptionally large number of jackpots. There were rollovers in as many as 31 weeks. In addition to this, the prize funds were used to form special jackpots six times.

### Joker, the biggest other online game

The total turnover from other online games (Joker, Spede's TV Games, Around the World and Bingolotto) was EUR 88.1 million, showing a growth of EUR 8.1 million (10.1%). Joker's share of the turnover of this game group was EUR 71.4 million, with an increase of EUR 7.0 million (10.9%). Spede's TV Games had a turnover of EUR 12.2 million, decreasing by EUR 0.6 million (-4.4%) in comparison to the previous year. Maailman Ympäri (Around the World), launched in February, generated a turnover of EUR 3.1 million. The turnover from Bingolotto declined to EUR 1.4 million (-51.7%).



### Reforms in games of skill

The total turnover from games of skill (Odds Betting games, Off-track Horse Betting and Football Pools) was EUR 334.4 million. This game group saw a total growth of sales of EUR 2.1 million (0.6%). Result Odds Betting posted the biggest turnover, climbing to EUR 118.1 million (9.2%). This increase resulted from the wide popularity of Multibet, a variation on the Result Odds Betting. As for Fixed Odds Betting, its sales of EUR 77.6 million decreased by 13.4%. The turnover from Winner Odds Betting, EUR 24.0 million, grew by 6%.

Veikkaus' oldest game Football Pools showed a turnover of EUR 56.5 million, growing by EUR 1.8 million (3.1%). In 2000, the game saw the most extensive changes of its history of 60 years. These changes brought with them the opportunity to play Football Pools more than once a week. Other sports than football were accepted as betting objects. In addition to the traditional 13 objects of the Saturday Football Pools, the reformed game allows pools based on e.g. Formula 1 racing or ice-hockey, which may include 12, 11 or 10 objects. The winning payout in Football Pools was raised from the former 40% to 45%. These reforms created a distinct increase in the sales of the game in the second half-year.

Preparations were also made to change the Off-track Horse Bettings, with an objective to raise the payout percentage to players from the former 55% to 60% starting from the beginning of 2001, and to replace the V65 Off-track Horse Betting by V75 Off-track Horse Betting with three winning categories from round 4/2001.

**VEIKKAUS' GAMES  
DEVELOP AND GROW  
WITH THE REQUIREMENTS  
OF CHANGING TIMES**

The objective of the reforms made in the games of skill is to attract new players and to improve their overall status in competition that has recently become tougher.

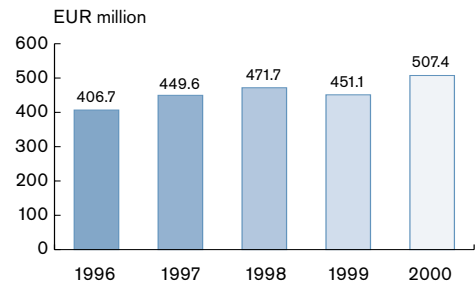
**Casino the most popular instant lottery**

The turnover of the instant lottery group was EUR 152.8 million, increasing by EUR 6.7 million (4.6%). Veikkaus' most popular instant lottery Casino brought a turnover of EUR 69.8 million (4.8%). The respective figures for Ässä instant were EUR 59.5 million (11.5%), those of Afrikan Tähti (African Star) instant were EUR 7.0 million (-51.7%) and those of Luontoarpa (Nature) instant EUR 6.6 million (-2.7%). The instant game Onnenvuosi (Lucky Year) sold at the turn of the year and its summer version Onnenkesä (Lucky Summer) instant, generated a combined turnover of EUR 6.7 million. Another seasonal product was, as before, Joulukalenteri (Christmas), the turnover of which was EUR 3.1 million (1.1%).

**The significance of partnership emphasized**

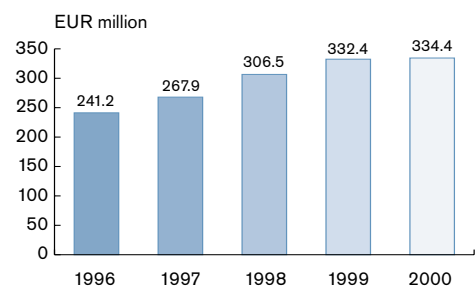
Several Veikkaus' games are realized in close co-operation with TV-channels. In addition to the TV-draws (Lotto, Viking Lotto and Joker), there are actual TV-game shows – Spede's TV Games, the newcomer MaaIlman Ympäri (Around the World) and Bingolotto. The success factor behind the games of skill is the TV-broadcasting of the sports events they are based on, as well as the tip programmes related to them. The extra draws of instant games also require TV-broadcasts. The partnership will become more and more important, as the competition between TV-channels and their digitizing are enforced. It is significant for Veikkaus to have the expertise in the field of television and, in the near future also interactive TV, as well as a clear view of how to profit from the new opportunities. ::

**Turnover from lotto games  
1996–2000**



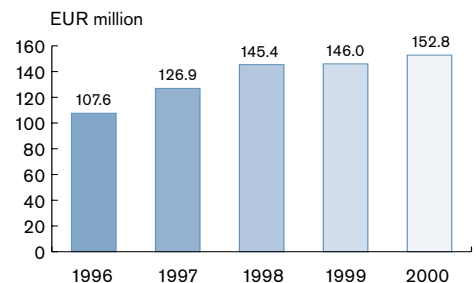
Lotto • Viking Lotto

**Turnover from games of skill  
1996–2000**



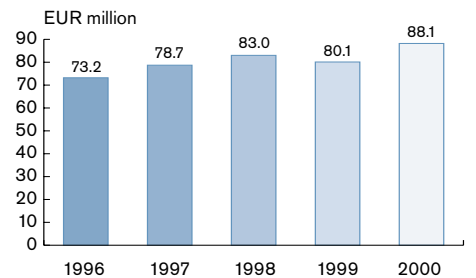
Football Pools • US Off-track Horse Betting • U65 Off-track Horse Betting • Fixed Odds Betting • Winner Odds Betting • Result Odds Betting

**Turnover from instant games  
1996–2000**



Casino instant • Luontoarpa (Nature) instant • Afrikan Tähti (African Star) instant • Ässä instant • Theme instants

**Turnover from other online games  
1996–2000**



Joker • Spede's TV Games • Bingolotto • MaaIlman Ympäri (Around the World)

## RECORD-HIGH SALES YEAR

Once again, the sales of Veikkaus' games reached an all-time high and the company paid out a record sum of retailer commissions, EUR 77.2 million. The excellent result was based on well-known factors: good retailers and sales outlets, along with the numerous jackpots in Lotto, which speeded up the sales. However, the good result was not a matter of course. A lot of research and development work, as well as reforms, were carried out to attain it. The retailer sales support was also enhanced in many ways during the year.

### An extensive retailer network

At present, Veikkaus' retailer network is so comprehensive that it will probably not be necessary to extend it. Some 2,800 online outlets (3,000 terminals) and 1,200 instant ticket-selling points are enough to meet the needs of the players in the entire country.

The kiosk remains the outlet favoured by Finns. Last year, for example, more than half of Veikkaus' sales took place at kiosk outlets. Service stations came second, and their sales took an upward turn of over eight per cent. The shops specialised in gaming products also increased their sales with over eleven per cent.

As the business concentrates and people move to the growing population centres, Veikkaus' sales network changes. The online machines that become available are transferred to hypermarkets and shopping centres, where more and more Finns not only do their shopping but also carry out other activities, inter alia gaming: the super and hyper markets have increased their games sales with nearly twenty per cent.

The slowly decreasing number of retailer contracts clearly reflects the concentration of trade and the tendency towards large business chains. Veikkaus has over 1,700 online retailer contracts and 1,080 instant games retailer contracts. The contracts, dating from some ten years ago, are currently being renewed. The new contracts will be introduced in the spring of 2001. The retailer activities will also be made more clearly defined by revising the guidelines for the granting of online-retailing rights in accordance with the competition legislation.

### Image of the new millennium to retailer outlets

The retailer outlets were classified in a new way, on the basis of their sales and expected sales potential. The retailer services can thus be focussed better than before. At the end of the year, Veikkaus launched, in co-operation with the University of Industrial Arts, a design competition for a reform of the retailer outlets. The objective is to create a 21st-century concept with a stylish and selling image for the purposes of promoting Veikkaus' brand and sales. Some of the results

VEIKKAUS HAS  
AN EXTENSIVE  
RETAILER NETWORK  
THROUGHOUT THE COUNTRY





will be seen at the retailer outlets as early as in the spring of 2001, but the entire reform will take years.

### **Training and communication into the Internet era**

It is a great challenge to try to maintain and improve the level of skills of Veikkaus' retailers. The number of salespersons selling Veikkaus' games annually exceeds 20,000. Veikkaus offers each of them basic online training, as well as special training in the field of the games. However, especially in the capital region, the turnover of salespersons is high, which makes it difficult to improve their expertise. In 2000, the training was offered to a total of 5,800 retailers and salespersons at all the service points. In the future the training will be partly developed towards independent studies via the Net.

Communication to the retailers and salespersons has been strongly reinforced. The retailer magazine called 'Rasti Ruutuun' ('Check the Box') was issued three times a year, and the 'Rasti Ruutuun' information release to the salespersons once a month. New service pages available to all salespersons selling Veikkaus' games under the name 'MyyNet' ('SalesNet') were opened on Veikkaus' Web site at the turn of the year. In the future, all the information for the salespersons can be found on the pages of 'MyyNet'.

### **Organisation and support services develop**

Veikkaus' Sales Department is responsible for the developing and functioning of retailer sales. The activities of the Sales Department are divided into the Support Services Units at the headquarters and the sales districts of the Service Points.

There are three Support Units: the Sales Department Office, the Retailer Training Unit and the Chain Marketing Unit, which is also responsible for the production of sales equipment.

In 2000, there were eight Service Points: in Vantaa, Turku, Lahti, Tampere, Kuopio, Vaasa, Oulu and Rovaniemi. The three southern districts were merged in the spring into the District of Southern Finland. At the end of the year it was decided that the districts of Oulu and Rovaniemi will be united into the District of Northern Finland. These reforms enable Veikkaus to support, with all its resources, the sales in the most important market districts. ::

## TECHNOLOGY – POTENTIAL AND THREAT

The huge development of technology and the new media has brought with it both entirely new possibilities and threats. In the future the Internet, the mobile terminals and the digital TV will serve more and more as distribution channels of money games, as well as of other entertainment. At the same time, however, they provide a basis for the competitors' products. Competing money games are already offered, especially through the Internet, and Veikkaus should be able to compete on this market.

### On the Internet since 1996

Veikkaus has a solid basis for the competition on the digital market. It started to offer Internet games December 1996 as the first national lottery in the world. Playing by push button phone was launched at the same time, but its share has remained unimportant. By contrast, a growing number of Veikkaus' customers, especially betters, choose to play through the Internet. The number of Lotto-players on the Net is increasing, as well. The turnover of Internet gaming has doubled yearly, and the end of the year 2000, the weekly sales exceeded EUR 0.7 million.

The OnNet system, on which the Internet gaming is based, is being continuously developed. The planning of new system architecture was started in 2000, the result of which will make it possible to launch new games played solely on the Net, 24-hour gaming, as well as quick-tempo bets during sports events.

### Visions of TV gaming

The digital TV will be the market of the near future, and Veikkaus has charted its possibilities in connection with many research projects, as well as developed its own demos and prototypes to model the gaming transactions. The objective of Veikkaus' strategy for the digital TV is to start interactive gaming activities through the new media as soon as possible after its introduction in the autumn of 2001. Veikkaus has already patented a new electronic instant game, which can be played both on the Internet and the digital TV.

### Possibilities of mobile gaming

Playing via different mobile terminals, made possible by wireless environments, will also be part of everyday-life in the future. The developing of the WAP environment,





**THE POPULARITY OF INTERNET GAMING IS GROWING, RETAILERS STILL THE BACKBONE OF VEIKKAUS**

started in the autumn of 1999, was finalised last year, and WAP gaming began in December, at first as a pilot project by one operator. However, all the important operators will join the game at the beginning of 2001.

**Research and development on several fronts**

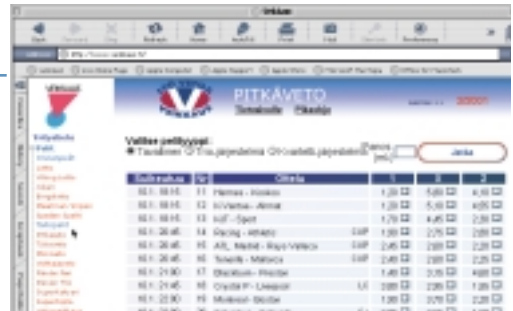
The research and development work related to Veikkaus' games is carried out extensively and on many different sites. The interactive digital media are being studied at e.g. the University of Tampere and the Tampere University of Technology, which established a joint Internet Services professorship with Veikkaus' support in 1999.

The project "Industrial Applications of Multimedia" of the National Technology Agency TEKES, partly financed by Veikkaus, yielded a second patent for Veikkaus. The KULTU project (a consumer research project) is another project by the National Technology Agency, studying, inter alia, the consumers' aptitude to adopt new technologies.

Veikkaus has participated in the national Future TV project, which has considered the possibilities offered by the future digital TV through various demonstrations. All the influential operators in the Finnish media industry have been involved in the project. Veikkaus has played an important practical role in the developing of the practical implementations.

**Play slips, tickets and retailers will continue to exist for a long time**

Although Veikkaus does invest in technology and the new media, it is a fact that the largest part of the company's turnover will continue to come from traditional retailer outlets. This is why Veikkaus made a considerable investment in a new online-gaming system in spring 2000, renewing the central computers. The renewal of the entire system, including retailer terminals, will be carried out in a few years. ::



## VEIKKAUS MARK IN MANY FIELDS

In 2000, Veikkaus' net contribution to the Ministry of Education was EUR 378.6 million. As a so-called savings reserve contribution was added to this sum, the Ministry of Education was able to allocate a total of EUR 382 million of Veikkaus funds to arts, sports, science and youth work.

### Theatrical experiences in a museum

– The Theatre Museum, opened at the Cable Factory Cultural Centre in Helsinki at the end of 1999, has become a popular place for the whole family to visit in their free time. The idea of the museum is based on activity, interaction, experimenting and learning by doing. In the spring of 1999, our museum won the Silmänkääntäjä ("the conjurer") award, which is a prize awarded by theatre professionals, and at the end of 2000, we received the Museum Award of the Council of Europe, says the director of the museum Hanna-Leena Helavuori.

The Theatre Museum is full of props, costumes and other theatrical equipment, which can be touched and tried on. Our museum offers some of the enchantment of the theatre, its activities and excitement.

– Here you can experience what it is like to act, direct, design costumes and sets, or, for instance, to take care of the lighting. However, we have not forgotten about the function of the museum as an institution reminding us of the importance of history and remembering. Our standing exhibition may as well be regarded as a cheerful protest against a lack of history. Even there all the items can be touched. In the multimedia game, you can experiment with different interpretations of the balcony scene in Romeo and Juliet. The jukebox allows you to listen to Finnish actors deliver their lines, and at the Kino Theatre Museum cinema, you can see extracts from Finnish classic plays and the repertoire of our star actors.

You can find more information:  
on the support to arts and culture by the Ministry of Education on the Web site:  
[www.minedu.fi/minedu/culture](http://www.minedu.fi/minedu/culture)  
on the theatre museum on the Web site:  
[www.teatterimuseo.fi/english](http://www.teatterimuseo.fi/english)

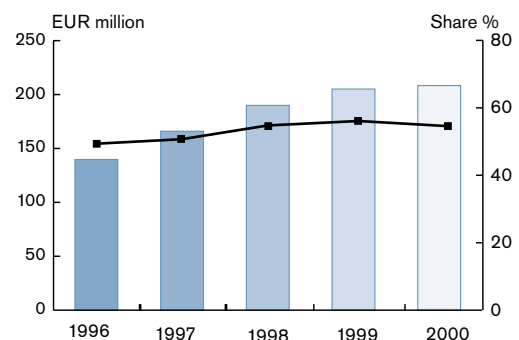


### Arts as a beneficiary

Last year the share of arts and culture of the Veikkaus funds was 54.6%, i.e. EUR 208.3 million. The Ministry of Education allocated a third of this, i.e. EUR 76.3 million, to the municipal libraries, which have been financed with Veikkaus funds instead of tax revenue since 1995.

In addition to this, the Ministry of Education used Veikkaus funds to finance theatres, cinema and photographic art, dance and music, architecture, museum and folklore associations, as well as various national and municipal cultural events, and many other artistic and cultural activities.

Share of Arts of Veikkaus funds  
1996–2000



## Sports as a beneficiary

The share of sports and physical education of the Veikkaus funds was 20.7%, i.e. EUR 79.2 million in 2000. The Ministry of Education allocates funds to e.g. sports associations, training and research of physical exercise, municipal sports activities, and to many other forms of physical education.



### Recreation from infants to senior citizens

– We offer a significant fountain of health, joy and refreshment to both the inhabitants of our municipality and the people from the nearby municipalities, says Tuula Ahokumpu, the director of the spa 'Puikkari' in the town of Pudasjärvi. Puikkari spa, opened two years ago, offers facilities for a diversity of activities. It combines in an excellent way the features of a public swimming pool and a spa. Moreover, the spa has a gym, multipurpose and conference facilities, as well as a private physical therapy.

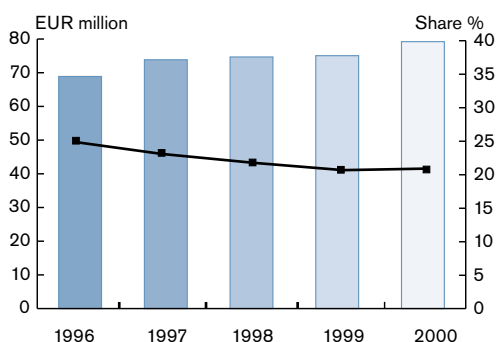
– Our customers represent all age groups, and the activities range from infant swimming to hydro-gymnastics to veterans, from guided rehabilitation to hydrobics, from swimming courses to gym training, from scuba diving to canoeing.

Puikkari, together with the library and the indoor sports centre, provide essential services in the sparsely populated countryside. The spa has been well received by its customers.

– In the feedback, we have been thanked for being clean and cosy and for offering high-quality services, as well as for having a friendly, competent and customer-service oriented staff, says Tuula Ahokumpu.

You can find more information:  
on the support to sports and physical education by the Ministry of Education on the Web site: [www.minedu.fi/minedu/sports](http://www.minedu.fi/minedu/sports)  
on Finnish sports and physical education on the Web site: [www.sport.jyu](http://www.sport.jyu)  
on Puikkari spa on the Web site [www.pudasjarvi.fi/kunta/puikkari](http://www.pudasjarvi.fi/kunta/puikkari)

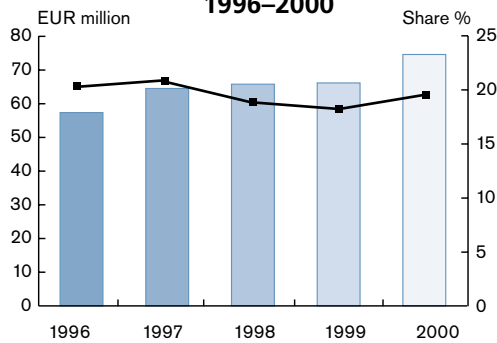
Share of Sports of Veikkaus funds  
1996–2000



### Science as a beneficiary

In 2000 the Ministry of Education allocated 19.6%, i.e. EUR 74.6 million of the Veikkaus funds to science. The largest share of the funds went to the Academy of Finland, which, in turn, allocates them to various research projects and to the promotion of scientific research. Financial support is also granted to the activities of various research centres and institutes, as well as scientific organisations and associations. Archives and scientific museums also receive their part of the funds.

Share of Science of Veikkaus funds  
1996–2000



### From archaeology to space research

The Academy of Finland is an expertise organisation in the field of research funding, with a task of promoting high-level scientific research. All scientific branches receive funds, from archaeology to space research. Roughly a third of the support allocated by the Academy comes from the Veikkaus funds.

A good example of research financed by the Academy of Finland is the SYREENI programme. It focuses on the study of marginalisation, inequality and ethnic relations in Finland.

– This research programme responds to social needs and its objective is to produce background information for decision-making, says Programme Director Vesa Puuronen from the University of Joensuu, one of the universities involved in the SYREENI programme.

The Academy supports the programme with EUR 4.3 million. There are 21 research projects with a total of some 60 researchers.

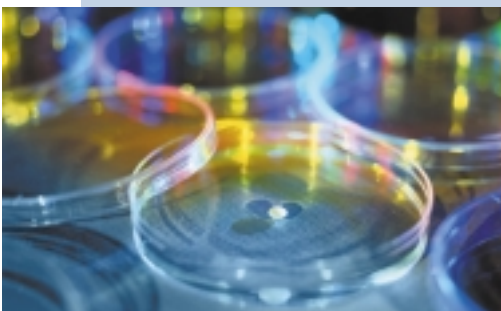
– Most of the researchers are in researcher training, says Puuronen.

You can find more information:

on the support to science by the Ministry of Education on the Web site: [www.minedu.fi/minedu/recearts](http://www.minedu.fi/minedu/recearts)

on the Academy of Finland on the Web site: [www.aka.fi](http://www.aka.fi)

on the SYREENI programme on the Web site [www.joensuu.fi/syreeni](http://www.joensuu.fi/syreeni)



## Youth work as a beneficiary

The share of youth work of the Veikkaus funds was 5.1%, i.e. EUR 19.6 million in 2000. Financial support was given, inter alia, to various citizens' organisations, municipal youth work, national youth centres, research and education, as well as Finnish and international youth projects. Since 1999, the after-school activities of school children have also been funded with Veikkaus funds. Last year, these youth club activities received EUR 0.8 million, which is over four per cent of the entire sum allocated to youth activities.

### Allianssi – aid, info, action

Finnish Youth co-operation Allianssi is a national service and action organisation, forty per cent of whose activities are financed with Veikkaus funds. Nearly all national youth and education organisations are members of Allianssi.

– Besides supporting the youth activities of its members, Allianssi offers services for both youngsters and youth workers, says the chair of the organisation Teemu Japissou.

Allianssi has a Youth Policy Library, which is the most extensive in the Nordic countries – it contains 5,000 volumes and thousands of articles. Searches and borrowing take place via the Internet.

– We also have a popular service Web site Allison, which offers information for the youth in the different situations of their lives.

Moreover, Allianssi issues the so-called Herkules youth card, with which people under 26 have access to discounts, information and services in over 20,000 places in 30 European countries. Allianssi also arranges opportunities to work abroad.

– An important part of our activities is the training and supporting of youth workers. We do this by, among other things, publishing Nuorisotyö (Youth Work) magazine eight times a year, arranging seminars and organising an Allianssi Cruise, says Teemu Japissou.

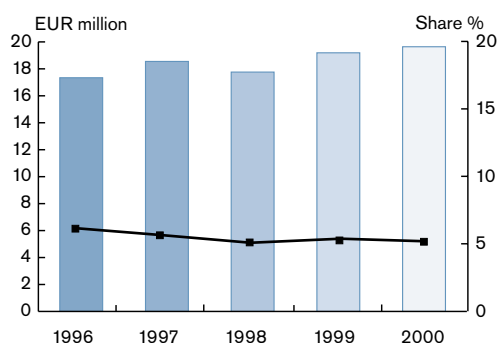
You can find more information:

on the support to youth work by the Ministry of Education on the Web site: [www.minedu.fi/minedu/youth](http://www.minedu.fi/minedu/youth)

on Allianssi on the Web site: [www.alli.fi](http://www.alli.fi)



Share of Youth work of Veikkaus funds  
1996–2000



**IN ITS 60TH YEAR  
OF OPERATIONS,  
VEIKKAUS ACHIEVED  
THE GREATEST TURNOVER  
OF ITS HISTORY**

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## THE BOARD OF DIRECTORS' REVIEW OF OPERATIONS IN 2000

Year 2000 was the 60th year of the operations of Oy Veikkaus Ab. During the jubilee year, Veikkaus achieved the highest turnover of its history, EUR 1.082.7 million, i.e. EUR 73.2 million (7.2%) more than the year before.

The other key ratios were higher than in 1999. The gross margin of sales of EUR 425.0 million exceeded that of the previous year by 9.4%, while the operating profit grew by 10.1%, and the net profit before appropriations increased by 9.5% compared to 1999.

Veikkaus was able to return to the Ministry of Education the target sum of EUR 378.6 million as the financial statement policies were changed and the investment reserve of EUR 11.8 million was liquidated and included in the profit of the financial year. When the lottery tax paid by the company is taken into account in addition to the proceeds returned to the Ministry of Education, Veikkaus' money games produced a total of EUR 432.8 million to society.

The composition of the Board of Directors was changed during the year under review so that the current Chairman of the Boards, as well as the majority of the Board members are not members of the operative management of the company. In the spring, the Board of Directors launched the "Veikkaus 2005" strategy project, which was completed during the year. Measures to implement the strategy were taken immediately, but a major part of the implementation work will take place in 2001.

The so-called fixed match trial cast its shadow over the year under review. Veikkaus was the plaintiff in this procedure. According to the charges, some of the matches of Finnish baseball on round 33 in 1998 were fixed, and the persons involved in the fixing of the results had played Veikkaus' Fixed Odds Betting. The district court of Vantaa is expected to rule on the case in the spring of 2001.

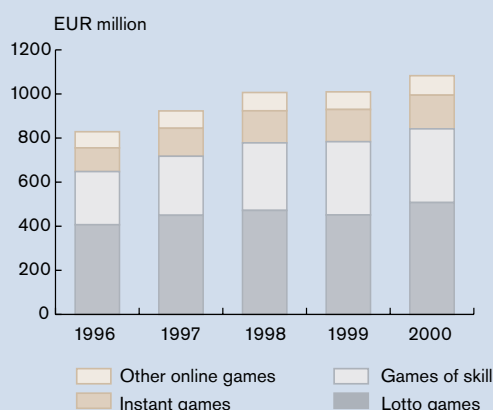
Another significant question from the point of view of the task of Veikkaus was the dispute between the Finnish State and PAF, the gaming operator from the islands of Åland over the illegal marketing of games in the Finnish mainland. The Ministry for the Interior has asked the Supreme Court to make a statement on the matter.

The Lottery Act reform, begun in 1995, was still being considered in Parliament at the end of 2000.

### Turnover by game groups

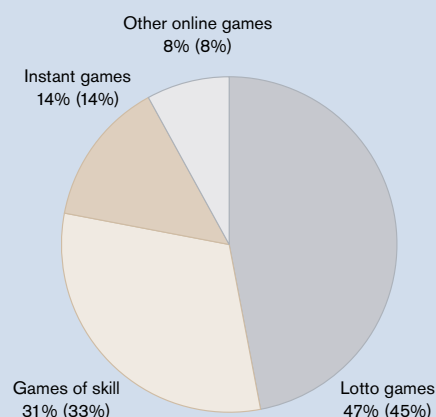
Oy Veikkaus Ab had 17 games in 2000 – six games of chance, six games of skill and five instant games. In addition to these, the selection included two seasonal theme instants. The turnover grew in all product groups.

Turnover by game group 1996–2000 (EUR million)



The turnover from lotto games grew the most in the year under review – EUR 56.3 million (12.5%). The second biggest growth was seen in the group of other games of chance, EUR 8.1 million (10.1%). The turnover from instant games exceeded that of the previous year by EUR 6.7 million (4.6%), while the games of skill grew by EUR 2.1 million (0.6%).

Share of turnover by game group in 2000 (the percentages of 1999 in brackets)



The share of lotto games has grown since 1999 by two percentage units, whereas that of the games of skill shows a respective decrease.

The rest of the proceeds, EUR 7.6 million, came from the subscriptions, single-copy sales and advertising income of the Veikkaaja magazine (EUR 6.4 million) and from other sources of income (EUR 1.1 million).



## Expenses

The prize payout to players amounted to a total of EUR 504.5 million, which was EUR 26.3 million (5.5%) more than in 1999. The retailer commissions were EUR 77.2 million, the expenses involved in the draws and result information were EUR 5.6 million, and EUR 8.8 million was spent on game event co-operation. The personnel expenses of EUR 15.1 increased by EUR 0.6 million (4.3%) compared to the previous year. The share of play slips, tickets and receipt rolls of the material costs was EUR 7.5 million. The costs of product advertising, EUR 11.6 million were 1.1% of the games turnover. The invariable costs totalled EUR 28.8 million, exceeding those of the previous year by EUR 1.7 million.

## Research and product development

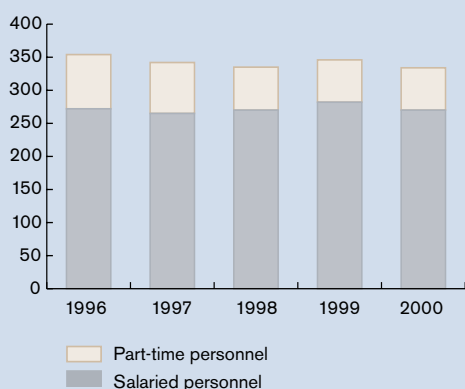
The structural change of society, the growing competition, as well as the vast development of technology and the new media, call for efficient research and product development. At the end of the year under review, Veikkaus launched WAP gaming through one operator. In 2001, the operations will be extended to all operators. Veikkaus' preliminary strategy of digital TV was also completed in 2000. This strategy can be regarded as a basis for the digital TV operations that will be introduced in the autumn of 2001. Veikkaus' consumer research has equally centred on WAP technology, digital TV and interactive services.

In 2000 Veikkaus conducted product development and research with EUR 3.6 million, i.e. 0.33% of the turnover.

## Personnel

At the end of 2000, Veikkaus had 270 regular salaried and 64 part-time employees. The number of personnel was 334, which is 12 fewer employees than the year before.

Number of personnel 1996–2000



During the year under review, eighteen new employees were hired, seventeen employees left the company, eight were retired and the contract of five employees ended otherwise.

## Investments

The total investments of the company were EUR 8.4 million. The biggest acquisitions were related to the reform of the online system, which took EUR 2.1 million. The reform of the Internet system OnNet cost EUR 2.1 million. Back-up software for the games operations was renewed with EUR 1.3 million, and other software was purchased with EUR 0.4 million. Office equipment was acquired with EUR 1.3 and real estates were renovated with EUR 0.2 million.

## The group

Oy Veikkaus Ab owns the entire share capital of Veikkaus Trading Oy. The capital of Veikkaus Trading Oy was EUR 37,671.59 on 31 December 2000. The company had no actual operations in 2000, and since the profit of Veikkaus Trading Oy does not affect the distribution of Veikkaus' profits, the consolidation normally imposed on Group companies has not been conducted, nor has a separate consolidated financial statement been drafted.

## Future prospects

Veikkaus accepted its strategy plan in the autumn of 2000. The drafting of sub-strategies and their implementation is scheduled to take place in 2001. Veikkaus has two core points of emphasis: the well-functioning retailer network and the present sphere of products on the one hand, and opportunities offered by the new technologies and changing entertainment world on the other. An essential objective for an expert organisation like Veikkaus is to secure its own competence. The new salary and bonus systems will be introduced in 2001. The company's own competence will be enhanced by a closer co-operation and alliances with, inter alia, content providers, the media, IT companies, as well as with customer service companies essential for Veikkaus.

## The Board of Directors' proposal on the distribution of profits

The Board of Directors propose that the profit for the financial year from 1 January 2000 to 31 December 2000, EUR 378,635,153.02, be returned integrally to the Ministry of Education in accordance with section 12 of the provisions of the Licence. ::

## SOURCE AND APPLICATION OF FUNDS

31 December 2000 (t€)

	2000	1999
<b>Source of funds</b>		
Net profit	378,635	365,507
Depreciations	13,324	11,884
Change in depreciation reserve	-10,496	-3,467
Change in provisions and contingency fund	-908	-28,272
	<u>380,555</u>	<u>345,652</u>
Change in liabilities	1,855	4,058
	<u><b>382,410 t€</b></u>	<u><b>349,710 t€</b></u>
<b>Application of funds</b>		
Change in current assets	10,788	-5,005
Investments (net)	6,115	6,550
Handing over of surplus	365,507	348,165
	<u><b>382,410 t€</b></u>	<u><b>349,710 t€</b></u>

# INCOME STATEMENT

January 1 – 31 December 2000 and January 1 – 31 December 1999 (t€)

	2000	1999
<b>Turnover</b>	<b>1,082,702</b>	<b>1,009,535</b>
Other operating income		
Income from publishing	6,447	5,900
Other income	1,112	765
	-----	-----
Prizes and lottery taxes	558,656	528,749
Raw materials and services		
Commissions	77,185	72,348
Coupons and lottery tickets	7,501	6,780
Costs involved in drawing and result information	5,578	4,790
Game event cooperation	8,757	8,372
Product advertising	11,629	11,030
Communications	278	814
Publishing expenses	5,002	4,722
	-----	-----
	415,675	378,594
Personnel expenses		
Wages and salaries	11,667	10,940
Indirect employee costs		
Pension expenses	2,566	2,637
Other indirect employee costs	894	930
	-----	-----
	15,127	14,507
Depreciation, amortizations and write-downs		
Depreciation according to plan	13,324	11,884
Other operating expenses	23,532	21,579
	-----	-----
<b>Operating profit</b>	<b>363,691</b>	<b>330,624</b>
Financial income and expenses		
Interest income and other financial income	3,692	3,203
Interest expenses and other financial expenses	111	30
	-----	-----
<b>Profit before extraordinary items</b>	<b>367,272</b>	<b>333,797</b>
Extraordinary items		
Extraordinary income		1,682
	-----	-----
<b>Profit before appropriations and taxes</b>	<b>367,272</b>	<b>335,479</b>
Appropriations		
Change in depreciation reserve	10,496	3,467
Change in untaxed reserves	11,840	572
Change in contingency fund	10,932	27,162
Direct taxes	41	30
	-----	-----
<b>Net profit for the financial year</b>	<b>378,635 t€</b>	<b>365,507 t€</b>

## BALANCE SHEETS

31 December 2000 and 31 December 1999 (t€)

	2000		1999	
<b>Assets</b>				
<b>Non-current Assets</b>				
Intangible assets				
Computer software		9,934		8,242
Tangible assets				
Land and waters	1,186		1,186	
Buildings and constructions	13,408		13,838	
Machinery and equipment	7,248	21,842	13,526	28,550
Investments				
Shares and holdings		6,663		8,856
Advance payments and investments in progress				
<b>Current Assets</b>				
Advance payments		357,645		344,561
Receivables				
Sales receivables	13,591		16,414	
Accrued income	2,836		1,796	
Other receivables	1,004	17,430	803	19,013
Cash in hand and at banks		80,824		81,537
		<b>494,338 t€</b>		<b>490,759 t€</b>
<b>Liabilities</b>				
<b>Shareholders Equity</b>				
Subscribed capital	168		168	
Legal reserve	278		278	
Contingency fund	11,773		841	
Building fund	3,868	16,087	3,868	5,155
Retained earnings				
Net profit for the financial year	378,635	378,635	365,507	365,507
<b>Appropriations</b>				
Depreciation differences	22,471		32,967	
Voluntary reserves		22,471	11,840	44,807
<b>Provisions</b>				
<b>Share Capital</b>				
Advances received				
Advances received from multi-week subscriptions		7,431		15,063
Trade payable		3,236		3,915
Other creditors				
Winnings payable	25,188		20,233	
Settlement debts to the state	10,366	35,554	9,199	29,432
Accruals and deferred income		18,911		11,721
Other short-term liabilities		12,013		15,158
		<b>494,338 t€</b>		<b>490,759 t€</b>

## SPECIFICATION OF TURNOVER PER GAME

(t€)

	2000		1999	
	Turnover (t€)	Share of turnover %	Turnover (t€)	Share of turnover %
Lotto	449,617	41.5	400,648	39.7
Viking Lotto	57,746	5.3	50,434	5.0
Joker	71,402	6.6	64,361	6.4
Spedes TV Games	12,189	1.1	12,754	1.3
Maailman Ympäri (Around the World)	3,131	0.3	–	–
Bingolotto	1,424	0.1	2,966	0.3
Football Pools	56,451	5.2	54,746	5.4
V65 Off-track Horse Betting	32,226	3.0	31,713	3.1
V5 Off-track Horse Betting	26,065	2.4	25,498	2.5
Fixed Odds Betting	77,609	7.2	89,636	8.9
Result Odds Betting	118,058	10.9	108,106	10.7
Winner Odds Betting	24,022	2.2	22,654	2.2
Ässä instant	59,513	5.5	53,392	5.3
Casino instant	69,767	6.4	66,578	6.6
Luontoarpa (Nature) instant	6,610	0.6	6,795	0.7
Afrikan Tähti (African Star) instant	7,025	0.6	14,553	1.4
Special Theme Instants	9,846	0.9	4,701	0.5
<b>Total</b>	<b>1,082,702</b>	<b>100.0</b>	<b>1,009,535</b>	<b>100.0</b>

## KEY RATIO COMPARISON

1999–2000 (EUR million)

	2000	1999	difference	difference %
<b>Turnover</b>	<b>1082.7</b>	<b>1009.5</b>	<b>+73.2</b>	<b>+7.2</b>
Commissions	77.2	72.4		
Prizes	504.5	478.3		
Lottery taxes	54.1	50.5		
Play slips, tickets and receipt rolls	7.5	6.7		
Other variable costs	14.3	13.2		
<b>Gross margin of sales</b>	<b>425.0</b>	<b>388.5</b>	<b>+36.5</b>	<b>+9.4</b>
Personnel expenses	15.1	14.5		
Rents and leases	0.3	0.5		
Other fixed costs	32.6	31		
<b>Operating profit before depreciations</b>	<b>377.0</b>	<b>342.5</b>	<b>+34.5</b>	<b>+10.1</b>
Depreciations	13.3	11.9		
<b>Operating profit</b>	<b>363.7</b>	<b>330.6</b>	<b>+33.1</b>	<b>+10</b>
Financial income and expences	3.6	3.2		
<b>Profit before extraordinary items</b>	<b>367.3</b>	<b>333.8</b>	<b>+33.5</b>	<b>+10</b>
Extraordinary income and expences	–	1.7		
<b>Profit before appropriations and taxes</b>	<b>367.3</b>	<b>335.5</b>	<b>+31.8</b>	<b>+9.5</b>
Change in depreciation differences and reserve	22.3	2.9		
Taxes	0.03	0.03		
<b>Profit before contingency fund transfers</b>	<b>389.6</b>	<b>338.3</b>	<b>+51.2</b>	<b>+15.1</b>
Change in contingency fund	10.9	27.2		
<b>Net profit</b>	<b>378.6</b>	<b>365.5</b>	<b>+13.1</b>	<b>+3.6</b>

## DEPRECIATIONS ACCORDING TO PLAN

year 2000 and 1999 (t€)

	2000	1999
Buildings and constructions	666	641
Machines and equipment	12,658	11,243
	<u>13,324 t€</u>	<u>11,884 t€</u>

## DEPRECIATION DIFFERENCES

Buildings and constructions	10,231	10,357
Machines and equipment	8,599	18,618
Permanent fixed assets	3,640	3,992
	<u>22,471 t€</u>	<u>32,967 t€</u>

## CHANGE IN DEPRECIATION RESERVE

Changes in depreciation reserve in the Balance Sheets		
Change in depreciation reserve 1 January 2000		32,967
Adjustment of planned depreciations covered by investment reserve		-10,496

**Change in depreciation differences in the Balance Sheets 31 December 2000** **22,471 t€**

Changes in Oy Veikkaus' depreciation differences equal the difference of planned depreciations and the depreciations covered with the investment reserve.

Depreciations according to plan are calculated as straightline depreciations from the original acquisition price according to the economic lifespan of fixed assets.

Planned depreciation periods	
Buildings and constructions	25 years
Machinery, equipment and fittings of real estates	5 years
Other machinery and equipment	4 years
Computer software and equipment	4 years

## FINANCIAL INCOME AND EXPENSES

	2000	1999
Income from dividends	153	126
Interest income		
from long-term investments	320	320
from short-term investments	3,085	2,723
Other financial income	118	19
Foreign exchange profit or loss	- 109	- 27
Interest expenses	- 2	- 3
Income of the financial services office	15	15
	<u>3,581 t€</u>	<u>3,173 t€</u>

## PERSONNEL EXPENSES

year 2000 and 1999 (t€)

	2000	1999
Wages	11,667	10,940
Pension expenses	2,566	2,637
Other indirect employee costs	894	930
	<u>15,127 t€</u>	<u>14,507 t€</u>

Salaries and remunerations to the Managing Director,  
Board of Directors and Supervisory Board

386 t€

298 t€

Members of the management whose employment with the company began before 1 January 1994 retire at the age of 63. Other pension benefits comply with the general benefits specified in the Employments Pensions Act and are covered through a pension insurance company.

## FIXED ASSETS, DEPRECIATION DIFFERENCES AND DEPRECIATIONS

31 December 1999

### Buildings and constructions

	Vantaa	Kirkkonummi	Lottomaja
Acquisition costs 1 Jan 2000	15,556	1,577	624
Increase 1 Jan–31 Dec 2000	33	178	25
Decrease 1 Jan–31 Dec 2000	–	–	–
Acquisition costs 31 Dec 2000	<u>15,589</u>	<u>1,755</u>	<u>650</u>
Accumulated depreciations 1 Jan 2000	3,371	321	227
Depreciation for the financial year	588	58	20
Accumulated planned depreciations 31 Dec 2000	<u>3,960</u>	<u>378</u>	<u>247</u>
<b>Book value 31 Dec 2000</b>	<u><b>11,629 t€</b></u>	<u><b>1,377 t€</b></u>	<u><b>403 t€</b></u>

### Machinery and equipment

	Stationery machinery	Office equipment, furniture and equipment	Computer and fixture software
Acquisition costs 1 Jan 2000	1,305	37,239	17,528
Increase 1 Jan–31 Dec 2000	203	1,418	5,930
Decrease 1 Jan–31 Dec 2000	–	–12	–
Acquisition costs 31 Dec 2000	<u>1,508</u>	<u>38,645</u>	<u>23,459</u>
Accumulated depreciations 1 Jan 2000	799	25,051	9,286
Depreciation for the financial year	233	7,961	4,239
Accumulated planned depreciations 31 Dec 2000	<u>1,033</u>	<u>33,012</u>	<u>13,525</u>
<b>Book value 31 Dec 2000</b>	<u><b>476 t€</b></u>	<u><b>5,632 t€</b></u>	<u><b>9,934 t€</b></u>

	Company cars	Art works
Acquisition costs 1 Jan 2000	1,105	516
Increase 1 Jan–31 Dec 2000	546	17
Decrease 1 Jan–31 Dec 2000	–31	–
Acquisition costs 31 Dec 2000	<u>1,620</u>	<u>533</u>
Accumulated depreciations 1 Jan 2000	789	–
Depreciation for the financial year	225	–
Accumulated planned depreciations 31 Dec 2000	<u>1,014</u>	<u>–</u>
<b>Book value 31 Dec 2000</b>	<u><b>606 t€</b></u>	<u><b>533 t€</b></u>

## REVALUATION

The land and buildings sector contains a revaluation of EUR 167,347 for the real estate of the company's Vantaa offices.

## INVESTMENTS

1 January – 31 December 2000 (t€)

Software		
OnNet	2,069	
Online	2,102	
Others	1,766	5,937
	<u>          </u>	
ADP appliances		
OnNet	101	
Online	0	
Others	757	
	<u>          </u>	
Office equipments	555	1,413
	<u>          </u>	
Real Estate		
Basic improvements	235	
Machinery, equipment, fittings	202	437
Company cars		538
	<u>          </u>	
Stocks		84
Works of Arts		17
<b>Total</b>		<u>8,426 t€</u>

## SHARES AND HOLDINGS

31 December 2000 (t€)

		Book value	Market value
Subsidiaries			
Oy Veikkaus Trading Oy	100%	34	
		<u>34 t€</u>	
Shares in telephones and telephone companies	49	21	
Shares in real estate and housing corporations	20,146	5,809	
Other shares	2,302	436	
	<u>          </u>	<u>6,267 t€</u>	
Listed shares			
Elisa Communications Oyj	13,386	35	299
Tampereen Puhelin Oyj	4,250	8	19
Alma Media Oyj	91,300	313	1,761
Rautakirja Oyj	11,232	6	473
	<u>          </u>	<u>363 t€</u>	<u>2,551 t€</u>
		<u>6,663 t€</u>	

Shares and holdings has been bought EUR 84,107.31 and sold with EUR 2,277,010.80 in 2000.

Veikkaus had only short-term receivables and liabilities in 2000.

Securities included short-term deposit certificates and one obligation of the state of Finland of EUR 3,36 million.

## EQUITY AND CHANGES IN SHAREHOLDER'S EQUITY

in 2000 (t€)

### Restricted equity

#### Share capital

Reserve funds		168
Reserve fund I	252	
Reserve fund II	25	278
	<u>          </u>	

#### Other equity

Contingency fund 1 January 2000	841	
Increased in 2000	10,932	
Contingency fund 31 December 2000	11,773	
Building fund 31 December 2000	3,868	15,641
	<u>          </u>	
Proceeds 1 January 2000	365,507	
Contribution to the Ministry of Education	365,507	
Net profit for the financial year	378,635	378,635
	<u>          </u>	<u>394,722 t€</u>



## CHANGE IN CONTINGENCY FUND AND INVESTMENT RESERVE

in 2000 (t€)

Contingency fund 1 January 2000	841
Increase of contingency fund	10,932
Contingency fund 31 December 2000	11,773
Investment reserve 1 January 2000	11,840
Decrease of investment reserve	-11,840
Investment reserve 31 December 2000	0
<b>Change in contingency fund and provisions in 2000</b>	<b>908 t€</b>

The investment reserve of EUR 11,8 million in the balance of 1 January 2000 was liquidated and included in the profit.

## CONTINGENT LIABILITIES

31 December 2000

### Guarantees

Given on behalf of others

5 t€

## BOARD OF DIRECTORS OF OY VEIKKAUS AB

Vantaa, 13 February 2001



Juha Niemelä



Markku Linna



Matti Ahde



Pentti Hakkarainen



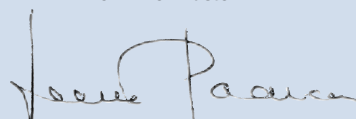
Jussi Isotalo



Heikki Lehmusto



Heikki Niskakangas



Leena Paananen

A report on the audit has been given today. The financial statements have been prepared in accordance with generally accepted accounting principles.

Vantaa, 13 February 2001



Osmo Valtonen  
Certified Accountant



Pentti Savolainen  
Authorised Public Accountant

## DIVIDING PRINCIPLES APPLIED IN PREPARATION OF FINANCIAL STATEMENT

### Dividing of turnover

The sales of Veikkaus' games are divided into turnover periods by drawing dates. The sales of a total of EUR 12.5 million from round 52 of 1999 were recorded in the turnover of 2000. The actual draw of round 52 was held on 30 December 2000. The turnover of 2000 therefore includes the turnover of the games of round 52/00 whose results were either complete or whose drawing was held on 31 December 2000 at the latest. These include the completed games of Fixed Odds Betting (EUR 0.4 million), Result Odds Betting (EUR 1.1 million) and Winner Odds Betting (EUR 0.2 million).

### Dividing of expenses

The purchase invoices of 2000 received by 15 January 2001 were entered in the respective accounts and cost pools. An expense reserve was established for invoices that had not been received by then.

The dividing of holiday pay and insurance premiums was reviewed.

A reserve fund was established for bonuses.

The non-received receivables of EUR 5,046 from retail accounting and failed collection, as well as bad debts of EUR 21,864 have been recorded as expenses.

The expenses of research and product development were EUR 3.6 million, of which EUR 0.4 million have been recorded as costs of the financial year.

### Dividing of the investment reserve

The investment reserve of EUR 11.8 million for the acquisition of equipment, installations and software in the balance sheet of 31 December 1999 was liquidated and included into the net profit of the financial year.

### Change in the contingency fund

On 1 January 2000, the contingency fund was EUR 0.8 million. In accordance with the decision of the General meeting, EUR 10.9 million from the profit of 2000 was transferred to the fund. The contingency fund stood at EUR 11.8 million on 31 December 2000. ::

## AUDITORS' REPORT

### To the shareholders of Oy Veikkaus Ab

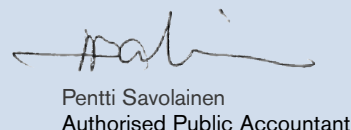
We have audited the accounts, the accounting record and the administration of Oy Veikkaus Ab for the financial year 1 January to 31 December 2000. The financial statements prepared by the Board of Directors and the Managing Director include a report on operations, an income statement, a balance sheet and notes to the financial statements. Based on our audit, we give our opinion on the financial statements and administration.

We have conducted the audit with the Finnish Generally Accepted Auditing Standards. Those standards require that we examine the accounting record and the preparation principles, the contents and the presentation of the financial statements to an extent sufficient to obtain reasonable assurance on whether the financial statements are free of material misstatement or deficiencies. The purpose of our audit of company administration has been to ensure that the Board of Directors and the Managing Director have complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparations of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of the company's result of operations, as well as its financial position. The financial statements can be approved, and the members of the Board of Directors and Supervisory Board, and the Managing Director can be discharged from liability for the period audited by us. The proposal of the Board of Directors on the distribution of profit for the year is in compliance with the Companies Act.

Vantaa, 13 February 2001

  
Osmo Valtonen  
Certified Accountant

  
Pentti Savolainen  
Authorised Public Accountant

## LIST OF ACCOUNTING BOOKS

The actual accounting books are

Balance sheet book, one bound for each fiscal period

Notes to the balance sheet, one bound book for each fiscal period

General ledger for each month, printed on continuous stationery

Journal for each month, printed on continuous stationery

Accounts payable and receivable of retail agents for each round, printed on continuous stationery

Payroll accounting as payroll per wage period

Cash accounting books and bank journals for each day, printed on continuous stationery





 **VEIKKAUS**

*Suomalainen voittaa aina*

[www.veikkaus.fi](http://www.veikkaus.fi)