

CSR REPORT AND ANNUAL REPORT 2011



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VEIKKAUS 2011-2012

Joy for life to players and beneficiaries alike

Veikkaus generates broad-ranging value to Finnish society by operating games reliably and responsibly. Our new brand promise Joy for Life conveys the joy, excitement, and dreaming associated with games. It also reflects the joy Veikkaus funds offer to our beneficiaries, and the responsibility of gaming.

Finns consider it important that the total proceeds from gaming are used to benefit Finns. The term "socially responsible" was found the most suitable to describe Veikkaus (Finnish market research company Taloustutkimus 2011).

Veikkaus' values:



FOR THE
COMMON GOOD

For the common good:

Veikkaus produces broad-ranging value for Finns. Veikkaus gives Finns the chance to participate in the creation of the common good by playing securely and reliably. We also offer Finns the opportunity to work towards the common good. Veikkaus indirectly employs tens of thousands of Finns.



RESPONSIBLY

Responsibly

CSR is at the very heart of Veikkaus' strategy and actions in practice. Our customers must be able to rely on us one hundred percent. Being responsible for our operations to society, we shall report on our operations widely and openly.



RELIABLY

Reliably

Veikkaus employees can rely on each other under any circumstances. Reliable operations also involve open interaction. Customers can always have confidence in the games Veikkaus offers.



CREATIVELY

Creatively

Veikkaus wants its games, services and way of working to reflect creativity and enjoyment. The personnel are also encouraged to be innovative.

Case:

Over one hundred million prizes

For the first time in Veikkaus' history, over one hundred million prizes were paid out to players in 2011. Thus, our players got to enjoy almost 300,000 prizes on the average every day, representing a growth of 5% over the year before. In euros, Veikkaus' customers received a total of EUR 961 million (+8.2%).

In 2011, our beneficiaries were supported with over half a billion euros of Veikkaus' proceeds, i.e. almost ten million euros a week.

To goals through strategies

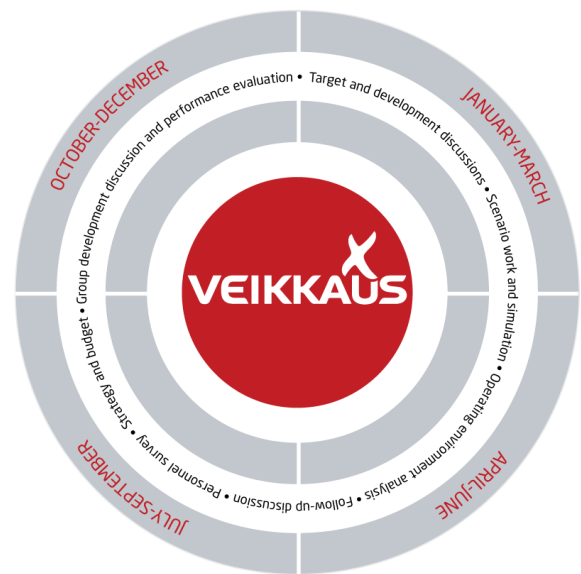
Veikkaus wants to continue to be a successful pioneer in its industry. Veikkaus' chosen strategy ensures that the company will achieve its goals by operating efficiently, reliably and responsibly

Veikkaus' strategy covers five sub-strategies: business, operating environment, development, service and personnel.

- Veikkaus' business strategy aims to ensure profitable operations in a changing operating environment.
- The operating environment strategy seeks to influence Veikkaus' long-term capacity to operate.
- The internationalization strategy aims at new business opportunities outside of the European Economic Area and promotes the importing of international game concepts to Finland.
- The target of the service strategy is to ensure high quality and user friendly gaming experiences and game transactions to customers.
- In the internal operations, Veikkaus' personnel strategy seeks to create an excellent workplace.

In order to develop operations and implement its business strategy, Veikkaus has defined three essential core processes: the service process, the product development process and the steering process. These three core processes will ensure that Veikkaus' operations take a customer-oriented approach and meet customers' needs. Besides the core processes, Veikkaus also has support processes to ensure that the core processes can operate.

Veikkaus' annual strategic schedule



Veikkaus' process map



The world's leading lottery in 2013

Mission

Veikkaus produces broad-ranging value for Finnish society by organising gaming reliably and responsibly.

Vision 2013

In 2013, Veikkaus will be the world's leading lottery. Veikkaus' success in realising this vision will be measured using the following objectives:

- Veikkaus organises gaming responsibly and reliably, and channels Finnish gaming.

Veikkaus has secured society's support and acceptance for its operations.

- Veikkaus is managed and developed in a way that ensures high esteem for the company. The company is further developed to become the leader in its industry.
- Veikkaus offers its personnel a challenging and meaningful working environment in which services targeted at consumers are developed and produced.

3. Valio
4. Kone
5. **Veikkaus**
6. Nokian Tyres
7. Nokia
8. S-Group
9. Tikkurila
10. Atria

The list is based on a survey carried out by Reputation Institute between January and February 2011, with nearly 2,000 Finns as respondents giving their opinions about 65 Finnish companies.

Case:

The most renowned Finnish companies 2011

1. Fazer
2. Fiskars

Customer-oriented and responsible operations

Veikkaus attained a turnover of EUR 1,792 million in 2011, the highest in the company's history. The turnover grew by EUR 102.8 million (+6.1%) over the previous year. The growth was fastest in internet gaming (+21.2%). The profit for the financial year amounted to EUR 514.0 million, which was 2% more than in 2010.

Veikkaus wants to make responsible choices in its business operations. The company aims at increasing regular gaming with small stakes, instead of attracting big-time players. This way, gaming is distributed more evenly between the different customer segments. In fact, Veikkaus succeeded well in its last year's target, which was to increase the number of both registered players and the number of customers playing regularly.

Veikkaus customers were offered many interesting reforms in 2011, including higher jackpots in Lotto and the revamp of the instant game family. Veikkaus also launched new chances to purchase games by introducing game sales at the market checkout counters. Towards the end of the year, Veikkaus released news about the new international Eurojackpot game offering prizes of tens of millions euros, to be launched in spring 2012. Veikkaus also worked actively in 2011 to explore new business opportunities outside of the European economic area.

Economic responsibility - objectives and achievements

Ambitious objectives as guidelines

Veikkaus attained an operating profit of EUR 510.3 million in 2011. Even if this meant a growth of EUR 8.9 million over the previous year, the result fell three percent

short of the objective for the financial year (EUR 524.7 million). The first half of the year did not fulfill the sales expectations, since we did not manage to improve customer activity as planned. Towards the end of the year the sales trended strongly upwards, as marketing and product reforms enhanced customer activity.

The total expenses objective was set at a maximum of 21.8% of the gross margin. The rate describing cost-effectiveness was 21.75% in 2011; in other words, the objective was attained. Veikkaus boasts clearly better figures in cost-effectiveness than the other Nordic lotteries. The comparison is based on 2010 figures, since the figures for 2011 are not yet available.

In 2011 Veikkaus attained the return objective set by its owner. Veikkaus returned a total of EUR 469.6 million to the State to be further allocated to the Finnish arts, sports, science, and youth work.

Social responsibility - objectives and achievements

Identified gaming increased

The share of identified, i.e. registered gaming went up from 43.7% to 47.6% in 2011, which is a commendable result. Veikkaus started a guided Veikkaus Card inquiry in its POS. The automatic inquiry realized through game terminals did not help Veikkaus to attain the very ambitious objective of 51.9 percent of registered gaming transactions.

The number and use of loyal customer cards is at a very high level in Finland in general. However, all consumers are not interested in becoming loyal customers. Since the

introduction of Veikkaus Card (2006), registered gaming has increased at a fast pace every year. We are currently entering a more moderate trend. During the year under review, the focus was also shifted slightly towards improving services for existing loyal customers.

Responsibility diagnostics developed

Increasing and developing games with high event frequency in the Game Arcade on veikkaus.fi supported Veikkaus' mission in the channelling of gaming very well, providing a domestic alternative to foreign offerings. The high gaming volumes often associated with games with high event frequency materialized as growth in the parameters reflecting concentration in the customer base's gaming. During the year under review, the diagnostic parameters describing responsibility were developed actively. In 2012, even more effective diagnostics will be implemented by using the player behaviour profiles in the customer base, together with new diagnostic resources.

Veikkaus interests as a brand

The investments we made in combining brand attraction and responsibility during the year under review were successful, and Veikkaus' brand image experienced an upward trend. The attributes measuring consumers' experiences about Veikkaus' brand image were 8% stronger than in 2010. Veikkaus' brand also became more widely recognized. According to a survey carried out by the Finnish market research company Taloustutkimus Oy, at least 72% of Finns between 18 and 79 years of age were familiar with Veikkaus, which is a clearly higher share than in 2010 (65% of people between 15 and 79*).

The development of responsible operations and the products and services range also went according to plan. The Responsibility Tool (RaVa) was used in all product development processes.

Attractive and responsible offerings to customers

Veikkaus is seeking responsible profit growth in 2012. The transfer of all horse betting games to Fintoto and the raise in lottery tax pose challenges to the profit objective in 2012. In customer operations, Veikkaus invests in the development of the customer loyalty concept and the provision of attractive services. We also aim to provide new solutions to our customers that will make it easier for them to purchase games wherever they go.

Veikkaus will raise the number of POS and continue to introduce games to the checkout counters of

The Ethical Marketing Guidelines were updated after the new Lotteries Act was introduced, to correspond to the new effective regulation. According to a survey with Veikkaus' loyal customers, the new brand, launched in autumn, together with the related marketing, had reached and spoken to numerous customers in a positive manner.

Veikkaus enjoys a high level of customer satisfaction. In 2011 up to 95% of the respondents to a customer satisfaction survey were either very pleased or fairly pleased with Veikkaus' activities, whereas the respective figure was 91% in the year before. The user satisfaction index went slightly down from the year 2010.

* The age range was changed for brands as compared with 2010. However, the respondents evaluating Veikkaus in the age group between 15 and 17 only represented 2% of all the respondents in 2010.

Environmental responsibility - objectives and achievements

We will reduce our carbon dioxide emissions by 35% of their 2009 level by 2013.*

*The environmental responsibility objective has been defined until the end of 2013. The objective excludes electricity consumption at the retail outlets; the emissions are calculated otherwise according to the same limitations as in 2009.

Case: Veikkaus Card enables direct prize payout to players' accounts

Veikkaus Card enables customers playing at our POS to receive their prizes directly to their account. Veikkaus card was launched as early as 2006. Today, all our newly registered customers are granted personal Veikkaus Cards. At the end of 2011, a total of 1,277,373 Finns had Veikkaus Cards.

supermarkets. We wish to increase the number of players in a responsible manner, in order to continue to secure Veikkaus' proceeds to society and achieve a more even distribution of gaming. The customer segments in focus are young adults over 18 and women.

In products, our customers get to pursue prizes of an unprecedented level, as the new European millions game Eurojackpot will be launched in March. The game's jackpots will range between 10 and 90 million euros.

In 2012, we will also continue to highlight the importance of Veikkaus as a producer of gaming funds and communicate the benefits of the funds to every citizen. Further, we want to keep increasing the share of registered gaming, to enable the development of responsible business operations based on customer analytics.

Financial objectives

- Profit objective EUR 508.1 million
- Total expenses maximum share of gross margin 22.36%
- Return objective to the State EUR 503.7 million

Social objectives

- Veikkaus' brand combines attraction with responsibility
- Share of registered gaming increases

CEO's review

Through continuous development to record result

For Veikkaus, 2011 was another year of success. Our turnover went up to EUR 1,792.7 million (+6.1%), in addition to which we attained a record-high profit, EUR 514 million (+2.1%). Thus, the amount to be used for the benefit of the Finnish arts, sports, science, and youth work continued to grow even in the middle of an economically insecure situation. It was a great result which we would not have attained without years of continuous development and the resulting capacity to react quickly.



Environmental responsibility objective

- We will reduce our carbon dioxide emissions by 35% of their 2009 level by 2013.*

*The environmental responsibility objective has been defined until the end of 2013. The objective excludes electricity consumption at the retail outlets; the emissions are calculated otherwise according to the same limitations as in 2009.

Case:

Eurojackpot takes jackpots to new heights

The most significant new arrival in Veikkaus' 2012 offerings is the multinational Eurojackpot millions game with jackpots ranging between 10 and 90 million euros. In Eurojackpot, players pick five main numbers out of fifty and two lucky stars out of eight. Eurojackpot's draws take place in Finland.

Lotteries Congress, organized in Helsinki in June was a proof of the solid trust our industry has towards Veikkaus. The congress organization was widely rated as the best of all times. The only thing we could not influence during the congress was the weather. And yet, we were exceptionally lucky to enjoy fantastic weather during our top-level lottery congress, which was the first one to have ever been organized in the Nordic countries.

During the congress, an agreement was finally signed to launch a joint European lotto game, which had been planned for a long time. Eurojackpot, to be launched in spring 2012, will provide Finns the chance to pursue jackpots ranging between ten and ninety million euros.

Internationalization in full swing

Veikkaus' journey from a single-game pools office to an internationally acknowledged top enterprise has been long. The launch of Lotto in 1971 meant a drastic upward turn in our business volume. In the 1990s Veikkaus introduced a new sales channel as the first state lottery in the world: the internet. At the beginning of 2000s, customer relations were chosen as the strategic foundation of our company. Around the same time, our vision was clarified: we want to be the world's leading lottery in 2013.

In July, Veikkaus Solutions, Veikkaus' subsidiary was founded. It is our answer to the demand and interest shown towards Veikkaus' know-how around the world. Whether it was customer relations management, making the most of web features, or organization of sports games, Veikkaus has long been a popular partner, thanks to its inventiveness, productivity, and efficiency. During the first phase, Veikkaus Solutions will be exploring the concrete, financially significant, and legally sustainable alternatives and opportunities.

Many people will remember the year 2011 as the 40th jubilee of Lotto, Finns' beloved number one game. However, it was also a significant year from the perspective of internationalization. The European

Veikkaus must be involved in the international development as an active operator and participant – not as a passive bystander. It is the precondition for success and productivity in the gaming business, which is

experiencing a phase of historically strong development both at the European and the global level.

Risto Nieminen

Continuous development provides means to react to changes

Long-term development work also enables us to react quickly to the changing conditions. We need to be able to improve our strategic and operative capacity even when the times are good. Veikkaus' good financial performance in 2011 was anything but self-evident. The economic crisis, initiated in Greece, was reflected in world economy on the one hand, and on the Finnish household expenditure on the other hand. Veikkaus was able to react quickly to the sluggish start of the year, and the last two quarters of the year were outstanding.

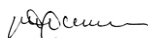
In the gaming business, growth must be pursued by taking into account the customers' needs and the competitive environment, yet at the same time paying attention to responsibility. The modernization of the 40-year-old Lotto succeeded in fulfilling the customers' wishes for a simpler game, larger jackpots, and more lower-tier prizes.

Behind all the development and revision work lies our basic mission: channelling gaming demand towards responsible ways of enjoying the entertainment that gaming creates. Responsibility evaluation, which covers all our processes, combines different elements and angles. In addition to reducing social problems, responsible gaming fights criminal activities that may be associated with gaming. Match fixing and money laundering by misusing sports betting, manoeuvred by organized crime, constitute extreme threats to both sports and the gaming industry.

Gaming enables our customers to experience the joy of playing and winning. Gaming also produces good things that concern every one of us. Veikkaus funds are used to make many things happen that improve the quality of life of Finnish people. The arts, sports, science, and youth work are at the very core of people's mental and physical wellbeing in many ways. These beneficiaries of Veikkaus funds generate – as is highlighted in the new slogan we introduced in 2011 – JOY FOR LIFE!

Thank you!

I wish to thank all of Veikkaus' partners in cooperation, retailers, game sales personnel, and staff for their enthusiastic, high-spirited, and successful work for the development of Veikkaus in 2011.



Key figures

Economic responsibility	2011	2010	change, %
Turnover (MEUR)	1,792.7	1,689.9	6.1%
Operating profit (MEUR)	510.3	501.4	1.8%
Profit before appropriations	514	503.7	2.1%
Result	514	503.7	2.1%
Investments (MEUR)	14.7	34	-56.8%
Prize payout to players (MEUR)	961	888	8.2%
Number of POS (end of year)	3,282	3,280	0.1%
Retail commissions (MEUR)	85.7	85.1	0.7%
Lottery tax (MEUR)	83	76.1	9.1%
Return to the Ministry of Education and Culture (MEUR)	469.6	462.7	1.5%

Social responsibility	2011	2010	change, %
Registered players (end of year)	1,367,777	1,223,652	11.9%
Veikkaus Card holders (end of year)	1,277,373	966,790	32.1%
Employees (end of year)	324	364	-11.0%
Employee turnover – hiring rate	10.5	9.9	6.1%
Employee turnover – leaving rate	14.5	7.4	95.9%
Average duration of employment / year	11.6	12.4	-6.5%
Performance appraisal discussions held %	100	100	0.00%
Overall satisfaction	72	68	+5.9%

Environmental responsibility	2011	2010	change, %
Electricity consumption at head office (MWh)	5,111	4,900	4.3%
Heat energy consumption at head office (MWh)	2,800	3,060	-8.5%
Water consumption at head office (m3)	4,036	4,300	-6.1%
Waste re-utilisation rate at head office 2)	97	99	2.0%

¹⁾ In addition to the return of EUR 469.6 million, Veikkaus also paid the Ministry of Education and Culture in 2011 a total of EUR 46.2 million in undistributed prize funds from the previous years.

²⁾ The waste re-utilisation rate shows the volume of waste that has been reused. The remainder is mixed landfill waste. The re-utilisation rate is calculated by subtracting mixed and hazardous waste from the total volume of waste.

Solutions explores international business opportunities

Veikkaus' subsidiary, Veikkaus Solutions Oy, which is owned by Veikkaus one hundred percent, was launched on 1 July 2011. During the first six months of its operations, Veikkaus Solutions has analysed the gaming market beyond the European Economic Area (EEA). Veikkaus Solutions aims at identifying the countries that are interesting from the business perspective, and finding the right partners for its business operations. All eventual investments and the launch of actual gaming activities beyond the Finnish border are subject to the approval of Veikkaus' Board of Directors, in addition to which a licence for them shall be applied for from the owner.

Veikkaus Solutions' objective is to obtain licences for game sales during 2013 at the latest. We chose to launch the operations now, since many countries are experiencing a restructuring of the gaming activities. Thus, we may obtain game sales licences in the next few years.

Veikkaus has helped many lotteries to launch gaming activities or some other sector of business operations

over the years. We have significant know-how in, e.g., game sales over the internet, sports games, customer relations management, strategic planning, productivity, and product development.

Combining Veikkaus Solutions Oy's financial statements does not essentially affect the financial result or financial position of Veikkaus Group in 2011.

Veikkaus Solutions Oy's operating period lasts until 2013, after which a separate decision will be made about the future of the company.

Case: Three employees

Three employees of Veikkaus joined the subsidiary: CEO **Jari Vähänen** (in the middle), **Annukka Ruuhela** (Business Development Manager) and **Joni Hovi** (Director, International Business and Partnership).

Northern Light gathered the whole European gaming industry in Helsinki

European Lotteries Congress 2011, which was hosted by Veikkaus, was a great success. This European Lotteries event, organized for the first time in the Nordic countries, was widely acclaimed for its programme that covered comprehensively the whole gaming industry and business. The congress organization was also praised for the gaming industry trade show that took place during the congress – and even for the fine congress weather.

The themes that emerged as the most significant ones during the three-day congress included European gaming regulation and cooperation to fight the criminal activities that threaten the integrity of sports.

Over 600 Congress participants had the chance to listen to a versatile group of highly authoritative and internationally acclaimed speakers. On the opening day, former Finnish President Martti Ahtisaari encouraged the European State lotteries to work in cooperation for global wellbeing. Other keynotes on the stage included Joseph Pine, who has written extensively about experience economy; Tim Kobe, famous for his Apple Store concept; Olympic gold medalist Pirmin Zurbriggen; and Kasper Holten, Artistic Director of Royal Danish Opera, whose inspiring keynote was very popular among the congress

participants (in picture above). Holten gave a presentation about whether emotions, experiences, and creativity can be directed. Holten was appointed Director of Royal British Opera in 2011.

A completely new element in the biannual congress was the Young Lions Programme, which offered the state lotteries' rising generations the chance to outline the future of our industry.

Carbon neutral congress

Northern Light was the first carbon neutral gaming congress in Europe. The emissions generated during the congress were compensated for by supporting the Damao Wind Power project in China. The Damao project aims at producing electricity through renewable energy sources and feeding it into the local electricity network. The project is Gold Standard certified and it is recommended by the WWF.

European Lotteries is an umbrella organization of the European State lotteries, with 76 member organizations from 42 different countries. EL Congresses are held biannually.

In picture below: Veikkaus' President and CEO Risto Nieminen, former President of Finland Martti Ahtisaari, and EL President Friedrich Stickler.



Case:
Against the manipulation of sports results

The EL decided to broaden the scope of its own sports event monitoring system to cover the whole world. The EL is pursuing stricter regulation of money laundering crimes and fraud related to sports. The member lotteries are ready to limit forms of betting that is especially susceptible to manipulation and money laundering.

The EL is working in cooperation with its sister organization, World Lottery Association (WLA) to find solutions to the problems associated with betting. Veikkaus' CEO **Risto Nieminen** is the President of WLA.

OPERATIONS

Growth continued with accelerated reforms

Veikkaus' business operations continued to grow in 2011. Both the turnover (+6.1%) and the result (+2.1%) increased, albeit at a slower pace than in the previous year. Veikkaus preserved its position as the market leader. Our continuous development has been based on using strong customer knowledge and developing it further. Product reforms have been carried out successfully, without compromising responsibility. Services have been developed both in the electronic channels and the POS. At the same time, we have been improving our operations consistently, with special focus on the core business operations.

The games that continued to grow most rapidly in 2011 were the web games (+21.2%). Yet, even gaming via retail outlets continued to grow (+0.7%). This growth was attained in the middle of a situation where changes occurred in the sales network structure that called for quick reaction. In retail sales, the larger units of the retail trade continued to increase their share of the total game sales.

Two new pilot projects were launched in the points of sale. Veikkaus' checkout counter project VELI enables people to purchase games whilst doing their other shopping in supermarkets. Veikkaus' self-service terminal offers customers the option of buying games at the POS by using their Veikkaus Cards, and paying for them securely, directly from their game accounts.

The strong game sales were fuelled by the draw games whose popularity was reinforced especially by Lotto's successful revamp and Keno's second daily draw. Veikkaus' weekly sales exceeded EUR 50 million for the first time in 2011.

Many players, but moderate stakes

In line with Veikkaus' business strategy, the company is developing its games, services and offerings with an increasingly customer-oriented approach. This customer-oriented approach is, in fact, business as usual for Veikkaus, as we have been developing our strategy on this premise since 2004. A good understanding of customers, games and the gaming environment is vital

General economic situation constitutes risk

The risks that have been identified as the most significant threats to our 2012 objectives include the realization of the multinational Eurojackpot according to schedule and its effects on Veikkaus' other products. Another threat has been identified in the general economic situation and its influence on gaming. Further, the entry into force of the new Lotteries Act will centrally affect Veikkaus' operating environment and business operations; and the transfer of all horse betting games to Fintoto will affect the company's turnover and profitability directly.

A core risk of financial reporting is associated with the recording process of Veikkaus' game system and gaming transactions. The process covers a significant number of gaming transactions, averaging some 6.6 million a week; in 2010, the respective figure was 6.3 million.

Among the long-term uncertainties, the most significant are those related to the development of legislation and the Finnish gaming system, as well as certain factors associated with the ICT and information systems.

Case: Weekly sales record beaten twice

Veikkaus' weekly sales went over the limit of EUR 50 million for the first time ever in October. The record sales of EUR 51.4 million exceeded the previous record result, attained only two weeks earlier, by over EUR 3.5 million.

Of the new sales record, one third, i.e. around EUR 17 million was distributed to Veikkaus' beneficiaries via the Ministry of Education and Culture.

for Veikkaus' operations. The number of registered players has been rising continually and Veikkaus customers are, therefore, more frequently engaging in identified gaming.

Finns are familiar with Veikkaus games and nearly 89% of adult Finns have played Veikkaus games at least at some point during their lives. In 2011, almost 81% of adults played at least once during the year and 48% played at least once a week (Atlas study, 1-6/2011).

There are many players, but they place moderate stakes: in 2011, Finns spent an average of EUR 338 per capita

Customers benefit from registration

Veikkaus' customer relations are based on registration. Customers can engage in identified gaming through Veikkaus' internet and mobile phone services, or by using their Veikkaus Cards at points-of-sale. Identified gaming is of concrete benefit to customers, as winnings are paid directly and risk-free to their personal accounts.

By registering, customers also gain access to useful tools for monitoring their own gaming and game history. Veikkaus' customer loyalty programme, which contains a broad range of perks, also provides Veikkaus Card holders with concrete benefits.

Veikkaus' business strategy seeks to provide the best possible service to different types of players by developing the product range and all of the gaming channels to meet the players' individual expectations. Veikkaus promises its customers diverse game offerings that offer dreams, excitement and enjoyment, while being unquestionably reliable and responsible.

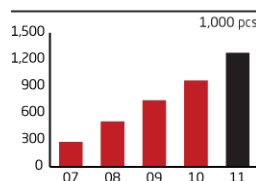
We achieved our objective of increasing the share of identified gaming: it reached 47.6% in 2011 (about 44% in 2010).

At the end of the year under review, Veikkaus had a total of 1,368,000 registered customers, representing a growth of 11.9% over the previous year (1,223,000 in 2010). Nearly 1,277,373 of them were Veikkaus Card holders. The reason why some registered customers do not have a Veikkaus Card is that Veikkaus launched internet gaming, which requires registration, as early as 1997, while Veikkaus Card, which enables identified gaming at points-of-sale, was only launched in 2006. Currently, all our newly registered customers receive Veikkaus Cards.

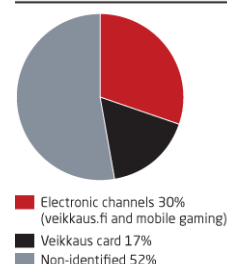
on Veikkaus games (EUR 318 in 2010). During the year under review, over 341 million gaming transactions were recorded in Veikkaus' game system.

Gaming is not only a question of money. Veikkaus wants to offer Finns broad-ranging and enjoyable gaming experiences: a little bit of excitement, an opportunity to test your own knowledge, and the chance to dream.

Number of Veikkaus Card holders



Distribution of total sales 2007–2011



Revamped customer loyalty programme

Veikkaus revamped its customer loyalty programme in May 2011. The revamped programme aims at ensuring that Veikkaus players – whether they played over the internet or by using their Veikkaus Cards at our POS – will see themselves as Veikkaus' loyal customers. Thus, we are currently talking about loyal customers in general, without distinguishing between the different gaming channels. The revamp of the customer loyalty programme also brought with it a revised selection of draws for our loyal customers. The monthly draws were removed, and the draws labelled as weekly draws before were renamed as Loyal Customer Draws.

After the revamp, the customers need to sign in for the draws by themselves either on the net or by sending a text message. Participation does not require a Veikkaus Card; being a registered Veikkaus customer is enough.

Customer satisfaction at excellent level

In 2011 Veikkaus carried out an extensive customer satisfaction survey, analysing not only customer satisfaction but also the degree to which Veikkaus Cards were acquired, the customers' use of the different points of sale, and their opinions about Veikkaus' targeted customer relations communications. The survey carried

out between May and June showed that the overall customer satisfaction with Veikkaus and its services was at an excellent level. Of the respondents, 95% were very satisfied or fairly satisfied with Veikkaus' operations as a whole. Women were slightly more satisfied than men. There were no significant differences between different age groups, nor did it seem that gaming frequency would have affected people's satisfaction. Thus, customer satisfaction with Veikkaus regained roughly the level it had been on before the fall in autumn 2010.

The customer satisfaction survey carried out between May and June 2011 also mapped our customers'

satisfaction with the veikkaus.fi website. After experiencing a decline in autumn, the satisfaction with the web service almost regained the level it had been on a year earlier. Among the customers who had actually used the service, 83% were very satisfied or fairly satisfied with it (as compared with 57% in the previous survey in October 2010). Women were clearly more satisfied than men. Unlike in October 2010, the younger age groups were now slightly less satisfied with the website than the older ones. The next customer satisfaction survey will be commissioned in spring 2012.

Active communication with registered customers

Veikkaus informs its registered customers about topical gaming issues, campaigns, and benefits through targeted customer relations communications. In direct marketing communications, we make use of responsibility evaluation and customer data. The registered customers who have given Veikkaus permission to contact them receive direct marketing communications via email, mobile phone and mail. In 2011 a total of some 12 million messages were sent.

CRM communications 2011:

1. Direct emails: total number of messages sent ca. 9,400,000
2. Direct mobile messages: total number of messages sent ca. 1,000,000
3. Direct mail: total number of messages sent ca. 1,200,000

Veikkaus decided to stop publishing the customer magazine X at the end of 2010. No issues of X came out in 2011.

Versatile customer loyalty programme

Veikkaus' customer loyalty programme is an essential aspect of the company's customer-oriented strategy. It seeks customer commitment and communicates Veikkaus' importance to society.

Veikkaus' new customer loyalty programme was launched in May 2011. It includes weekly Loyal Customer Draws, which registered customers can enter at our website or by sending a text message. In addition, we offer Wild Card draws, open for 24 hours at a time, which are organized at random intervals in our internet gaming service. During the year under review, there were

a total of 51 weekly draws and a total of 47 Wild Card draws. Further, at the beginning of the year, before the revamp of the customer loyalty programme, five Surprise Draws were organized. One of the most popular prizes in the Loyal Customer Draw category was "A Lotto Winner's Weekend". The other prizes in this category included a trip to the Ice Hockey World Championships in Bratislava and a unique evening gown by the Finnish fashion design house IvanaHelsinki. In all, the different draws attracted a total of almost 1.5 million entries in 2011 (nearly 900,000 in 2010).

In June, the second Veikkaus festival was held in Kaisaniemi, Helsinki. A total of 5,000 tickets were distributed to Veikkaus customers in order of enrolment. All of Veikkaus' registered customers were entitled to enrol.

Case: First time at Suomi Arena event

Veikkaus took part in the Suomi Arena event organized during the Pori Jazz Festival for the first time in 2011. We organized a panel discussion on the topic "*Self-destructive elite sports can still be rescued*".

The participants in the panel discussion were Veikkaus' President and CEO **Risto Nieminen**, University Chaplain and Sport Chaplain **Leena Huovinen**, Academy of Finland Research Fellow at Aalto University **Mika Pantzar**, Director of the National Elite Sport Development Program **Jukka Pekkala**, CEO of Linna Golf **Petri Keskitalo**, and all-round sports personality **Pekka Seppänen**.

Veikkaus also presented its activities in a Citizens' Square tent, where we met thousands of our customers.

Customer service seven days a week

Veikkaus games involve hundreds of thousands of gaming transactions every day; thus, it is extremely important that we can serve our customers fast and up-to-date service in matters related to the games, prize payout, and game results. Another key priority is to be able to serve our nearly 3,300 points of sale in order to solve problematic situations and to ensure smooth game sales.

Veikkaus' customer service hotline provides advice to both customers and games sale clerks, and is open from 8:00 to 22:00, seven days a week. Every month, the hotline takes nearly 12,000 calls from customers and 11,000 from game sales clerks. On average, Veikkaus' advisors contacted customers and game sales clerks over 4 100 times a month. The average annual response rate for all of the line's services (customer service, support service and sales support*) stood at about 78.9%.

Veikkaus' customer service became chargeable (regular calling fee) at the beginning of June 2011. The sales support remains free of charge.

Offerings to meet customers' expectations

For Veikkaus' continued success, it is vital that our offerings meet the customers' expectations. An optimal range of games, developed responsibly and in a customer-oriented manner, will ensure that Veikkaus games continue to appeal to Finns.

Alongside customer expertise, responsible gaming also covers the prevention of the drawbacks of gaming. A safe gaming environment involves restrictions and makes available various tools for gaming control. One of the restrictions on gaming is the age limit. The Lotteries Act which entered into force in October 2010 prescribes that the age limit applied to gaming shall be 18. Veikkaus made its games voluntarily subject to the limit of 18 years of age preliminarily, as early as June 2009. In the electronic channels, the limit had already been complied with prior to that. The age limit seeks to protect children and young people against the potential problems associated with gaming.

The restrictions on marketing, laid down in the Lotteries Act, cover the ban on marketing harmful games and the provision of illegal games. For Veikkaus, these restrictions entail, e.g., that we do not advertise betting and the elstants, or any other arcade games. We can only offer product information on them.

Customer service in the social media

In 2011 Veikkaus' customer service advisors answered the customers' questions even in the social media, Facebook and Twitter. The customer service staff was also offered training in the use of the social media channels.

Good customer feedback

In recent years, Veikkaus' service line has received extremely positive feedback on its service-mindedness and accessibility. In 2011 we carried out a mobile survey with the customers who had contacted Veikkaus' Customer Service, asking them to rate their satisfaction with the service. Veikkaus received the grade 3.6 for its personal customer service on the scale from 1 to 4.

* Helpdesk and sales support were combined into one entity labelled Game sales staff service in June 2011.

Prioritising privacy protection

As the number of registered customers and the amount of customer data increase, data protection and its development are of primary importance. Whilst using the data in its consumer-customer register, Veikkaus strictly complies with the effective Personal Data Act. The Privacy Policy section at Veikkaus' website explains what the customers' data are used for and how their personal information is stored. Customer relations are developed above all by respecting the customers' wishes and opinions.

Veikkaus has a special Privacy Policy Team, which works to develop and coordinate issues related to the customers' data protection. The operating procedures are developed jointly according to the guidelines issued by the Data Protection Ombudsman. The team consists of experts from different functions and units. During the year under review no complaints were filed concerning breaches of privacy protection or elimination of customer data.

Read more about our privacy policy (in Finnish): veikkaus.fi/tietosuoja.

A versatile set of tools for gaming control

In order to have enjoyable gaming experiences, players must remain in control of their gaming. If they wish, the players in our internet service can impose self-limits on their gaming. The self-limits are set in euros and they can be valid for days, weeks, or months at a time. In connection with the web service overhaul, implemented in autumn 2010, the option of self-limits was raised more clearly at [veikkaus.fi](#), as the gaming limit button was displayed on the players' home pages in the upper navigation. Our customers can also choose to impose complete self-bans for the rest of the day, for a week, month or year.

At the end of December 2011, over 12,150 of Veikkaus' internet players had effective gaming self-limits. A year before, they numbered 7,600. The option of imposing a self-ban for the rest of the day was employed by a total of 1,620 customers for over 4,220 times. Self-bans lasting a week, month, or year were used by some 6,500 customers. More information about the tools of gaming control can be found in the [Game Pause section](#) (in Finnish).

Product information available in different channels

The product information on Veikkaus games which is required by the Consumer Protection Act is printed on playslips and game brochures available at our POS and in our internet gaming service [veikkaus.fi](#).

Internet gaming increases in popularity

An increasing number of our customers play Veikkaus games over the internet; thus, Veikkaus' internet gaming service continued to increase its popularity during the year under review. Every month, some 12,100 Finns registered as Veikkaus' customers, and the average

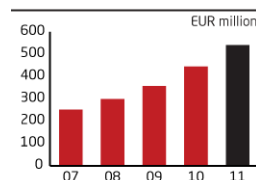
Responsible marketing

The Finnish market research company Taloustutkimus and Markkinointi & Mainonta magazine carried out a Brand Valuation survey in 2011. Among Veikkaus' brands, the most highly valued were Veikkaus and Lotto. Lotto ranked as the 86th (+73), and Veikkaus ranked as the 204th (+0) out of the total 1,098 (-27) brands evaluated.

In 2011, Veikkaus spent EUR 16.6 million (+12.9%) on product advertising, which represents 0.9 percent (+0.0%) of the company's turnover. Veikkaus' marketing

number of weekly players on the web went up to 336,000 (as compared with over 280,000 in 2010). In 2011 [veikkaus.fi](#) was Finland's largest webstore with a turnover of about EUR 538.6 million. Internet gaming turnover increased by 19.7% over the previous year.

Internet gaming turnover
2007–2011



Customer service meets social media

Year after year, the social media have gained an increasingly significant role in customer relations and marketing communications. In 2011, Veikkaus adopted certain social media services as a channel for customer service and advice. Veikkaus' customer service staff answers customers' questions and takes part in discussions on Facebook and Twitter. During the year under review, our customer service staff was trained in how to use the social media channels. Besides being used in customer contacts, the social media also serve other communicative purposes, including recruitments and giving information about the various loyal customer benefits.

Read more about this in [Online channels](#) section.

communications are guided by social responsibility: we respect consumers' individual freedom and in our advertising, we do not glorify or encourage excessive gaming. Veikkaus' marketing communications are not targeted at minors or consumer groups that are especially vulnerable in view of their social status or some other special characteristic. [Veikkaus' Ethical Marketing Guidelines can be read on our website](#) (in Finnish).

During the reporting period, there were no breaches related to marketing communications, advertising, or sponsorship.

Open and active communications

Veikkaus openly provides information about the company, its products and any changes that are occurring. The company engages in proactive, up-to-date communication with customers and media representatives. Gaming is based on chance and the results can never be known in advance. In our marketing and other communications, we offer open information

about our games without suggesting any misleading notions.

In a corporate communications survey with journalists conducted by the Finnish market research company Taloustutkimus in spring 2011, Veikkaus' communications received the grade 8.05, the highest given to a large company in the survey. Out of the 187 companies and public services included in the study, Veikkaus came second right after the Finnish Meteorological Institute. In 2010 Veikkaus received the grade 8.24; in 2009 our grade was 8.15.

Game concepts ethically evaluated

Whenever a new product development process is begun, Veikkaus immediately considers how to prevent the possible related drawbacks of gaming. The Responsibility Evaluator Tool (RaVa), jointly developed by Veikkaus and the Finnish Slot Machine Association RAY, is used to carry out ethical evaluation of the games. The tool enables us to consider new game concepts and revisions of existing games from the perspective of potential gaming addiction.

The Responsibility Evaluator Tool consists of nine elements, each containing detailed questions to measure any features of a new game concept that could potentially feed gambling addiction. The results are then used to suggest changes and issue cautions. Restrictions may also be suggested for a game or its marketing. A total of 25 responsibility evaluations were carried out during 2011.

The nine elements of the Responsibility Evaluator Tool:

1. Gaming elements
2. Risk of financial loss
3. Prize and stake structure
4. Role of skills, knowledge, and rules
5. Attractiveness of the game and the gaming

- environment
6. Additional attractive features
7. Social elements
8. Availability
9. Marketing

Whilst evaluating service and distribution channel concepts, we use a special battery of questions for ethical evaluation developed by Veikkaus. The questions are based on the Responsibility Evaluator Tool's elements.

The question battery is used to ensure that the games and services that are launched are ethically sustainable and responsible.

Case: Funds to gaming research

In external research, Veikkaus financed the operations of the **Finnish Foundation for Gaming Research**, which promotes multidisciplinary research into gaming as a social and cultural phenomenon. In 2011 the Foundation distributed a total of EUR 203,000 to gaming-related research in, e.g., Cultural Studies, Economics, and the Social Sciences.

Lotto and Keno solid favourites

Lotto retained its solid position as Veikkaus' most popular game in 2011, posting a turnover of EUR 576.1 million (+8.9%). Lotto's share of Veikkaus' total turnover was just under one third. The turnover of Keno, Veikkaus' second most popular game, amounted to EUR 367.6 million (+6.1%). The day-time draws, started in April, boosted Keno's turnover significantly. Sports game

favourite Fixed Odds Betting ranked third in popularity, with a turnover of EUR 163.3 million (+7.9%)

The top three games were thus the same in 2011 as a year before. Lotto, Keno, and Fixed Odds Betting stood for over 60 percent of Veikkaus' total turnover.

Lotto's jubilee seasoned by jackpots and revamp

For Lotto, the year 2011 was full of events all the way through. The game's fortieth jubilee was in January, and it was celebrated throughout the year with, e.g., record-high jackpots. Lotto also boasted the first double-digit millions jackpot in its entire history, as an even ten-million-euro prize was available on round 39. The record jackpot was divided between two winners. In May, the largest single Lotto jackpot in Lotto's history was won, as a player from Forssa in southern Finland landed a jackpot of eight million euros.

The most extensive single revamp of Lotto during the game's forty-year history was also carried out in 2011. We introduced entirely new prize tiers; jackpots were weighted more than before, and the bonus numbers were reduced to two.

In summer 2011 Lotto players had the chance to double their jackpots by matching seven correct numbers combined with any prize whatsoever in Saturday Joker on the same playslip. This summer offer was valid from round 22 to 31, and one double jackpot was won on round 30. Further, the limit of 3,000 Lotto jackpots was surpassed on round 46.

Viking Lotto, which is played in the Nordic countries and the Baltics, reached a turnover of EUR 126.4 million. This meant a drop from the previous year's level (-6.4%). Towards the end of the year, a record high jackpot of EUR 26 million was drawn in Viking Lotto, as the Lucky Number pool had accumulated for over six months. Viking Lotto was also launched in Latvia and Lithuania in February 2011.

MiniFootball Pools a new sports game format

The most important product reform in the sports games group concerned the oldest sports game, Football Pools. The new game format MiniFootball Pools began in August, when MiniFootball Pools was introduced as an add-on game of Football Pools. Since September, MiniFootball Pools has also been sold as an independent game offering betting objects such as the ice hockey matches of the Finnish top professional ice hockey league SM Liiga. Football Pools attained a turnover of EUR 67.0 million (+5.6%) in 2011.

At the end of the year, the horse betting games operated by Veikkaus, V75 and V5, came to an end. According to

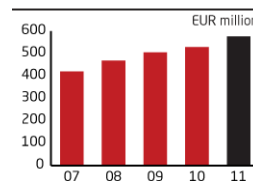
the second stage of the Lotteries Act, which entered into force at the beginning of January 2012, all horse betting shall be operated by Fintoto.

Prize payout to players over EUR 960 million

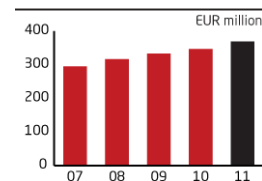
Over half of the euros spent on Veikkaus games are returned to the players as prizes. Thus, the increase in Veikkaus' turnover also meant more prizes to our players. We paid out a total of EUR 961.0 million (+8.2%) in prizes. All the prizes of different amounts numbered 103.8 million (+5%); thus, the players of Veikkaus games won over 290,000 times every day.

The year 2011 was not only a year of big lotto jackpots; we also had an extraordinarily large Keno prize. A player from Turku in south-western Finland landed two million euros with a level-10 Keno entry. It was the second time in Keno's history when a prize this big was won in Keno. By the end of 2011, a total of six Keno jackpots amounting to at least a million euros had been won.

Turnover of Lotto 2007–2011

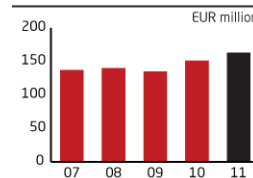


Turnover of Keno 2007–2011

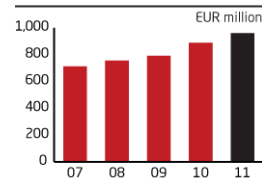


* includes LottoPlus

Fixed Odds Betting, turnover 2007–2011



Prize payout to players 2007–2011



Case:

Lady Keno announces draw results on the web

1 April, a second daily Keno draw was introduced. Since then, Lady Keno announces Keno's draw results at veikkaus.fi every day at 15:00. The animated broadcasts are different to each customer

Changes in everyday life reflected on gaming

Changes in consumer behaviour and retail trade are reflected on how people play Veikkaus games. Free time no longer concentrates on evenings and weekends. As the rhythm of people's everyday lives changes, the rhythm of gaming changes, too. People play our games more often on weekdays and in daytime. Our customers also expect the games to be more entertaining and action-focused in content.

During the year under review, Veikkaus worked on several development projects aimed at responding to the changes in the customers' shifting consumption patterns. We work to introduce interesting new products and ways of playing Veikkaus games. We want to make gaming as smooth as possible both in the retail outlets and the electronic sales channels.

We have developed the contents and product offerings at our internet service, which was completely overhauled in 2010, towards a more entertaining direction. VeikkausTV's offerings were diversified and we launched an entertaining results show of Keno's daytime draws.

Veikkaus and Nokia initiated a project to develop a new type of a mobile application in 2011. In the retail network, we launched a pilot of self-service gaming terminals as part of the digital POS concept at the end of the year.

Case: Self-service gaming terminal pilot launched

The new self-service gaming terminals, placed in kiosks and stores, enable our customers to purchase products easily at Finland's largest consumer webstore veikkaus.fi even in the traditional points of sale. The pilot of the terminals was launched at the end of the year 2011.

The self-service gaming terminals are a milestone in Veikkaus' long-time endeavour to make the most of the possibilities of the internet. Veikkaus' internet operations started as early as 1997, when the webstore veikkaus.fi was established. Veikkaus was the first state lottery in the world to launch a consumer webstore.

Extensive sales network covers entire country

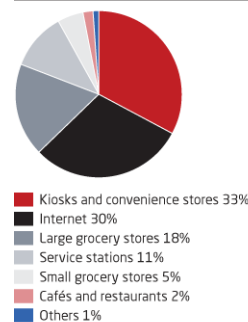
Of Veikkaus' turnover, 70 percent come from the retail network, which covers the entire country. The turnover from Veikkaus' retail sales amounted to EUR 1,252 billion (+1.0%) in 2011. In the previous year, the retail sales turnover was just over EUR 1,240 billion. Veikkaus paid a total of EUR 85.7 million (+0.7%) in retail commissions during the year under review. The retailers received an average of 6.8% in retail commissions on the games they had sold*.

*The percentage was calculated on the basis of the total retail sales turnover.

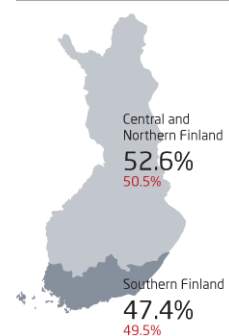
At the end of 2011, Veikkaus had nearly 3,300 points of sale. Over 200 new points of sale started during 2011. At the same time, there were over 200 points of sale that quit. In addition, there were some 200 changes of ownership in the points of sale during the year under review.

The shift in retail trade and consumption patterns also affects retail sales. The share of small kiosks of Veikkaus' total sales went down to 33 percent (-3.8%) in 2011. Large grocery stores, hypermarkets, and service stations retained the share they had had in 2010. The total number of customer calls went slightly down from 2010, totalling some 89.2 million (-0.6%).

Distribution of sales per pos type 2011



Number of pos % /Regional shares of total pos sales %



Novel digital solutions to points of sale

The internet will be playing an increasingly significant role even in retail sales in the future. In autumn 2011 Veikkaus launched a test pilot of the first self-service gaming terminals at some twenty points of sale around the country. The self-service terminal is a milestone in our long-term endeavour to make the most of the possibilities of the internet, which we began as early as 1997, when Veikkaus' internet gaming service was launched.

The self-service gaming terminal provides access to Veikkaus' most popular games, including Lotto, Keno, and Football Pools, as well as a selection of internet instants. The terminal's qualities and product range are being developed constantly on the basis of the experience and feedback the pilot yields.

In 2011 Veikkaus also started to furnish its points of sale with digital advertisement displays as part of the digital point of sale concept. We aim at providing one thousand points of sale with digital displays. The messages on the displays can be targeted regionally or even tailored to the needs of individual points of sale. This way Veikkaus can inform effectively about various regional loyal customer benefits, or offer contents that fit into a specific point of sale profile, e.g., in points of sale frequented especially by sports game players.

Marketing guidelines specified

The amended Lotteries Act, which entered into force in autumn 2010, brought with it changes to the guidelines concerning the marketing of games. The new situation triggered many questions; thus, Veikkaus needed to issue more specific guidelines to the game sales staff on how they can offer Veikkaus' products and services to adult customers. The guidelines foreground the significance of tactfulness in customer encounters. The customers should never feel they are being pressured.

In the name of good customer service, the game sales clerks can:

- Offer essential information on Veikkaus games, including Lotto jackpots and bonus prizes in the sports games.

- Tell the customers about Veikkaus Customer Loyalty Programme and the related customer benefits.
- Offer games of chance, instant games, and Football Pools and the V games from the sports games group as add-ons.

In 2011 Veikkaus carried out audits at a total of 102 of its points of sale, with the objective of further developing and supervising retail sales. The outcome of the audits was that the points of sale complied well with Veikkaus' guidelines.

Case: Pre-pick games at supermarket checkout counter

Veikkaus aims at developing and making available new solutions to make the purchase transactions easier. An example of this is the new opportunity to buy pre-pick games at supermarket checkout counters, jointly planned by Veikkaus and the Finnish retail chain the K-Group. The objective is to offer pre-pick games that are easy to purchase and to enhance the availability of products. At the checkout counters, customers have access to a limited selection of Lotto, Viking Lotto, Joker, and Keno pre-pick games of different prices.

The pre-pick game sales were launched in a K-Citymarket in Helsinki in June 2011. Later in the autumn, checkout counter game sales were started in ten further grocery stores. The checkout counter game sales will be gradually extended to cover the entire country, starting in 2012.

Training events and web course ensure professional skills

Veikkaus develops and maintains the professional skills of the roughly 15,000 sales clerks working in different points of sale. Training events for Veikkaus' game sales clerks are offered free of charge around the country every week. During the year under review, Veikkaus' retailer training staff organized a total of 496 training events, which were attended by over 6,800 game sales clerks.

The Basic Training provides Veikkaus' game sales clerks with extensive knowledge about working as a game sales clerk. Besides learning about the various games and the game terminal's operation during the training, the game sales clerks also receive information on responsibility issues related to the selling of games, including the

supervision of the age limit of gaming and the correct way to process playslips.

In Advanced Training, the game sales clerks learn about, e.g., the world of sports games and how multi-player syndicate entries can be made. The Boost Your Veikkaus Sales events, targeted at supervisors and the game sales clerks who are in charge of Veikkaus games sales at their specific POS, delve deeper into topics such as boosting game sales and the upcoming reforms at Veikkaus. The Boost Your Veikkaus Sales events of 2011 were attended by 2,450 game sales clerks.

Veikkaus Day Cruise 2011, organized in September, centred on Veikkaus' new brand promise Joy for Life. Upcoming development projects, including the self-service gaming terminal and the multinational Eurojackpot lotto game, were also presented to the game sales staff during the cruise.

Web course available anywhere, any time

Veikkaus' game sales clerks can also opt for taking the Basic Training course on the web. The Learning to Be a Game Sales Clerk course on the web was taken by more than 2,400 game sales clerks in 2011. Thus, we managed to increase the number of sale clerks choosing the web course, which was one of our objectives for 2011.

The web course can also be taken section by section, going through the study modules in stretches of a couple of evenings at a time. As the sales clerks' web service Myynet was revised, the course contents were also updated to better correspond to the revised product and service offerings.

With the revised web course, the game sales clerks can easily learn about the tasks of a Veikkaus game sales clerk or go back to check what they have learnt before. Further, all our game sales clerks are currently offered the chance to enroll in training events in their own area directly over the game sales clerks' web service Myynet.

In 2011 a new edition of the Game Sales Clerk's Guide was published, to be distributed to the game sales clerks taking part in the Basic Training. The new edition of the Guide is also available in electronic format on Myynet.

New channels of sales clerk communications

Veikkaus' game sales clerk communications were profoundly revamped during 2011. The revamp focused on electronic communications. At the beginning of June we introduced a totally new communications tool, Sales Support. Through Sales Support, Veikkaus can provide information to all the points of sale around the country almost real-time, concerning marketing campaigns, topical customer benefits, and deviant gaming situations.

The revised web service for game sales clerks, Myynet, was opened in October. Through the new Myynet site, Veikkaus' points of sale receive up-to-date information and important advice. Myynet also enables the points of sale to submit orders, enroll in training events, and keep posted about their own game sales. Further, the site makes communication between Veikkaus and the points of sale smoother. Veikkaus' contact personnel can send individualized messages, including invitations to various events, to the points of sale via Myynet.

The professional newsletter to Veikkaus' game sales staff, Veikkaus News, came out in 16 issues during 2011. The printed newsletter is sent to all of the nearly 3,300 points of sale. An electronic version of the newsletter is emailed to the most important stakeholders and partners in cooperation. In September, a special issue was produced for those attending the Veikkaus Day Cruise for retailers. The special issue contained the cruise programme and covered topical issues related to Veikkaus.

Veikkaus News is a significant channel of communication: it provides the game sales clerks with up-to-date information about various product reforms; gives instructions on how to be a responsible game sales clerk; and offers advice for sales situations.

You can read Veikkaus News issues of 2011 here (in Finnish).

The share of internet game sales up to 30 percent

Internet gaming continued to increase in popularity in 2011. The turnover of internet game sales went up to EUR 541.1 million (+ 21.2%), surpassing the threshold of half a billion euros and 30 percent (30.1%) of Veikkaus' total turnover for the first time.

The most popular games at veikkaus.fi were Lotto, Keno, and Fixed Odds Betting, just like they had been a year before. Keno's sales surpassed those of Fixed Odds

Betting in April 2011, thanks to the newly launched daytime draws.

TOP 5 most popular games at veikkaus.fi

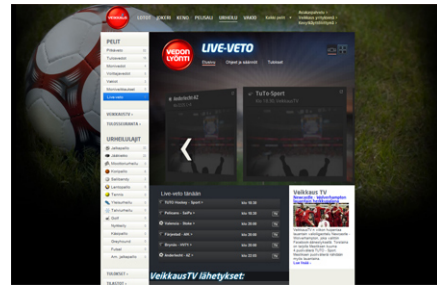
	EUR million	Change in %
Draw games (incl. Lotto games, Jokers and Keno)	258	17.0

Arcade games	101	78.3
Sports games: Betting	141	5.7
Sports games: Pools games	41	14.1
Total	541	21.2

VeikkausTV's offerings boosted Live Betting

The programme offerings on VeikkausTV diversified significantly during 2011; elite sports broadcasts were made available almost every day to Veikkaus' Loyal Customers. VeikkausTV's increased offerings also contributed to the huge popularity of real-time Live Betting, which multiplied sales in 2011. Live Betting posted a turnover of more than EUR 5.7 million, whereas it had been EUR 0.5 million in the previous year.

The turnover of the first full year of eBingo, launched in September 2010, amounted to EUR 55.1 million. The eInstants reached a turnover of EUR 36.3 million (+ 4.8 %).



Social media as a crucial part of our everyday work

The role of the social media has grown increasingly significant in our customer and marketing communications over the past few years. Taking advantage of the opportunities of the social media has been recently made into a regular element of our working practices. Veikkaus uses the social media to address young adults in particular.

Of the social media channels, Veikkaus uses primarily Facebook and Twitter. They reinforce our digital presence and function as channels for, e.g., activating fans and informing about products and Veikkaus' Loyal Customer Programme. In 2011, Veikkaus' customer service also started to answer questions on Facebook and Twitter.

At the end of 2011 Veikkaus had over 20,000 Facebook fans; and on Twitter, we had a total of 500 followers.

After the turn of the year, the number of Veikkaus' Facebook fans has continued to increase rapidly, after Veikkaus challenged sports fans to join the group in January and to vote on which sports game objects should be allocated additional prize money. Similarly, the number of Veikkaus' followers on Twitter has grown fast at the beginning of 2012.

Case: What would you like to know about Lotto draws?

On round 20/2011, we had a record-breaking jackpot in Lotto, EUR 8 million. On Saturday night, Veikkaus kept up-to-date with the situation at the Lotto studio and told the fans on Facebook about how the draw was being prepared. The fans also got to ask questions about the operation of the draw, among other things.

Mobile gaming took huge steps forward

Veikkaus continued to develop its applications for smartphones in 2011. In February 2011, we published a special smartphone application for Android phones, enabling the users of smartphones to check the latest results of Veikkaus games, enroll in the loyal customer draws, and check the most recent sports news.

Besides the Android phone applications, Veikkaus also provides free applications to users of iPhones and Nokia phones. In 2011, the Android application was downloaded 10,800 times; the iPhone application 14,700 times; and the Nokia application 32,400 times.

Veikkaus and Nokia designed jointly a new type of Veikkaus game application for Nokia's Lumia 800 in 2011. Previously, gaming was not possible directly through the application, but the application was used to

go to Veikkaus' gaming service via a browser. Veikkaus' and Nokia's new joint gaming application has been downloadable since February 2012.

Gaming market continued to grow

The Finnish gaming market continued to grow strongly, reaching a total value of EUR 2 728.8 million (+6.7%) in 2011. Veikkaus retained its leading position with a 51.3-percent share of the market.

It has been estimated that the margin on cross-border gaming with foreign gaming operators was at its highest in 2009, when it amounted to some EUR 130 million. The gaming margin reveals the gaming profit after prize payout to players. Since the marketing restrictions entered into force from the beginning of October 2010, cross-border gaming has been on the decrease. In 2012 the margin on gaming with foreign operators was around EUR 100 million.

Veikkaus' turnover increased in all the game groups except for that of traditional instant scratchcards in 2011. The Arcade games on the web (78.2%) and the draw games (+6.0%) experienced the strongest growth. Sports games continued to grow steadily both in betting (+2.5%) and pools games (+1.8%). The turnover of the instant games experienced a drop (-11.9%). Draw games represented 65.6% of Veikkaus' turnover, sports games 21.8%, instant games 7.0%, and Arcade Games 5.6%.

Fastest growth on the web

The gaming channel to show the fastest growth was the internet (+25%). The growth of internet gaming kept accelerating and was slightly bigger than expected. Veikkaus reinforced its leading position in the gaming market especially in internet sales. The total increase in the regulated gaming market as compared with the previous year was up to EUR 131 million, of which Veikkaus' share was EUR 94.6 million. Of Veikkaus' turnover, 30% come from internet sales (+21.2%).

Point-of sale gaming continued to grow, but at a slower pace than in the previous years (0.7%). The growth in the retail sales centred further on the large units of retail trade (18%), thus catching up to the kiosks in the leading position (33%) and gaining a stronger lead over the service stations in the third position (11%). In all, the annual customer transactions went up to nearly 90 million.

Finns are familiar with Veikkaus games. Among adult Finns, almost nine out of ten play Veikkaus games at least occasionally. According to a brand survey, Veikkaus' best known brands were Lotto, Veikkaus, Ässä Instant, Casino Instant, Joker and Viking Lotto. The share of the respondents who gave grades to Veikkaus, Lotto, and Joker, i.e. those who knew the brands, was bigger in 2011 than in 2010 (The Finnish market research company Taloustutkimus 2011).

The number of Veikkaus' registered customers went up to 1,368,000 (+11.9%). The share of weekly customers in our webstore increased by 17.5%. Identified gaming represented 47.6% (+3.9%) of all gaming.

Gaming market in Finland and in Europe

The most significant change in the Finnish gaming market in 2011 was the amended Lotteries Act. From the beginning of 2012, Finland went over to a system of legal monopolies. At the same time, all horse betting was made the responsibility of Fintoto Oy.

Veikkaus' new status as a legal monopoly involves stricter regulation and various operational restrictions that may weaken Veikkaus' position and operating capacity in the long term.

The European countries have several different systems of gaming regulation in place. Many countries are currently seeking for new models to adapt to the market.

The European gaming regulation is experiencing a clear trend of change towards more open systems. As regards the lotto games, exclusive rights constitute the predominant model, organized either as a state monopoly or a licence-based exclusive right system. In other forms of gaming, the general trend is leading towards an open market. An example of such development is Denmark, which granted the first online licences in 2011. In betting, exclusive rights only remain in place in a couple of member states.

Case:**Record-breaking sales in Lotto**

A ten-million euro Lotto jackpot inspired Finns to play with unprecedented enthusiasm at the turn of September and October, on round 39. The Lotto entries totalled 24.9 million, corresponding to nearly EUR 19.9 million spent on the game.

Our previous record was EUR 19.2 million, which was reached at the time of Veikkaus' 70th jubilee jackpot in 2010.

Largest jackpots in Lotto's history

1) EUR 8.0 million, round 20/2011, Forssa (southern Finland)

2) EUR 7.5 million, round 13/2011, Espoo (southern Finland)

3) EUR 7.3 million, round 50/2010, Kangasniemi (south-eastern Finland)

4) EUR 7.2 million, round 38/2010, Kalajoki (western Finland)

5) EUR 7.0 million, round 4/2010, Kotka (south-eastern Finland)

6) EUR 6.0 million, round 16/2010, Turku (south-western Finland)

7) EUR 5.7 million, round 45/2004, Kokkola (western Finland)

8) EUR 5.3 million, round 17/2008, Järvenpää (southern Finland)

General economic situation means weaker growth

Veikkaus' business operations have been developing fast. Both our turnover and profit have increased faster than those of gaming industry on the average elsewhere in Europe. We have managed to retain our leading market position in Finland.

In 2012 we expect the growth to continue. To achieve growth, we will keep realizing product reforms and developing our distribution channels. Our most important new product is the multinational Eurojackpot. The other new arrivals include the action-filled instant, Iron Sky, which is linked to the social media, and the new sports game Multipools. The existing products are also developed further on the basis of customer data. In distribution channel development, the most significant factors will be the growing number of points of sale and the need to be able to meet our customers where they move in large numbers. Gaming is expected to increase further on the web, but a significant part of this increase is a consequence of people's changing over to the internet from point-of-sale gaming.

The raise in lottery tax and the transfer of the horse betting games away from Veikkaus reduce the increase in our real operating profit, which will thus probably only grow marginally as compared with the previous year. These changes will reduce the turnover by over EUR 22 million as compared with 2011. Further, the effects of the legal monopoly system on our operating environment will pose additional challenges to the development of our profit.

Gaming market undergoing a global shift

The global shift in the gaming market will continue. The regulation of our business is under heavy pressure towards change in Europe. The traditional operators of the gaming business and the new operators brought to the industry by commercial alliances invest heavily on the development of business operations. The state lotteries' shareholders are investigating opportunities to obtain more profits from the lotteries.

Veikkaus has been actively involved in the shift, and is currently even more so through its subsidiary Veikkaus Solutions, in order to secure our strong position as an efficient top company and innovative pioneer even in the future.

National legislation shall guarantee sufficient operating resources to the industry's Finnish operators even in the middle of a changing international market.

Case:**Joy for Life!**

Veikkaus revised its brand in 2011. Our core objectives in this endeavour were to reinforce our corporate brand; highlight the joy of gaming and responsible play; and bring the joy created by Veikkaus funds into focus. In 2012, the brand revision will be prominent not only in advertising, visual image, and draw broadcasts, but also as many pleasant surprises offered to our customers. Veikkaus' new brand promise goes: Joy for Life. It communicates the joy associated with games and

gaming, excitement and dreaming, the joy created by Veikkaus funds, and responsible play.

In connection with the reform, even Veikkaus' visual image, game logos, and corporate logo were revised. The brand reform aimed at strengthening Veikkaus' corporate brand along with the product brands, including

Lotto. The game logos were made more uniform and subordinate to Veikkaus' corporate logo; at the same time, the products' own slogans were given up and they were replaced by the joint umbrella slogan Joy for Life.

RESPONSIBLE OPERATOR

Responsibility is present in everything we do

Veikkaus fulfils the requirements for the exclusive right it has been granted by promoting responsible gaming. Achieving our business objectives requires a well-earned responsible corporate image. We aim at a steady growth of profit, which will guarantee that our beneficiaries' operational prerequisites are secured in the long term.

For our customers, we want to offer a range of entertaining and responsible games, meeting our customers' expectations, and to ensure that the problems related to gaming are minimized. Successful operations can only be based on a wide customer base and general acceptance of gaming. Veikkaus employs a versatile set of tools for reducing gaming hazards; gaming is restricted and the players are offered means for the self-control of gaming.

Working for responsibility is the duty of every Veikkaus' employee

Coordinating CSR in practice is the responsibility of Veikkaus' Communications and CSR function, where two employees are working full-time to promote responsibility at Veikkaus. CSR is implemented in practice by specialist employees working in Veikkaus' different operations. Working for responsibility is the duty of every Veikkaus' employee.

2011 Expenses incurred by CSR in 2011

In 2011, Veikkaus spent nearly EUR 4.2 million (+8.8%) on measures to support and promote responsible gaming. Veikkaus employs these measures to promote responsible gaming both in its own operations and in cooperation with stakeholders. The total expenses also include Veikkaus' share of the expenses incurred by the Ministry of Social Affairs and Health's research into the detrimental effects of gaming and the Peluuri helpline for problem gamblers and their relatives. These expenses totalled EUR 901 000.

CSR focus areas according to Veikkaus and its stakeholders

In Veikkaus the focus areas of CSR are determined by the Executive Team, which has defined guidelines for CSR and evaluated their importance to Veikkaus' success. Further, the Operative Executive Team has identified various focal sections of CSR, assessing their importance to both the company and the stakeholders.

The figure below shows the different perspectives of CSR from the points of view of the stakeholders and Veikkaus. It illustrates the themes and issues that are central to Veikkaus' social responsibility. The figure is used to analyse social responsibility and works as a basis for the focus of responsibility reporting.

Analysis of CSR perspectives

	IMPORTANCE TO STAKEHOLDERS	IMPORTANCE TO VEIKKAUS
SIGNIFICANCE INCREASES	Profit for Finnish society and beneficiaries	Long-term, stable profit growth
	An appealing game offering	Excellent entrepreneurship
	A secure and reliable gaming service	<ul style="list-style-type: none"> • registered gaming • preventing gambling hazards • tools to limit and control gaming • responsible marketing • responsible R&D
	Availability of games	
	Consumer protection and privacy	
	Preventing crime and abuse	Profit for Finnish society and beneficiaries
	Competent and responsible retail operations	An appealing game offering
	A good gaming experience	Channelling gaming
	<ul style="list-style-type: none"> • registered gaming • preventing gambling hazards • tools to limit and control gaming • responsible marketing • responsible R&D 	A good gaming experience
		A secure and reliable gaming service
		Preventing crime and abuse
	Energy consumption and recycling	Availability of games
	Environmentally friendly procurements	Consumer protection and privacy
	Excellent entrepreneurship	Personnel wellbeing and development
	Long-term, stable profit growth	Competent and responsible retail operations
	Personnel wellbeing and development	Energy consumption and recycling
Channelling gaming	Environmentally friendly procurements	

Case:
Finland's highest work of art

Finland's highest work of art, a cloth that used to cover the Olympic Stadium Tower in Helsinki for eight months during the tower's renovation, continued its life in, for example, Globe Hope's ecological design products.

This arts project was launched as part of Veikkaus' 70th jubilee in cooperation with the Olympic Stadium Foundation.

[Read more \(in Finnish\)](#)

Stakeholder cooperation developed constantly

Veikkaus seeks open and interactive dialogue with all its stakeholder groups. It is important that we know and recognize our stakeholders' expectations. In addition to sharing information, we engage in conversations, answer enquiries, take part in seminars, and meet stakeholder representatives. In 2011 we were especially active towards our customers in the social media.

Veikkaus wants to engage in active interaction with its stakeholders regularly. Knowing our stakeholders and their expectations, and their trust in Veikkaus and our operations, are important prerequisites for our success.

New ways of facing stakeholders

Veikkaus assumed an increasingly active relationship to its customers in 2011. The Veikkaus festival was organized for the second time. This time the festival tickets were not distributed by draw, but our customers enrolled for ticket distribution on the web. We gave out a total of 5,000 avec tickets in order of enrolment.

Veikkaus took part in the Suomi Areena event organized during the Pori Jazz Festival for the first time in 2011. We hosted a panel discussion on the future of elite sports and distributed information about our social significance in the Citizens' Square. Further, we increased our customer communications especially in the social media.

Our activity on Facebook and Twitter reinforces our digital presence and enables us to activate fans, to communicate and market efficiently, and to serve our customers even better.

International and national memberships

Veikkaus is actively involved in international cooperation. The company is a member of the World Lottery Association WLA, the European Lotteries EL, and the European Association for the Study of Gambling EASG. President and CEO Risto Nieminen is President of WLA. In summer 2011 Veikkaus organized the biannual EL Congress in Helsinki. Veikkaus has also a representative on the EASG board.

In Finland, Veikkaus belongs to the Confederation of the Finnish Industries EK and its member organization Service Sector Employers PALTA. Our stakeholders in business are, by way of memberships, Helsinki Region Chamber of Commerce, the Association of Finnish Advertisers, the Finnish Direct Marketing Association, and Finnish Business & Society FiBS.

Working with stakeholders

CUSTOMERS

All players of Veikkaus games

Expectations towards Veikkaus

- Open and reliable operations
- Attractive games, harmless pastime, excitement to spice up everyday life
- Finnish gaming operator
- Profit to a broad range of beneficiaries

Veikkaus' way of working

- Making proactive use of customer data and feedback
- Constant development of customer service line
- Responsible and attractive game offerings
- Increasing the proportion of identified gaming
- Reliable prize payouts

Achievements 2011

- Customer loyalty programme developed further
- Social media a new channel for customer service and advice
- According to the customer satisfaction survey and loyal customer barometer, customer satisfaction at an excellent level
- Number of registered customers up to over 1.3 million
- Number of Veikkaus Card holders up to over 1.1 million
- Veikkaus Festival organized
- Veikkaus took part in Suomi Areena and Citizens' Square events during Pori Jazz Festival

BENEFICIARIES

All the Finns working with arts, sports, youth work, and science who benefit from Veikkaus' profits

Expectations towards Veikkaus

- Steady income for beneficiaries, guaranteed continuity
- Proactive communications
- Cooperation

Veikkaus' way of working

- Stable profit growth to ensure beneficiaries' continued operations
- Regular contacts
- Game event and marketing cooperation with associations, clubs, leagues and divisions

Achievements 2011

- Veikkaus profit increased by over 2%.
- A survey with associations conducted for sports beneficiaries
- Unique cooperation with the Finnish cinema industry
- Visibility in major sporting events in Finland

POLITICAL DECISION-MAKERS

Parliament, Government, European Parliament and European Commission

Expectations towards Veikkaus

- Retaining the exclusive right
- Responsible gaming policies
- Finnishness
- Sustainable income for society
- Openness and reliability
- Preventing crime and fraud

Veikkaus' way of working

- Regular meetings
- Annual General Meeting
- Supervisory Board
- Quarterly financial reports
- CSR and Annual Reports

Achievements 2011

- Veikkaus ranked high in both national and international industry comparisons, being, for example, the most profitable lottery per capita.

MINISTRIES AND AUTHORITIES

The Ministry of Education and Culture (Veikkaus' shareholder), the Ministry of the Interior, the National Police Board, official State Supervisors, the Ministry of Social Affairs and Health, the National Institute for Health and Welfare

Expectations towards Veikkaus

- Controlled, sustainable, and guaranteed profit growth
- Responsible gaming operations
- Preventing social problems
- Preventing crime and fraud

Veikkaus' way of working

- Regular contacts
- Quarterly financial reports
- CSR and Annual Reports

Achievements 2011

- New games were launched and existing games were revised.

THE MEDIA

National, regional, and local media; print, radio, TV, and social media

Expectations towards Veikkaus

- Rapid, open communications
- Social responsibility and reliability
- Accessibility
- Gaming proceeds crucial to Finnish society

Veikkaus' way of working

- Press releases and publication of winnings
- Regular meetings with the media
- One-on-one meetings with reporters
- Media follow-up

Achievements 2011

- Communications survey with media representatives generated excellent feedback
- Veikkaus became active in the social media
- The effectiveness of media communications is regularly monitored

PARTNERS IN COOPERATION

Subcontractors, IT partners, media, advertising and communications agencies, retail chains, sports federations and leagues, Peluuri helpline

Expectations towards Veikkaus

- Innovative, diverse and responsible range of games
- Open, reliable and long-term relationships

Veikkaus' way of working

- Long-term contracts and partnerships
- Centralised procurements

Achievements 2011

- Updated contracts

RETAILERS AND GAME SALES CLERKS

Retailers in contractual relationships with Veikkaus, game sales clerks

Expectations towards Veikkaus

- Good source of income
- Wide range of games
- Customer service
- Sales support
- Proactive communications
- Information about beneficiaries

Veikkaus' way of working

- Successful sales support through communication and training
- Smoothly operating sales terminals (game system operates smoothly)
- Ongoing learning and training

Achievements 2011

- Retailer barometer carried out
- Game sales clerks' web service Myynet revised

PERSONNEL

Veikkaus personnel at the head office and district offices, a total of 324 employees.

Expectations towards Veikkaus

- Transparency and open communications
- Equal and impartial treatment
- Fairness

Veikkaus' way of working

- Outstanding workplace
- Personnel surveys
- Individual and group performance development discussions
- Staff Intranet (Innet)
- IdeaSampo
- Personnel magazine 1X2
- News and market place forums for personnel
- Investments in training and development for a variety of personnel groups

Achievements 2011

- Finland's 'Great Place to Work' survey conducted
- The entire staff took part in the 'Veikkaus Rocks' training programme which focused on interaction
- Joint mentoring project launched with the Finnish Broadcasting Corporation YLE, Nordea Bank, and Aalto University.

Ethical Council provides an external viewpoint

The Ethical Council is an expert advisory body appointed by Veikkaus' Board of Directors. The Council provides Veikkaus' Board of Directors and operative management with an external perspective on gaming – especially on the ethics of games and their marketing – and also on issues such as gambling addiction.

The Council also makes suggestions and ethical statements concerning practical issues and debates concerning gaming.

In 2011 the Ethical Council convened four times. The Council's meetings concerned, for example, Veikkaus' new sponsorship programme and operating environment strategy, viewed from an ethical angle in particular. Another topic on the Council's agenda was how Veikkaus could address young people with responsibility-laden messages, even though underage gaming is forbidden.

The Council was also informed about the activities of the Gambling Clinic.

The Ethical Council's term of office is two years; thus, the present Council will continue until the end of 2012.

Broad-ranging expertise

Olli Alho, Professor, Chairman of the Ethical Council

Jaana Haapala, Strategy Director, Folk Finland

Ossi Heinänen, Head of the Your Move campaign, Young Finland Association

Leena Huovinen, University Chaplain of the Parish Union of Helsinki, Chaplain of the Finnish Olympic Committee

Timo Laitinen, Director General of the State Treasury,
Chairman of the Finnish Sports Federation

Sanna-Mari Myllynen, Manager of Human Risk and
Work Welfare Service

Matti Rönkä, News Editor, the Finnish Broadcasting
Corporation YLE

Matias Åberg, Student, Journalist

Moderate stakes, without burdening players' finances

Veikkaus' CSR Programme contains the core principles that we comply with to promote responsible gaming in particular, but also corporate social responsibility in a wider sense. In 2011 we started to prepare an operating environment strategy for Veikkaus. The strategy will be approved and implemented in 2012. After the preparation of the operating environment strategy, Veikkaus' CSR Programme will be updated in order to ensure the status of responsibility and its promotion as a significant part of all Veikkaus' operations even in the future.

We seek to maintain an extensive customer base playing with moderate stakes. This will ensure that the expenditure on Veikkaus games by individual players does not burden their finances unreasonably.

Veikkaus seeks steady, long-term profit growth.

Our aim is to raise the number of identified gaming transactions by increasing both the number of registered internet players and the use of Veikkaus Cards at retail outlets.

We make gaming subject to restrictions and offer voluntary **tools to help players control** (in Finnish) their gaming.

We have developed a Responsibility Evaluation Tool (RaVa) and a battery of ethical questions derived from it. These are used to evaluate the responsibility of new game concepts, game overhauls and distribution channels at an early stage in the product development process.

Our marketing communications are subject to strict ethical guidelines:

- Advertisements shall not give incorrect information or a misleading idea of the actual odds of winning.
- Veikkaus respects consumers' personal freedom and avoids marketing that glorifies or encourages gaming.

- Marketing communications are never targeted at such consumer groups that are considered particularly vulnerable in view of their age, social status or any other characteristics.

Read Veikkaus' **Ethical Guidelines for Marketing Communications in full** (in Finnish)

Veikkaus bears responsibility for problem gambling by creating awareness and providing information at points-of-sale and on its website. The company makes sure its personnel and game sales clerks know about problem gambling and where people suffering from it can seek help. Veikkaus pays a share of the costs and development of the Peluuri helpline for problem gamblers and their families and friends. Veikkaus also finances the Ministry of Social Affairs and Health's research into the detrimental effects of gaming.

By taking active measures, Veikkaus aims to prevent fraud and criminal activity and to assist with anti-money laundering measures.

Veikkaus bears environmental responsibility for the company's operations and requires its partners to do so, as well.

Promoting Veikkaus' corporate social responsibility is the duty of every employee. It is a natural aspect of our everyday working lives and everything we do.

CSR management and organization

Veikkaus' strategic objectives and policies are laid down by the company's two Executive Committees. In the Strategic Executive Committee, CSR issues are the responsibility of the Vice President of Communications. In the Operative Executive Committee, the Vice President of Communications is joined in CSR matters by the Vice President, Public Relations, who is responsible for corporate social responsibility, stakeholder relationships, and international organization affairs.

During the year under review, an organizational change was carried out in the Communications and CSR function, and the promotion and practical coordination of CSR were made the responsibility of the new Public Relations Unit, which has two members working full-time with the CSR matters: the CSR Manager and a CSR Specialist. The Unit is steered by the Vice President of Public Relations, who is a member of the company's Executive Team.

The different aspects of CSR are implemented in all of Veikkaus' different **functions and units** (in Finnish). Our principle is that every Veikkaus' employee should be working for CSR; thus, CSR represents a crucial element of all our operations. Responsibility standards are also used as a basis for rewards for the entire staff.

Responsibility developed favourably

In a CSR survey commissioned by Veikkaus from the Finnish market research company Taloustutkimus in autumn 2011, Veikkaus came out as one of the most responsible Finnish companies. Finns considered that the term 'socially responsible' was best suited to describe Veikkaus out of all the Finnish companies selected for the survey.

This was the first time ever that Veikkaus reached the top position in the comparison. Finns' opinions about the responsibility of gaming and Veikkaus were now investigated for the fifth time.

Gaming age limit makes a difference

Some 60% of the survey respondents said the age limit of 18 in the points of sale had been complied with successfully or very successfully. Respondents between 18 and 29 years of age had noticed the compliance with age limits in the points of sale especially well. A whole 67% of them thought the age limits were complied with well or very well.

Responsibility verified by international certification

Veikkaus has been granted the responsibility certificates of both the European Lotteries (EL) and the World Lottery Association (WLA). The verification processes required for the certificates ensure that Veikkaus takes the necessary actions to promote responsible gaming. This means that we take responsibility into account in all our operations, including marketing, game sales, and product development.

Veikkaus has an **Ethical Council** that works to provide the company's Board of Directors and operative management with an external view on ethical questions related to gaming. The Council does not make decisions, but provides a wider perspective and additional value for the company management's decision-making.

Exclusive right enjoys strong support

Veikkaus' exclusive right to operate games was supported by two thirds of the respondents. A similar share of the respondents was not in favour of the opening of the Finnish gaming market to foreign operators. Those in favour of the liberalization of the gaming market represented one fifth of the respondents. Three fourths of the respondents were of the opinion that Veikkaus' gaming operations were more responsible than those of foreign operators.

Veikkaus adopted the age limit of 18 as early as 2009. In 2010, the **age limit of 18** was laid down by law.

Continuous follow-up to promote responsibility

Veikkaus passed EL's certification among the first lotteries in May 2009. In May 2011, an intermediate verification was carried out, and in 2012 another full-fledged verification process will be conducted in compliance with the EL certificate. Ongoing follow-up is carried out to ensure that the promotion of responsibility is a continuous process and the shortcomings detected

in the previous verification have been remedied as quickly as possible.

In April 2010 Veikkaus was granted WLA Security Certification, reaching level 4, which is the highest (scale 1–4), indicating that we are on the level of Continuous Improvement. The highest level required that we had verified our compliance with the EL responsible gaming standards with an external verification body. The EL responsible gaming standards are subject to stricter requirements than the EL responsibility certificate.

Follow-up and cooperation enhance reliability

Gaming has always involved risks, even if it is made subject to comprehensive and versatile control. There are no absolute ways of preventing criminal endeavours even in the gaming industry. Veikkaus takes the risks into account both in its own operations and the operations between the company and its partners in cooperation.

Stake distribution is closely supervised and the sporting events that are used as gaming objects are monitored in order to detect possible abnormalities. Veikkaus' own monitoring and control system will be triggered by any game sales transactions that deviate significantly from the norm.

Risk management integrated into design processes

Veikkaus' risk management is a part of the COSO ERM framework for internal control. Risk management is integrated into the company's operational design processes to enable regular identification and evaluation of both the risks inherent in Veikkaus' business operations and strategic objectives, and the preparations that have been made for them.

Responsible parties and risk management measures are determined for the most significant risks. These measures are included in the company's action plans, operating models and other processes. Risk management measures are monitored as part of the supervision of operational planning and other internal controls.

Management holds responsibility

Veikkaus' Strategic Executive Team is in charge of the company's risk management. The Team is assisted by a

Veikkaus has the responsibility certificates of both the European Lotteries (EL) and the World Lottery Association (WLA).

Systematic exchange of information

When it comes to betting on international football fixtures in particular, gaming companies inform each other if they notice any exceptional behaviour during matches governed by UEFA (Union of European Football Association) and FIFA (International Federation of Association Football).

European Lotteries Monitoring System (ELMS), a community specialised in supervision, works to reinforce regular cooperation and information exchange between national European gaming organizations that operate sports betting.

specialy appointed Risk Management Group, which develops the company's risk management processes, participates in risk identification, coordinates risk evaluation and prioritisation, and ensures that risk management processes run smoothly.

In addition to company-level risk management, the risks associated with financial reporting, Compliance, operative functions and Veikkaus' business are also evaluated as part of the company's routine operations. The head of each responsibility area is in charge of conducting these assessments.

Future risks

The most significant risks threatening the Veikkaus' long-term objectives are uncertainty factors associated with legislation, the Finnish national gaming system, ICT functionality, data systems, and partners in cooperation.

Strong consumer protection to guarantee customers' rights

First-rate consumer protection is an important aspect of well-run gaming operations. Strong consumer protection guarantees customers' legal protection if problems arise and customers feel that they have been treated unfairly.

Players can seek help from the Ministry of the Interior in ambiguous circumstances concerning prize payout in Veikkaus games by filing a request for a recommended

decision. A total of 54 requests for a recommended decision were handled in 2011 (44 in 2010).

When a sum spent on games either as one payment or several interlinked payments amounts to at least EUR 3,000, the player's identity shall be verified and the game sales clerk shall file a Money Laundering Report in accordance with the effective Money Laundering Act.

Recognising gaming risks is important

For an overwhelming majority of Finns, gaming is a harmless pastime and enjoyable entertainment. Yet, all gaming involves risks that must be recognized and controlled.

Games should never be considered a source of regular income, nor should gaming put the players' finances at risk. It shall remain a harmless, enjoyable pastime that also involves the possibility of monetary prizes. In the end, the fact is that people play to win.

All gaming always involves addiction-provoking elements in principle. The risks grow when the event frequency increases and the offerings expand. Players may also overestimate their own skills. In addition to financial interests, gaming has a great entertainment value, and gaming accounts for an ever-increasing share of the entertainment and leisure-time activities on offer.

Drawbacks of the joy of gaming

Joy for Life, Veikkaus' promise to its customers, entails responsibility, since joy disappears instantly when gaming starts to cause any problems.

Even if the overwhelming majority of Finns play Veikkaus games in a controlled and moderate manner, some people may develop a gambling problem. Gaming is always associated with certain risks that must be recognized and controlled. Problem gamblers are people whose gambling causes financial, social, or health-related problems (to themselves or their families and friends).

A big-time gambler is not necessarily a problem gambler. They are often people who are in control of their gaming in proportion to their own "game wallet", without risking their financial situation. Gaming also involves strong financial interests – which may bring with them the risk of abuse, fraud, and organized crime.

Promoting the joy of gaming as part of responsibility

Gaming can only remain enjoyable if players are in control of their own gaming. Veikkaus pays special attention to the prevention of social problems by making its games subject to restrictions and offering tools for the self-control of gaming.

Restrictions on gaming imposed by Veikkaus

- The age limit for all Veikkaus games is 18 years - both on the internet and at the points of sale
- Gaming is not possible in the night time (opening hours Mon-Sun, 6:00 to 24:00)

- Games cannot be sold on credit (Lotteries Act §10)
- Customers can only register one game account
- Game accounts are subject to a maximum balance of EUR 5,000
- eInstants, eBingo and Syke are subject to a daily limit of EUR 100 (irrespective of winnings)
- Live Betting is subject to a daily limit of EUR 300 (irrespective of winnings)
- Optional online tools for self-control of gaming provided by Veikkaus
- Players can close their game accounts for the rest of the day, week, month, or year (during this period, the game accounts cannot be used to play or transfer money)

- Players can set their own personal limits in euros for a period of 1, 7, and/or 30 days.
- Players can order a monthly game account statement, which is sent to them by email
- Players have access to a summary of their game account history showing all the games played during the past month, detailing all the losses, wins and payout percentages.
- **The gaming habits test** (in Finnish), which players can use to evaluate their own gaming behaviour.
- A website dedicated to controlling gaming, at veikkaus.fi/pelipaussi (in Finnish).
- Veikkaus Card is only available to people over 18.

Tools for self-control of gaming

The Game Pause website is a service where our customers find hints on the risks of gaming, gambling problems, and gaming control. The website includes a gaming habits test which the players can take to receive feedback on their own gaming behavior. The purpose of the website is to make sure that playing remains an enjoyable and harmless pastime.

Responsible gaming reinforced

- The identity of anyone who registers as a Veikkaus' player on the internet is verified with the Population Register Centre.

Toll-free Peluuri helpline helps problem gamblers

In accordance with the Lotteries Act, Finland's national gaming organizations work together to prevent problem gambling. The gaming organizations finance the Peluuri helpline for those affected by problem gambling. The service is provided by the Finnish Blue Ribbon and the A-Clinic Foundation, which also offer treatment to problem gamblers.

Peluuri is a nation-wide service system that offers anonymous, toll-free, low-threshold advice and support services by phone and electronically. Peluuri's services are targeted at gamblers, their families and friends, and people faced with problem gambling in their work. The objective of Peluuri is to prevent and reduce the individual, societal, and social problems caused by gambling.

Peluuri took 2,824 calls in 2011, of which 1,189 concerned gambling problems. Players made 62% of the calls, whereas 33% of the calls came from the players' families and friends, and the remaining 5% from those otherwise interested in problem gambling. Veikkaus' games were the primary cause of problems for about 8% of callers.

The helpline's operations have been developed by going over from services primarily produced by students to professional activities. A new service form provided by the helpline is Swedish-language counselling. As the Swedish-language service was launched, the helpline also received a second phone line, which made the helpline much more easily accessible.

Help also available on the internet

The Peluuri website www.peluuri.fi contains comprehensive information about gambling problems, and offers an eCounselling service, where people can ask questions about problem gambling toll-free and anonymously. In 2011, Peluuri's website logged over 68 000 visits and the eCounselling answered 114 questions on problem gambling.

The Peluuri website also offers a discussion forum called Valti ('Trumps'), where problem gamblers can seek peer support and engage in lively debates. Family members and friends of problem gamblers can seek help in special discussion groups on the Tuuletin ('Fan') forum, where a professional Peluuri counsellor takes part in the discussions.

Peluuri and the A-Clinic Foundation also jointly provide the Gambling Power Circle, an sms service offering peer support and self-help tools via sms and the internet. A total of 367 new customers joined the Gambling Power Circle in 2011.

Time to Fold model

The Time to Fold treatment model, which is also run by Peluuri, continued in 2011. Time to Fold is an online self-treatment guidance programme for gambling problems. It consists of eight week-long independent working sections on the web and a brief weekly guidance session with a therapist. A total of 123 people took the Time to Fold programme in 2011. The experiences of the treatment model have been very encouraging. In 2011, a

new version of the programme, with improved technology and contents, was produced as a joint Finnish-Swedish venture.

Peluuri works as part of the Gambling Clinic, which is an umbrella system for different services for the prevention and reduction of gambling detriments. Gambling Clinic's special know-how has been used whilst developing the services of the Peluuri helpline.

Case:

Over half a billion euros to be enjoyed by all Finns

Veikkaus' operations generate joy for life to every one of us. Whilst benefiting from sporting facilities, cinemas, theatres, youth work, and many other activities, every Finn is a winner irrespective of where they live and what age they are. Many unforgettable experiences would be lost without the accurate and planned distribution of all the euros spent on Veikkaus games.

In 2011, the Ministry of Education and Culture distributed another record-breaking amount of EUR 515.8 million of Veikkaus funds, which means an average of nearly 10 million euros per week. Thus, Veikkaus' good result increased the beneficiaries' allocations significantly.

Veikkaus' proceeds are the primary source of the Ministry of Education and Culture's funding of sports (100%) and youth work (79%). Veikkaus funds account for about 52% of the total funds allocated to the arts and 27% of the funds to science.

Share of Veikkaus funds of all funds distributed by the Ministry of Education and Culture 2011

Sector	funds total, EUR million	Share of Veikkaus funds, %
Arts	426.0	51.8 %
Sports	143.9	99.6 %
Science	366.7	27.4 %
Youth work	62.3	79.0 %

Veikkaus funds are distributed to Finnish culture in accordance with the Funds Distribution Act (in Finnish) laid down by the Parliament of Finland. According to the Act, 38.5 percent of the funds are allocated to arts, 25 percent to sports, 17.5 percent to science, and 9.0 percent to youth work.

Further, ten percent of the funds are channelled each year to the above-mentioned beneficiaries as separately specified in the State Budget.

Help available

Peluuri is a national helpline for problem gamblers, and their families and friends affected by problem gambling. The service is open every weekday from 12:00 to 18:00. The helpline number 0800 100 101 is toll free and can be called from all over the country.

www.peluuri.fi

Beneficiary sectors' shares of Veikkaus funds distributed by the Ministry of Education and Culture 2008 -2011

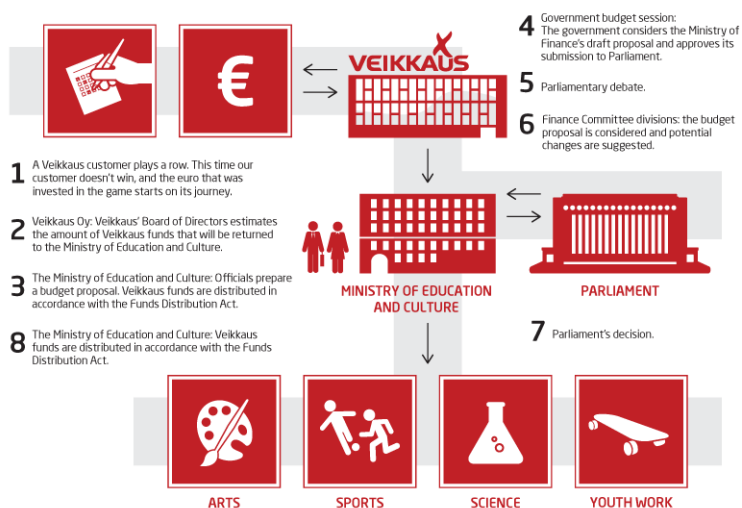
EUR million	2011	share, %	2010	2009	2008
Arts ¹⁾	220.7	42.8 %	197.9	204.7	189.2
Sports	143.3	27.8 %	128.5	124.4	104.1
Science	100.3	19.4 %	90.0	86.6	77.1
Youth work	51.6	10.0 %	46.3	44.8	37.5
Total	515.8	100.0 %	462.7 ¹⁾	460.5 ²⁾	407.9

¹⁾ In 2011, the Ministry of Education and Culture distributed EUR 30.0 million in undistributed prize funds to projects promoting youth employment in particular. The arts and culture received EUR 11.6 million of this sum, sports EUR 7.5 million, science EUR 5.8 million and youth work EUR 5.1 million.

²⁾ In 2009, the Ministry of Education and Culture distributed a further EUR 17.0 million in undistributed prize funds.

The path of the Veikkaus euro

The path of the Veikkaus euro



- A Veikkaus customer plays a row. This time our customer doesn't win, and the euro that was invested in the game starts on its journey.
- Veikkaus Oy: Veikkaus' Board of Directors estimates the amount of Veikkaus funds that will be returned to the Ministry of Education and Culture.
- The Ministry of Education and Culture: Officials prepare a budget proposal. Veikkaus funds are distributed in accordance with the Funds Distribution Act.
- Government budget session: The government considers the Ministry of Finance's draft proposal and approves its submission to Parliament.
- Parliamentary debate
- Finance Committee divisions: the budget proposal is considered and potential changes are suggested
- Parliament's decision
- The Ministry of Education and Culture: Veikkaus funds are distributed in accordance with the Funds Distribution Act.

Joy sprinkled all over the lives of millions of beneficiaries

Veikkaus funds were distributed to over 3,000 communities and people in 2011.

Arts funds are granted to practitioners in different sectors of the arts: museums, theatres, opera, and a variety of musical events. The Ministry of Education and Culture also grants Veikkaus funds to Finnish cinema, photography, dance and music, architecture, museum and cultural heritage organizations, many national and municipal cultural events, and other activities within the arts and culture. The Ministry of Education and Culture is assisted in the funds allocation by the Arts Council of Finland.

Sports funds are used to support the construction of sports facilities; they are also granted to sports organizations, sports research, and sports for children and young people. Further, the Ministry of Education and Culture distributes funds to, for example, sporting events, sports education and research, sporting grants and coaching, municipal sports activities, international cooperation in the field of sports, and many other activities within sports.

Science funds are granted to a variety of organizations and projects; the most important beneficiary of these funds is the Academy of Finland, which finances hundreds of scientific projects every year and supports research by providing long-term financing based on scientific quality. The Ministry of Education and Culture also allocates funds to, for example, the operation of research institutes, agencies, and certain scientific

societies and associations; as well as to the expenses incurred by international scientific cooperation, membership fees, and the promotion of knowledge and scientific libraries. Further, communities supplementing the national research system are granted Veikkaus funds; these communities include the Finnish Science Centre Heureka and various Finnish scientific institutes abroad.

Youth work funding is mainly channelled to support young people's civic organizations and leisure-time activities, for example, youth associations. Funds are granted to, e.g., municipal youth activities, national youth centres, youth research and training, as well as different domestic and international youth projects. The funds are also used to implement measures of the Development Programme for Child and Youth Policy.

[Up-to-date information about the beneficiaries \(in Finnish\)](#)

Something for everyone

Veikkaus funds benefit almost every single Finn, one way or another. Here are four stories about what the funds were used for in 2011: [sports](#), [science](#), [culture](#), [young people](#).

Timo Vuorensola: Iron Sky would not have come true without Veikkaus funds

Acquiring funds for a film is like putting the pieces of a puzzle together. The most important piece is the support granted by the Finnish Film Foundation from Veikkaus funds. Without it, you may be left without all the other pieces. The 800,000 euros that were granted to Iron Sky were a significant start when director of Iron Sky, Timo Vuorensola and his partners started the film project that lasted for many years.

Vuorensola started to plan and seek funding for the film project six years ago. It took more than a while before any money started to pour in.

– Your project must be credible enough if you want to get funding for it. The challenge lies in the beginning when you have nothing else but a claim that you can make a good film out of this, says Vuorensola.

The making of Iron Sky cost EUR 7.5 million – it was the most expensive production ever in the history of Finnish cinema. The Finnish Film Foundation granted a production support of EUR 800,000 to the film, all of which came from Veikkaus funds. What kind of a film would Iron Sky have become without Veikkaus funds?

– In cinema productions, all funding is based on the premise that the Film Foundation of your own country

decides to support your film. That shows your project is worth believing in. If the Film Foundation of your own country doesn't grant funds, the other potential financiers will be suspicious. Iron Sky would never have come true without the Film Foundation's support, says, Vuorensola.

Research area: the globe

A traditional prejudice about scientific research in a museum of natural history is that it takes place in dark, dusty museum rooms filled with spider webs. This view is, however, dismissed by Professor Soili Stenroos from the Finnish Museum of Natural History.

-Geographical and cultural boundaries do not restrict our work. For example, my and my team's research area is nothing less than the globe, Stenroos says.

Research often takes us researchers around the world; however, a large part of the basic research is done in laboratories and in studies on a computer. A good example of a research field that has long tradition in surpassing geographical boundaries is that of lichenological and bryophyte research.

-The Museum of Natural History has extensive and impressive collections in this particular area for the exact reason that we have a wealth of extracts from all over the world, Stenroos explains.

The Museum of Natural History has gained publicity, among other things, for its outstanding lichenological research. In 2011 the museum's basic research work was recognized, as Suomen Jäkäläopas, a guide to Finnish lichens, which had been prepared for years, was awarded the Finlandia Literary Prize for Non-Fiction. There are around 1,500 lichen species in Finland, and the book covers 500 of the great lichen species.

Soili Stenroos thinks the guide to Finnish lichens and the publicity it has attracted truly makes a difference. Scientific publications rarely attract the attention of the

This year, a total of EUR 28.5 million of Veikkaus funds go to Finnish cinema.

general public, unless the subject matter is well-known previously, like dinosaurs or early human fossils.

-You rarely get such a festive feeling about the results of any project! The book is permanent as compared with many other things; it can be used for dozens of years. In a way, this feels like the most significant project I have had the chance to be involved in, says Stenroos.

Soili Stenroos's work continues with lichens even after the festivities are over. Next, she and her team will delve into the world of crustose lichens. Research work may occasionally lead scientists to drill through granite, since crustose lichens can grow even inside stones. The tiniest research sample may open up into a whole world in miniature size.

-The thallus of lichen may accommodate numerous other fungi than just the fungal partner, and many different bacteria, which are either visible or invisible in practice. In a sense, the thallus of lichen is an entire miniature ecosystem in its own right.

Picture: Mikko Heikkinen/ The Finnish Museum of Natural History

Society's support constitutes the backbone of research funding. In all, science was allocated EUR 100.2 million of Veikkaus funds in 2011. The share distributed to the most significant financier of Finnish science, the Academy of Finland, amounted to EUR 64.4 million. The Academy of Finland granted around one million euros to the Finnish Museum of Natural History in 2011.

With an easy-going attitude towards Sochi

Slopestyle, a form of freestyle will be a new arrival among the events of the Winter Olympics 2014 in Sochi. Spins, grabs, grinds, and flips will now be seen not only in the half-pipe but also on a course consisting of various combinations of bumps and rails.

-The best about this event is the easy-going attitude, great atmosphere, and fantastic acrobatic tricks, says Antti-Jussi Kemppainen, 22, one of the best Finnish slopestylers, who is being trained on the national team.

AJ started his slopestyle career in Ruka near his home in Kuusamo, northern Finland, and he has made it to the international top without losing the smile on his face.

-Another great thing is that there are no limits to the tricks. You can always come up with more, and that's the strength of the event. I hope it won't be lost even in the Olympics. You need to have fun while doing this. And if you reach success while having fun, that's even better.

Finns are at a "grab distance" from the world top. Slopestyle and twin tip skis, which have a curved-up tip and tail, are continuously evolving and improving. Thus, after his recent graduation from Ruka Alpine Racing School, AJ spends his days mostly abroad, focusing on elite sports and continuing his school work on the web.

-I'm spending the winter in the States, and in the autumn I'm off to New Zealand, where almost all the top slopestylers in the world meet.

AJ would like to see more Finns doing slopestyle in the future. At the moment, this blue-and-white slopestyle pioneer spends time on training camps mostly with Canadian colleagues.

-Training is largely independent. The older you get, the more important it is to take care of recovery, nutrition, and muscular workout.

On four edges

In slopestyle you go downhill on four edges, i.e. skis – instead of a snowboard. The course consists of bumps and rails, which the competitors try to make the most of in their runs.

A younger skier, and yet as well known in the new school circles as AJ, is **Lauri Kivari**, 15. Kivari comes from

Järvenpää in southern Finland and belongs to the Finnish Youth Olympic Team. At the end of January, Kivari made Finnish Olympic history by winning the first Finnish medal ever in Winter Youth Olympics in Innsbruck.

-The Olympic silver boosted motivation, but didn't cause any pressure. This is an event that you shouldn't take too seriously. You just gotta enjoy it, says Kivari.

Kivari started slopestyle as a little boy near his hometown on the slopes of Talma.

-I'm on the slopes almost every day. This is a great event, because you get to learn new things all the time.

Finnish Ski Association received a total of EUR 1,120,000 of Veikkaus funds in 2011.

Case:

Case: Slopestyle-Finnish dictionary

Freestyle terminology is in English, but the Finnish slang is developing fast. AJ and Lauri have compiled a small dictionary of Finnish freestyle slang in the easy-going spirit of the event.

Ghettojööti = a hurdle or rail made out of 30-centimetre wide sewer pipe.

Kirpputori = 'Yard sale' is what happens after you've done 'mätöset' (see 'tehdä mätöset'), where you collect pieces of gear and clothing that have ended up scattered around the slope.

Tehdä takkulat = to land on your back so that you can't get up on your own.

Tehdä mätöset, tehdä pannut = tumble downhill, fall over so that you end up having a yard sale.

Sveitsikorkki9 nose grab = a trick where you spin around 2.5 times in an unnatural direction, holding the tip of the ski. The term 'korkki', 'cork' refers to a spin+flip combination as part of the trick, where you spin around "over the top".

Outreaching youth work helps those who have dropped out of society

The daughter hadn't accepted the study place she had been offered. The student counsellor was worried. This was the first time we met her – a pale black-haired young lady. We introduced ourselves and explained to the mother why we were there. The mother seemed pleased and talked a lot; without pausing, she went on to say that she also had a son, right in the next room... he hadn't been accepted to the electricians school, and after that, life hadn't really seemed to work out in any way. We found out that the son was already nineteen and he'd been simply staying home after he'd finished

comprehensive school three years earlier. This was the start of a project that lasted for months, in fact years.*

Outreaching youth work seeks to help young people who have been left outside of the public sector services and often dropped out of their own social networks. In Helsinki, outreaching youth work has been shouldered by the Vamos project since 2008. In 2011, some 460 youngsters took part in the Vamos project.

– Our employees try to weave a new network for the youngsters, making sure that they have access to the public services they need and that they know how to use the services. There are many young people who are attached to absolutely no public operator. They can't or aren't seek services, education, or help. We are the instance that enquires about these young dropouts, says Project Manager Ulla Nord from Vamos.

Outreaching youth work was initiated as a test pilot of the Ministry of Education and Culture in 2008. Last year as many as 223 municipalities were involved in the project, and the operations were made statutory.

– The two-person teams in outreaching youth work often help young people who have stayed home after comprehensive school or who are drifting away from secondary school. Many of these young people are living without any income or financial support. They don't cause any disturbance to society; in fact, some of them haven't even been outdoors for years, says Jaana Walldén from the Ministry of Education and Culture's Youth Policy Division.

– The results have struck us as overwhelmingly positive. In 2010 we already had contacts with 11,000 young people, and with 5,700 youngsters we had long-term contacts, says Walldén.

The two-person teams meet a young person after they have been contacted about him or her. Youngsters facing the threat of alienation are reported by, for example, schools, families and friends, and even the young people themselves. An action model that best suits each particular case is agreed on with the young person in question. The teams will help the youngsters to get on with their lives by, for example, joining a young person in the employment office and helping him or her to register as an unemployed job seeker, or helping the young person to search and apply for a study place.

– Outreaching youth work is preventive work, which is done when problems grow out of proportion and a young person is lost deep in loneliness. It aims to secure the young person's rights to public services, Walldén explains.

For the young people, the aid offered by outreaching youth work is voluntary, but the results show that they often want to be helped.

* An excerpt from the publication *Oman kokoinen elämä. Tarinoita etsivästä nuorisotyöstä.* [A Life of my own size. Stories about outreaching youth work.] by the Ministry of Education and Culture.

Outreaching youth work of the City of Helsinki was granted EUR 60,000 of Veikkaus funds in 2011.

A joyful attitude will make us the best lottery in the world

Veikkaus seeks to be an excellent workplace that offers personnel a challenging and meaningful working environment and creates an opportunity for ongoing personal development. An excellent workplace operates efficiently, continually renews itself, and offers a competitive salary and bonuses. Veikkaus wants to be an attractive and esteemed employer.

An efficient, productive organization, and a satisfied, motivated, and competent staff play an important role in achieving Veikkaus' vision. The 2011 theme of Veikkaus' HR development was 'A Culture of Joint Development', seeking to create and foster a shared Veikkaus culture. The cornerstones of our shared culture are renewal, results, and interaction.

In 2011 Veikkaus launched a new VeikkausTalent programme, with the objective of making the staff committed to the company and to support the development of the best performing employees through coaching and mentoring. Over 20 employees from

different sectors of the organization were chosen for the programme. In mentorship, mentor-actor teams have been formed from within the company and now as a new concept even from outside of the company. Mentorship cooperation that crosses organizational boundaries was first started with the Finnish Broadcasting Corporation YLE and Nordea Bank; at the end of the year, Aalto University joined the cooperation.

The special theme in Veikkaus' HR development in 2011 was interaction, which was one of the development targets raised in a personnel survey. The whole staff took part in three-step interaction coaching, discussing the special characteristics of an interactive Veikkaus' employee and an interactive Veikkaus as a company. An important aim in Veikkaus culture is to make the employees engaged in development endeavours. In addition to taking part in the development of interaction in Veikkaus, the staff was also engaged in scenario work, considering how the brand promise Joy for Life was seen in their everyday lives and encounters. Joy for Life was

also raised as the theme of various recreational events for the staff during the year.

Efficient organization

Veikkaus' year 2011 started with an organizational reform, with a lower structure than before and paying special attention to the number of supervisors. One of the year's targets was to achieve an efficient and well-functioning organization. In the middle of the constantly changing operating environment, our organization needs to be agile, and our resources need to be targeted appropriately. The functioning of the organization is evaluated from the perspective of our visions and strategies, as well as from the point of view of personnel surveys, expenses, organizational agility, and brand.

During the year under review, Veikkaus focused on its core business operations and outsourced some of the operations beyond their scope. The outsourcing that was realized as transfers of undertakings concerned a total of 27 employees.

The personnel's productivity, which is measured as the ratio between Veikkaus' gross margin and the number of employees, has improved steadily over the past six years.

Towards a harmonized Veikkaus culture

The cornerstones of leadership that were created in connection with the introduction of Veikkaus' vision – results, reform, and interaction – were raised as the cornerstones of the entire Veikkaus culture during the year under review. The cornerstones of Veikkaus culture are measured both in leadership and specialist evaluations and performance reviews.

The VeikkausRocks training programme, centring on the three cornerstones, was extended to cover the entire personnel in 2011. The year's special development theme, based on the results of a personnel survey, was interaction. In a three-step interaction coaching, the staff was offered the chance to consider the special characteristics of an interactive Veikkaus' employee and an interactive Veikkaus.

In order that Veikkaus' vision would be realized, every single employee needs to perform in an excellent manner. Supervisors play a central role in the turning of the strategy into everyday work and objectives, as well as in the motivation of the staff to achieve the objectives. To enhance their performance, every employee was given feedback by their supervisors and colleagues

Case: Personnel satisfaction improved

Veikkaus carried out annual surveys to analyse personnel satisfaction and workplace atmosphere. Since 2009, the staff surveys have been carried out using the Finland's Great Place to Work concept. The survey is a questionnaire where the employees are asked to evaluate 59 statements defining a good workplace. Of the respondents to the 2011 survey, a whole 72 percent thought the statements suited Veikkaus well or fairly well. This meant an increase of 4 percent points over the previous year.

Veikkaus has made long-term investments in the development of Veikkaus culture. Interaction, participation in decision-making, and an even distribution of the workload have been among our core development targets for several years already. The results of the 2011 survey show that Veikkaus culture is developing towards the desired direction, since the personnel satisfaction has improved in all but one of the statements concerning the development targets.

during specialist evaluations. The evaluations were analysed in the coaching events that dealt with the change in Veikkaus culture from the perspective of everybody's own work. All the employees drafted a personal development plan on the basis of the feedback, which was discussed with the supervisors in objective and performance review discussions.

Fewer supervisors

Veikkaus' new organization, which became effective at the beginning of 2011, has fewer supervisors than the previous one. The motivation of the change was to offer the previous specialist supervisors a better chance to focus on their specialist roles and to let the supervisors focus more on supervising.

An important aim in Veikkaus culture is to make the employees engaged in development endeavours. In addition to taking part in the development of interaction in Veikkaus, the staff was also engaged in scenario work, considering how the brand promise Joy for Life was seen in their everyday lives and encounters.

In addition to daily interaction, Veikkaus organizes information and discussion forums where the staff can engage in free conversation with the company management. During the year under review, these leisurely coffee-breaks concerned, for example, the Lotteries Act, the brand reform, Veikkaus' media prominence, and responsibility.

Veikkaus' management model is one of the reasons why Excellence Finland awarded Veikkaus **the Excellence Finland Award** (in Finnish) in 2010.

The endeavours to reinforce Veikkaus culture will continue in 2012.

**Case:
Great management model brought us
Excellence Award Finland in 2010**

Veikkaus' management model is one of the reasons why Excellence Finland awarded Veikkaus **the Excellence Award Finland** (in Finnish) in 2010.

Towards excellence by encouraging good performance

Personnel skills development has been recorded into Veikkaus' personnel strategy. The skills development focuses on strategically important areas. It is based on needs that have emerged in objective and performance review discussions, themes taken up in the specialist and management evaluations, and the strategic focuses. Veikkaus' own personnel training offerings, the training offerings by external bodies, learning in one's own work, sharing one's knowledge, and job rotation offer opportunities to the staff to develop their own skills and competence.

In the objective and performance review discussions the supervisors carry out a performance review of the members of their teams on the basis of the three cornerstones of Veikkaus culture.

launched in February 2011. It aims to support the employees' personal growth through coaching and mentoring. Coaching challenges the employees to think about and gain insight into paths of personal growth, whereas mentoring supports in professional topics and ways of acting.

The criteria for being accepted to the VeikkausTalent programme includes outstanding job performance, a crucial role from the point of view of the company strategy, the person's capability of leadership and/ or influencing, an attitude supporting the objective-oriented culture and the company objectives, as well as a personal willingness to grow and advance within Veikkaus. Over twenty employees from different sectors of the organization were selected for the programme. In mentorship, mentor-actor teams have been formed from within the company and now as a new concept even from outside of the company.

Three-part development discussions



Mentorship cooperation was started with the Finnish Broadcasting Corporation YLE and Nordea Bank in September; and at the end of the year, Aalto University joined the cooperation.

Based on the performance review, raises to the employee-specific component of the salary can be granted. If an employee's performance remains below the requirement level of a role at several points of the review, the employee is assigned development targets in cooperation with the employee's supervisor and the HR Manager.

The coaching team was tasked to solve a business challenge and received feedback on their performance from the management.

Personal development was also supported by performance appraisals and coaching in small groups.

VeikkausTalent motivates and engages

In order to support the best performing employees, a development programme titled VeikkausTalent was

Targeted coaching and learning encouraged

In addition to VeikkausRocks, a coaching programme for the entire staff, Veikkaus' own Game Academy organizes targeted training and small group coaching in gaming knowledge and professional skills. The coaching aims at

reinforcing skills necessary for achieving strategically important business objectives.

The initiation process of new employees includes information about the company and HR matters, a visit to the customer service line unit, a coffee break with company management and the completion of an online CSR learning module (the Responsibility Network).

Veikkaus employees are encouraged to actively pursue their personal development goals. We support those who wish to study and work by granting local, salaried study leaves and a bonus upon graduation. In autumn 2011, a group of employees attained Diplomas in Business and Marketing in an apprenticeship study programme.

The development of Veikkaus culture will be continued in 2012. The aim is to develop the organization more strongly towards an expert organization, where results and responsibility are combined with engaging leadership. Coaching will focus more often on different target groups.

Case:

A more motivating compensation scheme

Encouraging excellent performance is one of the motivators in Veikkaus' endeavours to develop its compensation scheme. The new scheme, which entered into force at the beginning of 2011, clearly distinguishes between task-specific and employee-specific pay. The task-specific component is a civil service salary based on the HAY classification. The employee-specific component is influenced by the employee's competence and performance and, in the case of supervisors, successful supervisory work. Veikkaus' salary components were revised extensively at the beginning of 2011, bringing raises to the employee-specific pay for 20 percent of Veikkaus' employees.

Veikkaus' salary and incentive scheme covers all personnel and consists of four components: task-specific pay, employee-specific pay, special bonuses and performance incentives. The employee-specific component is based on each employee's competence and working performance, and with supervisors, management skills. Whilst evaluating competence and performance, special attention is paid to work management, performance, way of acting, ability to adopt new ideas and change, and interactive skills. Special bonuses are granted on the basis of good one-time performances. As for the performance incentives, they

Acceleration lane to learning

"Coaching really was really about freeing your mind and organizing your own internal building blocks. The meetings with the Coaching group showed that you don't have to come up with everything on your own – not even in personal development. I also noticed that I don't have to give up my personal features even if I worked on my expertise. You can be an expert without being a bureaucrat.

Coaching guides you to discover your own resources and development opportunities, as long as you're ready to be honest with yourself. The first requirement is that you learn to question things: it's always worthwhile to think about whether your own way of doing things is the best possible one. However, no epiphanies, not even the important ones, lead to immediate change. When we're talking about professional development, it's essential to understand that it's all about continuous change.

The world wasn't built in half a year. You could see coaching rather as an acceleration lane to learning."

Lea, a participant in the coaching section of VeikkausTalent.

are granted according to productivity, efficiency, responsibility, customer satisfaction, and the realization of operation plans and objectives.

Veikkaus also recognises good performance in other ways. Anyone can suggest a Focus on Success diploma for another employee or entire unit as a token of gratitude for a job well done or having a positive influence on workplace atmosphere. Other recognitions include the idea of the month award and celebrating birthdays, service milestones and other anniversaries.

Interaction, engaging, distributing the workload

In 2012, the most essential element in the development of Veikkaus culture from the employees' perspective will be the continued efforts to improve interaction, decision-making, engaging, and distributing the workload. Another core aim is to make the organization more efficient and well-functioning.

Early intervention and joy to working life

Veikkaus invests in its employees' wellbeing in many ways. Our occupational healthcare aims at a healthy and safe working environment, smoothly functioning working community, and promoting the personnel's health and working capacity. Veikkaus' occupational healthcare services are comprehensive: in addition to statutory health checks and examinations, our personnel are entitled to ergonomics checkups and, after a four-month trial period, to physiotherapy and specialist consultations. Veikkaus also reimburses a percentage of the employees' pharmaceutical, dental, and spectacle costs. The entire personnel are represented in the occupational health and safety operations.

Occupational wellbeing is also promoted by following the model of early intervention: supervisors monitor absences closely. In the case of recurrent absenteeism, reasons for the employee's absence, together with possible treatment methods, are considered in a joint discussion with the employee, his or her supervisor, and representatives of HR and occupational healthcare staff. The working community and supervisors are supported with specifically targeted measures, if necessary. During 2011, we focused on securing the mental aspects of coping at work.

Other measures to promote occupational wellbeing include daily company breakfast, flexible working hours, shorter workdays in summer, the company cafeteria at the head office and luncheon vouchers at the district offices. Further, leisure vouchers, different freetime activities; the company library, gym, and swimming pool at the head office; the sports vouchers for the personnel at the district offices, and Veikkaus' own recreational facilities in Kirkkonummi, Vierumäki (southern Finland) and Saariselkä (Lapland) also support the employees' occupational wellbeing.

Terms of employment are jointly agreed upon

Of Veikkaus personnel, 42.9% belong to Veikkauksen Henkilöstö ry (Veikkaus Staff Association), a trade union under Trade Union PRO. Veikkaus is a member of the Service Sector Employers' Association PALTA, whose umbrella organization is the Confederation of Finnish Industries.

Veikkaus' collective labour agreement is company-specific and is negotiated centrally at union level. Veikkaus also has the option of making local agreements. Negotiations were held in 2011, culminating in a new collective labour agreement that will run until 31

In 2011 an analysis of occupational wellbeing in Veikkaus was carried out, based on which the objective and performance review discussions were supplemented with a new section on coping at work. Occupational wellbeing was also supported by introducing an occupational wellbeing campaign. It was launched along with the Joy for the Life brand promise, with the objective of activating Veikkaus' employees to take an interest in both sports and culture, and to encourage their colleagues to do so, too. We also had a special theme day on occupational health and safety, which focused on the management of occupational wellbeing.

Veikkaus' personnel were actively involved in the different joint events and their planning. Moreover, Veikkaus hosted an international gaming congress in summer 2011, with dozens of volunteers from Veikkaus helping with the arrangements.

Case: New Lotto hostesses from Veikkaus

Lotto was revised in October. In connection with the revision, Lotto's TV game shows got two new hostesses, Miia Kekkonen and Janina Grahn. Both of the new hostesses are Veikkaus' full-time employees, just like Johanna Helin, who has made a long career as a Lotto hostess on TV. The motivation behind the new hostess system was that we wanted the people in the TV game shows to be thoroughly familiar with all Veikkaus games and operating principles.

November 2013. The collective labour agreement covers all personnel, with the exception of the management.

Veikkaus concentrates on core business operations

In the middle of a constantly changing operating environment, Veikkaus' organization must be agile and the resources must be targeted appropriately. The functioning of Veikkaus' organization is continually evaluated from the perspective of how the vision and strategy are implemented. It is also assessed annually

from the point of view of personnel surveys, organizational agility, and brand. Our objective for the year under review was to attain an efficient and smoothly operating organization. Veikkaus went through an organizational update at the beginning of 2011.

Veikkaus conducted an analysis of different options for making its operations more efficient in autumn 2010. Bidding processes for outsourcing basic IT, equipment maintenance, and logistics functions took place in early spring 2011.

The Office Systems Unit, covering workstation support and basic IT services, was outsourced to Fujitsu Services Oy on 1 April 2011; equipment maintenance services were handed over to Relacom Oy on 15 April 2011; and the logistics services to Cargo Oy on 1 May 2011. The outsourcing processes, carried out as transfers of business, concerned a total of 27 employees.

In all changes concerning the organization and personnel, Veikkaus complies with Finnish legislation on codetermination.

Key figure	2011	2010	2009
Personnel			
Number of employees at 31 Dec ¹	324	364	355
Average number of employees	333	368	358
Permanent, %	95	94	95
Fixed-term, %	5	6	5
Full-time, %	91	90	94
Part-time, %	9	10	6
Women, %	55	55	55
Men, %	45	45	45
Women in management positions (SET & OET), %	23	21	13
Women supervisors, %	46	42	44
Aged under 30, %	4	8	9
Aged 30–49, %	76	70	68
Aged over 50, %	20	22	23
Average aged of personnel	42.3	42.2	42.6
Average monthly salary ²	3,965	3,597	3,511
Bonus payment, management positions, €	595,392	669,084	514,140
Bonus payment, other employees, €	1,026,925	1,211,341	879,884
Employees covered by collective labour agreements, %	96	96	96
Employees belonging to Veikkauksen Henkilöstö ry, %	42.9	49.5	52
Employee turnover ³			
Hiring rate, %	10.5	9.9	6.5
Leaving rate, %	14.5	7.4	6.2
The number of employees leaving	47	27	22
Average duration of employment contracts	11.6	12.4	12.8
Occupational health ⁴			
Number of work-related accidents ⁵	1	3	2
Sickness absence rate, %	3.5	3.95	4.2
Training			
Training days per employee	2.06	1.97	1.75
Employees who attend regular development discussions, %	100	100	100

¹) Does not include short-term temporary contracts or summer jobs.

²) Does not include performance incentives for employees nor salaries and performance incentives for Executive Team members. [More about remuneration.](#)

³) In the [Co-determination negotiations](#) in 2010 it was agreed upon benefit pension plans and layoffs for 5 persons, which came into force in 2011 and that no terminable contracts will be continued. During the reporting period 3 persons transferred to Veikkaus Solutions. The figures does not include the outsourced personnel that has left Veikkaus.

⁴⁾ The occupational health services are also used by short-term temporary employees, summer workers, Veikkaus Solutions personnel and outsourced personnel.

⁵⁾ An accident resulting in at least one day of sickness absence.

Equal Opportunities at Veikkaus

Veikkaus operates in Finland and complies with Finnish legislation. At Veikkaus, equality and equal opportunities are understood as a wide concept, where respect for individuals holds a key position. No-one is treated differently in view of their gender, age, religion, race, or political views. The employees are treated equally, in compliance with the Act on Equality, and our own Equality Plan and Code of Conduct. The implementation of the Equality Plan is assessed annually by, for example, paying attention to the personnel's gender distribution, pay differences, and the number of women in company management and supervisor positions.

What is essential in the realization of equal opportunities is that a person's competence must decide his or her position and pay. In recruitments, the applicant with the best skills and most suited to Veikkaus culture is chosen. When recruiting from amongst equally qualified and competent applicants, positive discrimination will be applied and the applicant representing the minority gender will be recruited. Employees holding positions with equal requirement standards will be entitled to the same salary, irrespective of gender. Salaries are determined on the basis of personal performance and the task-specific HAY classification.

The share of women out of all Veikkaus' employees is 55 percent. Of the supervisors, 46 percent are women. The Strategic Executive Team has one woman member and the Operative Executive Team three. Veikkaus' Board of Directors has four women members and the Supervisory Board eight.

Environmental actions to promote sustainable development

Veikkaus is committed to reducing its carbon dioxide emissions by 35% from the level of 2009 by the end of 2013*. This goal requires multiple environmental actions across the organization. Environmental matters are paid attention to especially in the office environment; in fact, Veikkaus' head office has been a WWF Green Office ever since 2007. Green Office is a proof of the fact that we have an environmental programme in place and that we pay attention to the saving of energy, recycling, and communicating about environmental responsibility in our working community. Veikkaus' district office in the City of Tampere signed the Green Office agreement at the end of 2011, with the aim of fulfilling the criteria for using the Green Office label in the course of 2012.



A significant share of Veikkaus' environmental impacts results from the electricity consumption of the game

terminals, servers, and their cooling equipment. In order to reduce its carbon dioxide emissions, Veikkaus adopted hydroelectricity provided by KSS Energia Oy in 2011. The adopted Verla hydroelectricity system provides zero-emission electricity.

We have engaged to reduce the carbon dioxide emissions incurred through travelling by various means. The emissions limits on Veikkaus' company cars were made tighter as part of our environmental programme in autumn 2011. From the beginning of January 2012, a new maximum limit of 180g CO₂/km was set on the emissions from Veikkaus' company cars. Further, the personnel are encouraged to acquire cars with emissions below the limit of 120g CO₂/km by granting a special monetary compensation. Those who were about to exchange their company cars were offered a course on economic driving in spring 2011. The course will be offered again in 2012. Joint transportation to company events is continued and favoured. As regards transportation to the Veikkaus day Cruise for retailers, part of the flights have been replaced with other ways of travelling. We will continue to reduce our carbon dioxide emissions by exploring the possibilities of teleconferencing and the environmental effects of different procurements.

Our environmental objective to reduce the carbon dioxide emissions also helps us to achieve the goals recorded in the Business and Industry Energy Efficiency Agreement, which Veikkaus signed in 2008. According to the Energy Efficiency Agreement, Veikkaus is committed to making its energy use on other activities than production 9 percent more efficient over the 2005 level by 2016.

[Read more about Veikkaus' environmental responsibility \(in Finnish\).](#)

Environmental impacts from electricity consumption

In the gaming operations, the most significant environmental impacts are caused by the electricity consumption of game terminals, servers and telecommunications, as well as the cooling required by the ICT equipment. The game terminals' energy consumption causes the largest part of the emissions. Veikkaus' carbon dioxide emissions were measured for the first time using the data from 2009; the figures of the year under review were not available when the present 2011 report was published.

Electricity, district heating, and water consumption at Veikkaus' head office in Vantaa

	2011	2010
Electricity (MWh)	5,111	4,900
District heating (MWh)	2,800	3,060
Water (m3)	4,036	4,300

The electricity and heat consumption covers the consumption at the head office in Vantaa. Electricity consumption increased slightly in 2011 as a result of the building of new electricity facilities at the head office. Heat consumption went down by 8 percent over the previous year, being directly dependent on the outdoor temperature; we had a warm autumn in 2011. We have also paid more attention to the times the lights and the air conditioning equipment are on. Water consumption was reduced by some six percent from 2010. Veikkaus belongs to the municipal HSY (Helsinki Region Environmental Services Authority) water supply network.

We were not able to initiate the planned energy saving measures at the head office facilities in 2011 because of postponed renovation works. As energy saving measures, the saunas were heated significantly less often, and the heating of the outdoor steps to the entrance was made thermostat-driven; in other words, the steps are now only heated when necessary.

* The emissions reduction objective does not cover the electricity consumption in the POS.

Case: Instant ticket raises funds for nature conservation

In 2011, the sales of Veikkaus' Nature Instants generated a total of over EUR 68,000 for WWF and the Finnish Association for Nature Conservation.

Reusing waste

Sorting waste is an established part of Veikkaus' activities. All workstations have separate receptacles for energy waste, office paper, and recyclable paper. Bins for confidential waste, mixed waste, and biowaste are placed in shared facilities.

There are also collection points for other types of waste, such as batteries, wood and hazardous waste. Thanks to efficient sorting, the waste re-utilisation rate* at Veikkaus' head office has remained at a high level. In 2011 the rate went down to 97 percent (99% in 2010) as a result of an increase in mixed waste ending up at the landfill caused by the transfer of equipment maintenance. Just three percent of the waste generated at the head office ends up at the landfill unutilized. Confidential material amounted to a total of 82.3 tonnes in 2011 (100.8 in 2010), most of which, 77.3 tonnes, were instant tickets that needed to be destroyed.

Waste at the head office in Vantaa (tonnes)

	2011	2010
Energy waste	16.2	18.5
Mixed waste	6.1	1.2
Office paper	1.1	1.3
Mixed recycled paper	49.0	54.7
Brown cardboard and carton	6.9	10.8

* The waste re-utilization rate covers the waste that has been utilized for further purposes. The remaining part of the waste is mixed waste that ends up in a landfill. The waste re-utilization rate is calculated by deducting mixed waste and hazardous waste from the total amount of waste.

** The figure covers recycled paper generated in office use and campaign and game material.

Environmental impacts of POS material

In 2011 around 240 000 material deliveries were made to the POS, which was about 8 percent less than in the previous year. After the logistics function was outsourced, we have been able to combine the deliveries more efficiently than before. Gaming generates waste in the form of playslips, instant tickets, receipt rolls of game terminals, campaign material, and rolls.

The material delivered to the POS by Veikkaus, including playslips, receipts, posters, and brochures, together with their cardboard packages, are all recyclable. The suppliers who provide the paper used in point-of-sale materials, such as playslips, posters and professional newsletters, have been awarded either a Nordic or EU environmental badge. All packaging plastics are suitable for incineration. Any instant tickets that are returned to retail outlets are shredded for reasons of security. The shredded tickets are classified as energy waste. In our letter and package postage, we use the Itella Green delivery system. Itella Green is a carbon neutral service that completely offsets the carbon dioxide emissions generated.

Veikkaus' instants are transported from Canada to Finland as sea or air freight. The instant tickets shipped from England are transported as truck and sea freight. Other forms of transportation include postage and road transport. The cardboard used for the instant tickets is recyclable.

The points of sale receive regular guidance on material sorting at the sales clerks' training events and extranet service, and in Veikkaus' professional newsletters to the

Environmentally friendly deeds throughout the organization

Veikkaus pays attention to energy consumption in the office environment when acquiring IT and other equipment, renovating its facilities; and also by informing and motivating the personnel.

In 2011 Veikkaus had the honour of being the first lottery and the first Finnish company ever to be invited to join the annual UN Rio Conventions Calendar as a partner in cooperation. The theme of the 2012 Calendar is sustainable development and a vision of the world in 2050. The UN requires its partners to commit strongly to CSR and the promotion of sustainable development.

Veikkaus has signed an agreement with Globe Hope, a Finnish design house manufacturing ecological design products out of recycled material. The agreement

game sales clerks. Veikkaus' promotional events follow written instructions for waste sorting.

Facilities

In addition to our head office in Vantaa and a district centre in Tampere, Veikkaus has small sales offices around the country in Vaasa (western Finland), Turku (south-western Finland), Kuopio (eastern Finland) and Oulu (northern Finland). Veikkaus also has conference premises in the City centre of Helsinki and at the Vierumäki Sports Institute, and recreational facilities for personnel in Kirkkonummi and in Saariselkä.

We can only obtain information on energy consumption and waste volumes from our own properties, that is, those in Vantaa, Kirkkonummi and Saariselkä. Detailed consumption and waste breakdowns are not available for leased premises. The majority of Veikkaus' energy consumption and waste generation occurs at the Vantaa head office.

Case:

Reducing carbon dioxide emissions

Veikkaus is committed to reducing its carbon dioxide emissions by one third over the 2009 level by the end of 2013.

[Read more](#) (in Finnish)

concerns the further utilization of Veikkaus' marketing and advertising material. The material is used to manufacture Veikkaus' PR gifts.

Personnel motivation creates results

Veikkaus' head office has an Ecological Team, which was set up by employees in 2004. The team puts Veikkaus' environmental responsibility into practice and increases the personnel's understanding of environmental issues. In 2011, the team had fifteen members representing different units and locations. During the year, the Ecological Team organised a recycling event for old clothes and other unwanted goods, and took part in the Motiva energy saving week and the WWF's Earth Hour. The team provided the

personnel with information proactively throughout the year.

Environmental issues taken into account in procurements

CSR requirements are part of Veikkaus' procurement processes, including the analysis of our goods suppliers and service providers' environmental status and reporting. For the past few years, Veikkaus has included a questionnaire when asking for quotes. We have also

supplemented our office supply and PR gift range with more environmentally friendly products.

Case: Veikkaus in the UN Rio Conventions Calendar

Veikkaus was presented in the UN Rio Conventions Calendar in July.

GRI table

GRI Contents	Included	Section	Remarks
1. Strategy and Analysis			
1.1	Yes	CEO's review	
1.2	Yes	CSR program Strategy Future-outlook Risks and risk management	
2. Organizational Profile			
2.1	Yes	Accounting principles	
2.2	Yes	Games	
2.3	Yes	Organisation (in Finnish)	
2.4	Yes	Environmental impact	
2.5	Yes	Board of Directors' Report 2011	Veikkaus operates in Finland.
2.6	Yes	Corporate Governance review	
2.7	Yes	Board of Directors' Report 2011	
2.8	Yes	Key figures Turnover by games and game groups	
2.9	Yes	Veikkaus Solutions	
2.10	Yes		No awards during the reporting period.
3. Reporting Principles			
Report Profile			
3.1	Yes	Content and boundary of the report	
3.2	Yes	Content and boundary of the report	
3.3	Yes	Content and boundary of the report	
3.4	Yes	Content and boundary of the report	

Report scope and boundary				
3.5	Process for defining report content (materiality, prioritising topics and stakeholders using the report)	Yes	Responsible operator	
3.6	Scope and boundary of the report	Yes	Content and boundary of the report	
3.7	Limitations on the report's scope or boundary	Yes	Content and boundary of the report	
3.8	Basis for reporting subsidiaries, joint ventures, leased premises, outsourced operations and other entities affecting comparability	Yes	Content and boundary of the report	
3.9	Data measurement techniques and bases of calculations	Yes	Content and boundary of the report	
3.10	Explanation of re-statements	Yes	Content and boundary of the report	Restatements to previously reported information have been reported in connection with the figures in question.
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods	Yes	Veikkaus Solutions Cooperation	
GRI Content Index				
3.12	GRI content index	Yes		
Assurance				
3.13	Policy and practice regarding external assurance	Yes	Assurance report	
4. Governance, Commitments and Engagement				
Governance				
4.1	Governance structure of the organisation	Yes	Corporate Governance review Governing bodies	
4.2	Position of the Chairman of the Board	Yes	Governing bodies	
4.3	Independence of the Board members	Yes	Governing bodies	
4.4	Mechanisms to provide recommendations to the Board	Yes	Governing bodies	
4.5	Impact of organisation's performance on executive compensation	Yes	Governing bodies	
4.6	Processes to avoid conflicts of interest	Yes	Corporate Governance Code and deviations	
4.7	Board qualifications and expertise in strategic management and CSR	Yes	Governing bodies Board of Directors	
4.8	Mission, values, and ethical principles	Yes	Mission and vision	
4.9	Procedures of the Board for overseeing CSR management, including risk management	Yes	Governing bodies	

4.10	Processes for evaluating the Board's own performance	Yes	Governing bodies
Commitments to External Initiatives			
4.11	Applying precautionary approach	Yes	Risk and uncertainty factors
4.12	Voluntary charters and other initiatives	Yes	Environmental impact
4.13	Memberships in associations, unions, and interest organizations	Yes	Stakeholder cooperation
Stakeholder Engagement			
4.14	List of stakeholder groups	Yes	Stakeholder cooperation
4.15	Identification and selection of stakeholders	Yes	Stakeholder cooperation
4.16	Approaches to stakeholder engagement	Yes	Stakeholder cooperation
4.17	Key topics and points of concern raised through stakeholder engagement	Yes	Occupational wellbeing Personnel

Economic Performance Indicators

	Management Approach to Economic Responsibility	Yes	Strategy Targets 2011 Risks and riskmanagement CSR program
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Economic Performance

EC1*	Direct economic value generated and distributed among stakeholders	Partly	The path of the Veikkaus euro
EC2*	Financial implications, risks and opportunities due to climate change	No	
EC3*	Coverage of defined benefit plan obligations	Partly	Governing bodies Liabilities from employee benefits
EC4*	Significant State subsidies	Yes	No State subsidies were received during the reporting period.

Market Presence

EC5	Entry level wage compared to local minimum wage	No	
EC6*	Policy, practices and spending on local suppliers	No	
EC7*	Local hiring procedures and proportion of local senior management	No	

Indirect Economic Impacts

EC8*	Development and impact of infrastructure investments provided for public benefit	No	
EC9	Significant indirect economic impacts	Yes	Thousands of beneficiaries

Environmental Performance Indicators

Management Approach to Environmental Responsibility

Yes

Environmental impactct

CSR program

Results with environmental deeds

Targets 2011

Materials

EN1* Materials used by weight or volume Partly Environmental impactct Not reported. Analysis underway.

EN2* Recycled materials used No

Energy

EN3* Direct energy consumption No Not reported. Analysis underway.

EN4* Indirect energy consumption Partly Environmental impactct

EN5 Energy saved due to conservation and efficiency improvements Partly Environmental impactct

EN6 Initiatives to provide energy-efficient or renewable energy based products and services No

EN7 Initiatives to reduce indirect energy consumption and reductions achieved Partly Environmental actions

Water

EN8* Total water withdrawal by source Yes Environmental impactct

EN9 Water sources significantly affected by the organisation's water consumption No

EN10 Percentage and total volume of water recycled and reused. No

Biodiversity

EN11* Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. Yes Environmental impactct Veikkaus does not have land holdings in areas of high biodiversity or protected areas.

EN12* Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. No

EN13 Habitats protected or restored. No

EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. No

EN15 Endangered species with habitats in areas affected by operations. No

Emissions, Effluents and Waste

EN16* Total direct and indirect greenhouse gas emissions. No Not reported. Greenhouse gas emissions are reported biannually, the following report will be issued in 2012.

EN17*	Other relevant indirect greenhouse gas emissions.	No		Not reported. Greenhouse gas emissions are reported biannually, the following report will be issued in 2012.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	Partly	Environmental actions	Measures to reduce greenhouse gas emissions are described.
EN19*	Emissions of ozone-depleting substances.	No		
EN20*	NO, SO, and other significant air emissions by type.	No		
EN21*	Total water discharge by quality.	No		
EN22*	Total weight of waste by type and disposal method.	Yes	Environmental impact	
EN23*	Total number and volume of significant chemical, oil, and fuel spills.	Yes		No spills during the reporting period.
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous, and percentage of transported waste shipped internationally.	No		
EN25	Water bodies and habitats affected by the organization's discharges of water	No		
Products and Services				
EN26*	Initiatives to mitigate environmental impacts of products and services.	No		
EN27*	Percentage of products sold and their packaging materials that are reclaimed by category.	Partly	Results with environmental deeds	
Compliance				
EN28*	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	Yes		No fines or sanctions during the reporting period.
Transport				
EN29	Environmental impacts of significant transportation	Partly	Environmental impact	
Overall				
EN30	Total environmental protection expenditures and investments.	No		
Social Performance Indicators				
Labour Practices and Working Conditions				
	Management Approach to Employment	Yes	Personnel Remuneration Management and supervisors CSR program	
Workforce				

LA1*	Total workforce by employment type (full-time/part-time), employment contract (permanent/temporary) and region.	Yes	Personnel key figures	
LA2*	Total number and rate of employee turnover by age group, gender, and region.	Partly	Personnel key figures	Personnel's incoming and exit turnover reported in %.
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Yes	Occupational wellbeing	
Labour/management relations				
LA4*	Percentage of employees covered by collective bargaining agreements.	Yes	Personnel key figures	
LA5*	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	Yes	Cooperation	
Occupational Health and Safety				
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	Yes	Occupational wellbeing	
LA7*	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	Partly	Personnel key figures	Rates of injury and absenteeism percentage reported.
LA8*	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	Yes	Occupational wellbeing	
LA9	Health and safety topics covered in formal agreements with trade unions.	No		
Training and Education				
LA10*	Average hours of training per year per employee by employee category.	Partly	Personnel key figures	Training days/person reported.
LA11	Programs for skills management and lifelong learning.	Yes	Development of personnel	
LA12	Percentage of employees receiving regular performance and career development reviews.	Yes	Development of personnel	
Diversity and Equal Opportunity				
LA13*	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Yes	Personnel key figures	
LA14*	Ratio of basic salary of men to women by employee category.	Partly	Personnel key figures	
Human Rights				
	Management Approach to Human Rights	Yes	Personnel key figures CSR program	Equal Opportunities at Veikkaus.
Investment and Procurement Practices				

HR1*	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	No	
HR2*	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	No	
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations.	No	
Non-discrimination			
HR4*	Total number of incidents of discrimination and actions taken.	Yes	No incidents during the reporting period.
Freedom of Association and Collective Bargaining			
HR5*	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk.	Yes	Veikkaus' operations do not involve risks that would endanger freedom of association and right to collective bargaining. Veikkaus operates in Finland and complies with the laws of Finland.
Child Labour			
HR6*	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	Yes	Veikkaus' own operations do not involve risks of child labour.
Forced and Compulsory Labour			
HR7*	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour	Yes	Veikkaus' own operations do not involve risks of forced or compulsory labour.
Security Practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations	No	
Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	No	
Society			
	Management Approach to Social Aspects	Yes	<p>CSR program</p> <p>Risks and risk management</p> <p>Verified responsibility</p> <p>Responsible operator</p>
Community			

SO1*	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities.	Partly	Peluri helpline
Corruption			
SO2*	Percentage and total number of business units analyzed for risks related to corruption.	No	
SO3*	Percentage of employees trained in organization's anti-corruption policies and procedures.	No	
SO4*	Actions taken in response to incidents of corruption.	Yes	No incidents during the reporting period.
Public Policy			
SO5*	Public policy positions and participation in public policy development and lobbying.	No	
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Yes	Veikkaus does not grant contributions to political parties.
SO7	Total number of legal actions for anticompetitive behaviour, anti-trust, and monopoly practices and their outcomes.	Yes	No legal actions during the reporting period.
Compliance			
SO8*	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	Yes	No fines or sanctions during the reporting period.
Product Responsibility			
	Management Approach to Product Responsibility	Yes	CSR program Targets 2011 Supervision of gaming activities Risks and risk management Verified responsibility Responsible operator
Customer Health and Safety			
PR1*	Assessment of health and safety impacts of products and services	Yes	R&D
PR2	Non-compliance with regulations concerning health and safety impacts of products	Yes	No incidents during the reporting period.
Product and Service Labelling			
PR3*	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	Yes	Our responsibilities to our customers

PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling.	Yes		No incidents during the reporting period.
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Yes	Registered players	
Marketing Communications				
PR6*	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	Yes	Marketing and communications CSR program	
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship.	Yes		No incidents during the reporting period.
Customer Privacy				
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Yes	Our responsibilities to our customers	No complaints during the reporting period.
Compliance				
PR9*	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	Yes		No fines or sanctions during the reporting period.

* Key Indicator recommended by the GRI Guidelines

Independent assurance report

(Translation from the Finnish original)

To the Management of Veikkaus Oy

At the request of the Management of Veikkaus Oy we have performed a limited assurance engagement on the numeric information on economic, social and environmental responsibility disclosed in sections Veikkaus 2011-2012, Business Operations, Responsible Operator, and Corporate Governance of Veikkaus Oy's online CSR Report & Annual Report 2011, covering the reporting period between 1 Jan and 31 Dec 2011 (hereinafter "Corporate social responsibility information").

Management's Responsibility

The Management of Veikkaus Oy is responsible for preparing the corporate social responsibility information in accordance with the reporting criteria as set out in the Global Reporting Initiative's (GRI) Guidelines (version 3.0), as well as the company's own reporting guidelines.

Practitioner's Responsibility

It is our responsibility to present an independent conclusion on the corporate social responsibility information based on our work performed. We do not accept, nor assume responsibility to anyone else, except to Veikkaus Oy for our work, for the assurance report, or for the conclusions that we have reached.

We have conducted the engagement in accordance with the assurance engagement standard (ISAE 3000) 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'. The ISAE 3000 standard requires compliance with as well as planning and performing the assurance engagement to obtain limited assurance on whether any matters have come to our attention that would cause us to believe that the corporate social responsibility information has not been prepared, in all material respects, in accordance with the reporting criteria.

In a limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. The assurance engagement includes measures to obtain evidence on the figures included in the information on corporate social responsibility. The procedures selected depend on the practitioner's

judgment, including an assessment of the risks that the corporate social responsibility information would not in all material respects comply with the reporting criteria. We have carried out, e.g., the following evidence-gathering procedures:

- Interviewed representatives of the senior management of Veikkaus Oy.
- Interviewed persons responsible for obtaining information and reporting on corporate social responsibility.
- Carried out a media analysis and internet search on the references to Veikkaus Oy during the reporting period.
- Evaluated the information management procedures used for gathering, filing, and reporting of quantitative data.
- Tested through sampling the information in the system, recalculated some of the key indicators, and tested through sampling from the original documents whether the information reported is based on facts.

Our Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the corporate social responsibility information, in all material respects, based on the aforementioned assurance criteria, has not been prepared in accordance with the reporting criteria.

Our assurance report should be read in conjunction with the inherent limitations of accuracy and completeness for corporate social responsibility information. This independent assurance report should not be used on its own as a basis for interpreting Veikkaus Oy's performance in relation to its principles of corporate social responsibility.

Helsinki, 8 March 2012

PricewaterhouseCoopers Oy



Sirpa Juutinen
Partner
Sustainability & Climate Change

GOVERNANCE

Corporate governance review 2011

Veikkaus' mission is to generate broad-ranging value for Finnish society by operating games reliably and responsibly. Veikkaus is a state-owned limited company that operates in the administrative sector of the Finnish Ministry of Education and Culture. The State's responsibility for the company's operations is determined solely by its share capital and its role is limited to the responsibilities of a shareholder.

Veikkaus' corporate governance is based on the Finnish Limited Liability Companies Act, the company's Articles of Association, the Lotteries Act (1047/2001) and the gaming licence granted to the company by virtue of the Lotteries Act. The Council of State has granted Veikkaus the exclusive right to operate lotteries, betting and pools games. Veikkaus' gaming licence entered into force on 1 January 2007 and was effective until the end of 2011. Since 1 January 2012 Veikkaus' exclusive right to operate lotteries, betting, and pools games has been laid down by the Lotteries Act. Further, since 1 January 2012 Veikkaus' governance has been based on the Government Decree on Gaming Activities and the Ministry of the Interior Decree on the Rules of Play, which replace the former gaming licence.

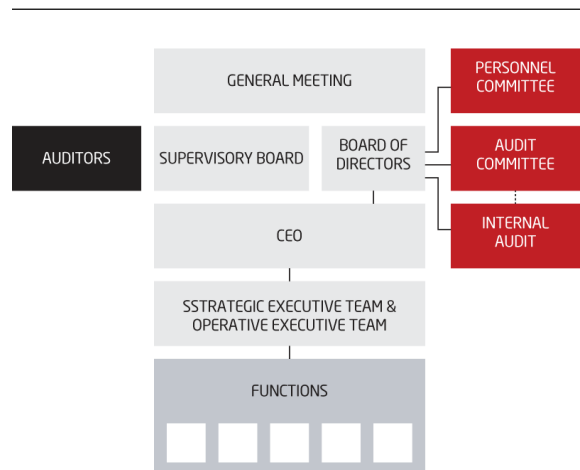
Veikkaus has also adopted the Finnish Corporate Governance Code 2010, in addition to which the company's activities are guided by the effective guidelines and principles issued by the Government and/or the Ministry of Education and Culture on Corporate Governance.

Governing bodies

General Meeting

Veikkaus' supreme administrative body is the General Meeting, which appoints the Board of Directors and the Supervisory Board in accordance with the company's Articles of the Association. The Ministry of Education and Culture always takes part in the regular and extraordinary General Meetings, exercising its decision-making power as the owner. The State's representative from the Ministry of Education and Culture is the relevant Minister, the State Secretary, Permanent Secretary, Director of the Administration Department, or another official from the Administration Department.

The company's administrative bodies



Veikkaus founded a subsidiary called Veikkaus Solutions on 1 July 2011 to explore international business opportunities. Veikkaus Solutions' operations are monitored by the subsidiary's Board of Directors, consisting of members of Veikkaus' Executive Team (CEO; Executive Vice President; Vice President, Finances; and Vice President, Legal Affairs and Human Resources). Further, Veikkaus Solutions' operations are reported on to the Ministry responsible for the Corporate Governance of Veikkaus Oy four times a year.

2011 During the year under review, one regular General Meeting was held on 16 March 2011. It was attended by Minister of Culture and Sport Stefan Wallin as the State representative, officials from the Ministry of Education and Culture: Permanent Secretary Harri Skog, Director General Håkan Mattlin, Counsellor of Government Erkki Norbäck, Special Government Advisor Matti Hietanen, and State Secretary Marcus Rantala; Chairman of Veikkaus' Board of Directors, Vuorineuvos (Finnish honorary title) Juha Niemelä, Chairman of the Supervisory Board, Member of Parliament Ilkka Kanerva; Responsible Auditor, Authorised Public Accountant KHT Lasse Holopainen; Veikkaus' President and CEO Risto Nieminen; and as company representatives, Executive Vice President Olli Sarekoski; Vice President, Finances, Maija Hjelt; Vice President, Legal Affairs and Human Resources, Pekka Ilmivalta; and Vice President, Communications, Ilkka Juva.

Board of Directors

According to the company's Articles of Association, Veikkaus' Board of Directors may have a minimum of five and a maximum of eight members. In 2011 the Board of Directors had eight members. The General Meeting appoints the Board members, the Chairman, and the Vice Chairman for one year at a time. None of the members of the Board belongs to the company's executive management.

2011 Ms Suvi-Anne Siimes, Pharma Industry Finland's CEO was appointed the new Chairman of Veikkaus' Board of Directors. She started as the CEO of the Finnish Pension Alliance TELA on 1 September 2011. Another new member of the Board is Alf Rehn, Professor of Management and Organization at Åbo Akademi. The Board members to continue were Jouko Ahtola, CFO, the Federation of Public and Private Sector Employees (Jyty); Leena Harkimo, Member of Parliament; Mikael Ingberg, PhD (Econ.); Riitta Kaivosoja, Director General; Eva Liljebloom, Rector; and Ari Lahti, Managing Director, who was appointed Vice Chairman of the Board. The members to give up their Board membership were Juha Niemelä, Vuorineuvos and Leena Paananen, Partner of Ovia Oy. Niemelä had acted as the Chairman of the Board ever since 2000.

The tasks and responsibilities of Veikkaus' Board are determined by the Finnish Limited Liability Companies Act. The Board considers all issues that have broad-ranging significance for the company. These include considering and monitoring the company's strategic direction, key investments, risk management principles, and annual action plan and budget. The Board appoints the CEO and the Vice Presidents working directly under the CEO, and also determines their salaries and other benefits. The Board drafts an annual operational agenda that includes the primary tasks of the Board of Directors and its Chairman, a profile of the Board Committees, a meeting schedule, and the issues to be addressed. The Board also conducts an annual self-assessment of its activities.

Every term, the Board members give a declaration that is used to assess their independence. Riitta Kaivosoja holds an office at the Ministry of Education and Culture. On the basis of their declarations, the other Board members are independent of both the company and its shareholder.

2011 Veikkaus' Board of Directors convened seven times during 2011, with an average participation rate of 95 percent. In its meetings, the Board focused especially on the analysis of the operating environment, monitoring the Finnish gaming sector, the evaluation of the effects of the Lotteries Act, and the international business opportunities opened up by the launch of Veikkaus Solutions.

The Board has two internal committees, the Audit Committee and the Personnel Committee, which report regularly to the Board on their activities.

The Audit Committee assists the Board of Directors in ensuring that the company's accounting and financial administration are appropriately organised and monitored, and that internal control, risk management, and the external and internal audits are arranged in accordance with legislation, regulations and the operating principles approved by the Board of Directors. The Audit Committee's composition, meeting practices, and tasks are defined in the Audit Committee's rules of procedure, which have been approved by the Board of Directors.

The Audit Committee:

- Reviews the information contained in the interim reports, financial statements, and annual report and assesses the adequacy of these reports.
- Assesses the adequacy and effectiveness of the company's internal control and risk management systems.
- Handles the Corporate Governance Statement.
- Approves the internal control function's annual action plan, studies the annual action plan for the external audit, and looks into reports on the company's internal audit and controls.
- Assesses how well the company has complied with legislation, regulations and internal guidelines.

2011 During 2011 the Audit Committee considered, in addition to the mandatory items, how well the goals of the financial projects of the previous years had been realized and how the operations plans for 2011 were proceeding.

The members of the Audit Committee in 2011 were Ari Lahti (Chairman), Jouko Ahtola, Riitta Kaivosoja, and Eva Liljeblom. During the period under review, the Audit Committee convened six times with an average attendance rate of 100 percent.

The Personnel Committee assists the Board of Directors in organizational development and in matters relating to managerial appointments, employee incentive schemes and the remuneration of the CEO and other executives. The Personnel Committee's composition, meeting practices, and tasks are defined in the Personnel Committee's rules of procedure, which have been approved by the Board of Directors.

The Personnel Committee:

- Prepares the general remuneration principles for the management and personnel.
- Prepares recommendations on issues relating to the CEO's salary and incentives, as well as the terms and conditions relating to the remuneration of those working directly under the CEO.
- Assesses the performance of the CEO and the senior management.
- Assesses the organization's structure and effectiveness.
- Assesses the company's HR policy and practices.

2011 In 2011 the Personnel Committee focused, in addition to the mandatory items, on the preparation of an incentive and engagement scheme for the management.

The members of the Personnel Committee in 2011 were Suvi-Anne Siimes (Chairman), Leena Harkimo, Mikael Ingberg, and Alf Rehn. During the period under review, the Personnel Committee convened three times with an average attendance rate of 92 percent.

The Board of Directors' monthly and meeting compensations (EUR) and attendance rates in 2011

	Monthly compensations	Meeting compensations	Total compensations	Attendance Board meetings	Audit Committee	Personnel Committee
Chairman Juha Niemelä until 16 March 2011	4,967.80	450	5,417.80	1/1		0/0
Chairman Suvi-Anne Siimes from 17 March 2011	20,935.52	4,500	24,435.52	6/6		3/3
Jouko Ahtola	15,351.69	5,900	21,251.69	7/7	5/5	
Ari Lahti	18,206.41	5,400	23,606.41	6/7	5/5	
Eva Liljeblom	15,351.69	5,900	21,251.69	7/7	5/5	
Alf Rehn	12,371.04	2,500	14,871.04	4/6		1/3
Leena Paananen, board member until 16 March 2011	1,980.65	450	2,430.65	1/1		0/0
Leena Harkimo	16,096.89	4,450	20,546.89	7/7		3/3
Mikael Ingberg	15,351.69	4,450	19,801.69	6/7		3/3
Riitta Kaivosoja	15,351.69	5,900	21,251.69	7/7	5/5	
Total compensations in 2011	135,965.10	39,900	175,865.10			

Supervisory Board

Veikkaus' Supervisory Board has 14 members. One of them is a personnel representative, who also has a named personal deputy. The other members are appointed according to the parliamentary power relations. The General Meeting appoints the Supervisory Board basically for two years at a time. The Supervisory Board appoints two of its members as Chairman and Vice Chairman to serve for a one-year period at a time.

2011 Following the Parliamentary Election, the Ministry of Education and Culture appointed the following members to Veikkaus' Supervisory Board on 30 September 2011: Members of Parliament Ilkka Kanerva, Arto Satonen, and Lenita Toivakka from the National Coalition Party; Members of Parliament Sirpa Paatero, Tuula Väättäinen, and Matti Saarinen from the Social Democratic Party of Finland; Member of Parliament Timo Soini, and Head of Office Marja-Leena Leppänen from the Finns Party; Members of Parliament Sirkka-Liisa Anttila and Jari Leppä from the Centre Party; Member of Parliament Kari Uotila from the Left Alliance; Member of Parliament Outi Alanko-Kahiluoto from the Green Party; and Mikaela Nylander from the Swedish People's Party. The personnel representatives in 2011 were Development Manager Riitta Nissi, and her deputy was Production Controller Teijo Loikkanen. In 2012 Loikkanen will be the regular member, with Nissi as his deputy.

The Supervisory Board appointed Ilkka Kanerva to be the Chairman and Matti Saarinen to be the Vice Chairman.

The Supervisory Board is responsible for supervising the Board of Directors' and the CEO's governance of the company, and for issuing a statement on the Financial Statements and the Auditors' Report to the General Meeting. Due to the special status of the company, the Supervisory Board acts as an important cooperation body and a forum for discussion.

2011 The Supervisory Board convened five times during 2011. The special topics dealt with in the meetings included questions related to the changes in the operating environment and the amendment of the Lotteries Act. The average attendance rate in the meetings was 85 percent.

Supervisory Board members' monthly and meeting compensations (EUR) and attendance rates in 2011

	Monthly compensations	Meeting compensations	Total compensations	Attendance in meetings
Chairman Ilkka Kanerva	12,000	1,000	13,000.00	5/5
Vice Chariman Matti Saarinen	7,200	1,000	8,200.00	5/5
Arto Satonen, member from 1 October 2011	1,500	200	1,700.00	1/2
Lenita Toivakka, member from 1 October 2011	1,500	200	1,700.00	1/2
Tuula Väättäinen, member from 1 October 2011	1,500	400	1,900.00	2/2
Marja-Leena Leppänen, member from 1 October 2011	1,500	400	1,900.00	2/2
Timo Soini, member from 1 October 2011	1,500	400	1,900.00	2/2
Sirkka-Liisa Anttila, member from 1 October 2011	1,500	400	1,900.00	2/2
Outi Alanko-Kahiluoto, member from 1 October 2011	1,500	400	1,900.00	2/2
Mikaela Nylander, member from 1 October 2011	1,500	200	1,700.00	1/2
Merikukka Forsius, member until 30 September 2011	4,500	400	4,900.00	2/3
Jukka Gustafsson, member until 30 September 2011	4,500	400	4,900.00	2/3
Tuomo Hänninen, member until 30 September 2011	4,500	600	5,100.00	3/3

Heli Järvinen, member until 30 September 2011	4,500	600	5,100.00	3/3
Jari Leppä	6,000	1,000	7,000.00	5/5
Heikki A. Ollila, member until 30 September 2011	4,500	600	5,100.00	3/3
Sirpa Paatero	6,000	800	6,800.00	4/5
Aila Paloniemi, member until 30 September 2011	4,500	400	4,900.00	2/3
Antti Kaikkonen, member until 30 September 2011	4,500	600	5,100.00	3/3
Kari Uotila	6,000	800	6,800.00	4/5
Ulla-Maj Wideroos, member until 30 September 2011	4,500	200	4,700.00	1/3
Riitta Nissi, representative of the personnel, regular member				4/5
Teijo Loikkanen, representative of the personnel, standby member				1/1
Total compensation in 2011		11 000	96,200.00	

Company management

The CEO manages and supervises the company's business operations in accordance with the Finnish Limited Liability Companies Act, in line with the strategy and guidelines approved by the company's Board of Directors. The Strategic and Operative Executive Teams assist the CEO in this task. The Strategic Executive Team's tasks include drafting the company's strategy, action plan and a budget proposal for consideration by the Board of Directors, as well as making decisions on and monitoring significant projects and investments.

2011 In the year under review, the Strategic Executive Team had seven members in addition to the CEO. The Strategic Executive Team convened five times during the year. The Operative Executive Team had 13 members and was chaired by the Executive Vice President. The Operative Executive team convened a total of 44 times.

The Board of Directors appoints Veikkaus' CEO and the Vice Presidents working directly under the CEO. The members of both Executive Teams file annual stakeholder reports. On the basis of these reports, all the members of the Executive Teams are independent of the company's stakeholders.

Benefits, bonuses, and incentives

Employees who joined Veikkaus before 1 January 1994 may retire at a maximum age of 63. The company executives do not enjoy special benefits, except for the CEO's and Executive Vice President's supplementary pension schemes, which are based on a retirement age of 63 and a target pension of 66 percent of salary. The target pension is calculated on the basis of the income for the last five years. The company management is not entitled to a share-based or any other long-term incentive system.

The CEO has a six-month notice period. On the termination of his or her contract of employment, the CEO is entitled to a compensation corresponding to twelve months' salary. Executives have a two-month notice period by employee and a notice period by employer determined in Veikkaus' collective bargaining agreement (1 - 6 months). On the termination of their employment contracts, members of the Strategic Executive Team are entitled to a compensation corresponding to nine months' salary and members of the Operative Executive Team to a compensation corresponding to six months' salary, if certain separately specified criteria are fulfilled on termination.

Veikkaus has an incentive scheme that covers all the personnel. This scheme includes discretionary performance-based bonuses (employee-specific salary raises from 2011 onwards), special bonuses and performance incentives. The performance incentive is an annual onetime payment based on how successful the company has been in achieving its strategic goals. Function and unit-specific targets and benchmarks are set as part of the operational planning process. The company's success in achieving its objectives is assessed at the end of the financial year, and the size of the incentives paid is calculated as a percentage of the recipient's annual salary. The maximum percentage varies from 7 to 30 percent, depending on personnel group, with a 40 percent maximum for the CEO in 2011.

Incentives for the CEO and Executive Teams consisted of three target sections in 2011. The first section covered the development of the company's operating profit. The second aimed at enhancing responsibility and customer relations through registered gaming. The third one dealt with selected focal areas from the company's scorecard. In addition to success in the previously mentioned areas, the CEO's incentive included a ten-percentage-point share based on an overall evaluation by the Board of Directors in 2011.

The Board of Directors determines incentives for members of the Strategic Executive Team and the bases for awarding performance incentives to all personnel. Special bonuses and discretionary performance-based bonuses are determined by the Human Resources Steering Group.

	2011 fixed share	2011 variable share	2010 fixed share	2010 variable share
CEO	356,011	113,694	326,530	128,650
Other Executive Team members (13)*	1,701,939	439,514	1,814,510	540,434
Total	2,057,950	553,208	2,141,040	669,084

The fixed share includes the monthly salary, fringe benefits and additional holiday pay. The variable share is a performance-based incentive.

* Vähänen Jari covers compensations between 1 January and 30 June 2011. He switched over to Veikkaus Solutions on 1 July 2011.

Supervision of gaming activities

In accordance with the Lotteries Act (1047/2001) paragraph 42, section 2, Veikkaus' lottery, pools, and betting operations are supervised by the National Police Board working under the Ministry of the Interior. The Ministry approves the rules of play and the National Police Board controls that they are complied with. In addition, the company engages in continuous dialogue with representatives of both the Ministry of the Interior and the National Police Board.

Veikkaus' gaming activities are monitored by official supervisors appointed by the Ministry, who also confirm the game results and number of prizes for each round. The Ministry handles players' complaints concerning prize payouts, and issues recommended decisions on them.

2011 In 2011 a total of 54 recommended decisions were issued, as compared with 44 in the previous year.

In addition to the gaming industry's security certificate, Veikkaus has also been awarded information security and quality certificates. External supervisors ensure that the company operates according to these standards. Det Norske Veritas (DNV) audits Veikkaus' compliance with the World Lottery Association Security Standards WLA-SCS:2006. Compliance with the ISO 9001:2008 quality standard and ISO 27001:2005 information security standard is assessed by Inspecta Sertifiointi Oy, which conducted one audit in 2011.

Internal control

Overview of internal control

Veikkaus' internal control model is based on the COSO ERM framework. Internal control is a process that helps the Board of Directors and the operative management to obtain adequate assurance about the following issues.

- The company's operations are profitable, efficient, responsible, and consistent with the company's strategy
- Financial reporting and other information used by the management are reliable, sufficient and up to date
- The company complies with applicable legislation and regulations, the gaming licence, the rules of play, and Veikkaus' internal rules and guidelines.

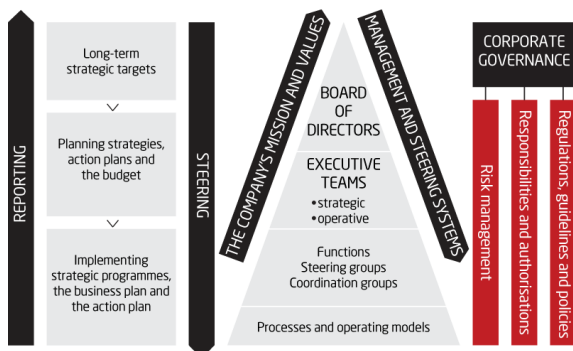
The company's values are based on its mission 'A Finn to Win' and its vision 'The world's best gaming company in 2013'. Veikkaus' vision steers the company towards excellence. Veikkaus' values - 'For the common good, responsibly, reliably and creatively' - guide the company's activities.

Management and steering system

Operation planning and setting targets form the basis of Veikkaus' management. The company's management, planning, and steering are based on Veikkaus' vision. Long-term strategic goals are derived from Veikkaus' vision, and these are, in turn, used to set annual goals in the form of a company-level scorecard.

During operational planning, the scorecard's annual strategies are converted into important unit-specific operative targets, measures, and benchmarks, as well as personal goals for employees. Targets and benchmarks that are sufficiently challenging pave the way for success, operational development, and efficiency. Measures based on regular monitoring and assessments steer the company's operations.

Systems of internal control



Internal control and risk management are not separate processes - they are a fundamental aspect of all of Veikkaus' operations. Veikkaus' internal control covers all strategies, processes, practices and organizational structures that contribute to the attainment of Veikkaus' targets.

Control environment

Company mission and values

Veikkaus' mission and values form the basis for internal control. Veikkaus' mission is to operate games reliably and responsibly.

A key tool for ensuring the continuous improvement of operations is Veikkaus' performance barometer, which identifies and defines benchmarks for the most influential success factors. The performance barometer identifies trends in Veikkaus' performance rate and has been integrated into both the planning processes and monitoring.

The company's administration has been organized in accordance with the Finnish Limited Liability Companies Act and the Finnish Corporate Governance Code. Veikkaus' organization consists of five different functions and the subsidiary Veikkaus Solutions, which started on 1 July 2011. The subsidiary seeks gaming-related business opportunities and potential partners in cooperation beyond the European Economic Area. All the functions have their own steering groups, making decisions at the chairman's discretion. In addition to the steering groups, the operations are also guided by a variety of separate steering groups whose tasks include coordinating the working practices in, for example, personnel and ICT matters.

Veikkaus' management model is functional, but the core processes have been identified and are used to steer and develop operations. Three core processes have been identified for realizing Veikkaus' business strategy: the service process, the product development process,

and the steering process. Besides the core processes, Veikkaus also has support processes, including the financial and HR management processes, which ensure the core processes' operational prerequisites.

Information systems

Veikkaus' business is entirely reliant on technological systems. The game system consists of a central system that is connected to the retailers' sales terminals, the internet channel and game support systems. Reliability is a crucial factor in gaming operations. Veikkaus' game system aims at a high level of usability. Technological back-ups cover not only the game system, but also the support systems that control and monitor gaming.

Rules, guidelines, laws and regulations

Veikkaus' operations are governed not only by legislation and the company values, but also by different rules, guidelines and operating principles. Veikkaus' management and steering system, and organizational structure steer the internal controls for the efficiency, effectiveness, responsibility and strategic consistency of operations.

The internal control of financial reporting has been planned to provide reasonable assurance of its reliability and compliance with current legislation, regulations and accounting standards. Veikkaus has voluntarily adopted international IAS/IFRS standards in its financial reporting. In addition to legislation, Veikkaus' financial reporting is

Risks and risk management

Risk management

Veikkaus' risk management is part of the company's COSO ERM framework. A risk is defined as any real or potential event, action or omission that would weaken the company's chances of attaining its targets. Risk management has been integrated into the processes of operational planning to enable the regular identification and evaluation of both the risks inherent in Veikkaus' business operations and strategic goals and the preparations that have been made for them.

The most significant and central risks are assigned responsible parties and risk management measures. These measures are included in the company's action plans, operating models and other processes. Risk management measures are monitored as part of the supervision of operational planning and other internal controls, which have been described in section 6.

also governed by the company's standing orders on commercial transactions and other financial guidelines. These cover, for example, key financial administration principles and the authorization of individuals or bodies to grant approvals. The operating models for financial reporting have been described and defined in the relevant regulations, working instructions and process descriptions.

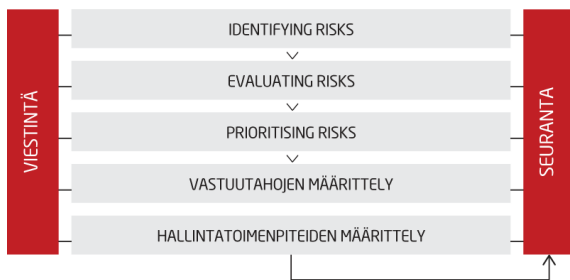
The Compliance activities have been defined in a separate Compliance programme, which is part of risk management and internal control. Within the framework of this programme, Veikkaus regularly and continually monitors its operations, identifies potential areas for development, and undertakes measures to correct problems.

The Compliance activities are guided by, for example, the Lotteries Act. The Act regulates the provision and supervision of lotteries, the payment and intended use of lottery profits, and the supervision of how the profits are used. In 2011, the operations were also regulated by the gaming licence issued by the Council of State, containing regulations on the gaming sector; the rules of play, the percentages that should be paid out to customers as prizes; how the prizes should be rounded; and how the unclaimed prizes should be distributed. The Lotteries Act, the gaming licence, and the rules of play also govern the company's financial reporting and accounting.

Veikkaus' risk management is shouldered by the Strategic Executive Team. The Team is assisted by a specially appointed Risk Management Group, which develops the company's risk management process, participates in risk identification, coordinates risk evaluation and prioritization, and ensures that the management processes run smoothly.

In addition to company-level risk management, risks associated with financial reporting, Compliance, operative functions, and business operations are evaluated as part of the company's everyday activities. The Vice President of the function in charge of each specific responsibility area is in charge of conducting these assessments.

The risk management process - strategic risks



Risks

In Veikkaus' risk management, risks are divided into three main groups.

Risks

<p>OPERATING ENVIRONMENT</p> <ul style="list-style-type: none"> • Customer's needs • Technological advances • Legislation • Industry • General economic climate • Catastrophes and epidemics 	<p>PROCESSES AND INTERNAL ENVIRONMENT</p> <ul style="list-style-type: none"> • Process functionality • Administration • ICT and data systems • Reputation • Honesty • Leadership • Financing 	<p>OPERATIONAL STEERING AND DECISION-MAKING</p> <ul style="list-style-type: none"> • Strategic risks • External reporting • Operative reporting and monitoring
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The most significant risks threatening Veikkaus' long-term objectives have been identified in the uncertainty factors related to legislation and the Finnish national gaming system, and issues concerning ICT, data systems and management models.

Legislation and the national gaming system

Changes in Veikkaus' operating environment, in particular in the national gaming system and the Lotteries Act, are central to determining whether Veikkaus will continue to operate as a monopoly, which has a considerable impact on the company's market share, profitability and operating models. The legal environment is affected by Finnish and EU legislation.

Gaming regulations have not been standardized within the European Union, so regulation is conducted at national level. The resolutions of the European Court of Justice play a central role in steering gaming operations. Veikkaus continually monitors the ECJ's resolutions and their impacts.

The amendments contained in the first stage of the Lotteries Act reform came into force on 1 October 2010. At the second stage on 1 January 2012, Finland went over to a system of legal monopolies. With the reform, all gaming related to the results of horse races was assigned to Fintoto Oy.

ICT functions and information systems

ICT functions and data systems are a core aspect of Veikkaus' business. The growing number of game events and the increasing complexity of game systems, as well as the impact they have on reliability, pose additional challenges. Reliability has a direct impact on customer commitment and thus on the company's profitability.

The functionality of the key systems is actively monitored, and the systems are regularly evaluated and tested. The uninterrupted operation of the key systems has been ensured with, for example, adequate back-up systems, spare equipment, a continuity plan, and a regular testing of the systems and plans. Both the game system and the vital support systems have been designed to be fault tolerant and are equipped with back-up systems.

Partners in cooperation

A significant part of Veikkaus' production and sales is carried out in cooperation with the company's partners. Certain key partners constitute a risk of discontinuity because they are difficult to replace.

The partners' possible ownership arrangements and strategic changes in the distribution channel solutions may cause Veikkaus' sales to decrease and business to suffer. In order to mitigate the risks in the partnership cooperation, Veikkaus seeks alternative partners. Further, Veikkaus aims to continually develop its cooperation with its present partners.

Partnership risks are also related to the quality and reliability of the services, compliance with the requirements, and cost-efficiency. The risks are managed by transferring part of the responsibility to the partners by contractual provisions, including requirements on standards and service level. Regular public tendering processes are used to achieve price competition and improve cost-efficiency.

Short-term risks

In 2011 the core risks concerned the uncertainty factors related to the second stage of the Lotteries Act, including the schedule of the Parliamentary debates on the bill and the impact of the law on the gaming sector. In addition,

the changes made to the products, including Lotto and the instant games, involved a risk of how the customers would take the changes.

It has been evaluated that the most significant risk threatening the objectives of 2012 is the implementation of the multinational Eurojackpot game according to schedule, together with its impacts on Veikkaus' other products. Another threat is posed by the development of the overall economic situation and its effects on gaming. Further, the amended Lotteries Act will have significant effects on the company's operating environment and business; and the fact that all horse betting has been transferred to Fintoto will have a direct impact on Veikkaus' turnover and profitability.

An uncertainty factor threatening the short-term financial objectives is the possibility of large random one-time prize payouts associated with games with fixed odds, such as Keno and Fixed Odds Betting. To manage this

risk, the rules of play have been supplemented with certain restrictions on the prize payout. Further, the financial risks associated with sports gaming in particular are monitored actively every day, and if necessary, measures are undertaken to address them.

The most central risk in financial reporting is related to the company's game system and the gaming transaction recording process. The process contains a significant number of gaming transactions – some 6.6 million weekly transactions on the average. In 2010, the transactions numbered 6.3. The process of recording the gaming transactions and the validity of the data produced by the gaming system are ensured through regular internal evaluations and external inspections. As for the validity of the financial reporting as compared with the game system and the other ancillary accounting systems, it is ensured through regular reconciliations between the systems.

Supervisions and control measures and supervisory responsibilities

Supervision and control measures consist of the procedures, guidelines, and regulations that ensure compliance with the company's operating principles and help the company to attain its objectives. These supervision and control measures help to identify and manage the risks that pose a threat to the attainment of the objectives.

The management and steering system, and the associated operational planning and monitoring constitute a core component of Veikkaus' internal control. The control function also includes approval procedures, the granting of authorizations, detailing the employees' tasks, back-up procedures, securing the assets, and data

system controls. The company's operative management has been authorized to make decisions in specific areas.

According to the division of the responsibilities within internal control, the Operative Executive Team and its chairman are responsible for ensuring the efficiency of operations and operative functions. The Vice President, Strategy and Development, is in charge of coordinating strategic planning and targets. The Vice President, Finances, is responsible for the internal control of financial reporting, while the Vice President, Legal Affairs and Human Resources, is in charge of Compliance. The monitoring of the ICT operations and data systems is shouldered by the Vice President, Production.

Communications and Public relations

A key component of internal control is adequate, reliable and timely information that enables the company to monitor its progress towards achieving its objectives. Successful internal communications and management reporting ensure that any risks threatening the company's key objectives will come to the attention of the Board of Directors and the Executive Teams.

Risk factors associated with efficiency, financial objectives and the operating environment are regularly discussed at Board meetings. A more extensive review of risk management is presented to the Board of Directors once a year. The Board of Directors and Executive

Teams are also reported to on the Compliance programme on an annual basis. The Board also receives regular reports concerning changes in key legislation and the policies of the European Court of Justice. The management provides status reports on its areas of responsibility; making regular reviews of any changes in administration and steering systems, ICT operations, reporting principles and, in particular, legislation.

During operational planning and budgeting, reports are made on any threats that would prevent the company from implementing its action plan and thereby realizing its strategy. All functions are required to inform the

Executive Teams of any risk factors in their areas of responsibility.

The personnel are informed about the strategic objectives, budgetary targets and the goals contained in the action plan, together with their realization, on the

Monitoring

The Board of Directors and its Committees assess the adequacy and effectiveness of the internal controls and risk management. The Board's Audit Committee ensures that the appropriate internal controls are in place for financial administration and accounting. The Board and the Audit Committee receive regular information on the company's progress towards attaining its objectives in the form of profit reports and forecasts, budget and action plan reports, and other key benchmarks.

The information received is compared with the budget, the previous year and other key figures. Any major changes in reporting principles are handled by the Board's Audit Committee. Due to the central status of data systems and, in particular, the game system, the Board of Directors receives regular reports on developments in usability, functionality and cost-effectiveness.

The most valuable supervisory tool for Veikkaus' operative management is the weekly monitoring of the targets, which is used to evaluate the key financial and operative benchmarks. Further, monthly financial reports and quarterly reports are used to assess the performance by comparing them with the company's strategic objectives, business plans, and other plans and measures. The Financial Administration, Strategy and Development, and Customer Relations and Business Intelligence units support the Executive Teams and the company's operations by producing and analysing

Internal and external audit

In addition to the continual monitoring described above, internal and external audit are used to assess internal control and its effectiveness in the different sectors.

In accordance with the company's approved operating principles, the internal audit assesses the adequacy, reliability, and effectiveness of the processes of risk management, supervision, and administration. The internal audit also assesses whether the operations comply with legislation, regulations and guidelines, and seeks to prevent potential malpractice.

The responsibility for the internal audit is assigned to an employee who works in cooperation with external partners in cooperation. In 2011 Veikkaus' auditing partner was PricewaterhouseCoopers Oy. The internal audit covers the entire

intranet and at special briefing events. The operating models for financial reporting are available on the intranet and thus accessible to those involved in the financial reporting. Operating models, rules and guidelines are communicated to the personnel through targeted training.

information that is essential for attaining the company's objectives.

The reporting and supervisory mechanisms used to monitor the company's business and operations hold a key position with regard to internal control and, in particular, when assessing the effectiveness, efficiency, responsibility, and the strategic consistency of operations. The functions and the Vice Presidents responsible for them are required to ensure that the processes and supervisory mechanisms within the specific areas of responsibility are appropriately arranged.

Financial reporting processes are regularly assessed and updated in accordance with current legislation, regulations, the reporting standards governing the financial statements, and any other requirements concerning financial reporting. The company's auditors conduct an annual assessment of the financial reporting controls and their effectiveness.

Within Veikkaus' Compliance programme, the company's operations are continually monitored, potential areas for development are identified, and measures to correct problems are undertaken. The Compliance activities monitor the operating environment, and the programme is updated to reflect current legislation, Veikkaus' gaming licence, and any other requirements.

organization and falls under the jurisdiction of the Vice President, Legal Affairs and Human Resources. It reports on its operations to the Board of Directors' Audit Committee.

During the period under review, the internal audit assessments focused on, for example, the effectiveness of Veikkaus' core processes and project management.

According to the company's Articles of Association, the General Meeting appoints the auditor, who must be an auditor or audit firm authorized by the Central Chamber of Commerce (KHT auditor or KHT audit firm).

The company's current auditor is KPMG Oy Ab, with KHT Auditor, Authorised Public Accountant Lasse Holopainen as the chief auditor since 2004. Veikkaus regularly invites bids from auditors, most recently in 2009. In accordance with the company's Articles of Association, the auditors are appointed until further notice. The auditors report to the Board of Directors' Audit Committee and the auditor attends the General Meeting.

Auditor's compensations included in the purchase of services 2011 (EUR)

	2011	2010
Audit	36,545	43,444
Tax advice*	16,872	
Other services**	99,878	146,288
Total	153,295	189,732

* Tax advice was not reported in 2010 separately but it was included in the other services.

** The other services primarily involve technical audits focusing on the evaluation and testing of telecommunications and server information security.

The audit for the period under review assessed the appropriateness of the internal controls used in financial administration, as well as the efficiency of the controls of financial administration. The audits during the reporting period focused on, for example, game system controls and reconciliation, the correctness of the prize payouts, and Veikkaus Solutions' operations.

Corporate Governance Code and deviations

Veikkaus complies with the Finnish Corporate Governance Code 2010 (following the Comply or Explain principle) and the ownership policy guidelines issued by the Ministry of Education and Culture on 3 November 2011. In addition, Veikkaus complies with the guidelines on the remuneration policies and pension schemes of state-owned companies issued by the Cabinet Committee on Economic Policy on 8 September 2009. Prior to the decision in principle issued on 3 September 2011, Veikkaus complied with the Ministry of Education and Culture Corporate Governance Code of 23 September 2010.

The Corporate Governance Statement has been provided separately rather than as part of the Report of the Board of Directors. The section covering internal control includes a description of the internal controls used in financial reporting and the main features of the company's risk management systems. The Finnish

Corporate Governance Code 2010 is publicly accessible at www.cgfinland.fi.

Veikkaus' deviations from the Finnish Corporate Governance Code mainly stem from its ownership structure and relate to the specified aspects (in brackets) of the following recommendations: recommendation 1 (publishing the minutes of the General Meeting); recommendation 4 (the attendance of nominees for the Board of Directors at the General Meeting); recommendation 11 (notifying shareholders of the nominees for the Board of Directors); recommendations 28-30 (the appointment of a Nomination Committee and its operations); recommendation 42 (paying Board fees in shares); recommendation 51 (the guidelines for insiders issued by Helsinki Exchange); recommendation 52 (notification of auditor candidates) and recommendation 55 (notifications on the company's website resulting from some of the aforementioned deviations).



Board of Directors 2011

Suvi-Anne Siimes

Chairman, born 1963

Lic. Soc. Sc.

Professional experience: Minister in the Ministries of Education, Finances, Environment, and Foreign Affairs; Member of Parliament; CEO of Pharma Industry Finland; Lecturer of National Economics at the University of Helsinki. Member of the Board since 17 March 2011.

Other current Board memberships: Member of Board of Yrjö Jahnsson Foundation.

Previous positions of trust: European Union Committee of the Regions, Supervisory Board of the Finnish Fund for Industrial Cooperation Ltd. (FINNFUND); Pohja Municipal Council and Board; Member of the Council of Representatives of the Cooperative Society; Member of the Supervisory Board of Kemira Oy.

Ari Lahti

Vice Chairman, born 1963

Lic. Soc. Sc.

Managing Director, ICECAPITAL Securities Ltd

Professional experience in management positions and expert tasks in financial and capital markets.

Member of the Board since 1 January 2002, Chairman of the Audit Committee.

Other current Board memberships: Oy Turo Tailor Ab; Chairman of the Board of Kuopion Palloseura Football Club; Member of Boards of the companies in the ICECAPITAL Group.

Previous positions of trust: Member of the Boards of Wulff Group plc and Helsinki Stock Exchange.

Jouko Ahtola

born 1952

M.Sc. (Econ.)

CFO, The Federation of Public and Private Sector Employees (Jyty)

Professional experience in financial administration and internal auditing.

Member of the Board since 1 January 2006, Member of the Audit Committee.

Leena Harkimo

born 1963

Diploma in Business Studies

Member of Parliament

Professional experience as the CEO of the Finnish ice hockey team Jokerit and fourth term as an MP.

Member of the Board since 1 January 2008, Member of the Personnel Committee.

Other current Board memberships: Chairman of the Board of the Building Council of the National Sports Council; Member of the Board of Directors of Jokerit HC Oy; Member of the Board of Trustees of WWF Finland.

Previous positions of trust: Member of the Supervisory Boards of Suomen Posti/Itella Corporation and Liikenneturva

Mikael Ingberg

born 1951

Ph.D (Econ.)

Professional experience as CEO of Samfundet Folkhälsan and Aktia Bank.

Member of the Board since 1 January 2008, Member of the Personnel Committee.

Other current Board memberships: Oral Hammaslääkärit plc, Andelslaget Varuboden.**Riitta Kaivosoja**

born 1957

Master of Laws (trained on the bench)

Director General, Ministry of Education and Culture

Professional experience in management positions and expert tasks at the Ministry of Education and Culture.

Member of the Board since 1 January 2008, Member of the Audit Committee.

Eva Liljeblom

born 1958

D.Sc. (Econ.)

Rector, Hanken School of Economics

Member of the Board since 18 March 2010.

Other current Board memberships and positions of trust: member of the Boards of Pensions Fund of the Central Fund of the Evangelical Lutheran Church of Finland; Municipality Finance plc, Fennia Mutual Insurance Company; Chairman of the State Pension Fund's Investment Consultative Committee in Finland; Hanken School of Economics; Stockmann plc; and Catella Property Oy.**Previous positions of trust:** member of the Boards of Sonera Corporation; TeliaSonera AB (publ); Metso Corporation; and The State Pension Fund - Utlandet, Strategirådet.**Alf Rehn**

born 1972

D.Sc. (Tech.), M.Sc. (Econ.), Professor, Åbo Akademi

Professional experience: Researcher and Research Director at the Royal Institute of Technology, Stockholm, Sweden; Professor and Chair of Management and Organization at Åbo Akademi.

Member of the Board since 17 March 2011.

Other current Board memberships: Chairman of the Board of Advertising agency Satumaa; Member of the Board of Codento Oy.**Supervisory Board 2011****Since 30 September 2011****Ilkka Kanerva, Chairman**

born 1948 in Lokalahti

Member of Parliament, M.Soc.Sc.

Matti Saarinen, Vice Chairman

born 1947 in Lohja

Member of Parliament, Diploma in Social Sciences, Financial Director

Outi Alanko-Kahiluoto

born 1966 in Oulu

Member of Parliament, Ph.D., Researcher

Sirkka-Liisa Anttila

born 1943 in Marttila TK

Member of Parliament, Administrative notary

Jari Leppä

born 1959 in Pertunmaa

Member of Parliament, Farmer

Marja-Leena Leppänen
born 1948 in Rovaniemi
Office Manager, Entrepreneur

Mikaela Nylander
born 1970 in Porvoo
Member of Parliament, Economics Student

Sirpa Paatero
born 1964 in Karhula
Member of Parliament, Counsellor of preventive
substance abuse work

Arto Satonen
born 1966 in Vammala
Member of Parliament, Teacher, Entrepreneur

Timo Soini
born 1964 in Rauma
Member of Parliament
M.Soc.Sc., Chairman of Party

Lenita Toivakka
born 1961 in Helsinki
Member of Parliament, M.Sc. (Econ.), Entrepreneur

Kari Uotila
born 1955 in Pertunmaa
Member of Parliament, Platemaker

Tuula Väätäinen
born 1955 in Maaninka

Member of Parliament, Specialized nurse, Family
therapist

Personnel representatives

Teijo Loikkanen
born 1965 in Kuopio
Production Controller

Riitta Nissi, Deputy Personnel Representative
born 1968 in Forssa
Development Manager

Until 29 September 2011

Member of Parliament Ilkka Kanerva, Chairman
Member of Parliament Matti Saarinen, Vice Chairman
Member of Parliament Merikukka Forsius
Member of Parliament Jukka Gustafsson
Member of Parliament Tuomo Hänninen
Member of Parliament Heli Järvinen
Member of Parliament Jari Leppä
Member of Parliament Heikki A. Ollila
Member of Parliament Sirpa Paatero
Member of Parliament Aila Paloniemi
Member of Parliament Antti Kaikkonen
Member of Parliament Kari Uotila
Member of Parliament Ulla-Maj Wideroos

Personnel Representatives

Head of Communications Riitta Nissi
Production Controller Teijo Loikkanen, Deputy Personnel
Representative

Official Supervisors and Auditors

Official Supervisors

Chief Police Inspector Reijo Hyytiäinen
 Administrative Officer Hannele Juusela
 Chief Police Inspector Seppo Juvonen
 Senior Officer Kirsi Hack
 Director, Police College of Finland Seppo Kolehmainen
 Chief Police Inspector Mia Poutanen
 Inspector General of the Police Reijo Pöyhönen
 Chief Police Inspector Seppo Ruotsalainen
 Chief Security Officer Kari Santalahti
 Head of Press and Communication Services Kaija Uusisilta
 Senior Planning Officer Jani Perkkiö



Strategic and Operative executive teams

Veikkaus' operations are steered by two executive teams: the Strategic Executive Team and the Operative Executive Team.

The Strategic Executive Team prepares recommendations for the Board of Directors on the company's strategy, action plan and proposed budget, and also monitors and makes decisions on significant projects and investments. Veikkaus' President & CEO is Chairman of the Strategic Executive Team.

The Operative Executive Team manages Veikkaus' routine operations at an operative level by carrying out the decision-making and coordination required by the action plan and budget. Veikkaus' Senior Vice President, Business Operations, is Chairman of the Operative Executive Team.

Official Supervisors in Tampere

Deputy Police Chief Risto Äijälä
 Detective Superintendent Markus Välimäki
 Police Chief Aapo Nuotio
 Head of Office Kari Räisänen

Auditor

Authorised Public Accountant Lasse Holopainen, KPMG Oy Ab

Strategic executive team

Risto Nieminen, Chairman

born 1951
M.A.
With Veikkaus 1989–2000 and from 2001
Appointed CEO in 2001
Previous professional experience as a CEO,
Communications Director, and Museum
Director
Member of the Executive Team since 1991



Executive Vice President Olli Sarekoski, Vice Chairman

born 1965
M.Sc. (Econ.)
Responsible for operative and business
management
Joined Veikkaus in 2003
Previous professional experience in diverse
management positions
Member of the Executive Team since 2003



Vice President, Finances Maija Hjelt

born 1970
Diploma in Business Administration
Responsible for internal and external
accounting, and real estate services
Joined Veikkaus in 1988
Member of the Executive Team since 2010



Vice President, Legal Affairs and Human Resources Pekka Ilmivalta

born 1970
Master of Laws (trained on the bench)
Responsible for legal affairs and human
resources
Joined Veikkaus in 2003
Previous professional experience as an
advocate and with sports organisations
Member of the Executive Team since 2004



Vice President, Communications Ilkka Juva

born 1952
Joined Veikkaus in 2000
Responsible for communications, corporate
social responsibility, and stakeholder and
marketing cooperation
Previous professional experience as Editor-
in-Chief of Länsi-Savo newspaper and as an
editor at, for example, Uusi Suomi and
Turun Sanomat newspapers
Member of the Executive Team since 2000



Vice President, Production Esa Valtonen

born 1952
B.Sc. (Natural Science)
Responsible for information management,
games production, production services and
corporate security
Joined Veikkaus in 1991
Previous professional experience includes
management positions in information
management and software production
Member of the Executive Team since 1997



Senior Vice President, International Affairs and Business Development Jari Vähänen

born 1965
M.Soc.Sc.
Responsible for international affairs and
business development
Joined Veikkaus in 1995
Previous professional experience includes
positions in the Finnish Trotting and
Breeding Association (Hippos)
Member of the Executive Team since 2004



Operative executive team

Executive Vice President Olli Sarekoski, Vice Chairman



born 1965
M.Sc. (Econ.)
Responsible for operative and business management
Joined Veikkaus in 2003
Previous professional experience in diverse management positions
Member of the Executive Team since 2003

Vice President, Legal Affairs and Human Resources Pekka Ilmivalta



born 1970
Master of Laws (trained on the bench)
Responsible for legal affairs and human resources
Joined Veikkaus in 2003
Previous professional experience as an advocate and with sports organisations
Member of the Executive Team since 2004

Vice President, Sales Network Nora Vähävirta, Vice Chairman



born 1969 M.A.
Responsible for retailer sales network management and retailer competence management
Joined Veikkaus in 2006
Previous professional experience includes business consultancy and data system implementation at Accenture Oy
Member of the Executive Team since 2008

Vice President, Communications Ilkka Juva



born 1952
Joined Veikkaus in 2000
Responsible for communications, corporate social responsibility, and stakeholder and marketing cooperation
Previous professional experience as Editor-in-Chief of Länsi-Savo newspaper and as an editor at, for example, Uusi Suomi and Turun Sanomat newspapers
Member of the Executive Team since 2000

Vice President, Customer Relations and Business Intelligence Ari Aarnihuhta



born 1962
Responsible for game product management and development
Joined Veikkaus in 2003
Previous professional experience in the gaming business at Oy Lottex Ab and Rautakirja, and in management positions for the Veikkausrasti gaming store chain.
Member of the Executive Team since 2008

Vice President, Community Relations & CSR Hannu Kareinen



born 1962
Social Pedagogue (M.Soc.Sc.)
Responsible for community relations and cooperation with beneficiaries
Previous professional experience at the Ministry of Education, Finnish Youth Cooperation Allianssi, and the Finnish National Pesäpallo Association
Member of the Executive Team since 2009

Vice President, Finances Maija Hjelt



born 1970
Diploma in Business Administration
Responsible for internal and external accounting, and real estate services
Joined Veikkaus in 1988
Member of the Executive Team since 2010

Vice President, Brand and Marketing Communications Ami Miettinen



born 1952 M.Sc. (Econ.)
Responsible for customer relations management and development, and customer and retailer advisory services
Joined Veikkaus in 2005
Previous professional experience in marketing management positions for Canon and Elisa
Member of the Executive Team since 2008

Vice President, Strategy and Development Karri Paavilainen



born 1970
M.Sc. (Econ.)
Responsible for strategy programmes, management systems and business intelligence
Joined Veikkaus in 2005
Previous professional experience in expert service development, sales and management
Member of the Executive Team since 2008

Vice President, Product Management Antti Tiihonen



born 1974
M.Soc.Sc.
Responsible for digital channels
Joined Veikkaus in 1999
Previous professional experience includes management positions in Veikkaus' R&D and sports games operations
Member of the Executive Team since 2008

Vice President, Marketing Kimmo Tolonen



born 1960
M.Sc. (Pedagogy)
Responsible for the Veikkaus brand and product marketing, cooperation with television, and commercially significant cooperation with sports associations

Joined Veikkaus in 2008
Previous professional experience as a managing director and vice president, digital channels, in marketing management positions, and with sports organizations
Member of the Executive Team since 2008

Vice President, Production Esa Valtonen



born 1952
B.Sc. (Natural Science)
Responsible for information management, games production, production services and corporate security
Joined Veikkaus in 1991
Previous professional experience includes management positions in information management and software production
Member of the Executive Team since 1997

Senior Vice President, International Affairs and Business Development Jari Vähänen



born 1965
M.Soc.Sc.
Responsible for international affairs and business development
Joined Veikkaus in 1995
Previous professional experience includes positions in the Finnish Trotting and Breeding Association (Hippos)
Member of the Executive Team since 2004

FINANCIALS

Board of Directors' Report 2011

Veikkaus Oy continued its good financial performance in 2011 despite the general economic climate which weakened during the year and the prospects of economic growth that grew increasingly insecure. We were able to meet the changes in the operating environment by producing new offerings, whilst at the same time curbing the increase in expenses without risking development.

Making use of comprehensive customer data, Veikkaus created many new products and services. They enabled us to reach a record-high financial result at the end of the year, even though the start of the year was challenging. Our customer-oriented model of management enabled us to develop our products in a responsible manner. The new offerings were designed to activate especially those playing infrequently.

Veikkaus was the first state lottery in the world to launch internet gaming in 1997. It was a historic step from a single sales channel to two channels. We have now reached the stage where the two sales channels meet and support each other better than ever before. The most recent proof of this is the self-service gaming terminal, which is currently being piloted. People can access Veikkaus games directly in the internet service at our points-of-sale. The development continues with the diversification of the possibilities of the mobile channel, enabled by equipment and connections that are constantly improving. Thanks to the development, our customers have more options to choose from whilst deciding how, where, and when they want to use Veikkaus' services.

Veikkaus operates on the Finnish market, but we are also actively involved in the international progress of our industry. That way we can secure our competitive capacity in the changing circumstances. The international esteem Veikkaus enjoys was highlighted by the European Lotteries Congress, which was organized in Helsinki in June in the year under review. Veikkaus was the first Nordic country ever to have hosted a European Lotteries congress.

The launch of Veikkaus Solutions Oy, which explores international business opportunities, has taken place at a time when the lottery industry is facing significant changes worldwide. The legislation is changing in different countries and new alliances are emerging.

Veikkaus Solutions is probing the opportunities created by these alliances from the perspective of the areas where Veikkaus boasts strong expertise, including internet gaming, customer relations management, operation of games of chance, high quality processes of product development and innovations, together with sports games know-how. As a result of the launch of Veikkaus Solutions Oy, Veikkaus Oy prepared its first group financial statements in 2011.

Veikkaus posted a new weekly sales record of EUR 51.4 million at the beginning of October. The new record beat the previous one from just a few weeks earlier in September by over EUR 3.5 million. In 2011, the Finnish gaming market increased by 6%, with the total market amounting to EUR 2,716 million. The games to show the greatest growth were the internet games, increasing by 25% over the previous year. Veikkaus maintained its position as the market leader (51.1%).

Veikkaus group reached a profit of EUR 514.1 million (+2.0%) in the financial year 2011. We were able to achieve this record-high result regardless of the increase in lottery tax, since our turnover went up especially in games with good margins. The revisions in those games were carried out successfully and according to plan.

Veikkaus reached a turnover of EUR 1,792.7 million, the largest in the company's history. That meant an increase of EUR 102.8 million (+6.1%) over the year before. The growth was fastest in internet gaming (+21.2%). The objective of the internet gaming overhaul, realized in 2010, was to increase Veikkaus business operations in a responsible manner and to offer a secure gaming option to new customer segments. After the overhaul, veikkaus.fi and the products and services offered to customers through it have been developed and increased systematically. A strong restructuring of the retail trade network has made Veikkaus games subject to new challenges. Regardless of that, our point-of-sale game sales attained growth (+0.7%).

Of the profit, Veikkaus returns a total of EUR 469.6 million to the Ministry of Education and Culture, to be further distributed to the Finnish arts, sports, science, and youth work. The difference between Veikkaus' profit and the sum returned, EUR 44.9 million, will be distributed to the beneficiaries in a manner to be specified separately by the Ministry at a later date. During the financial year, Veikkaus paid the Ministry of Education and Culture a total of EUR 46.2 million in

undistributed prize funds accumulated over the previous years.

In addition to the return, Veikkaus paid a total of EUR 83.0 million (+9.1%) in lottery tax to the Finnish State. Veikkaus is not VAT liable, and cannot therefore deduct VAT on its purchases of goods and services. In 2011 Veikkaus paid a total of EUR 21.4 million (-4.2%) in VAT to the Finnish State.

Lotto games fuel growth

Veikkaus games are divided into four categories according to their characteristics: draw games, instant games, arcade games, and sports games. All the game groups increased their turnover in 2011, with the exception of instant games. The game groups to show the strongest growth were those of draw games and arcade games.

The draw games include Lotto, Viking Lotto, Viking Plus additional prize tiers, Joker and Keno. The turnover of this game group amounted to EUR 1,175.9 million. The increase in Lotto's turnover of EUR 576.1 million (+8.9) can be attributed to a new summer offer and a product reform launched in October. Playing was simplified and the prize distribution was revised. The payout percentage and the jackpots were made bigger, and the number of small prizes in the lower prize tiers was increased. Viking Lotto's sales of EUR 126.4 million (-6.4%) remained at a lower level than in the previous year, but the drop in turnover was less drastic thanks to the record-high jackpots at the end of the year. At their highest, Viking Lotto's jackpots, combined with the Lucky number share, went up to EUR 26 million. Joker's sales reached EUR 105.7 million (+7.6%), partly as a result of Lotto's summer offer. The summer offer's positive influence on Joker's sales continued even after the offer period. The turnover and status of Veikkaus' second most popular game Keno (+6.1%) were boosted by Keno's second daily draw, broadcast on the web.

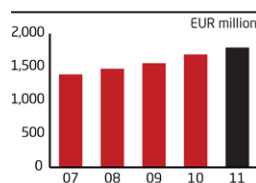
The instant games did not sell according to expectations. In fact, the problems of traditional scratch cards have been recognized worldwide. The complete revamp of the entire scratch card family in September and the sound sales of the season tickets in the last quarter of the year were not enough to fuel increase in scratch card sales. The turnover of this group remained at EUR 125.9 million (-11.9%).

The group of arcade games, with a turnover of EUR 101.0 million (+78.2 %), consists of eBingo, Syke, real-time sports betting, i.e. Live Betting, and the eInstants. The engine of growth in the arcade games group was the interactive eBingo with its turnover of EUR 55.1 million

(+179.4 %). eBingo was introduced on 6 September 2010. Thus, its turnover is not directly comparable with the previous year. The Game Arcade's eInstants attained a turnover of EUR 36.3 million (4.8%). During the year under review, the offerings were supplemented with several new eInstants.

In the sports games group, betting reached a turnover of EUR 273.8 million (+2.5%) and pools games EUR 116.1 million (+1.8%). Fixed Odds Betting also increased its turnover, although the year was challenging from the perspective of available betting objects. The summer season lacked attractive events like those of the previous year's FIFA World Cup. However, Finns' victorious performance in the Ice Hockey World Championships attracted players, ice hockey being another very important event from the perspective of sports betting. Veikkaus' oldest game, Football Pools also continued to prosper, posting a turnover of EUR 67.0 million (+5.6%). Football Pools was complemented with a new game, Mini Football Pools during the last quarter of the year. At the end of the year under review, V5 and V75 Off-track Horse Betting were terminated, as horse betting was transferred from Veikkaus to Fintoto in its entirety.

Development of turnover
2007–2011

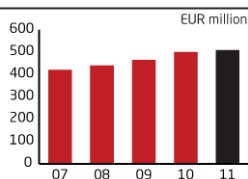


Prize payout to players

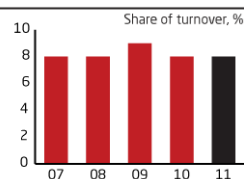
During the year under review, a total of EUR 961.0 million (+8.2%) were paid out as prizes to players.

Veikkaus' retail commissions amounted to EUR 85.7 million (+0.7%); the costs incurred from draws and result information service totalled EUR 11.2 million (+5.5%), and the playslip and ticket expenses were EUR 8.3 million (+9.9%). Product advertising expenditure amounted to EUR 16.6 million (+13.3 %), including a total of EUR 11.7 million (+14.2%) of purchases of media space and EUR 0.6 million (+297.9%) spent on product information distribution. The costs incurred from game event cooperation amounted to EUR 3.8 million (+5.4%).

Development of operating profit 2007–2011



Operating expenses 2007–2011



Creating a strong earnings trend responsibly

Veikkaus' strong earnings trend is based on our ability to combine responsibility with customer-oriented operations and attractive products.

Our good earnings trend is based on comprehensive customer information and knowledge. The number of Veikkaus' registered customers went up to 1,368,000 (+11.9%) during the year under review. Every month some 12,100 (-26.2%) Finns registered as our customers. Registered gaming accounted for 47.6% (+3.9%) of our total sales, and 90% (-1%) of those registered signed in to play during the year under review. By making use of customer information, we can keep developing our products in a responsible manner. The reforms made during the year under review were targeted at the offerings, increasing the participation frequency of those playing rarely. For our customers, registration opens up the option of imposing self-bans on their gaming. Registration also reinforces consumer protection.

During the year under review, an audit of the WLA standard was carried out in Veikkaus. It covered Veikkaus' security and quality management, instant games, information management, management, and the Eurojackpot draw process. The outcome was excellent. Det Norske Veritas did not detect a single deviation from the standard during the audit. The certificate granted by WLA is effective for three years at a time. Every year, a follow-up procedure is carried out, using documents and interviews to evaluate how well the procedures comply with the standard's requirements. The audit is based on the security standard WLA-SCS:2006. The standard aims at ensuring the players' and the owner's trust in the lottery.

The expenses incurred from measures promoting responsible gaming totalled EUR 4.2 million (+8.8%) in 2011. These measures are aimed at promoting the integrity and responsibility of gaming either in Veikkaus' own business operations or with Veikkaus' stakeholders.

At the same time, people's awareness about the national gaming system and its significance is increased.

The secretariats of the RIO Convention (UNFCCC, UNCCD, and CBD), working under the auspices of the UN, invited Veikkaus to join the Rio Conventions Calendar as a partner in the year under review. This was a true manifestation of respect for Veikkaus' commitment to sustainable development. Veikkaus is the first lottery and the first Finnish company ever to have participated in UN's climate calendar project. The invitation was based on, among other things, Veikkaus being committed to its environmental programme and emission cuts.

From gaming licences to legal monopolies

The Finnish Parliament approved the second stage of the Lotteries Act in 2011. At the beginning of 2012 Finland went over from the gaming licence system to the system of legal exclusive rights, i.e. legal monopolies.

Veikkaus' gaming licence, granted by virtue of the Lotteries Act (1047/2001), entered into force on 1 January 2007 and was effective until the end of 2011. From 1 January 2012 onwards, Veikkaus holds the exclusive right to operate lotteries, betting, and pools games in Finland by virtue of the amended Lotteries Act. Since 1 January 2012, our governance is also based on the Government Decree on the operation of games and the Ministry of the Interior Decree on the rules of play, replacing the gaming licence.

The impact of the new legislation depends on how legal monopolies are interpreted in practice. Veikkaus is looking for solutions in smooth cooperation with the authorities, which it can use to carry out its basic mission successfully even in the future.

The most prominent change brought by the second stage of the Lotteries Act amendment from the players' perspective was that all betting on horse racing objects was assumed by Fintoto Oy from the beginning of 2012. The changes related to, e.g., marketing and age limits already became effective during the first stage of the Lotteries Act on 1 October 2010.

Veikkaus' beneficiaries are not affected by the amendments to the Lotteries Act. The distribution of profits between the different beneficiaries is recorded in the Funds Distribution Act, which has not been amended.

Green paper in favour of decision-making at national level

The European Parliament approved a report on the Green paper of online gambling in November. The Green paper is a document published by the European Commission, aimed at launching discussion on electronically transmitted gaming in the EU Internal Market. It is primarily an opening of discussion with no intention to influence joint legislation.

The European Parliament's opinion on the Green paper is important, since it indicates whether the opening of discussion will lead to legislative initiatives in the near future; that would entail, e.g., that the operation of online gambling would be made subject to harmonization in the EU member countries. This time, the Parliament supported national discretion unanimously.

In the future, the Internal Market and Services Commissioner will invite the member countries' gaming authorities to join discussion on the basis of which the Commission will be planning further measures. The Commission's working plan on the Green Paper follow-up is expected by mid-2012.

Other highlights of the financial year

Veikkaus launched its brand reform in September. The Joy for Life brand promise communicates the joy, excitement, and dreaming associated with Veikkaus games and gaming. It also reflects the joy that Veikkaus funds create in society and responsible gaming. As a result of the brand reform, Veikkaus also received new visual design, game logos, and corporate logo.

Veikkaus continued to develop its internet service, which was completely overhauled in the previous year, diversifying the range of services on the internet. The overhaul and the subsequent development aim at securing steady growth even in the electronic channel, representing up to 30% of the total sales (26% in 2010). During the year under review, the weekly sales of internet games increased by EUR 1.8 million (+21%) on the average.

International cooperation and influence are a core part of Veikkaus' operations. Through cooperation, we can improve both our business operations and the responsibility of gaming.

In June, Veikkaus organized the European Lotteries Congress 2011 Northern Light in Helsinki. During the congress, an agreement on a new international lotto game, Eurojackpot, was signed. Eurojackpot will start in

2012. Veikkaus Solutions, exploring international business opportunities, started its operations on 1 July 2011.

Research and product development

Veikkaus spent a total of EUR 7.3 million (+3.2%) on product development and research during the year under review. The research and development investments centred on reinforcing the availability of high-volume products, developing the customer loyalty programme, and digital gaming entertainment.

The measures to reinforce the availability of the most popular products included, e.g., the pilots of Veikkaus' checkout counter project VELI and the self-service gaming terminals placed in the POS.

Digital gaming entertainment was increased in the internet gaming service during the year under review. VeikkausTV's diversified offerings supported growth in real-time betting, i.e. Live Betting. At its best, VeikkausTV was watched by nearly 30,000 viewers.

Personnel

At the end of the year under review, Veikkaus employed 324 people, 308 of whom were salaried full-time employees and 16 were working part-time. Most of them (95%) had permanent employment contracts. Women numbered 178 and men 146 (the key personnel figures and comparison figures are presented in more detail as part of the social responsibility report in the Personnel section).

During the year under review, 34 new employees were hired, 8 retired, 20 gave their notice, and the fixed-term employment contracts of 12 people ended. Three employees moved from Veikkaus Oy to Veikkaus Solutions Oy. The average turnover of personnel was 12.5% (8.7% in 2010).

Veikkaus invests in personnel wellbeing in many ways. Employees are supported by, e.g., comprehensive occupational healthcare, industrial safety, and activities to promote personnel's working capacity. Veikkaus also employs an early intervention system. During 2011, sick leave averaged 8.7 days per employee (10.0 in 2010) and there was one (3) work-related accident that resulted in a sick leave.

In the Great Place to Work 2011 survey, 84% of Veikkaus' staff (83% in 2010) regarded Veikkaus as a good workplace. The personal experience based Trust

Index, measuring the degree to which Veikkaus Culture is shared, reached 72% (68% in 2010).

Veikkaus' personnel expenses amounted to EUR 24.0 million (-13.2%) in 2011. Salaries accounted for EUR 19.1 million, while the remaining EUR 4.9 million covered statutory personnel insurances, voluntary pension expenses and indirect personnel costs. Veikkaus' bonus scheme covers all personnel and its various formats are closely tied to achieving the company's strategic targets.

During the year under review, Veikkaus outsourced some of its support functions as transfers of undertakings. The office systems went over to Fujitsu Services Oy, terminal maintenance was assumed by Relacom Oy, whereas the logistics operations were transferred to Schenker Cargo Oy. The outsourcing aims at flexibility, efficiency, curbing expenses, and making the most of the resources of specialized providers.

Control and risk management

In accordance with the Finnish Lotteries Act (1047/2001), Veikkaus' lottery, pools and betting activities are supervised by the National Police Board, working under the Ministry of the Interior. Veikkaus' risk management and internal control model is based on the COSO ERM framework. Risk management is integrated into planning processes to enable regular identification and evaluation of both the risks inherent in Veikkaus' business operations and strategic goals and the preparations that have been made for them.

Veikkaus' most significant long-term uncertainty factors are changes in legislation and the Finnish national gaming system, and issues concerning ICT and data systems.

The core risks in 2011 concerned the ongoing transition of the European gaming market and its effects on the Finnish practice. Gaming operations are being reorganized in many countries; monopolies are being changed into partly licence-based systems. (Veikkaus' risk management and internal control is presented in more detail in the Corporate Governance 2011 section.)

Future prospects

Veikkaus' vision is to be the best lottery in the world by 2013. This vision guides us towards outstanding performance. The core objectives in achieving this vision are: effectively channeling demand, productivity, increasing shareholder value, and responsible decision-making.

We seek to increase our profit responsibly, by reaching a broader customer base in spite of the prognoses suggesting stalling economic growth. We wish to reinforce interaction with customers and increase the customers' degree of commitment, whilst channeling gaming towards games with low risks from the customers' perspective. We also aim to increase the number of identified gaming transactions. Veikkaus invests heavily in both digital and traditional sales channels.

The greatest challenge with regard to the operative functions is the growing number of customer transactions. In 2012 we expect the number of transactions processed in Veikkaus' game system to exceed the limit of half a million for the first time. The system structure faces new demands as the customers' increasing needs are met with reforms and improvements.

The successful launch of the new international lotto game Eurojackpot and introducing new products to replace horse betting, which has been transferred away from Veikkaus, will affect the realization of our 2012 objectives. From the beneficiaries' perspective, an additional challenge will arise from the raise in the lottery tax from 10 to 12 percent; the financial effects of this raise will amount to ca. EUR 17 million in 2012.

The launch of the legal monopoly system from the beginning of 2012 and the EU Green paper on online gambling, together with the possible related Commission measures require us to prepare for changes in the operating environment.

Veikkaus' projected profit in the 2012 State Budget is EUR 520.4 million, of which EUR 503.7 million have been earmarked for return to the State. The company will also return EUR 16.7 million at the minimum in undistributed prize funds from previous years. In the light of current evidence, the return objective should be attainable.

The Board of Directors' proposal for the distribution of profits

Veikkaus' Board of Directors proposes that EUR 469,630,007.78 of the company's total profit of EUR 514,480,007.78 for the 2011 financial year be returned to the Ministry of Education and Culture, and that EUR 44,850,000.00 be transferred to the undistributed prizes' fund.

Group statement of comprehensive income

	Note	2011	2010
TURNOVER	1GP	1,792,699,751.51	1,689,902,160.62
Other operating income	3G	1,423,880.51	2,359,672.71
Prizes		961,039,162.63	887,972,540.74
Lottery tax		83,031,904.52	76,117,302.28
Raw material and services			
Retail commissions		85,660,442.05	85,082,201.35
Payments to authorities and supervision fees		9,486,031.57	9,662,940.89
Playslips and lottery tickets		8,286,585.75	7,537,073.45
Drawing expenses and result service		11 198 927,10	10,617,998.37
Game event cooperation		3,816,767.02	3,622,645.55
Product advertising		16,616,205.77	14,671,804.88
Data communications		342,064.15	570,099.39
		135,407,023.41	131,764,763.88
Expenses from employee benefits			
Salaries and compensations		19 295 600,00	21,349,484.15
Pensions		3 802 681,40	5,174,507.77
Other indirect personnel expenses		1,168,545.32	1 110 108,70
		24,266,826.72	27,634,100.62
Purchased services	5G	30,572,100.65	23,488,033.47
Depreciations	4G 8G 9GP	18,986,868.24	15,900,274.37
Other operating expenses	6G	30,548,606.59	27,965,304.93
OPERATING PROFIT		510,271,139.26	501,419,513.04
Financial income and expenses			
Financial income	7G	3,788,073.61	2,304,868.58
Financial expenses	7G	1,214.72	442.85
		3,786,858.89	2,304,425.73
NET PROFIT FOR THE FINANCIAL YEAR		514,057,998.15	503,723,938.77
Income/share *)			
Number of shares		498	498
Income per share		1,032,244.98	1,011,493.85
*)Income per share was calculated by dividing the profit for the financial year by the number of shares.			

Parent company statement of comprehensive income

	Note	2011	2010
TURNOVER	1GP	1,792,699,751.51	1,689,902,160.62
Other operating income	3P	1,450,846.71	2,359,672.71
Prizes		961,039,162.63	887,972,540.74
Lottery tax		83,031,904.52	76,117,302.28
Raw material and services			
Retail commission		85,660,442.05	85,082,201.35
Payments to authorities and supervision fees		9,486,031.57	9,662,940.89
Playslips and lottery tickets		8,286,585.75	7,537,073.45
Drawing expenses and result service		11 198 927,10	10,617,998.37
Game event cooperation		3,816,767.02	3,622,645.55
Product advertising		16,616,205.77	14,671,804.88
Data communications		342,064.15	570,099.39
		135,407,023.41	131,764,763.88
Expenses from employee benefits			
Salaries and compensations		19,072,563.38	21,349,484.15
Pensions		3,751,895.12	5,174,507.77
Other indirect personnel expenses		1,161,870.14	1 110 108,70
		23,986,328.64	27,634,100.62
Purchased services	5P	30 553 763,60	23,488,033.47
Depreciations and write-downs	4P 8P 9GP	18,972,721.46	15,900,274.37
Other operating expenses	6P	30,465,941.29	27,965,304.93
OPERATING PROFIT		510,693,752.67	501,419,513.04
Financial income and expenses			
Financial income	7P	3,787,468.08	2,304,868.58
Financial expenses	7P	1,212.97	442.85
		3,786,255.11	2,304,425.73
NET PROFIT FOR THE FINANCIAL YEAR		514,480,007.78	503,723,938.77
Income/share *)			
Number of shares		498	498
Income per share		1,033,092.39	1,011,493.85

*)Income per share was calculated by dividing the profit for the financial year by the number of shares.

Group balance sheet

	Note	2011	2010
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	8G	34,800,581.39	39,392,854.53
Intangible assets	9GP	49,537,502.38	49,897,747.08
Investments held for sale	11GP	448,009.67	448,009.67
OTHER RECEIVABLES			
Advance payments		370,548,833.68	373,766,938.37
Receivables	12G	20,167,754.87	16,462,730.82
Liquid funds and other short-term investments	13G	258,247,639.09	245,968,026.24
TOTAL ASSETS		733,750,321.08	725,936,306.71
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Subscribed capital	14GP	445,698.01	445,698.01
Undistributed prizes' fund	14GP	108,617,449.45	113,817,449.45
Prior period retained earnings		5,365.76	5,732.11
Profit for the financial year		514,057,998.15	503,723,572.42
Total shareholders' equity		623,126,511.37	617,992,451.99
LIABILITIES			
LONG-TERM LIABILITIES			
Liabilities arising from employee benefits	16GP	1 610 000,00	1 891 000,00
Other long-term liabilities	16GP	441 692,30	441 789,20
SHORT-TERM LIABILITIES			
Advances for multi-week subscriptions	15G	13,733,835.95	18,106,150.04
Trade payables	15G	11,146,639.86	5,716,466.92
Winnings payable	15G	34,756,761.02	32,930,092.21
Settlement debts to the State	15G	16,386,479.87	14,841,202.84
Accruals and deferred income	15G	19,611,824.31	21,015,420.15
Other short-term liabilities	15G	12 936 576,40	13,001,733.36
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		733,750,321.08	725,936,306.71

Parent company balance sheet

	Note	2011	2010
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	8P	34,758,141.05	39,392,854.53
Intangible assets	9GP	49,537,502.38	49,897,747.08
Shares in subsidiaries		33,637.59	33,637.59
Investments held for sale	11GP	448,009.67	448,009.67
Receivables from group member companies	17GP	500 000,00	0,00
OTHER RECEIVABLES			
Advance payments		370,548,833.68	373,766,938.37
Receivables	12P	20,105,220.05	16,462,730.82
Liquid assets and other short-term investments	13P	258,122,518.98	245,928,422.89
TOTAL ASSETS		734 053 863,40	725,930,340.95
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Subscribed capital	14GP	445,698.01	445,698.01
Undistributed prizes' fund	14GP	108,617,449.45	113,817,449.45
Profit for the financial year		514,480,007.78	503,723,938.77
Total shareholders' equity		623,543,155.24	617,987,086.23
LIABILITIES			
LONG-TERM LIABILITIES			
Liabilities arising from employee benefits	16GP	1 610 000,00	1 891 000,00
Other long-term liabilities	16GP	441 692,30	441 789,20
SHORT-TERM LIABILITIES			
Advances for multi-week subscriptions	15P	13,733,835.95	18,106,150.04
Trade payables	15P	11 139 488,40	5,716,466.92
Winnings payable	15P	34,756,761.02	32,930,092.21
Settlement debt to the State	15P	16 380 886,90	14,841,202.84
Accruals and deferred income	15P	19,511,467.19	21,014,820.15
Other short-term liabilities	15P	12 936 576,40	13,001,733.36
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		734 053 863,40	725,930,340.95

Group cash-flow statement

EUR thousand	Note	2011	2010
Cash flow from business operations			
Operating profit		510,271	501,420
Adjustments			
Business operations with no related payment transaction		18,606	15,858
Change in working capital			
Change in non-interest bearing receivables		-3,705	-1,358
Change in trade and other payables		-43,519	-23,951
Dividends received		3	2
Interest received		3,786	2,303
Interest paid		-1	0
Net cash flow from business operations		485,439	494,272
Cash flow from investments			
Investments in tangible and intangible			
assets	10G	-14,736	-34,009
Sales of tangible and intangible			
assets and investments		1,083	76
Net cash flow from investments		-13,653	-33,932
Cash flow from financing			
Returned to the Ministry of Education and Culture		-459,506	-435,346
Net cash flow from financing		-459,506	-435,346
Change in liquid funds and other short-term investments			
Liquid funds and other short-term investments at the beginning of the financial year		245,968	220,974
Liquid funds and other short-term investments at the end of the financial year		258,248	245,968

Parent company cash-flow statement

EUR thousand	Note	2011	2010
Cash flow from business operations			
Operating profit		510,694	501,420
Adjustments			
Business operations with no related payment transaction		18,591	15,858
Change in working capital			
Change in non-interest bearing receivables		-3,642	-1,358
Change in trade and other payables		-43,633	-23,951
Dividends received		3	2
Interest received		3,785	2,303
Interest paid		-1	0
Net cash flow from business operations		485,796	494,272
Cash flow from investments			
Investments in tangible and intangible			
assets	10P	-14,679	-34,009
Sales of tangible and intangible			
assets and investments		1,083	76
Loans granted	17GP	-500	0
Net cash flow from investments		-14,096	-33,932
Cash flow from financing			
Returned to the Ministry of Education and Culture		-459,506	-435,346
Net cash flow from financing		-459,506	-435,346
Change in liquid funds and other short-term investments			
Liquid funds and other short-term investments at the beginning of the financial year		245,928	220,934
Liquid funds and other short-term investments at the end of the financial year		258,123	245,928

Group statement of changes in shareholders' equity

EUR thousand	Share capital	Undistributed prizes' fund	Retained earnings	Total shareholders' equity
Shareholders' equity 31 Dec 2009	446	89,067	468,777	558,290
Return to the Ministry of Education and Culture			-414,027	
Transfer to the undistributed prizes' fund		54,750	-54,750	
Additional return to the Ministry of Education and Culture		-30,000		
Prior period retained earnings			6	
Net profit for the financial year			503,724	
Shareholders' equity 31 Dec 2010	446	113,817	503,730	617,993
Return to the Ministry of Education and Culture			-462,724	
Transfer to the undistributed prizes' fund		41,000	-41,000	
Additional return to the Ministry of Education and Culture		-46,200		
Prior period retained earnings			5	
Net profit for the financial year			514,058	
Shareholders' equity 31 Dec 2011	446	108,617	514,063	623,127

Parent company statement of changes in shareholders' equity

EUR thousand	Share capital	Undistributed prizes' fund	Retained earnings	Total shareholders' equity
Shareholders' equity 31 Dec 2009	446	89,067	468,777	558,290
Return to the Ministry of Education and Culture			-414,027	
Transfer to the undistributed prizes' fund		54,750	-54,750	
Additional return to the Ministry of Education and Culture		-30,000		
Net profit for the financial year			503,724	
Shareholders' equity 31 Dec 2010	446	113,817	503,724	617,987
Return to the Ministry of Education and Culture			-462,724	
Transfer to the undistributed prizes' fund		41,000	-41,000	
Additional return to the Ministry of Education and Culture		-46,200		
Net profit for the financial year			514,480	
Shareholders' equity 31 Dec 2011	446	108,617	514,480	623,543

Accounting principles 2011

Corporate profile

Veikkaus Oy is a Finnish lottery domiciled in the City of Vantaa. Veikkaus is a State-owned, public limited liability company that operates in the administrative sector of the Finnish Ministry of Education and Culture. The company's operations are regulated in accordance with the Limited Liability Companies Act and the Lotteries Act, according to which Veikkaus' task is to operate lotteries, and pools and betting games in such a manner that the legal protection of those engaging in gaming activities is guaranteed, abuse and criminal activity are prevented, and the social problems associated with gaming are reduced. Veikkaus' gaming operations are supervised by the Ministry of the Interior.

The Board of Directors of Veikkaus Oy approved these financial statements for publication in its meeting of 6 February 2012. According to the Limited Liability Companies Act, the owner has the right to approve or reject or decide to make changes to the financial statements at the General Meeting following their publication.

Basis of presentation

The group financial statements and the financial statements of Veikkaus Oy have been prepared in accordance with the IFRS standards effective on 31 December 2011. The IFRS standards refer to the international accounting standards accepted for use within the EU.

The notes to the financial statements also comply with the requirements of the Finnish Accounting Act and Limited Liability Companies Act, supplementing the IFRS standards.

In 2011, Veikkaus prepared its first group financial statements. In order to ensure comparability, the financial statements also disclose the 2010 information of the group. These accounting principles cover both the parent company and the group financial statements, excluding certain sections that only concern the group financial statements or the parent company financial statements. Such sections are presented separately. After the general Basis of presentation section, accounting principles concerning only the group financial statements are presented, followed by a presentation of the accounting principles of both the group and the parent company financial statements; and finally, the accounting principles concerning only the parent company financial statement are presented.

Veikkaus has applied the following new and revised IAS and IFRS standards, and IFRIC interpretations since 1 January 2011:

The revised IAS 24. Related party disclosures in the financial statements (effective from 1 January 2011 or financial periods starting thereafter). The revisions simplify demands related to the disclosure in public companies and clarify the definition of related parties.

Further, the following new and revised standards and IFRIC interpretations have been applied, which have no essential impact on the financial reporting by Veikkaus Oy.

The revised IAS 32. *Financial instruments: presentation – the classification of rights issues*

IFRIC 19 *Extinguishing financial liabilities with equity instruments*

Revisions of IFRIC 14 *Preliminary payments based minimum funding requirements Improvements to the IFRS standards.*

General remarks

The figures in the financial statements, except for the balance sheet and comprehensive income statement, are presented in thousands of euros and, unless otherwise indicated in the accounting principles below, are based on the original acquisition costs.

When preparing financial statements in accordance with the international accounting standards, it is necessary to make estimates and assumptions about the future. These estimates have an effect on the asset and liability figures in the balance sheet, as well as on the net profits and losses for the financial year. The most important estimates in Veikkaus' financial statements concern the depreciation periods of fixed assets and the assumptions used for calculating pension-based liabilities. Realized figures may therefore deviate from these estimates. Judgement must also be exercised in the application of accounting policies.

Accounting principles concerning only the group financial statements

Combining principles

The group financial statements cover the parent company Veikkaus Oy and all the subsidiaries that belong either directly or via another subsidiary under the control of the group's parent company. Control refers to the right to decide on the principles of the company's finances and business operations in order to profit from its operations.

There were no associates or joint ventures in the group during 2011.

The group financial statements have been prepared using a past equity method where the company's assets, liabilities, the commitments and contingencies are measured at their fair value at the date of acquisition. The date of acquisition refers to the date when the subsidiary is transferred under the parent company's control. The subsidiary remains part of the group financial statements from the date of acquisition until the parent company's control over the subsidiary ends. If the control over the subsidiary is lost, the remaining share of ownership is measured at its fair value through profit or loss. If the parent retains its control, the impact of the changes in the share of ownership is recorded directly in the group's shareholders' equity.

The share of the acquisition cost of the share of ownership in excess of the fair value of the acquired company's assets, liabilities, commitments and contingent liabilities that correspond to the share of ownership is recorded as the acquisition cost of goodwill. It can represent a payment made by the acquirer in order to increase future financial benefit, which cannot be itemized and recorded as separate assets. The additional purchase prices are measured at their fair value and the subsequent changes in the fair value are recorded in the income statement. All the costs involved in the acquisition, including expert fees, are recorded as costs instead of capitalising them. The share of non-controlling interests can be rated by transaction either at their fair value or as the relative share of the non-controlling interests of the net assets of the object of acquisition. Veikkaus' group financial statements 2011 do not include goodwill.

All group-internal business transactions, receivables, and liabilities, as well as internal margins and group-internal dividends have been eliminated. Unrealized losses have been eliminated in the same way as unrealized profits; however, only when there is no evidence of impairment.

The shares of the entities with non-controlling interests in the subsidiaries are presented, as regards the financial result and the comprehensive income of the accounting period, in the group comprehensive income statement separately from the share belonging to the parent company's shareholders. Respectively, entities with non-controlling interests in the subsidiaries are presented in the group balance sheets as a component of equity separate from the parent's equity belonging to the shareholder of the parent company. Veikkaus' group financial statements 2011 do not include a share of entities with non-controlling interests.

Accounting principles concerning both the group financial statements and the parent company's financial statements

Items in foreign currency

Veikkaus' functional currency is the euro, which is also the currency of presentation in the group financial statements. Foreign currency business transactions have been recorded in euros using the prevailing exchange rate on the transaction date. Receivables and liabilities have been translated into the functional currency using the prevailing rate on the financial statement date. Profits and losses arising from foreign currency transactions and the translation of receivables and liabilities have been recorded through profit and loss. The translation profits and losses of business operations are included in the respective items above the operating profit. The rates used in the translation of the items in foreign currency in the financial statements are:

Currency	Rate on the date of the financial statements
CHF	1.2156
SEK	8.9120

Property, plant and equipment

Property, plant and equipment have been measured at their original acquisition cost less the accumulated depreciations in the balance sheet. The share of the company's own work, entered into intangible assets, is capitalized as part of the acquisition cost. An asset's subsequent expenses are capitalized when they increase future financial benefit. Other expenses, such as standard maintenance and repair, are recorded as costs in the income statement on the date of occurrence. Any expenses incurred from the game system's joint testing system during game introductions, as well as new elnstants are recorded as expenses on the date of occurrence.

Depreciation periods for property, plant and equipment (years):

- buildings and structures 25
- basic apartment renovations 5
- property fixtures, machinery and equipment 5
- other machinery and equipment 4
- IT equipment 4

Depreciation periods for intangible assets (years):

- IT software 4-5

The profits and losses resulting from the sale or surrender of property, plant and equipment are recorded as other operating income and expenses in the comprehensive income statement. The balance sheet values of property, plant and equipment are examined in the financial statements to detect possible impairment.

Veikkaus evaluates, on each date of the financial statements, whether there are implications towards a given value of an asset being possibly impaired. If necessary, an impairment test is performed, with the possible outcome that an impairment loss is recognized. If an impairment loss is recognized in a given period, implications of whether the impairment loss could be revoked are also evaluated in the continuation and, if necessary, the revocation is performed on the basis of respective impairment test calculations, measured at the value which the asset would have after regular depreciations if the impairment loss had not been recorded in the first place.

Veikkaus does not have such balance-sheet items that would give reason to perform annual impairment tests.

Research and development

Research costs are recorded as expenses for the financial year during which they occurred. Expenses related to the development of new products, offerings, and processes are capitalized if the intangible asset resulting from the development work will generate future financial benefit. Further, any costs incurred by development must be reliably definable.

Loyal Customer Programme

Veikkaus has a Loyal Customer Programme in place enabling customer registration. The Loyal Customer Programme does not contain any benefits based on purchases. Thus, Veikkaus' Loyal Customer Programme does not comply with the IFRS standard IFRIC Interpretation 13 Customer loyalty programmes.

Leases

In accordance with the rental agreements made by Veikkaus, the lessor retains the risks and benefits of ownership, and payments made under operating leases are charged to the comprehensive income statement on straight-line basis over the period of the lease.

Financial assets and liabilities

Financial assets are divided into different categories at the time of acquisition. The categorization depends on the purpose the financial asset has been acquired for. The sales and purchases of financial assets are recorded on the transaction date.

Long-term investments held for sale include stocks, shares and marketable interest instruments. They are measured at fair value and the changes in value and recorded as other items of the comprehensive income statement. Untraded stocks are measured at acquisition cost, when their fair value cannot be defined reliably.

Loans and other receivables include sales and other receivables, as well as bank deposits. The difference between retailers' sales and retail commissions and the prizes they pay out is recorded under sales receivables.

Financial liabilities include short-term liabilities with no interest.

Short-term investments held for sale, financial liabilities, and the loans and other receivables group have short maturity periods and their fair values are therefore considered to correspond to their book value.

The book value of the investments included in the financial assets is measured at fair value due to the investments' short term of maturity. The financial assets in the cash flow statement correspond to the financial assets in the balance sheet.

Advance payments to the Ministry of Education and Culture

Veikkaus makes quarterly advance payments on its full-year result to its owner. Following a decision by the General Meeting, the result for the financial year is charged from the shareholders' equity.

Post-employment benefits

In accordance with the IFRS, pension schemes are classified as either defined contribution or defined benefit plans. Defined contribution schemes include those in which Veikkaus pays fixed amounts to a pension company without any obligation to make additional payments even if the fund lacks sufficient assets to pay the pensions. Payments made to defined contribution schemes are recorded as pension expenses in the comprehensive income statement. Payments made to the TyEL pension insurance scheme are regarded as payments to a defined contribution plan.

The remaining pension schemes are defined benefit plans. For them, a liability based on certain assumptions is recorded in the balance sheet, illustrating the future pensions to be paid on the basis of the scheme. The pension cost recorded in the

income statement illustrates, for example, the increase in liabilities arising from the work performed by personnel during the financial year.

Items recorded from defined benefit schemes are based on actuarial calculations. These calculations are made on the basis of assumptions concerning, for example, the termination of employment of personnel belonging to the pension scheme before the age of retirement; the future level of salaries and the discount rate used in the calculations. The differences between the assumptions and realizations or the changes in the realizations generate actuarial gains and losses. To record them, Veikkaus uses a corridor method in accordance with the IFRS standard. On the IFRS transition date, all accumulated actuarial gains and losses were recorded under shareholders' equity.

Long-term employee benefits

A one-time payment equivalent to a month's gross salary is paid as a bonus when an employee has been in the company's employ for 30, 35, 40, and 45 years. The compensation liability has been calculated on the basis of when personnel joined the company, by discounting the compensation liability realized at the end of each year to the present. Liabilities based on long-term employee benefits are included in the other long-term liabilities in the balance sheet.

Other short-term liabilities - the prize fund

The prize fund is not an actual fund, but the company's liability to players. In prize distribution, both the cents accumulated through the rounding of prize sums and the undistributed share of the total prizes of games, as determined in the gaming licence, are immediately transferred to the prize fund. The assets in the prize fund are used for additional prize distributions in the games in question. In accordance with Veikkaus' gaming licence, the company is obliged to distribute the prize sums in their entirety to players.

Turnover

The turnover from game sales is divided according to the draw date. The draws take place either weekly or daily.

Other operating income and expenses

Other operating income includes indemnifications, profit from the sale of assets, and profits from operations other than those related to the company's actual business operations, including income from leasing and the messaging service.

Other operating expenses include losses from the sale of assets and expenses related to actual business operations.

Prizes

The prizes, as determined in the rules of play, are entered as turnover in the comprehensive income statement. In accordance with Veikkaus' gaming licence, both unclaimed prizes from the previous year and profit from the rounding of prize sums shall be paid out on later rounds of the games in question, during the following calendar year at the latest.

Raw materials and services

Retail commissions consist of compensations paid to retailers on the basis of their game sales. Commission percentages vary by game.

Payments to authorities and supervision fees include game supervision fees, round-specific game event compensations paid to Fintoto for V5 and V75 games, expenses incurred from problem gambling research and monitoring, and the expenses of the Finnish Problem Gambling helpline Peluuri.

Expenses incurred from the printing of lottery tickets, playslips and receipt rolls, as well as those associated with the Veikkaus Card, are recorded as expenses on the acquisition date.

Draw and result information expenses include costs related to TV cooperation agreements and other expenses associated with the publishing of results.

Game event cooperation covers the expenses arising from the right to use information about the event in question. These expenses may be contractual commitments or they may be entirely determined according to the games' round-specific or annual turnover.

Operating profit

Operating profit or loss consists of the turnover and other income from business operations, less the prizes paid out and the lottery tax, expenses associated with raw material and services, employment benefits, purchase of services, as well as depreciations and possible impairment losses.

Taxes

The lottery tax is 10% of the accounted sum that is allocated to a calendar month from the sales of games and lottery tickets less the prizes recorded as expenses on the basis of these tickets. The funds that are withdrawn from or paid into the prize fund during the calendar month are added to or subtracted from the aforementioned sum.

In accordance with Section 59 of the Value Added Tax Act, Veikkaus is not VAT liable. The company's expenses and investments include VAT at the current rate.

In accordance with Section 21 of the Income Tax Act, Veikkaus is only liable to pay income tax on income that is not referred to as business income in the Lottery Tax Act. The financial statements of Veikkaus Oy do not contain any income that is subject to income tax.

Application of new or revised IFRS standards

IASB has published the following standards and interpretations that are not yet effective and that Veikkaus has not applied yet. In 2012 or thereafter, Veikkaus will adopt the following revised standards starting from the effective date of each standard and interpretation. The upcoming revisions and standards have not yet been approved in the EU.

Revision of IAS 19 *Employee Benefits* (effective from 1 January 2013 or financial periods starting thereafter).

IFRS 9 *Financial Instruments* (effective from 1 January 2015).

IFRS 10 *Consolidated Financial Statements* (effective from 1 January 2013 or financial periods starting thereafter).

IFRS 11 *Joint Arrangements* (effective from 1 January 2013 or financial periods starting thereafter).

IFRS 12 *Disclosure of Interests in Other Entities* (effective from 1 January 2013 or financial periods starting thereafter).

Revision of IAS 1 *Presentation of Financial Statements* (effective from 1 July 2012 or financial periods starting thereafter).

In addition, certain other new and revised standards and IFRIC interpretations have been published, which do not have substantial influence on Veikkaus' financial reporting.

Presentation of notes to the financial statements

Veikkaus Oy's group financial statements and the parent company's separate financial statements are equal as regards many of the items in the financial statements, since the impact of the subsidiary, combined with the group financial statements, is minor. Thus, we want to avoid unnecessary repetition of the notes to the financial statements in the group and parent company financial statements in situations where the where the information to be presented would be exactly similar in content.

The presentation of the notes to the financial statements follows the following logic:

The notes to the group financial statements are arranged by sequential numbering and the numbers are marked with the letter "G"; respectively, the notes to the parent company financial statements are arranged by sequential numbering and the numbers are marked with the letter "P".

When a note to the financial statements has exactly the contents as regards both the group's and the parent company's financial statements, the note is titled so that it refers to both the group's and the parent company's financial statements, e.g.: "3G and 3P Other operating income".

When a note to the financial statements differs in the group's and the parent company's financial statements, these notes are presented together, below each other so that the group note to the financial statements is presented first and marked, e.g., as follows: "1G Turnover"; whereas the note to the parent company's financial statements is presented below it, marked "1P Turnover".

If a note to the financial statements only concerns the group financial statements, the item in question is referred to by a number and the letter "G". Respectively, if a note only concerns the parent company's financial statements, the item in question is referred to by a sequential number and the letter "P".

1GP. Turnover by games and game groups

EUR thousand	2011	% of turnover	2010	% of turnover
Lotto, LottoPlus	576,085	32.1	529,152	31.3
Viking Lotto, VikingPlus	126,431	7.1	135,031	8.0
Joker	105,738	5.9	98,262	5.8
Keno	367,656	20.5	346,506	20.5
Veikkaus Bingo	0	-	199	0.0
Draw games	1,175,911	65.6	1,109,149	65.6
Ässä Instant	30,922	1.7	37,899	2.2
Mega-Ässä Instant	8,401	0.5	10,920	0.6
Mini-Ässä Instant	3,489	0.2	6,638	0.4
Casino Instant	36,315	2.0	41,154	2.4
Nature Instant	5,222	0.3	5,845	0.3
Lucky Words Instant	21,945	1.2	23,703	1.4
Euro Instant	3,962	0.2	0	-
Keno Instant	3,854	0.2	0	-
Joker Instant	1,856	0.1	0	-
Theme Instants	4,996	0.3	12,652	0.7
Christmas Instants	4,916	0.3	4 047	0.2
Instant games	125,878	7.0	142,858	8.5
Syke	3,871	0.2	1,828	0.1
eInstants	36,289	2.0	34,635	2.0
eBingo	55,104	3.1	19,725	1.2
Live Winner Odds Betting	5,774	0.3	500	0.0
Arcade games	101,038	5.6	56,688	3.4
Fixed Odds Betting	163,256	9.1	151,357	9.0
Result Odds Betting	35,197	2.0	37,492	2.2
Multibet	66,259	3.7	66,931	4.0
Winner Odds Betting	9,038	0.5	11,341	0.7
Sports games, betting	273,750	15.3	267,122	15.8
Football Pools	67,046	3.7	63,491	3.8
V75 Off-track Horse Betting	27,199	1.5	27,377	1.6
V5 Off-Track Horse Betting	21,742	1.2	23,046	1.4
Other V Games	135	0.0	171	0.0
Sports games, Pools games	116,123	6.5	114,086	6.8
Game groups total	1,792,700	100.0	1,689,902	100.0

The turnovers of the daily games Keno, eBingo and Syke, as well as those of the betting games played between 26 and 31 Dec 2011, are included in the 2011 turnover in accordance with their draw dates.

2G. Development of financial result 2010-2011

EUR thousand	2011	2010
Turnover	1,792,700	1,689,902
Game margin	831,661	801,930
% of turnover	46.4 %	47.5 %
Operating profit	510,271	501,420
% of turnover	28.5 %	29.7 %
Result before appropriations	514,058	503,724
% of turnover	28.7 %	29.8 %
Result for the financial year	514,058	503,724
% of turnover	28.7 %	29.8 %

2P. Development of financial result 2007-2011

EUR thousand	2011	2010	2009	2008	2007
Turnover	1,792,700	1,689,902	1,557,634	1,474,759	1,391,360
Game margin	831,661	801,930	766,546	720,184	678,372
% of turnover	46.4 %	47.5 %	49.2 %	48.8 %	48.8 %
Operating profit	510,694	501,420	464,597	440,745	421,119
% of turnover	28.5 %	29.7 %	29.8 %	29.9 %	30.3 %
Result before appropriations	514,480	503,724	468,777	449,135	427,385
% of turnover	28.7 %	29.8 %	30.1 %	30.5 %	30.7 %
Result for the financial year	514,480	503,724	468,777	449,135	427,385
% of turnover	28.7 %	29.8 %	30.1 %	30.5 %	30.7 %

3G. Other operating income

EUR thousand	2011	2010
Rental income	35	8
Messaging service income	48	54
Indemnifications	551	438
Profit from investments in the retail terminal network's data communications	157	940
Annulment of tax audit provisions	110	800
Gain on sales of fixed assets	443	43
Other income	80	76
Total	1,424	2,360

3P. Other operating income

EUR thousand	2011	2010
Rental income	35	8
Rental income, group	19	0
Service income, group	8	0
Messaging service income	48	54
Indemnifications	551	438
Profit from investments in the retail terminal network's data communications	157	940
Annulment of tax audit provisions	110	800
Gain on sales of fixed assets	443	43
Other income	80	76
Total	1,451	2,360

4G. Depreciations

EUR thousand	2011	2010
Intangible assets	12,688	10,200
Buildings and structures	991	1,041
Machinery and equipment	5,308	4,659
Total	18,987	15,900

Fixed assets are subject to straight-line depreciations according to their economic lifespan.

In 2010 a total of EUR 0.9 million were recorded as one-time depreciations of assets which were not expected to generate income in the following few years. In 2011 no one-time depreciations were recorded. Lands, housing stocks, and works of arts are not subject to depreciations.

4P. Depreciations

EUR thousand	2011	2010
Intangible assets	12,688	10,200
Buildings and structures	991	1,041
Machinery and equipment	5,294	4,659
Total	18,973	15,900

The depreciations of fixed assets correspond to those presented in the Group Notes to the financial statements.

5G. Purchase of services

EUR thousand	2011	2010
Services purchased abroad, IT and other	18,057	14,149
Services purchased, IT	4,102	2,825
Services purchased, other	8,413	6,514
Services purchased	30,572	23,488
Auditors' fees included in the purchase of services		
Audit	38	44
Other services	117	146
Total	155	190

5P. Purchase of services

EUR thousand	2011	2010
Services purchased abroad, IT and other	18,057	14,149
Services purchased, IT	4,102	2,825
Services purchased, other	8,394	6,514
Services purchased	30,554	23,488
Auditors' fees included in the purchase of services		
Audit	37	43
Other services	117	146
Total	153	190

6G. Other operating expenses

EUR thousand	2011	2010
Other advertising and marketing expenses	8,047	6,223
Other voluntary personnel expenses	1,271	1,362
Travel expenses	1,250	1,209
Representation and negotiation expenses	655	653
Car expenses	509	567
Equipment and freight charges	4,093	4,207
Machinery and equipment	3,238	2,551
Real estate expenses	2,841	2,500
Maintenance and servicing of software	5,000	5,237
Banking expenses	1,885	1,666
Telephone expenses	731	746
Other office expenses	1,030	1,044
Total	30,549	27,965

6P. Other operating expenses

EUR thousand	2011	2010
Other advertising and marketing expenses	8,047	6,223
Other voluntary personnel expenses	1,263	1,362
Travel expenses	1,198	1,209
Representation and negotiation expenses	651	653
Car expenses	499	567
Equipment and freight charges	4,093	4,207
Machinery and equipment	3,238	2,551
Real estate expenses	2,841	2,500
Maintenance and servicing of software	5,000	5,237
Banking expenses	1,885	1,666
Telephone expenses	726	746
Other office expenses	1,026	1,044
Total	30,466	27,965

7G. Financial income and expenses

EUR thousand	2011	2010
Dividend income from investments held for sale	3	2
Interest income from investments held for sale	559	346
Interest income from loans and receivables	3,213	1,941
Other financial income	13	15
Total financial income	3,788	2,305
Interest expenses	1	0
Total financial expenses	1	0
Total	3,787	2,304

7P. Financial income and expenses

EUR thousand	2011	2010
Dividend income from investments held for sale	3	2
Interest income from investments held for sale	559	346
Interest income from loans and receivables	3,212	1,941
Other financial income	13	15
Total financial income	3,787	2,305
Interest expenses	1	0
Total financial expenses	1	0
Total	3,786	2,304

8G. Tangible assets and depreciations

EUR thousand	Land and waters	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost 1 Jan 2011	1,906	41,307	80,915	632	124,759
Increase	0	866	1,525	17	2,408
Decrease	0	0	1,685	40	1,724
Acquisition cost 31 Dec 2011	1,906	42,173	80,755	609	125,443
Accumulated depreciation 1 Jan 2011	-	19,676	65,690	-	85,367
Depreciation for the financial year	-	991	5,308	-	6,299
Accumulated depreciation on the decrease	-	0	1,023	-	1,023
Accumulated depreciation 31 Dec 2011	-	20,667	69,975	-	90,642
Book value 31 Dec 2011	1,906	21,506	10,780	609	34,801
Book value 1 Jan 2011	1,906	21,631	15,225	632	39,393

EUR thousand	Land and waters	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost 1 Jan 2010	1,906	38,252	77,187	622	117,967
Increase	0	3,056	3,852	9	6,917
Decrease	0	0	124	0	124
Acquisition cost 31 Dec 2010	1,906	41,307	80,915	632	124,759
Accumulated depreciation 1 Jan 2010	-	18,635	61,116	-	79,751
Depreciation for the financial year	-	1,041	4,664	-	5,705
Accumulated depreciation on the decrease	-	0	90	-	90
Accumulated depreciation 31 Dec 2010	-	19,676	65,690	-	85,367
Book value 31 Dec 2010	1,906	21,631	15,225	632	39,393
Book value 1 Jan 2010	1,906	19,616	16,071	622	38,215

8P. Tangible assets and depreciations

EUR thousand	Land and waters	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost 1 Jan 2011	1,906	41,307	80,915	632	124,759
Increase	0	866	1,469	17	2,351
Decrease	0	0	1,685	40	1,724
Acquisition cost 31 Dec 2011	1,906	42,173	80,699	609	125,386
Accumulated depreciation 1 Jan 2011	-	19,676	65,690	-	85,367
Depreciation for the financial year	-	991	5,294	-	6,285
Accumulated depreciation on the decrease	-	0	1,023	-	1,023
Accumulated depreciation 31 Dec 2011	-	20,667	69,961	-	90,628
Book value 31 Dec 2011	1,906	21,506	10,738	609	34,758
Book value 1 Jan 2011	1,906	21,631	15,225	632	39,393

EUR thousand	Land and waters	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost 1 Jan 2010	1,906	38,252	77,187	622	117,967
Increase	0	3,056	3,852	9	6,917
Decrease	0	0	124	0	124
Acquisition cost 31 Dec 2010	1,906	41,307	80,915	632	124,759
Accumulated depreciation 1 Jan 2010	-	18,635	61,116	-	79,751
Depreciation for the financial year	-	1,041	4,664	-	5,705
Accumulated depreciation on the decrease	-	0	90	-	90
Accumulated depreciation 31 Dec 2010	-	19,676	65,690	-	85,367
Book value 31 Dec 2010	1,906	21,631	15,225	632	39,393
Book value 1 Jan 2010	1,906	19,616	16,071	622	38,215

9G. and 9P. Intangible assets and depreciations

EUR thousand 2011	Software and capitalized development costs	2010	Software and capitalized development costs
Acquisition cost 1 Jan 2011	152,308	Acquisition cost 1 Jan 2010	125,217
Increase	12,328	Increase	27,092
Decrease	163	Decrease	0
Acquisition cost 31 Dec 2011	164,473	Acquisition cost 31 Dec 2010	152,308
Accumulated depreciation 1 Jan 2011	102,411	Accumulated depreciation 1 Jan 2010	92,216
Depreciation for the financial year	12,688	Depreciation for the financial year	10,195
Accumulated depreciation on the decrease	163	Accumulated depreciation on the decrease	0
Accumulated depreciation 31 Dec 2011	114,936	Accumulated depreciation 31 Dec 2010	102,411
Book value 31 Dec 2011	49,538	Book value 31 Dec 2010	49,898
Book value 1 Jan 2011	49,898	Book value 1 Jan 2010	33,001

10G. Investments and long-term investments

EUR thousand	2011		2010
Software	8,736		34,066
IT equipment	583		1,308
Office equipment	0		60
Fittings, fixtures, and other equipment	0		976
Real estate			
Basic improvements	380	2,710	
Machinery, equipment, fittings	228	608	4,314
Shares in housing cooperatives	192		426
Company cars	698		366
Works of art	17		9
Investments in progress	3,901		-7,517
Total	14,736		34,009

10P. Investments and long-term investments

EUR thousand	2011		2010
Software	8,736		34,066
IT equipment	583		1,308
Office equipment	0		60
Fittings, fixtures, and other equipment	0		976
Real estate			
Basic improvements	380	2,710	
Machinery, equipment, fittings	228	608	4,314
Shares in housing cooperatives	192		426
Company cars	641		366
Works of art	17		9
Investments in progress	3,901		-7,517
Total	14,679		34,009

11GP. Investments held for sale

EUR thousand	2011	2010
Untraded shares	448	448
Total	448	448

12G. Short-term receivables

EUR thousand	2011	2010
Trade receivables	17,153	13,575
Accrued income	2,958	2,712
Other receivables	57	176
Total	20,168	16,463

Trade receivables consist of uncharged game fees from retailers. The charging period runs from Monday to Sunday and the amount for the previous week is charged by direct debit on Wednesdays. Veikkaus charges game fees from a total of 3,282 retailers.

Due to the nature of these trade receivables, there is traditionally no credit risk.

On the financial statement date, the balance sheet values of the trade receivables did not deviate from their fair values.

KEY ITEMS OF ACCRUED INCOME

EUR thousand	2011	2010
Periodic interest income	821	580
Periodic game event cooperation and draw expenses	13	6
Periodic cooperation agreement expenses	300	0
Gtech receivables	1,091	1,899
Insurance refunds	314	0
Eurojackpot draw project	118	0
Other accrued income	300	225
Total	2,958	2,712

12P. Short-term receivables

EUR thousand	2011	2010
Trade receivables	17,153	13,575
Accrued income	2,895	2,712
Other receivables	57	176
Total	20,105	16,463

The trade receivables correspond to those presented in the group note to the financial statement.

KEY ITEMS OF ACCRUED INCOME

EUR thousand	2011	2010
Periodic interest income	821	580
Periodic game event cooperation and draw expenses	13	6
Periodic cooperation agreement expenses	300	0
Gtech receivables	1,091	1,899
Insurance refunds	314	0
Eurojackpot draw project	118	0
Accrued income, Veikkaus Solutions Oy	5	0
Other accrued income	233	225
Total	2,895	2,712

13G. Liquid assets and other short-term

EUR thousand	2011	2010
Cash in hand and at bank	10,038	5,572
Investments held for sale	22,309	43,191
Loans and receivables	225,900	197,205
Total	258,248	245,968

Investments held for sale are certificates of deposit with short maturity. Loans and receivables are deposits with short maturity.

Principles of financial risk management

In its business operations Veikkaus is exposed to certain financial risks of a limited scale. The principal financial risks are interest rate risk and CCR (credit risk). To manage these financial risks, Veikkaus has a risk management policy in place, approved by the Board of Directors. Among other financial risks, exchange rate risk and liquidity risk are not significant due to the nature of Veikkaus' operations.

Interest rate risk

Short-term financial investments expose Veikkaus to an interest rate risk, which is, however, of minor significance. Income and operative cash flows are largely independent of changes in market interest rates.

Credit risk

Whilst making investments, Veikkaus complies with guidelines approved by the Board of Directors. According to these guidelines, investments are made by securing the capital without exchange rate risks and for a maximum of five years. Investing in stocks is prohibited.

The credit risk related to receivables from Veikkaus' retailers is largely fragmented and therefore does not involve a significant credit risk.

13P. Liquid assets and other short-term

EUR thousand	2011	2010
Cash in hand and at bank	9,913	5,532
Investments held for sale	22,309	43,191
Loans and receivables	225,900	197,205
Total	258,123	245,928

Investments held for sale are certificates of deposit with short maturity.
Loans and receivables are deposits with short maturity.

The principles of managing the financing risks correspond to those presented in the group note to the financial statement.

14G. and 14P. Shareholders' equity and capital management

The parent company's share capital is EUR 445,698.01 and there are 498 shares.

Parent company's undistributed prizes fund

The difference between the net profit for the financial year and the return to the Ministry of Education and Culture is entered into the parent company's undistributed prizes fund in accordance with a decision by the General Meeting. The General Meeting decides how the undistributed prizes fund shall be used, and the Ministry of Education and Culture distributes the funds to the beneficiaries at a later date. According to a decision by the Council of State, the undistributed prizes fund can total a maximum of EUR 150 million.

At the financial statement date, the parent company's undistributed prizes fund totalled EUR 12.8 million in unused funds from 2008, EUR 54.8 million from 2010, and EUR 41.0 million from 2010, totalling EUR 108.6 million.

The parent company's undistributed prizes fund includes EUR 16.7 million of additional return, included in the State's budget for 2012.

15G. Short-term liabilities

EUR thousand	2011	2010
Advance payments for multi-week subscriptions	13,734	18,106
Trade payables	11,147	5,716
Accruals and deferred income		
Allocated personnel expenses	5,540	7,702
Accrued winnings payable	7,907	7,259
Expenses of game system maintenance, uninvoiced proportion	3,017	3,436
Renovations at HQ, uninvoiced proportion	290	250
Other accruals	2,858	2,368
Total	19,612	21,015
Winnings payable	34,757	32,930
Settlement debt to the State		
Lottery tax	15,101	13,395
Withholding tax liability	550	538
Social security liability	33	36
Value-added tax	702	873
	16,386	14,841
Other short-term liabilities	12,937	13,002
Total	108,572	105,611

Winnings payable include uncashed prizes and return payments on betting games, as well as the funds deposited in the Internet players' game accounts.

The other short-term liabilities include, for example, prize funds. In the balance sheet of 31 Dec 2010, the prize funds totalled EUR 12.9 million. In 2011, a total of EUR 16.5 million of prize funds were accumulated and they were used to pay out prizes for a total of EUR 17.8 million. The prize funds totalled EUR 11.5 million on 31 Dec 2011.

15P. Short-term liabilities

EUR thousand	2011	2010
Advance payments for multi-week subscriptions	13,734	18,106
Trade payables	11,139	5,716
Accruals and deferred income		
Allocated personnel expenses	5,438	7,702
Accrued winnings payable	7,907	7,259
Expenses of game system maintenance, uninvoiced proportion	3,017	3,436
Renovations at HQ, uninvoiced proportion	290	250
Accrued expenses, Veikkaus Solutions Oy	4	0
Other accruals	2,856	2,368
Total	19,511	21,015
Winnings payable	34,757	32,930
Settlement debt to the State		
Lottery tax	15,101	13,395
Withholding tax liability	539	538
Social security liability	33	36
Value-added tax	708	873
	16,381	14,841
Other short-term liabilities	12,937	13,002
Total	108,459	105,610

The winnings payable and the other short-term liabilities correspond to those presented in the group note to the financial statements.

16G. and 16P. Liabilities from employee benefits

Defined benefit pension schemes

The defined benefit pension schemes include benefit pensions and additional pensions that enable some of Veikkaus' employees to retire at an earlier age without losing part of their pension. The special pension schemes were granted to employees who joined Veikkaus before 1985 and the additional pension schemes were granted to employees who joined before 1994.

Defined benefit pension liabilities in the balance sheet:

EUR thousand	2011	2010
Present value of liabilities	3,160	2,975
Fair value of funds	-1,392	-1,646
Balance underfund	1,768	1,329
Actuarial gains (+) and losses (-) not yet recorded	-158	562
Net post-employment scheme liabilities in the balance sheet	1,610	1,891

Net post-employment scheme in the income statement:

EUR thousand	2011	2010
Costs based on service during the financial period	97	64
Interest expenses	122	173
Expected gain from the funds in the scheme	-61	-57
Actuarial gains (+) and losses (-)	-44	0
Total	114	180

Change in the present value of pension liabilities in the balance sheet

EUR thousand	2011	2010
Liability at the beginning of the financial year	2,975	3,769
Costs based on service during the financial period	97	64
Interest expenses	122	173
Actuarial gains (+) and losses (-)	401	-618
Benefits paid	-435	-413
At the end of the financial year	3,160	2,975

Change in the fair value of funds in the scheme

EUR thousand	2011	2010
Fair value of the funds at the beginning of the financial year	1,646	1,420
Expected gain from the funds in the scheme	61	57

Payments made into the scheme	395	613
Benefits paid	-435	-413
Actuarial gains (+) and losses (-)	-275	-31
At the end of the financial year	1,392	1,646

The realized gain from the funds in the schemes was EUR -214,000 in 2011 and EUR 26,000 in 2010.

The funds in the scheme consist of the sum accumulated from pension premiums, which is the responsibility of the insurance company.

Veikkaus expects to pay EUR 440 000 into the scheme in 2012.

The amounts for the financial year and the previous financial year are as follows:

EUR thousand	2011	2010	2009	2008	2007
Present value of the liability	3,160	2,975	3,769	3,491	3,853
Fair value of the funds in the scheme	-1,392	-1,646	-1,420	-1,539	-1,525
Balance underfund	1,768	1,329	2,349	1,952	2,328
Experience-based adjustments to the funds in the schemes	-275	-31	-131	51	-504
Experience-based adjustments to the liabilities involved in the schemes	469	-796	274	151	-669

Most important actuarial assumptions made in the scheme

	2011	2010
Discount rate	4.70 %	4.25 %
Expected gain from the funds in the scheme	4.70 %	4.00 %
Expected future pay rise	3.00 %	2.60 %

Other long-term employee benefits: bonus for years of service

Veikkaus grants its personnel a bonus for years of service, and this is classified as a long-term employee benefit.

Liability recorded in the balance sheet

EUR thousand	2011	2010
At the beginning of the financial year	442	465
Change	0	-23
At the end of the financial year	442	442

17G and 17P. Related party transactions

Veikkaus' related parties include the subsidiary, Veikkaus Solutions Oy, which is owned by Veikkaus Oy 100 percent; the CEO, the Strategic Executive Team, the Operative Executive Team, the Board of Directors, the Supervisory Board, and the other state-owned companies.

Salaries paid; compensations and employee benefits

EUR thousand	2011	2010
CEOs	545	455
Other members of the Executive Team*	2,017	2,355
Board of Directors	177	164
Supervisory Board	96	98
Total	2,834	3,072

*The Executive Teams had 13 members at the end of the financial year 2011, and 14 members at the end of 2010.

Salaries paid include full-year salaries plus performance-based bonuses.

The CEO of the parent company has a six-month notice period. On the termination of his contract of employment, the CEO is, under certain conditions, entitled to a compensation corresponding to twelve months' salary. If notice is given by the company, the period of notice for the members of the parent company's Executive Teams is subject to the Employment Contracts Act and is two months for the executives. Under certain conditions, the members of the Strategic Executive Team are entitled to compensation corresponding to nine months' salary and the members of the Operative Executive Team to compensation corresponding to six months' salary on the termination of their employment contracts.

Neither the members of the Board of Directors nor the company's management are entitled to extraordinary benefits differing from those determined in a regular employment contract, with the exception of the additional pension schemes for the CEO and the Executive Vice President. These schemes are based on a retirement age of 63 and a target pension of 66% of salary, calculated on the basis of the person's salary over the last five years. The company management is not granted option rights.

Veikkaus has granted Veikkaus Solutions a capital loan of EUR 2.5 million. The loan period is 2.5 years and the interest is 4%. On the date of the financial statements, a total of EUR 500,000.00 had been withdrawn of the total loan amount. The loan's principal and interest are subordinate to all other debts in the liquidation and bankruptcy of the company. The principal may be otherwise repaid and interest paid only in so far as the sum total of the unrestricted equity and all of the capital loans of the company at the time of payment exceed the loss on the balance sheet to be adopted for the latest financial period or the loss on the balance sheet from more recent financial statements. No security is posted for the payment of the principal and interest. If interest due on the loan cannot be paid, the interest shall be deferred to be paid on the basis of the first such financial statements that allow for payment. Due to the insecurity related to the business operations of Veikkaus Solutions, Veikkaus has recorded impairment in its financial statements covering the share of the capital loan that has been withdrawn.

Veikkaus has leased facilities and provides administrative services to Veikkaus Solutions.

Other related party transactions

Veikkaus may purchase goods or services from other state-owned companies. The purchase prices and delivery conditions for these goods and services are the same as for any other group of customers and are low in number.

18G and 18P. Contingent liabilities and amounts payable on other leasing agreements

EUR thousand	2011	2010
Lease payments due during the next financial year	142	205
Lease payments due at a later date and in a maximum of five years	89	234
Other lease liabilities total	231	439

Most vehicle lease agreements are made for 4 years.

Veikkaus has committed to purchasing 32?65 person years of employment every year until the end of 2013 in order to maintain and develop its gaming system.

On 31 Dec 2011, Veikkaus had a total of EUR 26,000 in guarantor's liabilities related to personnel loans from the company's financial services office.

19. Signatures of the group financial statements and the board of directors' report

Vantaa, 6 February 2012

Suvi-Anne Siimes
Chariman of the Board

Ari Lahti
Vice Chariman of the Board

Jouko Ahtola

Leena Harkimo

Mikael Ingberg

Riitta Kaivosoja

Eva Liljebloom

Alf Rehn

Risto Nieminen
President and CEO

A report on the audit has been issued today.

Helsinki, 8 February 2012

KPMG OY AB

Lasse Holopainen, Authorised Public Accountant

20GP. List of accounting books and record formats

General ledger	in electronic format
Journal	in electronic format
Cash accounting and payment transaction records	in printed documents
Travel expense claim records	in printed documents
Memorandum records	in printed documents
Accounts receivable ledger	in printed documents
Onnet accounts receivable ledger	in printed documents
Accounts payable ledger	in printed documents
Payroll accounting records	in printed documents
Depreciation records	in printed documents
Prize records	in electronic format

Auditors' report

To the General Meeting of Veikkaus Oy

We have audited the accounts, Financial Statements, Board of Directors' Report, and the administration of Veikkaus Oy for the financial year 1 January–31 December 2011. The Financial Statements include the balance sheet, comprehensive income statement, statement on the changes in shareholders' equity, cash flow statement, and notes to the financial statements of both the group and the parent company.

Board of Directors' and CEO's responsibilities

The Board of Directors and CEO are responsible for preparing the financial statements and the Board of Directors' Report, as well as ensuring that the financial statements provide correct and sufficient information in accordance with the international auditing standards (IFRS) as adopted by the EU; and that the financial statements and the Board of Directors' Report provide correct and sufficient information in accordance with the laws and regulations governing the preparation of financial statements and reports of the Board of Directors effective in Finland. The Board of Directors is responsible for arranging appropriate supervision of the company's accounts and finances. The CEO is responsible for ensuring that accounting procedures adhere to the law and that the company's finances have been managed in a reliable manner.

Auditors' responsibilities

Our responsibility is to express an opinion on the financial statements and the Board of Directors' Report on the basis of our audit. The Auditing Act requires us to comply with the ethical principles of the auditing profession. We have conducted our audit in accordance with good accounting practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance of whether the financial statements and the report of the Board of Directors are free from material misstatement; and whether the members of the Supervisory Board and Board of Directors, or the CEO of the parent company, have contravened the Limited Liability Companies Act or Articles of Association, or are guilty of any deeds or omissions that may result in the company being liable for damages.

An audit involves procedures to obtain audit evidence on the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, which includes the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. Whilst evaluating these risks, the auditor takes into account the internal control which is relevant to the preparation and true and fair presentation of the financial statements and report of the Board of Directors. The auditor evaluates the internal control in order to design audit procedures that are appropriate in the circumstances, but not with the intention of giving a statement on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of the accounting principles employed and the reasonableness of the bookkeeping estimates made by the executive management, as well as assessing the overall presentation of the financial statements and the Board of Directors' Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditors' Opinion

In our opinion, the Financial Statements give a true and fair view of both the parent company's and the group's financial position, financial performance and cash flows in accordance with the international audit standards (IFRS) as adopted by the EU. The Financial Statements and the Board of Directors' Report provide correct and sufficient information on both the parent company's and the group's financial position and performance in accordance with the laws and regulations governing the preparation of financial statements and reports of the Board of Directors effective in Finland. The information in the Board of Directors' Report is consistent with the Financial Statements.

Other statements

The Financial Statements can be approved. The Board of Directors' proposal on the distribution of profit for the year, as recorded in the balance sheets, complies with the Limited Liability Companies Act. The parent company's CEO and the members of the Board of Directors and Supervisory Board can be discharged from liability for the period audited by us.

Helsinki, 8 February 2012

KPMG OY AB

Lasse Holopainen

Authorised Public Accountant

Statement by the Supervisory Board

The Supervisory Board of Veikkaus Oy has examined the Financial Statements for the financial year from 1 January to 31 December 2011 and the Auditors' Report. The Supervisory Board has decided to propose in its statement to the Annual General Meeting that the income statement and balance sheet be approved and the profit shown in the Financial Statements be used in accordance with the Board of Directors' proposal.

The Supervisory Board finds that its decisions and guidelines have been complied with and that it has received the information it has deemed necessary from the company's Board of Directors and CEO.

Helsinki, 16 February 2012

Ilkka Kanerva, Chairman Matti Saarinen, Vice Chairman

Outi Alanko-Kahiluoto Sirkka-Liisa Anttila Jari Leppä Marja-Leena Leppänen Teijo Loikkanen

Mikaela Nylander Sirpa Paatero Arto Satonen Timo Soini

Lenita Toivakka Kari Uotila Tuula Väättäin