

VEIKKAUS YEAR 2004
A FINN TO WIN



**GAMES DEVELOPED IN A SOCIALLY
SUSTAINABLE WAY**

**RESPONSIBILITY PROVIDES BASIS
FOR GAMING IN EU-FINLAND**

**VEIKKAUS CHANGES COURSE
—FOCUS ON CUSTOMER ORIENTATION**

DEAR READER,

This year we have widened the scope of our annual report to include social responsibility.

Responsibility provides the basis for our operations and existence. In addition to offering a report of the events of 2004, the financial statement, and the Board of Directors' report, this annual report will illustrate Veikkaus' share of the economic and social responsibility in Finnish society. Further, we will describe what measures we have taken to protect the environment.

In 2004 we founded a unit responsible for issues related to social responsibility and established a social responsibility steering committee. Our strategy of social responsibility will be further specified in 2005, and the ethical practices related to Veikkaus games, as well as retailer training, will be enhanced.

Veikkaus Oy

This annual report will be published in Finnish and English. A Swedish version is available electronically at www.veikkaus.fi/yritys/.

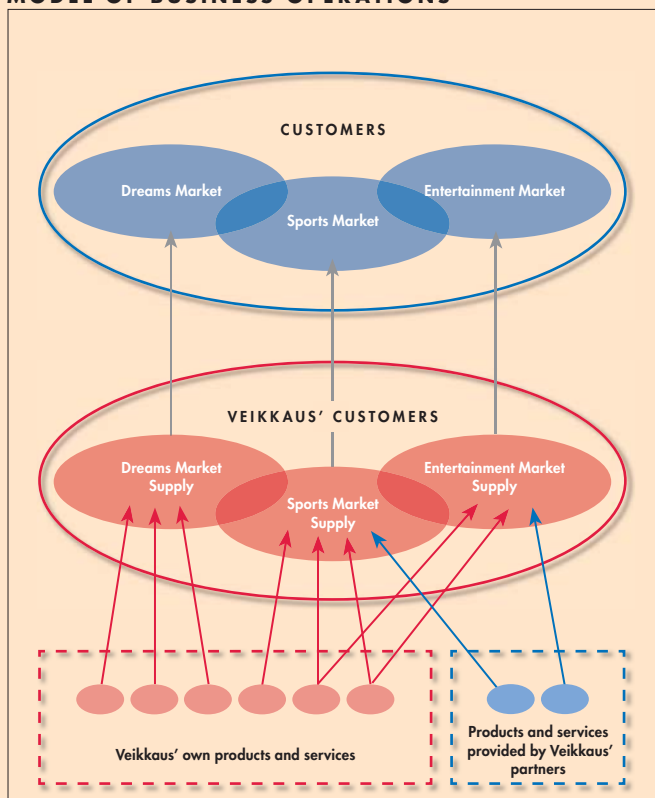
Up-to-date information on Veikkaus and our social responsibility is offered, e.g., in our monthly newsletter, Veikkaus eNews. You can order the annual reports and subscribe to the newsletter at our Communications department, tel. +358 (0) 20 750 7338, or tiedotus@veikkaus.fi.

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VEIKKAUS IN BRIEF

MODEL OF BUSINESS OPERATIONS



OUR TASK IS TO

Generate value to Finnish society by offering a Finnish channel of gaming which is safe for the customers and aims at minimising social detriments.

VEIKKAUS' STRATEGY

The cornerstones of our business strategy are customer strategy and operating environment strategy.

- » Social responsibility is a natural part of Veikkaus' operations. It entails responsibility for the environment, the customers, and the staff. It also means good corporate governance, workplace equality, as well as ethically sustainable business operations.
- » Veikkaus develops its product supply in an ethically sustainable way. Our games are based on wide participation and small stakes.
- » Veikkaus operates its games reliably and responsibly. With a strong brand, we can better communicate the value we generate to society.
- » Veikkaus' customer strategy builds on our capacity to generate unique value, paving the way for long-term customer relations.
- » Customers are at the core of Veikkaus' business operations. Our objective is to diversify our supply to meet different customer needs.
- » We want to be present in places and situations where people dream, spend their free time, and attend or take part in sports events.

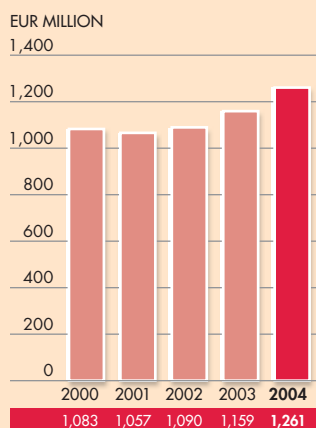
FINANCIAL OBJECTIVES

- » Veikkaus aims at a moderate increase of 1.8 percent of the turnover in 2005.
- » The return objective of Veikkaus funds, laid down in the State budget of 2005, is EUR 381.4 million, i.e. 1.5% more than in 2004.

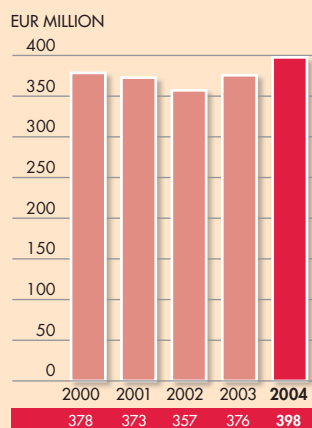
KEY INDICATORS

	2004 EUR Million	2003 EUR Million	Change %
Turnover	1,260.8	1,159.3	8.8
Gross margin on sales	461.4	438.4	5.2
Operating profit	394.5	371.0	6.3
Profit before appropriations	397.3	374.2	6.2
Profit for the financial year	397.7	375.7	5.9
	31 Dec 2004	31 Dec 2003	
Employees	377	371	
Retail outlets	3,748	3,822	
Players registered in the Internet game service OnNet	268,163	274,970	

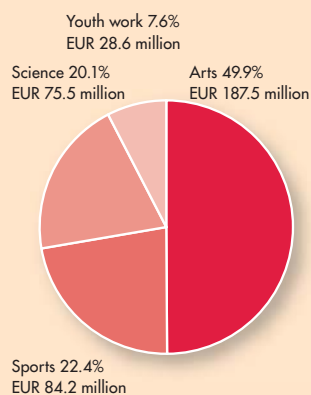
TURNOVER



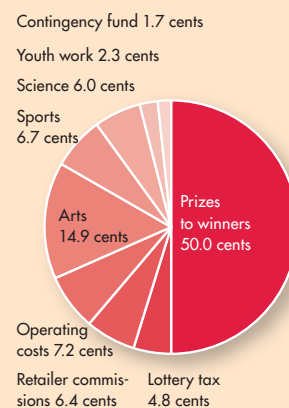
PROFIT



DISTRIBUTION OF VEIKKAUS FUNDS IN 2004



BREAKDOWN OF THE VEIKKAUS EURO IN 2004



REVIEW BY THE CEO

A lottery operating as a national monopoly has a great responsibility towards society and its citizens.

Gaming is not just any form of financial activity. The mere decision to allow gaming activities entails independent evaluation based on the country's own history and ethical position and practices. All forms of gaming are by no means accepted everywhere. National characteristics have affected the gaming legislation in all countries worldwide. There are no two gaming systems that would be completely identical even in Europe. However, the basis is the same: the monopoly system dominates in Europe, just as it does everywhere else in the world.

In the monopoly system, societies can regulate the type and extent of gaming in accordance with the values they believe in. They can also channel the natural human desire to play to games that primarily entertain and bring joy, rather than being detrimental. Yet another favourable effect of the monopoly system is that, e.g., Veikkaus' proceeds can be allocated to benefit arts, sports, science and youth work in a way that would not be possible otherwise. Thus, the entire system of gaming works reliably and respon-

sibly for the benefit of the individuals and the public welfare, generating value to society in a wide sense.

Whilst discussing the EU Services Directive in autumn 2004, the Parliament of Finland once again assumed a strong stand in favour of the national gaming system. The Grand Committee of the Parliament stated that the Member States must have the opportunity to pursue their own national gaming policies. Thus, we can guarantee that the specific needs arising from each Member State's own historical, social and cultural background can be taken into account. The Member States must also be able to forbid the cross-border provision of games from abroad. In its statement, the Grand Committee concluded as the Parliament's position that the national gaming activities shall be excluded from the scope of application of the Services Directive.

A clear majority of the EU Member States have expressed the same view in favour of the monopoly system.

The EC Court has also accepted the national monopolies in all of its related rulings.

Although both the decision-makers and the ordinary citizens in Finland are for the monopoly system, the attacks against it will continue in Europe. Private enterprises would be more than happy to steal away the gaming proceeds from our society.

In view of this inevitable fact, we are relieved to note that the Parliament's nearly unanimous position has been implemented in an exemplary manner in Finland. Our national gaming policy, legislation and measures taken by the authorities have complied with the principle of monopoly in a consistent and logical manner.

In order that the regulation of national gaming activities could be constantly developed, the Council of State appointed a National Gaming Forum in spring 2004. The Forum has representatives from the different political groups, the core Ministries, and the national gaming organisations.

Finnish society regulates and controls the game supply through the monopoly system. The regulation serves as the basis of, e.g., Veikkaus' services and supply, aiming at wide participation, reasonable stakes, and the minimising of problem gambling. The consumers' gaming behaviour and its changes are also followed closely. The games that are the most likely to cause risks have been made subject to age limitations. However, the development of the communication technologies may bring about new risks related to gaming behaviour, which we must prepare for in advance. That is why we have made the new Live Betting, launched in 2004, subject to daily and bet-specific stake limitations.

The number of games with high event frequency is growing constantly, and we are con-



sidering ways in which gaming could be limited further with, e.g., age and stake limitations.

Social responsibility provides the operational basis for Veikkaus' operations. It entails responsibility for the environment, the customers and the staff. It also means good corporate governance in all our activities, as well as the supply of games on an ethically sustainable basis. Veikkaus was founded in 1940 to operate games in Finland. We return our entire profit to society to be used for the benefit of arts, science, sports and youth work. Our social responsibility is widely known and appreciated. According to the survey conducted by Marketing Radar in 2004 Finns rated Veikkaus as the second best company in terms of corporate social responsibility. The survey covered 25 major companies.

However, there is more to corporate social responsibility than this. The monopoly status has been granted to Veikkaus by Finnish society. Yet, the mere word 'monopoly' may give rise to many negative reactions, and be associated with inefficiency and negligence. In fact, a company with a monopoly status must take its social responsibility even more seriously than other companies. We must not leave room for any doubt with regard to the responsibility of our operations: we must show that we work effectively, in an up-to-date manner, respecting our customers.

Finnish players also have

the right to expect that they are offered the best gaming entertainment in the world in a reliable and responsible way. And whilst actively informing about gaming, we comply with a clear set of ethical principles.

Veikkaus ranks among the most highly esteemed lotteries in the world. Our excellent success throughout our history of over sixty years has been built on continuous investments in products and technologies. We have good reason to claim that we are pioneers in the world of lotteries. We will continue to invest in state-of-the-art technologies and high-quality products in the future, as well. In 2004 we launched a new customer strategy after careful preparations. On the basis of the new customer strategy, we introduced a reform to our entire organisation, launched the renewal of our strategic portfolio, reinforced process development, and initiated the improvement of Veikkaus' corporate governance. The objective of the reforms is to ensure our ability to continue to serve the Finnish customers and society responsibly, maintaining the high standard of our operations in the increasingly versatile operating environment.

The organisational and operational changes require an unprejudiced attitude and a large amount of everyday work of our staff. Thus, I would like to thank Veikkaus' staff for its competence and commitment to the demanding change in this connection.

In its 64th year of operations, Veikkaus' achieved a turnover of EUR 1,260.8 million, which is the highest in the history of the company so far. The turnover increased by EUR 101.5 million (+8.8%) over the previous year. Our profit for the financial year amounted to EUR 397.7 million, of which we returned EUR 375.8 million to the Ministry of Education in accordance with the State Budget, to be allocated to Finnish arts, sports, science, and youth work. The profit was EUR 22.0 million (+5.9%) larger than the year before. The difference between the profit and the amount returned to the Ministry of Education will be transferred to Veikkaus' contingency fund.

All our product groups increased their sales in 2004. Of the individual games, Fixed Odds Betting and Keno increased their popularity most. The sales of Fixed Odds Betting grew by 100% after a game reform in February 2004 which included the increase of the payout percentage. In other words, we achieved all the objectives we had set for the reform. Thus, our only product that had provoked negative criticism received wide support from our players, and the active bettors assumed a considerably more positive stand towards Veikkaus.

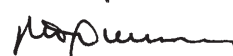
In December, following a bidding process, we signed an agreement on a new gaming system with our present system supplier GTech. The new system

will entail, e.g., the necessary replacement of the terminals in our retail outlets with newer technology. The entire project will take four years.

Veikkaus returned EUR 375.8 million to the Ministry of Education to be allocated to different beneficiaries in Finnish society. We paid out a total of EUR 631.2 million (+12.4%) of prizes to players. Further, we invested EUR 13.7 million (-1.5%) in product advertisement, i.e. 1.1% of the turnover. The commissions paid out to retailers represented 7.0% of the turnover, amounting to EUR 80.8 million (+4.6%). In addition to the proceeds returned to the Ministry of Education, Veikkaus paid EUR 60.0 million to the State in lottery tax (+3.7%) and a total of EUR 12.8 million (+3.7%) of VAT.

These figures show that Veikkaus is a significant contributor of financial value to Finnish society. However, what is most important is that we always operate in accordance with comprehensive corporate social responsibility: reliably and responsibly, serving the individuals, promoting the good causes, and generating value to society in a wide sense.

Year 2004 was an excellent year of operations for Veikkaus. I would like to express my warmest thanks to Veikkaus' customers, partners in cooperation and staff!


Risto Nieminen



**CULTURE AND ARTS EMPLOY
THOUSANDS OF FINNS**

- › Kiasma Museum of Contemporary Art in the city centre of Helsinki receives nearly 200,000 visitors each year. Finns are also otherwise real culture vultures.
- › In fact, half of Veikkaus funds are used to support arts and culture: EUR 188 million were allocated to arts in 2004. The funds were distributed to theatres, cinema and music, as well as to various other cultural events.
- › The funds are also used to finance jobs within the field of culture: they provide the basis for the employment and salaries of, e.g., the staff of different arts institutes, artists, employees working in the sphere of culture in municipalities, as well as event organisers.
- › It has been calculated that Veikkaus' employment effect amounts to a total of as many as 40,000 person years of employment.





VEIKKAUS—VALUABLE CONTRIBUTOR TO FINNISH SOCIETY

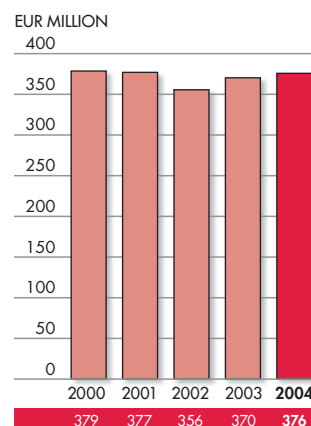
Veikkaus has offered dreams, entertainment and profit to Finns by providing games for over 60 years. Nearly all grown-up Finns have played our games at least some time—while some people go for games of chance, others like to put their knowledge to test by playing games of skill. We aim at maintaining a large customer base, preventing our players from being burdened economically by playing.

Veikkaus holds the exclusive right to operate lottery, betting and pools games in Finland. Our mission is to offer games responsibly and reliably, producing funds for Finnish arts, sports, science and youth work.

The Finnish State has granted a respective licence to operate slot machine, casino and off-track horse betting games to two further gaming organisations in Finland, the Finnish Slot Machine Association RAY and Fintoto. In 2004, the three Finnish gaming operators produced a turnover of a total of EUR 2,018.2 million, which means EUR 796.2 million for the benefit of society. The present gaming licences are effective until the end of the year 2006.

Veikkaus has an active role in Finnish society. Our slogan “A Finn to Win” crystallises our mission and the grounds of our existence. The euros spent on our games do not flow out of the country, but they are directed to enhance the welfare of Finns—over one million euros a day.

PROCEEDS TO THE MINISTRY OF EDUCATION



VISION

Veikkaus will continue to be

- » one of the leading lotteries in the world in terms of productivity, innovativeness, and competitive power.
- » able to increase its profit, which benefits Finnish society, despite the competitive situation that is becoming tougher and more and more versatile.



“Players can count on the integrity and reliability of our games and the prize payout.”

EU-FINLAND’S GAMING MODEL BASED ON PRINCIPLE OF RESPONSIBILITY

Gaming is distinct from other economic activities, since it does not generate any additional economic value in itself. Fundamentally, gaming is simply about the redistribution of the stakes invested in a game. It therefore does not add to the financial growth necessary for society as such.

With its special economic nature, gaming does not involve only entertainment and great economic interests, but unfortunately also risks of fraud, malpractice, and crime. The desire to play may turn into compulsive gambling which, in turn, causes problems of health, social relations and finance to the players, as well as their friends and family.

The Finnish gaming system is based on the principle of responsibility—its core objective is to minimise the possible detriments of gaming and maximise its benefits to society.

The monopoly system reflects the government’s attempt to control gaming and restrict competition that would lead into aggressive player attraction, if it was left uncontrolled. Veikkaus’ players can count on the integrity of our games and the reliability of the prize payout. Our game supply is strictly controlled, and we pay attention to the possible social detriments of gaming in all our operations.

EC COURT SUPPORTS PRESENT SYSTEM

The overwhelming majority of the EU Member States comply with the same type of national gaming monopoly system as Finland.

RULINGS BY THE EC COURT

- Schindler 1994
- Läärä 1999
- Zenatti 1999
- Anomar 2003
- Gambelli 2003

There is no specific regulation concerning gaming in the European Union. The EC Court has issued several rulings that reflect its support to the present system. The EC Court also supports restrictions to cross-border provision of gaming activities.

The Finnish national legislation and gaming policy, as well as the measures of the government officials reinforce the monopoly principle, with which the

Finnish gaming organisations comply.

ACTIVE INVOLVEMENT IN INTERNATIONAL COOPERATION

Gaming has a strong foothold in society, although the European monopoly system is under constant attacks. International cooperation plays a central role in maintaining the national monopoly system.

Veikkaus is an active member of the international gaming organisations World Lottery Association (WLA) and European Lotteries and Toto Association (EL). Veikkaus’ CEO Risto Nieminen is the first Vice-President of EL and a member of the Executive Committee of WLA. We believe that the most important task of the international organisations is to promote the common interests of the gaming sector by working to maintain the national gaming monopoly system.

EL and WLA both have their own Codes of Conduct, to which Veikkaus is committed in all its operations. The Codes of Conduct include rules on state-licensed gaming activities, restrictions to gaming, minimising the risks of gaming, as well as on security and consumer protection. The mission of the umbrella organisations is to promote social welfare by working for safe and controlled gaming.

GAMING EXCLUDED FROM THE SCOPE OF SERVICES DIRECTIVE

In autumn 2004 the Parliament of Finland discussed the so-called Services Directive¹ which is being prepared in the European Union. Following the discussions, the Grand Committee of the Parliament issued a statement according to which national gaming activities should be excluded from the scope of the Services Directive.

The Grand Committee further stated that it is extremely important that the EU Member States are allowed to pursue their own national gaming policies, taking into account their own specific historical, social and cultural backgrounds and needs. They must also be able to stop or restrict the cross-border provision of gaming, if gaming is not subject to free competition within their jurisdiction.

¹ Proposal for a directive of the European Parliament and the Council on services in the internal market

NATIONAL GAMING FORUM LAYS DOWN GAMING GUIDELINES

A new Finnish gaming authority the Finnish National Gaming Forum started its operations in spring 2004. The objective of the Forum is to establish guidelines for a national gaming policy, centring on the internationalisation and the social and economic implications of gaming. The Forum aims at ensuring that problem gambling and gaming-related criminal activities are prevented more efficiently in Finland.

The National Gaming Forum discusses issues prepared by the National Gaming Committee, the Raffles and Bingo Committee, and by a committee evaluating the social consequences of gaming. The Gaming Forum can also set up other permanent or temporary committees. The term of office of the National Gaming Forum follows the legislative period of the Finnish Parliament.

The National Gaming Forum has members from the different parliamentary groups, each of the three Finnish gaming organisations, as well as from the five Ministries involved in the gaming sector.

National Gaming Forum

MATTI AHDE, Member of Parliament, Chairman

KAUKO JUHANTALO, Member of Parliament, First Deputy Chairman

EVA BIAUDET, Member of Parliament, Second Deputy Chairman

SARI ESSAYAH, Member of Parliament

ILMARI HALINEN, CEO, Fintoto Oy

MARKKU LEHTO, Permanent Secretary, Ministry of Social Affairs and Health

SUVI LINDÉN, Member of Parliament

MARKKU LINNA, Permanent Secretary, Ministry of Education

RISTO NIEMINEN, CEO, Veikkaus Oy

OUTI OJALA, Member of Parliament

ERKKI PULLIAINEN, Member of Parliament

MARKKU RUOHONEN, CEO, The Finnish Slot Machine Association RAY

TIMO SOINI, Member of Parliament

PERTTI TUHKANEN, Senior Adviser for Budget, Ministry of Finance

JARMO VAITTINEN, Permanent Secretary, Ministry of Agriculture and Forestry

RITVA VILJANEN, Permanent Secretary, Ministry of the Interior



“Veikkaus plays an active role in the everyday activities of the Cable Factory culture centre. Our cooperation is highly creative and operational.

For example, Veikkaus participated in the Cable Day of 2004, an open house event where people could come and see our facilities, and learn about our activities and partners. The downhill ski simulator on Veikkaus’ stand was a true audience-puller. Besides entertainment, Veikkaus had the chance to inform the artists and other operators, as well as the general public at the Cable Factory about its unique social mission.

Successful cooperation requires commitment. With Veikkaus, we have succeeded in creating an operational relationship that is based on real life instead of being just a few words on paper.”

CEO Antti Manninen, The Cable Factory, Finland’s biggest culture centre

“Just like an old-time village shopkeeper who knew what each of his customers wanted and needed.”

CUSTOMER EXPECTATIONS AS THE BASIS OF OPERATIONS

Veikkaus' customers expect entertaining games, continuously developing products and services, new distribution channels, and of course, winnings. The monopoly does not make us immune to competition. We must keep our products and services attractive to compete successfully with foreign gaming providers and other forms of entertainment.

IN THE VANGUARD OF GAMING TECHNOLOGY

In the past few years, following its strategy, Veikkaus has invested heavily in new research, product development, together with new technologies and distribution channels. We can truly say that we have established a position in the vanguard of product and technology development. A good example of this is real-time Live Betting, which we launched as the first lottery in the world in November 2004.

Live Betting is the first step towards new-generation games with high event frequency. As the pace of gaming increases, ethical questions related to gaming security become more and more topical, and we must pay attention to them while planning the games. This is why we decided to restrict the stakes in Live Betting right from the beginning.

NEW COMPANY STRATEGY IN 2004

To better meet the needs of the changing market, Veikkaus launched a new model of operations, based on a new competitive strategy in 2004. We shifted the emphasis of our core operations from product development to customer-orientation. This means, for example, that we will offer a more diversified range of products to serve our different customer groups better. The operations model is also reflected in Veikkaus' new customer-centred organisation, introduced in November 2004.

Knowing what the customers need has become increasingly important. With precise in-depth knowledge of our customers, we can also operate more responsibly. In fact, we have already launched development projects to improve our services, gaming channels, and product range. The first results of the projects can be seen as early as in 2005. However, as a whole, the development project will take years of systematic work.



LARGE NUMBER OF INTEREST GROUPS

As a national lottery Veikkaus has a large number of interest groups. Almost all grown-up Finns have played Veikkaus games at least sometimes in their lives. Every Finn has the opportunity to enjoy the benefits of the efficiently conducted gaming activities. Veikkaus funds are vital to thousands of beneficiary organisations and they have a significant effect on overall employment. Veikkaus has an extensive retailer network of 4,000 retailers that covers the entire country. From the perspective of society, gaming involves not only financial but also social responsibility. This is why Veikkaus wants to inform the general public frequently about its operations.

While assessing the results of social responsibility, each interest group has its own expectations which can sometimes be contradictory. In order to maintain successful relations with society, we have to balance between different expectations. The table below presents Veikkaus' core interest groups, their different expectations, Veikkaus' cooperation with different interest groups, as well as tools for evaluating the results. Our objective will be to reinforce our social responsibility strategy in 2005. An essential part of this is the evaluation of the results of the interest group cooperation.

“Reliability. Veikkaus funds are used to promote activities that might otherwise be left without financial support. Veikkaus is close to the ordinary people.”

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2004)

Veikkaus' core interest groups

INTEREST GROUP	VEIKKAUS' RESPONSE	INTEREST GROUP'S EXPECTATIONS	TOOLS FOR MEASURING THE RESULTS
OWNER: Ministry of Education	Regular proceeds. Regular contacts with the owner. Open information about the development of the result and the operations.	Achieving the return objective. Efficient operations. Responsible gaming.	Achieving the return objective. International comparisons within the sector.
AUTHORITIES, DECISION-MAKERS	Strict compliance with the Lotteries Act and the national gaming policy. Generating revenue and taxes to society through efficient operations. Responsibility for the prevention of the detriments of gaming. Direct and indirect employment effects. Extensive international cooperation.	Responsible gaming. Efficient operations, regular proceeds. Compliance with and application of legislation. Nationwide employment effects.	Accounted proceeds and taxes. Number of jobs, salaries paid. Coverage of retailer network. Occurrence of social detriments of gaming.
STAFF	Solid economy. Versatile training programme, opportunities to change positions within the company, maintenance of working capacity, encouraging incentive scheme, investing in internal communications. Active development of leadership and planning of operations.	Reliable and steady employer. Investments in personnel development. Working cooperation and effective communications. Career opportunities. Skilful change management.	Surveys concerning the staff and their working capacity, performance discussions. Turnover of employees, absence from work, age of retirement. Incentive scheme.
RETAILERS	Wide range of games, products that are at the forefront also internationally. Competitive prizes. Responsibility for information systems, terminals, sales equipment, information, marketing and communications. Comprehensive training programme.	Retailer commissions. Reliable and responsible partner. Up-to-date products and services, competitive prices and odds of winning. Sales support functions. Up-to-date, comprehensive information and training.	Sales development and distribution by districts and outlet types. Changes of retail outlets, payment of sales profits. Customer satisfaction and corporate image surveys.
CONSUMERS	Extensive and versatile product range and services. Coverage of retailer network. Customer guidance and feedback system. Funding of the Peluuri helpline for problem gamblers. Open communications and contacts with the owner. Regular proceeds.	Entertaining games, excitement and dreams. Many-sided range of games. Prizes and reliable prize payout. Easy accessibility of games. Guidance, instructions, and responsible game provision and communications. Transparency of activities. Game proceeds to the benefit of Finnish society.	Sales development. Consumer behaviour and changes in customer profiles. Surveys of corporate image and customer satisfaction. Direct customer feedback through retailers. Quality and quantity of feedback and recommended decisions. Number and nature of calls to the Peluuri helpline.
PARTNERS: Data communications operators, media corporations, store chains, providers of entertainment services, sports organisations.	Strategic partnerships, partner agreements and strategies. Bringing gaming expertise into the cooperation.	Win-win-cooperation. Additional value to Veikkaus' operations. Reliable and responsible partnership. Openness and dependable agreements. Innovation.	Number and nature of partnerships. New products and services, product development.
BENEFICIARIES: arts, sports, science and youth work organisations.	Return objectives achieved, regular proceeds. Sponsorship and game event cooperation. Regular contacts with beneficiaries. Finding new forms of cooperation.	Achieving return objectives. Efficient operations. Fruitful cooperation and support. Open, interactive contacts.	Development of proceeds. Achieving the objectives of sponsorship and game event cooperation. Corporate image surveys. Direct feedback from beneficiaries.
MEDIA	Extensive, balanced, fast, independent and accurate communications. Information material and press conferences, website, regular financial reporting, presentation material and different campaigns.	Open, fast, reliable, and many-sided communications. Availability and active provision of information. Transparency and responsibility of actions.	Public discussions, media follow-up, direct feedback from editors. Surveys of corporate image and corporate communications. Quality and quantity of contacts and communications releases.



“The best part is that you get to see your friends”, says Olivia. “And that you get to skate”, adds Unna. It is as if the two seven-year old girls spoke with one mouth, as they hurry to the ice-skating rink.

Olivia and Unna belong to the Junior Masters of the Figure Skating Club of Myllypuro in eastern Helsinki. They train ice-skating twice a week and both are members of a group of some ten skaters for the second year now. In the course of their second year of training, the girls focus on skating skills, agility and balance by practising crossovers, two-foot jumps and forward one-foot glides.

The ice-skating club has received funds from the Young Finland Association, one of Veikkaus’ partners, in order that it could develop its activities to qualify as a “Sinettiseura”, i.e. as a sports club awarded with a seal of quality. The grants to sports clubs distributed by the Young Finland Association are financed with Veikkaus’ funds.

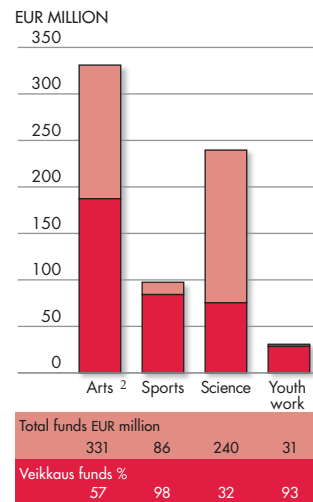
Olivia Aho and Unna Kontio, Figure Skating Club of Myllypuro, Helsinki

A FINN TO WIN

Veikkaus is important for the welfare of Finns. Each of us can enjoy Veikkaus funds, e.g., by going to the local swimming bath to keep fit or by going to the theatre or the cinema to enjoy a play or a film.

In 2004 Veikkaus returned EUR 375.8 million to the Ministry of Education, i.e. over one million euros a day. In other words, the players of Veikkaus’ games are the single most important group promoting the Finnish national culture. Most of the financial support allocated by the Ministry of Education to sports and youth

SHARE OF VEIKKAUS FUNDS OF ALL FUNDS DISTRIBUTED BY THE MINISTRY OF EDUCATION IN 2004



Source: Ministry of Education, Financial Estimate 2004

² Funds to arts include the funding of the libraries by the Ministry of Education

“In 2004 Veikkaus returned over one million euros a day to the Ministry of Education.”

work in particular is covered with Veikkaus funds. Veikkaus funds cover 98% of the support to sports and 93% of the support to youth work. In arts, the respective coverage is 57% and in science, 32%.

The Ministry of Education allocates Veikkaus funds to Finnish culture in accordance with the Funds Distribution Act³ laid down by the Parliament of Finland. The shares of the various beneficiaries are specified in the Funds Distribution Act as follows: arts 38.5%, sports 25%, science 17.5%, and youth work 9%. The remaining 10% are left to the Ministry’s discretion, to be specified separately each year.

The Funds Distribution Act, laid down in 2001, was first applied in the preparation of the State Budget of 2004. As prescribed in the Act, Veikkaus funds will be gradually allocated in total to the beneficiaries specified in the Lotteries Act within a period

of ten years. The statutory state funding of libraries will be covered with tax funds, whereas they are currently financed partly with Veikkaus funds because of state budget cuts.

In all, Veikkaus funds were distributed to some 1,100 communities in 2004. The communities can, in turn, redistribute the funds to different projects. For example, the Academy of Finland finances hundreds of scientific research projects every year. Sports funds are often distributed to various public activities, such as different recreational sports associations, the building of sports sites and facilities, as well as recreational sports opportunities offered by municipalities. The majority of the funds to youth work are distributed to promote public youth organisations. The after-school clubs for young people and children, as well as the Young People’s Workshops are also financed with Veikkaus funds.

BENEFICIARIES’ SHARES OF VEIKKAUS FUNDS						
EUR million	2004	%	2003	2002	2001	2000
Arts ²	187.5	49.9	190.5	183.0	204.5	208.8
Sports	84.2	22.4	83.7	83.5	80.7	79.0
Science	75.5	20.1	75.5	76.2	75.9	74.5
Youth work	28.6	7.6	20.7	20.4	20.3	19.9
Total	375.8	100.0	370.3	363.1	381.4	382.2

² Funds to arts include the funding of the libraries by the Ministry of Education

³ Act on the distribution of the funds from lottery, pools and betting games

KEY INDICATORS OF SOCIAL RESPONSIBILITY

Indicators of economic responsibility	2004	2003
Turnover (EUR million)	1,260.8	1,159.3
Financial profit (EUR million)	394.5	371.0
Investments (EUR million)	6.7	7.3
Prize payout (EUR million)	631.2	561.3
Payroll benefits (EUR million)	15.6	14
Number of employees (end of the year)	377	371
Number of retail outlets (end of the year)	3,748	3,822
Sales commissions (EUR million)	80.8	77.2
Lottery tax (EUR million)	60.0	57.8
Contribution to Ministry of Education (EUR million)	375.8	370.3

Indicators of social responsibility		
Work enjoyment (scale 1–5)	3.82	3.77
Turnover of personnel (%)	8.0	12.3
• recruited	34	63
• gave their notice	19	39
• retired	7	8
Average age of personnel	42.4	42.4
Average duration of employment contracts	13.5	13.3
Sick leaves (workdays/person)	12.8	13.5
Occupational health care costs (EUR)	388,059	338,555
Recreational and employee club activities (EUR)	81,555	69,366
Average salary (EUR)	2,951	2,746
Training days Game Academy/person	413	700

Indicators of environmental responsibility		
Electricity consumption/ head office (MWh)	3,500	3,400
Heat energy consumption/ head office (MWh)	2,700	2,400
Water consumption/ head office (m ³)	4,100	4,100
Delivery transports (km)	500,000	500,000

**OVER 400 KILOMETRES OF JOGGING
AND WALKING ROUTES AND
SKI TRAILS IN THE MIDST OF
THE LAKESIDE SCENERY IN KUOPIO**

- › The region of Kuopio in eastern Finland offers a wealth of opportunities to do sports and enjoy nature on serviced trails and routes in the midst of beautiful lakeside scenery.
- › We can guarantee that the routes and trails are serviced, partly because Finns look for excitement in Veikkaus games. Eastern Finland received over a million euros of funds for the building of new sports sites in 2004.
- › In 2004, the Ministry of Education allocated a total of over EUR 84 million to municipal sports activities, as well as to sports organisations and other recreational sports in Finland.



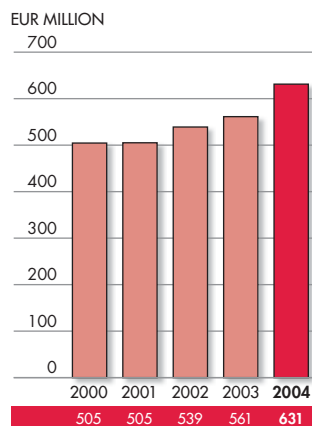


FINANCIAL SUCCESS BENEFITS ALL FINNS

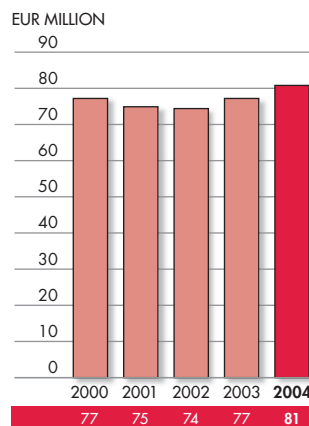
By operating games responsibly, Veikkaus generates value to Finnish society. The State as the owner, the customers, the retailers, the staff, and in fact all Finns can enjoy Veikkaus' financial success. In 2004, we paid out 55 million different prizes, for a total of EUR 631.2 million. The retail commissions amounted to EUR 80.8 million. The payroll benefits paid out to Veikkaus' personnel totalled EUR 18.0 million.

Further, the company returned EUR 448.6 million to the State: EUR 375.8 million to the Ministry of Education, EUR 60.0 million of lottery tax, and EUR 12.8 million of VAT.

PRIZE PAYOUT TO PLAYERS



RETAILER COMMISSIONS



“The operations are based on the principle: what people invest in the games Veikkaus returns generously. That has even been laid down by law.”

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2004)

“Comprehensive retailer network is the cornerstone of Veikkaus’ operations.”

VALUABLE WORK FOR FINNS

In addition to employing its own personnel, Veikkaus has a significant indirect employment effect in Finnish society. It has been calculated that the beneficiaries of Veikkaus funds represent 13,000 person years of employment. When we add the multiplier impacts of production, services and consumption, related to both Veikkaus’ own activities and its beneficiaries, we arrive at some 40,000 person years of employment.

However, it is not just a question of money: the work done in the different associations and organisations is highly valuable to Finns. The work for children and the youth, the different institutions operated by volunteers, as well as many associations and clubs active in the fields of sports and arts are, in practice, completely dependent on Veikkaus funds. Further, many scientific innovations would be left unmade without Veikkaus gaming funds. Veikkaus’

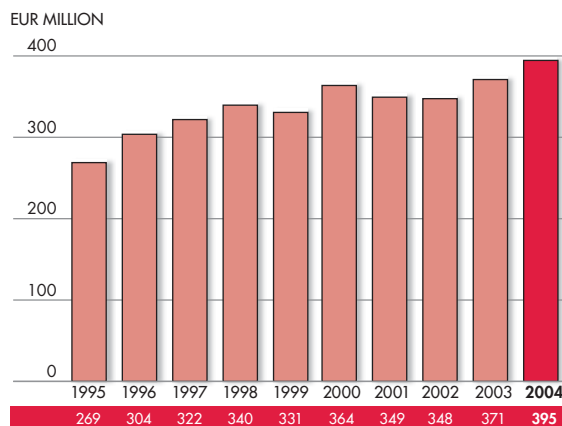
proceeds are returned to Finns, in a way which benefits every citizen.

AMONG THE LEADING LOTTERIES INTERNATIONALLY

Veikkaus and its owner, the Finnish State, have set a moderate 1.5-percent target for the company’s expected annual growth. Securing the growth calls for special attention and cost-efficiency, among other things because the demand for games with high event frequency and smaller margins is clearly on the increase.

Veikkaus ranks among the most efficient lotteries internationally. In 2004, our operating expenses were just 7.2% of the turnover. Our efficiency is based partly on the applications of the new technologies in game provision. The widespread use of IT and data communications technology in Finland has made the new technological solutions possible.

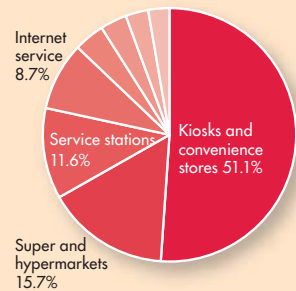
DEVELOPMENT OF TURNOVER



“Veikkaus’ indirect employment effect concerns as many as 40,000 people”

SALES PER TYPE OF RETAIL OUTLET IN 2004

Game shops 2.7%
Others 2.9%
Cafés, restaurants 3.4%
Small grocery shops 3.9%



“Good service is definitely the best competitive asset. Knowledgeable and service-minded game sales clerks focus on giving advice and sharing their gaming knowledge”, say Markku Heikka (left) and Jan Sund from Tuuripelit retail outlet in the city centre of Helsinki.



VEIKKAUS INVESTS IN ITS SALES NETWORK

The retailers are Veikkaus' face towards its players. A comprehensive retailer network is the cornerstone of Veikkaus' game sales: the retail sales represented 90.1% of our entire turnover in 2004. Our retailer network is one of the densest per capita in the world. We have 2,850 online/instant ticket retailers and 900 instant ticket retailers in different parts of the country. In 2004 Veikkaus paid a total of EUR 80.8 million (+4.6%) in retailer commissions, which was ca. 7.0% of the game sales.

Kiosks maintained their position as the most popular retail outlets. The strong overall trend towards centralized trade was also reflected in our player behaviour: especially large retail stores were increasing their sales of Veikkaus games. While the sales were previously based on the activities of individual retailers, the role of large store chains (such as Rautakirja, Kesko and the S-Group), and thus also chain management, has recently been reinforced. This enables us to make use of conceptualised operational models. Veikkaus' retailer

policies build on our business activities. We set an objective for each of our retailers individually. The objectives are revised at regular intervals. All our retail outlets have a common minimum sales objective, except for certain service outlets that are predetermined separately. The retail outlets must achieve this objective to ensure that they can continue to sell Veikkaus games.

UNIFORM DESIGN IN RETAIL OUTLETS

Veikkaus supplies the online and instant game terminals to its retailers, takes care of their servicing and repairs, as well as provides them with data communications connections.

The promotional materials for the needs of product sales and marketing are also a part of the retailer agreement. In problematic situations, the retailers can call our helpline which is open daily whenever the online system is open. Our investment in the sales network can be seen in, e.g., a uniform visual design of the retail outlets. The uniform Key Red Concept already covered

1,230, i.e. a third, of our retail outlets around Finland at the end of 2004.

Veikkaus' strong brand also supports the retailers' business activities. In the future, we will focus on developing Veikkaus' brand so that our customers could experience it in an even more uniform and coherent way.

TAILORED RETAILER TRAINING

In the rapidly evolving world of games, it is a great challenge to try to maintain and improve the know-how of our retail sales personnel. In all, our retail outlets employ 15,000—20,000 sales clerks a year. Veikkaus provides them with basic training and aims at the continuous improvement of their professional skills by offering them further training at regular intervals. In 2004, Veikkaus provided retailer training to 5,300 retail sales clerks, either as seminars or through distance learning.

Veikkaus' training personnel organise seminars in game sales in different parts of the country.

The versatile retailer training opportunities are being

continuously developed. In the period under review we invested in, e.g., personalised chain-specific training events. Our aim is to provide all our trainees with individual knowledge packages according to their own objectives as game sales clerks. The training also includes a section on responsible gaming, dealing with, e.g., questions related to the ways to control playing and problem gambling. Besides training, the comprehensive sales network also means communicative challenges.

The messages transmitted through the online terminals, Veikkaus' internet services, Veikkaus' teletext pages, sales information releases, as well as the retailers' magazine—they all serve the same purpose: to provide Veikkaus' retail sales clerks with information and knowledge about important issues as early as possible.



“Veikkaus launched internet game sales in 1996, as the first national lottery in the world.”

INTERNET PLAYERS FAVOUR BETTING

The internet has joined the traditional retail outlets as a significant sales channel of Veikkaus games. Veikkaus was the first state lottery in the world to launch game sales over the internet, as early as in 1996. Currently, our internet gaming service OnNet is one of Finland’s biggest web stores with its annual turnover of EUR 110.8 million, which is 51.6% more than in 2003. The share of the internet game service of the total turnover of Veikkaus games was 9.9% (6.3% in 2003).

We registered a total of 38 million gaming transactions in the internet game service in 2004.

Our website www.veikkaus.fi attracted especially the players of betting games, but the lotto games and Keno also increased their popularity among the players on the Net. At the end of 2004 there were over 268,000 players in Veikkaus’ player register. Veikkaus verifies the identity of the players registered in the internet service with the Population Register Centre. The objective is to control that the individuals who register as players submit authentic personal data. Further, we want to check that our players live permanently in Finland.

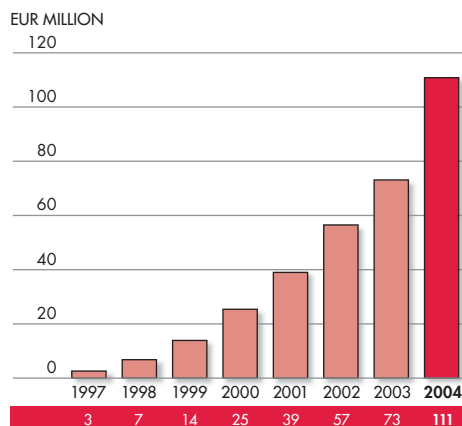
GAMES IN NEW ENVIRONMENTS

Besides the retailer network and the internet sales, Veikkaus invests in the development of new distribution channels. We want to make our services and games available to our players in places that best suit them and that are easily accessible. At the moment our product development focuses on new types of games and services made possible by the digital TV and the new wireless terminals.

Veikkaus works in close cooperation with its strategic partners, which include data communications operators, media companies, store chains, mobile service providers and sports and entertainment producers.

In 2004 we planned, e.g., new distribution channel solutions for the retailer network, and prepared for the introduction of SMS gaming. In December we signed an agreement on the reform of our gaming system with our present game system provider GTech. The reform will be huge, since it will cover not only the central system and the internet gaming service, but will also entail the replacement of the over 3,900 terminals in the retail outlets with new technology. The project is estimated to take four years. In 2004 Veikkaus spent EUR 8.7 million on product development and research, and EUR 6.7 million on investments.

TURNOVER OF INTERNET GAMING



TURNOVER OF INTERNET GAMING PER GAME GROUP

	2004 EUR million	2003 EUR million	Change %	2004 Share %	2003 Share %
Betting games	51.7	29.9	73.0	46.7	40.9
Lotto games	25.3	17.3	46.0	22.8	23.7
Other games of skill	12.3	9.6	27.7	11.1	13.2
Other draw games	21.6	16.3	32.9	19.5	22.2
Total	110.8	73.1			

GAMING SECURITY UNDER STRICT SUPERVISION

Veikkaus has an extensive security system, which serves to reinforce the quality of our operations for its part. The security system has been certified in accordance with both the international BS 7799 information security standard and to industry-specific WLA Security Control Standards (WLA SCS). These standards include a large number of criteria for the quality of the operations, and Veikkaus has determined all its gaming-related processes in detail.

In the year under review, Veikkaus adopted the new BS 7799 standard (BS 7799—2:2002) successfully. SFS Inspecta Certification conducted two follow-up evaluations related to the BS 7799 information security certificate, which confirmed that Veikkaus' security system still fulfilled the requirements of the standard. Further, we carried out several internal audits of the operational processes and technology in accordance with the standard.

MINISTRY SUPERVISES

Veikkaus gaming activities are supervised by the Lottery and Firearms Administration Unit of the Ministry of the Interior. The Ministry also ratifies the rules of the games and controls that they are complied with. All the lottery equipment, such as the drawing machine used for Saturday Lotto, belong under the supervision of the official supervisors appointed by the Ministry, instead of belonging to Veikkaus. Each gaming event is registered both in Veikkaus' own system and the supervisory data system managed by the official supervisors. After the draw, the official supervisors control that both systems contain the same information on the correct result, the number of players and the prizes. The prize payout becomes effective only after the supervisors have taken these measures.

COMPREHENSIVE RISK MANAGEMENT

In 2004 we introduced a framework for comprehensive risk management (ERM) as part of Veikkaus operational planning system. The framework determines the responsibilities and processes for the regular evaluation of and preparation for the risks related to business operations. Whilst setting the objectives of our operations, we identify the risks that may compromise them and plan strategies to manage them. The risks and the efficiency of the management strategies are evaluated regularly. Risks of the operational



“I was out on the town with a friend, when the loveliest coats caught our eyes in a boutique. My friend bought one of them, but I didn't. I felt I couldn't afford it, because it was really expensive. It bothered me, but I still decided not to squander my money. We then went to have lunch and, on the spur of the moment, bought instant tickets at a kiosk on the way.

I didn't scratch mine until we sat down for lunch. I couldn't believe my eyes: I had won 300 euros! After lunch I went right back to the boutique in the next block and bought the coat, of course.”

Instant ticket winner Katarina Linqvist, Helsinki

level are managed through procedures integrated in the security system. Veikkaus has several supervision and control systems, our data security has been certified, and our operations are supervised by various external organisations. For example, if our game sales showed considerable deviations from what is considered normal, the data system would raise the alarm.

SUSPECTED CASES OF MONEY LAUNDERING REPORTED

The duty to report suspected cases of money laundering to the National Bureau of Investigation constitutes a part of Veikkaus' economic responsibility. In Finland, operators that either have the opportunity to notice money laundering in connection with their normal operations or that can be exploited in money laundering, are subject to reporting obligation. Veikkaus and its retailers must check a player's identity, if s/he plays for a total of 3,000 euros or more at a time, either as a single game or as a series of connected games. Of course, we must also file a report in case we suspect money laundering, irrespective of whether the euro limit was exceeded or not.

The prevention of money laundering belongs under a special money laundering investigation unit at the National Bureau of Investigation. Annually, a couple of the reports filed by Veikkaus lead to preliminary investigation. The cases are often related to attempts to cover up or to destroy the evidence of profit gained by crime.

Veikkaus praised for assuming economic responsibility

Economic responsibility is a part of the corporate social responsibility which covers, e.g., the degree to which we can meet the shareholders' profit expectations. It also involves our participation in the promotion of the general wellbeing in society. In order that we could accomplish all this, we have to act in a lucrative, efficient, and competitive way, keeping our business operations on a very good level in all respects.

Finns think that Veikkaus assumes its economic responsibility well. Two thirds of the respondents in an economic responsibility survey rated the way in which we assume our economic responsibility as fairly good, and one-fifth rated it as very good.

Source: Social responsibility survey by Marketing Radar Oy, 2004.



“Over 150,000
different prizes
each day”

VEIKKAUS GAMES—EXCITEMENT AND ENTERTAINMENT

Veikkaus games are successful because of a large number of players, not because of big stakes. The average Finn plays Veikkaus games for a little less than five euros a week, i.e. for some 248 euros a year.

Veikkaus' online system registers some 310 million gaming transactions a year. During the most hectic times there may be as many as 3,000 transactions per minute. Besides the jackpots, our players frequently have a chance to enjoy smaller prizes, since we pay out over 150,000 prizes each day. In all, there are over 270 lottery millionaires in Finland.

KENO AND FIXED ODDS BETTING SET THE PACE

In the year under review, the games that showed the largest relative growth were Fixed Odds Betting and Keno. The sales of Fixed Odds Betting increased by as much as 99.9% after the game reform in February 2004. The calculatory event-specific payout percentage was raised from 80 to 88 in the reform. At the same time, we launched the sales of single and double bets at our retail out-

lets. Previously they had only been offered on the internet.

With the reform Fixed Odds Betting passed Multibet in popularity, regaining its position as our most popular betting game. In all, Fixed Odds Betting was played for EUR 97.0 million and Keno for EUR 220.3 million (+11.0%) in 2004. The prize top (EUR 2.5 million) in Keno was reached for the first time on round 39.

RECORD-HIGH PRIZES IN LOTTO AND V75 HORSE BETTING

The turnover of Veikkaus' most popular game Lotto also trended upwards (+8.7%). Finns played Lotto for a total of EUR 421.4 million in 2004. The sales were boosted especially by the large jackpots of the end of the year. In November (round 45/2004) a family from Kokkola, a town on the Finnish west coast, landed an all-time high lotto jackpot of EUR 5.7 million. Lotto yielded nearly seven million big and small prizes in the course of the year. We raised the price of a single-board entry in Lotto by 10 cents, to 70 cents in February.

Our off-track horse betting games showed an upward trend in 2004. V75 Off-track Horse Betting was played by 8.4% more than in the previous year, for a total of EUR 28.0 million. V5 Off-track Horse Betting showed an increase of 4.1%, to EUR 24.4 million.

Veikkaus and Fintoto have recently cooperated more closely than before especially as regards the marketing of the off-track horse betting games. The positive development of V75 was partly due to the introduction of extra pots to which we add 10% of the turnover on rounds where no jackpots are won or which are so easy that low-tier prizes are not paid out. A record-high prize in off-track horse betting, a little over EUR 1 million, was won on the last round of the year (53/2004). The sizeable jackpot was increased by an extrapot of nearly EUR 900,000. The lucky winners came from the Salo area in south-western Finland.

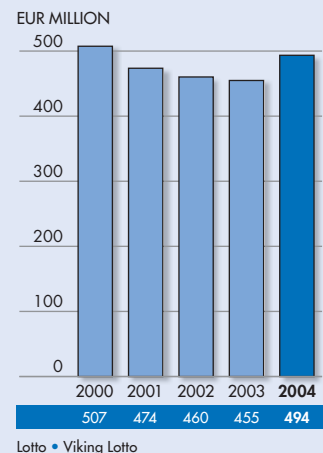
LIVE, THE WORLD LOOKS DIFFERENT

Our most important game launch in 2004 was the introduction of Live Betting in

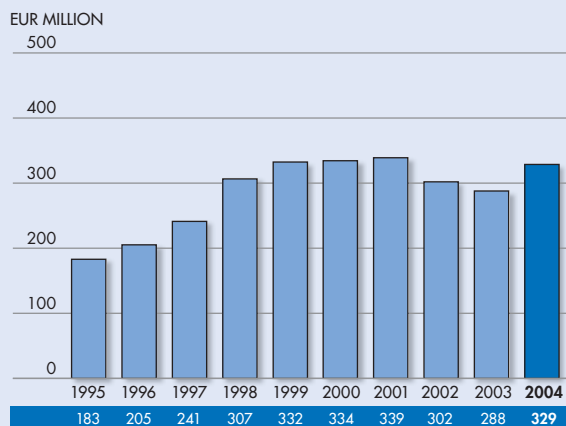
November. Live Betting brings additional value and entertainment to sports events, since the suspense is not only related to the final result, but also to what happens during the events.

The high event frequency of the game offers new opportunities to sports buffs, event organisers, and TV channels. Most of the betting objects in Live Betting are football or ice-hockey, but we have also offered, e.g., ski jumping, floorball, and basket ball, ever since the launch of Live Betting.

TURNOVER OF LOTTO GAMES

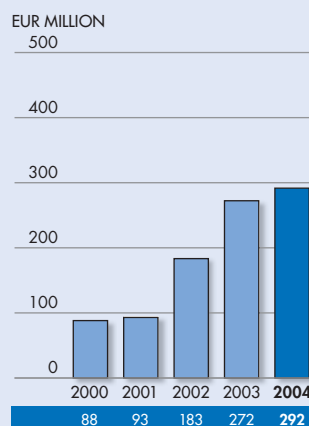


TURNOVER OF GAMES OF SKILL



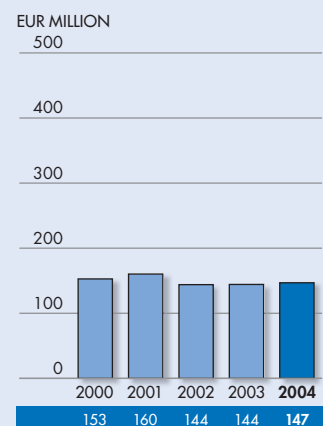
Live Betting • Multibet • Fixed Odds Betting • Result Odds Betting games • Football Pools • Winner Odds Betting • V5- and V75 Off-track Horse Betting • Bet 4

TURNOVER OF OTHER DRAW GAMES



Joker • Keno • Medals Game • Simo's Weather Forecast • Veikkausbingo

TURNOVER OF INSTANT GAMES



Casino Instant • Horoscope Instant • Christmas Instant • Nature Instant • Lucky Words Instant • Assä Instant



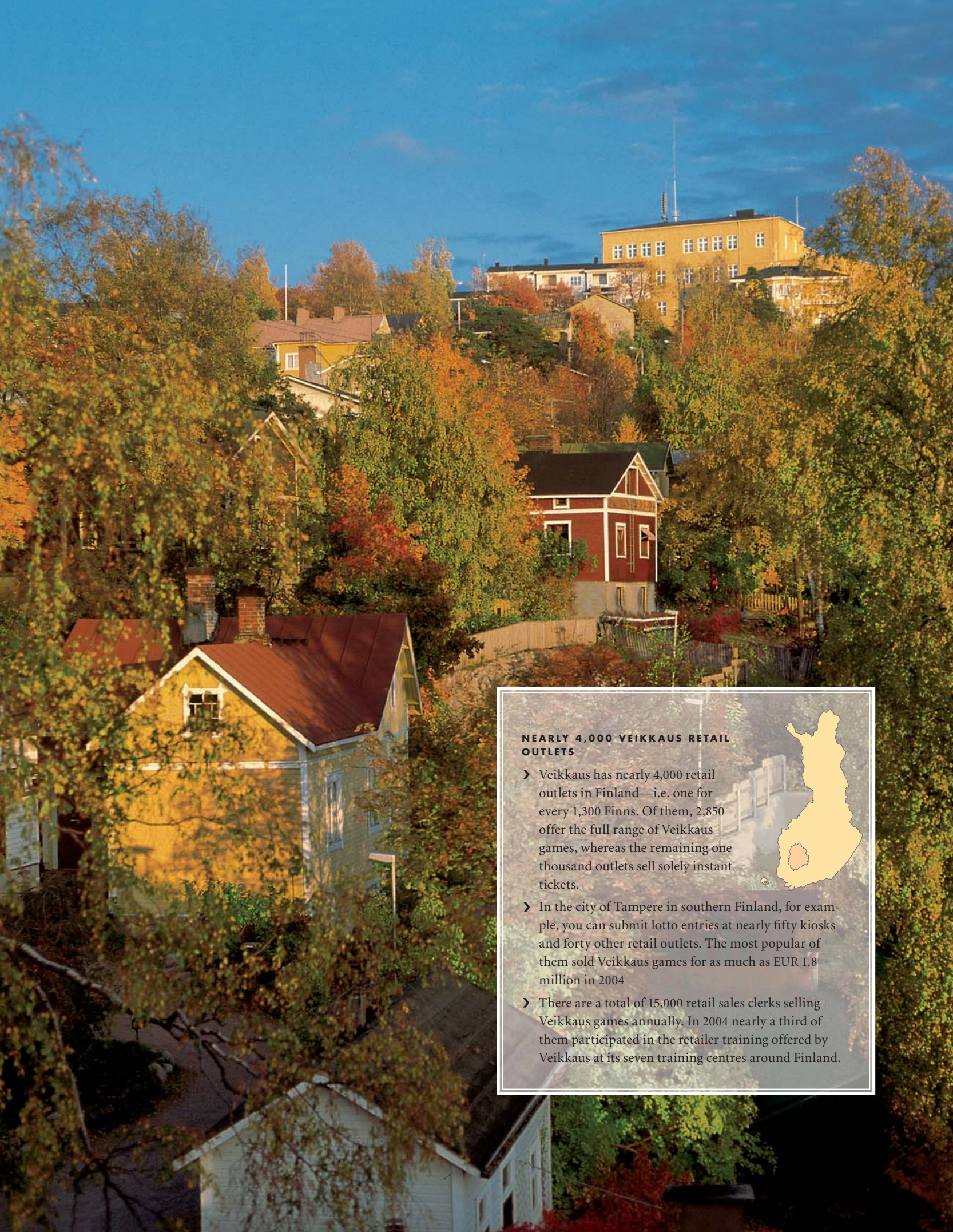
	LOTTO <i>Great dreams.</i>	KENO <i>Makes each new day exciting.</i>	FIXED ODDS BETTING <i>Popularity skyrocketed, regained its position as the favourite betting game.</i>																																				
HIGHLIGHTS IN 2004	All-time high jackpot EUR 5.7 million won on round 45. Price per board raised from 60 to 70 cents (round 7).	Prize top of EUR 2.5 million reached for the first time on round 39. Prizes of EUR 400,000 won twice.	Payout percentage raised to 88 singles and doubles on sale at retail outlets (on round 6).																																				
LAUNCHED IN	1971	2002	1993																																				
DEVELOPMENT OF TURNOVER (EUR MILLION)	<table border="1"> <caption>Lotto Turnover (EUR Million)</caption> <thead> <tr><th>Year</th><th>Turnover</th></tr> </thead> <tbody> <tr><td>2000</td><td>420</td></tr> <tr><td>2001</td><td>380</td></tr> <tr><td>2002</td><td>370</td></tr> <tr><td>2003</td><td>360</td></tr> <tr><td>2004</td><td>400</td></tr> </tbody> </table>	Year	Turnover	2000	420	2001	380	2002	370	2003	360	2004	400	<table border="1"> <caption>Keno Turnover (EUR Million)</caption> <thead> <tr><th>Year</th><th>Turnover</th></tr> </thead> <tbody> <tr><td>2000</td><td>0</td></tr> <tr><td>2001</td><td>0</td></tr> <tr><td>2002</td><td>90*</td></tr> <tr><td>2003</td><td>180</td></tr> <tr><td>2004</td><td>210</td></tr> </tbody> </table>	Year	Turnover	2000	0	2001	0	2002	90*	2003	180	2004	210	<table border="1"> <caption>Fixed Odds Betting Turnover (EUR Million)</caption> <thead> <tr><th>Year</th><th>Turnover</th></tr> </thead> <tbody> <tr><td>2000</td><td>60</td></tr> <tr><td>2001</td><td>60</td></tr> <tr><td>2002</td><td>50</td></tr> <tr><td>2003</td><td>40</td></tr> <tr><td>2004</td><td>80</td></tr> </tbody> </table>	Year	Turnover	2000	60	2001	60	2002	50	2003	40	2004	80
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TURNOVER 2004	EUR 421.4 million (+8.7%)	EUR 220.3 million (+11.0%)	EUR 97.0 million (+85.9%)																																				
SHARE OF ALL GAMES	33.4%	17.5%	7.7%																																				
AVERAGE ENTRIES/ROUND	11.9 million	4.5 million	577,000																																				
FINNS PLAYED PER CAPITA IN 2004	EUR 83.3	EUR 43.0	EUR 18.9																																				
LARGEST RELATIVE NUMBER OF PLAYERS/PROVINCE	Lapland	Lapland	Häme																																				
LARGEST PRIZE WON	EUR 5.7 million (round 45/2004)	EUR 600,000 (24 Jan 2005)	EUR 50,142 (round 49/1999)																																				
NUMBER OF PRIZES 2004	6.8 million prizes	30.3 million prizes	1.7 million prizes																																				

* from round 22 onwards



MULTIBET <i>Success story of Finnish betting.</i>	VIKING LOTTO <i>Jackpot to Finland? To Sweden? Norway? Denmark? Iceland? Estonia?</i>	CASINO INSTANT <i>Triple odds of winning.</i>	FOOTBALL POOLS <i>Senior member of the game family still going strong.</i>
<p>Football World Cup exceeded expectations in terms of betting popularity. Multibet with a combination of three individual matches the most popular betting object, turnover more than EUR 534,000</p>	<p>Lucky Number introduced as a new feature (round 34).</p>	<p>Jackpot of EUR 150,000 won four times.</p>	<p>Football Pools 1 reformed (round 42), more money to lower prize tiers bonus rounds, win guarantees.</p>
<p>1998</p>	<p>1993</p>	<p>1986</p>	<p>1940</p>
<p>EUR 83.1 million</p>	<p>EUR 72.2 million (+7.7%)</p>	<p>EUR 55.2 million (+3.5%)</p>	<p>EUR 53.8 million (-7.3%)</p>
<p>6.6%</p>	<p>5.7%</p>	<p>4.4%</p>	<p>4.3%</p>
<p>6.9 million</p>	<p>3.0 million</p>	<p>260,000 tickets sold/round</p>	<p>5.0 million</p>
<p>EUR 16.3</p>	<p>EUR 14.1</p>	<p>EUR 11.0</p>	<p>EUR 10.6</p>
<p>Uusimaa</p>	<p>Lapland</p>	<p>Lapland</p>	<p>Lapland</p>
<p>EUR 412,856 (round 40/2001)</p>	<p>EUR 2.0 million (round 41/2002)</p>	<p>EUR 150,000</p>	<p>EUR 539,220 (round 51/2003)</p>
<p>309,000 prizes</p>	<p>2.9 million prizes</p>	<p>2.9 million prizes</p>	<p>953,000 prizes</p>

* Multibet recorded under Result Odds Betting until 2003



NEARLY 4,000 VEIKKAUS RETAIL OUTLETS

- › Veikkaus has nearly 4,000 retail outlets in Finland—i.e. one for every 1,300 Finns. Of them, 2,850 offer the full range of Veikkaus games, whereas the remaining one thousand outlets sell solely instant tickets.
- › In the city of Tampere in southern Finland, for example, you can submit lotto entries at nearly fifty kiosks and forty other retail outlets. The most popular of them sold Veikkaus games for as much as EUR 1.8 million in 2004
- › There are a total of 15,000 retail sales clerks selling Veikkaus games annually. In 2004 nearly a third of them participated in the retailer training offered by Veikkaus at its seven training centres around Finland.





SOCIAL RESPONSIBILITY AS OPERATIONAL FRAMEWORK

Social responsibility has always constituted an inherent part of Veikkaus' operations. We emphasize responsible and open business operations in all our activities. The players benefit from this as strong consumer protection and, above all, as transparent gaming activities.

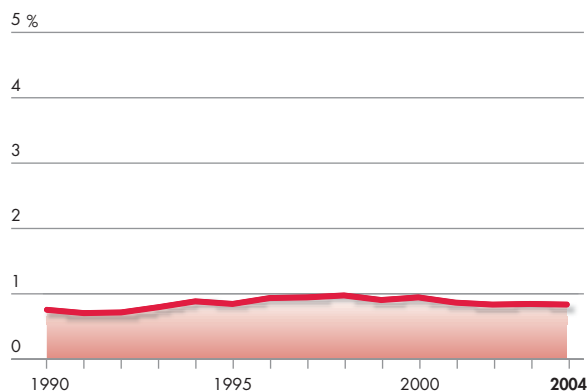
One way in which we assume social responsibility is that our entire profit is used to benefit Finnish society. The players of Veikkaus' games constitute the biggest single group to financially promote Finnish sports, arts, science, and youth work.

During its entire existence, Veikkaus has held an exclusive right to operate its games. The exclusive right is based on the position held by the Finnish decision-makers, and the majority of Finns are in favour of it. The Finnish lottery legislation builds on the principle that each type of game is operated by just one operator. As a result, we have a gaming system in Finland that can be controlled and supervised effectively. The same system is in use in most European countries. The additional advantage of the system is that the bulk of the gaming proceeds are channelled to the benefit of society.

Veikkaus has the right to operate lotteries, and pools and betting games. We offer a wide range of games in order that gaming would have a wide basis, but the stakes would remain moderate. From an extensive range of competitive game products, Finnish players can easily pick what they want, instead of using other, possibly uncontrolled game services.

"We offer a wide range of games in order that gaming would have a wide basis, but the stakes would remain moderate."

THE SHARE OF GAMING EXPENDITURE OF ALL HOUSEHOLD INCOME





“Live Betting, a new type of game, brings additional value and entertainment to sports events. The event frequency is higher, which is why gaming has been made subject to limitations.”

GAMING SHALL BE GOOD ENTERTAINMENT, SPICED UP WITH A LITTLE EXCITEMENT AND DREAMS—TO A MODERATE EXTENT

People have played since the beginning of history. It is nice to be right—to know better than the others. And to dream about prizes that would make you free to enjoy your life without financial worries.

Our objective is to maintain the level of participation in the games high, yet keeping the stakes small. Gaming should be fun, spiced up with a hint of excitement, dreams and good entertainment.

Veikkaus’ business operations also benefit from sound gaming activities within a safe framework. If gaming starts to involve elements of danger, the players may leave gaming, adopting other types of entertainment.

We aim at moderate financial development. In 2005, we will not increase the number of our retailers. We will aim at a 1.8 percent growth in our turnover in 2005. Our return objective to the Ministry of Education has been adjusted with a growth objective of 1.5 percent.

Veikkaus’ partners are very particular about their corporate image. Thus Veikkaus has assumed an active role in the promotion of fair and reasonable play, as well as the prevention of social detriments.

RESTRICTIONS NECESSARY FOR THE PREVENTION OF PROBLEM GAMBLING

As a responsible lottery, Veikkaus wants to provide a secure channel of gaming. This means, among other things, that gaming is made subject to restrictions in certain cases, in order to safeguard the security. You cannot play Veikkaus’ games on credit. In accordance with the Finnish Lotteries Act, there are no age limits for gaming. Yet, we can offer a safe way of gaming by introducing other measures to restrict gaming.

In 2004 our product development focused on games made possible by digital TV and wireless terminals. Live Betting, which can be played either over the internet or the wap function of the mobile phones, was launched in November.

The new games bring entertainment and additional value to sports events. They have also increased the event frequency con-

siderably, which is why gaming has been made subject to additional restrictions. In Live Betting, you can only bet for the worth of 100 euros a day, i.e. the maximum contents of the electronic game wallet used in the game. One bet can amount to the maximum of 20 euros.

VEIKKAUS GAMES AND CONSUMER PROTECTION

In problematic or ambiguous situations, the players of Veikkaus’ games can file a complaint to the Ministry of the Interior, which issues unbiased recommended decisions on the basis of the complaints.

In 2004 Veikkaus recorded 310 million gaming transactions. There were 153 instances on which the Ministry issued recommended decisions. Most of these concerned betting.

CONSUMER PROTECTION IN GAMING

- › Consumers are entitled to an unbiased rectification of the results by filing a complaint to the Ministry of the Interior
- › Veikkaus does not offer misleading information about the chances of winning
- › Veikkaus offers information about gambling addiction
- › Veikkaus offers open information about company matters and changes made to the games
- › The Ministry of the Interior supervises the draws and confirms the rules of the games
- › Games with high event frequency are made subject to restrictions on maximum stakes and daily expenditure
- › Veikkaus finances research into problem gambling and the addictive gamblers’ helpline Peluuri together with the other Finnish gaming organisations.



“Our cooperation with Veikkaus has become more and more open recently. Veikkaus has taken bold steps towards open social responsibility. For us at the Ministry, this has meant that the recording of and research into gaming have been further developed. In 2004 we were able to make the evaluation of the detriments of gaming even more realistic than before. This will enable us to achieve improved social responsibility.

Gaming is constantly becoming faster and easier. This is why the detriments should be evaluated more often in advance and in such a way that the different characteristics of the games would be taken into account. From our perspective, it is truly sensible that social responsibility is implemented in Veikkaus throughout the organisation, even in retailer training”.

*Senior Adviser Janne Peräkylä,
Ministry of Social Affairs and Health*

OPEN INFORMATION ABOUT GAMES

Gaming is based on luck either as random combinations of numbers or the outcomes of different sports events. Veikkaus takes this into account in its communications and marketing. We inform about our games openly, without creating delusions of rapid money-making. Our marketing follows strict ethical regulations laid down by the company.

Veikkaus’ website www.veikkaus.fi contains a great deal of information on games and gaming. We have some 600,000 visi-

tors on our website each year.

DAILY CUSTOMER SERVICES

Veikkaus’ customer service offers the players of Veikkaus games help in matters related to games, game results, prizes, and the company in general. The customer service is open seven days a week and it serves some 2,300 customers a week—mainly over the phone. However, the number of internet queries is on constant increase.

TRAINING INCLUDES INFORMATION ON DETRIMENTS OF GAMING

Veikkaus offers retailer training to some 5,300 retail clerks annually. After the training the clerks know how to help customers in matters related to gaming. The rules of the games are available at the retail outlets for free.

Although gaming is just entertainment and fun to most Finns, it can cause problems to some people. Veikkaus takes problem gambling seriously. Our retailer training includes a section on problem gambling. After the training, the clerks should be able to recognise a gaming problem when they are faced with one. Moreover, we offer updated information to the retailers in a retailer newsletter released every three weeks, and in our quarterly retailer magazine.

ETHICAL GUIDELINES PROVIDE FRAMEWORK FOR MARKETING COMMUNICATIONS

Veikkaus used EUR 13.7 million (–1.5%) for product marketing. This represents 1.1% of the company’s turnover. All our marketing is aimed at the promotion of our business operations.

We pay special attention to our marketing communications: at the beginning of 2005, we laid down detailed ethical guidelines for them.

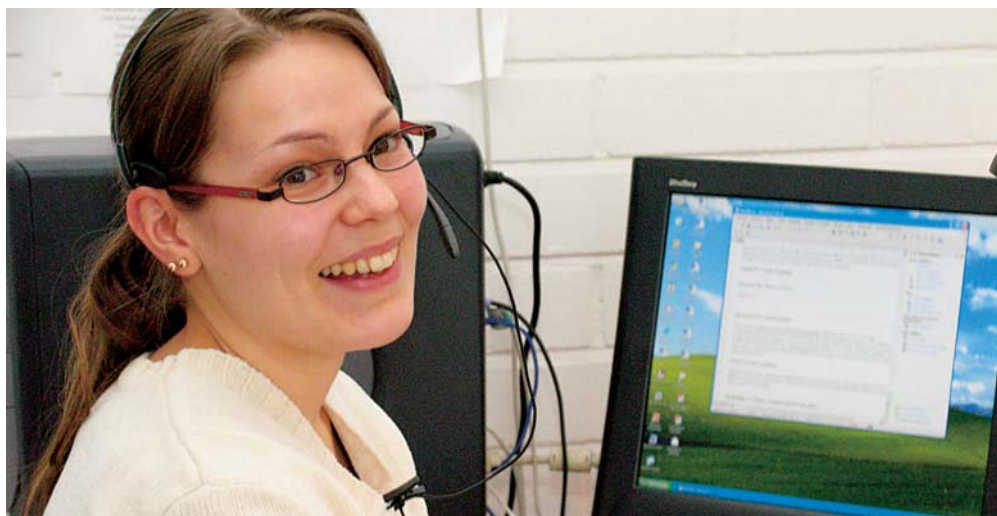
The ethical guidelines are summarized in the box on the left.

ETHICAL GUIDELINES FOR MARKETING COMMUNICATIONS IN A NUTSHELL

- › The guiding principle of the marketing communications shall be social responsibility: we respect the consumers’ individual rights, minimising the idealisation and encouraging of large-scale consumption.
- › There shall be no abuse of the players’ trust in gaming and game providers, nor exploitation of their inexperience or lack of knowledge.
- › There shall be no attempts to attract consumers to gaming that might jeopardise their financial status or family relations.
- › Marketing communications shall not be directed to consumer groups that are especially vulnerable in view of their age, social position, or other special features. Children are one such group.
- › Veikkaus will guarantee the security of its web environment.
- › All Veikkaus’ marketing partnership agreements shall include regulations on fraud and doping (sports-related agreements). The agreements thus drafted will enable Veikkaus to withdraw instantly from any cooperation in which the other party has been engaged in fraudulent activities.

Brochures on problem gambling and the Peluuri helpline are available at all Veikkaus’ retail outlets.

“Most problem gamblers have already tried to find the courage to seek for help for a long time. The gamblers’ awareness of this helpline is the first step towards the actual treatment”, says Jenny Kämpfi who works in the answering service of the Peluuri helpline for problem gamblers.



COOPERATIVE RESPONSIBILITY FOR PROBLEM GAMBLING

The Finnish national gaming organisations work in cooperation to prevent problem gambling. Veikkaus, Fintoto and the Finnish Slot Machine association RAY finance cooperatively projects related to the investigation of the detriments of gaming, conducted by the Ministry of Social Affairs and Health.

Further, the gaming organisations work in cooperation with the two Finnish associations active in the field of gaming, the Finnish Blue Ribbon and the A-Clinic Foundation. These two associations offer treatment to problem gamblers.

The problem gamblers’ helpline Peluuri was opened in September 2004. It provides help to people worried about or

suffering from gaming problems, and to their families and friends. The service is provided by the Finnish Blue Ribbon and the A-Clinic Foundation. Veikkaus, Fintoto and the Finnish Slot Machine association RAY finance this service, too. In the period between September and December 2004, the helpline received 360 calls.

GAMBLING ADDICTION INVESTIGATED THOROUGHLY

The Finnish Ministry of Social Affairs and Health is in charge of the investigation of gambling addiction in Finland. The first large-scale gaming research project was completed in May 2003. The research showed that an average of three out of four

Finns of over 15 years of age had played at least some game with money stakes. The share of heavy players belonging to the problem gambling risk group was 1.5%, i.e. 65,000 people. A person is considered to belong to the risk group if s/he plays to the extent that s/he, or his/her friends and family should start paying special attention to it. Some 25,000 participants in the survey fulfilled the criteria for a problem gambler. The research was conducted by using the so-called SOGS 5+ method, where the participants are classified on the basis of the points they receive in the enquiry.

The Ministry of Social Affairs and Health aims at focusing its research projects on more detailed analyses of the

gaming problem. It has already decided to launch projects on the evaluation of the helpline, the assessment of the financial and social impacts of problem gambling, and the investigation of wireless gaming and young people’s gaming. Other topics to be investigated include the responsibilities and practices of subcontracting, the relation between gaming problems and game technology, as well as the results of the treatment of problem gamblers and the level of knowledge in health care and social services.

The calls to the Peluuri helpline, which was opened in September 2004, have also provided us with more information about the gaming problem. During the first few months, the helpline received some one hundred calls a month, two thirds of which were made by players themselves. Around ten percent of the calls concerned Veikkaus games.

The Peluuri helpline has only been offered for four months now, so the information we currently have is far from being complete. However, we believe that the service will provide us with essential knowledge about addictive gambling and its scope in the future.

VEIKKAUS AND THE FINNISH GAMING SYSTEM CONSIDERED RELIABLE

According to the corporate image survey carried out in 2004, consumers held very positive views about Veikkaus’ operations and corporate image. The consumers seemed to value especially our integrity and reliability. Other features that were found positive included the fact that Veikkaus is a Finnish company, and that our

proceeds are returned to society. The survey was conducted as telephone interviews of over 700 people in spring 2004.

A brand survey carried out in 2004 indicated that as many as 79 percent of our customers rated our operations as good or very good.

An enquiry made by the Finnish market research com-

pany Taloustutkimus Oy on the commission of Taloussanomatt newspaper shows that Finns regard the monopoly system as acceptable. Just 36 percent of the interviewees would have accepted competition in the gaming sector. The results of the research were published in January 2005.

“Gives away money to financial support and brings joy to people; makes money at the same time.”

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2004)

ETHICAL COUNCIL PART OF VEIKKAUS' SOCIAL RESPONSIBILITY

Veikkaus' Ethical Council is an advisory expert organ established by Veikkaus' Board of Directors. The Council's task is to provide Veikkaus' Board of Directors and operative management with an external perspective to issues related to the ethics of gaming, especially games and their marketing, as well as to topics such as addictive gambling.

The Ethical Council convened for the first time in November 2003. In the course of its first year of operations, the Council convened seven times, one of which was in connection with a seminar on the ethics of gaming.

The Ethical Council has had active and insightful discussions on, e.g., problem gambling, the lottery's position in the digital environment, and factors related to the restriction of gaming.

The term of office of the Ethical Council is two years. The present term will end on 31 December 2006.

Members of Veikkaus' Ethical Council

KALEVI KIVISTÖ, Licentiate of Political Science (chairman)

RINGA JUNNILA, Enterpriser (vice chairman)

OLLI ALHO, Professor

SARI ESSAYAH, Member of Parliament (since 2005)

JUKKA GUSTAFSSON, Member of Parliament

VESA-PEKKA KOLJONEN, Editor in Chief

ANNE KORIKAKOSKI, CEO, BNL Euro RSCG Oy (until 2004)

TIMO LAITINEN, Chairman of Finnish Sports Federation (since 2005)

SANNA-MARI MYLLYNNEN, Development Manager (since 2005)

TARJA MÄKI-PUNTO, Member of the Board of the Finnish Volleyball Association (until 2004)

MAIJA-RIITTA OLLILA, Doctor of Social Sciences

TUOMO PELTONEN, Professor (since 2005)

HANNU SAHA, Doctor of Philosophy (since 2005)

PÄIVI SETÄLÄ, Professor, the University of Helsinki

TUULA TAMMINEN, Professor of Child Psychiatry, Mannerheim League for Child Welfare (until 2004)

HEIKKI YLIKANGAS, Professor, the University of Helsinki (until 2004)

PEKKA VÄHÄTALO, Secretary General, the Young Finland Association



“I work at Helsinki Railway Station, where I am in charge of selling Veikkaus' games especially. The station is full of life, and there are also plenty of players each day. Our customers include occasional passers-by, but we do have lots of regular customers who come mostly first thing in the morning to play. Well, I myself play almost daily, too.

I'm also familiar with Veikkaus as a company since I used to work at a Veikkausrasti betting shop. You often get to hear funny stories in customer service. You also get to know new people in the world of games all the time.”

Jussi Liukkonen, Veikkaus' retail sales clerk, stop@station kiosk at Helsinki Railway Station



This year, the theme of Veikkaus' traditional staff event was a playful sports competition in the spirit of Athens, to celebrate the Olympic year.

HAPPY EMPLOYEES ARE THE MOST IMPORTANT RESOURCE

Veikkaus wants its employees to be happy. In order for the company to fulfil its objectives and develop also in the future, it must have a satisfied and inspired staff. We work very hard to achieve this goal.

Year 2004 was the second year in a row that we conducted a personnel survey. The survey showed that Veikkaus' personnel are mostly satisfied with the company and its operations: the average employee satisfaction rate was 3.82 (3.77 in 2003) on a scale of 1–5. The work enjoyment rate was also high (4.27 on a scale of 1–5), and the employees were committed to

the company's operations (4.11 on a scale of 1–5). In all issues surveyed, the rates were slightly higher than in the previous year. The percentage of participation in the survey was 87 (+12).

Work enjoyment can also be seen in the length of the employment contacts: 52 per cent of the staff have worked for Veikkaus for over ten years. However, with the new recruitments and the recent increase in retirements, the share of the employees that have worked in Veikkaus less than five years has increased to 38 percent. The average time of employment is presently 13.5 years.

In 2005, we have chosen to focus on extensive training programmes to reinforce the cooperation between the superiors and the staff and to enhance leadership. Our purpose is to implement the new strategy of business operations and establish the incentive scheme that was reformed at the beginning of the year.

VEIKKAUS' EMPLOYEES ENJOY THEIR WORK

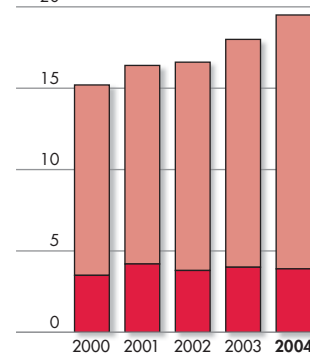
At the end of 2004 Veikkaus had 377 employees. Of them, 221 were women and 156 men.

The age distribution of the staff was very even. The share



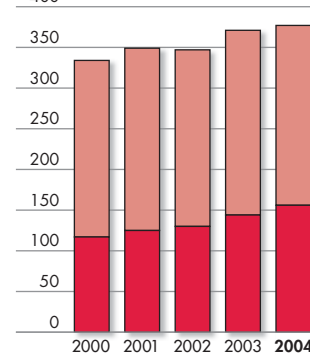
SALARIES AND SOCIAL COSTS

EUR MILLION



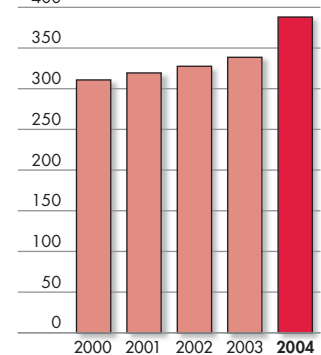
NUMBER OF PERSONNEL

EMPLOYEES



TOTAL EXPENSES OF OCCUPATIONAL HEALTH CARE

EUR THOUSAND





of employees under 30 was 26 percent, whereas the share of employees over 50 was 34 percent. The average age was 42 years.

Veikkaus aims at offering its staff a safe workplace. Of the staff, 95 percent, i.e. 359 employees, had permanent employment contracts. In the course of the year under review, no employees were given notice. 7 employees retired and 5 gave their notice. 14 temporary employment contracts were terminated. The total turnover of personnel was 8 percent in 2004 (in 2003, it was 12 percent).

In 2004, we recruited 16 new permanent employees, and six temporary employment contracts were made permanent. New employees were hired to assistant, expert and managerial positions.

The average monthly salary was EUR 2,951 (+7.5%) in 2004. This figure does not include the salaries of the Executive Team.

Of Veikkaus' staff, 55 percent are members of Veikkauksen Virkailijat ry (Veikkaus officials' association), a trade association under the Trade Union SUORA. The rest of the staff belong to different trade unions and associations by their own choice.

Veikkaus' personnel expenses amounted to EUR 19.5 million (+8.1%) in 2004. Salaries represented EUR 15.6 million of this amount, whereas indirect personnel expenses amounted to EUR 3.9 million.

The personnel incentives

were reformed during 2004, and the new incentive scheme became effective at the beginning of 2005. The reform aims at providing the appropriate motivation and encouragement of work performance. The new scheme also involves a new model for performance discussions. The discussions are now used to provide more detailed tools for the determining of individual incentives. Moreover, a salary team was set up to consider issues related to employee compensation.

One of the goals for 2005 will be to draft a gender equality programme for the company.

PERSONNEL TRAINING FOCUSED ON IT SKILLS

Veikkaus' Game Academy provides the staff with versatile training opportunities. In the course of the year under review, the Academy offered 64 different courses, with a total of 413 training days.

The biggest investments were made in IT training projects, as the company adopted the Windows XP system and an electronic calendar. Training in XP was organised in all of Veikkaus' offices.

The employees can also take the so-called Veikkaus Diploma, which involves training in matters related to the company's operating environment, products, and future challenges. Last year, 21 employees took part in the five-day training enti-

ting to the diploma. Veikkaus Diploma is aimed mainly at newcomers in the company, but many old employees have also wanted to participate in the training.

Further, Veikkaus' training programme includes leadership training and other courses aimed at leadership improvement.

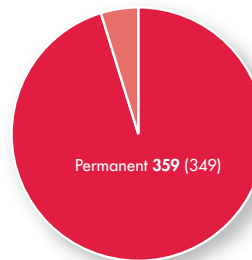
OCCUPATIONAL HEALTH CARE FOCUSES ON PREVENTION

Veikkaus' occupational health care focused on the investigation of the working environment, and especially the workplace community in 2004. Besides the physical workplace conditions, the investigation also covered the workplace atmosphere.

There were a total of 187 physical health examinations,

PERMANENT AND TEMPORARY EMPLOYEES 2004 (2003)

Temporary 18 (22)





some of which were conducted onsite at the workplace.

We launched a physical exercise group for the staff in 2004. Its purpose is to improve the participants' physical condition, muscular strength, and mobility of joints, activating them to exercise daily. The group is led by physiotherapists together with the occupational health nurse.

Another group established to improve the employees' physical condition is the company's weight control group which met 12 times in spring 2004. There were some twenty participants in the group.

Further, Veikkaus has an active sports club which offers many-sided opportunities to

exercise, such as group exercise classes with, e.g., water gymnastics and keep-fit exercises using a gym stick.

Besides the statutory occupational health care services, Veikkaus' staff are entitled to health care at the GP-level, and to specialist consultations in connection with, e.g., spectacle prescription renewals. The employees are compensated for health care expenses after an initial four-month trial period of employment.

In 2004 Veikkaus' employees were on sick leave for a total of 5,158 days. The sick-leave percentage was 5.8 (-0.3). The sick leaves lasted for an average of 6.2 days and the most frequent reason for them were musculoskeletal disorders.

The expenses of occupational health care amounted to EUR 388,059 in 2004. This meant EUR 1,029 (+12.7%) per person.

2003). The recreational bonus is paid as a one-time payment and amounts to EUR 70 per person at the maximum.

The leisure facilities in Kirkkonummi on the south coast and Saariselkä in Lapland, which are open to the staff, also contribute to the work enjoyment.

According to a questionnaire survey conducted in 2004 to determine the working capacity index of Veikkaus' staff, 79 percent of Veikkaus' employees rated their working capacity as excellent or good. The working capacity index was 40.63 (40.25 in 2003). Of the respondents, 91 percent believed that they would still retain their working capacity after two years. The questionnaire was answered by 68 percent of Veikkaus' staff.

In 2005 Veikkaus' occupational health care will focus on the promotion of mental well-being at work.

Social responsibility reflected in all interest groups

Social responsibility means good practices towards all our interest groups. This entails, e.g., caring for our staff, responsibility for our products and services, consumer protection, product safety, relations to other companies, cooperation with our immediate environment, as well as other contributions and work for the good causes.

More than half of Finns think that Veikkaus assumes its social responsibility very well or fairly well.

Source: Social responsibility survey by Marketing Radar Oy, 2004.

VEIKKAUS PROMOTES RECREATIONAL ACTIVITIES AND CLUBS

In Veikkaus, we have long traditions in promoting activities that improve the staff's working capacity, e.g., in the form of active employee clubs. In 2004 our clubs spent EUR 57,962 on their activities (EUR 46,520 in 2003). This amount was used to support, e.g., the sports, arts, travel and fishing clubs. Further, Veikkaus' staff received a recreational bonus, which totalled EUR 23,593 (EUR 22,846 in

COOPERATION THROUGH INTERNAL COMMUNICATIONS

The company's internal communications centred on cooperation and leadership in 2004. There were, e.g., ten leadership infos on topical issues, such as the new incentive scheme, the new strategy, the organisational reform, and the game reforms. The leadership infos were also broadcast real time in Veikkaus' district offices.

Moreover, the staff were offered the opportunity to par-



ticipate in nine Hilperi (“casual Friday”) events. The objective of these events was to reinforce the community spirit, offering information about topical issues and the different departments in the company. In 2004, the topics included the game reforms, the company’s societal relations, and marketing cooperation with golfer Minea Blomqvist.

Veikkaus’ internal communications take place mainly through the Intranet, which can be accessed by all employees. The intranet has proved especially valuable to the employees of the district offices. Moreover, Veikkaus publishes YksiXXaksi (1 x 2), a personnel magazine distributed to the entire personnel six times a year.

HEALTH AND SAFETY AT WORK

Veikkaus has a Health and Safety Committee whose membership changes annually. The Committee works to investigate the health hazards caused by the working environment and the working methods, and to help the staff in problems related to health and safety.

The Health and Safety Committee meets at least four times a year. The meetings are also attended by the occupational health nurse and, if necessary, the company physician.

Veikkaus also has a Health and Safety Delegate, elected for two years at a time.



“I joined Veikkaus four years ago as an Assistant of Marketing Cooperation and Sponsorship, but I soon switched over to marketing completely. The organisational change of 2004 opened up new opportunities, which I boldly seized. Currently I work within the Sports Market, which means that my customers mainly consist of players of the games of skill and sports buffs.

In my new job I get to think about, e.g., what kinds of products can be developed for the players who want gaming to offer them extra excitement while they follow various sports events. I am working with the same products as before, but my tasks have changed from daily routines to planning. I think Veikkaus has provided me with good opportunities to improve my skills.”

Lea Leviäkangas, Assistant, Sports Market, Veikkaus

**SCIENCE HAS BEEN FINANCED
WITH VEIKKAUS FUNDS FOR ALMOST
FIFTY YEARS**

- › Most of the funds distributed to science are allocated to the Academy of Finland. The funds have been used to launch, e.g., a research project on the indigenous people and their political activities, carried out by the Arctic Centre of the University of Lapland. In 2004 this international project received over EUR 200,000 of funds.
- › Veikkaus funds are also allocated to, e.g., research institutes and archives, as well as to scientific libraries.
- › In 2004, science was financed with nearly EUR 76 million of Veikkaus funds.





ENVIRONMENTAL RESPONSIBILITY ACROSS THE OPERATIONS

Caring for the environment is an inherent part of Veikkaus' social responsibility. In 2004 we paid special attention to the development of a waste management and recycling system.

GAMES OPERATED CHIEFLY ELECTRONICALLY

Today, games are operated chiefly electronically. Gaming generates waste mainly in the form of playslips, instant tickets, and receipt rolls of online and instant lottery terminals.

Veikkaus' online games require some 280,000 receipt rolls a year. The paper spools of the rolls are recyclable, and thermal paper can be collected as energy waste. We buy the receipt rolls from Edita Kvaritto, entitled to use the Nordic Environmental label—the Swan.

Veikkaus' games are played on some 150 million playslips a year. Our playslips are printed on environment-friendly paper, with printing inks that are primarily plant-based. The playslips are packed in recyclable corrugated cardboard boxes.

The products and package material which we send to our retailers are also reusable, made of recyclable cardboard and paper.

Instant tickets cannot unfortunately be recycled, since they have to be destroyed by shredding for security reasons. Each year some 64 million tickets are printed. Unsold and withdrawn tickets are disposed of as energy waste.

Veikkaus gaming operations burden the environment otherwise mostly by generating paper and energy waste, such as advertisement and promotional material, magazines and letters.



“Our playslips are printed on environment-friendly paper.”



“Our aim for year 2005 is to draft a report on the total energy consumed and waste generated in all our offices”



WITHDRAWN GAMING EQUIPMENT IS RECYCLABLE

The most significant environmental burden caused by gaming is generated at the end of the production chain, as the games are sold. Our games are sold through two different channels of distribution: on Veikkaus' Internet service and at our nearly 3,750 retail outlets.

The gaming equipment at the retail outlets can be used for years. The current 3,000 online terminals and 900 instant ticket terminals have been in use since 1997, and will be renewed in 2007 again. In connection with the previous renewal, the old terminals were forwarded to another lottery to be reused there. We have not yet decided how the equipment that will be withdrawn in 2008 should be recycled. The components and circuit cards of the equipment count as hazardous waste, but the mechanical parts can be collected as metal and plastic waste.

Maintaining the gaming equipment requires greases, paints, detergents, and solvents that are classified as hazardous waste. In autumn 2004, we drafted special guidelines for the use of the chemicals. With the new waste management system, the hazardous waste from equipment maintenance will be separated more carefully before disposing of it as hazardous waste.

AVOIDING EXCESSIVE KILOMETRES

In order to function reliably and properly, Veikkaus' instant lottery and online terminals must be maintained efficiently. Although the so-called MDBF, i.e. Mean Distance between Failures of the gaming equipment is quite low, just 340 days, over 3,100 service calls were necessary in 2004.

Veikkaus maintains and changes the broken terminals together with a subcontractor. Our service network is dense, covering the entire country. The radius of the service calls varies from a few kilometres in southern Finland to 200 kilometres in the north, so we have managed to maintain our kilometres reasonable. In 2004, they amounted to some 500,000.

We aim at planning our product transportation routes carefully, combining several transportations. Transportations to retail outlets and sales offices are managed from a central depot. In logistics, we plan to improve our internal order systems in 2005, in order that both the transportation expenses and the environmental hazards caused by transportation could be minimised more efficiently.

ENERGY CONSUMPTION AT VEIKKAUS' HEAD OFFICE REMAINS STABLE

Besides the head office in Vantaa, Veikkaus has smaller sales offices in major towns around Finland: in Tampere, Lahti, Vaasa, Turku, Kuopio and Oulu. We also own premises for meeting and recreational purposes in Helsinki city centre, Kirkkonummi and Lapland.

Of all Veikkaus' offices, the head office in Vantaa generates the most waste and consumes the most energy. In 2005, we aim at drafting a comprehensive report of the energy consumption and amount of waste generated in the entire company.

The consumption of electricity and water in the head office remained on almost the same level as in 2003. Instead, the consumption of district heat increased.

The server room in Veikkaus' IT backup centre and the official state controllers' offices, as well as an environment experimental room in the main building were equipped with a more efficient cooling system. The overall consumption of electricity in the head office amounted to 3,500 MWh, which is a few percent less than in 2003. Summer 2004 was considerably cooler than summer 2003, which also resulted in a lower consumption of electricity.

Veikkaus' consumption of district heat increased by 12.5 percent over the previous year. The increase can be explained by an increased need for air-conditioning for reasons of production. In 2004, our consumption of district heat was 2,700 MWh.

The consumption of water in the head office amounted to 4,100 cubic litres both in 2003 and 2004.

“You can play Veikkaus’ games on the Net, so you can save both on paper and the pollution using a car would generate.”

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2004)

ECOLOGICAL TEAM RENEWED WASTE RECYCLING SYSTEM

In 2004 Veikkaus set up an Ecological Team. The team’s task is to take care of the practical implementations of environmental responsibility, as well as to motivate and stimulate the staff, communicating environmental matters to them. The team consists of 13 members from different units of the company, an outside expert, as well as a representative of the ISS Facility Services.



The first task of the team was to reorganise the system of waste recycling and collection in the head office. This task was accomplished by the end of December 2004. We now separate energy waste, mixed waste, paper, cardboard, and metal and hazardous waste. Previously we did not separate energy waste from mixed waste, nor did we separate paper into office paper and newspapers. The collection, transport and treatment of waste are taken care of by Lassila & Tikanoja.

The Ecological Team’s operations plan for 2005 includes the implementation of the new waste management system in all of Veikkaus’ district and sales offices. Further, the staff will be offered training in environmental matters.

Responsibility for our common environment

Environmental responsibility covers the various operations that aim at caring for the environment or the natural resources. They include the protection of waters, air, and soil, as well as the prevention of climate change, and the economical use of the natural resources.

Nearly half of Finns think that Veikkaus assumes its environmental responsibility very well or fairly well.

Source: Social responsibility survey by Marketing Radar Oy, 2004.



“In my job as a taxi driver I don’t really need a computer, but I play Veikkaus games on the Net every week - mostly Lotto, Viking Lotto and Keno, but occasionally Fixed Odds Betting, too. Playing on the Net is easy.

I have my permanent lucky numbers in Lotto and Viking Lotto, which I enter on a playslip and submit at a kiosk. On the Net, I’ve also tested the perma-game option, where you can play with the same entry week after week. I haven’t won big prizes so far, but have occasionally received smaller sums on my game account.”

Taxi driver, player of Veikkaus games
Jouni Koponen, Vantaa

GOVERNANCE PRINCIPLES

Veikkaus is a state-owned limited company which belongs under the management of the Finnish Ministry of the Interior. The state's responsibilities for the company's operations are determined solely by its share capital.

Veikkaus' governance is based on the Lotteries Act (1047/2001) and the gaming licence, as well as the Finnish Companies Act and the company's Articles of Association. The Council of State has granted Veikkaus a licence to operate lotteries, betting and pools games in accordance with the Lotteries Act. The current gaming licence will be effective until the end of 2006.

Veikkaus' superior administrative organ is the General Meeting, which appoints the Board of Directors and the Supervisory Board for two calendar years at a time in accordance with the Articles of the Association. In 2004, there were two General Meetings, which were attended by the Minister of Culture as the representative of the Finnish state; officials of the Ministry of Education, the chairmen of the company's Board of Directors and Supervisory Board, as well as company representatives.

BOARD OF DIRECTORS

According to the Articles of Association of the company, the Board of Directors has five members at the minimum and seven members at the maximum in addition to the chairman. The general meeting appoints

the chairman and vice chairman of the Board. In accordance with a recommendation on state companies issued by the Ministry of Trade and Industry, the company's CEO and Executive Vice President no longer belong to the Board since the beginning of 2004. The Board of Directors held 13 meetings in 2004. The average participation in the meetings was 95 percent.

The tasks and responsibilities of Veikkaus' Board are determined according to the Finnish Companies Act. The Board considers all issues that have far-reaching significance for the company. These include the company's strategic guidelines and core investments, the annual operation plan, and the budget, as well as the follow-up of all of them. The Board also appoints the CEO and the other directors, and determines their salaries and other benefits.

The Board drafts an annual operations timetable, with a schedule for the meetings and the themes handled in them. At the end of the year under review,

the Board conducted a self-evaluation of its activities and their effectiveness.

The committees report to the Board on their regular work. In 2004 the members of the Audit Committee were: Ari Lahti (chairman), Maria Kaisa Aula (from 1 September 2004), Raija Mattila, Pekka Neittaanmäki (until 1 September 2004) and Leena Paananen. The members of the Compensation Committee were Juha Niemelä (chairman), Heikki Lehmusto, Pekka Neittaanmäki (from 1 September 2004), and Leena Ryyänen. The Compensation Committee convened three times and the Audit Committee five times in the course of the year under review. Further, the Supervisory Board held one telephone conference.

In compliance with the Guidelines for Insiders issued by Helsinki exchanges, the members of the Board file annual insider reports, for the evaluation of their independency. The reports have showed that all the members of Veikkaus' Board are

independent of the company.

Veikkaus' Board aims at developing the company's corporate governance on the basis of the recommendation (13 November 2000) issued by the Ministry of Trade and Industry. Further, the company complies with the Recommendation for corporate governance of listed companies issued by Hex Oyj, the Central Chamber of Commerce, and the Confederation of Finnish Industry and Employers (2 December 2003).

SUPERVISORY BOARD

Veikkaus' Supervisory Board has 14 members, one of whom is a representative of the personnel. The Supervisory Board elects a chairman and vice chairman for one year at a time. In 2004 the Supervisory Board convened seven times.

The Supervisory Board is responsible for supervising the management of the company conducted by the Board of Directors and the CEO, and for issuing a statement on the financial statement and Auditors' report to the General Meeting.

MANAGEMENT

The CEO is in charge of the day-to-day management of the company in accordance with the Finnish Companies Act and the instructions and orders given by the company's Board of Directors. The Executive Team assists the CEO in his work. During the year under review, Veikkaus' Executive Team first consisted of 11 members in addition to the CEO, but with

AUDIT COMMITTEE AND COMPENSATION COMMITTEE —VEIKKAUS' BOARD'S TWO SPECIAL COMMITTEES

The Audit Committee

- › assesses the financial reporting system and
- › works to develop the financial statement and Annual report
- › supervises the legality of the operations, the possible security risks in the company, and the external auditing.

The Compensation Committee

- › determines the general principles of compensations to the management and the staff,
- › prepares the management's employment contracts
- › is in charge of management development plans.

*“Veikkaus’
governance is
based on the
Lotteries Act and
the gaming licence
granted by virtue
of the Lotteries
Act.”*

the organisational change realised in November, the number of members was cut to eight. The Executive Team convened 33 times in 2004. All members of Veikkaus’ Executive Team file an insider report in compliance with the Guidelines for Insiders issued by Helsinki exchanges.

WAGES, SALARIES AND INCENTIVES

The personnel that were hired before 1 January 1994 may retire at 63. The Board members and company management do not enjoy special benefits, except for the CEO’s additional pension scheme. Nor have the company executives been granted shares or share-related rights. The members of Veikkaus’ Board of Directors and Supervisory Board receive a monthly compensation and a compensation for each meeting they attend.

predetermined financial result would be attained. This was counted by comparing the gross margin with that of the year 2003. In 2004, the incentives were paid in full, as in the previous year. In addition to the performance incentives, we had a discretionary bonus scheme, based on the evaluation of individual employee performance.

In December, Veikkaus’ Board of Directors decided to introduce a new incentive scheme that would correspond better to the company’s strategic objectives. The scheme includes the discretionary performance-based bonuses to the salaries, special rewards, and performance incentives. The new incentive scheme covers Veikkaus’ entire personnel.

The performance incentive is an annual one-time payment based on the achievement of the

achievement of the objectives is assessed at the end of the financial year, and the amount of the incentive is determined according to the annual salary of each employee. The incentive may be 0–30% of the salary, and in order that the incentive can be paid in whole, all the objectives must be attained.

The superiors can propose one-time special bonus rewards on the grounds of individual, very successfully conducted performances. The rewards may amount to a minimum of 200 euros and the maximum of 2,000 euros. Members of the Executive Team are not granted special bonuses. A performance-based incentive, on the other hand, means a permanent rise on the grounds of continuous good performances. Performances are evaluated on the basis of professional proficiency, performance results, cooperation, ability of reform, initiative, and, for superiors, management skills. Each year, some ten percent of the staff are rewarded with performance-based incentives ranging from 3–6%.

The special bonuses and performance-based incentives are determined by a salary team consisting of the members of the company’s Executive Team. The bonus proposals submitted to the salary team are drafted by the personnel service department on the basis of the superiors’ recommendations. The incentives paid to the members of the Executive Team are determined by the Board of Directors on the basis of a pro-

posal drafted by the Compensation Committee.

SUPERVISION AND RISK MANAGEMENT

By virtue of the Lotteries Act (1047/2001), the lottery, pools and betting operations conducted by the company are supervised by the Ministry of the Interior. The Ministry confirms the rules of the games. Player complaints related to prize payout are processed by the Ministry, which issues recommended decisions on them. The gaming activities are supervised by the official supervisors appointed by the Ministry. The official supervisors also confirm the results of the games and the prizes.

Since the games are supervised from outside of the company, even the company’s staff can play Veikkaus games. However, betting games with fixed odds constitute an exception: the CEO, the Executive Vice President, and the personnel of the skill games, game management and online units cannot participate in them.

In accordance with the company’s Articles of Association, the general meeting appoints two regular auditors. One of them must be an auditor or audit firm authorised by the Central Chamber of Commerce (KHT auditor or KHT audit firm). At the moment, this task is carried out by the audit firm KPMG Wideri. The other auditor must be an authorised auditor representing the State Audit Office.

SALARIES, WAGES AND OTHER BENEFITS GRANTED TO VEIKKAUS’ BOARD OF DIRECTORS, SUPERVISORY BOARD, AND EXECUTIVE TEAM (EUR)

	2004	2003
Board members	94,192	73,752
Supervisory Board	87,400	91,000
CEO and Executive Vice President	344,830	296,465
Other members of the Executive Team	809,175	692,527

In 2004, Veikkaus implemented a performance incentive scheme that covered the entire personnel. The condition for the incentives was that the

strategic goals and success of the company. The objectives and standards of the various activities and units are determined as the operations are planned. The

COMPENSATIONS TO THE AUDITORS (EUR)		
	2004	2003
Audit compensations	61,127	63,314
Other services	205,296	332,678

The company's internal audit evaluates the sufficiency, reliability and efficiency of the process of risk management, supervision and management, in accordance with the confirmed operating principles. Further, the objective of the internal audit is to develop control systems related to management, ensuring legality and preventing abuse. The internal audit is conducted by a person nominated by the company, together with an external partner appointed by the Board of Directors. In 2004, the external partner was PricewaterhouseCoopers. The internal audit is conducted directly under the CEO, reporting to the Audit Committee, and covering the entire organisation.

In the year under review, we introduced a total risk management system (ERM) as part of the planning of the company's activities. It provides a framework for the regular assessment of and preparing for the risks involved in the business operations.

Veikkaus' Quality and Security Standards Unit is in charge of the company's risk assessment procedures and the implementation of security measures

corresponding to the assessed risks. Further, the Unit controls that the security measures are complied with. Internal auditing procedures are conducted to evaluate the sufficiency of the security measures. The Quality and Security Standards Unit reports to the Audit Committee.

The external auditing of the standards is conducted by the World Lottery Association, which audits the company's compliance with the WLA 2000 standards, and Inspecta Oy, which audits the compliance with the ISO standard BS 7799. In 2004 Inspecta Oy carried out two follow-up assessments related to the information security certificate, which proved that the company's information security system continues to fulfil the requirements of the standard.

GENERATION AND FOLLOW-UP OF FINANCIAL SURPLUS VALUE

By operating games in a socially responsible way Veikkaus generates value to Finnish society. Our profits are returned to the customers—to Finnish society—to be used for the benefit of arts, sports, science and youth work.

At the same time, we respond to the demand of games in Finland with an ethically planned, reasonable, and reliable supply.

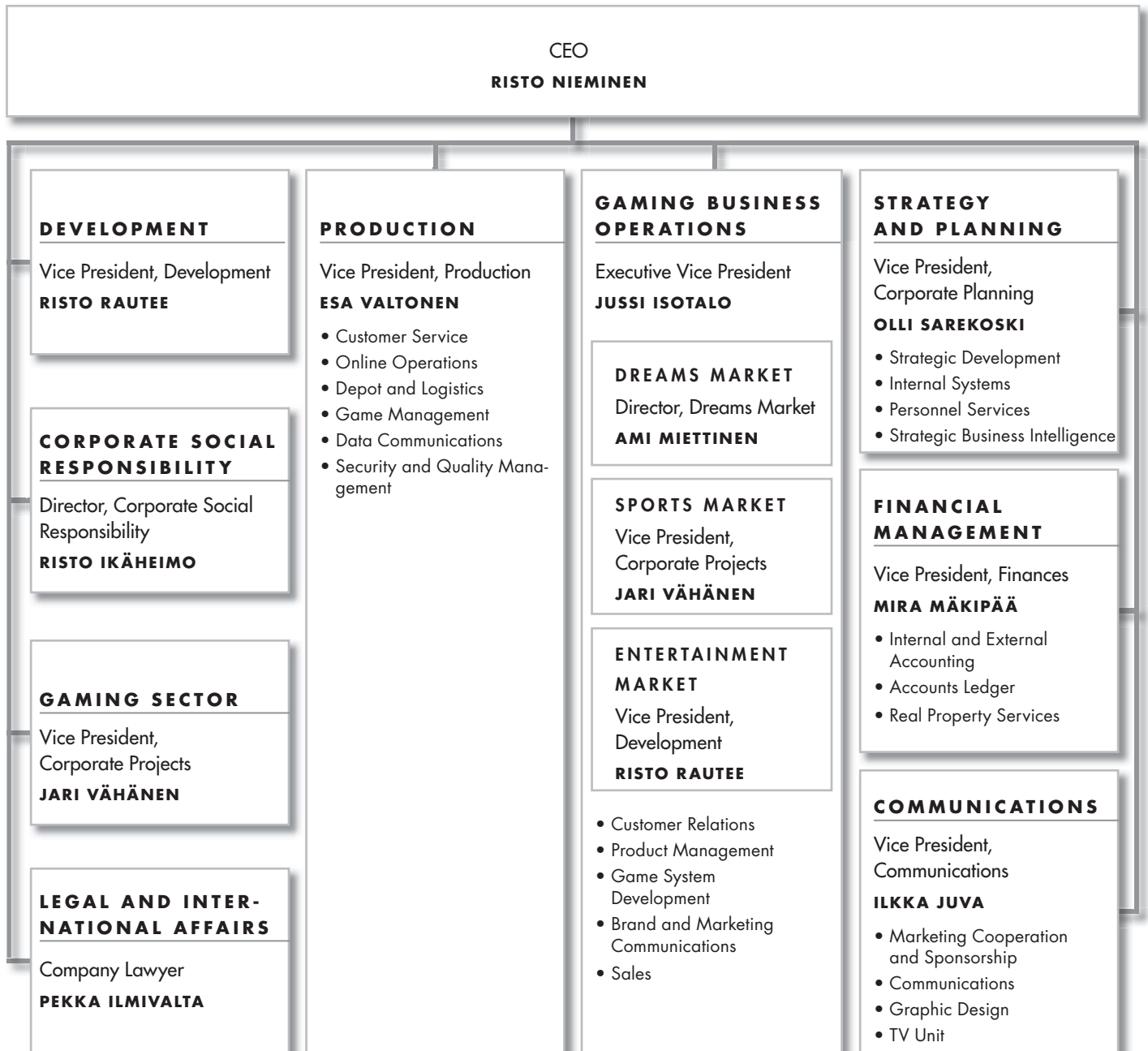
Veikkaus aims at increasing its profit moderately in spite of the competition which is becoming tougher and involving more and more operators. The medium-term objective of the company and its owner is to increase the company's return objective recorded in the state budget by an average of 1.5%.

The strategy approved by the Board of Directors serves as the basis for an annual operations plan and budget, the realisation of which the Board supervises. The return objectives are followed by monthly result reports and prognoses. We implement a so-called rolling budget with a 12-month cycle, used to adjust the result prognosis every four months. We will continue to develop the systems of follow-up business calculations in accordance with our customer relations strategy.

THE EUROPEAN UNION REQUIRES that all public companies within the EU should draft their financial statements in accordance with the IAS/IFRS standards for financial statements from the beginning of 2005. Veikkaus started the preparations for the introduction of the IFRS standard in the year under review, and will publish its first financial statement in accordance with the standard in 2006. The biggest changes brought about by the standard from Veikkaus' perspective will concern the equity capital, whereas the result will not be affected.

“The company's gaming operations are supervised by the Ministry of the Interior.”

ORGANISATION



MANAGEMENT

VEIKKAUS' BOARD OF DIRECTORS 2004–2005



JUHA NIEMELÄ, Chairman, b. 1946
M.Sc. (Econ.)
D.Sc. (Econ.), h.c.
D.Sc. (Tech.), h.c.
Member of the Board since 10 October 2000



HEIKKI LEHMUSTO, Vice Chairman, b. 1947
Master of Laws
Member of the Board since 1 January 2000
Current memberships of other boards of directors:
Edita Oyj (Chairman), Image Funk Oy, Lehmusto & co. (Chairman), Pretax Oy, Sofia Digital Oy (Chairman), Suomen Arvopaperimediata Oy



MARIA KAISA AULA, b. 1962
Lic. Soc. Science
Member of the Board since 1 September 2004
Special Adviser to the Prime Minister, Economic Policy (on maternity leave)
Current memberships of other boards of directors:
Supervisory Board of YLE, The Finnish Broadcasting Company Ltd., Central Union for Child Welfare in Finland (Chairman), Research Foundation of Okobank Group



ARI LAHTI, b. 1963
Lic. Soc. Science
Member of the Board since 1 January 2002
Managing Director of ICECAPITAL Securities Ltd.
Current memberships of other boards of directors:
Belton Group plc. (Chairman), Companies in the ICECAPITAL Group



RAIJA MATTILA, b. 1945

M. Soc. Science

Member of the Board since 1 January 2002

Head of the Sports Division of the Finnish Ministry of Education, Senior Adviser of Cultural Affairs.

PEKKA NEITTAANMÄKI, b. 1951

Professor

Member of the Board since 1 January 2004

Professor, Dept. of Mathematical Information Technology, the University of Jyväskylä

LEENA PAANANEN, b. 1950

M.Sc., Econ.

Member of the Board since 1 January 2000

Managing Director of Salomaa Group Ltd.

Current memberships of other Boards of Directors: companies owned by Salomaa Group and AS-Grey, Kalevala Koru Oy

LEENA RYYNÄNEN, b. 1956

M. Sc., Econ.

Member of the Board since 1 January 2002

Managing Director, SBS Finland Oy

Current memberships of other Boards of Directors: RAB Finland Oy, Association of Finnish Broadcasters (Chairman), AER—Association of European Radios (vice president), companies owned by Pro Radio Group

SUPERVISORY BOARD 2004—2005

Deputy Speaker of Parliament **ILKKA KANERVA**, Chairman

Member of Parliament **MATTI SAARINEN**, Vice Chairman

Member of Parliament **TUIJA BRAX**

Member of Parliament **KAARINA DROMBERG**

Member of Parliament **JUKKA GUSTAFSSON**

Member of Parliament **SUSANNA HUOVINEN**

Member of Parliament **KAUKO JUHANTALO**

Member of Parliament **JARI LEPPÄ**

Member of Parliament **MAIJA-LIISA LINDQVIST**

Member of Parliament **AILA PALONIEMI**

Member of Parliament **PIRKKO PELTOMO**

Member of Parliament **IRJA TOLONEN**

Member of Parliament **KARI UOTILA**

PERSONNEL REPRESENTATIVES:

IT Planner **TEIJO LOIKKANEN**

Communications Manager **RIITTA NISSI**,

Deputy Personnel representative

SUPERVISORS

Chief Police Inspector **MATTI BÄCKMAN**

Senior Adviser, Legal Affairs **AULIS GERLANDER**

Adviser **HANNELE JUUSELA**

Inspector General of the Police **SEPPO JUVONEN**

Chief Superintendent **LEENA PIIPPONEN**

Inspector General of the Police **REIJO PÖYHÖNEN**

Deputy Police Chief **RAUNO SINTONEN**

Chief Information Officer for the Police **KAIIJA UUSISILTA**

AUDITORS

Authorised Public Accountant **LASSE HOLOPAINEN**,
KPMG Wideri Oy

Certified Accountant **OSMO VALTONEN**

EXECUTIVE TEAM



CEO **RISTO NIEMINEN**, s. 1951

MA

Veikkaus career 1989—2000; and since 2001

Appointed CEO in 2001

Background includes experience as a CEO, Communications Director, and Museum Director

Member of the Executive Team since 1991



Executive Vice President **JUSSI ISOTALO**, b. 1947

Diploma in Business and Administration

Joined Veikkaus in 1988

Background includes experience in the shipping industry and executive positions in various national organisations

Member of the Executive Team since 1988



Company Lawyer **PEKKA ILMIVALTA**, b. 1970

Master of Laws (trained on the bench)

Joined Veikkaus in 2003

Background includes working as an advocate and positions in sports organisations

Member of the Executive Team since 2004



Vice President, Communications **ILKKA JUVA**, b. 1952

Joined Veikkaus in 2000

Background includes working as an Editor of, e.g., Uusi Suomi and Turun Sanomat newspapers, and most recently as the Editor-in-chief of Länsi-Savo newspaper

Member of the Executive Team since 2000



Vice President, Finances **MARILENE MÄKIPÄÄ**, b. 1950
B.Sc. (Econ.), Authorised Public Accountant
Joined Veikkaus in 2002
Background includes working as an Authorised Public Accountant and a Financial Director in various small and medium-sized enterprises
Member of the Executive Team since 2002



Vice President, Development **RISTO RAUTEE**, b. 1953
M.Sc. (Tech.)
Joined Veikkaus in 1984
Background includes working as a Planner and Technical Director
Member of the Executive Team since 1989



Vice President, Corporate Planning **OLLI SAREKOSKI**, b. 1965
M.Sc. (Econ.)
Joined Veikkaus in 2003
Background includes various executive positions
Member of the Executive Team since 2003



Vice President, Production **ESA VALTONEN**, b. 1952
M.Sc.
Joined Veikkaus in 1991
Background includes positions within Information Technology and executive positions in software production
Member of the Executive Team since 1997



Vice President, Corporate Projects **JARI VÄHÄNEN**, b. 1965
M.Soc.Sc
Joined Veikkaus in 1995
Background includes working as the Betting Director and Acting CEO of the Finnish Trotting and Breeding Association
Member of the Executive Team since 2004

The year under review was the 64th year of operations of Veikkaus Oy. The company's economy developed favourably during the period. Veikkaus achieved a turnover of EUR 1,260.8 million, which is the highest in the company's history. This meant an increase of EUR 101.5 million over the previous year (+8.8%).

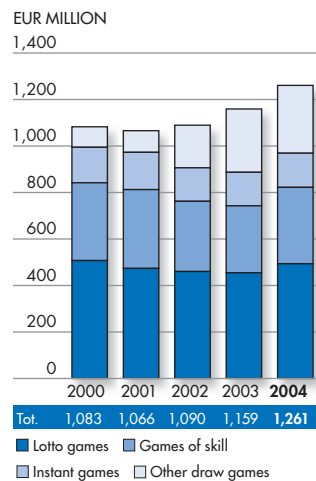
Veikkaus' gross margin on sales was EUR 461.4 million, which was EUR 22.9 million (+5.2%) bigger than in 2003. The profit before appropriations was EUR 394.5 million, with a growth of EUR 23.5 million (+6.3%) as compared to the previous year.

The result of the financial year amounted to EUR 397.7 million, of which EUR 375.8 million will be returned to the Ministry of Education to be distributed to Finnish arts, sports, science, and youth work. The result improved by EUR 22.0 million (+5.9%) over the year before.

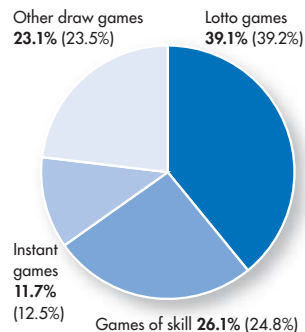
FIXED ODDS BETTING AND KENO PACESETTERS

Veikkaus game selection included the following games in the year under review: lotto games Lotto and Viking Lotto; other online draw games Keno, Joker, Around the World, Medals Game, Olympic Bingo, Simo's Weather Forecast and Veikkaus Bingo; betting games Live Betting, Multibet, Fixed Odds Betting, Result Odds Betting, Winner Odds Bet-

TURNOVER BY GAME GROUP



SHARE OF TURNOVER BY GAME GROUP IN 2004 (IN 2003)



ting, and the other games of skill, i.e. Football Pools, V5 and V75 Off-track Horse Betting, as well as the instant games Casino Instant, Ässä Instant, Lucky Words Instant, Nature Instant, Horoscope Instant, and the various theme instants.

In the year under review, all of Veikkaus' game groups increased their sales. The turnover of the lotto games amounted to EUR 493.5 million, showing an increase of EUR 38.7 million (+8.5%) over the previous year. The games of skill generated a turnover of EUR 328.7 million, with a growth of EUR 40.8 million (+14.2%) from 2003. The turnover of other online draw games went up to EUR 291.7 million, which means a growth of EUR 19.4 million (+7.1%). The instant games yielded a turnover of EUR 146.9 million, i.e. EUR 2.6 million (+1.8%) more than in the previous year.

The lotto games represented 39.1% (39.2% in 2003) of the company's total turnover, whereas the share of the games of skill was 26.1% (24.8%); the share of other online games was 23.1% (23.5%), and that of instant games was 11.7% (12.5%).

The games that increased their popularity most were Fixed Odds Betting and Keno. The sales of Fixed Odds Betting grew by as much as 99.9% after the reform introduced in February 2004. The company was able to achieve all the objectives of the game reform. In all,

Fixed Odds Betting was played for EUR 97.0 million and Keno for EUR 220.3 million (+11.0%) in 2004. The prize top (EUR 2.5 million) in Keno was reached for the first time on round 39.

The turnover of Lotto, Veikkaus' largest game, also showed an upward trend (+8.7%). Finns played Lotto for a total of EUR 421.4 million in 2004. The sales were boosted especially by the large jackpots of the end of the year. In November (round 45/2004) a family from Kokkola, a town on the Finnish west coast, landed an all-time high lotto jackpot of EUR 5.7 million. The price of a single-board entry in Lotto was raised by 10 cents, i.e. to 70 cents, in February (round 7/2004).

A TOTAL OF EUR 631 MILLION OF PRIZES PAID OUT TO PLAYERS

In 2004, the company paid out a total of EUR 631.2 million (+12.4%) of prizes to players. The expenses incurred by the draws and result information amounted to EUR 10.3 million (+49.4%). The drawing expenses went up as a result of new forms of TV cooperation, as well as the reform of the supervisory system, in relation to the introduction of real-time Live Betting. Game event cooperation cost EUR 9.9 million (+13.8%), whereas the expenses related to playslips and tickets were EUR 7.4 million (-17.4%). Veikkaus used EUR 13.7 million (-1.5%) for product

“Veikkaus paid out 55 million different prizes to players.”

marketing, which represents 1.1% of the total turnover.

The commissions paid out to the retailers amounted to EUR 80.8 million, i.e. 7.0% of the turnover (+4.6%). Veikkaus' sales network consists of 2,850 online retail outlets, and some 900 instant ticket outlets.

In addition to the profit of EUR 375.8 million returned to the Ministry of Education, Veikkaus paid EUR 60.0 million (+3.7%) in lottery tax to the Finnish State and EUR 12.8 million in VAT (+ 3.7%) in the year under review.

AGREEMENT ON NEW GAME SYSTEM

In 2004, Veikkaus' total investments amounted to EUR 6.7 million. In December, following a bidding process, the company signed an agreement with its present system supplier GTech to reform the game system. The reform is extensive, entailing the replacement with up-to-date technology of not only the central system and the internet gaming system, but also of the 3,050 online terminals and nearly 900 instant game terminals. The project is estimated to take four years. The agreement also involves the compensation paid by GTech for Veikkaus' present internet gaming system which will be taken over by GTech.

INVESTING IN PRODUCT DEVELOPMENT

Veikkaus' product development

has focused on the new types of games and service forms that have been made possible by digital TV and the new wireless terminals. There is a trend towards games with a higher event frequency on the gaming market. In the future, gaming will take place more often through wireless terminals that make playing possible irrespective of time and place. In 2004, the company invested EUR 8.7 million (-5.4%) in product development and research.

Veikkaus' internet game service is one of the largest web stores open to consumers in Finland. Veikkaus games were played for EUR 110.8 million (+51.6%) on the internet service in 2004. The amount covers 9.9% of the total sales of online games.

By the end of the year 2004, there were a total of 268,163 registered players in Veikkaus internet game system. The number was 6,807 smaller than in 2003, since the company started to check the identity of the registered players through the Population Register Centre in August. The objective is to control that the players will give authentic personal data whilst registering themselves in the system, as well as to check that all the players come from Finland.

Veikkaus launched a new type of game with high event frequency, Live Betting. This game format brings additional value and entertainment to sports events. You can play Live

Betting either over the internet or on the phone using the wap technology. Since Live Betting takes place at a pace much faster than that of other types of games, it has been made subject to certain restrictions. You can only transfer a maximum of 100 euros to your electronic game wallet a day, and a single stake must not exceed 20 euros. The money is transferred back to the game account once the final gaming event of the day is over.

In September Veikkaus introduced two new games of chance, Simo's Weather Forecast and Veikkaus Bingo. Simo's Weather Forecast is a TV game drawn in connection with a programme called SF-studio on TV1 on Friday evenings. In Veikkaus Bingo you can participate in two different draws with the same playslip: in the daily and the weekly draw.

Besides creating new games, Veikkaus' product development also aims at developing the existing games. In August, the company introduced Lucky Number as a new feature into Viking Lotto. The Lucky Number increases the jackpot considerably when it hits among the six winning numbers. At the same time, the board fee in Viking Lotto was raised from 45 to 50 cents. The first Lucky Number was found on round 01/05, entitling the Danish jackpot winner to an extra pot of EUR 4.4 million.

Football Pools 1 was reformed in November. The

share of the lower prize tiers was made bigger, and the extra-pot system was replaced with bonus rounds. There are five bonus rounds in a year. The funds collected on the previous rounds into a prize pool are distributed evenly between all of the prize tiers. Each tier is allocated an extra amount of at least EUR 50,000.

TOWARDS CUSTOMER RELATIONS MANAGEMENT WITH THE NEW ORGANISATION

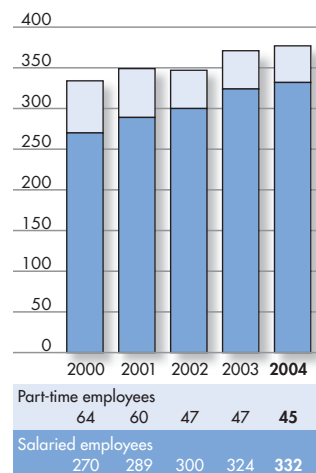
At the end of 2004 Veikkaus had 332 salaried and 45 part-time employees. In all, the company had thus a total of 377 employees, i.e. six more than in the previous year. In the year under review, 34 people were recruited, whereas seven retired. Further, 19 people gave their notice in 2004.

In addition to the head office in Vantaa, Veikkaus has regional sales offices in the cities of Lahti, Turku, Tampere, Vaasa, Kuopio, and Oulu. There is also a district centre in Tampere with, e.g., an internet gaming helpdesk for players.

In 2004 Veikkaus' personnel expenses amounted to EUR 19.5 million, with an increase of 8.1% over the previous year. During the review period, the company made considerable investments in operational planning processes and leadership development in accordance with the company strategy.

In autumn 2004, the com-

NUMBER OF EMPLOYEES



pany conducted a personnel survey in which 87% (+11.5%) of the staff participated. According to the survey, Veikkaus' employees are mainly content with the company and the way it operates: on a scale of 1–5, the average rate of satisfaction was 3.82 (3.77 in 2003). The rates were higher than in the previous year in all categories, except for that of compensation. Veikkaus' employees were especially satisfied with the company's security, the reliability of its operations, the meaningfulness of the work, as well as personnel development and the workplace atmosphere.

Veikkaus changed its operational system in 2004, which entailed the adoption of a leadership system based on customer orientation, as well as customer relation management and the differentiation of the supply to different customer groups. The new organisation was introduced at the beginning of November, bringing with it many opportunities of career mobility to the employees. The change will be reinforced with extensive staff and leadership training programmes in 2005.

RESPONSIBILITY FOREGROUNDED IN GAMING

Social responsibility provides the basis for all Veikkaus' operations. It entails caring for the environment, the

customers and the staff, as well as complying with good management practices and the principle of equality. It also means the provision of games on an ethically sustainable basis.

Veikkaus' task is to provide a safe channel to gaming whilst trying to minimise the social detriments of gaming. Investing in customer relations management in the next few years means, e.g., that the company will aim at collecting accurate customer data and gaining profound customer knowledge. These objectives also provide the company with concrete tools for ensuring a game supply based on the principle of responsibility.

In September a helpline for problem gamblers Peluuri was opened. It is targeted at people worried about gambling or suffering from a gambling problem, as well as to their families and friends. During the first few months, the service received over 20 calls a week, and two thirds of the callers were players themselves. Only a little over 10% of the calls concerned Veikkaus' games. The service is provided by the Finnish Blue Ribbon and the A-Clinic Foundation. Veikkaus finances the helpline together with the Finnish Slot Machine Association RAY and Fintoto.

The Council of State set up a Gaming Forum in April, whose task is to prepare the guidelines of the national gaming policy. In the preparation work, special

“Veikkaus aims at a moderate increase of its turnover and profit.”

attention needs to be paid to the internationalisation and the socio-economic implications of gaming. The Gaming Forum aims at ensuring, e.g., that problem gambling and gaming-related crime will be prevented more efficiently.

FINNISH PARLIAMENT ISSUED A STRONG POSITION ON THE EU SERVICES DIRECTIVE

In the autumn, the Finnish Parliament discussed the Services Directive which is being prepared in the EU. The Grand Committee of the Parliament issued a statement according to which national gaming activities shall be excluded from the scope of the directive.

According to the Grand Committee, it is important that the Member States should be able to follow their own national gaming policies. Thus, it is possible to take into account the Member States' different needs, which arise from their specific historical, social and cultural backgrounds. A Member State shall be able to stop or limit foreign cross-border game supply, if gaming activities have not been opened to free competition within its jurisdiction.

INTERNATIONAL COOPERATION

International cooperation will play a crucial role in the future development of national gaming activities. Veikkaus is

actively involved in both the European organisation (European Lotteries, EL) and the global organisation (World Lottery Association, WLA) of the industry. From Veikkaus' perspective, the most important task of the international organisations is to promote the interests of their members with regard to the principle of exclusive right on the national level. Veikkaus' CEO Risto Nieminen was appointed a member of WLA's Executive Committee in the General Assembly of the association in November. Nieminen is also the First Vice President of the Executive Committee of EL.

The EC Court issued a ruling in the so-called Fixtures case in November. In its ruling which was favourable to Veikkaus, the EC Court stated that collecting, confirming, or presenting a football fixtures list cannot be considered such a considerable investment that it would entitle the holder of the database to deny the right to use the data in the database as, e.g., betting objects. The ruling followed from a lawsuit against Veikkaus filed by Fixtures Marketing Ltd at the District Court of Vantaa. The EC Court issued similar rulings in three other cases at the same time.

THE GROUP

Veikkaus owns the entire share capital of Veikkaus Trading Oy. The capital of Veikkaus Trading Oy was EUR 37,299.06 on 31 December 2004. The

company had no actual operations in 2004, and since the consolidation of Veikkaus Trading Oy does not essentially affect Veikkaus' capital or financial result, a separate consolidated financial statement has not been drafted.

FUTURE PROSPECTS

As the entertainment value of gaming increases and gaming technologies develop, ethical considerations, aimed at benefiting society as a whole, become more and more important. Veikkaus' gaming activities are organised in a socially responsible and reliable way. The strict control exercised by the national authorities and the measures taken by the company itself guarantee this.

As the situation on the market evolves and the competition becomes harder, the significance of continuous development is emphasized. In order to recognise the customers and their needs, the company must reinforce its customer-orientation based model.

The development of products and services, as well as the implementation of new technologies, entail more complex and expensive processes than before. There seems to be an international trend in the field towards the demand of games with higher event frequency and smaller margins.

Gaming activities are strongly established in society, but the monopoly system which

is complied with in most EU Member States has been under constant attacks by private game providers. International cooperation is becoming more and more significant especially in Europe and between the Nordic countries.

In 2005 Veikkaus aims at a moderate growth of the turnover, 1.8%. The return objective of Veikkaus funds, laid down in the State budget of 2005, is EUR 381.4 million, i.e. 1.5% more than in 2004.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board of Directors propose that EUR 375,835,263.77 of the profit of 397,735,263.77 for the financial year from 1 January 2004 to 31 December 2004, be returned to the Ministry of Education, while EUR 21,900,000.00 shall be transferred to the contingency fund.

INCOME STATEMENT

1 Jan—31 Dec 2004 and 1 Jan—31 Dec 2003

	2004		2003	
Turnover	1,260,829,413		1,159,289,682	
Other operating income				
Other income	990,877		448,598	
Prizes	631,186,703		561,334,909	
Lottery tax	59,962,351	691,149,054	57,843,247	619,178,156
Raw materials and services				
Retail commissions	80,820,105		77,234,964	
Playslips and lottery tickets	7,351,747		8,905,414	
Drawing expenses and result service	10,261,852		6,869,767	
Game event cooperation	9,884,861		8,684,530	
Product advertising	13,736,582		13,942,096	
Data communications	1,007,729	123,062,877	587,782	116,224,553
	447,608,359		424,335,571	
Personnel expenses				
Salaries and compensations	15,559,625		14,026,331	
Indirect employee costs				
Pension expenses	3,056,393		3,232,492	
Other indirect employee costs	892,402	19,508,420	788,649	18,047,471
Depreciations and write-downs				
Planned depreciations and write-downs		5,536,966		5,646,430
Other operating expenses		28,045,681		29,608,094
Turnover	394,517,292		371,033,576	
Operating profit				
Financial income and expenses	3,154,195		3,139,252	
Interest income and other financial income	302,002	2,852,193	-32,958	3,172,210
Interest expenses and other financial expenses	397,369,485		374,205,786	
Profit before extraordinary items and appropriations				
Extraordinary expenses		72,000		0
Profit before appropriations	397,297,485		374,205,786	
Appropriations				
Change in depreciation reserve		437,779		1,512,713
Net profit for the financial year	397,735,264 €		375,718,499 €	

BALANCE SHEETS

31 Dec 2004 and 31 Dec 2003

	2004		2003	
ASSETS				
Non-current assets				
Intangible assets				
Software		5,808,072		5,213,176
Tangible assets				
Land and waters	1,854,262		1,487,438	
Buildings and constructions	14,946,089		15,165,732	
Machinery and equipment	4,960,789	21,761,140	4,937,384	21,590,554
Investments				
Shares and holdings		5,010,376		4,985,376
Advance payments and investments in progress		6,596,713		3,683,595
Current assets				
Advance payments		285,410,136		276,942,642
Receivables				
Sales receivables	14,073,849		7,324,458	
Accrued income	1,842,128		1,611,075	
Other receivables	6,796,147	22,712,123	1,002,606	9,938,140
Cash in hand and at bank		156,237,073		142,737,972
		503,535,633 €		465,091,455 €
LIABILITIES				
Shareholders' equity				
Subscribed capital	169,320		168,188	
Legal reserve	276,378	445,698	277,510	445,698
Contingency fund		6,832,653		1,600,000
Net profit for the financial year		397,735,264		375,718,499
Appropriations				
Depreciation difference		11,117,718		11,555,497
Provisions				
		3,000,000		3,000,000
Liabilities				
Advances received				
Advances for multi-week subscriptions		17,822,951		11,558,648
Trade payable		2,812,171		2,573,914
Other creditors				
Winnings payable	18,172,135		19,023,541	
Settlement debts to the State	12,433,274	30,605,409	11,271,827	30,295,368
Accruals and deferred income		20,567,994		17,530,654
Other short-term liabilities		12,595,776		10,813,177
		503,535,633 €		465,091,455 €

SOURCE AND APPLICATION OF FUNDS

(EUR thousand)

	2004	2003
Cash flow from business operations		
Operating profit	394,517	371,034
Corrections items to operating profit	5,384	5,636
Change in current capital	-1,187	18,107
Interests paid and other payments	302	33
Dividends from business operations	332	86
Interests from business operations	2,822	3,054
Cash flow from business operations	401,567	397,949
Cash flow from investments		
Investments in tangible and intangible assets	-9,589	-8,395
Proceeds from tangible and intangible assets	262	532
Repayments on loan receivables	46	42
Cash flow from investments	-9,282	-7,821
Cash flow from financing		
Return to the Ministry of Education	-378,786	-372,137
Cash flow from financing	-378,786	-372,137
Change in liquid funds	13,499	17,990
Liquid funds 1 Jan 2004	142,738	124,748
Liquid funds 31 Dec 2004	156,237	142,738
Change in current capital		
Increase/decrease in short-term receivables	-12,820	11,642
Increase in short-term liabilities	11,633	6,465
	-1,187	18,107

TURNOVER BY GAMES AND GAME GROUPS

(thousand euros)

	2004		2003	
	Turnover	Share of turnover %	Turnover	Share of turnover %
Lotto	421,392	33.4	387,806	33.5
Viking Lotto	72,155	5.7	66,993	5.8
Lotto games	493,547	39.1	454,800	39.2
Keno	220,267	17.5	198,367	17.1
Joker	67,860	5.4	68,427	5.9
Other online games	3,523	0.3	5,491	0.5
Other online draw games	291,650	23.1	272,285	23.5
Football Pools	53,831	4.3	58,077	5.0
V75 Off-track Horse Betting	27,594	2.2	25,456	2.2
V5 Off-track Horse Betting	24,388	1.9	23,425	2.0
Other V-games	225	0.0	318	0.0
Fixed Odds Betting	97,038	7.7	52,199	4.5
Result Odds Betting	34,002	2.7	118,679	10.2
Multibet	83,055 *)	6.6		
Winner Odds Betting	8,553	0.7	9,715	0.8
Games of skill	328,686	26.1	287,869	24.8
Ässä Instant	50,713	4.0	50,297	4.3
Casino Instant	55,190	4.4	53,312	4.6
Nature Instant	6,843	0.5	6,720	0.6
Lucky Words Instant	26,221	2.1	23,555	2.0
Horoscope Instant	3,934	0.3	5,239	0.5
Theme Instants	4,045	0.3	5,213	0.4
Instant games	146,946	11.7	144,336	12.5
Total	1,260,829	100.0	1,159,290	100.0

*) Included in Result Odds Betting in the figures from 2003

VOCABULARY

Lotteries Act

The Lotteries Act lays down the rules concerning the operation and supervision of lotteries, the accounting and use of lottery funds, as well as the control of the allocation of the funds.

Draw games

Joker, Keno, Lotto games, Medals game, Simo's Weather Forecast and Veikkaus Bingo.

Retailers, retailer network

Veikkaus' sales outlets around the country: some 2,850 online outlets and nearly 900 instant game outlets.

Code of Conduct

The code of conduct of international gaming associations, including rules on state-licensed gaming, restrictions imposed on gaming, minimising the risks of gaming, as well as security and consumer protection.

Beneficiary

In practice, all Finns are Veikkaus' beneficiaries: Veikkaus returns proceeds to the Ministry of Education to be used for the benefit of arts, sports, science and youth work.

Ethical Council

Advisory expert organ with 12 members from outside of the company, set up by Veikkaus' Board of Directors.

European Lotteries and Toto Association, EL

Member organisation of European state-licensed gaming companies

Funds Distribution Act

The Act on the distribution of funds from lottery, pools and betting games (1054/2001) is called the Funds Distribution Act in short.

Live Betting

Real-time betting. You can bet on, e.g., the different situations in a football match. Veikkaus launched Live Betting as the first lottery in the world.

Lotto games

Lotto and Viking Lotto.

OnNet

Veikkaus' internet game service, one of the largest web stores open to consumers in Finland.

Gaming restriction

Gaming restrictions can be imposed in order to ensure the security of gaming. For example, Veikkaus games cannot be played on credit, and Live Betting has been made subject to stake limits.

Peluri helpline

A helpline for people worried about gaming or suffering from a gambling problem, as well as for their families and friends.

Instant games

Casino Instant, Horoscope Instant, Christmas Instant, Nature Instant, Lucky Words, and Ässä Instant.

Gaming Forum

A forum with 16 members, set up by the Council of State. The purpose of the forum is to prepare the guidelines for a Finnish gaming policy. The members represent different Parliamentary groups and gaming organisations, as well as the Ministries of Agriculture and Forestry, Education, Social Affairs and Health, and Finance.

Games of skill

Live Betting, Multibet, Fixed Odds Betting, Result Odds Betting games, Football Pools, Winner Odds Betting, V5 and V75 Off-track Horse Betting, and Bet 4.

Veikkaus funds

Veikkaus funds refer to the funds that Veikkaus returns to the Ministry of Education to be further distributed to promote Finnish welfare. In 2004 the Ministry of Education distributed nearly EUR 377 million of Veikkaus funds.

World Lottery Association, WLA

Worldwide organisation of the gaming sector with members from over 70 countries. The mission of the organisation is to promote safe and controlled gaming activities.

COMPARISON OF VEIKKAUS' ANNUAL REPORT WITH THE GRI RECOMMENDATION

Global Reporting Initiative

(GRI) is an international institution which develops and publishes guidelines for sustainability reporting. GRI's purpose is to produce reliable information necessary for different interest groups and to encourage open dialogue. The objective is openness, credibility, clarity and comparability.

GRI guidelines are used on a fully voluntary basis. Yet, hundreds of companies around the world report on the economic, environmental, and social aspects of their activities in accordance with GRI's reporting guidelines. The contents of Veikkaus' annual report and the principles of reporting comply with the GRI recommendations where appropriate.

GRI RECOMMENDATION		VEIKKAUS' REPORT
CODE	GRI CONTENTS	PAGE
	Vision and strategy	
1.1	Vision and strategy	2, 7
1.2	Review by the CEO	4–5
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	Economic responsibility indicators	
EC1–2	Turnover and distribution of turnover	46
EC3	Goods and services purchased	17–18, 35
EC4	Payments of contracts in accordance with agreed terms	Not included
EC5	Total payroll benefits	15
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	Environmental responsibility indicators	
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EN6–7, 16	Biodiversity, Environmental hazards	Not included/ not applicable
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