



ANNUAL REPORT 2005



RAY COLLECTS FUNDS
THROUGH RESPONSIBLE
GAMING OPERATIONS TO
SUPPORT FINNISH HEALTH
AND SOCIAL WELFARE
ORGANIZATIONS.
RAY'S SUPPORT HELPS
PEOPLE TO LOOK AFTER
THEMSELVES AND OTHERS.

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The Finnish model is worth defending

One of the main tasks for 2005 was to revise RAY's gaming strategy and build a responsibility programme for the gaming activities. RAY's Board of Administration approved the programme in May and it was published as part of RAY's corporate responsibility report. The core idea of the responsibility programme is to develop the gaming operations so that social impacts are more effectively taken into consideration.


The central principle is that RAY aims to increase its gaming revenues only moderately, taking into account the growth in household disposable income and the number of players. Gaming is restricted in this way in order to prevent excessive gaming and an excessive concentration of gaming. Finland's Lottery Act requires that the most effective supervision possible is provided to prevent illegal underage playing. RAY has extensive slot machine operations in business premises, which is challenging in terms of supervision and requires effective cooperation between RAY and its partners who operate the premises. A lot of improvements have occurred in this area. RAY's arcades have an age limit of 18 years, and RAY's own employees are responsible for enforcing this limit.

Increasing attention is being paid to corporate governance. The effectiveness of RAY's internal control systems has been evaluated using procedures recommended by the Ministry of Finance and the risk management committee. This evaluation showed that RAY's internal control meets the relevant objectives.

The gaming forum set up by the Government in 2004 continued its work to strengthen the Finnish gaming system. This work has proceeded at a fairly slow pace, and it was not until the end of the year under review that the forum issued its first draft report.

It is clear that there will not be time during the present Parliament to process any legislative changes the forum may propose.





With the work of the gaming forum taking such a long time, the most urgent issue from the viewpoint of the gaming organizations is now the continuation of the existing gaming licences. The licences of all the gaming organizations expire at the end of 2006. The gaming business – like all other extensive economic activities – requires a reasonable planning horizon, and the gaming organizations should be able to start their planning for 2007 now.

RAY's financial performance for the year was slightly better than expected. Turnover grew by 2.1%, exceeding the target of 1.3%. This higher – but still moderate – growth percentage resulted from increases in household disposable income and the number of players. Following several years of gradual decline, the summer brought a change in trend and the base of playing customers started to increase. A number of new games can go into production during 2006 thanks to efforts in the marketing, product development and manufacturing areas. In light of all these factors, the prospects for the future are very bright.

Last year a total of EUR 415.4 million was used in funding assistance to voluntary health and welfare organizations as well as for the care and rehabilitation of war veterans. Funding was granted to 1 145 organizations for almost 2 500 different projects. All the funds that had been saved in earlier years were used on this occasion. At the same time the funding transferred to the State Treasury for the benefit of war veterans was increased. As a result in 2006 there is – for the first time in many years – less money available for assisting voluntary organizations than in the previous year.

Funding activities again focussed on work to prevent major public health problems and on support for deprived groups in society. In addition funding has focussed on mental health work and on the prevention of alcohol abuse problems and care for those affected. RAY has sought to secure funding for the activities of voluntary organizations.

The law governing RAY's funding, which came into force at the beginning of 2002, and the decrease in the amount of funds available, have together brought about some changes in the way the funding is targeted. RAY has had to discontinue funding for service activities that are comparable to commercial operations. Unless separately permitted, RAY's funding should not be used to finance activities that are the responsibility of the authorities. The demarcation has proven to be challenging, however. These changes have already made their effects felt for several years, particularly in terms of reduced funding for investments.

Among the voluntary organizations, there are differences in the way changes of this type are received. The interests of the organizations are not always aligned. The organizations are strongly represented in RAY's Board of Administration and in addition seek to influence RAY's policies through the media. This is completely understandable. Compared to other European countries, voluntary health and social welfare organizations in Finland have very good opportunities to secure financial support for their operations. I believe that in spite of the necessary changes that are taking place, the organizations should also publicize the positive aspects of the present system in their communications.

International comparison of the benefits and drawbacks of gaming shows the unique and superior nature of the Finnish gaming model and system for allocating gaming revenues to socially important purposes. The present system is worth looking after and developing.

For RAY and, I believe, for our stakeholder groups, 2005 was a successful year in many respects. The network of partnerships that has been built up around our gaming and funding activities is one of the cornerstones of our shared success. The year that has come to an end is my last as RAY's Managing Director. I would like to express the warmest possible thanks to all our stakeholder groups: the authorities, our business partners, the voluntary health and welfare organizations, and RAY's own people. I wish you all the best for the coming years.



Markku Ruohonen

RAY in brief

Raha-automaattiyhdistys (Finland’s Slot Machine Association), which is generally referred to as RAY, was established in 1938 to raise funds through gaming operations to support the work of Finnish health and welfare organizations. At present 98 organizations in the health and welfare fields are members of RAY.

The decision-making bodies within RAY are the Board of Administration and the General Meeting, at which all the member organizations are represented. The Board of Administration consists of seven representatives appointed by the Government and seven selected by the General Meeting.

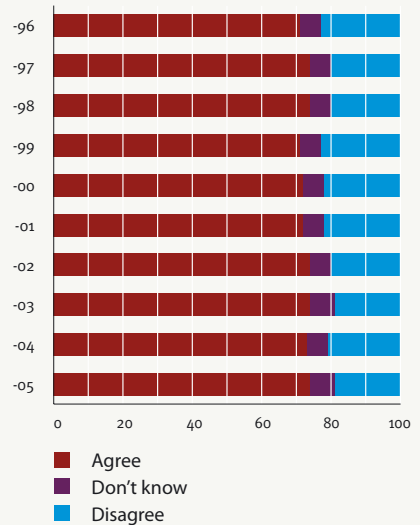
The funding is distributed each year on a discretionary basis to health and welfare organizations which have applied for assistance. The applicant organizations are treated impartially and equally. The distribution is governed by the Act on funding assistance, policies drawn up by RAY’s Board of Administration, and by an agreement on funding objectives made between RAY and the Ministry of Social Affairs and Health.

Responsible gaming operations

RAY has an exclusive right to undertake gaming activities involving the operation of slot machines, casino-type games, and a casino. The exclusive right is based on RAY’s gaming licence, and its purpose is to ensure the legal protection of players, prevent abuses and crime, and reduce the social problems caused by gaming.

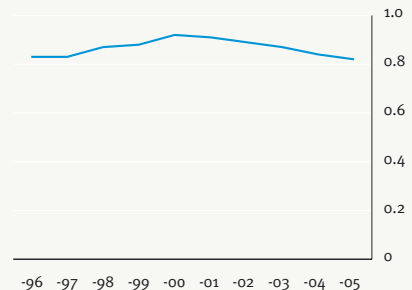
These objectives are in line with the principles on the basis of which the EU allows gaming operations to be restricted. The restriction of gaming activities through a system of exclusive rights emphasizes the significance of responsibility in the way gaming activities are organized in practice.

SUPPORT FOR RAY’S EXCLUSIVE RIGHT, % “RAY should retain its present exclusive right to operate slot machines”



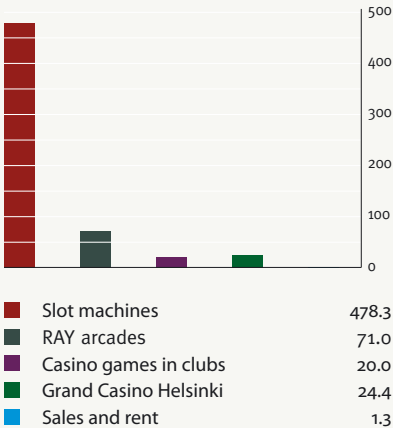
Source: Taloustutkimus Oy

SPENDING BY HOUSEHOLDS ON GAMING, %



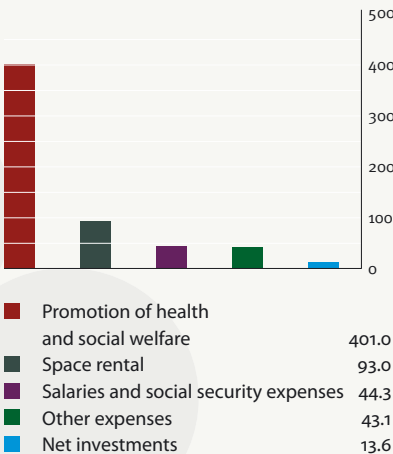
TURNOVER 2005

Total MEUR 595.0



UTILIZATION OF TURNOVER 2005

Total MEUR 595.0



RAY's activities are governed by RAY's gaming strategy, which includes the responsibility programme prepared during 2005. The nine-point programme seeks to ensure that RAY can meet society's expectations even more effectively.

One aspect of the responsible way in which RAY works is that it does not seek to increase the supply of gaming opportunities and its own revenues at the expense of social problems caused by playing. In 2005 RAY's gaming revenue increased by 2.1%, which exceeded the target. Nevertheless the rate of growth achieved was still moderate and in line with the responsibility programme. Household disposable income grew faster than RAY's gaming revenues. Another factor behind the above-target result was an increase in the number of players.

Revenues for good causes

Another aspect of corporate responsibility is that RAY operates in a financially efficient manner and utilizes all the operating profit from its gaming operations to promote health and social welfare.

RAY's function is to generate funds through its gaming operations to promote health and social welfare. In recent years around EUR 300 million or 75% of operating profit has been used as funding assistance for health and social welfare organizations. In addition Parliament has required that about EUR 100 million or 25% be used to cover expenditure on the care and rehabilitation of war veterans.

The assistance granted to the organizations is targeted at supporting the most deprived groups and at activities designed to prevent social and health problems. Deprived groups include people with social and economic problems, the long-term unemployed, intoxicant abusers, people with mental health problems, people with housing problems, those suffering poverty or serious debt, and people with disabilities or chronic illnesses. In preventive work the emphasis is on major public health problems such as intoxicant abuse, mental health problems, cardiovascular diseases, and musculoskeletal diseases.

CORPORATE RESPONSIBILITY REPORTING

RAY published a corporate responsibility report for 2004. No separate report will be published in 2006, but reporting will be continued in the Annual Report and on RAY's website.

SOCIAL RESPONSIBILITY	2003	2004	2005
*Support for RAY's exclusive right, % 15-74 year-olds	75	73	74
**Have played RAY's slot machines during the past year, % 15-74 year-olds	47	44	45
Number voluntarily barred from playing at casino	390	407	482
Number voluntarily barred from playing at arcades	58	70	90
***Problem players, % 15-74 year-olds	2.6	2.6	2.8
Absences through sickness, %	3.4	3.6	3.6
Accidents at work	51	35	17
Resources used for health care / person, EUR	320	367	336

ECONOMIC RESPONSIBILITY

Revenue from gaming activities, MEUR	633	635	648
Lottery duty, MEUR	52	52	53
Turnover, MEUR	581	583	595
Space rentals, MEUR (paid to business partners)	92	91	93
RAY's operating expenses + investments, MEUR	98	101	101
Year's revenues available for use, MEUR	391	391	401
Previous years' revenues available for use, MEUR	15	25	0
Total available for use, MEUR	406	415	401
Assistance to voluntary organizations, MEUR	308	305	296
Rehabilitation of war veterans, MEUR (State Treasury)	98	110	105
Salary costs, MEUR	41	43	44
Profit for the period, MEUR	399	397	404
Profit for the period, % of turnover	69	68	68
Personnel at year-end	1 641	1 654	1 616

ENVIRONMENTAL RESPONSIBILITY

Electricity consumption, MWh	4 192	3 328	2 555
Water consumption, m ³	4 500	3 000	4 500
District heating consumption, MWh	2 569	1 741	1 300
Kilometres driven, million km	4.4	4.1	3.9

*"RAY should retain its present exclusive right to operate slot machines".

** "When did you last play one of RAY's slot machines".

*** "I play slot machines so much that my playing is a problem" and "Someone else who is permanently resident in my household plays slot machines so much that their playing is a problem".

Source: Taloustutkimus Oy

From games to good causes

Over EUR 450 million for social purposes.



1. GAMING REVENUES WERE EUR 648.4 MILLION AND PROFIT EUR 404.5 MILLION

Slot machines generate more than 90% of RAY's gaming revenues. Casino games in clubs produce almost 5% and Grand Casino Helsinki around 4% of revenues. From the gaming revenues EUR 53.4 million was paid in lottery duty.

2. EUR 105 MILLION TRANSFERRED TO STATE TREASURY

Funds transferred to the State Treasury are used to provide care and rehabilitation for war veterans.

3. FUNDING APPLICATIONS FROM 1 657 ORGANIZATIONS

The organizations applied for funding for a total of 3 747 projects or activities for 2006. The total amount applied for was EUR 649.5 million.

4. APPLICATIONS PROCESSED BY RAY. FUNDING PROPOSAL SUBMITTED TO MINISTRY OF SOCIAL AFFAIRS AND HEALTH

RAY's funding activities department processed all the applications and examined the construction projects. On the basis of this preparatory work, RAY's Executive Committee drew up a draft proposal for the Board of Administration, which in turn submitted the funding proposal to the Ministry of Social Affairs and Health in December.

5. EUR 295.5 MILLION ALLOCATED FOR FUNDING ASSISTANCE

Ministry submitted proposal to Government, funding distribution approved on February 1, 2006. Funding assistance was granted to 1 118 organizations, of which 64 are first-time recipients. RAY's funding will be used in 2 414 activities and projects, of which 512 are being supported for the first time.

6. RAY DISTRIBUTES FUNDING AND MONITORS USAGE

The majority of funding is paid on the basis of expenses already incurred. Regular operating assistance is paid in four instalments over the year. RAY ensures that the conditions attached to the funding are met by examining payment and yearly reports, visiting the organizations to provide guidance and perform audit work, and inspecting construction projects. Additionally, an assessment is made of how effectively the objectives presented in the funding applications have been achieved. RAY provides the organizations with training, guidance and advice in the use of funding.

Funding assistance

Support and prevention of problems

A total of EUR 400.5 million of funds generated by RAY's gaming activities in 2005 is being used to promote health and social welfare in 2006. RAY is strengthening its own active role. It has prepared its own programme to develop work in the field of learning difficulties among children and young people. The programme will commence in 2006.

RAY's funding represents an important part of financing for health and social welfare organizations. The funding activities are based on the Act on slot machine funding assistance, as well as on Decrees regulating RAY's administration and certain time limits applying to slot machine funding assistance. On this basis RAY's Board of Administration has determined funding policy lines and areas of focus up to 2007.

As the process of structural change in social and health services advances, municipalities are outsourcing their own operations, increasing the significance of the services provided by both voluntary organizations and companies. It is essential that new operating models are developed. This is a task in which the health and social welfare organizations play a significant role. RAY provides extensive support for the process of structural change in all its funding areas.

RAY's funding activities are intended to be neutral in their effects on competition in the market. For this reason the increase in private commercial services in the various operating areas has been monitored during recent years. The Act on funding assistance stipulates that assistance can be granted if this is not expected to impact competition or the functioning of the markets to a more than negligible extent.

Prevention of difficulties

There are two main policy lines in RAY's funding activities: assistance is targeted both at the most deprived groups, to provide support and services and promote independent activity, and at activities intended to prevent problems from occurring.

Deprived groups include those who have a particularly heavy burden of social and economic problems, the long-term unemployed, intoxicant abusers, people with mental health problems, people with housing problems, those suffering poverty or serious debt, and people with disabilities or chronic illnesses. The target groups also include elderly people who need a lot of help and support, as well as children, young people and families. The objective is to use funding to promote people's own activity, independent coping and life control.



Funding for 2006

A total of EUR 400.5 million of revenues generated in 2005 is being used to promote health and social welfare in 2006. Of this total, EUR 295.5 million is being distributed in funding assistance to voluntary organizations. In addition, EUR 105 million is being transferred to the State Treasury for use in providing care and rehabilitation for war veterans. Funding assistance was granted to 1 118 organizations for a total of 2 414 different projects. RAY's Board of Administration completed its funding proposal in December. The Government decided on the distribution of funding on February 1, 2006.

Applications were submitted by 1 657 organizations for 3 747 projects or activities. The total funding applied for was EUR 649.5 million. The amounts of general assistance, targeted operating assistance, and project assistance grew, while the amount of investment assistance fell. Support for special needs housing decreased, while that for crisis care services increased.

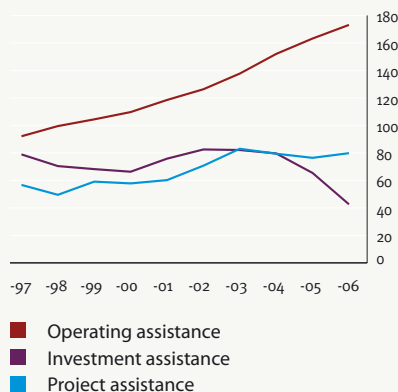
Work by organizations and volunteers

RAY's funding assistance is targeted at the work of health and social welfare organizations and volunteers, support for independent living in the community and home carers, the reduction of housing problems for groups with special needs, day centres, activities to maintain people's functional capacity, crisis care, and training, camp and holiday activities. There was a decrease in the amount of investment assistance and a rise in the amounts of operating assistance and development assistance.

FUNDING BY TARGET CATEGORY (MEUR)

	2004	2005	2006
Activities of voluntary organizations	105.9	114.2	112.5
Housing for groups with special needs	60.2	52.2	41.0
Rehabilitation	45.5	39.4	37.8
Support for home coping and home care	29.1	29.5	31.9
Crisis care services	22.4	27.2	32.5
Training, camps and holidays	19.8	20.1	20.3
Day centres and work activity	25.1	22.4	19.5
Total	308.0	305.0	295.5

PROJECTS, OPERATING AND INVESTMENT ASSISTANCE (MEUR)



Helping to combat learning difficulties

In seeking to play a more active role, RAY prepared its own development programme in 2005. The aim is to seek new operating models for early detection of learning difficulties in children and young people, and to prevent or break the cycle of marginalization that these difficulties cause. The programme will start in 2006.

Identification of learning difficulties and recognition of their significance as a factor potentially contributing to marginalization is a relatively new phenomenon. In an information-intensive society there is a big and increasing risk that learning difficulties can lead to marginalization.

In recent years RAY has participated in national programmes promoting health and preventing problems associated with alcohol. It is also involved in a programme to promote elderly people's functional capacity, and in the Helsinki area homelessness programme. These will continue to be supported in 2006.



Emphasis on voluntary activities

Additional assistance is being granted for many activities of voluntary organizations, including lobbying, representation and development work, as well as providing peer support and voluntary assistance for individuals and families. The organizations can also increase their advisory services and preventive work.

The work of the voluntary organizations and the help they provide will take on even more significance in the future, when less assistance is allocated to services intended for sale.

Child protection and youth work

Of the funding allocated to child protection, almost EUR 9 million is targeted at crisis care services for the resolution of acute problems. Funding of EUR 4.5 million was granted for the development of care models for mothers with alcohol abuse problems.

Central areas in youth work are prevention of marginalization, promotion of employment, and prevention of violence and substance abuse problems. Funding assistance of EUR 3.8 million was granted for construction of apartments for young people, and this will be used to complete projects that have already been started. In addition work will start on the acquisition or construction of 230 new apartments for young people.

KEY FIGURES FOR VOLUNTARY ORGANIZATIONS

Data from 1 113 organizations supported by RAY in 2004

Total operating expenses, MEUR	1 725
Salaried employees	28 651
Number of individual members	1 969 116*
Number of voluntary workers	206 212*
Member associations	15 725

* Figures include some individuals who are members or volunteers in several different organizations.

Preventing immigrants' problems

RAY provides funding for immigrant support work. The target groups are children and young people who are experiencing difficulties, large families with children, mothers of small children, traumatized individuals, and people with mental health or substance abuse problems.

There are around 110 000 foreigners living in Finland, of whom refugees and asylum seekers represent one fifth. The legislation to promote the integration of ethnic groups moving to Finland mainly involves responsibilities for the municipalities, and the labour and social services. It applies only to those of working age, however, and so children, young people, mothers at home and elderly people are easily left outside of the scope of any measures.



Ensuring funding reaches the right targets

RAY pays the funding that is approved and ensures that it is used in an appropriate way and provides benefits. During the year almost 6 000 payment requests were processed. The majority of the assistance is paid on the basis of acceptable project costs that have already been incurred. Regular operating assistance is paid in four equal instalments over the year. RAY examines the reports that have to be submitted when funding is disbursed, the yearly reports on funding utilization, and any separate reports RAY has requested.

Monitoring the impacts of funding

The impacts of the funding activities are monitored both by RAY and through research and evaluation work by external experts. During the year under review the funding activities department published a report describing patients' organizations in Finland, as well as a report assessing the communications and information functions of the voluntary organizations. Evaluations concerning club buildings in mental health work, projects to develop services for dual diagnosis patients, and projects to promote elderly people's functional capacity will continue into 2007.

The funding activities department started work to evaluate general assistance and its relationship with targeted operating assistance. In addition an assessment is being carried out on the competitive effects of general assistance within the voluntary organizations. Work on these studies will continue in 2006.

Gaming operations

At the end of last year RAY's slot machines and casino games offered players the chance to try their luck at more than 9 000 locations in premises operated by business partners, and in RAY's own arcades.

The financial performance for the year turned out slightly better than expected as turnover increased by 2.1%. The target had been set at 1.3%. Factors behind this increase were the better-than-expected growth in the number of playing customers and an improvement in purchasing power. The trend towards increasing concentration of playing came to an end in summer 2005 and the number of players started to grow.

RAY bases its business on the principle of responsible gaming operations. A responsibility programme covering RAY's gaming operations was approved by the Board of Administration and published in the summer of 2005. The programme's objective is to develop the gaming operations so that social impacts are taken into consideration more effectively.

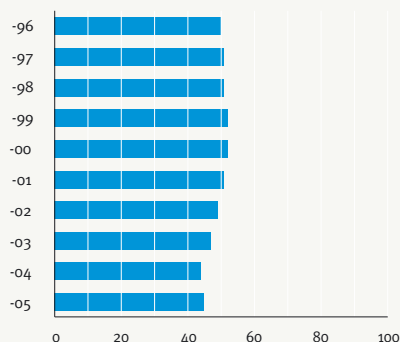
The central principle is to increase gaming revenues in a moderate way. The most important guiding factors are trends in household disposable income and the size of the player base. The objective is to avoid an excessive concentration of gaming and prevent the social problems this could possibly cause. RAY seeks to achieve this by aiming for the widest possible base of moderately playing customers. This is backed up by product development and the provision of information and tools to help control playing. RAY's product development and distribution are governed by social impact evaluations based on a model developed in 2005. The programme also involves a number of measures intended to more effectively prevent underage playing.

The gaming environment is constantly changing. New gaming habits and Internet distribution are already facts of life, in Finland as elsewhere. RAY offers slot machines and games in public places that can be supervised. On this basis the gaming operations are being further developed to emphasize the responsibility aspects.

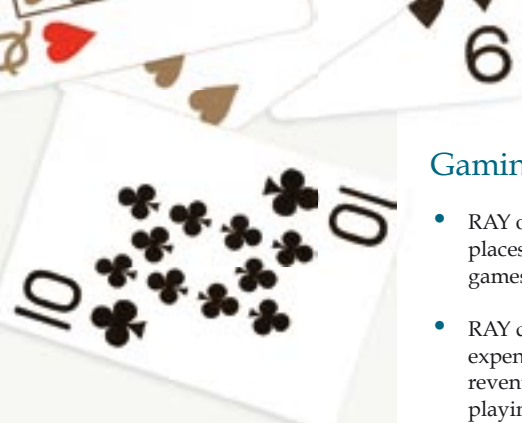
RAY is applying for a gaming licence for the 2007 – 2011 licensing period to cover slot machines, casino-type games, and the casino. In line with the principles of its responsibility programme, RAY is not seeking to increase the supply of games; instead it is applying for a licence for the present number of games and for one casino.

FREQUENCY OF PLAYING

“When was the last time you played a slot machine that pays out money prizes?”
Played during the last year (% 15–74 year-olds)



Source: Taloustutkimus Oy



Gaming responsibility programme

- RAY offers slot machines and games only in public places that can be supervised. RAY does not design games for the Internet or mobile phones.
- RAY does not seek to maximize its revenues at the expense of increased social problems. Instead it sets revenue targets that are appropriate to its base of playing customers, the player structure, and changes in people's earnings levels.
- RAY seeks to ensure that it has the widest possible base of moderately playing customers. This requires the development of a broad selection of attractive games.
- RAY is creating a systematic model for evaluating social impacts, which is used to evaluate and test every new game and distribution method before they are taken into use.
- RAY seeks to prevent illegal underage playing. As a consequence work is being done to make gaming premises easier to supervise, and monitoring of underage playing is being stepped up.
- RAY undertakes corporate image advertising, which is used to explain how RAY's revenues are used and how RAY operates. Product advertising for the games is done only on a limited and targeted basis.
- RAY is improving the distribution of information on games in order to prevent problems and increase awareness, and it is developing technology to allow players to control their own gaming.
- RAY provides training for its personnel to help them confront gaming problems, and it ensures that its gaming employees maintain their skills. In addition it produces and distributes relevant support material.
- RAY is participating in the financing and development of a help line for problem players and their families, and provides information on this service in all premises where RAY's games are located.

Controlled growth in overall revenues

RAY generated gaming revenues of EUR 648.4 million, which is an increase of 2.1%. Of total revenues, 91.0% were generated by slot machines, 4.7% by casino games and 4.1% by Grand Casino Helsinki. Overall gaming consumption in Finland grew by 2.1%. The organizations with an exclusive right to carry on gaming operations had combined total revenues of EUR 1 337 million.

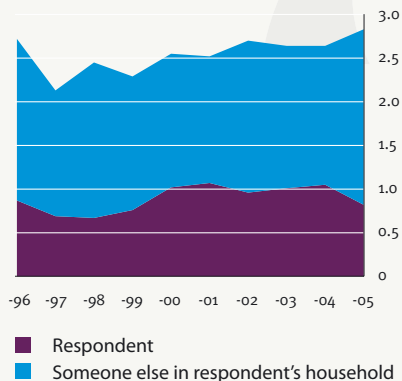
RAY's gaming sites in premises operated by business partners produced revenues of EUR 522.7 million, which is an increase of 1.1% from the previous year. The greatest revenue growth was recorded at shops and service stations.

Total revenue from RAY arcades was EUR 77.3 million, which is an increase of 4.9% from the previous year. The arcades recorded a total of 8.5 million customer visits during the year, which is around 5% less than in the previous year. Within the arcades, revenues from slot machines were EUR 68.6 million, which is an increase of 5.1% from the previous year. Revenues from casino games were EUR 8.7 million, which is 3.7% more than last year.

Casino-type games in clubs generated revenues of EUR 21.7 million, or 9% more than in the previous year. Of these revenues, 65% comes from Friday and Saturday nights. Casino games in clubs recorded a total of 59 100 gaming sessions and 311 000 playing hours, which is just under 1% less than in 2004.

RAY paid a total of EUR 88.7 million in slot machine space rentals to its business partners. EUR 4.3 million was paid in space rentals to clubs where casino games are located. Direct debiting was introduced for casino game revenues in September 2005, and covered half of the gaming locations by the end of the year.

PROBLEM PLAYERS, %



Source: Taloustutkimus Oy

Together with its partners, RAY offered slot machines and casino games in more than 9 000 locations. At the end of the year premises operated by business partners accounted for around 17 000 slot machines at 9 100 different gaming sites and 355 gaming tables in more than 300 clubs. There were 278 Black Jack, 70 Roulette, 3 Red Dog, and 4 new Bull Dog tables.

At the end of the year there were 55 RAY arcades. Of these, 28 were Potti arcades, which have slot machines only. There were 25 Täyspotti arcades, which have slot machines, casino games and cash desk services, and 2 Club RAYs. The Club RAYs also provide restaurant services. At the end of the year there were 1 847 slot machines and 59 casino game tables in the arcades.

New products for the future

The new-generation Loisto slot machine was launched during Helsinki Design Week. In addition to the games themselves, the special focus in this new unit has been on design. It was created by industrial designer Hannu Kähönen and is intended for stylish clubs. Two new multi-game machines - Pokeri and Paletti - were launched in December. The new machines will be introduced to the markets during 2006.



The Kamppi Täyspotti arcade in Helsinki introduced MegaStar, a new type of Roulette terminal, on a trial basis. This is the only game of its kind in Finland and can accommodate eight players at once. Group poker, which enables players at four machines to take part in the same game, was introduced at two Täyspotti arcades in the Helsinki area. Three other types of Täyspotti machines - Sole, Luna and JokeriPokeri - were introduced to the markets. Two new casino table games, Bull Dog and Triple Bet Poker, were tried.

Electronic payment trial continues

An electronic payment project was initiated during the year under review. The new payment method is being developed to provide better control over playing. An additional objective is to avoid situations where players are prevented from playing RAY's games due to the lack of a suitable method of payment. The project is now at the trial stage. Next year the project will test a number of generally-used electronic means of payment.

Electronic means of payment cannot be used by under 15s to pay for playing. It is still not possible to make payments on credit. The number and amount of purchases are limited in order to prevent excessive playing. Players can also voluntarily set purchase limits or bar themselves completely.

Stricter monitoring of playing

Monitoring of the slot machine gaming sites located in premises operated by business partners is challenging and requires good cooperation between RAY and its partners. The age limit for playing at gaming sites is 15 years. Under 15s can play provided that an adult from the same family is in agreement and is present.

Employees of the business premises are responsible for supervision to prevent illegal underage playing. RAY's personnel monitor the effectiveness of this supervision when they visit the gaming sites. Monitoring is also undertaken by means of both observation and questionnaire based research. In 2005 a total of 278 reports of underage playing were submitted. All the reports were processed, and any measures needed to improve supervision levels were agreed with the partner in question. Seven machines were removed due to lack of supervision. The number of reports increased from the previous year following a revision of the operating model.

A control plan was prepared for the gaming sites in order to boost supervision of underage playing. RAY completed work on a proposed control programme for its business partners in the autumn. This extensive programme will commence in 2006 and it also involves a training system. RAY's business partners have welcomed the new supervision plans.

The age limit at RAY's arcades is 18 years. This is the age limit for entry to the arcades and is monitored by the arcade personnel. Monitoring was activated in 2005 and records have been kept since the beginning of 2006.

In 2005 a systematic model for evaluating social impacts was developed. This is used to evaluate game profiles by applying different variables. The process has been completed for all the old games, and new games are evaluated during product development. The evaluation governs product development and distribution.

A campaign was started in the autumn to promote a culture of moderate playing. A slot machine function was developed to support gaming based on conscious choices. Players can use this to monitor and limit the amounts of time and money they spend playing. Loisto is the first machine to feature this function.

Material about excessive gaming is available at all RAY's gaming locations, as are cards showing the number of the help line. Staff at the gaming locations can also provide information about the help line.

Customers at the arcades can voluntarily exclude themselves if they cannot otherwise control their gambling. In 2005, 90 customers opted for voluntary exclusion.

Busy year for production

RAY primarily designs and manufactures its own slot machines. The manufacturing unit produced 3 140 slot machines and 39 casino game tables. The total value of production was EUR 12.8 million. Increased recycling of materials and re-use of components produced savings totalling around EUR 1.8 million. Operational development focused on commissioning new products, building a reliable supply network, and managing total quality.

Grand Casino Helsinki

Grand Casino Helsinki, which was opened in 2004, achieved its targets for the year. Revenue from the games increased to EUR 26.7 million, which is a rise of 8.7%. This growth mainly came from slot machine games, which produced around 72% of total revenues. Revenue from the table games was 4% down on 2004. This is a general international trend which has been accelerated by the development of products that enable access to table games through slot machines.

The number of customer visits followed the same trend as the gaming revenue. A total of 275 000 customer visits were recorded, which is 7.9% up on the previous year. New customers numbered around 40 000. The Show & Dinner product and a range of business and gaming packages also attracted new visitors to the casino. In addition to the increase in the number of visitors, the increasing diversity of the customer base was also significant.

Internet poker has produced a rapid rise in the number of poker players, and this change can also be seen in the casino's poker room. Poker tournaments have been particularly popular. The casino organizes poker tournaments on a weekly basis, with two major international tournaments each year. The average age of poker players at the casino has fallen considerably as a result of the influence of the Internet.

In 2005 the gaming tables at the casino together produced some EUR 7.3 million. The number of poker players was up by 50% and revenues by 55%, but poker still represented only some 7% of total revenues from table games. Roulette maintains its considerable lead as the most profitable casino table game.



Personnel

RAY's responsible human resources policy seeks to promote welfare and success at work. Responsibility is also particularly visible in the training scheme for croupiers, which emphasizes ways to prevent the negative impacts of gaming.

At the end of 2005 RAY had 1 616 employees. This is a decrease of 38 from the previous year. Full-time employees numbered 744. Of the 872 who were employed on a part-time basis, the majority worked in customer service functions in the casino games in clubs, and in the arcades. 260 employees, or 16% of the entire personnel, were on family, study, job rotation or other leave. The turnover rate among full-time employees was 9%, with a corresponding figure of 30% for the part-time employees. The average age of RAY's employees was 34 years. The figure for full-time employees was 43 years and for part-time employees 28 years. Women represented 44.7% of employees.

Personnel expenses totalled EUR 44.3 million during the year under review, which represents an increase of 2.9% from the previous year. Incentive payments totalling EUR 216 050 were paid to 544 employees. These represented 0.6% of the wages and salaries paid. Long-serving employees receive a sum equivalent to one month's pay every 10 years. During the year under review, a total of EUR 151 196 was paid in long-service awards to 73 employees.

New agreements and legislation

A new collective agreement came into force on February 16, 2005. This will remain valid until September 30, 2007 and is based on the income policy agreement negotiated by the central organizations. RAY's company-specific framework agreement is applied to all RAY employees except those covered by the metalworkers' collective agreement.

As part of the collective agreement a new re-employment and change security model was introduced for redundancy situations. This improves the position of employees who are made redundant for production or financial related reasons.

New legislation on annual holidays came into force on April 1, 2005. This led to changes in holiday conditions, particularly for part-time employees. The necessary revisions were made to the payroll system, supervisors were familiarized with the application of the new law, and employees were informed about the main changes affecting their holiday conditions.

Changes to the legislation on equality between men and women in working life also came into force during 2005. These changes did not mean any additional obligations for RAY. Each year reports are prepared concerning the placement of men and women in different functions within RAY, and the wage and salary structure is analyzed. The views of male and female employees on equality are regularly monitored in surveys to assess the working atmosphere within the organization.

The regular retirement age changed at the beginning of 2005. Some RAY employees were previously entitled to retire at the age of 63, and now this opportunity is open to all. A total of 15 RAY employees retired during the year. Meetings are regularly arranged for employees who are approaching retirement age to provide them with information about their pension entitlements, applying for a pension, and other matters related to their retirement from working life. The 2005 meeting was attended by 14 employees.



New activities and systems

A resource centre was set up for customer service personnel employed in RAY arcades and club-based casino games in the Helsinki area. An employee was taken on at the centre to handle recruitment, shift planning and the management of stand-in arrangements. Other changes were also made to the procedures for offering additional work to part-time employees. The idea is primarily to offer work to the existing part-time employees before new employees are recruited.

A new payroll system was introduced at the beginning of 2005. Supervisory and payroll management procedures were streamlined and the revised systems were taken into permanent use. As a result there was a significant increase in electronic access to the payroll and human resources management systems on the part of supervisors.

Preventive health care

RAY offers its employees more extensive occupational health care services than required by law. Work to update health care service contracts was continued and in several locations joint meetings were arranged between supervisors, the occupational health care service, and health centres. In 2005 the cost of occupational health care was EUR 336 per person. RAY supports employees' own efforts to maintain their working capacity by offering them hobby and recreation facilities.

In 2005 the rate of absenteeism through sickness was unchanged at 3.6%. In cases of extended sick leave, efforts were made to promote closer

liaison between the employees, occupational health care service, supervisors and human resources management in order to establish the potential for the employees affected to continue in their work. Cooperation with the pension insurance company was stepped up, particularly in matters relating to professional rehabilitation and the processing of disability pension applications.

Continuous training for employees

Several training events were arranged at the casino and RAY's head office, offering supervisors in-depth information about employment relationships, occupational health care, and leisure-time services.

Over 500 part-time croupiers work in the casino games in clubs. In 2005 182 new croupiers were trained to replace those who had transferred to RAY's arcades or left the organization. A total of 323 employees took part in supplementary training. This provided them with skills in new games.

Excessive playing is dealt with in croupiers' basic training and again in supplementary courses. The aim is to prepare croupiers to deal with excessive playing in customer service situations. During 2005 an on-line course was introduced to provide training on the phenomenon of excessive playing and interaction with such players. The course is open to all RAY employees.

Environmental impacts

RAY's environmental statement was updated and revised at the beginning of the year under review. It is based on the 1999 environmental review, which stated that there are no significant environmental impacts from RAY's activities. Taking care of environmental matters is one aspect of RAY's corporate responsibility.

In 2005 RAY had 36 fixed operating locations in Finland. Most of the energy consumption and waste production occurs at RAY's head office in Espoo, where RAY produces its machines and games. RAY's total electricity consumption in 2005 was 2 555 MWh. A total of 1 300 MWh of district heating was used at the head office. Around 4 500 cubic metres of water is used each year in the new building. Water usage at the other locations is extremely small.

Consumption of electricity and district heating continued to fall as RAY gave up its property in Keilaniemi and made changes to its manufacturing processes. The increase in water consumption from the previous year is due to the increased use of leisure facilities.

Collection of energy waste began in the summer of 2005. Approximately 11 tonnes of energy waste is produced each year. As a result, production of mixed waste has fallen from 12 tonnes per year to only 1 tonne. Around 25 tonnes of re-usable waste paper and around 20 tonnes of waste cardboard are produced annually. Biowaste totalling around 4 500 litres is produced each year in the kitchens at RAY's head office.



Administration and organization

Decision-making within RAY is vested in the member organizations, which operate in the areas of health and social welfare, and in the members of the Board of Administration, who are appointed by the member organizations and the Government. Membership of RAY is open to significant, incorporated societies and foundations that work on a non-profit basis to promote health and social welfare. At the end of the year under review RAY had 98 member organizations.

The General Meeting of the member organizations was held in March. The meeting approved RAY's financial statements for 2004 as well as the operating and financial principles for 2006.



Members of the Board of Administration from left to right: Jukka Vihriälä, Maunu Ihalainen, Outi Ojala, Janne Rämä, Hilikka Nousiainen, Hannu Mäkinen, Kristiina Tetri, Tor Jungman, Suvi Lindén, Lasse Murto, Helena Hiila, Klaus Halla, Pirkko Karjalainen, Stefan Mutanen and Leena Koikkalainen. Not shown here: Rauno Saari.

RAY's Board of Administration has seven representatives selected by the General Meeting and seven appointed by the Government, as well as two representatives of the personnel. The members appointed by the Government include one from each of three ministries: Social Affairs and Health, Interior, and Finance. The Chairman and the First Vice Chairman are appointed by the Government, the Second Vice Chairman by the General Meeting. The Board of Administration is appointed for a term of three years. The term of the present Board of Administration continues until the end of 2006.

The Board of Administration appoints the 4-member Executive Committee. Its Chairman is RAY's Managing Director. The other members are the Directors responsible for gaming operations, funding activities and administration.

Based on the Lottery Act

Finland's Lottery Act forms the legal basis for RAY's operations. This Act stipulates that on the basis of a separate gaming licence an exclusive right can be granted to operate slot machines, casino-type games, and a casino. The Government has granted RAY a gaming licence until the end of 2006. The Lottery Act specifies that the revenues generated by RAY's gaming operations are used to promote health and social welfare.



Preparation of the funding distribution and control over usage of the funds are based on the Act on slot machine funding assistance. The Act regulates the basis on which funding assistance is granted, the procedure for granting assistance, the payment process, the use of the funds and control over their usage, inspection procedures, and the repayment or reclamation of funds. In addition a Decree regulating time limits applying to slot machine funding assistance has also been issued on the basis of the Funding Assistance Act.

The Government has also issued a Decree on the Slot Machine Association, which governs RAY's organizational form and administration, and its revenue accounting procedures.

Supervision by two ministries

The Ministry of the Interior (MI) supervises gaming and other lottery activities in Finland. The Ministry's tasks include approving gaming rules and the maximum size of stakes, as well as submitting proposals to the Government concerning the granting of gaming licences.

The Ministry of Social Affairs and Health (MSAH) controls and supervises RAY's funding activities, including the procedures for preparing the distribution proposal and assistance plan, the payment of assistance, and control of its use. Each year the following year's funding assistance targets are agreed between RAY and the MSAH. These targets are then written into the national budget. RAY also submits a yearly report

to the MSAH on its supervision of funding assistance utilization, as well as a supervision plan for the following year. The Lottery Act stipulates that the MSAH is also responsible for monitoring and evaluating the social effects of gaming and other lottery activities.

Members of the Executive Committee from left to right:

Markku Ruuhonen,
Esko Romppainen,
Hannu Salokorpi
and Seppo Pyykkönen.



Income statement

1.1. - 31.12.2005

EUR 1 000	2005	2004
TURNOVER	595 043	582 695
Increase (+)/decrease (-) in inventories of finished goods	+58	-25
Manufacture for own use	12 785	14 374
Other operating income	1 660	1 271
Materials and services		
Materials and supplies		
Purchases during period	14 668	15 214
Increase (-)/decrease (+) in inventories	-182	+1 080
Space rentals	93 040	91 213
External services	245	290
Personnel expenses		
Salaries and wages	35 509	34 496
Social security expenses		
Pension expenses	6 508	6 451
Other social security expenses	2 243	2 078
Depreciation	21 365	21 592
Other operating expenses	33 866	37 207
OPERATING PROFIT	402 284	388 694
Financial income		
Interest income	2 178	3 340
PROFIT BEFORE EXTRAORDINARY ITEMS	404 462	392 034
Extraordinary income	0	5 375
PROFIT BEFORE TAXES	404 462	397 409
Direct taxes	-12	-6
PROFIT FOR THE PERIOD	404 450	397 403



Editorial team:

RAY / Matti Hokkanen, Saija Hotti and Pirjo Ilves

Graphic design and production:


Mainostoimisto Seven-1

Text: Mainostoimisto Seven-1 / Metamedia

Translation: Peter Gregory

Photos: RAY and Mainostoimisto Seven-1

Printing: Tornion kirjapaino





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