

# VEIKKAUS *year* 2005

A FINN TO WIN



DISCOVERY



DISCOVERER



RESPONSIBLE GAMING GUARANTEES JOY  
AND WELLBEING TO ALL FINNS

LISTENING TO OUR CUSTOMERS  
- WE OFFER EXPERIENCES IN THE WORLD OF  
DREAMS, SPORTS, AND ENTERTAINMENT

## **DEAR READER,**

Responsibility is a natural part of our activities, providing the very basis for our existence. In addition to reporting the events of 2005, the financial statement, and the Board of Directors' report, this annual report will illustrate Veikkaus' role in the realisation of economic, social, and environmental responsibility in Finnish society.

The contents and reporting principles of this report follow the recommendations laid down by the international Global Reporting Initiative (GRI). At the end of the report, you can find a table comparing the topics dealt with in the report and GRI's recommendations.

A company operating on the basis of an exclusive right has a great responsibility towards its customers and society. Finnish players shall have the right to expect that they are offered the best gaming entertainment organized in a reliable and responsible manner.

Veikkaus proceeds play a significant role in the funding of Finnish arts, sports, science, and youth work. By reading this report, you will have a chance to familiarize yourself with some of the best professionals and experts in these areas who have made it to the international top. In the end, everyone has to work their own way to the top, but every success still also requires an important input from many people in different branches of society.

*This annual report will be published in Finnish and English. A Swedish version is available electronically at [www.veikkaus.fi/yritys](http://www.veikkaus.fi/yritys).*

*Veikkaus Oy*

*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 20 750 7338, or [tiedotus@veikkaus.fi](mailto:tiedotus@veikkaus.fi).*

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# VEIKKAUS *in brief*

## MISSION

### *A Finn to win*

Veikkaus generates versatile value to Finnish society by organizing games reliably and responsibly.

## VISION

### *Veikkaus is a pioneer*

Veikkaus will be the world's leading lottery in terms of customer orientation, know-how, and efficiency in 2010. Veikkaus is a pioneer in the midst of the changing operating environment and entertainment market. For its owner, Veikkaus provides the best option for a sustained promotion of the necessary facilities for Finnish arts, sports, youth work, and science.

## VALUES

### WE WORK

#### FOR THE COMMON GOOD

Veikkaus generates versatile value to Finns. We offer Finns an opportunity to participate in the promotion of the common good safely and reliably by playing Veikkaus games.

Veikkaus offers Finns a chance to work for the common good. We employ indirectly tens of thousands of Finns.

#### RESPONSIBLY

Social responsibility is a central part of Veikkaus' strategy and operations in practice. Our customers must be able to rely on Veikkaus one hundred percent. We must report our activities widely and openly, since we are responsible for our actions to Finnish society.

#### RELIABLY

Veikkaus' employees can rely on each other in all situations. Open interaction is an essential part of reliability. Our customers can always trust in the game products we offer.

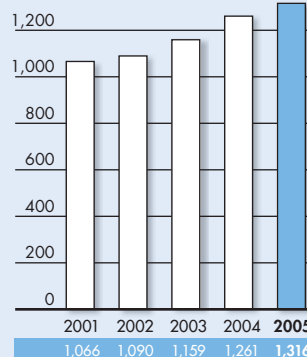
#### CREATIVELY

We want our games, services, and the way we operate reflect creativity and joy. We also encourage our staff to be innovative.

#### TURNOVER

EUR MILLION

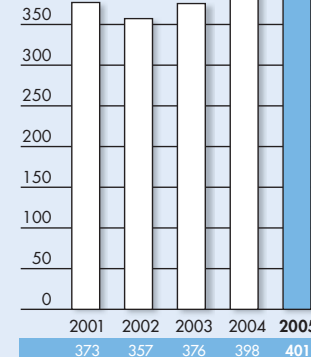
1,400



#### PROFIT

EUR MILLION

400



## BUSINESS 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 offerings in an ethically sustainable way. Our games are based on wide participation and small stakes.
- › Veikkaus operates its games reliably and responsibly. This is ensured by strict supervision by authorities and our own measures to control and restrict gaming.
- › Veikkaus returns the bulk of its business profit to Finnish society, to be distributed to various organisations in the fields of arts, sports, science and youth work in a way that benefits all Finns.
- › Veikkaus operates on the leisure and entertainment market. We offer our customers a chance to win sizeable sums of money as an additional value, as well as important social benefits.
- › Customers are at the core of Veikkaus' business operations. Our objective is to diversify our offerings to meet our customers' different 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 1.8% increase of its turnover in 2006.
- › The return objective of Veikkaus funds, laid down in the State budget of 2006, is EUR 387.2 million, i.e. 1.5% more than our return to the Ministry of Education in 2005.

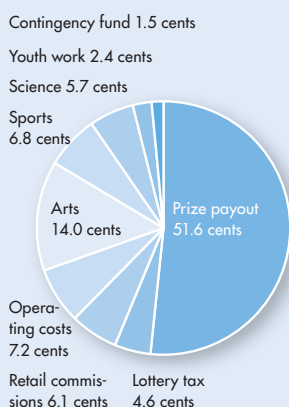
## KEY INDICATORS

	2005 EUR million	2004 EUR million	Change in %
Turnover	1,315.8	1,260.8	+4.4
Gross margin on sales	468.3	461.4	+1.5
Operating profit	397.2	394.5	+0.7
Profit before appropriations	400.6	397.3	+0.8
Profit for the financial year	400.9	397.7	+0.8

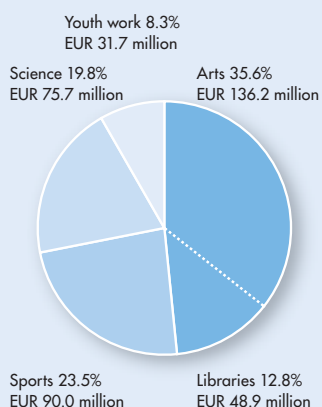
  

	31 Dec 2005	31 Dec 2004
Employees	372	377
Retail outlets	3,692	3,748
Players registered in Veikkaus' internet service	315,305	242,342

### BREAKDOWN OF VEIKKAUS' EURO 2005



### DISTRIBUTION OF VEIKKAUS FUNDS 2005





## CEO'S *Review*

**T**he exclusive right principle provides society with the opportunity to regulate the quantity and quality of gaming in accordance with its own values.

**This principle proved** resilient and strong, as the EU Services Directive was discussed during the year 2005. Against the Commission's original proposal, all member countries were in favour of the exclusion of gaming from the scope of the Directive. They believed that the decisions concerning gaming activities should be made at the national level even in the future. The Parliament of Finland, the Council of State, the authorities—the Ministry of Education and the Ministry of the Interior above all—as well as various citizen organizations, have been consistently in favour of this view. Following these opinions, the European Parliament decided to leave gaming outside the scope of application of the Services Directive in February 2006.

**The European Court of Justice** has also approved the exclusive right system applied to gaming activities in all of its related decisions. Within the

past year, the courts of law in Finland, Sweden and Norway, have handled gaming-related cases. The rulings issued in all of the three countries have been incontestably in favour of the exclusive right model of national gaming activities. The Finnish Supreme Court issued its judgement in a case concerning Åland's Slot Machine Association PAF in February. The Supreme Court held that the Finnish legislation was in harmony with the EC legislation and the decisions issued by the European Court of Justice.

**Various private operators** around the world would be happy to snatch the gaming proceeds from Finnish society and to use them for their own purposes. This is why it is extremely important that the national gaming policy, the legislation, and the authorities' measures should continue to be consistently in favour of the exclusive right system. The National Gaming Forum, appointed by the Council of State and including representatives from all political groups in Finland, the core Ministries and the three state-licensed gaming organizations, continued its work for the establish-

ment of a consistent national gaming policy in complete unanimity during the year 2005.

**Veikkaus made all of its games** subject to age limits at the beginning of September. The general age limit for buying Veikkaus games is now 15 years. Further, there is a special age limit of 18 years, applied to gaming via electronic channels, such as the internet. The new limits represent a logical continuation of the gaming restriction policy in Finland. Right now, we are in a situation where the event frequency of the games is growing and the new technological solutions are bringing with them new gaming opportunities and circumstances. By introducing age limits, we can make sure that children and young people are protected against the risks brought on by this development. Veikkaus received mostly positive feedback both from the customers and the retailers for introducing the age limits.

**Corporate social responsibility** continues to provide the basis for Veikkaus' business operations. Our mission is explicit: Veikkaus generates versatile value to Finnish

society by operating games reliably and responsibly. This is in accordance with our slogan "A Finn to Win!" In the course of the year under review, the risks of fraud related to sports betting were strongly in focus. This is good, since the only acceptable policy in these matters is zero tolerance. We cannot let even the smallest attempt at bribery go unreported. The national lotteries and football organizations shall do what they can for the integrity and reliability of sports and legal betting activities. Veikkaus has been working actively for the advancement of international cooperation.

**The year 2005** was a period of strong and profound development for Veikkaus. We revised and specified our mission, vision, and strategy. We also made our organization, reformed on the basis of our customer strategy, more concise. The new operational models reinforcing innovation, planning, doing, and cooperation, were implemented. Considerable investments were made in the development of customer data systems and customer communication, as well as brand enforcement.

The offerings were reformed on the basis of more profound customer data. The processes were analysed and streamlined. The intensive development of our new gaming system was continued. Further, the company's management and leadership were offered training on better management skills.

**The objective of the challenging development** and reform work is to ensure that we will be able to preserve our capability, even in the future, in the midst of our constantly diversifying operating environment, to serve the Finnish customers and society responsibly, maintaining the high standard of our services.

**Veikkaus was founded** in 1940, in order to take care of the provision of games in Finland. Since then, the company has contributed the bulk of its profits to society to be used for the benefit of Finnish culture.

**In its 65th year of operations**, Veikkaus attained a turnover of EUR 1,315.8 million, which is the largest in the company's history. The result of the financial year amounted to EUR 400.9 million, of which the company returns


EUR 381.4 million to the Ministry of Education in accordance with the State Budget, to be distributed to Finnish arts, sports, science, and youth work.

**In 2005, Veikkaus paid out** a total of EUR 678.7 million (+7.5%) of prizes to players. The product advertisement expenses amounted to EUR 10.0 million (-26.9%), i.e. 0.8% of the turnover. The commissions paid out to the retailers represented 6.1% of the turnover, amounting to EUR 80.6 million. During the year under review, Veikkaus paid EUR 60.6 million of lottery tax (+1.0%) and EUR 14.5 million (+13.4%) of VAT, in addition to returning its profits of EUR 381.4 million to the Ministry of Education.

**Veikkaus definitely generates value** to Finnish society. And what is most important, it does it reliably and responsibly!

**I wish to express my warmest thanks** for a fine, successful year, to Veikkaus' customers, partners, and staff!

  
Risto Nieminen



*Finns love sports  
—both on the arena  
and viewed from their  
living room couches.*

Over a third of Finns—some 1.8 million people—say sports are at least fairly important for them. Betting spices up sports events. This is something many Finns agree on; Veikkaus sports games were played for over EUR 70 per capita in 2005.





# VERSATILE *value* TO FINNS

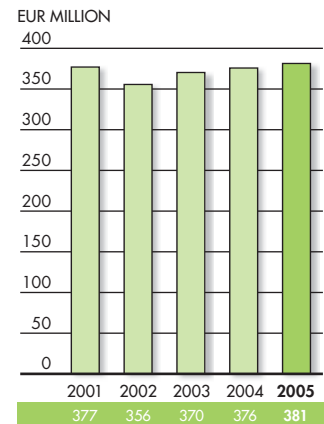
**V**eikkaus has offered dreams, entertainment and profit to Finns by providing games for over 65 years. Nearly all grown-up Finns are Veikkaus' customers—while some people dream of large wins in a game of chance, others play to spice up sports events with extra excitement.

Veikkaus' mission is to generate versatile value to Finnish society by operating games reliably and responsibly. We want our games to be based on a wide participation with controlled stakes. This will enable us to meet the demand for games with a game supply which follows the Finnish gaming tradition in an ethically planned, reasonable, and naturally regulated way. Such a system will also help us to minimize the possible risks of gaming.

The Finnish gaming system is based on the ideology of social responsibility. The monopoly system provides the authorities with a means to control gaming and restrict competition that would lead to an aggressive manipulation of players, if it was left uncontrolled.

Veikkaus has been granted the exclusive right to operate lotteries, betting and pools games in Finland. The Finnish State has also granted similar rights to operate certain games to two further gaming organizations, the Finnish Slot Machine Association RAY and Fintoto. The total turnover of these organizations amounted to EUR 2,160 million in 2005, and they yielded EUR 807 million to society. The current gaming licences will be effective until the end of 2011.

**FUNDS RETURNED  
TO THE MINISTRY OF  
EDUCATION**





*“Our game offerings aim at a wide participation with reasonable stakes and the minimizing of problem gambling.”*

## GAMING OPERATORS’ ENORMOUS 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, leads to problems of health, social relations and finance to the players, as well as their friends and family.

The responsibility of a gaming company operating on the basis of an exclusive right is enormous. We must be able to offer products that are attractive enough to make Finns want to play legal controlled games. Whilst developing our offerings, we must pay attention to the possible security issues. Our aim is to attain a wide participation in the games with reasonable stakes, and to minimize problem gambling.

Veikkaus has an active role in Finnish society. Our slogan “A Finn to Win” crystallises our mission and the grounds for our existence. Veikkaus offers Finns a chance to win money in a safe gaming environment. One of the positive outcomes of the exclusive right system is that Veikkaus’ proceeds can be allocated to arts, sports, science, and youth work. 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.

### EU COUNTRIES IN ONE UNIFIED FRONT

Although the gaming systems are not identical in different countries, they share a common basis: in Europe, as well as elsewhere in the world, gaming has most often been organized in accordance with the national monopoly principle. The overwhelming majority of the EU countries are in favour of a gaming system similar to the one we have in Finland. In 2005, in a discussion at the European Parliament on the Services Directive, all member countries supported the exclusion of gaming from the scope of the Directive. In other words, the countries agree on the idea that gaming-related decisions should be made at the national level even in the future.

There are no specific regulations on gaming as such in the European Union. The European Court of Justice has issued several rulings that concern gaming. The EC Court has criticized the applications of the system of exclusive rights in certain countries, but it has never questioned the system as such. It has also been in favour of the member countries’ right to restrict the provision of games from outside of their borders.

The courts in Finland, Sweden, and Norway have processed several cases related to gaming in the course of the past year. The decisions in all of the three countries have favoured unquestionably the principle of exclusive right applied to the organization of national gaming activities, and accepted the ways in which the state lotteries operate in these countries. The Finnish Supreme Court issued its judgement in a case concerning Åland’s Slot Machine Association PAF in February. In its judgement, the Supreme Court confirmed the validity of the principle of the exclusive right applied to gaming activities, laid down in the Finnish Lotteries Act. It considered that the Finnish Lotteries Act complied with the EC Court’s decisions.

The Finnish national legislation and gaming policy, as well as the measures of the government officials have been consistently in favour of the monopoly principle, and the Finnish gaming organizations comply strictly with this policy.

In spring 2004, a new Finnish gaming authority the Finnish National Gaming Forum was launched. Its task is to establish the guidelines for a national gaming policy. The Forum shall pay special attention to the internationalisation and the social and economic implications of gaming. Further, it aims to ensure, e.g., that problem gambling and gaming-related criminal activities are prevented more efficiently in Finland.

### RULINGS BY THE EC COURT

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

## 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 also in the future.

Veikkaus is an active member of the international gaming organizations European Lotteries and Toto Association (EL) and World Lottery Association (WLA). Veikkaus' CEO Risto Nieminen is a member of the Executive Committees of both organizations. We believe that the most important task of the international organizations is to promote the common interests of the gaming sector by working to maintain the national gaming monopoly system.

Extensive exchange of information, open communication, and regular contacts with different experts are important for the gaming companies' international cooperation.

The national gaming companies and the international sports organizations have lately worked in close cooperation to eradicate the unhealthy features of sports and gaming. The globalization of gaming, the growing number of betting operators, the changes in the financial structures of sports, as well as the increasing international crime have added to the risks of fraud.

The national gaming companies have their own efficient systems by which they can monitor gaming. They exchange information constantly, real time if necessary. European Lotteries and UEFA signed a cooperation agreement in the summer of 2005, laying down the principles of information exchange in connection with suspected cases of fraud. Veikkaus has been actively involved in the development of this form of international cooperation.

***“Finland is the winner every time you play.”***

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2005)



Professional golfer Minea Blomqvist

## NETWORK

*She might have found friends to spend her summer days with somewhere totally else. However, as it happened, the blond-haired little girl from southern Finland lived next to a golf course. It was only natural that she went there during her summer holidays to exercise and have fun.*

*Of course, the girl's parents who were keen on golf themselves, may have had a certain influence on their daughter's developing interest in the sport, but it was her fellow golfers, the local golf club, the excellently working network that ultimately made her so attracted to her new hobby.*

*Although Minea Blomqvist takes her future profession seriously, you cannot see a sign of stress in the talented young golfer's appearance. Following Peter Pan's motto "those who think happy thoughts can fly" is of indispensable help whilst constructing the network that every athlete needs to succeed. It is easy to support this exceptionally talented professional golfer who will go on smiling even if she was losing.*

## LARGE NUMBER OF STAKEHOLDERS

**Veikkaus has** a large number of stakeholders from different fields of society. Nearly all grow-up Finns have played Veikkaus games at some stage in their lives, and many of them play our games every week. And whether they play or not, all Finns can enjoy the fruits of well organized

gaming. Veikkaus funds are vital for thousands of beneficiary organizations, and their employment effects are significant. Veikkaus has a comprehensive network of nearly 3,700 retailers around Finland. From a societal perspective, gaming entails a great economic and social responsibility. This is

why Veikkaus wants to have a prominent role in public life.

**Whilst assessing the results** of Veikkaus' CSR policy, all stakeholder groups have their own expectations. The different expectations may sometimes be conflicting. In order to succeed in our stakeholder

relations, we need to balance between the different expectations. We have analysed them, e.g., by convening a stakeholder meeting in spring 2005. We have also conducted stakeholder interviews and a Veikkaus Brand Compass study to investigate the expectations in more detail.

### Veikkaus' core stakeholders

STAKEHOLDER	STAKEHOLDER EXPECTATIONS	VEIKKAUS' RESPONSE	TOOLS FOR MEASURING THE RESULTS
<b>PLAYERS, CUSTOMERS</b>	Good reliable gaming entertainment. Fulfilling the promises of our products. Reliable prize payout. Correct and explicit information on games and gaming.	Entertaining games; dreams, excitement, and entertainment. Versatile offerings targeted to different customer groups. Comprehensive sales network. Reliable prize payout. Customer guidance and game instructions. Transparent activities. Consumer protection and responsible product development. Financing of Problem Gamblers' helpline Peluuri.	Sales development. Changes in consumer behaviour and customer profiles. Analyses of corporate image and customer satisfaction. Quality and quantity of feedback and recommended decision procedures. Quality and quantity of calls to Peluuri helpline.
<b>OWNER</b> Ministry of Education	Moderate profit development, sustained operations. Efficient activities. Responsible gaming.	Regular proceeds. Regular contacts with the owner. Open information about the development of the result and the operations in general.	Achieving the return objective. International comparisons within the sector.
<b>PARLIAMENT, CORE MINISTRIES</b>	Regular proceeds, tax revenue. Responsible gaming. Nationwide employment effects.	Strict compliance with the Lotteries Act and the national gaming policy. Efficient activities. Involvement in the prevention of the detriments of gaming. Direct and indirect employment effects.	Accounted proceeds and taxes. Number of jobs, salaries paid. Coverage of retailer network. Occurrence of social detriments of gaming.
<b>STAFF</b>	Secure workplace. Equal opportunities. Career and development opportunities. Motivating workplace community and rewarding jobs. Responsible management.	Solid economy. Versatile training programme, rotation opportunities within the company, maintenance of working capacity, encouraging incentive scheme, investing in internal communications. Equal opportunities programme. Active development of leadership and planning of operations.	Surveys concerning the staff and their working capacity, performance discussions. Turnover of employees, absence from work, age of retirement. Incentive scheme.
<b>RETAILERS AND RETAIL SALES CLERKS</b>	Source of livelihood. Explicit operating guidelines. Reliable and responsible partner. Competitive offerings. Sales support functions. Up-to-date, comprehensive information and training.	Versatile offerings, reliable prize payout. Responsibility for information systems, terminals, sales equipment, information, marketing and communications. Comprehensive retailer training programme.	Sales development and distribution by districts and outlet types. Changes of retail outlets, payment times of sales income. Customer and retailer satisfaction surveys.
<b>BENEFICIARIES</b> in the fields of arts, sports, science and youth work	Proceeds, return of funds. Ensuring the continuity of the system. Possible forms of marketing cooperation.	Regular proceeds. Efficient operations. Open, interactive cooperation.	Development of proceeds. Achieving the objectives of marketing and game event cooperation. Corporate image surveys.
<b>PARTNERS IN COOPERATION</b>	Open, fair and innovative activities. Dependable agreements. Long co-operation relations.	Strategic partnerships, partner agreements and strategies. Bringing gaming expertise to the cooperation.	Number and nature of partnerships. New offerings, product development.
<b>THE MEDIA</b>	Cooperation. Social responsibility and reliability. Efficient and transparent activities. Availability.	Open, fast, reliable, and many-sided communications. Availability and active provision of information. Extensive cooperation.	Public discussions, media follow-up. Number of contacts and communications. Corporate image and communications surveys.
<b>IMMEDIATE COMMUNITIES</b>	Interaction. Predictability. Constructive local actor and employer.	Contacts and cooperation. Responsible, steady activities.	Environmental load. Number of jobs. Corporate image surveys.



## BEING WHERE OUR CUSTOMERS ARE

Veikkaus operates on the leisure and entertainment market. In 2004, we introduced a new model of operations with the objective of meeting our customers' needs in a more accurately targeted manner. The model is essentially based on a deep understanding of our customers, which demands from us the ability to collect, process, and take advantage of customer information.

Veikkaus' customer strategy builds on the idea that we want to offer unique value to our customers, to prepare the ground for long-lasting customer relations. We want to be present in places and events that are naturally associated with dreams, entertainment, and sports. Accurate customer data and recognition also provide us with tools for responsibility in practice. Gaming should be good entertainment that does not endanger the players' financial capacity.

### YEARS OF SYSTEMATIC DEVELOPMENT AHEAD

For our customers, the new business model entails improvements to their everyday lives as better services, tools for gaming, and product supply. We are prepared for years of systematic development of our activities.

The first reforms could already be seen in 2005: Veikkaus' first customer magazine X was launched in November, and our new, thoroughly reformed website was opened at the end of the year. We also introduced new playslips and other services to support gaming. A new dreams site was opened on the internet, reflecting the objective that we want to become a more customer-oriented operator on the entertainment and leisure market.

## Veikkaus activities praised

**Finns want to know** more and more about how companies manage social responsibility. As many as 69% of Finns say the issue is important and more and more Finns believe companies should pay attention to social responsibility instead of just trying to enhance their competitiveness. This was shown in the Social Responsibility Survey conducted by Marketing Radar in 2005.

**According to** the survey, the respondents thought Veikkaus took care of its social responsibility very well, since we were rated as the second best in terms of CSR of the 26 companies in the survey. Veikkaus' CSR was given the total average grade 3.61 on a scale of 1 to 5. The way we managed the various aspects of CSR were graded as follows: economic responsibility 3.87, social responsibility 3.65, and environmental responsibility 3.58.

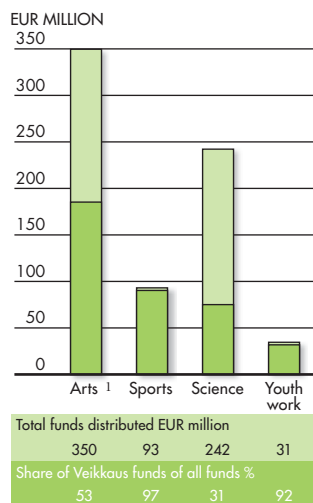
**We also carried out** a brand survey in 2005. It showed that people had mostly a positive conception of Veikkaus. We were rated as reliable, secure, well-known, and domestic in all survey groups. According to the survey, people felt the monopoly status reinforced our reliability and credibility, securing the prize payout and distribution, and added to the ease of playing. The survey was conducted by Consumer Compass Oy, commissioned by Veikkaus.

**In January 2005**, Taloussanomat newspaper published the results of a questionnaire survey carried out by the Finnish market research company Taloustutkimus on the newspaper's commission. The results showed that Finns accepted the monopoly system in general. Just 36% of the respondents would have allowed open competition in the provision of games.



## YOU TOO ARE A WINNER

### SHARE OF VEIKKAUS FUNDS OF ALL FUNDS DISTRIBUTED BY THE MINISTRY OF EDUCATION IN 2005



Source: Ministry of Education Budget 2005.

**Veikkaus' activities benefit every Finn.** All of us are winners in Veikkaus games whilst using various services and facilities, such as recreational sports sites, the cinema and the theatre, and participating in the activities of the scout organization—to mention but a few of Veikkaus' beneficiaries. Without a carefully planned distribution of the non-winning euros spent on our games, many good things would be left undone. Thus, it is good for us all that the euros are allocated as they are now.

**In 2005, Veikkaus returned** a total of EUR 381.4 million to the Ministry of Education, i.e. over one million euros a day. Veikkaus games constitute a significant source of income to society. Our proceeds cover the majority of the total funding by the Ministry of Education to recreational sports

(97%) and youth work (92%), in particular. In the funding of arts, Veikkaus funds represent 53% of the total budget<sup>1</sup>, and in the funding of science, 31%.

**The Ministry of Education distributes** Veikkaus funds to Finnish culture in accordance with the Funds Distribution Act<sup>2</sup> laid down by the Parliament of Finland. The law specifies the allocation of the funds to the different beneficiary groups as follows: 38.5% to arts, 25% to sports, 17.5% to science, and 9% to youth work. In addition, the remaining 10% are allocated to the said beneficiaries as separately specified in the State Budget each year.

**The allocation of funds** in accordance with the Funds Distribution Act, laid down in 2001, will be gradually implemented by the year 2010. Last year the original schedule,

according to which libraries were to be excluded from the scope of Veikkaus funds by 2012, was amended by making the transition period two years shorter. By 2010, the statutory state funding of libraries will be covered with tax funds again, whereas they are currently temporarily financed partly with Veikkaus funds. In 2005 Veikkaus funds covered 55% of the total state funding of libraries (EUR 48.9 million).

**In all, Veikkaus funds** were distributed to nearly 1,100 communities in 2005. 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, e.g., sports associations and the building of sports sites and facilities. The majority of the funds to youth work are distributed to young people's citizen organizations, as well as to free-time activities, such as youth associations. In arts, the most important beneficiaries of Veikkaus funds include different theatres, orchestras, museums, and various other forms of arts around Finland.

VEIKKAUS FUNDS DISTRIBUTED TO DIFFERENT BENEFICIARY GROUPS						
EUR million	2005	%	2004	2003	2002	2001
Arts <sup>1</sup>	185.1	48.4	187.5	190.5	183.0	204.5
Sports	90.0	23.5	84.2	83.7	83.5	80.7
Science	75.7	19.8	75.5	75.5	76.2	75.9
Youth Work	31.7	8.3	28.6	20.7	20.4	20.3
<b>Total</b>	<b>382.6<sup>3</sup></b>	<b>100.0</b>	375.8	370.4	363.1	381.4

<sup>1</sup> The funds to arts include the State funding of libraries. In 2005, it amounted to EUR 48.9 million.

<sup>2</sup> Act on the distribution of funds from lottery, pools and betting games.

<sup>3</sup> Difference between the sum and the funds returned to the Ministry of Education (EUR 381.4 million) based on technical factors related to the Ministry's budget.

*“The way Veikkaus acts  
is good for all of us Finns.”*

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2005)

## Responsible Veikkaus

### CSR PROGRAMME

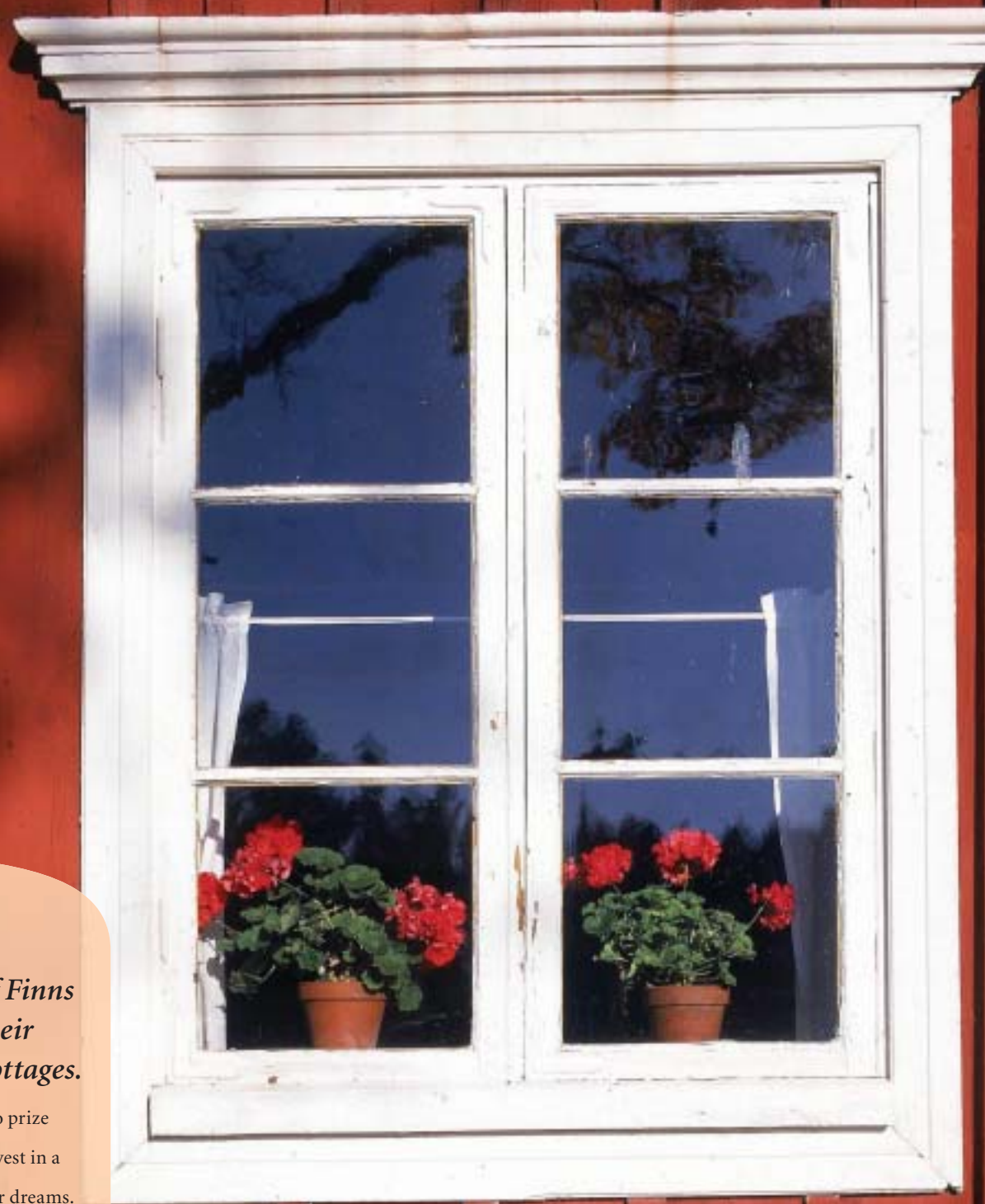
- › Veikkaus aims at a moderate and sustained growth of its profit.
- › Veikkaus’ objective is to attain a wide customer base playing with reasonable stakes so that the money individuals spend on gaming would not burden their financial capacity.
- › Veikkaus develops its offerings in a socially responsible manner—this entails, e.g., restrictions on gaming:
  - Age limits—15 years at POS and 18 years on the internet.
  - Stake and daily gaming limits in games with high event frequency, such as Live Betting.
  - You cannot play on credit.
  - You cannot play at night—the gaming system is only open until 10 p.m.
- › Veikkaus continues to develop an ethical model of evaluation of gaming, enabling the assessment of each new game and distribution channel before they are introduced.
- › Veikkaus works to prevent problem gambling.
  - Veikkaus distributes knowledge and information on problem gambling at, e.g., its POS and on its website.
  - Veikkaus ensures that its staff and retail sales personnel are aware of problem gambling and know where people affected by it can get help.
  - Further, Veikkaus is involved in the development and carries a part of the expenses of Peluuri helpline for problem gamblers and their families and friends.
- › Veikkaus marketing communications are carried out in compliance with a strict ethical code of conduct.
- › Veikkaus requires its partners in cooperation to comply with CSR in all their activities.
- › Veikkaus underlines environmental responsibility in its activities and partner relations.
- › Veikkaus works to prevent to money laundering and other criminal activities.
- › Veikkaus’ CSR programme is binding on every member of Veikkaus’ staff and steers the company’s activities in practice.

### CORE INDICATORS OF SOCIAL RESPONSIBILITY

Indicators of economic performance	2005	2004
Turnover (EUR million)	1,315.8	1,260.8
Financial profit (EUR million)	397.2	394.5
Investments (EUR million)	22.2	6.7
Prize payout (EUR million)	678.7	631.2
Payroll benefits (EUR million)	16.5	15.6
Number of employees (end of the year)	372	377
Number of POS (end of the year)	3,692	3,748
Retailer commissions (EUR million)	80.6	80.8
Lottery tax (EUR million)	60.6	60.0
Contribution to the Ministry of Education (EUR million)	381.4	375.8
Indicators of social performance		
Work enjoyment (scale 1–5)	3.91	3.82
Turnover of personnel (%)	10.9	8.0
• newly recruited	38	34
• gave their notice	24	19
• retired	19	7
Average age of personnel	42.5	42.4
Average duration of employment contracts	13.1	13.5
Sick leaves (workdays/employee)	14.5	12.8
Occupational health care costs (EUR)	398,508	388,059
Recreational and employee club activity costs (EUR)	67,149	81,555
Average salary (EUR)	3,092	2,951
Training days Gaming Academy	454	413
Indicators of environmental performance		
Electricity consumption/ head office (MWh)	3,750	3,500
Heat energy consumption/ head office (MWh)	2,785	2,791
Water consumption/ head office (m <sup>3</sup> )	4,000	4,100
Delivery transports (km)	420,000	500,000

*The majority of Finns dream about their own summer cottages.*

A large number of Lotto prize winners also plan to invest in a summer cottage of their dreams. Finns seem to be very practical: Lotto prizes are often spent on home renovations and paying off mortgages. In 2005, we paid out a total of 6.8 million different Lotto prizes.





# VEIKKAUS' FINANCIAL SUCCESS

*benefits*

## THE ENTIRE SOCIETY

**V**eikkaus' financial success has far-reaching significance for Finnish society; the euros spent on our games benefit our customers, retailers, staff, and our owner, the Finnish State. Veikkaus funds are used to finance over a thousand different beneficiaries. In practice, this means that every Finn benefits from our funds. The winners outnumber by far the people who actually win a prize in one of our games. Veikkaus generates versatile value to society. In 2005, we contributed a total of EUR 456.5 million to the State.

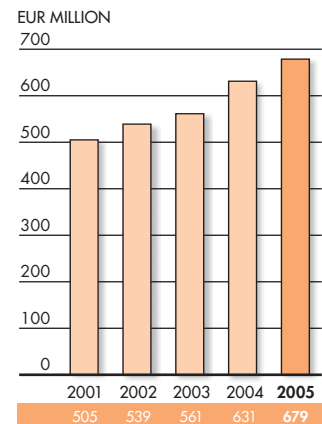
Finns played Veikkaus games for EUR 1.3 billion in 2005. Over a half of this amount was returned to the players as prizes, EUR 678.7 million in all. Of the other half, Veikkaus returned the majority, i.e. a total of EUR 381.4 million to the Ministry of Education to be further distributed to the good causes.

The distribution of Veikkaus funds is laid down by law. They cannot be allocated to purposes other than those determined in the lottery legislation: to promote sports, science, arts, and youth work. Veikkaus does not distribute the funds on its own, nor does it make donations to other beneficiaries.

Veikkaus paid a total of EUR 75.1 million of tax during the year under review: EUR 60.6 million of lottery tax and EUR 14.5 million of VAT. The retailer commissions amounted to EUR 80.6 million. Veikkaus' operating costs were EUR 95 million, of which EUR 21.9 million were personnel expenses.

*“The winners outnumber by far the people who actually win a prize in one of our games.”*

**PRIZE PAYOUT TO PLAYERS**



### CONTRIBUTION TO THE MINISTRY OF EDUCATION

To the Ministry of Education	EUR 381.4 million
Taxes	EUR 75.1 million
<b>Total (34.7% of the turnover)</b>	<b>EUR 456.5 million</b>



*“The estimated total employment effect of the Finnish gaming organizations amounts to 50,000 person years of employment.”*

## VEIKKAUS GAMES PROVIDE LIVELIHOOD TO TENS OF THOUSANDS OF FINNS

Veikkaus employs directly 370 Finns. However, our employment effect is far more extensive than that. Our retailers employ around 15,000 game sales clerks whose livelihood depends largely on Veikkaus games.

Further, the different beneficiary organizations financed with Veikkaus funds employ thousands of people. If we count the multiplier impacts of the production, services, and consumption related to Veikkaus’ and its beneficiaries’ activities, the employment effect is vast.

Veikkaus’ great social importance is a result of the exclusive right system. The valuable work among, e.g., children and young people, sports associations, and several arts organizations, would not be possible to the current extent without Veikkaus funds. Many scientific innovations would also be left unmade without the support provided by the euros spent on our games.

It has been estimated that the total employment effects of the three Finnish gaming organizations Veikkaus, the Slot Machine Association RAY, and Fintoto, would amount to 50,000 person years of employment.

### EFFICIENCY BASED ON LOW EXPENSE LEVEL AND TECHNOLOGICAL APPLICATIONS

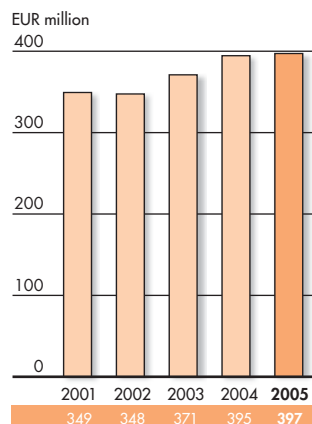
The critics of the exclusive right system have claimed that it is inefficient. In reality, Veikkaus is one of the most efficient gaming companies in the world. Our expenses represented a mere 7.2% of the turnover in 2005. Our small company of just a couple of hundred employees generated a profit of EUR 400 million.

Our extraordinary efficiency is based, e.g., on the ability to apply the newest technologies to gaming. Finns seem to be especially apt to adopt innovations of IT and data communications. For example, the internet connections in Finnish households have developed quickly over the past few years. This can be seen clearly in Veikkaus’ game sales via electronic channels, which increased nearly 45% in the year under review.

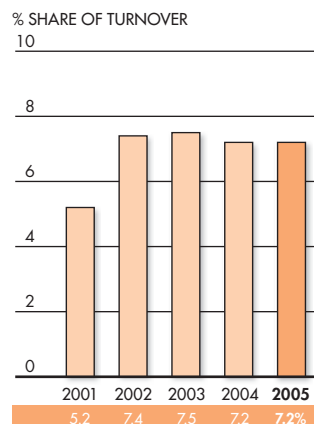
Veikkaus also worked to make its internal operations more efficient in 2005. Our training and development functions focused on the implementation of the new business model, which is based on our customer strategy. Human resources were also allocated to activities that were considered essential from the point of view of the strategy. Our strategic goals for the years 2006–2010 include the maintenance and improvement of the internal efficiency and quality.

Veikkaus aims at a moderate growth. Together with our owner, we have determined an annual growth expectation of 1.5% of our profit. The demand for games has developed towards products with higher event frequency and smaller margins. Thus, Veikkaus needs to operate in an especially cost-efficient manner to secure the growth of its profit.

#### OPERATING PROFIT



#### OPERATING EXPENSES



*“The retailers place great value on the good gaming products and Veikkaus’ overall reliability.”*

## VEIKKAUS’ SALES CHANNELS OFFER OPTIONS TO CHOOSE FROM

The vast majority, ca. 88% of Veikkaus’ turnover, comes from gaming via retailers, while the remaining ca. 12% come from the various electronic channels. Veikkaus’ most important electronic sales channel is the internet gaming service, which has increased its popularity steadily year by year. The internet enables playing almost irrespective of time and place. As for the retailer outlets, they offer our customers the chance to receive personal service and to talk to the game sales clerks face-to-face.

### DENSE SALES NETWORK

The retailers are Veikkaus’ face towards its customers. Our sales network is one of the densest per capita in the world. We have ca. 2,860 online retailers

and nearly 840 instant ticket retailers around Finland.

In 2005 Veikkaus paid a total of EUR 80.6 million in retailer commissions. Our points of sales are paid a 7% commission of their game sales on the average. Kiosks and convenience stores have maintained their position as the most popular outlet type for long. However, the strong overall trend towards centralized trade was also reflected in player behaviour: the large grocery stores and supermarkets are increasing their sales of Veikkaus games in particular.

### CENTRALIZATION OF TRADE REFLECTED IN GAME SALES

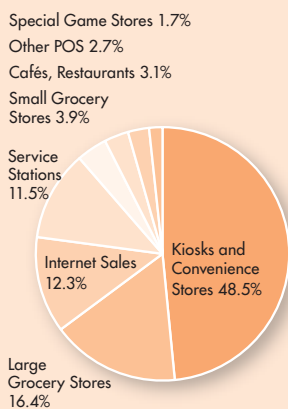
The large trade chains, such as Rautakirja, the K- Group and >>>



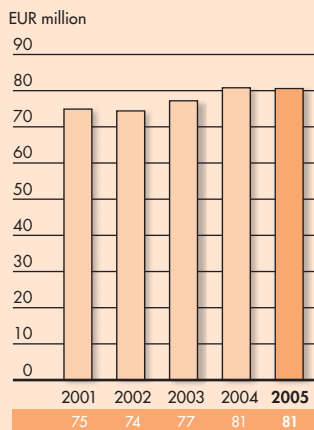
*Paula Ruuhonen from Prisma supermarket in Kannelmäki, Helsinki, was elected Veikkaus’ game sales clerk of the year 2005.*

*– Everything is based on a good customer relationship. When the service is smooth and the customers are happy, you can feel it on the other side of the counter, too, says Ruuhonen.*

### SALES BY POINT OF SALE TYPES 2005



### RETAILER COMMISSIONS





In 2005, over 4,500 game sales clerks took part in Veikkaus' retailer training events. The events were hosted by, e.g., Sami Vähäkuopus, Johanna Helin, Sanna Lahtinen and Leena Kivinen (from left to right).

»»

the S-Group have increased their share of the sales of Veikkaus games significantly. The chain operations and management enable us to make use of conceptualized operating patterns and to make our sales activities more effective.

Veikkaus and Rautakirja agreed on a strategic partnership in 2003. In 2005, we extended our strategic partnerships by making a group-specific cooperation agreement with S-Group's ABC service station chain. We also agreed on closer cooperation with Kesko Food, conducting a pilot of Veikkaus game sales at supermarket checkouts. A Citymarket store of the K-Group in the capital region was chosen as the site for the pilot, which was run in the autumn. Further, Veikkaus and the K-Citymarket stores identified together a set of operational issues that will be paid special attention to in the year 2006.

Veikkaus pursues a business-oriented retailer policy. We set sales objectives for each retailer, which are adjusted at given intervals. Disregarding certain specific points of sales, which we have identified separately, all our retail outlets have explicit sales objectives which they have to attain to be able to continue as game retailers.

#### **VEIKKAUS INVESTS IN ITS RETAILERS**

Veikkaus invests in the development of its sales network, serv-

ing its retailers as efficiently as possible. We supply our retailers with online and instant game terminals, taking care of their servicing and maintenance, and establishing the necessary data connections. The marketing and sales promotion materials are also included in Veikkaus' retail agreements. We offer the game sales clerks help in different sales situations and problems through a special retailer helpline, which is available every day during the opening hours of the online system.

During the year under review, Veikkaus invested in the motivation of the game sales personnel. For example, we organized sales figure-based competitions, where you could win trips to the south. We also met our retailers on various occasions, arranged a retailer cruise for our best selling retailers, and maintained a bonus system to reward them.

In the spring we carried out a retailer satisfaction survey realized by TNS Gallup Oy. It showed that the respondent retailers were very satisfied with Veikkaus. On a scale of 1 to 5, the retailer satisfaction amounted to 3.59.

The survey revealed that Veikkaus is regarded as a business-like and modern company on the one hand, yet somewhat bureaucratic on the other. Veikkaus' retailers put special value on our good game products and overall reliability. However, they wished that the

practical cooperation could be simplified. Accordingly, in 2006, we are going to introduce a sales network management system to improve the standard of service at our POS and to make our activities more efficient.

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 1,600 retail outlets around Finland at the end of 2005. Veikkaus' strong brand supports retailer activities. In 2006, we are going to invest in further brand development.

#### **VERSATILE TRAINING OPPORTUNITIES SUPPORT GAME SALES**

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, Veikkaus' points of sales employ some 15,000 game sales clerks annually. Veikkaus offers them basic retailer training and aims at improving their professional skills through regular further

training. In 2005, over 4,500 game sales clerks participated in the various training events. Veikkaus' training personnel organize courses in game sales in different parts of the country, a total of 403 during the year under review.

The versatile retailer training opportunities are being continuously developed. In 2005, we condensed the training into three separate units. The first unit consists of game information, the use of the online terminal, and knowledge about various issues related to game sales. The other two units concern the world of sports games and the special features of off-track horse betting games. Last year we also focused on individualized chain-specific training events. The purpose of our retailer training is that every person trained can individually obtain the data they need in order to attain their sales objectives. The training also includes a section on responsible gaming, dealing with, e.g., questions related to the ways to control playing and problem gambling.

*"The money doesn't go to the bosses' pockets, at least not much of it."*

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2005)

*“Veikkaus collects money efficiently and then distributes it as agreed.”*

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2005)

## OVER ONE TENTH OF SALES THROUGH INTERNET GAME SERVICE

Although the majority of Veikkaus games are sold at retail outlets, Veikkaus’ own electronic distribution channels have increased their share year by year. Our internet gaming service [www.veikkaus.fi](http://www.veikkaus.fi) is one of the largest web stores available to consumers in Finland, with an annual turnover of EUR 160.4 million. Our games can also be played by wap and some of them even by sms. The Online Shopping survey published by TNS Gallup in June showed that Veikkaus’ internet game service ranked among three of the most popular online shopping sites. Veikkaus’ site was graded as the most reliable of all shopping websites.

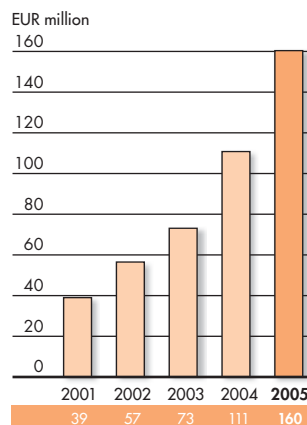
**The internet game service** increased its sales by as much as 44.8% in 2005, representing over one tenth (12.2%) of our total game sales for the first time (9.9% in 2004). At the end of the year, the service had

315,000 customers. Veikkaus only provides internet games to Finnish residents. We check the identity of each player registering in our system through the Population Register Centre. In September 2005, we imposed an age limit of 18 years on playing through the electronic channels.

**Every week** over 100,000 Finns play the games on Veikkaus’ internet service. In all, some 50 million gaming transactions were recorded on our website in 2005. Sports games are the most popular games on the net, but Lotto games and Keno also attract internet players. In 2005, Veikkaus launched its first instant games on the net, i.e. the electronic versions of Nature Instant and Horoscope Instant.

**Veikkaus’ internet service** went through the largest reform of its history in December 2005. We introduced new game entry

### TURNOVER OF INTERNET GAMING



forms and opened an entertaining dreams site for our customers. We will continue to develop the website in 2006, focusing on the improvement of services offered to sports buffs.

**In December 2006** ten years will have passed since Veikkaus launched its internet gaming service as the first national lottery in the world. The service was first piloted with a small group, after which it was opened to the public in 1997.

### TURNOVER BY GAME GROUP ON THE INTERNET IN 2005

	EUR million	Share %	Change %
Betting games	77.8	48.5	50.5
Lotto games	32.8	20.4	29.6
Other sports games	16.5	10.3	34.1
Other games	33.3	20.8	54.2
Total	160.4		44.8



Opera singer Petrus Schroderus

# DISCOVERY

*A boy from the City of Oulu in northern Finland plays the clarinet and attends a special class for musically gifted children. He is intrigued by songs and singing. There's something special about Paul Anka's voice, and Elvis sounds fascinating, too. As the boy grows older, he is faced with a completely new world. An encouraging teacher leads the precocious young man to the universe of classical singing.*

*Finally, it is a gift record that does it. The young man, who has opted for a career as a policeman, finds his vocation to become an opera tenor with the help of Luciano Pavarotti.*

*A person who makes an international breakthrough is always a discovery, an unquestionably gifted professional in his field. However, young gifted people do not always recognize their unique talents themselves. It was partly through lucky coincidences that Petrus Schroderus, the young policeman from northern Finland, finally turned into an internationally acknowledged opera tenor.*

## GAMES OFFERED WHERE PLAYERS CAN EASILY ACCESS THEM

In addition to the sales network and the internet service, Veikkaus invests in the development of new distribution channels. We want to offer games and services in environments that are easily and naturally accessible to our players. For this purpose, we are currently working in cooperation with data communications operators, media companies, store chains, mobile service providers and sports and entertainment producers.



In the year under review Veikkaus prepared the introduction of game modules on the websites of its partners in cooperation. By game modules, we aim at offering our internet players a lighter user interface to Veikkaus' most popular games.

At the end of June, Veikkaus introduced an sms gaming service. You can now play Lotto, Keno and Fixed Odds Betting by mobile phone not only through the wap service but also by sms. In August, we tested selling prepick games in the World Championships in Athletics in Helsinki. Many Championships visitors tried betting on athletics for the first time, as the onsite game sales personnel offered them prepick games against small amounts of money. During the Championships, we sold some 30,000 prepick games.

In September Veikkaus and Kesko Food launched a game sales pilot at supermarket checkouts. Games had not been previously sold at grocery store checkouts in Finland. A Citymarket store of the K-Group in the capital region was chosen as the site for the pilot, which was run in the autumn. The experiment will be continued in 2006.

In October Veikkaus and the leading game system supplier GTECH started a joint enterprise Innoka Oy, which focuses on game and technology development. For Veikkaus, the cooperation means above all an opportunity to ensure the sufficient resources for sustained and innovative development.

Veikkaus spent EUR 10.5 million on product development and research in 2005. The game system reform started in 2004 proceeded according to plan in the year under review. The comprehensive project was reflected in an increase in our total investments: they amounted to EUR 22.2 million in 2005 (EUR 6.7 million in 2004).

## MINIMIZING MISUSE AS A COMMON GOAL

**G**uaranteeing our players' legal protection and preventing misuse and crime constitute a justified basis for the exclusive right system. Finns can play Veikkaus games safely, since we comply with several supervision and control systems, and our information security is certified. Further, our games are subject to strict supervision by the authorities.

### **EXTERNAL SUPERVISION GUARANTEES RELIABILITY**

Veikkaus' gaming activities are supervised by the Lottery and Firearms Administration Unit of the Ministry of the Interior. The Ministry also approves the rules of the games and appoints the supervisors who control the draws and verifies that the rules are complied with. Our drawing equipment, e.g., the legendary Lotto draw machine, is under the custody of the supervisors, and not controlled by Veikkaus. The supervisors also control the results of the pools and betting games, as well as the number of prizes.

Veikkaus' extensive security system also ensures the quality of our activities. We comply with a comprehensive risk management system (ERM). The ERM framework determines the risk management processes in the company, together with the related responsibilities and procedures. The ERM framework is integrated in the planning processes of the company's activities

in a way which ensures the regular and many-sided evaluation of the risks inherent in the business objectives and the company's preparedness for tackling them.

The external auditors of the standards are Det Norske Veritas (DNV), which audits Veikkaus' compliance with the World Lottery Association Security Standards (WLA SCS 2003-10-10), and Inspecta Oy, which audits the compliance with the Information security standard BS 7799-2:2002. In 2005 both Inspecta Oy and DNV conducted one follow-up audit related to the certificates. The audits showed that Veikkaus' security system fulfils the standard requirements.

### **INTERNATIONAL SECURITY COOPERATION BETWEEN GAMING COMPANIES**

In spite of careful supervision, gaming always involves risks. We do not have an infallible way to prevent criminal ventures even in the gaming business.

Veikkaus takes into account both the risks involved in its own operations and those involved in its partnerships. We monitor the distribution of stakes carefully, and follow the sports events to which our betting objects are related in order to spot possible deviations. Veikkaus' supervision and control systems will give the alarm,

if they detect clear deviations from the normal in, e.g., game sales. If we notice that, e.g., one betting object attracts exceptionally big bets, we can close the object.

Moreover, the national gaming companies from different countries work in close cooperation in security matters. In 2005, the most heated discussions concerned the cases of suspected fraud in football matches in Finland, as well as elsewhere in Europe. In the summer, European Lotteries (EL) and the Union of European Football Associations UEFA signed a cooperation agreement for information exchange in connection with cases of suspected fraud. In practice this means that the gaming companies will inform each other and UEFA, if they detect deviant gaming behaviour in football matches belonging under the control of UEFA. During the year under review, the EL member companies exchanged information weekly, and the suspected cases of fraud led to closer case-specific investigations, in about twenty cases in 2005.

### **VEIKKAUS AND RETAILERS UNDER OBLIGATION TO REPORT SUSPECTED CASES OF MONEY LAUNDERING**

Veikkaus and its retailers are under obligation to report

*“The national gaming companies from different countries work in close cooperation in security matters.”*

suspected cases of money laundering to the authorities. A player's identity must be verified, if the stake or several interlinked stakes s/he places exceed a total of EUR 3,000. Further, although the euro limit was not exceeded, a report must always be filed in cases of suspected misuse.

The prevention of money laundering and the coordination of the related preventive measures belong under the centre for investigation of money laundering of the National Bureau of Investigation. Veikkaus' reports lead to the preliminary investigation of a couple of cases annually. The cases are frequently associated with the cover-up of benefits obtained through criminal activity.



## DREAMS, SPORTS AND ENTERTAINMENT

Gaming is not always just about money. Veikkaus wants to offer its customers comprehensive and pleasant gaming experiences that involve a hint of excitement, the necessary ingredients for dreaming, the joy of being right, and an enjoyable pastime. Finns are eager players: the majority, nearly 88% of us, have sometimes spent a cent or two on Veikkaus games. We have a large number of players, but the stakes are small. In 2005, Finns played our games for an average of EUR 248 per capita, i.e. for less than five euros a week.

During the year under review, a total of 316 million gaming transactions were recorded in Veikkaus' gaming system. We paid out over 58 million prizes to players, worth EUR 678.7 million

in all. There were 106 large prizes of over EUR 168,188, of which 23 amounted to over one million euros. By the end of the year 2005, a total of 289 Finns had become millionaires by playing Veikkaus games.

### KENO AND FIXED ODDS BETTING CONTINUED TO FLOURISH

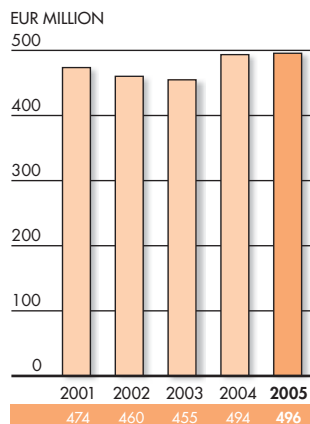
The popularity of Fixed Odds Betting and Keno continued in 2005. The sales of Fixed Odds Betting amounted to EUR 134.0 million (38.1%), which means that the game retained its position as Veikkaus' most popular sports game. We also continued to develop the game further; in February, we launched double and quintet systems, as well as duel and three-way bets. New

betting objects were also introduced, including Alpine Skiing, Ski Jumping, and Biathlon.

Keno kept catching up with Lotto in terms of sales. The game was sold for EUR 246.4 million (+11.9%), which secures its position as Veikkaus' second most popular game. In the year under review, Keno entered the millionaire club of games, as we paid out the first million-euro prize in Keno's history to a family from Oulu in northern Finland in October.

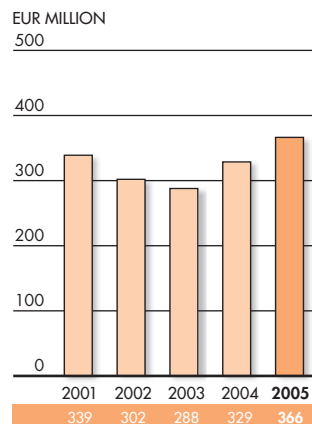
The sales of Lotto remained at the level of the previous year; the development of turnover slowed down due to the small number of jackpots last year. However, Lotto is still clearly Veikkaus' most popular game with its turnover of EUR 421.8 million

**TURNOVER FROM LOTTO GAMES**



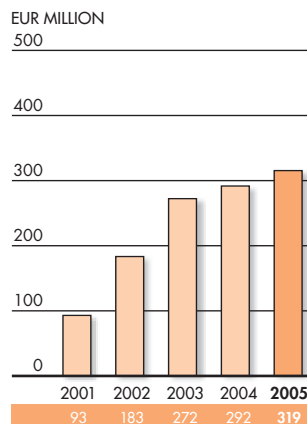
LOTTO • VIKING LOTTO

**TURNOVER FROM SPORTS GAMES**



LIVE BETTING • MULTIBET • FIXED ODDS BETTING • RESULT ODDS BETTING • FOOTBALL POOLS • WINNER ODDS BETTING, V BETTING GAMES

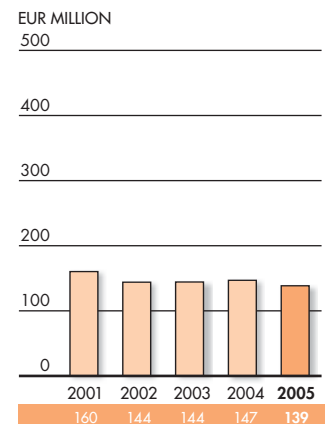
**TURNOVER FROM OTHER ONLINE DRAW GAMES**



JOKER • KENO • MEDALS GAME • SIMO'S WEATHER FORECAST\* • VEIKKAUSBINGO

\* Until round 24

**TURNOVER FROM INSTANT GAMES**



CASINO • HOROSCOPE INSTANT • CHRISTMAS INSTANT • NATURE INSTANT • LUCKY WORDS INSTANT • ÄSSÄ INSTANT • NATURE eINSTANT • HOROSCOPE eINSTANT





(+0.1%). The largest prize of the year was won in April (round 13), as a player from the town of Pori in south-western Finland landed a jackpot of EUR 3.6 million.

**FIRST INSTANT TICKETS ON THE NET**

The instant game product family had a new member in April, as we launched the new Labyrinth Instant. Further, in June, we introduced the first internet instant tickets, Horoscope and Nature eInstants. The new tickets were warmly welcomed: our customers scratched the Labyrinth Instant for EUR 3.9 million and the new internet instants for a total of EUR 3.9 million in 2005. At the end of the year, Horoscope Instant was removed from the ordinary instant ticket selection available at retail outlets. However, we will continue to offer it as an eInstant on the net. Veikkaus' Christmas Instant celebrated its tenth anniversary in December.

Simo's Weather Forecast was played for the last time in June (round 24). In mid-June, we launched a new way of playing the games of chance by introducing the Vinopino ("Game Cluster") option, consisting of

a set of games. The idea behind Vinopino is that we want to offer our customers gaming excitement for several days at a time.

The World Championships in Athletics, arranged in Finland, were last year's number one sports event. During the Championships, Finns played Veikkaus' betting games for a total of EUR 1.6 million.

**FINNISH CHAMPIONSHIPS IN GAMING KNOWLEDGE ATTRACTED OVER 30,000 PARTICIPANTS**

In addition to the provision of games, Veikkaus arranged two Finnish Championships in Gaming in 2005. The themes were V75 Off-track Horse Betting and Football Pools. The Championships attracted a large number of participants—in April and May, over 10,000 horse betting enthusiasts competed for Finnish championship, whereas the Football Pools competition in October and November was entered by as many as 20,000 football fans. In both competitions, you could win enjoyable trips abroad—to Milan in the horse betting competition and to a Premier League match in Britain in the Football Pools competition.



Genetics researcher Anu Wartiovaara

# DISCOVERER

*Many gifted people need help in recognizing their talents. Genetics researcher Anu Wartiovaara might have ended up as a violinist, had she been discovered by the right kind of "discoverer". Instead, she was led to the world of science by a charismatic professor.*

*The best reward for a discoverer is a successful student who carries on the good tradition. Top researcher Wartiovaara, who has gained experience in Canada and currently leads her own research team, now wants to be a discoverer of young talented researchers herself.*




	<b>LOTTO</b> <i>Dreaming is good for you.</i>	<b>KENO</b> <i>Excitement for every day.</i>	<b>FIXED ODDS BETTING</b> <i>Number one sports game in Finland.</i>																																				
<b>HIGHLIGHTS IN 2005</b>	SMS playing was launched.	The first million-euro prize to a family in northern Finland.	New betting objects include ski jump, alpine skiing, biathlon and athletics.																																				
<b>LAUNCHED IN</b>	1971	2002	1993																																				
<b>DEVELOPMENT OF TURNOVER, EUR MILLION</b>	<table border="1"> <tr><th>Year</th><td>2001</td><td>2002</td><td>2003</td><td>2004</td><td>2005</td></tr> <tr><th>Turnover (EUR million)</th><td>405</td><td>395</td><td>388</td><td>421</td><td>422</td></tr> </table>	Year	2001	2002	2003	2004	2005	Turnover (EUR million)	405	395	388	421	422	<table border="1"> <tr><th>Year</th><td>2001</td><td>2002</td><td>2003</td><td>2004</td><td>2005</td></tr> <tr><th>Turnover (EUR million)</th><td></td><td>104*</td><td>198</td><td>220</td><td>246</td></tr> </table>	Year	2001	2002	2003	2004	2005	Turnover (EUR million)		104*	198	220	246	<table border="1"> <tr><th>Year</th><td>2001</td><td>2002</td><td>2003</td><td>2004</td><td>2005</td></tr> <tr><th>Turnover (EUR million)</th><td>73</td><td>62</td><td>52</td><td>97</td><td>134</td></tr> </table>	Year	2001	2002	2003	2004	2005	Turnover (EUR million)	73	62	52	97	134
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<b>TURNOVER 2005</b>	EUR 421.8 million (+0.1%)	EUR 246.4 million (+11.9%)	EUR 134.0 million (+38.1%)																																				
<b>SHARE OF ALL GAMES</b>	32.1%	18.7%	10.2%																																				
<b>AVERAGE ENTRIES/ROUND</b>	11.4 million	5.2 million	666,000																																				
<b>FINNS PLAYED PER CAPITA IN 2005</b>	EUR 78.40	EUR 47.10	EUR 25.80																																				
<b>LARGEST PRIZE IN 2005</b>	EUR 3.6 million (round 13/05)	EUR 1 million (round 41/05)	EUR 70,679 (round 15/05)																																				
<b>LARGEST PRIZE EVER</b>	EUR 5.7 million (round 45/04)	EUR 1 million (round 41/05)	EUR 70,679 (round 15/05)																																				
<b>NUMBER OF PRIZES IN 2005</b>	7.2 million	33.7 million	2.2 million																																				

\* Since round 22



<b>MULTIBET</b> <i>Finnish betting hit product.</i>	<b>VIKING LOTTO</b> <i>Multinational Wednesday favourite.</i>	<b>JOKER</b> <i>You can play the numbers both ways.</i>	<b>FOOTBALL POOLS</b> <i>Senior member of the game family still going strong.</i>																																																
<p>Million-time odds for the sixth time in the game's history in summer 2005.</p>	<p>Historical EUR 6 million jackpot in August. The sizeable Viking prize went to Denmark.</p>	<p>The EUR 1,5 million jackpot was won five times during the year.</p>	<p>Over 20,000 Football fans took part in the Football Pools Finnish Championships.</p>																																																
<p>1998</p>	<p>1993</p>	<p>1978</p>	<p>1940</p>																																																
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<p>EUR 87.4 million (+5.3%)</p>	<p>EUR 73.7 million (+2.2%)</p>	<p>EUR 66.7 million (-1.7%)</p>	<p>EUR 53.9 million (+0.2%)</p>																																																
<p>6.6%</p>	<p>5.6%</p>	<p>5.1%</p>	<p>4.1%</p>																																																
<p>7.3 million</p>	<p>2.9 million</p>	<p>620,000</p>	<p>5.0 million</p>																																																
<p>EUR 16.80</p>	<p>EUR 14.10</p>	<p>EUR 12.40</p>	<p>EUR 10.20</p>																																																
<p>EUR 224,881 (round 30/05)</p>	<p>EUR 794,788 (round 39/05)</p>	<p>EUR 1.5 million (won 5 times)</p>	<p>EUR 247,279 (round 43/05)</p>																																																
<p>EUR 412,856 (round 40/01)</p>	<p>EUR 2.0 million (round 41/2002)</p>	<p>EUR 2.0 million (round 14/2001)</p>	<p>EUR 539,220 (round 51/2003)</p>																																																
<p>334,809</p>	<p>2.7 million</p>	<p>654,571</p>	<p>946,061</p>																																																

\*\* In the Result Odds betting category until 2003.



*Even small prizes  
give Finns pleasant  
surprises.*

A weekend trip to a spa or a new coat will brighten you up for a long time. One of your everyday dreams may come true any night. Around 160,000 players can experience the joy of winning each day. The prizes in Keno ranged from 50 cents to a million euros in 2005.



# SOCIAL RESPONSIBILITY *guides* VEIKKAUS' ACTIVITIES

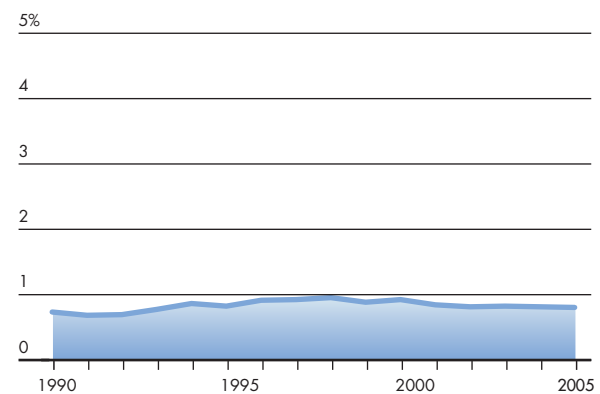
**A**mong the different sectors of corporate responsibility, social responsibility has always been the one that significantly guides Veikkaus' way of operating. We generate versatile value to Finns by operating games reliably and responsibly. Whilst providing games, we have a special responsibility towards our players. This entails, above all, that we need to comply with a strict consumer protection policy and keep our gaming activities transparent.

Social responsibility is also reflected in the fact that the bulk of Veikkaus' proceeds are used to benefit Finns. The players of Veikkaus' games are the largest single group to finance Finnish sports, arts, science, and youth work.

Veikkaus holds the exclusive right to operate games in Finland. This has been decided by the Finnish decision-makers, and the large majority of Finns are also in favour of the system. The Finnish lottery legislation is based on the principle that each type of game is operated by just one organization. This provides the basis for a well-controlled and efficiently supervised model of operations. The Finnish model is by no means unique; there are a large number of gaming companies operating by virtue of an exclusive right both in Europe and elsewhere in the world.

Veikkaus has the right to operate lottery, pools, and betting games in Finland. Our game selection is extensive. By an extensive selection, we aim at a wide participation in the games, yet with reasonable stakes. It is also important that we can provide Finns with an interesting and safe option of gaming in the midst of the ever-growing internet supply of games. Veikkaus wants to ensure that its customer relations are retained in Finland, since they are significant for the wellbeing of the entire Finnish society.

**EXPENDITURE ON VEIKKAUS GAMES IN PROPORTION TO ALL HOUSEHOLD INCOME**





*“The age limits were welcomed by both retailers and customers.”*

## RESPONSIBLE GAMING GUARANTEES JOY AND WELLBEING TO ALL FINNS

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

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 activities 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.

### CONSUMER PROTECTION IN GAMING

- › Consumers have the right to apply for rectification in disputes over prize payout by filing an appeal to the Ministry of the Interior.
- › Veikkaus does not offer misleading information about the chances of winning.
- › Veikkaus offers open information about matters related to the company and changes made to the games.
- › The Ministry of the Interior confirms the rules of the games and appoints the official supervisors who supervise the draws.
- › Veikkaus games are subject to age limits: 15 years at POS and 18 years on the internet.
- › Games with high event frequency are made subject to restrictions on maximum stakes and daily expenditure.
- › You cannot play in the night time—the gaming service is open between 7 am and 10 pm.
- › You cannot play on credit.
- › Veikkaus offers information about gambling addiction and help offered to problem gamblers.
- › Veikkaus finances research into problem gambling and Problem Gamblers' helpline Peluuri together with the other Finnish gaming organizations.

We aim at moderate financial development. Our return objective to the Ministry of Education includes a budgeted growth objective of 1.5 percent.

### AGE LIMITS PART OF RESPONSIBLE GAMING

Veikkaus wants to provide its customers with a secure channel of gaming. This entails above all that we comply with a strict consumer protection policy, but also that we have decided to impose certain restrictions on gaming. In September, we made all our games subject to a general age limit. You have to be at least 15 to play at our POS and at least 18 to play through the electronic channels, such as the internet.

The reason why we decided to introduce the age limits is that games and gaming are going through profound changes. We want to protect children and young people in a situation where the risks of gaming are increasing because of the growing offerings and faster pace of gaming, as well as the more frequent use of electronic channels. Both our customers and retailers were happy to welcome the new age limits.

Prior to introducing the age limits, we had already made certain of our games with high event frequency subject to game-specific stake limits, e.g., Live Betting, which is played during the game event. In order to play the game, you have to transfer money to an electronic game wallet. You can only use EUR 100 a day at the maximum, whereas one bet can amount to EUR 20 at the most. The contents of the wallet are transferred automatically to the player's game account after 24 hours.

You cannot play Veikkaus games on credit. You cannot play in the night time, either. Our gaming system is only open between 7 am and 22 pm—even on the internet.

In unclear and problematic situations, the players of Veikkaus games can file an appeal to the supervisory authority, the Ministry of the Interior, which issues recommended decisions on the basis of the appeals. Veikkaus had a total of 316 million gaming transactions. There were 97 recommended decisions, most of which concerned betting.

*“The money goes to the good causes and youth sports, and they care about young people having something to do.”*

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2005)

## OPEN COMMUNICATIONS PART OF RELIABILITY

Gaming is inherently based on random luck: you cannot be certain about the outcome of a game in advance—regardless of whether it is a draw or a sports game. This is an issue we want to draw special attention to in all our communications and marketing. We distribute open information about games, without giving our customers illusions about gaming as an easy way to make money. We follow strict ethical guidelines in our marketing communications.

We want to offer our customers open information about Veikkaus as a company, our games, and the changes related to them. We communicate actively to both the media and our customers. Veikkaus' website is very popular, with over 700,000 different users each month.

In a study on corporate communications conducted by the Finnish market research company Taloustutkimus Oy in 2005, Veikkaus' communications were rated as the best of the 45 large companies in the study with the general grade 7.78 (in 2004, 7.74), on a scale of 4 to 10. The large companies in the study were given grades between 6.08 and 7.78, with a weighted average of 7.18. Veikkaus was rated as the winner in all sectors of corporate communications (the sum of the negative and positive values of all sectors).

### VEIKKAUS—HOW CAN WE HELP YOU?

Veikkaus' customers can contact our customer service for help in matters related to games, game results, prizes, and the company in general. The customer service is accessible during the opening hours of the game system seven days a week. It serves some 2,500 customers a week—mainly over the phone (88%). However, the number of internet queries is on constant increase (12%).

### RETAILER TRAINING OFFERS INFORMATION ABOUT THE DETRIMENTS OF GAMING

Veikkaus offers retailer training to some 4,500 retail clerks annually. Last year, we arranged a total of 403 training events, most of which lasted for two days. We invest in retailer training, because we want to make sure that the retail sales clerks have excellent professional skills. The instructions and rules of the games are available at our 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

>>>



Footballer Mikael Forssell

## DETERMINATION

*A little boy from Helsinki spends his summer days kicking football from dawn till dusk on a nearby sports field, in gateways, on the street, everywhere. There are other boys, as well, but only a few of them can carry on practising almost incessantly. The little boy's aim is clear: to become a professional football player and the best scorer in the world.*

*The decision to become the best in the world in some field may be easy as such. Achieving the highest possible aims is the real challenge that requires exceptional determination. The determination of world class footballer Mikael Forssell has not suffered even from his repeated injuries.*

*“The way they help young people, Veikkaus has even supported my daughter’s hobby with its funds.”*

OPINION IN THE SOCIAL RESPONSIBILITY SURVEY (2005)

## ETHICAL COUNCIL —PART OF VEIKKAUS’ SOCIAL RESPONSIBILITY

Veikkaus’ Ethical Council is an advisory expert organ nominated 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 the year under review, the Council convened twice. 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**, Entrepreneur (Vice chairman)

**OLLI ALHO**, Professor

**SARI ESSAYAH**, Member of Parliament, Member of the National Gaming Forum

**JUKKA GUSTAFSSON**, Member of Parliament

**VESA-PEKKA KOLJONEN**, lehdistöneuvos (Finnish honorary title)

**TIMO LAITINEN**, Chairman, Finnish Sport Federation

**SANNA-MARI MYLLYNEN**, Manager of Human Risk and Workwellfare services, Tapiola-Group

**MAIJA-RIITTA OLLILA**, Doctor of Social Science (until the beginning of 2006)

**TUOMO PELTONEN**, Professor

**HANNU SAHA**, Doctor of Philosophy

**PEKKA VÄHÄTALO**, Secretary General, the Young Finland Association

»»

the retailers in a retailer newsletter released every three weeks, and in our quarterly retailer magazine. They can also access Veikkaus’ special retailer internet service Myynet.

Info leaflets on problem gambling and Problem Gamblers’ helpline Peluuri are available at all Veikkaus’ retail outlets. Peluuri’s contact information can also be found on our game lists and price lists, as well as our playslips. Information on the new age limits is also available at all of our POS.

### RESPONSIBLE MARKETING

Veikkaus spent EUR 10.0 million (–26.9%) on product advertising last year. This represents a total of 0.8% of our total turnover. In March, the Association of Finnish Advertisers elected Veikkaus the Advertiser of the Year 2005. The association justified its decision by saying that Veikkaus has focused on high-quality, creative and responsible advertising that speaks directly to its target group.

Veikkaus pays special attention to its advertising. Our ethical guidelines for marketing communications were specified at the beginning of 2005.

### ETHICAL GUIDELINES FOR MARKETING COMMUNICATIONS IN A NUTSHELL

- › The guiding principle of Veikkaus’ marketing communications shall be social responsibility: we respect the consumers’ individual rights, minimizing the idealisation and encouragement 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.





## SHARED RESPONSIBILITY FOR THE PREVENTION OF PROBLEM GAMBLING

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

Further, the gaming organizations also finance collectively Problem Gamblers' helpline Peluuri. Peluuri is operated by the Finnish Blue Ribbon and the A-Clinic Foundation, which also offer treatment to problem gamblers. Peluuri is meant for people suffering from or worried about problem gambling and to their families and friends.

Problem gamblers' helpline Peluuri was opened in September 2004. Last year, the service was made permanent and toll free. The helpline also has a website ([www.peluuri.fi](http://www.peluuri.fi)), where you can find comprehensive information on problem gambling. In December, an electronic customer service was opened on the website, where you can ask questions about problem gambling anonymously and for free.

In 2005, Peluuri answered 1,361 calls. Of the callers, 51% were players and the rest were, e.g., family members and friends of gamblers. Only 10% of the callers said they were

having problems primarily with Veikkaus games.

### GAMING ADDICTION ANALYSED OPENLY

The Finnish Ministry of Social Affairs and Health is in charge of the investigation of gambling addiction in Finland. The investigation is financed by the Finnish gaming organizations.

The first large-scale gaming research project was completed in May 2003. According to the study, 1.5% of Finns, i.e. 65,000 people, belong to the risk group that plays excessively. 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 Ministry of Social Affairs and Health aims at focusing its research projects on more detailed analyses of the gaming problem. The three research projects planned for the year 2006 concern gaming by young people, the evaluation of non-institutional care, and the awareness in different municipalities about the treatment options of people with gambling problems.

The Ministry of Social Affairs and Health will also take part in the programme on substance use and addictions

run by the Academy of Finland, which will be launched in 2007. The programme will continue until 2010, and its objectives include offering support to interdisciplinary research into substance use and addictions, as well as reinforcing the researchers' national and international networks in this field.

### PROBLEM GAMBLING TAKEN INTO ACCOUNT IN GAME DESIGN

Veikkaus' game offerings are designed to reach a wide customer base playing with small stakes. In order that we can meet our customers' demands, we need to develop our games constantly. In the development work, we need to pay special attention to various game features: their event frequency, the degree to which they make people want to "chase" the winnings, the payout intervals, the role of skills, and the range of offerings. By analysing these elements, we can identify the features of the games and consider, e.g., the necessary restrictions to be imposed on them whilst launching the games.





One of the highlights of the year 2005 for Veikkaus' staff was the chance to cheer on the Finnish athletes in the World Championships in Athletics in August.

## CONTENTED EMPLOYEES ARE THE CORNERSTONE OF A SUCCESSFUL COMPANY

In 2005, we launched our new organizational structure in Veikkaus. The change was demanding for both the company and its employees. To tackle the change better, we invested heavily in better management and preventive occupational health care.

A personnel enquiry carried out in Veikkaus in the autumn indicated that the change had been successful, since the employees were mostly happy with the company and its activities. They were given the average grade of 3.91 (the respective figure was 3.82 in 2004) on a scale of 1 to 5. The employees were especially well committed

to their work (4.18 on the average) and enjoyed being at their workplace (4.30 on the average). Further, the enquiry showed that the organizational development and the strategy work had been successful, since our employees knew their objectives at work (4.46 on the average) and felt that the management and leadership of the company had improved (3.79 on the average as compared with 3.59 in the previous year). The participation in the enquiry amounted to 77 percent.

In 2004, we had identified four core areas that needed special attention: the Executive Team's work, managerial work,

rewarding, and cooperation and communication between different units. In all of these areas, we now achieved better results than in the previous year.

Our development objectives for year 2006 were established, on the basis of the enquiry, as the practical implementation of the Equal Opportunities Programme, as well as the continued training of managers and leadership.

### LONG-TERM WORK ENJOYMENT

Employment contracts typically last for long in Veikkaus—half of our employees have been working for the company for over ten years. However, as a result of new recruitments on the one hand and retirements on the other, the share of the employees who have worked at Veikkaus for less than five years has increased to 36 percent. On the average, Veikkaus' employment contracts last for 13.1 years.

At the end of 2005, we had a total of 372 employees. Of them, 214 were women and 158 men. Over a half (50.8%) of the employees were between 30 and 50 years of age. The share of employees under 30 was 10.8%, and that of employees over 50 was 31.2%. The average age was 42.5 years.

Veikkaus offers its staff a secure workplace. Of the staff, 95 percent, i.e. 355 employees had permanent employment contracts. In 2005 we recruited

25 permanent and 13 fixed-term employees. The newly recruited employees were hired to managerial and specialist positions. 19 employees retired and 16 gave their notice. The contracts of 8 fixed-term employees were terminated. The total turnover of personnel was 10.9% in 2005 (8.0% in 2004).

The average monthly salary was EUR 3,092 (+ 4.8%) in 2005. This figure does not include the salaries of the Executive Team.

Veikkaus' personnel expenses amounted to EUR 21.9 million (+ 12.4%) in 2005. Salaries represented EUR 16.5 million of this amount, whereas indirect personnel expenses amounted to EUR 5.4 million.

### EQUAL OPPORTUNITIES PROGRAMME IMPLEMENTED

In the year under review, Veikkaus' Equal Opportunities Programme was confirmed. We comply with a wide view of equal opportunities and equal treatment of employees. At the core of the programme is respect for the individual. All of our employees will be treated equally regardless of their gender, age, religion, race, and political opinions.

The equal treatment of Veikkaus' employees entails that both their job descriptions and their salaries are decided purely by their skills. Whilst recruiting employees, we comply with positive discrimination, i.e. from amongst equally quali-

#### EQUAL OPPORTUNITIES IN VEIKKAUS

- › In recruitments (external and internal), the most qualified applicant shall be recruited. Whilst recruiting from amongst equally qualified and competent applicants, positive discrimination shall be complied with, and the applicant representing the minority gender shall be recruited.
- › Jobs with the same requirement standards shall entitle to the same salary, irrespective of the employee's gender.
- › Equal opportunity issues shall be made part of the training of Veikkaus managers and leadership to enhance their ability to take into account the equal opportunities perspective in their work.
- › We shall establish explicit and comprehensive requirement standards for the evaluation of the recruitment of male and female employees to different positions and for the follow-up of their salary development.
- › The development of equal opportunities shall be followed carefully, and their status shall be communicated openly to the employees.



fied and competent applicants, we aim at recruiting the one that represents the minority in terms of gender. Such situations mostly occur in the recruitment of managers and leadership.

We conduct an evaluation of the Equal Opportunities Programme every year. Our objective is to follow whether the gender distribution of the personnel becomes more even, whether the number of women in managerial and leadership positions increases, and whether the gender-based salary differences grow smaller. We also want to keep a record of the number of employees representing the minority gender and follow whether the minority gender is taken into account in the internal job rotation. Further, we carry out an enquiry amongst our employees to find out whether our staff feel that the equal opportunities in Veikkaus have been enhanced.

Presently, one of the eight Executive Team members is a woman. There are 23 women holding a managerial position, whereas the respective number for men is 41.

#### **COOPERATION BETWEEN EMPLOYEES AND EMPLOYER**

Of Veikkaus' staff, 51 percent are members of Veikkauksen Virkailijat ry (Veikkaus officials' association), a trade association under the Trade Union SUORA. We do not keep a record of the trade union membership of the rest of the staff. They belong to different trade unions and associations of their choice.

Veikkaus is a member of Employers' Association of

the Special Branches, which belongs under the umbrella organization Confederation of Finnish Industries. Our Head of Personnel is a member of the Board of the Employers' Association of the Special Branches.

Veikkaus' actual collective bargaining agreements are negotiated centrally at the union level. Further, we have the opportunity of making local agreements. The current collective bargaining agreement will be effective until 30 September 2007. Veikkaus Oy and Veikkaus' officials' association can make local exceptions to this union-level agreement. In local agreements, the negotiations cover the provisions of the actual bargaining agreement, the non-mandatory regulations of the law, and other issues agreed by the parties. The condition for starting such negotiations is that the parties are unanimous on the issues to be negotiated.

#### **CUSTOMER KNOWLEDGE SKILLS ENHANCED**

Veikkaus' own personnel training programme Game Academy offered 93 training events last year. The events covered 32 different training topics and courses.

The development of customer knowledge skills in accordance with the company's strategy was one of our core objectives in 2005. In early spring, we conducted a needs analysis to identify the strategic skills that needed to be developed in order that the new customer strategy could be implemented successfully. On the basis of the analysis, we

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Architect Kivi Sotamaa

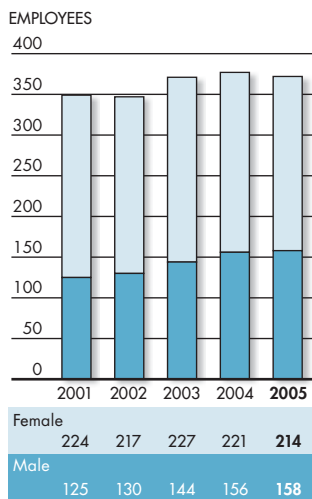
## GOAL

*Exceptionally gifted people have rarely "reasonable" or "realistic" goals. They usually aim at the absolutely highest possible objectives. Architect Kivi Sotamaa wants to achieve his own "voice" within his branch of arts. Certain US critics have already said his voice sounds like that of the famous Finnish architect Alvar Aalto.*

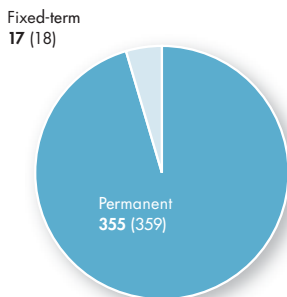
*Sotamaa has now made the first giant leap towards his ambitious goal. The Finnish top professional now teaches Architecture at the University of Ohio, one of the greatest institutions in the field. It was also across the Atlantic that Sotamaa's great predecessor Alvar Aalto went to look for his own voice in his time.*



### GENDER DISTRIBUTION OF PERSONNEL



### PERMANENT AND FIXED-TERM EMPLOYEES 2005 (2004)



>>>

launched a training programme in spring 2005, which will continue in 2006. The objective of the programme is to enhance the skills our employees need in the implementation of the customer strategy and to provide them with tools for working in accordance with the customer-oriented model.

In 2005 we also developed a personnel database accessible to all our employees. The purpose of the database is to offer support in the operational models inherent in the various stages of our staff's working careers, different practices, and management—employee relations. A large part of our personnel training in 2005 consisted in introducing the use of the database to our employees. The new working hours tracking system was introduced to Veikkaus' staff in the spring and the entire database in December. Training was offered both at our headquarters and in the regional offices. The database was launched right at the beginning of 2006, in accordance with the project schedule.

We also continued to offer our employees the chance to take the Veikkaus Diploma, which involves versatile training in matters related to Veikkaus' operating environment, activities, and products. The five-day seminar leading to the diploma was attended by 26 Veikkaus' employees in 2005.

At the end of the year 2005 we launched a management training programme titled

Johtajuutta peliin ("Manage the Game"), targeted at all Veikkaus' managers. It aims at providing the managers with tools for managing their own organizations in accordance with the customer-oriented model, supporting them in the implementation of the change in progress, and promoting activities that are in accordance with the new guidelines and operational models throughout the organization. The training programme was initiated in November 2005 with a pilot group of managers working with the customer interface. The programme will be continued with two further groups during 2006.

In addition, Veikkaus' employees were offered training in IT skills and languages, as well as other work-related themes.

### OCCUPATIONAL HEALTHCARE INVESTS IN THE WELLBEING OF EMPLOYEES

Veikkaus' occupational healthcare focused on the employees' mental wellbeing and the workplace atmosphere in 2005.

In order to analyse wellbeing at the workplace, Veikkaus' occupational healthcare services studied the staff's managerial and interactive skills. They also supported different workplace communities in the creation of a positive atmosphere and offered them the chance to consult an occupational psychologist, when necessary.

Work enjoyment was discussed in the internal communications channels, e.g., the personnel magazine.

A total of 88 physical examinations were made, along with 12 follow-ups. The figure includes the examinations made by both the occupational health care nurse and the company physician.

Besides the statutory occupational health care services, Veikkaus' employees are entitled to health care of the GP standard, 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 2005 Veikkaus' employees were on sick leave for a total of 5,423 days. The sick-leave percentage was 6.2 (+6.9%). The sick leaves lasted for an average of 5.6 days and were most frequently caused by musculoskeletal disorders.

The expenses of occupational health care amounted to EUR 398,508 in 2005 (+2.6%). This meant EUR 1,071 (+4.1%) per person.

In 2006, Veikkaus' occupational health care services will focus on work enjoyment and preventive health care.

### HEALTH AND SAFETY FUNCTION FOCUSES ON WORK ENJOYMENT

Veikkaus has an active Health and Safety Committee elected



for one year at a time. The committee aims to ensure the health and working capacity of each employee. It also analyses the health hazards caused by the working environment and methods. Veikkaus employees can contact the committee if they have problems with health and safety issues.

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

Last year was a work enjoyment theme year in Veikkaus. We had a campaign on good manners and paying attention to the fellow employees. The theme was also prominent in Veikkaus' internal communications. The campaign was ended with a special Health and Safety Day in Veikkaus.

In 2006, the occupational health care services will continue with the theme of work enjoyment. In the course of the year, we will conduct a risk analysis from the perspective of health and safety at work, and analyse the development of sick leaves.

**VEIKKAUS PROMOTES RECREATIONAL ACTIVITIES AND EMPLOYEE CLUBS**

In Veikkaus, we have a long tradition of promoting activities that improve the staff's working capacity,

e.g., active employee clubs.

In 2005 our clubs spent EUR 42,812 on their various activities. 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 24,337 (3.2%). The recreational bonus is paid as a one-time payment amounting to EUR 70 per person at the maximum.

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

**INTERNAL COMMUNICATIONS ENHANCE WORKPLACE ATMOSPHERE**

In 2005, Veikkaus' internal communications focused on the communication of the new company strategy and values to the staff. These themes were also prominent on the agendas of our internal leadership infos (7) and staff infos (8). The staff infos were broadcast real time to the regional offices around the country.

We also carried out a questionnaire survey on internal communications in 2005. According to the survey, 71% of our employees were fairly or very satisfied with the information they had received in matters concerning the company, as well as in matters concerning the communications on their own unit and tasks. The most important communications

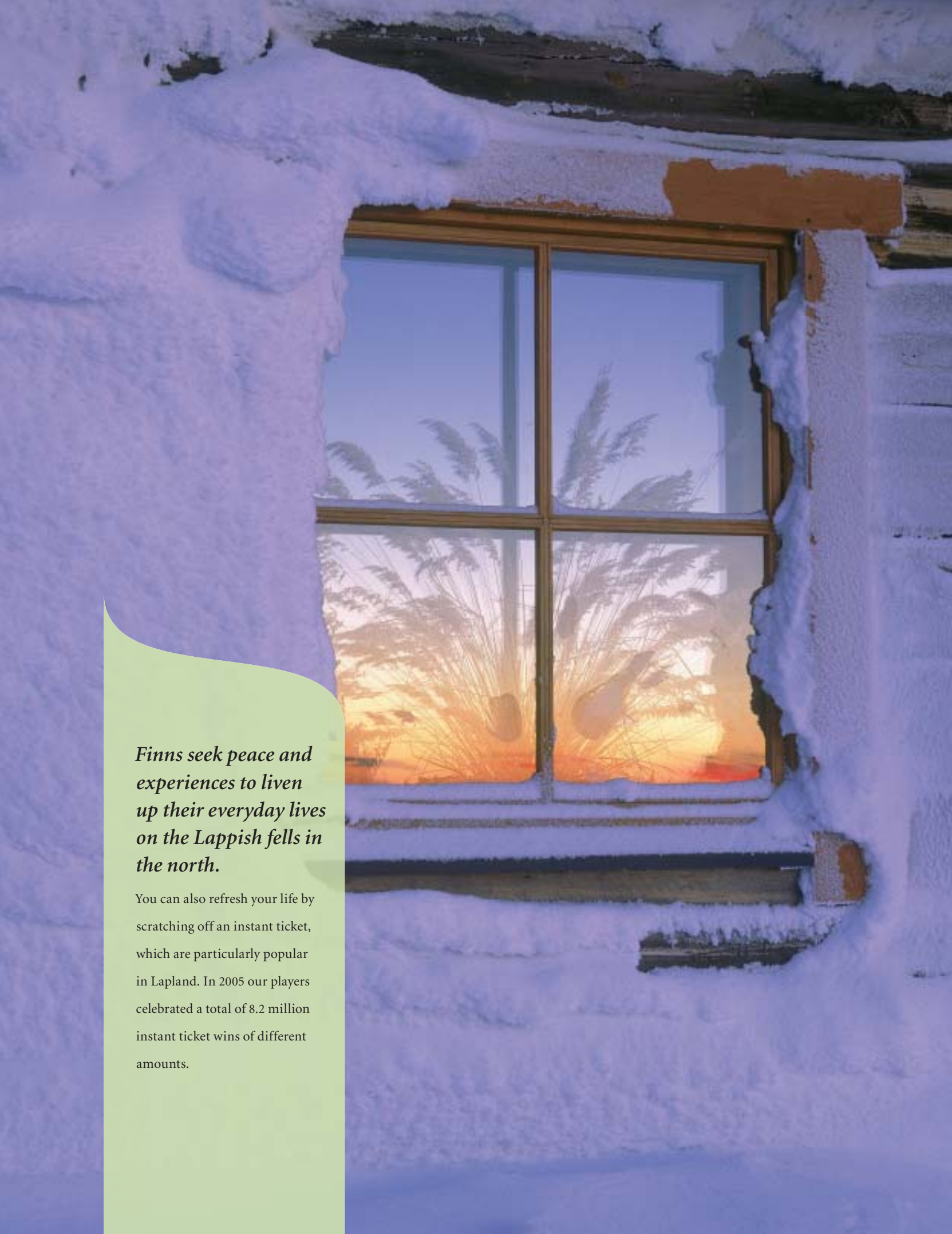


channels were the closest superiors, the intranet, and fellow employees. The survey was answered to by 52% of the entire personnel.

Nine casual Friday events ("Hilperi" theme afternoons) were arranged for the staff at the headquarters. The objective of these events was to reinforce the community spirit, offering information about topical issues and the different departments in the company

in a casual way. The themes varied from recycling to housewarming parties of units.

Veikkaus' internal communications take place mainly through the intranet. Moreover, we publish a personnel magazine *YksiXXaksi* (1 X 2), which is distributed to the entire personnel six times a year. In November we celebrated the fortieth anniversary of the magazine.



*Finns seek peace and experiences to liven up their everyday lives on the Lappish fells in the north.*

You can also refresh your life by scratching off an instant ticket, which are particularly popular in Lapland. In 2005 our players celebrated a total of 8.2 million instant ticket wins of different amounts.



# ENVIRONMENTAL RESPONSIBILITY

## *taken into account* IN GAMING

Caring for the environment is an inherent part of Veikkaus' social responsibility. In autumn 2005, we decided to record a special programme of environmental responsibility in our overall social responsibility programme in 2006.

Today, gaming takes place mostly electronically. Games are sold chiefly through two distribution channels: Veikkaus' internet gaming service and at our nearly 3,700 points of sales. Since 2005, games have also been available by sms, and the WAP gaming option has already been offered for years. Further, since last summer, we have experimented with selling quick pick games at a supermarket checkout in Helsinki. However, ca. 88% of the game sales still take place at our retail outlets. In fact, the most significant environmental effects of gaming occur primarily at the end of this production chain.

### **INTERNET GAMING REDUCES PLAYSLIP CONSUMPTION**

Gaming generates waste mainly in the form of playslips, instant tickets, and receipt rolls of online and instant lottery terminals.

The paper spools of the receipt rolls are recyclable, and the 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. In 2005, we used a total of 280,000 receipt rolls, i.e. the same number as the year before.

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. In 2005, a total of 97 million playslips were submitted. Their number decreased by as much as 35% from the previous year. The decrease can be explained by, e.g., the growing popularity of internet gaming, as well as by an increase in the number of game renewals, where the players can use the playslip from the previous round to play the same numbers, if they wish.

Last year, some 62.7 million instant tickets were printed, i.e. 2.4% fewer than in 2004. The instant tickets are not recyclable, since they have to be destroyed by shredding for security reasons. Unsold and withdrawn tickets are disposed of as energy waste. >>>



*“In 2005, a total of 97 million playslips were filled out. The number was 35% smaller than in the previous year.”*



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**GAME TERMINALS ARE LONG-LIVED**

The game terminals used by our retailers last many years. The current 3,050 online terminals and 810 instant game terminals have been in use since 1997. They will be renewed for the next time in 2007. In connection with the renewal, the old terminals will be forwarded to another lottery abroad to be reused there.

The terminal components and circuit cards of the equipment count as hazardous waste, but the mechanical parts can be collected as metal and plastic waste. Whilst servicing the gaming equipment we have to use greases, paints, detergents, and solvents that are classified as hazardous waste. The chemicals are carefully sorted and shipped to a hazardous waste management centre. Our four service offices generate a total of 40–50 kg of waste, of which the waste generated at the service office at the headquarters in Vantaa represents 70–85%.

**TRANSPORTATION ROUTES RATIONALIZED SUCCESSFULLY**

The sales terminals at the retail outlets are maintained by Veikkaus. Damaged terminals are replaced with new ones, and equipment that needs repairing is taken to the office for service. In 2005, the Mean Distance between Failures, MDBF, for our terminals was 350 days. In other words, each terminal is serviced once a year on the average.

Our maintenance 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. This way, we have managed to maintain our kilometres reasonable. In 2005 we made a total of 3,577 service calls, of which 780 were bought from a subcontractor Primatel Oy. The kilometres accumulated on the 2,804 service calls made by Veikkaus’ own service personnel amounted to a total of 420,000. This means that we have been able to cut them by over 15% since 2004. We achieved this partly as a result of the lessened need for service calls, caused by a slight decrease in the number of terminals, and partly because we managed to combine transportations and rationalize transportation routes. The two tables below show the total number of service calls and the kilometres driven by Veikkaus’ cars and the fuel consumption per service district.

SERVICE CALLS AT RETAIL OUTLETS IN 2005		
	2005	2004
Vantaa	1,536	1,584
Tampere	488	607
Kuopio	411	489
Oulu	369	444
Outsourced terminal change service	773	780
<b>Total</b>	<b>3,577</b>	<b>3,904</b>

KILOMETRES DRIVEN BY VEIKKAUS’ MAINTENANCE UNIT AND FUEL CONSUMPTION PER SERVICE DISTRICT IN 2005		
	Kilometres	Fuel consumption litres
Vantaa	150,000	13,500
Tampere	70,000	6,300
Kuopio	120,000	9,000
Oulu	80,000	7,200
<b>Total</b>	<b>420,000</b>	<b>36,000</b>

*The annual report for the year 2004 only included the calls made by Veikkaus (3,124), and not the terminal change calls made by Primatel Oy on an outsourcing agreement (780).*



### LOGISTICS IMPROVED CONSTANTLY

Veikkaus' Logistics Unit, located at the headquarters, is in charge of the material deliveries to the retailers. In 2005, the unit went through a thorough reform that made its activities significantly more efficient. At the beginning of the year, the instant ticket and playslip delivery unit merged with the post office at the headquarters, and the new unit was called the Logistics Unit. At the same time, the job descriptions of the unit's employees were made more versatile by career rotation.

In 2005 the Logistics Unit received nearly 28,000 material delivery requests from inside the company and from the retailers outside. We delivered around 2.5 million different products, including lottery tickets and marketing material, to the points of sales. The total deliveries weighed nearly 90 tons. Further, we delivered around 880,000 bundles of 40 instant tickets, weighing a total of 94 tons. We also sent out 170,000 separate mailing envelopes and poster tubes specifically packed for advertisement campaigns.

We aim at planning our product transportation routes carefully, combining several transportations. Transportations to retailer outlets and sales offices are managed from a central depot. Our objective for the year 2006 is to reduce the transportations by 10% through centralisation. This will be realized by both more carefully planned deliveries and a reform of the internal order and request system. The pilot version of the reformed system was finalised in December. We are planning to implement the system during the spring of 2006.

### THE AMOUNT OF MIXED WASTE GENERATED BY THE HEADQUARTERS DECREASED BY 96 PERCENT

Last year we took a giant leap towards more effective waste sorting—mostly thanks to Veikkaus' newly established Ecological Team. In addition to the headquarters in Vantaa and the district centre in Tampere, we have a couple of small sales offices around the country. They are located in Vaasa on the west coast, Turku in the south, Kuopio in the east, and Oulu in the north. We also have facilities for recreational and meeting purposes in the city centre of Helsinki, in Kirkkonummi on the south coast, and in Saariselkä, Lapland. However, most of the energy is consumed and the largest part of the waste is generated at our headquarters in Vantaa with some 300 employees in 2005. >>>



Conductor Eva Ollikainen

## TOMORROW

*She starts playing the piano at three. You cannot help but think about the great child geniuses of the history of classical music. Her home is filled with music. The family watches together a series on the training of orchestra conductors on TV.*

*The young talented woman progresses determinedly, and is accepted to a famous class of conductors, following in the footsteps of the great Finnish masters. The most important Finnish orchestras invite her to conduct. More and more often, she is also invited abroad. She has already made her breakthrough in Finland. On the international concert stages, she is on the verge of making it.*

*As a top professional you must be able to concentrate on your performance here and now. You must not worry about tomorrow too much. Conductor Eva Ollikainen strives at the best possible interpretation with every orchestra. This is the only way a promising tomorrow can turn into reality today.*



**“One percent of the sales of Nature Instant is divided between the WWF and the Finnish Association for Nature Conservation. Our customers can thus support Finnish nature by purchasing an instant ticket. Last year, Nature Instants were sold for EUR 6.6 million. This means a contribution of EUR 66,000 to the two organizations.”**

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We made considerable progress in the handling of mixed waste at the headquarters, being able to reduce it by as much as 96% from the previous year. As a result, the waste generated at the headquarters consisted primarily of energy waste, which can be used as a secondary fuel in, e.g., thermal power plants. Office paper waste has been recorded separately since 2005.

The district sales offices do not have the same opportunities to sort waste as the offices on the premises owned by Veikkaus. The offices sort the waste they generate as best they can, but the ones which are located in a rented office in a large complex of several offices, cannot collect, e.g., energy waste, if the collection is not organized by the real estate.

**SYSTEM REFORM LED TO INCREASED ELECTRICITY CONSUMPTION**

Veikkaus’ most important investment within the real estate function last year was the introduction of a free cooling system at the head-

quarters. In the reform, the old piston compressors, using the R-22 refrigerant harmful to the ozone layer, were replaced. According to the law, we should have stopped using R-22 by the year 2010. The new cooling system pumps cool air to the refrigeration of the air conditioning system. This will help us to reduce our electricity consumption.

The organizational reform in 2005 brought with it a need to reorganize the use of premises and to make renovations in the headquarters. We rented an office for 18 employees in the city centre of Helsinki and closed our sales office in the City of Lahti.

We only have access to the exact figures of energy consumption on the premises owned by Veikkaus, i.e. the headquarters in Vantaa, and the recreational facilities in Kirkkonummi on the south coast and Saariselkä in Lapland. We have not been able to obtain a specification of the consumption details in facilities where Veikkaus has rented offices.

In 2005, Veikkaus’ headquarters’ energy consumption increased slightly (+6.7%) over the previous year. This can be explained by the need for special cooling during the hot summer and by an increase in the number of electronic appliances as a result of the game system reform. The game system capacity was also enlarged last year.

Veikkaus’ consumption of district heat was reduced by 0.3%. Similarly, water was consumed slightly less (4,000 m<sup>3</sup>) than in 2004. Our long-term target within the real estate function will be to develop energy storage and to thus reduce energy consumption. The table below shows the energy consumption figures at the headquarters in more detail.

WASTE GENERATED AT VEIKKAUS’ HEADQUARTERS (TONS)		
	2005	2004
Energy waste	20.1	
Recyclable carton	0.9	0.6
Recyclable paper	26.2	31.2
Glass	1.7	2.0
Metal	2.6	1.1
Treated timber	9.6	5.7
Plastic	0.0	0.1
Cardboard	7.5	11.6
Building and renovation waste	ca. 11.0	ca. 26.0
Mixed waste	1.7	41.8
Confidential paper	7.8	6.9
Office paper	4.5	
Biological waste	3.3	2.4
Waste electrical and electronic equipment (WEEE)	2.3	1.6

Office paper waste has been recorded separately since 2005.

VEIKKAUS’ HEADQUARTERS’ CONSUMPTION OF WATER, ELECTRICITY, AND DISTRICT HEAT		
	2005	2004
District heat	2,785 MWh	2,791 MWh
Water	4,000 m <sup>3</sup>	4,100 m <sup>3</sup>
Electricity	3,750 MWh	3,500 MWh



The Ecological Team arranged several campaigns in 2005, the purpose of which was to encourage Veikkaus' staff to adopt a more environment-friendly operating culture.

## ECOLOGICAL TEAM ATTAINED GOOD RESULTS

Veikkaus has an Ecological Team, which is in charge of the practical implementation of environmental responsibility, the environmental motivation of the staff, and the communication of environmental matters to them. The team consists of 13 members from different units of the company and an outside expert. The Ecological Team has attained great results since it was set up in 2004. During the year 2005, we were able to reduce the amount of mixed waste generated at the headquarters by 96%, and we collected reusable waste more than before. Nearly all of the waste that used to be disposed of as mixed waste is presently sorted as energy waste.

The Ecological Team met five times in 2005. It also visited each of the district sales offices once during the year. The offices elected their own environmental representatives and made a situational and standard analysis of the environmental practices complied with. Environmental measures that had been tested at the headquarters were introduced to the other offices during the year 2006.

The Ecological Team arranged two training events to its members during the year, in order that they could further share the environmental knowledge to the employees of their own units. Further, the Team organ-

ized a special Ecology Event in January, in which Veikkaus' staff were offered the chance to learn about the secrets of recycling. Nearly a half of the staff of the headquarters gathered at the event to hear more about the new, more ecological office culture. In December, the Ecological Team realized a "flea-market spirited" recycling event,

in which the participants were encouraged to bring things they did not need any longer to be found by others who could use them. In the course of the year, the Ecological Team arranged many different campaigns, e.g., on giving up the use of disposable coffee cups and on sorting waste in the right way in the dining room.



At the end of the year, the Ecological Team's set-up was reorganized, and the number of members was reduced. The actual planning and development work will now be taken care of by a group of six members, which will meet four times a year. A slightly larger group of employees was nominated as "Ecology Ambassadors". They shall act as ecological messengers in their own units, reminding the rest of the staff about ecological issues and offering them advice on matters related to recycling and waste sorting.

The Team's objective for the year 2006 is to focus on themes related to the saving of electricity and the sorting of office paper, as well as to try to reduce landfill waste.

**Hilperi**  
VEIKKAUS

**SAA OTTAA!**  
Ekotiimi järjestää perjantaina 2.12. klo 14-15  
KIERRÄTYSHILPERIN

**Kierrätettäväksi voit tuoda:**  
puhtaat ja ehjät vaatteet ja jalkineet,  
astiat, kirjat, lelut, urheiluvälineet  
toimivat pienkoneet  
(esim. kahvinkoneet ja leivänpaahattimet)

Nyt veikkauslaiset voivat kierrättää kotihunikka täyttäviä vaatteita ja tavaroita. Jos jotakin jää yli, Vantaan Kierrätyskeskus kutsuu tavarat ja vaatteet kierrätettäväksi ensiinpäin. Ruokakauppa on esillä samaan aikaan myös Vantaan Kierrätyskeskuksen oma pöytä ja toivottua kierrätyspostista antaa ympäristökonsulttimme Erja Mähönen.

TERVETULOA!  
ekotiimi  
VEIKKAUS

Advertisement for the recycling event organized by the Ecological Team.

# GOVERNANCE

## *principles*

**V**eikkaus' mission is to generate versatile value to Finnish society by operating games reliably and responsibly.

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 granted by virtue of the Lotteries Act, 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. The current gaming licence will be effective until the end of 2006.

### GENERAL MEETING

Veikkaus' superior administrative organ is the General Meeting, which appoints the Board of Directors and the Supervisory Board in accordance with the Articles of the Association. During the period under review, two General meetings convened, 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. Further, an extraordinary general meeting was held in September, where it was decided that Veikkaus would make an additional return of funds to the Ministry of Education from its contingency fund.

### 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. In 2005 the Board of Directors had eight members including the chairman. The general meeting appoints the chairman and vice chairman of the Board for two calendar years at a time. In accordance with a recommendation on state companies issued by the Ministry of Trade and Industry, none of the members of the Board belong to the company's executive management.

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 monitoring of all of them. The Board also appoints the CEO and the vice presidents, and determines their salaries and other benefits.

The Board of Directors convened twelve times in 2005, and the participation percentage in the meetings amounted to an average of 91. The Board drafts an annual operations timetable, with a schedule of the meetings and the topics handled in them. At the end of the year under review, the Board conducted a self-evaluation of its activities and their effectiveness.

The Board has two internal committees, the Audit Committee and the Personnel Committee.

#### THE BOARD OF DIRECTORS' INTERNAL ORGANIZATION INCLUDES AN AUDIT COMMITTEE AND A PERSONNEL COMMITTEE

##### THE AUDIT COMMITTEE

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

##### THE PERSONNEL COMMITTEE

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

The committees report to the Board on their regular work. In 2005 the members of the Audit Committee were: Ari Lahti (chairman), Maria Kaisa Aula, Raija Mattila, and Leena Paananen. The members of the Personnel Committee were Juha Niemelä (chairman), Heikki Lehmusto, Pekka Neittaanmäki and Leena Ryyänen. The Personnel Committee

convened twice and the Audit Committee six times in the course of the year under review.

In accordance with the stock market practices, the members of the Board file annual insider reports, for the evaluation of their independency. On the basis of the reports, all the members of Veikkaus' Board are independent of the company.

#### BOARD OF DIRECTORS' MONTHLY AND MEETING COMPENSATIONS 2005 (EUR)

	Monthly compensation	Meeting compensation	Compensations total
Chairman	1,177	200	
Vice Chairman	1,009	200	
Other members	840	200	
<b>2005</b>			<b>112,312</b>
2004			94,192

**SUPERVISORY BOARD'S MONTHLY AND MEETING COMPENSATIONS 2005 (EUR)**

	Monthly compensation	Meeting compensation	Compensations total
Chairman	1,000	200	
Vice Chairman	600	200	
Other members	500	200	
<b>2005</b>			<b>111,800</b>
2004			87,400

**SUPERVISORY BOARD**

Veikkaus' Supervisory Board has 14 members, one of whom is a representative of the personnel. The General meeting elects the Supervisory Board for a two-year term at a time. The Supervisory Board appoints two of its members to be the chairman and vice chairman for one year at a time. In 2005 the Supervisory Board convened seven times.

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

**COMPANY 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 this task. During the year under review, Veikkaus' Executive Team first consisted of eight members in addition to the CEO; in October, their number was reduced to seven. The Executive Team convened 33 times in 2005.

The Board of Directors appoints Veikkaus' CEO and the vice presidents. All members of the Executive Committee file an annual stakeholder report in accordance with the stock market practices.

**SALARIES, WAGES AND OTHER BENEFITS GRANTED TO COMPANY MANAGEMENT (EUR)**

	2005	2004
CEO	219,510	200,288
Other members of the Executive Team	820,947	953,780

**BENEFITS, INCENTIVES AND COMPENSATION**

The employees who joined Veikkaus before 1 January 1994 may retire at 63 years of age. The Board members and company management do not enjoy special benefits, except for the CEO's and Executive Vice President's additional pension schemes (63 years/66%). Nor have the company executives been granted option rights.

Veikkaus has an incentive scheme that covers the entire personnel. 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 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 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 incentives vary between 7% and 30% of the salary, and in order that the incentive can be paid in whole, all the objectives must be attained.

The special rewards and performance-based bonuses to the staff are determined by Veikkaus' Executive Team, whereas the rewards to the Executive Team and the performance incentives to the entire personnel are determined by the Board of Directors.

**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 on each round.

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: they cannot be played by the CEO, the Executive Vice President, the personnel responsible for sports games in the Product Management Unit, nor by the employees of the game management and online units.

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 Oy Ab. The auditors are chosen through a bidding process, and appointed to perform their task until further notice, in accordance with the company's Articles of Association. The auditors report to the Board of Directors' Audit Committee. »»

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<b>COMPENSATIONS TO THE AUDITORS (EUR)</b>		
	<b>2005</b>	<b>2004</b>
Audit compensations	<b>47,963</b>	61,127
Other services	<b>151,228</b>	205,296

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 2005, the external partner was PricewaterhouseCoopers. The internal audit is conducted directly under the CEO, reporting to the Audit Committee, and covering the entire organization.

Veikkaus' Corporate Security 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 and external audits are carried out to evaluate the sufficiency of the security measures. The Corporate Security Unit reports to the Audit Committee.

Veikkaus complies with the comprehensive risk management system Enterprise Risk Management (ERM). The ERM

framework describes the risk management process in use in the company, together with the related responsibilities and procedures. It is integrated in the planning processes of the company's activities in a way which ensures the regular and comprehensive assessment of the risks related to the business objectives and the company's preparedness for tackling them.

The external auditors of the standards are Det Norske Veritas (DNV), which audits the company's compliance with the World Lottery Association Security Standards (WLA SCS 2003-10-10), and Inspecta Oy, which audits the compliance with the Information security standard BS 7799-2:2002. In 2005 both Inspecta Oy and DNV conducted one follow-up audit related to the certificates. The audits showed that Veikkaus' security system fulfils the standard requirements.

**GENERATION AND SUPERVISION OF FINANCIAL ADDITIONAL VALUE**

By operating games in a socially responsible way Veikkaus generates value to Finnish society. The company's 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, Veikkaus responds to the demand of games in Finland with ethically planned and regulated offerings.

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%.

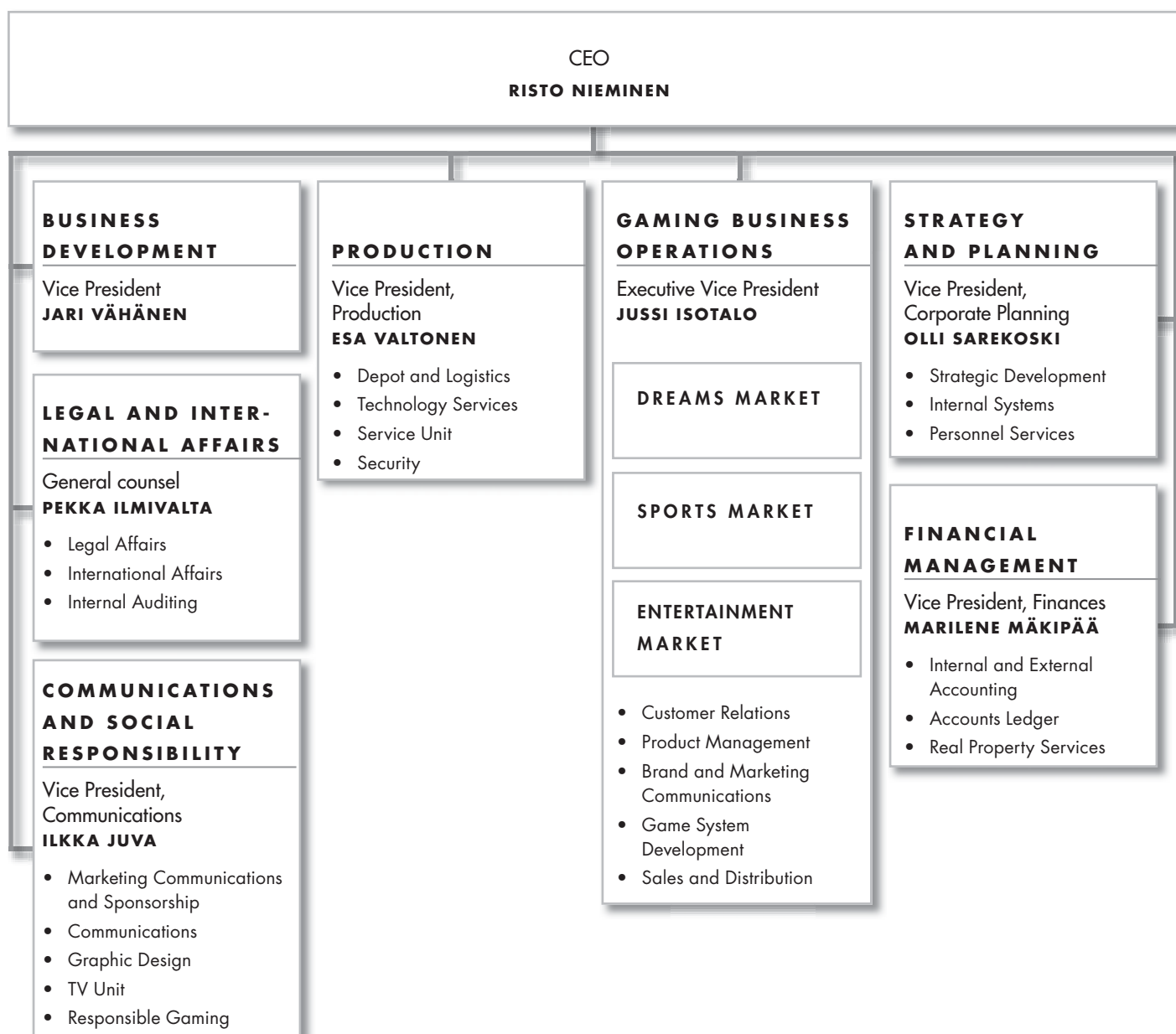
The strategy approved by Veikkaus' Board of Directors serves as the basis for an annual operations plan and budget, the realisation of which the Board supervises. The return objectives are followed by monthly result reports and prognoses. The company has also a so-called rolling budget with a 12-month cycle, used to adjust the result prognosis every four months. The supervision and business calculations systems will continue to be developed in accordance with Veikkaus' 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. Although the requirement does not concern Veikkaus, the company has decided to volun-

tarily introduce the IFRS standard. 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 new standard will not affect Veikkaus' income statement and balance significantly.

Further, the company complies, where applicable to its activities, 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).

# ORGANIZATION



# MANAGEMENT

## BOARD OF DIRECTORS 2006 - 2007



**JUHA NIEMELÄ**, Chairman, b. 1946  
M.Sc. (Econ.), vuorineuvos (Finnish honorary title)  
D.Sc. (Econ.), h.c.  
D.Sc. (Tech.), h.c.  
Member of the Board since 10 October 2000,  
Chairman of the Personnel Committee  
Current memberships of other boards of directors:  
Powerflute Oy



**MAIJA-RIITTA OLLILA**, Vice Chairman, b. 1956  
D.Soc. Sc.  
Member of the Board since 1 January 2006,  
Member of the Personnel Committee  
Current memberships of other boards of directors:  
Väinö Tanner Foundation



**JOUKO AHTOLA**, b. 1952  
M.Sc. (Econ.)  
Financial Manager, Finnish Literature Society  
Member of the Board since 1 January 2006,  
Member of the Audit Committee  
Current memberships of other boards of directors:  
Taluttaja Oy



**TIMO KENAKKALA**, b. 1957  
PhD  
Vice President, Kemira Oyj, Oulu Research Centre  
Member of the Board since 1 January 2006,  
Member of the Personnel Committee  
Current memberships of other boards of directors:  
Oulu Innovation Oy





**ARI LAHTI**, b. 1963

Lic. Soc. Sc.

Managing Director, ICECAPITAL Securities Ltd.

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

Current memberships of other boards of directors:  
Belton Group plc. (Chairman),  
Companies in the ICECAPITAL Group.

**LEENA PAANANEN**, b. 1950

M.Sc. (Econ.)

Partner, Ovia Oy

Member of the Board since 1 January 2000,  
Member of the Audit Committee

Current memberships of other boards of directors:  
A-Lehdet Oy, Kalevala Koru Oy, Lapponia Jewelry

**MATTI SAARINEN**, b. 1950

M.Soc.Sc.

Managing Director, Kreab Oy

Member of the Board since 1 January 2006,  
Member of the Personnel Committee

Current memberships of other boards of directors:  
Kreab Oy, K.J. Ståhlberg Foundation

**PAULA TUOMIKOSKI**, b. 1948

PhD, Docent

Head of Cultural Export Division,  
Ministry of Education

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

## SUPERVISORY BOARD 2006 – 2007

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

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

Member of Parliament **EVA BIAUDET**

Member of Parliament **KAARINA DROMBERG**

Member of Parliament **JUKKA GUSTAFSSON**

Member of Parliament **KAUKO JUHANTALO**

Member of Parliament **JARI LEPPÄ**

Member of Parliament **MAIJA-LIISA LINDQVIST**

Member of Parliament **MINNA LINTONEN**

Member of Parliament **AILA PALONIEMI**

Member of Parliament **PIRKKO PELTOMO**

Member of Parliament **IRJA TOLONEN**

Member of Parliament **KARI UOTILA**

### PERSONNEL REPRESENTATIVES

Planner **TEIJA KALLIOPERÄ**

Secretary **JAANA PIIRONEN**, Deputy Personnel representative

## SUPERVISORS

Chief Police Inspector **MATTI BÄCKMAN**

Adviser **HANNELE JUUSELA**

Inspector General of the Police **SEPPO JUVONEN**

Chief Superintendent **KIRSI KOIVUNIEMI**

Inspector General of the Police **SEPPO KOLEHMAINEN**

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 Oy Ab

Certified Accountant **OSMO VALTONEN**

## BOARD OF DIRECTORS

until 31 December 2005

Vuorineuvos (Finnish honorary title) **JUHA NIEMELÄ**, Chairman  
Master of Laws **HEIKKI LEHMUSTO**, Vice Chairman  
Ombudsman for Children **MARIA KAISA AULA**  
Managing Director **ARI LAHTI**  
Senior Adviser of Cultural Affairs **RAIJA MATTILA**  
Professor **PEKKA NEITTAANMÄKI**  
M.Sc., Econ. **LEENA PAANANEN**  
Managing Director **LEENA RYYNÄNEN**

## SUPERVISORY BOARD

until 31 December 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**  
Head of Communications **RIITTA NISSI**, Deputy Personnel representative

## EXECUTIVE TEAM

CEO **RISTO NIEMINEN**, b. 1951

Master of Arts

Veikkaus career 1989–2000; and since 2001

Appointed CEO in 2001

Professional 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

Professional experience in the shipping industry  
and executive positions in various national organisations

Member of the Executive Team since 1988

General Counsel **PEKKA ILMIVALTA**, b. 1970

Master of Laws (trained on the bench)

Joined Veikkaus in 2003

Professional experience 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

Professional experience 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

Professional experience 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, Strategy and Planning  
**OLLI SAREKOSKI**, b. 1965

M.Sc. (Econ.)

Joined Veikkaus in 2003

Professional experience includes various executive positions

Member of the Executive Team since 2003



Vice President, Production  
**ESA VALTONEN**, b. 1952

B.Sc.

Joined Veikkaus in 1991

Professional experience includes positions within Information Technology and executive positions in software production

Member of the Executive Team since 1997



Vice President, Business Development  
**JARI VÄHÄNEN**, b. 1965

M.Soc.Sc

Joined Veikkaus in 1995

Professional experience as Betting Director and Acting CEO of the Finnish Trotting and Breeding Association Hippos

Member of the Executive Team since 2004



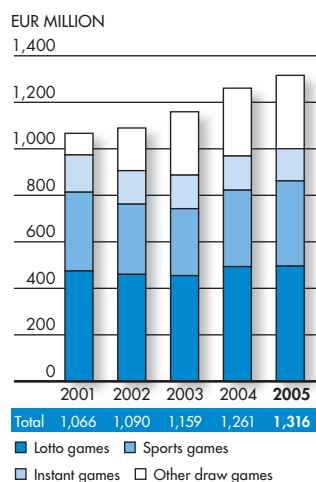
## BOARD OF DIRECTORS' REPORT ON OPERATIONS 2005

The year under review was the 65th year of operations of Veikkaus Oy. The company's economy developed favourably during the period. Veikkaus Oy attained a turnover of EUR 1,315.8 million, the highest in the company's history. This meant an increase of EUR 55.0 million (+4.4%) over the previous year. The gross margin on sales was EUR 468.3 million, which is EUR 6.9 million (+1.5%) more than in the year before.

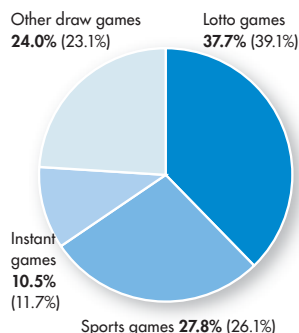
The result of the financial year amounted to EUR 400.9 million, of which the company returns EUR 381.4 million to the Ministry of Education, to be distributed to Finnish arts, sports, science, and youth work. The result improved by EUR 3.1 million (+0.8%) over the previous year.

During the period under review, Veikkaus sold stocks that were in its ownership, with a sales profit of EUR 4.8 million. Thus, the comparable result for the financial year remained EUR 1.6 million (-0.4%) smaller than in the year before. In spite of the increase in the turnover, the company's financial result remained nearly at the level of the previous year, since the increase in the turnover focused on games with smaller margins, such as Fixed Odds Betting and Keno. Further, the depreciations related to the gaming system exceeded those made in the previous year by EUR 4.8 million, and the company's pension

### TURNOVER BY GAME GROUP



### SHARE OF TURNOVER BY GAME GROUP IN 2005 (2004 IN BRACKETS)



expenses increased considerably (+45.2%).

### FIXED ODDS BETTING AND KENO AS PACESETTERS

Veikkaus' game selection included the following games in the year under review: the lotto games Lotto and Viking Lotto; the other draw games Joker, Keno, Medals Game, Simo's Weather Forecast (ended on round 24/2005) and Veikkaus Bingo; the betting games Live Betting, Multibet, Fixed Odds Betting, Result Odds Betting, Winner Odds Betting; the other sports games Football Pools, V5 and V75 Off-track Horse Betting; as well as the instant games Casino Instant, Horoscope Instant, Labyrinth Instant, Lucky Words Instant, Nature Instant, Ässä Instant, and the various internet and theme instants.

In the year under review, all of Veikkaus' game groups increased their sales, with the exception of the group of instant games. The turnover of lotto games EUR 495.6 million increased by EUR 2.1 million (+0.4%) over the previous year. Sports games showed an increase in turnover of EUR 366.4 million, which was EUR 37.7 million (+11.5%) more than in the year before. The other draw games generated a turnover of EUR 315.4 million, with an increase of EUR 23.7 million (+8.1%). The turnover of instant games of EUR 138.5 million

remained EUR 8.5 million (-5.8%) smaller than in 2004.

The lotto games represented 37.7% of the company's total turnover (39.1% in 2004), while the share of sports games was 27.8% (26.1%), that of the other draw games 24.0% (23.1%) and that of instant games 10.5% (11.7%).

The games that increased their popularity most were Fixed Odds Betting and Keno. The sales of Fixed Odds Betting amounted to EUR 134.0 million, showing an increase of 38.1% over the previous year. Keno was played for a total of EUR 246.4 million (+11.9%) during the year. The largest prize in Keno so far, one million euros, was won on round 41. The winning combination had been played in Oulu. The development of the turnover of Lotto, Veikkaus' biggest game, was slowed down by the small number of rollover jackpots during the year. In all, Finns played Lotto for EUR 421.8 million in 2005.

Veikkaus' internet gaming service is one of the biggest web stores for consumers in Finland. Veikkaus games were played for EUR 160.4 million (+44.8%) through the internet service during the year. This represents 12.2% of the total game sales. At the end of 2005, the internet gaming service had a total of 315,305 registered players (+30.1%).

*“We paid out a total of 160,000 different prizes to players each day.”*

#### **PRIZE PAYOUT EUR 679 MILLION**

In 2005, Veikkaus paid out a total of EUR 678.7 million (+7.5%) of prizes to players. The expenses incurred by the draws and result information amounted to EUR 10.2 million (-0.8%). Game event cooperation cost EUR 10.8 million (+9.0%), whereas playslip and ticket expenses were EUR 6.7 million (-8.3%). The company spent EUR 10.0 million (-26.9%) on product advertisement, i.e. 0.8% of the turnover.

The commissions paid out to the retailers represented 6.1% of the turnover, amounting to EUR 80.6 million. The growing popularity of internet gaming had an essential effect on the fact that the retailer commissions remained at the previous year's level. Veikkaus' sales network comprises 2,860 online retail outlets and 840 instant ticket outlets around the country.

During the year under review, the company paid EUR 60.6 million of lottery tax (+1.0%) and EUR 14.5 million (+13.4%) of VAT, in addition to returning its profit of EUR 381.4 million to the Ministry of Education.

#### **INVESTING IN CUSTOMER RELATIONS AND PRODUCT DEVELOPMENT**

During the year under review, Veikkaus focused on the reinforcement of its new model of business operations, which

is based on the company's customer strategy. Veikkaus' offerings are developed and individualized to better meet the needs of different customer groups. This entailed considerable investments in the outsourcing of, e.g., the development of customer data systems and customer communication, as well as brand enforcement.

Veikkaus used EUR 10.5 million (+20.8%) for product development and research. In April a new instant game, Labyrinth Instant, was launched, and in June, two internet instants Horoscope eInstant and Nature eInstant, were introduced. The new tickets were warmly welcomed: Labyrinth Instant was scratched for EUR 3.9 million, and the internet instants for a total of EUR 3.9 million, by the end of the year. In mid-June, Veikkaus launched a new way of playing the games of chance by introducing the Vinopino (“Game Cluster”) option, consisting of a set of games. It was designed to support syndicate gaming at retail outlets.

In addition to introducing new products, Veikkaus' product development aims at developing the existing games. Fixed Odds Betting was supplemented with new features in February, as double and quintet systems, as well as the duel and three-way bets were introduced. The game reform also brought with it new sports events offered as betting objects.

Veikkaus invests in the

development of new distribution channels both in its retailer network and in the electronic channels. Last year, Veikkaus and Kesko Food tested selling Veikkaus games on prepick playslips at a supermarket checkout for the first time in Finland.

At the end of June, the company launched the sms gaming option. Lotto, Keno, and Fixed Odds Betting can now be played by mobile phone not only through the WAP service, but also by SMS. Veikkaus aims at offering games and services in environments that are easily and naturally accessible to its players.

In 2004, the company launched a four-year reform project of the gaming system. The changes made to the present gaming system will be depreciated by the year 2006 at the latest. This meant an increase of EUR 4.8 million in the depreciations as compared with the previous year. The reform project can also be seen in an increase of the company's total investments; during the year under review, Veikkaus used EUR 22.2 million (+126.5%) for investments.

In October Veikkaus and the leading game system supplier GTECH started a joint enterprise Innoka Oy, which focuses on game and technology development. For Veikkaus, the cooperation means above all an opportunity to ensure sufficient resources for sustained

and innovative development. Veikkaus' long-term partner GTECH owns 81% of the new company, whereas Veikkaus' share of the company is 19%. Four former Veikkaus' employees are now employed by the new company.

#### **STAFF SATISFACTION STILL ON THE INCREASE**

At the end of 2005 Veikkaus had 334 salaried and 38 part-time employees. In other words, the total number of employees was 372, i.e. 5 employees fewer than in the previous years. In the year under review, 38 people were recruited, whereas 19 retired. Further, 24 persons gave their notice in 2005.

Besides the headquarters in Vantaa, Veikkaus has district sales offices in the cities of Turku, Tampere, Vaasa, Kuopio and Oulu. In Tampere, there is also a regional centre with, e.g., an internet gaming helpdesk for players.

In 2005 Veikkaus' personnel expenses amounted to EUR 21.9 million, with an increase of 12.4% from the previous year. The increase in the pension expenses (+45.2%) is a result of the large number of employees at the age of retirement. The retirement peak will continue for the next few years. The growing personnel expenses reflect the changes in the structure of personnel, since human resources are being allocated to the functions necessary for the implementation of the customer >>>

## “Veikkaus is actively involved in the international cooperation of the gaming industry”

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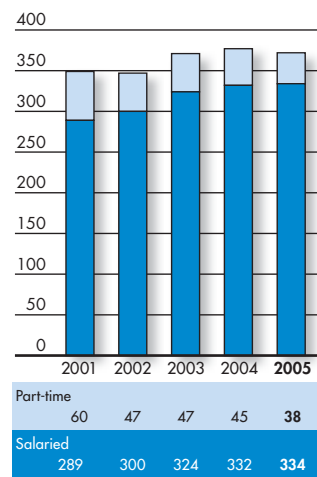
strategy. Thus, new employees are recruited primarily to demanding specialist positions. The personnel expenses also include a reserve for the payment of the performance bonuses in accordance with the company’s new incentive scheme.

A staff survey conducted in the autumn was responded to by 77% of the personnel. It showed that the employees were mostly happy with the company and its activities. They were given the average grade of 3.91 (the respective figure was 3.82 in 2004) on a scale of 1 to 5. Veikkaus’ employees were especially satisfied with the reliability of the company’s operations, and were committed to both their own work and the company. The personnel also felt that they knew well both their own working objectives and the company’s strategies.

### RESPONSIBILITY IN FOCUS

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 corporate governance and the principle of equality. It also means ethically sustainable business operations. Veikkaus’ gaming activities are organized reliably and responsibly. This is ensured by close control by the authorities, international audits, and the company’s own measures to

NUMBER OF EMPLOYEES



supervise and restrict gaming.

Veikkaus made all of its games subject to age limits at the beginning of September. The general age limit for buying Veikkaus games is now 15 years. Further, there is a special age limit of 18 years, applied to gaming via electronic channels, such as the internet. The new restrictions aim at the protection of consumers, especially children and young people, against the possible risks of gaming. Most of Veikkaus’ customers and retailers were happy to welcome the new age limits.

As part of social responsibility, Veikkaus had already previously made certain of its games with high event frequency subject to game-specific stake limits. In the future, the customers will also be offered an option to impose restrictions on their gaming by themselves.

Veikkaus’ games cannot be played on credit. The company’s marketing communications foreground responsibility; they are carried out in compliance with a strict ethical code of conduct. At the end of March, Veikkaus was elected the Advertiser of the Year 2005 by the Association of Finnish Advertisers. The Association justified its decision by saying that Veikkaus had focused on high-quality, creative advertising that spoke to its target group in a responsible manner.

Veikkaus’ investment in customerization in the next few years entails that the company

will focus on, e.g., the collection of accurate customer data and an attempt to gain in-depth customer recognition. These measures will also serve as concrete tools for ensuring the responsibility of the game offerings.

It was decided in the autumn that the operations of problem gamblers’ helpline Peluuri should be continued after a successful test period. In August, the service was also made toll free. During the year, the service answered a total of 1,361 calls made by people suffering from or worried about problem gambling, as well as by their families and friends. A mere 10% of the calls concerned Veikkaus games. The Peluuri service is provided by the A-Clinic Foundation and the Finnish Blue Ribbon. Veikkaus is one of the financers of the service, together with the Finnish Slot machine Association RAY and Fintoto.

### INTERNATIONAL COOPERATION FOR THE EXCLUSIVE RIGHT SYSTEM

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 gaming sector. Veikkaus’ CEO Risto Nieminen is a member of the Executive Committees of both

WLA and EL. From Veikkaus' perspective, the most important task of the international organizations is to promote the interests of their members, defending the principle of exclusive right at the national level.

Although the gaming systems of different countries differ from each other, they have a common basis: the system of the exclusive right is the predominant model in Europe, as well as elsewhere in the world. It offers society the opportunity to regulate the quality and quantity of gaming by itself. The natural human need to play can thus be channelled to entertaining games that cause the least harm.

By being an active international player, Veikkaus aims at defending the national interests. The company's objective is to establish a unified Nordic policy and message to Europe and the European Union. Extensive exchange of information, open mutual communication, and regular meetings between experts, are all important tools in international cooperation. The aim is to still improve the staff's international know-how.

Within the past year, the Courts of Justice in Finland, Sweden and Norway, have handled gaming-related cases. The rulings issued in all of the three countries have been uncontestedly in favour of the exclusive right model applied to national gaming activities, indicating the approval of the ways of operat-

ing adopted by the national lotteries. The Finnish Supreme Court issued its judgement in a case concerning Åland's Slot Machine Association PAF in February. The judgement reinforced the principle of the exclusive right applied to gaming activities, laid down by the Lotteries Act. The Supreme Court held that the Finnish legislation was uniform with the decisions issued by the European Court of Justice.

#### **THE GROUP**

Oy Veikkaus Ab owns the entire share capital of Veikkaus Trading Oy. The equity of Veikkaus Trading Oy was EUR 37,714.83 on 31 December 2005. The company had no actual operations in 2005, and since the consolidation of Veikkaus Trading Oy does not essentially affect the group's equity or financial result, a separate consolidated financial statement has not been drafted.

#### **FUTURE PROSPECTS**

Veikkaus operates on the market of leisure and entertainment, satisfying people's needs for dreams, excitement and entertainment. On the entertainment market, Veikkaus provides its customers with the significant additional value of having an opportunity to win money and having access to important social benefits.

Veikkaus returns the bulk of its profits to Finnish society, to be used for the benefit of arts,

sports, science, and youth work in a way which benefits every Finn. Veikkaus games are based on wide participation with reasonable stakes. As the entertaining aspect of gaming becomes more significant and gaming technology develops, a view based on ethical deliberation for the benefit of the entire society becomes even more essential.

In order to succeed in its mission, Veikkaus needs to work in a customer-oriented manner. This is why the company's business model is based on customer strategy. Recognizing the customers and their needs, and creating the accurate offerings demand capability to gather information on customer groups, as well as to handle and make use of the information. Positive customer experiences provide the basis for long-term customer relations. Veikkaus develops its offerings in a socially sustainable way. The objective is to attain a large customer base without burdening the financial capacity of individual customers because of their expenditure on games.

The international trend in gaming today is that games with high event frequency and small margins are becoming more popular. The development of products and services, as well as the implementation of new technologies, are becoming more and more complex and expensive.

Gaming has a strong foothold in society, but the system

of the exclusive right, complied with in nearly all countries within the EU, is under systematic attacks. International cooperation, especially in Europe and the Nordic countries, is becoming more and more important. Veikkaus strives for the advancement of international cooperation between the national lotteries.

Veikkaus aims at a moderate 1.8% growth of its turnover in 2006. The profit expectation for Veikkaus funds recorded in the State Budget for the year 2006 is EUR 387.2 million, i.e. 1.5% more than the contribution to the Ministry of Education in 2005.

The two extraordinary General Meetings held in September 2005 and February 2006 decided that, besides the previous contribution of EUR 381.4 million, Veikkaus will return an additional amount of EUR 14.0 million from the company's contingency fund to the Ministry of Education. The payments will be made in 2006.

#### **BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF PROFITS**

The Board of Directors propose that EUR 381,480,074.70 of the profit of EUR 400,880,074.70 for the financial year from 1 January 2005 to 31 December 2005, be returned to the Ministry of Education, while EUR 19,400,000.00 shall be transferred to the contingency fund.

# INCOME STATEMENT

1 Jan 2005 – 31 Dec 2005 and 1 Jan – 31 Dec 2004

	2005		2004	
<b>Turnover</b>		<b>1,315,826,840</b>		<b>1,260,829,413</b>
Other operating income				
Other income		5,825,858		990,877
Prizes	678,743,859		631,186,703	
Lottery tax	<u>60,567,873</u>	739,311,732	<u>59,962,351</u>	691,149,054
Raw materials and services				
Retail commissions	80,565,058		80,820,105	
Playslips and lottery tickets	6,742,194		7,351,747	
Drawing expenses and result service	10,175,832		10,261,852	
Game event cooperation	10,774,402		9,884,861	
Product advertising	10,036,997		13,736,582	
Data communications	<u>726,599</u>	119,021,084	<u>1,007,729</u>	123,062,877
		463,319,881		447,608,359
Personnel expenses				
Salaries and compensations	16,480,270		15,559,625	
Indirect personnel costs				
Pensions	4,437,979		3,056,393	
Other indirect personnel costs	<u>1,008,817</u>	21,927,065	<u>892,402</u>	19,508,420
Depreciations and write-downs				
Depreciations and write-downs according to plan		10,339,849		5,536,966
Other operating expenses		<u>33,857,596</u>		<u>28,045,681</u>
<b>Operating profit</b>		<b>397,195,372</b>		<b>394,517,292</b>
Financial income and expenses				
Interest income and other financial income	3,447,007		3,154,195	
Interest expenses and other financial expenses	<u>3,618</u>	3,443,389	<u>302,002</u>	2,852,193
<b>Profit before extraordinary items and appropriations</b>		<b>400,638,761</b>		<b>397,369,485</b>
Extraordinary items				
Extraordinary expenses		0		72,000
<b>Profit before appropriations</b>		<b>400,638,761</b>		<b>397,297,485</b>
Appropriations				
Change in depreciation reserve		516,348		437,779
Taxes				
Direct taxes		<u>275,034</u>		<u>0</u>
<b>Net profit for the financial year</b>		<b>400,880,075 €</b>		<b>397,735,264 €</b>



# BALANCE SHEETS

31 Dec 2005 and 31 Dec 2004

	2005		2004	
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets				
Software		10,884,624		5,808,072
Tangible assets				
Land and waters	1,899,447		1,854,262	
Buildings and constructions	13,966,100		14,946,089	
Machinery and equipment	3,739,474		4,385,499	
Other tangible assets	578,790	20,183,811	575,290	21,761,140
Investments				
Shares and holdings		3,491,786		5,010,376
Advance payments and investments in progress		15,025,089		6,596,713
<b>Current assets</b>				
Advance payments		291,748,145		285,410,136
Receivables				
Sales receivables	15,907,296		14,073,849	
Accrued income	2,461,174		1,842,128	
Other receivables	369,540	18,738,011	6,796,147	22,712,123
Cash in hand and at bank		166,657,645		156,237,073
		<b>526,729,111 €</b>		<b>503,535,633 €</b>
<b>LIABILITIES</b>				
<b>Shareholders' equity</b>				
Subscribed capital	169,320		169,320	
Reserve funds	276,378	445,698	276,378	445,698
Contingency fund		24,732,653		6,832,653
Net profit for the financial year		400,880,075		397,735,264
<b>Accumulated appropriations</b>				
Depreciation difference		10,601,370		11,117,718
<b>Obligatory provisions</b>				
		3,000,000		3,000,000
<b>Liabilities</b>				
Advances received				
Advances for multi-week subscriptions		9,384,679		17,822,951
Trade payable		4,022,785		2,812,171
Other creditors				
Winnings payable	25,490,492		18,172,135	
Settlement debts to the State	12,066,127	37,556,620	12,433,274	30,605,409
Accruals and deferred income		19,013,264		20,567,994
Other short-term liabilities		17,091,967		12,595,776
		<b>526,729,111 €</b>		<b>503,535,633 €</b>

## SOURCE AND APPLICATION OF FUNDS

(EUR thousand)

	<b>2005</b>	<b>2004</b>
Cash flow from business operations		
Operating profit	397,195	394,517
Corrections items to operating profit	5,181	5,384
Change in current capital	2,572	-1,187
Interests paid and other payments	-4	-302
Dividends from business operations	344	332
Interests from business operations	3,103	2,822
Taxes	-275	0
<b>Cash flow from business operations</b>	<b>408,117</b>	<b>401,567</b>
Cash flow from investments		
Investments in tangible and intangible assets	-22,297	-9,589
Proceeds from tangible and intangible assets	6,707	262
Repayments on loan receivables	67	46
<b>Cash flow from investments</b>	<b>-15,523</b>	<b>-9,282</b>
Cash flow from financing		
Return to the Ministry of Education	-382,173	-378,786
<b>Cash flow from financing</b>	<b>-382,173</b>	<b>-378,786</b>
Change in liquid funds	10,421	13,499
Liquid funds 1 Jan 2005	156,237	142,738
<b>Liquid funds 31 Dec 2005</b>	<b>166,658</b>	<b>156,237</b>
Change in current capital		
Increase/ decrease in short-term receivables	3,907	-12,820
Increase in short-term liabilities	-1,335	11,633
	2,572	-1,187

# NOTES TO THE FINANCIAL STATEMENTS

## 1. TURNOVER BY GAMES AND GAME GROUPS (EUR thousand)

	2005		2004	
	Turnover	% share of turnover	Turnover	% share of turnover
Lotto	421,842	32.1	421,392	33.4
Viking Lotto	73,772	5.6	72,155	5.7
<b>Lotto games</b>	<b>495,614</b>	<b>37.7</b>	<b>493,547</b>	<b>39.1</b>
Keno	246,417	18.7	220,267	17.5
Joker	66,739	5.1	67,860	5.4
Other online games	2,240	0.2	3,523	0.3
<b>Other online draw games</b>	<b>315,395</b>	<b>24.0</b>	<b>291,650</b>	<b>23.1</b>
Football Pools	53,951	4.1	53,831	4.3
V75 Off-track Horse Betting	28,577	2.2	27,594	2.2
V5 Off-track Horse Betting	25,575	1.9	24,388	1.9
Other V betting games	153	0.0	225	0.0
Fixed Odds Betting	134,030	10.2	97,038	7.7
Result Odds Betting	26,983	2.1	34,002	2.7
Multibet	87,470	6.6	83,055	6.6
Winner Odds Betting	9,411	0.7	8,553	0.7
Live Betting	204	0.0	0	-
<b>Sports games</b>	<b>366,354</b>	<b>27.8</b>	<b>328,686</b>	<b>26.1</b>
Ässä Instant	46,816	3.6	50,713	4.0
Casino Instant	49,958	3.8	55,190	4.4
Nature Instant	6,587	0.5	6,843	0.5
Lucky Words Instant	22,190	1.7	26,221	2.1
Horoscope Instant	1,619	0.1	3,934	0.3
Labyrinth Instant	3,898	0.3	0	-
Theme Instants	3,500	0.3	4,045	0.3
Nature elstant	1,251	0.1	0	-
Horoscope elstant	2,643	0.2	0	-
<b>Instant games</b>	<b>138,463</b>	<b>10.5</b>	<b>146,946</b>	<b>11.7</b>
<b>Total</b>	<b>1,315,827</b>	<b>100.0</b>	<b>1,260,829</b>	<b>100.0</b>

## 2. FINANCIAL RESULT 2001 - 2005 (EUR thousand)

	2005	2004	2003	2002	2001
<b>Turnover</b>	<b>1,315,827</b>	<b>1,260,829</b>	<b>1,159,290</b>	<b>1,089,558</b>	<b>1,065,857</b>
<b>Gross margin on sales</b>	<b>468,258</b>	<b>461,362</b>	<b>438,417</b>	<b>413,698</b>	<b>410,162</b>
share of turnover %	35.6 %	36.6 %	37.8 %	38.0 %	38.5 %
<b>Net profit</b>	<b>397,195</b>	<b>394,517</b>	<b>371,034</b>	<b>347,512</b>	<b>349,247</b>
share of turnover %	30.2 %	31.3 %	32.0 %	31.9 %	32.8 %
<b>Result before appropriations</b>	<b>400,639</b>	<b>397,297</b>	<b>374,206</b>	<b>353,960</b>	<b>355,165</b>
share of turnover %	30.4 %	31.5 %	32.3 %	32.5 %	33.3 %
<b>Result for the financial year</b>	<b>400,880</b>	<b>397,735</b>	<b>375,718</b>	<b>357,209</b>	<b>376,989</b>
share of turnover %	30.5 %	31.5 %	32.4 %	32.8 %	35.4 %

# NOTES TO THE FINANCIAL STATEMENTS

## 3. DEPRECIATIONS AND WRITE-DOWNS ACCORDING TO PLAN

	2005	2004
Buildings and constructions	1,089,373	955,517
Machinery and equipment	9,250,476	4,581,449
	<b>10,339,849 €</b>	<b>5,536,966 €</b>

## 4. DEPRECIATION METHODS AND PERIODS

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

Planned depreciation periods

Buildings and constructions	25 years
Renovations	5 years
Machinery, equipment and fittings of real estates	5 years
Other machinery and equipment	4 years
Computer software and equipment	3–4 years

## 5. DEPRECIATION DIFFERENCES

	2005	2004
Buildings and constructions	7,713,577	8,229,925
Permanent fixed assets	2,887,793	2,887,793
	<b>10,601,370 €</b>	<b>11,117,718 €</b>

## 6. CHANGE IN DEPRECIATION RESERVE

Changes in depreciation reserve in the Balance Sheets

Depreciation difference 1 Jan 2005	11,117,718	11,555,497
Adjustment of planned depreciations covered by investment reserve	516,348	437,779
<b>Change in depreciation differences in the Balance Sheets 31 Dec 2005</b>	<b>10,601,370 €</b>	<b>11,117,718 €</b>

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

## 7. FINANCIAL INCOME AND EXPENSES

	2005	2004
Dividend income	343,798	332,159
Interest income		
Long-term investments	0	65,483
Short-term investments	3,085,596	2,743,085
Other financial income	9,533	5,184
Financial services office income	8,081	8,285
Financial income total	3,447,007	3,154,195
Translation differences	75	300,894
Interest expenses	3,543	1,108
Financial expenses total	3,618	302,002
	<b>3,443,389 €</b>	<b>2,852,193 €</b>

Veikkaus financial investments were short-term investment certificates and deposits in 2005.

## 8. PERSONNEL EXPENSES

	2005	2004
Salaries and wages	16,480,270	15,559,625
Pensions	4,437,979	3,056,393
Other indirect personnel expenses	1,008,817	892,402
	<b>21,927,065 €</b>	<b>19,508,420 €</b>
Salaries and compensations to CEO and his deputy, Board of Directors and Supervisory Board	592,203 €	526,422 €

## 9. OTHER OPERATING EXPENSES

	2005	2004
Service outsourcing	12,986,550	9,438,928
Other advertisement and marketing	5,001,208	4,083,195
Other voluntary personnel expenses	1,188,457	1,006,553
Travel, representation and negotiation costs	2,435,360	2,287,430
Equipment and freight charges	1,950,323	2,297,113
Machinery and equipment	2,162,921	1,423,917
Real estate expenses	1,928,394	1,881,983
Software maintenance and service	2,219,681	1,803,784
Office expenses	3,984,702	3,822,778
	<b>33,857,596 €</b>	<b>28,045,681 €</b>

# NOTES TO THE FINANCIAL STATEMENTS

## 10. INVESTMENTS (EUR thousand)

	2005		2004	
Software		12,264		3,184
IT appliances		886		1,664
Office equipment		250		104
Equipment, other installations		0		25
Real estates				
Basic improvements	155		1,270	
Machinery, equipment, fittings	152	307	75	1,345
Company cars		155		206
Works of art		4		8
Stocks		3		140
Investments in progress		8,428		2,913
		<b>22,297 €</b>		<b>9,589 €</b>

## 11. FIXED ASSETS AND DEPRECIATIONS 31 DEC 2005 (EUR)

	INTANGIBLE ASSETS		TANGIBLE ASSETS				
	Computer software	Total	Land and waters	Buildings and constructions	Machinery and equipment	Others	Total
Acquisition costs 1 Jan 2005	33,204,775	33,204,775	1,854,262	22,924,571	49,164,774	575,290	74,518,898
Increase	12,263,937	12,263,937	45,185	109,384	1,443,314	3,500	1,601,383
Decrease	0	0	0	0	26,247	0	26,247
<b>Acquisition costs 31 Dec 2005</b>	<b>45,468,712</b>	<b>45,468,712</b>	<b>1,899,447</b>	<b>23,033,955</b>	<b>50,581,841</b>	<b>578,790</b>	<b>76,094,034</b>
Accumulated depreciations 1 Jan 2005	27,396,703	27,396,703	-	7,978,482	44,779,275	-	52,757,757
Depreciations for the financial year	7,187,385	7,187,385	-	1,089,373	2,063,092	-	3,152,465
<b>Accumulated depreciations 31 Dec 2005</b>	<b>34,584,089</b>	<b>34,584,089</b>	<b>-</b>	<b>9,067,855</b>	<b>46,842,367</b>	<b>-</b>	<b>55,910,222</b>
<b>Book value 31 Dec 2005</b>	<b>10,884,624</b>	<b>10,884,624</b>	<b>1,899,447</b>	<b>13,966,100</b>	<b>3,739,474</b>	<b>578,790</b>	<b>20,183,811</b>
Book value 31 Dec 2004	5,808,072	5,808,072	1,854,262	14,946,089	4,385,499	575,290	21,761,140

# NOTES TO THE FINANCIAL STATEMENTS

## 12. SHARES AND HOLDINGS 31 DEC 2005

	Book value	Market value
Subsidiaries		
Veikkaus Trading Oy, Vantaa 100 %	33,638	
	<b>33,638</b>	
Shares in telephone companies and connections	21,263	
Shares in housing and real estate corporations	2,924,569	
Other shares	512,317	
	<b>3,458,149</b>	
	<b>3,491,786 €</b>	

## 13. RECEIVABLES AND LIABILITIES

Veikkaus had only short-term receivables and liabilities in 2005.

## 14. SHAREHOLDERS' EQUITY AND CHANGES IN SHAREHOLDERS' EQUITY

<b>Restricted equity</b>			
Share capital		169,320	
Reserve fund		276,378	
<b>Other equity</b>			
Contingency fund 1 Jan 2005	6,832,653		
increase	21,900,000		
decrease	4,000,000	24,732,653	
Retained earnings 1 Jan 2005	397,735,264		
Return to the Ministry of Education	375,835,264		
Transferred to the contingency fund	21,900,000		
Net profit for the financial year	400,880,075	400,880,075	
		<b>426,058,426 €</b>	

## 15. OBLIGATORY PROVISIONS

	2005	2004
Pension provisions	3,000,000	3,000,000
	<b>3,000,000 €</b>	<b>3,000,000 €</b>

The obligatory provisions include an estimate of commitments related to voluntary pension insurances.

## 16. CONTINGENT LIABILITIES AND AMOUNTS PAYABLE ON LEASING AGREEMENTS

Lease payments due during the next financial year	333,603
Lease payments due at a later date	488,468
<b>Lease liabilities total 31 Dec 2005</b>	<b>822,071 €</b>

Most vehicle lease agreements are made for three years.

## 17. DIVIDING PRINCIPLES APPLIED IN THE PREPARATION OF THE FINANCIAL STATEMENT

### Dividing of turnover

Veikkaus' game sales are divided into turnover periods by the draw dates of the games. The draws are either weekly or daily. The turnover from the daily drawn games Keno, Medals Game, and Veikkaus Bingo (EUR 0.6 million) played on round 52/05 and the turnover from betting games (EUR 1.8 million) played on the same round, between 27 and 31 December 2005, will be included in the turnover of the year 2006.

### Recording principle applied to the turnover of Live Betting

Live Betting turnover consists of the game turnover subtracted by the prizes registered in it.

### Recording principle applied to prizes

The Income Statement includes, as a general rule, the prizes in accordance with the game regulations, registered in the turnover.

The unclaimed prizes of the previous year, together with the funds accumulated by the rounding of prizes are transferred to be paid out as prizes on later game rounds during the following calendar year at the latest, in accordance with the Gaming Licence. There were a total of EUR 11.6 million of such funds in the Balance Sheet of 31 December 2004. In 2005, these funds amounted to a total of EUR 14.1 million. Of them, EUR 13.7 million were used for prize payout. The Balance Sheet of 31 December 2005 included a total of EUR 12.0 million of these funds.

This Balance Sheet value includes EUR 3.8 million of funds that can only be used for prize payout in Lotto according to the regulations.

### Recording principle applied to instant ticket expenses

The expenses accrued from the printing of instant tickets have been recorded as expenses since the year 2003.

### Recording principle applied to small machinery and fittings

Small machinery and fittings, including computers, which have been in use for three years at the maximum, are recorded as expenses.

# NOTES TO THE FINANCIAL STATEMENTS

## 18. SIGNATURES OF THE BOARD OF DIRECTORS' REVIEW AND THE FINANCIAL STATEMENTS

### Board of Directors of Veikkaus Oy

Vantaa, 9 February 2006

<i>Juha Niemelä</i> Chairman of the Board	<i>Maija-Riitta Ollila</i> Vice Chairman of the Board
<i>Jouko Ahtola</i>	<i>Timo Kenakkala</i>
<i>Ari Lahti</i>	<i>Leena Paananen</i>
<i>Matti Saarinen</i>	<i>Paula Tuomikoski</i>
	<i>Risto Nieminen</i> CEO

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

Vantaa, 9 February 2006

<i>Osmo Valtonen</i> Certified Accountant	<i>Lasse Holopainen</i> Authorised Public Accountant
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## 19. LIST OF ACCOUNTING BOOKS AND RECORD FORMATS

General ledger .....	in electronic format
Journal .....	in electronic format
Cash accounting and payment transaction records .....	printed documents
Travel expense claim records .....	printed documents
Memorandum records .....	printed documents
Accounts receivable ledger .....	printed documents
Onnet accounts receivable ledger .....	printed documents
Accounts payable ledger .....	printed documents
Payroll accounting records .....	printed documents
Depreciation records .....	printed documents
Prize records .....	in electronic format

## AUDITORS' REPORT

### To the shareholders of Oy Veikkaus

We have audited the accounts, the accounting record and the administration of Veikkaus Oy for the financial year between 1 January and 31 December 2005. The financial statements prepared by the Board of Directors and the CEO include a report on operations and a financial statement consisting of an income statement, a balance sheet, a statement on the source application of funds, and notes to the financial statements. Based on our audit, we give our opinion on the financial statements and administration.

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

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

Vantaa, 9 February 2006

<i>Osmo Valtonen</i> Certified Accountant	<i>Lasse Holopainen</i> Authorised Public Accountant
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## STATEMENT BY THE SUPERVISORY BOARD

In its meeting of today, the Supervisory Board of Veikkaus Oy considered the financial statements for the financial year between 1 January 2005 and 31 December 2005 and the Auditors' report. The Supervisory Board has decided to propose in its statement to the regular General Meeting that the income statement and balance sheets be approved and the profit in the financial statement be used in accordance with the Board of Directors' proposal.

The Supervisory Board finds that its decisions and guidelines have been complied with and that it has been given the information it has deemed necessary by the company's Board of Directors and CEO.

Helsinki, 9 February 2006

<i>Ilkka Kanerva</i> , Chairman	<i>Matti Saarinen</i> , Vice Chairman	
<i>Eva Biaudet</i>	<i>Kaarina Dromberg</i>	<i>Jukka Gustafsson</i>
<i>Kauko Juhantalo</i>	<i>Jari Leppä</i>	<i>Maija-Liisa Lindqvist</i>
<i>Minna Lintonen</i>	<i>Aila Paloniemi</i>	<i>Pirkko Peltomä</i>
<i>Irja Tulonen</i>	<i>Kari Uotila</i>	<i>Teija Kallioperä</i>

# ANNUAL REPORT *compared with* GRI'S RECOMMENDATIONS

**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 stakeholders, 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' ANNUAL REPORT		
ITEM	GRI CONTENTS	INCLUDED	PAGE	COMMENTS
	<b>Vision and strategy</b>			
1.1	Vision and strategy	Yes	2–3	From the Annual report's perspective.
1.2	Statement from the CEO	Yes	4–5	
	<b>Organizational profile</b>			
2.1–2.8	Basic information about the organization	Yes	2–3, 7, 24–25	
2.9	List of stakeholders	Yes	10	
2.10–2.22	<b>Report profile</b>	In part	Inside cover	
3.1–3.8, 3.13–3.20	<b>Governance structure and management systems</b>	In part	2, 13, 29–32, 42–53	
3.9-3.12	<b>Stakeholder cooperation</b>	Yes	10–11, 16	
	<b>Economic responsibility indicators</b>			
EC1	Turnover	Yes	3	
EC2	Geographic breakdown of markets	No		Irrelevant to Veikkaus' activities.
EC3	Cost of all goods, materials and services purchased	In part	13, 15, 54	In the financial statements.
EC4	Contracts paid in accordance with agreed terms	No		
EC5	Total payroll benefits	Yes	13, 54	
EC6	Debts, interests and dividends	Yes	55–56	In the financial statements.
EC7	Change in reserves	Yes	60	In the financial statements.
EC8	Taxes	Yes	13, 15, 54	
EC9	Subsidies received	No		No subsidies in the sense intended in the GRI recommendations.
EC10	Donations	No		No donations in the sense intended in the GRI recommendations.



**GRI RECOMMENDATION\***
**VEIKKAUS' ANNUAL REPORT**

ITEM	GRI CONTENTS	INCLUDED	PAGE	COMMENTS
<b>Environmental performance indicators</b>				
EN1–EN2	Total materials use and materials used that are waste from sources external to the organisation	In part	37	
EN3	Energy use (direct)	Yes	13, 40	Premises owned by Veikkaus covered.
EN4	Energy use (indirect)	No		
EN5	Total water use	Yes	40	Premises owned by Veikkaus covered.
EN6–EN7	Impacts on biodiversity, amount of land owned	No		Irrelevant to Veikkaus' activities.
EN8–EN13	Waste, emissions	In part	38–41	Veikkaus' headquarters covered.
EN14	Environmental impacts of products	Yes	37–38	Veikkaus does not have actual production, this refers to gaming equipment.
EN15	Recycling of products	Yes	37–38	Veikkaus does not have actual production, this refers to gaming equipment.
EN16	Environmental hazards	No		Irrelevant to Veikkaus' activities.
EN34	Environmental impacts of transportation	Yes	38–39	
<b>Social performance indicators</b>				
LA1–LA2	Core indicators	Yes	13, 32–35	
LA12	Employee benefits beyond those legally mandated	Yes	34–35	
LA3	Trade union membership	Yes	33	
LA4	Negotiation practices between employees and management (collective bargaining agreements)	Yes	33	
LA5–LA8	Health and safety	In part	34–35	Evaluation of compliance with the ILO guidelines and details about subcontractors' employees not available.
LA9	Training and Education	In part	13, 18, 30, 33–34	
LA10–LA11	Equal opportunities	Yes	32	
HR1–HR7	Human rights	No		Irrelevant to Veikkaus' activities.
SO1	Community involvement	In part	10	
SO2	Position to bribery	No		
SO3	Political relations	Yes	8–9, 42–43	Covered from the monopoly perspective.
PR1	Product safety	Yes	21, 28, 31	
PR2	Product information	Yes	24–25, 57	
PR3	Respect for privacy and confidentiality of customer details	Yes	19, 21	
PR8	Customer satisfaction	In part	10–11	
PR9	Responsible communications	Yes	29, 30, 35	

\* Additional indicators have been included if they are relevant to Veikkaus' activities.

# VOCABULARY

**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.

**Retailer, retailer network**

Retailer agreements are made between Veikkaus and the company or business acting as a retailer. One retailer may have several points of sales. The largest individual Veikkaus retailer is Rautakirja Oyj. The points of sales managed by Veikkaus retailers constitute the nation-wide retailer network of Veikkaus games.

The **beneficiaries'** activities are supported with Veikkaus funds, distributed by the Finnish Ministry of Education. In practice, every Finn can benefit from Veikkaus funds. In a sense, all of us are winners whilst enjoying the various activities and services that receive Veikkaus funds, e.g., cinemas, theatres, the scout organization, and sites for recreational sports.

**The Ethical Council** is an advisory expert organ with 12 members from outside of the company, set up by Veikkaus' Board of Directors.

**The Ecological Team** is a team working for the practical implementation of environmental responsibility in Veikkaus by communicating environmental issues to the staff and motivating and encouraging the employees to pay attention to them. The team members include representatives of Veikkaus' staff and one external expert consultant.

**The European Lotteries and Toto Association** is a member organization of European state-licensed gaming companies.

**The Funds Distribution Act** is an act on the distribution of funds from lotteries, betting, and pools games. The act was laid down in 2001, and its regulations on the distribution of funds will be introduced gradually by the year 2010. In 2005, the act was amended by cutting two years from the transfer period of implementation of the act. During this

period, the statutory state funding of libraries, which has been temporarily covered partly with Veikkaus' funds, will be made subject to financing with tax funds again.

**State monopoly** The Finnish lotteries legislation is based on the idea that each different game type is organised by only one operator. The principle of state monopolies is a means of the authorities to control gaming and limit competition, which would lead into an aggressive manipulation of players if it was left uncontrolled. Veikkaus has been granted the exclusive right to operate lotteries, betting, and pools games in Finland.

By **marketing cooperation**, Veikkaus aims at promoting its corporate image, as well as furthering the objectives related to its operational environment and the business operations of its various marketplaces.

An **online point of sales** is a retail outlet of Veikkaus games where you can buy all our games in playslip format and instant scratch cards. The game transactions are registered in Veikkaus' game system real time through the online terminals at the points of sales.

**The Game Academy** is Veikkaus' own staff training programme. In 2005, the Game Academy arranged as many as 93 different training events.

Veikkaus' **game event cooperation** aims at the furthering of the company's business objectives by ensuring the basis of Veikkaus' offerings. It also aims at making Veikkaus' games a part of sports events, achieving well-targeted product visibility, supporting the acquisition of new customers, and reinforcing customership.

**Gaming restrictions** can be imposed in order to ensure the security of gaming. For example, the age limit for playing Veikkaus games at POS is 15, whereas the limit for playing on the internet is 18. You cannot play Veikkaus games in the night time; the system closes at 10 p.m. Further, Live Betting has been made subject to stake restrictions.

**Peluuri helpline** is a helpline for people worried about gaming or suffering from a gambling problem, as well as for their families and friends. Veikkaus finances the helpline's activities together with the other Finnish gaming organizations.

**The Gaming Forum** is a forum of 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 organizations, as well as the Ministries of Agriculture and Forestry, Education, Social Affairs and Health, and Finance.

**Gaming licence** The Council of State has granted Veikkaus the exclusive right to operate lotteries, betting, and pools games. Our current gaming licence will be effective until the end of 2011.

**Request for recommended decision** In questions related to prize payout, the players of Veikkaus games can file an appeal to the supervising authority handling the requests for recommended decisions, i.e. the Finnish Ministry of the Interior. In 2005, we had some 316 million gaming transactions. The number of requests for recommended decisions was 97.

**Veikkaus funds** refer to the funds that Veikkaus returns to the Ministry of Education to be further distributed to the various beneficiaries active in the fields of arts, sports, science, and youth work. In 2005 the Ministry of Education distributed nearly EUR 382 million of Veikkaus funds.

**The official supervisors** are persons nominated by the Ministry of the Interior, who supervise gaming activities and confirm the game results and the number of winnings on each round.

**World Lottery Association, WLA** is a worldwide organization of the gaming sector with members from over 70 countries. The mission of the organization is to promote safe and controlled gaming activities.

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