



ANNUAL REPORT

2006

CONTENTS

MANAGING DIRECTOR'S REVIEW	3
RAY IN BRIEF	6
FROM GAMES TO GOOD CAUSES	9
LET'S TAKE CARE OF ONE ANOTHER	12
ENJOY THE MOMENT	17
PERSONNEL	25
ADMINISTRATION AND ORGANISATION	29
INCOME STATEMENT	33

Raha-automaattiyhdistys
RAY Head Office
Turuntie 42, P.O. Box 32, FIN-02601 Espoo, Finland
Tel. +358 9 437 01, fax +358 9 4370 2458
www.ray.fi

Grand Casino Helsinki
Mikonkatu 19, FIN-00100 Helsinki, Finland
Tel. +358 9 680 800, fax +358 9 4370 8181
www.grandcasinohelsinki.fi

Editorial team: RAY / Jouni Kempas and Leena Vuorenmäe
Graphic design and production: Vapaa Mango
Translation: Peter Gregory
Photos: RAY and Peter Forsgård
Printing: Priimus Paino Oy, Loimaa 2007
Paper and printing process fulfill Nordic Ecolabel
requirements



RAY is part of everyday life in Finland

Finnish people maintained their interest in RAY's games in 2006, as almost every second person played at least once during the year. Most see playing as a pleasant way to pass the time. They do not get upset even if they lose, because they know the money goes to good causes. People are familiar with the games and are very aware that the revenues they generate go via voluntary organisations to promote health and social welfare.

Voluntary organisations play an important role in Finnish welfare. There are more than 10 000 health and social welfare organisations in Finland, with more than two million members in total. These organisations have developed special expertise in their own fields of activity. Within the organisations countless people do voluntary work and provide peer support to help individuals

whose needs are not met by public-sector services. The organisations have a major significance in promoting welfare, preventing problems that threaten welfare, and helping citizens who require support.

In 2006 RAY's financial performance was slightly better than the target for the year. Profit for the period was EUR 419.0 million. EUR 306.0 million is being distributed in funding assistance to voluntary organisations, and EUR 103.5 million has been allocated for the rehabilitation of war veterans.

Two aspects of RAY's operating strategy - minimising the negative impacts of gaming and channelling the financial benefits generated by the games to good causes - together enjoy strong support from both political decision-makers and ordinary citizens. Political support was also apparent in the report issued last year

by the national gaming forum, the central conclusion of which expressed the need to secure the continuation of the present system based on three organisations with exclusive rights. A further sign of confidence in RAY's chosen strategy was the new gaming licence for 2007 – 2011 granted to RAY by the Government.

In its funding activities RAY took steps to clarify the demarcation between, on the one hand, private commercial care services and, on the other, those services which the municipalities are responsible for organising. RAY discussed its policies with both the Federation of Finnish Enterprises and with representatives of the voluntary organisations, in order to identify factors which could potentially distort the competitive situation, and to find acceptable solutions. No major differences were found at the general policy level, but there were differences of opinion over specific issues.

In drafting its funding policies, RAY reviewed on-going developments in Finnish society and change factors in its own operating environment. Our Board of Administration has also participated in the discussion on whether gaming profits should be used in their entirety to support the activities of voluntary organisations. Last year around one quarter of RAY's profits was allocated to cover State expenditure. As the number of war veterans decreases the funds allocated from RAY's revenues for their care and

rehabilitation should, in the opinion of RAY's Board of Administration, be gradually restored to funding activities usage. One particularly apparent need has been that of boosting measures to maintain the functional capacity of the growing elderly population.

Gaming operations in Finland are based on exclusive rights, but at the same time gambling is a growing business worldwide. The Finnish system of exclusive rights faced challenges during the year. The dispute over the right of PAF, the Åland Islands Slot Machine Association, to accept customers from the Finnish mainland, continued. At the same time the appeal by a major foreign gaming company concerning its application for a gaming licence is still being considered by the Supreme Administrative Court. The EU's Services Directive was approved at the end of the year and gaming was removed from its scope – a move which had almost unanimous support from the Member States. Even though the principles are clear on which the exclusive rights are founded, in practice the uncertainty surrounding gaming operations will remain. One indication of this was that the EU Commission issued Finland with formal notice of an investigation into possible infringements in the area of sports betting.

Internet-based gaming increased and online poker, the latest craze, captured

its own share of the market. We also became involved in the public debate on the matter as we defended our reluctance to provide online poker. RAY's exclusive right as a gaming operator is based on Finland's Lottery Act. The primary purpose of that right is to limit gaming and prevent a competitive situation where several operators offering similar products fight to attract consumers, causing demand to increase. The European Court of Justice maintained RAY's present special position on the basis of this logic.

It is difficult to justify how we could retain our exclusive right in an open online environment where success requires business methods based on competition. Competing would destroy the basis for our exclusive right. The risk is too great: we could lose the substantial source of financing we presently have for the sake of securing a small additional benefit.

RAY's games and the use of gaming revenue to promote health and social welfare are part of everyday life in Finland. Our objective is for the greatest possible number of people to use our games in moderation and for their own pleasure. However, gambling does cause problems for some people. Based on research, the number of problem players is estimated at 65 000, of whom far too few who seek treatment are able to get it. Last year RAY continued to provide financing for the Peluuri

Helpline, together with the other gaming organisations. This helpline is intended for problem players and their families. Voluntary organisations were also encouraged to initiate new projects to help problem players.

RAY has to balance its activities intended to limit gambling problems with the financing it provides for good causes in such a way that it secures the broadest possible support in society. In this operating environment, the implementation of our responsibility programme has assumed even greater significance. Our programme of measures during the year included moderate revenue targets, restraint in increasing the supply of games and in marketing games, a philosophy of moderate playing, honest information about how the games work, information about the negative impacts of playing, development of technology to help control playing, financing for the problem players' helpline, training for RAY's own employees and those of its business partners, and improved supervision of underage playing. This work will be continued and expanded in 2007. Our objective is to create and utilise the best possible practices to eliminate the social problems associated with playing.



Sinikka Mönkäre



RAY in brief

Raha-automaattiyhdistys (Finland's Slot Machine Association), which is generally referred to as RAY, was established in 1938 to raise funds through gaming operations to support the work of Finnish health and welfare organisations. In 1962 RAY became an association governed by public law. At present 98 organisations in the health and welfare fields are members of RAY.

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

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

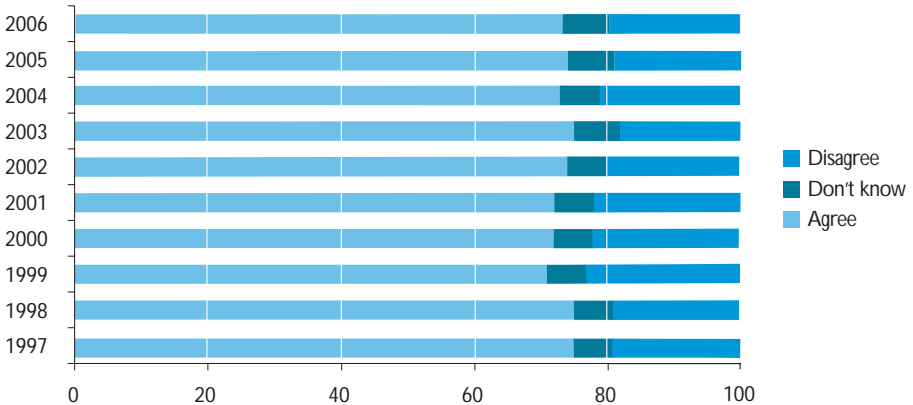
RESPONSIBLE GAMING OPERATIONS

RAY has an exclusive right to undertake gaming activities involving the operation of slot machines, casino-type games, and a casino. The exclusive right is based on

Support for RAY's exclusive right 1997 – 2006

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

Source: Taloustutkimus Oy



RAY's gaming licence, the purpose of which is to ensure the legal protection of players, prevent abuses and crime, and reduce the social problems caused by gaming.

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

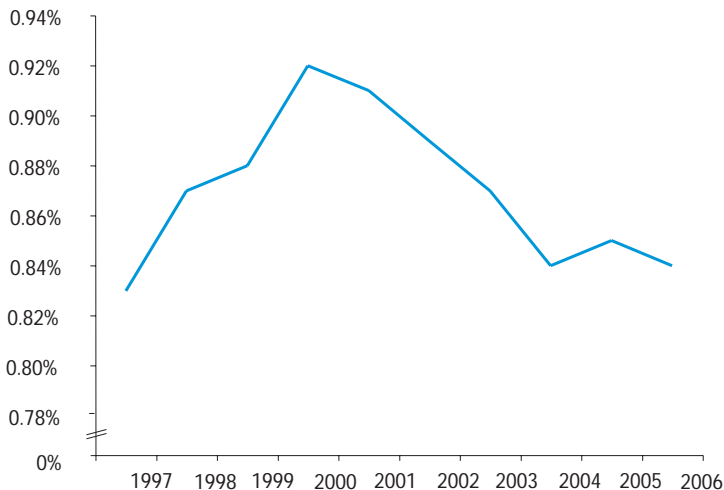
RAY's activities are governed by RAY's gaming strategy, which includes the responsibility programme prepared during 2005. The nine-point programme seeks to ensure that RAY can meet

society's expectations even more effectively.

One aspect of the responsible way in which RAY works is that it does not seek to increase the supply of gaming opportunities and its own revenues at the expense of social problems caused by playing. In 2006 RAY's gaming revenues increased by 1.4%, which exceeded the target. The rate of growth was moderate and in line with the responsibility programme. Household disposable income grew faster than RAY's gaming revenues.

Spending by households on gaming 1997–2006

Source: RAY and Taloustutkimus Oy



REVENUES FOR GOOD CAUSES

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

In recent years around EUR 300 million or 75% of operating profit has been used as funding assistance for health and social welfare organisations. In addition Parliament has required that about EUR 100 million or 25% be used for the care and rehabilitation of war veterans.

The assistance granted to the organisations is targeted at supporting

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



FROM GAMES TO
GOOD CAUSES



From games to good causes

OVER EUR 470 MILLION FOR SOCIAL PURPOSES

1. Gaming revenues were EUR 657.8 million and profit EUR 419.5 million

Slot machines generate more than 90% of RAY's gaming revenues. Casino games in clubs produce almost 5% and Grand Casino Helsinki around 4% of revenues. From the gaming revenues EUR 54.2 million was paid in lottery duty.

2. EUR 103.5 million transferred to State Treasury

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

3. Funding applications from 1 606 organisations

The organisations applied for funding for

a total of 3 725 projects or activities for 2007. The total amount applied for was EUR 613.9 million.

4. Applications processed by RAY. Funding proposal submitted to Ministry of Social Affairs and Health.

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

5. EUR 306.0 million allocated for funding assistance

Ministry submitted proposal to Government, funding distribution

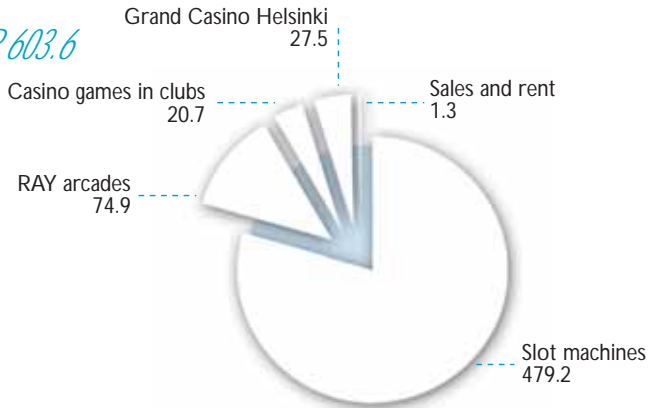
approved on February 1, 2007. Funding assistance was granted to 1 104 organisations, of which 58 are first-time recipients. RAY's funding will be used in 2 394 activities and projects, of which 477 are being supported for the first time.

6. RAY distributes funding and monitors usage

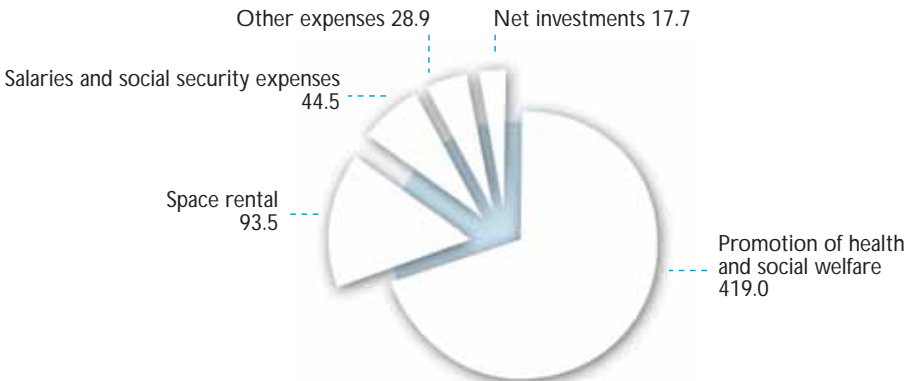
The majority of funding is paid on the basis of expenses already incurred. Regular operating assistance is paid in four instalments over the year. RAY

ensures that the conditions attached to the funding are met by examining payment and yearly reports, visiting the organisations to provide guidance and perform audit work, and inspecting construction projects. Additionally, an assessment is made of how effectively the objectives presented in the funding applications have been achieved. RAY provides the organisations with training, guidance and advice in the use of funding.

Turnover, total MEUR 603.6



Utilisation of turnover, total MEUR 603.6





Corporate responsibility reporting

Social responsibility	2004	2005	2006
*Support for RAY's exclusive right, % 15-74 year-olds	73	74	73
**Have played RAY's slot machines during the past year, % 15-74 year-olds	44	45	45
Number voluntarily barred from playing at casino	407	482	428
Number voluntarily barred from playing at arcades	70	90	94
***Problem players, % 15-74 year-olds	3	3	3
Absences through sickness, %	4	4	3
Accidents at work	37	24	25
Resources used for health care / person, EUR	367	336	387
Economic responsibility			
Revenue from gaming activities, MEUR	635	648	658
Lottery duty, MEUR	52	53	54
Turnover , MEUR	583	595	604
Space rentals, MEUR (paid to business partners)	91	93	94
RAY's operating expenses + investments, MEUR	101	101	92
Year's revenues available for use , MEUR	391	401	419
Previous years' revenues available for use, MEUR	25	0	7
Total available for use , MEUR	415	401	426
Assistance to voluntary organisations, MEUR	305	296	306
Rehabilitation of war veterans, MEUR (State Treasury)	110	105	104
Salary costs, MEUR	43	44	45
Profit for the period, MEUR	397	404	419
Profit for the period, % of turnover	68	68	69
Personnel at year-end	1 654	1 616	1 612
Environmental responsibility			
Electricity consumption, MWh	3 328	2 555	2 600
Water consumption, m ³	3 000	4 500	4 619
District heating consumption, MWh	1 741	1 300	1 250
Kilometres driven, million km	4	4	4

The results are based on responses to the following statements or questions in surveys:

- * "RAY should retain its present exclusive right to operate slot machines"
- ** "When did you last play one of RAY's slot machines"
- *** "I play slot machines so much that my playing is a problem" and "Someone else who is permanently resident in my household plays slot machines so much that their playing is a problem".



Let's take care of one another

A total of EUR 409.5 million from RAY's revenues for 2006 is being used to promote health and social welfare. The central areas of focus for RAY's funding in 2007 are old-age welfare, child protection, youth work, mental health work, and work to prevent intoxicant abuse.

RAY's funding activities promote health and social welfare and support activities and projects undertaken by non-profit organisations working in the health and welfare fields. RAY's funding forms an important part of the operating basis for the organisations. The funding activities are based on the Act on slot machine funding assistance, as well as on Decrees regulating RAY's administration and certain time limits applying to slot machine funding assistance. On this

basis RAY's Board of Administration has determined funding policy lines and areas of focus for the period 2002 - 2007. During the year under review the main work was done to prepare a new funding strategy for the period 2008 - 2011.

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

As the process of structural change in social and health services advances, municipalities are outsourcing their own operations. This increases the significance of the services provided

Key figures for voluntary organisations

Data from 1 237 organisations supported by RAY in 2005

Total operating expenses, MEUR	1 837
Salaried employees	30 481
Number of individual members	1 972 040*
Number of voluntary workers	314 044*
Member associations	16 036

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

by both voluntary organisations and companies. RAY has to apply increased vigilance when reviewing funding for service activities that are comparable to commercial operations. It is essential that new operating models are developed. This is an area in which the health and social welfare organisations have a significant role to play. RAY provides extensive support for structural change in all its funding areas.

PREVENTING PROBLEMS AND PROVIDING SUPPORT

The funding policies defined by RAY's Board of Administration have two main elements: assistance is targeted both at the most deprived groups, to provide support and services, and promote independent activity, and at activities intended to prevent problems from occurring.

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

The focus of preventive activities is on projects aiming to prevent major public health problems or to break the cycle of marginalisation. Funding is targeted at promoting health and working and functional capacity, and at activities which create the preconditions necessary for identifying underprivilege and integrating passive members of society into the system of services and support.

FUNDING FOR 2007

In accordance with RAY's proposal, a total of EUR 409.5 million of revenues generated in 2006 is being used to promote health and social welfare in 2007. Of this total, EUR 306.0 million is being distributed in funding assistance to voluntary organisations. In addition, EUR 103.5 million is being transferred to the State Treasury for use in providing care and rehabilitation for war veterans.

In the year under review 1 606 organisations applied for funding for a total of 3 725 activities or projects. The total amount applied for was EUR 613.9 million. RAY's Board of Administration completed its funding proposal in December. The Government decided on the distribution of funding on February 1, 2007.

EUR 43.9 MILLION FOR OLD-AGE WELFARE AND ISSUES OF POPULATION AGING

The aging of the population will mean a significant increase in the number of dementia sufferers. Organisations receiving funding from RAY in 2007 include the Alzheimer Society of Finland, which is being assisted to expand its national network of dementia expertise centres to the Kajaani, Lappeenranta, Mikkeli, Turku and Vaasa areas.

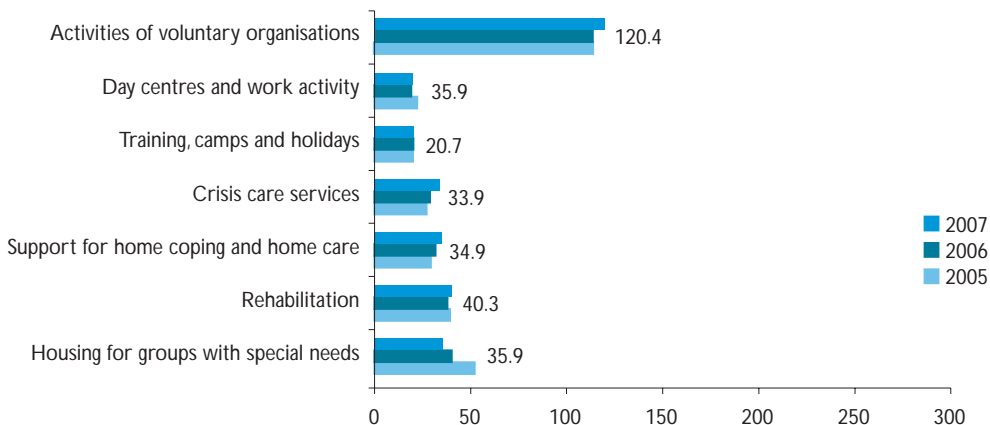
With the number of elderly people in Finland increasing, support for independent living in the community is important. Home carers' ability to cope is being supported with funding for peer group activities, camps, drop-in centres and respite periods. A health-promoting exercise programme has been introduced to support elderly people's ability to cope at home.

Loneliness is a growing problem among the elderly and causes depression and marginalisation. In 2007 funding will be provided for a new project launched by the Central Union for the Welfare of the Aged which will focus on promoting the mental health and welfare of elderly people. The purposes of the project include determining the extent of elderly people's mental health problems as well as their usage of and need for mental health services.

CRISIS INTERVENTION AND PREVENTION OF MARGINALISATION

RAY is targeting funding of EUR 38.4 million in total to promote child protection and youth work. Of the funding allocated to child protection, a significant part is being targeted at crisis intervention for the resolution of acute problems. Support is also being targeted at a wide range of peer group activities

Funding by target category 2005 – 2007, MEUR



including peer support for parents with babies, parents of children with special needs and adolescents, and for parents who have lost a child.

Central areas in youth work are activities to prevent marginalisation, promotion of employment, and prevention of violence and substance abuse problems.

SUPPORT FOR MENTAL HEALTH WORK AND PREVENTION OF INTOXICANT ABUSE

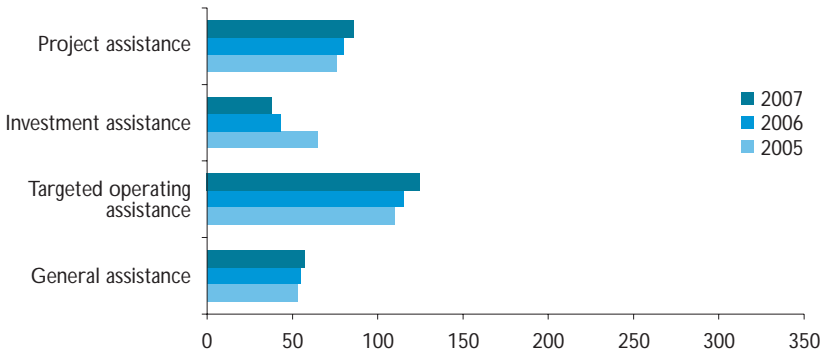
Mental health work has been a focus of RAY's funding activities since the beginning of the 1990s. In particular, funding is provided to support the basic activities of the voluntary organisations,

as well as their support person activities and voluntary work. Funding is also granted for day centres and work activity units for mental health patients undergoing rehabilitation, for support in crisis situations, and for rehabilitation. In 2007 EUR 31.8 million is being targeted at mental health work.

Through its intoxicant abuse programme RAY implements the national alcohol programme which is coordinated by the Ministry of Social Affairs and Health. The programme's objectives focus on reducing factors which impact the welfare of children and families, decreasing the hazardous use of alcohol and associated problems, and bringing about a downturn in the overall level of alcohol consumption.

RAY is providing around EUR 31 million in funding for areas such as work

Assistance by funding type, 2005 – 2007, MEUR



to prevent intoxicant abuse, development of service systems and peer support, and development of care models for mothers with alcohol abuse problems.

MONITORING THE IMPACTS OF FUNDING

RAY pays the funding that is approved and ensures that it is used correctly, in an appropriate way and provides benefits. During the year around 5 500 payment requests were processed. The majority of the assistance is paid on the basis of acceptable project costs that have already been incurred. Regular operating assistance is paid in four equal instalments over the year.

The benefits and impacts associated with funded activities are monitored.

This is done both by RAY and through research and evaluation work by external experts. Evaluation work during the year under review related to club buildings in mental health work, projects to develop services for dual diagnosis patients, and projects to promote elderly people's functional capacity and prevent intoxicant abuse. RAY will publish the final evaluation reports during 2007.

Work to evaluate the internal structure of general assistance, its targeting and impact on competition was continued in the Funding Activities Department during the year under review. A project to define the criteria for granting general assistance will be completed in early 2007.



Enjoy the moment... that's all it takes

In 2006 RAY's turnover reached EUR 603.6 million, an increase of 1.4% from the previous year.

Slot machines in premises operated by RAY's business partners produced the steadiest rate of turnover growth, with turnover increasing by 0.2% to EUR 479.2 million. At the same time turnover at the RAY arcades and casino grew faster than the target rate. The arcades reported turnover of EUR 74.9 million, an increase of 5.6% from the previous year. Turnover at the casino was EUR 27.5 million, up by 12.1%. Casino games in clubs generated turnover of EUR 20.7 million, an increase of 4.1%.

The 2006 targets for the gaming operations were set according to the responsible gaming strategy approved by RAY's Board of Administration.

This strategy specifies that games are developed and marketed in a way that is financially and socially sustainable. Work to develop games includes evaluation of the relevant risk factors. The legal justification for RAY's exclusive right is also realised through responsible operations.

On April 12, 2006 the Government granted RAY a gaming licence for the period January 1, 2007 – December 31, 2011. On December 13, 2006 the Ministry of the Interior approved the rules and maximum stakes for use in RAY's games. As a result the necessary legislative basis for the gaming operations has been ratified for the next gaming licence period.



Games are developed and marketed in a way that is financially sustainable.

GAMING RESPONSIBILITY IN 2006

In 2006 RAY continued to implement its gaming responsibility programme, which was approved in 2005. The proportion of household disposable income spent on RAY's games showed a further decline.

RAY's games continue to be available only in public places. RAY has not sought to increase the supply of games by opening new distribution channels, such as the Internet or mobile devices. The number of slot machines located in business premises decreased from the previous year. At the same time the contribution to total revenue from the arcades, club-based casino games and Grand Casino Helsinki grew by one percentage point. This meant that a greater proportion of revenue was generated at

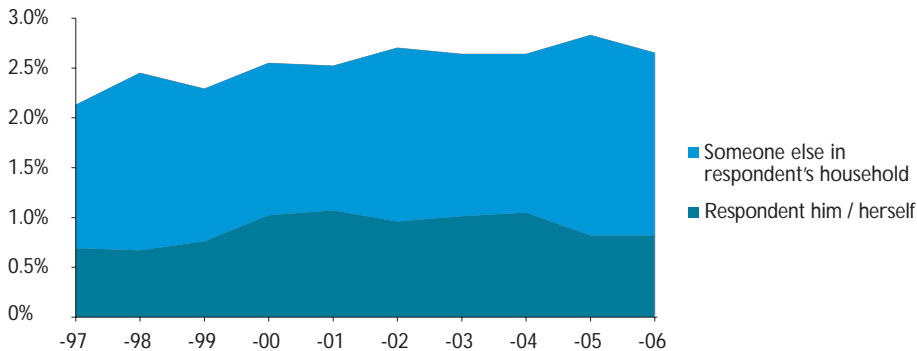
gaming locations with an age limit of 18 years.

RAY took into use the first version of a game evaluation model developed in conjunction with Veikkaus Oy. This tool provides more accurate evaluations of the potential negative social impacts of games. It is being used to evaluate all RAY games in business premises and arcades. In future every new game and new distribution method will be tested using the model.

In 2006 the main focus of supervision activities was on underage playing, with improvements being implemented in conjunction with companies that provide space for slot machines on their premises. During the year slot machines were relocated within the premises to make supervision easier. At the same time floor markings showing the over-15 age limit

Problem players, % 1997–2006

Source: Taloustutkimus Oy



were applied around the machines. In addition, by the end of the year blocking devices had already been installed in over 50% of the premises. If an underage player is seen using a machine, the supervisor can use the device to remotely block play on the machine.

A newsletter for people working with slot machines in business premises was launched during the year under review. Among the topics covered is supervision of underage playing. Systematic training was also introduced for employees of RAY's partners who work with slot machines in business premises. Through the training materials the employees can familiarise themselves with the supervision of underage playing. They can also take a test and, if successful, receive a certificate.

RAY also boosted its own gaming supervision function. RAY requires

that its business partners perform supervision and prevent underage playing. Repeated failure to provide adequate supervision results in removal of the machines for a period of at least four months. In 2006 machines were removed from three locations due to inadequate supervision. In ten cases machines were removed with the agreement of the partner in question because it was not possible to arrange for sufficiently effective supervision of underage playing.

A set of ethical principles was approved for RAY's marketing communications and these are followed in communications relating to the gaming operations. The main focus in RAY's marketing communications is on corporate image advertising, which is used to explain how RAY's revenues are



Two campaigns were run to promote a culture of smart, moderate playing.

utilised and how RAY operates. Product advertising for the games is done only on a limited and targeted basis. Advertising for games is not targeted at the under 18s. Two advertising campaigns with the theme 'Enjoy the moment... that's all it takes' were run during the year to promote a culture of smart, moderate playing.

The new Loisto machines and multi-machine models incorporate the 'Pelihenki' feature which enables players to control their own playing by setting maximum limits to the amounts of time and money they spend playing.

RAY contributed 45% of the financing required to maintain and develop the Peluuri Helpline, which is intended for problem players and their families. In 2006 the helpline took over 1 600 calls. Peluuri also has its own website. RAY



provides information on the helpline on its website and in its gaming locations.

RAY spent around EUR 1.5 million in total on research and on preventive and treatment work in the field of problem playing, and on the introduction of tighter supervision of underage playing. This figure will be trebled in 2007.

PRODUCT DEVELOPMENT AND MARKETING

New multi-machine games which include several game alternatives - Pokeri, Paletti and Monipeli² – were launched during the year under review. In addition trial marketing of the Loisto multi-machine was expanded. This machine is specially designed for trendy clubs. All the new multi-machines feature touch-screen



playing without mechanical buttons. By the end of the year these new machines already represented over 7% of all machines in business premises.

The new Senttipotti fruit machine, which was rolled out during the autumn, can be played with stakes as low as 10 cents. Multi-machine versions of Pockeri and Paletti, which were designed for the Potti arcades, were launched.

The Pelaamo website for RAY's customers was revamped during autumn 2006. At the same time the advertising content was separated out from the product information and launched as a club area. Members must be 18 or over. Information about the games was also added to the website.

”

During the year RAY re-launched its Pelaamo website.

DEVELOPING THE GAMING SERVICES OF THE FUTURE

A development project focusing on group games was launched. Other development projects include the new pajatso. Due to launch in 2008, pajatso is being modernised in a way that is sympathetic to its heritage.

In the casino game category, three new poker games were developed, of which one is intended for tournaments. Trial marketing of the new games will begin in 2007.

In 2006 RAY's manufacturing unit produced 3 443 slot machines and 39 casino game tables. In all, 27 different models of slot machine were in production. The new machines are manufactured in accordance with the RoHS (restriction of the use of certain

hazardous substances) Directive, which came into force in June, 2006.

The majority of production, by value, is outsourced to sub-contractors. Recycling of materials and re-use of components produced savings totalling around EUR 2 million. The re-usable components were taken from scrap machines, which numbered 3 396 in all.

ELECTRONIC PAYMENTS

The largest IT development effort during the year under review was the project to develop electronic payment systems for slot machines. During the year the slot machines were adapted to enable the use of electronic payments and the necessary information systems were put in place.

Electronic payment systems incorporate the concept of responsibility, as they prevent playing by the under 15s or on credit. The number of purchases is limited in order to prevent excessive gaming, and players can also voluntarily set purchase limits or bar themselves completely. The introduction of electronic payment systems was deferred until 2007.

SLOT MACHINES IN BUSINESS PREMISES

Slot machines located in premises operated by RAY's business partners

generated revenues of EUR 522.3 million, which is an increase of 0.2% from the previous year. Total revenues, which include rentals, were EUR 523.7 million, an increase of 0.2%. The greatest revenue growth was recorded at service stations and shops, while revenues at clubs and cafes declined from the previous year.

Payments by RAY to its business partners for the slot machines totalled EUR 88.8 million. RAY's slot machine activities were run in conjunction with around 6 700 business partners, and the machines were located in around 8 900 sites. At the end of the year premises operated by business partners accounted for around 16 700 slot machines.

ARCADES

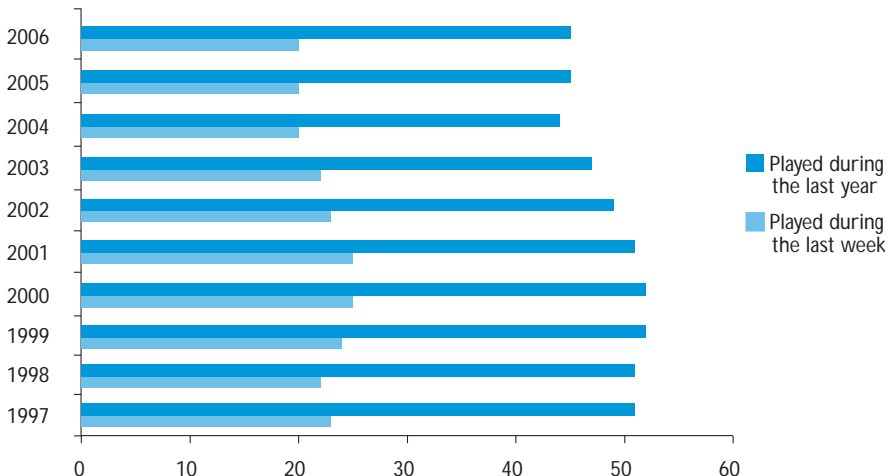
Total revenue from RAY arcades was EUR 81.6 million. As a proportion of total revenues for RAY, revenues from the arcades grew by 0.5 percentage points. The operating profit for this activity increased by 6% from the previous year. A total of 8.5 million customer visits were recorded during the year. Within the arcades, revenues from slot machines totalled EUR 73.6 million, which is an increase of 7.2% from the previous year.

At the end of the year there were 56 RAY arcades. Of these, 29 were Potti arcades, which have slot machines only.

Frequency of playing 1997 – 2006

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

Source: Taloustutkimus Oy



There were 25 Täyspotti arcades, which provide slot machines, casino games and cash desk services. There were also 2 Club RAYs, which provide restaurant services. At the end of the year there were 1 882 slot machines and 58 casino game tables in the arcades.

CASINO GAMES IN CLUBS

Casino games in clubs generated revenues of EUR 22.6 million. Of these revenues, 64% comes from Friday and Saturday nights. Casino games in clubs recorded a total of some 60 000 gaming sessions,

which is 1% more than in 2005. The number of playing hours in clubs was up by around 1% to a total of some 315 000. A total of EUR 4.5 million was paid in space rentals to clubs.

At the end of the year there were 352 gaming tables in around 300 clubs operated by RAY's business partners, which is a reduction of 3 tables from one year earlier. In spite of this revenues grew due to an increase in demand per game. With 280 tables, Black Jack accounted for the major part of the casino games in clubs. There were 68 Roulette, 2 Bulldog and 2 Red Dog tables in clubs.



Around 45 000 new customers visited the casino in 2006.



GRAND CASINO HELSINKI

In 2006 Grand Casino Helsinki surpassed its targets for both revenues and visitor numbers. Revenue from games increased to EUR 29.9 million. Slot machines generated revenues of EUR 21.5 million and table games EUR 8.3 million. Revenues from table games grew by 14.5% from the previous year and represented 28% of overall revenues. In euro terms the poker games showed the greatest increase in popularity.

A total of some 296 000 customer visits were recorded, which is an increase of 7.6% on the previous year. New

customers numbered around 45 000. Each customer visited the casino an average of four times during the year.

Customers can, if they wish, request that they be excluded from the casino. As specified by the Lottery Act, voluntary exclusions are valid for a minimum of three months and a maximum of one year. During the year under review 620 customers, or 0.8% of the customer base, requested that they be excluded. In December the casino introduced a new way to help customers control their gaming: as an alternative to exclusion, customers can agree a weekly or monthly limit to the number of their visits.



PERSONNEL



Competent and professional personnel

RAY's personnel strategy supports both the organisation's gaming strategy and its responsibility programme. Awareness of RAY's common values and objective, and of the targets that have been set, ensures that employees can perform their everyday tasks in the right way.

The goal of personnel development is to ensure that employees have the skills needed for their tasks and for working in a changing environment, and to ensure that they understand RAY's basic function, its values, and objectives.

At the end of 2006 RAY had 1 612 employees, which is a decrease of four from the previous year. Full-time employees numbered 753, which

represents 46.7% of the entire personnel. Of the 859 who were employed on a part-time basis, the majority worked in customer service functions in the casino games in clubs, and in the arcades. The turnover rate among full-time employees was 8.5%, with a corresponding figure of 34.9% for the part-time employees. The average age of RAY's employees was 34.5 years. The figure for full-time employees was 42.7 years and for part-time employees 27.3 years. Women represented 45.3% of employees.

Personnel expenses totalled EUR 44.5 million during the year under review, which represents an increase of 0.6% from the previous year. Salaries and wages totalled slightly more than EUR 36 million, which is 1.7% more than in

2005. Result-based bonus and incentive payments totalling EUR 201 536 were paid to 509 employees. These represented 0.6% of the wages and salaries paid. Long-serving employees receive a sum equivalent to one month's pay every 10 years. During the year under review, a total of EUR 169 930 was paid in long-service awards to 64 employees.

SURVEY INDICATED MOTIVATION TO IMPLEMENT CHANGES

An employee survey was conducted in January. It was designed as a comparative study in conjunction with the 2003 survey and, for the first time, participants could enter their responses online. The response rate of 52% was significantly lower than in the previous survey.

The results show that RAY continues to have a good reputation as an employer. Employees are, however, more critical of RAY than they were three years ago. The results indicate that RAY is now at a normal level whereas before it was at an exceptionally good level. Employees expect RAY's strategy to provide them with clear and concrete goals for their own work, indicating that they wish to take part in the planning and implementation of changes.

The survey again contained a number of questions to assess the status of

equality within RAY. On the basis of all responses, the score for equality was 4.2 (on a scale of 1–5 where 5 is best). Since 2001 RAY has used the assessments as a basis for its equality planning. This time the equality assessment also included analyses of male and female wages and salaries for each compensation system. The equality scores were one of the topics discussed at the joint meeting of RAY's occupational welfare committees, which also drafted a proposed set of equality objectives for RAY.

TRAINING COORDINATION

In order to boost the consistency and efficiency of RAY's personnel training and development functions, it was decided that training should be managed on a centralised basis by the training coordinator in the Personnel Services Department. As a result an expert who is in practice responsible for training services will be available to assist supervisors in planning how to develop their personnel and maintain their skills. Collating and monitoring training requirements on a centralised basis means that employees' competences can be developed in a long-term, inclusive manner. The aim is to compile key figures on training courses and maintain a single training register which can then benefit both supervisors and employees.

Personnel, total 1 612 employees

<i>Personnel by function</i>	<i>Full-time</i>	<i>Part-time</i>
Funding	28	1
Central Administration	80	1
Marketing and Technology Development	25	1
Manufacturing	30	1
Slot machines	237	13
RAY arcades	150	207
Casino games in clubs	43	585
Grand Casino Helsinki	160	50
Total	753	859

Personnel training is an on-going activity. Organisation-wide training included the following: at the beginning of the year all of RAY's supervisors took part in a development seminar which aimed to prepare them to face the practical challenges of their work. In the early summer participants at an event for supervisors had the opportunity to consider issues of responsibility in RAY's gaming operations, the funding activities, gaming strategy, and the measures required by RAY's employee survey. The event also sought to inspire leadership on the part of the supervisors by showing them how to maintain their own enthusiasm and motivate others to do good work.

In addition to joint training opportunities, employees also developed their skills in training within their own units and through independent study.

A total of 220 new croupiers were trained to work in the arcades and clubs. Supplementary training on the new games in RAY's arcades and clubs was provided to 81 people. Five courses on customer service and security were organised during the year for people working in the arcades and clubs, and 90 persons in all participated.

16 new croupiers were trained for the casino, and 37 croupiers were given supplementary training and training in new games. Small group training sessions on best service practices were arranged for all the casino's personnel.

During the autumn a total of five discussion forums were organised for personnel employed in RAY's arcades, casino games in clubs and Grand Casino Helsinki. The purpose was to assess the challenges faced by customer service staff in dealing with problem players.

Based on the forums, a set of practices will be developed during 2007 for use in these situations and responsibility training will be arranged for customer service personnel.

RECRUITMENT METHODS BOOSTED

A recruitment application was taken into use during the year under review, and this now handles all internal and external recruiting at RAY. Supervisors can easily advertise open positions both on RAY's intranet and on its external website. Applicants can submit applications via the same two online routes. All applications are saved in the same database. Provided they have the appropriate user rights, supervisors can access them and also transfer them to other supervisors. The recruitment application is designed to observe applicants' data protection rights.

The Resource Centre set up at the beginning of the year under review handles customer service recruitment and shift planning for RAY arcades and club-based casino games in the Helsinki area. The Resource Centre maintains a centralised database of requests for additional work from part-time employees and thus seeks to ensure that such work is offered impartially to all those who

request it. The Centre settled into its own routine and by the end of the year it had two staff handling recruitment.

MAINTAINING EMPLOYEES' WORKING CAPACITY

RAY offers its employees more extensive occupational health care services than required by law. In the year under review the cost of occupational health care was EUR 387 per person.

The rate of absenteeism through sickness was 3.4%, which is a slight reduction from the previous year. There was also a reduction in those retiring on disability pensions, which is a result of the closer liaison between the employees, occupational health care service, supervisors and human resources management. In addition to activities designed to maintain working capacity, RAY supports employees' own efforts to maintain their working capacity by offering them hobby and recreation facilities.



Administration and organisation

Decision-making within RAY is vested in the member organisations, which operate in the areas of health and social welfare, and in the members of the Board of Administration, who are appointed by the member organisations and the Government.

Membership of RAY is open to significant, incorporated societies and foundations that work on a non-profit basis to promote health and social welfare. At the end of the year under review RAY had 98 member organisations.

The General Meeting of the member organisations was held in March. The meeting approved RAY's financial statements for 2005 as well as the operating and financial principles for 2006.

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

The Government appointed seven members of RAY's Board of Administration for the three-year term starting on January 1, 2007. Jukka Vihriälä, MP, continues in the position of Chairman and Juha Eskelinen was appointed Vice Chairman. The following

Members of the Board of Administration (from left): Lasse Kuskinen, Viveca Hagmark, Kyösti Vesterinen, Hilikka Nousiainen and Jukka Vihriälä.



continue as members: Hannu Mäkinen, Ministry of Finance, Klaus Halla, Ministry of Social Affairs and Health, Rauno Saari, Ministry of the Interior, Outi Ojala, MP, and Suvi Lindén, MP.

An Extraordinary General Meeting held on November 23 elected the following as members of the Board of Administration: (Second Vice Chairman) Kyösti Vesterinen, the Finnish Lifeboat Society, Viveca Hagmark, Folkhälsan, Marja Irjala, the Friends of the Young Association, Leena Koikkalainen, the Finnish Neuromuscular Disorders Association, Eeva Kuuskoski, the Mannerheim League for Child Welfare, Lasse Murto, A-Clinic Foundation, and Hilikka Nousiainen, the Service Foundation for the Deaf.

The four-member Executive Committee is appointed by the Board of Administration. The Managing Director acts as the Executive Committee's Chairman, and the other members are the Directors responsible for gaming

operations, funding activities and administration.

BASED ON THE LOTTERY ACT

Finland's Lottery Act forms the legal basis for RAY's operations. This Act stipulates that on the basis of a separate gaming licence an exclusive right can be granted to operate slot machines, casino-type games, and a casino. The purpose of the licence is to guarantee the legal protection of players, prevent abuses and crime, and reduce the social problems caused by gaming. On April 12, 2006 the Government granted RAY a gaming licence for the period January 1, 2007 – December 31, 2011. The Lottery Act specifies that the revenues generated by RAY's gaming operations are used to promote health and social welfare.

Preparation of the funding distribution and control over usage of the funds are based on the Act on slot machine



*Members of the Board of Administration (from left):
Leena Koikkalainen,
Eeva Kuuskoski, Lasse Murto,
Outi Ojala and Klaus Halla.*

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

The Government has also issued a Decree on the Slot Machine Association, which governs RAY's organisational

form and administration, and its revenue accounting procedures.

SUPERVISION BY TWO MINISTRIES

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

Members of the Board of Administration (from left): Marja Irjala, Rauno Saari, Hannu Mäkinen, Suvi Linden and Juha Eskelinen. Missing Mika Kankare.



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

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

Executive Committee (from left): Hannu Salokorpi, Sinikka Monkäre, Alpo Rivingoja, Seppo Pyykkönen and Esko Romppainen.



INCOME STATEMENT 1.1. - 31.12.2006

EUR 1 000	2006	2005
TURNOVER	603 648	595 043
Increase (+)/decrease (-) in inventories of finished goods	173	58
Manufacture for own use	15 441	12 785
Other operating income	1 981	1 660
Materials and services		
Materials and supplies		
Purchases during period	16 729	14 668
Increase (-)/decrease (+) in inventories	-701	-182
Space rentals	93 461	93 040
External services	144	245
Personnel expenses		
Salaries and wages	36 117	35 509
Social security expenses		
Pension expenses	6 066	6 508
Other social security expenses	2 328	2 243
Depreciation	19 832	21 365
Other operating expenses	33 982	33 866
OPERATING PROFIT	413 285	402 284
Financial income		
Interest income	5 758	2 178
PROFIT BEFORE TAXES	419 043	404 462
Direct taxes	-17	-12
PROFIT FOR THE PERIOD	419 026	404 450



Games for a good cause

RAHA-AUTOMAATTIYHDISTYS

RAY Head Office

Turuntie 42, P.O. Box 32, FI-02601 Espoo, Finland

Tel. +358 9 437 01, fax +358 9 4370 2458

www.ray.fi

Grand Casino Helsinki

Mikonkatu 19, FI-00100 Helsinki, Finland

Tel. +358 9 680 800, fax +358 9 4370 8181

www.grandcasinohelsinki.fi