

2012

**BUSINESS AND CORPORATE
RESPONSIBILITY REPORT**



SZERENCSEJÁTÉK ZRT.



SZERENCSEJÁTÉK ZRT.

Welcome by the CEO



Dear Reader,

2012 has been a year of records for our Company. We surpassed the revenue goal set in our business plans and we attained the highest revenue ever: over HUF 213 billion. The number of base game bets sold also beat a record: our players bought over 1.2 billion base game bets. I could go on at great lengths reciting the outstanding business attainments of the year, as 2012 has been a success from many points of view, but as the head of Szerencsejáték Zrt. this is not what makes me happy most of all.

I am proudest of the fact that I can lead a company that almost everybody knows in the country, as nobody needs an explanation about what Szerencsejáték Zrt., Ötöslottó (five-number draw lottery), Toto or Tippmix are.



SZERENCSEJÁTÉK ZRT.

Welcome by the CEO

We are part of people's everyday lives, having been there for them for decades. The tradition of playing lottery is often passed down from grandparents to parents and then to daughters and sons; favourite family numbers are often also inherited, as are nice stories of who's played for how long and what the winning combination might be.

We are omni-present with more than 4,000 points of sale, connected to our players also via the internet; there is a shop with the familiar inscription: "Lottery" in almost every larger town or village in the country. We are deeply embedded into Hungarian society, and this entails great responsibility for us. We must formulate our business objectives with a mind to maintain our ethical and trustworthy service to support progressive ideas about the future. The year 2012 was also about this work. We are in a state of constant development. We began renovating our outlets: 21 of them received a new design and a fresh, youthful look. Our objectives include reaching out to young adults with our games. Therefore we set out to redesign and add to facelift the image of our products, including the responsible communication attached to them. We also work hard to employ technological means to reach this generation. After a long and exhaustive preparatory phase, we began developing our new online sports betting site that we launched successfully in the first half of 2013. Moreover, we made preparations for an application in 2012 that offers lottery service on smartphones that the young generation is so fond of.

Thanks to the outstanding revenue, we could afford larger sums to be spent to support and charity. In the previous year we spent almost HUF 1.3 billion for the support of various NGOs and matters of public interest in the field of sports, healthcare and culture.

The hard work of 1,500 employees and several thousand business partners played a key role in attaining the revenue record of 2012, so I would like to thank them once again for their efforts!



SZERENCSEJÁTÉK ZRT.

Welcome by the CEO

The long accumulation of the five-number draw lottery also helped, but the greatest contribution is perhaps due to the approach that is present in our work every day: a need to develop continually and to look for novel, innovative solutions while maintaining the amusing character of the games. For as a state-owned corporation we can never forget that we work in the service of society and we are responsible for our players.

I am trustful that this approach will gain further ground in the years to come, and I will have the opportunity to report good news and progress similar to those of this year in the future business and CSR reports.

dr. Kálmán Szentpétery
CEO

Budapest, July 2013



SZERENCSEJÁTÉK ZRT.

2012 – Business and CSR Accomplishments



The year that has passed since the previous business and CSR report was made brought about a lot of change, and Szerencsejáték Zrt. saw a lot of interesting events and development that are a cause for pride. Already the year 2011 was the most successful business year of our company ever, but, surpassing expectations, in 2012 we beat this record. **In 2012 we attained the highest revenue ever, over HUF 212 billion!**

Besides the revenue, the number of game bets sold also **set a new record: our players bought over 1.2 billion base game bets.** In addition to the hard work of our employees other factors contributed to the success: the five-number draw lottery saw an accumulation above HUF 1 billion two times, and what is more, one of these constituted the second highest top prize ever that our players could endeavour to win, a jackpot of over 4 billion forints. The turnout of the five-number draw lottery reached HUF 55.3 billion, the revenue from the six-number draw lottery was HUF 24.2 billion, exceeding that of the base year by HUF 2.9 billion. The third highest jackpot in the game ever (HUF 1.4 billion), won on the 20th week, contributed to this increase.



2012 – Business and CSR Accomplishments

Thanks to the outstanding revenue, **we could afford larger sums to be spent to support and charity.** From the gambling tax paid in 2012, **the National Cultural Fund received almost HUF 12 billion** through the government budget, **the National Film Fund received HUF 4.6 billion**, while in line with the Sports Act **HUF 6.2 billion** was used to support the sports life of Hungary.

Besides this, we had the opportunity to help many NGOs in the form of direct grants: in the previous year **130 grant and 10 sponsorship contracts were concluded in a total value of HUF 1.3 billion**, mainly in the field of sports, healthcare and culture. In the field of healthcare our donations enabled the development of the equipment of hospitals and sports health centres, including the procurement of some indispensable medical devices and assets. In the field of culture several cultural associations and organizations received donations. We helped the creation of classical music productions and films. We contributed to the arrangement of various traditional events, concerts and conferences. Besides the above, we helped the construction or renovation of the community buildings of various towns and villages.

In addition to the money grants, the help rendered by our employees also plays a very important part. We organized several volunteer programs with Szerencsejáték Zrt. employees helping with manual labour or other charity. At the beginning of the year we collected blankets from our employees because of the unusually cold winter. The donations we received were delivered to those in need by the Hungarian Interchurch Aid Organization. Associated with the issuance of the Animal Stars charity scratch card, we launched a programme for animal shelter volunteers. Our employees helped six times at various shelters. In December, in the framework of a joint Christmas event with Class FM Radio, our employees visited several hospitals, bringing some joy to children there with improvised theatres and by making hospital corridors and rooms more colourful with fairy tale figures. Also in December a group of volunteers almost 50 strong helped at the MikulásGyár (Santa Claus Factory) Charity.



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2012 – Business and CSR Accomplishments

Last year saw some important changes in the field of equal opportunity as well: a scratch card sale network consisting of more than 170 colleagues with disabilities that had helped our work as a subcontractor for more than 10 years became employed by Szerencsejáték Zrt. With this expansion **our Company** became an **employer of nearly the largest number of disabled people** in Hungary. In recognition of our endeavours, last year we again received the “Disabled-friendly Workplace” prize and the silver medal of the Social Label – Employer Promoting Corporate Responsibility certification.

Szerencsejáték Zrt. **considers responsible gambling of strategic importance** that our employees regularly contribute to during their daily works. The basic principles of our Company include an enhanced effort to draw attention to the risks of gambling addiction and the prevention and treatment of addictions. In line with this, in October 2012, in close collaboration with the Hungarian Interchurch Aid Organization, **we created an initiative named “Gaming with Limits”**.

In the field of environmental protection we aimed at reducing our environmental impact, although the materials and energy we consume and our emission constitute no serious danger to the physical environment. In order to improve our environmental record, we formulated objectives like reducing the environmental impact of our activities, reducing the volume of waste created and increasing the proportion of recycled waste. The scratch cards of our Company do not damage the environment at all. The raw materials for all scratch cards are provided by responsible and sustainable forestry and the tickets so made are 100 percent recyclable.



SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012



The Report

Besides the Business Report, since 2011 Szerencsejáték Zrt. has reported on its operation in the form of a corporate responsibility report as well. Since 2012 we have presented each year's business and CSR activities in an integrated, consolidated form.

When compiling the report, we place particular emphasis on the information presented to be complete and the data to be exact and reliable. In order to promote comparability, we aimed at presenting numerical data in a three-year setting.

When compiling the contents, besides the characteristics of the industry, we focused on the topics our stakeholders are interested in. This report was made in line with the GRI G3 guideline, and according to our own classification it corresponds to the level GRI B.



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I. Szerencsejáték Zrt. 2012

GRI (Global Reporting Initiative) is a process and an independent institution that promotes the involvement of those concerned for supporting the comparability and transparency of sustainability reports by elaborating and disseminating an internationally available guideline for sustainability reports.

The report covers the activities of Szerencsejáték Zrt. in the calendar year 2012. It encompasses all points of sale owned by Szerencsejáték Zrt. and the central office buildings, but it excludes the operation of other companies in our portfolio. Its contents are based on data provided within the Company, including the business report made for the Owner, the Collective Bargaining Agreement, the Organizational and Operational Rules, the Code of Ethics, the Equal Opportunity Plan, the Code of Ethics of Advertisement and Support and other bylaws.

Our Activity

Szerencsejáték Zrt. is the largest gambling service provider in Hungary, a national lottery company. Based on authorization by law, it has an exclusive right to sell prize draw games and totalizator betting and is currently the only entity to possess a licence to organize bookmaker's bets. Activities of our Company are limited to Hungary with its legal seat in Budapest. We have four sales regions with regional centres in Pécs, Szeged, Miskolc and Budapest.

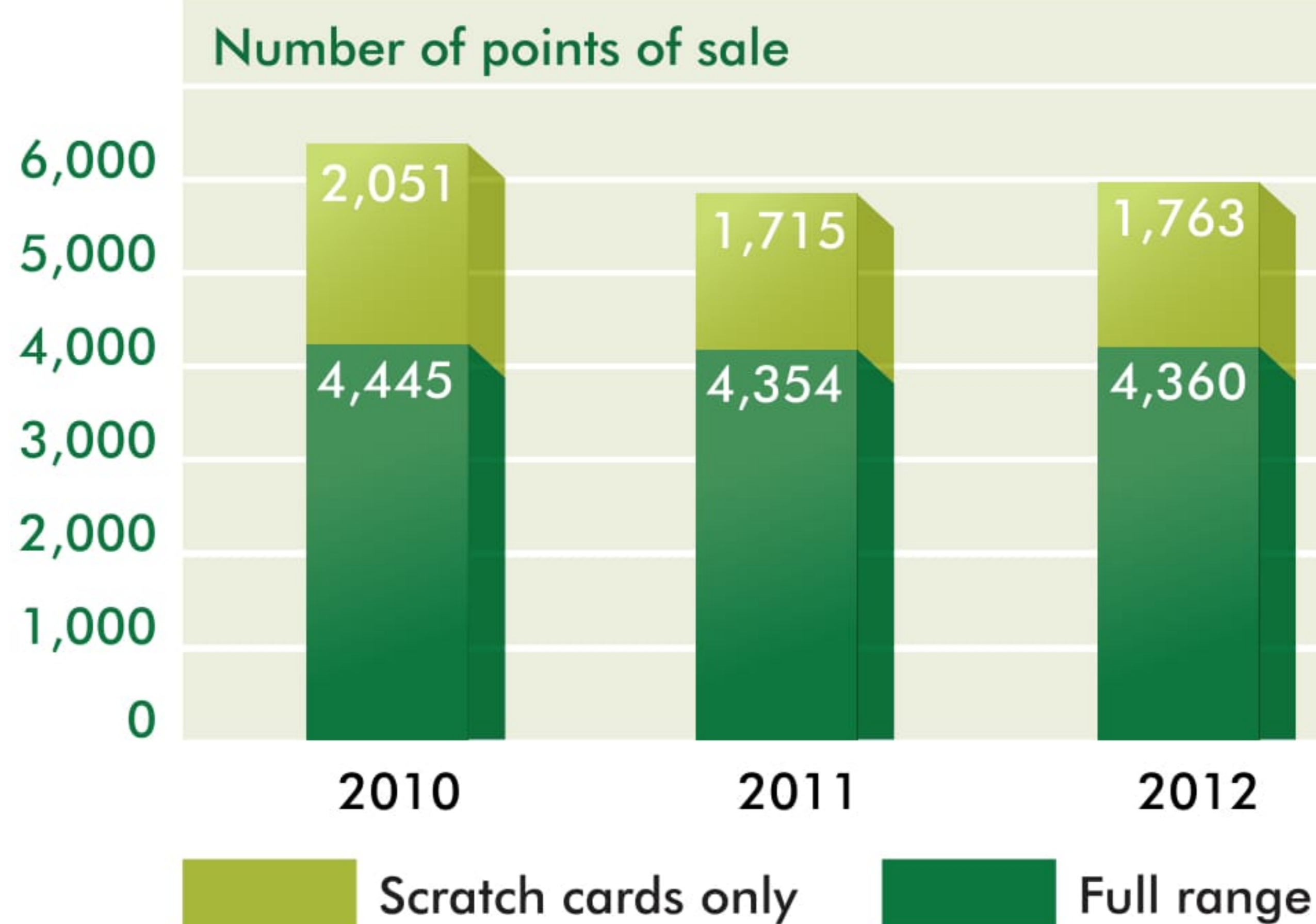


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I. Szerencsejáték Zrt. 2012

Bookmaker's bet is a kind of betting in which the organizer of the bet offers the bettor an amount (based on odds) for the occurrence or result of an event defined in the betting offer that will be paid to the bettor, in case they win, pursuant to the conditions of the agreement.

In totalizator-type games or forms of bets prizes or bets are pooled - this forms the prize pool. A proportion of this amount (defined in the Gambling Plan approved by the Tax Authority) is distributed as prizes, in line with the conditions also defined therein.



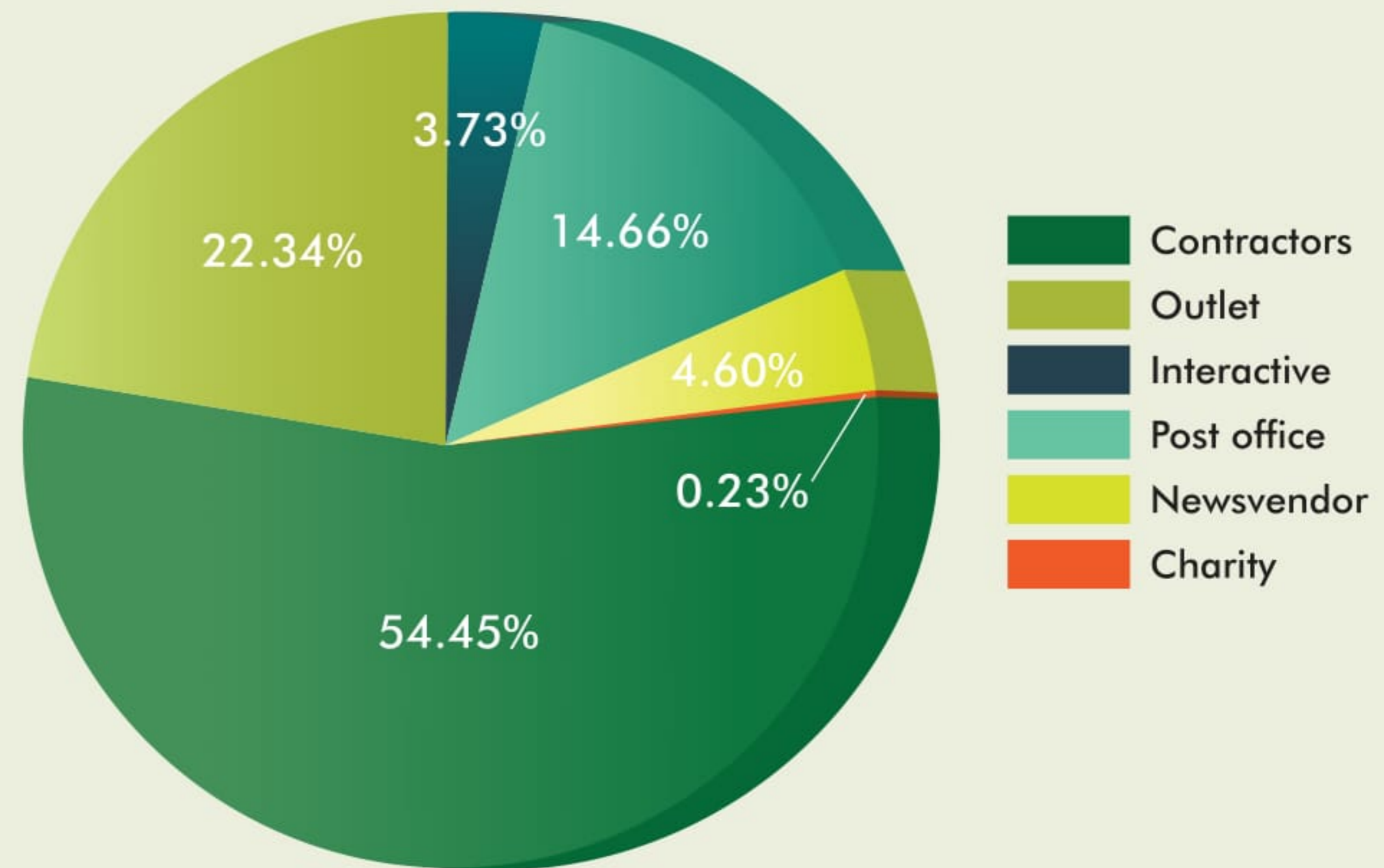
At the end of 2012 we had 279 outlets of our own and our employees with disabilities sold scratch cards at 172 so-called charity counters. In addition, our whole selection of games is available at more than 4,000 points of sale while our partners sell only scratch cards at 1,600 locations. Most of our products is available through electronic channels. This so-called interactive category includes games effected via the internet, phone, SMS and ATM.



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I. Szerencsejáték Zrt. 2012

Revenue ratio of sales sectors



Szerencsejáték Zrt. in numbers	2010	2011	2012
Number of employees	1,272	1,278	1,486
Gambling revenues (million HUF)	168,490	180,485	212,790
Number of base game bets (million)	1,028	1,072	1,238

Gambling in Society

Gambling poses increased risks for society – gambling is not a normal trading product. The organization of gambling is a special economic activity regulated by relevant law. Regulation of gambling organization aims at protecting society: supporting the maintenance of public order, health and security.



SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012

The promotion of **responsible gambling** is an exceptionally important pillar of our operation. This is the principle that we always bear in mind during our work: we offer clear, legal and safe games to the public, guaranteeing an amusing experience to adult Hungarians.

Szerencsejáték Zrt. is the member of two larger international organizations: European State Lotteries and Toto Association and World Lottery Association. We participate in the specialized programmes of these organizations in order to learn best practices and procedures. We always consider the jointly elaborated set of values as guidelines, at the centre of which lies the creation of a multitude of values for society. We acknowledge that our activities are limited in scope both in Hungary and internationally as our services are not directed abroad.

*Szerencsejáték Zrt. hosted a three-day international conference in October. The annual **responsible gambling and PR seminar** organized by European Lotteries received professionals from almost 30 countries. The participants discussed the current events in gambling law in Europe and shared research findings and best practices of their own countries. A lesson learned from the conference was, that from a responsible gambling perspective, the most important challenge European lottery companies are facing is reducing the gambling opportunities of underage persons, as well as increasing the awareness of the problem of gambling addiction in our societies.*



SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012

Our Mission and Values

The mission of Szerencsejáték Zrt. is meeting gambling entertainment needs of adult Hungarians in a professional manner, within the limits of responsible gambling, and to contribute to the financing of public expenses.

Key values of the Company include sustainable, moderate expansion, responsible gambling, an excellent quality of products and services, a mind to the needs of the consumers, reliability and the creation of values for our society.

Corporate Governance

Based on law in force, Szerencsejáték Zrt. is a one-person stock company, 100% of which is permanently owned by the state. The Company was founded and its activities began on 1 January 1991.

Founder's rights and, consequently, General Meeting rights are exercised by the Hungarian State Holding Company.

The Company is run by the Board of Directors. Decision-making in the matters listed in the Deed of Foundation belong to the exclusive sphere of authority of the Board of Directors.

A CEO appointed by the Founder heads the working organization of the Company. The CEO is entitled to decide in all cases not under the authority of the Founder, the Board of Directors or the Supervisory Board. The CEO carries out his or her tasks in the framework set out by existing legislation, the Deed of Foundation, as well as decisions of the Founder and the Board of Directors. The Board of Directors decides in all affairs pertaining to the CEO's employment that are not assigned to the exclusive authority of the Founder.



SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012

Board of Directors (2012)

Dr. Kálmán Szentpétery – **Chairman**

László Baranyay

Péter Horváth

Attila Kollár K.

Csaba Nánásy

Supervisory Board (2012)

Zsolt Incze – **Chairman**

Dr. Edit Varga

Kornélia Kaiser

István Knapp

Gyula Mucsi

Management (2012)

Dr. Kálmán Szentpétery – **CEO**

Éva Szabóné Horváth – **Director of Finance**

Ádám Balogh – **Director of Marketing and Communications**

Zoltán Cselovszki – **Director of Trade and Gambling**

László Dankó – **Director of Security and Investment**

Dr. Szilvia Módra – **Director of Legal Affairs and Controlling**

Ábel Knuth – **Director of IT**



SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012

Stakeholder Connections

In 2012 we revised our system of connections with our stakeholders. We mapped the affairs considered most important from a responsibility point of view and related stakeholder groups.

Stakeholders related to the most important topics are indeed numerous, the most important stakeholders being the players and the media.





SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012

The **Facebook page** of Szerencsejáték Zrt. had become one of the most important means in our communication with our players by 2012. We keep informing our players about our current sales actions, the accumulation, corporate news, the results of the drawing session, and we can quickly answer their questions. During the spring redesign of the game, we invited our players to a **Keno meeting** where they could talk to the heads of the departments in charge.

In order to increase player satisfaction, the customer service has offered longer opening hours since November 2012.

Quick and exact information and correctness are key in our media communication. We attribute special importance to never leaving any journalist question unanswered, as information provided through the media is a key element to our transparency.

Responsible Corporate Management

State and publicly owned companies in Hungary face an increasing expectation of efficient, transparent corporate management, responsible management of the national wealth, and social and environmental sustainability. As a corporation owned 100% by the state, we intend to meet these expectations persistently, bringing our corporate management principles in line with them.

The starting point is our Company's 2011-2016 Business Strategy that – with good reason – is entitled "A Strategy of Renewal". **Responsible corporate management** is a management practice that guarantees the most complete and secure attainment of strategic objectives through the conscious organization and parameterization of processes and the assuming of strategic and operational risks of an acceptable level and degree.



I. Szerencsejáték Zrt. 2012

One of our key projects, also included in our strategy in order to ensure the establishment of the basis of a responsible corporate management system, was the creation of an **integrated process management system** encompassing the whole operation of the Company. This system enables work to be performed without redundancies, helps make spheres of authority and duties unambiguous and supports efficiency of processes by IT means. At the same time it makes it possible to analyse processes and evaluate process performance. Visual output makes it easier to track operational processes, related system of connections and organizational responsibilities. Moreover, it provides quick and targeted access to legislation, forms and other important information related to each activity. It also helps conscious management of risks and an appropriate level of organized operations.

After mapping the overall organizational responsibilities related to corporate processes, the key tasks of organizational units became clear, as did related responsibilities and spheres of authority. The structure and hierarchy of the regulatory system were also revised to ensure that decisions are made where the information and expertise is principally available. As a result of the groundwork above, we revised the Company's Organizational and Operational Rules. We set corporate processes to the centre, assigning organizational units accordingly. We created flexible organizational units, giving greater emphasis to system entities aimed at attaining strategic objectives, and to those providing monitoring and controlling.

For the protection of state assets and corporate values, with special regard to protection against abuse, we revised the **procedure related to assuming obligations**. This ensures that contracts entered into are prudent, with partner risks at a minimum and all contracts kept on file in a central record. All information and contracts necessary for the operation of the Company to be transparent are published on our website. In connection with procedural rules, we prepared models for the Company's processes of assuming obligations. These are available to our employees electronically through our intranet, supporting environmental consciousness.



SZERENCSEJÁTÉK ZRT.

I. Szerencsejáték Zrt. 2012

To create the possibility for participating in international gambling, we began creating an **information security management system** in 2012. We inspected and revised our business-critical operational processes in line with the requirements of relevant regulations. In the autumn of 2012 Szerencsejáték Zrt. received both the ISO 27001:2005 and the WLA SCS:2006 certifications.

"I think one of the most important projects of our Company in 2012 was the attainment of the ISO and WLA certifications. Information security is an important part of our activities, its ongoing development is a crucial task, for in addition to ensuring that organization of gambling remains undisturbed, we must keep strengthening our players' trust.

Both the ISO and the WLA standards certify that our operation is in line with international requirements from an information technology point of view. Moreover, the WLA standard sets out requirements specific to gambling, enabling us to participate in international gambling.

Obtainment of the certifications was of course only the beginning. Their possession entails great responsibility and further tasks for us, as obtaining a certification is not enough, we must make sure to keep quality at its present level.

We are trustful that the recognition of our security system will convince even the most doubtful players that the activities of Szerencsejáték Zrt. are clear and transparent."

Zoltán Mamira, Deputy Manager, Security Directorate



SZERENCSEJÁTÉK ZRT.

II. Economic Activities



Development of the Business Environment

Regulation of Online Gambling Market in Europe

The contradictory operation of online bookmakers is one of the most ardent problems of the European gambling market. Risks are clearly shown by the multitude of betting frauds that originate from the globalization of the gambling market. Internet-based bookmakers, although possessing licence of a country that offers favourable tax conditions to them, mostly carry out their activities in countries where they do not have a licence. As their tax burden is considerably lower, they have an insurmountable advantage over local service providers. They conduct aggressive marketing (online and television advertisement, bonuses) to recruit new players, contributing to the unwanted spreading of gambling.



II. Economic Activities

The European Commission presented their settlement proposals in September in the form of an action plan. European Lotteries, the international organization of European lottery companies is of the opinion that the proposal of the European Commission only addresses the problem partially. In their statement the organization called the Commission to accept the special role state lottery companies play in society and to recognize the importance of efficient measures against illegal gambling organizers.

Decisions of the European Court support the view that national regulation of the service and limitation of cross-border gaming is not unlawful if they serve the protection of public order and security. Lack of regulation of the European online gambling market helps the spreading of illegal gambling, causing social issues and a decrease of tax revenues in Member States.

Changes in the Hungarian Gambling Market

2011-2012 brought changes in Hungarian regulation that transformed the market fundamentally. As a result of the tax increases of 2011 the number of slot machines not connected to a network decreased, while market players were still concentrating on introducing "slot machines based on local servers". Unexpectedly, slot machines operating in arcades and catering units were banned in October. As a result, by the end of the year one of the largest segments of the Hungarian gambling market ceased to exist.

The prohibition of arcades created a clearer situation in the regards of public order and security, but demand, purportedly, has not disappeared completely. Players unwilling to give up their habits are looking for new gambling opportunities that they find in one of the three better controlled live casinos, in the more lively traditional games (scratch cards, Putto), and in the casinos and illegal gambling venues available on the internet.



II. Economic Activities

Realization of Our Mid-Term Business Strategy

The Company performs its activities on the basis of the mid-term business strategy elaborated in 2011. The most important tasks set out in the strategic plan for the period 2011-2014:

- Maintenance of the demand for games in the field of state gambling monopoly, development of some games through international cooperation, where possible, and strengthening players' trust in the state lottery company.
- Besides the primacy of the protection of national interests, meeting the requirements of the common European market and making preparations for a restricted opening of the market.
- Comprehensive modernization of the information systems supporting our basic activities, including development of electronic sales based on new communication devices (internet, mobile).
- In the organization of operational processes, adaptation of the practice of leading European lottery companies, and a resolute upholding of the values and principles of the Company in the cooperation of lottery companies.

During the realization of the strategy we remodelled several of our games. The communication of Keno, Toto and Scandinavian Lottery, as well as our new scratch cards have been aimed at a wider audience. We are ready for the legal opportunities to join international games. We worked a lot on the development of our new online gaming platform and our mobile application for smartphones. We began replacing the central gaming information system, more and more outlets are going through design makeover. The IT systems supporting corporate governance have been reorganized. The system of commissions and evaluations of our subcontractors has been changed, providing greater incentives.



SZERENCSEJÁTÉK ZRT.

II. Economic Activities

The Company surpassed the revenue and profit objectives set out in the strategy in 2012 as well.

One of the key elements of the strategy is launching our new online sports betting site. As a result of the sheer size of the project, an Interactive Games Department has been created, answering directly to the CEO. This is practically a new business unit responsible for the complex operation of online sports betting products and services. Although organizational preparations were ready by June 2012, the delay of the supplier partner caused a significant postponement of the launching of the live site. The supplier paid a penalty of HUF 105.6 million because of the delay.

“Szerencsejáték Zrt. takes the field against unlicensed bookmakers and enters the market with modern, competitive products and services under safe and controlled circumstances. We aim at ensuring that the bettors choose us most of all because of all the options available to them, Tippmixpro is the best.

The development mixes the traditions and values of Szerencsejáték Zrt. with the dynamism and vibrancy of the online world. The greatest challenge is the creation of harmony between them, leading to a new organizational set of values.

The whole project is a long journey enriching us with knowledge all along the way. The values, knowledge and professional expertise of our colleagues, as well as getting to know and thoroughly testing the new system bring the most exciting times. After overcoming minor and major obstacles we prove ourselves again and again that impossible is nothing.”

Gergely Koppány, Deputy Manager, Interactive Games Department

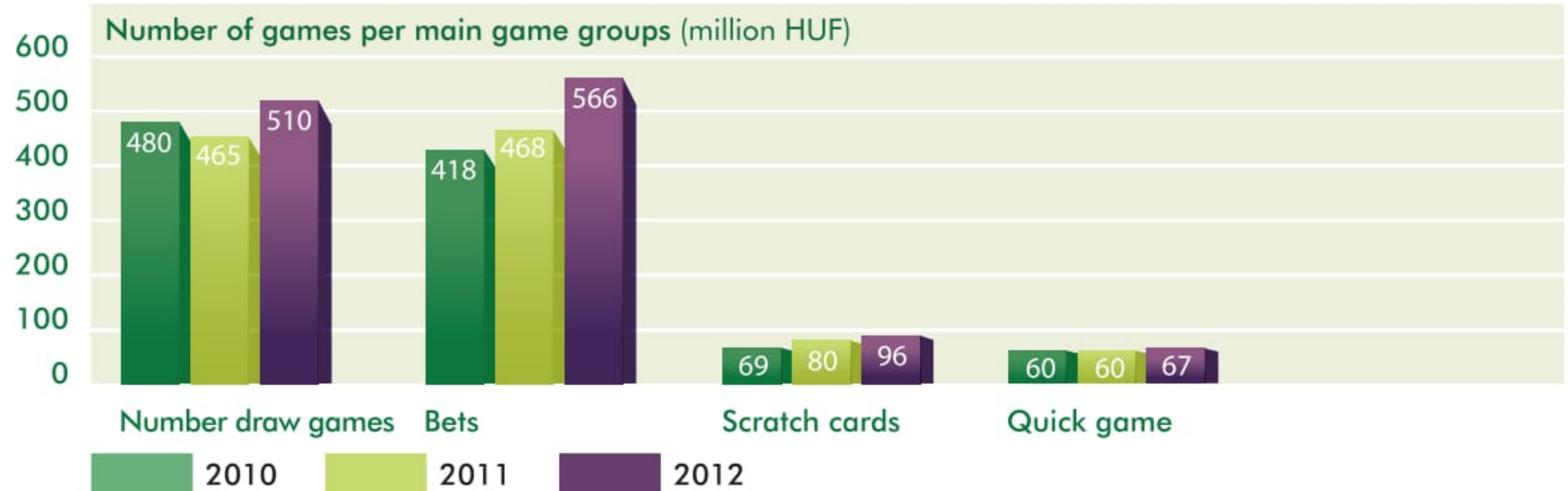
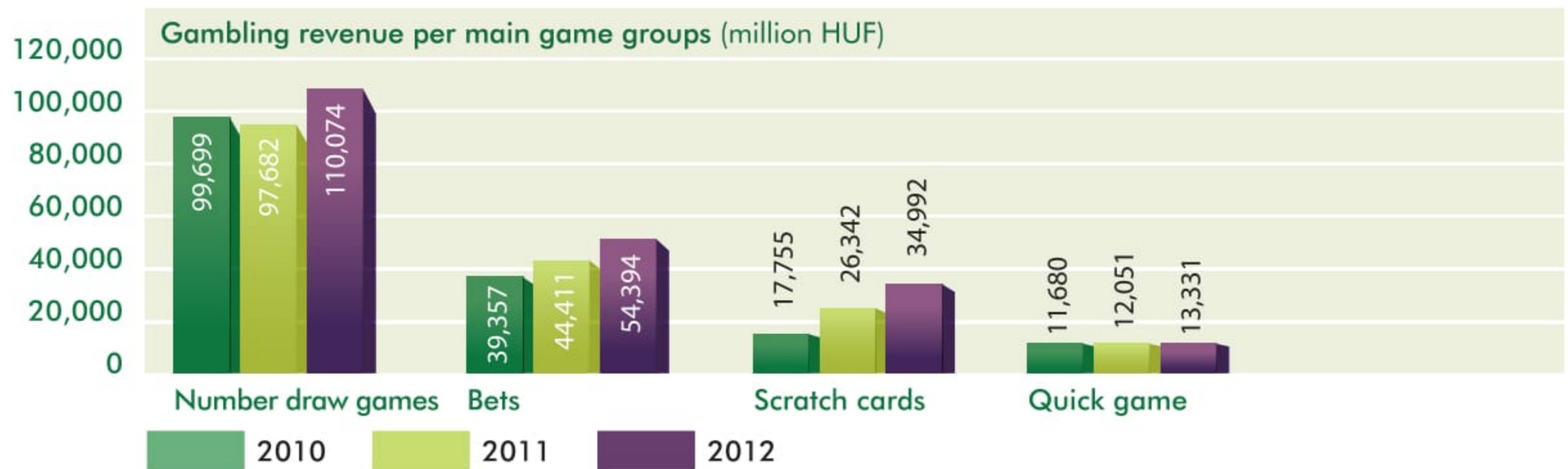


II. Economic Activities

Business Performance: Revenue

Record Gambling Revenue

Our range of games comprised eleven independent games in 2012, supplemented by a scratch card collection of varying size with 10-14 units. After the record-high revenue of 2011 our Company increased its revenue from gambling by 17.9% in 2012, attaining a new record of HUF 212.8 billion. The number of base game bets also reached a record high in 2012 at 1,238 million.



Number draw games (Five- and six-number draw lottery, Scandinavian Lottery, Joker, Keno, Luxor)
Bets (Toto, Goal Toto, Tippmix, Tippmax)
Scratch cards
Quick game (Putto)



II. Economic Activities

Bets

Based on sales data, the turnover of **Tippmix**, at HUF 51.3 billion, surpassed that of the year before by 24%. An intensive increase of demand characterized the time of the UEFA Euro 2012 and the last quarter. The turnover of **Tippmax**, exclusively available over the internet, surpassed that of the year before by 47%, at HUF 932 million.

The turnover of the totalizator-type **Toto**, at HUF 2.1 billion, was slightly less than the year before. Totalizator betting, as opposed to bookmaker betting, is losing ground as part of a general European trend. **Goal Toto** reached a turnover of HUF 104 million thanks to a substantial top prize accumulation.

*We talk about **accumulation** when there is no winner in some prize classes of a totalizator game/bet in a given drawing session, and the amount of the prize due to this prize class is transferred to the next drawing session, in the same prize class. Luxor and Joker games only allow the accumulation of prize class 1.*

Number Draw Games

The turnover of the five-number draw lottery (**Ötöslottó**), at HUF 55.3 billion, was partly due to the fact that there were two top prize accumulations during the year that exceeded HUF 1 billion. After an accumulation of 29 weeks in July, on the 24th game week, two winners took the top prize, a total of 4,115 million, the second largest jackpot of all times. The second top prize accumulation in excess of HUF 1 billion began on the 40th week, reached HUF 1,280 million on the 52nd game week and ended in the first game week of 2013. The turnover of the six-number draw lottery (**Hatoslottó**), at HUF 24.2 billion, exceeds that of the base year by HUF 2.9 billion. The third highest jackpot in the game ever (HUF 1,492 million), won on the 20th week, contributed to this increase.



II. Economic Activities

Large top prizes are rare in case of the **Scandinavian Lottery** because of the shorter accumulation cycles, so fluctuation of turnover is smaller than with the other two lottery games. The turnover of HUF 16.7 billion is less than the turnover of the previous year that had been fuelled by a record top prize.

Thanks to the joint nature of the game, the turnover of **Joker** also reflects the indirect effect of the lottery top prizes, shown mainly by the revenue of HUF 4.9 billion in the first half of the year. The yearly turnover of **Keno** was HUF 5.3 billion. The game was remodelled in February, increasing the participation fee and the attainable top prize. The turnover of **Luxor**, at HUF 3.6 billion, exceeds that of the previous year, putting an end to the decreasing tendency of several years.

Quick Game

The turnover of **Putto**, at HUF 13.3 billion, exceeds that of the previous year by HUF 1,280 million. The turnover of Putto shows cycles related to monthly wages, the game usually being intensive in the second half of each month. November and December showed an increase of the usual turnover.

Scratch Cards

Scratch cards are basically also quick games. Their turnover of HUF 35 billion stabilized at a higher level following the dynamic increase of the previous year. Scratch cards constitute 16.4% of the total revenue. **Purse (Bukksza)**, in the HUF 1,000 price category, continues to attract high demand. **Black Jack**, out in the market for decades, has retained its popularity and performed well, as did the remodelled **Pharaohs' Treasure**, **Dolce Vita**, supported by a turnout-stimulating campaign, and the seasonal **Happy Christmas!** card.



SZERENCSEJÁTÉK ZRT.

II. Economic Activities

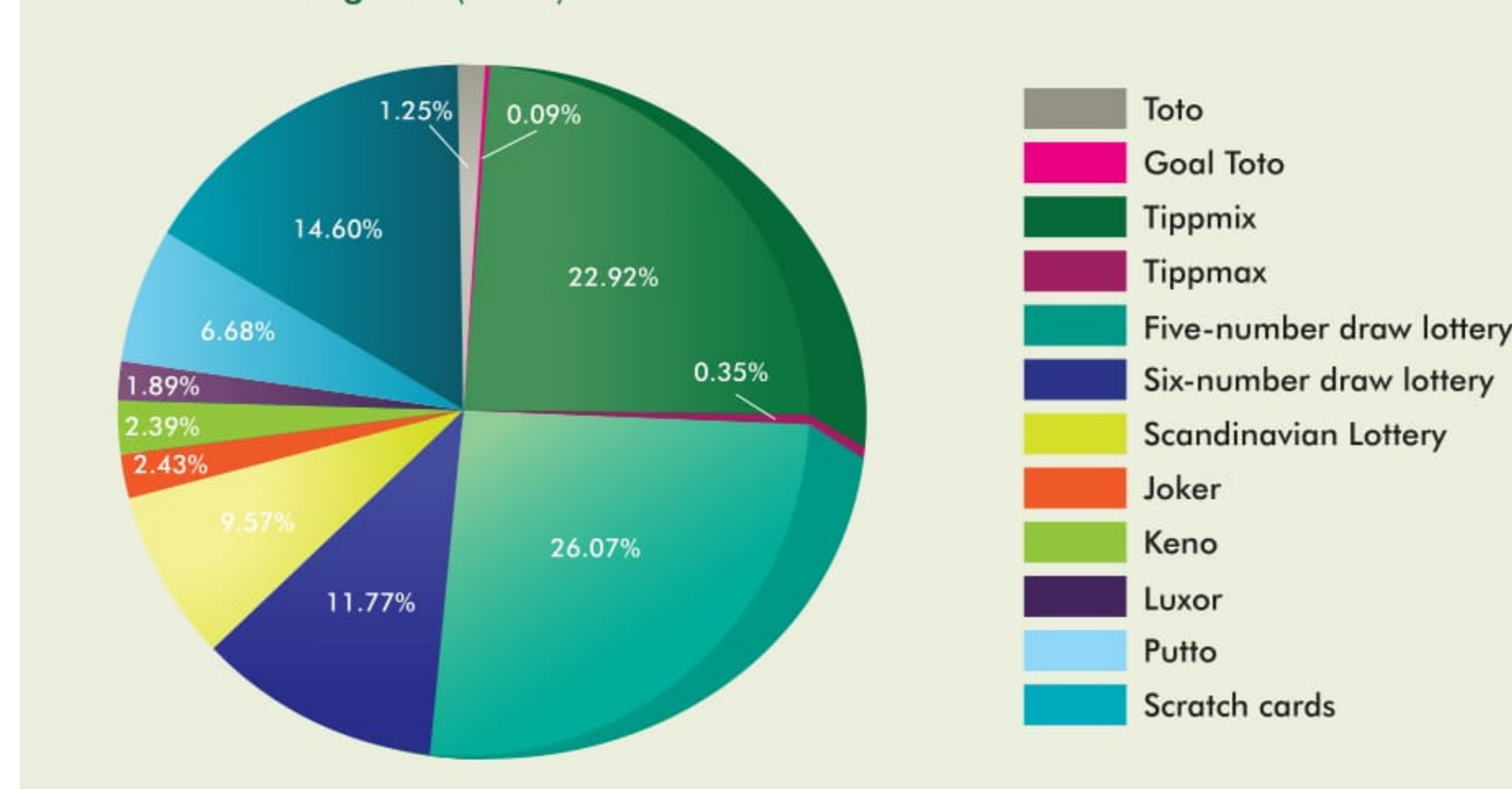
Increasing Net Game Income

Games with a greater ratio of prize redistribution continued to gain ground. As the players reinvest more from the higher prizes, the net game income index becomes more suitable to compare real game turnout. After deducting net prizes due to the players, with income tax subtracted, the resulting net game income is HUF 100.1 billion, with an increase of 15.9% from the previous year's HUF 86.3 billion. The prize redistribution ratio of **Tippmix** did not reach the 75% minimum set by law during the year, so the difference had to be paid as gambling tax.

Products Other Than Gambling

At present we have one non-gambling type product in our range, **mobile phone top-up**. In 2012 we expanded our range of partners with another service provider (Tesco Mobile). Most of the turnout is realized by our sub-contractors. The commission received from the telephone companies, HUF 312 million, is slightly above the level of last year.

Revenue of each game (2012)





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II. Economic Activities

Profit/loss statement (million HUF)	2010	2011	2012
Net domestic sales	169,019	181,056	213,356
Of this: Gambling revenue	168,490	180,485	212,790
Total sales (revenues)	169,019	181,056	213,356
Movements in self-manufactured stocks			
Capitalised self-manufactured assets			
Capitalised own performance			
Other income	183	310	443
Of this: loss in value marked back	1		1
Material costs	1,393	1,534	1,946
Services used	20,150	21,878	23,510
Other services	383	424	452
Cost of goods sold			
Provision of (consignment) services	167	176	183
Material costs	22,094	24,012	26,092
Payroll	5,623	5,408	5,911
Other payments to personnel	1,326	1,795	1,927
Social security and similar deductions	1,769	1,669	2,028
Payments to personnel	8,718	8,872	9,865
Depreciation	2,333	2,274	2,239
Other expenditures	129,299	137,328	162,547
Of this: diminution in value	111	65	93
Gross prizes shown as expenditure	95,503	103,331	123,263
OPERATING PROFIT/(LOSS)	6,758	8,880	13,056
Dividends and profit-sharing (received or due)			
Of this: from affiliated undertakings			
Capital gains on investments			
Of this: from affiliated undertakings			
Interest and capital gains on long-term financial assets			
Of this: from affiliated undertakings			
Other interest and similar income (received or due)	1,071	1,166	1,727
Of this: from affiliated undertakings			
Other income from financial transactions	1	125	6
Income from financial transactions	1,072	1,291	1,733
Exchange losses on long-term financial assets			
Of this: to related parties			
Interest payable and similar charges			
Of this: to related parties			
Diminution in the value of shares, securities and bank deposits			
Other expenditures on financial transactions	4	6	79
Financial expenditures	4	6	79
FINANCIAL PROFIT OR LOSS	1,068	1,285	1 654
PROFIT OR LOSS OF ORDINARY ACTIVITIES	7,826	10,164	14,710
Extraordinary income		1	
Extraordinary expenditures	707	941	1,088
EXTRAORDINARY PROFIT OR LOSS	-707	-940	-1,088
PROFIT BEFORE TAX	7,119	9,225	13,622
Tax payable	1,530	1,757	2,705
PROFIT AFTER TAX	5,589	7,468	10,917
Profit reserves used for dividends and profit-sharing		332	6,583
Dividends and profit-sharing paid (payable)	5,000	7,800	17,500
PROFIT OR LOSS FOR THE YEAR	589	0	0



II. Economic Activities

Fixed assets (million HUF)	2010	2011	2012
FIXED ASSETS	12,672	12,592	13,292
Intangible assets	1,434	1,232	1,423
Capitalised foundation/restructuring			
Capitalised research and development			
Concessions, licenses and similar rights	1,363	1,169	1,333
Trade-marks, patents and similar assets	71	63	90
Advance payments for intangible assets			
Adjusted value of intangible assets			
Tangible assets	9,544	9,417	9,922
Land and buildings and related concessions, licenses and similar rights	6,523	6,475	6,659
Plant, machinery, equipment and vehicles	2,239	1,698	1,863
Other equipment, fixtures and fittings, vehicles	734	613	713
Assets in the course of construction	37	631	685
Prepayments for capital expenditures	11		2
Adjusted value of tangible assets			
Long-term financial assets	1,694	1,943	1,947
Long-term participations in related parties	1,639	1,894	1,894
Long-term loans granted to related parties			
Other long-term participations			
Long-term loans granted to other investments			
Other long-term loans granted	55	49	54
Long-term debt securities			
Adjusted value of long-term financial assets			
CURRENT ASSETS	19,065	22,160	26,725
Stocks	625	718	692
Materials	535	680	650
Goods	77	38	42
Advance payments for stocks	13		
Receivables	10,951	13,715	13,262
Trade debtors	533	623	2,205
Receivables from related parties	0	12	1
Receivables from other investments			
Bills of exchange receivables			
Other receivables	10,418	13,079	11,056
Securities	7,111	4,310	11,428
Participations in related parties			
Other participations			
Treasury shares and own participation			
Marketable debt securities	7,111	4,310	11,428
Total liquid assets	377	3,417	1,343
Cash, cheques	239	205	258
Bank deposits	138	3,211	1,085
PREPAID EXPENSES AND ACCRUED INCOME	1,390	1,229	1,169
Accrued income	887	834	657
Prepaid expenses	503	395	513
Deferred expenses			
TOTAL ASSETS	33,126	35,981	41,187



SZERENCSEJÁTÉK ZRT.

II. Economic Activities

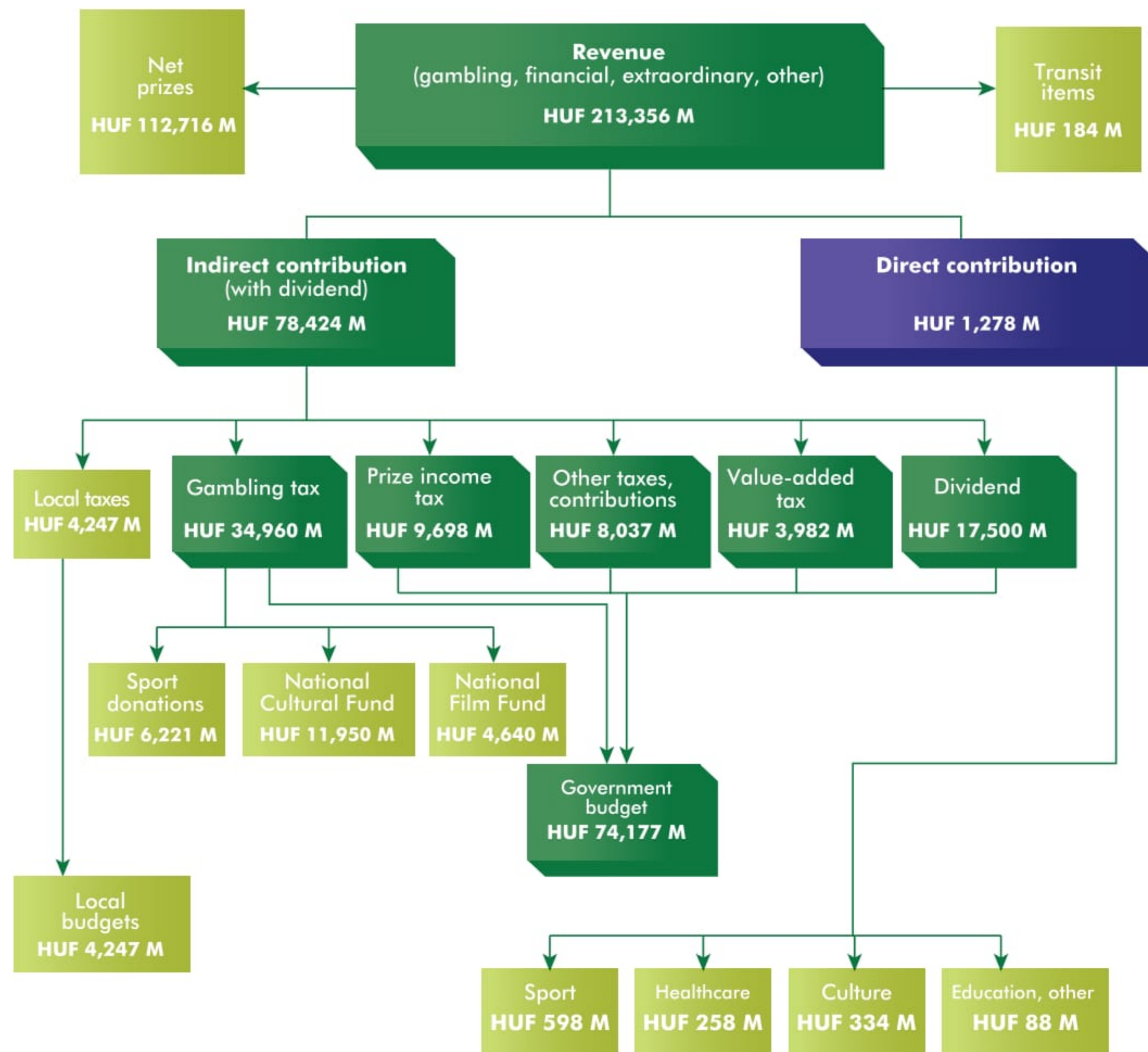
Balance sheet, liabilities (million HUF)	2010	2011	2012
Shareholders' equity	15,647	15,315	8,732
Share capital	3,000	3,000	3,000
Treasury shares redeemed at face value			
Capital reserve			
Retained earnings/(losses)	12,058	12,315	5,732
Allocated reserves			
Revaluation reserve			
Profit or loss for the year	589	0	0
PROVISIONS	759	534	776
Provisions for future liabilities	759	534	776
Provisions for future commitments			
Other provisions			
LIABILITIES	15,017	18,478	30,372
Subordinated debts			
Long-term liabilities			
Current liabilities	15,017	18,478	30,372
Short-term borrowings			
- of which: convertible bonds			
Other short-term loans			
Prepayments received from debtors	181	181	193
Creditors	1,629	2,056	2,124
Bills of exchange payable			
Short-term debts to related parties	9	15	0
Short-term debts to other investments			
Other current liabilities	13,198	16,226	28,055
ACCRUED EXPENSES AND DEFERRED INCOME	1,703	1,654	1,307
Deferred income	1,305	1,120	812
Accrued expenses	398	534	495
Deferred extraordinary revenues and negative goodwill			
TOTAL LIABILITIES	33,126	35,981	41,187



II. Economic Activities

Meeting our Contribution Obligations to the Budget

The Contribution of Szerencsejáték Zrt. to Public Expenditure





II. Economic Activities

Distribution of created economic value

Distribution of direct economic value produced (million HUF)	2011	2012
Revenues	88,064	102,484
Distributed economic value	85,754	106,355
Operating expenses	23,178	25,514
Employee salaries and benefits	8,610	9,599
Payments to capital investors	7,800	17,500
Payments to the budget	45,009	52,464
Community investment	1,157	1,278
Retained profit	2,310	-3,871

Produced and distributed economic value, assembled in a structure based on GRI guidelines, differs from the structure usual in accounting. In this arrangement the produced economic value indicator is the sum of revenues minus net prizes and financial income. The manner these economic values are shared shows that Hungarian society receives a fair share from the profits of state-owned gambling services. Retained profits include development investment devoted to the restoration and enhancement of instruments of production. The latter value was negative in 2012 as, based on the Owner's decision, the dividend paid in 2012 (payments to capital investors) was exceptionally high at HUF 17.5 billion. We accounted HUF 6.6 billion against profit reserves in order to be able to meet our high dividend payment obligation.



SZERENCSEJÁTÉK ZRT.

II. Economic Activities

Risk Management

The risks related to the activities of Szerencsejáték Zrt. are market, operating, regulation and financial ones.

In the short term a market risk we face is how the income situation and the freely disposable income of the population change. Another such risk is the stagnating interest vis-à-vis traditional number draw games. We endeavour to decrease this risk by further strengthening our market position in the scratch card and bookmaker's bets product range, by expanding our activities to the organization of online gambling, and by attracting some of the demand freed as a result of the prohibition of arcades.

One of the most important elements of our operating risks is the safety of our systems and protection of the players' privacy. A step forward is that now our critical processes conform with the ISO 27001 and WLA-SCS information security standards. Process regulation solutions that had been missing have been realized with organizational competences that ensure an uninterrupted operation even in crisis situations. A key motivation in technological developments in progress is increasing the security and reliability of the system.

From a process regulation point of view, key accomplishments of 2012 were the creation of an Information Security Management System in line with ISO 27001:2006 requirements and the creation of a gambling-specific security system in line with WLA-SCS, built on the basis of the other standard.



II. Economic Activities

Legislative risks are to be taken into account as regulation of the gambling market is volatile and our operation is subject to legal constraints. Our Company is well prepared to serve the Hungarian gambling market at a high-quality level, can expand its sphere of operation and join international games. We intend to contribute to the creation of the legislative background with our knowledge and expertise.

Dividend withdrawal considerably in excess of profit after tax constitutes financial risk. After almost a year of preparatory work, with the consent of the Owner we agreed upon the replacement of our central information system. The development programme, planned for three years, has begun.

It is characteristic of our way of operation that our customers pay in advance, and we in turn entail tax and prize payment obligations. This determines a minimum level of liquidity. Temporarily liquid assets, also in line with the Owner's expectations, have been deposited exclusively in government bonds since 2011.

Legal Affairs

The Company rarely has any legal disputes or lawsuits related to claims to prizes. Our games are precisely regulated and organized in a correct and safe manner – therefore these legal disputes have practically no consequences for Szerencsejáték Zrt.

In 2012 we paid a fine two times to the Gambling Authority because of a lack of appropriate publicity. Both cases constituted a lack of one document, respectively, from the participation regulations displayed at two points of sale, therefore the fines were low at HUF 200 thousand each.

Fines, penalties (thousand HUF)	2010	2011	2012
	0	1,000	400



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling



The organization of responsible gambling is a whole spectrum of activities beyond legal obligations that we employ to protect our players from the harmful effects of excessive gambling. Szerencsejáték Zrt. considers responsible gambling of strategic importance that our employees regularly contribute to during their daily works.



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling

Our basic principles:

- We place particular emphasis on drawing attention to the risks of **gambling addiction** and the prevention and treatment of addictions
- It is prohibited to sell gambling to **persons under the age of 18** and advertisements are not to target minors
- We help our players get to know participation regulations, contributing to their more responsible decisions by **knowing the risks**
- It is prohibited to sell gambling **on credit** or to enter into any agreement about the division of the prize
- We make our players aware of the fact that gambling remains an amusement only as long as it poses no problems in everyday relations

Our Company won the responsible gambling organizer certificate of **European Lotteries** in 2010 and that of **World Lotteries Association** in 2011. In 2012 we met the requirements of the partial audit necessary for EL certification.

Research

In line with our plans, we ordered a new research in 2012 in the topic of **gambling addiction and responsible gambling**. The survey was based on a 2009 Ipsos research, making the results comparable. The research showed that the **ratio of gambling addicts increased to 2.64%** in the population above 15, constituting a very considerable increase of 1.4 percentage point. Practically the number of those in the phase of sickness



III. Responsible Gambling

has doubled since 2009. Although the research pointed out that the factors playing a key role in the development of addiction are less typical of our Company's games, as responsible gambling organizers we have a lot to do to fight, treat and prevent addiction.

We presented the results of the research at our EL seminar in October 2012. The experience of participating lottery companies shows that the message "gambling addiction is a serious issue" must be conveyed continuously to consumers and the whole of society.

Expenditure related to research and counselling (million HUF)	2011	2012	
Research expenditure	6.25	37.71	
Management and counselling fees	2.65	2.65	

Employee Training

The responsible gambling training of employees is **based on the terminal operator course**. This must not only be completed by those directly involved in sales, but is becoming a wide-spread practice for employees working in other fields (like administration). "Responsible gambling behaviour" constitutes a separate unit in the curriculum.

For those not attending this training, the Professional Training Regulations prescribe other forms of basic and repetition training in responsible gambling (distance education and training in class).



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling

In the summer of 2012 all outlet employees received **repetition training in responsible gambling**. In the autumn the repetition training of the management, while in December the intranet training and examination of the administrative employees took place. The trainings were aimed at keeping up our employees' knowledge of responsible gambling and at drawing their attention to the dangers of gambling addiction.

"Authenticity is a precondition for our Company's existence. Reputation and word of honour are real treasures. Players' trust towards our Company can never be shaken, for all moral damages can lead to serious financial loss.

Therefore, as salespersons, it is very important how to address our players and how to let them know if their gaming habits have surpassed the limits of normality. I always inform them during my work that winning is not guaranteed even if they spend a lot of money on the game.

A player with addiction is usually aware of their weakness, they're only unable to stop, either because they trust their luck so much or because they badly need the money and see no other way of getting it. Most of the time it's enough to point out that this is not their lucky day and perhaps it's rather worth trying it another time."

Kata Schusztér Ferencné, salesperson, outlet No. 86

Sales Agent Programmes

Salespersons – regardless of whether SzZrt. employees or employees of our subcontractors – all participate in a **terminal operator course** and must pass an exam on expectations regarding responsible gambling. The curriculum sets down that the "essence of [the Company's] business philosophy is to apply responsible gambling to meet the entertainment needs of its players".



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling

The **training** remained the most important programme of our sales partners in 2012. We sent them the curriculum compiled for the training of our own employees. They could check their knowledge in the form of a **self-test**.

The so-called **partnership meetings** were organized intensively in sales regions in 2012 as well. Contractors selling our products can gather information about the Company's plans, accomplishments and changes of expectations, if any, here and in the quarterly Regional Newsletters.

Game Design

For any substantial remodelling of our existing games or during the preparation of newly developed ones we employ the reliable **Gam-Gard software** that ranks games based on the risks they pose. We don't have any games falling in the red category, which is the riskiest.

***GAM-GaRD** is a special risk analysis software developed by the International Responsible Gaming Organisation (IRGO). This helps examine and assess already during the design phase whether a future game can contribute to the development of gambling addiction.*

In the current online betting system the players can access the rank of each game directly, by clicking the relevant icon (traffic light).

Besides this internationally recognized software that is based on objective criteria, we attempted to compile **another ranking tool based on the range of games available and player habits typical in Hungary**. The tool created by Innovitas Kft. is fundamentally based on a preliminary research and also includes subjective elements. Rankings performed with this new evaluation tool also confirm that we offer no game that is too risky.



III. Responsible Gambling

Remote Gaming Channels

We gradually introduced **warning and self-limitation features** in the games we offer in our current online betting system. These built-in and optional features encourage the player to consider in advance and to reach more conscious and responsible decisions. The number of players opting for the self-limitation was 209 in 2011, increasing to 416 in 2012.

The tender for our new online betting site already included the incorporation of responsible gaming features.

Advertising and Marketing

A CEO directive contains the **Code of Ethics of Advertisement and Support**, created to uphold responsible marketing. Based on our agreement concluded in March 2010, we continue our cooperation with the **Self-Regulatory Advertisement Body (ÖRT)** to evaluate advertisements we prepare from an ethical point of view.

Our marketing

- targets no persons under 18 and vulnerable social groups
- does not encourage our players to spend beyond their means
- does not suggest that gambling can offer a solution to personal or financial problems
- offers no loyalty incentives of irrational degree that incite to partake in gambling more intensively



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling

In 2012 we conducted successful deliberations with ÖRT about the new commercials of Keno and Scandinavian Lottery, the advertisement about the top prize of lottery games, about sales actions and the planned introductory commercial of the new sports betting site.

Treatment Referral

The “Keep it a Game!” information brochure is available at all points of sale. This informs players about the harmful consequences of playing in excess. Players can test their relationship to gambling and in case of an addiction issue can find contact info of centres where they can get professional help. We regularly control the presence of the information brochure and responsible gambling stickers. Their absence entails consequences: in case of our own employees employer measures may follow, and in case of contractor partners it may degrade ranking in the commission system. Inadequacies discovered at sales partners barely amounted to more than 0.3% in 2012.

We display information about gambling addiction treatment options on our dedicated site „www.maradjonjatek.hu” and also on the Company’s website. The Facebook page of Szerencsejáték Zrt. also places particular emphasis on gambling addiction. Here, besides information, we help our players with a more detailed test.

We continue our cooperation with the National Institute for Quality and Organizational Development in Healthcare and Medicine (GYEMSZI). The gambling addiction page is still available from their site, (www.eski.hu/jatekfuggoseg/), as is the Dr. Info service (<http://dr.info.hu/drinfo/pid/0/channelFormatter/oid/0/Channel.14801>), offering information about gambling addiction treatment centres. Addictologist professionals answer questions in e-mail at segitaszakember@eski.hu.



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling

Besides GYEMSZI, we had had no direct connection to healthcare institutes, social organizations or foundations involved in helping and caring for the sick. However, in October 2012 we launched a joint programme with the **Hungarian Interchurch Aid Organization (MÖS)**. In order to prevent and treat gambling addiction, our Company is implementing a complex **model programme** with MÖS in the Debrecen Social and Development Centre of the Interchurch Aid Organization. The novel projects involve both prevention and the treatment of addiction. The prevention programme unit is aimed at calling the attention of junior high school and high school age youth to the dangers of gambling in the form of school lectures and club events. Methodology and professionals are provided by our partner. Our Company is informed about the accomplishments on a regular basis.

Player Education

Our six **game description booklets** (*"How to lotto?"*, *"How to bet?"*, etc.) deliver all essential information, including **precise odds** to our players. This information helps the players make a conscious decision about how much to bet and with what odds in each of our games. Booklets must keep track of all changes of games, so we prepared a new publication entitled *"How to Keno?"*, covering the February 2012 remodelling of Keno.



SZERENCSEJÁTÉK ZRT.

III. Responsible Gambling

The danger of gambling addiction and the protection of vulnerable groups (e.g. minors) is a frequent topic in our media presence, often discussed e.g. in News of Luck. In Saturday of Luck our colleague leading the drawing process calls the attention to the fact that participation of persons under 18 is banned, and an inscription also conveys this message. We regularly employ the “Keep it a game!” slogan and logo in our product commercials.

We are well aware of the fact that winners of large prizes usually find it difficult to manage unexpected luck. In 2012 we prepared an information booklet named **Guidebook for Winners** for them, as well as an information video available on our website.



SZERENCSEJÁTÉK ZRT.

IV. Responsible Employment



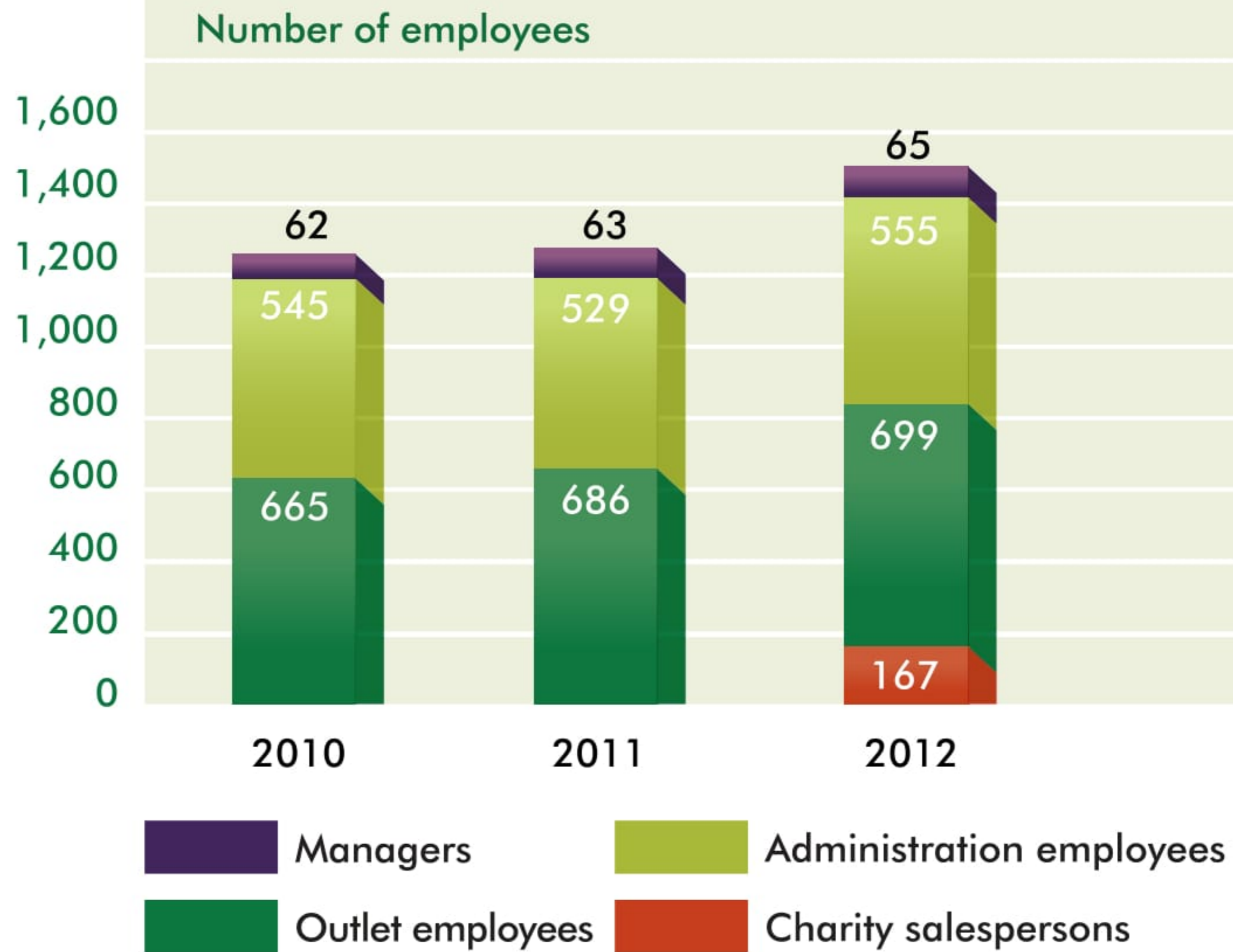
Number of Employees

As gambling organization requires special expertise, it is of key importance for us to keep our highly educated employees with extensive professional experience, to make sure of their development and to make them feel well at their jobs.



SZERENCSEJÁTÉK ZRT.

IV. Responsible Employment



The number of our employees increased to almost 1,500 by the end of 2012, an increase of 16% of our staff in a year. This change is mostly due to the fact that as of 1 January 2012 our Company took over the operation of the charity scratch card sale network from SZRT-SERVICE Kft. Therefore almost 170 colleagues with disabilities began the year as employees of Szerencsejáték Zrt. Furthermore, the Interactive Games Department was created, supplemented with new employees, to operate our new online game and sports betting system, also contributing to the increase of staff.



SZERENCSEJÁTÉK ZRT.

IV. Responsible Employment

Total employee fluctuation	2010			2011			2012		
	Male	Female	Σ	Male	Female	Σ	Male	Female	Σ
Age									
-30	27	71	98	26	44	70	18	42	60
30-50	11	24	35	39	96	135	34	73	107
50+	23	14	37	31	81	112	51	181	232
Total	61	109	170	96	221	317	103	296	399

“The integrity of our society requires our able-bodied employees to meet colleagues with disabilities at their jobs and to make cooperation between them a matter of course, without any discrimination between them based on their abilities.

Disabled persons do not wish to be maintained and be at the mercy of others, they aspire to be independent and self-reliant. This is why, among other things, they want to work. It is our experience that our scratch card salespersons have become part of a true work community which they feel themselves at home in.

Persons with disabilities find it particularly difficult to find employment at the labour market in part because of their illness and in part because of their low level of education. This is why it is our experience that our employees working in the charity scratch card sale network are highly loyal to their work and are open to further training that supports sales activities. Their performance increases each year. One of their key traits is their success in keeping regular customers, attained through the creation of an atmosphere of trust during the sale process.”

Imre Rosner, Head of Department, Charity Department



IV. Responsible Employment

System of Remunerations

It is our basic principle that determining remuneration due for a job should be based on equal treatment. Thanks to this, the gap between the wages of men and women has decreased at our Company in recent years.

Cross ratio of the base salaries of men and women (man/woman)	2010	2011	2012
	110.7%	107%	105%

In line with the principle of equal treatment, our **part-time employees** receive, proportionally, the same benefits as our full-time employees get.

Annual bonus objectives of managers (above the level of head of department) are defined by the CEO. Managerial objectives, besides the successes of the Company and performance of personal professional tasks, always include criteria for responsible gambling. Evaluation of managers' performance and bonuses due for their accomplishments are based on self-assessment and reports by superiors.

In case of non-managerial employees **performance is acknowledged** in two ways. Wages in several positions (e.g. sales representatives, shop managers, outlet salespersons, charity salespersons, oddsmasters) depend on their level of success, therefore a part of their wage is performance-related. Incentives offered to employees in administration, who are outside the scope of performance-related pay, are based on the Company's operating profits. Administrative employees receive a performance evaluation at least two times a year, making it possible to evaluate and revise the tasks completed and to receive feedback.



IV. Responsible Employment

It is a tradition of Szerencsejáték Zrt. to devote great attention to welfare and social benefits offered to its employees. Based on an annual limit, the employees can compile their own fringe benefits from the **cafeteria** system (Erzsébet vouchers, voluntary health insurance fund services, voluntary pension funds, internet, SZÉP vouchers, local transport season tickets). Therefore all can have the benefit of choosing in line with their life situations, consumer habits, family backgrounds, careers or health situations. The total annual cafeteria allocation at the Company amounted to over HUF 929 million, of which the most popular benefit, at almost HUF 302 million, proved to be the contribution to voluntary pension funds.

Besides cafeteria, our Company kept providing some benefits set forth in the Collective Bargaining Agreement: welfare payments, death benefits and schooling support, based on social distress and entitlement.

In line with the contents of the Collective Bargaining Agreement, our employees are entitled to claim employer loans for the purchase and renovation of apartments and the buying of automobiles. In line with other relevant legislation, our Company covers the employees' commuting expenses.

Relationship between the Employees and the Management

Szerencsejáték Zrt. deems it important and indispensable that its employees enter into and maintain their employment in a secure legal setting, in full conformity with relevant legislation and other regulations in force concerning employment. In order to ensure this, and to provide unambiguous information, a Collective Bargaining Agreement sets down rights and obligations stemming from employment and the way these can be exercised or met, respectively.



IV. Responsible Employment

Each time it is necessitated, the Collective Bargaining Agreement is amended in line with deliberations of the Management with the Trade Union and the Works Council, which uphold employees' interests concerning the establishment of working conditions, the definition of wages and benefits, and ensure that employees' opinions and suggestions are delivered to the decision-makers.

Our Collective Bargaining Agreement is in line with the new Labour Code of 2012 and the contents of international labour agreements. It applies to 99.9 percent of the Company's employees, with the sole exception of the CEO.

In order to prevent any **conflicts of interest** in working positions, no person can become an employee of our Company who would, as a consequence, become part of a management, controlling or supervision relationship or, from a labour law point of view, a direction, ordering or answering relationship with one of their close relatives.

The **Company Forum**, introduced as a novelty in 2012, was a device for discussing questions related to the Company's operation and strategy. Written summaries of the forum were delivered to all our employees. Direct meetings and deliberations with the management and the CEO were also regular during the year.

A research related to internal communication and organizational culture provides direct feedback about employer-employee relationship. In 2012 40.8 percent of our employees filled in the survey voluntarily. 88 percent considered the managers cooperative, while 87 thought they were almost always available.



IV. Responsible Employment

Occupational Health and Safety

We consider guaranteeing the health and safety of our employees a priority. The basic principles laid down in our Equal Opportunity Plan include the maintenance of health and prevention of illnesses as well as increasing the health consciousness of our employees. To promote this, our cafeteria includes **voluntary health insurance fund services**. Another benefit related to health and recreation is the provision of **SZÉP vouchers**.

Our Company pays particular attention to making sure that the requirements of **workplaces with no adverse health effects** are met. The questions of occupational health receive adequate attention, and in line with labour safety system objectives, **working with display screens** is an issue of prime importance. In accordance with our bylaws we support our colleagues working in front of display screens to have display goggles made every two years.

Occupational health provision is available at all our organizational units. Besides compulsory examinations we also house various screening programs to promote a preventive approach. In 2012 we organized the donation of blood in both the Fehér and Csalogány street buildings. A screening bus was available to our employees during the September sports day.

Besides the protection of our players we of course deem it important that our employees should also be aware of the risks of **gambling addiction** and the options for prevention and treatment. To this end, we address the issue from time to time on the intranet and in Newsletters of Luck. In 2012 every employee of the Company participated in a gambling addiction and responsible gambling training.



IV. Responsible Employment

Training and Development

During the employment of our colleagues, indeed during their selection we endeavour to protect **equal opportunity**. It is important to define responsibilities that match the individual's education and abilities and are in line with the development needs of the organization and the employee.

The adaptation of most recent graduates working in administration is helped by a **trainee programme**. Thanks to the programme, new employees of our Company can get to know the organization, the work of the individual directorates and the sales process.

Training of employees working in sales and sales organization is governed by the **Professional Training Regulations**. Outlet employees must, according to their employment contracts, have valid examinations in terminal management, order of business, money and value management and safety issues. Their training is complemented by additional examinations and skill development trainings. There are trainings for outlet employees before the introduction of new games, systems or products as well. Each training closes with an exam.

Average training hours per employee	2010	2011	2012
Outlet employees	8	14	8
Administrative employees	5	23	72

370 employees of the Company participated in 158 various **professional conferences, trainings and further education sessions** in 2012. 50 employees took part in English **language education**. 384 employees received training in connection with switching over to **Office 2010**.



SZERENCSEJÁTÉK ZRT.

IV. Responsible Employment

Equal Opportunity

Our **Equal Opportunity Plan** covers topics like part-time employment, improvement of atmosphere at work, information for recent graduates, would-be retirees and pregnant women, accessibility, providing the opportunity of professional practice for employees' children and legal counselling.

An internal survey, conducted jointly with the internal communications and satisfaction research, lay the ground for the 2013 Equal Opportunity Plan. The research was conducted during the autumn with a report on the results.

During the year we created an **equal opportunity site** on our intranet summarizing information and news related to the topic. Based on information brochures published by the Ministry of Human Resources, we prepared **information booklets** entitled Benefits for Parents with Children, Benefits in Case of Social Distress and Pension Benefits. We also delivered these publications to sales colleagues in a printed form.



After 2009, in 2012 our Company again applied for the Social Label – Employer Promoting Corporate Responsibility certification. Szerencsejáték Zrt. obtained the silver medal at the audit with a result of 89%. The Company may use the title until 2014.



SZERENCSEJÁTÉK ZRT.

IV. Responsible Employment

We launched a series of events entitled **“Being a Parent”** in the autumn of 2012. During the events professionals help find answers to questions and problems about raising children.

It was also during the autumn that we announced our **“Try Blind!”** sensibility-enhancing programme, under which interested employees could visit the National Institution for Blind People.

In 2012 we again received the **Disabled-friendly Workplace** prize of Salva Vita Foundation for maintaining our charity network. The scratch card sale network employs almost 170 persons, setting an example and placing our Company in the forefront of the employment of people with disabilities.

We joined the employment expansion initiative **“Work with a Small Child”**, created with the help of the New Széchenyi Plan. The initiative aims at finding long-term, customized solutions for both employees with small children and their employers to find a balance between work and family.



SZERENCSEJÁTÉK ZRT.

V. Our Social Commitment



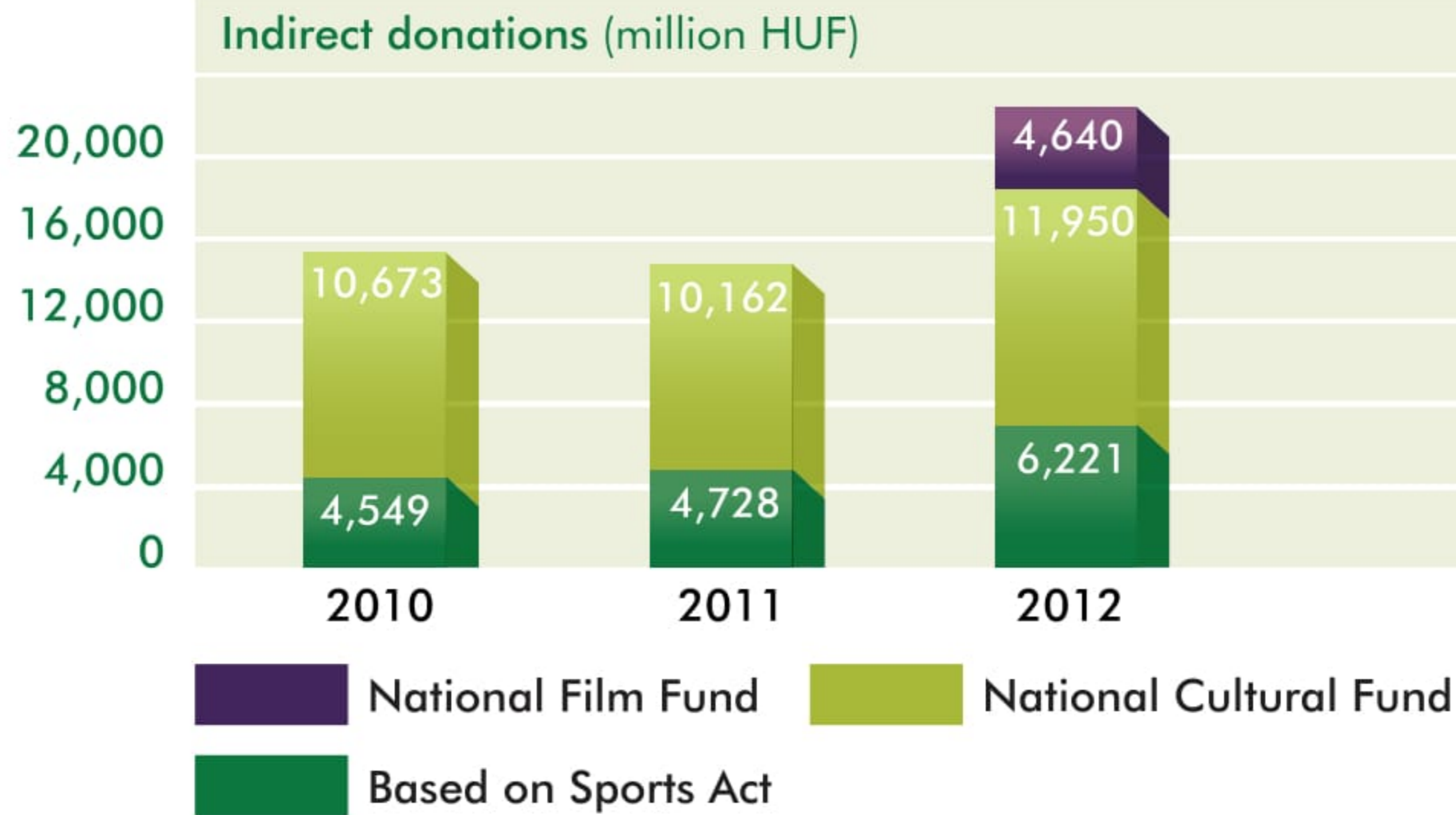
Our Donations

The activities of Szerencsejáték Zrt. are limited in the interest of society, its profits primarily serve the common good. Of the **gambling tax** paid by our Company in 2012, the National Cultural Fund received almost HUF 12 billion through the government budget, the National Film Fund received HUF 4.6 billion, while in line with the Sports Act HUF 6.2 billion was used to support the sports life of Hungary. This also means that two third of the gambling tax coming from government-owned gambling is channelled to the budget in an appropriated manner. The lottery company has no direct influence on the spending of these.

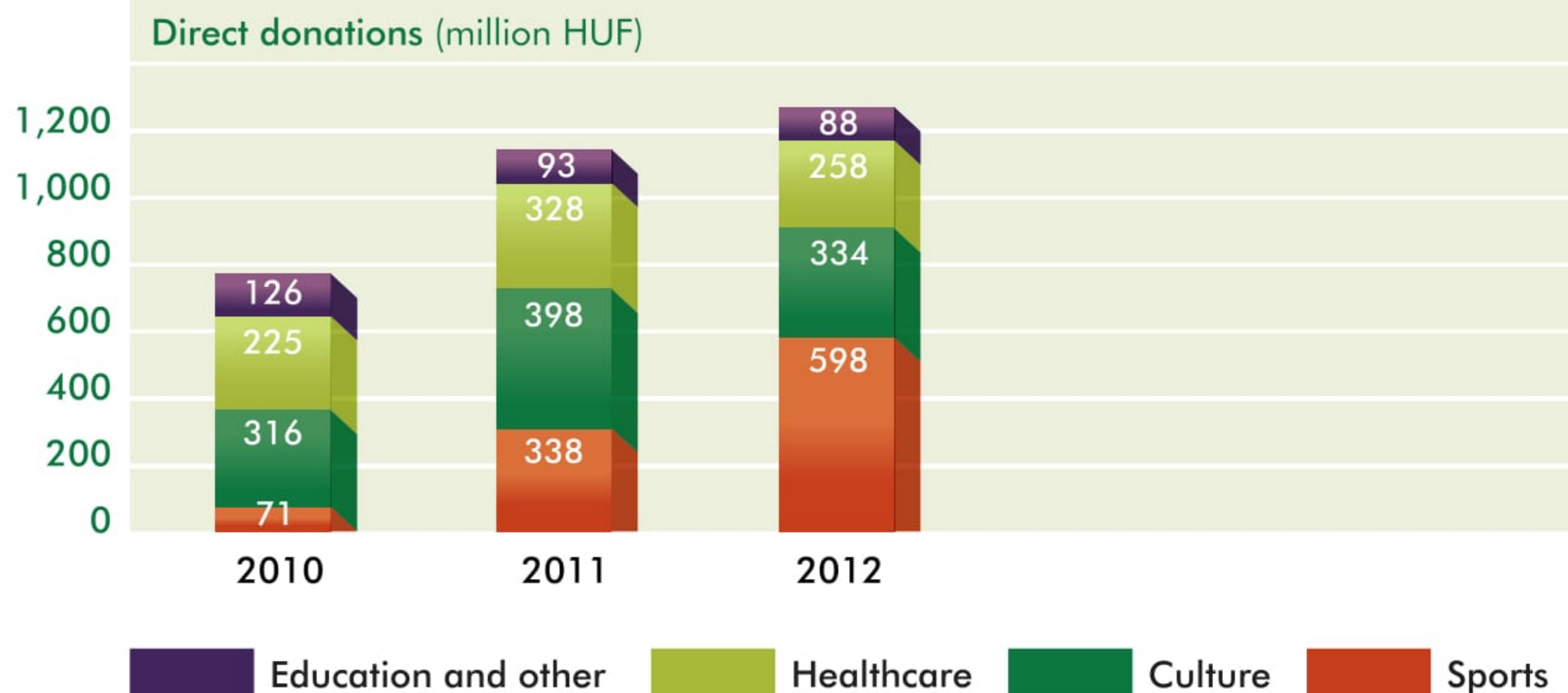


SZERENCSEJÁTÉK ZRT.

V. Our Social Commitment



Our Company also renders **direct donations** based on our own decisions. Based on the business plan accepted by the Owner, 0.75% of the gambling revenue plan was devoted to such purposes in 2012. The previous year 130 supports and 10 sponsoring contracts were concluded in the total worth of HUF 1,278 million, mainly in the field of sports, healthcare and culture.





V. Our Social Commitment

Donations were given to sports clubs with outstanding professionalism in the sports industry, various sporting events, sportspersons with disabilities and leisure associations. We supported the operation of the Hungarian Olympic Committee, in the field of healthcare we helped the development of the equipment of hospitals, institutions, sports health centres, including the purchase of some essential medical device and assets. Besides we helped the Hungarian Red Cross equip its ambulance cars and AE centres. We helped the creation of classical music productions and films. We contributed to the arrangement of various traditional events, concerts and conferences, to the performances of ensembles, folk dance groups, to the publication of books, journals and magazines and to the realization of theatre productions. Among others we sponsored the Pécs Spring Festival, the Szolnok Music Festival and the Jewish Summer Festival. Besides the above, our donations helped the construction or renovation of the community buildings of different towns and villages.

The decision about supported goals and devoted sums lies with the CEO, based on the proposals of an independent advisory board consisting of outside experts.

Scratch Cards for Good Causes

Szerencsejáték Zrt., being conscious of its social responsibility, issued several scratch cards in the past. The incoming revenue from these cards helped the realization of some useful community initiatives.

The **Animal Stars** scratch cards were released in spring 2012. These were widely successful even during the design phase. By buying the scratch cards with pictures of pets, players could support the Paws Animal Rights Foundation and the Misina Natural and Animal Protection Society.



SZERENCSEJÁTÉK ZRT.

V. Our Social Commitment

At the beginning of November we released the **Happy Christmas!** scratch card again. A certain part of the income of this was given to the Brave Camp (Bátor Tábor) Foundation, supporting adventure therapy camping of children with chronic diseases in the summer.

Corporate Volunteer Programmes

At the beginning of the year we **collected blankets** from our employees because of the unusually cold winter. The donations we received were delivered to those in need by the Hungarian Interchurch Aid Organization.

In connection with the issuance of the Animal Stars charity scratch card, we organized a programme for our volunteers in **animal shelters**. We visited various shelters 6 times. Approximately 80 employees participated in the programmes.

In 2012 the **Pick it up! (TeSzedd!)**, otherwise known as Together for a Clean Hungary movement was organized again. The Miskolc Region represented our company, providing 30 persons to clean a part of a forest.

We participated in the **wheelchair basketball championship**, organized by the Hungarian Business Leaders Forum, for the fifth time. Wheelchaired basketball players visited the corporate sports day in September as well, where a large number of our employees could try the sport.

In December, in the framework of a joint **Christmas event** with Class FM Radio, our volunteers visited ten hospitals. While the Momentarily Company amused the children with improvisation theatre, our employees made several hospital corridors and rooms more colourful with fairy tale figures.



SZERENCSEJÁTÉK ZRT.

V. Our Social Commitment

Also in December a group of almost 50 volunteers helped at the **MikulásGyár** (Santa Claus Factory) Charity.

In acknowledgement of the high importance of volunteer work, the "Volunteer of the Year" award was entered into the Collective Bargaining Agreement, first bestowed in 2012 by the CEO.

"It was magnificent to be the first person to receive the "Volunteer of the Year" award. As an employee I'm proud that my employer, besides strictly financial goals, sets a high value on socially important issues as well. It's good to see that more and more colleagues become enthusiastic about volunteer programmes as there's nothing like bringing joy to others with mutual effort. Our work can make people smile.

The most memorable moment for me was related to a Christmas performance shown to children with underdeveloped social background. At the end of the performance we gave the parcels to the children with games and sweets collected by our colleagues. It was a magnificent feeling to see the amazement on their faces at first that they even get gifts, and then their shining eyes after they opened the parcels.

Volunteer work is also important to get a comprehensive picture about the hardship some of our fellow citizens must face during their everyday lives. It is this hardship that we are eager to assuage with our volunteer programmes."

Edit Kiss, Volunteer of the Year (2012)



SZERENCSEJÁTÉK ZRT.

VI. Our Environmental Responsibility



The materials and energy consumed by the lottery company and its emission constitute no serious danger to the physical environment. During the establishment of our processes we strive to reduce our environmental impact.



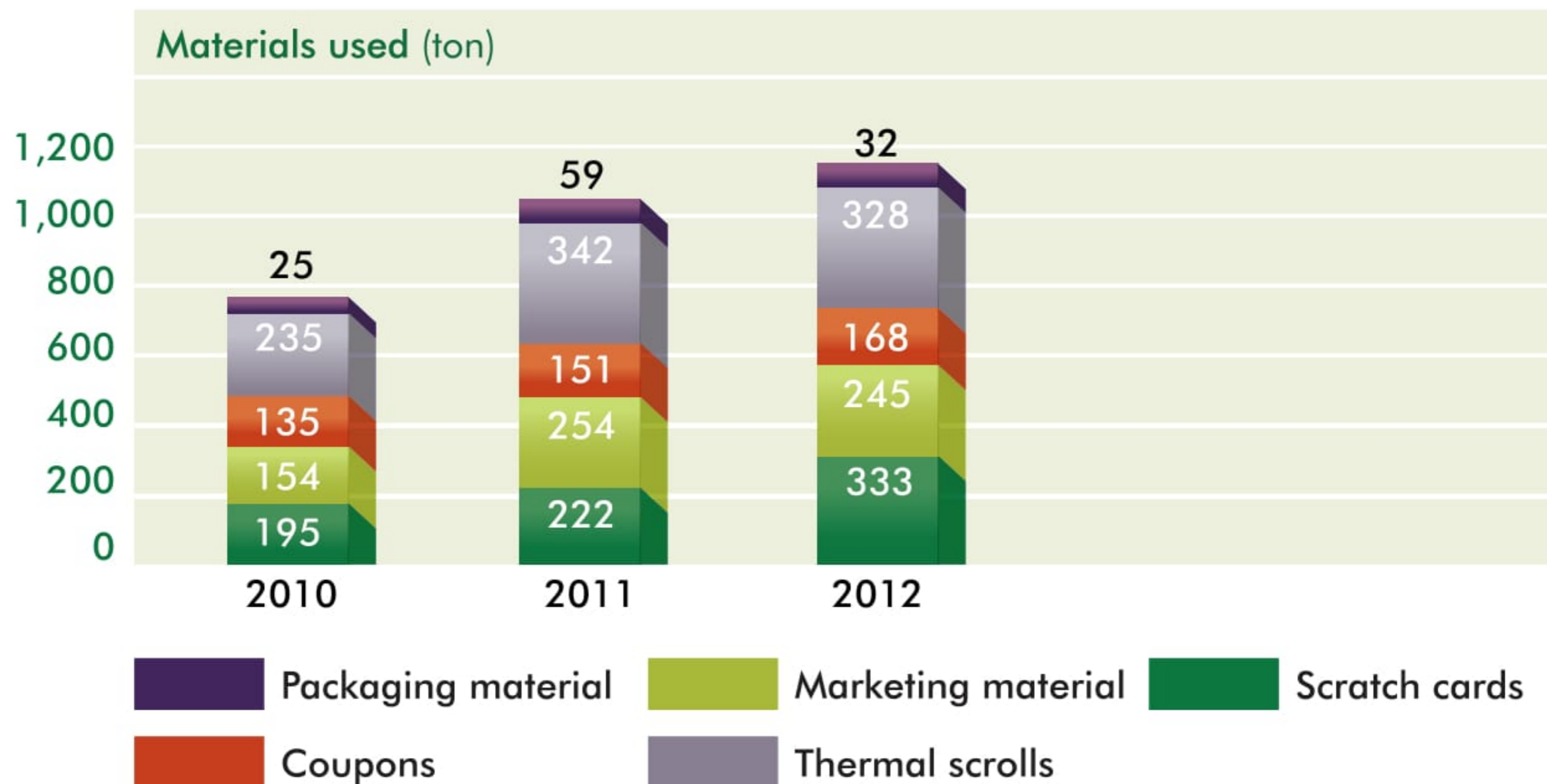
VI. Our Environmental Responsibility

In order to improve our environmental record, we laid down the following objectives:

- improving environmental consciousness in base activities and logistic processes
- reducing the environmental impact of operation tasks, especially the reduction of our consumption of paper and energy
- reducing the volume of waste created and increasing the proportion of recycled waste

Materials Used

The material demand of our activities is greatly dependent on the volume of products sold and the composition of our sales. The use of scratch cards and coupons has increased in line with the turnover.





SZERENCSEJÁTÉK ZRT.

VI. Our Environmental Responsibility

The logistics **commission system** introduced in 2011 was fine-tuned in the first half of 2012. We gave up the practice of providing addressed envelopes to outlets regularly, reducing the volume of required materials and encouraging outlets to send cardboard boxes and filling material created on-site back to centre. Recycling these materials, besides reducing operating expenses, is a significant step forward towards restructuring our processes in an environmentally conscious manner.

The **scratch cards** of Szerencsejáték Zrt. do not damage the environment at all. The raw materials for all scratch cards are provided by responsible and sustainable forestry and the tickets so made are 100 percent recyclable. Manufacturing is also based on strict environmental protection criteria, as is attested by the environmental certification of the scratch card presses contracted. Besides the ink used (water-based and UV treated) the packaging is also environmentally friendly – relying on recyclable boxes and pallets.

Environmental concerns also play an important part in the manufacturing of coupon cases. A point to know about **coupon cases**, prepared with flexographic printing, is that a special foil is used in their making that contains no heavy metals and materials harmful to the environment. Both sides of the completed case are multi-layered foils, so the ink used for the printing is not in touch with the user in any form.

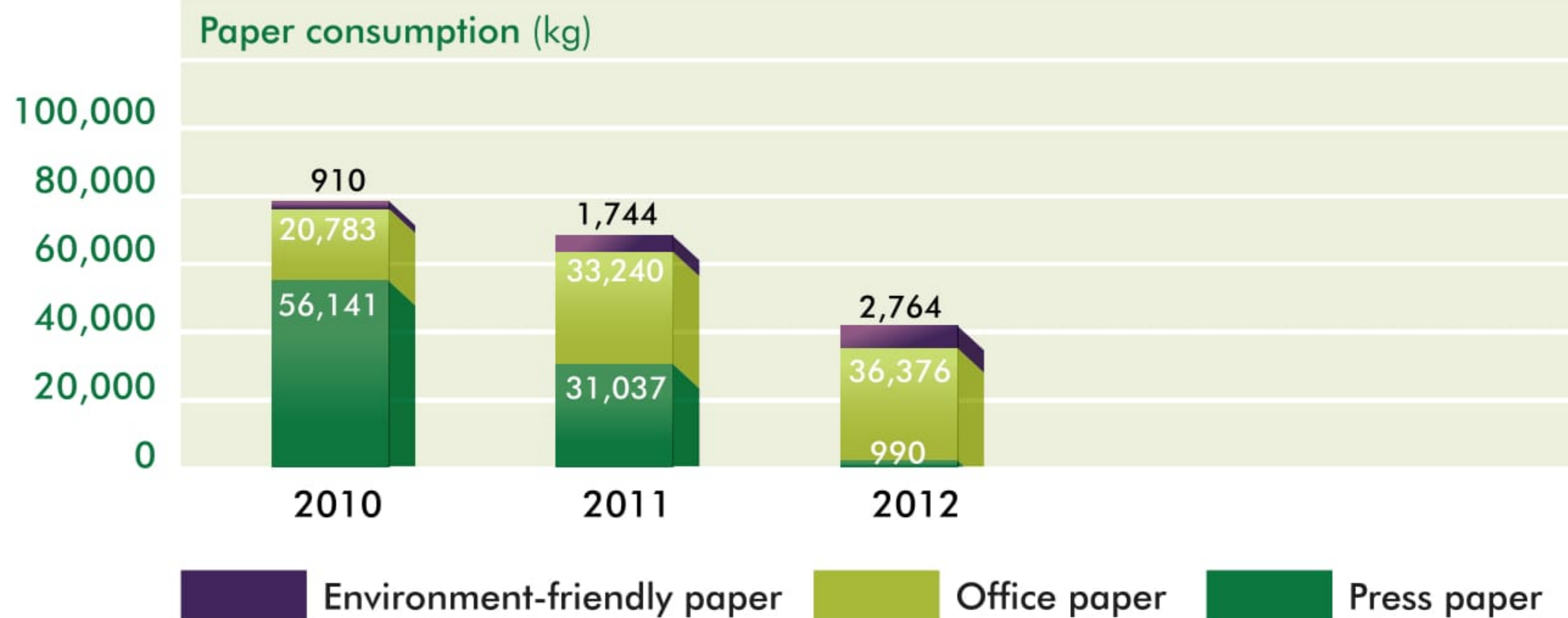


VI. Our Environmental Responsibility

Other Uses of Paper

As from 2011 we reduced the activity of our internal press, leaving to it only the multiplication of internal documents to be sent to the sales network. As from the end of 2012 we switched over to a more modern, electronic document management system in order to reduce office paper usage.

In the second half of 2011 we placed **environmentally friendly central printers** to the office buildings and we began the gradual withdrawal of desktop printers. The changeover to the new system was finished in 2012 with the introduction of a code and page-count based usage of the central printers. We expect that these measures will promote duplex printing and lead to considerable reduction of our paper consumption.



Energy Efficiency

Our energy consumption consists mainly of the electric energy and gas needed to operate our buildings. The engineering system of our central office building allows the recovery of the heat energy generated during production; this is eventually used to create hot water.

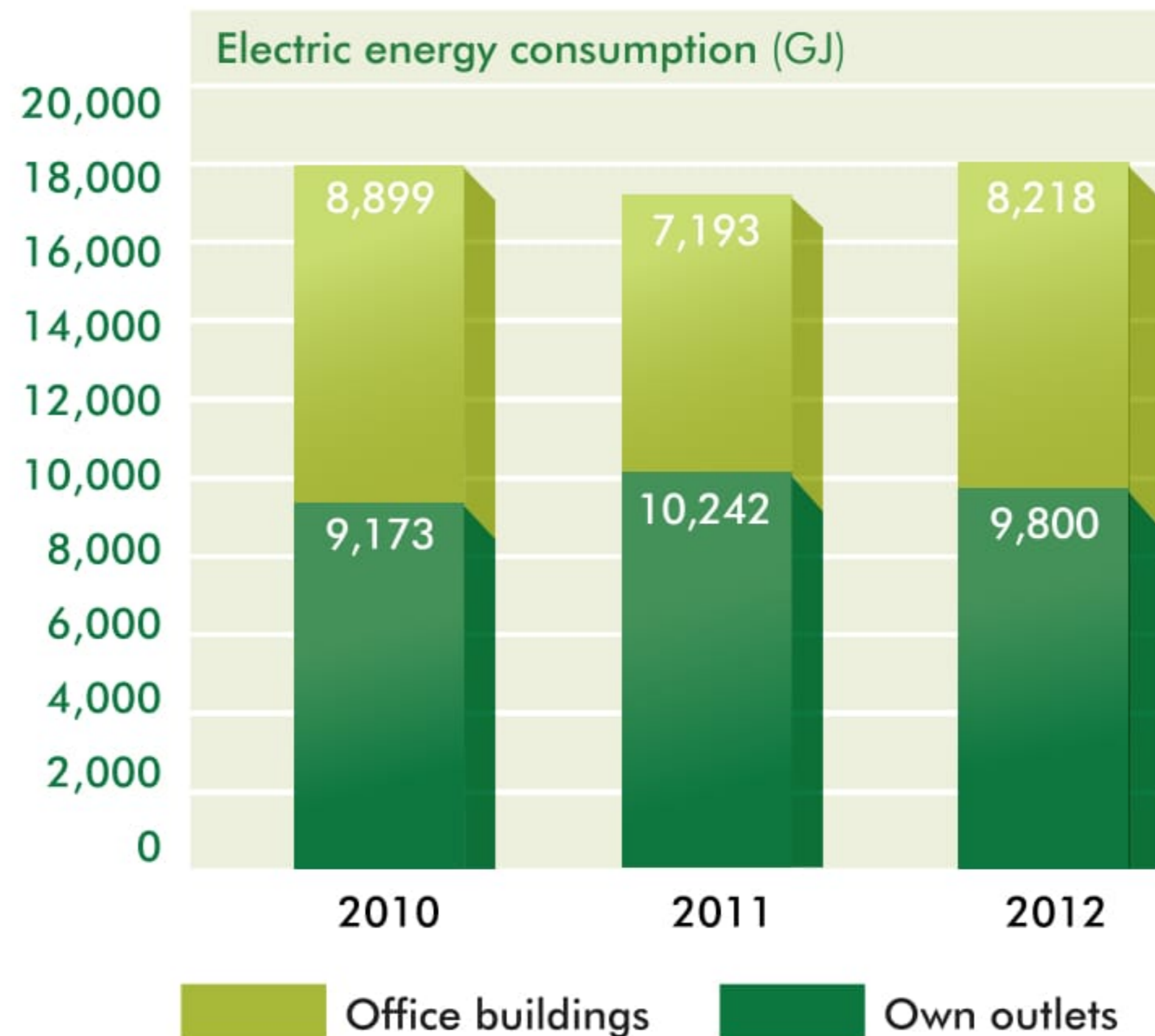


VI. Our Environmental Responsibility

The heating in most buildings is based on natural gas, we use district heating only in a few lottery shops. Typically, we use electric energy for lighting and cooling in office buildings and own outlets, and for operating office equipment and our information infrastructure. We use gas for heating, hot water and the cooling of the headquarters building.

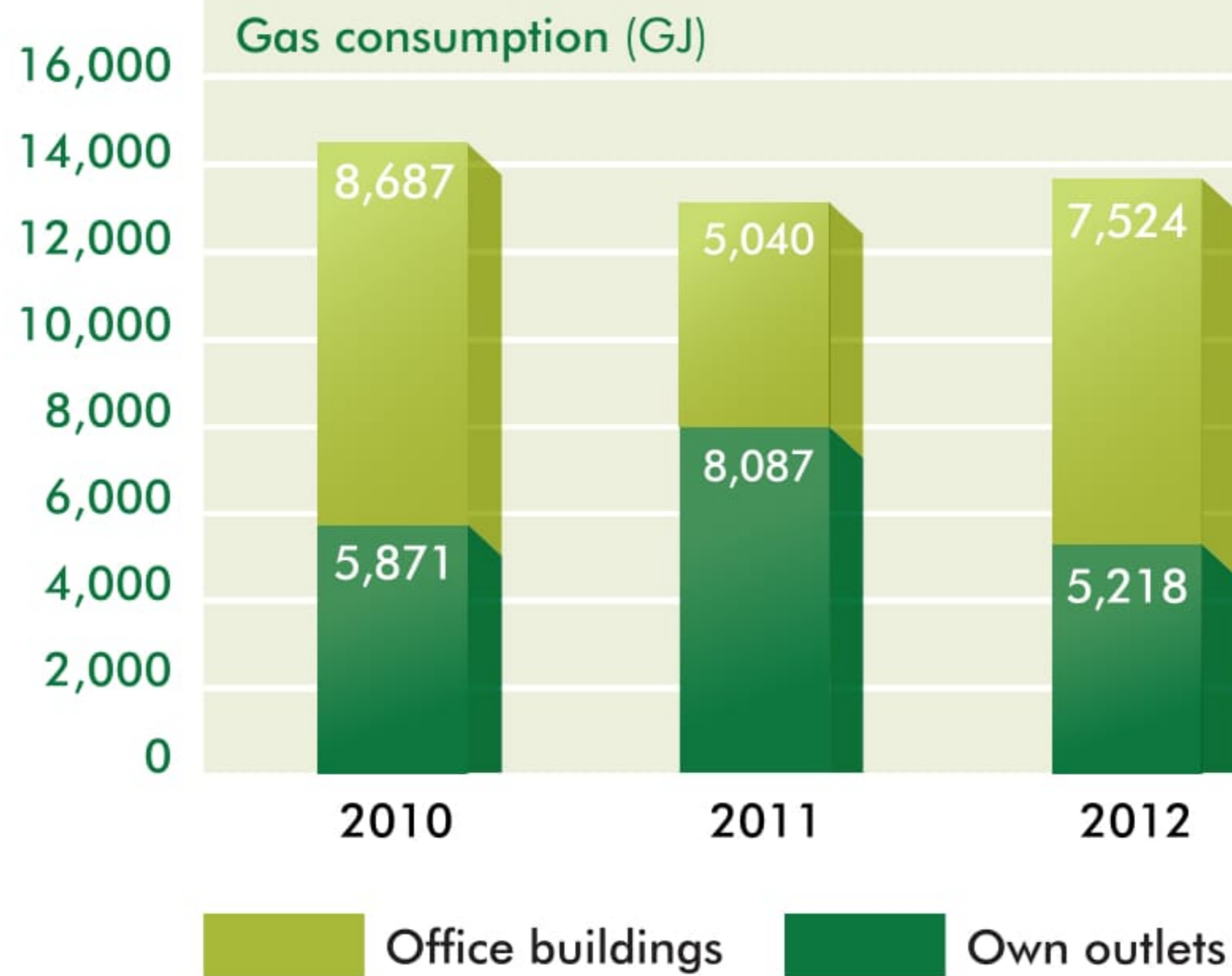
In the Csalogány street headquarters, reconstruction of the heating system, thermal insulation of the staircase and applying heat and light protection foils to the windows will, as expected, decrease energy consumption.

One of the important goals of renovations is to decrease the energy consumption of our outlets. We replace the previously used gas boilers with modern boilers with closed combustion chambers. Air conditioners are gradually replaced with devices using environmentally friendly cooling agents. We use LED light sources in all outlets renovated with a new design. This, beside being less harmful to the environment, makes it possible to save almost 83% of the consumed energy.





VI. Our Environmental Responsibility



Water management

Hot water is only used for community purposes at Szerencsejáték Zrt., so we can't report any substantial environmental impact in this area. The amount of waste water leaving our buildings through the utility's sewer is practically identical to our water consumption.





VI. Our Environmental Responsibility

Waste Management

Development of our waste management is one of the most important environmental tasks we're facing, including the prevention of waste generation and an increase in the proportion of recycled waste.

A large part of the communal waste can be collected selectively, an option we have been offering in our office buildings since 2009. The proportion of **selectively collected** paper, PET bottles, aluminium cans, e-waste, ink and toner cartridges and waste batteries is increasing year by year in our waste management.

Amount of recyclable waste in central office buildings (kg)	2010	2011	2012
Paper waste	10,495	37,373	33,247
PET bottles	896	285	718
Other recyclable waste	1,189	3,524	8,535
Total	12,580	41,182	42,500

Office paper, returned scratch cards and application materials are recycled through grinding. In 2012 we took a significant step forward in the selective collection of PET bottles, thanks to collection points placed in office corridors and the related attraction of attention.

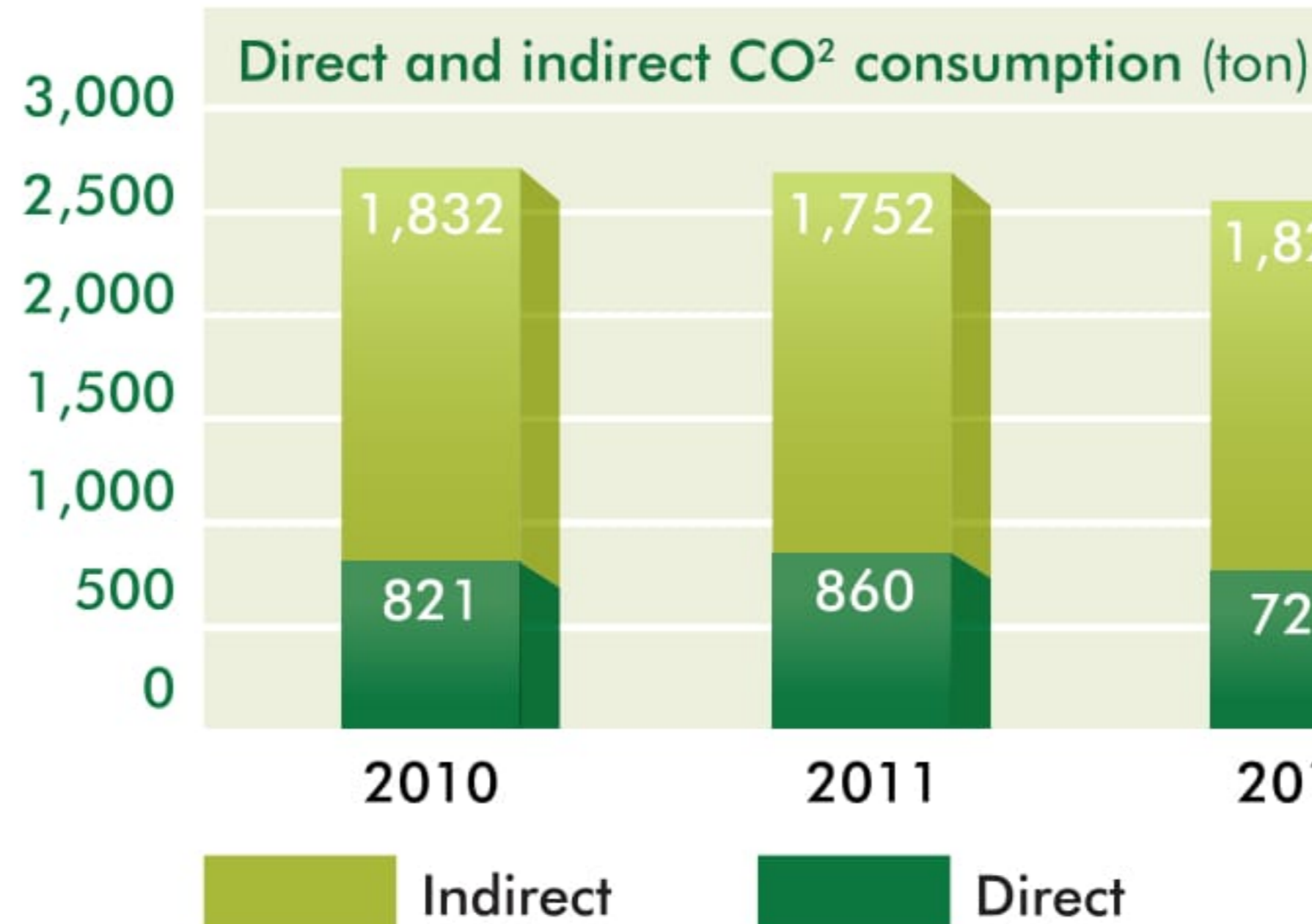


VI. Our Environmental Responsibility

Gas Emissions

Our activities do not entail any substantial direct emission of pollutants to the atmosphere. We operate low-emission, modern boilers to heat our buildings and to provide hot water, and we always pay environmental impact fees related to these as required by law. Emission is monitored annually. Emission values of boilers, as required by law, are declared to the environmental protection agencies.

We determine the yearly CO² emission of our office buildings and outlet through estimation, using an emission factor.



Environmental Protection Expenditure

Expenditure related to environmental protection entails the costs related to the Company's investments, environmental product charges, costs of licences we need and fines, if any.



VI. Our Environmental Responsibility

During the course of the past year, as before, we did not have any case requiring the elimination of damages nor emissions over limits, so we did not pay any environmental fines or penalties either. The Company pays air pollution fees for the pollutants emitted by the boilers.

Environmental expenditure (thousand HUF)	2010	2011	2012
Fines, penalties	0	0	0
Air pollution fee	12	14	14
Environmental product charges	19,740	26,473	29,114
Total	19,752	26,487	29,128

Based on authority decision, environmental product charges are paid by the manufacturer as from 2012. As this expense is in all cases charged to the customer, it remains an indirect environmental protection expenditure for us. The product charges paid this way for the paper of marketing materials, our Luck Mix journals, Toto schedules, posters displaying results, participation regulations, coupons, thermal rolls, scratch cards and their wood and foil packaging materials amounted to over HUF 29 million in 2012.



SZERENCSEJÁTÉK ZRT.

GRI Indicator List

GRI Indicator List

Indicator group	Number	Chapter	
Strategy and analysis	1.1.	Welcome by the CEO	
	1.2.	Our activity	
Organizational profile	2.1.	Corporate governance	
	2.2.	Our activity	
	2.3.	Our activity	
	2.4.	Our activity	
	2.5.	Corporate governance	
	2.6.	Corporate governance	
	2.7.	Our activity	
	2.8.	Our activity	
	2.9.	Number of Employees	
	2.10.	Equal opportunity	
Report parameters	3.1.	The Report	
	3.2.	The Report	
	3.3.	The Report	
	3.4.	Imprint	
Report scope and boundary	3.5.	The Report	
	3.6.	The Report	
	3.7.	The Report	
GRI content index	3.12.	GRI indicator list	
Corporate governance	4.1.	Corporate governance	
	4.2.	Corporate governance	
	4.4.	Relationship of employees and the management	
	4.5.	System of remunerations	
	4.6.	Relationship of employees and the management	
	4.8.	The Report	
	4.9.	Responsible corporate management	
	4.10.	System of remunerations	
	Commitment to external initiatives	4.11.	Risk management
		4.12.	Our activity, advertisement and marketing
4.13.		Our activity	
Stakeholder engagement	4.14.	Stakeholder connections	
	4.15.	Stakeholder connections	
Economic performance	EC1	Meeting our contribution obligations to the budget	
	EC3	System of remunerations	
	EC4	None received.	
Indirect economic impact	EC9	Meeting our contribution obligations to the budget, corporate responsibility	
Materials	EN1	Materials used	
Energy	EN3	Energy efficiency	
	EN4	Energy efficiency	



SZERENCSEJÁTÉK ZRT.

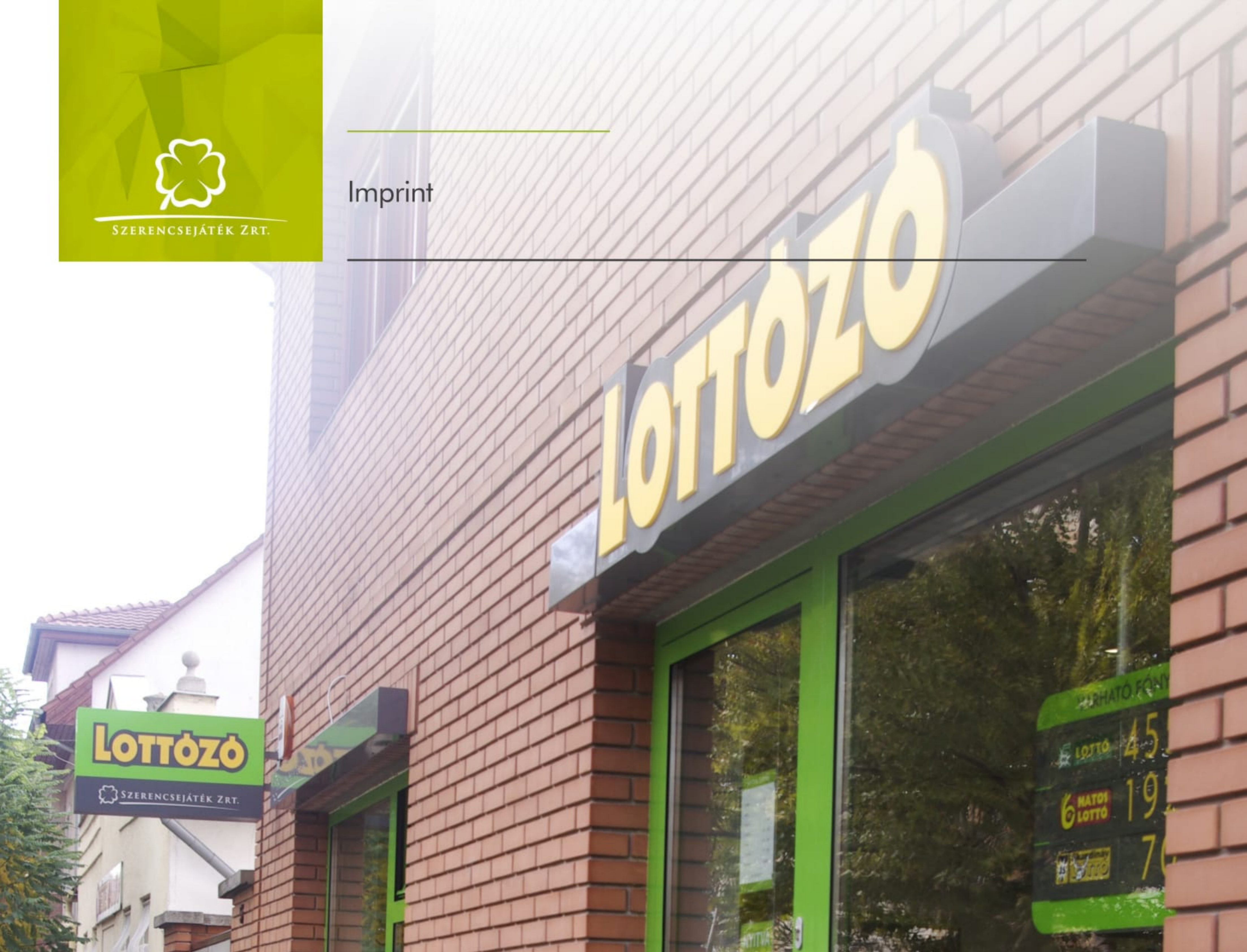
GRI Indicator List

Indicator group	Number	Chapter
Water	EN8	Water management
Emissions, effluents and waste	EN16	Gas emissions
	EN22	Waste management
	EN26	Materials used
Products and services	EN26	Materials used
Compliance	EN28	Environmental protection expenditure
Employment	LA1	Number of employees
	LA2	Number of employees
	LA3	System of remunerations
Labour/management relations	LA4	Relationship of employees and the management
Occupational Health and Safety	LA8	Training of employees
Training & Education	LA10	Training and development
	LA11	Training and development
	LA12	System of remunerations
Diversity and equal opportunity	LA14	System of remunerations
Non-discrimination	HR4	There was no discrimination case.
Compliance	SO8	Not included.
Customer health and safety	PR1	Game planning, game development
	PR2	Not included.
Product and service labelling	PR3	Advertisement and marketing, education and training of players
	PR4	Orientation of problem players towards treatment
Marketing communications	PR6	Advertisement and marketing
	PR7	Not included.
Customer privacy	PR8	Not included.
Compliance	PR9	Legal affairs



SZERENCSEJÁTÉK ZRT.

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