



SZERENCSEJÁTÉK ZRT.

ANNUAL REPORT  
2016



SZERENCSEJÁTÉK ZRT.

# Imprint

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**DEAR READER!**

The year 2016 proved to be a real milestone in the life of Szerencsejáték Zrt., which cannot be attributed merely to the 25-year anniversary of our company's existence.

***Perhaps nothing summarizes our results better than the fact that we again managed to exceed expectations regarding our business plans by generating a record-high revenue of about 385 billion HUF in 2016, which is roughly double the revenue of 2010.***

Furthermore, 2016 was a year that saw an outstanding number of lottery winnings and sports betting records. In 2016, all the numbers were successfully picked on 9 occasions in the pick-5 lottery, while this happened with the pick-6 lottery on 16 occasions, the Scandinavian Lotto on 15 occasions, and Joker on 25 occasions. To our players' delight, the payment of prizes amounted to approximately 240 billion HUF.

Sports bettors could also feel lucky since – as an effect of the UEFA European Championship and Rio 2016 Olympics – all sports betting records that had existed until

these events were broken. Nearly 40 million bets were placed, which resulted in winnings of over 11 billion for players who bet well. Our terminals were running red hot mainly at the time of the UEFA European Championship: we received over 900 thousand bets for each match involving the national team, and the number of bets in the bout against the Belgians in Round of 16 exceeded one million.

Apart from these results, scratch card sales peaked at record highs: our players bought a total of 28 million units of the most popular scratch card, the Black Jack.

As the saying goes: "Luck is nothing but when preparation meets opportunity." ***I believe that the preparation and aptitude of the more than 1,600 people employed by Szerencsejáték Zrt. also contributed to our excellent performance. Through their preparation they created an opportunity for our shared success, which has helped Szerencsejáték Zrt. now become the 18th largest company in the national economy.*** The foundations of our unbroken development are created by our corporate strategy for 2017-2022, which was adopted in 2016 with the following mission: we will continue to provide experiences and create value in the future.

However, these results could not have been achieved without the genuine trust of our players, either, which we make efforts to maintain on a daily basis. ***We continuously strive to provide the most player-centred and highest possible standard services to our customers and to meet the most variable demands of the most diverse generations in a professional manner. At the same time, we do not forget about our high-priority social responsibility, which***

***results from our monopolistic position and our operations in the gaming industry.***

The performance delivered by Szerencsejáték Zrt. in the field of societal value creation is well reflected by the fact that in 2016 alone we contributed nearly 83.5 billion HUF to the public purse, of which some 10 billion HUF was allocated to the development of Hungarian culture and 9 billion HUF to that of Hungarian sports.

Nevertheless, we also deserve to be proud of our scratch card sales network, which employs people with a reduced capacity for work and also significantly contributes to our achievements, of our prevention activities, which are designed to protect the mental health of children and youth and which are increasingly diverse and are reaching an increasing number of students. We also have good reason to be proud of the self-sacrifices made by nearly 200 company volunteers to improve our environment and make it more liveable. Moreover, we operate as a sustainable company, which means that – apart from our other values – we show due regard for environmental protection and the use of renewable energy resources.

We consider it highly important to continue to earn the trust placed in our company and to create a good example for other large corporations in Hungary in the field of social responsibility this year and in the future by ensuring transparency of operations, strictly adhering to rules, by guaranteeing payment of prizes, and also by mitigating the risks of developing gambling addictions.

In conclusion, there are some matters we cannot leave to chance.

***Dr. Márton Braun***  
*Chairman-CEO*



Company  
description

# Szerencsejáték Zrt. is the national lottery company of Hungary.

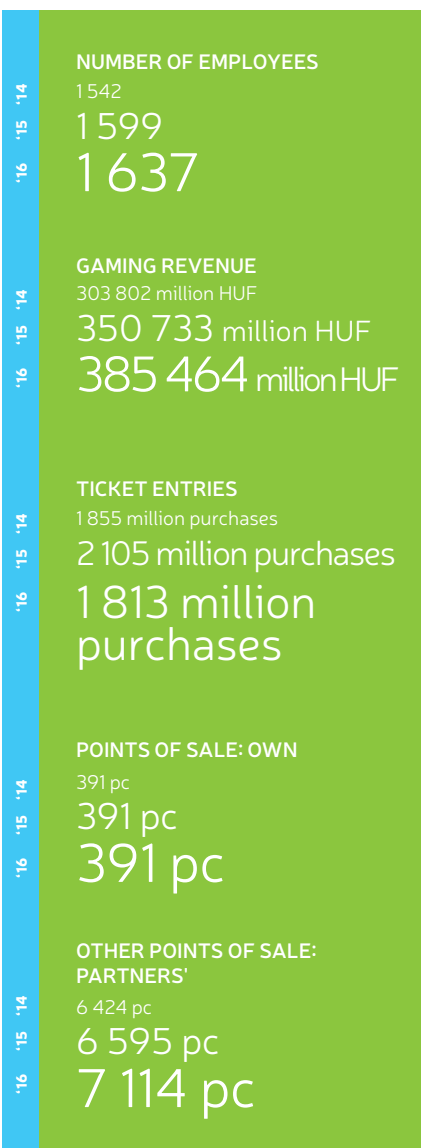
The company has the exclusive right to sell draw-based games and pari-mutuel bets (except for horse-racing) within the territory of the country. It also has the licence to organise bookmaker sports betting. It conducts gaming activities only in Hungary. Its corporate headquarters are in Budapest. As of 2016, its operations have again been based in five sales regions, including the Capital City, North Transdanubia, Miskolc, Pécs and Szeged.

In accordance with the effective legislation, the state has a permanent 100% interest in the company, meaning that Szerencsejáték Zrt. is a fully state-owned company. The owner's rights and responsibilities are exercised by the Minister of State Property, who performs these duties through Hungarian National Asset Management Ltd. (Magyar Nemzeti Vagyongezelő Zrt., or MNV Zrt. for short).

## Our core activity

Gambling is a very old and popular form of entertainment: nearly three quarters of the adult Hungarian population buy our products with varying degrees of regularity.

### NUMBERS OF SZERENCSEJÁTÉK ZRT.



### REAL WAGES OF HUNGARIANS HAVE INCREASED

The performance of the Hungarian economy improved by 2 per cent in 2016, to which – on the demand side – the increase in household consumption also contributed. Real wages rose by 7,4 per cent, so the change in the discretionary income of the population increased the demand for games of chance in a differentiated manner.

### PRODUCTS

**Draw-based games:** Pick-5 Lotto (a 5-from-90 format lottery), Pick-6 Lotto (a 6-from-45 format lottery), Scandinavian Lotto, Eurojackpot, Joker, Keno, Luxor, Putto

#### Scratch cards

**Pari-mutuel bets:** Toto Pools, Goal Toto

**Bookmaker sports betting:** Tippmix, TippmixPro

We are aware that games of chance cannot be considered standard commercial products since – due to the possibility of development of addiction – they can pose a menace to public health, public order and public safety. Minimizing the harm inherent in the industry and the protection of at-risk groups (mainly youth) are our first priorities.



In order to shape betting habits, we co-operate with governmental and supervisory organs, and – with regard to the psychological aspects of gambling – research institutions and health care institutions.

We lay great emphasis on coordinating tasks resulting from successfully managing the national assets in the care of the company, contributing to public expenditure, and taking responsibility for society and our players. To this end, we revised our mid-term business strategy during 2016 and by the end of the year had defined the new strategic guidelines to be followed from 2017.

#### **MISSION AND CORE VALUES IN THE STRATEGIC PERIOD ENDING IN 2016**

The mission of Szerencsejáték Zrt. is to meet the gambling entertainment needs of the adult Hungarian population in a professional way within the boundaries of responsible gaming and, in the meantime, contribute to financing national public expenditure as well as to the process of social value creation.

Our core values are sustainable and moderate growth, responsible gaming, the provision of an excellent product and service quality, customer orientation, reliability and social responsibility.

#### **INTER-ORGANISATIONAL CO-OPERATION, MEMBERSHIP OF OTHER BODIES**

Szerencsejáték Zrt. has been a member of the internationally recognized umbrella organizations of the gaming industry, the EL (European Lotteries) and the WLA (World Lottery Association), for decades. We participate in the professional programmes of these organisations in order to learn from them and adopt the best industry methods and procedures. Our activities adhere to common gaming principles, which are founded upon responsible gaming and information security standards. We regard as guidance the collaboratively developed system of values that focuses on the promotion of a diverse set of societal norms. This collaborative work has enabled us to join the Eurojackpot, which is jointly organised by several European lottery companies.

As a founding member, Szerencsejáték Zrt. is part of the Global Lottery Monitoring System (or GLMS for short), an international organisation which was jointly established by 27 EL and WLA member companies in 2015 to promote the integrity of sports betting. The main aim of this non-profit organisation is to deter sports betting fraud.

We have committed ourselves to co-operating with a number of organisations, all of which we are connected to through different features

of our business. We have kept in close touch with the Hungarian Advertising Self-Regulatory Board (Önszabályzó Reklám Testület, or ÖRT for short) for several years. We always advertise according to their guidelines. Our company is a member of the Hungarian Donors Forum (Magyar Adományozói Fórum) and the Employers' Forum for Equal Opportunities (Munkáltatók Esélyegyenlőségi Fóruma). At the end of 2016, we signed a membership declaration form to join an organisation called the Business Council for Sustainable Development in Hungary (or BCSDH for short).

#### **BCSDH**

The Business Council for Sustainable Development in Hungary (BCSDH) is the Hungarian branch of the World Business Council for Sustainable Development (WBCSD). This domestic organisation was set up in 2007 and currently has 79 member companies.

The mission of the organisation is to actively promote the three fundamental pillars of sustainable development among its member companies, to put the principles of business profitability, ecological balance and social equality into economic practice and adopt them, and thereby to increase business competitiveness and promote the sustainable development of Hungarian economy and society.

Similarly to the practices of other European countries, the rolling back of the profits of state-organised gaming significantly contributes to the financing of national sports. By buying sports associations' pecuniary media rights, Szerencsejáték Zrt. plays a direct institutional role in promoting the success of high-priority sports. As a first step, we started off by reaching an agreement with the Hungarian Handball Association, while in November 2016 we broadened the scope with another two sports: we came to an agreement with both the basketball and water polo associations.

#### PORTFOLIO

Our company has 100% ownership of Szerencsejáték Service Nonprofit Kft. and Belvárosi Kaszinó Kft., which has been inactive since 2015.

Szerencsejáték Service Nonprofit Kft. undertakes activities related to sponsorships and charitable donations.

## Corporate governance principles, management

Operating reliability is an essential criterion for the successful operation of Szerencsejáték Zrt. Our corporate governance principles, which ensure transparency, the optimal degree of regulation and strict conformity with legal rules, provide a firm foundation for maintaining the trust of our players and partners.

As the national lottery company of Hungary, we are tasked with providing Hungarian society with gaming opportunities in which gaming experience and the primary goal of entertainment are not corrupted by excessive and dangerous gambling, while at the same time we must keep up with the most recent technological developments.

#### SUSTAINABLE DEVELOPMENT

We have been committed to operating responsibly and sustainably for many years. As of 2010, the Corporate Social Responsibility Department, a separate organisational unit, has been in charge of these operating activities.

#### LEGAL COMPLIANCE

Abiding with the law is a basic, inescapable principle for us. It is confirmed in our Code of Ethics that the activities of the company must fully comply with relevant Hungarian and European regulations. We only offer fair and legal games, we take action against illegal gaming, and we behave reasonably towards our competitors.

Our games are properly regulated and safely organised. Szerencsejáték Zrt. is hardly ever involved in legal disputes or litigation with regard to the claiming of prizes. The proceedings of these legal disputes confirm the legality of our way of operating.

The Gaming Inspectorate of the National Tax and Customs Administration of Hungary

(Nemzeti Adó- és Vámhivatal, or NAV for short) regularly audits our operations and our sales network. The results of these audits are discussed in detail in the section entitled "Economic value creation".

#### TRANSPARENT AND ETHICAL BUSINESS OPERATIONS

Szerencsejáték Zrt. believes it is essential that its employees establish and maintain their employment status in legal security. This goal is facilitated by our Collective Agreement, which clearly defines the rights and duties of employers and employees. In 2016, all of the employees of the company, except the Chairman-CEO, the deputy CEOs and the directors, fell within its scope.

Our Collective Agreement is a bilateral contract that can be modified by management only with the agreement of the Trade Union. The Trade Union and the Works Council represent employees' rights relating to the establishment of working conditions and decisions about wages and benefits, and they also ensure that employee opinions are communicated to management.

Since 2007 the Ethics Committee has been at the disposal of employees to help clarify any ethical issues.

Also available in a printed format and publicised on the company's homepage, the Code of Ethics helps employees clarify any workplace-related ethical issues.

With regard to company employees, the Code of Ethics is designed to:

- define a set of rules for ethical behaviour,
- provide them with assistance in complying with these rules,
- inform the public about behaviours that employees can be expected to demonstrate,
- protect them from attempts to involve them in corrupt practices, from arbitrary measures which may be taken by employers, and from being unjustifiably held responsible.

The Code declares that a person who reports in good faith a suspected act of corruption or the risk it potentially involves can be put at no disadvantage.

Our company defines its own specifications about ethical and transparent business operating processes. These cover the topics of law-abiding behaviour, data security and confidentiality, ethical relations with players and efforts to reduce the risk of corrupt practices.

The Code of Ethics is reviewed by the company on a regular – at least triennial – basis. The current version has been effective as of 1st February 2015. In order to enforce the rules of ethics, the company can request guidance from an Ethics Committee with permanent members, which is tasked with preparing annual reports for the Chairman-CEO.

During 2016, only one ethical procedure was started based on an employee's

#### MEMBERS OF THE BOARD OF DIRECTORS IN 2016

Name	Position
<b>MÁRTON BRAUN, DR.</b>	Chairman of the Board of Directors
<b>KATALIN HÁRSVÖLGYI, DR.</b> (from 8th December 2016)	Member of the Board of Directors
<b>KÁROLY ATTILA KOLLÁR</b>	Member of the Board of Directors
<b>LÁSZLÓ GÁSPÁR KOSZORÚS</b>	Member of the Board of Directors
<b>CSABA NÁNÁSY</b> (until 7th December 2016)	Member of the Board of Directors
<b>ZSOLT PÉTER, DR.</b>	Member of the Board of Directors
<b>FERENC RÁCZ, DR.</b> (from 18th May 2016)	Member of the Board of Directors

#### MEMBERS OF THE SUPERVISORY BOARD IN 2016

Name	Position
<b>ZSOLT ISTVÁN INCZE</b>	Chairman of the Supervisory Board
<b>ISTVÁN KNAPP</b>	Member of the Supervisory Board
<b>GERGELY ÁKOS KUCZORA, DR.</b>	Member of the Supervisory Board
<b>GYULA MUCSI</b>	Member of the Supervisory Board
<b>NÓRA TURÓS, DR.</b>	Member of the Supervisory Board

report. This was submitted in December, so the investigation of the case was carried out the following year.

## GOVERNANCE

The company's executive body is the Board of Directors, which has the exclusive authority to make decisions about the issues listed in the Memorandum of Association. The Chief Executive Officer (CEO) is responsible for the company's operative leadership and is also the Chairman of the Board. The CEO is always appointed by Hungarian National Asset Management Ltd., which is entitled to exercise ownership rights.

The company's executive body is supervised by the Supervisory Board, one-third of whose members are employee representatives. The duties and responsibilities of the Supervisory Board are determined by the Memorandum of Association and the Rules of Procedure for the Supervisory Board.

Chief Executive Officers are required to always perform their duties within the scope of legal regulations, the Articles of Association and the resolutions issued by the General Meeting and the Board of Directors. They shall also act on behalf of the company and exercise ownership rights at members' meetings of subsidiaries according to the conditions defined in the Memorandum of Association.

The Organisational and Operational Regulation of Szerencsejáték Zrt. was modified twice during 2016. At the

LEADERS OF OUR WORK ORGANISATION IN 2016	
Name	Position
<b>MÁRTON BRAUN, DR.</b>	Chairman - Chief Executive Officer
<b>ZOLTÁN CSELOVSZKI</b>	General Deputy Chief Executive Officer
<b>SZABÓNÉ ÉVA HORVÁTH,</b> succeeded by <b>GYULA SZTRUHÁR, DR.</b> (from 1st June 2016)	Economic Deputy Chief Executive Officer
<b>ANITA BÁNKI,</b> succeeded by <b>MARCELL ZSIGA, DR.</b> (from 1st December 2016)	Director of Marketing and Communications
<b>LÁSZLÓ DANKÓ,</b> succeeded by <b>RÓBERT JÓZSEF DUBA</b> (from 31st May 2016)	Director of Security
<b>EDINA MÁRIA HORVÁTH, DR.</b>	Director of Legal Affairs, General Counsel
<b>ÁBEL KNUTH,</b> succeeded by <b>CSILLAG DÁVID</b> (from 15th 2016)	Director of Information Technology
<b>TAMÁS LOTHÁR SÁNDOR</b> (Director of Coordination until 31st May 2016)	Director of Human Resources

beginning of the year, the position of Deputy Chief Executive Officer was institutionally created in the governance structure. Effective as of June 2016, the second modification corrected some previous organisational arrangements and also established the Human Resources Directorate.

You can see our current organisational diagram on the company homepage.

## Stakeholders and their involvement

In the strategic period ending in 2016, we prepared an analysis of stakeholders, which we have regularly revised and updated.

We have defined the groups listed below as stakeholders of the company:

- internal stakeholders: owner, Board of Directors, Supervisory Board, management and employees.
- external stakeholders: legislators, authorities, media, industrial organisations, organisations that deal with prevention and addiction, NGOs, competitors, suppliers, players, gambling addicts, addicts' relatives, minors, parents of minors, pedagogues, and sales partners.

We consider it essential to create a realistic map of the interests of the different parties in order to maximise their commitment and

social capital while minimizing conflicts and protecting the interests of vulnerable groups.

These stakeholders are prioritised according to two distinct features: one is the influence of the stakeholders on the company, and the other one is their dependency on it.

Communication with stakeholders takes place by means of regular and ad hoc dialogue tailored to the particular stakeholder group, depending on the nature of the relationship or the topic.

Dialogue within the company helps with sharing tasks and time management between the different organisational units.

External communication, especially having conversations and participating in workshop projects with organisations knowledgeable about the issues of prevention and addiction, gives us significant new knowledge and new perspectives for corporate research and development, and increases our sensitivity towards the topic of addiction.

You can read more about this in the section of this report that deals with individual stakeholder groups (players, employees, suppliers, the environment).

## Industry regulation

### REGULATION OF THE EUROPEAN GAMING MARKET

Concerning this industry, no comprehensive legislation has been drawn up at the level of the European Union. Legislation basically falls within the competence of the member states. On the basis of the recommendations of the European Commission, EU member states are encouraged to ensure the high-level protection of consumers, vulnerable players and minors through the adoption of measures that deal with online gaming and related services. As reflected in the legal practices of the European Commission, the involvement of national game organisers in protecting players is generally favourably received.

### STAKEHOLDER PRIORITISATION

STAKEHOLDER INFLUENCE ON THE COMPANY			
		LOW	HIGH
STAKEHOLDER DEPENDENCY ON THE COMPANY	HIGH	NGOs, organisations that deal with prevention and addiction, gambling addicts, addicts' relatives	players, employees, management, sales partners
	LOW	minors, parents of minors, pedagogues, competitors, the natural environment	owner, Board of Directors, Supervisory Board, legislators, authorities, media, professional organisations, industrial organisations, suppliers

The **prevention of money laundering** is a regulatory field we consider to be a priority. The new and relevant EU guiding principle (4.) accepted in 2015 will need to be adopted by member countries into their own legal frameworks and applied to the field of gaming by 2017. This is a task that Szerencsejáték Zrt. started preparing for during 2016.

International trends are characterised by increasing demand for faster-paced (thus riskier) games, which is fostered by the spread of new electronic communication devices and – mostly illegal – trans-boundary online gaming. While national lottery companies facilitate the provision of services within national confines, profit-oriented private enterprises aim to cross national boundaries and take advantage of tax benefits. Our company returns about two-thirds of its clear gaming revenue in the form of taxes, fees and contributions to finance public expenditure.

**An agreement to preserve the integrity of sports** was signed within the framework of the European Council. The document stipulates that due to the fact that games of chance are not purely of a commercial nature, such services can be provided only with the permission of the legal authority that is competent according to the domicile of the player. European Union regulation is advancing toward a situation in which service providers will have to pay taxes according to the domicile of their buyers if purchases are made online.

## THE DOMESTIC REGULATORY ENVIRONMENT

The frequent amendments to the Gaming Act (Act No. XXXIV of 1991), which has the task of regulating the domestic gaming market, pose a **risk** to our company's operations. Szerencsejáték Zrt. is continuously faced with the challenge of having to adapt to a changing regulatory and legal environment. To provide a high standard of service to the domestic gaming market, the company is striving to broaden its range of activities and is also committed to contributing to reforming the legislative and regulatory background with its expert knowledge.

It is a positive development that the gaming supervisory body, the National Tax and Customs Administration of Hungary, consistently blocks unlicensed sports betting and gaming websites.

Government Decree No 329/2015, according to which detailed rules for responsible gaming were issued in November 2015, had an impact on the tasks that we were required to undertake in 2016, since we had to meet the expectations described therein. We succeeded in meeting these additional expectations, so based on a decision by NAV, our Company is now qualified as a recommended responsible game organiser until 23rd February 2018.

## "RECOMMENDED RESPONSIBLE GAME ORGANISER" QUALIFICATION

Gaming companies that meet the conditions prescribed under Section 22 of Government Decree No 329/2015 can be duly qualified on request. During the period of validity of qualification as a recommended responsible game organiser, a game organiser can display this certification on its homepage, in its gaming spaces, its advertisements and any commercial communication connected with the company name, and the names and logos used during its game-organising activities.

## CHANGES IN THE STRUCTURE OF THE MARKET

Restrictions on the operation of slot machines and then the closure of gaming rooms at the end of 2012 restructured the legal domestic gaming market and reduced its size by about 40 percent. By 2016, however, mainly due to the increase in revenue of Szerencsejáték Zrt., the market again reached the size it had been before the restrictions. Eighty-three per cent of the legal market, which – based on our clear gaming revenue – is estimated to be 173 billion HUF in size, is now under the control of our company.

There has been an increase in the number of casinos as a consequence of the new regulation introduced in 2015. This brought about a considerable change in the gaming market. By 2016, as many as nine facilities

were in operation. By law, a total of 11 terrestrial casinos are allowed to operate.

## Economic value creation

Innovation and continuous technological change play a prominent role in the operations of Szerencsejáték Zrt.

Our central sales system was replaced and our terminal park renewed in 2015, so due to the new so-called AEGIS system, we will be able to implement numerous developments designed to increase competitiveness and enhance the gaming experience in 2016.

Innovation shows up in our performance as well.

Profit before taxation was also outstanding in 2016, amounting to 17.38 billion HUF. As of financial year 2016, dividends declared payable shall be recorded in the accounting records in the financial year following the year under consideration, which is why no dividend was indicated in 2016.

You can find further details about economic value creation in the "Profit and loss account and balance sheet section" of the "Appendices".

### OUR PRODUCTS AND THEIR AVAILABILITY

In 2016, we were *offering* a range of 12 individual *games*, and a collection of 19

## Innovation shows up in our financial performance:

In 2016 *revenue* reached a record high:

385,5 billion HUF, which exceeded that of 2015 by 9,9%

The company sold 1,813 billion **entries** setting a new record.

Our profit before taxation was:

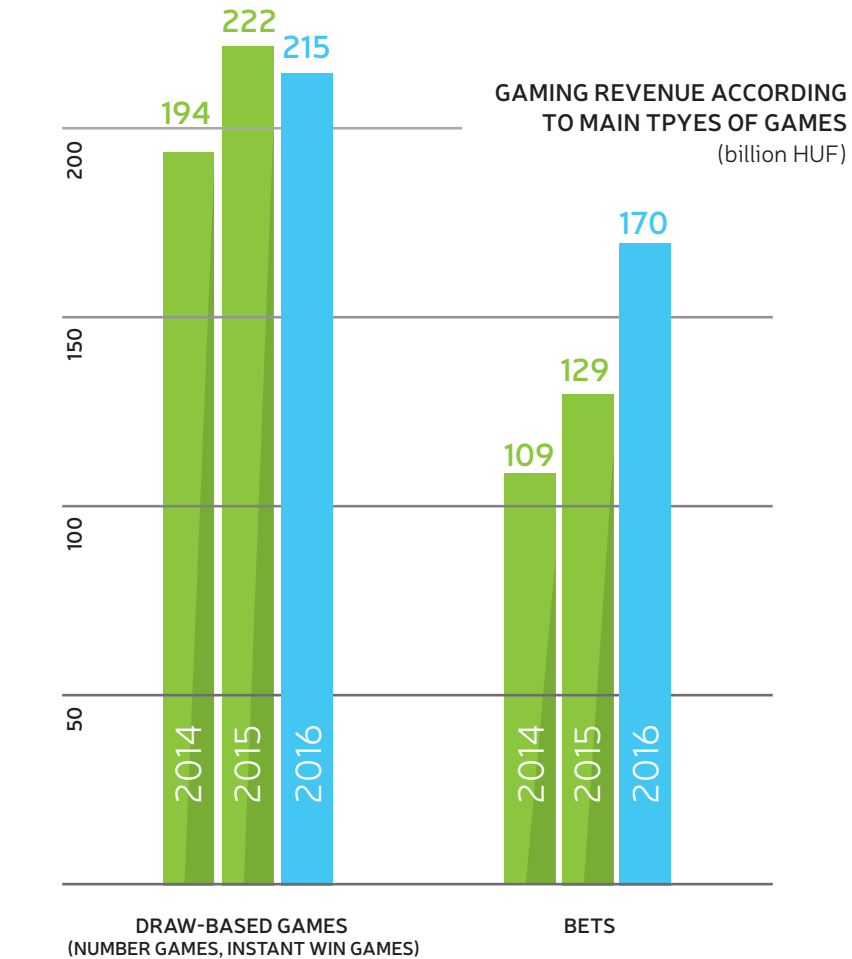
17,38 billion HUF

types of scratch card during the year (10-13 of these scratch cards in circulation at any one time). We offer a wide selection of games according to price as well as type, so everyone should be able to find an interesting way to entertain themselves.

It was typical of 2016 that **demand for our products changed in different ways**. First, demand for bookmaker sports betting grew dynamically, to which – among other things – the UEFA European Championship significantly contributed. Second, revenue from scratch cards increased too. Third, there was a drop in demand for pari-mutuel bets and numbers games, particularly traditional lottery games, continuing the trend that has been ongoing for years. The revenue that each game generates is described in detail in the “Appendices”.

In 2016, **in the pick-5 lottery** and **in the pick-6 lottery** there was no significant roll-up since during this time on 9 occasions and on 16 occasions (respectively) all the numbers were successfully picked. The lack of record-high winnings significantly contributes to the potentially negative impact on revenue from these particular games, but also indirectly on other numbers games, and – because of synergies – even on the revenue from scratch cards. Nevertheless, the Scandinavian Lotto, Joker, Keno, Putto and Eurojackpot all fulfilled our expectations. Only demand for Luxor markedly decreased.

Revenue from scratch cards continues to grow, but there was a slow-down in the growth rate of revenue they



generated in the previous year. Demand continued to shift towards scratch cards of higher price category.

Bets accounted for nearly half of corporate revenue (44,1%). There was intensive growth in demand for **bookmaker bets** (Tippmix, TippmixPro), which may be attributable to IT

developments, the significant number of sporting events, the growing popularity of live betting, and promotional activities, too. The UEFA European Championship, which took place in summer with the participation of the Hungarian national team, contributed to further growth in the activity of



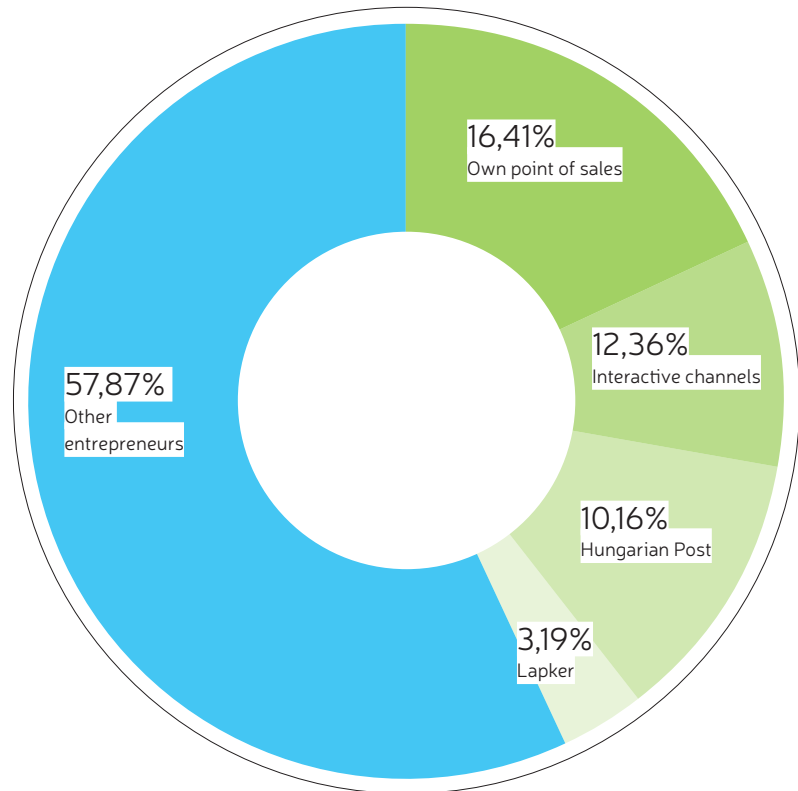
bettors. Pari-mutuel bets (Toto Pools, Goal Toto) continued to be marginalised.

Our extensive sales network ensures countrywide coverage, and our products are available through our traditional terrestrial sales network, as well as through interactive channels (on the internet, via text messaging and through cash points).

The major consideration we have when developing our sales channels is that they should be within the easiest possible reach of our customers. The network which connects over 7,500 points of sale (7 588 according to end-of-year data) is operated partly by Szerencsejáték Zrt. and partly by its sales partners. 4,513 of our points of sale are equipped with terminals and stock our full product range, whereas the rest sell only scratch cards.

In 2016, we had a total of 281 lottery agencies of our own and 110 charity points of sale. During the year, 12 lottery agencies were redesigned, and sales counters in 20 charity points of sale were given a new appearance and configuration.

Our major partners are Hungarian Post, with approximately 2,600 points of sale, and Lapker, with nearly 400 points of sale. Apart from these two operators, among our partners there are a variety of businesses with diverse business profiles that are responsible for over 4,000 points of sale.



## Contribution of individual sectors to revenue (2016)

As of 2016, in our land-based sales network we introduced the category “high-priority point of sale” for points of sale that must meet high-level expectations. In recognition of these high-level services, we ensure greater benefits to operators and higher-standard sales promotion tools.

**The technological renewal of the sales and betting system in 2015 meant that our customers could encounter several novelties:** Tippmix TV, Tippmix Radar mobile application, betting on Tippmix slips via interactive devices, betting points.

**Betting points:** This is a point-of-sale category introduced in the summer of 2016. It may be either our own lottery ticket agency or a partner’s place which provides for sports betting at a higher level and meets the prescribed technical and quality standards.

**Tippmix TV:** a system providing access to live sports events and information related to Tippmix in points of sale. Since mid-February 2016 four Tippmix information channels and the sports channel M4 have been operating at our own lottery ticket agencies which are equipped with satellite communication. Wherever we could not install a satellite dish, online streaming has been used to broadcast information channels. With a one-time investment, our sales partners can connect to the system anywhere in the country.

**Tippmix Radar:** a free smart phone application for tracking Tippmix results and checking the winning status of bet slips.

**“Place this bet in a lottery ticket agency”:** after being drawn up by the player, a Tippmix bet slip is sent to the system with a single click of this button. Subsequently, with the help of an identification number, bets can be retrieved and then actually placed on the POS within certain time limits. In our Rules for Participation, this is formally called “structured manual input”.

Szerencsejáték Zrt. provides **job opportunities and sources of income** for thousands of retailers who participate in selling its games, as well as for **about 12,000 people who are employed by its sales partners**. We sign entrepreneurial contracts with our sales partners and define the requirements for the legal employment of terminal operators, who must also be provided with training opportunities. Our company offers opportunities for participation in two sales-support training courses to its partners free of charge. The wages and benefits paid by our partners are not separately regulated. There are relevant statutory provisions pertaining to these.

At the initiative of the owner, in 2016 we joined in the selling of “Kincsem+Tuti”, the new product from the national horse-racing organising company (Magyar Lóversenyfogatást Szervező Kft). Preparations (training, regulations, software specifications, installations of terminals) had been completed in the previous year, so actual sales began in January 2016 involving 150 lottery agencies operated by our Company.

The Gaming Inspectorate regularly inspects our sales network. In 2016, it imposed fines (typically small fines of 100-200 thousand HUF) on the company on only eight occasions. We were fined mostly for lacking Rules for Participation and once for serving a minor. The total amount of penalties levied on Szerencsejáték Zrt was 1,500,000 HUF.



The basis of our operations:  
players' trust

# Throughout its twenty-five-year existence, our Company has considered reliability to be its guiding principle.

As a result of being a state-owned company, we are responsible for providing safe and legal gaming opportunities to our players. We go to every length to ensure that there is no room to doubt the integrity of draws, data protection, anonymity of bettors, and the payment of prizes.

Our community investments, supplier relations, the company's impact on the environment and our responsible gaming activities all have a significant influence on public trust in our company. These topics are discussed in detail in the rest of the report.

## SUPERVISED DRAWS

With regard to confidence in the operations of our company, **the integrity and the authenticity of draws is highly important**. Our draws are made in public, so anybody who is interested can observe for themselves the security of the processes that take place in accordance with our strict regulations. Employees of the authority inspected a total of 92 draws in person on 34 occasions in 2015, and no objections were raised.

Our drawing equipment is licensed and authenticated by the National Metrology Institute (Metrológiai Hatóság, formerly known as Országos Mérésügyi Hivatal).

**The verification procedure takes place twice a year**. During verification, hundreds of trial draws are conducted to examine the authenticity of our equipment and to ensure that winning numbers are selected on a purely

mathematically random basis. During this procedure, even the physical properties of the numbered balls – such as their diameter, their colour, whether they can be pressed together or perhaps wetted – come under scrutiny. Following the inspections, each ball is affixed with a seal and handed over to us. The affixed seals can only be broken and the drawing equipment used in the presence of a public notary who has been assigned to a particular draw. After each draw, the public notary in charge reseals the set of numbered balls.

## DRAWING COMMITTEE

Draws are also attended by the Drawing Committee. This body is tasked with making sure that personnel-related and technical conditions are appropriate, rules are complied with, draws are conducted in a secure manner, and results are forwarded to the headquarters of Szerencsejáték Zrt., where co-workers continue processing these data.

If any malfunctions are observed during a draw, the Drawing Committee must decide whether it should continue. Normally, in such – fortunately – very rare cases, the spare equipment that is required to be available by law, and which can be quickly put into operation during a draw, as well as a set of spare balls, are deployed.

## DATA SECURITY

**Guaranteeing data security** is essential to our sales process. If a single system error were to occur, it would shake public confidence in our company to its foundations.

The terminals that operate at our points of sale transmit betting and gaming data to a central system. Back-up copies are made of the data that is stored in the central system. The betting data that has been stored is then locked online before the draw. A trusted third-party provider that operates in accordance with international standards locks the data using a timestamp. The authentication of betting data is ensured through the use of the highest-level legally prescribed signatures and other verification methods.

Since 2012, the processes and systems related to our products have been subjected to ISO 27001 and WLA SCS information security audits. The renewal audit having been carried out, our certificates, which also serve as the operating standards for the Eurojackpot numbers game, are valid until 2018.

## ACTION AGAINST ONLINE CORRUPTION

Our company puts great emphasis on maintaining the integrity of games played via online interfaces and on **preventing instances of corruption**. A department specifically created for this purpose closely co-operates with financial institutes and telephone companies with which our company has signed contracts. If a player's involvement in any act of corruption is confirmed following a process of checking, then according to the operative rules they will be banned from online gaming. Furthermore, – depending on the nature of corruption – legal action against perpetrators may follow.

Most of the reports received from the public in 2016 did not concern our own products, but frauds committed by players unauthorised to use the name Szerencsejáték Zrt. As a result, we have introduced a new category called “system-independent fraud” in our administrative system.

## GUARANTEED PAYMENT OF PRIZES

Szerencsejáték Zrt. **guarantees payment of prizes**. Players have the opportunity to collect their winnings at intervals specified by the law and the rules of participation. If a winner does not appear (whether to collect a low or high value prize), the unclaimed prize is rolled back, mainly by means

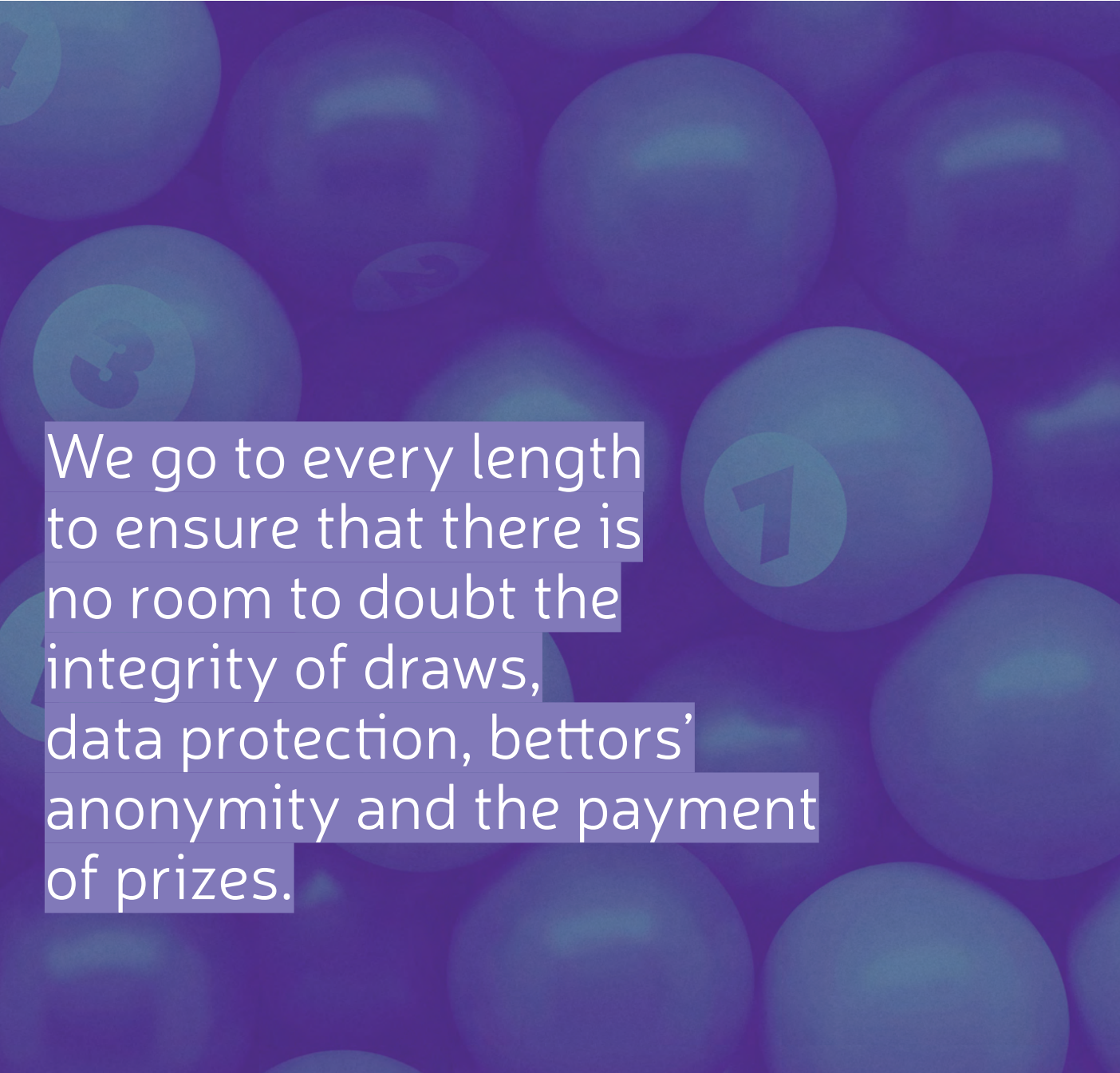
of separate draws, but it may also be used to increase the size of a prize pool (dotation) as well as to round up the value of prizes.

We allow players who are registered online to collect smaller prizes through automated transfer. In 2016, customer investigators conducted over 17,000 manual inspections and approved payments of prizes.

## WINNER ANONYMITY

The **payment of prizes** is a confidential issue. We **handle** our winning clients' data **discreetly**. The online terminals at our points of sale never display the exact amounts when reading receipts of prize confirmation but only indicate that a particular player has won a large or special prize. Winners' data is always handled as confidential business information by our sales staff at all of our points of sale.

When large winnings are collected, only exclusively assigned sales staff (2-3 people) who have all been **sworn to secrecy** are permitted to be in attendance on behalf of Szerencsejáték Zrt.



We go to every length to ensure that there is no room to doubt the integrity of draws, data protection, bettors' anonymity and the payment of prizes.



Responsible gaming  
and prevention

# The central element of our corporate social responsibility is responsible gaming.

This notion comprises all the conscious activities which go beyond legal obligations and with which we strive to **protect our players** from the harmful consequences of excessive gambling.

Responsible gaming has been one of the most important elements of our corporate strategy and will remain so after 2016. This principle **guides our working processes**, ranging from planning to training of employees, and even our advertising activities, all the way through to sales.

## AS RESPONSIBLE GAME ORGANISERS:

- We encourage our customers to engage in moderate gaming, and go to great lengths to ensure that gaming remains a pleasure, a form of entertainment and an experience.
- We do not offer games which are classified as being risky. In the course of game development, we always use GAM-GaRD, a risk-analysis software program, to carry out a preliminary risk assessment of both our newly developed products that are due to be launched and old products which are being renewed.
- We protect youth. We never sell games of chance to under-eighteens, and we do not target minors with our advertising activities.
- We offer a voluntary self-restraint option to our online bettors. Alerts, spending limit settings and even a self-exclusion option are at players' disposal so that they can define their own limits to their gambling.

- We regularly conduct research into and communicate the issue of gambling addiction. We pay special attention to raising awareness of the risks of gambling addiction and prevention and treatment options.
- All employees of Szerencsejáték Zrt. are given training in responsible gaming, which ends with an exam.
- We forbid our sales staff from selling games of chance on credit and entering into agreements about splitting prizes.
- We help our players by providing information about games. This assists them to make more responsible decisions by learning about the risks that are involved.
- We regularly conduct research to remain aware about the prevalence of games of choice and their social impacts.

## INTERNATIONAL RECOGNITION

Our responsible gaming activity has followed international best practices since 2010. We also seek to comply formally with standards established and guidelines developed by the European and international associations of lottery companies (European Lotteries, and the World Lottery Association). Therefore, **we subject ourselves to an assurance procedure every three years**. For the third time (after 2010 and 2013) we earned a Responsible Game Organiser certificate (May 2016). This certificate also provided the basis for WLA to recognise our responsible activity in December 2016.

Both of these documents of verification will remain valid until 2019.

## STATUTORY REQUIREMENTS

Since the end of 2015, when detailed rules for responsible gaming were issued in Government Decree No 329/2015 (XI.10.), the importance of responsible gaming has been confirmed by the government. In accordance with the government decree, all our points of sale provide our players with **information brochures about the protection of players and lists of service centres** which have been drawn up by the Ministry for National Economy.

The government decree also prescribes that notices or stickers which show **the Green Number related to the protection of players** must be located somewhere visible at all points of sale.

In accordance with the government decree, some of the responsible gaming organiser measures we have so far volunteered for have been included in our game plans and rules for participation.

## PARTNER CO-OPERATION

In 2016, we renewed our collaboration with the National Healthcare Service Centre (Állami Egészségügyi Ellátó Központ, or ÁEEK for short; formerly known as GYEMSZI and ESKI). As a result, the **subpage dedicated to gambling addiction** and the "Dr.Info" service ([www.dr.info.hu/drinfo](http://www.dr.info.hu/drinfo)) continue to be available on the website of the centre.



We have also extended our contract with the Pro Psychologia Foundation, the operator of **ELTE's emergency line for players**, which provides help to people affected by problem gambling and their family members by e-mail, telephone or in person (within a defined monthly limit).

We make considerable efforts to help gambling addicts and their family members – as well as to operate our school-based prevention programme – as part of our long-standing collaboration with Hungarian Interchurch Aid (Magyar Ökumenikus Segélyszervezet, or MÖS for short). In Debrecen, Miskolc, Csepel and Szolnok, **therapy groups for gambling addicts and their relatives** are available for those in need.

## RESPONSIBLE GAMING INSTRUMENTS

The booklet entitled **“Let it remain a game”** (Maradjon játék!), which contains practical information related to the topic, is available to players at our points of sale. Other responsible gaming instruments we use include stickers which indicate that under-eighteens are prohibited to gamble, and notices which warn of the dangers of developing an addiction. Whether points of sales are appropriately displaying these warnings is continuously checked by our network inspectors, and any absences are sanctioned.

Apart from the booklet “Let it remain a game”, we support the webpage [www.maradjonjatek.hu](http://www.maradjonjatek.hu) with related information, and we also publish news related to gambling addiction on

Szerencsejáték Zrt.'s own webpage.

Our **gaming information booklets and videos** continue to ensure that players learn about the unique features and chances of winning particular games, and then – in the knowledge of these facts – support their decisions about the amount they spend, and how much they play.

We continue to use and therefore have renewed our GAM-GaRD software subscription, which is used for qualifying games on an international basis.

## GREEN LINE FOR PROTECTING PLAYERS: 80/205-352

To support the organisers of responsible gaming and the interests of consumer and player protection, the National Tax Administration maintains a green line where reports, complaints and proposals related to the topic can be made verbally.

The green number is in operation around the clock and can be called from anywhere the country. After calling the number, following a short greeting message after the tone you can leave a message on the answering machine.

**Subpage dedicated to gambling addiction:** [www.eski.hu/jatekfuggoseg/](http://www.eski.hu/jatekfuggoseg/)

**Dr. Info public healthcare information portal:** <http://www.dr.info.hu/drinfo/>,

**telephone number:** 06-40-374-636

**ELTE's emergency line for players:**  
06 (1) 411-6778,

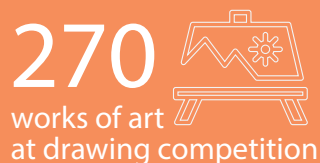
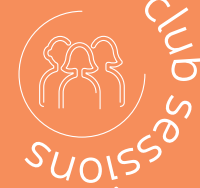
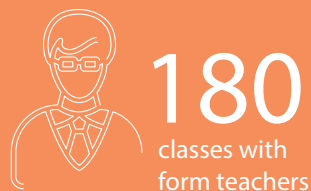
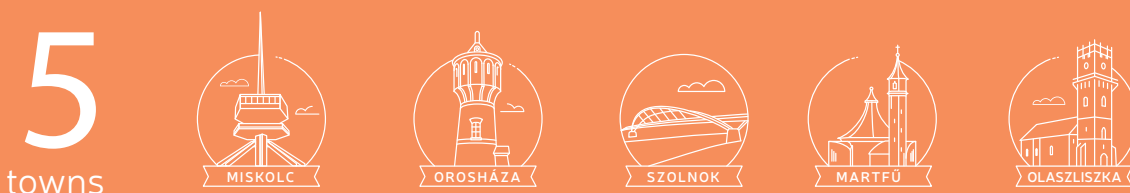
**e-mail:** [szerencse@ppk.elte.hu](mailto:szerencse@ppk.elte.hu)

## RESEARCH

We have conducted research for many years to create a map of Hungarian gambling habits. One important figure regarding our population's use of games is 1.36%, which indicates the proportion of people suffering from gambling addiction (or for want of a better word, gambling abuse, the new professional term) within (over-fifteen-year-old members of) Hungarian society. This suggests that approximately 110-120 thousand people are affected, along with approximately one hundred thousand who live in their close environment (based on representative research conducted among 4000 people by Kutatópont in 2015).

The results of this research unequivocally confirm the assumption that young generations (under eighteen years of age) are disproportionately vulnerable and exposed to the risk of gambling addiction. Nearly 40% of this age group are involved in some kind of gambling activity, which unambiguously indicates the need for preventative activities and efficient modes of intervention.

## Prevention



### Gaming within Limits

Encouraged by the successes we have already achieved, we have continued the model prevention programme launched in 2012 under the title **"Gaming within Limits"** (Játék határokkal). We involved **10 institutions** (9 schools, and the SOS children's village in Orosháza) in another **five towns** (Miskolc, Orosháza, Szolnok, Martfű and Olaszliszka) in the prevention programme that has been

developed by experts from Hungarian Interchurch Aid.

**Ad hoc classes with form teachers**, which revolve around the concepts of playing, luck and addiction, free-time **club sessions**, which support the experience of playing together, and **peer training** – that is, the sensitisation and training of youth at participating schools – have

continued to be an important part of the programme.

In 2016, a new **art competition** provided an opportunity for motivated and enthusiastic children to process the topic of addiction creatively. The works of art that were created were extraordinary, and were displayed at three exhibitions to those who were interested.

#### A QUOTE FROM THE CALL FOR SUBMISSIONS OF CREATIVE ART:

“The competition is firstly designed to draw attention to the risks of gambling addiction, and secondly to show positive alternatives which can help prevent addiction.

We are expecting to receive works of art in the form of drawings, graphics, paintings or collages which draw attention to the harmful consequences of gambling addiction, or illustrate the importance of real community experiences and community free-time activities as a potential means of preventing addiction, especially gambling addiction”.

We have also opened up towards working with ‘non-formal education’ schools by adopting the thus-far school-based prevention programme to so-called special types of “tanodas”, schools which teach disadvantaged children with special needs. The children who form the target group of such educational establishments are particularly at risk of becoming addicted to gambling.

To promote awareness of the programme and increase its attractiveness to more institutions, we have organised playful learning experiences to acquaint new students and teachers with the method.


To summarise the experiences and results obtained so far, as well as to make future work easier, we have also prepared a methodological manual which will serve as an educational aid and practical guide for participating schools.

#### PREPARATIONS FOR PREVENTION WEBSITE

Continuing the work we started in 2015, we have involved an expert partner and started preparing a **website** which will make prevention work more efficient and strengthen the safety net made up of parents and pedagogues.

The professional strategy and content strategy of the webpage and the operational framework have already been tested and developed by a group of experts (who represent those most capable of intermediating and expressing the latest professional standpoints, with most experience in the topic of addiction and/or prevention of minors). It was also necessary to involve experts in online communication and news portals in the process of development. During this work, we created a mission for the webpage, as well as defined its unique features. Meanwhile, we have also specified target groups in detail. Subsequently, building on the diversity of potential content, with the involvement of an editor and journalists we produced sample content that has been tested among a sample who represent our target group.

Following this preparatory work, we are planning to make the website operational in the second half of 2017.

The background of the page is a vibrant, abstract composition of overlapping circles in shades of orange, purple, and yellow. A prominent feature is a large, semi-transparent orange circle containing a white number '7'. The overall aesthetic is modern and energetic.

We have started preparing a webpage which will make prevention work more efficient and also strengthen the protective network made up of parents and pedagogues.

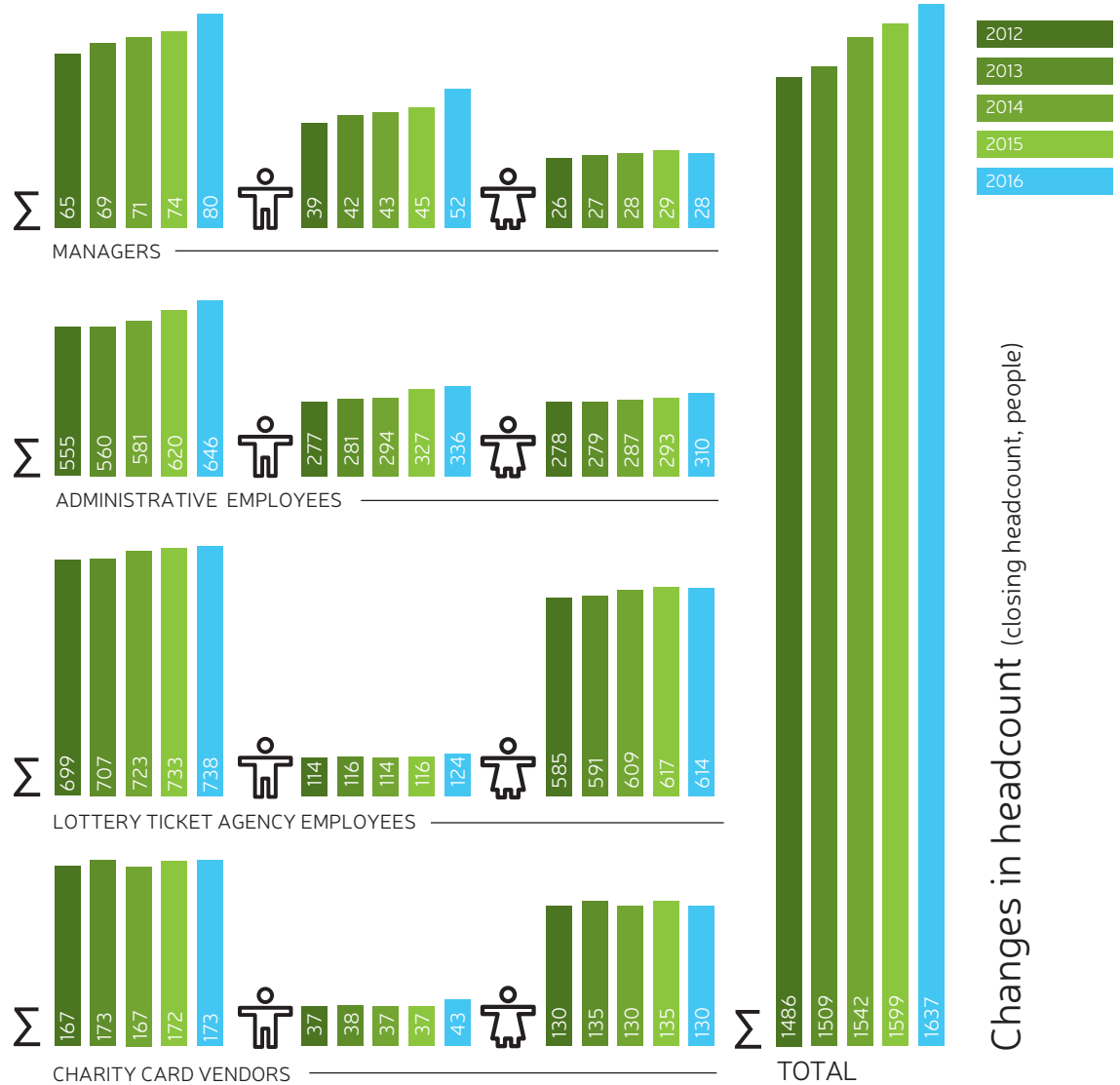


Our employees and  
their motivation

# As a responsible employer, we provide secure jobs and a living to our employees.

By the end of 2016, the headcount of the Company had reached **1637 people**, 911 of whom were working in points of sale. Among our own sales staff, 176 people have reduced capacity for work. The total headcount of those participating in sales support, working for the organisation, providing internal services, and management was 726 people.

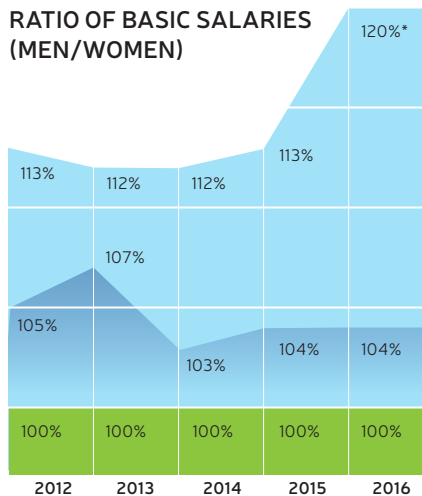
Our company considers it of paramount importance to retain employees who are highly skilled and also have considerable professional experience. Accordingly, it is essential that we offer them proper working conditions and opportunities for further training and that we also foster equal opportunities and a decent work-life balance.



Changes in headcount (closing headcount, people)

Our employment practice involves following the principle of **equal treatment** in terms of remuneration for men and women, full-time and part-time employees, and people with a reduced capacity for work.

### RATIO OF BASIC SALARIES (MEN/WOMEN)



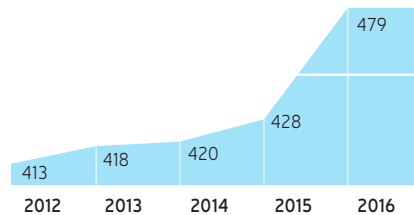
\*Company management, which is comprised of 8 people, is made up of 7 men and 1 woman.

- managers
- back office employees (excluding managers)
- lottery ticket agency employees/scratch card sales assistants

Provision of **performance-related pay is now** a smoothly-working practice in sales-related jobs, and a part of sales employees' salaries is given in this form. Back office employees are offered financial incentives based on the profitability of the company.

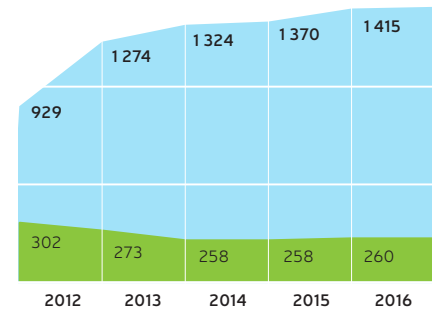
Traditionally, we pay close attention to maintaining the **welfare and social care** of our employees. We offer the same benefits to part-time employees as full-time employees, on a proportionate basis. In 2016, our company employed 479 part-time employees, more than a quarter of total employee headcount.

### PART-TIME EMPLOYEES (PEOPLE)



Our employees can select fringe benefits (for example, voluntary health fund services, voluntary pension contributions, the Széchenyi Recreation Card, the Erzsébet electronic voucher card, local travel passes and mortgage repayments) from the **"cafeteria" system** up to an annually defined limit according to their personal demands (living circumstances, consumption habits, state of health, etc.). Employees can also take advantage of healthcare services as part of our service-financing health insurance package.

### CAFETERIA (MILLION HUF)



- Annual cafeteria
- of which: voluntary pension contributions

### TRAINING AND DEVELOPMENT

The training of our employees takes place according to **Professional Training Rules**. Employees **who work in sales** are given complex training. These individuals must hold a valid certificate in terminal handling, business procedures, money and wealth handling, and security. Their training is supplemented with refresher exams, skill-developing training courses, and an internship at a lottery ticket agency, and before the launch of products, employees must also participate in training that ends with an exam. Training and examination materials for all employees place significant emphasis on responsible game organising. **In 2016**, we held a **comprehensive training course about responsible game organising** for our employees.

We strive to define the duties of jobs in harmony with the professional development needs of employers and employees. There are a few “small career paths” which have been well-established during our practical operations that indicate the way to advance within the company. For instance, employees who work as sales assistants in lottery agencies have the opportunity to train for sales organizing jobs in regional centres. We also incentivise the advancement of employees who have already gained experience in the company by signing study contracts with them and providing support for the training they need to undertake more challenging jobs.

To provide appropriate services to people living with disabilities, we help our sales staff with sensitivity training. The professional programme implementer is the **Salva Vita Foundation**, with whom we signed a three-year contract in 2015. According to the original plans, during their contractual period, all of our lottery agency employees receive training on this topic. The schedule might, however, change in consideration of the other training engagements of sales staff. In 2016, a total of 101 employees attended a sensitivity training courses on 10 occasions.

**International professional conferences** also provide our employees with a great opportunity to familiarise themselves with the “best practices” of foreign lottery companies, and to build and strengthen corporate relations.

## EMPLOYING PEOPLE WITH REDUCED CAPACITY FOR WORK

As a responsible employer, Szerencsejáték Zrt. considers it crucial to take part in employing people with reduced capacity for work who live in Hungary. In 2003, we set up a **scratch card sales system** that employs only people with reduced capacity for work. We consider the tasks related to this network to be part of our societal mission, and an example to other companies.

Players can meet over 170 colleagues who are employed by this network at more than 100 venues across the country. Counters which sell scratch cards are typically located at the entrance halls of grocery stores and department stores, and in healthcare institutions. In recognition of the efforts we had made in this field, in December 2016 – for the fourth time – we received a **“Disability-friendly Workplace”** award. We were also given a special award for the sensitivity training we had provided to lottery ticket agency sales assistants.

## DISABILITY-FRIENDLY WORKPLACE:

The Salva Vita Foundation launched the “Disability-friendly Workplace” award scheme in 2010 to help match job-seekers living with disabilities and employers open towards employing them. In Great Britain, there is a similar programme which has been working very successfully for more than 20 years.

Every year, the Ministry of Human Capacities (formerly known as the Ministry of Human Resources), the American Chamber of Commerce in Hungary, the Alliance for Excellence Public Utility Association (Kiválóságért Közhasznú Egyesület) and the Salva Vita Foundation jointly confer the award on employers who meet the terms and conditions listed in the call for proposals. Proposals can be submitted by employers who undertake to continuously develop their practices related to the recruitment, employment and retention of people living with disabilities. Any employer in the open labour market can apply for the accolade and to use the logo, regardless of whether they work in the private sector, the public sector, or they are an NGO. Small, middle-sized and large companies can also be “Disability-friendly Workplaces”.



In accordance with our commitment to this topic, in 2016 our company continued as a member of the **Employers' Forum for Equal Opportunities** (Munkáltatók Esélyegyenlőségi Fóruma, or MEF for short).

At the end of 2015, a **trilateral cooperation agreement** was signed between the Council for Organisations of Persons with Disabilities (Fogyatékos Emberek Szervezeteinek Tanácsa, or FESZT for short), which is a Hungarian umbrella organisation working for people living with disabilities, the National Organization of Spanish blind people (Organización Nacional de Ciegos Españoles, or ONCE for short), which organises gaming and also operates in an exemplary way on a global scale, and our company. The agreement also enjoys the support of the Hungarian government. It is designed to foster the employment of people with reduced capacity for work, to promote sensitivity towards disability, and to share best international and domestic practices. Preparations for the practical implementation of the agreement began in 2016.

One important subproject based on the experience of ONCE is designed to “develop and give professional support to a **school-based programme** based on individuals' own experiential knowledge and emotional involvement to move attitudes towards disability in a positive direction”.

The other important subproject is based

on co-operation between companies. Our Company initiates and supports the establishment of the **Inserta-Hungary Forum** (Inserta-Magyarország Fórum, or IMF for short), which facilitates companies and other institutions of employment to acquaint each other with the best practices that have been established in terms of working with employees with reduced capacity for work.

#### OCCUPATIONAL SAFETY

We pay special attention to creating **healthy working conditions** for all our employees.

All our employees – regardless of their roles – attend educational events about work safety. We have our own security guidelines which only stipulate how sales staff should proceed in the case of extraordinary events (e.g. robberies). We also guarantee the protection and handling of extraordinary events **with security devices**.

Maintaining our employees' mental well-being is just as important a task as preserving their physical health. It is in the primary interest of our Company that our employees should **be aware of the risks posed by addiction to gambling**, as well as of prevention and treatment options. In order to foster this awareness, from time to time we address this issue in our internal communication. In addition, we provide the opportunity for our sales staff to be tested on a yearly basis to

examine to what extent they are affected by problem gambling, and if they are at risk of becoming addicted.

#### WORK-LIFE BALANCE

Szerencsejáték Zrt. provides employees who have returned from maternity leave with an opportunity to **return to** the world of work **part-time**, thereby easing the burden of harmonising work and private life.

Having already become traditions, our free-time programmes (Santa Claus' festivities, the Children's Day programme series, and a corporate sports day) that are organised for our employees and members of their close families help **soften the sharp boundaries between work and private life**.

In 2015, our company was awarded the gold level of the “**Social Label – socially responsible employer**” and will be a proud and responsible holder of this accolade until 2017.

In April 2016, our Company was greatly honoured to finish in overall third place for Hungary according to the results of the “**Randstad Award**”, one of the biggest employer research studies in the world. However, Szerencsejáték Zrt. deserved the title of **the most attractive company in purely Hungarian ownership**.



In 2016, our Company  
earned the award  
"Disability-friendly Workplace",  
which it will hold until 2018.



Community investment,  
contributions

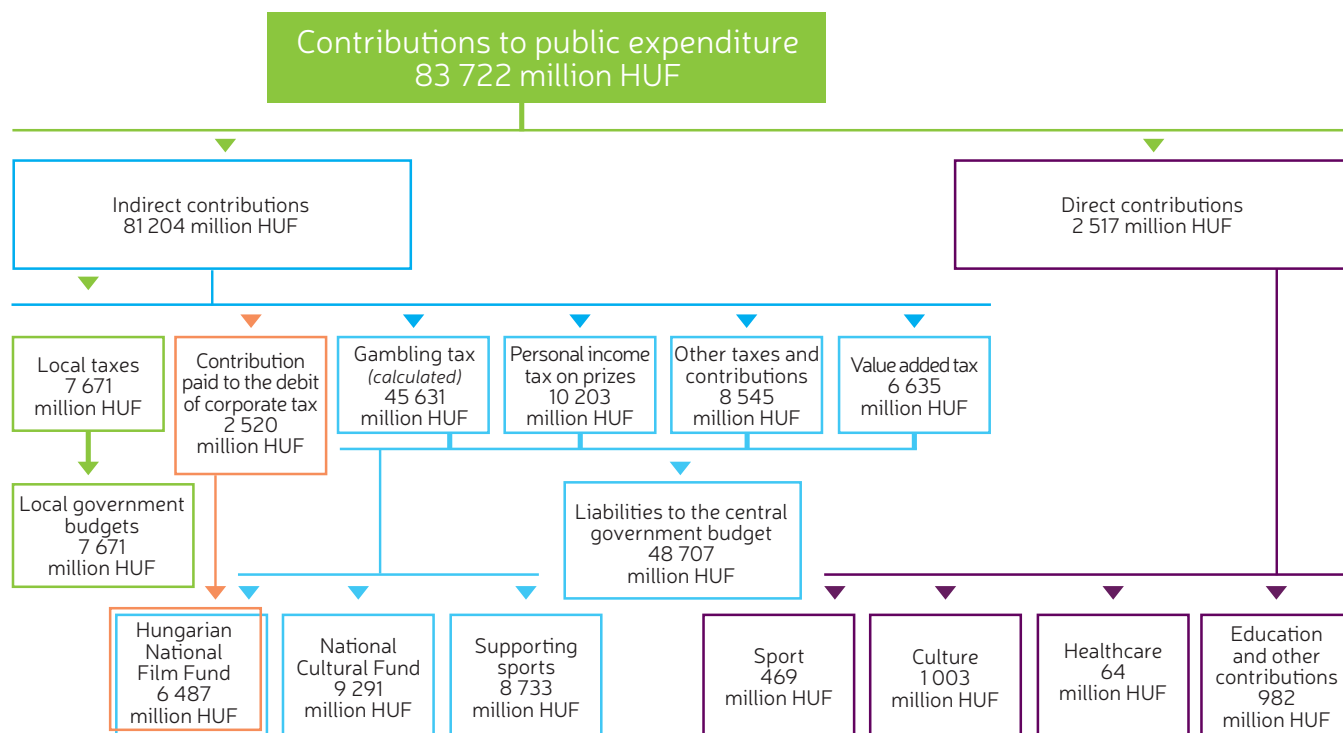
# Most of the gambling tax payable on our products is earmarked for community goals in a manner defined by law.

Gambling tax is awarded to recipients by the company in an indirect manner – namely, through the monetary funds which serve this particular purpose. According to the payments we made in 2016, 90 percent of the gambling tax from the Pick-5 Lotto (which amounts to 9.29 billion HUF) went to the Hungarian

National Cultural Fund, while 80 percent of the gambling tax from the Pick-6 Lotto (3.97 billion HUF) contributed to the Hungarian National Film Fund. In accordance with the law on sports, 8.73 billion HUF from the gambling tax on state-run games of chance was allocated to supporting national

sports movements through the central government budget.

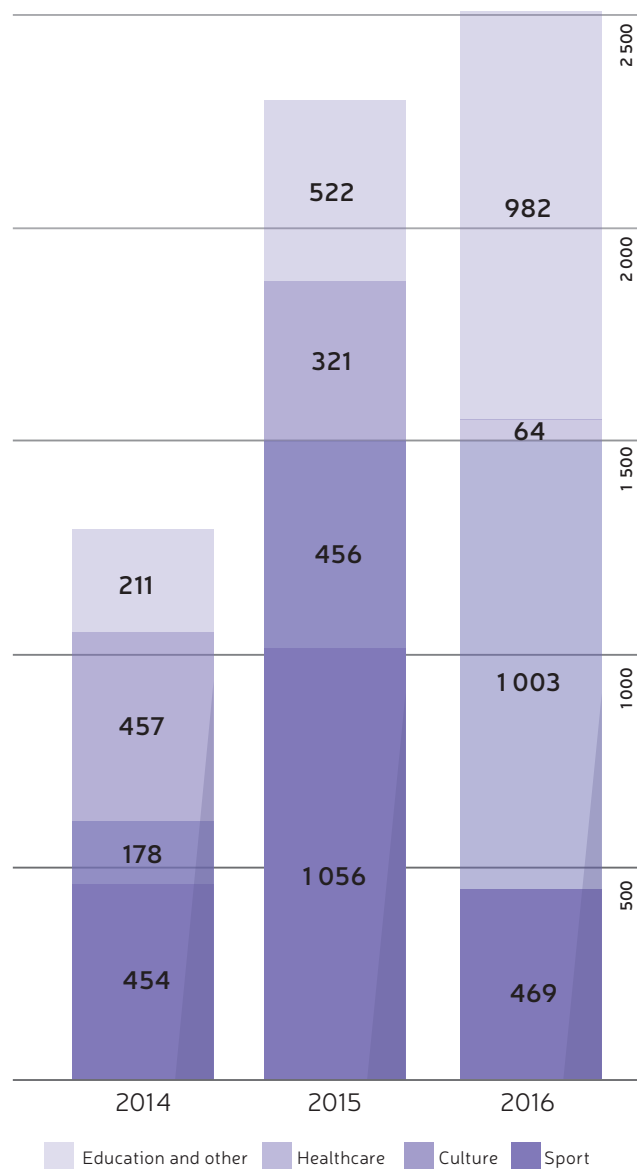
At the behest of our owner, our company made a contribution of 2,20 billion HUF (deductible from corporate tax) and an additional contribution of 0.32 billion HUF to the Hungarian National Film Fund in 2016.



As of financial year 2016, dividends declared payable shall be recorded in the accounting records in the financial year following the year under consideration, which is why no dividend was indicated in 2016.

## Direct contributions (million HUF)

We are allowed to spend 0.75% of our (estimated) revenue on donations, charitable causes, and sponsorship, as determined by the owner. In 2016, Szerencsejáték Service Nonprofit Kft. managed a contribution budget of 2.52 billion HUF for disbursement. With these contributions, we supported priority areas including culture, healthcare, sport, education, and other public causes.



## Voluntary programmes

200  
volunteer employees  
altogether



*Déméter Ház*  
30 volunteer - painting



The voluntary activity undertaken by our employees is treated as part of our social commitment. This is why we also continued our programme named **“Contribute”** (Adj bele!) in 2016.

At the initiative of our employees, we collected more than 80 thermometers for **Pál Heim Children's Hospital**. On two occasions, a total of over 30 employees helped paint rooms in **Déméter House** at St. László Hospital so that children receiving oncological treatment and their families can recuperate in better circumstances.

We have not been inactive in the country, either. A great number of our employees in Pécs and Miskolc participated in a waste collection initiative called **“YouPick”** (TeSzedd!) in April. Furthermore, they renovated the fence of a primary school in Miskolc.

We were also present at the ‘Happy Week’ which was organised by **the Hungarian Association for the Deaf and Hard of Hearing** (Siketek és Nagyothallók Országos Szövetsége, or SINOSZ for short): over five days 22 volunteers took part in this camp organised for 40 children, where they helped and enjoyed the handicraft and sports sessions, as well as accompanied the children on visits to the zoo. During the time they spent together, employees familiarised themselves with the world of the deaf and hard of hearing, supplemented by the completion of a mini sign-language course.

In autumn, we continued supporting sessions for Csángó children in Hungarian. Within the framework of our collection initiative, we donated school equipment and company IT devices to institutions that educate children from Dumbrăveni, Lészped and Magyarfalu.

At the end of the year, we collected towels and blankets for the **Pansy Animal-protection Association** (Árvácska Állatvédő Egyesület) from Szentendre to help keep animals warm as winter was nearing. We also supported the rescue-dog training of the “Paw-in-hand Foundation (Mancs a Kézben Alapítvány) by collecting bottle caps.

At the end of November, 18 company volunteers took part in the Advent programme of the **Hungarian Interchurch Aid** (Magyar Ökumenikus Segélyszervezet, or MÖS for short). Our employees baked and decorated gingerbread at stands set up in front of the cathedral in Budapest to help the aid organisation collect donations at Christmas.

Moreover, we joined in the ‘chocolate collection’ initiative of the **Hope-for-children-with-leukaemia Foundation** (Remény a Leukémiás Gyermekekért Alapítvány).

## OUR SCRATCH CARDS IN THE SERVICE OF GOOD CAUSES

Our scratch cards give us an opportunity to establish numerous forms of co-operation that support charitable purposes, mostly on special occasions. The scratch card "**Merry Christmas**" (Boldog karácsonyt!) had regularly been issued in the preceding five years. In 2016, the **League of Guardian Angels** (Őrangyalok Ligája) was the recipient of this support. As a result of our cooperative work, we gave a gross 10 million HUF to this organisation so that they can make the dreams of disadvantaged children come true in the future.

## CIVIL-CORPORATE RELATIONS

Apart from voluntary programmes, the company also implemented programmes in cooperation with numerous NGOs and foundations in 2016.

It is the fourteenth time that the **HBLF Wheelchair Basketball Competition** (HBLF Kerekesszékes Kosár Bajnokság) has been organised. Our company has been a permanent participant at this event since 2008. The event is designed to sensitise the public to disability-related matters, to popularise the sport of wheelchair basketball, and to improve the financial situation of the sport.

Apart from playing wheelchair basketball, which is now considered to be a traditional event, our employees also participated in the goalball championship organised by HBLF.

Continuing with last year's initiative, we also joined forces with the **League of Guardian Angels** (Őrangyalok Ligája) this year to brighten up the day of a few disadvantaged children. Within the framework of the programme, nearly 100 inhabitants of five children's homes in Budapest were shown a recently released movie in the VIP screening room of Aréna cinema.

The main focus of our activities related to sponsorships and charitable donations was to support Hungarian culture, education and sport in 2016 as well.





## Supplier relations

# Among our supplier relations, in first place are the suppliers of IT systems we need to sell our products.

Given the nature of this service, there are relatively few providers that are acknowledged by the international gaming market and that can also be relied on. Among these few is Scientific Games (SG), whose Hungarian subsidiary - which has not been affected by a change in ownership - we have been co-operating with for more than 20 years.

IGT is the IT supplier and supporter of our TippmixPro online sports betting system. It also ranks among the biggest suppliers of gaming companies on the global market. Both companies have ISO27001 and WLA/SCS information security certificates.

We order **our scratch cards** from 3 big scratch card producers: Scientific Games International (SGI), IGT Corporation, and Pollard Banknote. The producers must meet strict quality and security criteria that we have drawn up. Environmental consciousness, too, is an important issue when producing scratch cards.

We do not have an impact on the employment practices of international supply partners. However, due to the strict professional standards of this industry, legal and human rights issues cannot even arise.

Apart from the giant international companies mentioned above, we mainly collaborate with **domestic suppliers**.

We contracted ANY Biztonsági Nyomda Nyrt. and EPDB Nyomtatási Központ Zrt. to manufacture thermal paper rolls, play slips and validation slips, which are essential to sales.

Further contracts of higher value include agreements about telecommunications purchases, public utility services, the production of programmes, integrated marketing, communications services, and market research.

The infrastructural development of lottery ticket agencies started in co-operation with Antenna Hungária Zrt. As a result of the public procurement procedure conducted by MNV Zrt., the electricity supply and the natural gas supply of central office buildings is provided by MNV Partner Zrt. As of 2016, the most important insurance contracts have been all signed with Generali Biztosító Zrt.

The legal operation of our major domestic suppliers is guaranteed by the fact that contracts are drawn up under supervision of the owner MNV Zrt.



## Environmental impacts

## The use of materials, energy consumption and the emission of harmful substances which arise from the operation of the Company pose no serious risk to the physical environment.

Nevertheless, during our operative processes, we strive to **cut down on environmental load**.

To cut down on the amount of **paper we use at our offices**, we use an electronic document management system. In another effort to reduce paper use, we operate a so-called Sales Support Page – an electronic interface we have created to communicate with our partners. 2016 saw a drop in the use of paper for office purposes compared to 2015. Importantly, it should also be noted that 96% of the paper we use is environmentally friendly.

In 2015, we started increasing the activity of **in-house printing works** to eliminate the need for the significant number of orders placed with external printing companies. This additional production resulted in a rise in paper consumption in 2016. Therefore, the aggregate index shows an increase.

The raw material for our **scratch cards** is sourced from responsible and sustainable forest farms. The commissioned scratch-ticket printing presses are all run by certified environmentally responsible publishers who use ink (water-based and UV-cured) and packaging that is environmentally friendly. The ready-made tickets are fully recyclable.

At our company, digital solutions are gaining in popularity in terms of customer service. We are continuously developing our digital interfaces, webpages and applications, as well as our self-service systems that display results in our shops, which further helps us to operate in a sustainable and environmentally sound way.

In the first half of 2016, we created an opportunity to make paper-free Tippmix bets. By the end of the year, nearly one-fifth (23%) of all bets in our betting system were being made through our self-service interfaces, and the computers and mobile phones of our players, resulting in potentially significant savings of paper-based play slips. We are working to make this paper-free self-service feature available for all of our games in the years to come.

We recorded a fall **in electricity consumption** in 2016 due to the use of more up-to-date equipment. However, we also experienced a slight rise **in our gas and water consumption**, which may be explained by the weather and the growth in the size of the areas of the operations we are servicing. As a consequence of these factors, the direct CO2 emissions of the company increased, whereas indirect ones decreased. The amount of selective waste declined as a result of a

significant reduction in paper waste.

In 2016, there were no cases in which remediation was required, nor did we emit any substances in amounts above threshold limits. Consequently, we **paid no environmental fines or penalties**, and no other (non-financial) sanctions were imposed on our company. As standard, we pay an “air loading fee” (levegőterhelési díj, or LTD) on the air pollutants that are emitted by boilers.

The production companies we commission always charge us the environmental protection product fee that is levied on them, thus this environmental expense continues to be indirectly incurred by Szerencsejáték Zrt. The product fee paid on marketing vehicles, Gaming mix (Szerencsemix) magazines, posters announcing results, play slips, thermal paper rolls, scratch tickets, and their wooden and foil packaging materials barely exceeded what we paid in 2015. Also demonstrating our employees' commitment to environmental protection is the fact that we continued collecting waste selectively, and that for the sixth year running we participated in the countrywide waste collection initiative called “**YouPick. Volunteer for a clean Hungary.**” (TeSzedd! Önkéntesen a tiszta Magyarorszáért), which was advertised by the Ministry of Agriculture.

## ENVIRONMENT LOADING INDICATORS

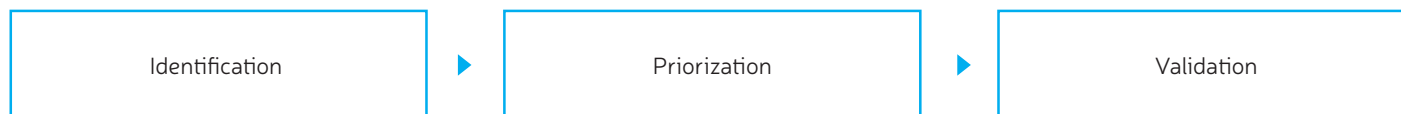
	2014	2015	2016
<b>PAPER CONSUMED (KG)</b>			
Office paper	32 378	33 680	26 676
Of which: environmentally friendly paper	655	520	25 707
Printing paper	4 496	19 182	28 991
<b>Total</b>	<b>36 874</b>	<b>52 862</b>	<b>55 667</b>
<b>ELECTRICITY CONSUMPTION (GJ)</b>			
	17 494	17 901	16 916
<b>GAS CONSUMPTION (GJ)</b>			
	10 523	11 935	11 891
<b>WATER CONSUMPTION (m<sup>3</sup>)</b>			
	11 472	11 909	12 360
<b>SELECTIVE WASTE (KG)</b>			
Paper waste	48 310	86 820	59 117
PET bottles	642	640	1 450
Other selective waste	25 200	16 839	20 047
<b>Total</b>	<b>74 152</b>	<b>104 299</b>	<b>80 614</b>
<b>CO<sub>2</sub> EMISSIONS (TONS)</b>			
Indirect	1 774	1 773	1 715
Direct	602	602	861
<b>ENVIRONMENTAL COSTS AND LIABILITIES (THOUSAND HUF)</b>			
Fines and penalties	0	0	0
Air loading tax	9	9	9
Environmental protection product fees	45 886	56 173	57 965

# Appendices

## About the report

Since 2011, Szerencsejáték Zrt. has been publishing a CSR report as well as an integrated report to describe its annual performance. In 2015, we switched to using the newest GRI G4 reporting guidelines. The target group of our report has been defined to include players, employees and representatives of the press and the media.

### THE REPORTING PROCESS



Our reporting process is implemented in a manner which was approved in 2015. In the first step, on the basis of internal documents, research studies and projects, media analyses, press reviews and benchmark research that were available, we identified the economic, social and environmental features of material interest to our stakeholders. Subsequently, we classified them by their impact(s) on our stakeholders and by their relevance to our company. At this stage we first co-operated with an internal working group and we then classified the features of material interest by having them validated by management and through a process of professional facilitation under the supervision of external sustainability experts in order to promote objectivity.

The list of material aspects compiled in this manner is first reviewed and then validated by management.

**Reporting period:** Calendar year 2016

**Date of last report:**  
September 2016

**Reporting cycle:** Annual

**GRI application level:** 'In Accordance – Core'

The level of compliance of this report has not been assured by an external organisation.

The boundary of the report encompasses central office buildings and all points of sale operated by Szerencsejáték Zrt. The activities of other organisations within our portfolio are not covered within the boundaries of the report. Material aspects are those high-priority topics that determine the short-term and long-term success of a company. Consequently, in the report we do not differentiate between internal stakeholders in terms of how they are affected by these aspects.

There has been no change in the list of these material aspects. You can see this in the table below:

Material aspect(s)	Indicator(s)	Page No.	Direct impact(s) on external stakeholders
<b>ECONOMIC</b>			
Industrial regulation in Hungary and in the European Union	Risk management: G4-45	12-13.	Regulators, Sales partners, Players, Owner
Product portfolio	G4-4	7.	Players
Innovation	Innovative solutions that have been implemented	14.	Players, Sales partners
Economic value creation	G4-EC1	14-15., 36.	Owner
Company reputation	Risk management: G4-45	9.	Owner
Company governance, management	G4-34	9-11.	Owner
Ratings, certificates	G4-15	8.	Players, Sales partners
Supplier relations	Suppliers: G4-12	41.	Supply partners
International co-operation	Membership: G4-16 Stakeholders: G4-27	8., 12.	Players
Ethical and transparent business operation	G4-15 Ethics: G4-56, G4-57, G4-58	8-10.	Players, Sales partners
State property	G4-7	7.	Regulators
Value of prize, roll-up	Prizes of above 1 billion HUF	15.	Players, Owner, Sales partners
Legal compliance	Environmental protection: G4-EN29	43.	Players
Data security, protection of personal data	Data security: G4-PR8	20.	Players, Sales partners
Action against illegal gambling	Ethics: G4-56, G4-57, G4-58 Stakeholders: G4-27	9-10., 12..	Players, Owner, Sales partners
Macro factors affecting spendable income	Risk management: G4-45, G4-46, G4-47	7., 9..	Players
Fair market conduct	Ethics: G4-56, G4-57, G4-58	9-10.	Players, Sales partners
Reliability	Risk management: G4-45, Ethics: G4-56, G4-57, G4-58 Stakeholders: G4-27	9-10., 12.	Players

Material aspect(s)	Indicator(s)	Page No.	Direct impact(s) on external stakeholders
<b>INTERNAL AND SOCIAL</b>			
Internal innovation, organisational culture	Values, etc.: G4-56	9-10.	
Impact on employment	Employment: G4-10,	29.	
Recognition and career opportunities	Career: G4-LA10. G4-LA11	30-31.	
Training and development	Career: G4-LA10. G4-LA11	30-31.	
Benefits and incentive scheme	Benefits: G4-LA2	30.	
Occupational safety	Proportion of employees that have attended training related to the topic	32.	
Equal treatment, equal opportunities	Discrimination: G4-HR3	30.	
Employing the disadvantaged	Equal opportunities: G4-LA13	31-32.	
Protecting employee rights	G4-11	9.	
Work-life balance and work-related stress	Employment: G4-10	29.	
<b>EXTERNAL AND SOCIAL</b>			
Customer confidence	Satisfaction: G4-PR5	19.	Players
Product availability and marketing	G4-8	7.	Players
Product information, lucidity of communication	Product information: G4-PR3, G4-PR4	23-24.	Players
Responsible gaming, protection of minors	Customer health: G4-PR1	7-8., 23.	Players, Sales partners
Local community investments, support	Local communities: G4-SO1	37-38.	Society
Responsible employment in the value chain	G4-EC8	17.	Sales partners
<b>ENVIRONMENTAL</b>			
Using environmentally friendly technologies and environmentally friendly methods of operation (priorities: reduce paper use, climate protection)	Product: G4-EN27 Legal compliance: G4-EN29	43-44.	Society Natural environment



## TYPES OF DIALOGUE WITH SPECIFIC STAKEHOLDER GROUPS

Stakeholder group(s)	Specific Stakeholder(s)	Type(s) of dialogue
Owner	Hungarian National Asset Management Ltd., Ministry of National Development	<ul style="list-style-type: none"> <li>• Internal Audit Report (annual)</li> <li>• Report on the fulfilment of the Founding Declaration (biannual)</li> <li>• Report on the activities of the Supervisory Board (annual)</li> <li>• Balance sheet and profit and loss statement (monthly)</li> <li>• Annual forecast figures (biannual)</li> </ul>
Players	Customers that purchase our company's games	<ul style="list-style-type: none"> <li>• Points of sale communication: educational leaflets</li> <li>• Internet (website, Facebook, YouTube)</li> <li>• Frequent research studies</li> <li>• Draws (daily)</li> <li>• Gaming news ("SzerencseHíradó")</li> <li>• Customer service (telephone, e-mail and post)</li> <li>• Public reports</li> <li>• "History of gaming" exhibition (seasonal)</li> </ul>
Employees	All company employees (administrative and sales)	<ul style="list-style-type: none"> <li>• Trade Union</li> <li>• Works Council</li> <li>• Ethics Committee</li> <li>• Intranet</li> <li>• Printed newsletters (monthly)</li> <li>• Chief Executive Officer's instructions</li> <li>• Internal employee satisfaction survey (annual)</li> <li>• Regular training courses</li> <li>• Corporate events (Christmas party, sports day, Santa Claus' party, Children's Day events, Women's Day)</li> <li>• Shop managers' forum</li> <li>• "Best workplace" survey</li> <li>• Professional/open days</li> <li>• Annual report (annual)</li> <li>• systems of interest created for groups of jobs</li> <li>• Volunteer programmes</li> </ul>
Suppliers	Our company's large, specifically industrial suppliers (the IT developers of our sales system, lottery ticket and scratch card manufacturers) and other supply partners	<ul style="list-style-type: none"> <li>• International, professional events and programmes</li> <li>• audits</li> </ul>
Sales partners	Entrepreneurs, Hungarian Post Ltd. (Magyar Posta Zrt.), Lapker Zrt.	<ul style="list-style-type: none"> <li>• Partner meetings</li> <li>• Regular training courses</li> <li>• Web-based sales support</li> </ul>

Stakeholder group(s)	Specific Stakeholder(s)	Type(s) of dialogue
Gambling addicts	Persons affected by any kind of gambling addiction	<ul style="list-style-type: none"> <li>• Educational materials (POS)</li> <li>• Website sub-page dedicated to problem gambling</li> <li>• media coverage of problem gambling</li> <li>• In-depth interviews</li> <li>• “Gaming within limits” model prevention project group sessions</li> </ul>
Minors	People under the age of 18 (both “concerned” and “not concerned” individuals)	<ul style="list-style-type: none"> <li>• Research studies (focus groups)</li> <li>• Model school-based prevention program</li> </ul>
Media	National and regional	<ul style="list-style-type: none"> <li>• Annual report</li> <li>• Website press page</li> </ul>
Authorities, organisations that co-operate in regulatory affairs	NAV Gaming Inspectorate, National Metrology Institute, National Communications Office, Hungarian Advertising Self-Regulatory Board	<ul style="list-style-type: none"> <li>• Official correspondence, gaming licences, operational control</li> </ul>
Legislators	Parliament, The government, the Ministry of National Economy, Ministry of National Development	<ul style="list-style-type: none"> <li>• Preparation of expert reports</li> </ul>
NGOs (Non-governmental organisations)	Organisations that have been supported by or which have co-operated with our organisation	<ul style="list-style-type: none"> <li>• Professional events and programmes</li> <li>• Audits</li> <li>• Volunteer programmes</li> </ul>
Industrial organisations	Other participants on the international and Hungarian gaming market	<ul style="list-style-type: none"> <li>• European Lotteries events</li> <li>• World Lottery Association events</li> <li>• Regular professional seminars, working groups</li> <li>• Audits</li> </ul>
Organisations dealing with prevention and addiction	Professional organisations and experts that co-operate with our company	<ul style="list-style-type: none"> <li>• Professional round-table discussions</li> <li>• Conferences</li> <li>• Presentations</li> <li>• Professional co-operation in research projects</li> <li>• In-depth interviews</li> </ul>

## GAMING REVENUE

REVENUE (MILLION HUF)	2014	2015	2016
Betting games	109 357	129 083	170 078
Toto pools	2 274	2 055	1 859
Goal toto	152	71	61
Tippmix	88 518	98 828	127 519
TippmixPro	18 414	28 129	40 639
Numbers games	109 711	126 568	113 441
Pick-5 lotto	50 755	55 993	43 013
Pick-6 lotto	22 444	22 073	20 663
Joker	5 462	6 065	5 576
Keno	5 232	4 954	5 732
Luxor	3 867	3 791	3 636
Scandinavian lotto	17 878	18 050	17 840
Eurojackpot	4 075	15 642	16 981
Instant win games	21 304	23 061	24 643
Putto	21 304	23 061	24 643
Scratch Cards	63 431	72 021	77 302
Total	303 802	350 733	385 464

CLEAR REVENUE (MILLION HUF)	2014	2015	2016
Betting games	26 224	31 347	38 301
Toto pools	1 242	1 123	1 006
Goal toto	83	39	33
Tippmix	21 863	25 729	31 477
TippmixPro	3 036	4 456	5 785
Numbers games	66 741	76 488	67 900
Pick-5 lotto	31 143	34 357	26 145
Pick-6 lotto	13 771	13 544	12 557
Joker	3 351	3 721	3 389
Keno	3 367	2 829	3 389
Luxor	2 308	2 262	2 153
Scandinavian lotto	10 369	10 469	10 258
Eurojackpot	2 432	9 304	10 010
Instant win games	9 133	9 853	10 495
Putto	9 133	9 853	10 495
Scratch Cards	22 495	25 239	27 043
Total	124 593	142 927	143 740

PROFIT AND LOSS STATEMENT, BALANCE SHEET

Profit and loss statement	2014	2015	2016
		million HUF	
Net domestic sales revenue	304 510	351 468	386 366
Of which: gaming revenue	303 802	350 733	385 464
<b>Net sales revenue</b>	<b>304 510</b>	<b>351 468</b>	<b>386 366</b>
Change in self-produced inventory	/	/	/
Capitalised value of self-produced assets	/	/	/
<b>Capitalised value of own performance</b>	<b>/</b>	<b>/</b>	<b>/</b>
<b>Other revenue</b>	<b>201</b>	<b>168</b>	<b>120</b>
Of which: impairment loss reversal	/	/	/
Material costs	3 059	3 241	3 326
Value of services used	29 592	37 618	53 633
Value of other services	666	778	859
Cost of goods sold	16	5	15
Value of sold (resold) services	214	242	266
<b>Material expenses</b>	<b>33 547</b>	<b>41 884</b>	<b>58 098</b>
Salaries and wages	6 664	7 212	7 784
Other payments to personnel	2 080	2 212	2 280
Contributions on wages and salaries	2 226	2 427	2 599
<b>Personnel expenses</b>	<b>10 970</b>	<b>11 851</b>	<b>12 663</b>
Depreciation	2 988	3 441	4 240
<b>Other expenses</b>	<b>239 294</b>	<b>273 121</b>	<b>294 393</b>
Of which: impairment loss	24	591	136
Gross value of prizes accounted for as expenses	189 923	220 885	252 413
<b>OPERATING PROFIT (LOSS)</b>	<b>17 916</b>	<b>21 342</b>	<b>17 092</b>
Dividends and profit shares received (receivable)	5 000	/	/
Of which: received from related companies	5 000	/	/
Exchange gains on sales of profit shares	/	331	/
Of which: received from related companies	/	/	/

Profit and loss statement	2014	2015	2016
		million HUF	
Interest and exchange gains on financial investments	11	11	58
Of which: received from related companies	/	/	/
Other interest received (receivable)	486	417	250
Of which: received from related companies	/	/	/
Other revenue from financial transactions	98	208	14
<b>Revenue from financial transactions</b>	<b>5595</b>	<b>967</b>	<b>322</b>
Exchange losses on financial investments	/	/	/
Of which: given to related companies	/	/	/
Expenses on interest payable	/	/	/
Of which: given to related companies	/	/	/
Impairment loss on profit shares, securities, bank deposits	47	/	/
Other expenses incurred through financial transactions	25	75	37
<b>Expenses on financial transactions</b>	<b>72</b>	<b>75</b>	<b>37</b>
<b>PROFIT/LOSS ON FINANCIAL TRANSACTIONS</b>	<b>5 522</b>	<b>892</b>	<b>285</b>
<b>PROFIT/LOSS BEFORE TAXATION</b>	<b>23 438</b>	<b>22 234</b>	<b>17 378</b>
Tax payable	2 450	2 996	1 384
<b>PROFIT/LOSS AFTER TAXATION</b>	<b>20 988</b>	<b>19 238</b>	<b>15 993</b>

Balance sheet, assets	2014	2015	2016
		million HUF	
<b>FIXED ASSETS</b>	<b>16 360</b>	<b>19 571</b>	<b>23 847</b>
Intangible assets	1 837	2 793	4 543
Capitalised value of formation and restructuring expenses	/	/	/
Capitalised value of research and development	/	/	/
Pecuniary rights	1 763	2 717	4 321
Trade-marks, patents and similar assets	73	76	223
Pre-payments for intangible assets	/	/	/
Value adjustment of intangible assets	/	/	/
Tangible assets	12 642	13 241	13 236
Property and related pecuniary rights	6 655	7 406	7 529
Technical equipment, machinery, vehicles	3 273	3 747	3 433
Other equipment, fixtures and fittings, vehicles	914	1 189	1 622
Capital work in progress, reconstruction	1 782	899	646
Pre-payments for capital work in progress	18	/	8
Value adjustment of tangible assets	/	/	/
Long-term financial assets	1 881	3 536	6 067
Long-term investments in related companies	1 805	1 003	1 003
Long-term loans granted to related companies	/	/	/
Other long-term investments	/	/	/
Long-term loans granted to other investments	/	/	/
Other long-term loans	77	76	62
Long-term debt securities	/	2 457	5 002
Value adjustment of long-term financial assets	/	/	/
<b>CURRENT ASSETS</b>	<b>32 207</b>	<b>32 159</b>	<b>33 344</b>
Inventories	1 157	1 157	1 069
Materials	1 111	1 065	1 010
Goods	46	92	59
Advance payments for inventory	/	/	/

Balance sheet, assets	2014	2015 million HUF	2016
Receivables	14 393	15 408	5 675
Accounts receivable from supply of goods and services (trade debtors)	2 490	2 810	1 424
Receivables from related companies	5 004	1	1
Receivables from other investments	/	/	/
Bills of exchange receivable	/	/	/
Other receivables	6 899	12 597	4 250
Securities	15 070	11 320	18 536
Investments in related companies	/	/	/
Other investments	/	/	/
Treasury shares, partnership shares	/	/	/
Debt securities held for trading	15 070	11 320	18 536
Liquid assets	1 588	4 273	8 064
Cash in hand, cheques	363	348	311
Bank deposits	1 225	3 926	7 753
<b>Accrued and deferred assets</b>	<b>1 264</b>	<b>4 008</b>	<b>5 229</b>
Accrued revenue	811	2 060	3 403
Pre-paid costs and expenses	452	1 948	1 826
Deferred expenses	/	/	/
<b>ASSETS</b>	<b>49 831</b>	<b>55 737</b>	<b>62 420</b>



Balance sheet, assets	2014	2015 million HUF	2016
Shareholder equity	32 893	37 103	40 097
Share capital	3 000	3 000	3 000
Capital reserve	/	/	/
Retained profit (loss)	8 905	14 865	21 103
Non-distributable reserve	/	/	/
Valuation reserve	/	/	/
Balance sheet profit/loss	20 988	19 238	15 993
<b>PROVISIONS</b>	<b>806</b>	<b>755</b>	<b>1 010</b>
Provisions for liabilities in the future	806	755	1 010
Provisions for costs in the future	/	/	/
Other provisions	/	/	/
<b>LIABILITIES</b>	<b>14 278</b>	<b>16 186</b>	<b>19 558</b>
Subordinated liabilities	/	/	/
Long-term liabilities	/	/	/
Short-term liabilities	14 278	16 186	19 558
Short-term borrowing and loans received:	/	/	/
of which: convertible bonds	/	/	/
Short-term credit	/	/	/
Pre-payments received from debtors	334	372	649
Accounts payable from supply of goods and services (trade creditors)	1 447	2 289	5 359
Bills of exchange payable	/	/	/
<b>Short-term debt to related companies</b>	<b>11</b>	<b>/</b>	<b>1</b>
Short-term debt on other investments	/	/	/
Other short-term liabilities	12 486	13 525	13 550
<b>Accrued and deferred liabilities</b>	<b>1 854</b>	<b>1 693</b>	<b>1 754</b>
Pre-paid revenue	1 321	1 067	1 164
Accrued expenses and costs	533	623	587
Deferred revenue	/	3	3
<b>LIABILITIES</b>	<b>49 831</b>	<b>55 737</b>	<b>62 420</b>

GRI INDEX

Indicator	Short description	Page number
Strategy and analysis		
G4-1	A statement about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.	5., 9.
Organisational profile		
G4-3	The organisation's name	7.
G4-4	Primary brands, products and/or services	7.
G4-5	The location of the organisation's headquarters	7.
G4-6	The countries where the organisation operates	7.
G4-7	The nature of ownership and legal form	7.
G4-8	The markets served	7.
G4-9	The organisation's scale: the number of employees, net revenues, total capitalisation broken down in terms of debt and equity, quantity of products or services provided	7.
G4-10	The total number of workforce by employment type, employment contract and region	29.
G4-11	The percentage of total employees covered by collective bargaining agreements	9.
G4-12	Description of the organisation's supply chain	41.
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership	None
Commitments to external initiatives		
G4-14	The way in which the precautionary principle is addressed by the organisation	8.
G4-15	Charters, principles, or other initiatives to which the organisation subscribes or which it endorses	8.
G4-16	Memberships of associations (e.g., professional/industrial associations) and/or national/international advocacy organisations	8.
Identified Material Aspects and Boundaries		
G4-17	a) All entities included in the organisation's consolidated financial statements b) Any entity not covered by the report but included in the organisation's consolidated financial statements	9.
G4-18	The process for defining the report content.	45.
G4-19	All the material aspects identified in the process for defining report content.	46-47.
G4-20	For each material aspect, all the entities impacted within the organisation	46-47.

Indicator	Short description	Page number
<b>Identified Material Aspects and Boundaries</b>		
G4-21	For each material aspect, all the stakeholders directly impacted outside the organisation	46-47.
G4-22	The reasons for any restatements of information provided in previous reports and an explanation about the effect of such restatements	Per indicator
G4-23	Any significant changes from previous reporting periods in the scope, the aspect boundaries or measurement techniques	No change
<b>Stakeholder engagement</b>		
G4-24	A list of stakeholder groups engaged in any form of dialogue with the organisation	12., 46-47.
G4-25	The basic principles and processes for the selection of stakeholders with whom to engage	12.
G4-26	Description of the organisation's approach to stakeholder engagement	12., 46-47.
G4-27	The key topics and concerns that have been raised through stakeholder engagement	12., 46-47.
<b>Report profile</b>		
G4-28	Defining the reporting period	45.
G4-29	Date of most recent previous report	45.
G4-30	Defining the reporting cycle	45.
G4-31	The contact point for those who wish to ask any questions regarding the report or its contents	2.
G4-32	GRI Content Index	57-58.
G4-33	Practice with regard to seeking external assurance for the report	45.
<b>Governance</b>		
G4-34	Description of the governance structure of the organisation	9.
G4-45	The highest governance body's role in the identification and management of economic, environmental and social risks and related issues	9.
<b>Ethics and integrity</b>		
G4-56	Internal statements about the organisation's mission, values, norms of behaviour and other basic principles	9-10.
G4-57	The internal mechanisms for seeking advice on ethical and lawful behaviour	9-10.
G4-58	The internal and external mechanisms for reporting unethical or unlawful behaviour patterns and concerns about them	9-10.

Indicator	Short description	Page number
Governance approach		See description of data
Economic performance indicators		
G4-EC1	The direct economic value generated and distributed including revenues, operating costs, employee wages and benefits, donations, community investments, economic value retained, payments to providers of capital and the government	15., 36.
G4-EC8	Understanding and describing the significant identified direct economic impacts the organisation has and the significance of these impacts	17.
Labour practices and decent work		
G4-LA2	The benefits of full-time and part-time employees by significant locations of operation.	30.
G4-LA10	Programs for skills management and lifelong learning	30-31.
G4-LA11	Percentage of employees who receive regular performance and career development reviews	30-31.
Product responsibility		
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	7-8., 23.
G4-PR3	The types of product and service information required by various related procedures and the percentage of significant products and services subject to such information requirements	23.
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by type of outcomes	24.
G4-PR8	Number of substantiated complaints regarding breaches of customer privacy and losses of customer data	20.
Society		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs	37.
Environmental performance indicators		
G4-EN27	Initiatives for the mitigation of environmental impacts of products and services	38.
G4-EN29	Value of significant fines	43.







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