

BUSINESS AND CORPORATE RESPONSIBILITY REPORT

2013



SZERENCSEJÁTÉK ZRT.

1 INTRODUCTION



Dear Reader,

Last year I began the introduction of our Business and Corporate Responsibility Report by saying that 2012 had been a year of records. To tell you the truth, it is a source of great pride to me starting from 2010 I could announce every year that we have beaten records again. 2013 is no different: the Company achieved its highest revenues during its existence, ever. But we ask the kind reader not to leave us now, thinking they already know everything. Beyond dry numbers that show success, we had a multitude of attainments to be entered into our books in 2013.

Looking back, the one word that springs to my mind characterizing last year is Innovation. We introduced several novelties to the market, and by now we can be positive that they lived up to our expectations. One of the most important milestones was the launching of our online sports betting site. The page, www.tippmixpro.hu made its

debut in May, amid tense expectations and closely monitored by the press and the players alike. We aimed at providing an online sports betting service to players in a secure, lawful and user-friendly environment. The website was tailored specifically to the needs of Hungarian sports bettors: HUF-based financial transactions (without commission), secure crediting and debiting, and a directly available, domestic customer service are at the disposal of bettors. We keep hoping a lot from Tippmixpro, as bookmaker's bets have been one of the most dynamically developing areas in recent years, and we hope the site will put up an even more outstanding performance in the year of the FIFA World Cup.

Innovation was not limited to online betting only. One of our key business objectives was reaching out to the young generation; we are looking for channels and tools to approach young adults as effectively as possible. In 2013 we launched a smartphone application called Okoslottó (Smart Lottery), offering multiple options to play lottery and drawing games on smart phones. Okoslottó had a lively start in online stores, there was a week when it was one of the five most popular applications. Feedback suggests that this tool appeals to the young generation.

We not only aimed at developing a presence on the newest mobile platform, our innovation endeavours made their presence felt in our own outlets as well. In 2013 digital projectors were installed at 12 of our points of sale that show all information related to our games (winning numbers, prizes, campaigns) up to date. This Outlet Information System has been developed and enhanced continually ever since.

Besides ongoing maintenance, we also strive to improve our selection of products. Changes to Hungarian legislation in 2013 made it possible for our Company to participate in international gambling organized by European lottery companies. We have begun the necessary technical preparations.

In recent years we have stepped forward in a number of business areas, and this inevitably brought about a need to develop our basic IT system that supports our operation in the background. Our system of production, that has served our Company excellently for 20 years, is ripe to be replaced. We have been working on the change-over to a new system, named AEGIS, ever since 2012, and this was one of our high-priority projects with the highest capacity requirements in 2013.

The innovation efforts mentioned above made their presence felt throughout 2013. Their success are evidenced by our revenue figures. In 2013, at HUF 243 billion, we attained the highest revenue ever in the history of Szerencsejáték Zrt. The number of base games sold, at 1,440 million, also surpassed every past record. Thanks to this, government revenues paid by Szerencsejáték Zrt. also reached a record, and more money was spent on donations than ever. Like in previous years, we helped a number of NGOs and noble causes indirectly (through the taxes we paid) and also in the form of direct donations and sponsorship.

Of course these revenue attainments are not only a sign of the success of our innovation. The long accumulations of the five- and six-number draw lotteries also contributed to our nice attainments.

I have been asked in several interviews what gave me most reason for pride in 2013. According to the 2013 survey of Aon Hewitt, Szerencsejáték Zrt. was the Best Employer in Hungary in the enterprise category. It is a source of extra pride for us that we were the first government enterprise to get this prize in a field dominated by private sector companies. The greatest success and pride for me is that our staff considers the Company to be the source of stable employment and home to a good team. Szerencsejáték Zrt. has more than 1500 employees. 16 percent of them has worked with us for almost 20 years, but with a rate of 10% the proportion of young people is also considerable. A thing we are particularly happy about is that we have more than 180 colleagues with disabilities.

A good working atmosphere can be felt in our day-to-day life, and this is a huge value for any company, as the employees' loyalty and commitment is key to the Company's development.

Dr. Szentpétery Kálmán
Chairman and CEO

OUR ACTIVITY

Szerencsejáték Zrt. is the national lottery company of Hungary. Based on authorization by law, it has an exclusive right to organize prize draw games and totalizator betting, and it also possesses a licence to organize bookmaker's bets. Our Company organizes its games only in Hungary, in four sales regions with Pécs, Szeged, Miskolc and Budapest as centres.

[Totalizator-type betting means the bets are pooled – this forms the prize pool. A proportion of this amount (as defined in the Game Plan) is distributed as prizes, in line with the conditions also defined therein.]

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

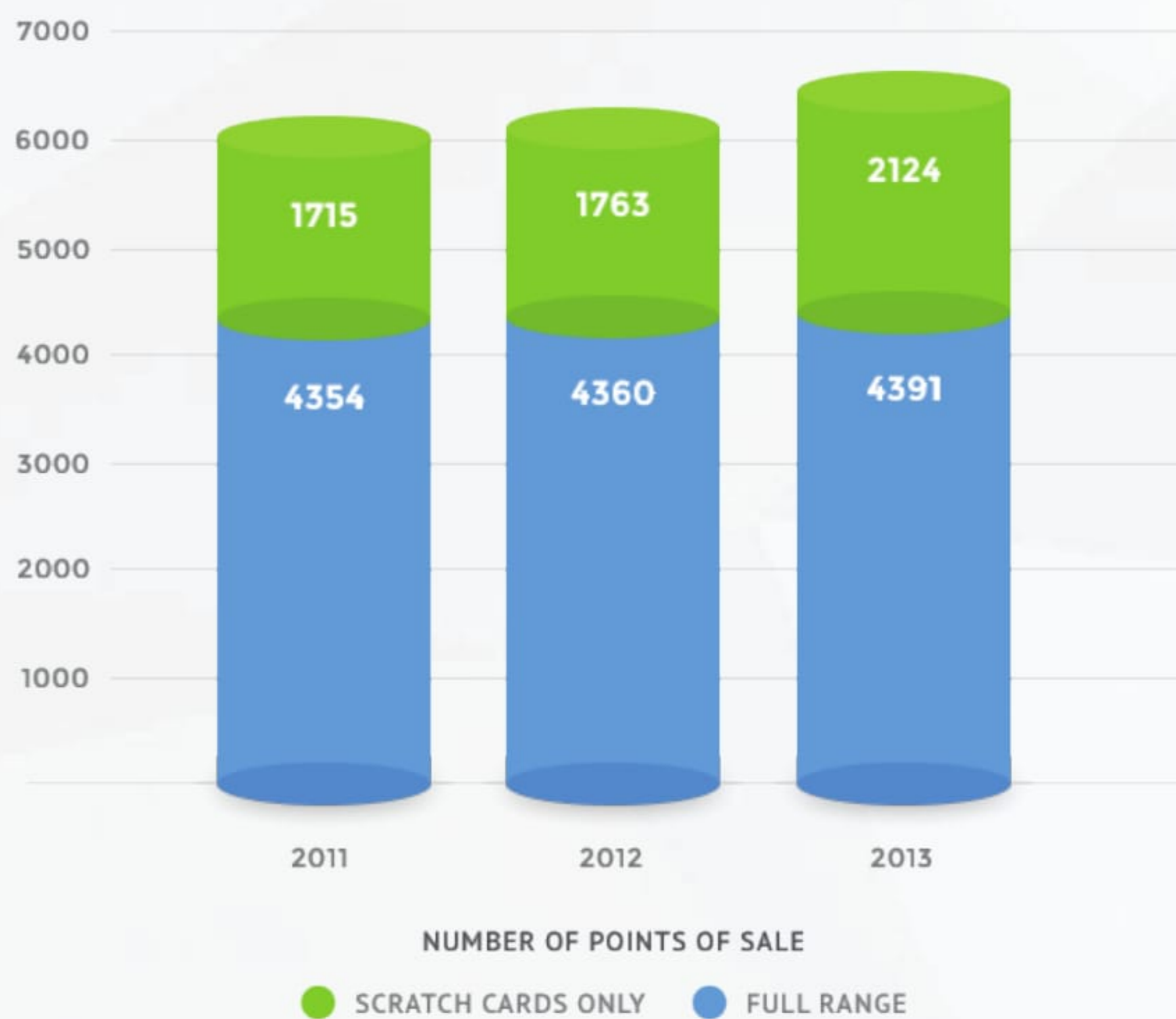
**NUMBER OF SALES
OUTLETS OWN BY
SZERENCSEJÁTÉK ZRT.**

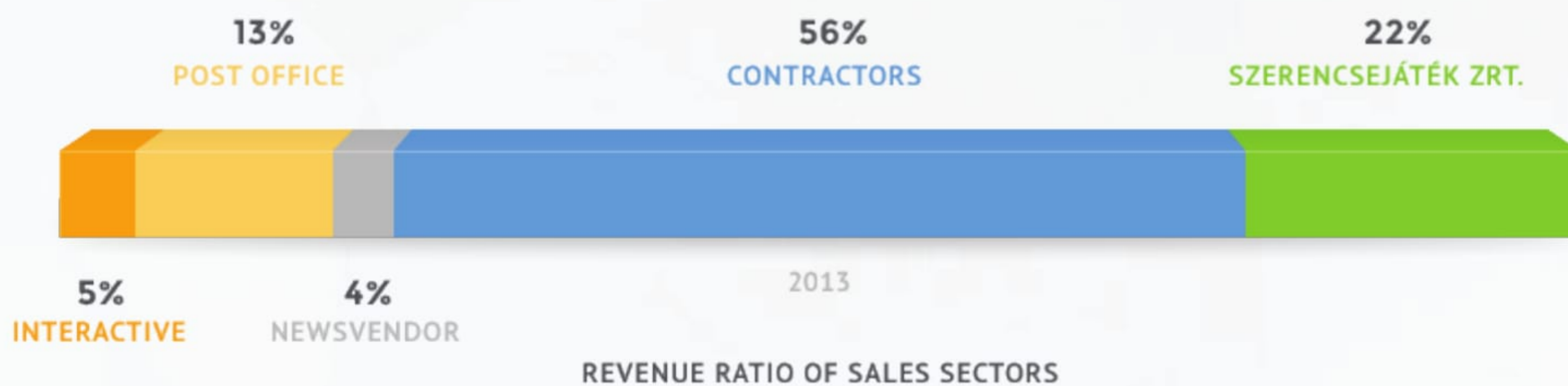
278
OWN OUTLETS

177
CHARITY COUNTER

455
TOTAL

At the end of 2013 we had 278 outlets of our own and our employees with disabilities sold scratch cards at 177 so-called charity counters. Therefore a total of 455 points of sale were owned by Szerencsejáték Zrt. In addition, our whole selection of games is available at more than 4,000 points of sale in Hungary while our partners sell only scratch cards at 2000 locations. Most of our products is available through electronic channels. This so-called interactive category includes games effected via the internet, phone, text messages and ATM.





Szerencsejáték Zrt. in numbers

	2011	2012	2013
Number of employees	1 278	1 486	1 509
Gambling revenues (million HUF)	180 485	212 790	243 343
Number of base game bets (million)	1 072	1 238	1 437

INTRODUCTION

GAMBLING IN OUR SOCIETY

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

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

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

INTRODUCTION

OUR MISSION AND VALUES

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

Key values of the Company include sustainable, moderate expansion, responsible gaming, an excellent quality of products and services, a mind to the needs of the consumers, reliability, and social responsibility.

CORPORATE GOVERNANCE

Based on legislation in force, Szerencsejáték Zrt. is a one-person stock company, 100% of which is permanently owned by the state. The Company began its operation on 1 January 1991. Owner's rights and obligations are exercised by the minister responsible for overseeing state assets through Magyar Nemzeti Vagyonkezelő Zrt. (Hungarian State Holding Company).

The Company is run by the Board of Directors with an exclusive sphere of authority in decision-making in the matters listed in the Deed of Foundation.

With the exception of matters in the exclusive sphere of authority of the General Meeting or the Board of Directors, the Chief Executive Officer is responsible for the operative management of the Company. The CEO is also the Chairman of the Board. The CEO carries out his or her tasks in the framework set out by existing legislation, the Deed of Foundation, as well as decisions of the General Meeting and the Board of Directors. The CEO represents the Company and exercises the ownership rights in members' meetings of subsidiaries in line with the conditions set out in the Deed of Foundation.

The Supervisory Board monitors the management of the Company, a third of its members being comprised of employee representatives.

MANAGEMENT

Dr. Kálmán Szentpétery – Chairman

László Baranyay – Member of the Board until 31 August 2013

Péter Horváth – Member of the Board until 15 August 2013

Károly Attila Kollár – Member of the Board

Csaba Nánásy – Member of the Board

Marianna Sebők – Member of the Board since 16 August 2013

SUPERVISORY BOARD

Zsolt István Incze – Chairman

Dr. Edit Varga – Supervisory Board Member

Gyula Mucsi – Supervisory Board Member

Kornélia Kaiser – Supervisory Board Member

István Knapp – Supervisory Board Member

MANAGEMENT

Dr. Kálmán Szentpétery – CEO

Éva Szabóné Horváth – Deputy CEO

Ádám Balogh – Director of Marketing and Communications

Zoltán Cselovszki – Director of Sales and Game Organization

László Dankó – Security Director

Dr. Szilvia Módra – Director of Legal Affairs and Controlling

Ábel Knuth – IT Director

BEVEZETŐ

RELATIONSHIP WITH STAKEHOLDERS

Szerencsejáték Zrt. strives to develop long-term, mutually beneficial relationship with stakeholders. Of our stakeholders, particular attention is paid to our players, our employees, sales partners and media representatives.

We organize various bettors' meetings every year for our players. Last year, at the end of the second quarter, we launched a country-wide Series of Toto/Goal Toto Public Meetings with events in all sales regions, including Budapest.

Our relationship with the media was characterized by proactive communication last year as well. With 294 contacts made by journalists, more than 1500 articles were published about the Company. This was greatly facilitated by closer cooperation with journalists in the form of background discussions and topic proposals. Media coverage of Szerencsejáték Zrt. proved 47% positive and 44% neutral in 2013.

The so-called partnership meetings went on to be organized intensively in sales regions in 2013. Contractors selling our products can gather information about the Company's plans, accomplishments and changes of expectations, if any, here and in the quarterly Regional Newsletters.

For 2013 events related to our employees as stakeholders see the chapter on Responsible Employment.

2 ECONOMIC ACTIVITIES

DEVELOPMENT OF OUR BUSINESS ENVIRONMENT

REGULATION OF THE ONLINE GAMBLING MARKET IN EUROPE

The contradictory operation of online bookmakers remains one of the greatest problems of the European gambling market. As online poker lost some of its appeal on the international market, the repartition of the sports betting market came into focus. Betting fraud scandals, stemming from the globalization of the gambling market, constitute a risk to online betting. Online bookmakers, although possessing a gaming licence of a Member State or tax area that offers them favourable tax conditions, mostly carry out their activities in countries where their presence is illegal. As their tax burden is considerably lower, they have an insurmountable advantage over local service providers.

While some European states, to protect the domestic market, keep prohibiting online bookmakers operated by foreigners, others have opted for opening up the market partially, subject to local licences and taxation.

CHANGES TO LEGISLATION IN THE HUNGARIAN GAMBLING MARKET

Changes to Hungarian legislation in 2013 made it possible for our Company to participate in international gambling organized by lottery companies.

Changes to legislation enacted during the year lay the grounds for reorganizing the casino market: in the following years several new casinos are expected to be opened in Budapest and in the country.

Rules pertaining to remote gambling have been modified, but implementation rules necessary for actually obtaining licences have not been published in 2013, so no gaming licence has been issued to any foreign game organizers.

Legislation made it possible to sell gambling products in national tobacco stores opened recently, so several of our sales partners could continue their business, and new points of sales for scratch cards have also been created.

REALIZATION OF OUR MID-TERM BUSINESS STRATEGY

The Company performs its activities in line with the mid-term business strategy elaborated in 2011 and updated in 2013. Most important objectives laid down in this:

- Keeping up with the demand for games in the sphere of state gambling monopoly, building brands, development of some games through international cooperation, strengthening trust towards the state lottery company and realization of our objectives in responsible gaming.
- Gaining a foothold and consolidation in new market segments. With the protection of the national interest as a priority, preparing for the consequences of the partial market opening process.
- System-level modernization of sales support IT systems, including the development of online and mobile sales channels.
- Development of corporate governance processes, process-oriented bylaws, and closer cooperation with European lottery companies in order to defend our common set of values based on social interest.

Szerencsejáték Zrt. surpassed the revenue and profit objectives set out for 2013. The record gambling revenue of HUF 243.3 billion exceeds our attainment of the previous year by HUF 30.6 billion. Our profit before tax was HUF 12.8 billion.

RECORD SALES
IN 2013

243,3

BILLION FORINTS

AS COMPARED TO THE
PREVIOUS YEAR 2012

+30,6

BILLION FORINTS

PROFIT BEFORE
TAX

12,8

BILLION FORINTS

Innovation was indeed a key objective last year. This is also evidenced by the fact that our Company's development expenditure reached HUF 5.3 billion in 2013. The new online betting platform TippmixPro was completed during the year. Relevant legislation makes it possible for us to participate in international gambling from 2013. After this option was granted by law, we submitted our IT system to an audit ensuring that our Company is in compliance with the strictest international IT security standards. The project for replacing the central sales system was carried on. This will replace former technology with a more advanced system and modern sales terminals.

A conspicuous change for our players was the introduction of new product logos in 2013, after long preparation processes. Besides product brands, our own outlets have also been changed: 9 more points of sale have been fully renovated. Our players and sales colleagues are both satisfied with the more colourful, welcoming interiors. In the course of the last year we began the creation of a so-called Outlet Information System. The new information and communication system promotes an integrated and automated communication of results and, among others, the opportunity to display additional information and spectacular advertisement animations. Thanks to the displays, our premises will more and more take

on the looks of betting shops. New displays were installed in 7 outlets in 2013. Besides developing the outlets, 20 of our disabled colleagues selling scratch cards received modern and more comfortable desks. The improvements will continue in 2014.

Sale through interactive channels (internet, phone, text messages, mobile internet, ATMs) increased extraordinarily in 2013. While interest towards our online games was centred on our newly introduced TippmixPro, and our online Putto also saw a surge of interest, we took some important steps to popularize text message games.



Smart Lottery

"In 2013 Szerencsejáték Zrt. launched its Smart Lottery (Okoslottó) application. Development of the application took almost exactly an entire year: compilation of the current structure and creation of operating methods for each function took considerable preparatory efforts. We have been developing the application ever since to meet our players' needs as fully as possible.

During the summer, we also presented the application in a road show organized with the Class FM radio station. The Smart Lottery stand of Szerencsejáték Zrt. was very popular at all events. To reflect the slogan of the introductory campaign, one-hand dexterity games and attractive gifts awaited the visitors. Hostesses helped in a great number of Smart Lottery downloads right on the spot, but the increasing fame of the official lottery application was to be felt both during and after the series of events.

In the future we'll continue to look for options to make Smart Lottery even better known, as we are positive that it makes the lives of those who play lottery in text messages a lot simpler."

Dóra Sturm – communications manager, project coordinator of the Smart Lottery project



For the development of corporate governance processes, please see the chapter on Responsible corporate governance.

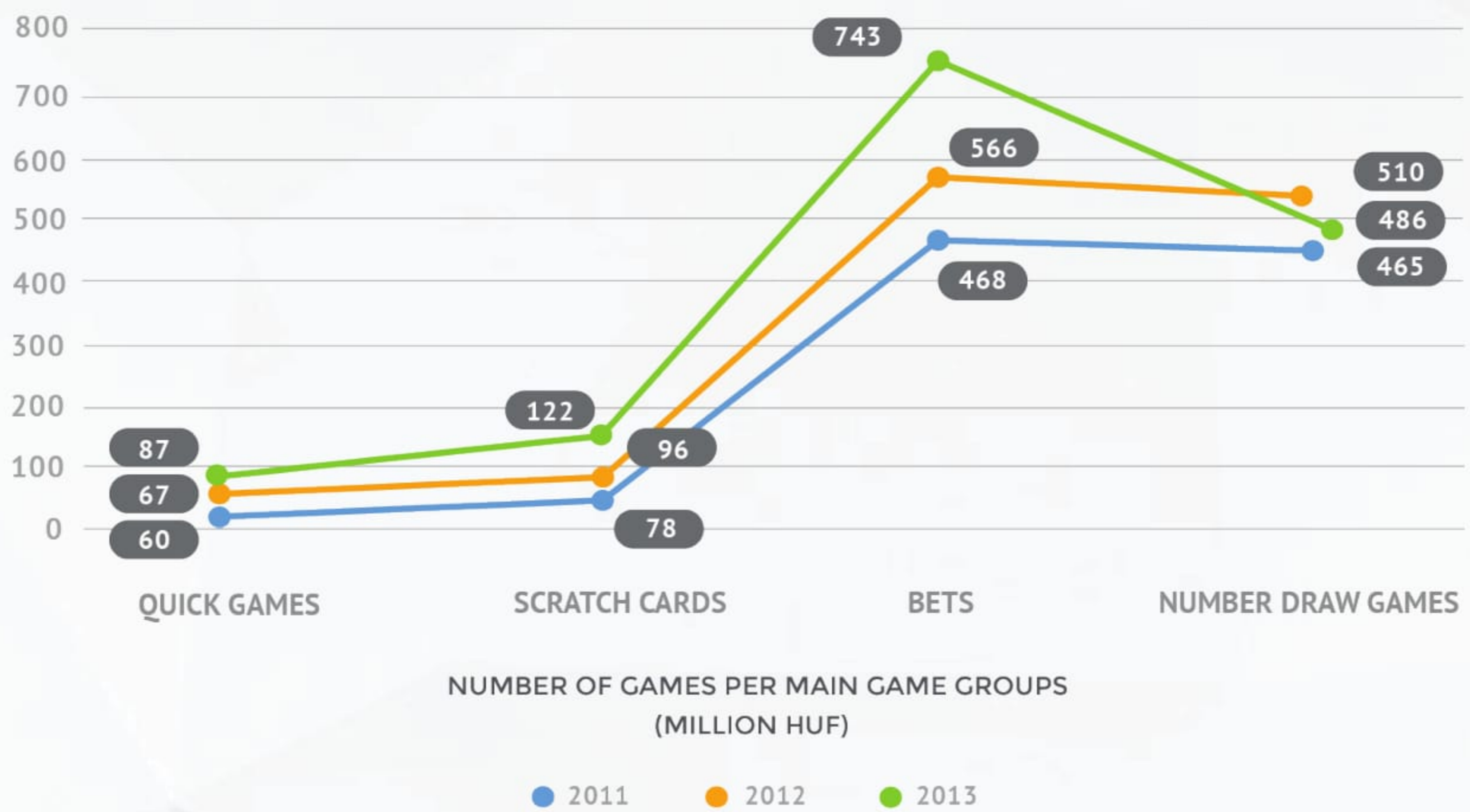
BUSINESS PERFORMANCE: REVENUE

RECORD GAMBLING REVENUE

Our selection of games consisted of eleven independent games at the end of 2013 with a scratch card collection of 10-12 units on sale concurrently. Upon launching the more dynamic TippmixPro in May, Tippmax was, in line with preliminary plans, discontinued.

The gambling revenue was a record of HUF 243.3 billion, exceeding that of the previous year by 14.4%. The number of base game bets also reached a record high at 1,440 million. The composition of the revenue tilted towards more dynamic games (bets, quick games, scratch cards), resulting in a decreased importance of traditional lottery, although net revenue figures, after the deduction of prize amounts, show that lottery games remain our flagship products.





ECONOMIC ACTIVITIES

TURNOVER



BETS

Proportion of bets in total revenues was 30.1%. Based on sales data, the turnover of Tippmix, at HUF 64.9 billion, surpassed that of the year before by 26.5%. Despite the lack of a football world or European championship this year, the increase exceeded that of the previous year. The weekly revenue of the game stabilized above HUF 1.5 billion in the third and fourth quarters, taking the lead from the Five-number draw lottery in gross turnover.

Tippmax, exclusively available on the internet, attained a turnover of HUF 359 million before it was discontinued in June. The new TippmixPro bet yielded a revenue of HUF 5.5 billion already in its first year. The launching of the online betting site also affected the turnover of Tippmix positively.

"TippmixPro burst into the Hungarian sports betting market following an exceedingly complex business and IT development process. Although our Company had offered online betting solutions before, TippmixPro was our real answer to our unlicensed online competitors. At present, this is the only licensed, monitored and secure online betting site, underpinned by the guarantee of Szerencsejáték Zrt. Quality betting options, payment methods and a Hungarian-language customer service with extremely fast response times is at the disposal of bettors. TippmixPro serves Hungarian bettors, aims at meeting the expectations of the domestic market. Bringing the site into being created new jobs in Hungary, the profits generated by TippmixPro are utilized at home, contributing to social expenditure instead of increasing the profits of a foreign organizer. At last, I must emphasize our responsible approach to gambling that permeates our day-to-day operation and clearly differentiates us from unlicensed organizers.

Adapting to consumer needs, we also plan a mobile version of the site and an expansion of the championships and range of sports we offer in order to cater to the expectations of a range of bettors as wide as possible. One thing is sure: we have a legion of ideas in store and we always come up with some surprise!"

Gergely Koppány – Head of the Interactive Games Department

Gaming parameters of totalizator bets, including prize rate, prize structure and participation fee were modified as from week 4, resulting in a Toto turnover 16.3% higher than a year before at HUF 2.4 billion. In the second half of the year the jackpot was more common, so the turnout-stimulating effect of jackpots accumulated over long periods of time failed to materialize. The changes affected, but did not significantly influence the position of the Góltotó (Goal Toto) product, with revenues of HUF 90 million in 2013.

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

NUMBER DRAW GAMES

The proportion of traditional number draw games in the revenue was 43.1%. The 49.7 billion HUF turnover of the Five-number draw lottery failed to reach the extraordinary level attained in 2012 despite the fact that the jackpot exceeded HUF 1 billion three times in 2013, though each of these fell short of the largest accumulation amount of the previous year.

The revenue of the Six-number draw lottery at HUF 23.2 was slightly below that of the previous year, because (just like the Five-number draw lottery) the highest jackpots offered in 2013 were below the level of the exceptionally high jackpot of 2012.

Large jackpots are rare in case of the Scandinavian Lottery, fluctuation of the revenue is more balanced. The revenue of HUF 17.8 billion exceeds that of the previous year by HUF 1 billion. This was partially due to the fact that the summer of 2013 saw the second highest jackpot won in the game ever (HUF 625 million). The turnover of Joker saw a slight change, the revenue increased to HUF 3.1 billion in 2013. The turnover of Kenó, at HUF 5.2 billion, is virtually identical to that of the previous year. The revenue of Luxor, at HUF 4.0 billion, exceeds that of the previous year.

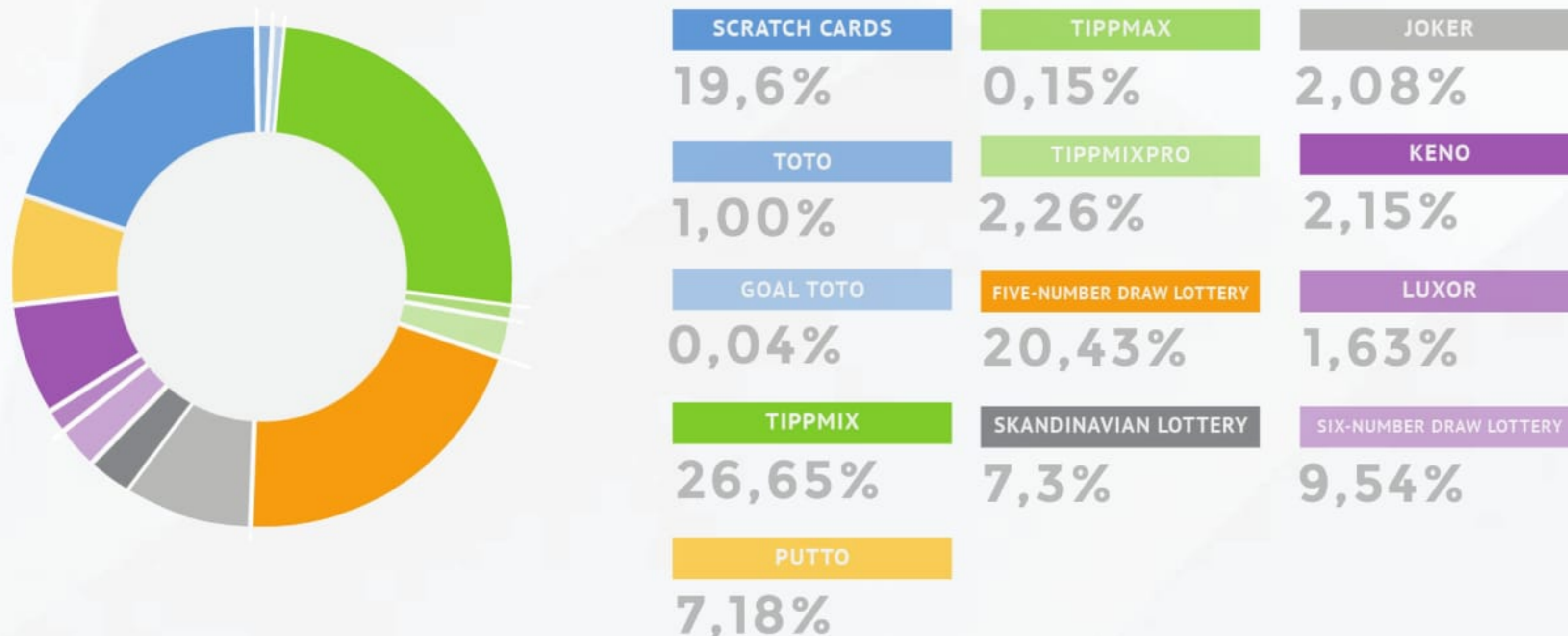
QUICK GAMES

The turnover of Putto, at HUF 17.5 billion, surpassed that of the year before by 31%. The increase is partly explained by the shutdown of arcades offering slot machines, as lots of enthusiasts of faster-paced games might have switched over to Putto. Proportion of the game in total revenues was 7.2%.

SCRATCH CARDS

Scratch cards, in essence also quick games, continued the dynamic expansion of the previous years. The revenue, at HUF 47.7 billion, surpassed that of the year before by 36.3%. The shutdown of arcades played a significant role in this success, as did a marked increase in the number of scratch card sale points from the middle of 2013 as a result of the involvement of several new kiosks. Overall revenue of scratch cards constitutes 19.6% of our total revenue. Demand remained high for scratch cards in the 1000 HUF/piece price category. Classic scratch cards, as Black Jack and Pharaohs' Treasure), out in the market for several years, retained their popularity and performed well, as did the seasonal Happy Christmas! card.

REVENUE RATIO OF EACH GAME (2013)



PRODUCTS OTHER THAN GAMBLING

At present we have only one non-gambling type product in our range, mobile phone top-up. We were in partnership with four carriers in 2013 (Tesco Mobile, Telenor, Vodafone, T-Mobile), the sales generated a commission income almost identical to that of the year before, HUF 362 million.

On an occasional basis we also participated in the sale of admission tickets to the national flight day event.

ECONOMIC ACTIVITIES

PROFIT AND LOSS STATEMENT, BALANCE SHEET

PROFIT/LOSS STATEMENT	2011	2012	2013
	million HUF		
Net domestic sales	181 056	213 356	244 016
Of this: Gambling revenue	180 485	212 790	243 343
Total sales (revenues)	181 056	213 356	244 016
Movements in self-manufactured stocks			
Capitalised self-manufactured assets			
Capitalised own performance			
Other income	310	443	166
Of this: loss in value marked back			
Material costs	1 534	1 946	2 427
Value of services used	21 878	23 510	26 130
Other services	424	452	575
Cost of goods sold			6
Provision of (consignment) services	176	183	201
Material costs	24 012	26 092	29 340
Payroll	5 408	5 911	6 299
Other payments to personnel	1 795	1 927	1 953
Social security and similar deductions	1 669	2 028	2 108
Payments to personnel	8 872	9 865	10 372
Depreciation	2 274	2 239	2 535
Other expenditures	137 328	162 547	187 837
Of this: diminution in value	65	93	33
Gross prizes shown as expenditure	103 331	123 263	146 736
OPERATING PROFIT (/LOSS)	8 880	13 056	14 110
Dividends and profit-sharing (received or due)			50
Of this: from affiliated undertakings			50
Capital gains on investments			
Of this: from affiliated undertakings			
Interest and capital gains on long-term financial			3
Of this: from affiliated undertakings			
Other interest and similar income (received or due)	1 166	1 727	986
Of this: from financial transactions			
Other income from financial transactions	125	6	15
Income from financial transactions	1 291	1 733	1 055
Exchange losses financial transactions			
Of this: to related parties			
Interest payable and similar charges			
Of this: to related parties			
Diminution in the value of shares, securities and bank deposits			42

Other expenditures on financial transactions	6	79	13
Financial expenditures	6	79	55
FINANCIAL PROFIT OR LOSS	1 285	1 654	1 000
PROFIT OR LOSS OF ORDINARY ACTIVITIES	10 164	14 710	15 110
Extraordinary income	1		
Extraordinary expenditures	941	1 088	2 287
EXTRAORDINARY PROFIT LOSS	-940	-1 088	-2 287
PROFIT BEFORE TAX	9 225	13 622	12 823
Tax payable	1 757	2 705	1 149
PROFIT AFTER TAX	7 468	10 917	11 673
Profit reserves used for dividends and profit-sharing	332	6 583	
Dividends and profit-sharing paid (payable)	7 800	17 500	8 500
PROFIT OR LOSS FOR THE YEAR	0	0	3 173

BALANCE SHEET, ASSETS	2011	2012	2013
	million HUF		
FIXED ASSETS	12 592	13 292	16 169
Intangible assets	1 232	1 423	1 764
Capitalised foundation/restructuring			
Capitalised research and development			
Concessions, licenses and similar rights	1 169	1 333	1 678
Trade-marks, patents and similar assets	63	90	86
Advance payments for intangible assets			
Adjusted value of intangible assets			
Tangible assets	9 417	9 922	12 293
Land and buildings and related concessions, licenses and similar rights	6 475	6 659	6 680
Plant, machinery, equipment and vehicles	1 698	1 863	2 981
Other equipment, fixtures and fittings, vehicles	613	713	691
Assets in the course of construction	631	685	1 941
Prepayments for capital expenditures		2	
Adjusted value of tangible assets			
Long-term financial assets	1 943	1 947	2 113
Long-term participations in related parties	1 894	1 894	1 852
Long-term loans granted to related parties			
Other long-term participations			
Long-term loans granted to other investments			
Other long-term loans granted	49	54	57
Long-term debt securities			204
Adjusted value of long-term financial assets			
CURRENT ASSETS	22 160	26 725	20 263
Stocks	718	692	815
Materials	680	650	747
Goods	38	42	66
Advance payments for stocks			3

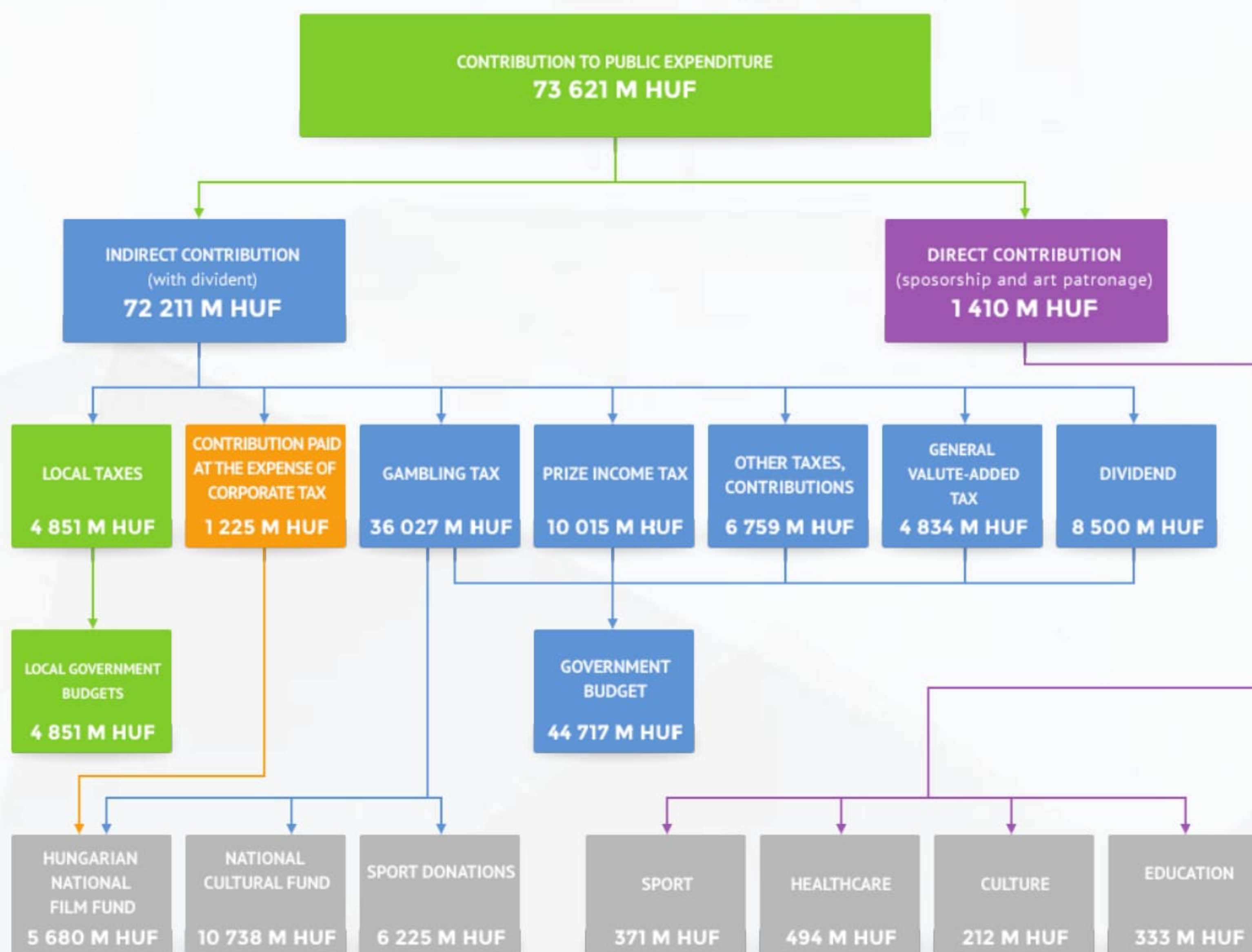
Receivables	13 715	13 262	10 274
Trade debtors	623	2 205	2 153
Receivables from related parties	12	1	66
Receivables from other investments			
Bills of exchange receivables			
Other receivables	13 079	11 056	8 055
Securities	4 310	11 428	7 847
Participations in related parties			
Other participations			
Treasury shares and own participation			
Marketable debt securities	4 310	11 428	7 847
Total liquied assets	3 417	1 343	1 327
Cash, cheques	205	258	278
Bank deposits	3 211	1 085	1 049
PREPAID EXPENSES AND ACCRUED INCOME	1 229	1 169	1 043
Accrued income	834	657	536
Prepaid expenses	395	513	507
Deferred expenses			
TOTAL ASSETS	35 981	41 187	37 475

BALANCE SHEET, LIABILITIES	2011	2012	2013
	million HUF		
Shareholders' equity	15 315	8 732	11 905
Share capital	3 000	3 000	3 000
Treasury shares redeemed at face value			
Capital reserve			
Retained earnings /(losses)	12 315	5 732	5 732
Allocated reserves			
Revaluation reserve			
Profit or loss for the year	0	0	3 173
PROVISIONS	534	776	763
Provisions for future liabilities	534	776	763
Provisions for future commitments			
Other provisions			

LIABILITIES	18 478	30 372	23 264
Subordinated debts			
Long-term liabilities			
Current liabilities	18 478	30 372	23 264
Short-term borrowings			
- of which: convertible bonds			
Other short-term loans			
Prepayments received from debtors	181	193	251
Creditors	2 056	2 124	3 492
Bills of exchange payable			
Short-term debts to related parties	15	0	11
Short-term debts to other investments			
Other short-term debts	16 226	28 055	19 509
ACCRUED EXPENSES AND DEFERRED INCOME	1 654	1 307	1 544
Deferred income	1 120	812	1 038
Accrued expenses	534	495	506
Deferred extraordinary revenues and negative goodwill			
TOTAL LIABILITIES	35 981	41 187	37 475

MEETING OUR CONTRIBUTION OBLIGATIONS TO THE BUDGET

THE CONTRIBUTION OF SZERENCSEJÁTÉK ZRT. TO PUBLIC EXPENDITURE



DISTRIBUTION OF CREATED ECONOMIC VALUE

Distribution of direct economic value produced (million HUF)

	2011	2012	2013
Revenues	88 064	102 484	108 317
Distributed economic value	85 754	106 355	102 088
Operating expenses	23 178	25 514	28 173
Employee salaries and benefits	8 610	9 599	10 093
Payments to capital investors	7 800	17 500	8 500
Payments to the budget	45 009	52 464	52 686
Community investment	1 157	1 278	2 636
Retained profit	2 310	-3 871	6 229

Produced and shared economic values assembled in a structure based on GRI (Global Reporting Initiative) guidelines differ from the structure usual in accounting. In this arrangement the produced economic value indicator is the sum of revenues minus net prizes and financial income. The manner these economic values are shared shows that Hungarian society receives a fair share from the profits of state-owned gambling services. Retained profits include development investment devoted to the restoration and enhancement of instruments of production.

ECONOMIC ACTIVITIES

RISK MANAGEMENT

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

In the short term a market risk is how the income situation and the freely disposable income of the population change. Another such risk is the stagnating interest vis-à-vis traditional number draw games. The continuance of expiring casino licences, the opening up of the remote-gambling market and the building of a horse race betting office network by a competitor pose risks. The Company reacts by strengthening further its scratch card and bookmaker's bet market positions, participating in the organization of online gambling, introducing a new, international game with considerable prizes and a declaration of its intention to establish new casinos. The maintenance of market positions and preservation of our cash-flow capacity requires continuous investment. At this point we must also emphasize that our approach to responsible gaming excludes any attempt to urge our players to spend beyond their means.

One of the most important elements of our operating risks is the safety of our systems and protection of the players' privacy. Our critical processes conform to the ISO 27001 and WLA SCS information security standards. Process monitoring and various process regulation solutions and organizational competences ensure an uninterrupted operation even in crisis situations. A key motivation in technological developments in progress is increasing the security and reliability of the system.

Legislative risks are to be taken into account as regulation of the gambling market is volatile and implementation rules to legislative amendments are not available. Legislation provides for our participation in international games. The Company remains to be committed to contribute to the shaping of our legal background with its knowledge and expertise.

Financing the Company's stepped-up investment programme poses a financial risk. Replacing our central IT system, developments aimed at increasing competitiveness, as well as development required for our safe operation and serving our players at a high standard require resources that exceed the rate of depreciation in 2013-2014.

LEGAL CASES

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

The Gambling Authority imposed fines on our Company nine times in 2013. This included only one mistake (a printing error) detected directly at our Company that was classified as a deviation from an accepted game plan. All other cases resulted from failures by our partners: we were fined once for lack of appropriate publicity (lack of participation rules), once for lack of a warning about the danger of developing addiction, two times for serving underage mystery shoppers and four times for incorrect/defective thermal rolls. The total sum of the fines was HUF 1,550,000. After payment, we charge fines resulting from their failures to our partners.

Fines (thousand HUF)			
	2011	2012	2013
	1000	400	1550

3

RESPONSIBLE CORPORATE GOVERNANCE

When the external opinions formed about a Company extend to latent values like social and business confidence, this is indicative of significant work management efforts, value creation processes and adequate management activities. Therefore invisible values are underpinned by transparency, regulation, an operation environment in compliance with legislation and other standards, and responsible corporate governance.

Conversion of these values to measurable business successes is a widely shared expectation vis-à-vis companies of the government sector with regard to responsible management of the national wealth and the requests voiced by the Hungarian State Holding Company, exercising ownership rights, in their "Recommendation" or in different forms.

Szerencsejáték Zrt. is a 100% state-owned enterprise, it is therefore particularly important to ensure the enforcement of the Owner's interests with responsible corporate governance principles and to ensure the transparency of the success rate of the objectives set by the Company's management. It is with this in mind that we have created, operate and keep developing our processes and activities.

The guiding thread of our work is the Company's business strategy for the years 2011-2016, created utilizing the results of risk analysis. The strategy defines the goals and aspirations that we consider viable in the long run. In 2013 we continued the work that we had begun in line with these strategy guidelines. As part of this strategy, we accepted a document summarizing the strategic projects and key work tasks of 2013. This included the further development of our responsible corporate governance practices. The framework was set by the "Recommendation" issued by the Hungarian State Holding Company for state-owned corporations. In the spirit of this we amended the Company's Deed of Foundation, the Bylaws of the Supervisory Board and the Board of Directors to delegate our reporting activities about risk management processes and internal control procedures at the highest level possible.

The "Recommendation" also launched a process of revising and amending our Code of Ethics, which expresses our moral values and commitment to society.

The requirement of change was not confined to the documents above, but was present at other levels of operation as well, so we conducted a preliminary examination and we documented the necessity of amendments to our system of regulations.

To make performances transparent and accountable, we elaborated a single system of performance incentives for the Company, based on our business strategy and expanded down to the level of day-to-day activities. Before its full introduction, a pilot of the system is used in some organizational units.

4 RESPONSIBLE GAMING

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

OUR BASIC PRINCIPLES

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

RESPONSIBLE GAMING

RENEWAL OF OUR RESPONSIBLE GAMING CERTIFICATION



One of the main CSR projects of 2013 was the renewal of our responsible gaming certification. We subjected ourselves to the system of criteria of the Responsible Gaming Standards of the European Lotteries (EL) in 2010 for the first time. After the successful attainment of the certification, our Company underwent a partial interim assessment (in October 2012).

The comprehensive certification process in May 2013, as in previous years, was carried out by PricewaterhouseCoopers. Based on their evaluation we achieved better results every time than the times before. The auditors carried out the audit under a framework plan made for the EL Standard. In the process they conducted personal interviews with our colleagues, and verified information at randomly chosen points

of sale, on online interfaces and the Company's website alike. To get acquainted with our responsible gaming practices, they mostly analysed internal regulations and instructions, as well as other documents. The examination extended to 10 fields of our operation. We were happy to see that we attained a percentage considerably higher in all criteria than the 75 percent set as minimum expectation. In three fields (research, employee training, game design) we obtained the maximum score possible. In the overall examination our aggregate scores reflect a performance of 96 percent.

The study created from the examination results emphasized that, compared to 2010, the biggest advance we attained was thanks to the publication of the integrated Business and Corporate Responsibility Report and to making the earlier one-way communication with our stakeholders two way by opening new communications channels.

In December 2013, after the EL certification, based on its examination results, our Company won the responsible gaming certification of the World Lottery Association (WLA). We are entitled to use the level four, that is the highest-level certification for 3 more years.

Below we describe in detail the most important 2013 events and information related to the framework plan.

RESPONSIBLE GAMING

RESEARCH

A large-sample gambling addiction research conducted by Kutatópont Kft. in 2013 showed a considerable increase in the proportion of problem gamblers. Therefore, as part of a related research of 2013, we repeatedly surveyed the exposition of the domestic population to such risks. The research, otherwise basically surveying gambling habits and attitudes, led to the result that 3.16 percent of the population above 18 can be considered addicted to gambling.

We keep attributing exceptional importance to prevention and treatment because of the high rate of addicts.

Expenditure related to research and counselling (million HUF)

	2011	2012	2013
Research expenditure	6,26	37,71	41
Management and counselling fees, donations	2,65	2,65	11

¹ The 2012 research studied the population above 15. The results of that time were projected by the research firm to those above 18, in order to facilitate comparison. The resulting 3.16 percent can be considered the proportion of addicts above 18. The two studies have therefore essentially brought the same result.

TRAINING OF EMPLOYEES AND SALESPERSONS

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

To make sure that our sales staff conduct sales with up-to-date professional expertise and responsibility, in 2013 we renewed our basic sales technique research training.

Salespersons – regardless of whether Company employees or employees of our subcontractors – all participate in a terminal operator course and must pass an exam on expectations regarding responsible gaming.

GAME DESIGN, GAME DEVELOPMENT

For any substantial remodelling of our existing games or during the preparation of newly developed ones we employ the reliable Gam-Gard application that ranks games based on the risks they pose. We have no game in the most risky, that is the red category.

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

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

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

GAMES PLAYED THROUGH TELECOMMUNICATION CHANNELS

We gradually introduced warning and self-limitation features in the games we offer in our current online betting system. These built-in and optional features encourage the player to consider in advance and to reach more conscious and responsible decisions. The number of players opting for the self-limitation increased to 1618 from the 416 in 2012.

Offering simple information to our players about how to ask for help was also an important consideration upon the launching our online sports betting site TippmixPro. On the site we offer the self-limitation/warning options already employed in our other online betting system. Thanks to these features, 147 players on TippmixPro hit the restrictions set by themselves, so sparing themselves the overspending.

ADVERTISEMENT AND MARKETING

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

Our marketing

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

In 2013 we conducted successful deliberations with the Self-Regulatory Advertisement Body about our advertisement on the accumulations in our Five- and Six-number draw lotteries, the image campaigns of Luxor and the Six-number draw lottery, as well as our Company image campaign named "A history of numbers".

EDUCATION AND TRAINING OF PLAYERS

To introduce our players to the features and risks of our games, we made some information videos in 2013 with the title Lottery Academy, and we also redesigned the appearance of our How to play...? game leaflets.

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



ORIENTATION OF VULNERABLE PLAYERS TOWARDS TREATMENT

The “Keep it a Game!” information brochure is available at all points of sale. This informs players about the harmful consequences of playing in excess. Players can test their relationship to gambling and in case of an addiction issue can find contact info of centres where they can get professional help. We regularly control the presence of the information brochure and responsible gaming stickers. Their absence entails consequences: in case of our own employees employer measures may ensue, and in case of contractor partners it may degrade ranking in the commission system. Inadequacies discovered at sales partners was minimal in 2013, barely amounted to more than 2 per thousand.

We display information about gambling addiction treatment options on our dedicated site “maradjonjatek.hu” and also on the Company’s website.

We continue our cooperation with the National Institute for Quality and Organizational Development in Healthcare and Medicine (GYEMSZI). Their website contains a gambling addiction section that shares important background information and international news with the public. They continue providing the Dr. Info service, also informing the public about gambling addiction treatment providers. Addiction professionals answer questions in e-mail.

In 2013 The Institute of Psychology of the Eötvös Loránd University created a phone hotline specifically aimed at offering help to gambling addicts and their family members, with limited availability at present. We displayed this hotline number (also laying grounds and testing the possibility of a closer cooperation in the future) at all Szerencsejáték Zrt. points of sale, including our contracted partners.

Nyíró Gyula Hospital opened its addiction department to gambling addicts in 2013. A special gambling addict regimen, the so-called Minnesota Model required extra investment and a need for more professionals by the department. Szerencsejáték Zrt., through its hospital foundation, was able to contribute to this.

PREVENTION PROGRAMME

In 2013 we continued our three-year gambling addiction model project created jointly with the Hungarian Interchurch Aid Organization (MÖS), called Gaming with Limits. On May 31 the MÖS and Szerencsejáték Zrt. organized a professional day event in Debrecen aimed at calling public attention to gambling addiction and presenting the methods and accomplishments of the Gaming with Limits programme.

The prevention part of the model project takes place in two elementary and two secondary schools in the framework of form tutor classes, club sessions and through summer camps. The professionals discuss the role of games (as an indispensable part of human culture) with students, calling their attention to similarities and dissimilarities between various types of games. Club sessions aim at enriching participants with real community experience instead of virtual relationships, hoping that young people who actively savour the real experience of belonging to a peer group become less vulnerable to gambling addiction, drugs or any other deviancy.

Group sessions independent of schools can be attended by gambling addicts and their family members so that people struggling with a common problem could look for possible solutions together, supporting one another. We also presented our Gaming with Limits model project in July to the participants of the Campus Festival in Debrecen.



In October 2013 the Gaming with Limits programme won the special junior prize at the Social Investment tender of the Hungarian Donors Forum (MAF).



“The Hungarian Interchurch Aid Organization has been a reliable partner of Szerencsejáték Zrt. for years. Their work is permeated by their responsibility towards our society, as is the activity of our Company. This was the joint ground for the Gaming with Limits programme: our sense or responsibility for vulnerable groups and the generation of the future. As our joint venture was launched as a model project treading new paths, untried in practice, it could not have worked but for this driving force in the organizers of the programme.

The target group of the programme was the young under 18. Although they cannot participate in gambling, it is unavoidable (especially in the age of the internet) that even children should be exposed to games of chance. We wish that young people, by the time they have the legal option to become our players, should be acquainted with the nature and dangers of gambling. We want them to understand how it works and to accept that it is basically governed by chance.

In our Debrecen partner schools participating in the programme we call young people’s attention to the dangers of gambling in form tutor classes and club sessions. We considered it important that information should be delivered to the students not as compulsory education but rather in the form of new experiences.

With regard to the success of the programme we continue our work into 2014. Besides school sessions we again offer summer camps and also festival presence in Debrecen. We also launch a poster contest for the youth of the city to make them meet the limits of the game in this different form as well.”

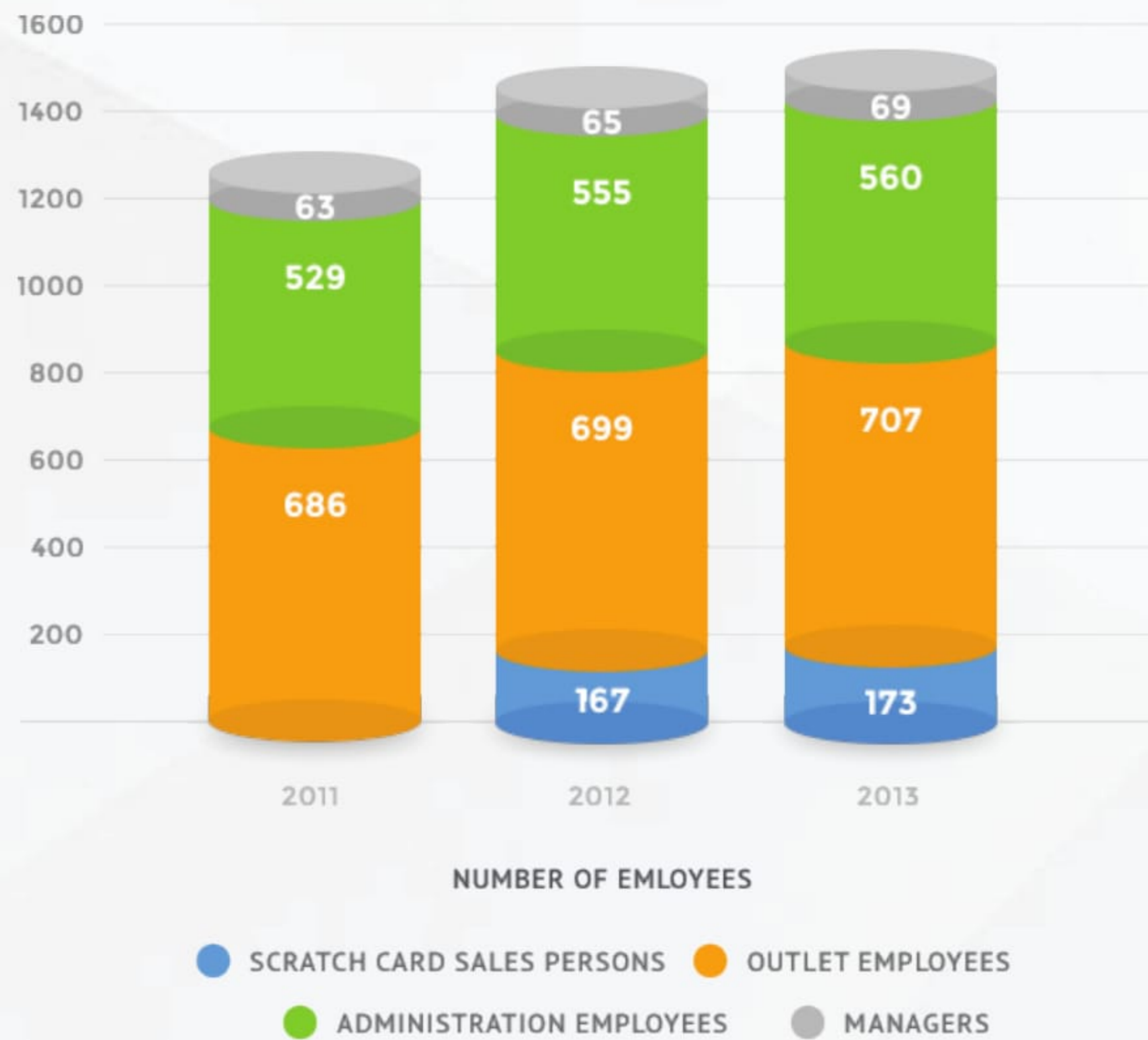
dr. Beatrix Zelei – Head of CSR Department

5 RESPONSIBLE EMPLOYMENT

NUMBER OF EMPLOYEES

As gambling organization requires special expertise, it is of utmost importance for us to keep our highly educated employees with extensive professional experience, to make sure of their development and to make them feel well at their jobs. The number of our employees exceeded 1,500 by the end of 2013, an increase of 1.5% of our staff in a year.

The largest group within our staff is that of sales employees. Almost 900 of our colleagues worked in outlets and in charity desks. Fluctuation was a mere 13% in 2013.



Total employee fluctuation									
	2011			2012			2013		
Age	Male	Female	Total	Male	Female	Total	Male	Female	Total
-30	26	44	70	18	42	60	22	39	61
30-50	39	96	135	34	73	107	30	51	81
50+	31	81	112	51	181	232	14	47	61
Total	96	221	317	103	296	399	66	137	203

SYSTEM OF REMUNERATIONS

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



SYSTEM OF REMUNERATIONS

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

Our principle of equal treatment is also manifest in the fact that our part-time employees receive, proportionally, the same benefits as our full-time employees get.

The annual target bonus of the CEO and their deputy is set by the Owner. Expectations vis-à-vis middle managers are based on this, complemented with individual objectives. Managerial objectives include criteria for responsible gaming in all cases.

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

At the end of 2013 the Company elaborated a new, single system of performance incentives that has now been introduced to some organizational units as a pilot project.

Other benefits provided by our Company*:

- welfare payments
- burial allowances
- schooling support
- support for participation in school education
- loan for home purchases and renovation
- loan for the buying of automobiles

*Based on our Collective Bargaining Agreement

It is a tradition of Szerencsejáték Zrt. to devote great attention to welfare and social benefits offered to its employees. Based on an annual limit and their own circumstances, consumer habits and health conditions, the employees can compile their own fringe benefits from the cafeteria system (Erzsébet vouchers, voluntary health insurance fund services, voluntary pension funds, SZÉP vouchers, local transport season tickets). The total annual cafeteria allocation at the Company amounted to about HUF 1,274 million, of which the SZÉP voucher proved to be the most popular benefit chosen at almost HUF 282 million. The responsible approach of our employees is evidenced by the fact that contributions to voluntary funds altogether constituted more than 50 percent of all eligible benefits.

RESPONSIBLE EMPLOYMENT

RELATIONSHIP OF EMPLOYEES AND THE MANAGEMENT

Szerencsejáték Zrt. considers it indispensable to ensure that employment is created and maintained in a secure legal setting. This is facilitated by the Collective Bargaining Agreement that lays down employee rights and obligations in a clear-cut manner.

All amendments to the Collective Bargaining Agreement are based on consultation between the Management, the Trade Union and the Works Council. These bodies uphold employees' interests concerning the establishment of working conditions, the settlement of wages and benefits, and ensure that employees' opinions and suggestions are delivered to the decision-makers.

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

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



A research related to internal communication and organizational culture provides direct feedback about the relationship between the management and our employees. 34 percent of our employees filled the survey voluntarily in 2013. 89 percent considered the managers cooperative, while 86 percent thought they were almost always available.

As internal surveys had shown a high level of employer satisfaction for years, in 2013 we decided to submit ourselves to the survey of an external, independent party. The Best Employer Survey conducted by AON Hewitt ended in a positive result for our Company: Szerencsejáték Zrt. had the honour of receiving the 1st prize in the enterprise category at the awards ceremony in November.

The survey scrutinized the operation of the Company in five dimensions: based on employee loyalty, an authentic management, a high-performance working culture, an attractive employer brand and the criteria of sustainability they came to the conclusion that commitment to the Company was at 85 percent.

This result counts as outstanding among Hungarian enterprises, as the average commitment level in the 1000+ employee enterprise category is only 55 percent.

"Recent years have seen a number of other corporate culture consideration gaining prominence among our employees, including professional inspiration, a morale of support in our organization, open communication, as well as the balance between work and privacy. Our employees hold in high esteem what our Company can offer them in these fields.

The Company further reinforced its good image on the labour market. This is an experience substantiated by tenders and CVs we receive. The fact that pride is the most powerful incentive is also to be reckoned with. Employees are concerned about the public image of their employer so that they can speak its name with pride. Good employment is one where employees matter, and are made to feel this. Winning the award is not the end of a journey. Providing the conditions that promote the mutual success of the Company and the individuals is a new task for every day.

I am proud that I could have been part of a teamwork for many years that eventually, gradually spawned an internal culture of employment that many of us considered so positive during the survey."

Katalin Svács – Head of HR Department

EQUAL OPPORTUNITY, VARIETY

PEOPLE WITH DISABILITIES

In January 2013 the CEO of Szerencsejáték Zrt. was handed over the Disabled-friendly Workplace prize, jointly awarded by the Ministry of Human Resources, the Salva Vita Foundation and the American Chamber of Commerce to our Company in November 2012.

The reception of this acknowledgement was a worthy beginning for the year 2013 that counted as an especially important period from a responsible employment point of view, for it was last year that Szerencsejáték Zrt.'s scratch card sale network, employing only people with disabilities, celebrated its 10th anniversary. Altogether 180 salespersons with disabilities work in the network, many of them have done so for more than five years.

We celebrated the 10th anniversary with a professional day event on 9 October 2013, where representatives of the government, NGOs and the market sphere discussed topics like the employment of people with disabilities in the open market, social participation in the employment of people with disabilities, or the development of employment policies of the government. Moreover, we opened up ways for theoretical and practical trainings, programmes and best practices concerned with the employment of people with disabilities to get more publicity.

We also celebrated the 10th anniversary of the charity network in other ways besides the professional event. We staged a sales promotion for our players, urging them to buy from our employees with disabilities. Besides the gifts that were handed out for collecting scratch cards, players also got a short leaflet that better introduced them to the scratch card sale network of Szerencsejáték Zrt. and offered them insight about why variety and equal opportunity were such important values for our Company.

In September our employees with disabilities who attained the highest turnout participated in a training session where they discussed best sales practices and received certificates of recognition and gift packages. Our colleagues with disabilities also joined the corporate sports day and participated in sports programmes (bowling, petanque) full of enthusiasm. Our Christmas end-year party saw the presence of nearly 50 charity salespersons – more than ever.

During the year 20 charity desks with a modern look and more practical features have been handed over to our salespersons. We will continue the replacement of desks in 2014.



"The degree they can integrate employees with disabilities into their day-to-day lives is an important index of successful societies. Where integration into the job market is successfully accomplished, people with disabilities can also more effectively integrate into society.

At present, Szerencsejáték Zrt. has 177 employees in scratch card salesperson positions created specifically for people with disabilities. When the charity network was launched, our objective was the creation of open-market type employment. In this framework we employed colleagues with disabilities in the charity scratch card salesperson positions who were sufficiently able-bodied to be capable of working successfully in trade. Our scratch card sales staff became part of a real working community at Szerencsejáték Zrt. where they are treated as partners and where their suggestions, opinions are taken into account."

Imre Rosner – Head of Charity Department

EQUAL OPPORTUNITY PLAN, CODE OF ETHICS

The Equal Opportunity Plan of 2013 stipulated mostly measures and information packages that had already proven successful. The information booklet prepared at the beginning of the year about three topics (benefits for parents with children, benefits in case of social distress and pension benefits) was accessible to our employees on the equal opportunity subsite of our intranet and in printed form in our points of sale.

At the end of the year we made an Equal Opportunity Report on the realization of our Equal Opportunity Plan objectives. We relied on this report when making our Equal Opportunity Plan for 2014. The process was also helped by our traditional autumn internal communications, contentment and equal opportunity survey.

As from 1 January 2014 a new Code of Ethics entered into force, which was prepared in the second half of 2013. The new Code was based on the Sample Code of Ethics published by the Hungarian State Holding Company as a recommendation and with regard to the peculiarities of our organization. Getting acquainted and acting in compliance with the new Code is compulsory for all our employees. The text of the new Code of Ethics was accepted by the Board of Directors at the end of 2013.

Measures included in the Equal Opportunity Plan:

- part-time employment
- improvement of working conditions
- information for recent graduates, pregnant women and would-be retirees
- accessibility
- providing the opportunity of professional practice for employees' children
- legal counselling

OCCUPATIONAL HEALTH AND SAFETY

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

Our Company pays particular attention to making sure that the requirements of workplaces with no adverse health effects are met. In line with labour safety considerations, we attribute importance to the questions of occupational health with special regard to working with display screens. In accordance with our bylaws, we support our colleagues working in front of display screens to have display goggles made every two years.

Occupational health provision is available at all our organizational units. Besides compulsory examinations we also house various screening programs to promote a preventive approach. A screening bus was available to our employees during the September sports day.

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

TRAINING AND DEVELOPMENT

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

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

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

Average training hours per employee			
	2011	2012	2013
Sales	14	8	11
Administration	23	72	26

494 employees of the Company participated in 169 various professional conferences, trainings and further education sessions in 2013. 50 employees took part in English language education.

6

**OUR SOCIAL
COMMITMENT**

OUR SOCIAL COMMITMENT

OUR DONATIONS

The activities of Szerencsejáték Zrt. are limited in the interest of society, its profits primarily serve the common good. Of the gambling tax paid by our Company in 2013, the National Cultural Fund received almost HUF 11 billion through the government budget, the National Film Fund received HUF 4.4 billion, while in line with the Sports Act HUF 6.2 billion was used to support the sports life of Hungary. This also means that two thirds of the gambling tax coming from government-owned gambling is channelled to the budget for specific goals. The lottery company has no direct influence on this spending.

Beyond the indirect support rendered to the Hungarian National Film Fund, at the initiative of our Owner we concluded a donation contract with the Film Fund in the value of HUF 1,225 million, resulting in corporate tax benefit entitlements for our Company.

NATIONAL CULTURAL FUND

11

BILLION FORINTS

NATIONAL FILM FUND

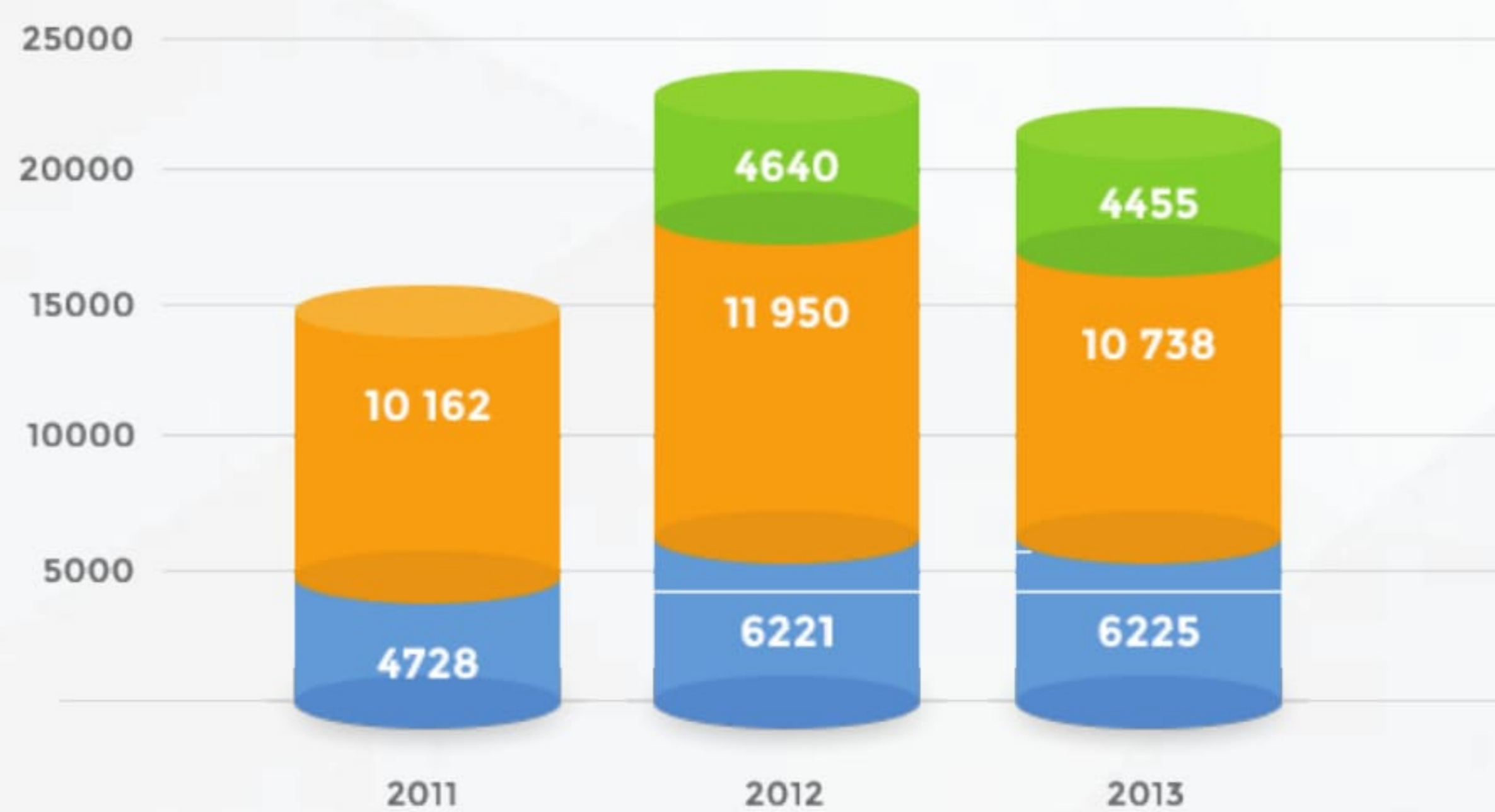
4,4

BILLION FORINTS

NATIONAL SPORTS SPONSORSHIP

6,2

BILLION FORINTS



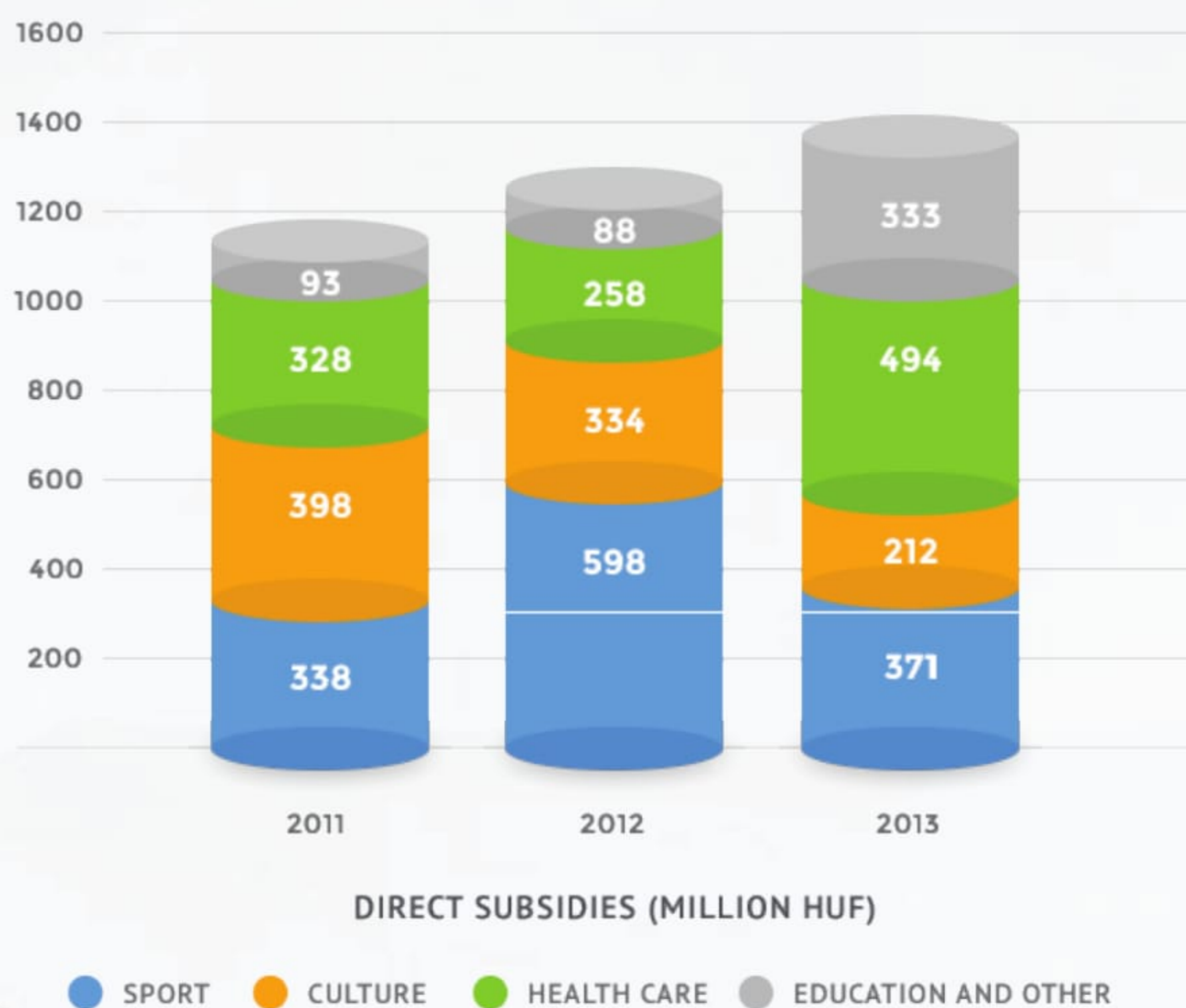
INDIRECT SUBSIDIES (BILLION FORINTS)

- NATIONAL SPORTS SPONSORSHIP
- NATIONAL CULTURAL FUND
- NATIONAL FILM FUND

Our Company also renders direct donations based on our own decisions in the form of sponsorship and art patronage. Based on the business plan accepted by the Owner, 0.75% of the gambling revenue plan was devoted to such purposes in 2013. In the previous year 162 grant and 30 sponsoring contracts were concluded in a total value of HUF 1,410 million, mainly in the field of sports, healthcare and culture.

162
DONATION

30
SPONSORSHIP



Donations were given to sports clubs with outstanding professionalism in the sports industry, various sporting events, sportspersons with disabilities and leisure associations. In the field of healthcare we supported the development of the equipment of hospitals, institutions and sports health centres, including the procurement of some indispensable medical devices and assets. We helped the organization of concerts, festivals, a carnival and a ball. We contributed to the restoration of museum artefacts, and the implementation of traditional and other cultural events. We supported professional niche publications, children's camps, renovation of schools and kindergartens, and the implementation of talent development programs.

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

In cooperation with the Hungarian Interchurch Aid Organization we supported 360 individual welfare requests. We mostly delivered food packages, pharmaceutical and medical products, clothing and school supplies to those in need.

OUR SOCIAL COMMITMENT

SCRATCH CARDS IN THE SERVICE OF GOOD CAUSES

Szerencsejáték Zrt., being conscious of its social responsibility, issued several scratch cards in the past the income of which helped the realization of some useful community initiatives.

In 2013 we again concluded an agreement with WWF: the first series of the Animal couples card was published at the end of May. Our players, by buying our scratch cards presenting endangered species, supported the conservation activities of WWF Hungary.

At the beginning of November we published the Happy Christmas! scratch card again. A specific part of the income of this was given to the Hungarian Hole in the Wall (Bátor Tábor) Foundation, supporting adventure therapy camping of sick children.

OUR SOCIAL COMMITMENT

CORPORATE VOLUNTEER PROGRAMMES

Under our strategic partnership agreement, we organized the first large-scale corporate voluntary action of 2013 jointly with the Hole in the Wall Foundation: the spring cleaning and tidying up of their camp. More than 50 of our employees volunteered, who could also try the games of the camp after their work was finished, making this event a true team-building session.

When the flood situation turned critical, our volunteers again offered their help. 20 of our employees participated in the flood control works and the restoration afterwards.

In the middle of September the country-wide PickItUp (TeSzedd) garbage collection initiative was organized for the third time. The rainy weather failed to discourage our employees: more than 60 of them collected illegally deposited waste.

Continuing the successful programmes of previous years, we again volunteered for animal shelter work in 2013: we took out shelter dogs for a walk together with the residents of the Cseppkő Children's Home.

For the second time in 2013 we distributed the "Volunteer of the Year" prize among our colleagues. The honour is due to a colleague who performed outstanding volunteer work during the year, setting an example to their co-workers.

"In my view volunteering is actually a conscious decision: working without pay for a common purpose, out of our own personal volition. Volunteering is a way of life that is not only a challenge for me but also a chance to learn to accept opportunities, improve my skills and enrich personal experiences. I consider it very important that whatever I undertake, I should do it with a sense of conscience and responsibility.

I was told at the end-year party that I would get the Volunteer of the Year prize. I consider this a great honour. I owe a lot to our colleagues in the Miskolc Sales Region whom we worked together with as a real team during the programmes, be it painting a hospital, picking up garbage or dealing with disadvantaged children.

Encouragement of employees to take up volunteer work helps them increase their creativity and motivation in their jobs. I think colleagues have been positive towards volunteer programmes, so I hope they will retain their enthusiasm in the future."

Enikő Hajdúné Fülep – HR manager

JOINT PROGRAMMES OF NGOS AND CORPORATIONS, COOPERATION INITIATIVES

In April the 2nd Smile Cup was organized by the Smile Foundation, an organization helping children with chronic conditions. The football team of Szerencsejáték Zrt., a first-time participant in the event, won the trophy.

Participation in the wheelchair basketball championship, organized by the Hungarian Business Leaders Forum (HBLF), is now a tradition for our Company, so we put together a team for the event in May. This charity event aims at popularizing sports and providing donation from the entry fees received.

The Ministry of National Development once more announced the Week of Mobility in 2013. Szerencsejáték Zrt. joined this announcement in September. We launched a large-scale tender for our employees to promote environmentally friendly transportation and an environmentally conscious lifestyle.

In the middle of November our Company participated in the 6th Civil Auction sustainability bid where NGOs offered business-based sustainability services to companies and government bodies. Szerencsejáték Zrt. bid successfully for the stress management and self-awareness training of Artman Movement Therapy Art Association, something we realize in 2014 with the participation of 15 employees.

It is now a tradition that our Company cooperates with the Class FM radio station to bring smile to children's faces during the Christmas season. In 2013 we chose the 20 years old "Open Doors" programme of the Marczibányi Square Cultural Centre for support. Under the auspices of the program we organized theatre, dance and craft workshops for children with disabilities in six cities. We reached out to nearly 1700 children and young adults during the programme, with 10 facilitators at each venue and with the help of more than 50 artists, 4 orchestras and 50 volunteers from Szerencsejáték Zrt. in the 6 theatre performances we organized.

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OUR ENVIRONMENTAL RESPONSIBILITY

The materials and energy consumed by our Company and Company's emission constitute no serious danger to the physical environment, but we consciously strive to reduce our environmental impact during the establishment of our processes. We are convinced that the good example set by the Company can positively effect the behaviour and approach of our employees even away from work.

We formulated the following objectives concerning our environmental responsibility, and we have consistently endeavoured to go by them over the recent years:

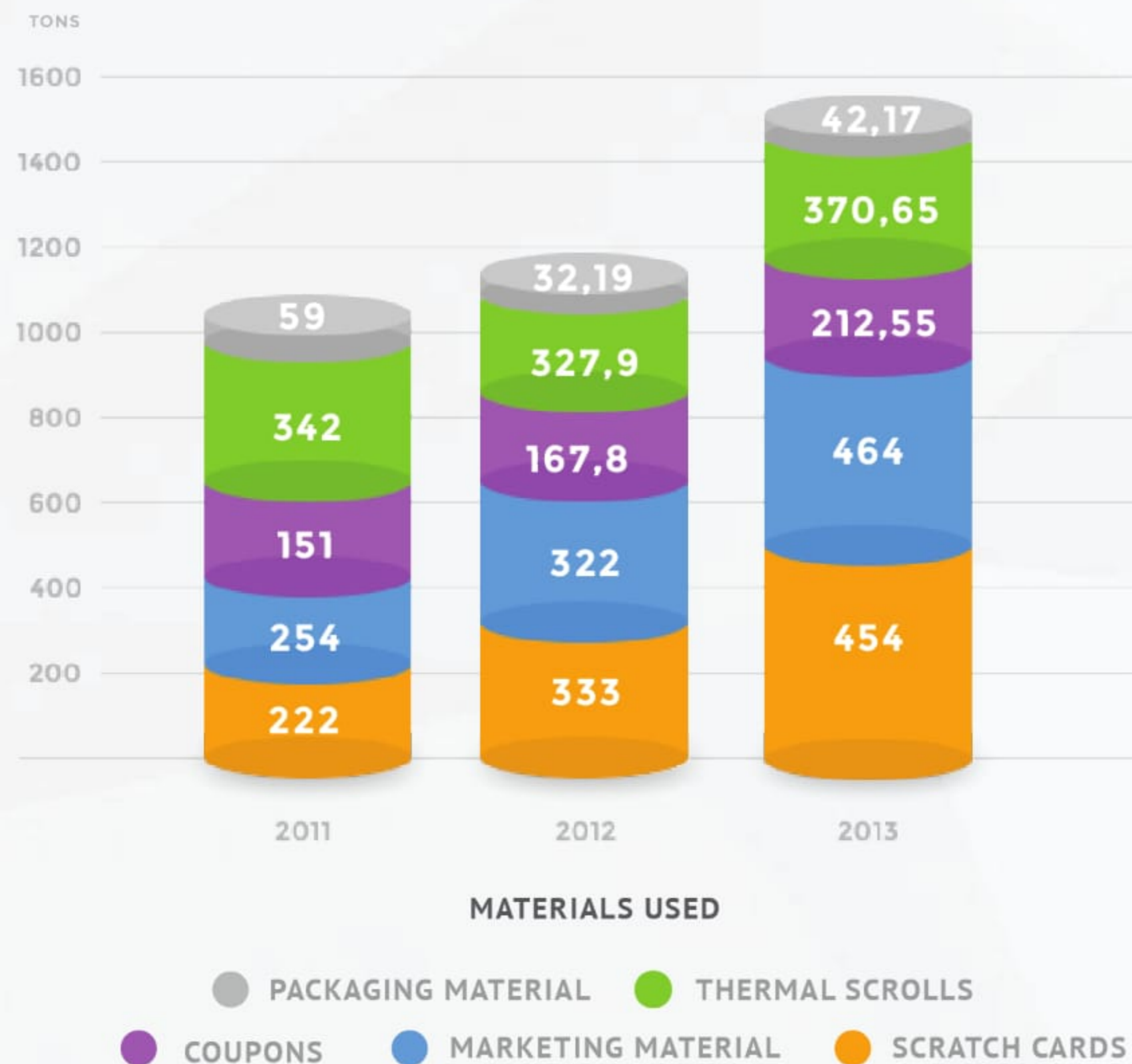
- improving environmental consciousness in base activities and logistic processes,
- reducing the environmental impact of operation tasks, especially the reduction of our consumption of paper and energy,
- reducing the volume of waste created and increasing the proportion of recycled waste.

It is, however, important to note that the energy consumption and CO2 emission of our buildings are largely a function of weather conditions, and therefore the impact of our environmental development activities is many times only noticeable in the long run.

OUR ENVIRONMENTAL RESPONSIBILITY

MATERIALS USED

The material needs of our activities depend on sales volumes and composition. The use of scratch cards and coupons has increased in line with the turnover.



The following environmental protection criteria are taken into account during the manufacturing of our scratch cards:

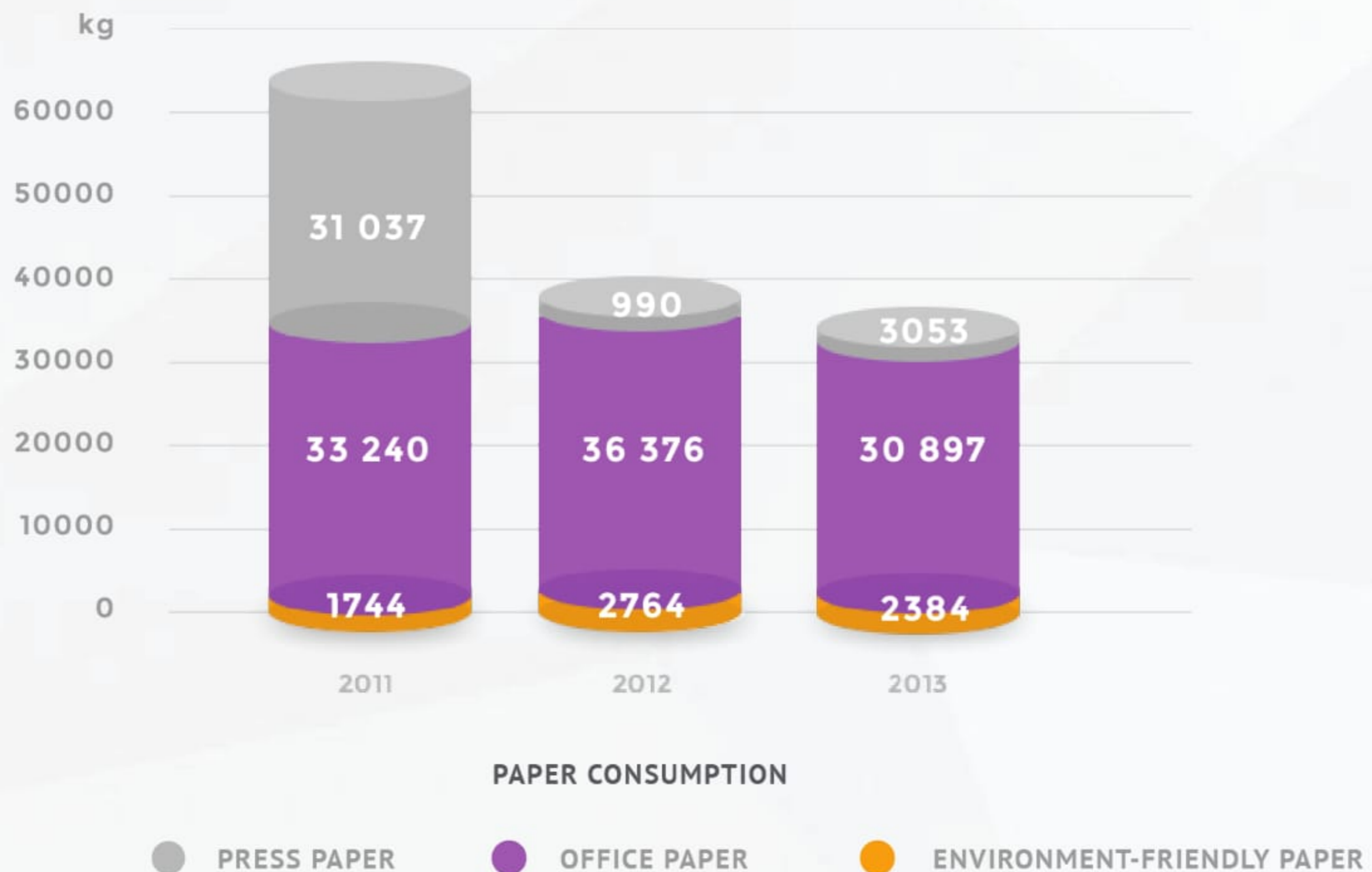
- raw materials are acquired from responsible and sustainable forestry,
- scratch card presses we employ possess an environmental protection certification,
- the ink (water-based and UV-treated), the paint and the packaging are all environmentally friendly,
- the tickets so made are fully recyclable.

Environmental concerns also play an important part in the manufacturing of coupon cases. The foil used contains no heavy metals and materials harmful to the environment. Both sides of the completed case are multi-layered foils, so the ink used for the printing is not in touch with the user in any form.

OUR ENVIRONMENTAL RESPONSIBILITY

OTHER USES OF PAPER

As from 2011 we reduced the activity of our internal press, today it is primarily utilized in the multiplication of internal documents. In the second half of 2011 we placed environmentally friendly central printers to the office buildings and we began the gradual withdrawal of desktop printers. A system based on central printers operating with codes and page counters has been in operation since 2012. The impact of these measures can be seen in figures in 2013: office paper usage was reduced by 15% from the previous year.



OUR ENVIRONMENTAL RESPONSIBILITY

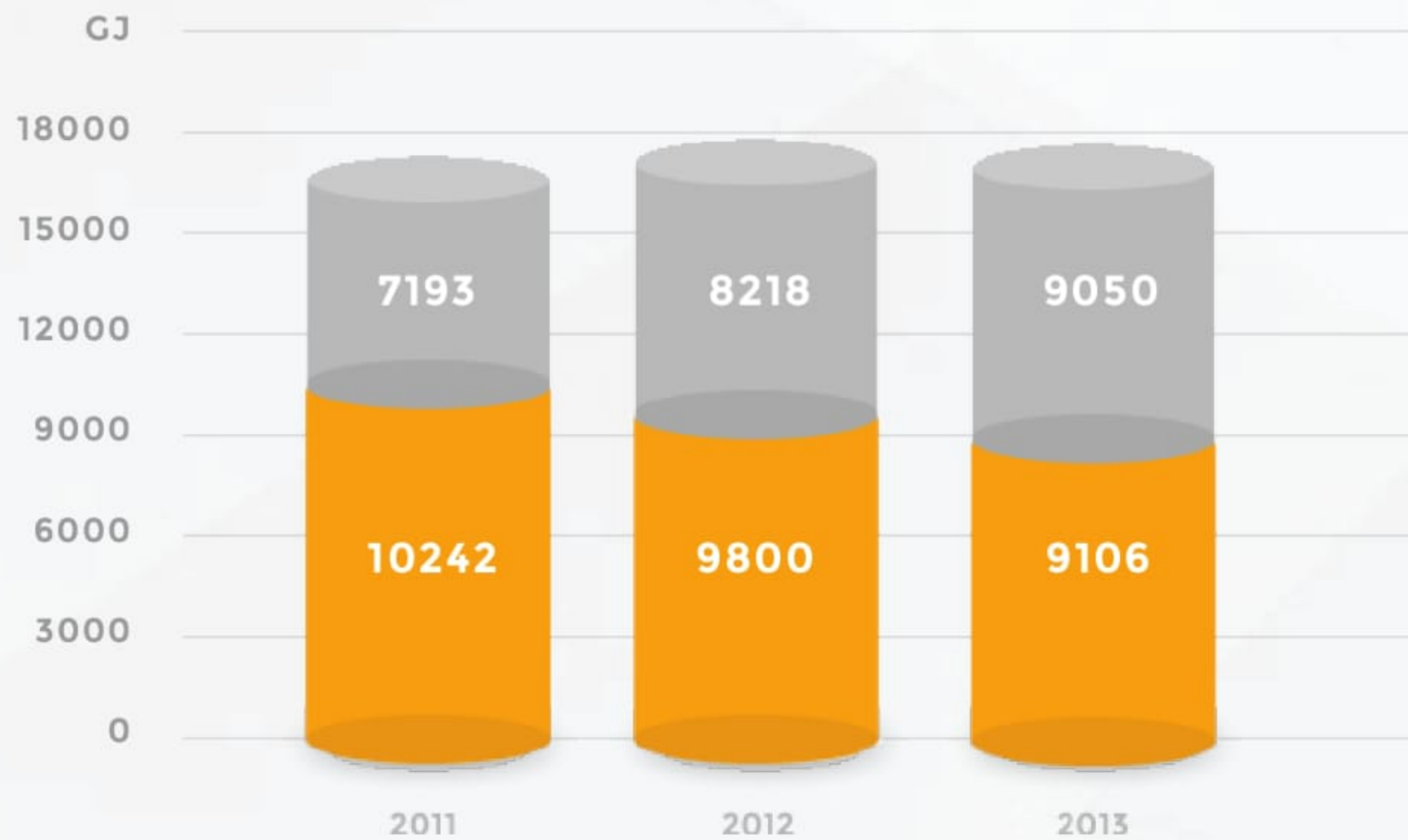
ENERGY EFFICIENCY

Our energy consumption consists mainly of the electric energy and gas needed to operate our buildings.

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

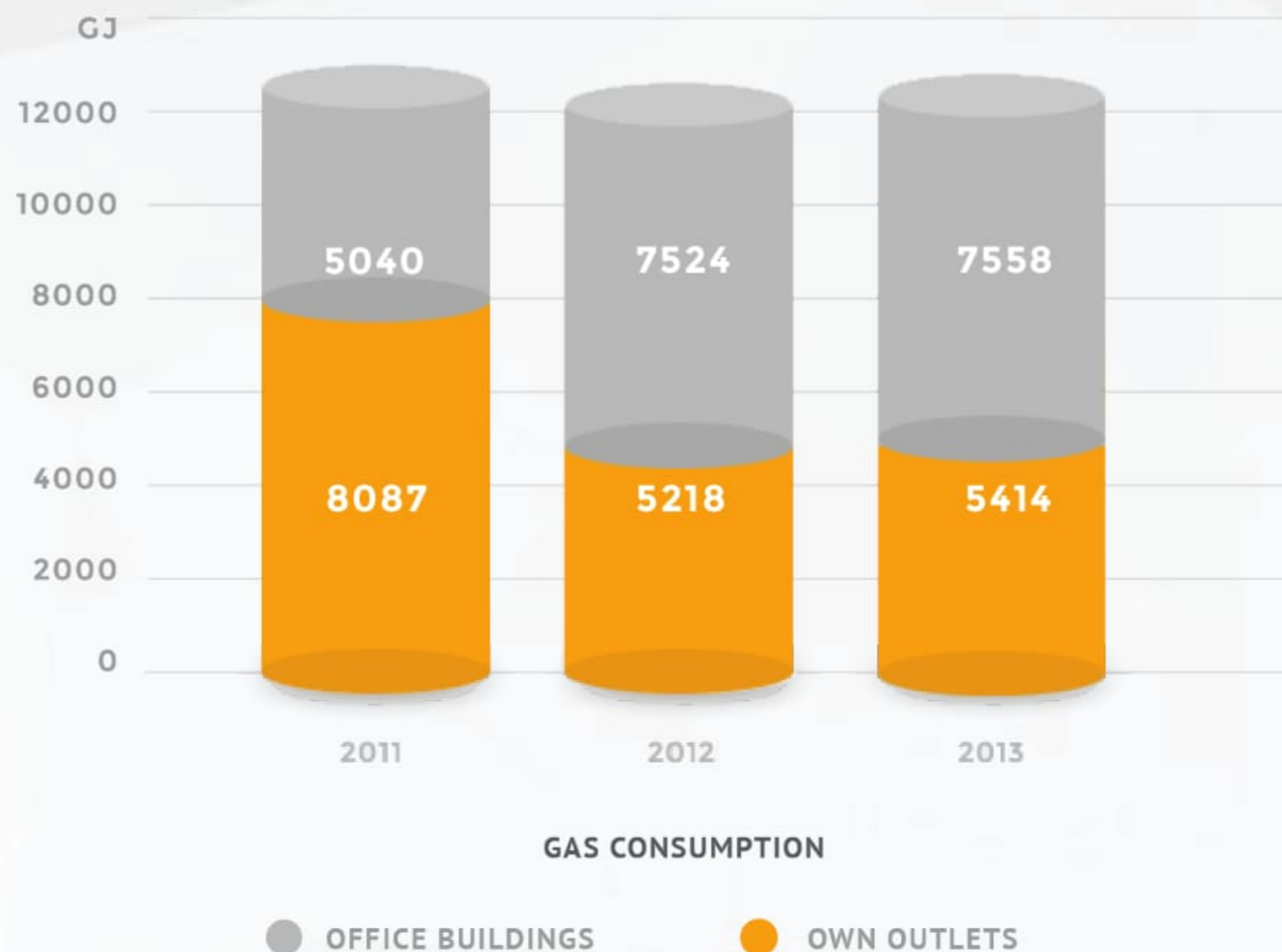
One of the important goals of renovations is to decrease the energy consumption of our outlets. We replace the previously used gas boilers with modern boilers with closed combustion chambers. Air conditioners are gradually replaced with devices using environmentally friendly cooling agents. We installed LED light sources in all outlets renovated with a new design.

Thanks to the modernization of the lighting systems, the energy consumption of outlets decreased by 7.1%.



ELECTRIC ENERGY CONSUMPTION

● OFFICE BUILDINGS ● OWN OUTLETS

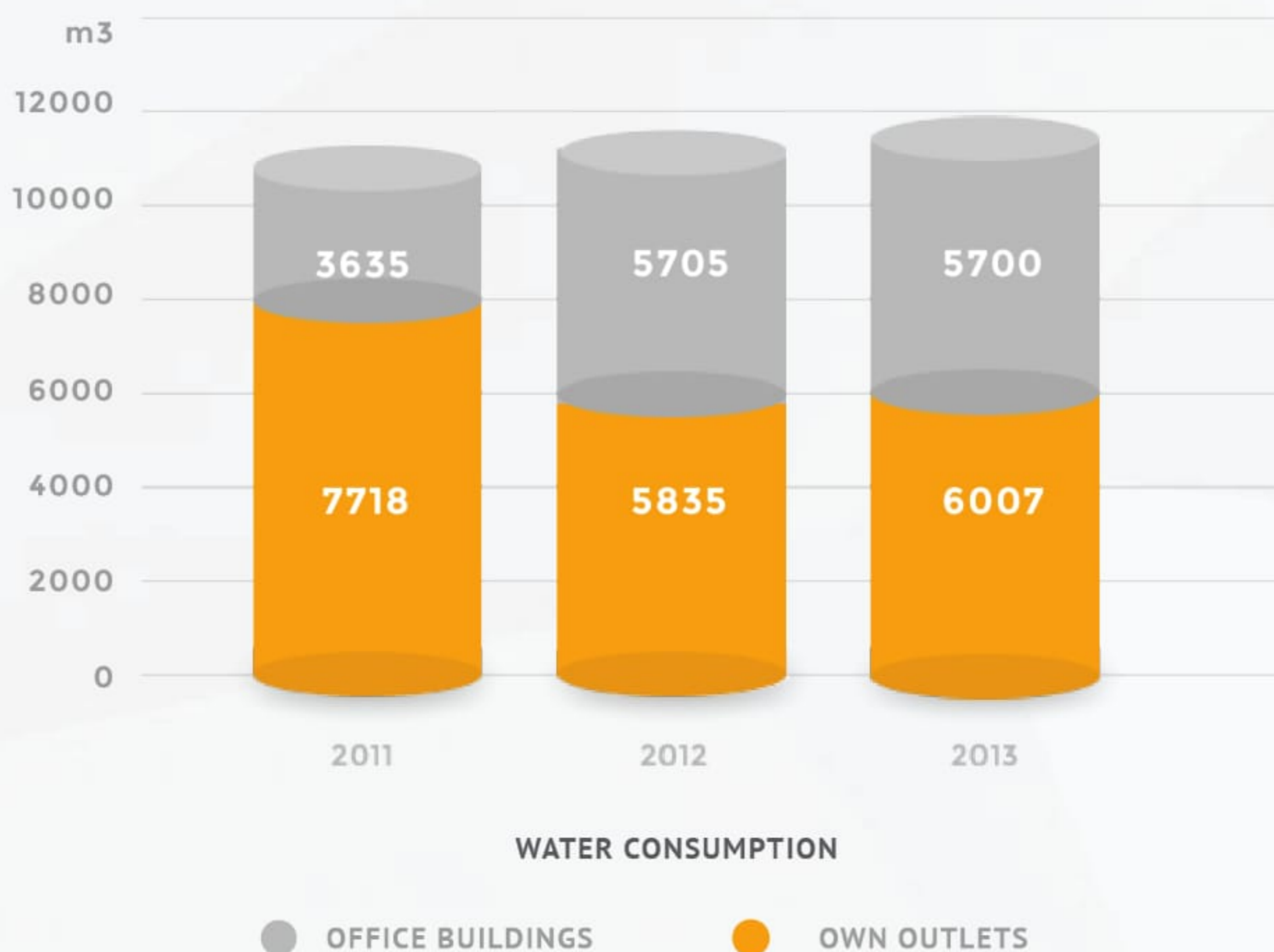


OUR ENVIRONMENTAL RESPONSIBILITY

WATER MANAGEMENT

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

We installed a solar-collector hot water provision system in our Fehér street building in 2013.



WASTE MANAGEMENT

A large part of the communal waste can be collected selectively, an option we offer in our office buildings. The proportion of selectively collected paper, PET bottles, aluminium cans, e-waste, ink and toner cartridges and waste batteries is increasing year by year in our waste management. Office paper, returned scratch cards and application materials are recycled through grinding.

Amount of recyclable waste in central office buildings (kg)

	2011	2012	2013
Paper waste	37 373	33 247	31 398
PET bottles	285	718	551
Other recyclable waste	3 524	8 535	5 877
Total	41 182	42 500	37 826

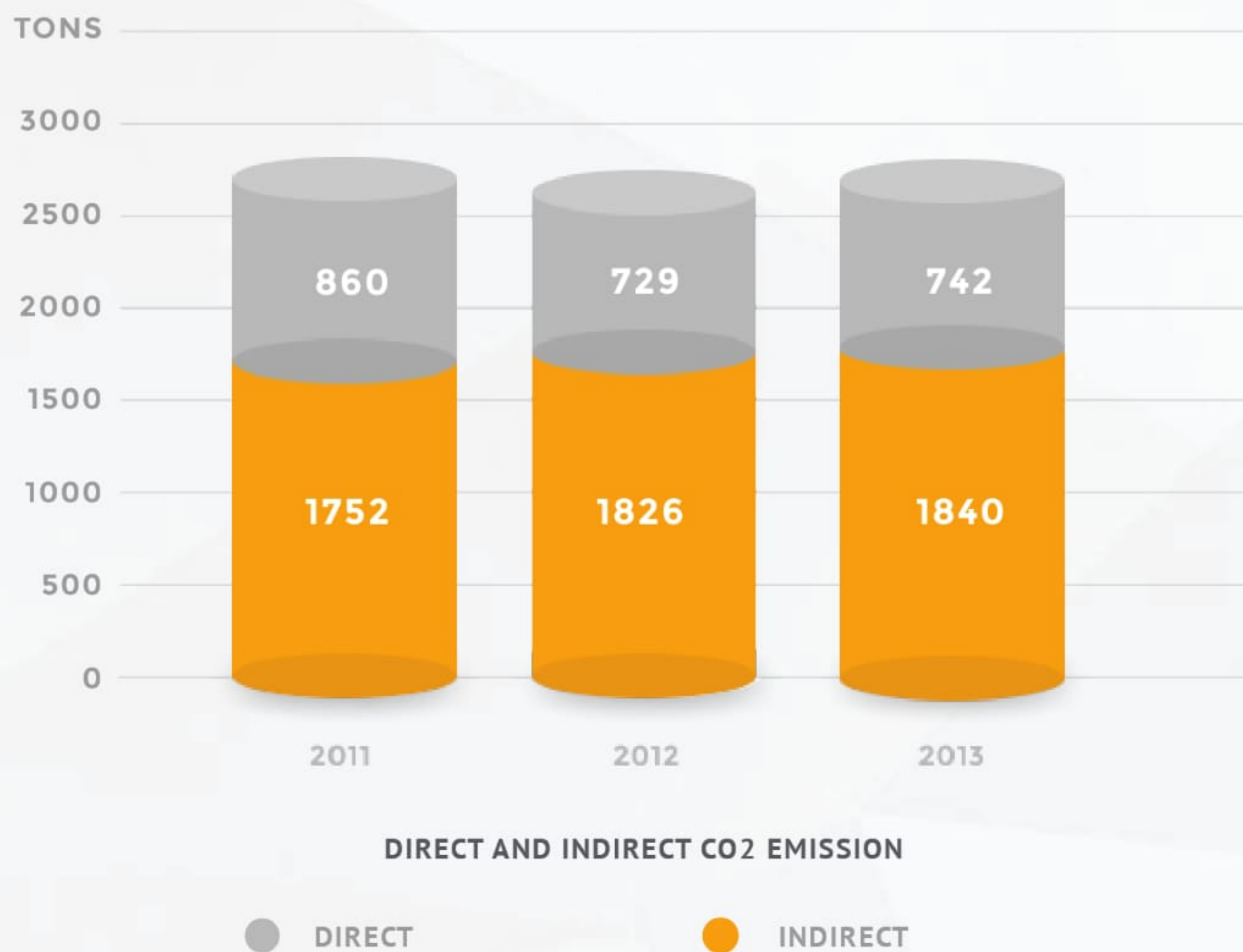
OUR ENVIRONMENTAL RESPONSIBILITY

GAS EMISSIONS



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

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



ENVIRONMENTAL PROTECTION EXPENDITURE

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

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

Environmental expenditure (thousand HUF)			
	2011	2012	2013
Fines, penalties	0	0	0
Air pollution fee	14	14	8
Environmental product charges	26 473	29 114	29 401
Total	26 487	29 128	29 409

Our manufacturers charge environmental product charges to the customer, so they remain an indirect environmental protection expenditure for us. The product charges paid this way for the paper of marketing materials, our Luck Mix journals, Toto schedules, posters displaying results, participation regulations, coupons, thermal rolls, scratch cards and their wood and foil packaging materials amounted to more than HUF 29 million in 2013.

THE REPORT

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

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

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

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

The report covers the activities of Szerencsejáték Zrt. in the calendar year 2013. It encompasses all points of sale owned by Szerencsejáték Zrt. and the central office buildings, but it excludes the operation of other companies in our portfolio. Its contents are based on data provided within the Company, including the business report made for the Owner, the Collective Bargaining Agreement, the Organizational and Operational Rules, the Code of Ethics, the Equal Opportunity Plan, the Code of Ethics of Advertisement and Donation and other bylaws.

Indicator group	Number	Chapter	
Strategy and analysis	1.1.	Welcome by the CEO	
	1.2.	Our activity	
Organizational profile	2.1.	Corporate governance	
	2.2.	Our activity	
	2.3.	Our activity	
	2.4.	Our activity	
	2.5.	Corporate governance	
	2.6.	Corporate governance	
	2.7.	Our activity	
	2.8.	Our activity	
	2.9.	Number of employees	
	2.10.	Equal opportunity, variety	
Report parameters	3.1.	The Report	
	3.2.	The Report	
	3.3.	The Report	
	3.4.	Imprint	
Report scope and boundary	3.5.	The Report	
	3.6.	The Report	
	3.7.	The Report	
GRI content index	3.12.	GRI indicators	
Corporate governance	4.1.	Corporate governance	
	4.2.	Corporate governance	
	4.4.	Relationship of employees and the management	
	4.5.	System of remunerations	
	4.6.	Relationship of employees and the management	
	4.8.	The Report	
	4.9.	Responsible corporate governance	
	4.10.	System of remunerations	
	Commitment to external initiatives	4.11.	Risk management
		4.12.	Our activity, advertisement and marketing
4.13.		Our activity	
Stakeholder engagement	4.14.	Relationship with stakeholders	
	4.15.	Relationship with stakeholders	
Economic performance	EC1	Meeting our contribution obligations to the budget	
	EC3	System of remunerations	
	EC4	None received.	
Indirect economic impact	EC9	Meeting our contribution obligations to the budget, corporate responsibility	
Materials	EN1	Materials used	
Energy	EN3	Energy efficiency	
	EN4	Energy efficiency	
Water	EN8	Water management	
Emissions, effluents and waste	EN16	Gas emissions	
	EN22	Waste management	
Products and services	EN26	Materials used	
Compliance	EN28	Environmental protection expenditure	
Employment	LA1	Number of employees	
	LA2	Number of employees	
	LA3	System of remunerations	
Labour/management relations	LA4	Relationship of employees and the management	
Occupational health and safety	LA8	Training and development	
Training & education	LA10	Training and development	
	LA11	Training and development	
	LA12	System of remunerations	
	LA14	System of remunerations	
Diversity and equal opportunity	LA14	System of remunerations	
Non-discrimination	HR4	There was no discrimination case.	
Compliance	SO8	Not included.	
Customer health and safety	PR1	Game design, game development	
	PR2	Not included.	
Product and service labelling	PR3	Advertisement and marketing, education and training of players	
	PR4	Orientation of problem players towards treatment	
Marketing communications	PR6	Advertisement and marketing	
	PR7	Not included.	
Customer privacy	PR8	Not included.	
Compliance	PR9	Legal cases	

Imprint

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