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SZERENCSEJÁTÉK ZRT.

BUSINESS AND CSR REPORT | **2011**



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# JOY OF GAMING AND CREATION OF SOCIAL-VALUE

## - CHALLENGES OF THE 20-YEAR OLD SZERENCSEJÁTÉK ZRT. -



Last year, for the first time ever, Szerencsejáték Zrt. published a self-contained report on its commitment to the principles and practical application of Corporate Social Responsibility (CSR). This year we publish a single summary report on achievements that the Company realized through its business activity and also as a company sensitive to and responsible for social problems.

We had a jubilee year. On 1st January 1991 having separated from the OTP Sports Betting and Lottery Directorate and Hungarian Gambling Company the Company started with the new name of Szerencsejáték Rt. After the football-pool (Toto) and lottery in the early days, the number of games on offer has considerably increased. In 2011 Luxor had its 10th birthday, and Kenó just turned 15.

The last 20 years have been abundant in business success bringing a good deal of exceptional records. At the five-number draw lottery it was the year 1999 when the accumulation of prizes first exceeded HUF 1 billion and in November 2003 the highest jackpot ever was hit exceeding HUF 5 billion. In 2011 the accumulation of prizes of the five-number draw lottery crossed the magical boundary of 1 billion twice, it, however, did not manage to reach as high as before.

In the midst of the break of economic development worldwide, despite the fact that purchasing power of people failed to meet expectations in various fields, Szerencsejáték Zrt. realized significant results with respect to all financial indicators, nevertheless already in 2010 the Company performed extremely well. Sales revenues in 2011 reached HUF 181.05 billion with an increase of HUF 12 billion and HUF 103.3 billion accounted for the total prize of players. So high turnover has never been booked by the Company. The (interactive) turnover by the online, telephone account, text message and ATM betting system increased to more than HUF 4.8 billion.

Besides the balanced revenue generating ability of lottery games, the revenue of pools also rose significantly. It is interesting to compare the 200 million five-number draw lottery base game bets submitted by players to the more than 400 million bets coming from Tippmix throughout the year. Besides Tippmix we can talk about a significant increase in the turnover from scratch cards, the revenue of which exceeded our expectations by several billions of forints. This was mostly owing to the favourable reception of our 1000-forint Buksza card. The more rapid increase of games with higher rate of prizes, as a result of reducing the personal income tax of prizes to 16%, prize payout increased faster than the rate of turnover growth.





Owing to successful products, in 2011, Szerencsejáték Zrt. paid HUF 60.4 billion to the budget, where more than HUF 30 billion accounted for gambling tax and 9 billion for the personal income tax of prizes.

Our Company directly and indirectly support societal objectives. According to legislative provisions a part of the gambling tax paid to the budget shall finance national sports and the National Cultural Fund. By virtue of which we grant more than HUF 4.7 billion to sport and HUF 10.1 billion to culture. In addition, Szerencsejáték Zrt. expends a specific part of its sales revenues directly on supports. Last year we devoted more than HUF 1 billion in the form of donations and sponsorships to various noble goals, mainly to national culture, sports and healthcare. This amount has made Szerencsejáték Zrt. undoubtedly one of the most generous donators.

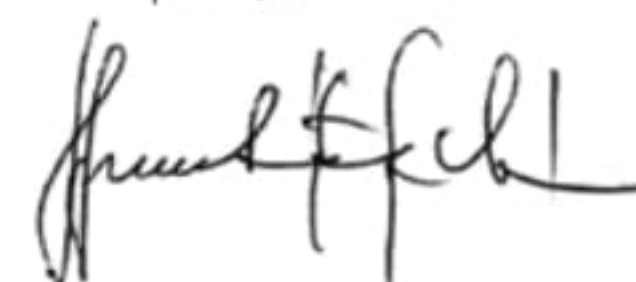
We, however, have been aware for long that charity – regardless of its extent – cannot solve all the problems we consider important. Our operation has underlying social dangers as gambling is a risky business. As responsible service providers, we know that it is the task of our Company to provide for the protection of our players. Responsible gaming has now become an integral part of our Company from the planning of games to advertisements and sales. In the beginning of 2011 the World Lotteries Association acknowledged the effectiveness of our work by awarding Szerencsejáték Zrt. the highest-level certificate possible for responsible gaming organizers. We believe that the stronghold of our Company are provided by our employees. To maintain and expand their wide range of professional expertise are just as important for us as to acknowledge their merits, improve working conditions and ensure that they manage to do their best in their professional lives and private lives alike.

Although Szerencsejáték Zrt. does not cause significant environmental harm, we still believe we have a lot to do in this field too. Our tickets are produced in compliance with the strictest environment friendly standards, and also in our procurements environment factors are gaining increasing emphasis. Our future challenge is to reduce high-volume administration paper use.

Although in recent years we have done our best to operate our Company besides business success for the benefit of Hungarian society, we are aware that it is only the beginning of a long, long road. Today public thinking often associates the activity of the Company with only notions of luck, money and prize. Our aim is to include responsibility and creation of social-value in our reputation.

Working for public benefit is a never ending task and we continuously try to find better responses to its challenges.

Budapest, June 2012



Dr. Kálmán Szentpétery

CEO & Chairman of the Board of Directors





# ABOUT THE REPORT

Szerencsejáték Zrt. published its first corporate social responsibility report last year in July. The report on the 2010 calendar year was a milestone in our CSR activity. This year we do not only want to continue reporting but possibly we also would like to surpass it. The report on the year 2011 is published in an **integrated form** to demonstrate our business as well as CSR activities. In this integrated report CSR issues are just as much connected to the chapters on our Company's business activity as it occurs during the company's operation.

## COMPLETENESS AND MATERIALITY

We followed Hungarian and international examples when assembling the contents and prioritizing topics, basically building upon the G3 guideline published by Global Reporting Initiative (GRI), also taking the special characteristics of the industry and the Company into consideration.

## RELIABILITY

Our report corresponds to level GRI B+ based on an external certificate. The external certificate by Ernst & Young is available at the end of this report.

## TRANSPARENCY AND ACCOUNTABILITY

This form of our report is mainly aimed at experts providing space for deeper industry-specific and business contents. We hope we can share useful information with the owner of Szerencsejáték Zrt., other representatives of state, CSR experts and national and international companies in the gambling industry.

Our report covers only the activity of Szerencsejáték Zrt. and does not touch upon the companies of our portfolio or points of sale run by our partners. As of 1st January 2012 our charity ticket sales network run by SZRT-SERVICE Kft. merged into Szerencsejáték Zrt. therefore we are going to devote more attention to this field in our next report.

## ACCURACY

The business and CSR report of 2011 is based on the annual report of Szerencsejáték Zrt. and internal data supply of the company. Data are collected centrally with regard to company guidelines striving for completeness and accuracy. The report is also governed by the Code of Ethics, the Equal Opportunity Plan, the Code of Ethics of Advertisement and Corporate Giving, the Rules of Procedure, the Collective Bargaining Agreement and the content of other internal rules and regulations.

## COMPARABILITY

We place emphasis on the comparability of data and similarly to last year's CSR report this document looks into the most indicators for a 3-year period.





## OUR ACTIVITY

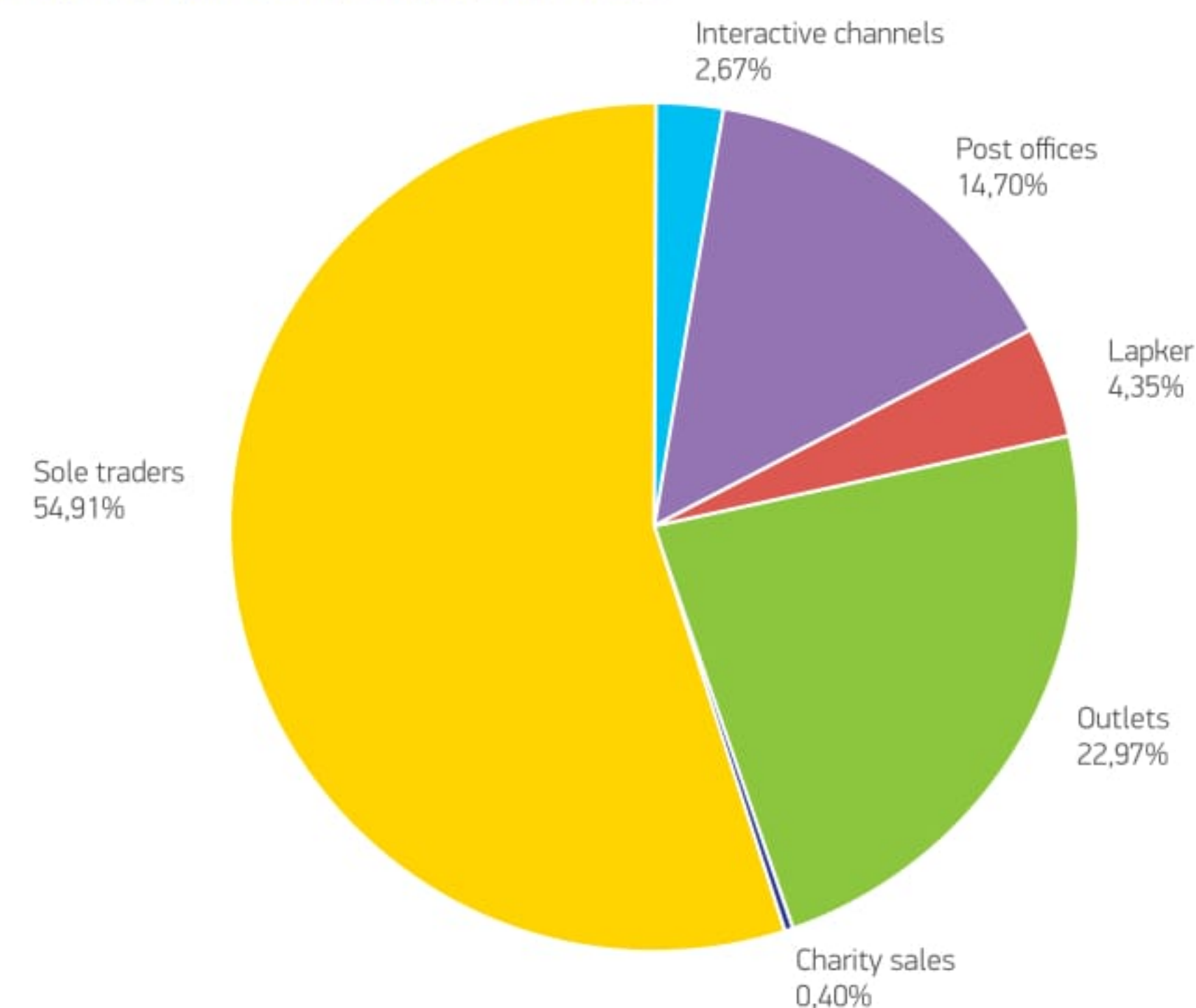
Szerencsejáték Zrt. is the largest gambling service provider in Hungary, the national lottery company. It is authorized by law to exclusively distribute drawing games and pari-mutuel bets and for the time being the only one with a licence to organize bookmaker-type bets. Activities of the Company are limited to Hungary with its headquarters in Budapest. Its four retail regions which are responsible for regional coordination of games and supervising the sales network are operated integrated in the Sales and Game Organization Directorate.

The lottery company operates an online sale mechanism with national coverage, as well as an extensive retail network. The complete range of games offered is available at more than 4300 points of sale, of which, as of the end of 2011, 277 are Szerencsejáték Zrt.'s own outlets. The rest are outlets operated by sales partners, post offices, newsagents (Lapker) and other retail shops with various profiles that also sell games. Besides these, more than 1700 further points of sale exclusively sell scratch cards. Most of our products are also available via electronic channels. This so called interactive category includes online and telephone games and games of the SMS and ATM betting system.

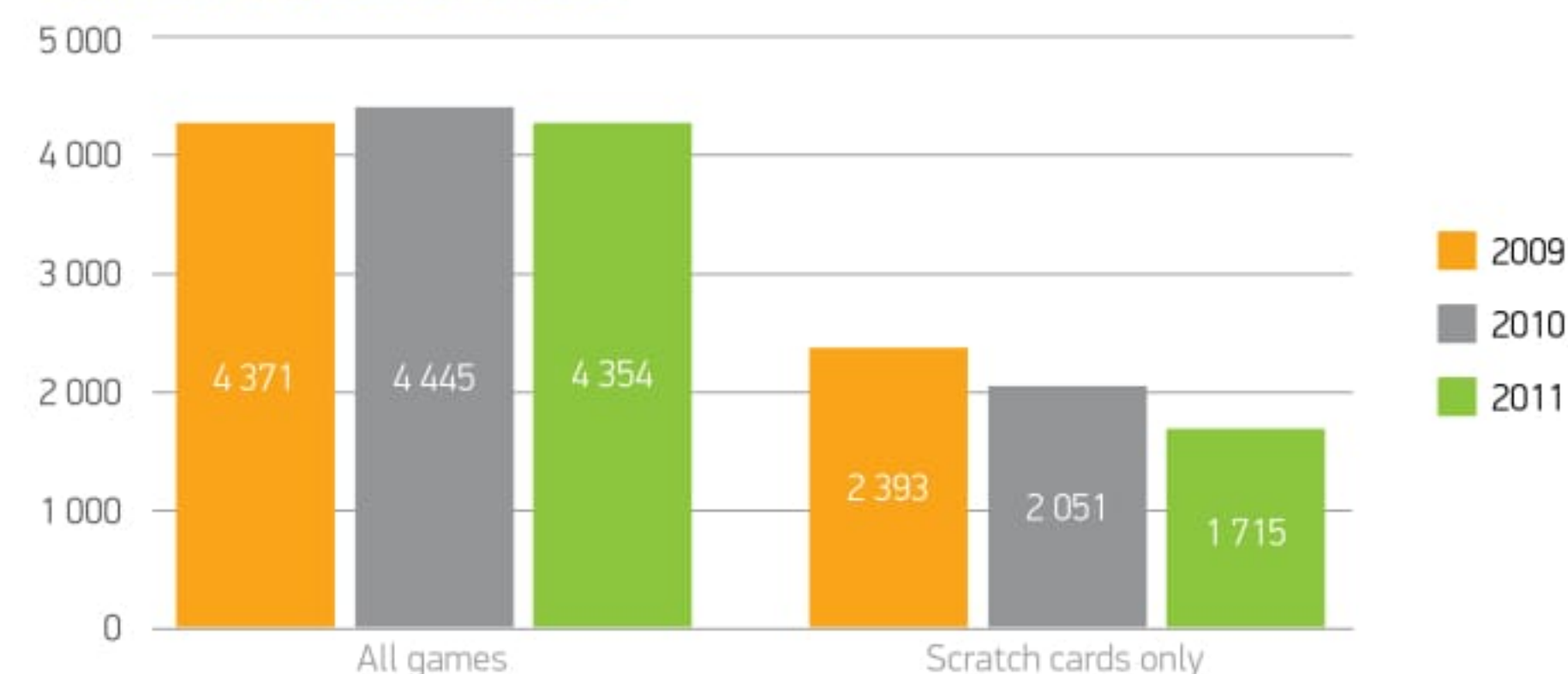
### Szerencsejáték Zrt. in numbers

	2009	2010	2011
Number of employees	1 282	1 272	1 278
Gambling sales revenues (million HUF)	153 939	168 490	180 485
Number of base game bets (million)	964	1 028	1 072

### Revenue shares of retail sectors 2011



### Number of points of sales





Szerencsejáték Zrt. also had interests in the operation of two casinos in 2011 as owner and co-owner and through SZRT-SERVICE Kft. maintained the charity sales network employing people with disabilities and operated the Holiday and Education Centre.

The five-number draw lottery is the oldest of the Company’s **drawing games**, played in Hungary since 1957. Other games in this category are the six-number draw lottery, Scandinavian lottery, Joker, Kenó, Luxor and Puttó. The **sports betting** part of the product portfolio comprise Toto, Goal Toto, Tippmix and Tippmax. The number of **scratch cards** is changing, players, however, can choose from about a dozen types of scratch cards. (In our report the terminology applied to the groups of games is used as prescribed by law taking its name in practice into consideration.)

Gaming portfolio of Szerencsejáték Zrt.

<b>Numbers game</b>	<b>Betting</b>
Five-number draw lottery	Toto
Six-number draw lottery	Goal Toto
Scandinavian lottery	Tippmix
Joker	Tippmax
Kenó	
Luxor	
<b>Quick game</b>	<b>Scratch card</b>
Puttó	

GAMBLING AND SOCIETY

**Gambling poses increased risks for society – gambling is not a normal trading product. The organization of gambling is a special economic activity regulated by the Act on the Organization of Gambling. Regulation of gambling organization aims at protecting society, with special regard to maintaining public order, health and security.**

**Responsible gaming** is a crucial pillar of our Company. Having this principle in mind we do our jobs offering monitored, legal and safe games and guaranteeing entertainment for adult Hungarians.

Szerencsejáték Zrt. is member of two larger communities, the professional alliances of European and world lottery companies (European Lotteries and World Lottery Association, respectively). 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 guidance, at the centre of which lies the creation of a multitude of values for society. We acknowledge that our activities are limited in scope both in Hungary and internationally as our services are not directed abroad.





**OUR MISSION AND VALUES**

The **mission** of Szerencsejáték Zrt. is to set a good example of the integral operation of responsible gaming, to serve its loyal customers as a reliable company and to grow at the rate of the population’s demand by first-class games. Having recognized its social responsibility our Company directly and indirectly support societal objectives, especially Hungarian culture, sport and healthcare.

**Key values** of the Company include the trust of players, social acceptance, the depth of products are settled in society, a multi-faceted game portfolio, an extensive national sales network, the technology system and the multi-channel sale practice, the expertise of its employees, its social commitment, experiences, practical, efficient mechanisms and openness to new endeavours.

Our Code of Ethics also downloadable from our website contains the requirements for corporate social responsibility and responsible gaming created voluntarily by the Company.

**Our obligations set down in our Code of Ethics are as follows:**

1. Balanced operations	9. Reduction of risks of abuse
2. Responsible game development	10. Ethical treatment of players
3. Upholding market control	11. Responsible advertising
4. Regulatory compliance	12. Training
5. Protection of national market	13. Guaranteed payment of prizes
6. Social value-creation	14. Responsible personal behaviour
7. Protection of players from negative impacts	15. International cooperation
8. Data protection and privacy	





# MANAGEMENT

## EXERCISE OF FOUNDER'S RIGHTS

Pursuant to existing law the Company shall remain permanently in 100 percent government ownership. The Company was founded and its activities began on 1<sup>st</sup> January 1991.

Founder's rights of the one-person Szerencsejáték Zártkörűen Működő Részvénytársaság and, consequently, General Meeting rights are exercised by MNV Zrt., the Hungarian State Holding Company (General Meeting hereinafter referred to as Founder).

## COMPANY MANAGEMENT

The Board of Directors is the Company's management body. The exclusive sphere of authority of the Board of Directors is the decision making in affairs listed in the Deed of Foundation.

A CEO appointed by Founder heads the working organization of the Company. CEO has the right to decide in all affairs outside the authority of the Founder, the Board of Directors and the Supervisory Board. The CEO carries out his or her tasks in the framework set out by existing law, the Deed of Foundation, Resolutions of the Owner and the decisions of the Board of Directors.

The Board of Directors decides in all affairs pertaining to the CEO's employment that is outside the Founder's authority.

## SUPERVISION OF THE COMPANY

The Company's management is controlled by the Supervisory Board. One third of the Supervisory Board represents the employees. Its tasks are set down in the Deed of Foundation.

## Organizations, directorates



The backbone of the organizations consists of parallel directorates with complementing business whose activities are coordinated by the CEO.





The process of our operation









# OUR ECONOMIC ACTIVITY

## DEVELOPMENT OF THE BUSINESS ENVIRONMENT

### REGULATIONS OF THE EUROPEAN GAMING MARKET

The management of online betting shops is one of the most acute problems in the European gaming market. These betting shops provide exclusively internet-based services, although they have a gambling licence with favourable tax conditions issued by a member country or taxing entity – specifically Malta, Gibraltar, Isle of Alderney and Isle of Man – they move their activities mostly to countries where no such licence is granted to them and, therefore, they do not need to pay taxes. According to a 2011 survey by EL (European Lotteries) 67% of the lottery companies' net sales revenue is devoted to public objectives, which is several fold more than the sum devoted by online betting shops. In 2011 the European Commission placed the question of regulation on the agenda, a part of which is a survey assessing the situation (Green Paper). Decisions of the European Commission confirm that granting a gambling licence is national authority by virtue of which the activity of online betting shops shall be in compliance with the regulations of a specific country.

### CHANGES IN THE HUNGARIAN GAMING MARKET

As of 1<sup>st</sup> January in Hungary the personal income tax imposed on gross prizes of gambling was reduced to 16%, which enabled Szerencsejáték Zrt. to increase net prizes of players by HUF 4 billion.

In autumn 2011 the adoption of legislation changes resulted in quintupling gaming tax, and by the end of the year the number of slot machines decreased to one-fifth. As of 1<sup>st</sup> January 2012 existing legislation has preferred server-centred slot machines connected to a network for better control, which requires technological changes for service providers concerned. Licensing online poker

and horse race betting (remote gambling) and legalizing the operation of server-centred money prize systems have paved the way for legalizing the activity of foreign online betting shops in Hungary.

### IMPLEMENTATION OF MID-TERM BUSINESS STRATEGY

Although the demand for legislation changes existed earlier, at the beginning of 2011 the national gambling strategy was not to be followed, therefore the Company designed a mid-term business strategy for reforms based on existing regulations, which was approved by the Owner.

The most important tasks in the next four-year period are:

- **To maintain the demand** for games with state gambling monopoly, if possible, to develop games in the framework of international cooperation, to **enhance trust** in the state lottery company as well as assuming responsible gaming.
- Besides the priority to protect national interests to **meet the expectations of European Single Market** and to prepare for the consequences of a limited open market.
- **Comprehensive upgrading of informatics systems** supporting basic activities, including the development of communication device based (internet, mobile) electronic sales at the same time retaining the strong market position provided by the classical, overground sales network.
- The application of leading European lottery companies' best practises for organized operation processes, **clear representation of the Company's value** when cooperating with lottery companies.





## BUSINESS POLICY OF SZERENCSEJÁTÉK ZRT.

### BALANCED GROWTH

The Act on gambling lays down that in 2011 Szerencsejáték Zrt. has exclusive rights to organize drawing games, pari-mutuel and bookmaker's bets. Our integral sales network with national coverage provides the best access to state gambling. At the moment nearly 13 thousand persons, including our own staff and retailers, work to sell state-owned games. Our buyers include the two-third of adult Hungarians, a 5-5.5 million of people purchase state-owned games more or less frequently. The number of players and the amount of their stakes are gradually growing.

**Our aim besides retaining the entertaining nature of the game is to keep pace with household income but not to grow by all means.**

### SOCIAL RESPONSIBILITY, RESPONSIBLE GAMING

Key pillars of the Company's responsible operation:

- transparent business operations integrating the aspects of sustainability (economic performance),
- provision of ethical and safe services to the adult Hungarian population (promotion of responsible gaming),
- employer's responsibility vis-à-vis its employees (responsible employment),
- supporting society by sharing our revenues fairly (social commitment) and also
- the protection of environmental resources, decreasing our environmental impact (environmental responsibility).

Responsible gaming is in the focus of our CSR activity, in line with the standards accepted by European lottery companies.

**Our aim is to maintain interest in state-owned games and to provide an ethical and safe service corresponding to players' demands and the interest of society.**

### TRACKING OF SHIFT IN THE DEMAND FOR TRADITIONAL GAMES

Purchase of our products can have different motivations game by game: sum of expected prize, the frequency of wins, excitement involved in the game, pastime and relaxation. Looking back on the past 10 years the trend of demand for numbers game which is the backbone of the Company's sales revenue and purchased by the widest population has been stagnating since 2006 with temporary fluctuations. Larger accumulation of prizes as a character of lottery games results in temporary growth in turnover.

There is a dynamic growth in the demand for continuously developed scratch cards. While pari-mutuel bets slowly become marginal, the popularity of bookmaker bets keeps growing among young sport lovers. The secret of scratch card and bookmaker bet success is that prizes are tax-free resulting in a higher redemption rate, and also the attractive possibility of a quick game in an accelerated world. Owing to the shift in the centre of frequency between groups of games the growing dynamics of the trend of net sales revenue falls behind the trend of gross sales revenue.

**Our aim is to refresh the image of current games by monitoring the change in demands, to attract younger players and to maintain competitiveness of games by improving their parameters.**





### THE POSSIBILITY OF JOINING COMMON GAMES ORGANIZED BY EUROPEAN LOTTERY COMPANIES

The current games of Szerencsejáték Zrt. correspond to the market structure of games covered by European lottery companies. In terms of traditional products one developmental possibility is to join international games which are organized jointly by European lottery companies and due to the size of the market offer more attractive prizes.

The success of Euromillions launched in 2004 by a group of European lottery companies impels us to seek the opportunity to join international games. For the time being legislative conditions for joining are not fulfilled but we do our best to create a clear situation for our Company in case of positive changes

**Our aim is to prepare and as soon as legislative conditions are fulfilled to decide on joining the European common games.**

### EXPANSION TO NEW MARKET SEGMENTS

The stagnation of interest in traditional numbers games impels us to consider the possibility to expand to other segments of the gaming market involving more business risk (casino, slot machines, online games etc.) and also to expand our activity to distribute non-gambling products. Currently we have interest in two casinos and have an agreement with four mobile service providers to recharge balance with virtual card. The amendments to the Act on gambling passed in 2011 make it possible to expand to new segments.

**Our aim is to diversify the Company's activities in a wise manner with moderate risk in line with state regulations and the owner's intention.**

### INNOVATION, CONTINUOUS TECHNOLOGICAL REFORMS

The millions of players of the lottery company can be served to the widest extent by the integral network of offline points of sales. More than 90% of our turnover is realized through this network. The protection and development of informatics system, which provides a technical base to the network, is a priority task, preparation of development has started. The design of new technical platform of remote interactive games has also reached its implementation phase, which is expected to provide services similar to the illegal but working systems of online betting shops for Hungarians from the middle of 2012.

**Our aim is to retain the level of our dominant technology by our own resources and broaden the possibilities of electronic sales.**

### NATIONAL ECONOMY INTEGRATION, PROFITABLE MANAGEMENT, FINANCIAL STABILITY

The net sales revenue per capita of Szerencsejáték Zrt. has been one of the highest in the region, going back several years. In compliance with European norms two-third of our net sales revenue is spent on financing public objectives. A dominant part of our budget payments is realized through taxes and we also pay dividend to the owner, the state. We hire domestic services, create jobs and generate a supplementary source of income for many thousands of retailers. Our activity is transparent for both the owner and supervising authorities; the payers' rights are protected in the country. As state company we do not pursue a business policy to evade tax.

**Our aim is to maintain a financially stable, long-term profitable management for the owner by optimizing yields deriving from taxes and profits.**





## OUR BUSINESS PERFORMANCE: THE DEVELOPMENT OF SALES REVENUES

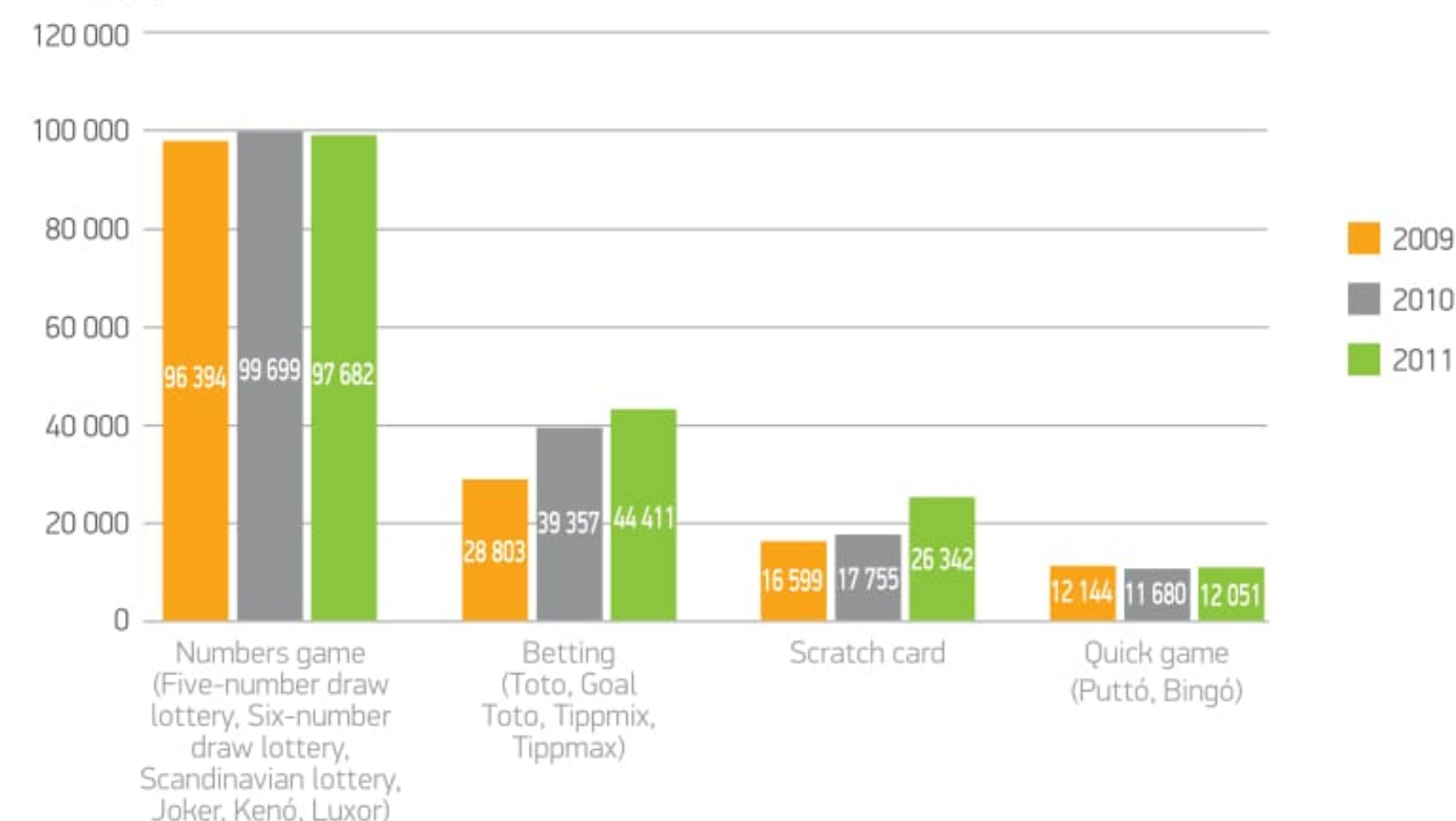
### RECORD TURNOVER OF GAMES

In 2011 our range of games consisted of 11 games which were complemented with a varying collection of 15-16 scratch cards. No new game was launched, in February, however, a midweek-round for Totó and Goltotó games was introduced.

Realized **gambling sales revenues** were HUF 180.5 billion which surpassed previous year's sales revenue of HUF 168.5 billion by 7.1%, making it a new record in the Company's history. After subtracting net prizes the **net sales revenues**, which characterizes real demand the most, is HUF 86.3 billion, which is less than the year before. The reason for decrease is that due to the decrease of the personal income tax rate of prizes we were able to pay higher sums to players, and the composition of games shifted in the direction of games with a higher redemption rate. In 2011 participation fees did not get more expensive; the average price of scratch cards grew. In total the number of base game bets exceeded 1 billion.

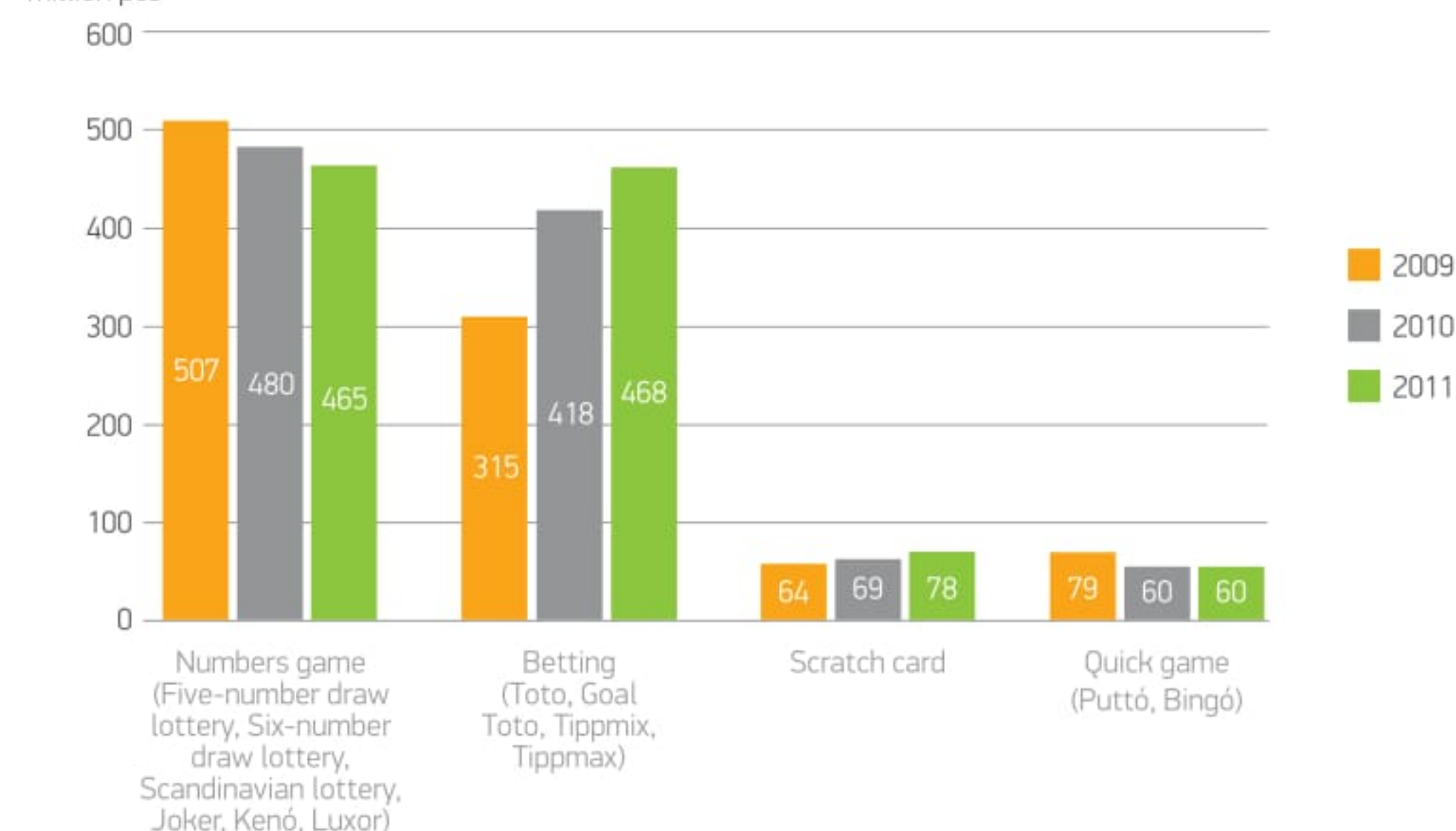
### Gaming revenue by the main game types

million HUF



### Number of games by the main game types

million pcs





### INCREASING GRAVITY OF BETS

As for bets the year 2011 started with moderate expectations in the hope of modest increase since unlike the year before no major football championship (European Championship, World Championship) took place. The draining effect of online betting shops and the falling popularity of pari-mutuel bets had to be taken into account, and also it was worrying whether the fix scandal of European betting, which also affected Hungarian football, could put back playing spirit in Hungary. Reality mostly refuted these worries.

The demand for *Tippmix*, after a dynamic start at the beginning of the year, followed by a less deep fall in the summer that took shorter than usual, kept growing in the second half of the year. With the release of the previous restrictions – except from some expectations – each and every bet can be made in single bets. Which resulted in the motivation for betting. The weekly turnover of bookmaker bets exceeded the sales revenues of five-number draw lottery many times. The HUF 41.4 billion sales revenues are by 14.5% more than the year before.

The HUF 635 million sales revenues of *Tippmax*, which is only available online, fell behind the base. Owing to the development of prize redemption rate the net sales revenues of the game still increased. Online revenues of the two bookmaker pools betting rose almost by one-fourth. In this field we compete with online betting shops providing illegal service under current legislative conditions, but by using our offline retail sales network we are still the largest service providers in the Hungarian pools market.

A longstanding decrease in the demand for *Toto* could not be reversed by the introduction of midweek betting rounds, the HUF 2.3 billion sales revenues fell

behind that of the year 2011. The introduction of midweek rounds did not help to develop bigger accumulations, which is a sensitive factor for those playing *Toto*. Interest in *Goal Toto* grew as a consequence of accumulation of prizes carried over from the previous year and 2 jackpot-wins.

### EXTREMELY SUCCESSFUL SCRATCH CARD SALES

Annual scratch card sales show significant growth in numbers and sales revenues alike. The HUF 26.3 billion sales revenues of scratch card surpasses the previous year by 48.4%. To achieve this, our **first premium scratch card**, *Buksza* played a crucial role, which offers a jackpot of HUF 50 million, higher prize rates, chances for multiple wins and last but not least higher price and it became a success product while the turnover of other scratch cards did not decrease.

### TURNOVER-ENHANCING EFFECT OF ACCUMULATION OF JACKPOT

The uncertainty of revenue caused by the accumulation of jackpot is represented by the HUF 47 billion sales revenues falling behind the previous year, although jackpot of five-number draw lottery approached HUF 2 billion twice during the year. The success of year 2010 was ensured by the jackpot exceeding HUF 3 billion.

In the history of Scandinavian lottery a record jackpot was hit. This partly accounts for the HUF 17.3 billion sales revenues exceeding the previous year by 8.0%. HUF 21.2 billion sales revenues of six-number draw lottery were less than the year before (-1.9%). The positive effect of the accumulation of lottery jackpot was also represented by *Joker* exceeding its performance.

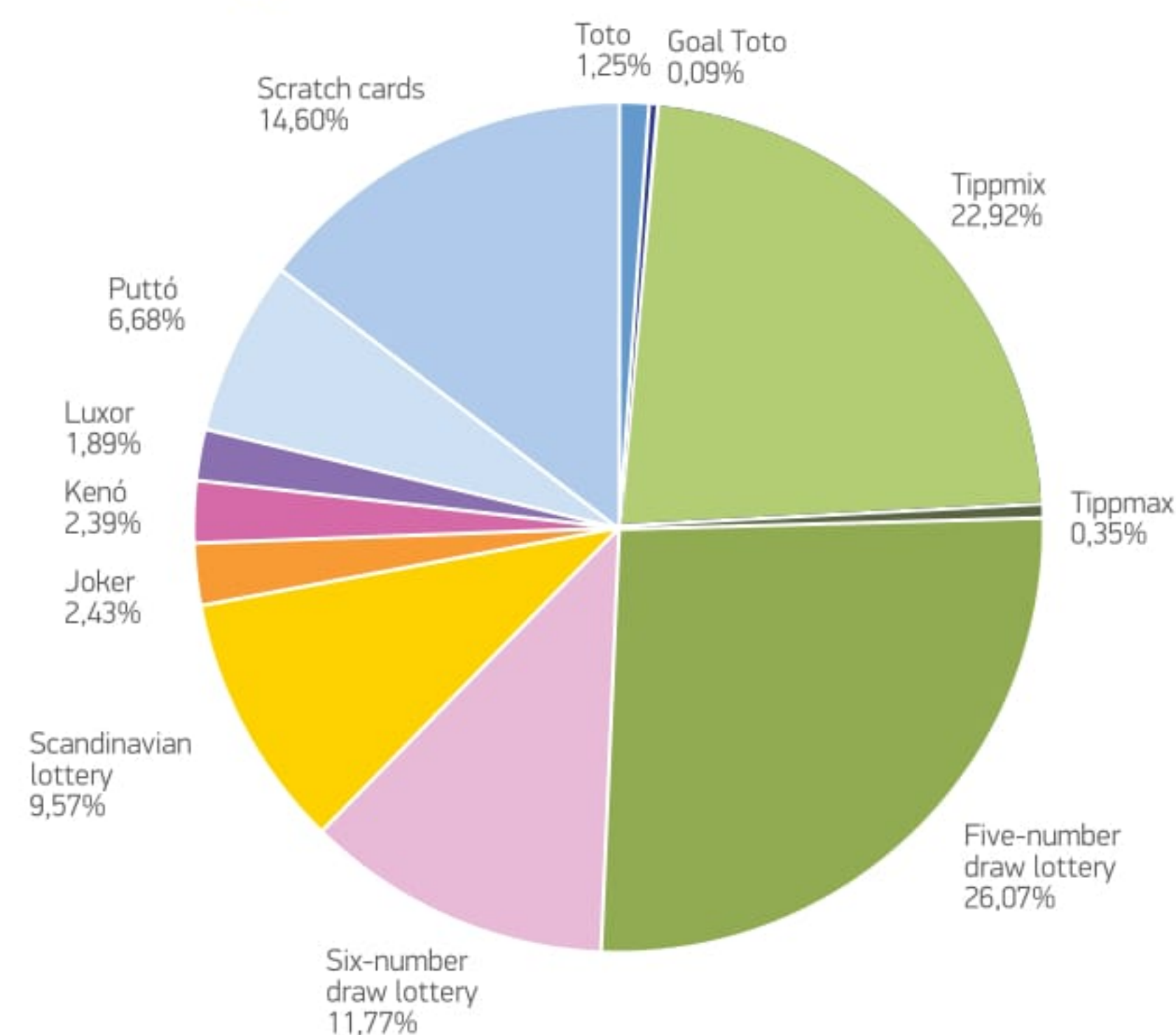




## PERSISTENT INTEREST IN QUICK GAMES

Among numbers games the turnover of Puttó offering intensive playing continues to be stable, which indicates persistent buyer's demand for quick games.

### Share of each game from sales revenues 2011



## SALES OF OTHER PRODUCTS

The sales of *balance recharge for mobile phones* (Telenor, Vodafone, T-Mobile) increased dynamically, where the sum of HUF 299 million came from the sale revenues of commission, 90% of which in enterprise sectors.

## FINANCIAL ANALYSIS

### PROFITS

The Company attained *operating profits* of HUF 8.9 billion, 2.1 billion more than in the previous year; profit before taxes was HUF 9.2 billion. With the deduction of corporate income tax, our profit after taxes was HUF 7.5 billion and after complementing it with profit reserves, HUF 7.8 billion dividends were paid to the owner.

### Profits (million HUF)

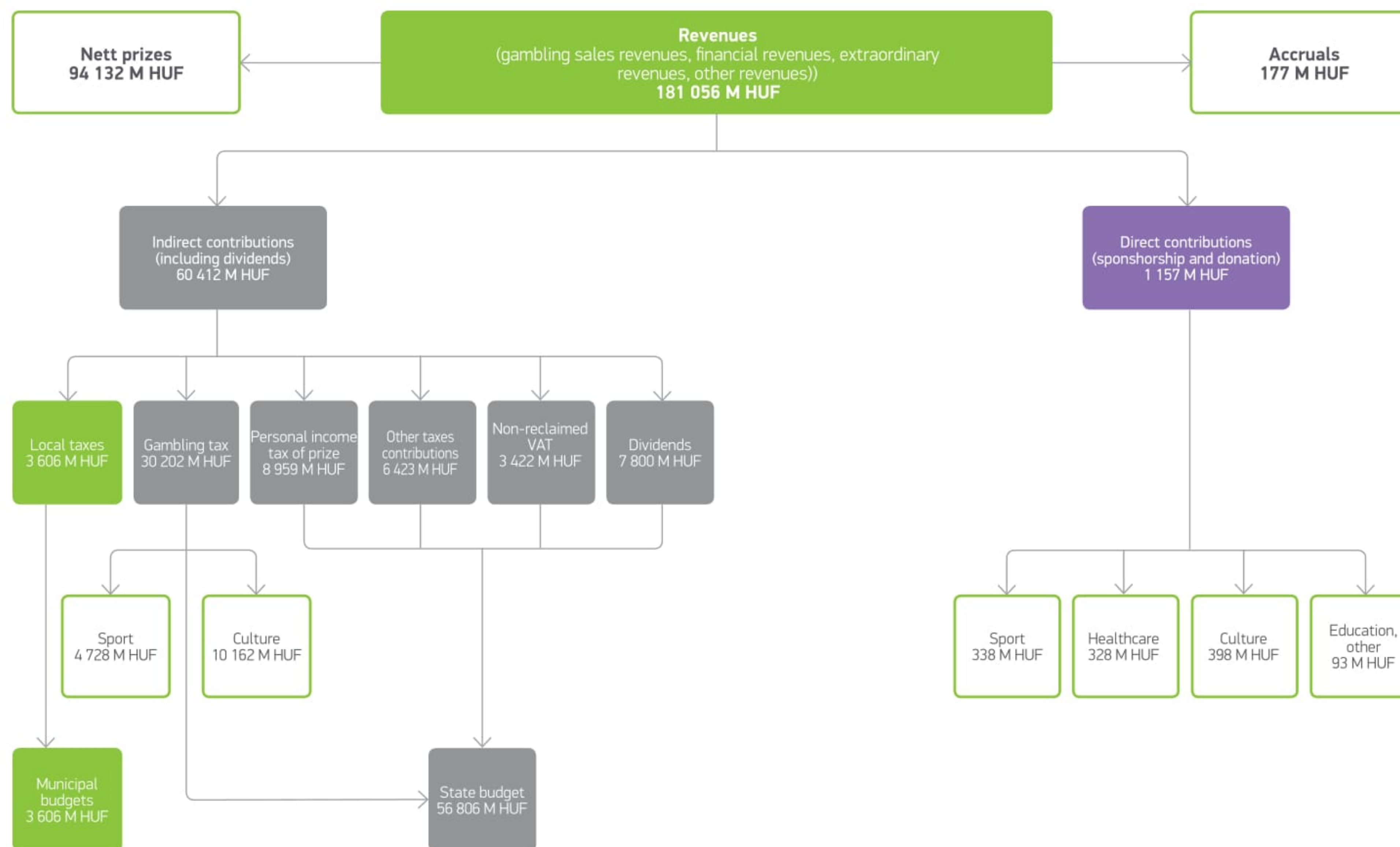
	2009	2010	2011
Operating profit	3 653	6 758	8 880
Financial profit	2 440	1 068	1 285
Profit before taxes	5 727	7 119	9 225
Profit after taxes	5 096	5 589	7 468

The statement of profit and balance of the year 2011 are available in the appendix.



## FINANCIAL OBLIGATION

### Szerencsejáték Zrt.'s contribution to public expenditure

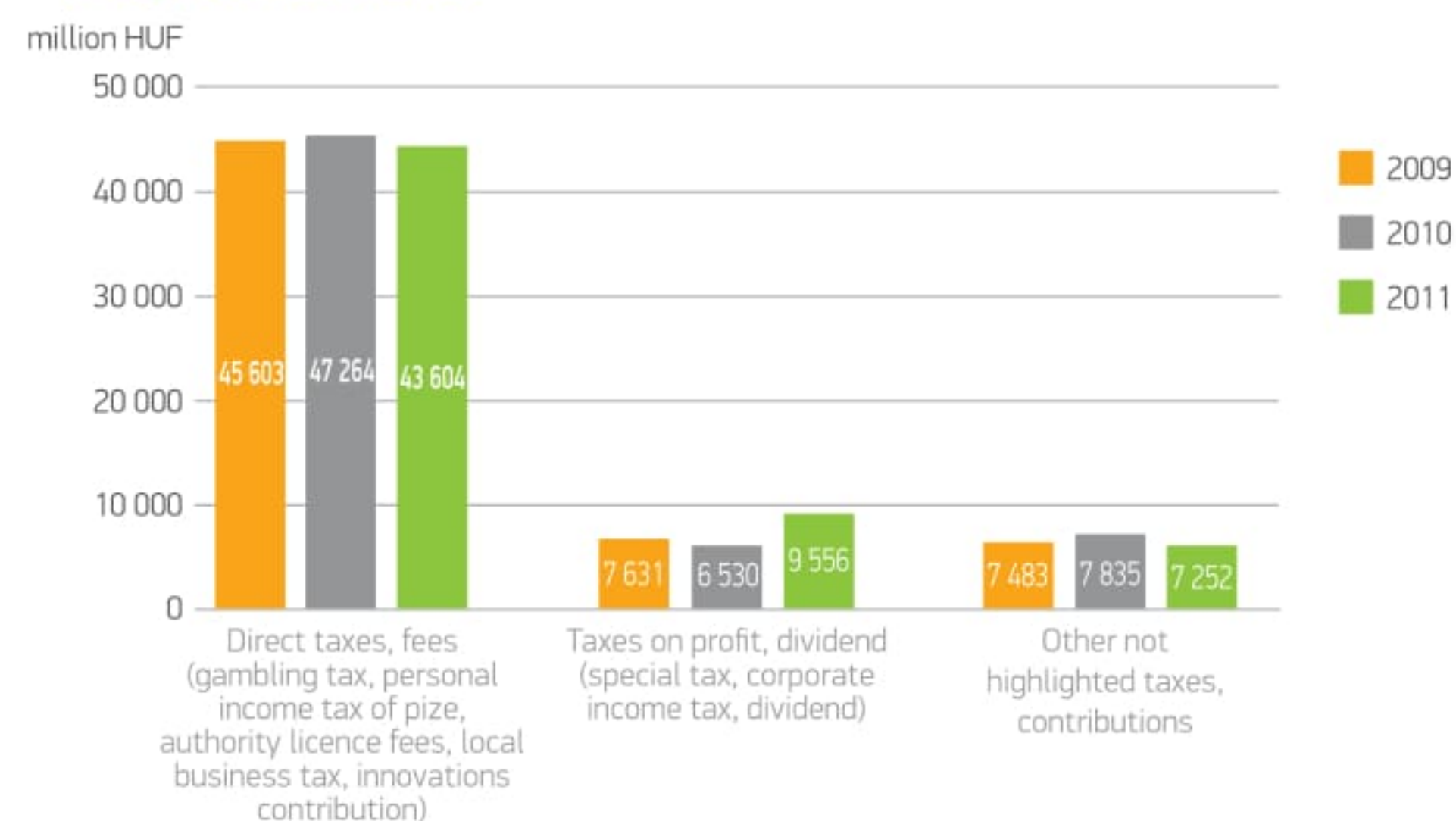




Owing to the state tax policies that regulate the market, Szerencsejáték Zrt. can **contribute to public expenditure substantially**. According to accounting principles the amount of indirect budget contributions including payment booked for 2011 was HUF 60.4 billion.

The largest entry in our contributions to the budget, i.e. the booked gambling tax complemented by the part of Tippmix's prize difference booked as gambling tax reached HUF 30.2 billion, nearly HUF 1 billion more than in the previous year. The personal income tax of the HUF 9.0 billion prize booked was almost HUF 5 billion less than in the previous year due to decrease of tax rate from 25% to 16%. Local business taxes and innovation contributions enriched local and central budgets more than ever by HUF 4.1 billion tax revenue. A payment obligation of HUF 0.3 billion was generated by licensing and supervision fees related to gambling. Due to the fact that gambling is not subject to taxation, VAT calculated on revenues not refunded and invoiced was HUF 3.4 billion.

### Budget contributions



### ECONOMIC VALUE PRODUCED AND SHARED

Direct economic values produced and shared (million HUF)	2011
Income	88 064
Economic value shared	85 754
Operating costs	23 178
Employees' salaries and in-kind benefits	8 610
Payments to capital investors	7 800
Payments to the budget	45 009
Community investment	1 157
Retained profit	2 310

Produced and shared economic values assembled in a structure based on GRI guidelines differs from the structure usual in accounting. In this arrangement the indicator of produced economic values 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.



## RISK MANAGEMENT

The Company's activities entail market, operating, legislative and financial risks.

Short-term market risks may include changes in the income situation and disposable income of households and the deterioration in competitiveness of traditional games. The Company strives to mitigate risk by strengthening its online gambling market position, joining the organization of international games and initiating to create legal environment.

One of the most important elements of our *operating risks* is the safety of our systems and protection of the players' privacy. In 2011 we started preparations to be able to meet ISO 27001 information security standard. We set up a process map of the company which is the base of a performance management system in the future. Internal control of the company is based on the risk analysis of 27 main process of the company's operation. A report is made on these controls in compliance with the Owner's Control Protocol of MNV Zrt.

A *legislative risk* is the delay of the Gambling Act in meeting new challenges.

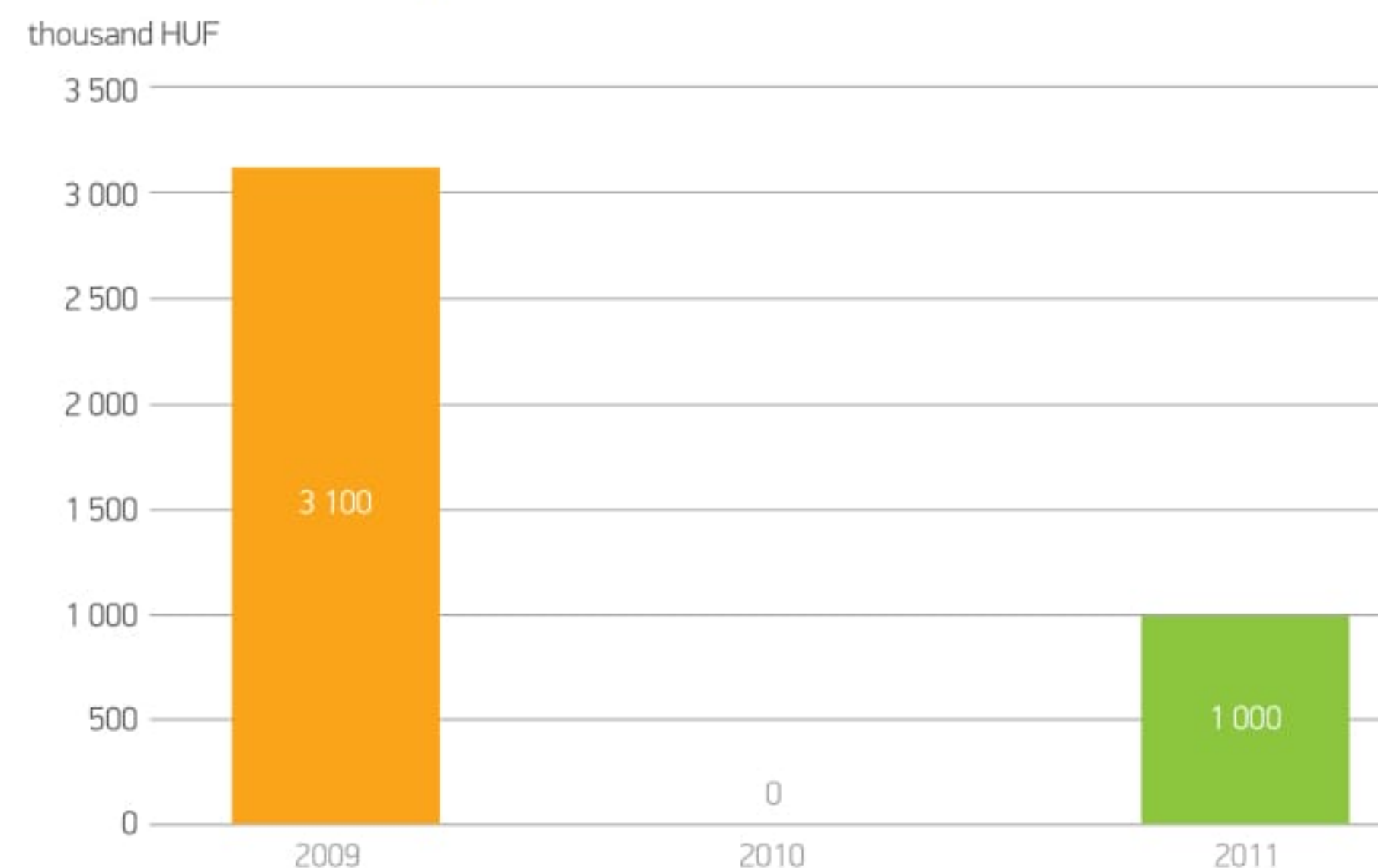
In terms of *financial risks* the change in economic environment poses some uncertainty. We only invest our liquid instruments into low-risk securities, we assume no long-term commitments, and our price and exchange rate exposures are therefore low.

## LEGAL AFFAIRS

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

In 2011 we paid fines to the Gambling Authorities five times: twice for not giving due publicity, twice for failing our reporting obligation and once for deviations from accepted gaming plans. The amount of fine was HUF 200,000 for each.

### Amount of fines and penalties









## OUR CSR ACTIVITY

In the remaining part of the report we will put emphasis on our **players** (Responsible gaming), our **employees** (Responsible employment), **organizations** supported directly and indirectly by our Company (Social commitment) and our **natural environment** (Environmental responsibility). These chapters do not only cover essential topics but also groups of high importance for Szerencsejáték Zrt. Besides the above we also consider necessary to present our connections with the government and the media, in a less detailed form though.

Our cooperation with **government bodies** and state owner is multifaceted: the Company's ownership rights are exercised by MNV Zrt., the Hungarian State Holding Company; legal foundations of our games are based on the decision of Gambling Supervision Department, an organ operating within the framework of National Tax and Customs Administration (NAV). As to communication we have built strong connections with the Ministry of National Development (NFM) for reasons of state ownership.

We send weekly and monthly reports on corporate and product communication activities of higher volume while NFM presents its summary on press releases related to state-owned companies every two weeks. If a question related to the owner is addressed to us by journalist, we consult with NFM about an official reaction.

As to our **media connections** the greatest change was to make communication more direct. In the first half of the year on our new website a **community press room** appeared to assist journalist by providing statistics, background materials, pictures and videos for unlimited use.

We measure on a daily basis and analyze monthly all **media appearances** related to our Company in order to be able to give more information about topics of interest to the media and indirectly to society. It is highly essential that no question by journalist remain unanswered since information through the press is a key element in our transparent operation.

We try to make the best use of **social media** opportunities such as the official Facebook site of Szerencsejáték Zrt. or forums where members are engaged in conversations about our Company or games. When we appear on forums we always respond to questions and debated issues openly on behalf of our Company. Owing to the direct and friendly tone, which is common in social media, Szerencsejáték Zrt gets closer to people.





“

*I think a state-owned company should only be present in social sites if its communication has credit with the community. It is a new channel for Szerencsejáték Zrt. where it can address players directly and receive instant feedbacks about its activity. It may sound peculiar first but social sites – especially Facebook – gives a face to players as well as to the state-owned company. The ability to respond to questions and comments quickly, flexibly and in a more direct tone will hopefully shape people's opinion on state-owned companies for the better. At the same time we hope we can bring the joy and excitement of the game closer to young adults and also draw their attention to responsible gaming.*

*The Facebook site of Szerencsejáték Zrt. is quite active with several posts a day, and also players load us with questions and comments. Naturally, here we share all novelties, special offers, interests and winning numbers with players but there are also activities exclusively dedicated to the Facebook community. There are for example quick quiz games and special offers only available for players with a Facebook user account.*

*Internally and maybe also for players one of the most exciting promotions was the activity before the launch of Animal Stars scratch card. The essence of democratic media (social media) was seen here i.e. users could decide on a very important subsidy issue: which animal protection organization should be granted a maximum of HUF 10 million subsidy from the revenue of the scratch cards. Several thousands of users voted and many campaigned for their favourite organizations in the streets, these were really exciting days. At the same time players could nominate their favourite pets to be included in the Animal Stars scratch card to be launched in the first quarter of 2012.*

*The midsummer Sziget game did not attract such a wide audience, but it was really uplifting to read the message board of our Facebook site as to how many people we made happy with 180 daily tickets drawn.*

”

**Dóra Sturm, Communications Manager**





## CSR INSIDE THE COMPANY

Responsible gaming has become an integral part of our operation. It is a fundamental expectation from our employees – regardless of their work – to do their job in accordance with requirements of responsible gaming. In 2011 we strived to make the idea of social responsibility also correspond to these requirements in our Company, because in order to make CSR a part of our every day operation, commitment of one or two functional fields is not sufficient, it is essential to think together and include relevant departments.

The first Corporate Social Responsibility Report in 2011 also contributed to understanding CSR inside the company, and with the assistance of relevant departments the Corporate Social Responsibility Department coordinated, edited and published the report.

In May 2011 Szerencsejáték Zrt. made a 5-year strategy in which social responsibility is a priority issue. During the year business, functional and topical sub-strategies were evolved according to professional fields. CSR was elaborated as a topical sub-strategy as it is an approach relevant to all activities of the Company.

In the next 5 years we plan to advance as follows:

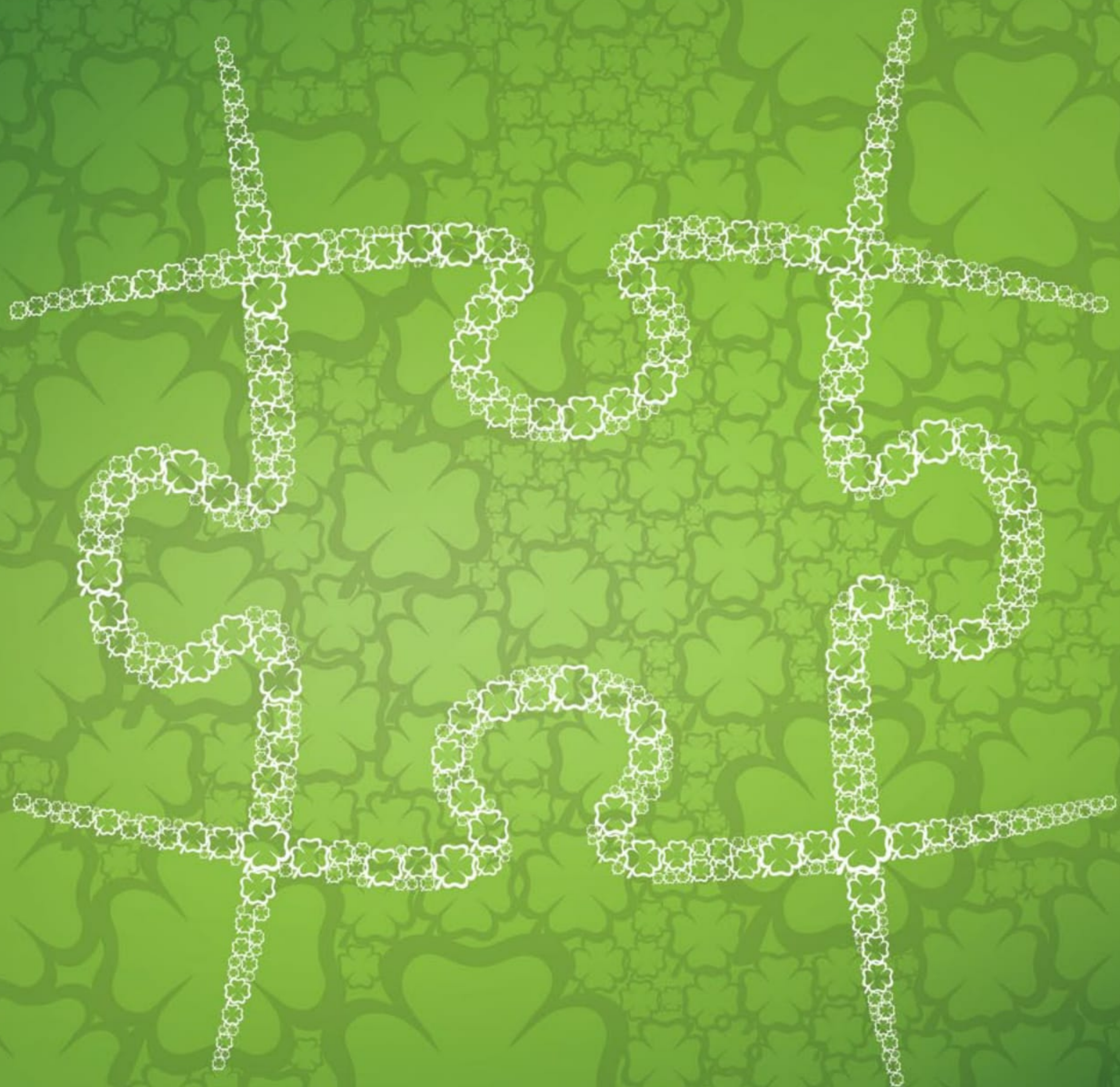
- **Organizational integration of CSR** – changing internal approach
- **Deepening and sustaining responsible business in the long run** – ensuring transparent operation by the involvement of stakeholders through the development of processes
- **Mitigating harmful social impacts: protection of players** – self-limitation, responsible product planning, representing responsible gaming on the new internet platform

- **Mitigating harmful environmental impacts** – recycling program, promoting environmental aspects at investments
- **Strengthening responsible employer attitude** – measuring and developing performance, employee satisfaction, ensuring equal opportunity
- **Strengthening positive social impacts** – developing our donation practice
- **Example setting as a state-owned company** – communicating CSR activity

We hope that in the report on our activities in 2012 we will proudly publish the steps taken for the objectives above and our intermediate results.









## RESPONSIBLE GAMING

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*We can call game organizers responsible if they try to persuade players to play consciously. Conscious players are aware that they can spend as much time and money on gambling as they can afford as long as it does not interfere with their social relationships or self-sufficiency. They are also aware that winning is accidental and there is no reliable system for winning. To raise such awareness a responsible game organizer need to provide the necessary information and necessary tools: for example by providing correct information on winning chances and actual prize to be expected. That is why I consider Kenó a perfect example of responsible choice. Here I can play for hundreds of millions with low chance, but I can choose games with higher chance for less attractive and far more modest sums.*

*It is a legal requirement for points of sale to have a warning notice about harmful consequences of excessive gambling. Gambling addiction is really a serious illness, which only a few people might see. Apart from warning a responsible game organizer should also care about prevention (e.g. test are available for this purpose) and treatment (providing Dr. Info contact information).*

*In sum, the organization of responsible gaming is a whole spectrum of activities beyond legal obligations that we employ to protect our players from harmful effects of excessive gambling.*

*We do not or not only consider responsible gaming a moral issue; instead it is a strategic direction that promotes the sustainability of our operation. And employers contribute to responsible gaming by accepting and acquiring it in their daily work. When planning an advertisement the only consideration is not whether it is creative or spectacular enough, but also whether it corresponds to responsible category.*

”

**Dr. Beatrix Zelei, Head of CSR Department**





Principles of responsible gaming underlie the whole business process of Szerencsejáték Zrt. It is borne out by the joyful event in 2011 when after EL, WLA (World Lottery Association) found our Company worthy of the highest-level certificate possible for Responsible Gaming Organizers.

In 2011 we did our best to meet our responsible gaming obligations to the fullest extent possible. Below we demonstrate our achievements based on criteria of EL standards.

### 1. RESEARCH

At the end of 2009 we had our first comprehensive (including more than 10,000 persons) research done to survey social problems deriving from gambling addiction. We used the results of the research for our internal trainings and also for our various communications materials and publications.

**By 2012 we plan a new research into gambling addiction and responsible gaming.**

### 2. EMPLOYEE TRAINING

The foundation of the employees' responsible gaming (RG) training is a terminal management course. Completing the course is now not only a requirement for direct salespersons but it has become a practice for other employees working at other departments (administration). In the curriculum there is a dedicated unit for 'Responsible gaming attitude'.

For those not participating in this course, the Professional Training Regulations renewed in 2011 contains other solutions such as RG basic training and refreshing training (distance learning and classroom courses).

### 3. SALES AGENTS' PROGRAMMES

Sales workers – regardless that they are employed by Szerencsejáték Zrt. or by our contacting partners – participate in the terminal management course and take an exam in RG requirements. The curriculum contains the essence of the Company's business philosophy: to serve player's demand for entertainment with responsible gaming kept in mind. Consequently, all our salespersons are fully aware of the social risks of gambling and will not serve individuals under 18. At the end of 2011 we sent all sales workers the new 'Keep it a game!' information booklet. We check the required selling attitude (including RG principles) by mystery shoppers.

2069 employees (including new outlet employees and employees of sales partners) participated in terminal management courses and received training in responsible gaming in 2011.

### 4. GAME DESIGN

When changing existing games substantially or preparing new games to be developed we apply the well-trying (but slightly upgraded by its developer) GAM-GaRD software which categorize games by risks. The most dangerous, category red games are not included in our portfolio. Players can learn directly about categories of games by clicking on the icons (small traffic lights) attached in the online betting system.

**During the development of the new online betting site in 2012 a test will also be run to show its possible risks.**





## 5. REMOTE GAMING CHANNELS

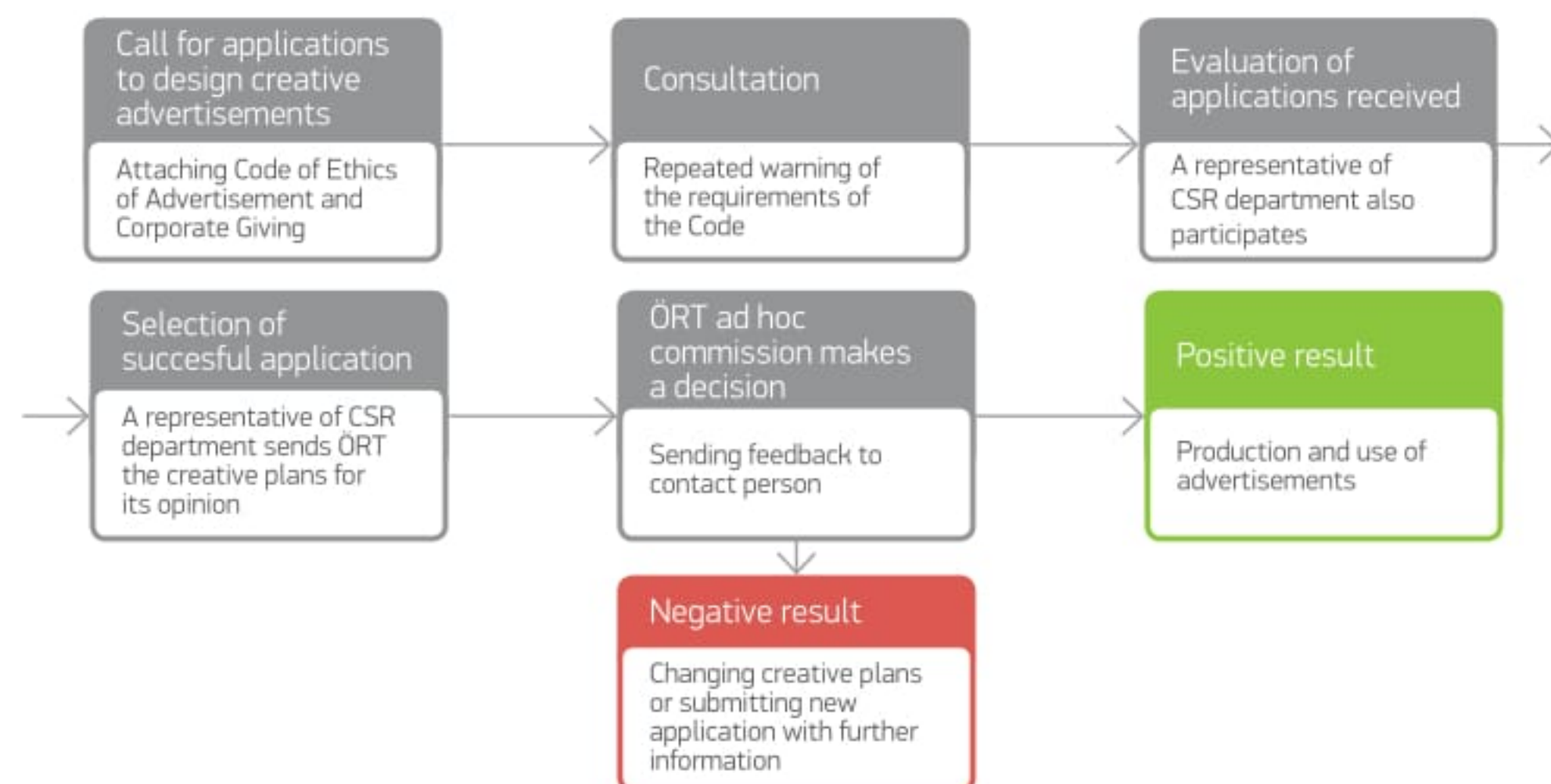
For games offered in our online betting system we are gradually adding warning and self-limitation functions. In 2011 limits can be set for 6 games and we also started this function for the more risky Puttó. These built-in, voluntary functions make players be more considerate and decide more consciously. In 2010 209 players and in 2011 416 players used the spending limit setting.

For our new online betting site under construction we required suppliers to include responsible gaming functions in their quotations.

## 6. ADVERTISING AND MARKETING

In June 2011 we renewed our Code of Ethics of Advertisement and Corporate Giving which was prepared for responsible advertising. Under the agreement concluded in March 2010 we cooperate with the Self-Regulatory Advertisement Body (ÖRT) to be able to look at advertisements to be prepared from ethical aspects.

The practice for qualifying and judging advertisements can be seen in the process chart below:



In 2011 we submitted two creative advertisement concepts to ÖRT for its opinion and both received positive result so we were granted approval for the production of advertisements.

In September to present our responsible betting activity we launched a small campaign entitled '*The name of the game: Fair-play!*' Besides creative materials we also launched an online blog. In 2011 '*Keep it a game!*' slogan and logo representing our RG activity became a compulsory element in our product advertisements.

## 7. TREATMENT REFERRAL

In the end of 2011 we expanded our '*Play in moderation*' booklet and published '*Keep it a game*' information booklet which similarly to its predecessor is available at all points of sales. From the booklet players can gain information about harmful consequences of excessive gambling, they can test their attitude to gambling, and in case of addiction problems they can find professional help contact information. Our network supervisors regularly check these booklets in the absence of which they will take steps for replacing them as soon as possible.

In 2011 the rate of deficiencies in connection with responsible gaming was slightly above 0.1% after checking more than 2300 sales partners.

In spring 2011 we published a handbook entitled '*Get rid of gambling addiction*' which gives assistance to recover from gambling addiction on one's own. This was a limited edition and available for free in our outlets.

We continue our cooperation with National Institute for Quality- and Organizational Development in Healthcare and Medicines (GYEMSZI). On





their homepage the link to the gambling addiction subpage is still accessible ([www.eski.hu/jatekfuggoseg/](http://www.eski.hu/jatekfuggoseg/)), and Dr. Info service ([www.dr.info.hu/drinfo/](http://www.dr.info.hu/drinfo/)) provides information on places offering medical help in connection with gambling addiction. You can even send an e-mail ([segitaszakember@eski.hu](mailto:segitaszakember@eski.hu)) to addictologists with your questions.

We provide information on possible treatments of gambling addiction on [www.maradjonjatek.hu](http://www.maradjonjatek.hu) launched in 2011, and also our corporate webpage. On the Facebook page of Szerencsejáték Zrt. gambling addiction is a hot topic where a detailed test is included to help our players.

## 8. PLAYER EDUCATION

In our six gaming information booklets (*How to play the lottery? How to bet? Etc.*) we provide our players with the most important information, including exact chances of winning. This information help players make conscious decisions on how much stake they risk and how much winning chances they can hope for in our games. We have a video version with the title *How to play...?* which is also available on our homepage.

Gambling addiction and protection of vulnerable groups (e.g. minors) are common topics in our media appearances and we also devote attention to these in Szerencse Híradó (Gambling News). In the television programme Szerencse Szombat (Lucky Saturday) renewed at the beginning of 2011 the moderator of drawing announces that playing under 18 is forbidden, and also a message with the same content appears on the screen. We generally apply the 'Keep it a game!' slogan and logo to advertise our products.

## 9. STAKEHOLDER ENGAGEMENT

Important stakeholders of our activity are the players. A good example of building contacts with them was the RG-campaign at the end of 2010 when we organized 10 bettors' meetings. In 2011 we organized meetings for our Kenó players, which provide good ground to reforming Kenó in 2012.

We were busy **organizing partners' meetings** for sales regions. Our contracting sales partners here had the chance to receive direct information about plans and achievements of the company or possible changes of requirements. At these meetings responsible gaming is a recurring topic, last time in December 2011 in Szeged it was included in the agenda. We sent these meetings our first corporate social responsibility report done in 2011.

We do not forget about our own employees as stakeholders either. We applied a more intensive internal communication to enhance commitment not only to responsible gaming but also to social responsibility as a whole.

**In 2012 we are going to revisit our relation system of stakeholders as part of our CSR strategy, upgrade our stakeholders' map and indicate those nodes where we can involve our stakeholders more actively in our operation processes.**

## 10. REPORTING, MEASURING AND CERTIFICATION

In 2011 we prepared our first social responsibility report in the history of the company. In this report responsible gaming had priority focus in our CSR activity.





“

*In Szeged Sales Region we have been holding different meetings for our stakeholders for many, many years. These meetings can be divided into two major types: direct consultations with sales partners and bettors' meetings. Partners' meetings take place quarterly or every 6 months, however frequency rather depends on current issues, problems, questions and important changes in the company, issues we would like to pass on directly to those concerned. In the meetings we attempt to create a consultative discourse, therefore we regularly invite leaders in various professional fields who are able to give even more accurate answers to our partners.*

*I think these meetings are important because they bridge the gap between the company and its agents preventing and solving many conflicts since misunderstandings, lack of information and different motivation aspects can create several large or smaller conflicts of interest or differences which can be solved by open and direct communication the easiest.*

*During these meetings we manage to answer most of the questions but it certainly happens that complex and special questions require a deeper investigation from us. In the latter case we include the answers in our circular mails and newsletters. At the meetings not only questions are asked but often valuable proposals are made, which we collect and forward to game developers and marketing department, and sometimes we are delighted to see that these proposals are utilized and become integrated in our new management and special offers.*

”

**Judit Tessényi, Head of Region, Szeged**









## RESPONSIBLE EMPLOYMENT

It is connected with our activities that one of the most important values of our Company is strong professional teams. Long-time employment of our highly qualified and experienced colleagues is crucial because due to the unique nature of their activities replacing and training them is a more complex task than in some other sectors.

### Number of employees



The year 2011 brought many changes concerning our employees in more respects, which had a negative influence on fluctuation indicators. In 2011 women had the opportunity to retire after 40 years of employment when meeting specific legislative conditions. On the other hand this was the last year when our employees were able to have early retirement pension because as of 2012 they are not allowed to retire until reaching retirement age. These circumstances generated a higher employee fluctuation than usual in the company.

In the second half of 2010 there was a change in the structure of organization, which resulted in the change in tasks of specific organization units. It had an effect on workforce at the beginning of 2011. A major part of administration of regional centres was taken over by the central office in Budapest.

In September 2011 parallel to the introduction of the new logistics commission system, the demand for human resources in logistics decreased.

### Total employee fluctuation

Ager	2009			2010			2011		
	Male	Female	Σ	Male	Female	Σ	Male	Female	Σ
-30	49	59	108	27	71	98	26	44	70
30-50	12	21	33	11	24	35	39	96	135
50+	13	19	32	23	14	37	31	81	112
<b>Total</b>	<b>74</b>	<b>99</b>	<b>173</b>	<b>61</b>	<b>109</b>	<b>170</b>	<b>96</b>	<b>221</b>	<b>317</b>





By the end of 2011 the integration plans of the **charity scratch card sales network** operated by SZRT-SERVICE Kft., our subsidiary were outlined. Almost 200 people with disabilities started the year 2012 as employees of Szerencsejáték Zrt. This change contributes to the possibility that the rehabilitation employment program, which serves a social objective, continues to enable us to employ people with disabilities.

In order to avoid **conflicts of interest** concerning employment nobody can be employed who is related to a close relative in connection with management, controlling and supervision tasks within the organization and in terms of employment law s/he would have a working relation where s/he could be managed, instructed or controlled.

## SYSTEM OF REMUNERATIONS

When remunerating our overriding principle is compliance with requirements of equal treatment. Consequently, for recent years difference between base salaries of men and women has been decreasing in our Company.

### Proportion of base salaries of men and (men/women)

	2009	2010	2011
	111,7%	110,7%	107,0%

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

Annual bonus objectives of managers (above head of department level) are set by the Managing Director. Managerial objectives, besides the successes of

the Company and performance of personal professional tasks, always include criteria for responsible gaming. Evaluation of managers' performance and granting premiums as recognition of their success takes place through self-assessment and reports by line managers.

**Recognition of performance** below managerial level is done in two ways. Several jobs (e.g. sales representatives, shop managers, outlet salespersons, technicians, odds masters) entail performance-related pay based on the result of respective fields. Administration workers not receiving performance-related pay are encouraged by the business result of the Company. The performance of administration workers are regularly assessed according to criteria laid down in the Code of Ethics, and so it becomes possible to assess, supervise and give feedbacks on the tasks performed.

Traditionally, Szerencsejáték Zrt. places great emphasis on social welfare and well-being. In the framework of social benefit system **optional fringe benefit system**, cafeteria was introduced in January 2011. In a menu system (catering contribution, voluntary sickness insurance fund, voluntary pension fund, internet, travel voucher, local transport pass) employees can compile their 'package' according to their needs for a given yearly amount. As a result everybody has the chance to use these services most suitable for their life situations, consumer habits, family background, life career and health conditions. Yearly cafeteria limit accounted for more than HUF 841 million and voluntary pension fund contributions were the most popular benefits with HUF 318 million.

Besides cafeteria our Company continued to provide other benefits required by the Collective Bargaining Agreement: social aid based on social need and right, funeral aid and aid for starting school.





Pursuant to the Collective Bargaining Agreement employees can apply for a loan for buying or renovating homes or buying a car. Our Company covers travel costs of employees getting to work in compliance with other legislative provisions.

### RELATIONSHIP BETWEEN EMPLOYEES AND MANAGEMENT

In compliance with the principle of the Company's Code of Ethics the right to employees' community and due participation in working relations cannot be impaired. To achieve this we keep in touch with respective employee representation bodies as defined by relevant legislation. The Collective Bargaining Agreement is renewed every two years following negotiations with the Trade Union and heads of Works Council. They represent employees when defining working conditions, wages, salaries and benefits and they ensure that employees' opinions and proposals get to decision makers.

The frameworks of cooperation as well as employees' right and obligations are laid down in the Collective Bargaining Agreement being in compliance with the Employment Code and international agreements on employment. We always strive to ensure a fair attitude to our employees in connection with employment security. The Collective Bargaining Agreement applies to 99.9 percent of the Company's employees, being the CEO the only exception. Representatives of the Trade Union are also present in the Company's Supervisory Board.

A survey on **internal communication and organization culture** provide direct feedback on the relationship between employer and employees. In 2011 38.5 % of our employees filled out the survey voluntarily which we plan to repeat in 2012 too. It follows from the survey that employees are satisfied with forms of vertical communication, 84% say information is understandable, 2/3 say it is delivered in a round style.

In order to make communication with employees more efficient we upgraded our internal communication tools. The **intranet site** for administration workers got a new layout and new contents. On a monthly basis we send our outlet employees an internal paper called **Szerencselevelek** (Fortune letters) and as a new development to inform our sales partners as of July we release **Regional Newsletters** with different contents by regions.

### OCCUPATIONAL HEALTH AND SAFETY

To guarantee health and safety of our employees is a priority issue for us. Prevention of illness and enhancing our employees' health awareness are among the fundamental principles set forth in our Equal Opportunity Plan.

Therefore the limit available for **voluntary sickness insurance fund** became higher than in 2010. A new benefit relating to health and recreation is the **travel voucher** which is available for employees with children (being available for minors too) at a much higher value.

Our Company pays extra attention to provide conditions for **workplaces not harmful to health**. Occupational health issues gain real emphasis in line with work safety systems, working in front of screen is a priority issue. According to internal regulations the company subsidizes protective glasses for employees **working in front of screens** every 2 years.

**Occupational health service** is provided at all organizational units. Beyond compulsory check-ups we promote a preventative approach and also host various medical screenings. In 2011 we organized blood donation events in the Fehér út and Csalogány utca buildings.





In the **Healthy life subpage** of our intranet surface employees can get help if they want to do something for their health or want to get rid of an addiction. The page covers topics such as stress management or giving up smoking.

Besides protecting our players we are also aware of the importance of our employees learning about the risks of gambling addiction and possibilities of prevention and treatment. Thus, we deal with this problem on intranet and in Szerencselevek from time to time. Departments responsible for internal trainings took preparatory steps so that all employees of our Company will be able to participate in training courses covering gambling addiction and responsible gaming.

## TRAINING AND DEVELOPMENT

During the course of employees' career at our Company as well as in the selection process we always try to ensure **equal opportunities**. It is important to define work-related tasks according to qualifications and skills, which is in compliance with our ideas about professional development of the organization and employees alike.

The integration of recent graduates is supported by our **trainee programme**. The programme allows for the coordination of optimal professional fields with recent graduates.

We perform training of employees (e.g. outlet salespersons, number draw anchors, hardware technicians) in line with 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 comp-

lemented by additional examinations and skill development trainings. There are trainings for outlet employees before the introduction of new games, systems or products as well, depending on the skills needed. Each training closes with an exam. The comprehensive Professional Training Regulations was renewed in the middle of 2011.

### Average training hours per employee

	2009	2010	2011
Outlet employees	20	8	14
Administrative employees	16	5	23

In 2011 190 employees participated in 81 different **professional conferences** and 162 employees in 44 **trainings, retrainings and study tours in abroad**. 59 employees could join **English courses** started in September. In connection with shifting to **Office 2010** 157 employees received trainings and courses continue in the first half of 2012.

In order to decrease outlet employees' administration in the second half of 2011 we introduced an electronic cash desk closing system. Nearly 800 employees participated in the related training.

Transparency of human resources and training records as well as data safety are ensured by an advanced information system that the Company expands continuously, as needed.





## EQUAL OPPORTUNITIES

The Equal Opportunity Plan applies to all employees employed by the Company and in the regards of some principles and objectives also to persons participating in processes preceding the establishment of employment and also to those retired from the Company after the termination of their employment. The Plan contains the definition of disadvantaged employee groups employed by the Company, actual objectives and tasks for the year aimed at improving their situation, as well as the tools necessary for accomplishing these.

A feature of our staff composition is that the proportion of female employees is 2/3, and employees above 50 account for the third of the whole staff. This feature is always kept in mind in our equal opportunity policy.

## Employees by age and gender

	2009		2010		2011	
	Male	Female	Male	Female	Male	Female
<b>Employees</b>						
-30	54	103	58	104	40	88
30-50	263	542	262	559	257	559
50+	117	203	99	190	115	219
<b>Management bodies</b>						
-30	0	0	0	0	0	0
30-50	4	2	4	1	3	1
50+	6	0	5	0	6	0

The Equal Opportunity Plan of 2011-2012 serves a double objective. Firstly, in 2011 it basically continued all the good practices that had worked in previous years and could be applied even under new circumstances and conditions caused by changes in the organization. Secondly, it projects processes scheduled for 2012, which contribute to more careful foundations or a possible renewal of the Plan.

The Equal Opportunity Plan provides for possible demand for **part-time employment** which the Company allows at the request of an employee on a case-by-case basis. For employees, who raise minors, children with disabilities or prolonged sickness or nurse elder and/or sick close relatives, duties related to child rearing and nursing involve enhanced difficulties, thus we try to help them by offering part-time employment. In 2011 241 employees, more than 23% of the entire staff worked part-time.





There is another initiative aiming at equal opportunities, which allows those employees to request help who do not raise minors. If required and available our Company can host those employees' children in **trainee programmes** who study at full-time courses at a college or university.

Employee performance greatly depends on **good working atmosphere**. One key element here is the ergonomic design of work stations. We believe it is even more so for our employees over 40. To improve working atmosphere we renovated lots of offices and outlets in 2011.

We say goodbye to our **retiring employees** in small gatherings and we try to maintain good relationships with them even during retirement years. Traditionally, we organized a party for retired employees in December 2011 which many of our previous colleagues attended.

The Equal Opportunity Plan also defined further tasks to be done with respect to **accessibility**, which are mostly related to the accessibility of outlets having the special need of our employees as well as customers in mind. In the application for a **new outlet image, accessibility** was a basic requirement, so if possible the new design and renovation of outlets must include accessibility.

Our Company runs legal advice service to solve employees' minor legal problems. Our employees with a law degree can be addressed for information and advice by e-mail.

**In 2012 we plan to republish the social information booklets covering relevant topics for our employees, and a new equal opportunity page will be added to intranet.**

**We plan an internal sociological survey in the second half of 2012, which will serve as the basis for the 2013 Equal Opportunity Plan and related equal opportunity actions.**

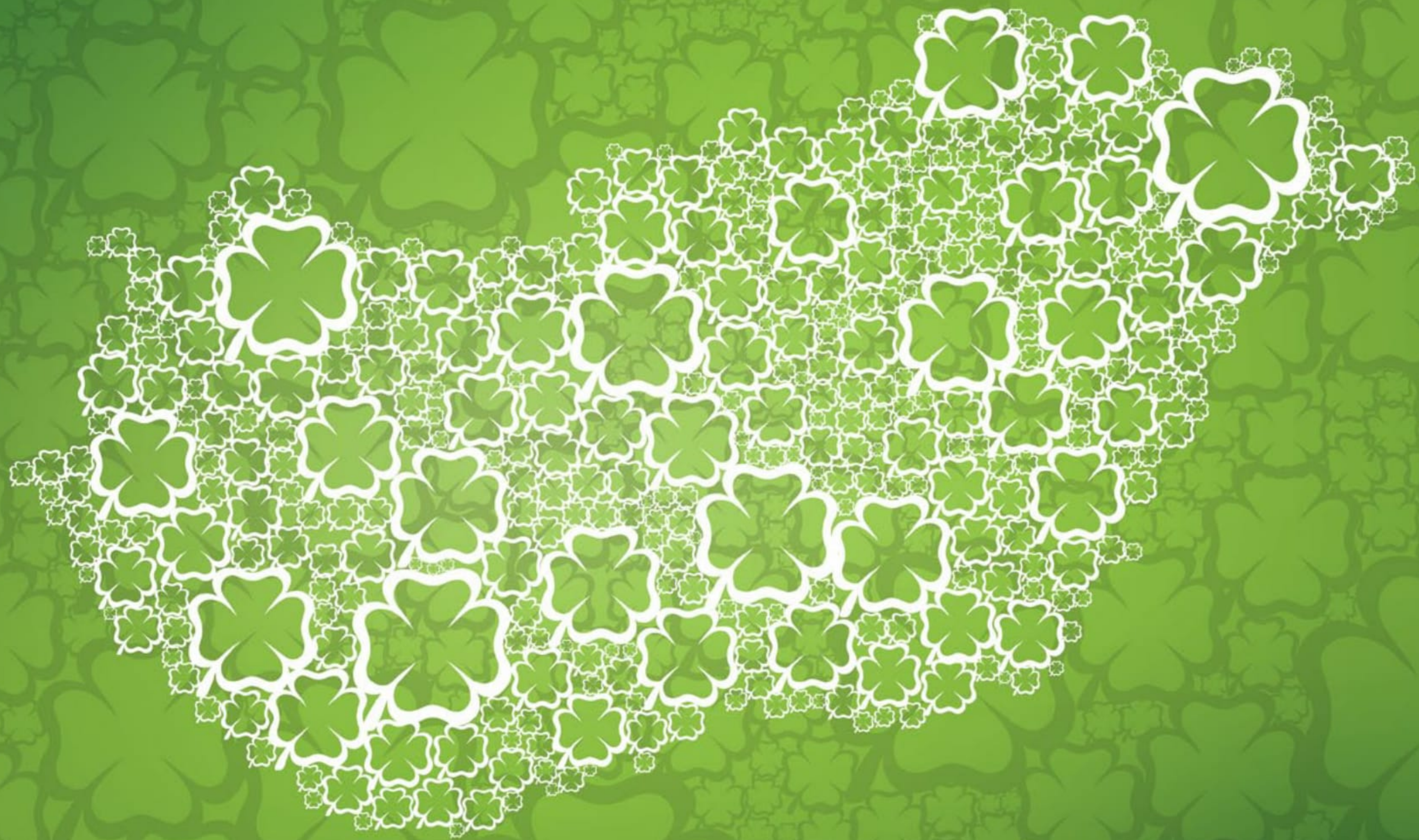




„According to the employees of the Szerencsejáték Zrt a company is considered to be workforce-friendly on the condition that there are appropriate working conditions and proper atmosphere at the workplace-in addition to this the company in parallel gives a hand in sustaining the balance between work and family life (...).

When we invited our employees to give a definition for the concept of an employee-friendly company, they mentioned only those factors which, according to them, are characteristic of the Szerencsejáték Zrt. Based on this fact we can draw the conclusion that on general terms the Szerencsejáték Zrt is regarded to be an employee-friendly organization.”





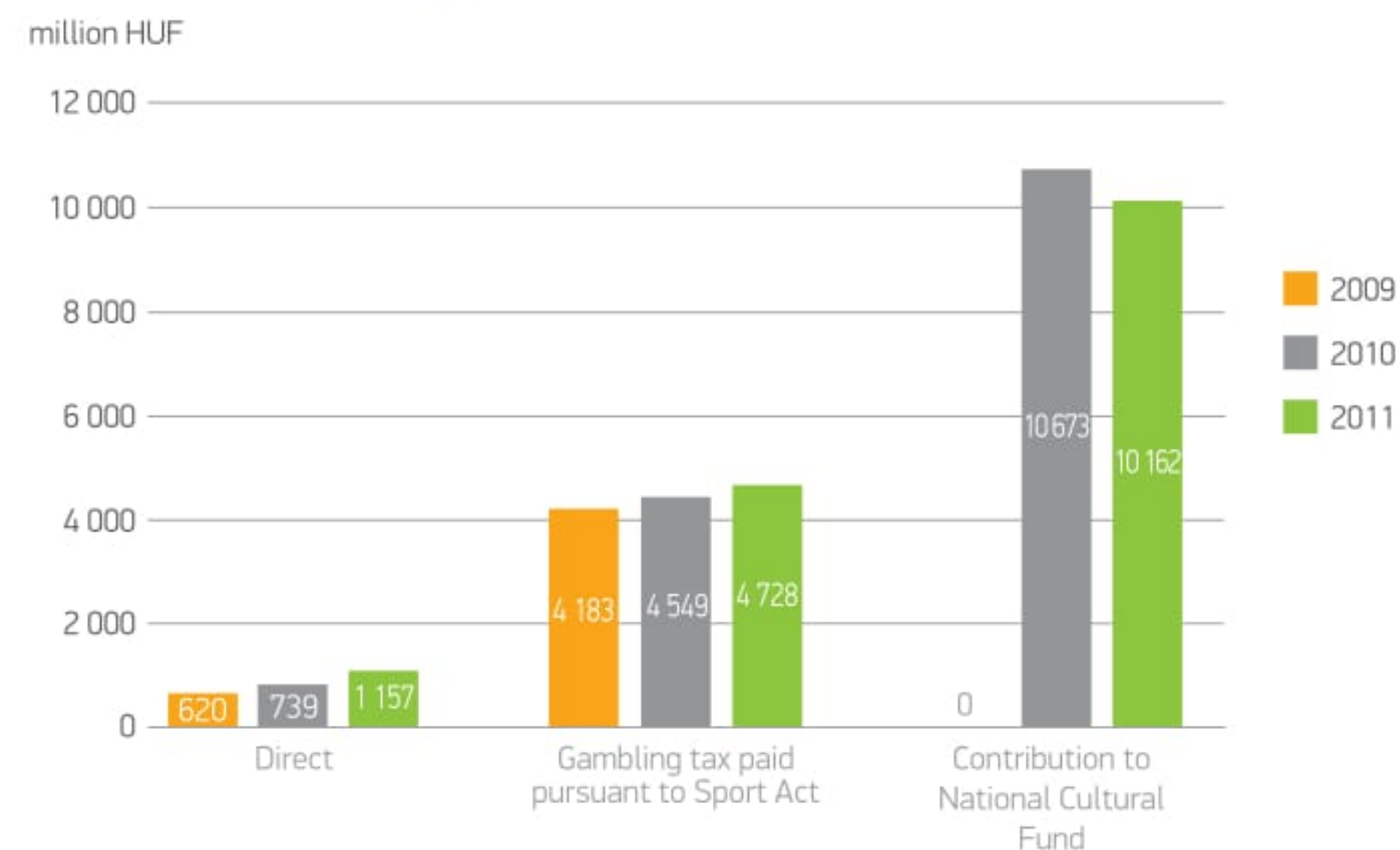


## OUR SOCIAL COMMITMENT

The profit arising from the activity of Szerencsjáték Zrt. primarily serves public benefit. Our economic performance is a part of national economy which is distributed in a rightful manner and prefers social interest.

Two-third of the Company's net sales revenues flows back to the state budget in the form of taxes, fees and contributions, a part of which will be used in accordance with relevant legislation. In accordance with relevant legislation in 2011 from gambling tax revenues HUF 4.7 billion was used to support **national sports movement** and HUF 10.2 billion to support the **National Cultural Fund**.

### Direct and indirect support



## DIRECT SUPPORT

Szerencsejáték Zrt. directly supports public causes, programmes, events in the form of sponsorship and donation. In the annual business plan approved by the Owner, liquid assets spent on support should be 0.5% of sales revenues. With regard to the increased number of requests and the amounts requested the Owner gave consent to modify the yearly amount of support to 0.75% of sales revenues.

Distribution of supports is done in compliance with the Company's Donation Regulation. Based on the proposal of the Social Advisory Body of five independent experts, CEO decides on the requests submitted. The Body holds sessions as frequently as necessary, but at least twice during the calendar year. In 2011 there were monthly sessions.

### Direct support rendered by Szerencsejáték Zrt.





”

*Basic principles of sponsorship and donation are laid down in the Company's Donation Regulation and the yearly limit of proportion of distribution by areas to be spent depends on the requests submitted during a specific period. Basically we render direct support in three priority areas, i.e. sport, healthcare and other social or public objectives, events and civil initiatives which includes inquiries regarding culture and education.*

*During selection of requests it is essential that supports contribute to the Company's positive reputation and correspond to principles of corporate social responsibility and help the Company's involvement in the implementation of social and public objectives.*

*In order to promote these objectives and select requests from different areas appropriately the CEO is helped by a Body of independent experts with its proposals and opinions.*

*Generally we support water polo, basketball, ice-hockey and football clubs, events, museums, festivals, art weeks, festival games, exhibitions, theatre performances, concerts, and also journals, catalogues, book releases and movie productions. Besides we help hospitals and medical institutions purchase expensive but indispensable medical equipment, and we have already contributed to the purchase of an ambulance car or the operational costs of a truck for blood donation. We regularly support education institutions, churches in Transylvania and Hungary, children's homes and kindergartens to purchase some equipment or finance their events.*

*Our Company does not give direct support to natural persons. Individual requests concerning social crises are forwarded to the Hungarian Interchurch Aid Organization. The Organization investigates social request submitted to us, estimates real demand, share its views about selection and helps distribute the donation granted.*

*Donations – albeit with some exceptions – are in kind tailored to the need and specific life situation of a person or family. Requestors are mainly parents raising their children alone, people living in poor conditions, disabled pensioners, people nursing a sick or disabled family member, people with high public utilities debt, people to be evicted, families with more children living in a rented flat and unemployed. Thus the aiding is done by sending durable food or hygiene package, settling public utilities, debts, buying medicines, helping accessibility, buying firewood etc.*

*In 2011 through the Organization we were able to alleviate financial problems of more than 300 families i.e. almost a thousand people.*

”

**Ildikó Gombos, Deputy Director and Head of CEO's Secretariate**





## CORPORATE VOLUNTEER PROGRAMMES

The year 2011 marks the official launch of corporate volunteer programmes. Following the headquarters' initiative the Corporate Social Responsibility Department coordinated two programmes and employees in the Szeged Sales Region organized a local volunteer programme.

Joining a government initiative in May 2011 we were active participants in the national **'TeSzedd'** (You collect) waste collection action. We tried to remove heaps of illegally dumped trash from a small stretch of forest adjacent to our Fehér út site in Budapest. More than 50 volunteers took part here.

As Christmas was nearing we invited our colleagues to a volunteer programme again. With volunteers' help and donation we prepared and gave gift packages to hard-up children coming from Hungarian Interchurch Aid Organization and children supported by Bátor Tábor Foundation (Therapeutic recreation for children with serious illnesses) to accompany a Peter Pan gift performance. Fund raising resulted in so many plush animals that we were able to pass on several bags to Mikulásgyár (another children's charity organization), some nursery school and children's home.

## OUR SCRATCH CARDS SERVING GOOD CAUSES

Szerencsejáték Zrt., aware of its social responsibility, has issued scratch cards many times whose incomes have helped the implementations of useful public initiatives.

In 2010 we launched the first series of **Állatvilág** (Wildlife) scratch card in the name of environmental protection in association with WWF Hungary which was followed by a second series due to great demand. The WWF was granted

nearly gross 10 million HUF worth of domination after the turnover of scratch cards. Besides we launched a nationwide series of exhibition in order to draw attention to endangered species.

In 2011 along with the Állatvilág scratch card we prepared the introduction of **Állati Sztárok** (Animal Stars) charity scratch card which was released with the images of pets. From the end of October the **Bolog karácsonyt!** (Merry Christmas!) scratch card was launched. The Bátor Tábor Foundation was granted a certain part of its revenue. By this the therapeutical recreation camp for children with serious illnesses was financially supported.

## ANIMAL STARS: A SCRATCH CARD WITH PLAYERS' INVOLVEMENT

**In October 2011 we announced a call for application with the name Animal Stars on the Facebook page of a Szerencsejáték Zrt. It was extremely popular: during 3 weeks 742 photos of cats and dogs were uploaded. At the end of the application ten photos were selected to appear in the Animal Stars scratch cards starting in spring 2012.**

**As another pillar of this activity anybody could vote for those animal protection organizations which we selected considering their area representation. The stake was high. Our Company offered a maximum of HUF10 million of the sales revenues coming from 5 million scratch cards to the winning organization. Following a hard battle finally two organizations won, the Misina Nature and Animal Protection Organization and Tappancs Animal Protection Foundation from Szeged, so they will share the support coming from scratch card sales.**





“

*Szerencsejáték Zrt. has recently made several commitments to grant a pre-defined proportion of sales revenues of a specific scratch card to a good cause with social benefits. The point of this charity activity is that the extent of donation depends on players' active participation, the number of scratch cards bought.*

*On 26th March 2010 in the history of Szerencsejáték Zrt. a scratch card called 'Állatvilág' (Wildlife) was the first example of a cooperation connected to a good cause. The scratch card presented ten protected species and aimed at drawing players' attention to protection of animals and environment, and our cooperating partner was the internationally recognised WWF Hungary. By purchasing scratch cards players supported the activity of WWF Hungary, and gross HUF 1 of each sold scratch card got to WWF Hungary to contribute to a programme aimed at the conservation of Festuco rupicolae-Quercetum roboris (a type of dry oak woodlands) near Nagykőrös, one of Europe's rarest forest types. A reforestation of a 30-hectar land took place planting domestic young trees. Besides common oak, downy oak, gray and black poplar, Hungarian ash, Norway maple, common elm, broad-leaved elm, wild pear, wild apple, spindle-tree and other shrub types were planted to revitalize the diverse forest type of the plain land. The successful cooperation was followed by the introduction of another 5 million 'Állatvilág' scratch cards to the market.*

*With the distribution of scratch card called 'Boldog karácsonyt!' (Merry Christmas) exclusively issued for the year 2011 Christmas period, we promoted another good cause. Bátor Tábor Foundatios has been organizing free therapeutic recreation camps for children with cancer or chronic illnesses hosting more than 3000 campers to date. Participants can gain some power from special programmes for their recovery. As a little camper put it: 'In the camp kids are filled with all the positive energy that illness had taken away from them.' Szerencsejáték Zrt. contributed to the camp by gross HUF 5 of each 'Boldog karácsonyt!' scratch card sold.*

*I am proud and really delighted to have been able to be part of this initiative from the start, serving a good cause, which has become a well-functioning business practice by now.*

”

**Andrea Komáromi, Head of Scratch Card Department**





„We highly appreciate the gesture of Szerencsejáték Zrt namely in which it ensured the possibility for the György Gottsegen Foundation of our institute to purchase a cardiovascular equipment in the worth of over tens of millions of Forints. By the modernization of the equipment fleet of our cardiovascular department they made a considerable contribution to the fact that the Hungarian National institute of Cardiology can keep on performing its work on a continuously high professional level, thus coming up to the expectations of the European standards and requirements.”

**Dr Peter Ofner, Director and Doctor in Chief of GOKI. October, 2011.**







## OUR ENVIRONMENTAL RESPONSIBILITY

The activity of Szerencsejáték Zrt. does not impose significant harm to the environment, yet we strive to develop our processes making our operation less harmful to natural environment.

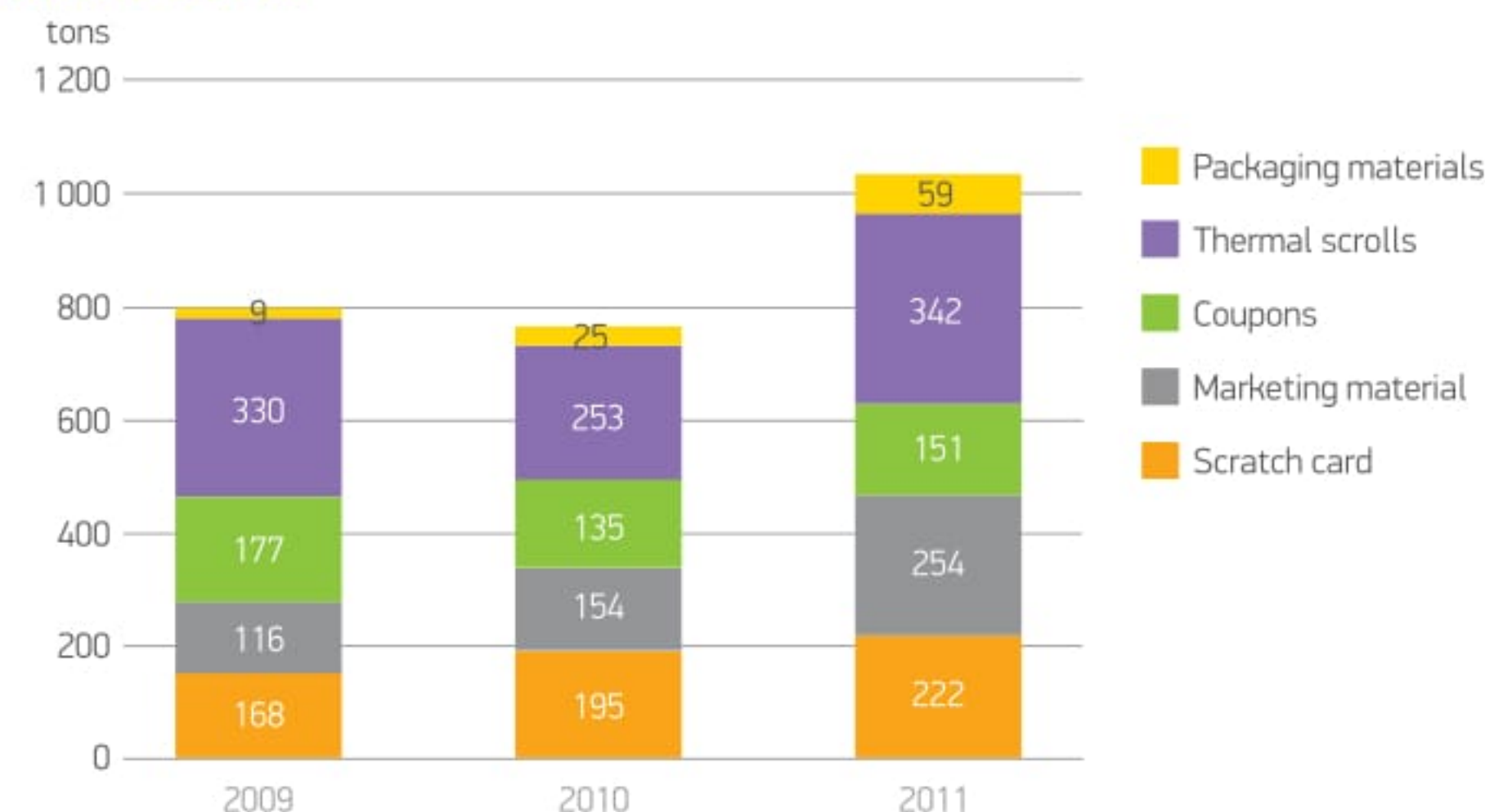
In order to improve our environmental performance, we laid down the following objectives:

- improving environmental consciousness in base activities and logistic processes;
- reducing the environmental impact of operation tasks, especially the reduction of our use of paper and energy;
- decreasing the amount of waste produced and increasing the proportion of selective waste
- connection to other activities of the Company related to sustainability.

### USE OF MATERIALS

Material demand of our activity largely depends on the amount of products sold and the composition of sales. Use of **thermal scrolls, scratch cards and coupons** rose in line with turnover. In 2011 the decrease in quantity of 1-week/5-week coupons caused by their merging had a lesser effect than the increase in quantity caused by increasing turnover.

### Materials used



**Scratch cards of Szerencsejáték Zrt. are not harmful to environment at all. They are completely reusable and during production one of the priority aspects is environmental consciousness. Ingredients of each scratch card come from responsible and sustainable tree farms. During production we keep strict environmental aspects in view, which is proven by our scratch card printing partners' environmental certificate. Beside the applied (water-based and UV-treated) paint packaging is also environment friendly. Reusable boxes and pallets are used.**

The increase in quantity of **marketing materials** was explained by the extension of 'Luck Mix' (Szerencsemix) journal. As of 1st January 2011 the previously 4-page long edition was extended to 8 pages with betting offers, charts, news concerning the Company, events (e.g. supports, interviews with jackpot winners) and special offers to enhance sales. On a yearly basis 7.7 million copies of 'Luck Mix' journals reach players.





To modernize our logistics processes a new commission system was built in our Fehér út site in 2011. Owing to this investment postages of incoming and outgoing items significantly fell, supply of sales regions became more efficient and demand for logistics-related labour decreased. A negative consequence was the high growth of packaging material used.

**Experience concerning the modification of logistics processes was collected through ongoing consultations involving various organizational units of our Company. Following the evaluation of experience fine-tuning of the commission system is to be expected in the first half of 2012. These modifications will probably result in a spectacular improvement of packaging material use.**

#### OTHER USE OF PAPER

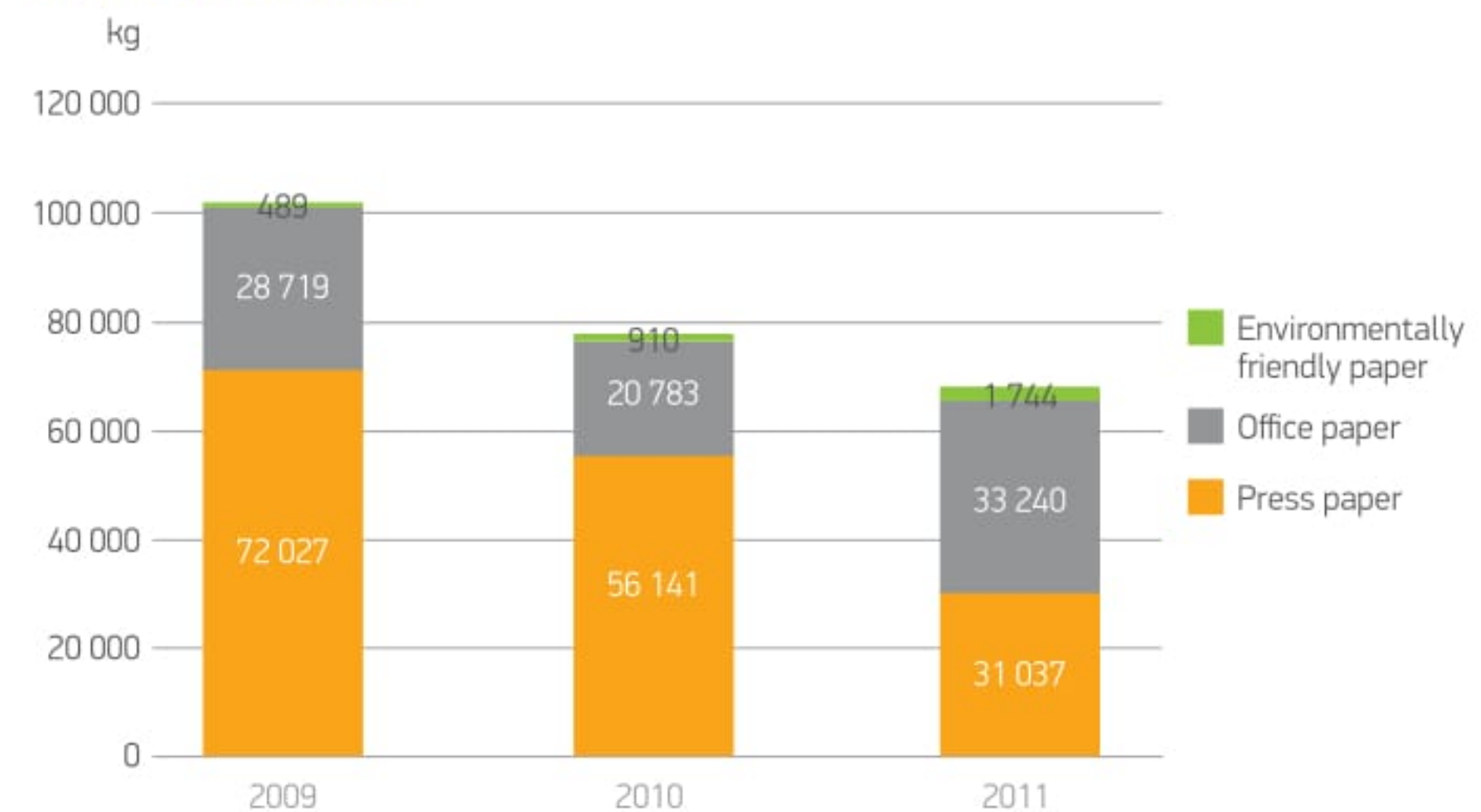
As it becomes clear from the above the paper used for sales purposes accounts for the major part of our raw material use. However it is worth taking a look at other forms of our paper consumption (at office and print shop).

As of 2011 the output of our in-house print shop was cut down to minimum. The production of marketing materials has already been outsourced, but internal materials used by the sales network are still duplicated in the in-house print shop.

**Increase of office paper consumption was parallel to the growth of administration tasks. In order to eliminate this we plan to introduce a modern electronic document management system in 2012.**

In the second half of 2011 **environmentally friendly, central printers** were installed in office buildings and desk printers were started to be phased out. Complete installation of the system will be done in 2012 by introducing central printers with code and page count function. We expect a rapid increase in double-sided printing and significant decrease in paper use. In our offices the amount of green paper shows a rising trend, only to a small extent though.

#### Paper consumption



#### ENERGY EFFICIENCY

The energy consumption of our Company mainly comes from electric energy and natural gas consumption required for the operation of buildings.

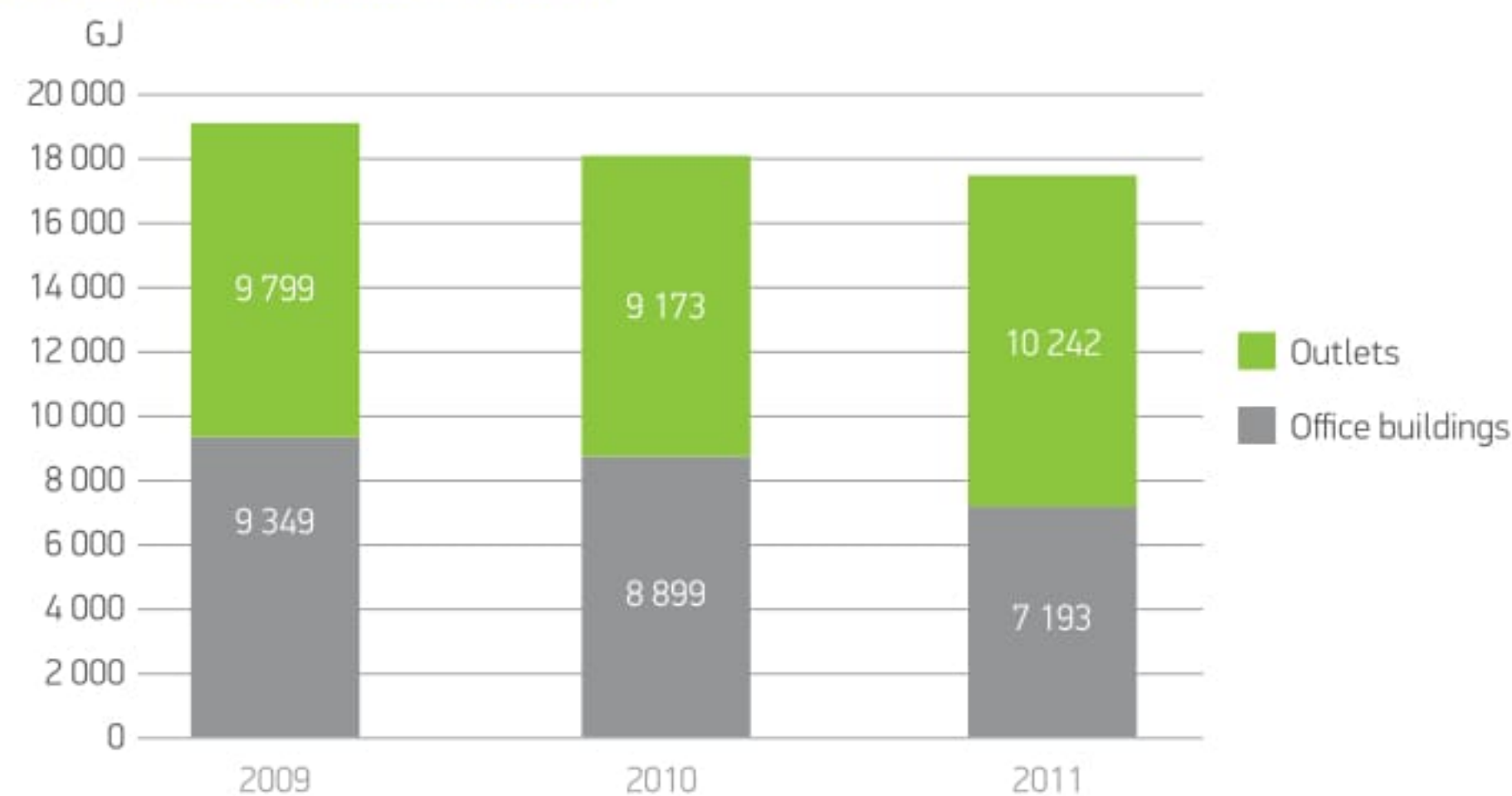
The engineering system of our central office building allows the recovery of the heat energy generated during production; this is eventually used to create hot water. The heating in most buildings is based on natural gas; we use district



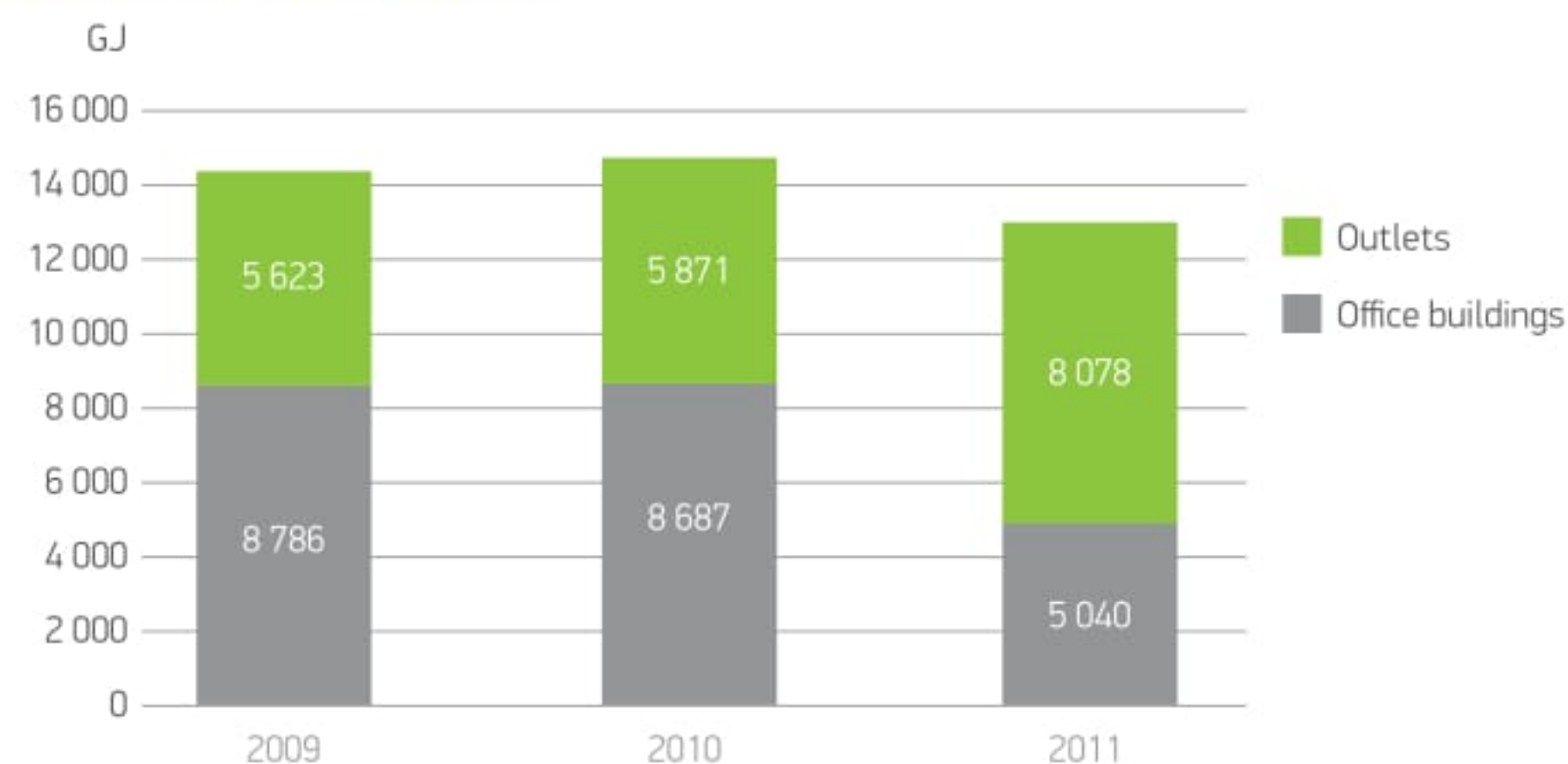


heating only in a few outlets. We use electric energy for lighting and cooling office buildings and our own outlets, and operating office equipment and informatics infrastructure. We use natural gas for heating, hot water supply and the cooling of head office.

### Electric energy consumption



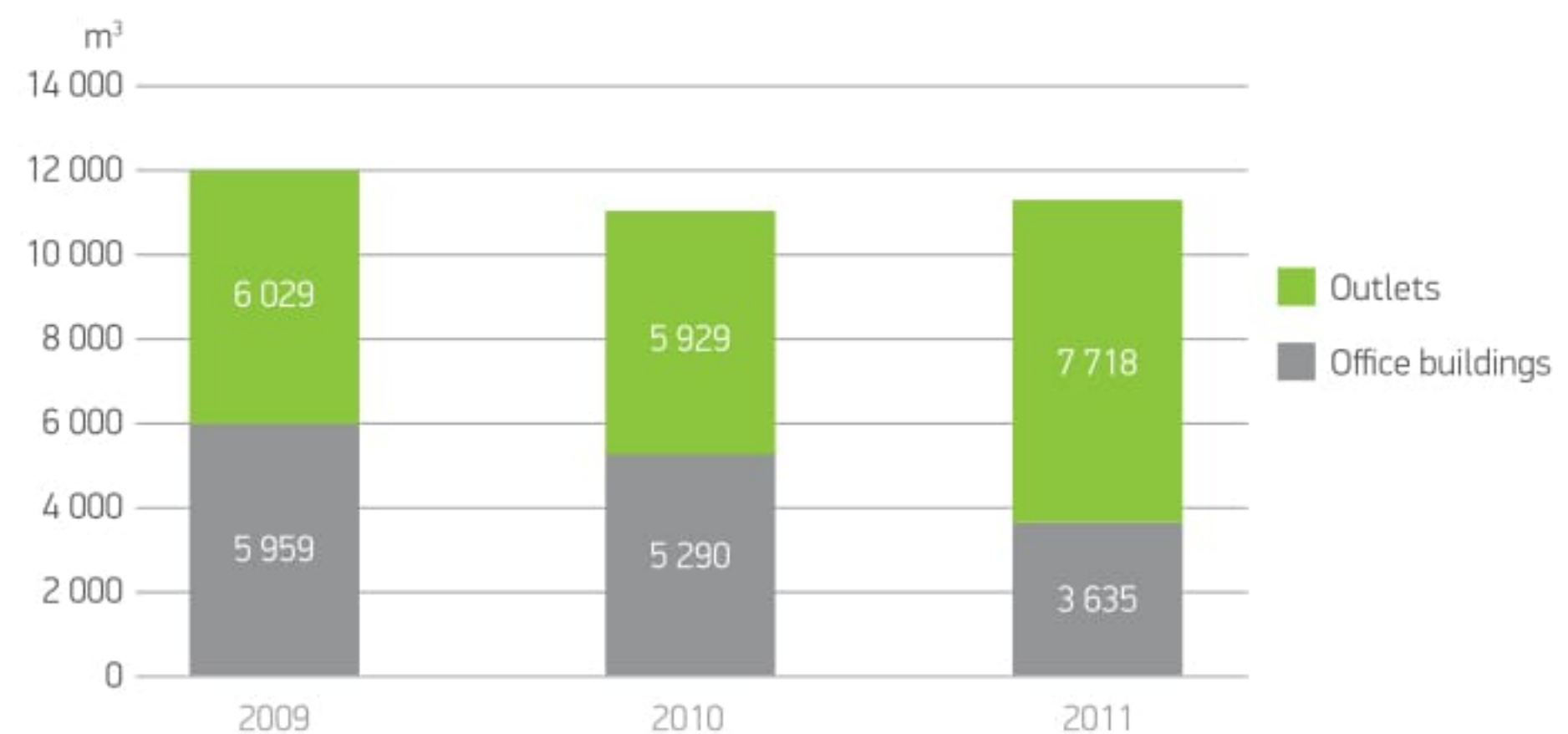
### Natural gas consumption



### WATER MANAGEMENT

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

### Water consumption



### WASTE MANAGEMENT

One of our most important environmental responsibilities is the development of our waste management, including the prevention of waste generation and an increase in the proportion of recycled waste.

#### Selective waste collection

A large part of the communal waste can be collected selectively, an option we have been offering in our office buildings since 2009. We concluded agreements for the implementation of the selective collection – the service provider installed storage bins for PET bottles, aluminium cans, e-waste, ink and toner cartridges and waste batteries, as well as mechanical presses for plastic





bottles and 610-litre shipping containers. As a result of the introduction of selective waste collection, the amount of communal waste decreased substantially.

#### The amount of selective waste in our central offices (kg)

	2009	2010	2011
Paper waste	3 353	10 495	37 373
PET bottle	175	896	285
Cartridge	125	116	47
Other selective waste	341*	1 073*	3 477
<b>Total</b>	<b>3 994</b>	<b>12 580</b>	<b>41 182</b>

\*The data regarding the other selective waste of 2009 and 2010 are based on estimations since the report of 2010 didn't fully include these data.

Office papers, returned scratch cards and application materials collected selectively are recycled by grinding.

Although the scale of the collection of paper waste has been increasing in the past few years, in the collection of PET bottles there was a drop-back.

**In 2012 we are seeking new and more spectacular solutions so that selectable bottles should not increase communal waste.**

#### EMISSIONS TO THE ATMOSPHERE

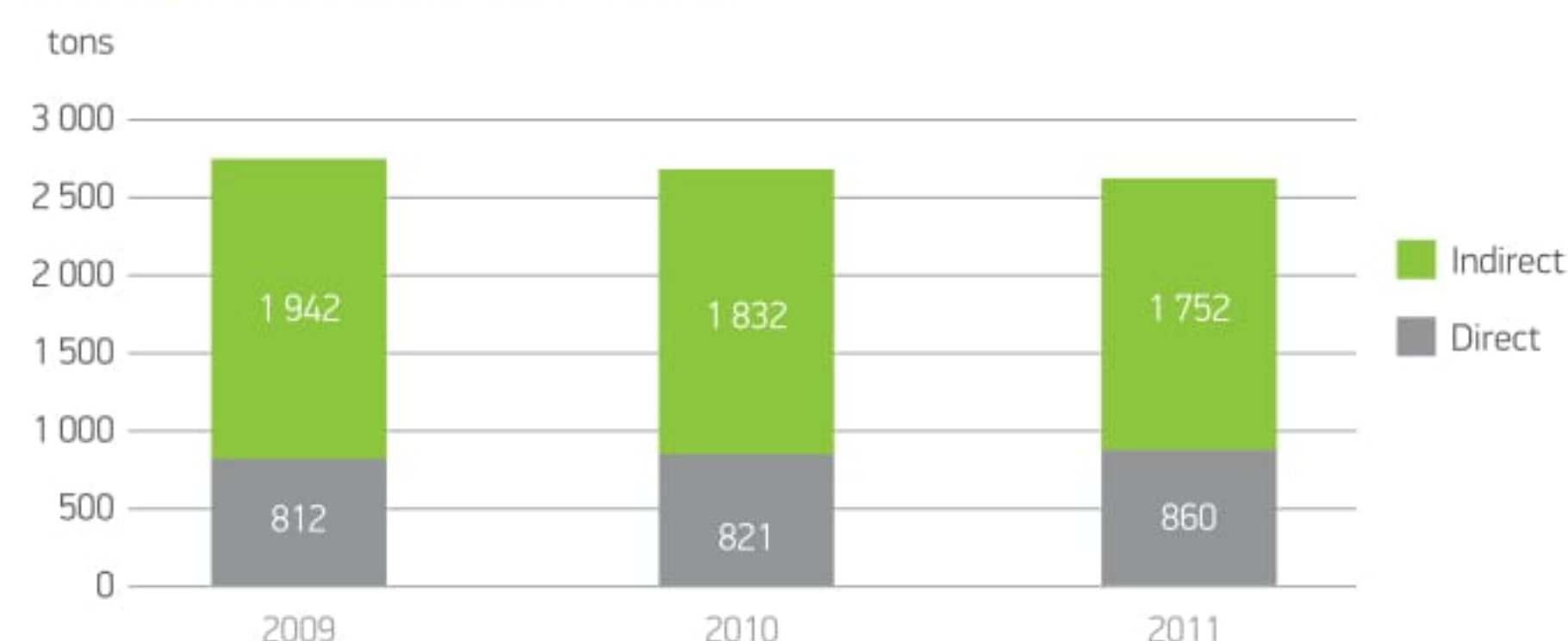
The activities of Szerencsejáték Zrt. do not entail any substantial direct emission of pollutants to the atmosphere.

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.

Annual CO<sup>2</sup> emission of our office building and outlets are determined by emission factors.

#### Direct and indirect CO<sup>2</sup> emission



#### ENVIRONMENTAL PROTECTION EXPENDITURES

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 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 boilers.





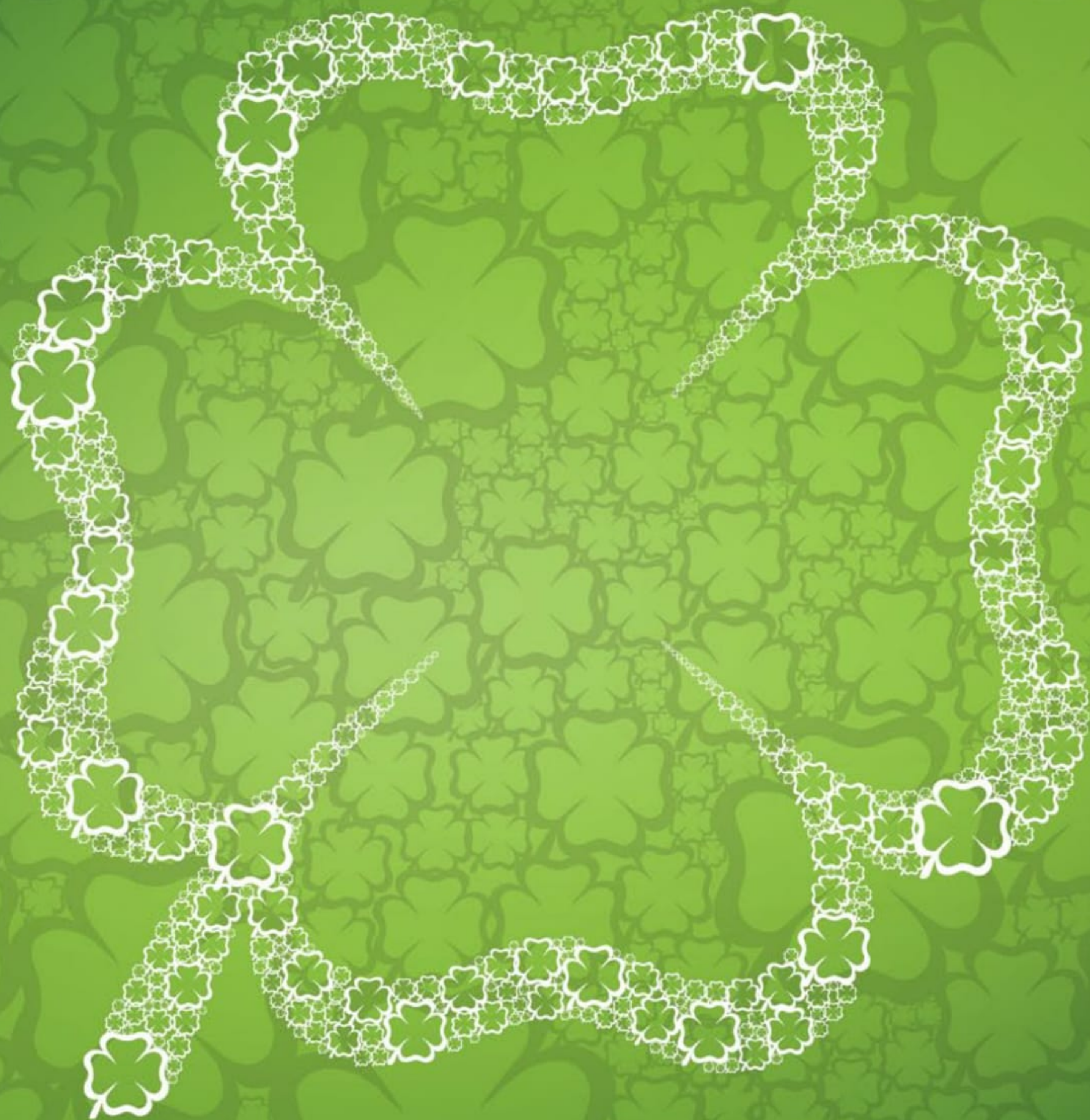
#### Environmental expenditure (thousand HUF)

	2009	2010	2011
Fines, penalties	200	0	0
Air pollution fee	15	12	14
Environmental product charges	20 699	19 740	26 473
<b>Total</b>	<b>20 914</b>	<b>19 752</b>	<b>26 487</b>

In compliance with our legal obligations we pay product charges 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, which in 2011 was more than HUF 26 million.









# GLOSSARY

## ACCUMULATION/ACCUMULATION OF PRIZES

In case there is no winner in some prize classes of a totalizator game/bet in a given drawing session, 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.

## BIG PRIZE

Prize won with a scratch card or coupon (reception certificate) at a prize drawing session that entails a net prize to be paid of HUF 200,000 or above.

## BOOKMAKER'S BET

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.

## COMPANY

Szerencsejáték Zártkörűen Működő Részvénytársaság (Gambling Private Limited Company).

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility is a practice of corporations, i.e. business approach to take the economic, social or environmental impact of its activities into consideration, which is a way of maximizing profits while minimizing negative consequences. This is a voluntary activity that goes beyond legal requirements and meets wider social expectations vis-à-vis the company and its development. (International Business Leaders Forum)

## ENVIRONMENT

Environment means the immediate surroundings of the organization, including the air, the water, the land area, natural resources, flora and fauna, and human beings and their interactions.

(In this respect the immediate environment includes everything from the inside of an organization to global systems.)

## EUROPEAN LOTTERIES (EL)

This international organization created by European lottery companies seeks to promote communication between lottery companies, within the European and international gambling industry, the institutions of the European Union and governments of Member States, to promote the solution of problems resulting from the special situation of the industry, and to create and disseminate best practices.

The organization is headquartered in Basel and is made up of organizations from 40 European countries.

## FOREST STEWARDSHIP COUNCIL (FSC)

An organization created for fostering the sustainable utilization of forests. The standards defined by FSC aim at creating a cultivation of forests that is socially and environmentally friendly and also economically viable.

## GAM-GARD

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





### **GRI (GLOBAL REPORTING INITIATIVE)**

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

### **MATERIALITY**

Error or omission of some data in a report can be considered significant if it is important enough in a given context to make it probable that the correction of such would influence the opinion or decision of a person relying on the content of the report.

### **NET SALES REVENUES**

Sales revenues from gambling minus net prizes due to players after the deduction of personal income tax payable after the prize. Net sales revenues mean the actual amount devoted by the players to gambling that can be shared between the state and the organizer.

### **RESPONSIBLE GAMING/GAMING**

The promotion of responsible gaming or gaming is a whole spectrum of activities by the organizer of the games, extending beyond legal obligations, which it employs to protect its players from the harmful effects of excessive gambling.

### **STAKEHOLDER**

A person or a group affected positively or negatively by an organization's activities, products, accomplishments or performance.

### **SUSTAINABLE DEVELOPMENT**

Development that meets the needs of the present without compromising the ability of future generations in meeting their own needs.

### **TOTALIZATOR SYSTEM**

The totalizator system is a kind of a game or betting where prizes or bets are pooled – this forms the prize pool. A proportion of this amount (defined in the Gambling Plan approved by the Gambling Authority) is distributed as prizes, in line with the conditions also defined therein.

### **TRANSPARENCY**

Transparency means that information related to decisions and processes is directly available to those whom the decisions or their implementation can affect. The range of information is sufficient and complete, easy to understand and published by means that are readily available. Besides the above, transparency also entails decision-making and implementation that are effected in a predictable way, in the course of a process following pre-defined regulations and requirements.

### **WORLD LOTTERY ASSOCIATION (WLA)**

WLA is an association of the lottery companies and gambling organizers of 90 countries in 5 continents of the world. The organization is committed to collecting best practices, promoting the exchange of knowledge and expertise between its members and the professional development of its member companies. Values professed by WLA are based on the ideal of corporate social responsibility. The organization is headquartered in Basel, the total sales revenues of its members reach USD 180 billion annually.



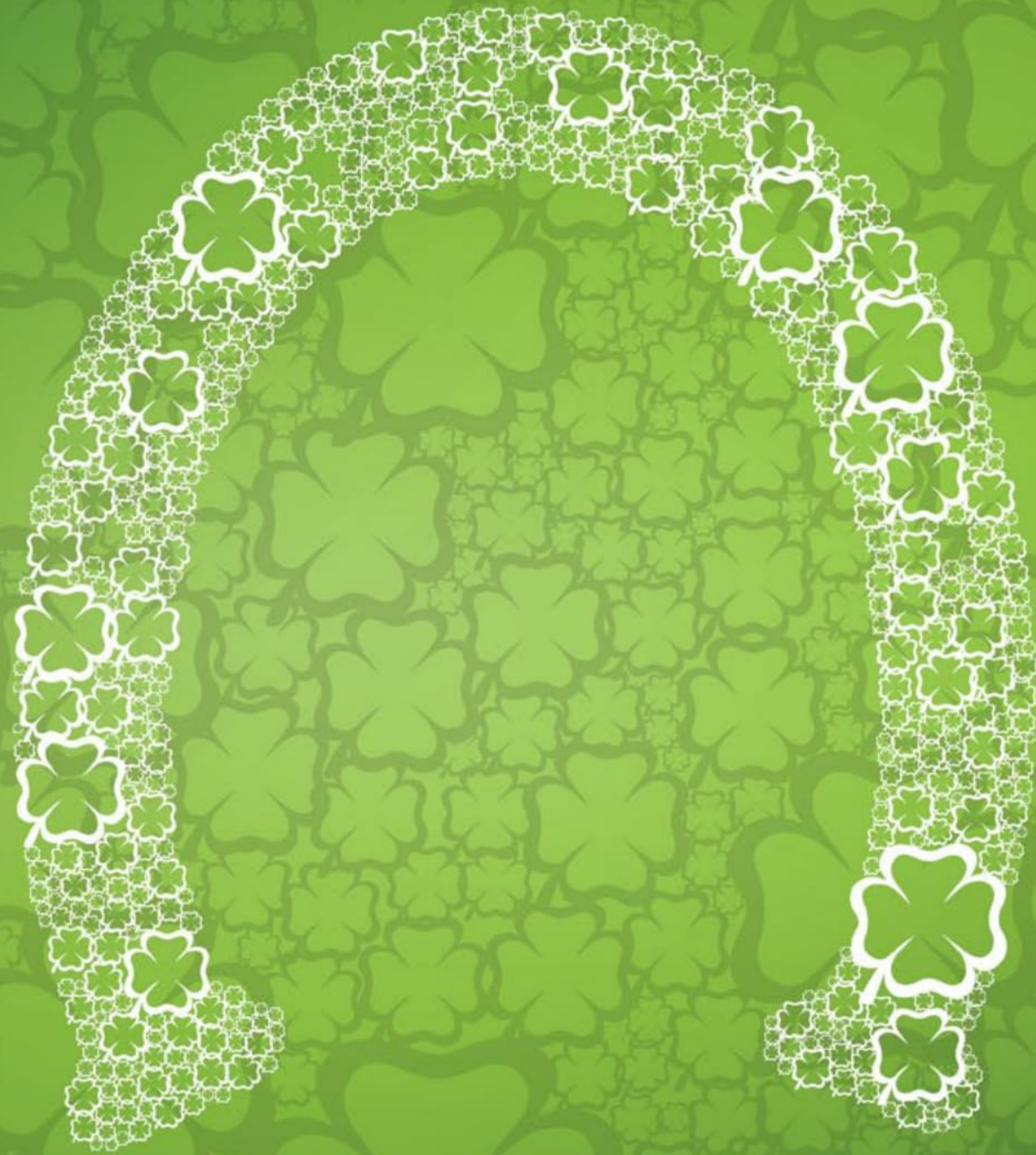


### **VULNERABLE PLAYER**

Vulnerable players are adult persons who have biological, psychological or emotional susceptibility to excessive gambling or players whose personal circumstances entail a higher risk in the regards of the development of gambling addiction.









## APPENDIX

### PROFIT AND LOSS STATEMENT

	2009	2010	2011
	HUF million		
Net domestic sales	154 356	169 019	181 056
Including: gambling sales revenues	153 939	168 490	180 485
<b>Total sales revenues</b>	<b>154 356</b>	<b>169 019</b>	<b>181 056</b>
Variations in self-manufactured stocks			
Own work capitalized			
<b>Own performance capitalized</b>			
<b>Other income</b>	<b>166</b>	<b>183</b>	<b>310</b>
including: loss in value marked back	11	1	
Raw materials and consumables	1 165	1 393	1 534
Contracted services	21 349	20 150	21 878
Other service activities	363	383	424
Original cost of goods sold			
Value of services sold (intermediated)	144	167	176
<b>Material costs</b>	<b>23 021</b>	<b>22 094</b>	<b>24 012</b>
Wages and salaries	5 087	5 623	5 408
Other employee benefits	1 319	1 326	1 795
Contributions on wages and salaries	1 883	1 769	1 669
<b>Staff costs</b>	<b>8 289</b>	<b>8 718</b>	<b>8 872</b>
<b>Depreciation</b>	<b>2 306</b>	<b>2 333</b>	<b>2 274</b>
<b>Other operating charges</b>	<b>117 253</b>	<b>129 299</b>	<b>137 328</b>
including: loss in value	79	111	65
value of gross prizes declared as expenses	85 683	95 503	103 331
<b>INCOME FROM OPERATIONS</b>	<b>3 653</b>	<b>6 758</b>	<b>8 880</b>
Dividends or profit-sharing (received or due)	798		
including: from affiliated undertakings	798		
Capital gains on investments			
including: from affiliated undertakings			
Interest and capital gains on financial investments			
Including: from affiliated undertakings			
Other interest and similar income (received or due)	1 530	1 071	1 166
Including: from affiliated undertakings			
Other income from financial transactions	137	1	125

	2009	2010	2011
	HUF million		
<b>Income from financial transactions</b>	<b>2 465</b>	<b>1 072</b>	<b>1 291</b>
Losses on financial investments			
including: to affiliated undertakings			
Interest payable and similar charges			
including: to affiliated undertakings			
Loss on shares, securities and bank deposits	17		
Other expenses on financial transactions	8	4	6
<b>Expenses on financial transactions</b>	<b>25</b>	<b>4</b>	<b>6</b>
<b>PROFIT OR LOSS FROM FINANCIAL TRANSACTIONS</b>	<b>2 440</b>	<b>1 068</b>	<b>1 285</b>
<b>PROFIT OR LOSS OF ORDINARY ACTIVITIES</b>	<b>6 093</b>	<b>7 826</b>	<b>10 164</b>
Extraordinary income	87		1
Extraordinary expenses	453	707	941
<b>EXTRAORDINARY PROFIT OR LOSS</b>	<b>-366</b>	<b>-707</b>	<b>-940</b>
<b>INCOME BEFORE TAXES</b>	<b>5 727</b>	<b>7 119</b>	<b>9 225</b>
Tax payable	631	1 530	1 757
<b>PROFIT AFTER TAXES</b>	<b>5 096</b>	<b>5 589</b>	<b>7 468</b>
Profit reserves used for dividends and profit-sharing	1 904		332
Dividends and profit-sharing paid (payable)	7 000	5 000	7 800
<b>PROFIT OR LOSS FOR THE YEAR</b>	<b>0</b>	<b>589</b>	<b>0</b>





## BALANCE SHEET, ASSETS

	2009	2010	2011
	HUF million		
<b>FIXED ASSETS</b>	<b>13 361</b>	<b>12 672</b>	<b>12 592</b>
<b>Intangible assets</b>	<b>1 579</b>	<b>1 434</b>	<b>1 232</b>
Capitalized value for formation/reorganization expenses			
Capitalized value of research and development			
Concessions, licenses and similar rights	1 453	1 363	1 169
Trade-marks, patents and similar assets	126	71	63
Advances and prepayments on intangible assets			
Adjusted value of intangible assets			
<b>Tangible assets</b>	<b>10 082</b>	<b>9 544</b>	<b>9 417</b>
Land and buildings and rights to immovables	6 684	6 523	6 475
Plant and machinery, vehicles	1 838	2 239	1 698
Other equipment, fixtures and fittings, vehicles	971	734	613
Assets in course of construction	573	37	631
Payments on account	16	11	
Adjusted value of tangible assets			
<b>Financial investments</b>	<b>1 700</b>	<b>1 694</b>	<b>1 943</b>
Long-term participations in affiliated undertakings	1 639	1 639	1 894
Long-term credit to affiliated undertakings			
Other long-term participations			
Other long-term credit to affiliated undertakings			
Other long-term loans	61	55	49
Securities signifying a long-term creditor relationship			
Adjusted value of financial investments			
<b>CURRENT ASSETS</b>	<b>16 875</b>	<b>19 065</b>	<b>22 160</b>
<b>Inventories</b>	<b>782</b>	<b>625</b>	<b>718</b>
Raw materials and consumables	710	535	680
Goods	72	77	38
Advances and prepayments		13	

	2009	2010	2011
	HUF million		
<b>Liabilities</b>	<b>5 253</b>	<b>10 951</b>	<b>13 715</b>
Trade debtors	638	533	623
Receivables from affiliated undertakings	269	0	12
Receivables from independent undertakings			
Bills receivable			
Other receivables	4 346	10 418	13 079
<b>Securities</b>	<b>10 178</b>	<b>7 111</b>	<b>4 310</b>
Participations in affiliated undertakings			
Other participations			
Own shares and own partnership shares			
Securities signifying a creditor relationship for trading purposes	9 978	7 111	4 310
<b>Liquid assets</b>	<b>662</b>	<b>377</b>	<b>3 417</b>
Cash, checks	251	239	205
Bank deposits	411	138	3 211
<b>ACCRUED AND DEFERRED ASSETS</b>	<b>2 109</b>	<b>1 390</b>	<b>1 229</b>
Accrued income	1 387	887	834
Accrued expenses	722	503	395
Deferred expenses			
<b>TOTAL ASSETS</b>	<b>32 345</b>	<b>33 126</b>	<b>35 981</b>





## BALANCE SHEET, LIABILITIES

	2009	2010	2011
	HUF million		
<b>Shareholders' equity</b>	<b>15 058</b>	<b>15 647</b>	<b>15 315</b>
Share capital	3 000	3 000	3 000
Ownership shares repurchased at face value			
<b>Capital reserve</b>			
Accumulated profit reserve	12 058	12 058	12 315
Tied-up reserve			
Revaluation reserve			
Profit or loss for the year	0	589	0
<b>PROVISIONS</b>	<b>128</b>	<b>759</b>	<b>534</b>
Provisions for forward liabilities	128	759	534
Provisions for forward expenses			
Other provisions			
<b>LIABILITIES</b>	<b>15 587</b>	<b>15 017</b>	<b>18 478</b>
<b>Subordinated liabilities</b>			
Long-term liabilities			
<b>Current liabilities</b>	<b>15 587</b>	<b>15 017</b>	<b>18 478</b>
<b>Short-term bank loans</b>			
- including: convertible bonds			
Short-term loans			
Advances received from customers	114	181	181
Accounts payable	1265	1 629	2 056
Bills payable			
Short-term liabilities to affiliated undertakings	16	9	15
Short-term liabilities to independent undertakings			
Other short-term liabilities	14 192	13 198	16 226
<b>ACCRUED AND DEFERRED LIABILITIES</b>	<b>1 572</b>	<b>1 703</b>	<b>1 654</b>
Deferred income	1 079	1 305	1 120
Deferred expenses	493	398	534
Accrued income			0
<b>TOTAL LIABILITIES</b>	<b>32 345</b>	<b>33 126</b>	<b>35 981</b>





## INDEPENDENT ASSURANCE STATEMENT TO SZERENCSEJÁTÉK ZRT.

Ernst & Young Advisory Ltd was commissioned to provide limited assurance over sustainability performance data relating to 2011 contained within the Business and CSR Report 2011 (the Report). The management of Szerencsejáték Zrt. have prepared the Report and are responsible for the collection and presentation of the information within it. Our responsibility in performing our work is to Szerencsejáték Zrt. management only, in accordance with the scope of work agreed with them. We do not, therefore, accept or assume any responsibility for any other purpose or to any other person or organisation. Any reliance any such third party may place on this independent assurance statement is entirely at its own risk.

### WHAT DID WE DO TO FORM OUR CONCLUSIONS?

Our assurance engagement has been planned and performed in accordance with ISAE3000 . The sustainability performance data have been evaluated against the criteria of the application of the Global Reporting Initiative G3 Sustainability Reporting Guidelines (the Guidelines) and against completeness, consistency and accuracy criteria agreed with the management of Szerencsejáték Zrt. as follows:

#### Completeness

- Whether all material data sources have been included and that boundary definitions have been appropriately interpreted and applied.

#### Consistency

- Whether the central guidance and tools have provided a basis for consistent reporting and collection of sustainability data.

#### Accuracy

- Whether there is supporting information for the sustainability data reported by functional units.

- Whether central quality reviews have been completed and outstanding issues resolved or reported.
- Whether data have been accurately transposed to the Report and assumptions and limitations to the data have been correctly reported.

#### GRI

- Whether the Report meets the requirements of the B+ application level of the GRI G3 Guidelines

In order to form our conclusions we undertook the steps outlined below:

1. Interviewed specialists responsible for managing, collating, and reviewing sustainability data.
2. Reviewed a selection of management documentation and reporting tools including templates and databases.
3. Undertook visits to key departments to examine the systems and processes in place for collecting and reporting sustainability data against the GRI definitions, and to test the accuracy of a sample of reported data.
4. Reviewed and challenged the sustainability data validation and collation processes
5. Reviewed the Report for the appropriate presentation of the data including the discussion of limitations and assumptions relating to the data presented.
6. Reviewed whether Szerencsejáték Zrt.'s reporting has applied the GRI G3 Guidelines to a level consistent with the B+ application level.

#### Level of assurance

Our evidence gathering procedures have been designed to obtain a sufficient level of evidence to provide a limited level of assurance in accordance with





ISAE3000. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

#### Limitations of our review

- Our scope of work was limited to the sustainability performance data included in the Report.
- We did not undertake a comprehensive review of all sustainability data, but examined selected data sources and reviewed the processes for reporting data.
- Our review of sustainability data processes at an operational level was limited to the four sites we visited.
- We have not sought evidence to support the statements and claims presented within the Report. We have not reviewed historical data, or trends described in the Report that relate to sustainability performance data.

#### OUR CONCLUSIONS

Based on our review:

- We are not aware of any material reporting units which have been excluded from the scope of the sustainability data, with the exception of those reporting units disclosed within the Report.
- We are not aware of any errors that would materially affect the reported sustainability data.
- Based on our review nothing has come to our attention that causes us to believe that Szerencsejáték Zrt. management's assertion that their sustainability reporting meets the requirements of the GRI B+ application level of the Guidelines is not fairly stated.

#### OUR OBSERVATIONS

Areas for potential improvement in the sustainability reporting process have been addressed in a separate report to Szerencsejáték Zrt. management. Our observations do not affect our conclusions on the Report set out above.



István Havas  
CEO

**Ernst & Young Advisory Ltd**  
**Budapest**  
**July 4, 2012**





# GRI CONTENT TABLE

Indicator group	Numb.	Indicated	Chapter
Strategy and analysis	1.1.	Yes	Welcoming Message
	1.2.	Yes	Welcoming Message, Our activity
Organizational profile	2.1.	Yes	Corporate Management Structure
	2.2.	Yes	Our activity
	2.3.	Yes	Our activity, Corp. Managm. Struct.
	2.4.	Yes	Our activity
	2.5.	Yes	Our activity
	2.6.	Yes	Corporate Management Structure
	2.7.	Yes	Corporate Management Structure
	2.8.	Yes	Our activity
	2.9.	Yes	Our activity
	2.10.	Yes	Responsible gaming
Report parameters	3.1.	Yes	About the report
	3.2.	Yes	About the report
	3.3.	Yes	About the report
	3.4.	Yes	Imprint
Report scope and boundary	3.5.	Yes	About the report
	3.6.	Yes	About the report
	3.7.	Yes	About the report
	3.8.	No	N/A.
	3.9.	Yes	About the report
	3.10.	No	N/A.
	3.11.	No	N/A.
GRI content index	3.12.	Yes	List of GRI indicators
Certification	3.13.	Yes	Certification
Governance	4.1.	Yes	Corporate Management Structure
	4.2.	Yes	Corporate Management Structure
	4.3.	No	N/A.
	4.4.	Yes	Corporate Management Structure
	4.5.	Yes	Responsible employment

Indicator group	Numb.	Indicated	Chapter
	4.6.	Yes	Responsible employment
	4.7.	No	N/A
	4.8.	Yes	About the report, Our activity
	4.9.	Yes	CSR Our activity
	4.10.	Yes	Responsible employment
Commitment to external initiatives	4.11.	Yes	Our economic activity
	4.12.	Yes	Our activity
	4.13.	Yes	Our activity
Stakeholder engagement	4.14.	Yes	CSR Our activity
	4.15.	Yes	CSR Our activity
	4.16.	Yes	CSR Our activity
	4.17.	No	No data
Economic performance	EC1	Yes	Our economic activity
	EC2	No	N/A
	EC3	Yes	Responsible employment
	EC4	Yes	We don't receive.
Market presence	EC5	No	No data
	EC6	No	No data
	EC7	No	N/A
Indirect economic impact	EC8	No	No data
	EC9	Yes	Our social commitment
Materials	EN1	Yes	Our environmental responsibility
	EN2	No	No data
Energy	EN3	Yes	Our environmental responsibility
	EN4	Yes	Our environmental responsibility
	EN5	No	No data
	EN6	No	N/A
	EN7	No	No data
Water	EN8	Yes	Our environmental responsibility
	EN9	No	N/A
	EN10	No	N/A
Biodiversity	EN11	No	N/A





Indicator group	Numb.	Indicated	Chapter
	EN12	No	N/A
	EN13	No	N/A
	EN14	No	N/A
	EN15	No	N/A
Emissions, effluents and waste	EN16	Yes	Our environmental responsibility
	EN17	No	N/A
	EN18	No	N/A
	EN19	No	N/A
	EN20	No	N/A
	EN21	No	No data
	EN22	Yes	Our environmental responsibility
	EN23	No	N/A
	EN24	No	N/A
	EN25	No	N/A
Products and services	EN26	Yes	Our environmental responsibility
	EN27	No	N/A
Compliance	EN28	Yes	Our environmental responsibility
Transport	EN29	Yes	Our environmental responsibility
Overall	EN30	No	No data
Employment	LA1	Yes	Responsible employment
	LA2	Yes	Responsible employment
	LA3	Yes	Responsible employment
Labour/management relations	LA4	Yes	Responsible employment
	LA5	No	No data
Occupational Health and Safety	LA6	No	No data
	LA7	No	No data
	LA8	Yes	Responsible employment
	LA9	No	No data
Training & Education	LA10	Yes	Responsible employment
	LA11	Yes	Responsible employment
	LA12	Yes	Responsible employment
Diversity and equal opportunity	LA13	Yes	Responsible employment

Indicator group	Numb.	Indicated	Chapter
	LA14	Yes	Responsible employment
Investment and procurement practices	HR1	No	N/A
	HR2	No	N/A
	HR3	No	N/A
Non-discrimination	HR4	Yes	There was no discrimination.
Freedom of association and collective bargaining	HR5	No	N/A
Child labour	HR6	No	N/A
Forced and compulsory labour	HR7	No	N/A
Security practices	HR8	No	N/A
Indigenous rights	HR9	No	N/A
Community	S01	No	No data
	S02	No	No data
Corruption	S03	No	N/A
	S04	No	N/A
Public policy	S05	No	N/A
	S06	No	N/A
Anti-competitive behaviour	S07	No	N/A
Compliance	S08	Yes	There was not any
	PR1	Yes	Responsible gaming
Customer health and safety	PR2	Yes	There was not any
	PR3	Yes	Responsible gaming
Product and service labelling	PR4	Yes	There was not any
	PR5	No	No data
Marketing communications	PR6	Yes	Responsible gaming
	PR7	Yes	There was not any
Customer privacy	PR8	Yes	There was not any
Compliance	PR9	Yes	Our economic activity





# IMPRINT

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**Written by:**

László Barcsik and Cecília Horváth

Ádám Balogh, Brigitta Bathóné Gaschler, Csaba Bábás, Jolán Bálint,  
Zsuzsanna Bándorovszky, László Bitter, Ágnes Gabriella Budainé Garai,  
Szilvia Csiszár, Bence Domina, Ágnes Fekete, Ildikó Gombos, Livia Hidegné Tárnoki,  
Andrea Jánoska, Adrien Kardosné Farkas, Norbert Katona, Ágnes Kilincsné,  
Edit Kiss, Gyula Kiss, Andrea Komáromi, Tiborné Ladvenicza, László Makszin,  
Gábor Molnár, Edit Nagy, Edina Nikázy, József Péter, Balázs Pozsgai, László Rác,  
Enikő Sári, Dóra Sturm, Katalin Svács, Judit Tessényi, Ágnes Tulik, Tibor Vadász,  
Gábor Vécsei és Dr. Beatrix Zelei

**helped prepare this report.**

**Contact:**

CSR Department: [csr@szerencsejatek.hu](mailto:csr@szerencsejatek.hu)







SZERENCSEJÁTÉK ZRT.

BUSINESS AND CSR REPORT | **2011**