

Annual Report

2010

F a c t s , O p i n i o n s , T r e n d s



## Editorial

Dear Readers,

Although well above the classical lotto number limit, the number "55" had special meaning for WestLotto in the financial year 2010. After all, the company was founded in the year 1955, so in the year under review was able to look back on a history of 55 years. Throughout this time, WestLotto has remained true to its fundamental goal, namely of offering the people of North Rhine-Westphalia the fun of gaming in moderation, steering people's natural gaming instincts into sensible channels, preventing gambling and betting addiction from arising in the first place, and at the same time making a contribution to the common good of our region. And this will continue to be our goal in future.



In June 2009, WestLotto was the very first German lottery company to be certified in accordance with the "European Standards for Responsible Gaming". This certification is testimony to the responsible business policy pursued by our enterprise, with its orientation to the common good, which is meanwhile also documented in a special Responsible Gaming brochure. In the financial year 2010, the measures to protect players and young people and to combat gambling addiction were intensified still further, all of which is related in detail in this business report.

WestLotto was once again able to remit more than €600 million in taxes and levies for public causes to the state of North Rhine-Westphalia and other beneficiaries. A large number of organisations in the fields of amateur and popular sport, culture, public welfare, and the conservation of nature and cultural heritage - and hence also the people in our region - were able to benefit from this money. It is gratifying to see how many meaningful and useful projects could once again be carried out in 2010 thanks to this funding.

The prime ministers of the federal states of Germany have taken a fundamental decision concerning the nature of gaming in Germany in future. They have voted unanimously to retain the lottery monopoly. This is a good decision, and is seen as an obligation by WestLotto to continue unerringly on its established course. Starting from 2012, the sports betting market will be opened up to private providers on the basis of a licence system. We are ready to meet the new challenges this will give rise to.

WestLotto sees itself as a service provider for the citizens of North Rhine-Westphalia. The views of the public with regard to gaming are important to us. The opinion research institute forsa has therefore made them the subject matter of two representative surveys. The results of these polls, which are documented in this business report, clearly indicate that people have confidence in the state lotteries and that they have a wish for clear rules and trustworthy product offerings. Encouraged by this, WestLotto will also continue in future to offer Responsible Gaming.

Theo Goßner  
Managing Director WestLotto

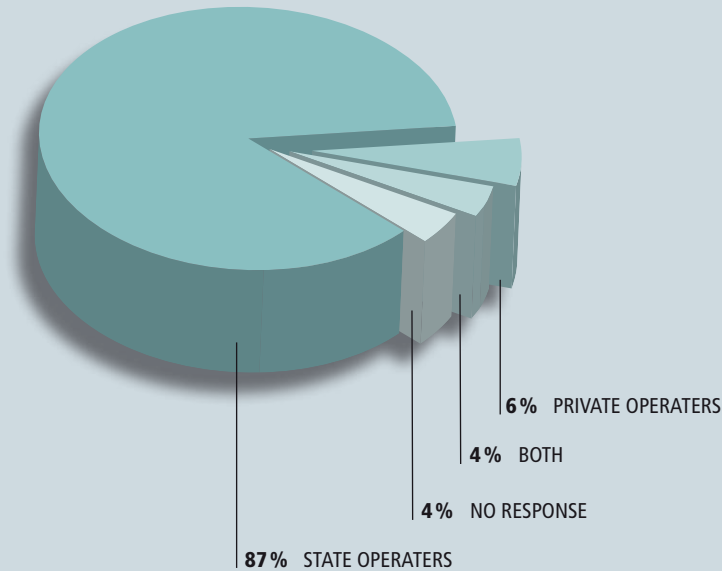
## Remarks on the forsa opinion poll

This business report focuses on the expectations and wishes of the population with regard to modern and responsible gaming opportunities. What exactly is people's behaviour in the field of gaming? What kind of regulation of the gaming sector do they wish to see? And what do they expect of a trustworthy provider of gaming products? All these were matters of interest to us. We therefore commissioned the renowned forsa market research institute to find out for us.

A first poll of altogether 1,009 people was conducted on behalf of the German Lotto and Toto Block in November 2010. To differentiate the picture more precisely, WestLotto commissioned a second survey, involving altogether 1,015 people and carried out in January 2011. Both surveys were based on computer-aided telephone interviews and are representative for the population as a whole.

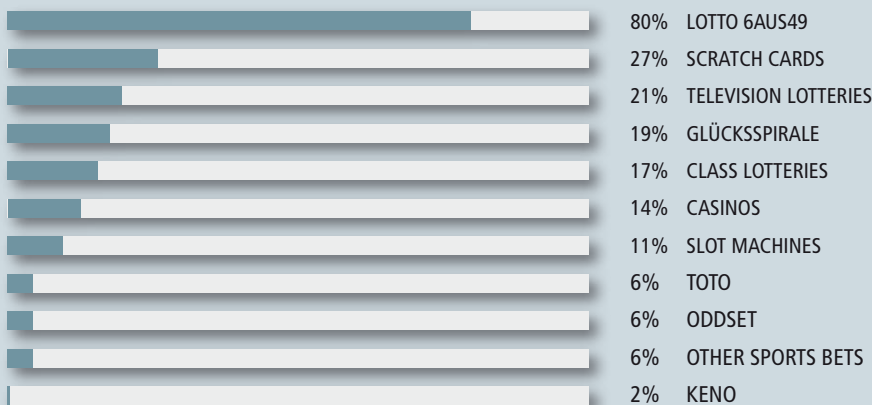
On the following pages, we present some of the key results of the surveys, presented in chart form. In each case, we document the strategies and measures with which WestLotto seeks to turn the public's wishes and expectations into reality.

WestLotto asked the public: Which operators do you normally use when you participate in games of chance?



WestLotto:  
The guarantor  
for attractive  
and responsible  
gaming

WestLotto asked the public: Which of the following games of chance have you ever taken part in?



*Representative forsa poll, November 2010, n= 539, multiple responses possible*

The vast majority of the population use the gaming products offered by the state operators. Nearly nine out of ten people interviewed state that they normally use the state providers when they participate in games of chance. Only 6% of interviewees opt for private offerings. Also with regard to the preferred gaming products, those of the state providers hold the top places, especially LOTTO 6aus49, but also scratch cards and GlücksSpirale.

The trust expressed through these figures has been built by WestLotto over many decades. Since 1955, the company has been a guarantor for the secure and responsible handling of state-licensed gaming in North Rhine-Westphalia. This means offering attractive, but at the same time moderate lotteries and betting products that satisfy people's natural gaming instincts but without allowing this to degenerate into illegal or potentially addictive forms of gambling. This is where the special social function of our company lies: By steering people's natural gaming instincts into ordered and supervised channels, WestLotto prevents problematic gambling behaviour and the resulting high social costs for society.

It is a major challenge to offer gaming products that are secure, controlled and responsible and that meet youth and player protection requirements and addiction prevention needs, while at the same time offering fun and enjoyment. WestLotto is able to meet this challenge, thanks to the experience gained from its 55 years in operation, paired with creativity, responsibility and sensitivity. The personnel of WestLotto take on this task with pleasure and commitment.

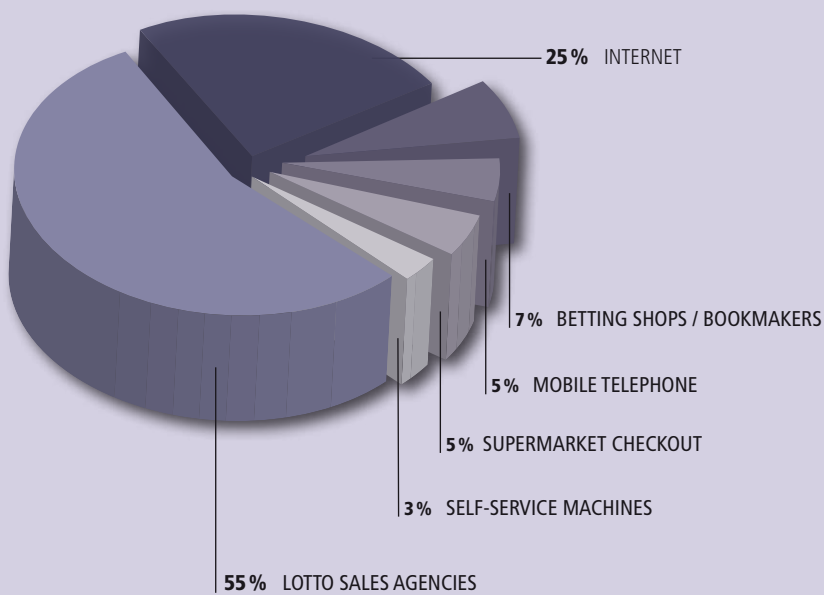
### Key figures for the financial year 2010

Total sales (including handling fees)	€1,600.5 m
Winnings paid out to the players	€749.1 m
Lottery tax payments to the State of NRW	€268.0 m
Levies for good causes (licence fees)	€358.4 m
Commission payments to the WestLotto sales agencies	€129.4 m
Balance sheet profit	€8.9 m
Workforce at the Münster site	338
Trainees/apprentices	12
Regional districts in NRW	21
Number of WestLotto sales agencies in NRW	3,625
Number of personnel in the WestLotto sales agencies	approx. 10,000
Number of participants in NRW in the lottery draws	4.36 m
Percentage of regular participants	35%

# 02

WestLotto sales agencies:  
The heart  
of our sales  
organisation

WestLotto asked the public:  
What is your preferred channel for participating  
in games of chance?



*Representative forsa poll, January 2011.  
Only those interviewees who expressed an interest in gaming*

*The public's favourite place for indulging in gaming are the WestLotto sales agencies. Of all interviewees with an interest in gaming, the majority named the lottery sales outlets with the familiar WestLotto logo as their preferred channel for participation. The next most popular, though a long way behind, is the Internet, while other sales channels, such as commercial betting shops, mobile phone, supermarket checkout or self-service machines still play only a subordinate role.*

For WestLotto, cultivating and supporting the network of lottery sales agencies has always had high priority, and this will continue to be the case in future. The WestLotto sales agencies are dependable partners in the company's sales efforts. They stand for intense personal support, secure handling and competent advice, and are also important social meeting places for many people in North Rhine-Westphalia. The following are some of their key characteristics:

### **Trust**

Over a period of many decades, the WestLotto sales agencies have gained the trust of their customers. The players know that in the sales outlets bearing the WestLotto logo, they will find only tried-and-tested products of a state-controlled enterprise that has been synonymous for decades with player protection and trustworthiness.

### **Responsibility**

The personal service and support for the customers on the ground also guarantees compliance with the requirements of youth and player protection and also the prevention of gambling addiction - an issue which has become increasingly important in recent years. The personnel in the WestLotto sales agencies are trained to recognise problematic gaming behaviour and to respond appropriately.

### **Competence**

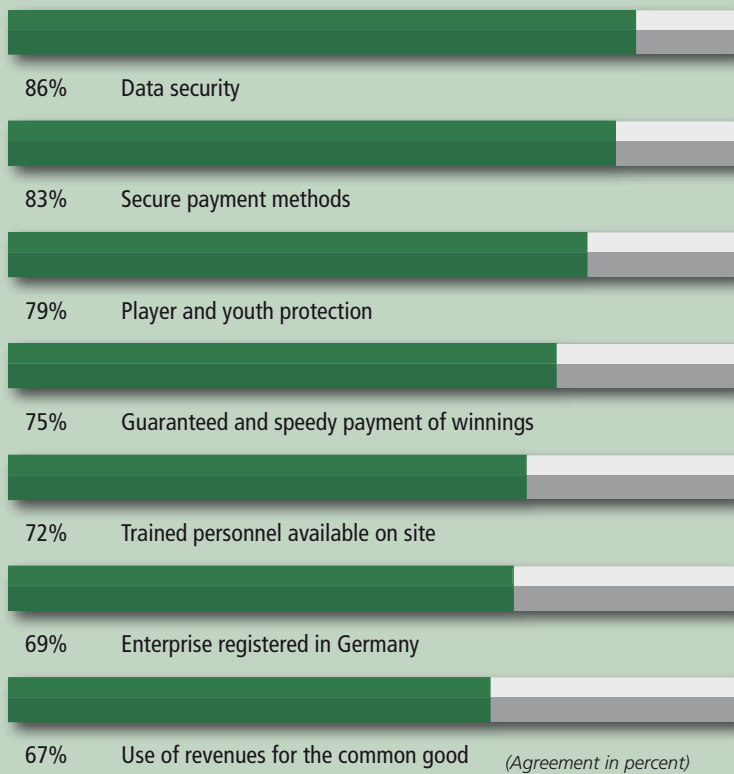
WestLotto applies strict criteria to the selection of its sales agency managers. Applicants undergo an intense programme of training, which not only includes detailed knowledge of the gaming products offered, but also deals with the issues of gambling-associated risks, youth protection and addiction prevention. Ongoing training at regular intervals is compulsory.

In the choice of location for the WestLotto sales agencies, attention is paid to ensuring that a certain minimum distance is maintained between them. Additionally, direct proximity to pre-schools, schools and child and youth support facilities is strictly avoided. WestLotto has conducted a complete analysis of its sales agency network in terms of these requirements.

In view of the growing number of cases of manipulation in the sports betting field, WestLotto has installed a preventive monitoring system. This instrument is able to register any unusual gambling behaviour, insofar as it occurs in WestLotto sales agencies, enabling appropriate countermeasures to be initiated in a timely manner.

With this orientation, the WestLotto sales agencies are ideally equipped to meet the needs of product operation and handling that is modern and geared to the principles of youth and player protection and addiction prevention. In line with the wishes of the customers, it is planned to introduce the use of other sales channels in future. One aim of this, among others, is to reach those people who are interested in playing but are not classical sales agency customers, and so fulfil our channelling obligation as comprehensively as possible.

WestLotto asked the public:  
What confidence-building characteristics of providers of gaming products do you regard as particularly important?



Representative forsa poll, January 2011, n = 359, multiple responses possible

As far as the confidence-building characteristics of providers of gaming products are concerned, the issue of security is clearly to the fore: 86% of those interviewed stated data security and 83% secure payment methods as being particularly important. With 79% agreement, compliance with player and youth protection also has high priority. More than two-thirds of the interviewees also look for guaranteed and speedy payment of winnings (75 %), trained personnel on site (72 %), the enterprise having its registered office in Germany (69 %) and the revenue being used for the common good (67 %).

At WestLotto, all these factors are guaranteed. The World Lottery Association (WLA), the worldwide body representing state-licensed lottery operators, has issued WestLotto with a certificate based on the ISO 27001 standard, confirming that it achieves the highest standard of security that can be reached by a lottery company anywhere in the world. The absolutely secure processing of every one of the more than 100 million play-slips received by WestLotto each year is therefore guaranteed. Unauthorised access and manipulation can be ruled out. All the typical lottery processes such as draws, the payment of winnings and the safeguarding of winner data are subject to an effective security management system.

Player and youth protection has also always played a prominent role at WestLotto. During the last few years, the enterprise has intensified its activities in this field still further. In the year 2010 alone, a sum of well over €1 million was invested in making the youth and player protection measures still more effective.

### **Blacklist system with the aid of the WestLotto Basic Card**

For its higher-risk games ODDSET, TOTO and KENO, WestLotto introduced its Basic Card ('Basis-Karte') with effect from 1 January 2008. Since then, all customers wishing to play any of these games have been required to present the card together with their ID card. This makes it possible to exclude people, in their own interest, from playing by placing them on the joint blacklist maintained by the lottery companies and the state casinos. In the year 2010, more than 3,600 test purchases were carried out at WestLotto sales agencies to ensure that the personnel do indeed ask for the card and identification in all cases involving ODDSET, TOTO and KENO. Any failure to do so is penalised.

### **Test purchases for compliance with youth protection regulations**

The personnel at the WestLotto sales agencies are instructed to ask for proof of age in the case of all customers who are not known to them and who look younger than 25. Compliance with this instruction is checked by an external firm on behalf of WestLotto with the aid of test purchasing. Should a WestLotto sales agency breach the youth protection regulations in the event of any such test purchase, a multi-stage system of sanctions comes into operation, ranging from a caution to fines and even termination of the contract.

### **Youth protection campaign**

Naturally, asking for proof of age does not meet with understanding on the part of all customers. Therefore, WestLotto has developed an extensive range of information materials, explaining the need for and purpose of the youth protection measures. Posters and counter-top money trays draw attention to the requirement for identity checks. The campaign generally finds a positive echo and is described by addiction experts as being particularly successful.

### **Training**

A further key instrument in ensuring youth and player protection and addiction prevention is the training for the sales agency personnel which is devoted to these issues. The aim is to make them aware of problematic gambling behaviour and to provide them with appropriate action strategies. This refers both to the early recognition of problematic behaviour and to informing participants who are at risk of gambling addiction of the help available.

### Key figures relating to youth and player protection for the year 2010

Number of Basic Cards issued	518,551
Investment in player protection	€ 1,234,000
Number of playslips issued with information on the availability of help	approx. 90 million
Number of addiction help flyers distributed	200,000
Number of sanction-relevant youth protection safety checks	3,728
Number of test purchases requiring ID and Basic Card	3,603
Participants in central player and youth protection training	1,157
Participants in intensive local player and youth protection training	3,568
Number of players in the nationwide blacklist system	21,065
Number of blacklisted WestLotto Basic Cards	434

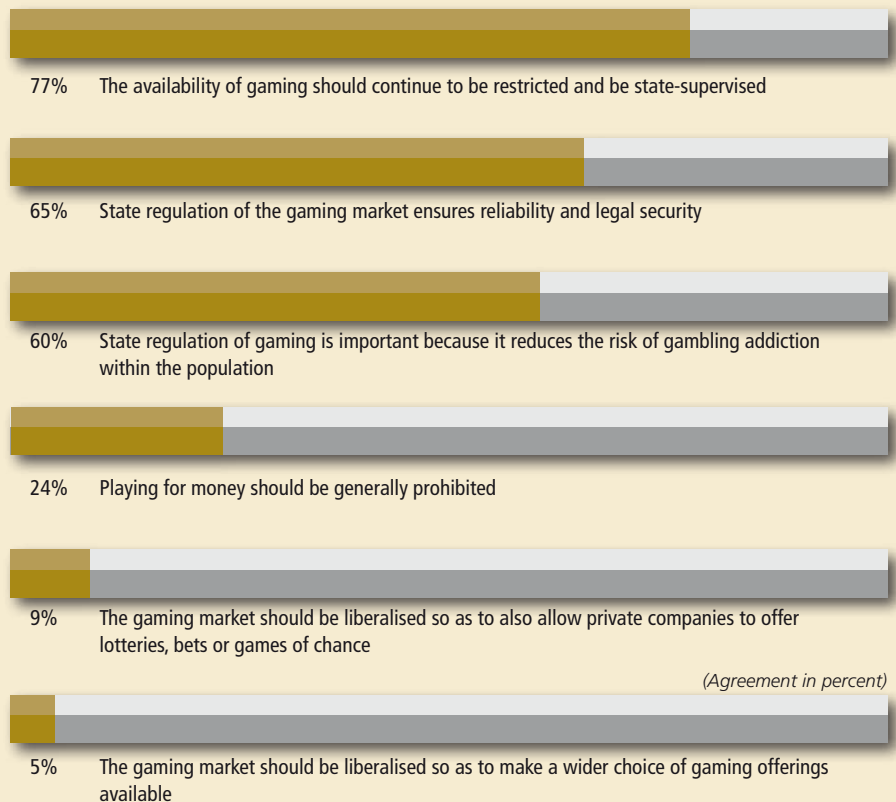
But also the other confidence-building characteristics stated by the interviewees - guaranteed and speedy payment of winnings, trained personnel available on site, enterprise registered in Germany and use of a large share of the revenues for the common good (see section "Money for a good cause") - are all met by WestLotto.

# 04

## Responsible Gaming and combating addiction

WestLotto asked the public:

Please state whether you agree with the following statements:



Representative forsa poll, November 2010, n = 1,009

Public awareness of the problem of gambling addiction has increased substantially in recent years. The forsa poll shows that the public has become sensitised to this issue. More than three-quarters of those interviewed are in favour of continuing to restrict gaming in future and of leaving it under state control. 60 % view state regulation as important precisely because it reduces the risk of gambling addiction. By contrast, only a minority of less than 10% hold the view that gambling should be liberalised.

WestLotto counts the combating and prevention of gambling addiction among its key corporate goals and is committed to the principles of Responsible Gaming. This is also reflected in the enterprise's organisation. A separate head office department, reporting directly to the top management, is specifically concerned with all aspects of combating and prevention of gambling addiction.

In June 2009, at the 5th Congress of the European Lotteries Association, WestLotto was the first German lottery enterprise to be certified in accordance with the "European Standards for Responsible Gaming". In 2010, under the recertification process, the enterprise was once again monitored for compliance with the standards and has produced its own Responsible Gaming brochure on the measures undertaken. This has been published in 2011 as the first document of its kind in Germany.

WestLotto pursues its goal of combating and preventing gambling addiction through a wide range of measures. To this end, the enterprise works closely both with the State Consulting Centre for Gambling Addiction ('Landesfachstelle für Glücksspielsucht') and the Federal Centre for Health Education ('Bundeszentrale für gesundheitliche Aufklärung' - abbreviated BZgA).

### **Flyers and brochures**

One flyer designed by the State Consulting Centre for Gambling Addiction, entitled "Glücksgriff", has found a high circulation. Around 200,000 copies have so far been printed and put into circulation by WestLotto. In the WestLotto sales agencies, the flyer is prominently presented in the playslip display. It contains information on the subject of gambling, a map showing the available help facilities, and a self-test enabling the reader to assess his/her own gaming beha-

viour. In collaboration with the BZgA, WestLotto also has brochures on the subject of gambling addiction available which are aimed both at families of addicts and also young people.

### **Contact to treatment facilities**

Since mid-2006, the info telephone number of the State Consulting Centre for Gambling Addiction and the nationwide hotline of the BZgA have been printed on all WestLotto playslips. There is clear evidence that in many cases, players at risk of addiction have had their attention drawn to the availability of help in this way. According to the BZgA, around 80% of all callers have become aware of the hotline through it being printed on the playslips - although the biggest problem affecting those seeking help are not the products of the state lottery companies, but in more than 70% of cases the slot machines in amusement arcades and pubs.

### **Responsible product range**

All WestLotto products and distribution channels are monitored for their risk potential in terms of possibly encouraging of gambling addiction. This is done using two analytical tools which are freely available on the market, GameCard and ASTERIG, based on the requirements of the Special Council on Gambling Addiction ('Fachbeirat Glücksspielsucht').

### **Public information and education**

WestLotto informs the public objectively about the state lottery and betting products and uses the possibilities of advertising to comply with its duty to channel people's natural gaming instincts. In its communication policy, the focus is on informing and educating the customers. Thus, all WestLotto playslips contain clearly visible information on the chances of winning offered by the particular product concerned and of the risks

and odds. The same information on the chances of winning can also be found in advertisements with jackpot motifs, and also in all communication campaigns in which top prizes are stated.

## The European Lotteries' European Responsible Gaming Standards

### 1. Research

Members shall work with appropriate stakeholders in promoting research work and studies.

### 2. Employee training

Members shall provide all employees with information on their Responsible Gaming programmes through appropriate communication channels at a minimum on an annual basis.

### 3. Sales agents' programmes

All sales agents shall be provided with information materials in order to raise their awareness of Responsible Gaming and to educate them on related issues.

### 4. Game design

Before launching every new type of product/service, members shall conduct a social impact assessment using a structured assessment tool to examine relevant risk factors.

### 5. Internet, television and other electronic gambling

Members shall assess the feasibility of arranging a periodic independent review of these platforms in respect of their adequacy from a Responsible Gaming perspective.

### 6. Advertising and marketing

Members shall not direct advertising at vulnerable groups. Advertising and marketing campaigns must encourage excessive gaming activities.

### 7. Treatment referral

Members shall actively engage with problem addiction prevention organisations, treatment centres and/or health professionals.

### 8. Player education

Members shall include information on the odds of winning, age restriction measures and availability of help and treatment offerings in their player information materials.

### 9. Stakeholder engagement

Members shall regularly engage with their stakeholders and include this in their reporting mechanisms.

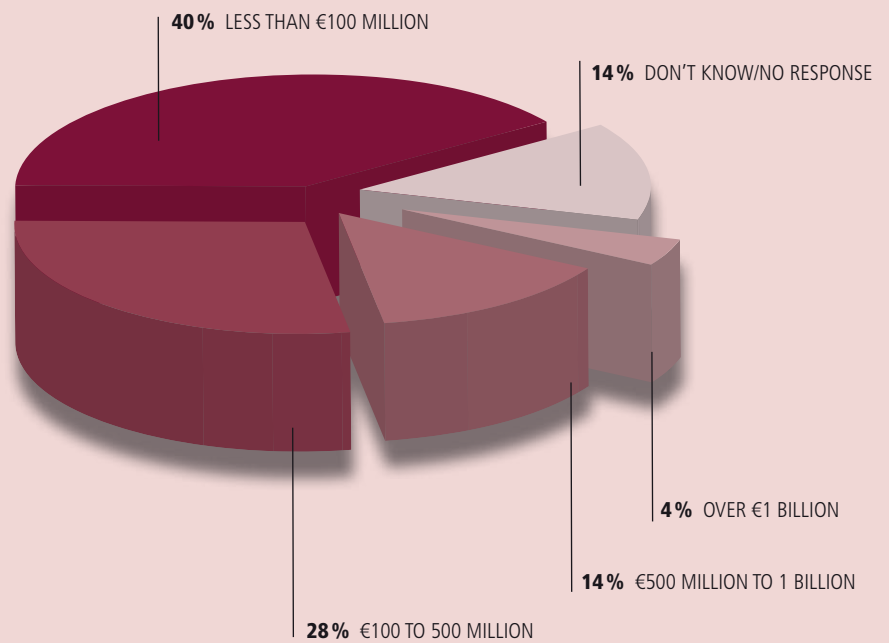
### 10. Reporting, measurement and certification

Members shall report to their stakeholders on the impact and breadth of their Responsible Gaming programmes.

# 05

## Money for good causes

WestLotto asked the public: How many euros are made available each year by the state lottery companies towards social projects, sport, culture etc.?



Representative forsa poll, January 2011, n = 1,015

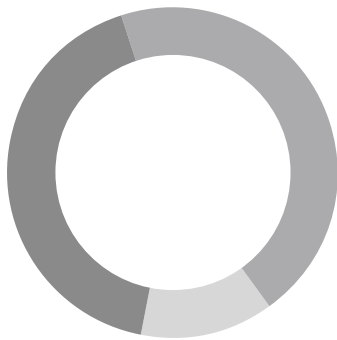
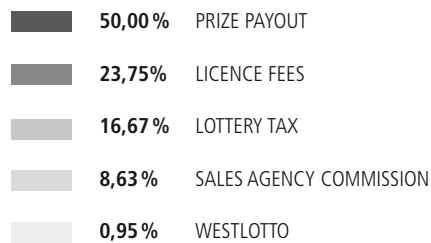
An astonishing picture emerges from the responses of the public to the question of how many euros the state lottery companies make available each year towards social projects, sport and culture. More than two-thirds of the interviewees estimated it at less than €500 million. Only 4 % put it at a sum of more than €1 billion. In fact, nationwide, the total amount is around €2.5 billion. The public are evidently unaware just how high the contribution made by the state lottery companies in support of good causes actually is

In the year 2010, WestLotto paid over €620 million in taxes and levies to the State of North Rhine-Westphalia and other beneficiaries. In other words, the amount of money distributed annually for good causes by WestLotto alone ex-

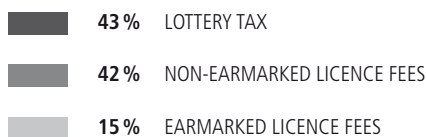
ceeds the sum that most people attribute to all 16 state lottery enterprises together. Altogether, since starting business in the year 1955, the company has paid a sum equivalent to more than €22.8 billion to the State of North Rhine-Westphalia and the other recipients.



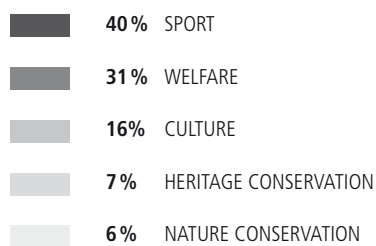
### Application of the proceeds from LOTTO 6aus49



### Breakdown of the levies available for good causes



### Breakdown of the earmarked licence fee payments by target group



In 2010, a large number of projects and tasks in the fields of sport, welfare, fine arts, and nature and cultural heritage conservation once again benefited in North Rhine-Westphalia from the money resulting from state-controlled gaming.

### **Sport**

WestLotto has a special commitment towards sport, with a particular focus on supporting amateur and popular sport in North Rhine-Westphalia in close cooperation with the State Sport Federation ('LandesSportBund'). Without this funding, a large part of the multifarious activities in the field of sport within the region would hardly be viable.

WestLotto is actively involved in the Sports Alliance ('Bündnis für den Sport'), an initiative launched in 2008 by the state of North Rhine-Westphalia and the State Sport Federation and aimed at fostering voluntary engagement in sport, promoting the construction of sports facilities and supporting sports clubs. In 2010, the scope of this cooperation was extended still further. WestLotto now supports club sport with a special main focus on "Qualification in Sport - Club Management Network", providing financial assistance in this context for seminars, information events and advice on the training of club managers.

The NRW Cycle Tour ('NRW-Radtour') was held for the second time in 2010 in cooperation with the NRW Foundation ('NRW-Stiftung') and gives the participants the opportunity to explore selected regions and their cultural heritage and at the same time do something for their physical fitness. This time, the tour took place from 15 to 18 July and went from Bonn, through the Rhineland, to Mülheim an der Ruhr. In view of the keen participation, a third event will be held in 2011. On this occasion, the area chosen will

be the Münsterland, a traditional cycling region, and the event will take place from 21 to 24 July.

### **Welfare**

In the social sector, the levies raised from the state-operated gaming activities are used to benefit the NRW State Foundation for Welfare Work ('Stiftung des Landes NRW für Wohlfahrtspflege'), the Federal Working Group for Independent Welfare Work ('Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege'), and the welfare organisations of the churches. Once again in 2010, this money helped to fund numerous projects in support of the weak and needy in our society.

### **Culture/Fine Arts**

In the field of culture and fine arts the government uses funds provided by WestLotto to support artistic life in North Rhine-Westphalia, especially upcoming new talents, through the NRW Arts Foundation ('Kunststiftung NRW') and the NRW Foundation for Nature Conservation and Local and Cultural Heritage ('NRW-Stiftung Naturschutz, Heimat- und Kulturpflege'). One special focus in 2010 was support for the project "RUHR.2010 - European Capital of Culture". Here, under the motto "Change through culture - culture through change", the Ruhr region presented itself to the international public.

### **Conservation of nature and cultural heritage**

WestLotto supports the conservation of nature and cultural heritage specially through the provision of lottery monies for the NRW Foundation for Nature Conservation and Local and Cultural Heritage and the Foundation for Environment and Development ('Stiftung für Umwelt und Entwicklung') of the State of North

Rhine-Westphalia. Additionally, through the GlücksSpirale lottery, there is close cooperation with the German Foundation for Monument Preservation ('Deutsche Stiftung Denkmalschutz'), which preserves objects of our cultural heritage which are under threat and promotes the ideals of conservation among the public. To help preserve churches of especial historical importance, WestLotto provides financial support to the structural preservation funds for the cathedrals and churches in Cologne, Xanten, Minden, Essen, Wesel, Aachen and Soest. The money provided therefore represents an important contribution to the preservation of our cultural heritage in North Rhine-Westphalia.

## WestLotto levies 2010: €626 million for public task

State of North Rhine-Westphalia		Total (in €million)	Prev. year (in €million)	Change from prev. year (in %)
lottery tax		268,0	284,2	-5,7%
licence fees		358,4	383,8	-6,6%
of which	Non-earmarked licence fees	266,5		
	Earmarked licence fees	91,9		
<b>Total levies (in €million)</b>		<b>626,3</b>	<b>668,0</b>	<b>-6,2%</b>

Recipients of the earmarked licence fees:	Total (in €million)
Arbeitsgemeinschaft der Spitzenverbände der Freien Wohlfahrtspflege in NRW	22,3
Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege e. V.	3,7
Deutsche Stiftung Denkmalschutz e. V.	3,7
Deutscher Olympischer Sportbund	3,7
Deutsches Sport und Olympia Museum	0,3
Structural preservation funds for cathedrals and churches	2,6
Support for popular culture	2,6
Kunststiftung NRW	8,8
LandesSportBund	26,4
NRW-Stiftung Naturschutz, Heimat- und Kulturpflege	6,8
Racing clubs	1,1
Major sports events	0,2
Support for sports facilities	1,1
Sportstiftung NRW	3,6
Stiftung des Landes NRW für Wohlfahrtspflege	0,9
Stiftung Umwelt und Entwicklung	2,6
Westdeutscher Fußball- und Leichtathletikverband e.V.	0,2
Grants to facilities providing help for gambling addicts	1,3
<b>Total</b>	<b>91,9</b>

## Business Development and Outlook

WestLotto closes the financial year 2010 with sales of €1.6 billion. Compared to the previous year, this is equivalent to a fall of €99.5 million or 5.9%. The main reasons for this are the lack of a 53rd calendar week and the absence of any large jackpots in the LOTTO 6aus49 game.

Compared to the sales development in the German Lotto- and Toto-Block (DLTB) as a whole, WestLotto's result is slightly above average. Sales for the whole DLTB are 7.2% down. The share of the DLTB accounted for by WestLotto therefore increases by 0.4 percentage points to 23.6%.

### Lotteries

In the case of the main product, LOTTO 6aus49, the total sales turnover of €979.2 million represents a decrease of 9.3% from the previous year's level. The main reason for this is the periods when there are no exciting jackpots. Only on two occasions was a jackpot of more than €20 million available for payout in the first winning category, whereas in the previous year the jackpot had twice been well in excess of the €30 million mark.

In the wake of the main product, sales of the supplementary lottery SUPER 6 also give way, falling 10.0% to €139.6 million. Spiel 77, by contrast, succeeds in achieving sales growth of 10.5% to €239.4 million. This increase results from an improvement in the prize schedule in the 35th calendar week, which is combined with an adjustment in the size of the stake.

In its 40th year on offer, sales of GlücksSpirale rise for the first time in many years. The total turnover of €39.0 million is equivalent to a rise of 24.0% over the previous year. This result is also the outcome of a product policy innovation: Since the 25th calendar week of 2010, customers have also been able to play GlücksSpirale on their LOTTO playslips. This additional possibility to participate is seen as an additional customer service and meets with a highly positive response on the part of the players.

Despite the introduction of a Sunday draw, the daily lottery KENO, in its fifth year, is unable to match the previous year's level of sales. With turnover amounting to €28.3 million, the fall is equivalent to 5.3%. With a total of €2.9 million, sales of the supplementary lottery 'plus 5' are also 4.5% down on the previous year.

The instant lotteries, on the other hand, record growth in sales for the second year in a row. The total of €42.5 million is equivalent to an increase of 9.8%. The main reason for this is the change in the product portfolio. Before the start of the Christmas business, the first €5 scratch card ("Diamantlos") was launched on the market. As a result, WestLotto now also has a scratch card in the upper price segment.

### Sports bets

In the sports bets segment, WestLotto loses ground in 2010. Sales of ODDSET total €47.7 million, equivalent to a fall of 7.1% from the previous year. Stakes for the classical TOTO bets are also fail to reach the previous year's level.

Sales of the 'Ergebniswette' fall by 7.6% to €8.6 million, those of the 'Auswahlwette' by 4.5% to €4.3 million.

In this area, the inadequate efforts to combat competitors operating from abroad, who market their products illegally in Germany and, thanks to their low burden of tax, are able to offer high odds, make themselves negatively felt. The decision of the European Court of Justice, handed down in the late summer, leads to misinterpretations in the media, which report the Interstate Treaty as having been voided and hence the sports betting market as having been deregulated. The legal uncertainty leads to the action being taken by the regulatory authorities against illegal betting operators being put on hold. This development has a direct impact on the sports betting turnover at WestLotto.

### **Fees and levies**

In the financial year 2010, income from the processing fees for the lotteries and betting products amounts to €64.1 million, or 7.5 % less than in the previous year. The main reason is the smaller number of playslips for LOTTO 6aus49.

At the same time, the payouts of prize money to the players and also the levies paid to the state of NRW and the beneficiaries fall. A sum of €749.1 million is made available for prize payouts, i.e. €50.4 million less than the previous year. The lottery tax and licence fee payments fall by €41.7 million to €626.3 million. The commission payments to the field organisation amount to €129.4 million - €2.3 million down on the figure for 2009.

### **Asset and financial situation**

The profit and loss account at the close of the year under review shows a result from ordinary

activity of €15.1 million, or €1.8 million less than the previous year. After the payment of taxes, and changes to the reserves, a balance sheet profit of €8.9 million is left.

The asset and financial situation of the enterprise remains stable. WestLotto is able to meet its liabilities at all times.

### **Developments in 2011**

In the year 2011, the course is set for continuation of the Interstate Gambling Treaty. The prime ministers of the German federal states have decided unanimously to maintain the lottery monopoly for all the states. At the extraordinary conference of state prime ministers of 6 April 2011, a licence model is agreed for the sports bets, though the concrete details of this still have to be finalised. One area which remains contentious is that of the future arrangements with regard to commercial gambling slot machines; while these are regulated by federal law, the federal states will issue implementation rules in the new State Treaty. WestLotto is continuing to work intensively towards the introduction in 2011 of the international lottery "Eurojackpot" in cooperation with its partners in the DLTB and a number of other European lottery companies. Following the consent given by the federal states of Hesse and Rhineland-Palatinate, WestLotto also obtained a positive vote of the supervisory authority in NRW on 24 January 2011. The same meanwhile also applies to Hamburg; consent is likewise expected to be given in other federal states.

As well as the legal operating framework and the planned product policy measures, the future progress of business will also be influenced by the general economic development. In view of the current positive economic prospects, WestLotto

expects to be able to increase its sales, and hence also the levies paid by it, by two to three percent.

Both the partners in the field organisation and the personnel working at the headquarters will continue to approach the tasks facing the enterprise with great commitment. The company will thereby continue to rely on the good cooperation with NRW.BANK and the state of North Rhine-Westphalia.

### **Risk control and security**

Since 2001, WestLotto has operated a risk management system that constantly identifies and systematically evaluates all matters that could put goals and strategies of the company at risk and enables countermeasures to be put in place. The departments report updates throughout the year; these are then assessed by a risk management board from the overall perspective of the company.

WestLotto is optimising its effective emergency and crisis management system for dealing with extraordinary events and disasters. As part of its Business Continuity Management (BCM), a company-wide exercise was successfully conducted in this area in May 2010, which allowed any existing weaknesses to be identified and subsequently eliminated. Also in future, activities of this kind will form part of the everyday routine.

WestLotto operates a policy of Responsible Gaming. This has been established by European Lotteries (EL), the umbrella organisation of the European state lotteries. After receiving its first Responsible Gaming certification in 2009, WestLotto was successfully recertified under EL rules in 2010. WestLotto was the first German lottery company to be awarded the certification, with

the certificate being presented at an EL conference in Barcelona.

The special characteristics of the materials and resources that are typical of a lottery operator lead to a degree of dependence on the respective suppliers on the procurement market. WestLotto develops strategies at an early stage for optimising its position when contracts are set to expire.

The necessary precautions are taken against the risks inherent in gaming operations in the form of special provisions and a general risk reserve.

## Development in stakes\* WestLotto 2010

	Sales in mio €	Share in %	Change from 2009 in %	Playslips in millions	Share in %
LOTTO 6/49 - Saturday Draw	677.9	44.3	- 8.2	72.2	58.9
LOTTO 6/49 - Wednesday Draw	301.3	19.7	- 11.7	32.8	26.8
LOTTO 6/49 - total	979.2	63.9	- 9.3	105.0	85.7
Spiel 77 - Saturday Draw	168.2	11.0	+ 11.4		
Spiel 77 - Wednesday Draw	71.2	4.6	+ 8.4		
Spiel 77 - total	239.4	15.6	+ 10.9		
Super 6 - Saturday Draw	96.9	6.3	- 9.2		
Super 6 - Wednesday Draw	42.7	2.8	- 12.0		
Super 6 - total	139.6	9.1	- 10.0		
GlücksSpirale	39.0	2.5	+ 24.0	5.7	4.6
KENO	28.3	1.8	- 5.3	3.8	3.1
plus 5	2.9	0.2	- 4.5		
Lotteries-total	1,428.5	93.3	- 6,1	114.5	93.4
TOTO 13er Ergebnissette	8.6	0.6	- 7-6	1.0	0.8
TOTO 6/45 Auswahlsette	4.3	0.3	- 4.5	0.6	0.5
TOTO total	12.9	0.8	- 6.6	1.6	1.3
ODDSET KOMBI-Wette	43.7	2.9	- 9.6	6.2	5.1
ODDSET TOP-Wette	4.0	0.3	+ 34.6	0.2	0.2
ODDSET total	47.7	3.1	- 7.1	6.4	5.2
Sports bets total	60.6	4.0	- 7.0	8.0	6.6
Instant lotteries	42.5	2.8	+ 9.8		
<b>Total</b>	<b>1,531.6</b>	<b>100.0</b>	<b>- 5.8</b>	<b>122.5</b>	<b>100.0</b>

\*without handling fee

**WEST**  **LOTTO**

im Deutschen Lotto- und Totoblock

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