

The 2007 Business REPORT  
of the Austrian Lotteries



österreichische  
**LOTTERIEN**

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### Key Data 2007 Compared with 2006 and 2005

	2007	2006	2005
<b>Nominal capital in mill. EUR</b>	<b>110.0</b>	110.0	110.0
<b>Sales volume in mill EUR</b>			
Total	<b>2,067.17</b>	2,040.88	1,828.37
<b>Breakdown:</b>			
Lotto "6 out of 45"	<b>517.16</b>	530.99	553.89
Football pools and goal bet	<b>12.41</b>	16.01	14.17
EuroMillionen	<b>145.26</b>	192.60	132.29
Bingo	<b>11.81</b>	12.26	13.63
ToiToiToi	<b>17.14</b>	17.75	18.37
Lotto 1–90	<b>4.66</b>	4.86	5.18
Joker	<b>142.37</b>	152.18	153.22
Scratch-off tickets	<b>124.10</b>	112.47	118.69
Break-open tickets	<b>24.12</b>	24.39	26.79
Austrian class lottery	<b>37.59</b>	37.81	37.53
win2day.at	<b>808.02</b>	772.02	625.92
WINWIN (Video lottery terminals)	<b>223.14</b>	167.54	128.68
Total of winnings in mill. EUR	<b>1.461.98</b>	1,397.87	1,205.92
<b>Tax payment in mill. EUR</b>			
Total			
(Game-related duties, income taxes and other taxes and duties)	<b>348.74</b>	376.40	390.33
<b>Game-related duties in mill. EUR</b>			
Total*	<b>343.34</b>	368.46	380.04
<b>Breakdown:</b>			
Betting fee	<b>148.48</b>	157.22	153.32
License fee	<b>194.86</b>	210.75	226.72
Result from ordinary activities in mill. EUR	<b>30.13</b>	41.01	39.83
<b>Annual surplus mill. EUR</b>	<b>24.79</b>	33.12	29.61
<b>Retained earnings (net profit) in mill. EUR</b>	<b>24.00</b>	24.01	24.00
<b>Sports promotion in mill. EUR</b>	<b>61.22</b>	54.85	46.71
<b>Staff</b>	<b>474</b>	451	440
<b>Distribution network</b>			
Lotto and football pools retail partners	<b>3,894</b>	3,913	3,910
Scratch-off ticket retail partners	<b>6,871</b>	6,949	6,966
Break-open ticket retail partners	<b>6.950</b>	7,048	7,094

\* As from 2006 Media support is no longer contained in item 6a, but in item 6b of the Profit and Loss Statement.

Shareholders of the Austrian Lotteries:	
Casinos Austria AG	68%
Lotto-Toto Holding Gesellschaft m.b.H.* (Lotto – Football Pools Holding Limited Company)	26%
Österreichischer Rundfunk (Austrian Broadcasting Corporation)	6%

\*The shares of Lotto-Toto Holding Gesellschaft m.b.H. are held by:

- CLS Beteiligungs Gesellschaft m.b.H. (Bankhaus Schelhammer & Schattera AG, B & C Holding GmbH),
- RSV Beteiligungs Gesellschaft m.b.H. (Erste Bank der oesterreichischen Sparkassen AG, RAIFFEISEN-INVEST-Gesellschaft m.b.H., Österreichische Volksbanken-AG) and
- LTB Beteiligungs Gesellschaft m.b.H. (BAIH Beteiligungsverwaltungs GmbH, Bank für Arbeit und Wirtschaft AG, Hypo-Banken-Holding Gesellschaft m.b.H., Erste Bank der oesterreichischen Sparkassen AG).

## Locations

The Austrian Lotteries are domiciled on Rennweg 44 in 1030 Vienna, with the company's second seat being located at the Civitas Nova estate near Wiener Neustadt. These premises also house the logistics centre, the parallel accounting centre as well as additional work stations. In October 2007, an additional of office space were leased in an office building on Rennweg 46 in 1030 Vienna.

## Address of the company's corporate headquarters:

Österreichische Lotterien Gesellschaft m.b.H.  
Rennweg 44, 1038 Vienna  
Phone: (+43 1) 790 70-0  
Fax: (+43 1) 799 39 39  
Internet: [www.lotterien.at](http://www.lotterien.at)

In the interest of easy reading, terminology will not be gender-specific. Where applicable, the female and male forms will be used when a concept is mentioned for the first time in the text. In the following text, words such as employees, partners, customers etc. should always be taken to denote men and women.

## **Responsible – innovative – partner-oriented**

The Austrian Lotteries are an internationally recognised gaming enterprise which is aware of its responsibility and acts innovatively and in a partner-oriented manner. We offer interested adults a wide range of games of the highest quality. "Responsible Gaming" is the basis of all of our activities. This attitude towards the stakeholders is in the minds and the hearts of the management as well as of the entire staff.

Our efforts are focused on the confidence placed in our enterprise by our customers and by the licensor. We combine responsibility towards society, the Austrian state and its regulatory policies with entrepreneurial commitment, we live these principles in a trustworthy manner and we are economically successful. Financial strength forms the sound basis of our enterprise.

Our business model is characterised by the power of innovation. Being a pioneer in our business, we owe this role s primarily to our highly motivated and performance-oriented staff who are the true backbone for sustained success. We develop and employ state-of-the-art technology in order to guarantee optimum security with regard to game management.

We consider ourselves as "good citizens", supporting institutions and projects that represent the interests of Austria and its population. Based on the license granted to us, we aim at offering the complete range of our products Austria-wide. To reach this goal and maintain what we have achieved, our retail partners are given optimum support as we foster long-term and exclusive co-operation with the Austrian Lotteries.

## **An Interview with the Management Board of the Austrian Lotteries**

In the business year 2007 the Austrian Lotteries again attained an increase in sales. It was a year full of suspense for the enterprise. On the one hand, there was the sale of the Austrian Lotteries' shares originally held by BAWAG PSK, and on the other hand we had to cope with discussions about the development of game of chance legislation in Austria and on the European Market. It was also the year in which Karl Stoss joined the Management Board, whose chairman he became as of May 2007. The following interview for the business report with the best "gaming results" since the foundation of the company was held with the entire Board of the Austrian Lotteries, i.e. with Karl Stoss, Friedrich Stickler and Bettina Glanz-Kremsner.

*Mr. Stoss, how would you summarise your first year in which you were at the helm of the Austrian Lotteries?*

**Karl Stoss:** It was a very successful year for the Austrian Lotteries. We attained the goals we had aimed at. With a turnover of 2,067 mill. EUR we reached a surplus of 1.29 percent compared with the previous year 2006. And, with game-related duties at an amount of 343.34 mill. EUR, we also contributed a remarkable share to the Austrian budget. In spite of the difficult economic framework conditions we were able to maintain the high level of the previous year. We owe this fact primarily to the new, increased winning potential of the scratch-off tickets, to the positive sales increase of the gaming platform win2day.at, to WINWIN, and the video lottery terminals with WINWIN.

*The discussions on the game of chance monopoly have turned into heavy controversies during the last year. What do you think about these developments?*

**Friedrich Stickler:** Neither a national nor an international court ever questioned the Austrian game of chance monopoly. The European Court of Justice has never judged a national game of chance or betting service monopoly as being in conflict with European Community legislation. The Austrian Games of Chance Act combines the customers' desire for a complex range of games of chance with the necessary regulatory measures to provide protection against compulsive or pathological gaming. It is a major principle not to fully exploit existing market potentials, but to allow for a controlled growth of the market instead. If both goals are aimed at simultaneously – the protection of the players by controlling the market and high profits for the state – then the monopoly will yield higher profits for the national budget than a liberalised market could do.

*Why is a sole licensee better than the opening of the market?*

**Bettina Glanz-Kremsner:** Over many years the Austrian Lotteries have proved that they are well aware of the special sensitivity of gaming legislation. We optimise our profit but we don't use all available resources to maximise it. This means that, in maintaining the state's regulatory interests, we pay the utmost attention to the protection of youth and of people at risk of addiction. On win2day.at, for instance, we therefore introduced a limit of 800.00 EUR per week. This was done to prevent players from being swept away by their momentary euphoric emotions, thus leaving all considerations behind and making bets which they actually cannot afford. For us, this also means, of course, to deliberately reduce our growth potential. If we abolished this limit and allowed unlimited bets as our competitors do, we would also have to face the reproaches of not taking proper care of our customers.

**Friedrich Stickler:** Moreover, the gaming sector is particularly endangered by the threatening infiltration of organised crime and fraudulent activities, especially as regards money laundering. Thus there is a specific need for the state to provide a legal framework that guarantees sufficient control to combat these problems. In order to rule out illegal gaming to the greatest possible extent, we need to develop legal gaming products for all potential target groups.

*In 2007, the Austrian Lotteries have, for the first time, documented their commitment to Corporate Social Responsibility and sustainability in a brochure they published. How did this project continue?*

**Karl Stoss:** This year, for the first time, the specific activities of the company are documented in a sustainability report. But also before that, the Austrian Lotteries have always taken their responsibility towards their stakeholders, very seriously. In the present sustainability report we defined the goals that we are going to pursue further beyond the topics we are currently focusing on.

**Bettina Glatz-Kremsner:** Sustainability is based on three pillars: economy, social considerations and ecology. The company has assumed considerable socio-political responsibility, mirrored in its sponsoring activities in the social field. We support institutions and projects representing the interests of Austria and its population.

**Friedrich Stickler:** High profits are not only expressed in terms of taxes and duties but also by the company's extensive support of Austrian sports activities - for top athletes as well as mass sports. In 2007, sports promotion, which is governed by the Austrian Games of Chance Act., amounted to more than 61.22 mill. EUR.

*On Dec. 21, 2007, the closing for the take-over by Casinos Austria of the shares in the Austrian Lotteries originally held by BAWAG-P.S.K. took place. Which effects do you expect from this purchase of shares for the Austrian Lotteries?*

**Karl Stoss:** First and foremost, it will open new chances. Chances to better stand one's ground as a group in these days of growing competition. And, of course, also the chance to explore options for further expansion abroad together with Casinos Austria and to make such options materialise in the following periods. We all know that the possibilities for further growth are limited for the Austrian Lotteries in Austria itself. Therefore, it is extremely important to seize all our opportunities and options at an international level. There is no doubt that both companies have their particular strengths. From now on, each of the partners will be able to profit even better from the other partner's strengths.

*What will the main focuses for the year 2008 be in your opinion?*

**Bettina Glatz-Kremsner:** By spring of 2008 all our retail partners will be equipped with new online terminals which will in keeping with our reputation of being one of the most up-to-date game of chance enterprises of the world when it comes to state-of-the-art-gaming technologies. In this respect, it is also a major concern of ours that it is exclusively Austrian companies which profit from the investment volume. So it is exclusively domestic added value we look for.

**Friedrich Stickler:** Technological innovations and new products are important measures for our sales partners to enhance their daily business. We support them by means of

education and training. By means of the commissions our sales partners receive from us, the Austrian Lotteries contribute a considerable share to their economic security.

**Karl Stoss:** The introduction of the virtual reality poker room on win2day.at in February 2008 is also very important for us. We offer all adult Austrians who like playing poker online a 100 percent reliable and legally undisputable platform. For this particular project we combined the skills of both companies: the Austrian Lotteries and Casinos Austria. But let me finally say one thing: In my first year with the Austrian Lotteries I had the pleasure to realise that this company holds an enormous number of highly committed employees, people who take pleasure in working here. People who identify with their job and who are full of creative, new ideas.

## **21 : 0 – the best result ever for the Austrian Lotteries**

On 8 May 2007, after 21 years of service during which he directed the company as CEO of the Austrian Lotteries, Dr. Leo Wallner left management and became a member of the Supervisory Board. He will now support the company with his invaluable knowledge, experience and skill in this new function.

We should like to take this opportunity to express our sincere thanks to Dr. Leo Wallner – for his farsightedness, when he initiated and drove the foundation of the Austrian Lotteries, for his commitment and untiring efforts for the benefit of the company, and for his human qualities, which he gave proof of in his contacts with colleagues and collaborators every day.

He was the driving force behind what is one of the biggest business success stories in this country, and his work has left a lasting impact for the benefit of players, shareholders, staff, partners, sports in Austria as well as many, many organisations and clubs able to make their projects materialise due to the support of the Austrian Lotteries.

The Management Board and staff of the Austrian Lotteries

## **The Bodies of the Austrian Lotteries**

Supervisory Board:

Presiding Committee:

- Walter Rothensteiner  
Chairman of the Supervisory Board
- Ewald Nowotny (until 21 December 2007)  
Deputy Chairman of the Supervisory Board
- Walter Petrak (until 8 May 2007)  
Deputy Chairman of the Supervisory Board
- Leo Wallner (as from 8 May 2007)  
Deputy Chairman of the Supervisory Board

Members of the Supervisory Board:

- Günther Chaloupek (until 21 December 2007)
- Erich Hampel
- Othmar Haushofer (until 8 May 2007)
- Franz Herdin (until 8 May 2007)
- Helmut Jonas
- Stephan Koren (until 21 December 2007)
- Alfred Ludwig
- Kurt Meyer (as from 8 May 2007)
- Gerald Neuber
- Gustaf Adolf Neumann (until 8 May 2007)
- Reinhard Ortner (as from 8 May 2007)
- Alfred Pichler (as from 8 May 2007)
- Franz Pinkl (until 8 May 2007)
- Ingrid Pongratz (from 8 May 2007 until 21 December 2007)
- Friedrich Spandl (until 21 December 2007)
- Dietmar Spranz
- Manfred Url
- Matthias Winkler (until 8 May 2007)
- Alexander Wrabetz (as from 1 January 2007)

Members nominated by the Works Council:

- Erich Populorum
- Norbert Eigl
- Edmund Maier
- Emmerich Hager
- Gertrude Kopp
- Gerlinde Wohlauf
- Franz Baumgartner
- Ernst Gyöngyösi

Committee on Current Business Affairs:

- Walter Rothensteiner (Chairman)
- Ewald Nowotny (until 21 December 2007)
- Walter Petrak (until 8 May 2007)

- Leo Wallner (as from 8 May 2007)
- Erich Hampel
- Othmar Haushofer (until 8 May 2007)
- Helmut Jonas
- Stephan Koren (until 21 December 2007)
- Alfred Ludwig
- Kurt Meyer (as from 8 May 2007)
- Gustaf Adolf Neumann (until 8 May 2007)
- Alfred Pichler (as from 8 May 2007)
- Friedrich Spandl (until 21 December 2007)
- Matthias Winkler (until 8 May 2007)
- Alexander Wrabetz (as from 1 January 2007)

Members nominated to the Committee on Current Business Affairs by the Works Council:

- Erich Populorum
- Edmund Maier
- Norbert Eigl
- Emmerich Hager
- Gertrude Kopp

State Commissioners:

- Martin Atzmüller (as from 1 July 2007)
- Otto Stradel (until 30 April 2007)
- Franz Philipp Sutter (as from 1 January 2007)

Management Board:

- Leo Wallner (until 8 May 2007)  
Chairman of the Management Board
- Karl Stoss (as from 8 May 2007)  
Chairman of the Management Board
- Friedrich Stickler  
Deputy Chairman of the Management Board
- Bettina Glatz-Kremsner  
Member of the Management Board

## **THE COMPANY**

### **The legal and socio-political framework**

The business purpose of the Austrian Lotteries was enshrined in the Austrian Games of Chance Act and the legislator's explanatory comments thereto. The most significant objective of the rules governing games of chance in Austria is the protection of players from an excess of supply and untrustworthy providers.

Sec. 14 of the Games of Chance Act (Federal Law Gazette no. 620/1989) describes the requirements to be fulfilled by the licensee for running games of chance. The act i.a. states that the licensee "...shall attain the optimum yield of game-related duties (license fee and betting fee) for the national revenue intake of the federal republic. " Legislation deliberately uses the word "optimum", not "maximum". The criterion underlying such optimisation is the regulatory task fulfilled by the law governing the games of chance sector. The explanatory comments pertaining to the act describe this task as follows:

"...The shift of gaming to illegality observed in states where games of chance are prohibited can be avoided while the state is able to supervise the games thus run on a legal basis. The highest regulatory priority must be the protection of the individual player. "

The optimum yield in terms of game-related duties can only be attained by responsible self-restriction on the part of the Austrian Lotteries. Hence, the range of games and the way management handles operations is supervised by the licensor to conform with its regulatory objectives. On the one hand the licensor guarantees that the existing shareholder structures are monitored, thus preventing the Austrian gaming market from being infiltrated by criminal elements and on the other hand it regulates and approves each new product through the gaming terms.

Limiting the number of licensees to one, the state administration is also able to effectively prevent criminal risks such as fraud and money laundering as the licensee, its business and financial administration are under constant scrutiny under a dense network of monitoring measures. The regulatory, security and fiscal interests of the Austrian federal republic as the holder of the monopoly are thus safeguarded.

By its very nature, competition leads to a battle for market shares. However, in the field of gaming this is tantamount to fuelling the passion for gaming to an unhealthy extent due to out-of-proportion advertising. From the socio-political and regulatory angle, this is not acceptable, and in fact, also for this reason a regulation of gaming by restricting it to games provided by a sole licensee is the optimum solution.

### **Gaming exempted from the Services Directive**

Though harmonisation and liberalisation may play an important role in the European Union. However, it does make sense to review such targets on an area-by-area basis. The prolonged discussion about the scope of the Services Directive thus led to a positive outcome. The European Parliament decided by a clear majority to exempt all "gaming, including lotteries, casinos and betting transactions" from the scope of application of the Services Directive. The EU Ministers of Economic Affairs agreed by a clear majority vote

to exempt all “games of chance, inclusive of lotteries, casinos and betting transactions” from the EU Services Directive’s scope of application. The MEPs reasoned that, due to its special nature, gaming had to be exempted with a view to public order and consumer protection, and this is in conformity with the rulings of the European Court of Justice.

Thus, the European Parliament recognised the significant role which gaming providers under monopolies play for European society as they fund good causes, such as sports and projects in the fields of health, culture, social and environmental matters.

### **European Court of Justice confirms the game of chance monopoly**

With its decision on the “Placanica”<sup>1</sup> case in March 2007, the European Court of Justice consistently continued its previous rulings, insofar as national restrictions of the freedom of establishment and the freedom to provide services in the gambling sector are admissible even to the point of a complete prohibition of games of chance.

The ECJ precisely defines in its “Placanica” decision that licensed companies – i.e. the licensees – and therefore also national monopolies, have to offer “attractive alternatives” to illegal gaming as well as “a broad range of games”, for which purpose also a respective “scope of advertising ” and the “employment of new sales technologies” are admissible. The ECJ also explains that a license system can represent a powerful mechanism of controlling those companies offering their services in the gambling sector chance. The Italian license system examined by the ECJ differs significantly from the Austrian one. Contrary to the Italian regulations, the Austrian regulations, for instance, do not deny companies the right to apply for a game of chance license.

The ECJ clearly denies that holding a license in one member of the EC entitles the license holder to offer games of chance in the entire EC. According to the ECJ’s opinion, national restrictions of the freedom of establishment and the freedom to provide services in the field of games of chance are, among other things, justified for “constringent reasons of public interest”, for the reason of “consumer protection”, the “prevention of fraud” and the “prevention of disturbance of the social order”. Attention has to be paid to the “moral, religious and cultural peculiarities” of a country. In this respect, the national authorities are granted a sufficient “scope of discretion” to establish respective restrictions (from monopoly to prohibition). Moreover, the ECJ shares the opinion that a “controlled expansion of the existing licensed operators in the gaming sector is admissible”.

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<sup>1</sup> Ruling of the European Court of Justice No C-339/04

## **The Importance of the Gaming Monopoly**

Gambling is a fundamental human need. Hence, a general prohibition by regulatory authorities would be ineffective, merely causing illegal offers to thrive. It makes more sense to introduce games whilst keeping them under control and sanctioning illegal practices. This way, needs are satisfied in a controlled way.

The Austrian Games of Chance Act combines the customers' desire for a complex range of games of chance with the necessary regulatory measures to provide protection against compulsive or pathological gaming. It is a major principle not to fully exploit existing market potentials, but to allow for controlled growth of the market instead. In particular, games with a highly addictive potential – especially gaming machines do have such a potential – shall be restricted. If both goals are aimed at simultaneously – the protection of the players by controlling the market and high profits for the state – then the monopoly will yield higher profits for the national budget than a liberalised market could do.

High profits are not only expressed in terms of taxes and duties to be paid, but also by the company's extensive support of the Austrian professional as well as popular sports. The Austrian Lotteries furthermore sponsor with its profits also many social and humanitarian projects as well as art and cultural projects all over Austria.

From its very beginning, the Austrian Lotteries have always fulfilled the legal prerequisite to attain the "optimum yield of game-related duties" for the national revenue intake of the federal republic. This means, it is expressly not the "maximum" yield that is desired from the entire society's point of view (protection of players, regulatory arguments). Together with Casinos Austria, the Austrian Lotteries are the second largest tax payer of the Republic of Austria. Contrary to market participants doing business in liberalised markets, the maximisation of the profits does not represent the primary purpose of the companies

Many governments in Europe aim at controlling the need of the population for games of chance and to protect players from themselves, an excessive number of games on offer and unreliable providers. Channelling the need for gambling in a legal range of games optimised from the regulatory angle is the prerequisite for depriving illegal providers largely of their foothold in the market.

International experience has shown that competition in sensitive areas such as gambling will only lead to bidding policies, a battle for market shares and an unhealthy fuelling of the passion for gaming due to out-of-proportion advertising. Advertising pressure on the consumer can only be kept at an optimum and socio-politically acceptable level in a system where the gaming sector is subject to a monopoly.

To rule out illegal gaming in all parts of the population to the greatest possible extent, legal offers have to be developed for all potential target groups. The order of the day, motivated by regulatory considerations, is to cover the entire market and not to be active in the most attractive segments only with profit in mind.

The gaming sector is particularly endangered by the threatening infiltration of organised crime and fraudulent activities, especially as regards money laundering. Thus there is a

specific need for the state to provide a legal framework that guarantees sufficient control to combat these problems.

The Institute for Higher Studies (IHS), mandated by the Austrian Lotteries, carried out an economic analysis of the games of chance monopoly in Austria: The second part of this study deals with the legal aspects of this monopoly.

Bernhard Felderer and Gerhard Stejcek, who held primary responsibility for this study, came to the following results:

- According to the provisions of the Austrian Game of Chance Act, priority had to be given to the customer protection against dubious offers and against the dangers of gambling addiction.
- A nationwide, socially equitable and reliable offer helps the state in meeting the existing demand.
- The strict regulations imposed on the licensee by the Austrian Game of Chance Act help pushing back criminal practices.
- A liberal and open gaming market would give rise to pressure of competition, subsequently leading to increased advertising and a fuelling of the passion for gaming. The Austrian Lotteries can serve as an example that, for regulatory considerations, a sole licensee does not fully exploit the market potential.
- The license fees and the betting fees are used for sports funding and – via the overall budget – for the support of various activities serving the public good.
- In a market, liberalised on an EC-wide basis, the game-related duties would drain off into the other countries, since bigger markets with higher winning prospects are more attractive for the players. In addition to that, the providers would move off into countries with lower tax burdens. Since Austria is a small market with a comparably high tax on games of chance, considerable losses of market shares and game-related duties would have to be expected.
- The performance of games of chance, particularly in the lotteries sector, brings about considerable effects in terms of employment. The Austrian Lotteries cooperate with 3,910 retail partners, among them 2,423 tobacco shops where often handicapped people are employed. When concluding license agreements, the Austrian Games of Chance Act stipulates that preference has to be given to those tobacco shops where handicapped people are employed.
- On a liberalised market an adequate supply of the population with legal gaming products that covers the entire area would not be guaranteed. Enterprises, having only their profit in mind, would concentrate on locations which could be operated in an at least cost-covering way. Players thus excluded from legal games of chance would thus only have the possibility to switch over to illegal gambling.

- The European Community provides for a free capital flow among its member states. Even though the transfer of bets to foreign providers is actually illegal, this prohibition, however, is in fact hardly ever executed. Necessary controlling measures will need to be considered, though.

### **No legal constraint for liberalisation**

- There is no necessity to open the game of chance market on the grounds of legal considerations. Neither a national nor an international court has so far basically questioned the Austrian game of chance monopoly. Contrary to all these repeated false assertions, the European Court of Justice has never judged a national game of chance or betting service monopoly as being in conflict with the European Community legislation. Therefore will be no problem if Austria limits the access to its market in the gaming sector for regulatory considerations.
- Even if tax reasons alone would not justify the maintenance of the monopoly from a legal point of view, they still represent an additional legal ground to speak up for the maintenance of the monopoly. No Austrian politician acting responsibly can give away 2 percent of the budget with a clear conscience and without having to explain to the next generation why he did that without – as we saw – legal constraint to do so.

The studies confirm that a liberalisation of the game of chance market would entail economic disadvantages and social problems such as the fuelling of game addiction.

It has repeatedly been purported that the game of chance monopoly would cause the Republic of Austria to lose tax revenues. Such allegation, however, lacks any factual basis. Such allegations are always based on the alleged existence of an enormous, illegal game of chance market and it is hence demanded to legalise this potential so that it could be taxed accordingly. And in fact, the internet provides a lot of websites offering games of chance, which are not offered and must not be used according to Austrian legislation. It would, however, be naïve to believe that these providers would submit to the Austrian rules and regulations concerning the protection of players, the age and access restriction or would be willing to comply with the Austrian tax regulations.

## **Our understanding of sustainability**

Corporate Social Responsibility is a *concept* which provides a basis for the Austrian Lotteries to incorporate social, *economic* and environmental concerns on a voluntary basis in their activities as entrepreneur and in their business relations with their partners. Acting in a socially and ecologically responsible way does not only mean to comply with the statutory regulations, but, moreover, to increasingly invest in the relationship with stakeholders. This attitude requires a company management aware of its responsibility in social, ecological and economical respect that actually comprises the entirety of the company's operations.

The Austrian Lotteries have always taken their responsibility very seriously. However, they are convinced that beyond their current focus on "Responsible Gaming" further improvements are still possible which will have an impact on all of the company's sectors. In 2007 a sustainability project was launched which should provide organisational guidance for the process. It resulted in the Sustainability Report 2007, which documents sustainable performances and achievements and contains defined targets and measures for the coming years. The report was drawn up according to the guidelines of the "Global Reporting Initiative" organisation, which has been providing its services independently and on an international basis since 1997. Sustainability reports drawn up according to this internationally accepted and standardised GRI-guideline enable a comparison of the companies' performances and achievements in the social, the ecological and in the economic field.

## Responsible Gaming

As a responsible provider of games of chance, the Austrian Lotteries have from the very beginning sought to counteract potential problems. To keep the "game factor" in games of chance, the Austrian Lotteries feel obliged to make it possible for players to adhere to the principle of moderation by self-restriction.

A special department is in charge of "Responsible Gaming". For many years this department has been dealing with this subject and has co-operated with university institutions and counselling services. Executives and those in touch with customers attend regular continuing professional education workshops specially conceived for them, at which they are trained by experts from Austria and abroad. However, the department also offers advice and help to players with problem gambling behaviour.

### Responsible Gaming Academy

April 2007 saw the fourth occasion on which the Responsible Gaming Academy was held at Studio 44 hall of the Austrian Lotteries. The target group for this event included employees of the Austrian Lotteries, Casinos Austria, WINWIN and tipp3. Speakers<sup>2</sup> at the Third Responsible Gaming Academy were:

- Jeffrey L. Derevensky, who gave a paper on "Youth gambling: Is it a problem?"
- Herbert Beck and Doris Malischnig on the project: "RISK! Risk and Self-experience"
- Robert Ladouceur on "The Essential of Excessive Gambling and Living Close to a Gambler"
- Michael Lehofer on "Inner Emptiness and Vulnerability as a Source of Addictive Behaviour"
- And Thomas Nilsson on "Gambling Prevention at Svenska Spel. A Swedish Model"

In addition to that, the employees were offered the possibility to discuss current topics and problems with these experts on the occasion of workshops.

The fact that Internet access is easy and widely available has always been a caused for debate among experts. Youth protection and effective control of online-game access are a major challenge. The Austrian Lotteries and Casinos Austria have paid heightened attention to these issues from the very beginning. Appropriate measures have been in place since the gaming platform win2day.at and the video lottery terminals with WINWIN were launched.

### Responsible gaming and the retail partners

Within the framework of education and training for the new online-terminals all the retail partners also receive information on Responsible Gaming.

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<sup>2</sup> Jeffrey DEREVENSKY, McGill University, Montreal, Canada  
Robert LADOUCEUR, Université Laval, Quebec City, Canada  
Michael LEHOFER, Universität Graz, Austria  
Thomas NILSSON, „Spelinstitutet“, Pitea, Sweden

Additionally, all retail partners were supplied with the folder "Responsible Gaming. Information on the risk of gambling and on the prevention of addictive gambling". This folder is available free of charge for every customer.

The Deputy CEO of the Austrian Lotteries, Friedrich Stickler, was awarded the title "Responsible Manager of the Year 2006" in the category "Public Interest" on 27 March 2007. The award was presented to him by Barbara Prammer, President of the National Council, for his achievement of establishing extensive responsible management far beyond pure business aspects in the Austrian Lotteries, which reaches far beyond the original business and core purpose of the company.

## Responsible Advertising

All governments in Europe aim at channelling the population's play instinct in a controlled way and at protecting players.

Legislators contemplated a total prohibition of gambling as a desirable state but found that the play instinct immanent in human beings cannot be entirely repressed so that a high risk of recourse to illegal offers might ensue. For this reason, a strict system of prohibitions with exemptions for state-licensed providers subject to special requirements was created.

Control of the gaming market by channelling consumer needs towards a range of offers optimised from the regulatory perspective can only be successful if consumers feel that legal offers are better in quality. In market economies there is competition between legal products and a wide variety of products without a domestic license. As players are in fact (though not legally) free to choose, it is important to focus their attention on legal games.

For years, the Austrian Lotteries have adhered to the principles of "Responsible Advertising", which means advertising in an informative way while by no means obscuring the facts. This is what persuasive advertising does. The fundamental need to play is not stimulated excessively, and kept within limits that are acceptable from a regulatory point of view. For example, it can indicate that one is not buying a sure win at low cost but the opportunity to purchase a dream. This is the advertising pitch which the Austrian Lotteries have used for Lotto, its biggest-selling product, for many years, and it can definitely be considered a case in point for successful advertising. As for the second top seller, scratch-off tickets, again it is not the money that is in the focus of the campaign but the kick one gets out of scratching the ticket and the little boost of joy for life that follows.

### Optimum Advertising Pressure

Optimum advertising pressure is of crucial importance when entrepreneurial and socio-political objectives are to be reached. Austria is a case in point when it comes to showing that restrictive governmental licensing is the best way of regulating the gaming market in a responsible way. Advertising pressure can be handled best in a system with state-run gaming or single licensees, thus the endeavours of legislators to avoid fuelling the passion for gambling can be implemented best in an environment of stiff competition.

Bearing in mind their obligation to restrict themselves in a responsible way, the Austrian Lotteries have always advocated developing and implementing their advertising strategies voluntarily based on high ethical standards.

### Fundamental principles of advertising messages

- Legal, decent, honest and true
- Winning is exclusively a matter of luck
- Playing the lottery is not an alternative to working
- Playing the lottery is not a way out of financial dire straits
- Children and adolescents are no target groups for advertising

## **Sports Promotion and Sponsoring and Support via the Media**

Lotteries and sports have always been closely linked to each other in Europe. Football is the foundation of the Toto football pools, lotteries make important contributions to promoting sports. In Austria sports promotion as enshrined in the Austrian Games of Chance Act is a significant contribution to funding sports activities.

With their sports promotion, the Austrian Lotteries make an essential contribution to the funding of sports activities, especially to the funding of mass sports, a matter of particularly high socio-political importance in Austria. If funding were limited or withdrawn, the voluntary functionaries of sports clubs and associations, would be deprived of the financial basis for their work. As a consequence, diversity and scope in sports would be lost and not-for-profit activities would be jeopardised.

### **Sports Promotion in Europe**

Earmarked funds for sports from the earnings generated under games of chance monopolies in Europe create a considerable amount of employment and added value. The games of chance market thus provides an important impulse to sports as a market with a high potential for added value generation.

On a Europe-wide basis, roughly 16 billion euros annually are contributed to the national budgets, and about 13 per cent thereof are used for the benefit of sports promotion. In absolute figures this means that more than 2 billion euros are made available for sports – for top athletes and mass sports, and thus indirectly for health.

### **For the Future of Sports**

In 1948 the Austrian National Council adopted the Football Pools Act, the legal basis for the introduction of football pools in Austria. In 1949 the football pools were launched to raise funds for the revival of Austrian sports after World War II.

To ensure the financial basis of sports promotion, appropriate provisions relating to annual payments on the basis of taxes from lotto and football pools were added to the Games of Chance Act when lotto was introduced and the football pools were taken over by the Austrian Lotteries in 1986.

When the Games of Chance Act was again amended in 1989, sec. 20 stipulating fixed support payments was introduced. In the course of numerous further amendments of the provision, it was eventually decided that sports organisations would receive a certain percentage from the annual proceeds of sales, subject to a maximum threshold.

In the latest amendment of the Games of Chance Act of 10 December 2004, it was resolved that 3% of the annual sales proceeds of the Austrian Lotteries would be earmarked for the promotion of sports as from 1 January 2005. The annual minimum is now 40 million euro whereas the maximum threshold was dropped so that funding in support of sports from the budget is increased further.

## **Sports Promotion 2007**

In 2007 the Austrian sports world obtained EUR 61,226,367.-. Since 1986 the sum total of sports funding under the Games of Chances Act has amounted to more than 696.73 million euro. The funds are managed by the Austrian Federal Sports Organisation and distributed according to a special ratio formula. Thus, the financial basis of many sports federations and associations in all of Austria is safeguarded.

## **Promotion for Up-and-Coming Players**

By supporting many projects for young football players, the Austrian Lotteries contribute to the future of football in Austria.

Projects for up-and-coming players 2007

- the Toto Youth League saw its 18<sup>th</sup> championship
- the 19<sup>th</sup> International Youth Toto Cup was organised. Austria's Under-19 team won the tournament.
- "Challenge 2008" fostering Austrian talents with a view to the European Football Championships 2008

## **Sponsoring**

The Austrian Lotteries consider it part of the social responsibility to contribute to good causes – societally recognised and desirable projects. Under the motto "Making much materialise..." they again contributed substantially to the funding of numerous projects with a major non-profit aspect in the fields of environment and nature, health, humanitarian causes, sports, art and culture, youth promotion, economics, science and research in 2007.

## **Support via the media**

Support via the media represents a very particular form of sponsoring. Until 1986 a number of organisations like the Austrian Child Aid Foundation, the Sport Aid Foundation or the Austrian Senior Citizens' Aid Foundation had generated their funds, apart from donations, by organising number lotteries with non-cash prizes. However, Lotto "6 out of 45", which was introduced in September 1986, turned out a superior competitor so that the Austrian Lotteries agreed to cover the financial needs of the Austrian Child Aid Foundation, the Austrian Senior Citizens' Aid Foundation and the Austrian Sport Aid Foundation.

Also in the previous year, the Austrian Lotteries concluded agreements with numerous partners in the media and with non-profit-organisations on the general support via the media.

In total, 2.8 million euro of sponsoring funds were made available. Together with the Austria sports promotion as enshrined in the Austrian Games of Chance Act (an amount of 61.23 million euro in 2007) and the support via the media (an amount of 23.4 million euro in 2007) the total sponsoring amount sums up to 87.4 million euro.

## **Safety and Security**

Safety and security are tremendously important to the Austrian Lotteries. Although chance may play a major role in its business activities, nothing is left to chance when it comes to safety and security.

Safety and security are also enshrined in the mission statement of the Austrian Lotteries, and along with trustworthiness in games handling, they are central to the corporate philosophy of the Austrian lottery company. In keeping with these principles, the range of games is continuously improved.

Information security at the highest level

The security structure and security measures implemented were first certified in accordance with the Security and Control Standard of the World Lottery Association (WLA) by an international certification body in 2004. These internationally accepted standards apply to the operational security in the provision of games of chance. This security standard was largely revised in 2006 and the new ISO Standard 27001 on information security was integrated.

In 2007, the Austrian Lotteries were re-certified according to the latest standards. During this procedure attention was paid to the fact that the implementation of the Information Security Management System (ISMS) is ensured as part of the overall management system.

In doing so, the ISMS was enshrined as part of the overall management system and the Austrian Lotteries thus again manifested their reputation as a responsibly acting company for whom reliability and absolute security represent concerns of central importance..

The certification is a "quality seal", valid for the duration of three years. The next re-certification will take place in 2010. By then, adherence to the standards shall be audited annually.

Already years ago, the Austrian Lotteries have taken the line of implementing a complex and integrated security concept in order to ensure availability, integrity and confidentiality of its business processes and systems.

A trans-divisional Security Committee ensures that the safety and security guidelines are adhered to and that the security standards implemented in the company are continuously improved.

The safety and security policy of the company governs the following areas within the wider corporate goals:

- safeguarding the secure handling of all games and the significant business processes going beyond this, with a view of propriety and continuity.

- a guarantee that each player has the same chances to win and that manipulations of any kind – specially in respect of participation in games, draws and determination of winnings – are prevented.
- ensuring the correct handling of confidential data, adherence to the Data Protection Act and other legal provisions.
- ensuring that staff is safe from threats during operations.

Responsible and competent employees constitute the potential which secures a company's position and development in the market. But competency does not grow by itself. It has to be developed in a sustainable and efficient way. This can be done by means of various qualification measures and teaching methods.

In February 2007, "e-learning" was introduced as an option to educate and train employees in a flexible manner. Through the employment of various media such as pictures, video, sound, animated pictures and text, different types of learners are addressed and reached. The contents of these lessons can be repeated as often as desired, and when and where to study is left to the learner's sole discretion. Apart from that, content is guaranteed to be up-to-the-minute. So far, e-learning has been employed for teaching the following six modules: password security, malware, e-mail security, Internet security, social engineering and mobile security.

#### Data protection

In the handling of data it is a guiding principle of the Austrian Lotteries to take the wishes of potential and existing customers into account in respect of privacy and data protection. Special requirements regarding the protection of data, such as the general admissibility of all data processing systems, the earmarking of data collections and the demand for transparency raised by those concerned are fully taken into consideration by the company. Although there are no legal obligations for Austrian companies to provide for an employee acting as the company's data protection representative, the Austrian Lotteries have long appointed an employee whose main responsibility it is to deal with these issues. He helps in combining our customers' justified desires for protection of their privacy with the company's needs for customer-oriented marketing. It goes without saying that the principles of data protection are also essentially important when handling the employees' personal data. Here, the same principles as in dealing with personal data of customers apply.

#### Health and safety at work

The legal requirements concerning health and safety at work, fire safety and waste management form the basis of measures in place at the Austrian Lotteries. Additional action beyond what is required by law is taken whenever it seems useful for the health and safety of employees.

Aspects of health and safety at work in the company are based on the principle "safe & healthy – healthy & safe". The Austrian Lotteries feel that they should be up to their own discerning quality standards in this field, too. Numerous measures such as training events and courses, continuous engagement with labour protection issues as well as the support of an industrial physician guarantee a high level of protection.

Apart from superiors and works council members, staff may also address their concerns in the context of work to the safety and security expert, the industrial physician or the safety and security ombudsperson.

## **Staff**

The motto "Responsible Gaming" is also reflected in the human resource policy of the Austrian Lotteries.

"Work-life balance" is the keyword describing the relationship between working and private life. The two spheres of life should complement, not compete with each other. A balanced relationship is of tantamount importance for the health and well-being of employees. For the Austrian Lotteries, responsibility for a sound work-life balance is not only a matter of the individual employee alone. For many years, the company has fostered each individual employee's work-life balance by employee- and family-friendly corporate policies. At the same time, the Austrian Lotteries seek to strengthen employee empowerment and bring employee interests in line with corporate interests so as to create a win-win situation.

For the Austrian Lotteries the entry of new employees into the company represents a phase of great significance. Therefore, they invest a lot into their training and integration. All new employees take part in the in-house basic instruction programme, aimed at providing easy access to their special field of activity, getting to know the company better and thus promoting their social integration in the company.

Employees of the Austrian Lotteries are also supported by means of flexible working hours, flexitime without core times, part-time work, telework, special arrangements for older workers and parents as well as sabbaticals.

Personnel and executive development is an important sector within the Austrian Lotteries. It is oriented towards the objectives of the company, the individual requirements of the job concerned and the needs of the employees. Self-empowerment, entrepreneurial integrated thinking and acting, co-operation and initiative are fostered by target-group specific continuing education and training programmes in keeping with needs.

By in-house recruiting committed employees are given opportunities of developing horizontally and vertically, which contributes to keeping know-how and innovative force in the company.

The annual appraisal talks are geared to counselling and advancement. They primarily serve the purpose of supporting direct relations between superiors and employees. Executives and staff may agree on objectives and tasks, and identify individual development needs. Moreover, these one-on-one meetings enhance the fulfilment of obligations, trust and orientation.

The focal concerns of personnel development are the advancement of employees, the development of their skills and experiences, assignment to a position where they can bring their capabilities to bear in an optimum way, by designing in a targeted way the learning, and the development and change processes that serve the corporate goals and strategies.

In August 2007, the new IntraNet portal of the Austrian Lotteries was introduced; it enables the company's employees to retrieve up-to-date information for their daily work. The weekly newsletter keeps the entire staff informed on current affairs.

As per 31 December 2007 the Austrian Lotteries employed 474 persons, 401 of whom worked full time, and 73 part time. This corresponds to 444.18 employees in terms of full-time equivalents.

## Distribution

All activities of the Austrian Lotteries are co-ordinated with field staff, and subsequently, measures are devised to ensure the optimal implementation of the marketing activities. In 2007 two national conferences were organised for the presentation of strategies, projects and promotional activities. These were complemented by numerous regional meetings organised by the regional field staff managers.

Equipping the retail partners with the new online terminal KeWin Multimedia was a focus of last year's education and training programme for the retail partners/ticket agents. The education and training programme was developed by the field staff and carried out by the area managers responsible. The education and the installation plan were closely linked to each other and co-ordinated in a way that the person in charge at the retail partner's end was trained to use the new KeWin Multimedia terminal one week prior to its installation. In the course of these training events the participants received special information from the Austrian Lotteries on "Responsible Gaming" as well as a certificate for having successfully attended this training event. By the end of 2007, 1,933 certificates had been issued. In the future, employees of the sales outlets and ticket agents will be able to call up information on "Responsible Gaming" also from the new KeWin Multimedia terminal.

In 2007 561 training events were held and attended by a total of 3,255 sales agents. In each of these training events agents are reminded of their obligation of adhering to the legislation governing the legal capacity of minors. No EuroBons (prepaid vouchers for win2day.at) must be sold to young people under the age of 18.

### The Distribution Network

By the end of 2007 the distribution network of the Austrian Lotteries comprised 3,894 retail partners offering lotto "6 out of 45", the football pools, goal bet, extra football pools and extra goal bet, Bingo, EuroMillionen, Joker, ToiToiToi, lotto 1-90, break-open tickets, scratch-off tickets and the EuroBon prepaid vouchers for win2day.at. Thus, the network ensures one retailer for an average 2,127 inhabitants.

### The Network of Retail Partners in 2007:

Business lines	Number	%
Tobacco shops	2,436	62.56%
Lotto agents	64	1.64%
Post offices	200	5.14%
Food retailers	498	12.79%
Chain stores	10	0.26%
Banks	259	6.65%
Filling stations	57	1.46%
Others	370	9.50%
Total	3,894	100.00%

In 2007 the average sales volume per retailer was 218,333.00 euro for ticket-based games. The commissions for lotto "6 out of 45", football pools, goal bet, extra football

pools, extra goal bet, Bingo, EuroMillionen, Joker and lotto 1-90, ToiToiToi as well as pre-paid vouchers for win2day.at amounted to more than 64.5 million euro in the past business year, an average of 16,564.00 euro per retailer.

Distribution network for scratch-off tickets in 2006:

Business lines	Number	%
Tobacco shops	2,795	40.68%
Lotto agents	64	0.93%
Post offices	1,308	19.04%
Food retailers	824	11.99%
Chain stores	76	1.11%
Banks	207	3.01%
Filling stations	1,000	14.55%
Others	597	8.69%
Total	6,871	100.00%

Distribution network for break-open tickets in 2006:

Business lines	Total	%
Tobacco shops	2,792	40.17%
Lotto agents	61	0.88%
Post offices	1,308	18.82%
Food retailers	823	11.84%
Chain stores	174	2.50%
Banks	199	2.86%
Filling stations	997	14.35%
Others	596	8.58%
Total	6,950	100.00%

At year-end the distribution network for scratch-off tickets comprised 6,871 outlets, the break-open ticket network consisted of 6,950 outlets, so there is one scratch-off ticket retailer for every 1,205 inhabitants and one break-open ticket retailer for every 1,192 inhabitants.

In 2007 the average sales volume was 18,062.00 euro per scratch-off ticket retailer and 3,470.00 euro per break-open ticket retailer. The commission for scratch-off and break-open tickets amounted to a total of roughly 12.1 million euro, an average of 1,353.00 euro per scratch-off ticket retailer and 411.00 euro break-open ticket retailer.

Due to their commitment in the past business year, the retail partners and ticket agents of the Austrian Lotteries have contributed considerably to the Austrian Lotteries' success of the past business year. Thus, the Management Board of the Austrian Lotteries would like to express its sincere thanks to all retail partners, their professional representative bodies and employees, and hopes that this outstanding partnership will continue in the future.

## Technological Developments

Project work in the past year was characterised by the planning and implementation of innovative projects, an extension of the range of games and Internet activities.

The new online system

A project engaging with a re-design of the entire online infrastructure of the Austrian Lotteries was launched as early as in 2005. The project was effected in three sub-projects focussing on the following subjects: "New Terminal Link", "New Online Terminals" and "New Transaction Systems".

The link of the new terminals to the two Austrian Lotteries data centres is unique in all of Europe: it runs on a redundant system, which means that in addition to the land-line link there is a back-up radio link to ensure data connection. A load-balancing system of the land-line provider as well as of the mobile radio provides for an optimum utilisation of both data centres of the Austrian Lotteries. Thus the highest possible availability rate and the maximum in failsafe operations is guaranteed. For the land-line link the Austrian Lotteries chose Telekom Austria which provides the required bandwidth for data transfer on ADSL basis. For the mobile radio link T-Mobile was awarded with the contract. The decision was based on aspects of infrastructure which is largely independent from the land-line provider Telekom Austria as well as its vast area of supply.

The new terminal is produced by a high tech company from Linz, KEBA. As with the previous terminals, KEBA again succeeded to stand its ground against its international competitors. An external expert's opinion, drawn up by A-SIT, the centre for secure information technology, states that KEBA's terminal fulfils the requirements of the Austrian Lotteries best. Both hardware and software are state-of-the-art. It disposes of a sustainable architecture with lots of interfaces, extensive processing power and a large data carrier. The terminal is almost noiseless, particularly due to the fact that its optimised design allows for a single-fan cooling unit. The new terminal operates with a barcode reader and is also equipped with a branding module which enables the branding of receipts. If a receipt showing winnings payable on the spot is read in, it is print-marked with the sentence "winning(s) paid out in cash".

Based on the existing know-how, a completely new central transaction with up-to-date software architecture was designed. This system as well as the software for the new terminal were developed at the Austrian Lotteries'.

The first of the new online terminals successfully started its test run on Monday, 21 May 2007.

On 22 October 2007 the equipping of all retail shops with the new terminals started. Every week about 150 terminals were installed. By the end of 2007 one third of the roughly 4,000 retail partners were equipped with the new terminal, by spring 2008 the equipment of all retail partners is scheduled to be completed.

About 30 percent of all employees of the Austrian Lotteries, i.e. approximately 150 persons, are involved in the project "New Online System". The time expenditure required for the implementation of this project is roughly 50 man-years.

The investment volume for the new online system amounts to about 21.3 mill. euro. With KEBA, Telekom Austria and T-Mobile it is exclusively Austrian enterprises which profit from these investments.

Approximately 50 employees of KEBA are occupied in the development and the production of the terminals while some 150 technicians of Telekom Austria instal them all over Austria.

The new online system is an investment in the future. The Austrian Lotteries thus once again live up to their reputation of being one of the most up-to-date game of chance enterprises of the world particularly when it comes to state-of-the-art- gaming technologies. The company thus emphasises its leading role in the development of new ideas, techniques and products.

win2day.at

The range of games available on win2day.at was further developed also in 2007, while taking into account the principles of "Responsible Gaming". The slot machines "Robbie Rich" and "Pirates Bay", the video poker game "Lucky Joker" and "Joker and Kings" as well as the multi player variation of the card game "Tropical Stud Poker" have been added to the range of casino games. Furthermore, the Video Poker Jackpot has been introduced, being is a common jackpot for all video poker games. In addition, the Draw Poker game was relaunched. The range of mobile phone games was expanded by "Lucky Joker" as mobile Java game. In October 2007 the entire range of ticket-based games was completely re-designed, based on the new game technology "Flash". Since 2007 Master Card and Visa without securecode or 3D-secure have been added to the list of payment modes available to players for their payments.

In 2007 a separate project was developed for the introduction of the virtual poker room on win2day.at. In this sector the Austrian Lotteries and Casinos Austria have pooled the most extensive know-how. Casinos Austria offers poker games in all twelve Austrian casinos and the Austrian Lotteries can look back on 10 years of experience in the field of Internet-based games of chance. As regards the virtual poker room, win2day.at co-operates with the Swedish Lottery provider Svenska Spel and the Swedish developer of game software, BossMedia. When one enters the virtual poker room on win2day.at, the two game variations "Texas Hold'em" and "Five Card Draw" will be offered.

### **Co-operation within the Group**

When Casinos Austria took over the Austrian Lotteries' shares from BAWAG-P.S.K., the two companies Austrian Lotteries and Casinos Austria moved together even more closely. The two companies co-operate within the group in order to strengthen their position in the Austrian gaming market. The fact that the two companies share not only the same CEO but also the same heads of departments in Responsible Gaming, IT, internal revision and communication, can be seen as first consequences of this process.

A time-tested team of multi-project and information managers provides services and consultancy to the large-scale project. All ongoing projects in the group are combined in a portfolio offering valuable grounds for decision-making in top management and among project managers. The accurate settlement of fees for mutual services rendered by affiliated companies is ensured by strict plausibility control.

Important information and ongoing issues from the group of co-operating enterprises are reported to staff on shared Intranet pages and at joint events.

## **Participations**

### **Österreichische Sportwetten Gesellschaft m.b.H.**

The sportsbook company Österreichische Sportwetten Gesellschaft was founded in April 2000. It is a subsidiary of Entertainment Glücks- und Unterhaltungsspiel Gesellschaft m.b.H. (50% of which are each owned by the Austrian Lotteries and Casinos Austria AG), Mediaprint Zeitungs- und Zeitschriftenverlag Gesellschaft m.b.H. & Co KG Kommanditgesellschaft (owning the daily papers Kurier and Kronen Zeitung), as well as Bundesländerverlage Beteiligungsgesellschaft m.b.H. (owning the papers Kleine Zeitung, Oberösterreichische Nachrichten, Salzburger Nachrichten, Tiroler Tageszeitung and Vorarlberger Nachrichten). Entertainment Glücks- und Unterhaltungsspiel Gesellschaft m.b.H. holds a 56% interest in the sportsbook company, Mediaprint has a share of 26%, Bundesländerverlage holds 18%.

This way, up-to-date information on betting events are readily available to punters and the daily papers are able to strengthen reader loyalty. Up to ten accumulated sports bets on an odds basis are not subject to the games of chance monopoly in Austria. Licenses for sports betting are issued by the individual provinces of Austria on the basis of their laws. Österreichische Sportwetten Gesellschaft obtained these licenses in all nine provinces.

Due to its high seriousness, reliability and competence, tipp3 has established itself as THE Austrian sport betting product.

2007 sales of tipp3 amounted to 48.55 million euro.

### **Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H. and Glücks- und Unterhaltungsspiel Betriebsgesellschaft m.b.H. Ebreichsdorf**

These two companies are subsidiaries of Entertainment Glücks- und Unterhaltungsspielgesellschaft m.b.H. in which the Austrian Lotteries and Casinos Austria hold a share of 50% each.

The purpose of the two companies is the operation of video lottery terminals. Whilst they look like classic slot machines, the gaming mechanics are different; the video lottery terminals offer electronic lotteries, which under sec. 12a of the Austrian Games of Chance Act are defined as gaming contracts entered into via electronic media. The decision about winning or losing is brought about centrally.

The brand name for the video lottery terminals is WINWIN. They are a combination of gaming, entertainment and hospitality, thus reaching a new customer segment.

## **win2day Betriebs- und Entwicklungsgesellschaft m.b.H.**

The year 2004 saw the formation of win2day Betriebs- und Entwicklungsgesellschaft m.b.H., a subsidiary of Entertainment Glücks- und Unterhaltungsspielgesellschaft m.b.H., in which the Austrian Lotteries and Casinos Austria hold a share of 50% each.

Its purpose is the development and operation of electronic lotteries offered on win2day.at, the joint gaming platform of the Austrian Lotteries and Casinos Austria. The electronic lotteries on win2day.at are games embedded in a multi-channel platform with an integrated wallet function so as to enable gaming via the Internet. Sec. 12a of the Austrian Games of Chance Act stipulates that electronic lotteries are games based on a contract concluded via electronic media. The decision as to who loses and who wins how much is taken centrally. Immediately after participating in the game, the player will obtain information on that decision.

win2day.at combines the technological implementation of Internet and mobile telephony. Players access the same electronic games with a uniform brand get-up, no matter which transmission medium and terminal equipment they use. Internet or mobile phone – win2day.at is the uniform umbrella for the range of games and information. In the past year the following games were added to the range of casino games on win2day.at: Lucky Joker, Robbie Rich, Multiplayer Tropical Stud Poker, the Video Poker Jackpot, Joker and Kings, Pirates Bay, Easy Hold'em Poker and Lucky Joker as mobile Java game. Draw Poker was subjected to a relaunch. Another main focus were the developments for the introduction of the virtual poker room on win2day.at.

## **THE GAMES**

In September 1986 lotto „6 out of 45“ was introduced in Austria and the operation of the Toto football pools was taken over by the Austrian Games of Chance Monopoly Administration. In 1988 the additional options Joker and goal bet followed. In 1990 the Austrian Lotteries were entrusted with the distribution and management of break-open tickets, the numbers pool 1-90 and the Austrian Class Lottery. In February 1995 scratch-off tickets were introduced, and since 1998 players have been able to use the Internet games of the Austrian Lotteries. On 8 November 1999 Bingo was launched, win2day.at started on 20 February 2003. ToiToiToi was first brought to the market on 3 March 2003. Since 2 October 2004 players can try their hand at EuroMillionen, the European lottery. The first WINWIN location opened in May 2004.

### **Advertisement Award “Goldene Werbetrommel” for the Lotteries’ television commercial “dog”**

At the “Top Spot Gala” for best advertisement of the year the Austrian Lotteries won the first prize received the “Goldenen Werbetrommel”, i.e. the highest award for its lotto “6 aus 45” television commercial “dog”, created by the advertising agency Lowe GGK. For the Austrian Lotteries it is their first golden award in this competition, so their it was only natural that they received it with great joy: “We take particular pride in the fact that this prize was awarded to us by the audience and thus by our customers, because it is the proof that our advertising pitch is pure gold – literally speaking”, says Friedrich Stickler, vice president of the Austrian Lotteries. “We don’t indicate to our players that they are buying a sure win at low cost but that they have the opportunity to purchase a dream. It is not the money that is in the focus of the campaign but the personal sensation of happiness and the joy for life. That’s what we try to convey, together with our advertising agency Lowe GGK, in a likeable and entertaining way.”

## Lotto "6 out of 45"

The communication strategy of lotto "6 out of 45" focuses on the dream of becoming a millionaire, just by means of a low stake and with a bit of luck. The marketing strategy "Anything's possible" is a result of this approach.

The formula "6 out of 45" is tailored to fit the gaming patterns of the Austrians and implies a small number of maximum prizes, attractive mid-tier prizes and a high number of low-tier prizes.

The formula "6 out of 45" comes with the following winning probabilities:

<u>six correct numbers</u>	<u>1 : 8.145.060</u>
<u>five correct numbers + bonus number</u>	<u>1 : 1.357.510</u>
<u>five correct numbers</u>	<u>1 : 35.724</u>
<u>four correct numbers</u>	<u>1 : 733</u>
<u>three correct numbers</u>	<u>1 : 45</u>

The individual prize categories are calculated according to the following formula:

<u>1st category (six correct numbers)</u>	<u>42%</u>
<u>2nd category (five correct numbers + bonus number)</u>	<u>8%</u>
<u>3rd category (five correct numbers)</u>	<u>9%</u>
<u>4th category (four correct numbers)</u>	<u>16%</u>
<u>5th category (three correct numbers)</u>	<u>25%</u>

### Prizes

Last year more than 14.55 million single prizes with a total prize sum of 224.94 million euro were won. 81 players bet on "six correct numbers" in 2007. The highest prize for six correct was won by an Viennese player in calendar week 35 (more than 6.6 million euro). The year saw 29 single jackpots, 12 double jackpots, 6 triple jackpots and 2 quadruple jackpots.

## Football Pools and Goal Bet

Football pools and goal bet are based on the correct prediction of football results. In both games expert knowledge and experience increase the chances of winning. A football pools round, consisting of twelve games, is played each weekend. To win in the football pools, the result of each game must be predicted.

Only three results are possible:

Row 1 stands for the victory of the home team.

Row 2 stands for the victory of the guests.

Row X stands for a draw.

Ten and more correct predictions win a prize.

The aim of the goal bet is to predict the results of the first four matches of a football pools round. Players may participate only if they also hand in at least one football pools bet.

The probability of winning the football pools is:

<u>Twelve correct rows</u>	<u>1 : 531.441</u>
<u>Eleven correct rows</u>	<u>1 : 22.143</u>
<u>Ten correct rows</u>	<u>1 : 2.013</u>

The individual prize categories are calculated according to the following formula:

Football pools:

<u>1st category (twelve correct rows)</u>	<u>50%</u>
<u>2nd category (eleven correct rows)</u>	<u>25%</u>
<u>3rd category (ten correct rows)</u>	<u>25%</u>

Goal bet:

<u>1st category (four correct results)</u>	<u>60%</u>
<u>2nd category (three correct results)</u>	<u>30%</u>
<u>"Hatrick"</u>	<u>10%</u>

The "hatrick" provides an additional chance of winning without an additional stake if twelve correct predictions in the football pools and four correct predictions in the goal bet are stated on one ticket.

### Extra Football Pools

The extra football pools rounds during the week are an addition to the regular weekend football pools. In 2006 the programme comprised European Cup matches and qualifying matches for the World Championship as well as weekday matches of the English, German and Austrian premier leagues. In this way players are offered additional chances of winning. In 2007 39 extra football pools rounds were organised.

## Prizes

In 2007 more than 164,300 individual football pools, extra football pools, goal bet and extra goal bet prizes were paid out, amounting to a total prize sum of 5.41 million euro.

In total, twelve correct rows in the football pools and extra football pools were attained 1,288 times. In round 4, the highest prize of the year for twelve correct rows was won by two players in a super chance round with a double jackpot: over 143,000.00 euro each. Five football fans struck the "hatrick".

## **Bingo**

The aim of the game is to mark all the numbers drawn during the Bingo TV show on the Bingo ticket. The numbers are drawn from a series between 1 and 75. The special feature of the game is that there is no jackpot in Bingo and that numbers are drawn until the winner has been established.

Bingo is a mixture of fixed-prize and tote game. In a tote game the individual prizes depend on the number of bets and the number of winners in the individual categories. The fixed-prize parts in Bingo are called "Card" with a fixed prize of EUR 1.50 and the Bingo Multi Bonus.

Each Bingo ticket contains two or three Bingo bets and two or three card symbols.

### **The Bingo Winning Options**

The winning options are called "Bingo Multi Bonus", "Bingo", "Ring", "Box", "Ring – Second Chance", "Box – Second Chance" and "Card". The aim is to win the main prize by attaining "Bingo". The difference between Bingo and other ticket-based games is that winning a higher category does not rule out winning a lower category.

### **Prizes**

Last year, more than 926,000 individual prizes in a total amount of 4.51 million euro were paid out. The Bingo Multi Bonus was struck a total of 14 times in 2007.

The highest Bingo prize of the year amounted to more than 183,000 euro, won by a player from Lower Austria in calendar week 33. All in all, Bingo was struck 71 times, 72 "Rings" and 87 "Boxes" – at first chance each.

## **EuroMillionen**

EuroMillionen is a national game of chance based on common rules and principles of the countries participating as well as strict requirements in respect of security and reliability.

What makes EuroMillionen so attractive is the fact that two-digit million amounts can be won, amounts which had so far not been possible to be won in Austria. These high winnings are made possible by the large number of players – in total nine countries participate in the game.

In February 2004 EuroMillionen was introduced by England, France, and Spain. As from 2 October 2004 also players from Austria, Belgium, Ireland, Luxembourg, Portugal and Switzerland have been able to participate in the European lottery.

The lottery company of each country is responsible for the operation of the game in its jurisdiction and remains subject to licensing and supervision by the regulatory authority of its state. Thus, EuroMillionen in Austria can only be played using Austrian tickets. Prizes can also only be claimed in the country in which the player handed in the ticket.

EuroMillionen is a tote game with twelve winning categories which are all pooled. The winnings determined in the individual countries are pooled and the prizes for the individual tiers are calculated on that basis. The number of bets placed and the number of prizes in the various categories determine the winnings for each tier.

The game formula is "5 out of 50" plus "2 out of 9". A EuroMillionen bet consists of two parts, a grid containing the numbers from 1 to 50 and a circle of stars numbered 1 through 9. Players mark 5 of the 50 numbers and 2 of the 9 stars.

The first prize category is called "Europot". A bet with five correct numbers from the number grid and two correct numbers from the circle of stars wins the Europot, and if there is no winner, the prize money for the first category remains in the pot and is added to the first tier of the next round (rolling jackpot principle).

The probability of winning the Europot is 1 : 76,275,360. The probability of winning in general is 1:24.

### **EuroMillionen Roll-down**

If the Europot is not struck for eleven times in a row, the entire Europot prize money is added to the next lower winning tier of the same round.

### The twelve prize categories

Category	Correct numbers	Probability
<u>1st tier/Europot</u>	<u>5+2</u>	<u>1 : 76,275,360</u>
<u>2nd tier</u>	<u>5+1</u>	<u>1 : 5,448,240</u>
<u>3rd tier</u>	<u>5+0</u>	<u>1 : 3,632,160</u>
<u>4th tier</u>	<u>4+2</u>	<u>1 : 339,002</u>
<u>5th tier</u>	<u>4+1</u>	<u>1 : 24,214</u>
<u>6th tier</u>	<u>4+0</u>	<u>1 : 16,143</u>
<u>7th tier</u>	<u>3+2</u>	<u>1 : 7,705</u>
<u>8th tier</u>	<u>3+1</u>	<u>1 : 550</u>
<u>9th tier</u>	<u>2+2</u>	<u>1 : 538</u>
<u>10th tier</u>	<u>3+0</u>	<u>1 : 367</u>
<u>11th tier</u>	<u>1+2</u>	<u>1 : 102</u>
<u>12th tier</u>	<u>2+1</u>	<u>1 : 38</u>

### Prizes

Last year there were more than 2.6 million EuroMillionen winners in Austria. In calendar week 20, the highest-ever Europot in Austria with a prize sum of 1.3 million euro was won. The total prize sum was 72.49 million euro.

The highest prize sum in 2007 was 100 million euro, won by a Belgian player in a super-draw in round 6.

## ToiToiToi

ToiToiToi is a numbers pool in which a six-position ticket number is drawn every day (except Sundays) and up to EUR 100,000.00 can be won.

The ticket number consists of two parts, a five-digit combination of numbers and one out of seven lucky symbols. The lucky symbols are beetle, chimney sweep, four-leafed clover, bag of money, mushroom, horseshoe and pig.

ToiToiToi is a game with fixed prizes. The amount that can be won depends on the number of positions on the ticket that correspond to the positions drawn.

The winning categories of ToiToiToi:

<u>1<sup>st</sup> category = all five digits + symbol correct</u>	<u>100,000.00</u>
<u>2<sup>nd</sup> category = all five digits correct</u>	<u>10,000.00</u>
<u>3<sup>rd</sup> category = the last four digits</u>	<u>1,000.00</u>
<u>4<sup>th</sup> category = the last three digits</u>	<u>100.00</u>
<u>5<sup>th</sup> category = the last two digits</u>	<u>10.00</u>
<u>6<sup>th</sup> category = the last digit</u>	<u>3.00</u>
<u>7<sup>th</sup> category = the symbol</u>	<u>2.00</u>

### Prizes

Last year, there were roughly 2.12 million individual prizes totalling 9.08 million euro. 12 players had a lucky streak, winning the maximum amount of 100,000 euro.

## **Lotto 1-90**

This lotto game, also known as "Zahlenlotto", was introduced in 1751 by a decree of Maria Teresa; the first draw took place in 1752. It is the oldest licensed game of chance in Austria.

Five numbers out of the numbers from 1 to 90 are drawn in lotto 1-90.

The draws of lotto 1-90 take place on Tuesdays, Thursdays and Saturdays, and the results are communicated after the local news programmes "Österreich Heute" and "Bundesland Heute" on channel ORF 2.

The stakes are fixed, ranging from EUR 0.75 to EUR 500.00. The highest prize possible is the stake times 5,000.

### **Prizes**

In 2007 about 32,000 prizes were won, with at least one prize being won from a weekly average of 615 tickets. The sum total of winnings was 1.14 million euro.

## Joker

Joker is a tote game (1<sup>st</sup> category) and at the same time a game of fixed prizes (2<sup>nd</sup> to 5<sup>th</sup> category). Players participating in the Joker game have to play Bingo ticket or at least one bet of lotto "6 out of 45", football pools, EuroMillionen or lotto 1-90, and then tick "yes" in the Joker box.

If the Joker number on the betting ticket (starting from the right) is identical with the Joker number drawn, the player in question has won the first prize: the Joker.

Winning probabilities of Joker:

<u>for 6 correct numbers = Joker</u>	<u>1 : 1.000.000</u>
<u>for 5 correct numbers</u>	<u>1 : 111.111</u>
<u>for 4 correct numbers</u>	<u>1 : 11.111</u>
<u>for 3 correct numbers</u>	<u>1 : 1.111</u>
<u>for 2 correct numbers</u>	<u>1 : 111</u>

<u>1<sup>st</sup> category = Joker</u>	<u>42.6% of the prize sum</u>
<u>2<sup>nd</sup> category (5 correct numbers)</u>	<u>EUR 7,700.00</u>
<u>3<sup>rd</sup> category (4 correct numbers)</u>	<u>EUR 770.00</u>
<u>4<sup>th</sup> category (3 correct numbers)</u>	<u>EUR 77.00</u>
<u>5<sup>th</sup> category (2 correct numbers)</u>	<u>EUR 7.00</u>

## Prizes

In 2007 roughly 1.3 million individual prizes were won. The total prize sum was 62.19 million euro. The highest Joker prizes of 2007, roughly 540,000 euro, was won by a Viennese player in calendar week 21.

In total, there were 25 jackpots and 4 double jackpots.

## Scratch-Off Tickets

Scratch-off tickets are an instant lottery product. After scratching clear the prize box the players know at once whether or not they have won a prize, and how much it is.

According to the design of the game the marketing strategy "Scratch clear your fortune - right now!" was developed.

In 1995 the scratch-off tickets were very successfully introduced in Austria. From the very beginning, the multi game strategy was pursued, meaning that various scratch-off ticket products – permanent tickets as well as temporary tickets with seasonally changing topics and designs – have been offered in parallel.

### Flexible prize distribution

Different tickets with different gaming mechanisms and different prize pyramids – with these features scratch-off tickets offer the players a multi-faceted gaming experience which was even improved when on 2 April 2007 the flexible prize distribution was introduced. From this day on the prize sums in the new scratch-off tickets has been flexible and the prize distribution out no longer had be the fixed at 52.5 percent as had been the case in the past. The prize distribution has to amount to between 55 percent and 67.5 percent.

### Scratch-off tickets 2007

In spring 2007 the new scratch-off tickets "Happy Money" and "Double Win" were launched. On April 2 2007 "Cash" and "Super Cash", the first scratch-off tickets with increased prize amounts, were introduced on the market. As from 2 April 2007, it has been possible to take into account the new flexible prize distribution in all the new scratch-off tickets to be launched: "Aladins Schätze" (Aladdin's Treasures"), "Money Maker", "Schatztruhe" ("Treasure Chest"), "Ein Leben lang" ("All your Life") , "Poker" as well as the seasonal tickets "Crazy Christmas", "Adventkalender" ("Advent Calendar") and "Glücksfischerl" ("Lucky fish"), which were all offered at the end of the year.

### 20 percent more prizes

Since the introduction of the flexible prize distribution, the permanent tickets "Cash", "Super Cash", "Treasure Chest", and "All Your Life" contain 20 percent more prizes per series. This means roughly 650,000 prizes more for "Cash", some 321,500 prizes more for "Super Cash", about 650,000 prizes more for "Treasure Chest" and approximately 400,000 prizes more for "All your Life". The price, however, remained the same for these tickets.

### The Austrian Lotteries' "L"-logo on each scratch-off ticket

All the scratch-off tickets introduced as from April 2007 bear an additional identifying feature: the Austrian Lotteries' logo is printed on the lower left corner of each individual scratch-ticket. Thus the scratch-tickets can be identified already at the player's first glance as a game of the Austrian Lotteries.

## **Break-Open Tickets**

Break-open tickets are an instant lottery product. After opening the envelope, the players know at once whether or not they have won a prize, and how much it is. The second chance of winning is the televised "Brieflos Show".

### **The "Brieflos Show"**

To take part in the show, the player's break-open ticket has to have a prize box labelled "Die Brieflos Show" ("The Break-Open Ticket Show"). If the ticket in question, complete with the name and address of the player, is drawn on the TV show, the owner of the ticket is invited to participate.

One break-open ticket series consists of 6.6 million tickets with instant prizes amounting to a total of EUR 2,580,000.00. including the main prizes of 3 x 100,000.00.

### **The New Break-Open Tickets**

In 2007 the tickets "50 Karibik-Kreuzfahrten zusätzlich" ("50 Caribbean Cruises in addition), "5 VW Cabrios zusätzlich" ("5 Volkswagen Beetles Convertibles in addition") and "Mäusejagd" ("Mouse Hunt") with 350,000 prizes in addition and "Flockenlos" ("Snowflake ticket") with 5 x 50,000.00 were launched.

### **Prizes**

In addition to a large number of instant prizes 18 break-open ticket "high scorers" were registered in 2007. 13 of them won break-open ticket prizes, and 5 players got their high winning amounts on the "Brieflos Show". In 2007 there were 52 shows in which a total prize sum of roughly 1.2 million Euro was won.

## Class Lottery

The Austrian Class Lottery is a number lottery which is structured in six sections, the so-called "classes", and lasts for about six months. 250,000 tickets are issued for each lottery.

All tickets stay in the lottery from the 1<sup>st</sup> to the 6<sup>th</sup> class and may thus win several times (with the exception of the five/four/two winning categories at certain defined dates).

For a single wager of 120 euro for a full ticket, a player participates in the Super Class in which 100,000 euro can be won daily and in which 7 x 100,000 euro prizes can be won in the final draw.

In 2007 the 3<sup>rd</sup> to 6<sup>th</sup> class of the 163<sup>rd</sup> lottery, the 164<sup>th</sup> lottery and the 1<sup>st</sup> and 2<sup>nd</sup> class of the 165<sup>th</sup> lottery were played.

The class lottery tickets sales are managed by 10 agencies, which in turn work through a retail network consisting of 497 retail partners.

Ticket sales according to provinces in %:

<u>Vienna</u>	<u>25.70</u>
<u>Lower Austria</u>	<u>19.81</u>
<u>Upper Austria</u>	<u>15.23</u>
<u>Styria</u>	<u>13.85</u>
<u>Salzburg</u>	<u>7.65</u>
<u>Carinthia</u>	<u>7.29</u>
<u>Tyrol</u>	<u>5.35</u>
<u>Vorarlberg</u>	<u>2.70</u>
<u>Burgenland</u>	<u>2.42</u>

### Prizes

In one lottery 29 million-level prizes may be won in each lottery. Thus, the probability of becoming a class lottery millionaire is 1 : 8,621 if you have one lottery ticket number. A combination of 10 lottery ticket numbers increases probability to 1:862 if all six classes are played.

## **win2day.at**

The Austrian Lotteries and Casinos Austria jointly operate win2day.at, a multi-channel game platform. It combines the range of electronic games with all the information available on classic lottery games of the Austrian Lotteries.

On win2day.at Internet and mobile telephony were, hitherto two separate applications, were combined in terms of implementation. Players access the same electronic games with a uniform brand get-up, no matter which transmission medium and terminal equipment they use. Internet or mobile phone – win2day.at is the uniform umbrella for the range of games and information.

The game site also houses the homepage for all Austrian Lotteries products, with each game keeping its own brand identity.

### **\*Protection of Players – Responsible Gaming on win2day.at**

From the very start, youth protection and protection from an excessive passion for gambling has been extremely important to the Austrian Lotteries and Casinos Austria in respect of win2day.at. The fact that access to the Internet is easy and widely available has been a constant issue for debate to experts. Youth protection and effective control of access to online games is a major challenge. Measures have been in place since the gaming platform was launched. Since the change to the new form of registration in October 2006 state-of-the-art standards for responsible gaming have been implemented. Since 9 January 2007 customers who failed to comply with the amendments to the registration by this date, have no longer been able to play on win2day.at.

### **New Registration Rules on win2day.at:**

- The minimum age for registration on win2day.at was raised from 16 to 18.
- On registration, first name, surname and date of birth must be stated. The data are checked via an inquiry agency.
- There must not be more than one win2day.at account for each combination of first name, surname and date of birth.
- The licensor has made it a mandatory requirement that a bank account must be stated.
- Player must define their limits in terms of finances and time upon first registration. If limits are raised, the new limits will only take effect after 72 hours of reflection
- Players may bar themselves from games for a certain period. Self-barring is possible for one, three, six and twelve months.

### **Electronic Lotteries**

The electronic lotteries on win2day.at are games embedded in a multi-channel platform with an integrated wallet function so as to enable gaming via the Internet. Sec. 12a of the Austrian Games of Chance Act stipulates that electronic lotteries are games based on a contract concluded via electronic media. The decision as to who loses and who wins how much is taken centrally. Immediately after participating in the game, the player will obtain information on that decision.

„Keno“ is based on Sec. 12b of the Games of Chance Act and exclusively offered on the Internet via win2day.at.

#### Payment Modes

The gaming deposit can be topped up via Internet or WAP. For this purpose, the EuroBon (a pre-paid voucher) is available and can be bought from all Austrian ticket agents as well as selected instant product distributors; furthermore, Paybox, a provider-independent payment mode for mobile telephony and Internet is available.

Furthermore, payment can also be made by Mastercard (with or without Secure Code), VISA (with or without Verified by Visa) and Diners Club, or by online banking, Mastro Secure Code and paysafecard.

#### **The Extended Range of Games 2007**

- Lucky Joker
- Robbie Rich
- Multiplayer Tropical Stud Poker
- Video Poker Jackpot
- Relaunch Draw Poker
- Joker and Kings
- Pirates Bay
- Lucky Joker Mobile Java Game
- Easy Hold'em Poker

#### Our Mobile Get-Up

Optimised WAP pages are now available for various types of mobile phones, running the gamut from a text-only version for older generations of cellphones to a colour version with optimised image and full-colour displays for high-end mobile phones. The design also enables the user to navigate through the range of mobile win2day.at products in a very convenient way. These developments were followed by the introduction of mobile-phone Java games on win2day.at. Thanks to this kind of technology, the mobile phone game can be experienced in a way that is almost like the Internet game, with visually appealing high-quality graphics being brought to the mobile phone display.

#### Lottery Games

Via win2day.at players can participate in lotto "6 out of 45", Joker, football pools, extra football pools, Bingo, lotto 1-90, ToiToiToi and EuroMillionen, and scratch clear virtual scratch-off tickets or open virtual break-open tickets. All ticket-based games can also be played via WAP cellphones. Texting is yet another option for players who wish to participate in lotto "6 out of 45" and play the Joker option. Moreover, lotto "6 out of 45" and EuroMillionen are also available as downloadable Java games for cellphones. In October 2007 the entire range of ticket-based products was completely revised on Flash-basis.

#### Casino Games

Games offered in the casino section comprise roulette, card games, video poker, slot machine games and dice games. The total number of games to choose from is 22.

### Gamesroom

The Gamesroom section offers the following games: Codeknacker ("Code Breaker"), El Dorado, Keno, Penalty, horse-racing, Portobello, Spin & Win, and Western Saloon.

### Prizes

Average prize distributions in the electronic lotteries amount to 93.8% in the gamesroom, and 95.6% in the casino games.

The amount won in gamesroom and casino games is displayed on screen immediately after the game has ended and the amount held in the electronic wallet, which remains on screen permanently, increases.

## **WINWIN – Video Lottery Terminals**

WINWIN conveys a completely new gaming experience due to the so-called VLTs – the most recent generation of Video Lottery Terminals.

Casinos Austria, being one of the world's leading games of chance enterprises with numerous casinos in Austria and abroad, brings its know-how in the fields of gaming and hospitality to the common project. The Austrian Lotteries, as a provider of electronic lotteries, have shaped the gaming market from the very beginning with their complex media and technology concepts and are now able to make use of these experiences with WINWIN. Reliable, trustworthy gaming with responsibility vis-à-vis every single player is an inalienable part of both companies' corporate cultures.

The Video Lottery Terminals – the new generation

VLTs look like classic slot machines, but the gaming mechanics are different. Whilst in classic slot machines, the individual machine decides on winning or losing due to its own random generator, in VLTs, the decision on winning or losing is taken by the random generator of a mainframe computer, with the winning chances and the distribution of winnings having already been determined a priori, based on the respective authorisations awarded by the Austrian Federal Ministry of Finance.

The WINWIN Locations

Wels	Upper Austria	27 September 2007
Steyr	Upper Austria	6 June 2007
Zwettl	Lower Austria	3 August 2006
Bruck/Lietha	Lower Austria	29 June 2006
Donauplexx mall	Vienna	3 May 2006
Zell am See	Salzburg	21 May 2006
Schärding	Upper Austria	22 April 2005
Ebreichsdorf	Lower Austria	4 September 2004
Lienz	Tyrol	14 August 2004
Mayrhofen	Tyrol	21 May 2004

The license to run VLTs pursuant to sec. 12a of the Games of Chance Act is held by the Austrian Lotteries. The project is managed by a joint subsidiary of the Austrian Lotteries and Casinos Austria, Glücks- und Unterhaltungsspiel Betriebsges.m.b.H.

The video lottery terminals offer electronic lotteries, which under sec. 12a of the Austrian Games of Chance Act are defined as gaming contracts entered into via electronic media. The decision about winning or losing is brought about centrally. The player is informed of the result immediately after playing.

The WINWIN Concept

Following the motto "WINWIN – it's all-in", WINWIN stands not only for gaming but also for food, drinks and good entertainment. WINWIN is a combination of gaming, entertainment and catering, thus reaching out to new customer segments. It is addressed at active people who like being entertained, love going out and enjoying their leisure time. The WINWIN architecture is highly design-oriented. The underlying concept

aims at premises of roughly 500 to 650 m<sup>2</sup> where there are no strict boundaries between gaming and catering areas.

#### Wagers and winnings

A wager of 1 cent is enough to play. The maximum wager is 9 euro, the highest prize to be won is 25,000 euro. Money is wagered by means of tickets or bills, coins will not be accepted. If a player wins, the terminal will print out a ticket which can either be redeemed from the cashier in cash or as a cheque or transferred to a bank account.

Due to a decision of the constitutional court in Vienna on the entertainment tax case and the subsequent effects of double taxation (entertainment tax and federal tax), the WINWIN outlet at the Donauplexx mall ceased its business activities for economic reasons on 30 October 2007.

## THE BUSINESS YEAR

### Business Development

In the business year 2007 the total sales volume of the Austrian Lotteries was 2,067.17 million euro, which corresponds to an increase of 1.3% over the previous year. In spite of the rather unfavourable economic environment, the high level of the past year could still be maintained also in 2007.

Even though the situation of the economic environment and also the consumers' behaviour showed a positive tendency in 2007, which generally improved overall consumer sentiment, no decisive break-through or change in the consumers' spending behaviour could be observed.

Concerning the ticket-based games, EuroMillionen saw a decline of 24.6, due to the low number of Jackpots. Even though it was possible to increase the basic sales level of EuroMillionen by a significant percentage, the increased sales of the previous year, resulting from their long jackpot cycles could not be compensated.

Due to the increased prize distribution in the scratch-off ticket sector, the instant & passive lotteries saw sales of 5.5 percent, compared to last year's period.

As far as the electronic lotteries on win2day.at are concerned, an increase of 4.7 percent could be attained in comparison to the sales of last year.

The sales development of WINWIN (Video Lotteries Terminals) was very satisfying and showed an increase of 33.2 percent as compared to the respective period of the previous year.

In 2006 total winnings amounting to 1,462.0 million euro were paid out (calculation basis: all Austrian Lotteries games).

The stakes of lotto, football pools, goal bet, Lotto 1-90, Joker, ToiToiToi and EuroMillionen are calculated on the basis of ticket prices minus a contribution to administrative costs. In lotto, football pools, goal bet and Joker, 50% of the stakes are distributed as prizes, in EuroMillionen 50% of sales are paid out as winnings.

The company's total sales volume for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
1,349.53	1,556.89	1,828.37	2,040.88	2,067.17
Developments*				
	+15.4%	+17.4%	+11.6%	+1.3%

\* All developments year on year.

Taxes paid by the company in the years 2001-2006 in million euro:

2003	2004	2005	2006**	2007
379.57	395.29	390.33	376.40	348.74
Developments*				
	+4.1%	-1.3%	-3.6%	-7.3%

\* All developments year on year.

\*\*As from 2006 media support is no longer contained in item 6a but in item 6b of the Profit and Loss Accounts.

Total sales volume 2007 by games in euro:

<u>Lotto "6 out of 45"</u>	<u>517,156,247.90</u>	<u>25.02%</u>
<u>Football pools, goal bet*</u>	<u>12,410,942.00</u>	<u>0.60%</u>
<u>Bingo</u>	<u>11,181,942.85</u>	<u>0.54%</u>
<u>EuroMillionen</u>	<u>145,264,407.15</u>	<u>7.03%</u>
<u>ToiToiToi</u>	<u>17,143,795.45</u>	<u>0.83%</u>
<u>Lotto 1-90</u>	<u>4,658,648.85</u>	<u>0.22%</u>
<u>Joker</u>	<u>142,371,068.05</u>	<u>6.89%</u>
<u>Scratch-off ticket</u>	<u>124,102,297.55</u>	<u>6.00%</u>
<u>Break-open ticket</u>	<u>24,118,930.80</u>	<u>1.17%</u>
<u>Austrian class lottery</u>	<u>37,598,510.00</u>	<u>1.82%</u>
<u>win2day.at</u>	<u>808,024,819.55</u>	<u>39.09%</u>
<u>WINWIN</u>	<u>223,143,305.77</u>	<u>10.79%</u>
<u>Total</u>	<u>2,067,174,915.92</u>	<u>100.00%</u>

\* Incl. extra football pools and extra goal bet.

#### Taxes paid

Last year, the sum total of taxes paid by the Austrian Lotteries was 348.74 million euro, including game-related duties, income taxes and other taxes and duties. Since its formation in 1986, the company has paid more than 6.84 billion euro in taxes to the Republic of Austria.

The game-related duties, amounting to 343.34 million euro, comprise a license fee of 194.86 million euro and a betting fee of 148.48 million euro.

The stakes of lotto "6 out of 45", football pools, goal bet, Joker and EuroMillionen are subject to a license fee, the rate of which has been graduated from 18.5% to be paid on the first 400 million euro received, to 27.5% on all further amounts, since 2006. The license fee for the Austrian class lottery is 2% of the stakes, for scratch-off tickets, break-open tickets and ToiToiToi it is 17.5%, for lotto 1-90, Bingo and Keno it amounts to 27.5%.

The betting fee for all games of the Austrian Lotteries is 16% of stakes and gross income from games. For the electronic lotteries on win2day.at and WINWIN (video lottery terminals) the gross income from games, which is defined as the difference between money wagered and winnings paid out, is subject to taxation. Taxes amount to 40% of

the gross income from games, consisting of a betting fee of 16% and a license fee of 24%.

## Development of Game Sales

### Lotto "6 out of 45"

Last year, the sales volume for lotto "6 out of 45" was 517.16 million euro. One additional quadruple jackpot could not entirely make up for the fact that the game one jackpot and three double jackpots short compared to last year. The game has a share of 25.02% in the total corporate turnover.

On average, Austrians spend 1.24 euro per person and week on lotto tickets.

Sales development in lotto "6 out of 45" for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
623.01	639.30	553.89	530.99	517.16

Developments\*

+2.6%	-13,4%	-4.1%	-2.6%
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\* All developments year on year.

### Football Pools and Goal Bet

The sales volume of the football pools (including extra football pools) was 11.34 million euro, and the sales volume of goal bet (including extra goal bet) was 1.07 million euro. The decline in the sales volume of the football pools of 23.71 percent is mainly due to the fact that there were 3 triple jackpots, 2 quadruple jackpots and one quintuple jackpot less than in the previous year. Concerning the extra football pools, the fact that there was no jackpot series as in the beginning of last year, which eventually led to an octuple jackpot, is mainly responsible for the decline. Furthermore, it was not possible to offer world championship guarantee rounds in the extra football pools sector in 2007, which meant that there were four rounds less in this year.

Sales development in the football pools (including extra football pools) for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
16.26	14.33	13.09	14.87	11.34

Developments\*

-11.9%	-8.7%	+13.6%	-23.7
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\* All developments year on year.

Sales development in goal bets (including extra goal bets) for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
1.13	1.08	1.09	1.14	1.07

Developments\*

-4.4%	+0.5%	+5.2%	-6.7%
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\* All developments year on year.

## Bingo

Last year, Bingo sales amounted to 11.18 million euro.

Sales development in Bingo for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
15.09	15.72	13.63	12.26	11.18
Developments*				
	+4.2%	-13.3%	-10.0%	-8.8%

\* All developments year on year.

## EuroMillionen

The sales volume of EuroMillionen was 145.26 million euro. The sales decline of 24.58% is based on the fact that there were less Eurospot events. While 2007 saw a total of 25 starting rounds with 15 million euro, there were only 13 starting rounds in the relevant period of last year. Moreover, there were particularly long cycles in 2006 (one cycle round lasted from the 8<sup>th</sup> to 12<sup>th</sup> round) which did not occur in 2007. The minus thus results from the large number of starting rounds and the short cycles.

Sales development in EuroMillionen for the years 2004\*-2007 in million euro:

2004*	2005	2006	2007
22.44	132.29	192.60	145.26
Development**			
	+489.5%	+45.6%	-24.6

\* As from 2 October 2004

\*\* All developments year on year.

## ToiToiToi

Last year's sales of ToiToiToi was 17.14 million euro.

Sales development in ToiToiToi for the years 2003\*-2007 in million euro:

2003*	2004	2005	2006	2007
32.76	24.56	18.37	17.75	17.14
Developments**				
	-25.0%	-25.2%	-3.4%	-3.4

\* As from 3 March 2003.

\*\* All developments year on year.

## Lotto 1-90

In 2006 the sales volume of lotto 1-90 was 4.66 million euro.

Sales development in lotto 1-90 for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
6.54	5.83	5.18	4.86	4.66
Developments*				
	-10.9%	-11.1%	-6.1%	-4.2%

\* All developments year on year.

## Joker

In 2007 the Joker sales volume was 142.37 million euro. The decline in sales is partly due to a lack of jackpots in the "6 out of 45" lottery and partly due to the low tiers prize amounts in the EuroPot rounds of EuroMillionen and consequently to the decreased gaming frequency resulting from these facts, compared with last year.

Sales development of Joker for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
154.66	160.68	153.22	152.18	142.37
Developments*				
	+3.9%	-4.6%	-0.7%	-6.4%

\* All developments year on year.

## Scratch-off Tickets

2007 sales of scratch-off tickets amounted to 124.10 million euro. The increase of 10.35% compared to the past year result mainly from sales peaks occurred when changing the essential scratch-off tickets "Cash", "Super Cash", "Treasure Chest" and "All Your life" to increased prize distribution as from 2 April 2007.

Sales development in scratch-off tickets for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
145.90	134.95	118.69	112.47	124.10
Developments*				
	-7.5%	-12.1%	-5.2%	+10.4%

\* All developments year on year.

## Break-open Tickets

In 2007 break-open ticket sales were at 24.12 million euro. A total of some 4 series of 6.6 million tickets each were issued.

Sales development in break-open tickets for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
30.04	28.57	26.80	24.39	24.12
Developments*				
	-4.9%	-6.2%	-9.0%	-1.1%

\* All developments year on year.

## Austrian Class Lottery

Last year, the sales volume of the Austria class lottery was 37.60 million euro.

Sales development in the Austrian class lottery for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
42.48	39.25	37.53	37.81	37.60
Developments*				
	-7.6%	-4.4%	+0.7%	-0.6%

\* All developments year on year.

## **win2day.at**

Last year, the sales volume of win2day.at was 807.95 million euro. The share of the games platform in total corporate sales is 39.09%.

Sales development of win2day.at for the years 2003-2007 in million euro:

2003	2004	2005	2006	2007
281.66	428.21	625.92	772.02	807.95
Developments*				
	+52.0%	+46.2%	+23.4%	+4.7%

\* All developments year on year.

## **WINWIN (Video Lottery Terminals)**

The video lottery terminals at the WINWIN locations Mayrhofen, Lienz, Ebreichsdorf, Schärding, Zell am See, Vienna, Bruck/Leitha and Zwettl reached a sales volume of 223.14 million euro. Due to a decision of the constitutional court in Vienna on the entertainment tax case and the subsequent effects of double taxation (entertainment tax and federal tax), the WINWIN outlet at the Donauplexx mall ceased its business activities for economic reasons on 30 October 2007.

Sales development in WINWIN for the years 2004\*-2006 in million euro:

2004*	2005	2006	2007
41.97	128.67	167.54	223.14
Development**			
	+206.6%	+30.2%	+33.2%

\* As from 21 May 2004

\*\* All developments year on year.

## Outlook

The Austrian Lotteries take particular interest in the current discussion on the regulation of games of chance within the European Union. At present the right to organise games of chance continues to rest with the individual member states.

Considering the conditions defined under the Austrian Game of Chance Act, the Austrian Lotteries' goal is to increase the value of the enterprise on a long-term basis and to realise the optimum possible profit. The possibilities resulting from the purchase of the lotteries' shares of BAWAG-P.S.K. by Casinos Austria are to be seen primarily in the strengthening of the company group and a reasonable bundling of forces, and thus of individual group functions. 2008 will see a further intensification of the two companies' co-operation with each other and an even increased mutual use of both companies' know-how for the benefit of the group. By analyses of costs, structures and processes we will increase the company's efficiency and improve our working processes. Simultaneously, the introduction of new games and innovative technologies shall further manifest our market position also in the future.

As a dynamic and future-oriented enterprise, the Austrian Lotteries are among the leading lottery companies in Europe in terms of technological edge.

In Q2 2008 the company will have completed the equipment of all retail outlets with new online terminals and the changing over to the new transaction system as well as new terminal link. The investment volume for the new online system amounts to roughly 21.3 million euro. With KEBA, Telekom Austria and T-Mobile it will be exclusively Austrian enterprises which will profit from this investment.

As from February 2008 customers of the game platform win2day.at of the Austrian Lotteries and Casinos Austria can also join in on online poker games. This introduction was made in response to long-time requests by many of our customers who wanted to participate in online poker games also in Austria. An in-house project group is working on the further development of internet gaming products on win2day.at.

The market potential of the Austrian Lotteries in Austria have been largely exploited and will soon reach its growth limits. In 2008 the Austrian Lotteries will be all about analysing the foreign market. The company wants to offer its know-how and services in other markets so as to economically strengthen the company in a sustainable manner. In doing so, the Austrian Lotteries can draw back on the experiences of Casinos Austria International within the group and can thus bundle their common strengths in a reasonable way.

## COMPANY HISTORY

Early 1980ies	Due to a drain of Austrian gaming capital to other countries, the introduction of a lotto game in Austria became a central issue. Othmar Haushofer, the Director General in the Federal Ministry of Finance in charge of the gaming sector, identified the problem.
1983	Herbert Salcher, Minister of Finance at the time, commissioned Leo Wallner and Kurt Nösslinger to prepare a plan for re-organising the Austrian gaming market.
2 July 1985	Toto-Lotto-Projektierungsgesellschaft m.b.H. was formed and the first employees were recruited.
6 June 1986	Amendment of the Games of Chance Act creating the legal basis for lotto, football pools and supplementary games.
11 June 1986	Toto-Lotto-Projektierungsgesellschaft m.b.H. obtained the license to run lotto, football pools and supplementary games.
2 July 1986	Lotto Toto Gesellschaft m.b.H. was formed.
1 September 1986	Lotto "6 out of 45" was launched and the football pools were taken over from the Austrian Gaming Monopoly Administration.
13 March 1988	Introduction of the goal bet
26 September 1988	Introduction of the Joker option
21 December 1989	The amended Games of Chance Act became the basis for the re-organisation of the gaming market.
22 December 1989	Lotto Toto Gesellschaft m.b.H. obtained the license to run break-open tickets, lotto 1-90 and the Austrian Class Lottery.
1 January 1990	The management of break-open tickets and lotto 1-90 was taken over from the Austrian Gaming Monopoly Administration.
1 May 1990	The management of the Austrian Class Lottery was taken over Austrian Gaming Monopoly Administration.
26 May 1990	The second winning option for break-open tickets was introduced.
3 October 1991	The company was renamed "Österreichische Lotterien Gesellschaft m.b.H."
21 December 1992	All retailers of the Austrian Lotteries were equipped with online terminals area-wide.
February 1994	The company's new corporate headquarters at Rennweg 44 in the third district of Vienna was inaugurated.
27 February 1995	Introduction of scratch-off tickets

3 September 1997	Introduction of the second draw (the Wednesday draw) in lotto "6 out of 45" and Joker
14 December 1998	Electronic lotteries on the Internet were launched via WebClub.at
8 November 1999	Introduction of Bingo
December 1999	All retailers were equipped with "KeWin", the new online terminal.
30 July 2000	The back-up computer centre and warehouse of the Austrian Lotteries was opened on the Civitas Nova grounds at Wiener Neustadt.
25 January 2001	Introduction of lotto "6 out of 45" and Joker to be played via WAP cellphone
17 September 2001	Introduction of lotto "6 out of 45" and Joker to be played on the Internet at WebClub.at
19 February 2003	Launch of win2day.at – the games platform of the Austrian Lotteries and Casinos Austria
3 March 2003	Introduction of ToiToiToi
21 May 2004	Introduction of the video lottery terminals set up at the first WINWIN location (Mayrhofen in Tirol)
17 June 2004	Introduction of lotto "6 out of 45" and Joker to be played via texting
2 October 2004	Introduction of EuroMillionen
1 January 2005	The amendment to the Games of Chance Act of 10 December 2004 took effect. Due to this amendment, 3% of the annual sales proceeds of the Austrian Lotteries are earmarked for the promotion of sports. The annual minimum is now 40 million euro whereas the maximum threshold was dropped so that funding in support of sports from the budget is increased further.
22 December 2005	Formation of ÖLG Holding Ges.m.b.H.
September 2006	20 Years Lotto "6 out of 45"