

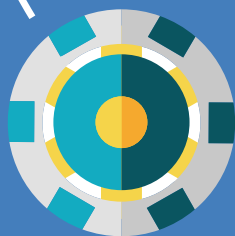
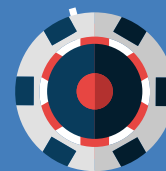
European Lotteries & Toto Association

Annual Report



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Chapter 01

The European Lotteries and Toto Association in brief

The European Lotteries and Toto Association (EL) is the European umbrella organisation of national lotteries that operate games of chance, including sports betting, for the public benefit in more than 40 European countries - including all EU Member States. It is by far the largest representative European branch organisation in the gambling sector.

EL is an association representing state lotteries and lotteries authorised by the state, and so brings together state-owned and private operators. EL's members offer lottery, gambling and betting services only in the jurisdictions in which they are licensed by the respective national governments. EL's EU members contribute to state budgets and the funding of sport, culture, social projects, research and other causes of general interest. In 20 of the EU Member States, EL members offer their games both offline and online.

The 50 EL members that reported their activities contributed €22.1bn to society in 2017. This means that some 63 per cent of the Gross Gaming Revenue (GGR) generated by EL members (not including sponsorships) went back to society in the respective countries.

The identity of EL and its members is defined by core values shared by all. EL believes in the overall benefit of national (state) licensed lotteries for society as a guiding principle to protect players and to run a public lottery or other games of chance. This EL lottery model is supported by three core-lottery-values:

1. RESPONSIBILITY – EL and its members believe in a high level of consumer protection and responsible gaming and give it priority over other interests. This is a key differentiator in how lotteries and other activities of EL members are operated in comparison to private gambling operators or illegal operators. It includes a very clear commitment to maintain Corporate Social Responsibility at the heart of the activities of EL members.

2. SOCIETY/ SUSTAINABILITY – The values are based on the idea that social and public order concerns prevail. This does not preclude profit generation but always acknowledges that lotteries and other activities of EL members are run in society's best interest; this means in the best balance between social costs adhering to individual countries' regulatory frameworks and - as a result of this regulation- lottery-profits.

3. INTEGRITY – In addition to EU and national laws, EL members operate strict standards to provide secure and fair operations that manage the risks of fraud and other forms of crime. They include, for example, EL and World Lottery Association Security Standards. The sports betting business by EL members is operated living up to the highest integrity standards.

Key figures 2017

	Reporting EU Members	All Reporting EL Members
EL Members All member lotteries reporting within the EU/in Europe	50	70
Money for Society	€21.2bn	€23.3bn
Direct Full-time Employment Yearly average number of full-time employees	43.916	48.229
Indirect Employment Created full-time jobs	365.460	430.155
Sales Includes Sales from the six "Lottery" categories	€80.9bn	€88.5bn
Gross Gaming Revenue Sales minus prizes of the eight gaming categories	€33.7bn	€37.1bn
Online Gross Gaming Revenue	€3.3bn	€2.7bn

Foreword by the Secretary General

In 1983 the foundation of today's European Lotteries and Toto Association (EL) was set. From its start, the association worked on two statutory goals; the advocacy of the EL model on the regulation of gambling on the one hand and the provision of a platform for information exchange on the other. Both goals have over the past 35 years developed into well recognised and well-respected directions. EL, besides its Swiss statutory office in Lausanne, is also situated close to the EU institutions in Brussels and is seen by them and many other organisations all over Europe and beyond as a respected and trusted partner. Its educational programme is highly regarded and very well attended by its members. The association could not have reached these goals without their ongoing support. The EL members provide the best practices, content and interests that pave the way for the activities of the association.



Governed by the Executive Committee, the EL team works with eight FTEs in 2018 on a daily basis to realise the diverse projects within the association. In 2018 they were supported by or took part in the work of the various EL working groups. The members of these working groups are respected for their ongoing support to the association; they participate in these groups alongside their regular jobs. A large part of the work of EL would not have any value if the representatives from the membership were not, in large numbers, joining the EL seminars, workshops, congresses and other meetings. Their appreciation and support are of great value. EL also greatly values the support of its Level 1 (Premium), Level 2 (Semi-Premium) and Level 3 (Associate) Partners.

Looking back at 2018, one cannot forget the impressive Industry Days organised in Prague and kindly hosted by Czech national operator and EL member Sazka a.s. The success of this event is thanks to the dedication of the organisers and the well prepared, informative content. The 'Industry Days' were also a great opportunity for colleagues and friends to meet in a wonderful setting and will be remembered as very special. But 2018 did not only include 'Industry Days', EL was involved in various dossiers at EU-level. Illegal gambling and especially the fight against parasite lotteries stood out on the EL agenda. EL became an observer member in the CEN 456 Technical Committee on Standardisation of online gambling reporting tools. As the founding member of the Global Lotteries Monitoring System (GLMS), EL played an important role in implementing the new strategy of GLMS.

The EL education programme was renewed with the introduction of a new induction course under the new European Lotteries Corporate University (ELCU). With all these initiatives, and many more, EL continues to be as pro-active as ever in creating as much value as possible for its members.

This annual report is the first ever for EL and it follows the example of many of its members in annual reporting. It is also in line with the lottery value of sustainability. Even at the age of 35, the association is never too old to start a new initiative. And as always with one motto in mind; For the benefit of Society.

I would like to thank the EL members, the Executive Committee, the working groups, the EL team and the EL Partners for all their support over the course of 2018.

Arjan van 't Veer
EL Secretary General
Brussels/Lausanne

EL, besides its Swiss statutory office in Lausanne, is also situated close to the EU institutions in Brussels and is seen by them and many other organisations all over Europe and beyond as a respected and trusted partner



Chapter 02

EL Governance

Composition of Executive Committee in 2018

President: **Hansjörg HÖLTKEMEIER**

Member of the Managing Board | Deutsche Klassenloterie Berlin | Germany

Member of the Executive Committee since 2009

President of the Association since 2015

First Vice-President: **Stéphane PALLEZ**

President and CEO | La Française des Jeux | France

Member of the Executive Committee since 2015

First Vice-President since 2017

Second Vice-President: **Robert CHVÁTAL**

CEO | SAZKA a.s. | Czech Republic

Member of the Executive Committee since 2015

Second Vice-President since 2017



Member: **Jannie HAEK**

CEO | Loterie Nationale | Belgium

Member of the Executive Committee since 2015

Member: **Jésus HUERTA ALMENDRO**

President & CEO | Sociedad Estatal Loterías y

Apuestas del Estado | Spain

Member of the Executive Committee since 2018

Mr. Huerta Almendro was co-opted in the Executive Committee after the resignation of Ms. Inmaculada García Martínez as President and CEO of SELAE

Member: **Franci KRIŽAN**

Member of the Board | Loterija Slovenija d.d. | Slovenia

Member of the Executive Committee since 2011

Mr. Križan resigned from the Executive Committee as of January 1st, 2019 due to his retirement.

Member: **Giovanni MAGGI**

Director Institutional Relations | Sisal SpA | Italy

Member of the Executive Committee since 2010

Member: **Edmundo MARTINHO**

President | Santa Casa de Misericórdia de Lisboa | Portugal

Member of the Executive Committee since 2017

Member: **Nigel RAILTON**

Chief Executive Officer | Camelot UK Lotteries Ltd. | United Kingdom

Member of the Executive Committee since 2018

Mr. Railton was co-opted in the Executive Committee after Mr. Uzi Dayan (Chairman of the Board of Mifal Hapais in Israel) term with Mifal Hapais ended.

Member: **Olli SAREKOSKI**

President & CEO | Veikkaus Oy | Finland

Member of the Executive Committee since 2017

Member: **Evgeniy VLASENKO**

Vice-President & Member of the Board | MSL | Ukraine

Member of the Executive Committee since 2014

Secretary General: **Arjan van 't Veer**

Secretary General since: 1 March 2017

The Executive Committee met four times in 2018 (March, June, September and December). The average attendance of the Executive Committee members was 80 per cent. During its meeting in June a special meeting with the management of the EL Premium and Semi Premium Partners was arranged.

Statement by the EL President on behalf of the Executive Committee

The Executive Committee is happy to present the first EL annual report, which includes the 2018 financial statements. The report was written by the Secretary General and the EL team, with the financial statements prepared by the internal EL auditors as well as the external auditor, Mr. Luc Enderli. The Executive Committee discussed the financial statements and recommendations during its meeting on March 1, 2019, in Lausanne. The statements and recommendations were all approved. These financial statements, as well as the activities report of the Executive Committee, will be discussed during the General Assembly in Antwerp on May 29, 2019. It is proposed that the financial statements will be approved by the General Assembly and that the Executive Committee and the Secretary General will be discharged for the year 2018.

General overview

The European/EU political landscape is changing rapidly. Having fought for subsidiarity as one guiding principle for regulation in Europe for at least a decade, this principle has been mostly accepted by the EU over the last two years.

Political discourse and European court cases started to discuss and define exactly how to follow this principle but spent less time challenging the basic efficacy of the principle of subsidiarity. The political advocacy work of EL has therefore started to change from fighting for a single guiding principle on the broad level of European politics to a differentiated consulting approach with members and their state-regulators to find and develop the best regulatory model for each individual jurisdiction.

Online and commercial gaming operators have taken every opportunity to disrupt the marketplace via their activities. In response, EL has refreshed its education and seminars programme to take a more in-depth view on innovation and how EL members can evolve their businesses for long-term sustainable success. There is also more attention on public affairs activities within the association to maintain EL as a trusted partner to many stakeholders. The important development of the Global Lottery Monitoring System (GLMS, first created under the name European System ELMS) is another example of how the work of EL is guiding sector developments on the basis of the core lottery values of integrity, security and sustainability. A high-priority task for EL is supporting even more studies and improving skills as an association such as analysing available data and research. The Executive Committee is dedicated to creating value for its members.

2018 Activity report of the Executive Committee

Closing of infringement cases: The new context at EU level

On December 7, 2017, the European Commission announced that it closed all infringement cases on gambling with immediate effect. For the EL Executive Committee, this announcement was of great value. It reflected, for a large part, the work and effort of the association over the past years and its commitment to defending the applicability of the subsidiarity principle and the competence of Member States in the field of gambling. 2018 was the last full year of the mandate of the European Commission and saw the finalisation of a number of policy dossiers on which EL had contributed to from the very early stages; the Directive for the supply of Digital Content (from which gambling was excluded), the Audiovisual Media Services Directive revision (AVMSD) and the Regulation on Free Flow of Non-personal Data.

Revision of the EL statutes, rules of membership, governance

In addition to the legal and public affairs-related implications of the European Commission's decision to close all infringement cases, this development also gave the Executive Committee the opportunity to re-focus upon the EL core activities and strategy.

After formulating and implementing the new EL strategy, the Executive Committee worked on a renewal of the association's statutes. As structure follows strategy, it was proposed, and unanimously decided during the General Assembly in Prague, to formulate clearer rules on membership and the governance of the association.

Personnel

The EL staff team based in Lausanne was integrated into the building of Loterie Romande, the hosting lottery of the Swiss office of EL. The EL management worked under the supervision of the President on new, clearer and state-of-the-art job descriptions for the staff of the offices. With this, the support to the members of the whole EL team is improved. The Executive Committee also reviewed the situation and arguments to have the EL offices in Lausanne and Brussels. Supported by the remarks and views of the legal advisor, as well as the external auditor, the Executive Committee decided to keep this structure in its current form.

Studies on aspects of the lottery sector to serve the EL membership

With the focus on creating more value for the members, the Executive Committee decided to support and invest more in studies and education. The 2018 edition of the Industry Days in Prague was presented with a study on player preferences of millennials and innovative ideas for new lottery games. Based on the positive reactions to this study, the Executive Committee approved a proposed study by the EL Innovation working Group (ELIG) on Blockchain developments. The results of this study will be presented during the Antwerp EL 2019 Congress.

Another project was supported and conducted on the fight against illegal operators. This project primarily focused on the growing issue of betting on lotteries. EL brought together knowledge and best practices on this issue; these were the basis for some national interferences by the EL management such as for the Irish parliament, upon request of the PLI Lottery in Ireland. It was also decided to further the knowledge and skills in the field of digital taxation. Under the PAC working group, special external agency FIDAL, was hired to monitor and develop viewpoints in the complex field of taxation. With the EL Info Hub and the Lotteries Report, the Executive Committee also emphasised the importance of the exchange of best practice in the lottery sector.

Education and training for the lottery professionals

A special project for the Executive Committee was the re-introduction of the EL Corporate University, ELCU. For many years, the EL University (ELU) was very popular and many lottery professionals attended. Under the Education Committee, chaired by Evgeniy Vlasenko, and with the support of EL Honorary President Ray Bates and the EL Secretary General, a new programme was developed. Divided into three modules, the ELCU attracts more and diverse lottery professionals. In 2018, the first induction module was held in Ireland. Some 50 lottery professionals that were new to the sector benefitted from learning about the best practices and from lectures of various trainers and experts. In 2019, this induction module remains on the programme, along with the second module. This latter module is addressed to executive staff members and is case-study-based.

The third module will focus on senior and C-level management. Participation in the modules of the ELCU is free of charge; the ELCU is completely financed by the seminars reserve fund that has been built up over the years. The Executive Committee was also involved in the various seminars and workshops that were organised in 2018. Initiatives are taken to provide the best possible education to the members e.g. through new seminars or re-introducing seminars such as the Retail seminar.

GLMS and Sports Integrity

The Executive Committee was, as a founding member, also involved in the activities of GLMS, the Global Lottery Monitoring System. For GLMS, 2018 was an important year in which it took its first steps following the implementation of the new strategy. Led by new management, the goal of GLMS was to create a sustainable business model in which it could provide and grow its services on the one hand and its own financial means on the other. As sports integrity is of major importance, the EL Executive Committee continues to give particular attention to the development of the GLMS services and its value for EL members.

A special project for the Executive Committee was the re-introduction of the EL Corporate University, ELCU

Critical participation in drafting of a standard for reporting to regulators from the European Committee for Standardisation CEN

The Executive Committee builds further on its March 2016 decision to contribute to the drafting of a standard on reporting to regulators for online gambling within the framework of the European Committee for standardisation CEN, as initiated by the European Commission, in a supportive yet cautious manner. EL is formally a Liaison Organisation to the CEN and participates in the discussion both in the new Technical Committee 456 and the Working Group that reports to it. The EL management coordinates with the special EL taskforce and all the EL member staff who participate in these meetings.

Responsible Gaming commitment level

An important and valued aspect of EL membership is the possibility to get certified under the Responsible Gaming (RG) Framework. The Executive Committee supported the initiative of the RG and CSR working group to develop a new entry level to this framework, to give EL members the opportunity to benefit from this new level. By joining the new entry level, members also commit themselves to enter into the full certification. In 2019, the first commitment level audit will be performed. Within the scope of the RG and CSR working group falls also the ongoing discussion on the UN Sustainable Development Goals.

Effective regulation

The Executive Committee has started the reflection and discussion on the concept of effective regulation – what is the regulation that should be promoted and lived up to in order to have EL members operate both in accordance with their DNA and living up to their full potential. Effective regulation then comprises all those rules and regulations that contribute to the best interest and the highest level of support to the EL lottery model. This (national) set of rules and regulations protects foremost the players, fights illegal operations and supports in full the purpose of the legal lottery operator.

Preparation for the new European Commission and European Parliament

The association has contracted communications agency Hill+Knowlton Strategies to prepare new and fresh outreach material that the lotteries and the association can use with the future European Parliament and European Commission. With input from the members of the EL PAC working group, material is being prepared that will be further adapted as the priorities of the new European Parliament and European Commission and how they pertain to us will become clearer.

Thank you

The work of the Executive Committee is only relevant if the members of the association support its various topics, issues and activities. EL is a lively and vibrant association that brings together inspiring people and organisations. I thank the EL members for their ongoing support and the members of the Executive Committee for their work for the association. In addition, the EL Partners are warmly thanked for their commitment to EL. Last but not least, I would like to thank the EL team as the solid basis for the EL activities.

On behalf of the Executive Committee,

Hansjörg Höltekemeier
EL President





Chapter

03



Membership developments

As an association made up of members, the Statutes of EL state that it may have regular members, observer members and associate members (article 3). Regular members are organisations that conduct games of chance and/or skill such as lotto, toto, class lotteries, classic lotteries, sports betting, sports lotteries, instant games, and lotteries generally, whatever the technical and/or commercial means used for operating them, and does so within a member state of the Council of Europe. It is further required that this organisation is licensed or authorised in a relevant jurisdiction by the competent authorities to operate such games and that the annual sales volume of its lottery-type games form the substantial part of the organisation's total gross revenue and that its net revenues for a substantial part are dedicated, by public decision, to good causes and/or the state exchequer. A regular member assures that its business conforms to the aims, objectives and values of the association and that it executes its activity in respect of applicable legislation in any jurisdiction and takes care that its staff as well as its contractual partners and shareholders likewise respect their legislation in the countries concerned (article 4).

At the beginning of 2018, EL had 71 regular members, 2 observer members and 32 associate members. During the year, the EL Executive Committee pre-approved the membership applications of 2 regular members, 6 associate members and 1 observer member.

Observer members are organisations that fulfil the membership criteria but are outside the Council of Europe (article 4bis). Associate membership is open to any person or organisation that is supplying or intending to supply goods or services to regular members or to other associate members (article 5). Observer and associate members do not have any voting rights.

At the beginning of 2018, EL had 71 regular members, 2 observer members and 32 associate members. During the year, the EL Executive Committee pre-approved the membership applications of 2 regular members, 6 associate members and 1 observer member (these applications will be formally approved by the EL General Assembly in May 2019).



EL activities

EL continued its educational programme in the service of the lottery community throughout 2018, once again delivering excellence through the richness of the programmes offered and the effectiveness of their organisation. Lottery professionals have had access to a large number of events in all sectors of interest. These include marketing, sports betting, responsible gaming & CSR, security, integrity, innovation, legal and retail. EL organised 12 events; one Industry Day, one EL Corporate University (ELCU) module, two dedicated workshops and eight seminars. These events gathered more than 1,000 participants representing an average of 28 countries per event. The most popular event was the 'Industry Days', attracting more than 230 participants while the more intimate workshops gathered around 30 participants.

Four seminars were organised in cooperation with the World Lotteries Association, attracting participants from every continent. The marketing seminar took place in London, focusing on the concept of Thinking Small, where the value of the Small-mighty consumer and business community and their meaning for marketing was presented. The sports betting seminar was organised in Lyon, focusing on the key concept of "winning in sports betting" covering areas of retail, omni-channel experience, innovative sponsoring activation and society engagement, the future of sports betting and innovating tradition. Lisbon hosted the CSR/Responsible Gaming seminar where participants learned how to better address CSR in their companies and were introduced to the new EL Responsible Gaming Commitment Level. The security & integrity seminar took place in Budapest and covered the core subjects of cognitive security, endpoint protection, sorcerers (or ethical hackers) and "traditional" hackers, cloud security, biometric identification of users, ransomware and blockchain for security.

For the first time in its history, EL organised a module in the newly set up EL Corporate University (ELCU) in Dublin. Nearly 50 newcomers to the lottery sector were present. This redesigned version of the popular ELU now offers three different modules in order to better meet the specific needs of each category of participants – Induction, Executive & Management.

Based on the surveys completed by participants after each seminar, 53 percent rated the 2018 EL events as "Very Good," and almost 30 percent as "Excellent."



EL advocacy initiatives and policy monitoring

Advocating the interests of the EL members is an important statutory task of the association. 2018 was an eventful year for the gambling sector at the EU level. While at the end of 2017 it was announced that all gambling-related infringement cases were closed by the European Commission, there were ongoing initiatives – including legislative initiatives – where EL was involved in advocating its views and opinions. These initiatives can be driven by either the European Commission or by the European Parliament or other relevant bodies such as the OECD. In this activity the Legal & Regulatory Working Group as well as the Public Affairs Coordination Working Group are involved. These activities are supported by the EL Legal advisor. In some cases, EL participated, always in close contact with the respective EL member, in a national debate or consultation on a specific topic. Where needed, EL teams up with other gambling related associations and/or EL partners such as the European Sports NGO (ENGSO).

EL is a liaison organisation to the CEN and participates in the meetings of the Technical Committee 456 on reporting requirements for online gambling services. Several EL members are involved in this standardisation process through the national level as well.

A number of dossiers at EU level which EL had followed closely in the interest of its members came to a close during 2018 included:

- The **General Data Protection Regulation** (Regulation (EU) 2016/679) and **Geo-Blocking Regulation** (Regulation (EU) 2018/302) – where gambling is excluded from the scope – came into force
- The **Audiovisual Media Services Directive** (Directive 2010/13/EU) – excluding gambling operations from its scope, but applicable to commercial communications for gambling products – was revised and adopted
- Adoption of the **Regulation on Free Flow of Non-Personal Data** (Regulation (EU) 2018/1807) through which the European Commission sought to address data location restrictions, which is to an extent also present in the gambling sector (i.e. server locations)
- The Court of Justice of the EU ruled that EU Member States are not bound by the European Commission's Recommendation in the Case C-16/16 **Belgium vs European Commission** where Belgium sought the annulment of the "European Commission Recommendation on online gambling on principles for the protection of consumers and players
- In the landmark Case C-375/17 **Stanley International Betting and Stanleybet Malta**, the EU Court ruled that an exclusive concessionaire model for the management of a lottery game is in line with the EU law

Several of the discussions that EL had followed during 2018 continue in 2019 and possibly beyond, the most important ones being:

- Digital taxation
- Brexit
- Class action – the proposal for a 'New Deal for Consumers'
- The liability of online platforms for illegal content



Reports of the EL working groups

The structure of EL consists of several working groups. Every working group is governed by a member of the EL Executive Committee as a supervisory chair. An executive chair takes care of the daily work of the group.

CSR/Responsible Gaming working group

The CSR/Responsible Gaming working group is devoted to guiding the EL members and the Executive Committee in the development of leading-edge responsible gaming standards. In addition, it wants to help members with their requirements to further enhance their corporate social responsibility programmes. An important asset of the group is the Responsible Gaming Standards for which EL members can be certified.

The working group constituted of two subgroups, one working specifically on the developments of CSR measures and guidelines for the EL members, and the other in charge of updating the Responsible Gaming Framework and developing new levels when

necessary. The working group met three times during 2018, and each subgroup also had smaller meetings organised to address specific issues.

At the end of 2018, 48 EL members were certified according the EL Responsible Gaming Standards. The RG framework is an essential tool that guarantees the integrity and responsibility of lotteries as providers of games of chance.

The latest big update by the working group included new requirements in the certification process and the addition of a new entry level for the non-certified lotteries: A Commitment Level. The updated Framework was approved by the General Assembly in Prague and fully came into force in September 2018.

Following the approval by the General Assembly in June 2017 of the EL CSR Guidelines, the working group has been working on an education and awareness campaign related to these and the copyright protection of these guidelines.

Education working group

The Education working group was set up to align the ideas and content of the new European Lotteries Corporate University. The programme of the ELCU was inspired by the EL University, which was a successful education seminar in the past. EL Executive Committee member Evgeniy Vlasenko, EL Secretary General Arjan van 't Veer and EL honorary president and moderator Ray Bates formed this working group.

The ELCU was introduced to respond to the ongoing demand for basic training for new entrants to our sector and continuous training and education for experienced Lottery Executives.



Following a review of the requirements in this area, EL developed an innovative three-module ELCU designed to eventually provide appropriate course content for staff at all levels in EL member lotteries and supplier/partner companies in Europe and internationally. The three modules are ELCU Induction, Executive and Director. The Induction module is a two and a half day programme designed for new entrants and “cadets” with up to three years’ lottery experience from support level up to Senior Management level across all units/teams of a modern lottery company.

Content is designed to encourage discussion and guided exchange of views and learnings between participants

Innovation working group

The mission of the Innovation working group (ELIG) is to inspire and share innovation across the EL community. Innovation ideas from inside and outside the sector, including innovation methodology, approaches and organisation, are central themes. ELIG inspires the EL community by sharing external perspectives and experiences with lottery representatives, showcasing possibilities and celebrating them. ELIG's purpose is to create and engage an innovation network within its community.

In 2018 the working group met four times. In February the ELIG started an ambitious project partnering up with an external consultancy company (Kantar Group): the co-creation of 64 lottery innovation ideas by European millennials. The working group then reviewed these new ideas during a dedicated workshop in order to select the 20 most promising innovations with business potential. The final results of this project were presented to the EL membership during the 2018 Industry Days in Prague, where each attendee received all the data collected during the project and all the innovative ideas that were produced.

Another important project run by the ELIG in 2018 was the study on pragmatic applications of blockchain technologies to the lottery sector.

The project is currently in its final stages and the results will be presented at the 2019 EL Congress in Antwerp.

In addition to these projects the working group developed new concepts for innovation-oriented seminars and workshops for the EL community and successfully organised the Innovation Showcase Day in London in October 2018 (27 attendees from 19 different lotteries) and the Innovation Customer/User Experience Workshop in Vienna in November 2018 (34 attendees). The Innovation Showcase Day was a speed-networking event designed around case studies and conversations. The Innovation Customer/User Experience Workshop was a successful launch of a new experimental event-concept where attendees dived into tools and methods for CX and UX in hands-on sessions.



Knowledge Sharing working group

The objective of the Knowledge Sharing working group is to collect and publish relevant, public, high-quality content in order to promote EL interests externally. The working group met three times in 2018, mainly to discuss the EL data collection for 2017, the launch of the EL Info Hub and to organise the knowledge sharing seminar that took place in April 2018 in Geneva and gathered 49 participants from 22 countries.

Like every year, the working group oversaw the EL reporting process for 2017, working on the data collection and revision with Czech-based agency Kantar TNS and publishing the final reports (public and extended versions) including the major figures on the European lottery sector for 2017. In March 2018, EL launched its first knowledge sharing interactive platform, the EL Info Hub (ELIH) designed to facilitate contact between all EL members in a secure and dedicated environment. The working group worked closely with a service provider for more than a year to allow this new tool to come to life. The ELIH was officially launched during the knowledge sharing seminar and has over 500 registered users to date.

Another important project run by the ELIG in 2018 was the study on pragmatic applications of blockchain technologies to the lottery sector

Legal & Regulatory working group

The Legal & Regulatory working group (LRWG) analyses, oversees and discusses various legal issues that the association, as well as its members, faced, are facing or will face in the future. LRWG advises the Executive Committee on the legal challenges at hand – most often in the EU legal context – as well as on the legality of the association's principles. In 2018, the working group met three times and held its annual legal seminar in Ljubljana.

Major issues that marked the work of LRWG in 2018 were the introduction of the General Data Protection Regulation and the announced Italian ban on all forms of gambling advertising. Both have been actively addressed throughout the year at the working group meetings, but most comprehensively during the legal seminar where members exchanged experiences and insights.

In close cooperation with the members of the Public Affairs Coordination working group (PAC), the LRWG actively safeguarded interests of all the association's members in front of EU and other international institutions on a number of relevant dossiers. These include – but not limited to – the ongoing discussion at the European Committee for Standardisation (CEN) on development of a European standard on online gambling reporting, taxation of digital economy, tackling illegal content online, the work of the European Commission Taskforce on subsidiarity and new EU rules on consumer protection.

The LRWG further reflected on a major milestone in the development of the US gambling market, notably the overturn of the federal ban on betting on professional and collegiate sports and the repercussions thereof.

With the support of the association's legal advisor, the working group reviewed the association's statutes in light of these developments and the subsequent adoption of a new strategy. It also facilitated a training for all the ambassadors to the Info Hub.



Public Affairs Coordination working group

The Public Affairs Coordination working group (PAC) coordinates public affairs actions of the association's members in the EU. One of the main objectives of PAC is to highlight the fact that lotteries are an important stakeholder in the EU and that they protect the players' interests through legal and controlled games and generate revenues that bring significant benefits to society. PAC advocates a lottery model based on subsidiarity, solidarity, integrity and precaution to the EU institutions and various other stakeholders.

In light of the forthcoming European Parliament elections in 2019, PAC members decided to meet more frequently. In 2018, they met five times. In close cooperation with the members of the Legal & Regulatory working group (LRWG), PAC actively safeguarded interests of all EL members before the EU and other international institutions on several relevant dossiers. These include – but not limited to – the ongoing discussion at the European Committee for Standardisation (CEN) on development of a European standard on online gambling reporting, taxation of digital economy, tackling illegal content online, the work of the European Commission Taskforce's on subsidiarity and new EU rules on protection of consumers.

At its meetings, PAC hosted a number of decision makers from international institutions, including a representative from the European Commission in a discussion on electronic identification and trust services for electronic transactions in the internal market, as well as a representative from the Organisation for Economic Co-operation and Development (OECD) in a discussion on taxation of the digital economy.

During 2018, PAC also launched a dialogue on the need for a study on the social and economic impact of lotteries at the EU level. PAC's first memorandum on the proposed study, on behalf of EL, was approved by the Executive Committee and the study will be followed up in 2019.

Security & Integrity working group

The Security & Integrity Working Group (SIWG) is in charge of developing, maintaining and promoting security and risk management standards and guidelines for the association. In 2018, SIWG met twice and held a Security and Integrity seminar in Budapest. Additionally, SIWG monitors irregular and criminal activities and their threats to the gaming industry to discuss prevention methods and to ensure that EL members and other stakeholders are kept informed.

In light of the new edition of the supra-national risk assessment for the application of the Anti-Money Laundering Directive, the European Commission held a meeting with representatives of the gambling sector. SIWG took the lead in the collection of relevant data across the association's membership and submitted it to the European Commission. SIWG members made further valuable contributions in the discussion at the European Committee for Standardisation on the development of a European standard on online gambling reporting and addressed personal data protection and a number of pressing threats and opportunities in the cyber space, notably endpoint protection, biometric identification of players, ransomware and blockchain for security.

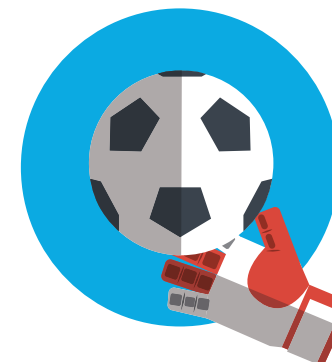
In January 2018, EL became a partner of the Council of Europe funding of the Project "Keep Crime out of Sport - against the manipulation of sports competitions 2018-2020 (KCOOS+)"

Sport working group

The Sport working group monitors and discusses developments in sports betting practices as well as policy and regulatory issues within the sports betting field. It makes proposals and prepares working documents for the Executive Committee while maintaining and enhancing EL's network within sport federations, national and international sport stakeholders and the EU Institutions.

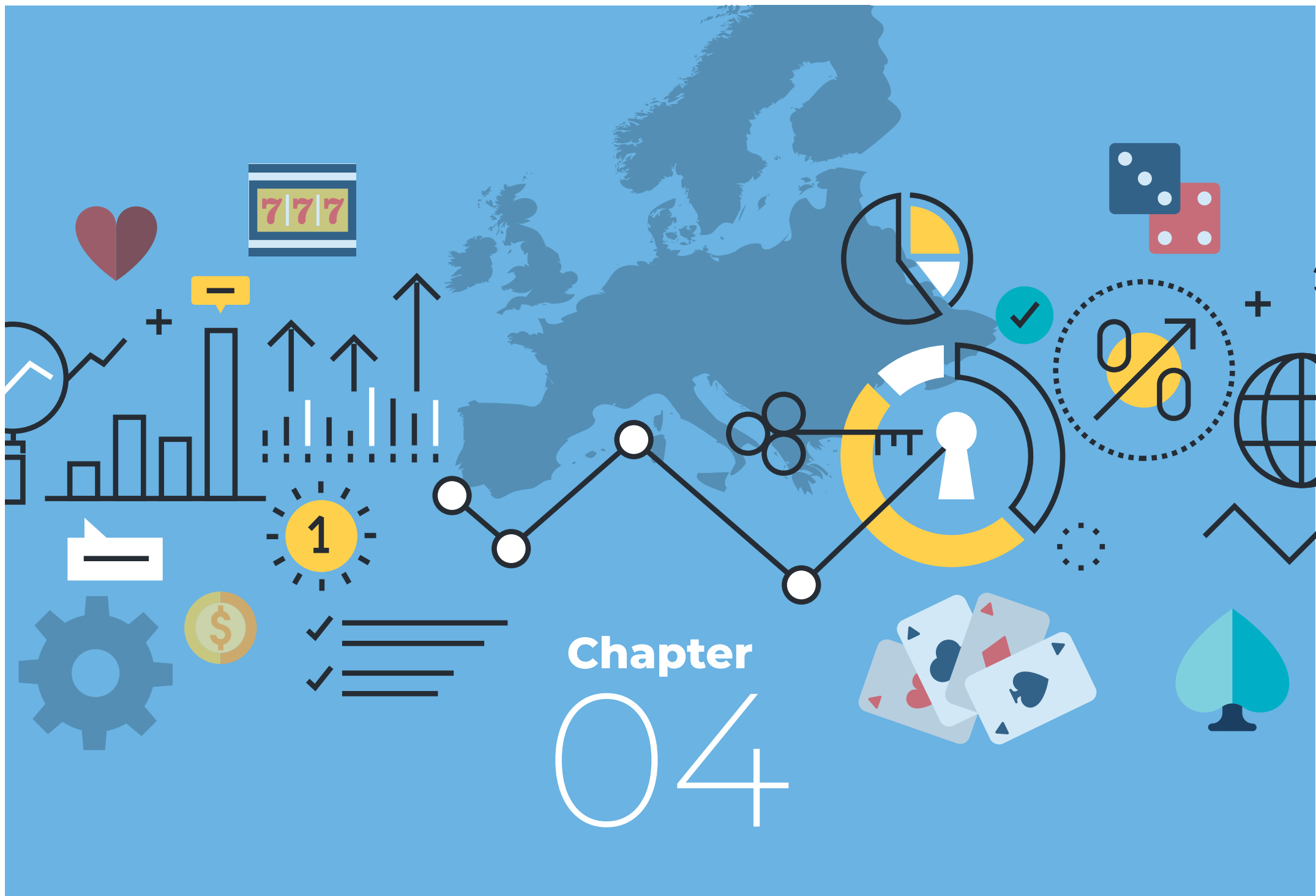
Sport in 2018 played a particularly important role within the association. Thanks to the support of its very active Sport working group, EL launched several new projects with various stakeholders and confirmed its commitments to advocating for the integrity of sport and strengthening the sport network within its lotteries. In January 2018, EL became a partner of the Council of Europe funding of the Project "Keep Crime out of Sport - against the manipulation of sports competitions 2018-2020 (KCOOS+)". The 19th edition of the yearly EL/WLA Sports Betting seminar took place in Lyon in May with the support of Française des Jeux (FDJ) as the hosting lottery. The event registered an all-time record of 140 participants from all over the world for an intense two-day programme. A key part of the Sports Betting Seminar's agenda has always been the analysis of the latest updates on the market and this year a special highlight was the presentation of Mark Hichar, chair of Gaming Law Practice Group in the US, only one day after the US Supreme Court decided in favour of New Jersey's law permitting wagering on sports, enabling other US states to legalise sports betting.

The EL's Sport Award was launched in 2016 as an initiative to reward organisations seeking to promote grassroots sport, using sport as a tool to make society better.



On the occasion of the 2018 EL Industry days in Prague, Olli Sarakoski President & CEO of Veikkaus Oy and Chairman of the EL Sport working group, lead a dedicated selection committee to evaluate more than 30 projects that were submitted throughout the year, doubling the numbers of the first edition. The winner of the 2018 EL Sport award was Sport 4 Life UK, a sport for employment charity which helps disadvantaged young people get back into work through a sports-themed personal development programme.

As a trusted partner of the European Commission since the very first edition of the European Week of Sport (EWoS), in September 2018, EL hosted a dedicated event in Brussels in collaboration with the European Non-Governmental Sport Organisation (ENGSO) entitled "Squat & Talk: Smart up that body and brain!" The first day was focused on actual active physical activities for the attendees, who had a class on healthy ways of being active and exercising efficiently as part of everyday life. The second day was dedicated to an intellectual debate among the audience and a panel of experts on gender equality and sport.



Chapter 04

Financial statements & accounts 2018

Financial Statement as at December 31st 2018 – Profit & Losses

European States Lotteries and Toto Association
Lausanne, Switzerland

	Notes	2018	2017
		CHF	CHF
ASSETS			
Liquidity			
Petty cash, bank current accounts	7 / 6a	3'165'360.48	3'808'876.98
Bank deposits	7 / 6a	4'527'633.15	4'527'634.00
		7'692'993.63	8'336'510.98
Current assets			
Debtors		393'105.00	174'404.50
Withholding tax to be recuperated		0.00	0.00
Deferred charges and prepaid expenses	6a	245'308.82	136'116.97
Bank guaranties	1 / 6a	15'494.88	16'089.56
		653'908.70	326'611.03
TOTAL		8'346'902.33	8'663'122.00
LIABILITIES			
Creditors		0.00	6'854.42
Accrued payments and down-payments - for next years' seminars		181'325.00	256'690.00
Accrued invoices	6a	183'425.28	175'543.29
		364'750.28	439'087.71
Association Equity	3		
Association liability reserve	2	206'553.56	206'553.56
Deferred association seminars reserve		2'089'640.95	1'889'279.59
Seminars result of the previous year		158'479.91	200'361.36
Attribution/(usage) as per General assembly decision	9	(150'000.00)	0.00
Association seminars reserve	5	2'098'120.86	2'089'640.95
Association reserve to cover one year of costs	3	2'500'000.00	2'500'000.00
Deferred Association general reserve		2'858'621.14	2'210'314.47
Result of the previous year - administration		410'738.74	648'306.67
Attribution/(usage) as per General assembly decision	10	(150'000.00)	0.00
Association general reserve (Capital & accumulated profits)	3	3'119'359.88	2'858'621.14
Seminars result of the year, net from seminars off-budget items	5	-113'643.99	158'479.91
Result of the year - administration		-128'238.26	410'738.74
Result of the year - total	3	-241'882.25	569'218.64
Usage of the reserves/(attribution to the reserves)	9, 10	300'000.00	0.00
Deferred results		58'117.75	569'218.64
		7'982'152.05	8'224'034.29
TOTAL		8'346'902.33	8'663'122.00

SEMINARS and OTHER INCOME

	Notes	2018	2017
		CHF	CHF
SEMINARS			
<u>Seminars income</u>		1'130'509.30	1'168'848.44
Seminar Sports betting		237'434.26	208'279.38
Seminar Legal affairs		44'760.00	34'000.00
Seminar Marketing		317'861.00	326'644.07
Seminar PR Communication		44'279.50	0.00
Seminar Information Sharing		38'780.00	0.00
Seminar Innovation - Showcase		33'619.48	182'753.53
Seminar Public Order		0.00	45'937.67
Seminar Responsible gaming		160'579.47	150'853.70
Seminar Security		127'582.00	118'527.59
E.L.C.U (European Lottery Corporate University)		691.65	0.00
Workshop on Design Thinking		0.00	0.00
Seminar Retail		70'471.94	0.00
Workshop Innovation		54'450.00	83'212.50
 <u>Innovation award</u>		<u>0.00</u>	<u>18'640.00</u>
 <u>Seminars costs</u>		1'244'153.29	1'010'368.53
Seminar Sports betting		217'463.62	161'563.42
Seminar Legal affairs		41'149.55	43'121.88
Seminar Marketing		306'358.97	277'067.47
Seminar PR Communication		55'036.33	0.00
Seminar Information Sharing		37'039.76	7'160.00
Seminar Innovation - Showcase		38'617.58	148'104.03
Seminar Public Order		0.00	50'083.77
Seminar Responsible gaming		154'614.61	122'134.00
Seminar Security		109'689.83	105'840.64
Innovation award		0.00	1'107.00
E.L.C.U (European Lottery Corporate University)		146'992.05	0.00
Workshop on Design Thinking		0.00	0.00
Seminar Retail		74'191.43	0.00
Workshop Innovation		62'999.56	76'720.25
<u>Other seminar income (previous years seminars)</u>		<u>0.00</u>	<u>17'466.07</u>
 Seminars result	5	-113'643.99	158'479.91

	Notes	2018	2017
		CHF	CHF
OTHER CHARGES			
Industry Days financed through Partnership agreement contributions		351'921.07	0.00
Industry Days EL contribution		136'862.87	0.00
Work Group		14'101.61	201.21
Other costs		11'270.72	1'274.65
Economic Study - WG ELISE		13'946.37	10'621.69
Other charges		528'102.64	12'097.55
NEWS (ex-Panorama)			
News publicity external income		0.00	31'200.00
News costs		-51'667.51	-62'637.99
News net result		-51'667.51	-31'437.99
FINANCIAL INCOME AND CHARGES			
Interests received		0.00	3.30
Exchange differences - positive/(negative)		-1'041.11	24'414.70
Bank costs		-45'099.51	-40'343.45
Financial & other income and charges net result		-46'140.62	-15'925.45
SUBTOTAL - NET INCOME		-739'554.76	99'018.92



	Notes	2018	2017
		CHF	CHF
SUBTOTAL - NET INCOME (previous page report)		-739'554.76	99'018.92
MEMBERS' FEES & CONGRESS			
Regular membership fees		2'401'106.67	2'407'273.90
Associate membership fees		116'298.24	130'813.80
Partners and hosting L. contribution for Congresses and Industry Days		448'987.50	107'207.50
		2'966'392.41	2'645'295.20
TOTAL NET INCOME		2'226'837.65	2'744'314.12
Administrative & Congress Costs			
Secretarial EL	6a	1'037'587.16	965'838.30
J/. Personnel costs internally charged to seminars	4	-139'634.00	-40'000.00
<i>Net secretarial EL costs</i>	<i>6a</i>	<i>897'953.16</i>	<i>925'838.30</i>
Liability Reserve fund	2	0.00	0.00
Internet & new medias	6a	6'514.25	18'702.49
Office supplies / furniture	6a	26'757.95	0.00
Postage		3'355.05	5'980.13
Accounts & Audit		25'845.10	21'506.74
Training costs		14'623.62	14'724.20
Translations		0.00	7'022.06
Printing + graphic costs		8'320.16	23'933.27
Administration costs and insurance	6a	41'433.87	34'182.67
Telephone and fax	6a	24'270.72	28'550.52
Rent	6a	76'148.52	82'572.47
Travelling, participation various conferences, accommodation, etc.	6a	58'861.68	59'895.22
Representative costs	6a	12'403.17	2'212.06
Consultancy costs and Legal advisor	6a	615'998.02	287'719.91
Executive Committee		18'467.82	11'831.12
General Assembly		17'311.73	5'581.96
Congress 2017		0.00	63'694.50
Contribution to GLMS		175'000.00	175'000.00
GLMS additional special contribution		150'000.00	0.00
ELS (Sports Committee)		94'625.69	148'017.92
Brussels costs (incl. exchange differences and sponsoring)	6	0.00	0.00
Special projects (incl. Info Hub, Rooster, Sponsoring)	6a	135'137.78	211'068.61
Taxes	8	65'691.60	47'061.32
Total Administrative & Congress costs		2'468'719.89	2'175'095.47
LOSS - total		-241'882.24	569'218.65
As per General Assembly decision, budget approved:			
Usage of the association seminar reserve - for ELCU	9	150'000.00	0.00
Usage of the association general reserve - for GMLS contribution	10	150'000.00	0.00
Impact of loss on the deferred profits		58'117.76	569'218.65

Notes

Note 1: Warranties for the rent and credit card in Brussels.

Note 2: Allocation to the liability reserve as decided by the General Assembly. No new general allocation to the provision as of 2010.

Note 3: New presentation of the net wealth of the association (equity) as of 2014, showing separately 2.5 MCHF. As per General Assembly decision, the capital of the association should cover 1 year of costs, respectively 1 year of membership fees. The adequate level is now reached, as per the actual budget. The capital is fully covered by cash or cash equivalents.

Note 4: Secretarial costs for seminars amounting to 139'634 CHF were billed to the respective seminars. They are included in each seminar and totalized globally here for reporting purposes.

Note 5: As of year 2009, the yearly seminar surplus or loss is added & reported to the next year, or used partially for the costs not budgeted for seminars, as per Ex Comm decision.

Note 6: In 2018 as requested by the Secretary General, the Brussels costs are integrated in each charges account which you find under "6a" and the yearly exchange difference Euro/Swiss franc for Brussels: included.

Note 7: Bank accounts and deposits in a high reputation Swiss bank (Banque Cantonale Vaudoise).

Note 8: Instalments of 2018 taxes have been paid; taxes are accounted on cash basis. When the final 2018 tax bill will be issued by the tax authority (est. Autumn 2019), then the difference will be booked/paid.

Note 9: Usage of the association seminar reserve.

Note 10: Usage of the association general reserve.

The Actuals 2018 reflect foremost the policy to 'give back' to the members of the association. In 2018, the budget as voted by the General Assembly was, for the first time, fully executed with only a small profit as a result, aside the withdrawal from the reserves. This is in contrast with previous years where the association under-spent on the amounts that had been budgeted.

The admission fees of the seminars were (further) lowered, more compelling and subsequently more expensive speakers were invited to the seminars (Marketing seminar and Industry Days as examples) and studies were conducted in the general interest of the Membership (the KANTAR study for the Industry Days as an example). The EL Corporate University (ELCU) Induction module was organised as a free of charge education programme. This ELCU module is fully financed by the Seminars Reserve fund which the association had set up for the purpose of investing in the educational offering. The Consultancy Costs reflect the extra activities carried out in 2018 (project on parasite lotteries as an example). A 'one off' extra payment, in addition to the already budgeted amount, was paid to GLMS to finance the revised strategy plans. The contributions from Level 1 and Level 2 Partners are now directly paid to EL as opposed to the Industry Days and Congress host lotteries, as was the case in the past.

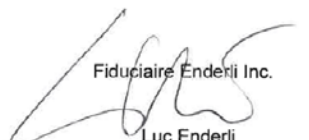
As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of European States Lotteries and Toto Association for the financial year ended December 31st, 2018.

These financial statements are the responsibility of the Executive Committee. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the association's articles of incorporation.

Lausanne, March 1st, 2019



Fiduciaire Enderli Inc.
Luc Enderli
State licenced expert auditor



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