

Annual Report 2008





In the duty of
the state and
the customers

In the duty of the state and the customers: The Westdeutsche Lotterie

WestLotto, the Westdeutsche Lotterie GmbH & Co. OHG, is the operator for lottery and sports betting games in and for North Rhine-Westphalia. As a subsidiary company of the NRW.BANK which is owned by the federal state, WestLotto has received the state mission to steer the natural gambling instincts of the population into ordered and supervised channels and in particular to prevent players turning to illegal games of chance. WestLotto has ensured that its games of chance are carried out orderly and that the protection of young people and players is guaranteed.

The prevention of compulsive gambling and the active channelling of game requests are two different sides to a coin. They must be led hand in hand: no channelling means no effective prevention. The company has been following this guideline since it was founded in 1955. The State Treaty on Gaming from 2008 has sharpened the profile of requirements considerably. The following report provides information towards the realization of this mission during the year 2008.

The realisation of this mission to an economically acceptable degree in 2008 was also quite challenging. This was due on the one hand to the critical macroeconomic situation. Also, the fact that the advancement of illegal offers, whether terrestrial or through the internet, could not be completely curbed was indeed disappointing. The protective covering for unlicensed games of chance granted from several administrative courts within other European countries, which was in particular justified through not yet decided upon preliminary rulings at the EuGH, resulted in the intervention of regulatory authorities being of no avail. This resulted in two inhomogeneous worlds: on the one hand,

unlicensed gambling offers originating from EU-tax havens with an extensive potential of risk – on the other hand, state lottery and sports betting games with their tributes to recreational sports, welfare institutions and culture.

However, games of chance are not goods like everything else. As far as dreams, wishes, chances are concerned, these offers should not be left for free execution of private economical interests.

This is the point where the state host for games of chance determines its approach:

To develop safe and supervised game offers which meet the demands for protection of young people and prevention of addiction, while at the same time creating a high degree of playing enthusiasms, is a challenge that can only be accomplished through experience, creativeness, and a sense of responsibility as well as a large portion of sensitivity.

WestLotto rises to this challenge. The company stands by the State Treaty on Gaming with its products and public relations thereby assisting the realisation of the goals expressed therein.

The present business report documents in this respect, the WestLotto-Year 2008.

Gambling with responsibility and safety: WestLotto's measures for the protection of young people and the prevention of gambling addiction

The new State Treaty on Gaming which came into force on 1st January 2008 and the corresponding implementation law of North Rhine-Westphalia constitute the legal basis for WestLotto's entrepreneurial actions. The Treaty demands to prevent the development of gambling addiction and to guarantee the protection of young people and players effectively during the performance of public games of chance. In the years 2006 and 2007, WestLotto adapted the principles of the agreement to its business policy in advance and continued with this policy in 2008.

As demanded in §6 of the State Treaty, the company developed a comprehensive social concept and stipulated its binding measures for a socially acceptable game offer. A staff division, directly subordinated to the business management, supervises and updates the concept. The controlling institution receives a report annually about the effectiveness of the measures.

The WestLotto Basis-Karte

On the 1st January 2008, WestLotto introduced the WestLotto Basis-Karte for games of high risk – the sports betting games ODDSET and TOTO as well as for daily lottery KENO. This means that anyone wishing to take part on any of these games must present themselves personally, with their identification card or passport at one of the sales agencies. With the help of the Basis-Karte in combination with the presentation of an identification card or passport, the legal ownership can be verified. This way an endangered player can be barred from participating on these offers in the case of a ban.

To guarantee this, a central file of prohibited players also exists since the 1st January 2008 with bans

for casinos and lottery companies. Players who are in danger of addiction can have themselves be banned from relevant games of chance for at least one year. They can request this ban at their own request (self-imposed ban) but, in so far as certain conditions exist, third persons such as relations are also eligible to do so (third-party ban). In a multi-phase procedure WestLotto assures that the third party ban cannot be abused. The relevant players shall be added to the central file of prohibited players and can neither play at casinos nor take part on any lottery company offers.

Up until now, around 390,000 Basis-Cards have been issued to interested players. The company has been able to win the interest of more than two thirds of the approximate 500,000 sports betting players for its offer within North Rhine-Westphalia. In the light of the fact that players can play at commercial betting offices without such a card and at higher rates, this represents a good result. Approximately 250 recordings in the central file of prohibited players led to the deactivation of WestLotto Basis-Cards. The system of ban instrument has proven itself as effective.

Activities towards protection of young people

A central aspiration of WestLotto is not to sell any lotteries and bets to any young people. To ensure this goal, the company implements intensive training for its personnel in the sales agencies and applies a strict controlling and sanctioning system for the sales organisation.

Approximately 9,000 participants have run through the training measures in the reporting year. The seminars concerning the importance of protec-

tion, the risks of games of chance as well as other possibilities for early detection and the handling of endangered players have been drawn up by WestLotto together with experts from addiction counselling services. These measures will be continued with further training components in 2009.

In July 2008, WestLotto conducted a special payment to the amount of 1.3 million euros to the sales agencies. With this sum, the company supports the dedication of the sales organisation with the implementation of protection efforts and the related extensive costs for training.

With the help of test sellers and selected specialised services, WestLotto carries out continual examinations to verify whether the legal stipulations for protection are being abided by. The sales agencies must, through the controlling of identification cards, ensure that young people strictly do not take part in games offered from WestLotto. In the case of it becoming apparent in a test sale that this stipulation has not been abided by, the relevant sales agency will receive a warning with a fine and the termination of contract will be impended. This will be enforced with the utmost resolution to those – proportional to the total sum – few sales agencies that become noticeable again.

Measures to combat gambling addiction

New surveys show that gambling addiction has become a problem. According to the information given from the Department of Health in Duesseldorf, there are roughly 180,000 gambling addicts, 30,000 hereof live in North Rhine-Westphalia. The highest exposures to danger of addiction are slotting machines followed by casinos and sports betting games. The lottery lies at a lower level for danger of addiction.

With this in mind, WestLotto takes the stipulated goals of the State Treaty on Gaming to combat and prevent gambling addiction very seriously. The company not only works close together with the State Office for Gambling Addiction (Landesfachstelle für

Glücksspielsucht) but also with the Federal Central Agency for Health Education (Bundeszentrale für gesundheitliche Aufklärung, BZgA).

WestLotto materials on Gambling Addiction have originated in cooperation with the State Office. Even the training courses which are based on these have been drawn up in collaboration with specialists from the State Office. In May 2008 a brochure arose out of this cooperation which is displayed in all the sales agencies in North Rhine-Westphalia and which contains a self-assessment test for the assessment of danger of addiction.

Together with the BZgA, WestLotto and the other members of the German Lotto- and Totoblock (DLTB) have developed a nationwide monitoring system where the basic data on the gambling addiction problems are levied. Furthermore, in May 2008, the joint website www.spielen-mit-verantwortung.de ([www.playing with responsibility](http://www.playing-with-responsibility)) was activated where people with interest can find a self-assessment test, the results of which gives exposure to whether the personal playing habits are problematic or not. In the case of further aid being necessary the website refers to qualified regional counselling bodies. The offer supplements the already established free of charge telephone hotline which offers information and advice.

Every ticket and other media from WestLotto carry the contact details of the State Office for Gambling Addiction as well as the BZgA hotline. Moreover, WestLotto informs of the dangers of addiction on all its sales promotion materials, indicates the odds of winning for the product concerned and explains the losing risks involved. Even here, the company clearly refers to prohibition of participation for young people.

Information and Explanations

In anticipation, WestLotto already implemented the statutory regulations of the State Treaty in the design of its sales promotion and communication materials in 2007. This applies for both content

designs as well as for the choice of target groups and the limitation of implemented sales promotion channels.

WestLotto's target is to objectively inform and explain the state lottery and betting offers to the public in its sales promotion. The sales promotion should contribute to guiding the natural human playing instinct into ordered channels thus taking the floor from under the feet of illegal game offers. It is limited to information about the constitution, content design, winning odds and risks of the state product offers, does not purposely prompt to taking part and does not animate gambling.

The information campaign of the DLTB concerning the state betting offers on the occasion of the European Football Championships in 2008 also followed this principle. Under the motto "betting honestly – winning for all" WestLotto and its partners from DLTB reported objectively of the legitimate ODDSET betting offer with transparent odds and stakes and clearly distanced itself from the partially lurid communication policy of the commercial sports betting providers.

WestLotto keeps to the requirements for the protection of young people in its communications policy. Communications are not basically aimed at young people and other vulnerable groups. Young people neither appear on communication media nor is the type of media used to preferentially target young people. WestLotto also observes the existing prohibition of promotion per telephone, internet and television stated in the State Treaty.

Adaptation of the sales channels

The LOTTO sales agencies are, and will stay, the basis of business at WestLotto. They are trusted by the customers, they guarantee a social and responsible monitoring of the players interests and they dispose of a safety related know how. On the whole they stand for responsible assistance and safe development.

WestLotto has further reduced its sales agency network. Having already reduced the sales agencies from 3,910 to 3,842 in 2007 they have now sunk to 3,730 in 2008. This is equivalent to a quota of one sales agency for approximately 4,825 residents. Therefore, the number of sales agencies lies under the designated upper limit stated in the implementation law for the State Treaty on Gaming. WestLotto has implemented the prohibition of internet sales.

Positive effects of the social concept

The customers' acceptance to WestLotto's mission to design their game offers in a socially acceptable way and with a sense of responsibility is positive. This is the result of opinion surveys carried out in June and August 2008.

According to this, WestLotto is perceived as a state controlled, legitimate and trustworthy provider of games of chance in North Rhine-Westphalia. Approximately three quarters of the respondents appraise WestLotto as the Original on the games of chance market and as a state controlled company. In North Rhine-Westphalia more than half appreciate WestLotto as a traditional provider of LOTTO and sports betting games, as a very respectable and trustworthy company with attractive winning chances. Over 90% of the respondents consider the protection of young people as a very important mission, and more than half of these are aware of the relevant indications as well as the winning odds printed on WestLotto's information materials. The respondents show great approval towards the company's consequent information policy, especially regarding the matters players and young people protection.

WestLotto understands this response as an incitement and encouragement to keep on the same course and to pursue its support for the prevention of gambling addiction and the protection of young people.



Responsibility
for social
welfare



Promotion of
mass sports
and
competitive
sports

Contributions for a good cause: WestLotto's contribution to public welfare

In the year 2008 WestLotto has again made an important contribution to the public welfare in North Rhine-Westphalia through its levies and operating income. More than 620 million euros for levies and taxes deriving out of the public games sector have been transferred to the state. As in previous years and decades, sports, culture, social welfare as well as nature and cultural heritage protection all profit from these funds.

In the area of sports, in collaboration with the state and through the State Sports Association (LandesSportBund), WestLotto promotes especially recreational and amateur sports in North Rhine-Westphalia, as well as competitive sport alongside and through the Sportstiftung NRW, the Stiftung Deutsche Sporthilfe and the Deutscher Olympischer Sportbund. A large part of the various sports opportunities offered in NRW would not be able to survive without this support. WestLotto is also actively involved in the Confederation for Sport (Bündnis für den Sport), which was determined in the middle of February 2008 to additionally invigorate the sporting federal state of North Rhine-Westphalia. However, due the state lottery and sports betting offers increasingly losing their share of the market to illegal providers who do not hold a concession and privatise their profits, the incentives for sports have been constantly decreasing for several years now.

The promotion of sports for disabled people is an important concern of WestLotto. The nationwide fund raising campaign of the Society for the Promotion of Sports for the Disabled (Förderkreis Behindertensport e.V.) together with the DLTB which was initiated 1st September 2008 from North Rhine-Westphalia is also a result hereof. The prime minister of NRW Jürgen Rüttgers and the chair-

woman of the Förderkreis Gerda Pleitgen have successfully gained the prime ministers of the federal states as patrons of this action. Following the initiative of WestLotto the LOTTO sales agencies nationwide have contributed to the success of this action by placing donation boxes in their agencies. The proceeds flow into the recreation and rehabilitation sports for disabled people of the respective federal states.

In the year 2008 WestLotto has supported the artistic life of North Rhine-Westphalia via the Kunststiftung NRW, thereby promoting for the preservation of the churches in the federal state. Those with low income and in need of care benefit from help coming out of the funds deriving from the state games of chance through the Consortium of Key Organisations for free Welfare Work (Arbeitsgemeinschaft der Spitzenverbände der Freien Wohlfahrtspflege) in North Rhine-Westphalia together with the State Consortium for free Welfare Work (Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege). WestLotto also supports the protection of nature and cultural heritage through the NRW Foundation for the Conservation of Nature, Local Historic and Cultural Care (NRW-Stiftung Naturschutz, Heimat- und Kulturpflege, the Foundation for Environmental Care and Development (Stiftung Umwelt und Entwicklung) and the German Foundation for the Protection of Historical Monuments (Deutsche Stiftung Denkmalschutz) among others.

In close collaboration with the federal state WestLotto has effected its contribution to the general welfare of the public with this supportive achievement. Since the beginning of its business activities in 1955, the company has provided the state of North Rhine-Westphalia and the beneficiaries with more than 21.5 billion euros, after conversion.

The games of chance landscape in 2008: The environment of WestLotto

As expected, the legal dispute of the games of chance sector could again not be concluded in the year 2008. In 2007 the commercial providers and their representative bodies had already announced a new flood of lawsuits, therefore there were many proceedings pending at German courts in 2008. Even on the European level the European Parliament as well as the EU-Commission and the European Court of Justice were engaged with the matters of the games of chance laws.

Resolution of the European Parliament towards Games of chance policy

On 8th May 2008 the European Parliament expressed its concern about the possible liberalisation of the national games of chance market, especially in the sector of sports betting products. In the opinion of the parliamentarians contributions for the promotion of sporting organisations are essential. Market liberalisations will not only danger the funding of amateur sports but also benefit betting manipulations and therefore jeopardise the integrity of sports. Last but not least, the activities of organised crimes, as for example money-laundering, also play an instinctive role. Therefore, the European Parliament appeals to the European Commission to advocate the retention of the state lotteries systems.

In the present year, on 10th March 2009 the European Parliament passed a comparable resolution for games of chance on the internet. The parliamentarians demand that the member states regulate their games of chance markets themselves so as to protect the user from gambling addiction and criminal activities. Game provider self-regulation is not seen as adequate enough. The young people in particular must be protected from liberalised online games of chance. The European

Parliament has therewith, once again, expressed its negative attitude to the liberalisation of the games of chance market.

The Statement of the EU Commission

On the 31st January 2008 the EU Commission instituted a law suit for breach of contract against Germany because in their opinion various provisions of the State Treaty on Gaming most possibly contravene with the rights of the individual European markets. However, the interpretation of the liberalisation supporters that the commission herewith raises to question the fundamental legitimacy of a national monopoly for games of chance is not supportable. After receiving the German statement the commission has not followed up the law suit for breach of contract up until now.

In a statement from 23rd April 2008 which was submitted to the European Court of Justice the EU Commission approved the fundamental legitimacy of the state game of chance monopolies within the European Union emphatically. According to the commission the member states are eligible, taking the higher ranked European law into consideration, to deny private foreign providers the access to the national market, in so far as necessary to effectively enforce the monopoly. They may set the goals of games of chance policy and determine the level of protection themselves. Therewith, the EU Commission does not follow the liberalisation supporters' opinion that a national monopoly for games of chance contravenes fundamentally with European law.

Legal matter "Liga Portuguesa" brought before the European Court of Justice

Since 2008, a legal proceeding has been pending before the European Court of Justice which, regarding the sector of games of chance, is of simi-

lar fundamental significance as the legal matter of “Gambelli” in 2003 and “Placanica” in 2007. The rationale behind the proceeding is a sponsoring contract between the Portuguese Football League and a commercial sports betting provider, of whose basis sports bets had been offered and advertised in Portugal. The public authorities prohibited this and imposed fines because only the monopole provider Santa Casa has been granted exclusive allowance to perform games of chance in Portugal. The League and the commercial provider have phoned the EuGH to object this decision. This should in particular clear the question of whether the Portuguese monopolist for games of chance contravenes against the European freedom of establishment and services.

In his final motion on 14th October 2008, the Advocate General Yves Bot answered almost all controversial issues for the purpose of the legitimacy of national monopolies in the areas of games of chance. He particularly made clear that games of chance are not subject to market acts of the EU law and that a monopole for games of chance constitutes proportional measures for implementing player protection. An adjudication of the EuGH is to be expected in the course of the year 2009.

Preliminary ruling of German Administrative Courts at EuGH

In 2007 each of the administrative courts of Gießen and Stuttgart had already forwarded three preliminary rulings to the European Court of Justice who conjoined these to a collective hearing and adjudication. In January 2008 a further preliminary ruling of the administrative court of Schleswig Holstein appeared. These proceedings all point to the issue of reconcilability of the German games of chance monopole with the freedom of services laid down in the EU treaty.

The EuGH has also advised an adjudgement on this matter for the year of 2009. It is expected that the decision made for the legal dispute will be of great importance to the German courts.

Federal Constitutional Court affirmed the legitimacy of the State Treaty on Gaming

On 14th October 2008 the Federal Constitutional Court decided not to accept a constitutional complaint from an internet gaming provider on the grounds of the statutory regulations of the State Treaty on Gaming because there appeared to be no chance of success. The Constitutional Law Judges argued that although the State Treaty on Gaming limited the rights of freedom of profession it did this in a permissible constitutional manner. The treaty complies with due principle of clarity and the commensurability, and its stipulations are both necessary and essential to achieve the intended aim of the law.

In December 2008 yet another professional gaming provider filed a lawsuit against the State Treaty on Gaming at the Federal Constitutional Court. The judges in Karlsruhe have not accepted this lawsuit either. The same is valid for commercial betting companies who have ventured further advancement in 2009.

Through the continuance of the sports betting decree from March 2006 the judges in Karlsruhe have repeatedly unmistakably affirmed the constitutional conformity of the German monopole for games of chance – even under the new State Treaty on Gaming.

Antitrust adjudgement of the Federal Constitutional Court

On 14th August 2008 the Federal Constitutional Court finally made judgement on the dispute which had been going on since 2006 between the Federal Cartel Office and the companies of the DLTB. The competition watch dog agency has admonished the state lottery companies on the grounds of infringements against the antitrust law and moreover, in the same context, criticised the principle of regionality. The Federal Cartel Office wanted to commit the DLTB companies, who have heretofore only been active in their respective federal states, to compete against each other.

The adjudication of the Federal Constitutional Court has strengthened the position of the lottery companies substantially. They can neither be forced to offer their products in other federal states nor can they be imposed to accept game orders of commercial game agents from terrestrial markets such as super markets and filling stations. The Federal Constitutional Court has merely prohibited any agreements or requests concerning this matter on the part of the DLTB.

Higher administrative courts judge in the interest of the monopoly for games of chance

The adjudgements passed by the higher administrative courts in the year 2008 for the area of games of chance affirm the constitutional law and the conformity of the European Law near to unanimously. In particular, the decision of the OVG Münster dated 22nd February, 7th March, and 30th August, the VGH Baden-Württemberg dated 17th March and 28th October, the OVG Hamburg dated 25th March and 26th September, the Bayerischer VGH dated 2nd June and 23rd December, the OVG Lüneburg dated 8th July, the Hessischer VGH dated 13th August and the OVG Berlin-Brandenburg dated 28th November must be mentioned.

The higher administrative courts all agree that the German games of chance monopoly which is regulated through the statutory regulations of the State Treaty is not only compatible with the constitutional law but also with the European Union Law. Indeed, it is an infringement on the Federal Constitution Law for freedom of profession as well as for the freedom of establishment and services of the EU Treaty. But, according to the judges, the superior objectives to fight against gambling addiction and to protect players and young people which are laid down in the State Treaty on Gaming justifies such an infringement. These public welfare objectives can be reached effectively with a national monopole for games of chance.

Non-uniform jurisdiction of the courts of first instance

Contrary to the higher administrative courts, the administrative courts have not come to a uniform jurisdiction in the area of games of chance in 2008. Whereas several judge to the purpose of the Federal Constitutional Court and the higher administrative courts, others elude the decision through submission to the EuGH or judge to the purpose of the private game of chance product providers; whereupon the judgements of the superior levels of jurisdiction are astonishingly often ignored.

This splintering of the law has contributed to the fact that in many cases the regulatory authorities could not consequently take the necessary action against illegal gambling in 2008. The private providers have extended their contingent on the market with aggressive games, whereas the state lottery, who obeys by the law applicable, is being increasingly driven into the defensive. In November 2008 the Research Centre on Games of Chance (Forschungsstelle Glücksspiel) at the University Hohenheim has ascertained that the state ODDSET-sports betting games generate an annual turnover of about 300 million euros, whereas the illegal betting providers lie between 1.5 and 3 billion euros. This imbalance has not been moderated but has been increased in 2008.

The Ethical Advisory Body (Ethik-Beirat) of the DLTB already pointed out in March 2008 the necessity of a consequent application of the applicable law. According to the Advisory Body, the municipal departments for public order must be better equipped, both financially and in terms of personnel, to allow for the many complaints, in particular those coming from commercial betting offices, to be processed and pursued. The federal states should safeguard the communes against the threatened compensation claims of the illegal providers through assumptions of liability. And a way should be found to technically prevent the illegal game offers on the internet.

Business development and prospects: The WestLotto year 2008

A radical clear up of unlicensed operators has not advanced on the lottery and sports betting sectors in 2008. This is in particular the case for game offers from other EU countries which are mediated via the internet. In many cases administration courts have revoked regulatory authorities' official decrees of closure because they are doubtful that the State Treaty on Gaming is conform to the European Law.

These unfortunate legal conditions as well as the weak economical situation have consequently led to a decline in sales at the state lottery companies for 2008 as in previous years. WestLotto closes the financial year with players' stakes for lotteries and bets to the amount of 1.51 billion euros. This reflects a fall in sales compared to the previous year of about 12.7%.

Lotteries

The main product LOTTO 6aus49 does not only suffer from the negative legal and economical conditions, but also from a weak development of jackpots. A record jackpot as in the previous year has not occurred. Therefore, for the first time since 1999/2000, the players' stakes will fall under the 1 million euro mark. With 991.3 million euros, this is a sales decrease of 11.9% compared to the previous year.

The supplementary games Spiel 77 and SUPER 6 which are coupled to the main product show a comparable development. Spiel 77 closes at a sales performance of 201.0 million euros which equates a decrease of 11.8% compared to the year before. The sales for SUPER 6 fall by 12.3% to 142.3 million euros.

The GlücksSpirale also continues in the same trend as last year. With an overall turnover of 34.3 mil-

lion euros the product loses 9.7% compared to the year before.

The decrease on sales revenue from the daily lottery KENO is even more apparent. The introduction of the obligatory Basis-Karte and personal identification card has obviously prevented those customers from playing who wish to stay anonymous. In 2008 the lottery entered sales revenues to the sum of 32.2 million euros representing a deficit of 20.9% compared to the preceding year. KENO's supplementary lottery plus 5 also falls by 17.9% to 3.5 million euros.

As a stimulating product, the scratch cards are hit particularly hard by the weak economical development and the reduction of sales agencies. Thus, in 2008 instant lotteries only reach sales revenues of 36.1 million euros. This means a loss of 7.5% on the previous year.

Sports betting games

In the sports betting sector WestLotto agitates in an especially difficult environment. Illegal game providers push their way into the market with a wide-range of products and aggressive advertising methods. This has been observed in particular in the European Football Championships in Switzerland and Austria. It is assumed that numerous former customers have switched from the state sports betting products to these illegal game providers. In the meantime the share on the market for state sports betting offers already lies below 20%.

The state sports betting product ODDSET loses 23.4% compared to the year before and reaches a sales revenue level of 56.8 million euros. The sales revenue for this product has therewith sunk to less than half since 2004. The ODDSET KOMBI-Wette

loses 24.8% whereas the ODDSET TOP-Wette stays somewhat stable.

Even the classical TOTO sports bets document a reduction in sales revenues. The Ergebnissette loses 14.7% in comparison to the previous year showing sales revenues at 9.1 million euros. With 4.2 million euros sales revenues, the Auswahlwette has more than halved itself compared to the year before. However, this result is to be predominantly put down to an extraordinary high jackpot in 2007. On the whole, the TOTO sports bets show almost a halving of their sales revenues since 2004.

Fees and Levies

The lottery and betting games administration fees for the expired business year amount to 62.6 million euros equating a minus of 12%. This decrease is primarily to be put down to the sinking volume of game requests in the lottery sector.

Due to the decline in game stakes, the payout in prizes to the players and the levies paid to the federal state and beneficiaries also drop. Prizes to the amount of 742.5 million are distributed to the game players, being 12.8% less than last year. The paid concession levies and lottery taxes recede by 12.8% to 620.7 million euros. At 123.1 million euros the distribution allowance for the outer organisation is 13.1% less than in the previous year.

Financial and assets situation

The profit and loss account shows a result from the ordinary business activity at the close of the year under review of 15.3 million euros. This reflects a fall of 16.3% over the previous year. The balance sheet profit after tax and allocations to reserves amounts to 8.6 million euros.

The company's financial and assets situation remains stable. WestLotto is constantly in the position to settle its short term liabilities.

Prospects 2009

As yet, it is not realistic to count on a reversal of the negative sales revenue trends for 2009. The macroeconomic cyclical development remains problematic. A radical clearing of unlicensed operators from the market can only be awaited – if at all in 2009 – in the second half of the year following the decisions of the European Court of Justice concerning the preliminary rulings.

However, the development of sales revenue in the sector of the main product LOTTO 6aus49 is dependant on the jackpot course. In 2008 this proved itself as exceptionally weak whereas in January 2009 the third highest jackpot in the history of LOTTO was already attended on. This has led to an instinctive increase of sales in the first quarter of 2009 compared to the same period the year before.

During the last few years, WestLotto has already prepared itself for changes in the games of chance market. In January 2008 the company has begun to adapt its sales structure for new demands. Up to now the district offices were responsible for providing the sales agencies with the necessary materials. As of 2009 the sales agencies are directly delivered and are now supplied through two independent logistic services. Further adaptations within the sales organisation are for instance, to reduce the amount of districts and the modification of their sizes. At this intermediate stage WestLotto does not appoint anymore independent sales representatives as of 1st February 2009.

In 2008 WestLotto developed a self-service terminal for use in its sales agencies. Since September, the apparatus has been tested in 30 selective sales agencies to determine whether the customers accept such technology. They shall support and relieve the personnel at the sales agencies.

The partners in the outer organisation as well as the employees at the head office will, as hitherto,

meet the challenge of the business requirements with great commitment. The company thereby continues to rely on the good cooperation with NRW.BANK and the federal state North Rhine-Westphalia.

Risk control and security

Since 2001, WestLotto has maintained a risk management system that enables all factors that could endanger the goals and strategies of the company to be continuously identified and systematically evaluated and appropriate counteraction to be initiated. During the year, the individual departments present update reports, which, under whole entrepreneurial aspect, are then assessed by a risk management committee.

The affected aspects within the risk landscape of WestLotto deriving from the State Treaty on Gaming have been reviewed and in the risk assessment accounted for. A general reassessment of the risk situation has not resulted hereof. The, for 2009, much expected decisions of the European Court of Justice are of great importance for the risk assessment.

In September 2008 WestLotto has undergone a certification through Det Norske Veritas (DNV) according to WLA-SCS (WLA Security Control Standards) and ISO 27001. In the final report positive reference is made of the activities of WestLotto towards Business Continuity Management (BCM) and the implementation of the fall-back computer centre, which is one of the few computer centres in Germany classified with the TÜVIT certificate level 3 for IT infrastructure. In June 2009 the company received a further certificate for the subject "responsible gaming" at a conference of the European Lotteries (EL) in Istanbul.

Furthermore, the allowance necessary to cover the financial risks arising out of the playing business are made through special provisions and a general risk reserve. As far as can be seen today, no risks

exist which would likely jeopardise the continued existence of the company.

WestLotto 2008 Sales

	Sales in mio €	Share in %	Previous year in %	Playslips in mio units	Share in %
LOTTO 6/49 - Saturday Draw	690,5	45,7	- 10,9	73,1	59,3
LOTTO 6/49 - Wednesday Draw	300,8	19,9	- 14,1	31,7	25,7
LOTTO 6/49 - total	991,3	65,6	- 11,9	104,8	84,9
Spiel 77 - Saturday Draw	144,0	9,5	- 10,8		
Spiel 77 - Wednesday Draw	56,9	3,8	- 14,5		
Spiel 77 - total	201,0	13,3	- 11,8		
SUPER 6 - Saturday Draw	100,7	6,7	- 11,2		
SUPER 6 - Wednesday Draw	41,6	2,8	- 15,0		
SUPER 6 - total	142,3	9,4	- 12,3		
GlücksSpirale	34,3	2,3	- 09,7	4,7	3,8
KENO	32,2	2,1	- 20,9	4,5	3,6
plus 5	3,5	0,2	- 17,9		
Lotteries total	1.404,6	93,0	- 12,1	114,0	92,4
TOTO 13er Ergebniswette (result bet)	9,1	0,6	- 14,7	1,1	0,9
TOTO 6aus45 Auswahlwette (selection bet)	4,2	0,3	- 52,6	0,6	0,5
Football Pools (TOTO) total	13,2	0,9	- 31,8	1,7	1,4
ODDSET KOMBI-Wette (combination bet)	52,6	3,5	- 24,8	7,5	6,1
ODDSET TOP-Wette (single bet)	4,2	0,3	+ 02,0	0,2	0,2
Fixed odds betting (ODDSET) total	56,8	3,8	- 23,4	7,7	6,2
Sports betting total	70,1	4,6	- 25,1	9,4	7,6
Instant Games	36,1	2,4	- 07,5		
Grand total	1.510,7	100,0	- 12,7	123,4	100,0

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