



Camelot UK Lotteries Limited

Chairman's & Chief Executive's statements for the year ended 31 March 2013

Company Number: 2822203

About Camelot

Camelot UK Lotteries Limited (Camelot) is the operator of The UK National Lottery and aims to serve nations' dreams across the globe, while maintaining a flourishing UK National Lottery at its heart.

Camelot's overarching objective is to maximise returns to National Lottery Good Causes through selling lottery products in an efficient and socially-responsible way. This involves creating, marketing and promoting new games, developing and running the lottery infrastructure, providing services for players and winners, and working in partnership with retailers. As a profit-making Group, Camelot also aims to maximise returns to its shareholder.

Camelot's partners

As the operator of The National Lottery, Camelot's role is critical to the lottery's success. Other bodies, however, also play a key role:

- the Government, empowered by the National Lottery Act etc 1993 (as amended), through the Department for Culture, Media and Sport;
- the Gambling Commission (formerly the National Lottery Commission) which, after a competition against an Invitation to Tender, awards the operating Licence to run The National Lottery. It is also responsible for regulating The National Lottery;
- the 12 lottery distribution bodies which decide which beneficiaries should receive lottery funding.

Licence facts

In May 1994, the National Lottery Commission (NLC) awarded Camelot a seven-year Licence to run The National Lottery and, on 14 November 1994, the first draw-based tickets went on sale. In December 2000, Camelot was awarded the second seven-year Licence, which commenced on 27 January 2002 and expired on 31 January 2009. In August 2007, Camelot was awarded a third Licence to operate The National Lottery, which started on 1 February 2009 and was due to run to 2019. However, in March 2012, Camelot's Licence was extended by four years, to 2023, following the NLC's agreement to Camelot's proposal to deliver some £1.7 billion in additional lottery funding to society over those 11 years.

Chairman's Statement



As the company's Chairman, I am incredibly pleased that Camelot continues to deliver on its promises – creating ever more winners of life-changing prizes, operating the UK National Lottery in an efficient and responsible way, and raising tens of millions of pounds each week in vital funds for National Lottery Good Causes.

In the financial year 2012/13, Camelot passed the landmark figure of £30 billion delivered for the Good Causes through the sale of National Lottery tickets since 1994. Raising these funds was why a National Lottery was introduced in the UK, and continuing to return impressive sums week after week against a backdrop of continuing economic difficulties is a real testament to the hard work of the entire Camelot team.

The last financial year also saw record sales achieved. This was a great accomplishment and proves that the company's long-term strategy for responsible growth is continuing to deliver dividends for the whole of the UK – but I also note that the record results were, at least in some part, achieved due to an exceptional set of circumstances with a one-off, record-breaking EuroMillions draw on the night of the Opening Ceremony for the London 2012 Olympic and Paralympic Games, and two incredibly lucky and long roll series on the EuroMillions game. Both events provided a massive boost to sales, and therefore returns to National Lottery Good Causes, but are unlikely to be repeated.

In March this year, the rollout of 8,000 new National Lottery terminals was completed. The National Lottery Commission, the company's regulator, had previously granted permission to Camelot to expand the number of terminals in areas across the UK where untapped demand for National Lottery products had been identified. The new terminals are already delivering strong incremental results and the expansion of Camelot's retail network, coupled with an agreement by the regulator to extend its licence by four years to 2023, will deliver over a billion of pounds worth of additional funds for the Good Causes over the remaining course of the licence period.

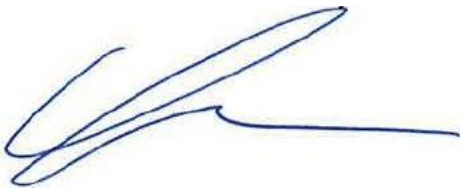
In December 2012, the National Lottery's sponsoring Government department, the Department for Culture Media and Sport, announced that it would conduct a consultation on the minimum returns that society lotteries should give to their chosen beneficiaries.

This was a welcome announcement, as Camelot has long believed that a loophole in the 2005 Gambling Act has allowed a direct competitive threat to The National Lottery to go unchecked, which is contrary to the clear intention of Parliament that there should be only one National Lottery. Camelot asserts that all lotteries should deliver social good by raising as much money as possible for their beneficiaries. However, in respect of industrial-scale, mass-market society lotteries, it does not believe that the 20% minimum amount they are

currently required to return to their good causes meets this goal. Camelot, therefore, believes that the Government is right to explore different ways of ensuring that all lotteries deliver the maximum benefit to good causes – and looks forward to participating fully in the consultation, although the timing for its launch remains unclear.

Camelot has pursued its successful strategy of ongoing efficiency, innovation and diversification throughout this past year, and has done so while ensuring it continues to carry out its activities in a socially-responsible way right across the business. This report underpins that commitment to ensuring responsible operation is at the heart of everything Camelot does, while providing the hard evidence of the company's continued growth across all areas of the business.

I would like, in closing, to extend my sincere thanks to the entire Camelot team, led by Camelot's Group Chief Executive, Dianne Thompson, and wish them all the best for another busy year ahead, full of ambitious plans to continue delivering outstanding results for National Lottery players and UK society alike.

A handwritten signature in blue ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name 'Lee Sienna'.

Lee Sienna
Chairman, Camelot Group of Companies
4 July 2013

Chief Executive's Review



This year, we celebrated The National Lottery's 18th anniversary, and took the opportunity to look back at all that Camelot and National Lottery players have achieved together. It was the perfect time to do this, as the nation continued to enjoy a post-Olympics glow. At an event to mark the anniversary, we were once again able to thank players for their immense contribution to the London 2012 Olympic and Paralympic Games, and take stock of the incredible £2.2 billion of National Lottery money that helped to make them the best Games ever!

I was also thrilled to be able to simultaneously announce reaching a landmark £30 billion raised for the Good Causes since launch in 1994 – £12 billion more than the £1 billion-a-year predicted when The National Lottery first started.

I was proud that I could do this while reporting another year of record results. This year has seen the highest-ever returns to National Lottery Good Causes and prize payouts to players as we achieved record sales.

Camelot succeeded in growing total National Lottery sales in the year to 31 March 2013 to an all-time high of £6,977.9 million, an increase of 6.9% on the previous year. This – in the face of continuing tough economic conditions and within a wider context of lower lottery sales growth worldwide – reinforces Camelot's status as one of the world's most consistently successful lottery operators.

With less central and local government funding available, and organisations throughout the UK anxious about future funding, Camelot delivered a record £1,951.4 million¹ to National Lottery Good Causes over the year, a 6.9% increase on 2011/12. Camelot also paid out an all-time high of £3,697.6 million in prize money during the period – taking the total amount that The National Lottery has paid out in prizes since launch to over £47 billion. A record 365 millionaires – the equivalent of one a day – were created in 2012/13, bringing the total number of National Lottery millionaires made to more than 3,300.

The record results once again underline the ongoing effectiveness of Camelot's strategy for long-term, responsible growth, which aims to encourage many people to play but to each spend relatively little. This approach has now seen Camelot grow total National Lottery sales by over 50% in the last decade, a period of time that has seen both economic austerity and growth.

However, the UK National Lottery is ranked at just 49th in the world in terms of per capita spend, despite being the seventh largest lottery in the world by sales – clear evidence of Camelot's longstanding commitment to being a responsible operator.

Through steady growth in the number of players, an enhanced range of games to appeal to all tastes, a continued focus on innovation to better reflect people's changing lifestyles and shopping habits, and ongoing investment in its retail partners, Camelot succeeded in growing sales across the board in 2012/13 – with sales of draw-based games and instant play games across the company's retail and direct channels up by a combined £452.0 million.

Accounting for 83% of all sales, retail remains the largest National Lottery sales channel. After successfully completing a multi-million pound investment to expand its retail network by a further 8,000 stores as part of its initiative to deliver some £1.7 billion in additional lottery funding to society by 2023, Camelot now works with over 36,700 retailers across the UK. National Lottery retailers have now earned over £4.7 billion in total sales commission.

It is important to recognise, however, that while these results were great news for players, retailers and National Lottery Good Causes, they were buoyed by exceptional, one-off sales boosts that are unlikely to be repeated in the coming weeks, months or even years. Last year was a truly unique time for The National Lottery, due in large part to two specific events. Firstly, we had the London 2012 Olympic and Paralympic Games. I have already mentioned the post-Olympics glow, but on the Games' opening night itself, we were able to hold a special EuroMillions UK Millionaire Raffle, creating 100 millionaires in one single draw. This set a new weekly National Lottery sales record of over £200 million, as well as breaking the world record for the number of lottery millionaires created on one night.

In addition, we were incredibly lucky to have two extended EuroMillions roll series. The first saw the jackpot roll 11 times to £127 million, while the second rolled a massive 14 times to £148 million, before being won by a lucky UK ticket-holder. These two roll series alone drove an exceptional uplift in EuroMillions sales of over £200 million. Together, these events delivered fantastic results that should be celebrated, but we must also acknowledge that matching the sales levels they generated will be very unlikely going forward, at least in the short term.

Nonetheless, Camelot continues to innovate in many areas and, as part of its drive to offer even greater engagement with The National Lottery, the business has continued to develop its social media platforms, resulting in its Twitter and Facebook communities more than doubling in size in the past year. The company now interacts with more than 84,000 Twitter followers and over 445,000 Facebook fans on a daily basis, sharing news about games, winners, competitions and exclusive behind-the-scenes-content.

Camelot is also looking to build on the success of last year's launch of its mobile-optimised version of The National Lottery website. Designed for use across a range of popular smartphones, the mobile site makes it easier for players to play draw-based games, check results and manage their accounts on the move – and underlines the company's commitment to keep on innovating to give players new ways to enjoy National Lottery games through emerging channels.

At the start of this calendar year, we announced that we would be making some changes to The National Lottery's flagship game – Lotto – with players seeing these changes come into effect in the autumn of 2013.

Lotto has been The National Lottery's core game since its launch back in 1994, and has an incredibly loyal and committed player base. It remains the biggest game in our portfolio and still delivers the lion's share of sales and monies to the Good Causes.

However, Lotto sales have been declining for a number of years now, as some players have gradually dropped out of the game, or amended their National Lottery play so they can enjoy a number of the games we offer by spreading their spend across our portfolio. The game felt

tired and our players were telling us exactly that. They still love Lotto, but they wanted it to be more exciting, to offer more ways to win and new prizes. In recent months, we saw Lotto's decline accelerate even faster, so the rationale for changing the game had never been stronger. Doing nothing was just not an option. The changes will revitalise players' interest in the game, ensuring its long-term health and, crucially, delivering an immediate and sustained increase in the amount of money Lotto returns to National Lottery Good Causes.

And while our UK operations continue to dominate the majority of our activity, during the course of this year, we have continued to diversify. I'm delighted that the international arm of our business, Camelot Global Services Limited (CGS), which provides services to lotteries worldwide, has made substantial progress in developing new opportunities across the globe. CGS is currently working with lotteries including the Western Canada Lottery Corporation, the Massachusetts State Lottery, the Atlantic Lottery Corporation and the Moroccan lottery, La Marocaine des Jeux et des Sports, in a mixture of consultancy and advisory roles.

Despite ambitious plans for the coming years, in both the UK and international parts of our business, we remain committed to raising as much money as we can for National Lottery Good Causes, but doing it in a socially-responsible way – this is absolutely at the heart of everything we do.

This year, Camelot cemented its position as a leading social business – in both social and environmental terms. We maintained stringent levels of consumer protection, aligned our community investment programme more closely with the overall business and improved our environmental performance. More specifically, we won the WLA Responsible Gaming Award and, once again, achieved accreditation for all of our interactive services from GamCare, the UK's national centre for information, advice and practical help regarding the social impact of gambling. Over the last year, we have focused on reducing the waste from our operations, with only 10% now going to landfill. And a new project saw Camelot engage with several new partners including government, third sector and private organisations, both locally and nationally, in order to tackle youth unemployment – one of the gravest social exclusion issues facing the UK. Further details on our work in this area, including our current social responsibility report, can be found on our dedicated corporate responsibility website: www.playingourpart.com.

My thanks go to the Board and our Chairman, Lee Sienna, for their advice, guidance and support, and also to my fantastic colleagues at Camelot who have put in so much hard work to produce this year's great results.



Dianne Thompson CBE
Chief Executive
4 July 2013

¹ Figures do not include investment returns on National Lottery balances which are reported separately.