

FINANCIAL AND
EXTRA-FINANCIAL REPORT

2017



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INTEGRATED REPORT

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Française des Jeux,
the world's 4th largest lottery,
is a growing company positioned
in a market with great potential
in France and globally.
In the midst of transformation,
it is adapting to suit
its customers' changing habits.

Yet another successful year

For the past three years, the FDJ Group has been committed to its growth and digital transformation project: "FDJ 2020, an enhanced vision".

Investments of €500 million have been planned over the coming five years (€250 million for IT, €180 million for the network and more than €25 million for the Company's innovation policy), of which €96 million were invested in 2017 (around €300 million since 2015). Sales grew by 16% over three years. The downward trend in customer numbers, reported at the launch of the FDJ 2020 project, has been stemmed. This year, like last year, around 26.1 million customers played FDJ® games. These results underpin FDJ's leading position among leaders in the sector, ranking 2nd among European lotteries and 4th among lotteries worldwide.

Our ambition is to increase our player base while preserving our Responsible Gaming model. It is for this reason that FDJ has placed the customer at the heart of its strategy. Today, our customers are essentially anonymous. Gaining a deeper

knowledge of our customer base is a decisive step towards developing more personalised marketing. FDJ has therefore changed its mode of organisation from a product-focused model to one focusing on the customer experience, based on a better understanding of customer expectations in terms of the gaming experience and enabling the smoothest possible delivery of the complete player experience journey (offerings, related services, distribution and activation points) by eliminating the downsides.

Halfway through the strategic plan, our efforts have already produced significant results, which we can leverage to achieve our 2020 objectives. 2017 was truly the year of digital lift-off for FDJ. We have significantly accelerated the digitisation of our offering and of its distribution: by the end of 2017, digital player stakes had reached more than 10% of total player stakes, with a target of 20% set for 2020. The launch of the FDJ app has simplified the customer experience and allowed us to attract 1.6 million new players (+27% vs 2016). In total, the digital lottery business in 2017 accounted for €515 million in player stakes, 24% more than in 2016.

The relative weight of mobile player stakes in the lottery business also grew during the period from 26% in 2016 to 36% in 2017. Where sports betting is concerned, the launch of the ParionsSport En Ligne app for Android enabled our online betting offering to become more visible and more accessible. At points of sale, use of the ParionsSport Point de Vente application, enabling paperless bookmaking, has continued to develop vigorously, accounting for more than 50% of player stakes across the network by the end of 2017.

In 2017, FDJ built on its innovation policy by becoming the first French operator to offer free eSports betting and by launching a new range of interactive games, known as "Super Jackpot". It also intensified its collaboration with start-ups, as demonstrated by its involvement in the Techstars acceleration programme and various experiments conducted with a number of start-ups, for example, the development of a chatbot for point-of-sale sports betting with Botfuel. FDJ's active policy of collaboration with start-ups was recognised in the French Tech Barometer.



Stéphane Pallez,
Chairwoman and
CEO of FDJ

**“ Over €15 billion stakes
of which over 10%
digital stakes ”**

We are also pursuing our international development with FDJ Gaming Solutions (FGS)⁽¹⁾, a commercial brand associated with the sale of technologies, state-of-the-art games and services for the lotteries lottery industry. In 2017, we signed new contracts for sports betting technologies and services with the Swiss Loterie Romande and with a Mexican operator, Logrand. We have also launched a new platform to be made available to other innovative lottery operators, with a progressive jackpot and shared wins. Finally, BZP, a joint-venture of between the FDJ Group and the China Welfare Lottery, has won a call

for tenders to manage scratch cards in the Chinese province of Jilin.

FDJ is fully committed to its Corporate Social Responsibility undertaking, which forms part of the Group's DNA. In this respect, it regularly consults all of its stakeholders on the Company's priorities:

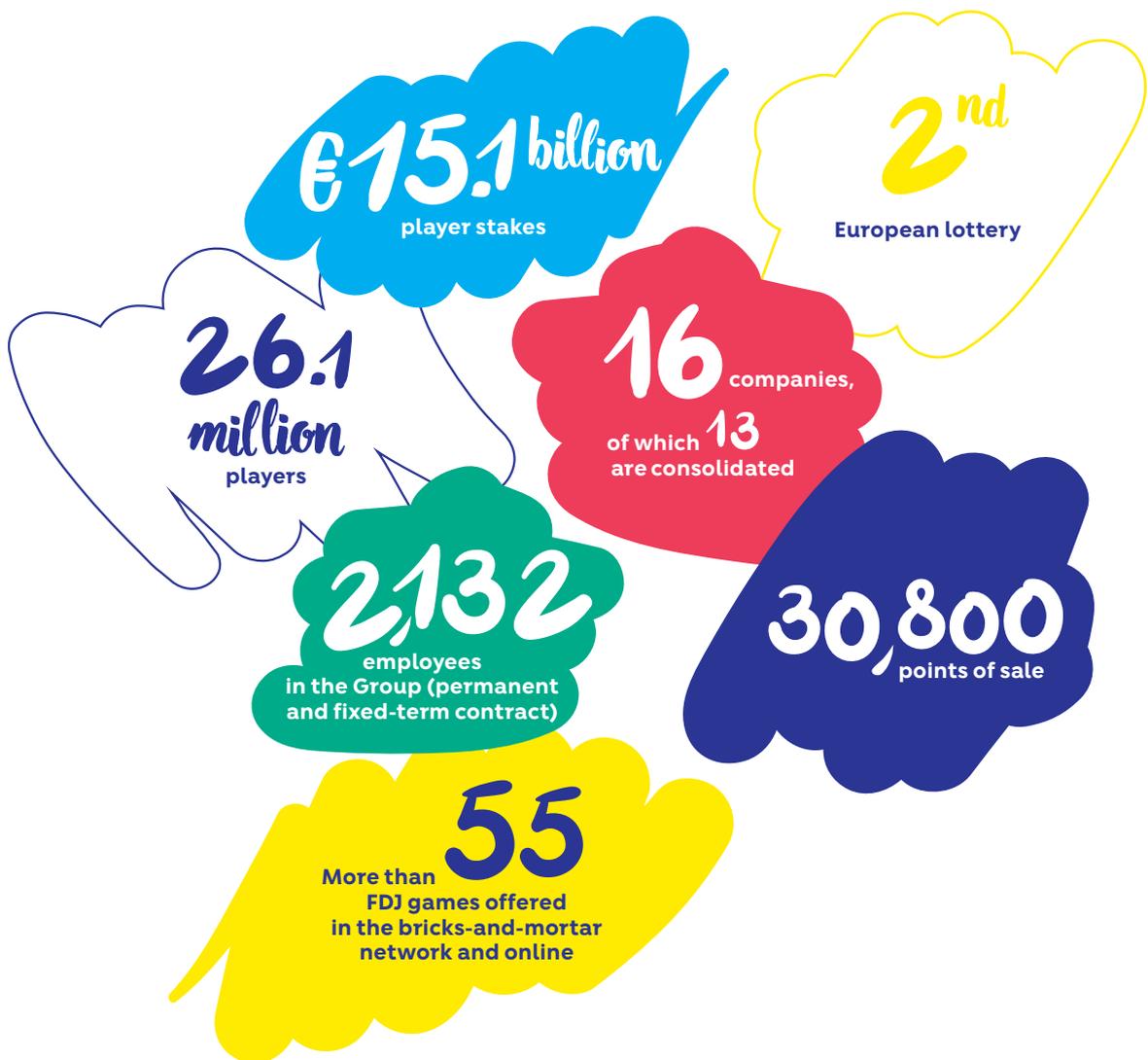
- ◆ **fighting against fraud and money laundering;**
- ◆ **ban on underage gambling and prevention of problem gambling;**
- ◆ **data protection;**
- ◆ **promotion of ethics and transparency.**

The Company's "extra-financial" performance is just as much a part of its business model as its "financial" performance; this dual-aspect business model is designed to create value for FDJ and its stakeholders. The Company has therefore produced its first integrated report to give an account of that value creation. Taking inspiration from "integrated thinking" and the frame of reference proposed by the International Integrated Reporting Council (IIRC), this report is an initiative undertaken voluntarily by the Company, following the actions it has been carrying out for several years in relation to social responsibility and transparency with regard to its stakeholders. It is the result of close collaboration between the various departments of the Company concerned, in particular the Communications Department, the Sustainable Development Department and the Accounting and Treasury Department.

(1) FGS offers both content (new generation lottery games), lottery game operation platforms and gaming terminals in points of sale and services as well as sports betting operation platforms and services (sports betting odds, as FDJ already does for the Portuguese Lottery).

The Group

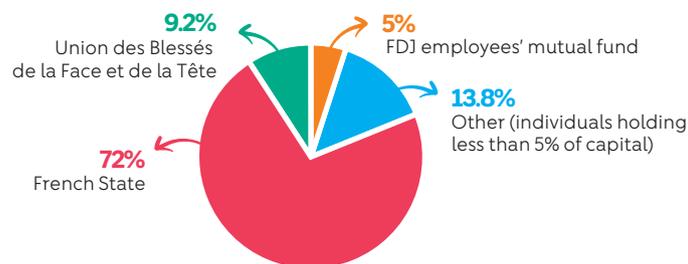
→ Group Profile





FDJ is a semi-public limited company under French law, 72% held by the French State. It operates in the heavily-regulated games of chance and gambling sector which is strictly monitored by the French government. In this respect, the French State has chosen to grant FDJ monopolies on online and point-of-sale lottery games (draws and scratch cards) and on retail sports betting at points of sale. These monopolies specifically encompass rights to organise, operate and sell these games and bets on an exclusive basis.

Distribution of FDJ's share capital (at 31.12.2017)



FDJ carries out missions of interest to the general public, consisting of:

- ◆ **contributing to protecting public order** by ensuring the transparency and integrity of its gaming operations, while combating fraud and money laundering;
- ◆ **contributing to preserving social order** by preventing dependence and tackling underage gambling.

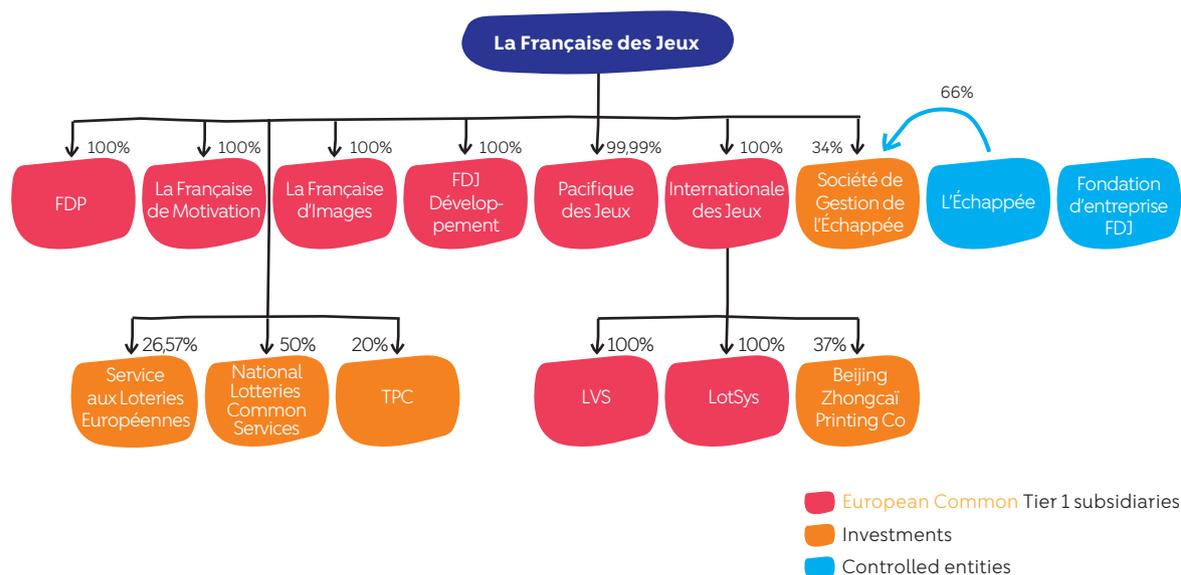
The Minister for the Budget is responsible for regulating all the monopoly activities of FDJ. He receives advice from COJEX, the French gaming advisory committee, a body composed of members of Parliament and specialists experts in games addiction and games regulation. FDJ's annual gaming programme and its Responsible Gaming and anti-money laundering action plans are thus subject to the approval of the Minister for the Budget, in consultation with COJEX.

On the other hand, FDJ's online sports betting activities are operated in open competition under a licence issued by ARJEL, the regulatory authority for online gaming.

FDJ places Corporate Social Responsibility at the heart of its business model and its activities as a public operator, taking into consideration the impact of its business activities on the social, economic and environmental ecosystem of which it forms a part. The core responsibility of FDJ as an operator is to offer responsible and secure games of chance and gambling for recreational purposes to persons who have reached the legal gambling age. For more than ten years, FDJ has developed, jointly with numerous partners, a very active preventive policy throughout its business chain (from design to the marketing of games), paying particular attention to supporting players and training retailers.

The FDJ Group comprises 16 entities, encompassing a variety of business activities, principally those of a commercial and technological nature.

Group organisation chart



FDP is the lottery games and betting distribution subsidiary in mainland France. Created in 2013 from the merger of 14 distribution companies, it has taken over more than 60 business areas previously run by sales broker-agents and currently manages 2/3 of the Group's player stakes. FDP plays a key role in the Group's commercial transformation (see section 1.2). In 2017, FDP had revenue of €93.9 million.

FDJ Développement and **La Pacifique des Jeux** are responsible for marketing in the French Overseas departments.

FDJ Développement organises and manages sales for the FDJ network in the three Antilles/French Guiana departments (Martinique, Guadeloupe and French Guiana). In 2017, it had revenue of €2.1 million.

La Pacifique des Jeux is involved in the operation of games of chance in French Polynesia, in accordance with an operating agreement signed between FDJ and the Polynesian government. In 2017, it posted revenue of €6.6 million.

LotSys, **Laverock Von Schoultz Ltd (LVS)** and **Beijing Zhongcai Printing Co Ltd (BZP)** are technological entities held by the **Internationale des Jeux** holding company.

LotSys is involved in the development, manufacture, marketing and supply of hardware, software and services related to games of chance and, in particular, lottery terminals. Around 80% of LotSys' business is with FDJ and 20% is in the B2B segment (provision of services to other gaming market operators). In 2017, it had revenue of €21.9 million. Its business with FDJ concerns strategic business lines in the form of Interactive Factory (IF) and innovative contributions to the digitisation of its offering. IF offers gamification and socialisation products (a catalogue of innovative games using several gaming engines), intended to appeal to millennials and go head-to-head with new forms of competition offering more varieties of interactive entertainment.

The B2B activity mainly concerns business with the Israeli lottery (ISBB), the sale of an electronic draw system to SLE, devices and terminals provided to PMU and terminals provided to the Stuttgart and Swedish lotteries.

LVS is a software company based in London specialised in the creation and distribution of software for online games and sports betting, acquired by FDJ in 2010. 2016 heralded the beginning of the Company's strategic realignment, as it abandoned the sale of licenses to focus on development and maintenance contracts, mainly with FDJ, with a view to modernising and enhancing the



online sports offering, and renewing the ABP bookmaking platform and its multi-channel integration across the entire point-of-sale network. After FDJ, Santa Casa de la Misericordia de Lisboa (SCML) has become one of the greatest contributors of recurring revenue generated by LVS maintenance. In 2017, it had revenue of €11.7 million.

BZP is a lottery ticket printing company located in China. It is jointly owned by Internationale des Jeux (37%), China Welfare Lottery (43%) and Malaysian partner Berjaya Group Limited (20%). Its revenue in 2017 was €21.4 million. At the end of 2016, the Group launched a new commercial brand for this technology entity, FDJ Gaming Solutions, which offers a number of B2B products intended for international lotteries.

La Française d'Images is a company producing audiovisual works of all kinds, mainly to meet the parent company's internal needs (Draw Loto® and Euro Millions draws, Keno, sports programming, etc., in addition to the production of films for seminars...) and it is also responsible for managing the decorative content of programming produced by FDJ. As such, it works with all Euro Millions partner lotteries. In 2017, it had revenue of €12.9 million.

La Française de Motivation is a travel agency and business tourism consultancy with around twenty employees. It organises trips and events for prize winners and for the FDJ Group distribution network, its main client. In 2017, it had revenue of €10.6 million.

La Société de Gestion de L'Échappée, which has around sixty employees, has for the last twenty years managed the FDJ pro-cycling team with an annual budget in the region of €14 million, including more than €10 million funded by FDJ (the remainder contributed by other sponsors, in particular Les Cycles Lapierre).

Meanwhile, the association **L'Échappée** remains responsible for defining the sports programme and managing any activities linked to amateur cycling and ethical issues. It owns 66% of Société de Gestion de L'Échappée, with the remaining 34% owned by FDJ.

At the end of 2017, FDJ signed a partnership agreement with Groupama, which became a co-sponsor of the renamed "Groupama-FDJ" team, for the 2018, 2019 and 2020 tour seasons. This team will have a 30% higher budget overall, to be distributed equally between the two brands; this new budget allocation will be seen to take effect as from 2019. These new resources will enable the team to support the talented cyclists that currently wear their colours, but will also be used to gradually build up the workforce in the coming years. In addition, special attention will be paid to identifying and recruiting the best young French racers; that skill is the trademark of the Marc Madiot's team, which has always known how to support its young hopefuls in making it to the top

(Philippe Gilbert, Thibaut Pinot, David Gaudu). A reserve team will be assembled as from 2019.

Services aux Loteries en Europe (SLE) and **National Lotteries Common Services (NLCS)** are jointly held subsidiaries jointly held with other European lotteries.

SLE is a Belgian limited liability cooperative company based in Brussels, formed in October 2003 to conduct shared operations for the Euro Millions game (draws, centralisation of numbers, calculation of payback ratios and arrangements for transferring funds between operators to pay out winnings). The Company's capital is held by the ten participating lotteries; FDJ holds 26.57%. In 2017, it had revenue of €4.4 million.

NLCS, a French joint venture, was incorporated by FDJ and the lottery of the Portuguese government, Santa Casa de la Misericordia de Lisboa (SCML), on 22 February 2013. Already a partner of FDJ in the context of the Euro Millions, SCML chose this Group for the launch of a sports betting offering (fixed-odds betting only). FDJ and SCML have organised the Company in a cooperative fashion intending to optimise resources by pooling funds and coordinating projects related to technological changes affecting both entities. SCML has asked LVS to provide it with its ABP sports betting software under license and to upgrade its point of sale terminals, and has approached FDJ to create the sports betting offering, provide the odds service and perform risk management. In 2017, it had revenue of €7.2 million. FDJ wishes to extend this cooperative approach to other lotteries which would be prepared to pool their skills and resources in the field of sports betting.



The FDJ Corporate Foundation, created in 1993, redefined its purpose in 2017 and now acts to promote equal opportunities through games.

→ FDJ, a group with strong values and deep commitments

“CHAQUE JOUR EST UNE CHANCE”

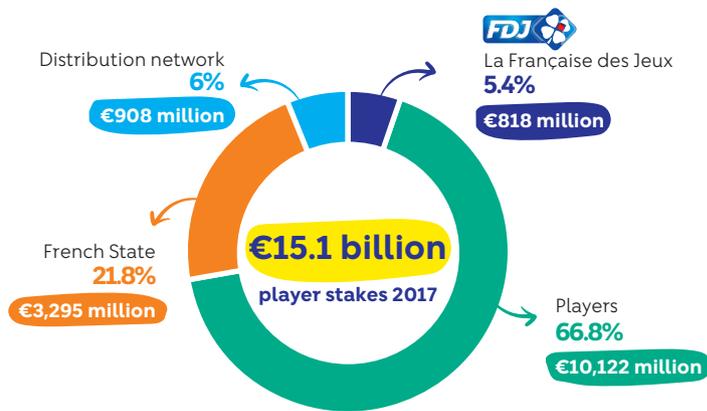
FDJ inspires confidence as a heritage institution that has always demonstrated an awareness of the responsibility demanded of it as a result of its status and its field of business. Its mission is to provide the public with access to gaming entertainment that is fun, useful and respectful of regulations and players. Its gaming model, which is simultaneously universal, egalitarian and ethical, contributes actively to the public good as gambling must, above all, remain a form of popular entertainment. The business offers everyone the possibility of making their dreams come true, or simply turning an ordinary day-to-day moment into a moment of excitement and sharing.

FDJ values



FDJ implements these values through the commitments it has undertaken towards its players and towards society at large. It allows access to gaming for all, while giving each individual the possibility of bringing a little luck into their lives through gaming. It is developing a Responsible Gaming policy, allowing people to gamble with peace of mind, while working tirelessly to improve its knowledge of the causes of addiction and remaining uncompromising about the gaming range it offers. Finally, it participates in many specific initiatives for the benefit of society (partnerships, sponsorship, etc.) and supports the actions of thousands of retailers who keep gaming alive throughout France and its territories, thereby making gaming beneficial to all, as demonstrated by the Company's redistribution model.

Redistribution: around 95% of player stakes are distributed to stakeholders



The FDJ distribution network, the leading French local network, comprises 30,800 points of sale located in around 11,000 municipalities, thereby supporting economic and social activity in all regions of France.

The old distribution model, using broker-agents, was no longer suited to the changing services required at points of sale or to attracting players. For this reason, to ensure the sustainability of its extensive gaming model and to reassure its physical distribution channels, FDJ has developed its sales organisation by creating an operational system that works even more efficiently and a sales presence that more closely meets the needs of its retailers and its players. To this end, FDJ has taken over areas previously served by broker-agents and has progressively implemented a modernised distribution model (direct distribution allowing direct delivery of points of sale from a central logistics warehouse). The 59 sales areas are currently managed 2/3 by FDP and 1/3 by operators. 22 of them were managed under direct distribution by the end of 2017 and all of them will be by the end of 2018.

The retailer survey carried out in 2017 stressed underlined the quality of commercial support, highlighting the depth of advice provided as well as the availability and responsiveness of the teams involved.

FDJ's values are also visible through the actions it is carrying out through its Corporate Foundation and the support it provides to French sport.

Because French society is changing, with new needs and new risks of inequality emerging, FDJ has reconsidered the activity of its Corporate Foundation. The Foundation now works to promote inclusion, by supporting general interest projects aimed at persons experiencing hardship, whatever the cause may be (age, disability, financial, social or cultural vulnerability, etc.), throughout France (particularly in sensitive neighbourhoods and rural areas), so that they may realise their potential and reveal their talent. €18 million will be allocated to this new mission over a five-year horizon, focusing on two lines of action: education and insertion, and promoting gaming as a way of learning and acquiring knowledge. Having launched a call for project proposals, the FDJ Corporate Foundation selected two associations as project leaders in keeping with its new purpose: Bibliothèques Sans Frontières and Réseau Étincelle, which will benefit from support for two years on a renewable basis. A third association, Coup de Pouce, endorsed by FDJ employees, will also be supported by the FDJ Corporate Foundation.

FDJ has had inherent and lasting links with sport for many years. FDJ, a historic partner of French sport, funds sport through a levy on player stakes. It has also been a sports betting operator for 32 years and has had its own cycling team for 20 years. Its partnership approach is built around three elements: image marketing, solidarity and integrity, developing a programme to prevent sports fraud risk. It has forged partnerships with major French federations: the CNOSF (French National Olympic Sports Committee), the CPSF (French Paralympic and Sports Committee) and has supported Paris' bid to host the 2024 Olympic Games.

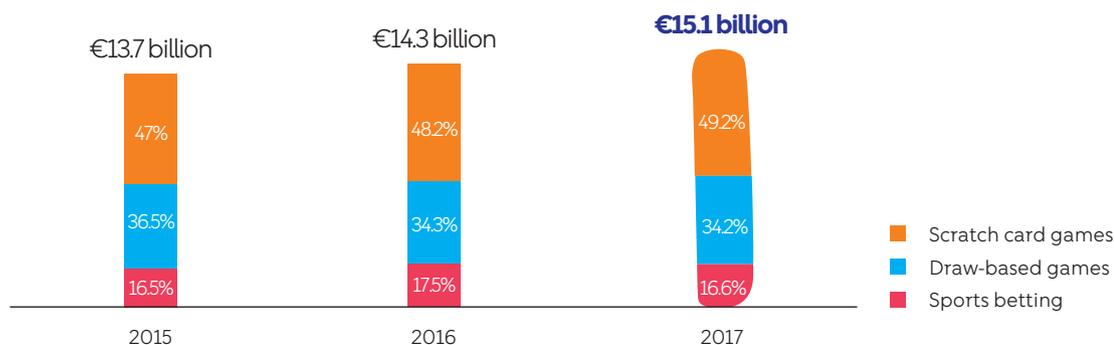
→ Gaming accessible to all French people

The gaming market in France has gained momentum since 2012, driven by the growth of online sports betting and by the good results achieved by FDJ and casino operators, offsetting the slight decline in horse-race betting at points of sale. FDJ is a dominant player in the domestic market, having accounted for 49% of gross income from gaming in France in 2017, and is a lead player at the European level (ranking 2nd) and at global level (ranking 4th).

⚡ A gaming offering that is diversified and constantly renewed

With three ranges of games, FDJ has an offering that is well balanced across the various gaming varieties so that it may meet the needs of a greater number of players and recruit new ones.

📈 Evolution of player stakes by range



Scratch cards: grouped together under the illiko® brand name, scratch card games are based on instant gratification and fun. They favour those seeking frequency of winnings. Revenue from this very diverse range, which represents 49% of FDJ's total sales, was up by 8% over the year to reach €7.4 billion. The twenty or so ongoing and temporary scratch card games, the latter being based on a news story or theme, attract around 19 million customers. Each year several games are launched or relaunched, thereby enlivening the scratch card range, with themed games constantly updated or rethought (baking, pirates, Olympic Games, TV shows, etc.), and with innovations introduced to the mechanics of the games or to the cards themselves. Golden Desserts (*Desserts en Or*), launched in March 2017, was the first scratch-and-smell scratch card game with microcapsules embedded in the scratchable ink next to cake images, releasing a strawberry fragrance when players scratch them. This range also includes around thirty games offered only via the Internet, which have generated a year-on-year increase in player stakes of more than 30%.

Draw games (including point-of-sale games): the draw offering includes Loto®, Euro Millions-My Million, KENO Gagnant à vie, JOKER+, as well as the Amigo point-of-sale games. With player stakes of €5.2 billion, these games represent more than 34% of FDJ's sales and attract more than 20 million players. In September 2016, FDJ launched a new format for Euro Millions, with higher starting jackpots

and jackpots rising more quickly when they rollover, thereby revisiting the original promise of exceptional winnings. Then there is Loto® which, to celebrate its 40th anniversary, was relaunched in March 2017 featuring a tombola raffle draw mechanism, thus reviving the spirit of the old national lottery tickets which used to be drawn at random. In 2018, it will be Keno's turn for a rejuvenating makeover. To enrich the point-of-sale games offering, FDJ launched a pilot scheme in 2017 at more than 200 points of sale in mainland France, "Amigo Live", developed by the incubation units. It offers "Astrologie" and "L'île au trésor", two games from complementary universes that appeal to the collective imagination.

Sports betting: FDJ operates two sports betting lines: the offering distributed across the point of sale network under the ParionsSport Point de Vente brand name, run under the a monopoly; and a competitive offering, distributed over the Internet under the ParionsSport En Ligne brand name, run under a licence granted by ARJEL in 2010. Bets amounted to €2.5 million billion (stable vs 2016), representing around 17% of FDJ's sales. Excluding the exceptional income generated by Euro 2016 and the Olympic Games, sales increased by 8.9% year-on-year. Faced with competition from online sports betting websites, FDJ has sought to digitise point of sale gaming and improve the customer experience, particularly through the promotion of paperless bookmaking or the roll-out of the first gaming terminals at points of sale.

A Group that prioritises digital technologies and innovation

As part of its strategic project "FDJ 2020: an enhanced vision", the Group aims to support the growth of digital technology usage among its customers by placing innovation at the heart of its business.

FDJ has thus worked to digitise its offering and the availability of its offering, specifically through three priority lines of action:

- ◆ **improving the distribution model for digital games** by simplifying the customer experience, which has generated a 40% increase in online player registrations, and by offering new modes of access to the offering, particularly with the trial installation of sports betting terminals at points of sale;
- ◆ **facilitating the availability of digital games** with games accessible in "full device" mode, and the June launch of a new mobile app combining the entire offering (with the exception of Amigo which will not be available until 2018) which has been downloaded by more than one million people. The growing use of mobile phones to generate playslips is noteworthy: 40% of FDJ.fr sales are generated by mobile phones and 50% of bookmaking is done using paperless playslips;
- ◆ **enhance the offering** with games that offer levels of player involvement that are more in tune with current expectations and uses; player stakes generated by purely digital games increased by 33% between 2016 and 2017.

The positive results of this digitisation policy are particularly visible through the evolution of digital player stakes. Having increased by 65% in 2016 (at €0.9 billion), digital player stakes reached €1.7 billion in 2017, posting a 79% increase year-on-year and representing more than 10% of total player stakes (compared with 6.5% in 2016 and 4% in 2015). 50% of point-of-sale sports betting was done using paperless playslips.

Innovation is one of the merits of the FDJ brand. It is particularly visible through the continuous renewal of its gaming offering. Consequently, in 2017, FDJ presented a new point-of-sale offering "Amigo Live" and started to offer eSport options (it is the first French operator to offer free eSport betting). It has also set up a department dedicated to Open Innovation which aims to open up the Company to new trends and to identify innovative solutions and partners to trial them with, in order to integrate them in its industrial model. FDJ, which had already implemented a "test and learn" approach internally with the incubation

units, has been working with new partners since 2016. In two years, it has invested around €8 million in Open Innovation investment funds (Partech and Raise). It has also entered into a partnership with Air Liquide, Groupama, Renault, Accor and Total to form TPC SAS which provides research, consulting, support and training services for all corporate projects, particularly those in the fields of management, development, financial engineering and long-term financing operations. FDJ is a partner of the American start-up accelerator, Techstars, which recently set up an office in France to develop collaborations with start-ups. Collaboration with start-ups was intensified in 2017, resulting in the production of seven Proofs of Concept (POC) projects⁽¹⁾. The active policy of collaboration with start-ups pursued by FDJ has also been recognised by the French Tech Barometer on collaboration between large corporations and start-ups presented on 8 November 2017. FDJ was recognised in the category of Procurement processes (where the start-up supplies products/services to large corporations).

(1) Demonstration of feasibility corresponding to a tangible experimental realisation.

The FDJ business model

FDJ's advantages...

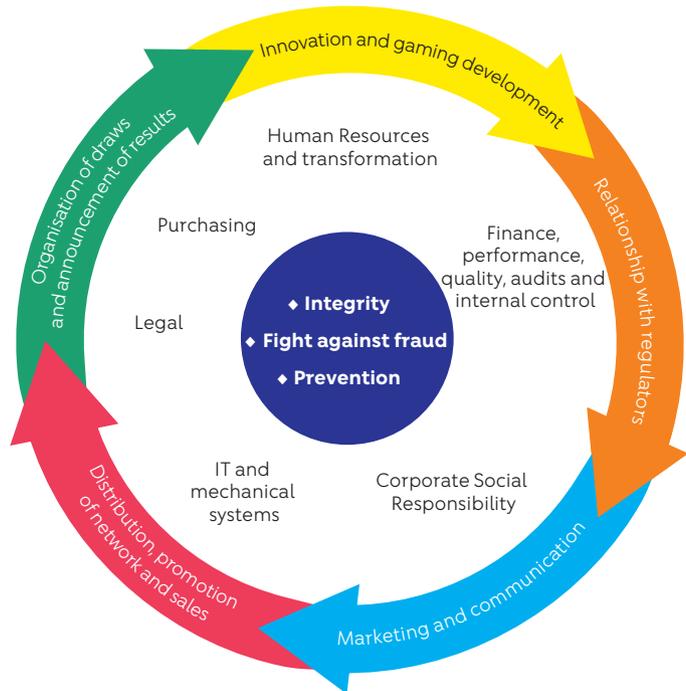
- 1. Financial solidity**
 - High level of cash flow and structurally negative working capital requirement
 - Robust hedging system
- 2. Recognised expertise**
 - Expertise in game design and integrity
 - Technological expertise in core business line (2 technology subsidiaries: LotSys and LVS)
- 3. Responsible Gaming expertise of the highest standard**
 - Mature policy on prevention of problem gambling and underage gambling
 - Mature policy on combating fraud and money laundering
- 4. Controlled production**
 - Own secure data centre
 - Mechanised and centralised distribution chain for gaming materials (receipts, playslips, cards) and point-of-sale publicity
- 5. 26.1 million players with diverse profiles**
 - Gender balance (50/50)
 - Social and professional categories reflecting the French population
 - Strong player trust
- 6. A modern network anchored in France and its territories**
 - No. 1 local network in France with 30,800 points of sale, in more than 11,000 municipalities
- 7. A diversified and attractive offering**
 - Universally recognised brands
 - Games are renewed and reinvented
- 8. 2,132 committed employees**
 - Long-standing and mature initiative to promote diversity and quality of life at work, especially intergenerational initiative and promotion of dialogue between different generations
- 9. Proactive investment policy**
 - €500 million to transform the IT system, and to modernise and digitise the bricks-and-mortar network by 2020
 - Investments in breakthrough innovation
- 10. An ambitious environmental policy**
 - Data centre of the highest environmental standard
 - 100% of gaming materials are FSC certified
- 11. A socially accountable player**
 - FDJ is a long-standing partner of French sport
 - Strong commitment of the FDJ Corporate Foundation: €18 million for the five-year period 2018-2022

... to enrich offerings while observing the model of extensive, recreational and responsible gaming...

Lottery games at points of sale and online (draws and scratch cards)

Sports betting at points of sale

Monopoly



Competitive market

Online sports betting

B2B solutions



... in order to build trust and create value for all of FDJ's stakeholders

Employees

- ◆ A feeling of well-being at work
- ◆ Greater employability thanks to the promotion of internal mobility and appropriate training
- ◆ A commitment towards professional and intergenerational equality
- 9 out of 10 employees say they are satisfied with their job and with their company as an employer (FDJ Scope)
- Renewal of diversity certification and attainment of Afnor (the French national standardisation authority) professional equality certification*
- More than 6% of employees have a disability*
- 5% of the Company's share capital is held by salaried employees
- 8% work-study contracts*

Players

- ◆ A more innovative and fun gaming offering
- ◆ An attractive rate of return for players
- ◆ High customer satisfaction
- ◆ Close support for big winners and for vulnerable players
- ◆ Support for structures to assist vulnerable individuals
- ◆ Prevention of problem gambling and of underage gambling, at all key stages of the gaming chain
- More than 25 new games in 2017
- 66.8% of player stakes redistributed to players and around 200 players with €1 million winnings or more
- Around 11,000 retailers trained in the prevention of underage gambling and how to refuse sales
- Use of Serenigame® (a gaming evaluation tool used during game design) for each game launch and Playscan (a player behaviour evaluation system)

Retailers

- ◆ Transformation of the sales function, underpinning network modernisation and bringing greater added value for retailers
- ◆ Increased commissions paid out
- 8 out of 10 retailers are satisfied with their relationship with FDJ
- 52,000 jobs created or retained thanks to FDJ actions activity (2016 BIPE Study)
- €755 million of revenue for retailers, +5.2% year-on-year
- Average remuneration of €24,000 per point of sale, +6% year-on-year

Civil society

- ◆ A model for redistribution of player stakes that benefits players and society at large
- ◆ Actions to promote equal opportunities, supported by the FDJ Corporate Foundation
- FDJ is certified 100% compliant with European lotteries' Responsible Gaming standards
- More than 800 associations supported by the FDJ Corporate Foundation since its creation
- €3.6 billion paid to the French government State in 2017
- Collaborative work with sports bodies (CNOSF, LFP, etc.) on raising awareness among teams (athletes and staff) with regard to integrity in sports

Partners

- ◆ Partnerships with Open Innovation investment funds and start-ups
- ◆ Partnerships with European lotteries to share expertise
- ◆ Sports partnerships in the form of philanthropy and sponsorship to promote ethics in sports
- ◆ Health and social partnerships to support research into addiction
- €8 million invested in Open Innovation investment funds
- Joint development of a CSR frame of reference for European State lotteries
- Essential contribution to CNDS funding**
- Around 20 health and social structures supported as part of the Responsible Gaming programme

French government and regulatory authorities

- ◆ Closely monitored by the French government
- ◆ Strengthened anti-fraud and money laundering mechanisms
- Investment in anti-money-laundering initiatives prioritised (new technologies as part of the partnership with IBM)
- 100% of points of sale inspected each year

Suppliers

- ◆ Contribution to economic invigoration in France and its territories
- ◆ A trusting partnership relationship
- 87% of purchasing, by value, carried out in France and 74% of suppliers were SMEs in 2016*
- 97% of suppliers satisfied and since 01.01.17 payment terms have been reduced to 30 days from end of the invoice date month*

* Valid for FDJ only.

** Centre National pour le Développement du Sport (National Center for The Sports Development).

Challenges to be addressed

The risk management policy ensures the implementation of strategy and overall performance in the long-term. The risk management system is based on a process of identifying, periodically evaluating and dealing with risks. All FDJ units and departments contribute to the management of these risks by implementing the internal control systems governing their activities.

Demographic and social change

TRENDS

Millennials (18-34 years) have new expectations regarding both their employers and the products and services that they consume.

Firstly, their aspirations are focused on well-being at work and on "intrapreneurship", with a view to developing within the business, both professionally and personally.

Next, they seek a personalised offering, integrating a dimension of social interactivity.

At the same time, the average life span of the French population is growing. Thus, in 2050, 1 out of 3 French persons will be aged 60 or more.

CHALLENGES

- Expand and rejuvenate the player base

SOLUTIONS AND RESULTS

- ◆ Knowledge of the expectations of the target player base
- ◆ Innovation and modernisation of the offering and investment in new gaming fields
- ◆ Development of the sports betting offering
- ◆ Simplification of the player experience
- ◆ Enhancement of the employer brand to recruit and retain talents essential for the Company's transformation

Technological innovation

TRENDS

The changing usage among the French population is reflected by ever-increasing connectivity (mobiles, tablets, Internet access) and increasingly "multi-channel" behaviour. This phenomenon is illustrated by the fact that the rate of smartphone access in France and its territories has grown from 17% to 65% in five years.

Driven by this trend, interactive and participatory online games are becoming increasingly popular across demographic groups and appeal to an ever larger player universe. This player universe seeks more flexible interaction through digitisation of the gaming offering and an innovative experience, whatever the gaming support used.

As a result of the growing use of digital channels, data security becomes a major concern. The use of this data offers new opportunities in terms of customer knowledge, whilst remaining compliant with personal data protection.

CHALLENGES

- Face up to new competition
- Development of greater customer knowledge, strengthening the prevention of problem gambling and measures to fight fraud and money laundering, assisted by data technologies and artificial intelligence
- Strengthening of actions implemented to tackle cyber-crime and protect personal data
- Transform points of sale
- Transform the "employee experience"

SOLUTIONS AND RESULTS

- ◆ Enhancement of expertise and position as leading partner of lotteries worldwide
- ◆ Development of customer knowledge, prevention of problem gambling and combating fraud and money laundering assisted by Big Data
- ◆ Modernisation and digitisation of the distribution network
- ◆ Investment in Open Innovation
- ◆ Development of a multi-channel gaming offering
- ◆ Acceleration of digital transformation internally
- ◆ Recruitment and retention of talents internally



The risks selected in this report constitute the major societal challenges which FDJ faces in its business operations: social and demographic changes, technological innovation, economic invigoration in France and its territories, scarcity of resources and climate change.

Economic invigoration in France and its territories

TRENDS

French consumers purchasing habits are changing. In towns with less than 100,000 inhabitants and in rural areas, out-of-town commercial centres are favoured over town centres where local stores are losing their foothold. Simultaneously, online shopping is increasing at the expense of point of sale trade. Because of these changing consumer habits among the French people, the physical commercial grid throughout France is becoming more vulnerable and the traditional bricks-and-mortar networks are losing their appeal. This phenomenon is exacerbated in certain regions, particularly the border areas.

CHALLENGES

- Keep its status as a key player in across the French territory
- Modernise and develop the bricks-and-mortar network

SOLUTIONS AND RESULTS

- ◆ Support with regional development
- ◆ Diversification of the distribution network
- ◆ Support for all parties involved in network transformation

Scarcity of resources and climate change

TRENDS

Following the Paris Climate Change Conference (COP 21) held in December 2015, all stakeholders and the French government demonstrate an increasingly demanding approach towards the scarcity of global resources and climate change. All companies must now control their environmental impacts. Simultaneously, numerous regulations are being put in place, requiring transparent communication and increased commitment with regard to these issues.

CHALLENGES

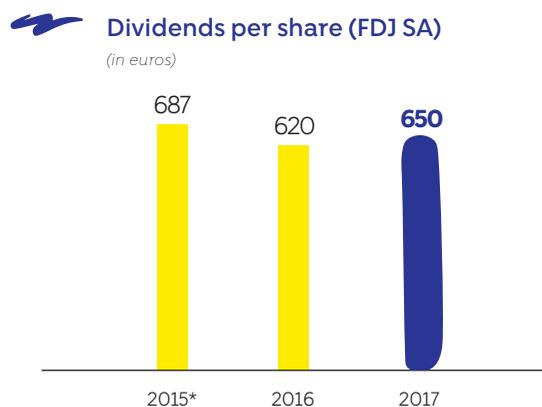
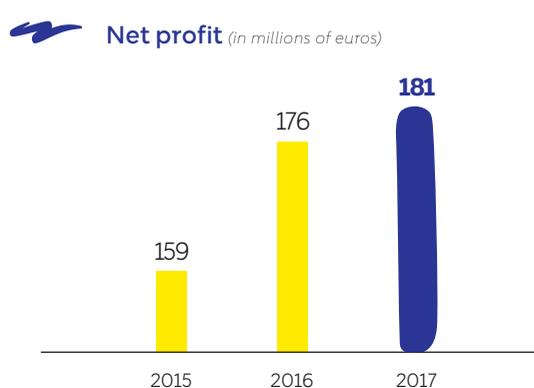
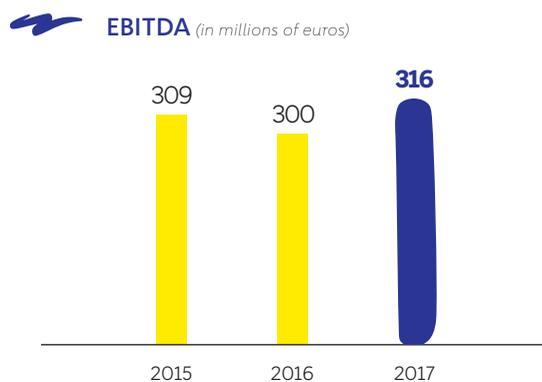
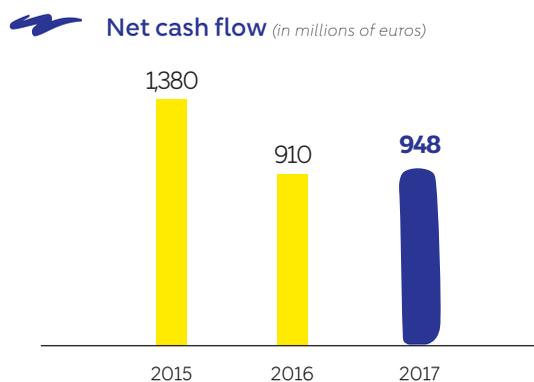
- Reducing our environmental footprint
- Propagate virtuous practices and be recognised as a responsible company

SOLUTIONS AND RESULTS

- ◆ Reduction of greenhouse gas emissions
- ◆ Raise awareness among customers concerning environmental protection

FDJ's financial and extra-financial performance

→ Financial indicators



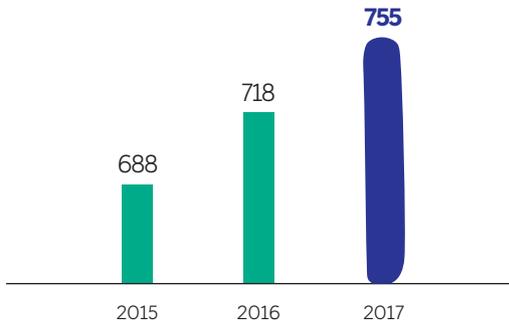
* In addition to this dividend, an exceptional dividend of €459 per share was distributed in 2016 following the capital increase and decrease operations decided during the Combined General Meeting of 25 May 2016.



→ Extra-financial indicators

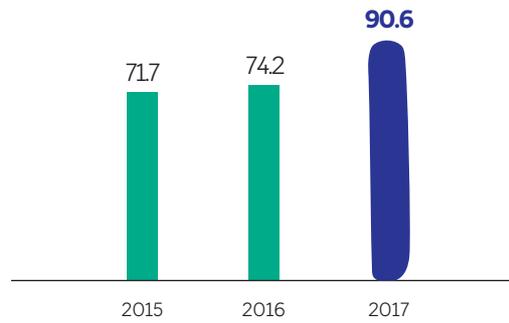
Economic and social contribution in France and its territories

Retailers fees commissions (in millions of euros)



Responsible Gaming

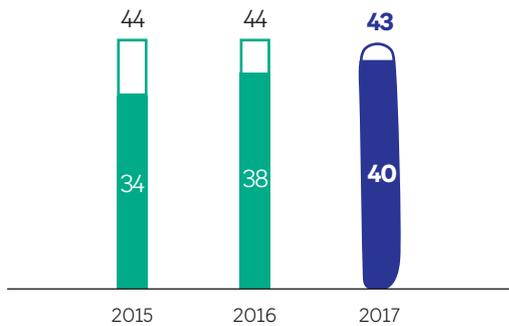
Overall compliance rate of points of sale (in%)



* Points of sale inspections on Responsible Gaming and Security criteria

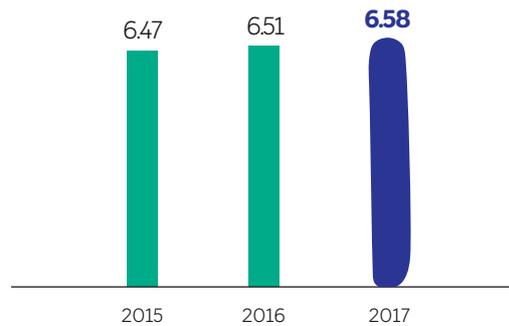
Diversity

Gender balance (FDJ SA) (%)



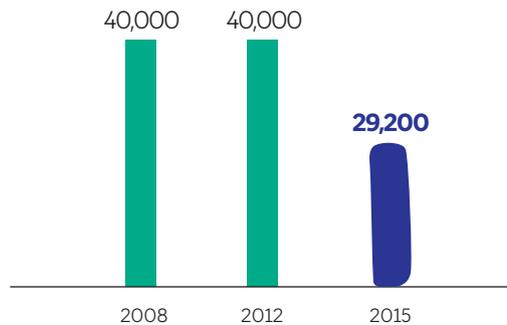
□ Female managers
■ Female employees

Percentage of disabled employees (FDJ SA) (%)



Environmental performance

Greenhouse gas emissions (FDJ SA and sales network) (in tonnes of CO₂ equivalent)



Solid *gouvernance* serving the Group

→ The Executive Committee (at 31.12.2017)

 An experienced management team



Around Stéphane Pallez, FDJ's Executive Committee brings together a team with complementary profiles, actively committed to the strategy and proper functioning of the Company.

From left to right:

Raphaël Botbol

Director of Strategy and Corporate Development

Elisabeth Monégier du Sorbier

Group Legal Director

Pierre-Marie Argouac'h

Group Director of Human Resources and Transformation

Cécile Lagé

Director of Marketing, Digital, Customers and Innovation

Stéphane Pallez,

Chairwoman and CEO

Patrick Buffard

Executive Vice-President, Marketing, Commercial, Digital and Operations division

Pascal Chaffard

Executive Vice-President, Performance, Finance and Regulation division

Laetitia Olivier

Director of Communication and Sustainable Development

Charles Lantieri

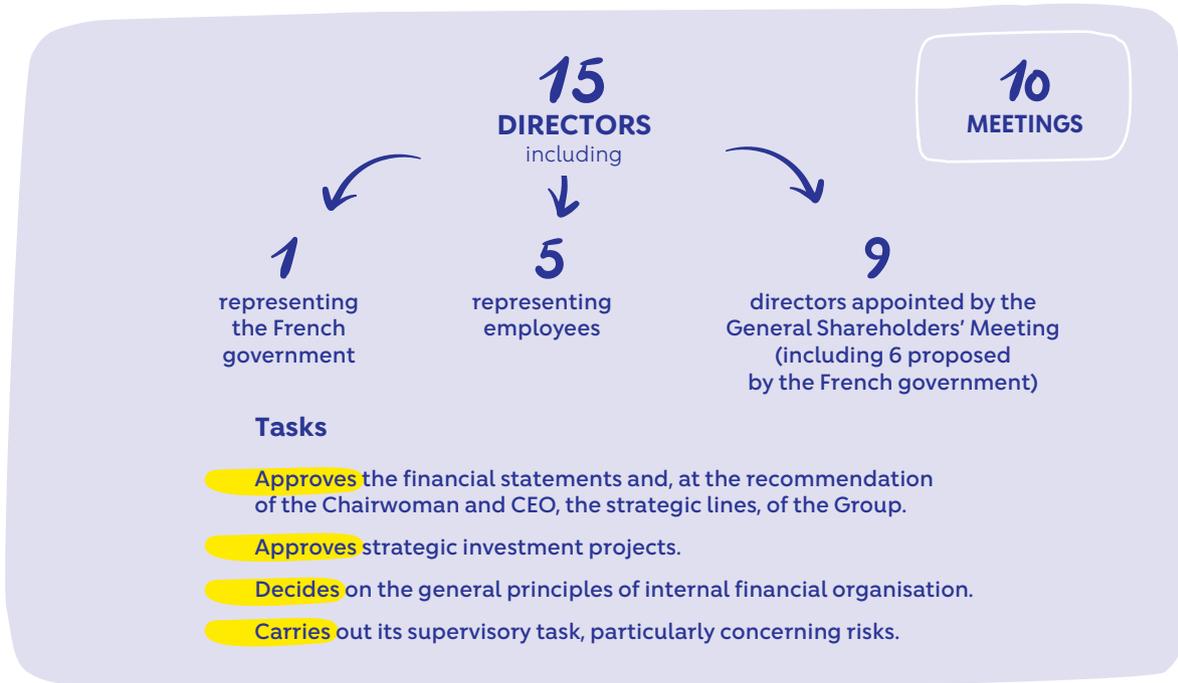
Deputy Chief Executive Officer, Chairman of FDP, Chairman of the FDJ Corporate Foundation

Xavier Etienne

Executive Vice-President, Technology and International Development division



→ The Board of Directors



→ 4 specialist committees

<p>AUDIT COMMITTEE</p> <p>4 MEMBERS 6 MEETINGS</p> <p>Main tasks</p> <ul style="list-style-type: none"> → Ensures compliance with the procedures for preparing the financial statements. → Examination of the general risk management policy based on a risk mapping. → Examines the development of the internal control systems, particularly by analysing the conclusions of the internal audit reports and the follow-up measures taken by the Company. → Issues an opinion on the annual internal audit programmes. 	<p>NOMINATIONS AND REMUNERATION COMMITTEE</p> <p>5 MEMBERS 3 MEETINGS</p> <p>Main task</p> <ul style="list-style-type: none"> → Offers its opinion to the Board of Directors with regard to methods for determining the remuneration of corporate officers.
<p>SUSTAINABLE DEVELOPMENT COMMITTEE</p> <p>4 MEMBERS 4 MEETINGS</p> <p>Main tasks</p> <ul style="list-style-type: none"> → Examines the Sustainable Development policy and its implementation in initiatives undertaken by FDJ and in its strategic approach. → Examines the development of the FDJ Corporate Foundation's policy 	<p>STRATEGY COMMITTEE</p> <p>7 MEMBERS 1 MEETING</p> <p>Main task</p> <ul style="list-style-type: none"> → Offers its opinion to the Board of Directors on projects relating to the Group's expansion, monitoring of changes in industrial partnerships, draft strategic agreements, and changes in the competitive environment and in the Group's position.

* For more information on the Committees, please refer to chapter 1, section 1.3, page 26.



report on Corporate Governance

1.1	Composition of the Board of Directors	22	1.5	Authorisations granted by the General Meeting pursuant to Articles L.225-12-1 and L.225-129-2 of the French Commercial Code	30
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1.1

Composition of the Board of Directors

1.1.1 Appointment of directors

Pursuant to Order No. 2014-948 of 20 August 2014 (the "Order"), La Française des Jeux ("FDJ") must be administered by a Board of Directors composed of three to eighteen members, comprising members appointed by the General Meeting, if necessary on the proposal of the French government in accordance with Article 6 of the Order, a government representative chosen by the French Minister of the Economy in accordance with Article 4 of the Order, and one-third of staff

representatives elected in accordance with the provisions of the law of 26 July 1983.

At the date of this report, FDJ's Board of Directors is made up of fifteen members including a representative of the French government, five staff representatives elected by the staff, three directors appointed by the General Meeting of 21 October 2014, including FDJ's Chairwoman and CEO, and six directors nominated by the French government appointed by the General Meeting on 2 February 2017.

1.1.2 Equal representation of men and women

Pursuant to Article L.225-18-1 of the French Commercial Code and the aforementioned Order, FDJ is subject to the rules on the equal representation of men and women on boards of directors and its Board of Directors must be made up of 40% women in 2017. This ratio was reached during the year.

FDJ's Board of Directors is made up of six male and four female directors, excluding directors representing staff, who, in accordance with Article 9 of the Order, are not taken into account for the application of the first paragraph of Article L.225-18-1 of the French Commercial Code.



1.1.3 Information on the directors

At 31 December 2017, the composition of FDJ's Board of Directors is as follows:

Composition of FDJ's Board of Directors

Director representing the French government	◆ Mr Schwan Badirou-Gafari
Directors appointed by the General Meeting on the proposal of the French government	<ul style="list-style-type: none"> ◆ Mr Henri Serres ◆ Mr Xavier Girre ◆ Mr Didier Trutt ◆ Ms Catherine Delmas-Comolli ◆ Ms Ghislaine Doukhan ◆ Ms Mélanie Joder
Other directors appointed by the General Meeting	<ul style="list-style-type: none"> ◆ Ms Stéphane Pallez ◆ Union des Blessés de la Face et de la Tête (<i>permanent representative: Mr Olivier Roussel</i>) ◆ Fédération Maginot (<i>permanent representative: Mr Henri Lacaille</i>)
Directors elected by staff	<ul style="list-style-type: none"> ◆ Mr Philippe Pirani ◆ Mr Michel Durand ◆ Ms Claire Videau ◆ Mr Raphael Rignault ◆ Mr Xavier Lehongre

The information concerning the terms of office of FDJ's corporate officers during the financial year is appended to this report.



1.2

Operation and meetings of the Board of Directors

1.2.1 Terms of exercise of the Executive Management

FDJ is managed by the Chairwoman of the Board of Directors.

In accordance with Article 19 of the Order, the Chairwoman of the Board of Directors is appointed by decree, from among the directors, on the proposal of the Board of Directors.

Pursuant to the Decree of 5 November 2014, the French President appointed Stéphane Pallez as Chairwoman and CEO.

On the proposal of the Chairwoman and CEO, the Board of Directors appointed Mr Charles Lantieri as Deputy Chief Executive Officer.

1.1.2 Directors' term of office

Directors are appointed for renewable five-year terms of office.

1.2.3 Rules of procedure of the Board of Directors

The rules of procedure of the Board of Directors, adopted on 12 June 2008, and updated on 25 January 2012, restrict the powers of the Executive Management by listing the operations that require prior authorisation by the Board of Directors and take into account the prevention and management of conflicts of interest.

1.2.4 Group Ethics Charter

A Group Ethics Charter, approved by the Board of Directors at its meeting on 4 July 2017, reaffirmed the commitment of the FDJ Group and its community of stakeholders to respect ethical principles. Adherence to this Charter is of particular importance for the corporate officers and directors of the FDJ Group.



1.2.5 Powers and Missions of the Board of Directors

The Board of Directors determines FDJ's business strategies and oversees their implementation. Notwithstanding the powers expressly granted to the shareholders and in line with the Company's corporate purpose, the Board of Directors considers any matter affecting FDJ's operation and, through its proceedings, decides on the matters within its remit.

The Board of Directors carries out the controls and verifications that it deems appropriate. Each director receives all the information necessary for the accomplishment of his or her mission and may request any documents deemed useful.

The Board of Directors sets the annual budget and approves FDJ's annual financial statements and the Group's annual and interim consolidated financial statements, prepared by the Executive Management, after obtaining the opinion of the Audit Committee and reviewing the work of the Statutory Auditors, and presents these financial statements to the General Meeting. It prepares a written management report on the Group's operations during the previous year, its outlook, significant subsequent events that occurred between the closing date and the date on which the report is prepared, and its research and development activities.

The Board of Directors gives its opinion before any substantial change to the employment contract of a staff representative elected as director.

It deliberates annually on FDJ's policy on professional and wage equality.

The Board of Directors also decides on any proposals to be made to the Shareholders' Meetings, convenes these meetings and draws up the agenda.

The Chairwoman and CEO reports to the Board of Directors on her activities at meetings convened by her in accordance with FDJ's Articles of Association, as often as FDJ's interests so require, and at least four times a year.

The Board is regularly provided with operating reports to inform it about changes in the legal framework for FDJ, both at the national and European level, as well as the major commercial, legal or technical developments that occurred during the period, based on a management chart.

The secretary of the central works council attends the meetings of the Board of Directors in an advisory capacity.

The head of the Economic and Financial Control Unit of the French government with FDJ and the Government Commissioner established in accordance with Article 15 of the Order, attend, *ex officio*, the meetings of the Board of Directors, its committees and the General Meeting.

1.2.6 Subjects discussed by the Board of Directors during 2017

In 2017, the Board of Directors met on ten occasions to discuss specific matters, namely: the closing of the 2016 individual and consolidated financial statements, the review of the management planning documents and the 2016 cash management report, the closing of the consolidated financial statements at 30 June 2017, the setting of the 2016 variable portion of remuneration, the Chairwoman and CEO's 2017 targets and the 2017 remuneration of the Chairwoman and CEO and Deputy Chief Executive Officer, the review of the 2018 budget, the monitoring of the execution of the strategic plan, in particular through the information systems

transformation plan, the evolution of the sports strategy, the presentation of the 2017 Group risk mapping and risk outlook, FDJ's professional gender equality and equal pay policy, the 2018 allocation of cash assets, the adoption of a Group Ethics Charter, the setting of criteria for allocating directors' fees, the procedure to ensure compliance with the *anti-corruption component of the Sapin II law*, the project to sell the Mousy site and relocate affected employees, the extension of the sponsorship agreement of the FDJ cycling team in the framework of a partnership with a co-sponsor, the project to create a joint venture with other European lotteries.



1.3

Board of Directors Committees

1.3.1 Audit Committee

1.3.1.1 Composition

In 1999, the Board of Directors set up an Audit Committee, selecting its members from among the Company's directors. At present, the Audit Committee comprises four members, including EDF's Financial Director, who chairs it, the French government representative and one staff representative.

The Audit Committee is an advisory committee acting on the authority of the Board of Directors. Its remit extends to the entire Group.

1.3.1.2 Missions

In accordance with the rules of procedure adopted by the Board of Directors on 12 June 2008, the Audit Committee performs the following main tasks:

- ◆ preliminary examination of the accounting and financial documents to be submitted to the Board of Directors, including the interim and annual financial statements (individual and consolidated), financial forecasts and budgets, multi-year plans, the management report;
- ◆ examination of the quality and reliability of FDJ's financial disclosures;
- ◆ examination of the relevance and permanence of the accounting standards and policies, as well as the options for closing the annual financial statements;
- ◆ examination of the general risk management policy based on a risk mapping;
- ◆ examination of the nature and extent of significant off-balance-sheet commitments;
- ◆ examination of changes to internal control procedures, especially by analysing the findings of internal audit reports and the follow-up given by FDJ, issuing an opinion on the annual internal audit programmes;

- ◆ supervision of the appointment or re-election procedure by calling for proposals from the Statutory Auditors and expressing an opinion on the choice of the aforementioned auditors, as well as their work programme, fees and the quality of their work;

- ◆ periodic review of the work of the Statutory Auditors and their recommendations.

The Audit Committee may also be entrusted with other specific or recurring assignments by the Board of Directors. Furthermore, the Audit Committee may also suggest to the Board of Directors that any specific matter be referred when so deemed necessary or relevant.

1.3.1.3 Activity

In 2017, the Audit Committee met on six occasions to discuss specific matters, namely:

The closing of the 2016 financial statements and the communication items relating to the 2016 activity, the review of the 2016 internal control procedures report and the 2016 report on Corporate Social Responsibility (CSR), the review of the consolidated financial statements at 30 June 2017 and of the management planning documents, the work of the Statutory Auditors, the monitoring of non-audit services, the update on the 2016 cash management, the 2017 asset allocation policy and the 2018 forecasts, the presentation of the 2018 budget, the initiative to invest in innovation funds, the update on performance projects, the update on the implementation of the strategic plan and the monitoring of the action plans resulting from the 2017 risk map, the summary of work performed in 2016 and the 2017-2018 work programme of the Audit, Risk, Internal Control, Quality and Ethics Department, the 2017 Group risk map, as well as the progress with work ongoing over the year, the presentation of the risk and control approach and the Group's draft ethics charter, the update on compliance with the anti-corruption component of the Sapin II law, and FDJ's compliance with the general regulation on personal data protection.

The Audit Committee reports on its work to the Board of Directors.



1.3.2 Nominations and Remuneration Committee

1.3.2.1 Composition

On 15 October 2008, the Board of Directors decided to create a Nominations and Remuneration Committee. It is composed of five directors appointed by the Board of Directors from among its members, including a former General Mining Engineer at the General Council for the Economy who serves as its Chairman, one government representative, one representative of the Union des Blessés de la Face et de la Tête and one staff representative.

1.3.2.2 Mission

This committee is responsible for issuing an opinion to the Board of Directors on the remuneration of corporate

officers, in compliance with the applicable regulations, in particular Articles L.225-44, L.225-47 and L.225-53 of the French Commercial Code and Decree No.53-707 of 9 August 1953.

1.3.2.3 Activity

In 2017, the Nominations and Remuneration Committee met three times to establish the level of attainment of the 2016 targets, to propose to the Board of Directors the 2017 fixed and variable remuneration and the 2017 targets of the Chairwoman and CEO and the Deputy Chief Executive Officer and to prepare the 2018 targets.

1.3.3 Sustainable Development Committee

1.3.3.1 Composition

Following its decision of 25 January 2012, the Board of Directors set up a Sustainable Development Committee and supplemented its rules of procedure dated 12 June 2008 with an article specific to this committee. At present, the Sustainable Development Committee is composed of four members, including one former General Mining Engineer at the General Council for the Economy who serves as its Chairman, one director representing the Union des Blessés de la Face et de la Tête and one director representing the staff. The Sustainable Development Committee convenes at least twice a year.

The Sustainable Development Committee reports on its work to the Board of Directors. It may also examine any other ongoing or specific matter referred to it by the Board of Directors, and may also suggest to the Board of Directors that it examine any particular point that it so deems necessary or relevant.

1.3.3.3 Activity

In 2017, the Sustainable Development Committee met on four occasions to discuss specific matters, namely: the 2016 review of the CSR programme, the setting and monitoring of the 2017 CSR priorities and the preparation of the 2018 CSR priorities, the monitoring of the 2017 Responsible Gaming action plan and the presentation of the 2018 plan, the 2017/2018 action plans to combat laundering and the changes in the regulatory environment, the assessment of corporate officers' achievement of the 2016 CSR objectives, the proposal of the 2017 CSR objectives and the preparation of the 2018 CSR objectives, the update on the activity of the FDJ Corporate Foundation, the preparation of the external communication concerning the 2017 extra-financial results, the 2017 report on FDJ's policy on professional equality, diversity and quality of life at work and the 2018 priorities.

1.3.3.2 Missions

Its remit includes the following:

- ◆ to examine of the Company's Sustainable Development policy and, in particular, to evaluate initiatives taken in the framework of its Corporate Social Responsibility and, more widely, components essential to the business model, such as the Responsible Gaming model developed by the Company, and the management model;
- ◆ to examine the link between the policies implemented and the overall business strategy, the corporate management processes and the enhancement of business assets;
- ◆ to examine changes in the policy of the FDJ Corporate Foundation®.



1.3.4 The Strategy Committee

1.3.4.1 Composition

During its 16 December 2014 meeting, the Board of Directors decided to create a Strategy Committee, in line with the power to do so as provided in the rules of procedure. The Strategy Committee currently has seven members, including the Chairwoman and CEO, who chairs it, one government representative, one representative of the Union des Blessés de la Face et de la Tête and one staff representative. The Strategy Committee gives its opinion to the Board of Directors on FDJ's major strategic guidelines.

1.3.4.2 Missions

Its remit includes the following:

- ◆ preparing for discussions during the Board of Directors' meetings on the multi-year strategic plan and examining the monitoring of its implementation;
- ◆ being aware of major problems and issues that may impact the strategic plan;

- ◆ offering its opinion to the Board of Directors on projects relating to the Group's expansion, the monitoring of changes in industrial partnerships, strategic agreement projects, changes in the competitive environment and in the Group's position;
- ◆ making all recommendations that it considers useful to the Board of Directors.

1.3.4.3 Activity

In 2017, the Strategy Committee met once to discuss specific matters, namely: the implementation of the international strategy, the changes in the gambling markets and their organisation in Europe, news on sports betting at points of sale.

1.4

Agreements under the second paragraph of Article L.225-37-4 of the French Commercial Code



FDJ is not aware of the existence of any agreements under the second paragraph of Article L.225-37-4 of the French Commercial Code.



1.5

Authorisations granted by the General Meeting pursuant to Articles L.225-12-1 and L.225-129-2 of the French Commercial Code

The FDJ's General Meeting did not grant any authorisation to the Board of Directors pursuant to Articles L.225-129-1 and L. 225-129-2 of the French Commercial Code.

The Board of Directors

1.6

Notes



Information on the terms of office of the FDJ corporate officers in 2017

List of functions and offices held by Ms Stéphane Pallez

- ◆ Chairwoman and CEO of FDJ;
- ◆ Director and Chairwoman of the Audit Committee of CNP Assurances;
- ◆ Director of Positiv Planet;
- ◆ Director of Engie;
- ◆ Member of the Supervisory Board and Audit Committee of Eurazeo.

List of functions and offices held by Mr Charles Lantieri

- ◆ Deputy Chief Executive Officer of FDJ;
- ◆ Chairman of FDJ Corporate Foundation;
- ◆ Chairman of FDP (subsidiary of FDJ);
- ◆ Permanent Representative of FDJ on the Board of Directors of La Pacifique des Jeux (subsidiary of FDJ);
- ◆ Director of the Centre National pour le Développement du Sport.

List of functions and offices held by Ms Delmas-Comolli

- ◆ Honorary prefect;
- ◆ Director of the Fondation d'utilité publique du Belem CDC;
- ◆ Director proposed by the French government on FDJ's Board of Directors.
- ◆ Director of François Sommer Foundation

List of functions and offices held by Mr Jérôme Reboul

- ◆ Director on the Board of Directors of Imprimerie Nationale;
- ◆ Director on the Board of Directors of SFIL;
- ◆ Director on the Board of Directors of the ADIT;
- ◆ Member of the Supervisory Committee of Holding SP;
- ◆ Director at the Cour des Comptes (French Court of Audits);
- ◆ Director representing the French government on FDJ's Board of Directors (until February 2017).

List of functions and offices held by Mr Badirou-Gafari

- ◆ Deputy Director of Investments at the French government Shareholding Agency;
- ◆ Director on the Board of Directors of Imprimerie Nationale;
- ◆ Director on the Board of Directors of SFIL;
- ◆ Director on the Board of Directors of SLI (Société pour le Logement Intermédiaire);
- ◆ Director on the Board of Directors of SEMMRIS (Société d'Économie Mixte du Marché de Rungis);
- ◆ Director representing the French government on FDJ's Board of Directors.



List of functions and offices held by Ms Sophie Mantel

- ◆ Department head, deputy to the Budget Department's Budget Director;
- ◆ Director representing the French government on the Board of Directors of Pari Mutuel Urbain;
- ◆ Director representing the French government on the Board of Directors of La Poste;
- ◆ Director representing the French government on the Board of Directors of Naval Group;
- ◆ Director representing the French government on the Board of Directors of SNCF Mobilités;
- ◆ Director representing the French government (until February 2017) and then Government Commissioner on the Board of Directors of FDJ.

List of functions and offices held by Ms Lucie Muniesa

- ◆ Deputy Secretary General at the French Ministry of Culture and Communication;
- ◆ Director of the SAS Palais de Tokyo;
- ◆ Director of the École Nationale Supérieure des Beaux-Arts;
- ◆ Director of the Établissement Public du Parc et de la Grande Halle de la Villette;
- ◆ Alternate director of the Cité de la Musique;
- ◆ Alternate director of the Opéra national de Paris;
- ◆ Alternate director of the Centre national de la chanson, des variétés et du jazz;
- ◆ Director representing the French government on FDJ's Board of Directors (until February 2017).

List of functions and offices held by Mr Francis Bonnet

- ◆ First Class General Administrator of Public Finance;
- ◆ Regional Director of Public Finance of the PACA region and the Bouches-du-Rhône department;
- ◆ Director representing the French government on FDJ's Board of Directors (until February 2017).

List of functions and offices held by Mr Xavier Girre

- ◆ Member of the Executive Committee of EDF;
- ◆ Director on the Board of Directors of NNB Holding Company (HPC) Limited;
- ◆ Director on the Board of Directors of EDF Energy Holdings Ltd;
- ◆ Director on the Board of Directors of Dalkia;
- ◆ Member and Vice-President of the Supervisory Board of RTE;
- ◆ Director on the Board of Directors of EDF EN;
- ◆ Director proposed by the French government on FDJ's Board of Directors and Chairman of the Audit Committee.

List of functions and offices held by Mr Henri Serres

- ◆ General Mining Engineer;
- ◆ Associate Member of the General Council of the Economy, Ministry of Economy, Industry and Digital;
- ◆ Director representing the French government on the Board of Directors of the Imprimerie Nationale;
- ◆ Director proposed by the French government on FDJ's Board of Directors.

List of functions and offices held by Mr Didier Trutt

- ◆ Qualified person – Director and Chairman of the Imprimerie Nationale SA;
- ◆ Representative of IN SA, Chairman of INCS – Groupe IN;
- ◆ Director and Chairman of the Board of Directors of IN Participations – Groupe IN;
- ◆ Chairman of the Supervisory Board of SPS SAS – Groupe IN;
- ◆ Chairman of SPS Fonds SAS – Groupe IN;
- ◆ Director proposed by the French government on FDJ's Board of Directors.

List of offices held by Mr Henri Lacaille, permanent representative of the Fédération Nationale André Maginot des Anciens Combattants et Victimes de Guerre

- ◆ Chairman of the Fédération Nationale André Maginot (FNAM);
- ◆ Vice-President of the Office national des Anciens Combattants et Victimes de Guerre (ONACVG);
- ◆ Director of Cercle Sportif e l'Institution Nationale des Invalides (CSNI)
- ◆ Director of FDJ.



List of functions and offices held by Mr Olivier Roussel, permanent representative of the Union des Blessés de la Face et de la Tête

- ◆ Chief Executive Officer of the UBFT;
- ◆ Secretary General of the Fondation des Gueules Cassées;
- ◆ Managing Director and member of the Strategic Committee of CYP SAS;
- ◆ Director of the Lino Ventura Association;
- ◆ Director of the Pas Saint-Maurice Association;
- ◆ Director of FDJ.

List of functions and offices held by Ms Isabelle Cormier

- ◆ Project Manager at FDJ;
- ◆ Director of FDJ (until February 2017).

List of functions and offices held by Ms Claire Videau

- ◆ Management controller at FDJ;
- ◆ Director of FDJ.

List of functions and offices held by Ms Anne-Marie Richiardone

- ◆ IPO operational manager at FDJ;
- ◆ Director of FDJ (until February 2017).

List of functions and offices held by Mr Michel Durand

- ◆ Systems engineer at FDJ;
- ◆ Director of FDJ.

List of functions and offices held by Mr Philippe Pirani

- ◆ Qualification integration manager at FDJ;
- ◆ Director of FDJ.

List of functions and offices held by Mr Frédéric Koeniguer

- ◆ Front Office Digital Manager at FDJ;
- ◆ Director of FDJ (until February 2017).

List of functions and offices held by Mr Xavier Lehongre

- ◆ Commercial and Operations IS Manager at FDJ;
- ◆ Director of FDJ.

List of functions and offices held by Mr Raphael Rignault

- ◆ Deputy Head of Cash and Financing at FDJ;
- ◆ Director of FDJ.



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2.1

Group operations

2017 was marked by the Group's transformation, with the goal of putting the customer, both of today and tomorrow, at the heart of its considerations on physical and digital experiences.

To respond to the challenges arising from the changes to the player base and its ageing, and from the influence of digital media in millennial gaming practices, FDJ is

continuing to implement its FDJ 2020 strategic project by acting across the entire value creation chain. By changing the content and accessibility of its offer, by accelerating its collaboration with start-ups and by adapting its organisation and modes of operation, FDJ has put itself at the service of all its customers, both external (players and retailers), and internal (employees).

2.1.1 An enriched and digitised offer to meet player expectations and support the retail network

What do young people think of gaming in general and gambling in particular? For two weeks, more than 100 young people between the ages of 18 and 34 throughout France discussed, on a dedicated⁽¹⁾ forum, the image they have of FDJ, its games and its sales network. From these discussions it became clear that young people expect an entertaining gaming experience and that they strongly associate the FDJ brand with the physical place of sale (their relationship with FDJ takes place via the point of sale). To meet this double expectation, shared more widely by the rest of its customers, FDJ has launched innovative offers and has improved the digitisation of its points of sale.

FDJ is developing a new generation of lottery games

FDJ has launched a pilot programme in more than 200 points of sale in mainland France called "Amigo Live" in order to enrich its category of point-of-sale games. This offer, developed by internal incubation units, aims to provide more entertainment to players, to facilitate access to the offer and to enhance the image of point-of-sale games as entertaining activities. In order to ensure the satisfaction of all its customers, FDJ has included codes from the gaming industry in this offer. It is thereby introducing an entirely new concept, leaving behind the numbers and grids on the playslips and draws, and promoting a modern side of gaming through playful symbols. It offers two different lottery games in complementary environments that draw on our collective imaginations, namely Astrology and Treasure Island, with top prizes of up to €100,000 and €200,000, respectively. An entertaining and innovative offer designed to attract more young and female profiles, while also retaining current players. The playslip tells a story: the player travels to Treasure Island or into outer space with Astrology, to

find the winning combination and claim his prizes. He can also use the FDJ mobile app to play just like he would with his favourite mobile games. The main focus of the offer is to immerse the player in rich gaming worlds, from games played via playslips or by mobile phone, to draws on TV screens at the points of sale.

Another innovation: ILLIKO LIVE, scratch card games that can be played live! Launched in a trial in February 2017 at participating points of sale in Grand Lille and Upper Normandy sales areas, the first three ILLIKO LIVE games (La Poule aux œufs d'or, Sauve Souris and As Capone) bring scratch cards into the digital age. A scratch card ticket, sold and payable exclusively through the network, allows the player to access an interactive game on their mobile, tablet or computer. These new generation scratch card games strengthen and update FDJ's point of sale offering, whilst upholding the network's interests, as they are sold and payable only by a retailer.

At the end of the year FDJ also launched a new range of interactive online games called "Super Jackpot", with more than ten new illiko® games. These offer players for the first time the chance to win, in addition to the classic stakes, a progressive jackpot that starts at €10,000 and that increases for every euro played on one of the games in the Super Jackpot range. They are the first of a new breed of games that offer a new experience: playing an entertaining game while also participating in a draw to win a second prize, the Super Jackpot! No fewer than 470,000 players play these games. Among the games on offer are Super €100, Super €200 and Super €500, which offer the possibility of winning "bank notes" that correspond to the common leisure activities in France, as well as interactive games with much higher earnings (between €10,000 and €50,000) and offering a longer gaming experience. Finally, this range is complemented by a new interactive game called "Justice League", which

(1) Étude Freethinking, laboratory specialised in trend detection, November 2016

takes up the Superheroes DC Universe and Super Villains universe. With this game, designed as part of a collaboration between FDJ and Warner Bros Consumer Products on behalf of DC Entertainment – unprecedented in the world of lotteries – FDJ hopes to attract a multi-generational audience of individuals between the ages of 18 to 45, who are familiar with the world of comics.

In the illiko® range of online games, FDJ also offers Next Level, a game based on the “stop or keep going” principle. After the player chooses his stakes, a grid of 50 numbers appears on the screen. To win, he has to avoid clicking on one of the nine losing numbers. The game consists of 10 levels, and each player has the choice between stopping and taking his winnings or continuing until the next level, with the risk of losing everything if he picks a losing number.

Finally, since the end of December, a gamification module developed in the Company's incubation units is available on FDJ.fr. Gamification enriches the experience of the illiko® games via a dynamic of increasing difficulty levels and the introduction of virtual goods, based on the principle of persistence between gaming sessions. With Les Clefs du Trésor (The Keys to the Treasure), the first game in the offer, after the player collects three key symbols, he can access the game Le Trésor (The Treasure). New games will follow, with even richer and more immersive experiences, in order to attract and retain increasingly demanding customers typologies.

FDJ is entering the eSports market by developing innovative betting options, becoming the first French operator to offer free eSports betting

In February 2017, FDJ announced its entry into the world of eSports⁽¹⁾, to support the development of this new market in the framework of the French Digital Republic law⁽²⁾, adopted in 2016. FDJ is thereby becoming a new eSports operator in France, with the support of the expertise of the Webedia Group⁽³⁾ to organise competitions. Instead of simply sponsoring events, FDJ decided to make a long-term commitment in the area, with an ambitious plan and the organisation of competitions throughout the year. Since March 2017, it has held “FDJ Open Series” amateur competitions, with more than 40 tournaments, for the most part on line but also in person; and, since May 2017, a “FDJ Masters League” professional competition over two seasons per year. Its objective is to become an important market player and organiser, through its quality guarantee and its values. FDJ will develop new free gaming activities for a young and fledgling market, which it is approaching in start-up mode. The first results are very promising, with

more than two million views for the first edition of the professional tournament; more than 20,000 sign ups and four million views for the twenty-some amateur tournaments that have been held online.

FDJ has continued in this direction with the launch in November of parionsesport.fr, a free eSports betting offering developed in accordance with French legal framework, which currently prohibits fee-based eSports betting. As the first operator to embark in the area, FDJ's offering is aimed at young people over the age of 18 who are passionate about eSports. Their number is estimated at more than one million regular viewers in France (SuperData study conducted for Paypal). To support this new offer, FDJ has launched the “Parions ESport” brand and the site www.parionsesport.fr, which offers free eSports betting every week, both in pre-match and live, for around sixty competitions between professional players on the main eSports games. The best betters will be awarded prizes under the banners of the most popular eSports teams at the moment. Parions ESport relies on the expertise of ParionSport, which is the reference sports betting brand in France.

FDJ is strengthening the digitalisation of its points of sale in order to enrich their offerings and support their business activities

With its 30,800 points of sale in around 11,000 municipalities, the FDJ network remains the leading French local network. However, in an unfavourable economic context, with the increasing dematerialisation of the press and higher tobacco prices, FDJ is supporting its physical network by making its points of sale more connected and offering new services.

The sports betting market is more and more competitive, with pure players offering “aggressive” offers. In this context, FDJ desires to strengthen the competitiveness of its offer. In addition, it wants to improve the customer experience and therefore has rolled out about thirty self-service sports betting terminals. The roll-out of more than 1,000 terminals is planned for 2018, with an enriched offer in terms of sports and betting formulas. This pre-match betting offer, accessible from the terminals to players who must identify themselves, is an alternative to the paper playslips and the electronic playslips created using the mobile application, and ensures player autonomy when placing bets. After a player has identified himself and his identity has been verified, he receives a card that allows him to access his personal player account. This player account, which can be topped up at the retailer's point of sale or directly via the terminal, gives players greater independence to play,

(1) Competitive video gaming. This phenomenon, which began in the late 1990s, has taken off in the past five years. There are already about 4.5 million eSports fans in France, and this figure is expected to increase significantly over the next two years. The eSports market in France is currently estimated at around €20 million per year and is growing over 10% annually.

(2) The French Digital Republic law, published in the Journal Officiel on 8 October 2016, aims to promote the accessibility and sharing of data and knowledge, to ensure an open digital environment that respects the privacy of internet users and to facilitate citizen access to digital technologies.

(3) Webedia is a French internet operator specialising in entertainment and leisure activities, and owns more than 50 sites and applications.





while at the same time allowing FDJ to encourage recreational betting.

In addition, FDJ and The Western Union Company⁽¹⁾ have come together to create the Click&Pay offer (a quick and easy way to make money transfers) potentially available at all FDJ points of sale. The objective of this service is to enable retailers to diversify their activity by entering into the money transfer market, potentially increase the flow of customers to their points of sale and open up additional revenue sources (retailers will earn a commission on transfers). A customer will be able to initiate the money transfer via the Western Union mobile application, and then go to a FDJ point of sale to validate the contract made with Western Union and pay using the

FDJ terminal. Customers will also be able to receive money in those points of sale. Stéphane Pallez, FDJ's Chairwoman and CEO, explains: "95% of FDJ player stakes are made through the bricks-and-mortar network. Retailers play a key role here, because they are the first points of contact for our 26.1 million players. We strive not only to make their day-to-day activities easier, but also to offer them solutions to modernise and diversify their business. Our partnership with Western Union demonstrates this: thanks to this collaboration, a retailer will be able to perform money transfers with his customers via the same terminal with which he records the player stakes, a first for FDJ."

2.1.2 FDJ and start-ups, a story that is gaining momentum

As part of its strategic project "FDJ 2020: an enhanced vision", the Group aims to support the growth of digital technology usage among its customers by placing innovation at the heart of its business, particularly in the bricks-and-mortar network. Furthermore, with the creation of a department dedicated to open innovation, FDJ is putting its policy into action, with the aim of opening up the Company to new trends, and identifying innovative solutions and partners to trial them with in order to integrate them into its industrial model.

FDJ has an active policy of collaboration with start-ups, recognised in the French Tech Barometer

The active policy of open innovation pursued by FDJ has also been recognised by the⁽²⁾ French Tech Barometer on collaboration between large corporations and start-ups presented on 8 November 2017. Conducted by the French Tech Mission of the Ministry of the Economy, undertaken in partnership and jointly managed with Bpifrance, Groupe Caisse des Dépôts and the Government's General Business Directorate (Direction Générale des Entreprises), it offers, for the first time, a precise and objective snapshot of relationships between start-ups and large corporations in France, based on a shared frame of reference. FDJ was recognised in the Procurement processes category (where the start-up supplies products and/or services to large corporations), following the implementation, with the purchasing and legal departments, of a framework to facilitate the open innovation initiative, consisting of arrangements to enable the start-up to concentrate on creating value added and thereby avoid taking on a "parasitic" role as a result of processes that are excessively heavy for its scale.

FDJ collaborates with Techstars, one of the most prestigious American start-up accelerators

In 2016, FDJ intensified the digital transformation of its organisation and undertook its first cooperative ventures with a variety of new partners, among them: Asmodée, Web School Factory, Partech and Raise. In March 2017 it built on that activity by taking part in the Techstars⁽³⁾ acceleration programme in France, alongside other renowned corporates (Accor, Air Liquide, Groupama, Renault and its subsidiary RCI Bank and Services, and Total), all of which share a common desire: to support entrepreneurs achieve faster growth. An initial Techstars Paris promotion was installed at the Partech Shaker start-up campus in September 2017. It consists of an acceleration programme spread over 13 weeks and divided into three parts: mentoring, execution and pitch. For the mentoring component, seven FDJ mentors, including three members of the Executive Committee, agreed to support start-ups in the programme. On the Demo Day organised by Techstars on 6 December 2017, FDJ revealed the launch of two Proof of Concept (POC)⁽⁴⁾ projects: Zify et Besafe. As from 7 December 2017, and for six months, FDJ will test, jointly with Zify, the possibility of having its bricks-and-mortar network serve as meeting points for car-poolers, the objective being to generate consumer traffic across its network. As for Besafe, it offers an end-to-end encryption solution which is designed to provide security when sharing sensitive files within the Company, and which will be tested by FDJ employees during the first quarter of 2018.

(1) It is a leader in the field of international payment services.

(2) A French initiative launched at the end of 2013 which aims to encourage new French start-ups.

(3) Its mission is to support highly promising entrepreneurs during their journey from business idea to initial Stock Exchange listing.

(4) Feasibility demonstration corresponding to a specific experimental undertaking.

FDJ has developed new services in collaboration with Botfuel ⁽¹⁾ and Think&Go ⁽²⁾ to improve multi-channel customers' player experience

Botfuel offers a chatbot development and execution platform designed for companies. The bot is a programme which, using artificial intelligence, can communicate with users and offer them appropriate answers to their questions. Following 6 months of collaboration (from framework to production) FDJ has been the first gaming operator in France to have launched its own chatbot specifically for sports betting, the "ParionsSport Bot" which, since June, offers a new experience to 3.5 million players enabling them to place their 1N2 bets directly in the Facebook's Messenger application. Botfuel's artificial intelligence technology was designed to address the specific requirements of Groups such as FDJ: reliability, scalability,

internationalisation, maintainability and testability. With Think&Go, FDJ conducted an experiment for several weeks at the end of 2016, with connected screens in "high flow" areas to create traffic towards nearby points of sale. After two months of collaboration between Think&Go and the open innovation and marketing/promotion teams at FDJ, the first connected screen was installed in the Italie 2 shopping centre, in close proximity of an FDJ point of sale, for more than two weeks. The feedback from stakeholders demonstrated their enthusiasm for this experiment which validated the "drive-to-store" initiative ⁽³⁾ and its implementation. A second experiment took place at the end of November 2017.

By offering a new way of accessing its offerings, these two collaborations are both illustrative of FDJ's desire to pursue a policy of opening up the company to new trends, and identifying innovative solutions and partners with whom to trial them.

2.1.3. FDJ, a Group which is turning towards greater collaboration and exchange

In parallel with changes to its offering and opening itself up to outside expertise, FDJ is also changing its organisation and its working methods to make them more efficient and flexible.

FDJ is changing the way its marketing is organised, evolving from product-focused organisation to customer-focused organisation

The year was marked by the Group's digital transformation, assisted by a new organisation which puts the customer, present and future, at the heart of its thoughts on the physical and digital gaming experience. Gaining a deeper knowledge of our customers is a decisive step towards developing more personalised marketing. The Customer Marketing Department has therefore been reorganised with the aim of developing expertise, within FDJ, on management of the customer experience based on more in-depth knowledge of multi-channel customers; this expertise can then be leveraged by the business lines. The Company's evolution

from a product-focused business model towards a model focused on the customer experience is thus reflected in the organisation of FDJ's marketing, which is now based on customer segments rather than product categories, as it had been previously.

As such, FDJ has worked to digitise its offering and the distribution of its offering, specifically through three priority lines of action: improving the distribution model for digital games by simplifying the customer experience (which has generated a 40% increase in online player registrations, and by offering new modes of access to the offering, particularly with the trial installation of sports betting terminals at points of sale); facilitating the availability of digital games with games accessible on all types of support, and the June launch of a new mobile app combining the entire offering (with the exception of Amigo which will not be available until 2018), which has been downloaded by more than one million users and listing of FDJ apps on the Google playstore; enhancing the offering with games that offer a level of player involvement that is more in tune with current expectations and usage.

(1) A company created in 2016 which has since experienced very rapid growth with funds of €1.3 million raised at the beginning of 2017. Among its clients are companies from the e-commerce, finance and services sectors which have chosen to implement sales chatbots and customer services chatbots.

(2) Think&Go, a brand of the Ingenico Group (the world leader in integrated payment solutions which assists with commercial change for tomorrow), is the inventor of connected screens (2 patents and 25 international innovation awards). This breakthrough technology enables consumers to exchange, in less than one second, information from screen images and all connected objects, simply by placing their smartphone, contactless card, connected watch or bank card onto the images on the screen. Think&Go is thus reinventing digital commerce and is launching a new market: the Shopping Screen.

(3) An action aimed at moving targeted individuals to the point of sale, regardless of their starting location.





FDJ is pursuing the Group's commercial and logistics transformation by developing the added value of its network

Having completed by the end of 2016 the takeover of areas previously served by broker-agents, FDJ is now pursuing the second stage of its commercial transformation, which is focused on increasing commercial added value. To address internal and external challenges more effectively, the sales business lines were reorganised into four departments whose directors are members of a sales management committee reporting directly to the Executive Vice-President responsible for Marketing, Commercial, Digital and Operations. At the same time, FDJ is pursuing the progressive implementation of an upgraded distribution model (direct distribution or DD) enabling direct delivery from points of sale vka a central logistics warehouse. At the end of 2017, 37% of sales areas were already operating with direct delivery (compared to 8% at December 2016). The switchover, which will be completed by the end of 2018, is accompanied by increasing mechanisation of the warehouse which currently handles 3,000 packages per day.

In this changing environment, the relationship between FDJ and its network remains most satisfactory, as demonstrated by the results of the 2017 retailers satisfaction survey, completed from 3 to 28 July 2017 by 4,248 retailers representing the fleet of FDJ points of sale. In fact, 2017 recorded the best satisfaction rating since the survey started in 2012, with a grade of 8/10.

FDJ is adapting its internal working methods to make them more flexible

In 2017, FDJ intensified its work to change its organisational practices. This change dynamic contributes to the propagation of a start-up spirit throughout the Company and the flexibility needed to win over new generations. In particular, FDJ has launched a project to "overhaul working methods", which has led to the emergence of around twelve related projects, among them one aimed at "giving ideas a chance" (a project to promote innovation in the Company by allowing all employees to suggest ideas during a special event set up for that purpose). This project, known as "iDay" and open to all employees, took place on 21 and 22 November and generated 329 ideas. These initiatives are consistent with a company that is "liberating" and "empowering", in line with FDJ's corporate model. In particular, they play a part in the development of the role of managers, itself pursued through experimental initiatives. In this environment of widely acknowledged change, Group employees remain satisfied with their work and with their company, as demonstrated by the result of the FDJScope survey completed by all Group employees between 13 June and 4 July 2017 (a survey carried out once every two years, on average, with Haris Interactive). Employee satisfaction with regard to their company as an employer stands at 91% (+2 points) and 92% of employees consider themselves proud to work for FDJ/its subsidiary.

2.2 Financial analysis



2.2.1 Items related to the Group's income statement

2.2.1.1. Player stakes

Stakes collected by the Group totalled €15,144 million, up by 5.7% relative to 2016.

In millions of euros	31.12.2017	31.12.2016	% of total stakes	2017/2016 Change	
Draw-based games	5,172.9	4,919.5	34.2%	253.4	5.2%
Scratch card games	7,453.5	6,901.3	49.2%	552.2	8.0%
Sports betting	2,518.1	2,510.0	16.6%	8.2	0.3%
TOTAL	15,144.4	14,330.7	100.0%	813.7	5.7%
of which multimedia channel	1,669.0	933.0	11.0%	736.0	78.9%

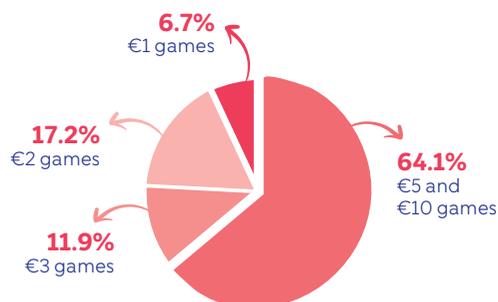
Scratch card stakes, which represent more than 49% of FDJ's total sales, were up by 8% over the year, having reached €7,453 million.

The twenty or so scratch card games (either permanent or temporary, based on a news story or theme), attracted 18.9 million customers.

It was mainly the new games launched in 2017 which drove growth in scratch card stakes, among them "10 ans Gagnants" (€5), "X10" (€2) and "X20" (€5).

In April 2017, FDJ launched "10 ans Gagnants" (10 Winning years) which allows players to play for unprecedented winnings: €100,000 immediately and €2,000 per month for 10 years (or €340,000 in one go). By offering this dual promise of immediate winnings in addition to a monthly income, FDJ addresses players' need for security and peace-of-mind in their day-to-day life, while preserving the feeling of excitement and the dream-come-true aspect represented by the immediate win of a large prize amount. Although it allows winners to receive immediate winnings, this launch allows illiko® to re-establish annuity games, absent from the range since 2013, which have had undeniable success in many foreign lotteries.

Scratch card games

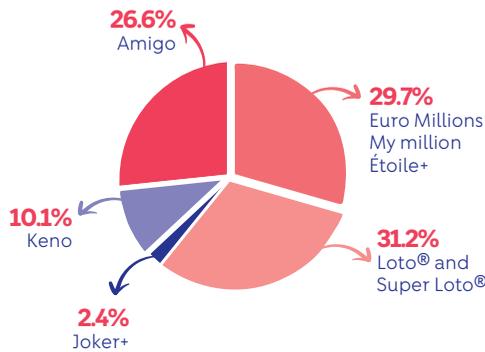


The X10 and X20 winnings-multiplier scratch card games, launched in September 2017 for a six-month period, allow players to play for winnings of up to €20,000 and €500,000, respectively, for player stakes of €2 and €5. These new games mix two win mechanisms, namely, matching numbers and the winnings-multiplier linked to a given amount, an idea unique to France. This new scratch card offering was inspired by successful games run by foreign lotteries, particularly in the United States, Denmark and Portugal.



The **draw-based games** (including point-of-sale games), with stakes of €5,173 million, represent more than 34% of FDJ's sales and were up by 5.2%.

 **Draw-based games**



On the strength of more than 17 million players and €1.6 billion in player stakes (+6.2%), the relaunch of Loto® in March was a huge success, due in particular to the addition of a raffle upon each draw, which served to enrich the player experience. The growth of player stakes has also been sustained by one-off events, including the SUPER LOTO® on Friday 13 October and the Big Loto® for Christmas time (inspired by the Spanish lottery) which offered a jackpot of €20 million. Loto® enjoyed 11 long cycles vs 8 in 2016.

Euro Millions-My Million, re-launched under a new format at the end of 2016, attracted 1 million new players in 2017 (15.7 million) and created 121 millionaires. Its player stakes of €1.5 billion, increased by 8.6% on account of some larger jackpots. The average jackpot won in 2017 was €59 million compared with €43 million in 2016. In an economic environment that was challenging for all European lotteries offering this game, FDJ posted a market share of 21% and was ranked second after the United Kingdom.

Amigo posted sales of €1,376 million, representing 9.1% of total player stakes in 2017, up by 3.4%.

Income from **sports betting** totalling €2,518 million (compared with €2,510 million in 2016) represents approximately 17% of FDJ sales. FDJ retail sports betting services are offered under exclusive rights while online sports betting is offered in a competitive market.

There were a number of major sporting fixtures in 2016: the EURO football championship from 10 June to 10 July, the Tour de France from 2 to 24 July, and the Rio Olympic Games from 5 to 21 August. Excluding these events, bettings in 2017 were up by 8.9% which demonstrates the success of actions implemented by FDJ to boost the performance of this range in 2017. In fact, in an environment of increased competition, FDJ has sought to further digitise point-of-sale usage and to improve the customer experience, particularly through the application of paperless playslips. It has also enriched its offering at points of sale and online with new betting formulas and services, among them combined bets in live betting and chatbot. A new advertising campaign for the ParionsSport brand was rolled out as was a French forecasting championship launched in partnership with the Professional Football League (Ligue de Football Professionnel or LFP).

Finally, it is noteworthy that paperless bets represented 42% of player stakes over the year.

2018 will be a year rich in large-scale sports events with the Winter Olympics and Paralympics taking place in South Korea from 9 February to 18 March, followed by the World Cup football event taking place in Russia from 14 June to 15 July. On these occasions, FDJ will promote its points of sale and will strengthen the presence of the ParionsSport brand.

2.2.1.2. Other financial items of the Group

<i>In millions of euros</i>	31.12.2017	31.12.2016	2017/2016 Change	
Player stakes	15,144.4	14,330.7	813.3	5.7%
Revenue from ordinary activities	1,761.8	1,696.3	65.5	3.9%
Current operating profit	260.7	252.3	8.4	3.3%
Operating profit	257.9	242.6	15.3	6.3%
EBITDA	316.2	300.2	16.0	5.3%
Financial result	4.5	12.0	-7.5	-62.4%
Share of income from associated businesses	1.2	1.3	-0.1	-5.6%
Income taxes	82.6	79.9	2.7	3.3%
NET PROFIT	181.0	175.9	5.1	2.9%

Income from ordinary activities totalled €1,762 million, compared with €1,696 million in 2016. The +3.9% increase is in line with that of income from gaming activities which represents FDJ's remuneration as operator and which corresponds to player stakes net of government levies, winnings paid out to players and hedging of ordinary counterparty risks. Besides income from gaming activities, income from ordinary activities includes revenue from rental of sales equipment to intermediaries and retailers, and sales of maintenance and software development services provided by LVS et LotSys.

Current operating profit reached €261 million, having increased by more than €8 million. Excluding distribution circuit costs, other external purchases and expenses increased by 6% or €22 million. This increase is essentially attributable to the rise in IT outsourcing costs, in particular associated with support for sports projects, and to partnership-advertising operations.

EBITDA (current operating profit before depreciation and amortisation) is up by 5.3%.

The decline in financial result is mainly explained by the fall in the average annual balance (€940 million in 2017 compared with €1,174 million in 2016) combined with lower interest rates (negative EONIA throughout 2017).

Net growth in the Group's income tax expense is mainly due to the introduction in 2017 of an exceptional additional contribution of 15% on tax for companies with revenue of more than €1 billion, partially offset by the removal and repayment of the additional contribution on dividends.

The Group posted a consolidated net profit of €181 million (compared with €176 million in 2016) after taking into account €1.2 million in income from associates (compared with €1.3 million in 2016).

Lease payments on company cars amounted to €0.3 million in 2017.





2.2.2 Results for the past five financial years

In accordance with the provisions of Articles R.225-81-3 and R. 225-83-6 of the French Commercial Code, the following table shows the Company's results for each of the past five financial years.

<i>In thousands of euros</i>	2017	2016	2015	2014	2013
Share capital at year-end					
Share capital	76,400	76,400	76,400	76,400	76,400
Number of shares outstanding	200,000	200,000	200,000	200,000	200,000
Operations and results					
Player stakes ⁽¹⁾	15,144,448	14,330,738	13,704,503	12,998,756	12,353,656
Revenue from gaming activities	1,726,849	1,660,528	1,545,175	1,466,996	1,397,315
Profit/loss before tax and employee profit sharing, depreciation and provisions	315,785	192,653	235,581	274,740	288,685
Corporate income tax	74,042	83,390	89,877	-1,421	78,849
Employee profit-sharing	12,103	11,795	10,487	10,652	8,353
Net profit	167,769	145,789	139,626	-11,407	136,692
Dividends paid ⁽²⁾	130,000	124,000	137,400	133,000	137,000
Earnings per share (in euros)					
Profit/loss after tax and employee profit-sharing and before depreciation and provisions	1,148.20	487.34	676.09	1,327.55	1,007.41
Net profit	838.84	728.95	698.13	-57.04	683.46
Dividends allocated ⁽²⁾	650.00	620.00	687.00	665.00	685.00
Employees					
Weighted average headcount	1,377	1,243	1,183	1,163	1,135
Payroll	82,517	76,727	72,197	68,669	65,310
Amounts paid for employee benefits	43,599	41,150	38,753	36,719	34,423
Amounts paid for employee benefits, including taxes on wages	50,143	46,605	43,536	41,496	39,159

(1) Gaming revenue consists of amounts staked by players, irrespective of the distribution channel.

(2) Dividends in respect of 2017 submitted for the approval of the General Meeting on 18 June 2018.

2.2.3 Key balance sheet ratios

<i>In millions of euros</i>	31.12.2017	31.12.2016
Non-current assets	1,251.3	1,157.1
Current assets	797.9	855.2
TOTAL ASSETS	2,049.2	2,012.3
Shareholders' equity	520.2	461.7
Non-current liabilities	334.7	346.9
Current liabilities	1,194.3	1,203.7
TOTAL LIABILITIES	2,049.2	2,012.3

Financial assets accounted for 48% of non-current and current assets in 2017, very similar to 2016 (49%). Financial investments consist of amounts invested by FDJ in low-risk, liquid instruments (mainly term deposits, unit trusts and mutual funds) that do not qualify as cash equivalents (maturing in more than three months). With interest rates at all-time lows, in 2017 FDJ continued with its policy of making investments in term deposits with a five-year horizon when it was deemed advisable to do so. In line with the firm's asset allocation policy, other long-term investments in UCITS were also made, together leading an increase of non-current financial assets of €55 million over the period.

Non-current assets increased by almost €33 million between 2016 and 2017. Investments in intangible assets in the year were mainly related to development work on live and back office information systems and gaming terminals. Investments in property, plant and equipment primarily concerned furnishings and fixtures for the future head office and points of sale.

Shareholder's equity includes reserves totalling €257 million, with €83 million of this amount consisting of a statutory reserve to cover the following risks (see Note 3):

- ♦ operating risks that may arise at any time during the life cycle of the games (design, production of game equipment, logistics, marketing, etc.). They are measured, after-tax, at 0.3% of stakes, or €43 million at the end of 2017, based on the 2016 financial statements;
- ♦ rare and extreme-case counterparty risks, exceeding ordinary risk for which models are available, are covered by counterparty funds and the permanent fund. These risks are measured as and when a major change occurs in the gaming offer and in players' behaviour. At year-end 2017, they were covered for an amount of up to €40 million.

Dividends for 2016 amounted to €124 million.

The increase in network payables and government gaming levies mainly arose from activity effects.





2.2.4 Schedule of payables and receivables

Payables due not yet paid at year-end

<i>In millions of euros</i>	0 days (approximate)	1-30 days	31-60 days	61-90 days	Over 91 days	Total (Over 1 day)
(A) Overdue instalments						
Total invoices excl. VAT	45.7	4.3	0.8	0.7	0.7	6.5
% of purchase amounts excl. VAT	3.3%	0.3%	0.1%	0.1%	0.1%	0.5%
(B) Invoices omitted from (A) relating to disputed or unrecognised payables						
Amount of omitted invoices	-	-	-	-	-	-

Receivables due not yet paid at year-end

<i>In millions of euros</i>	0 days (approximate)	1-30 days	31-60 days	61-90 days	Over 91 days	Total (Over 1 day)
(A) Overdue instalments						
Total invoices excl. VAT	59.6	1.9	0.3	0.1	0.6	3
% of revenue excl. VAT	3.5%	0.1%	0.0%	0.0%	0.0%	0.2%
(B) Invoices omitted from (A) relating to disputed or unrecognised payables						
Amount of omitted invoices	-	-	-	0.3	11.8	12.1

2.2.5 Subsequent events

Until 2017 FDJ rented to retailers the furnishings installed at points of sale. These were regular lease agreements whose proceeds were recognised as revenue. The commitments received amounted at the end of 2016 to €4.1 million in less than one year. From 2018 on, these furnishings will be made available to retailers free of charge.

Following the sale of its Moussy site, in January 2018 FDJ signed two six-year leases for two buildings in the Villepinte business park.

2.3

Risk management – Group framework



2.3.1 Organisation

Like any control system, the system put in place by FDJ cannot provide absolute assurance that risks, including errors or frauds, resulting from the activity of the Group are totally eliminated.

The organisational principles of the parent company, FDJ, based on the adoption of a collegiate and multidisciplinary internal management model, consist of management bodies and procedures allowing strategic decision-making roles and processes to be distinguished from operational management roles and processes.

The Executive Management team is built around three divisions: the Technology, Development and International division, the Digital, Sales Marketing and Operations division and the Performance, Finance and Regulation division, assisted by five support departments: Communications and Sustainable Development; Human Resources and Group Transformation; Security; Legal; Audit, Risk, Internal Control, Quality and Ethics.

FDJ's wholly-owned subsidiaries provide support services or expertise directly relating to the business of the parent company. In terms of internal control, the principle of task segregation, the documentation of procedures, continuous improvement initiatives and the formalisation of controls are implemented generally within the operating limits allowed by the size of such entities. The rules to be observed relating to operations, reporting and transparency are issued and monitored by FDJ.

2.3.1.1. Internal players

The Company's divisions and support departments, under the supervision of the Executive Management, as well as the Group's subsidiaries, implement the internal control procedures governing their activities. The Group's operations are primarily monitored and controlled by:

- ◆ the Security Department, specifically responsible for:
 - ensuring the integrity and security of gaming operations within the distribution network (physical and online) as part of the fight against fraud and

money laundering and in the framework of WLA-SCS and ISO 27001 certifications,

- managing and ensuring the safety of the Company, via an operational system for managing critical incidents and continuous monitoring;
- ◆ the Performance, Finance and Regulation Division, which guarantees and monitors the consideration of business performance issues across all dimensions: financial, strategic, organisational, operational, regulatory, projects and decision-making;
- ◆ the Audit, Risks, Controls, Quality and Ethics Department responsible for the main risk control mechanisms relating to specific or multidisciplinary concerns:
 - ethics and Compliance shapes and directs the FDJ Group's Ethics & Compliance approach,
 - Risk Management oversees the system in place to improve governance and to identify, control and manage the FDJ Group's risks. It is based on an annual risk mapping process whereby the Group's main risks are identified and assessed in line with its strategic priorities. Risk Management gives a top-down view of the Group's risks on a three-year horizon,
 - internal Control reinforces Group risk management and associated risk control procedures. It does so primarily through regular risk assessments. Internal Control complements Risk Management with its "bottom-up" view of the Group's business processes,
 - quality, via the integrated management system, provides tailored assistance to entities to build a solid operating platform. It provides a framework for the Group's activities facilitating flexibility and improvement. It also coordinates the Group's verification measures (e.g. Information Security, Occupational Health & Safety, CSR & Sustainable Development, Diversity and Quality of Life at Work, Quality, etc.) and normative functions (e.g. Security, Decision-making, etc.),



- Internal Audit continually, independently and objectively ensures a degree of control of the Group's operations, offers advice for improvement and helps to create added value. It helps the Group achieve its objectives by systematically assessing its risk management, control and corporate governance processes and by suggesting areas for improvement.

2.3.1.2. External players

French State control

FDJ is subject to French State control over public enterprises established as commercial companies, pursuant to the provisions of Decree No.53-707 of 9 August 1953 as amended. This control is exercised by the French Budget Minister and the French Economy Minister, or, when this is delegated by the Ministers, by the French Budget Ministry and the Government Shareholding Agency (APE).

Furthermore, pursuant to Decree No.55-733 of 26 May 1955 relating to the State's Economic and Financial Control Unit, the General Inspector exercises permanent control within FDJ and its subsidiaries, of both economic activity and financial management of the Company.

The French Minister for the Budget is responsible for regulating all activities for which FDJ has exclusive rights, i.e. lottery games sold online and via its distribution network and sports betting distributed in the network.

2.3.2 Monitoring

2.3.2.1 Governance, Risk and Compliance approach

The governance, risk and compliance approach is organised along three lines of defence, based on IFACI (the French Audit and Internal Control Institute), AMRAE (the French Risk Management Association) and IFA (the French Institute of Administrators) guidelines:

- ◆ the first line of defence comprises operational teams and their supervisors, whose daily involvement is essential;
- ◆ the second line of defence comprises the Ethics, Risk Management, Internal Control and Quality bodies, together with support units and initiatives;
- ◆ the Internal Audit entity represents the third line of defence.

For its competitive activity (online sports betting), FDJ is subject to audits by ARJEL, the regulatory body responsible for ensuring compliance with the requirements defined by the law of 12 May 2010 and its ensuing regulatory texts (implementing acts, decrees, the decisions of the ARJEL panel, record of technical requirements and its annexes).

Lastly, FDJ and its subsidiaries also regularly undergo audits by the Cour des Comptes (auditor general) and inspections by the Inspection Générale des Finances (comptroller general).

Other controls

FDJ and its subsidiaries are subject to audits by the Statutory Auditors, Deloitte & Associés and PricewaterhouseCoopers Audit (PwC) who, in accordance with the professional standards in force, take stock of the accounting systems and internal control measures in place to plan their work and formulate an effective audit approach. They are thus required to identify the strengths and weaknesses of the internal control, which form the basis for their opinion and according to which they tailor their audit. They report their findings to the Audit Committee, the Accounting and Treasury Department, and the Audit, Risk, Internal Control, Quality and Ethics Department during two meetings with the panel of Statutory Auditors following the interim and final review of the annual financial statements.

2.3.2.2. Integrated management system

Since 2011 FDJ has run an integrated management system giving it an organisational framework to guide the operational implementation of strategic policies and the commitments of each employee, in compliance with regulations and standards.

The integrated management system implemented by FDJ Group is based on seven fundamental pillars: Internal Control (based on the reference framework of the French Financial Markets Authority – AMF), Quality (based on the ISO 9001 standard version 2015), Information Security (based on the ISO 27001 standard), Ethics, Sustainable Development-CSR (based on the ISO 26000 standard), Occupational Health and Safety (based on the OHSAS 18001 standard) and General Safety. The coordination of these pillars is strengthened by the Group's measures to foster diversity and well-being at work.

During 2017, FDJ enriched its integrated management system and pursued its deployment programme, observing best practice in Risk Management, Internal Control and Ethics. The procedures to analyse risks and opportunities are ongoing. Certification concerning Quality and Information Security were retained across all respective units in 2017.

Deployment will continue in 2018, with the goal of consolidating the results already achieved, helping each entity to monitor its risks, opportunities and downsides, reinforcing ongoing initiatives, and expanding their scope within FDJ and its subsidiaries, thus making an effective contribution to the control of risks and the improvement of FDJ Group performance.

2.3.3 Supervision

The risk management and internal control system is supervised by the Board of Directors through its Audit Committee which ensures that it is relevant and suited to the aims of the FDJ Group, and the Executive Management Board which oversees the system through regular reviews of the Group's activities, including key performance indicators, a review of major projects and a minimum four meetings a year in Risk Committee

structure. The Audit, Risk, Internal Control, Quality and Ethics Department also participates in this supervision. Based on the annual mapping of the Group's major risks, it prepares a multi-year and then an annual programme of its work, approved by the Audit Committee, to facilitate the periodic evaluation of FDJ Group's main activities, and regularly reports to the Audit Committee.

2.3.4 Reporting on main risks and uncertainties

The following chapter sets out the main risks and uncertainties to which FDJ Group is exposed, as well as the associated risk control procedures, including specific risks connected to its business as a gaming operator and generic risks associated with the organisation of a group.

2.3.4.1 Counterparty risk relating to gaming operation

2.3.4.1. Specific risks

FDJ Group is exposed to risks inherent to its business, namely:

- ◆ counterparty risk relating to game operation;
- ◆ risk of error or fraud in games.

The operation of lottery games and of sports betting in points of sale is entrusted to FDJ pursuant to two separate decrees. Furthermore, the ruling of 30 April 2012 on FDJ's commercial offering sets out the terms under which the firm conducts its business. In particular it provides that, before 31 October each year, the Company must submit a gaming programme for the following year for the approval of the French Budget Minister. In addition, when launching certain games, FDJ submits information to the French government about the launch and operating conditions of each of them.

Secure transactions and stringent monitoring procedures are two fundamental imperatives for FDJ Group. These satisfy the integrity requirements issued by the public authorities, and are legitimately expected by the players. They are made as reliable as possible by elaborate computer technology and regular updates to all those concerned within the Company.

Before being launched, each game undergoes a legal analysis on compliance with gaming regulations in particular. All of the rules for games are available at www.fdj.fr and the rules for each game and bet under exclusive rights are published in the Journal Officiel (France's official gazette). Game rules represent a contract between the player and the Company and, in accordance with the decrees applicable to activities under exclusive rights, the rules define the technical characteristics of the game, the conditions of entry, the stakes and jackpots, the technical procedures for the calculation and payout of prizes or jackpots, the payment methods and the time limit for claiming prizes.

In addition, as a member of the European Lotteries Association and World Lottery Association, the Group is also involved in defining best practices and standards, based on the legislation applicable to procurement and the security of IT systems, etc., in addition to specific obligations applicable to lottery operators.





The breakdown of gaming stakes between winners, organisational expenses, the share allocated for the management of counterparty risks and public levies is established by a ruling of the French Minister for the Budget, in accordance with the decrees entrusting the operation of lottery games and sports betting at points of sale.

Counterparty risks result from the differences between the theoretical share of stakes set aside for winners and the total amount of prizes actually distributed. They are covered by a counterparty funds system whose principles of operation are defined by two decrees.

2.3.4.1.2 Risk of error or fraud in games

Game security and distribution network surveillance

In the context of its monopoly and licence for the open competition offer, FDJ's obligations in the area of combating money laundering, criminal activities and fraud, lead it to continuously strengthen its mechanisms for detecting and handling irregularities in its gaming operations and distribution networks (points of sale and digital).

The Gaming Security unit within the Security Department is responsible for the following:

- ◆ ensuring the integrity and security of gaming operations in the distribution channels (point-of-sale network, digital channels and physical inspections of the points of sale through network inspectors responsible for covering the French market, including the overseas departments and territories) as part of the fight against fraud and money laundering, and monitoring the reliability of access to games in the digital channel;
- ◆ ensuring compliance with statutory and regulatory requirements (duty of care, strengthened review and reporting of suspicious activity to TRACFIN's anti-money laundering unit of the French Finance Ministry, in particular).

FDJ reports to the French Budget Minister, in accordance with the procedures defined by the Minister, on the steps taken to apply the action plan concerning the fight against fraud and money laundering, as approved by the Minister, and presents the actions envisaged for the coming year. Accordingly, each year, it delivers a report to the French Budget Minister and to TRACFIN.

COJEX (Committee On Gaming And Betting Under Exclusive Rights) advises the French Budget Minister on action plans and initiatives taken by FDJ in this area.

In addition, for online gaming subject to licencing, FDJ reports annually to ARJEL on the results of the checks it performs in combating criminal or fraudulent activities, money laundering and the financing of terrorism.

For its monopoly activities, it reports biannually to the Service Central des Courses et Jeux (Central service for racing and gaming) of the Judicial Police in connection with the implementation of the anti-money laundering directives implemented on 4 April 2013.

Since 2016 the supervision of digital and point-of-sale sports betting activities has been assigned to a dedicated entity due to the specific features of sports betting and odds.

In 2017, close to 31,000 inspections were conducted in points of sale by network inspectors with a compliance rate of 90.6%. The nature of these inspections is either random or targeted. Their objective is to ensure points of sale compliance with behavioural, commercial, contractual and regulatory criteria. They also provide the Service Central des Courses et Jeux (Central Service for Racing and Gaming) with a list of points of sale fitted with a slot machine (214 in 2017). Within the Security Department, the Gaming Security unit was restructured into a new Analysis and Inspection unit comprising Network Inspection and the specialised anti-money laundering unit.

Draw error or fraud

When televised or streamed online, draws are conducted by FDJ in close cooperation with La Française d'Images under the supervision of the Security Department.

Draws undergo specific controls and take place under the supervision of a court officer who certifies the results.

The results are announced, after verification, using dedicated tools.

Error or fraud related to the payment of winnings

FDJ has strict procedures for the payment of winnings in order to fulfil its obligations under Decree No. 2015-741 of 24 June 2015, pursuant to Article L.112-6 of the French Monetary and Financial Code, with regards to the threshold above for which payment in cash is prohibited, and of Decree No. 2015-1858 of 30 December 2015. To ensure secure financial transactions, FDJ limits the payments of small cash prizes by applying thresholds, which are below the current legal thresholds, above which payments must be made by cheque or by bank transfer. In 2014, the threshold for the payment of small cash prizes was lowered again in order to limit the handling of cash in points of sale, and to ensure the traceability of payment transactions. Large prizes are paid in accordance with required confidentiality and security conditions. The Perben threshold above which players are asked for their names and surnames, dates of birth and scanned proof of identity was lowered to €2,000 on 1 July 2017 (before then it was €3,000). Prize payments beyond a threshold of €500,000 are only made subsequent to a detailed analysis.

2.3.4.2. Generic risks

Like all businesses, FDJ must face a number of generic risks, irrespective of the specific features of its business activities.

2.3.4.2.1 Risks related to the Group's operating contexts

The following list of risks is not meant to be exhaustive but to facilitate better understanding of the contexts in which FDJ Group currently operates.

Regulatory context

The firm conducts its business in a constantly shifting regulatory context that leads to uncertainty and creates additional risks on top of those related to its activities.

Major regulatory changes affecting the Group occurred in 2017:

- ♦ order No. 2016-1635 of 1 December 2016 significantly bolstered the set of obligatory measures to combat money laundering and terrorist financing; FDJ is required to implement the measures set forth therein in its capacity as a gambling operator;
- ♦ decree No. 2017-1306 of 5 August 2017 added a conditional element to FDJ's ability to grant points of sale exclusive rights to market its gaming and betting services, subject to the Interior Minister's assent, effective from 1 October 2017;
- ♦ law 2016-1691 of 9 December 2016 on transparency and anti-corruption (so called Sapin 2) contains provisions requiring corruption detection and prevention measures to be put in place, which entered into effect on 1 June 2017;
- ♦ regulation (EU) 2016/679 of 27 April 2016 on the protection of personal data (so called the General Data Protection Regulation or GDPR), entering into effect on 25 May 2018.

In the face of these new compliance requirements, FDJ is putting suitable control measures in place to adapt its business processes and to avoid, be aware of and detect any cases of noncompliance.

Cybercrime

Malicious acts such as cybercrime can threaten the integrity of the Group's assets such as human resources and buildings. The Group has implemented human, physical and non-physical resources, including within the information security management system, to ensure business continuity and protect assets.

2.3.4.2.2 Group management structure

Budget

The Company updates its business plan each year. A business and financial framework for the upcoming year is developed based on this work and used to determine the budget. The budget is prepared by the operating departments under the guidance of the Performance, Finance and Regulation division, and approved by Executive Management before being approved by the Board of Directors. During the financial year, the Company implements a number of updates to its budget, referred to as year-end projections, which are then submitted for approval by the Executive Management.

In addition, monthly reports are prepared by FDJ SA's management controllers in order to provide operational management with continual updates based on the month-end closing and on information fed back by departments. These reports allow the achievement of targets established for the budget, in the roadmap of projects, and performance indicators to be regularly monitored.

Strategy

A strategic scorecard is presented each month to Executive Management, enabling it to monitor the implementation of the Group's strategy.

Subsidiaries

FDJ Group companies, with the exception of Société de Gestion de L'Échappée, Beijing Zhongcai Printing Co Ltd., Services aux Loteries en Europe and National Lotteries Common Services, in which FDJ holds only an interest, are managed by representatives of FDJ. Their strategy is coordinated with that of FDJ.

The subsidiaries use FDJ's support services, namely Accounting, Procurement, Legal Affairs, and Human Resources, as needed. Their activities systematically fall within the scope of the Audit, Risk, Internal Control, Quality and Ethics Department.

2.3.4.2.3 Preparation of the parent company's financial and accounting information

Organisation of the accounting and finance function

Accounting and financial information is prepared by the Performance, Finance and Regulation division, attached to FDJ's Executive Management and especially by the following entities:





- ◆ the Accounting and Treasury Department guarantees the reliability and accuracy of the individual and consolidated financial statements and reports the Group's financial position to the governing bodies;
- ◆ the Performance Control Department, aided by the management controllers assigned to each department and subsidiary, analyses the results;
- ◆ the Regulation and European Affairs Department ensures compliance with the regulatory texts for the allocation of stakes for each game, and the financial integrity of the games.

The law of 12 May 2010 requires online game operators to establish, in their internal accounting, separate accounts for the gaming and betting services offered within the framework of the licences granted on the basis of this law and for the Company's other activities in France and abroad. For operators with exclusive rights, such as FDJ, the separation of accounts refers to the separation of the accounts for its monopoly activities from those for its competitive activities. As a result, each year FDJ produces, as part of its management accounting system, separate operating accounts for its online ParionsSport activity.

General information

Since 31 December 2008, FDJ Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

- ◆ Financial closing procedure
A closing report is produced each year. It indicates the

dates of key deadlines and identifies any legislative and normative changes that may affect the closing. Outstanding items are reported daily to ensure that there are no blocking points and to monitor their follow-up.

- ◆ Closing dates
The account closing date of FDJ and of the Group is 31 December of each year.
- ◆ Procedures for management and processing of off-balance sheet commitments
The procedures provide for systematic updating of off-balance sheet commitments when a new contract, agreement or other significant transaction to be declared is signed. FDJ updates its off-balance-sheet commitments each half-year.

Preparation of periodic financial statements

A monthly report on FDJ SA's financial statements is issued each month. The consolidated financial statements are prepared at the end of the first semester.

Consolidation procedures

The consolidation principles are set forth in the financial report. The consolidated financial statements prepared by the Accounting and Treasury Department at the end of the first half-year and at year-end, are approved by the Board of Directors. They undergo an annual audit, while the interim consolidated financial statements are also subject to a limited review by the Statutory Auditors.

2.4.

Corporate Social Responsibility report

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Performance and social responsibility are at the heart of FDJ's development strategy.



2.4.1 CSR policy

2.4.1.1 FDJ's missions

FDJ Group is inspired by the spirit of its predecessor, the French national lottery, which was founded in 1933 to help victims of war and farming disasters. Social responsibility has thus been ingrained in its corporate DNA since its inception.

FDJ promotes extensive, recreational and Responsible Gaming. Extensive, in that it reaches a very large player base. Recreational, in that it is based on a diversified range of games with moderate stakes. Responsible, in that the Company prides itself on its firm policy of preventing problem and underage gambling. All while benefiting society through the redistribution of nearly 95% of stakes collected mostly to players, retailers and the state treasury.

As the players' partner, FDJ is a responsible agent with rights, duties and obligations. In the interests of safeguarding public order and the social order, FDJ is tasked with directing public demand for gaming through safe, regulated channels and to prevent its potentially negative effects.

Following on from its Responsible Gaming policy launched in 2005, the Company drew up a CSR strategy in 2006 that goes beyond its regulatory obligations, in view of the expectations of all its stakeholders.

In 2009 FDJ bolstered its CSR strategy by aligning it with ISO 26000.

FDJ's CSR priorities are ordered according to a materiality matrix updated in October 2017, as described in section 2.4.1.5 "Stakeholders and materiality matrix". This materiality matrix enables the Group to enforce a policy addressing the key concerns of its stakeholders.

The content of the 2017 CSR report is structured around the 15 materiality matrix priorities and their associated action plans.

Each priority is illustrated by means of an icon.

2.4.1.2 CSR principles

Since online betting was allowed in June 2010, FDJ Group has embraced its duty to lead and set the standard in promoting a form of gaming that lends itself to "responsible and sustainable performance".

The alignment of expectations around the FDJ 2020 strategic plan and the results of the materiality study led the Group to reorient its CSR strategy around four principles – committed, integrated, supportive and pioneers – the basis of which are to benefit all stakeholders.

4 indicators for 4 game rules



*Based on retailers active at 01.01.2017 and still active at 31.12.2017.



2.4.1.3 Endorsed CSR performance

In 2009 FDJ was one of the first lotteries in Europe to be certified by AFNOR (French standardisation agency) under the Responsible Gaming Standards established by the European Lotteries. Audited every three years since then in accordance with the requirements of that standard, FDJ has been 100% compliant on a continuous basis since 2012. These results are supported by the partial audit conducted in October 2017, whose results were 100% compliant. The next full audit will take place in 2018.

Since 2008 FDJ Group's CSR strategy has been guided by a set of indicators linked to each CSR commitment. This strategy was evaluated on four occasions by Vigeo Eiris, a corporate ratings agency. FDJ's declarative rating of 78/100 in 2015 illustrated its steady progress and the solid effectiveness of its CSR approach. Its most recent rating at the end of 2017 put FDJ in third place in the "Hotel, Leisure & Services" category made up of 24 firms in Europe. Although the rating was based on criteria specific to the "Hotel, Leisure & Services" sector and thus not directly applicable to the lottery industry, FDJ topped the gambling operators subcategory.

With another diversity label and a workplace gender equality label obtained in 2017, FDJ's commitment to preventing discrimination and promoting equal opportunity and diversity in managing its human resources is clear.

The ISO 27001 certification regularly obtained by the Company since 2008 for its Management and Information Security System is further proof of the quality and continual improvement of player protection and the integrity of gaming transactions. The subsidiaries BZP, LotSys and La Pacifique des Jeux were also certified.

BZP, a lottery ticket printing company located in China, was SA8000 certified in 2017. The voluntary standard is based on the conventions of the International Labour Organization (ILO), the Universal Declaration of Human Rights and other conventions protecting the rights of children and women. It is a means for firms seeking to certify that they ensure respect of fundamental labour rights in their operations.

2.4.1.4 CSR governance and oversight



FDJ Group's general CSR policy was formulated around ISO 26000 which deals with the social responsibility of businesses and organisations. It aims to spread the CSR outlook determined by Executive Management throughout the Group. CSR is an intrinsic part of FDJ's corporate governance, FDJ 2020 strategic project and integrated management system.

Known internally as SMILE, the integrated management system is based on several fundamental pillars – Quality (based on ISO 9001), Information Security (based on ISO 27001), Sustainable Development-CSR (based on ISO 26000), Occupational Health and Safety (based on OHSAS 18001), General Safety, Quality of Life at Work, and Diversity – in conformity with risk management, internal control and ethics, and compliance. The integrated management system helps operational teams adapt to CSR and facilitates the effective implementation of CSR measures within FDJ Group by means of a framework to guide the operational implementation of strategic policies and the commitments of each employee, in compliance with regulations and standards.

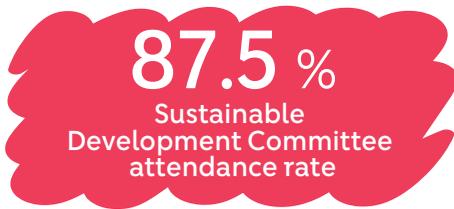
The Quality certification was retained for all sales network support operations and extended to draws and results announcements.

In 2017 CSR continued to play a major role in reshaping the Company as one of the drivers of its 2020 strategic project (discussed in the "Business Model" section of the integrated report). Placing CSR at the heart of our strategy reflects strong convictions. In this respect, it should be noted that the CSR criteria linked to the Responsible Gaming initiative are among the factors which determine the variable remuneration paid to the Company's corporate officers.

Apart from regular CSR measures implemented on a daily basis across its business units (CSR Run), every year FDJ identifies priorities arising out of CSR, operations and the strategic plan (CSR Build) which are validated and monitored by the Company's decision-making bodies, i.e. its Executive Committee (COMEX) and the Sustainable Development Committee under the Board of Directors. Thirteen CSR Build initiatives were prioritised in 2017.

The Sustainable Development Committee is tasked with examining:

- 1) the Company's CSR policy, in particular initiatives taken in the framework of responsibility and, more widely, components essential to the business model, such as the Responsible Gaming model developed by the Company, and the management model;
- 2) the link between the policies implemented and the overall business strategy, the corporate management processes and the enhancement of business assets;
- 3) changes in the FDJ Corporate Foundation policy.



The Sustainable Development Committee reports on its work to the Board of Directors. It may examine any other ongoing or specific matter referred to it by the Board of

Directors. It may also suggest to the Board of Directors that it examine any particular point that it so deems necessary or relevant. FDJ's Director of Communication and Sustainable Development, who is also a member of the Executive Committee (COMEX), is in charge of ensuring the Committee's proper functioning. The CSR Department ensures that CSR measures are effective and coherent. Accordingly it is responsible for:

- 1) organising and holding Sustainable Development Committee meetings;
- 2) formulating and carrying out the Responsible Gaming action plan submitted to the authorities for approval;
- 3) helping to define and coordinate measures to implement commitments, especially awareness and communication initiatives;
- 4) setting up dashboards for the four game rules;
- 5) imparting to internal and external stakeholders the core issues, objectives and results including inputs to the annual report.

The chart below illustrates how the CSR strategy is formulated, validated, implemented and monitored in the FDJ Group.

CSR governance



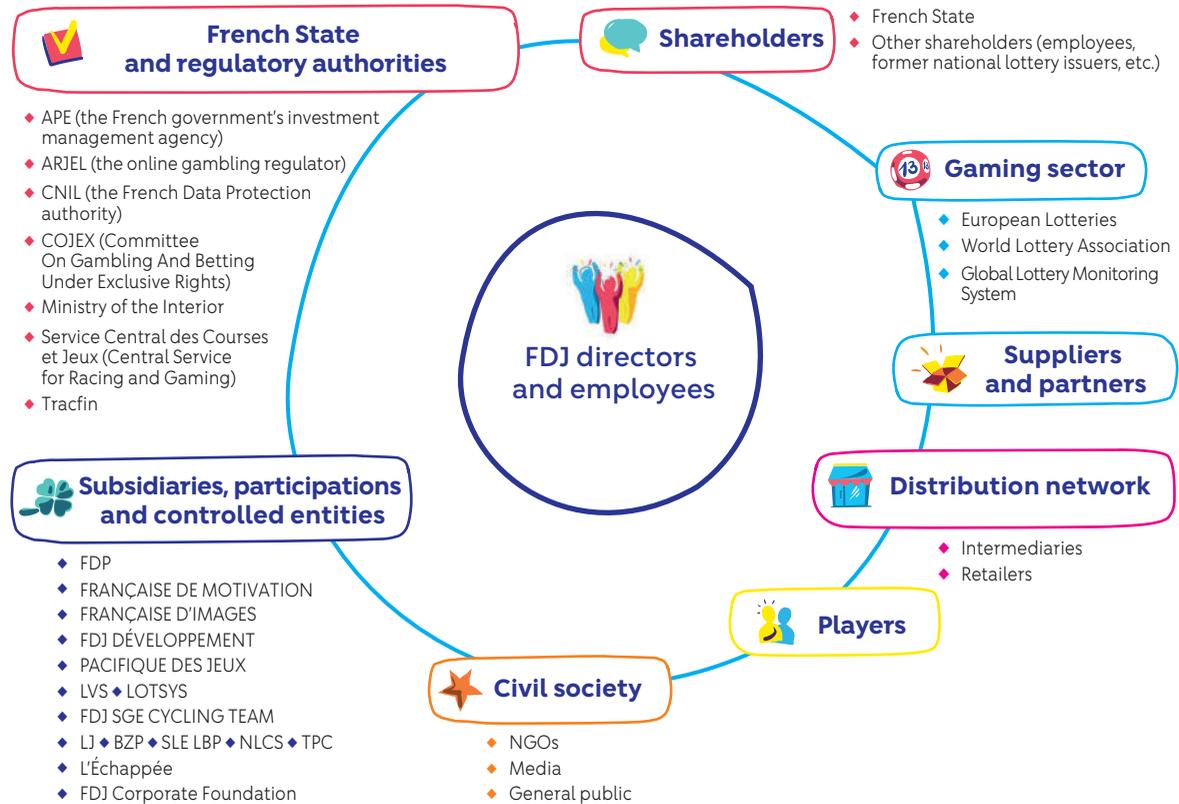
CSR is being restructured on the lines of changes in the strategic project with a focus on customers, data and open innovation and will come under the Communications and Sustainable Development Department in 2018.



2.4.1.5 Stakeholders and materiality matrix

FDJ articulates and executes its CSR policy with its internal and external stakeholders (for example its Board of Directors, Executive Committee and employees as well as players, retailers, suppliers and civil society). FDJ takes their expertise into account and benefits from their involvement in meeting its CSR objectives.

Mapping of FDJ stakeholders



In 2015 FDJ conducted its first materiality study with a view to steering its future initiatives and better responding to the expectations of its various stakeholders. The study helped FDJ identify and order its various CSR priorities in light of the expectations of its internal and external stakeholders (for example its Board of Directors, Executive Committee and employees as well as players, retailers, suppliers, regulators and social groups).

The matrix was updated in 2017 on the basis of the main CSR aspects of FDJ's activities. These were determined on the basis of a CSR risk analysis of the lottery sector that

took the Company's strategy and internal risks into account.

CSR priorities from stakeholders' points of view were assessed by means of an online questionnaire. In 2017, nearly 5,050 people were approached and 1,054 answered the questionnaire, giving a response rate of 21% (in 2015 the figures were 4,500 people approached, 481 respondents and a response rate of 11%). The strong response (above the estimated average rate of 10% for other firms) is an indication of genuine involvement on the part of FDJ's stakeholders and an established dialogue.

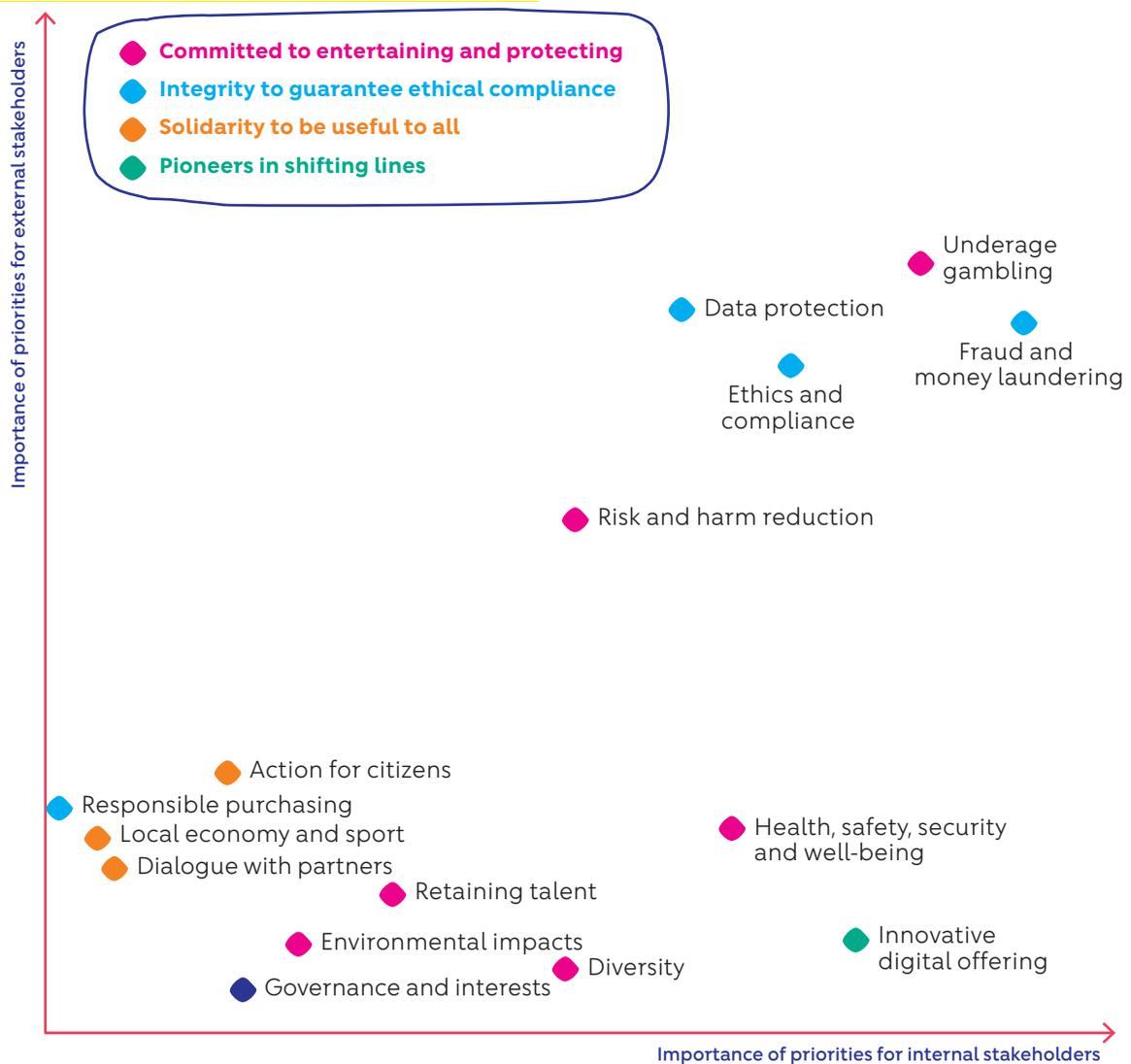
The survey results back up FDJ's overall CSR policy, in particular with regard to the top five priorities which remained unchanged from 2015, with the exception of their order of priority:

- 1) combating fraud and money laundering (up from 2015);
- 2) prevent underage gambling (up from 2015);

- 3) promote ethical, transparent and legally compliant business management (up from 2015);
- 4) ensure the protection of personal data (same as 2015);
- 5) limit the risks associated with FDJ's business and prevent problem gambling (down from 2015).

The materiality study helps FDJ adjust its CSR policy and allocate resources to the strategic priorities that create value for its internal and external stakeholders.

Materiality matrix



2.4.1.6 About the CSR report

With the CSR policy outlined, what follows is an account of measures taken under the 15 materiality matrix priorities. These priorities are grouped according to the four principles, i.e. "committed", "integrity", "solidarity" and "pioneers".

In 2017, Directive 2014/95/EU on the disclosure of non-financial and diversity information by certain large undertakings and groups was transposed into French law alongside Order No. 2017-1180 of 19 July 2017 and Decree No. 2017-1265 of 9 August 2017 in application of said order. These texts amend the provisions of the French

Commercial Code with respect to disclosing non-financial information which, for the 2018 financial year, must include projections in order to improve corporate communication. The aim is to clarify firms' business models by simplifying and streamlining the value creation approach around financial and non-financial information with risk analysis. Although FDJ is not affected with respect to 2017, it hopes to get ahead of the curve by anticipating the application of the directive and disclosing new indicators. A first step in this direction is the integrated report presenting the Group's business model and associated risks and opportunities.

2.4.2. Committed to entertaining and protecting

Mindful of the concerns of its stakeholders – players, winners, employees, the general public, the sales network, civil society, thought leaders and influencers – FDJ promotes a gaming model based on popular entertainment in a safe and reliable environment. The attention it pays to its stakeholders also shows in the measures it takes to promote cohesion in the workplace. More broadly, it is working for future generations by helping to protect the environment in its own small way.

FDJ fulfils its social order mandate via its Responsible Gaming programme which is organised around the life cycle of games (before, during and after sales) and consists of six courses of action:

- 1) set a prevention ethics framework;
- 2) cultivate the FDJ gaming range in an extensive model;
- 3) train and inform all parties in the sector;
- 4) foster public understanding of the sensitive nature of gambling;
- 5) assist vulnerable members of the public;
- 6) encourage research into and promote the sharing of knowledge on behavioural addictions.

These six courses of action serve to address two major Responsible Gaming priorities that came out of FDJ's materiality matrix:

- ◆ preventing underage gambling;
- ◆ limiting risks related to FDJ's business and preventing problem gambling.

Every year the Responsible Gaming action plan is sent first to COJEX (Committee On Gaming And Betting Under Exclusive Rights) and then to the Budget Minister for approval.

2.4.2.1 Preventing underage gambling



FDJ helps to prevent underage gambling by ensuring its online players are legally of age and making sure its points of sale abide by the law (which bans marketing betting and gambling to anyone under 18). It conducts public awareness campaigns to facilitate knowledge and understanding of gaming regulations.

Marketing betting and gambling to minors was banned in 2007 (games and betting for which FDJ has exclusive rights) and 2010 (online games open to competition). FDJ is constantly adapting to new facts on the ground and usage trends as well as the needs of its retailers. For over ten years FDJ has gone from using logos, brochures and till displays to studying behavioural economics and producing social content in its efforts to keep up with current trends.

Driven by innovation and continual improvement, in June 2017 FDJ tested a new form of event management via its network with Fun Gaming Day. With the aim of drawing attention to underage gambling prevention measures in points of sale and to create shared experiences with customers, the event was split between points of sale, where gambling law was publicized, and digital media, where information was provided to facilitate a better understanding of the law. The pilot Journée du Jeu Récréatif (Fun Gaming Day) stressed the impact that this kind of initiative could have on retail customers. Out of 225 people taking part in a quiz about preventing underage gambling, 56% said the event could prompt them to learn more about it, 62% to talk more about it and 81% to become more cautious with regard to minors.

With preventing underage gambling as its theme, the trial showed the public's receptiveness to event marketing at retail.

Such engagement and continual improvement efforts also reflect the full attention FDJ brings to its network, visited by the vast majority of its players (26.1 million people). Understanding their difficulties and helping them under the implementation of prevention policy is a basic priority that can lead operators to modify their tools in line with their requirements. This is the case with the "Which kind of Player are You?" leaflet featuring a new section on preventing underage gambling as requested by retailers and placed into circulation in January 2018. These new public information measures should put the prevention of underage gambling back in the spotlight, facilitate understanding of the law and help the retailers prevent underage gambling.

FDJ is also developing a digital version of its prevention model. Millennials share their lives on social networks and communicate via instant messaging services such as Messenger, WhatsApp and Snapchat. They spend less time watching traditional TV and block online ads. In this context FDJ is rolling out some initial preventive education measures aimed at adults under 35 which make up the future main target group of its player base. Given that purchasing and consumption patterns tend to get entrenched with age, FDJ is moving to create awareness of recreational gaming at an early stage by being active on messaging platforms. 2017 was marked by two emblematic actions: the Illikoclub ad was aired and a new campaign on banning the marketing of gambling to minors was launched.

Striking a quirky and funny tone, the Illikoclub ad features illiko[®] ticket characters entering a nightclub. It draws a parallel between *prohibiting nightclub admittance to minors* and the benefits of banning underage gambling.

On Snapchat with Melty and Minute Buzz: FDJ is producing new content with a funny and positive tone by continuing to link gaming to other everyday activities only allowed above the age of 18 (e.g. *driving a car or travelling unaccompanied*). Through these initiatives FDJ is betting on Millennials in their role as parents and educators to instil in their children the difference between games for adults and games for kids.

FDJ also uses public events, such as its summer tour and the Tour de France, to further publicise the law on underage gambling.

FDJ refrains from directly targeting minors and instead encourages and supports certain leading partners in their preventive education initiatives aimed at young people. One example is the Bien Jouer (Play Well) project started by SEDAP, an humanitarian organisation specialised in social support, to keep schoolchildren safe from gambling.

FDJ also regularly monitors all its points of sale which stand to lose their Responsible Gaming Bonus if they fail to meet their obligations in terms of prevention. Retailers are eligible for the bonus only if they strictly enforce the ban on marketing gambling to minors.



100 %
of retailers trained
to spot and turn minors away

To these persistent measures and following the regional restructuring of its sales force, in 2017 FDJ trained its entire sales force (comprising 800 people) in 53 agencies in its Responsible Gaming policy. The interactive sessions consolidated and improved participants' basic understanding of FDJ's Responsible Gaming policy. They also helped to identify the teams' level of maturity in this regard with a view to adapting measures accordingly and facilitating skills-building in order to support points of sale in their efforts to prevent underage gambling.

The sales teams also impressed on each individual retailer the importance of spotting and turning minors away.

Sales agents are the crucial link whereby social commitments are imparted to retailers, and FDJ sought to reinforce their competencies in preventing underage and problem gambling by helping them acquire sufficient educational tools to provide more effective assistance to retailers in aspects of Responsible Gaming. The aim is to act locally and autonomously to build up their toolkit to prevent underage gambling and more effectively spot and turn minors away by insisting on identification.

The training course is being held at 11,000 points of sale and will last until 2019.

FDJ employees also underwent training in Responsible Gaming through a module added to the CSR COOC. The course is described in more detail in the section on the "Attract and retain talented individuals" priority. FDJ teams in direct contact with players are offered a Level 2 Responsible Gaming course on the basic psychological profile of vulnerable players.





2.4.2.2 Limit the risks associated with FDJ's business and prevent problem gambling



Preventing the risk of addiction and addictive behaviour is a priority for FDJ which, throughout the gaming circuit, right from the design stage, seeks to offer a fun experience that facilitates a sober attitude to chance and steers players away from problem gambling and towards recreational gaming.



To assess the appeal of its products, FDJ designs its games on the basis of a specific matrix developed in conjunction with leading experts in the field of addiction. To this universal basic tool FDJ has added Serenigame Scratch Card, a new matrix to analyse games in a single range. Serenigame Scratch Card is the result of several months of collaboration (JR Inside Process) between the Marketing team, the Expert Committee and the Responsible Gaming team to validate a collective and concerted tool. The matrix has been used by the Marketing and Responsible Gaming teams since 2017 in "test & learn mode".

Plans are in the works to apply the matrix to sports betting to keep up with market trends and be in line with FDJ's strategic direction.

Game moderators are on hand on e-commerce sites to monitor players' time and stakes and help them establish good habits. Players can also monitor their own behaviour through Playscan. This long-standing online tool is constantly being improved. By analysing gaming behaviour through aspects such as stakes, limits and time spent, as well as a personal self-test, it helps players identify their gaming habits. Green, yellow and red colour codes – "no risk", "at risk" and "problem" – allow players to recognise and keep track of their gaming habits.

Other digital services are available, such as a daily limit on problem players. The daily limits add up to a seven-day

total limit which is lower than the amounts of previous bets. This new measure limits risk by gradually reducing "use" rather than seeking to end it abruptly. In May 2017 the Experts Committee emphasised the relevance and importance of a personalised daily betting limit for each player. Every two months a detailed data analysis will be conducted to adjust the limit settings if necessary. This initiative represents a pioneering effort at prevention.

FDJ is also committed to reducing risk and harm by offering vulnerable players a first line of assistance by sponsoring support structures such as helplines and non-profit groups, on the one hand, and improving the detection of erratic behaviour such as very high or low bets over a short period of time, on the other hand, in order to anticipate the need for help and by coming up with trial methods of reducing risk and harm at volunteer points of sale.

In order to respond to emergency situations, FDJ tested a pilot project to reduce risk and harm involving volunteer retailer and the medical, psychological and social sectors, which was positive and will be consolidated. A new driver focused on advanced research will be implemented with retailer volunteers and players.

FDJ also supports research into and understanding of behavioural addictions such as compulsive gambling.

For several years FDJ has supported organisations such SOS Joueurs, Cresus, e-Enfance, the French Red Cross, Secours Populaire and the FNEPE (a teachers-parents association) to assist vulnerable players.

Responsible Gaming outlook

FDJ is continuing its Responsible Gaming efforts by improving preventive information, funding preventive measures assessed and led by third parties, running trial preventive campaigns and measuring their impact, exploring strategies to reduce risk and harm related to gambling and betting, and sharing and making good use of the experience gained.

FDJ reaffirms its full commitment as the official operator to prevent problem and underage gambling and thus to implement a number of initiatives and major education drives as well as allocate sufficient resources to the fight year on year.

(1) Active retailers from 01.01.2017 to 31.12.2017.

Support for big prize winners

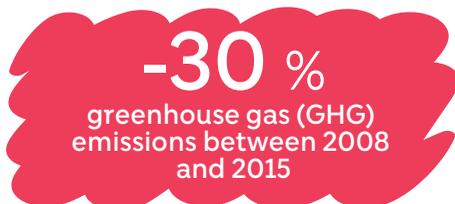
FDJ ascribes great importance to supporting "big winners". In 2017, 316 players won prizes over €500,000. They have access to collective and individual support. FDJ's Winners Relations Department helps big prize winners to become accustomed to their new and much enriched lives. These individuals have access to personal support from the moment that they receive their winnings, which is also a good time to learn some healthy financial habits. Subsequently, over a five-year period (and longer if they so wish), FDJ offers big winners free and optional day-long financial and social skills workshops. These workshops are designed to give them the means to manage and enjoy their winnings in a sensible manner. They are also an opportunity for them to meet and get to know one another and form solid support structures. In 2017, 170 big prize winners attended these workshops. FDJ is the only lottery in Europe to offer support on this scale.

2.4.2.3 Reducing the environmental impact of FDJ's activities



FDJ's materiality matrix confirmed the importance of the environment even though it is largely unaffected by the Company's business. The Group's environmental policy is to reduce its Carbon Footprint through various measures at its own premises and in points of sale.

Measuring FDJ's Carbon Footprint



The most recent Bilan Carbone™ (carbon assessment) measurement recorded a 30% fall in the parent company's CO₂ emissions, from 40,000 to 27,000 CO₂-eq tonnes, between 2008 and 2015. To monitor the environmental impact of its business, since 2007 FDJ has collected data on its premises' energy consumption, its waste production and its various other carbon emissions. The Bilan Carbone™ measurement is updated every three years. In 2015 FDJ began measuring its carbon emissions at the Group level, which that year amounted 31,050 CO₂-eq tonnes.

FDJ set itself the target of reducing its carbon footprint by 10% between 2015 and 2020 via an action plan based on three main sources of GHG emissions:

- ♦ premises and subsidiaries – 37% of the Bilan Carbone™ – 11,500 CO₂-eq tonnes;
- ♦ commuting – 33% of the Bilan Carbone™ – 10,200 CO₂-eq tonnes;
- ♦ gaming materials – 30% of the Bilan Carbone™ – 9,280 CO₂-eq tonnes.

In 2018 FDJ will have another Bilan Carbone™ carried out.

Reducing FDJ's Carbon Footprint

Following its latest Bilan Carbone™, FDJ embarked on measures to reduce its carbon emissions at its premises and points of sale and those generated through commuting.

- ♦ Between January and September 2017 FDJ recycled 85% (74.3 tonnes) of its non-hazardous industrial waste at its Paris premises. Over several years various actions have helped promote recycling such as the setting up dedicated bins for the collection of paper, used ink cartridges and coffee pods. Restricting access to printers via a badge-only system reduced FDJ's paper consumption by 24% between 2016 and 2017.

CSR is one of the criteria in the calls for tender related to the Group's move and restructuring of all its Paris premises to a single site. FDJ will furnish its future head office with furniture designed to prevent musculoskeletal disorders. Such furniture is already in place at FDJ's Moussy premises, set up with the help of an ergonomist. Several initiatives will help to reduce waste at the future premises, such as removing individual wastepaper baskets and improving waste management by increasing storage space.

FDJ's existing premises also received attention in 2017 in terms of occupational health and safety with repair and safety work done at Moussy, Saint-Witz and Vitrolles (e.g. fire windows, air conditioning, heating).

Several measures were put in place with respect to the Saint-Witz warehouse. To deploy its business continuity plan in 2017, FDJ selected a second warehouse certified high environmental quality. Recycling continued unabated in 2017: as all expired (unsold) tickets were recycled (almost 10 tonnes of paper), more cardboard and plastic was recycled thanks to a dedicated rubbish compactor (20,000-25,000 pallets were reused).



FDJ is also mindful of the carbon impact of its hauliers and ensures that all delivery wagons comply with the Euro 6⁽¹⁾ emissions standard. Together these best practices will be an indispensable part of a warehouse that, by the end of 2018, will handle the direct delivery of FDJ's products to all its points of sale.

- ◆ In 2017 FDJ initiated the internal joint development of a commuting plan to encourage alternative modes of travel that emit less carbon. The plan will come into effect during 2018 across the Company's various premises. FDJ also pursued its efforts regarding its sales vehicle fleet, especially that of FDP. In 2017 pilot agencies under FDP in Colombes (NW Paris) and Lyon tried out electric vehicles with encouraging results. Lastly, replacing the vehicle fleet made it possible to reduce carbon emissions to an average of around 100g CO₂/km.
- ◆ Points of sale are targeted by taking measures to reduce the amount of paper used to manufacture gaming materials. Since 2012 all gaming materials have been FSC-certified (paper produced from sustainably managed forests) and scratch cards made out of 20% recycled FSC paper. After conducting a feasibility study in 2017 in cooperation with its printers, FDJ was unable to increase the percentage of recycled paper in its cards because of the technical constraints of printing on a "paper money" type of paper.

FDJ also recycles its point of sale equipment. In 2017 nearly 500 tablets were removed from the FDJ sales network and donated to numerous non-profit groups in conjunction with the FDJ Corporate Foundation. As part of the roll-out of new eco-designed fixtures using LED lighting and reusable materials at points of sale, 80% of the old fixtures were recycled on average.

Making carbon reduction everyone's priority

In addition to measures to reduce FDJ's Carbon Footprint at its premises and points of sale, the Group is committed to making players, retailers and employees aware of the need to reduce their footprint through effective action.

In 2017 FDJ, in partnership with WWF France, embarked on initiatives to encourage players to recycle scratch cards. Two video ads screened at every FDJ point of sale in June 2017 reached out to players with messages about the environment: the first urged players to throw their losing cards in recycling bins while the second explained that all FDJ gaming materials are FSC-certified. WWF

France and FDJ also attended Losang'Expo (a newsstand, kiosk and tobacconist trade show) in November in order to persuade retailers to collect used tickets at points of sale. The next step will be to run a pilot project to test and encourage paper recycling at points of sale.

FDJ has also made the environment a key concern among its employees. In 2017 the Company took part in European Sustainable Development Week (ESDW) (from 29 May to 2 June) with the aim of getting its employees to adopt a zero-waste mentality at home and at work. A "Sustainable Development Break" in-house conference was held at FDJ premises with Zero Waste France, an environmental protection non-profit group that seeks to reduce waste and manage it more sustainably. Another initiative sought to discourage mailing and encourage working methods (telephone, using Skype or leaving one's desk to talk to a colleague face-to-face) in order to reduce one's Carbon Footprint and tackle information overload (aka "infobesity") with which we are confronted on a day-to-day basis. Lastly, employees gave away 600kg worth of secondhand goods in a donation drive for the Emmaüs charity.

2.4.2.4 Encouraging diversity and gender equality among employees



With its employees' best interests at heart, since 2010 FDJ has promoted diversity and equal opportunity by combating discrimination on the basis of gender, disability, age and social background.

Combating discrimination

The Company's measures to combat discrimination are presented in its Diversity and Quality of Life at Work policy. The anti-discrimination policy and action plans are presented every year to employee representative bodies and the Board of Directors.

Managers apply the policy in their work and employees are made aware of the benefits of diversity. For several years new employees have had to undergo a training course on avoiding discrimination and embracing diversity. 89 employees attended this course in 2017. Another module teaching good habits with respect to discrimination and labour rights was completed by 38 managers in 2017. Furthermore, criteria linked to diversity are part of employee profit-sharing and incentive agreements.

(1) Euro 6 is a European emissions standard setting limits on pollutants discharged by road vehicles. It entered into effect in 2014 and is currently the strictest standard applying to pollutants emitted by heavy-duty vehicles.

In 2017 FDJ once again obtained the AFNOR Diversity label and for the first time obtained its Gender Equality label both awarded every four years. These labels were the result of a collective effort underpinned by a shared desire among managers and employees to make gender equality and diversity a permanent and continually improving feature of the workplace. FDJ made a point of putting HR processes in place to effectively combat discrimination. The Company is firmly committed to these issues throughout its corporate hierarchy.

For years FDJ has been committed to promoting generational diversity. A wide range of ages is one of the Company's strengths. Accordingly, FDJ hired 109 people on work-study contracts in 2017. Measures to welcome new employees were bolstered with the introduction of a work-study guide and the training of tutors.

Promoting "Jeniors"

In 2017 FDJ made it a priority to promote older staff. The Company chose to distinguish "senior workers", who are either getting ready to retire or already retired, from "jenior" employees who are 45 years and older. The revitalised vocabulary helps to erase the end-of-the-road stigma attached to "senior" and instead brings to mind active, experienced workers in good personal and professional health who know how to navigate change.

To draw up a suitable action plan, FDJ began by conducting a detailed analysis to grasp the situation of "jeniors" in the Company and gauge their needs and expectations. The person in charge of the investigation emphasised its rarity and pointed out the pioneering role played by FDJ in paying attention to this category of workers who make up nearly half of the Company's workforce. FDJ also joined the "Via l'emploi" project run by FACE (a foundation working against social exclusion). With support from the European Social Fund, Via l'emploi aims to develop and test tools to inform, equip and assist firms in managing age-related challenges in order to help older workers keep or find employment.

On the basis of components of the analysis, internal joint efforts were undertaken with employees at the various sites through an internal collective intelligence mechanism aiming to accelerate and bring the strategic projects to fruition. The set of initiatives resulting from these joint efforts are set to be implemented in 2018 and 2019.

Yet already in 2017 trials were conducted involving staff in their fifties with the "Point 50" training course and soon-to-be-retirees with "Cap 60". The idea behind "Point 50" is to take stock of one's career, needs and expectations, help create a work atmosphere conducive

to a good generational mix, and start planning for retirement. "Cap 60" offers an opportunity to reflect on passing one's knowledge down in the firm, getting ready for life outside work, staying in good health and making sure one's finances are in order before taking the leap. Both courses have internal as well as external benefits. Internally, promoting "seniors" boosts motivation and performance as well as the quality of life at work and facilitates cooperation between generations, which is a priority for FDJ. Externally, promoting "seniors" improves FDJ's image as an employer whose staff, like its customers, cover a diverse swathe of ages. One of the expected benefits of the trials is the hiring of employees over 55 years old.

Gender equality



The number of female managers in 2017 reached 40% in line with the targets set by FDJ. It was 34% in 2012 and should reach 44% by 2020.

Several measures contributed to this figure, in particular the women's network "A Elles de Jouer" which operates on three principles, (1) raise awareness of the need for gender diversity, (ii) dare to suggest ways for women to speak out, act without fear and be themselves, and (iii) open channels of communication between firms. Members of the network active throughout the Company's business lines support the heightened profile of gender equality in the various subsidiaries. As such, members of the network and the Human Resources and Transformation Department put together a specific action plan for the Company's Technology division. One of the key aspects of the action plan was FDJ's involvement in the Gender Scan international study through which the Company was able to position its gender equality practices among the STEM industry (science, technology, engineering and mathematics). To support shared parental leave, FDJ drew up a Parenting Guide which lays out the legal framework and lists the FDJ "advantages" resulting from the gender equality agreement. Lastly, a stance against sexism in the workplace was promoted via various digital media within the Company.





With regard to FDJ's distribution arm (FDP), all HR teams and managers underwent training on well-being at work, and 10% of the mandatory annual negotiations budget went to reducing wage gaps between men and women.

Accommodating people with disabilities

In 2016 and 2017 FDJ launched a campaign to raise awareness of disability in its subsidiaries in the form of a game called T'Handi Quoi?, with the aim of changing attitudes towards disability and spreading the word that FDJ Group welcomes people with disabilities. The initiative encouraged some employees with disabilities to approach the Human Resources and Transformation Department to receive tailored assistance related to their disability. The question-based game addresses various preconceptions on disability to prompt players to change how they see and behave towards people with disabilities. Such awareness raising initiatives are essential to maintaining the proportion of employees with disabilities: in 2017, this was 6.58% for FDJ and 4.89% for the Group.

The Handi You Go (or HUGo) Project brings together several firms under the coordination of Polytech Marseille which have set up an engineering degree course with enhanced accessibility catering to people with disabilities. Participating firms take in and assist students enrolled in the course on a work-study basis. FDJ is currently hosting a student with a disability for a two-year period.

Improving the accessibility of FDJ applications and retail terminals

In 2017 FDJ made specific efforts to improve the accessibility of its services for people with disabilities, in particular the visually impaired. The entire FDJ.fr website was made compatible with screen reading software catering for blind and visually impaired users.

FDJ also made its gaming terminal accessible to people with disabilities and in October obtained the Accessibility certification from Risk Control. Currently 105 new terminals are being installed and another 1,000 will be set up in the course of 2018.

The new height-adjustable gaming and payment terminals are more accessible to persons with reduced mobility and also offer greater visual comfort via the barcode scanner thanks to the height-adjustable barcode scanner. The new terminals also feature an Accessibility option which lets players with reduced mobility opt to have the page content displayed at the bottom of the screen.

FDJ's Digital teams were made aware of various aspects of digital accessibility by a visually impaired person who spoke about what it was like to be partially sighted and how they used their smartphone and computer, and who emphasised on ways to make various features more accessible (e.g. home pages, results, statistics or even some forms of gaming and betting).

2.4.2.5 Ensuring health, safety, well-being and security at work



Since 2010 FDJ has endeavoured to improve the quality of life at work (QLW). It has had a dedicated QLW Department since 2014 which looks after the well-being of employees.

9 out of 10 employees say they are satisfied with their job and with their company as an employer (FDJ Scope)

As part of its plans to group together all its premises in Greater Paris and in line with changes in the nature of work, FDJ is working on integrating everyday activities and facilities (such as restaurants, social spaces, sports, amenities and alternative modes of transport) to make its employees' lives easier.

Other initiatives to improve the quality of life at work took off in 2017, such as "Virgin Pulse", a pilot project launched in May with 84 employees. Based on a smartphone application, the optional programme aims to promote employee well-being via a health checkup, a 100-day fitness schedule and a one-year access to an advice platform.

Stress management was also targeted via the "Keep Calm" pilot training course which seeks to help employees identify and mitigate their stress factors. It has since been added to the training catalogue.

FDJ also has an internal counselling unit for people experiencing personal problems or in difficult situations which directs employees for free to a specialist if need be.

2.4.2.6 Attracting and retaining talented individuals by ensuring their development



To help its employees grow, in particular with regard to CSR and digital transformation, FDJ has developed interactive tools providing training to all Group staff.

CSR COOC

FDJ has developed a COOC (Corporate Open Online Course) dealing with various aspects of Corporate Social Responsibility. The course revolves around the benefits of FDJ's CSR measures to its four main stakeholders: employees, players, partners (suppliers and retailers) and civil society.

The COOC helps all FDJ employees to understand and incorporate CSR in their work. It makes new employees aware of CSR issues and enables all employees to keep up their individual knowledge throughout their career.

70 %
of employees completed
the CSR COOC over 13 months

In May and October 2017 FDJ launched two new training campaigns. The intervening period was a time of optimisation as work was brought to bear to facilitate understanding and enhance the effectiveness of the course through less technical content, shorter sessions and more dynamic videos. Plans are afoot to make the course available to all employees of the distribution arm in 2018. To date the target for 2017 (to train 50% of FDJ employees) has largely been reached with over 1,000 employees scoring above 60/100 on the CSR COOC. The 2020 target is to train all Group employees.

Vodeclis

To help employees adapt to the Company's digital transformation, an online platform called Vodeclis hosting digital training content was set up. Over 300 videos are available to view. Dealing with a wide range of themes, the self-learning tool forms part of FDJ's efforts to fully incorporate digital technology in the workplace.



2.4.3 Integrity to guarantee ethical compliance

While FDJ defends the recreational dimension of gaming, it does so in a strictly regulated and controlled context in which it strives to minimise the risky behaviour related to it. To fully ensure the safety and protection of its target audience, it deploys and ensures compliance with the rules shared with all of its stakeholders, both internal and external. It acts with complete transparency and hopes to serve as an example to others and build confidence in its gaming model.

2.4.3.1 Combating fraud and money laundering



For reasons related to the maintenance of public order, FDJ has exclusive rights over 95% of its activity, which makes it a monopoly (retail and online lottery games and retail sports betting). In exchange for being allowed to operate a monopoly, FDJ is subject to strict obligations in many areas, including combating fraud, money laundering and the financing of terrorism. To meet these obligations, FDJ has several highly effective operational measures in place to root out any suspicious activities that do not comply with its gaming model.

**Over 90 %
compliance with Security
and Responsible Gaming
procedures at points of sale**

The Director of Security is in charge of this mission. He and his team report directly to the FDJ's Deputy Chief Executive Officer. A department is dedicated to the fight against fraud and money laundering. FDJ has also strengthened its measures by appointing within the Security Department team, an expert in the field, to oversee the implementation of measures to evaluate and manage risks of money laundering and financing of terrorism. Missions have two major focuses: prevention and surveillance. FDJ regularly undergoes internal and external controls.

Each year, FDJ submits its annual action plan for combating fraud and money laundering for the approval of the Minister for the Budget, who regulates its gaming and betting monopoly. This plan is being reviewed by the COJEX (Committee On Gaming And Betting Under Exclusive Rights), which is tasked with giving the Minister information on which to base his decisions.

In 2017, network inspectors conducted nearly 31,000 inspections at points of sale in mainland and overseas France (the West Indies, French Guiana and Réunion). These inspections enabled to verify several security and Responsible Gaming criteria to ensure points of sale' compliance with behavioural, commercial, contractual or regulatory criteria. In 2017, the point of sale compliance rate was 90.6%.

All points of sale that comply with the Responsible Gaming criteria receive a bonus an additional 0,2% annual commission.

Prevention

The risk of money laundering and the financing of terrorism are assessed from the game designing phase and implementation of new services. Over the last few years, FDJ has taken steps to improve its knowledge of players, winners and retailers. It has trained and empowered its employees and retailers in the fight against fraud and money laundering, especially in connection with sports betting, mostly before major sporting events.

In addition, through its Sports Integrity Department, FDJ conducts numerous education and awareness-raising actions for sports stakeholders (athletes, staff, etc.) regarding betting bans and the risks of corruption aimed at the manipulation of competitions. This work is conducted in collaboration with the CNOSF, the LFP and the French basketball, handball and volleyball federations.

Finally, FDJ strictly supervises the development of sports betting, offering actions that facilitate the detection and treatment of betting pattern anomalies so that FDJ remains a key player in combating fraud and money laundering.

Supervision

Monitoring physical and digital transactions facilitates anomaly detection. These anomalies can result in very high stakes, sudden stakes and odds variations, etc. FDJ has set up a system that constantly monitors betting and by using certain parameters, is alerted to anomalies in real time. These alerts can, for example, result in an analysis that can generate actions to identify the various actors in hindsight. The Security Department unit that specialises in these issues then conducts enhanced examinations that can result in a suspicious activity report to TRACFIN (the Ministry of Finance department in charge of "Treatment of Information and Action against Illicit Financial Circuits"). FDJ filed 118 reports in 2016 and 119 in 2017.

As a member of the National Platform for Combating the Manipulation of Sporting Competitions, FDJ also makes its surveillance resources available to ARJEL (Online Gaming Regulation Authority), which coordinates the key players in this fight (Ministry of Sports, Service Central des Courses et Jeux, CNOSF, ARJEL, FDJ).

The FDJ Sports Integrity Department also makes available to the National Platform the other alerts sent to it by the Global Lottery Monitoring System (GLMS), an international organisation of which FDJ is one of the founding lotteries that shares information from 29 lotteries worldwide with authorities and international sports organisations.

Control

FDJ has set up an internal control system to verify compliance with the internal procedures applied under the measures for the fight against fraud, money laundering and the financing of terrorism.

External controls are also carried out by ARJEL and the Service Central des Courses et Jeux. The Director of Security was questioned on the compliance and effectiveness of these measures during the second quarter of 2017 by the Service Central Courses et Jeux, the FDJ oversight authority for its point of sale activity in the fight against fraud, money laundering and financing of terrorism, itself reporting to the National Police Board.

In 2017, the anti-money laundering and anti-terrorist financing measures applied to online sports betting were verified by ARJEL. The findings of that inspection highlighted the Company's level of maturity on those issues.

2.4.3.2 Promote ethical, transparent and legally compliant business management

Ethics commitments



FDJ promotes ethical and responsible behaviour in the management of the Company through the adoption of prevention and detection measures that serve to ensure that practices comply with the laws and regulations in force and the Company's values. FDJ has established "Ethics and Compliance" commitments at the Group level based on various standards (charter, guide, procedure, training, corruption prevention and detection plan) so that all stakeholders can act in accordance with the law and FDJ's values in the fight against corruption. In addition, a Group Ethics Charter was presented to employee representative bodies for information and consultation and approved by the Board of Directors in July 2017. This reference is the very basis and unifying document for the FDJ Group's ethics and compliance commitments. The draft FDJ Group ethics commitments make it possible, in accordance with the law (the Sapin II law in particular),

norms and standards, for individual and collective behaviour to be adapted to the values of the FDJ Group (Responsibility, Commitment, Proximity, Optimism, Innovation) and to meet the legitimate expectations of society and our stakeholders.

Prevent conflicts of interest in research partnerships

Research partnerships are of strategic importance to FDJ. They ensure the academic validity of the projects implemented and allow them to reap the benefits of constantly updated knowledge. At the heart of these research efforts, risk and damage reduction projects form bonds between the public operator and one or more stakeholders in the medical, psychological and social field. However, in order to guarantee the independence of research and protect the parties against potential conflicts of interest, the scope of intervention must be clearly defined. For this reason, FDJ is rethinking the existing ethical and political relationship with its partners. For example, a charter established with one of our partners states that "issues of addiction require reflection and consultation that excludes all doxa and ideologies". To that end, "the partners undertake to sincerely apply the common decisions to whose adoption they have contributed in a transparent manner while respecting the independence of the individual". In addition, "they will take steps to avoid any risk of assimilation or confusion of the two structures. Prevention and risk and damage reduction are part of a philosophy shared by FDJ as an operator and the association". Placing this type of partnership under the aegis of a clearly defined Ethics Policy allows FDJ team members and medical, psychological and social stakeholders to free themselves from the usual constraints related to conflicts of interest and, as a result, to focus on issues of problem gambling while taking into account individual specificities (such as the role of the caregiver and the retailer). Even though this charter principle was first established in a sporadic and experimental way, it tends to be made universal with Responsible Gaming partners.

Cycling team integrity

In close coordination with our ecosystem, FDJ is working to tackle corruption in sport by sharing information to detect irregular situations. In terms of prevention, FDJ has introduced an Integrity component as a sine qua non condition to our sports partnerships. It includes raising awareness among sports professionals and their entourage on the importance of not being involved in corruption.

A perfect illustration of FDJ's commitment to sporting partnerships is its choice to invest in cycling sponsorship in 1997. The cycling team is managed by Société de Gestion de L'Échappée. For several years, the cycling team has been involved in and gained recognition for its anti-doping work. Launched in 1998, this responsible sponsor status entails intensive ethics and integrity awareness-raising work among racing cyclists and their staff (zero tolerance attitude to doping). In 2017, a new





step was taken with the establishment of an ethics commission whose members include an independent expert providing an outsider's view of how the anti-doping policy is applied to the team. In addition, the ongoing collection of performance data and their analysis, which has been overseen for nearly 15 years by Frédéric Grappe, a research scientist and professor of sport at the University of Besançon, is a very effective means of prevention. In 2017, 20 years after its creation and its entry into the professional arena, a new chapter is opening for the FDJ cycling team. Since it has always supported both the team's growth and the improving performance, FDJ has found in Groupama the ideal partner to help the team reach new heights. The signing of this partnership is the result of the unprecedented desire in the world of professional cycling to associate with two major French companies with a high level of name recognition that are also major players in the world of French sponsorship. This partnership establishes an ambitious sports project built around values common to both brands: proximity, performance and commitment.

2.4.3.3 Promote responsible purchasing with committed partners



As part of its responsible purchasing policy, FDJ guarantees and promotes responsible business and partnership practices. As proof of its commitment, at the end of 2014, FDJ signed the Inter-Company Mediation Responsible Supplier Relations Charter. The goal is to increase purchasing from responsible suppliers and maintain a balanced and sustainable relationship with suppliers.

In 2017, FDJ began to approach supplier control in a more global manner. Various CSR projects support these efforts.

Starting in January 2017, FDJ has changed the payment period for all of its suppliers from 45 days end of month from the invoice date to 30 days end of month from the invoice date.

FDJ initiated a process to measure the social and environmental performance of its suppliers. To develop and objectify this analysis, FDJ called upon EcoVadis, a recognised provider of CSR supplier evaluation services. EcoVadis assists FDJ in the management of supplier risk

from a CSR perspective by giving FDJ a dynamic view of their CSR commitments. This approach implies CSR evaluations of suppliers from an environmental, social, ethical and supply chain perspective. FDJ has chosen a simple process based on international Sustainable Development standards that provides analyses by experts in the field. The EcoVadis platform, used in many industries, is increasingly becoming a standard for monitoring CSR performance. An initial pilot campaign was launched in April 2017, followed by a second campaign in October 2017 with 175 suppliers from the "intellectual services", "gaming materials" and "product promotion" families. This project will continue in 2018 with the goal of evaluating approximately 600 suppliers that earn over €30,000 in revenue from FDJ. These ratings may be used in the supplier oversight process, and progress plans may be established.

In addition, in order to maintain a balanced and sustainable relationship, FDJ regularly conducts a supplier satisfaction survey. The next survey will be launched in the first quarter of 2018.



FDJ conducts an annual study into the economic footprint of its purchases. The main objective of this study is to follow changes in the proportion of purchases made in France (purchases made outside France are made under restrictions) and the breakdown of purchases by type of company (Small and Medium-Sized Enterprises, Intermediate-Sized Enterprises and Large Enterprises). As in previous years, FDJ published the 2016 supplier mapping as evidence of its collaboration with local suppliers. In 2016, FDJ made 87% of its purchases in France for a total amount of approximately €366 million.

Local economic footprint of FDJ purchasing in 2016 ⁽¹⁾

€421 million

Annual purchasing amount
2nd expenditure item of the company

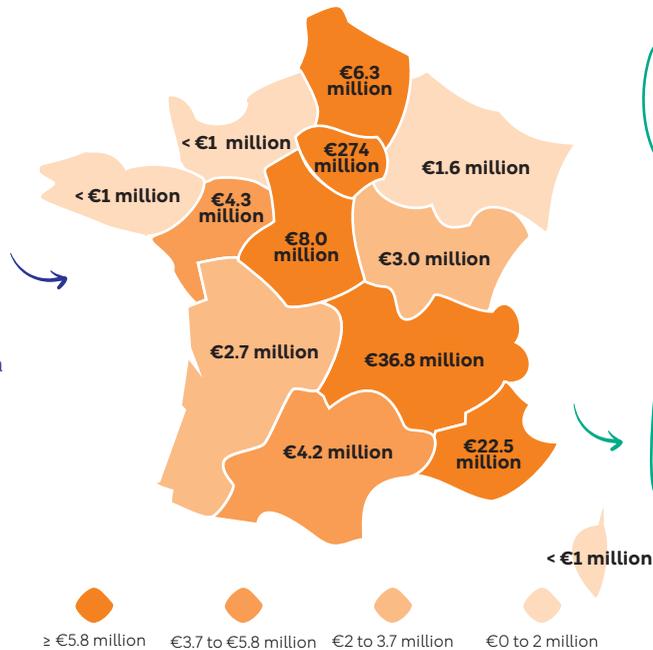
Share of purchases in France vs Abroad

(excluding billed)



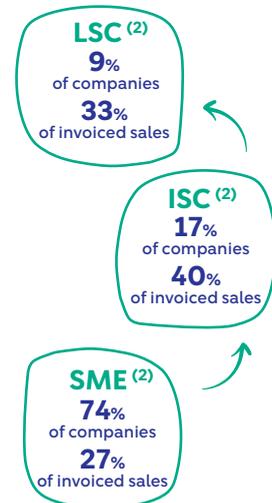
Regional breakdown of FDJ purchases

(by value and volume – based on invoiced items)



Breakdown by business type

(Source: INSEE)



(1) Information on the previous year collected every year. 2017 data information available from March 2018, following the publication of this report.

(2) LSC = Large Scale Corporations – SME = Small and Medium-sized Enterprises – ISC = Intermediate Size Companies.

Each year, FDJ redefines its “Solidarity Purchasing” goal to promote the integration of persons who are unemployed due to disability. In this context, some of the purchases are made from ESATs (Établissements et services d’aide par le travail), which support people with disabilities who cannot work in an ordinary company or in an adapted enterprise, so that they can perform a professional activity, maintain academic achievement and develop skills.

FDJ selects its suppliers through gradual integration of CSR criteria into all of its consultation records and tender evaluation grids. All specifications for work relating to the relocation of FDJ’s headquarters incorporate haute qualité environnementale (HQE) performance restrictions.

Training in responsible purchasing practices is a lever of performance: in 2017, FDJ buyers were made aware of ethical commitments as they relate to the duty of care. Duty of care is an obligation on the part of the contracting companies to prevent social, environmental and governance risks related to their operations that may also extend to the activities of their subsidiaries and their commercial partners (subcontractors and suppliers).

Finally, while FDJ as the parent company has not yet deployed its responsible purchasing policy within its subsidiaries, its commercial subsidiary FDP is starting to implement actions and purchasing initiatives with a CSR dimension.

By 2020, FDJ aims to obtain the Inter-Company Mediation “Supplier Relations and Responsible Purchasing” label. This label is an extension of the Responsible Supplier Relations Charter and demonstrates commitment from the companies that have been awarded it.

2.4.3.4 Ensure the protection of personal data and information systems



FDJ guarantees the security and confidentiality of all company data (players and employees), including personal data, in the event of potential security incidents.

The GDPR (General Data Protection Regulation), which will unify European data protection laws to a considerable degree, will be mandatory starting 25 May 2018.

FDJ therefore started to prepare for the implementation of the European data protection regulation as early as 2016, through awareness-raising and other measures with the goal of compliance in terms of privacy protection by design, data security, personal rights, responsibility and control. Beyond the regulatory aspects, compliance with

the GDPR is a pledge of confidence and a factor in the transparency and traceability of data management as well as a tool to prevent cybercrime-related damage. Beyond compliance with the regulations, FDJ wants to meet customer expectations in this area to the best of its ability. With this in mind, in April 2017, FDJ began to informally consult a small number of customers to jointly define appropriate methods of information.

The FDJ Privacy Charter published in November 2017 was the first fruit of these discussions. These efforts will continue in 2018 in other ways and should lead to more transparent and informative personal information.

At the same time, various compliance projects are ongoing and involve the Company's various businesses with governance tailored to their needs thanks in particular to the skills of the Chief Data Officer (CDO) and the Data Protection Representative.

2.4.4 Solidarity to be useful to all

For over 80 years, FDJ has remained faithful to its original values of solidarity, responsibility and fairness in its redistribution model, which contributes to local economic development (through local authorities, local businesses, etc.), its initiatives supporting disabled persons, its commitment as a leading partner for French sport and its Foundation's support for solidarity projects.

2.4.4.1 Contribute to the invigoration of the local economy



In order to evaluate the economic and social contribution of FDJ in France, a study was conducted by the BIPE consultancy in 2017 for the 2016 financial year (the results indicated therefore relate to the previous year). The methodology is part of the international and academic benchmark for evaluating economic impacts. It is used by major bodies such as the UN and European Commission and allows for unquestionable sector and international comparison of the results. The evaluation considers four levels of impact: direct, indirect, induced and catalytic effects generated by FDJ's business activity. FDJ's contribution to the country's Gross Domestic Product (GDP) was €5.1 billion and 52,000 jobs were created or sustained throughout the country, including a quarter of the 80,000 jobs in the bars, tobacconists and newsagents sector.



2.4.4.2 Engage in a constructive dialogue with key partners



FDJ's CSR policy is built and maintained with and for stakeholders (players, sales network, employees, suppliers, regulators, shareholders, civil society, etc.). FDJ establishes a constructive dialogue with its stakeholders, an essential factor in the overall credibility, usefulness, solidity and relevance of its efforts.

 Overview of relations with stakeholders

Nature of the dialogue	Issues discussed	Frequency
 Employees		
◆ Central Works Council	→ Economic and financial projects → Restructurings	◆ Monthly on average
◆ Works committee	→ Economic and financial management of the company	◆ Monthly
◆ Employee representatives	→ Wages → Social protection	◆ Monthly
◆ Negotiation meetings	→ Wage policy → Living together better, Retirement planning, etc.	◆ More than once a month
◆ Health and Safety and Working Conditions Committee meetings	→ Health, safety, working conditions	◆ Four times a year
◆ Employee commitments		
◆ Company social network	→ Multidisciplinary discussions	◆ Throughout the year
◆ Satisfaction survey	→ Corporate climate	◆ Every two years
◆ Commitment survey	→ Commitment	◆ Twice a year
◆ Event themed online chats	→ Presentation of strategic priorities	◆ Twice a year
◆ On-site briefings	→ Current projects, news	◆ Five-Six times a year
 Customers/big prize winners		
◆ Meetings with customers	→ FDJ Discovery	◆ Monthly
◆ Customer workshops	→ Joint building work	◆ 3/4 times per month
◆ Multi-channel contact points	→ Complaints management → Requests for information	◆ 222,638 contacts/telephone calls ◆ 205,411 contacts/emails ◆ 10,000 contacts/letters ◆ 41,614 contacts/chats
◆ Websites	→ Managing customer relations/communication	◆ Throughout the year
◆ Social networks		
◆ Workshops with major prize winners	→ Discussion/support → Social meetings	◆ 14 a year
 Retailers		
◆ Meetings with industry bodies	→ On-the-ground listening → Tobacco and Press Conference → National Meeting of the Confederation of Tobacconists (Confédération des Buralistes) and of the National Union of Press Distributors (<i>Union Nationale des Diffuseurs de Presse</i>)	◆ Annually or twice a year/ by type of meeting
◆ Training/trade visits	→ Tools, processes, Responsible Gaming	◆ Throughout the year
◆ Points of sale inspections	→ Commercial, behavioural, contractual and regulatory compliance	◆ Annually for each retailer
◆ Magazine/trade shows	→ Communication	◆ Throughout the year
 Civil society		
◆ Social Laboratory (FDJ Listening and Dialogue body)	→ Responsible Gaming, → Responsible communication, → Digital	◆ Twice a year





Nature of the dialogue	Issues discussed	Frequency
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Scientific, health and social ecosystem

◆ Expert Committees	→ Evolution of product offering and services	◆ Four times a year
◆ Discussions with universities	→ Assisting research on problem gambling and the role of gaming in society	◆ Throughout the year
◆ Corporate philanthropy conventions (helplines/support structures)	→ Help for problem gamblers and prevention of underage gambling	◆ Throughout the year

Media

◆ Press releases	→ Strategy, news, behind the scenes of the company	◆ Throughout the year
◆ Press conferences		
◆ Press meetings		
◆ Open days		

Institutional

◆ Sports Challenge Lunches intended for parliamentarians and cabinet members	→ Economic, social, media, financial and entrepreneurial dimension of sport	◆ 8 to 10 times a year
◆ Partnerships with associations of locally elected representatives	→ Sport for All (National association of elected representatives responsible for sport - ANDES) and Economic and commercial invigoration of city centres and town centres (Association of French rural mayors - AMRF, Association of small towns in France - APVF, National association of elected representatives of touristic regions - ANETT, Association of Town Centres in Development - CVM)	◆ Regular meetings in the regions or at Plenaries and Congress meetings of the associations with the institutional players involved in their respective ecosystems
◆ Network visits	→ Exchanges between Network Executive Management and local institutional players (Chamber of Commerce, mayors, parliamentarians, representatives of the network's professional organisations)	◆ Twice a year
◆ Institutional contacts	→ Exchanges between Executive Management/Institutional Relations department and public decision-makers within the meaning of the Sapin II law	◆ As required

Partners – sports movements

◆ Events, talks and working groups	→ Communication → Current projects	◆ Throughout the year
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Foreign lotteries (The European Lotteries, World Lottery Association and Global Lottery Monitoring System)

◆ Events, working groups	→ News	◆ Throughout the year
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Regulatory authorities

◆ Meetings with COJEX and ARJEL⁽¹⁾	→ Action plans for product offerings → Responsible Gaming	◆ Six times a year
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Suppliers

◆ Supplier survey	→ Satisfaction/feedback	◆ Every two years
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(1) COJEX: Commission consultative des droits et paris sous droits exclusifs (Committee on gambling and betting under exclusive rights) and ARJEL: Autorité de Régulation des Jeux en Ligne (on-line gambling regulator).

The Social Laboratory is a forum for dialogue and exchange between FDJ and the civil society (nine associations). It has met to discuss the following topics: reduction of risks and damage at points of sale, with the initial results of research to identify and better understand vulnerability factors and protection against problem gambling; and the use of digital technology as a prevention tool for young people and their families: recommended and discouraged practices.

Digital technology should be a major topic at future sessions: better understanding of the issues and identifying good practices, particularly as regards player support.

2.4.4.3 Engage in action for citizens that promote general interest

FDJ Corporate Foundation



The FDJ Corporate Foundation secured funding for another five-year period starting in 2018. In this context, with the aim of staying in touch with social developments, a strategic reflection process took place. At its conclusion, equal opportunity was selected as the primary focus, and gaming in its broader sense was designated as a vector for its achievement.

Equality of opportunity is a general interest goal that is clearly and narrowly related to FDJ's economic activity but not conflated with it. The FDJ Corporate Foundation wants to enable people in difficulty, for whatever reason (disability, health, social discrimination, economic exclusion, etc.), to find their place in society, realise their potential and express their talents. Gaming, in all its forms, individually or in groups, stimulates imagination and creativity. At any age, it is a vector of learning, integration, construction or even self-reconstruction. It is a modality of action that makes entertainment and a playful approach a tool in the fight against all forms of inequality.

The FDJ Corporate Foundation has therefore chosen two areas of involvement: education and professional integration for all ages (which naturally includes the integration and reintegration of people with disabilities). It conducted a call for projects in June 2017, and three new associations were selected: "Bibliothèques sans Frontières" for the "Voyageurs du Code" project to reduce the digital divide in rural areas and isolated populations, "Association Coup de Pouce" for its equal opportunities in schools project and finally "Réseau Étincelles", which works in the fields of education and professional integration.

The FDJ Corporate Foundation will have a budget of €18 million for the next five-year period that will begin in 2018.

Socially responsible investments

In 2017, FDJ invested on average 17% of its mutual fund investments (UCITS) in socially responsible investment (SRI) funds. SRIs take into account social, environmental and governance criteria in the investment decision. The investment project chosen by the Company includes an extra-financial aspect in addition to financial profitability.

Salary rounding

Since January 2013, all FDJ employees have had the opportunity to give a payday donation equivalent to the net cents of their salary (with the option to add €10) to the FDJ Corporate Foundation, which transfers it to the ADIE (an association that helps people who do not have access to bank credit to start their own business) and to three other associations: Apprentis d'Auteuil, which helps young people in difficulty, Institut Télémaque, which promotes equal opportunity, and Envol, which helps young people between the ages of 7 and 17 with serious illnesses by offering them a psychological and social health plan.

22% of employees took part in this action in 2017. Donations are 100% matched by FDJ, totalling nearly €20,000 in 2017.





Sponsorship for young people from underprivileged backgrounds

Since 2012, the FDJ Corporate Foundation has been a partner of the Institut Télémaque, whose objective is to promote equal opportunity and contribute to the revival of social mobility. The project consists of supporting bright and motivated young people from underprivileged backgrounds and giving them every chance to succeed, in keeping with their merit. In 2017, about 15 employees sponsored young people from the Institute thanks to the support of the foundation.

In addition, a new digital platform for all young people, MonAvenirGrand.com, has just been launched by the Institut Télémaque thanks to financial support from the Foundation. MonAvenirGrand.com is a free site for everyone that is accessible everywhere. It gives tools for guidance and development of potential using video content and advice.

59
young graduates
from underprivileged
backgrounds have found
a job thanks to the support
of an FDJ employee via
the association NQT

Nos Quartiers ont des Talents (NQT) has a programme designed to promote the professional integration of young graduates under 30 with a Bac+3 degree or higher. The young people the association targets come from modest social backgrounds or high-priority areas and are helped by employees to make their access to their first job easier. In 2017, 100 young people received support, compared to 69 the previous year. Sponsors coach young people on the steps to take and share advice based on their own experience and network. Employees help developing a strategy to better target applications and get a job. In 2017, the partnership with NQT enabled 59 young graduates to get a job, compared to 27 in 2016.

Women's sport: FDJ does it for Women

FDJ has already demonstrated its commitment to the place of women in sport and wants to go further as an economic, social and sport actor. "Sport pour Elles", a digital, sport, media and solidarity programme, supports women's sport. It aims to promote women's sport, support women's achievement, promote media coverage of women's sport in France and mobilise networks for this societal challenge.

FDJ's aim is to promote the development of sport by supporting the Civic Service programme Femix (an association that defends and promotes the place of women in sport) with the aim of developing mixed-gender sporting events for the next Olympic Games.

In another highlight for 2017, FDJ became a partner of the only professional French women's cycling team, "FDJ-Nouvelle Aquitaine-Futuroscope".

A FDJ YouTube channel called "Sport pour Elles" exclusively dedicated to women's sport also helps to publicise women's sport.

FDJ participated in the promotion of women's sport through the organisation of a hike on the Champs-Élysées as part of the arrival of the Tour de France that brought together 2,024 women cycling in the colours of Paris's candidacy for the 2024 Olympic Games.

Through its commitment to equal opportunities for women, FDJ hopes to give sport a chance to meet a societal challenge: making gender inclusion and diversity an asset.

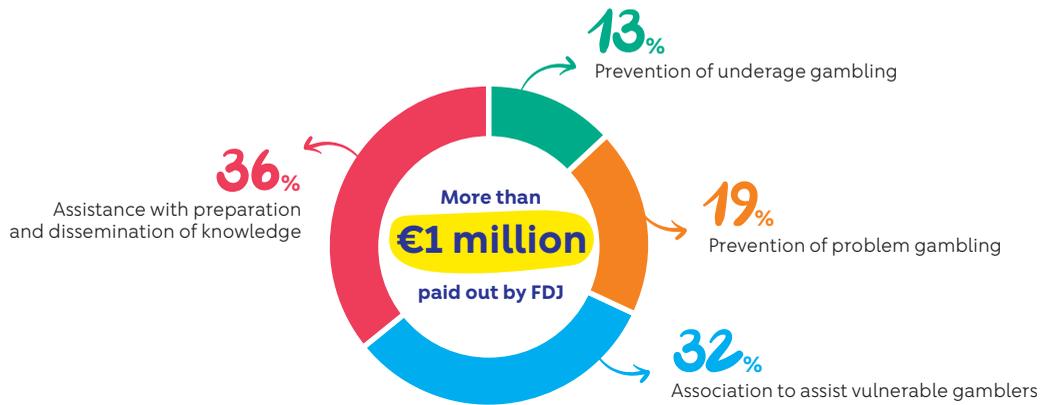
Responsible Gaming Partnerships

Over €1 million
dedicated to Responsible
Gaming partnerships

FDJ also contributes to the general interest via sponsor partnerships for the Responsible Gaming programme through volunteer efforts in the following areas: prevention of problem gambling, prevention of underage gambling, assisting the development and dissemination of knowledge and structures that support target groups in vulnerable situations. It has continued to support work in behavioural addictions and pilot research in risk and harm reduction with major medical and social actors such as Fédération Addiction, SEDAP (Société d'Entraide et d'Action Psychologique), under the aegis of MILDECA (Interministerial Mission for the Fight against Drugs and Addictive Behaviors) in connection with retailer volunteers. FDJ has also contributed to the expansion of academic expertise. In humanities and social sciences, it supports the scientific interest group "Jeu et Sociétés", whose dedicated university database "Ludocorpus" (<https://www.ludocorpus.org>) is now up and running.

FDJ maintains programmes to assist and support problem gamblers (2% of players) with SOS Joueurs and care centers. Retailers also guarantee players' access to care centres. Four cities currently have this programme: Dijon, Toulon, Montpellier and Bordeaux.

As part of the Responsible Gaming programme in 2017, more than €1 million was paid by FDJ to partner associations, distributed as follows:



The above amounts do not include internal costs or studies to measure the acceptance, understanding and effectiveness of particularly innovative actions.

2.4.5 Pioneers in shifting lines

With its historical activities – scratch card games, draws and sports betting – and with the acceleration of its digital transformation, FDJ is part of a progress momentum to serve players and the local community. Optimistic and inventive, activist and committed, FDJ is building on its collective intelligence to shift lines, share its convictions and roll-out a creative and relevant CSR approach.

2.4.5.1 Offer innovative, personalised digital services



Innovation in CSR involves experimentation, mobilisation and digital technology and corresponds to major challenges for the Company.

Innovation through experimentation: Bien Jouer

FDJ is financing a school-based preventive education project that aims to strengthen the psychosocial skills of upper secondary students (*Lycée classe de 1^{re}*) by asking them to think about the concept of chance and personal budgets, developing their critical thinking skills and questioning their wrongly held beliefs. The “Bien Jouer” experiment is handled by the SEDAP Centre for Innovation and Experimentation on Problem Gaming in Dijon. It aims to adapt a tool already used in Canada and integrates banking and budgeting knowledge to have it certified in France through an independent evaluation by

the EVACLIPSY laboratory of the university of Paris Ouest Nanterre La Défense. The initial results were very encouraging and did not indicate counterproductive effects. The independent steering committee (with which FDJ is not associated) chose to continue the experiment to verify its reproducibility before considering national deployment.

In addition, to address emergency situations, FDJ tested a pilot project in Risk and Damage Reduction experiments. That intermediation between volunteer retailers and the medical, psychological and social sector was positive and will be consolidated. A new driver focused on advanced search will be implemented with volunteer retailers and players.

Innovation through mobilisation: “CSR Guidelines” for European Lotteries

After it initiated the “Responsible Gaming” certification for the European Lotteries Association, FDJ launched the “CSR Guidelines” project to broaden the area of responsibility in the lottery sector for all CSR topics beyond Responsible Gaming in accordance with the ISO 26000 standard.

In 2015 and 2016, the CSR Guidelines were produced and finalised by a working group made up of European lottery CSR experts. Since 2017, the document has been translated into French, Italian, Spanish and German for online publication accessible to members of European Lotteries. There are plans to consider a certification or CSR label for European lotteries by 2020.



Innovation through technology

Nudge

Following a study conducted in 2015, FDJ decided to take another step forward in prevention, broadcasting short video clips based on the principles of behavioural economics. This discipline at the crossroads of economics, sociology and psychology seeks to show that human behaviour and decision-making in particular are constantly influenced by a set of unconscious and “irrational” cognitive biases. All of the levers that use “soft” influence to trigger these behaviours are called “nudges”. The Responsible Gaming videos that have been broadcast on the Amigo Live channel since September 2017 reflect this principle and seek to encourage “point of sale” players to think about their practices and to set a budget in advance. They feature two dogs that play the role of messengers, intermediaries who teach players to be responsible while building trust and forming non-stigmatising, non-judgemental relationships with them.

Chatbot

To optimise the efficiency of preventive actions, FDJ will employ artificial intelligence through the use of a chatbot. “Chat” as in online discussion and “bot” as in robot. A chatbot is software programmed to simulate a conversation in natural language. A study to be conducted in early 2018 will determine whether the chatbot should focus on the prevention of underage gambling and problem gambling or whether it should broaden its scope to cover all CSR. The conversational agent will be available on the FDJ.fr website.

New technologies and IBM partnership



To strengthen its international image as a thought leader in the world of lotteries and its fight against fraud and money laundering, FDJ has chosen to use innovative tools to facilitate the processes already in place. In 2017, FDJ continued to implement a system that facilitates the analysis of thousands of items of data. This project was launched in partnership with IBM in 2016. The system, which will facilitate faster detection of risky behaviour, will be put into service in 2018 at FDJ and other lotteries that want it. Thanks to this innovative system, FDJ won third prize for innovation at the European Lotteries (EL) Congress in Krakow.

2.4.5.2 CSR Outlook

The CSR initiative (including Responsible Gaming) launched more than 10 years ago strongly contributes to the achievement of the general interest objectives assigned to FDJ. Proposals for continuous progress will once again be on the agenda. The CSR priorities defined each year are consistently challenged. In 2017, priorities included actions to combat underage gambling and actions targeted towards seniors, the environment or accessibility at points of sale. These projects will continue in 2018 and new CSR priorities will be determined in relation to strategies and business lines.

Finally, the implementation of integrated reporting will make it even easier to meet the expectations of FDJ stakeholders to make the Group’s CSR performance more readable.

2.4.6 Social, societal and environmental performance

2.4.6.1 About 2017 CSR reporting

Every year, FDJ publishes extra-financial reporting to assess and report its social, societal and environmental performance to its stakeholders. This year, it is implementing the provisions of Order No. 2017-1180 of 19 July 2017 and Decree No. 2017-1265 of 9 August 2017 relating to the declaration of extra-financial performance.

As a result, this year, it consists of:

- ◆ indicators related to Article L.225-102-1, audited annually by an independent third party that monitors the presence and fairness of the information provided;
- ◆ performance indicators relevant to FDJ's sector of activity (voluntary approach). They make it possible to measure the performance of our CSR policy and to oversee the action programme. A selection of these indicators is also audited by the same independent third party;
- ◆ they are new indicators that align with the extra-financial performance statement.

A methodological note, from the reporting protocol clarifying the methods for collecting, calculating, and consolidating information is published on the Group's institutional website (<https://www.groupefdj.com/>).

The 2017 reporting scope is the FDJ Group including the FDJ parent company and eight subsidiaries: La Française d'Images, LotSys, La Française de Motivation, La Pacifique des Jeux, la Société de Gestion de L'Échappée (SGE), FDJ Développement, FDP and LVS. For some indicators, the scope is limited as certain subsidiaries are not directly concerned by the indicator or are unable to provide the information.

The indicators highlighted in pink below have been verified by the independent third party.





2.4.6.2 Table of indicators

COMMITTED TO ENTERTAINING AND PROTECTING

		Scope	2016	2017
E4	Qualitative information on conditions for dialogue with stakeholders	Group	-	-

The Social Laboratory allows dialogue and co-construction between FDJ stakeholders (including associations) and the various FDJ businesses. Consultations are organised by a specialised agency that act as a third-party facilitator and guarantees a balance between speaking and contributing. After two cycles, four years of work with fifteen civil society organizations (CSOs) and as many internal contacts within the various FDJ businesses, the Social Laboratory has proved its usefulness. 2017 appears to be the year of maturity. The collection of feedback from internal and external participants in the 2016-2017 cycle is underway. Some CSOs have already spontaneously given very positive feedback and expressed their willingness to continue to be part of the scheme. The momentum from the 2014-2015 cycle that makes the laboratory "dynamic, valuable and useful" will last for the long term.

A combination of trustful relationships and high-quality work, the Laboratory has enabled in-depth exploration of sensitive CSR topics and Responsible Gaming at FDJ, risk reduction or the prevention of underage gambling, identify potential practices that will improve FDJ's social commitment and lead to concrete recommendations on the management of a certain number of communication, ethical and other risks. One of the recognised benefits of the Social Laboratory is that it allows a form of cross-disciplinary work between FDJ's businesses, many of which have been associated with its work. Five meetings were organised over the 2016-2017 cycle, one of which was postponed to 18 January 2018. By way of reminder, the topics and provisional calendar for the meetings were chosen by FDJ and the members of the Laboratory and intersect with FDJ's strategic and/or operational priorities and the subjects deemed to be most important by the member CSOs. The third cycle (2018-2019) is in preparation and will be shared with CSOs before the end of the first quarter of 2018.

E12	Proportion of employees on fixed-term and permanent contracts trained on CSR issues	FDJ	25.3 %	72.7 %
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The continuation of the first FDJ COOC (Corporate Open Online Course) on CSR themes has made almost all employees more aware of the Company's CSR policy. Accordingly, 872 employees validated the four training modules as at the end of 2017, adding to the 185 employees who had already completed them in 2016. This unique performance was achieved in record time, thanks to this new digital and collaborative training programme. Changes in training and learning methods allow for the mixing of tools (webinar, video training, COOCs, face-to-face, practical workshops, digital mentoring, co-development) so that the individual and collective needs of the Company can be effectively met.

E101	Certification under Responsible Gaming standards	Group	Yes	Yes
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Audited every three years in accordance with the requirements of that standard, FDJ has been 100% compliant on a continuous basis since 2012. These results are supported by the partial audit conducted in October 2017, whose results were 100% compliant. The next full audit will take place in 2018.

E102	Funds dedicated to FDJ's Responsible Gaming partnerships during the year	FDJ	€860 thousand	€1,080 thousand
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To meet the needs for assistance and guidance for players and vulnerable people, FDJ consolidated its support to aid structures: SOS Joueurs, CRÉSUS, l'Institut du Jeu Excessif (and its related structure "Vers un... apprendre à miser sur soi"), Institut Fédératif des Addictions Comportementales including the Centre de Référence sur le Jeu Excessif (IFAC-CRJE), Addict'aide, Association e-Enfance, Fédération Nationale des Écoles des Parents et des Éducateurs, Secours Populaire Training Institute and the French Red Cross. Emphasis was placed on prevention by third parties among youth.

Attention was first given to enhancing the psychosocial skills of young people. Noteworthy in this regard is the inter-association collaborative work on self esteem, led by the Les Petits Citoyens association. It offered childcare and education professionals awareness days on the issue of young children's self-esteem (development of psychosocial skills/prevention of risky behaviours, training in use of the game Estimo to encourage discussions about practices and experiences between professionals) and supported the production of that game. As for the French Red Cross, volunteers have been trained in the use of the educational game Estimo so that they can deploy it throughout the national network.

At the same time, an addiction prevention programme was also designed by the French Red Cross teams for adolescents and developed in light of a study on the representation of risks among lower secondary students.

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Scope

2016

2017

Association e-Enfance continued its workshops in partnership with the Ministry of Education on the responsible use of the Internet for minors and their parents and continues to provide help and assistance to those same populations through the national number for the protection of minors online (Net Écoute 0800 200 000).

Finally, the "Bien Jouer" pilot project for educational prevention carried out by SEDAP and an independent scientific council has kept its promises of early intervention with schoolchildren. Project testing and consolidation of research are underway and a spin-off is planned.

In addition to this support for third-party projects for younger children, for FDJ, 2017 was marked by three major commitments:

1 – The pilot project on Risk and Harm Reduction, customised for gaming and initiated with medical and social actors, which FDJ concluded with encouraging initial results. Meeting players "where they are" was an approach that was broadly accepted by retailers and players. As a result, based on the recommendations of internal and external intermediate evaluations (OFDT), it was agreed that we should continue this pilot and orient ourselves more specifically towards two research actions:

- one is being conducted with Fédération Addiction and three volunteer addiction support centres (CSAPA) specialized in addiction without substance and pursues the goal of acculturation and early identification in 16 volunteer points of sale in Bordeaux, Provins and Valenciennes;

- the second is a research observation project initiated by SEDAP on the concept of self-support and self-help by peers (voluntary collaboration between retailers and players). This project, which was limited to the city of Dijon and its surroundings, was discussed in a shared ethical reflection that resulted in the drafting of a reference framework. The approval of the Research Ethics Board was also requested.

In terms of research into prevention in digital spaces (called "Prevention 2.0"), an initial prospective study has been initiated. In practice, this means that FDJ must fund a research observation called "Study of protection and vulnerability factors in digital spaces among millennials" and participate in the working group led by the Mission Métropolitaine de Prévention des Conduites à Risque (MMPCR). The working group will draw on the results of this study and the contributions of its members to propose recommendations for prevention.

2 – In the field of research in the humanities and social sciences, FDJ renewed its support of the GIS (Scientific Research Group) "Jeu et Sociétés" for three more years. FDJ's long-term enrolment commitment to this partnership has enabled this group, which now consists of the Universities of Paris Nanterre, Paris Descartes, Paris 13 and Paris Sorbonne, to make possible the production, publication and distribution of research projects in literature, the humanities and social science about gaming in all its dimensions. As a result, gaming and how it is practised, a theme long neglected by researchers, is now starting to become an academic field in its own right both in France and internationally. In addition, this year was an opportunity for the GIS to rethink the Ludocorpus tool, which was designed to promote its research partners and further strengthen the value of their work.

3 – As regards the field of addiction more specifically, FDJ promoted the dissemination of knowledge through further support of professional symposia (e-Congrès, Albatros and the Congrès Français de Psychiatrie). In this respect, it has favoured the networking of major care providers with CRESUS, whose actions in harm reduction (over-indebtedness) are not sufficiently known. Beyond this initial contact, collaboration between these stakeholders is expected to intensify in 2018.

Sponsorships and partnerships continued to be managed according to the stricter prudential regulations in 2017 to prevent any conflicts of interest (application of the Sapin II law). In 2017, the FDJ budget for aid structures, prevention/Risk and Harm Reduction actions and research amounted to €1,080 thousand (including €144 thousand for the GIS), an increase of more than 25.5% compared to 2016 (and nearly 74.4% since 2010).

E103	Overall rate of compliance of points of sale	Group	74.2%	90.6%
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The purpose of network inspections is to verify the compliance of points of sale with behavioural, commercial, contractual or regulatory criteria, including seven Responsible Gaming criteria.

E567	Share of retailers inspected for Responsible Gaming procedures and safety during the year	Group	99.9%	97%
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The calculation for the 2016 data was the number of points of sale inspected out of the total number of points of sale. In 2017, the points of sale coverage rate was calculated on the basis of active retailers at 01.01.2017 that were still active at 31.12.2017.

E125	Qualitative information about the support tool to detect sensitive cases made available to customer services	FDJ	-	-
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This matrix, which was put in place by FDJ in 2015 and is available to customer advisers, enables level 2-identified sensitive cases to be traced as quickly as possible. There are two types of cases: sensitive cases (proven cases with the risk of damage to FDJ), and alert cases (sensitive cases with tangible proof provided by the player). The purpose of this tool is rapid reaction to such cases. In 2017, 600 sensitive cases were reported to be Level 2.





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		Scope	2016	2017
E133	Number of big prize winners taking advantage of the services offered by FDJ through its support programme	Group	201	170
E134	Number of big prize winners	Group	354	316

There was only one European Millionaire Draw in 2017 compared to five in 2016.

E401	Qualitative information on the Company's efforts to take environmental issues into account and, where appropriate, assessments or certification	Group	-	-
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FDJ has dedicated itself to environmental efforts on a Group scale through integration of the greenhouse gas emissions of its subsidiaries. The action plans implemented include optimisation of travel and the reduction of the CO₂ impact of employee transport, reduction of site energy consumption (for FDJ-owned sites) and reduction in paper use (gradual digitisation of administrative documents, recycling of gaming materials, digitisation of gaming materials, etc.) as well as recycling of most waste at sites and end-of-life materials at points of sale.

E402	Qualitative information on the resources devoted to preventing environmental risks and pollution, and expenditure incurred to prevent operations from negatively impacting the environment	Group	-	-
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The tertiary nature of the FDJ Group means that it does not generate pollution with significant environmental impacts. The pollution and risk components are therefore not applicable. However, the FDJ Group continues to be vigilant, measuring its Carbon Footprint every three years in conjunction with action plans to reduce it.

E411	Oil consumption during the year	Group	3,000 litres	3,000 litres
E412	Natural gas consumption during the year	FDJ + FDP	4,383,870 kWh PCI	3,644,535 kWh PCI
E413	Electricity consumption during the year	Group excluding LVS	19,695,258 kWh	19,395,414 kWh
E414	CO ₂ emissions generated by energy consumption during the year	Group excluding LVS	2,838,692 kg CO ₂ eq.	2,579,629 kg CO ₂ eq.
E415	Qualitative information on changes in FDJ's Bilan Carbone™ (carbon accounting) results	Group	-	-

In 2015, FDJ completed its third Bilan Carbone. There was a 30% drop in greenhouse gas emissions from a total of 40,000 tonnes to 27,000 tonnes of CO₂ equivalent (in the FDJ parent company scope). The FDJ Group's emissions were assessed at 31,050 tonnes of CO₂ equivalent. A reduction action plan has been implemented for 2020 with a reduction target of 10% of our CO₂ emissions compared to 2014.

In 2017, the action plan focused on the FDJ sales force automotive fleet (average emission rate approaching 100g CO₂ per km vs. 124g in 2014). Despite this effort, the fleet's carbon impact was not reduced due to the increase in the number of kilometres travelled.

On the other hand, the purchase of paper for administrative purposes fell by 24% between 2016 and 2017 at FDJ parent company sites (Boulogne, Moussy and Vitrolles).

A new Bilan Carbone measurement will be taken in 2018.

E416	Water consumption during the year	Group excluding LVS	16,895 m ³	22,078 m ³
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The increase in water consumption is due to the integration of LotSys' consumption and a greater use of non-potable water for watering at the Vitrolles site.

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		Scope	2016	2017
E423	Total waste recycled	FDJ + FDP headquarters	53 tonnes	115 tonnes
In preparation for the move, Cleaning Weeks were held in 2017.				
E424	Qualitative information on waste prevention, recycling and disposal measures	Group	-	-
<p>The FDJ Group is implementing several measures to raise employee awareness on waste management. For example, during European Sustainable Development Week in 2017, an effort by the Zero Waste association raised employees awareness of waste reduction. A solidarity collection was also carried out for Emmaüs to give a second life to pre-owned employee items. For several years, FDJ has been committed to recycling its waste. Various actions have helped promote recycling such as the setting up dedicated bins for the collection of paper, used ink cartridges and coffee pods. In addition, FDJ organises Cleaning Weeks every year during which employees can clear out some of their archives in dedicated bins.</p>				
E426	Share of FSC paper used to manufacture gaming materials	Group excluding PDJ	100%	100%
E427	Share of recycled paper used to manufacture scratch cards	Group excluding PDJ	20% ⁽¹⁾	20%
E452	Qualitative information on environmental protection training and educational initiatives for employees	Group	-	-
<p>To expand knowledge of FDJ's CSR policy internally, a mandatory online training module was set up at the end of 2016. The COOC (Corporate Open Online Course) trained more than 1,000 employees at the end of 2017. This training includes a video and quiz specifically focused on the environment, to explain FDJ Group's carbon impacts and the reduction action plans implemented following the Bilan Carbone. A video about eco-gestures is also included in the training module. Finally, during European Sustainable Development Week, employees are made aware of the environment. In 2017, employees were made aware of the "Zero Waste" theme.</p>				
E453	Qualitative information on measures to prevent, reduce or remedy discharges into the air, water and soil with a serious impact on the environment	Group	-	-
<p>The FDJ Group's sector of activity does not generate pollution with a serious impact on the environment. However, FDJ continues to be vigilant on this matter, mainly through its recurring Bilan Carbone assessment and implementation of an action plan to reduce greenhouse gases.</p>				
E454	Qualitative information on management of noise and light pollution and other forms of pollution specific to an activity	Group	-	-
<p>The FDJ Group does not create noise pollution or any other form of pollution specific to its sector of activity.</p>				
E455	Qualitative information on measures taken to preserve or restore biodiversity	Group	-	-
<p>The FDJ Group has no major negative impacts on biodiversity. All gaming materials are FSC-certified (paper produced from sustainably managed forests) and therefore contribute indirectly to the protection of biodiversity. FDJ has also introduced initiatives in this area, such as the installation of beehives on the Moussy site.</p>				

(1) Correction of the 2016 financial and non-financial report.





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		Scope	2016	2017
E456	Qualitative information on consumption of materials and measures taken to improve their efficient use	Group	-	-
<p>FDJ's Bilan Carbone confirmed that gaming materials (scratch cards, newsletters and game receipts) have a significant carbon impact. Since 2012, FDJ has decided to FSC-certify all of its gaming materials to make sure the paper used for them is derived from sustainably managed forests. FDJ scratch cards are also of 20% recycled paper. After conducting a feasibility study in 2017 in cooperation with its printers, FDJ was unable to increase the percentage of recycled paper in its cards because of the technical constraints of printing on a "paper money" type of paper.</p>				
E501	Number of fixed-term and permanent contract paid staff at 31 December	Group	2,105	2,132
E504	Number of work-study contracts during the year	Group	111	117
E505	Number of part-time permanent staff at 31 December	Group	44	38
E509	Qualitative information on the organisation of working time	FDJ	-	-
<p>The vast majority of FDJ employees are full-time, broken down as follows: 81% work full days, 9% work flexible hours and 10% are on regular schedules. Part-time employees (around 1.40% of the workforce at 31 December 2017) chose this working time organisation as part of their work-life balance. More specifically, teams working on fixed schedules (regular schedules or staggered schedules) manage activities related to the drawing and publication of the results of our games, the production of sports forecasts and the security and monitoring of the games on the whole, at our distribution channels, at our sales network's contact centre, and through oversight and supervision of IT production. It should be noted that as part of its efforts to promote work-life balance, at 31 December 2017, 13% of FDJ employees work remotely (vs 7.90% in 2016).</p>				
E510	Absenteeism rate	FDJ	5.13%	4.84%
<p>This includes days of absence for the following reasons: illness, maternity, work and commuting accidents, parental leave, family and other events (sick child, service recognition awards, exceptional employee days). The calculation is based on the number of theoretical days worked.</p>				
E520	Workplace accident frequency rate	FDJ	1.690	1.593
	Workplace accident severity rate		0.011	0.013
<p>The frequency rate is calculated using the following ratio: (number of accidents/hours worked) x 1,000,000. The severity rate is calculated using the following ratio: (number of days lost due to temporary disability/hours worked) x 1,000.</p>				
E511	Number of women employed under fixed-term and permanent contract at 31 December	Group	915	913
E512	Percentage of female employees at 31/12 of the year	Group	43%	43%
E519	Percentage of female managers	Group	33%	34%
E515	Qualitative information on the effect of gender equality measures on the wage policy			
<p>Under the 2017 FDJ wage policy, 98 employees (94 women and 4 men) benefited from an individual pay rise via the dedicated gender equality budget. In addition, 158 employees moved into a higher pay bracket in 2017 (13% of women, 12% of men).</p>				

COMMITTED TO ENTERTAINING AND PROTECTING

		Scope	2016	2017
E517	Qualitative information on employee promotion	Group	-	-
<p>In 2017, FDJ obtained the workplace gender equality label. The triennial gender equality agreement (2016-2018) has four main points:</p> <ul style="list-style-type: none"> - increasing the percentage of women in managerial positions so as to have the same percentage of female managers as women in the Company; - equal pay for men and women with the introduction of a dedicated annual budget, the amount of which was doubled in 2017; - implementation of a parenting guide to promote a better balance between work and personal life; - promotions of women and men are analysed during performance reviews. 				
E516	Qualitative information on the anti-discrimination policy	Group	-	-
<p>In 2017, FDJ obtained another workplace gender equality label. Regarding social origins, FDJ supports the sponsorship by employees of young graduates from underprivileged backgrounds and works with Mozaïk RH for the recruitment of employees from such backgrounds. An action plan for younger senior citizens and seniors was defined for implementation starting in 2018. Regarding young people, FDJ continues its recruitment efforts among work-study students. Efforts to raise awareness of disabilities continued among FDJ Group employees in 2017 with the T'Handi Quoi quiz, as did support for employees with disabilities.</p>				
E518	Percentage of employees with disabilities (of which direct % and indirect %)	FDJ	6.51%	6.58%
<p>In 2017, the percentage of employees with disabilities was 6.58% (direct rate: 4.41% and indirect rate: 2.17%).</p>				
E523	Number of permanent contract hires	Group	147	176
<p>It should be noted that in 2016, no intra-group transfers were recorded. The change is mainly due to FDJ, which continues its digital transformation. The Company has recruited in key areas of Digital Technology and Customer Knowledge. Logistics business numbers also increased to handle the increase in business generated by continued direct distribution. For several years, FDJ has continued to modernise its information system through a reinforcement plan.</p>				
E524	Number of departures (excluding expired contracts) during the year	Group	169	152
E531	Median full-time equivalent monthly basic salary of permanent and fixed-term contract staff at 31 December	Group	€3.46 thousand	€3.50 thousand
E532	Qualitative information on the annual wage policy	Group	-	-
<p>For the last three years, collective measures have declined in favour of individual increases and the number of individuals receiving increases. At the same time, a variable-component system has been implemented for all management. The goal is to achieve a variable component equal to one month's salary. In addition, in 2017, the individual increase budget dedicated to correcting pay gaps between men and women was doubled.</p>				
E541	Percentage of total payroll spent on training	FDJ	4%	4.5%
E542	Total training hours	Group	33,794	42,404
E544	Number of training hours per employee trained	Group	22	20
E545	Percentage of fixed-term and permanent employees trained during the year	Group	85.2%	92%





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		Scope	2016	2017
E564	Qualitative information on training policies implemented	Group	-	-
<p>The FDJ training policy aims to support the Company in its transformation and strategic priorities. It dedicates a significant part of its budget to employee training (4.5% of its payroll). In this way, FDJ enables as many employees as possible to develop their skills and ensure their employability.</p> <p>Half of the training plan is devoted to the employability of the workforce through skills training, as well as training related to relational or professional effectiveness skills (pitching, lean start-ups, etc.).</p> <p>More than 20% of the plan is dedicated exclusively to digital technology. In addition to webinars, tutorials, traditional training courses or digital platforms, FDJ has deployed a vast network of digital mentors (66 employee volunteers), each of whom support 20 or so employees in the appropriation of new digital uses related to Office 365 or social networks.</p> <p>Face-to-face training sessions for such topics as professional gender equality to boost the professional impact of women in managerial positions have been maintained with new groups and the continuation of the 2016 groups.</p> <p>Also, to help employees develop positive professional dynamics and acquire good mobility practices, FDJ has tested new innovative collective training led by a coach that sheds light on the importance of the human dimension in professional profile evaluation.</p> <p>In addition, a study on FDJ seniors (over 45 years old) and a working group on the subject highlighted the need to create a customised personal development training offer. Pilot training sessions were tested and will be rolled out in 2018.</p> <p>Lastly, 15% of the plan concerned managerial training, with a 3-module curriculum for new managers and training on coaching in the digital age (continued deployment to all managers of the FDJ Group).</p> <p>FDJ works with around a hundred partners with long-term commitments and framework agreements to optimise training purchases. The discounts negotiated benefit the entire FDJ Group.</p> <p>For 2018, as part of its plan to relocate and transform working methods, FDJ is proposing QLW services to make day-to-day life easier for employees.</p>				
E552	Qualitative information on occupational health and safety	Group	-	-
<p>FDJ's occupational health and safety (OHS) management system is part of a continuous improvement efforts in prevention and the safety of people and property.</p> <p>In this way, FDJ develops the performance, customer satisfaction and workplace well-being of the FDJ Group's employees by offering motivating, comfortable and secure work environments that comply with regulations.</p> <p>FDJ has been involved for several years in training and awareness efforts for safety, prevention and risk analysis among its employees, service providers, suppliers.</p> <p>In 2017, FDJ conducted a regulatory compliance audit at all of its sites. Progress monitoring and action plans were conducted.</p> <p>As part of the relocation of its headquarters, FDJ has defined a new real estate regulatory framework. The Company has also digitised the single risk assessment document and thus capitalised on historical data from previous years.</p> <p>Developing OHS culture and sharing good practices are clear, shared objectives within the FDJ Group.</p> <p>These actions promote the strategy of the FDJ Group, anticipate working methods and contribute to the attractiveness of the employer brand.</p>				
E561	Qualitative information on social dialogue and the assessment of collective agreements during the year, especially with regard to occupational health and safety	Group	-	-
<p>Within the Group, meetings with staff representatives (Central Works Council/Works Council/Staff Representatives/Health & Safety Committee/Single Staff Delegation/Group Committee) generally take place at least once a month. On these occasions, all matters concerning the general operation of the Company, including entity reorganisation proposals, are presented for approval. In 2017, the proposed sale and relocation of the Moussy site, the draft FDJ rules of procedure, the draft professional smartphone use charter and the draft ethics charter were presented.</p> <p>Trade union negotiation meetings take place within FDJ, FDP and FDI. Within FDJ, around 30 meetings with trade union representatives took place in 2017. These meetings focused on various topics and resulted in the signing of seven agreements for employee savings (profit-sharing, company savings plans, collective pension plans) and mutual benefits (manager agreements, FDJ non-manager supplementary pension allocation plan) and the donation of days.</p> <p>Other negotiating topics were discussed in 2017 and discussions will continue in 2018 with social partners on topics such as standby shifts and Group participation.</p>				

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		Scope	2016	2017							
E563	Qualitative information on breakdown of employees by age group	Group	-	-							
60 and older	55 to 59	50 to 54	45 to 49	40 to 44	35 to 39	30 to 34	25 to 29	20 to 24	15 to 19	Total	
	71	247	301	348	362	323	249	185	46	0	2 132
E565	Rate of employee commitments	FDJ	77%	79%							
<p>FDJTeam is an internal survey conducted every 6 months to measure the level of commitment of FDJ Group employees. FDJTeam covers six themes: quality of life/well-being, opportunities/professional development, involvement, local environment (working environment and manager), recommendation, strategic alignment.</p>											
E566	Information on measures to combat food waste	Group	-	-							
<p>This indicator is not significant in view of the sector in which the FDJ Group operates (gaming).</p>											

INTEGRITY TO GUARANTEE ETHICAL COMPLIANCE

		Scope	2016	2017
I3	WLA SCS (Security Control Standard)/ISO 27001 certification	Group	Yes	Yes
<p>Euro Millions certification is mandatory to operate the Euro Millions game (in Europe, 10 lotteries operate this game). To obtain this certification, the World Lottery Association (WLA) certification is required, which in turn requires ISO 27001 certification. That standard ensures information security. FDJ has been certified since 2008, and a compliance check is also performed annually. Certification can be obtained following an audit of information systems processes. FDJ has chosen to extend the audit to all of the Company's processes.</p>				
I103	Qualitative information on actions to prevent corruption and money laundering	Group	-	-
<p>FDJ has several highly effective operational measures in place to root out any suspicious activities that do not comply with its gaming model. The Director of Security is in charge of this mission. He and his team report directly to FDJ's Deputy Chief Executive Officer. A department is dedicated to the fight against fraud and money laundering. FDJ has also strengthened its measures by appointing , within the Security Department team, an expert in the field, to oversee the implementation of measures to evaluate and manage risks of money laundering and the financing of terrorism. Missions have two major focuses: prevention and surveillance. FDJ regularly undergoes internal and external controls. Each year, FDJ submits its annual action plan for combating fraud and money laundering for the approval of the Minister for the Budget, who regulates its gaming and gambling monopoly. This plan is reviewed by the COJEX (Committee On Gaming And Betting Under Exclusive Rights), which is tasked with providing the Minister with the relevant information on which to base his or her decisions. In 2017, network inspectors conducted nearly 31,000 inspections at points of sale in mainland and overseas France (the West Indies, French Guiana and Réunion). The purpose of these inspections is to verify several security and Responsible Gaming criteria to ensure the compliance of points of sale with behavioural, commercial, contractual or regulatory criteria. In 2017, the point of sale compliance rate was 90.6%. All points of sale that comply with the Responsible Gaming criteria receive a bonus, an additional 0,2% annual commission.</p>				
I123	Weekly average bet per player during the year	Group	€10.6	€11.2
I314	Total government levies on stakes	Group	€3,060 million	€3,236 million



INTEGRITY TO GUARANTEE ETHICAL COMPLIANCE

		Scope	2016	2017
I213	Share of revenue from promotional item production orders placed in factories located in high-risk countries and certified SA 8000 or subject to a social audit	FDJ	98%	98%
I216	Qualitative information on inclusion of CSR objectives in the procurement policy and consideration of CSR aspects in relationships with suppliers and subcontractors	FDJ	-	-

In 2017, FDJ began to approach supplier control in a more global manner. Various CSR projects support these efforts.

FDJ initiated a process to measure the social and environmental performance of its suppliers. To develop and objectify this analysis, FDJ called upon EcoVadis, a recognised provider of CSR supplier evaluation services. EcoVadis assists FDJ in the management of supplier risk from a CSR perspective by giving it a dynamic view of their CSR commitments. This approach conducts CSR evaluations of suppliers from an environmental, social, ethical and supply chain perspective.

Responsible purchasing practices training is a lever of performance: in 2017, FDJ buyers were made aware of ethical commitments as they relate to the duty of care. Duty of care is an obligation on the part of the contracting companies to prevent social, environmental and governance risks related to their operations that may also extend to the activities of their subsidiaries and their commercial partners (subcontractors and suppliers).

By 2020, FDJ aims to obtain the "Supplier Relations and Responsible Purchasing" label from the Inter-Company Mediator. This label is an extension of the Responsible Supplier Relations Charter and demonstrates commitment on the part of the companies that have been awarded it.

I221	Percentage of French purchases in SMEs	FDJ+FDP + LotSys	2015: 24%	2016: 29%
I222	Amount of purchases in the ESAT	FDJ + FDP + FI + LotSys + SGE	€709 thousand	€707 thousand
I224	Local economic footprint	FDJ	2015: 90%	2016: 87%

In 2016, the total amount of FDJ purchases made in France was €367 million, or nearly 87% of purchases in terms of value.

SOLIDARITY TO BE USEFUL TO ALL

		Scope	2016	2017
S315	FDJ Corporate Foundation budget	FDJ	€3,817 thousand	€4,200 thousand
S325	Qualitative information on partnership and corporate philanthropy	FDJ	-	-

The FDJ Corporate Foundation has been working for 25 years in sport sponsorships with young athletes and people excluded from sport, especially those with disabilities. In 25 years of existence, the social context in which the FDJ Corporate Foundation operates has changed. Inequality in France is at alarming levels. Based on this observation confirmed by many studies and given the evolution of French society and emerging new needs, and also to be more in line with the new challenges of its parent company (innovation, collaborative spirit, adaptation to digital technology and local involvement), the FDJ Corporate Foundation and its stakeholders have been reflecting on what changes to make to the entity since 2016. In the second half of 2017, the FDJ Corporate Foundation set a new course for its action and is committed to promoting equal opportunities through gaming in the areas of education, training and integration with a new action programme. This new mission echoes FDJ's basic purpose and shores up the legitimacy of the FDJ Corporate Foundation. Equal opportunity is a deeply optimistic value shared by the brand that is based on the origins of FDJ with the French National Lottery created in 1933 to help wounded veterans of the First World War. The gaming dimension is directly related to its corporate culture, and its core business, games, whatever their form, allow for a "fun" and inclusive approach to learning. By using games as a lever for equality of opportunity, the FDJ Corporate Foundation aims to help everyone realise their potential, uncover their talents and improve their lives through integration into society. To introduce this new social purpose, the FDJ Corporate Foundation has launched a call for projects that has allowed it to forge links with associations such as Bibliothèques sans Frontières, Réseau Étincelles, and Coup de Pouce, which it has agreed to support for at least two years. Throughout the past year, the Foundation has continued to support beneficiary associations in the areas of Sport, Solidarity and Disability and has supported them during its change of course. Starting 6 January 2018, the Foundation will begin its sixth five-year period by helping to reduce inequalities in education and social and professional integration, with particular attention paid to the integration and reintegration of people with disabilities. 25% of the budget is devoted to disability.

S322	Amount of commissions paid to retailers	Group	€718 million	€755 million
S323	Qualitative information on the regional, economic and social impact of operations in terms of employment and regional development	Group	-	-
S324	Qualitative information on the regional, economic and social impact of operations on neighbouring and local populations	Group	-	-

FDJ wanted to know its economic and social impact in France, so it commissioned BIPE, a strategic analysis and economic forecast consulting firm, to conduct a study.

The methodology used incorporates the international standards for evaluating economic impacts used by the major authorities, including the UN and the European Commission.

The assessment conducted for 2016 considers four levels of impact: direct, indirect, induced and catalytic effects caused by FDJ activity in France.

- Direct impact corresponds to the activity created by the activities of the entity (e.g. FDJ employee salaries, etc.).
- Indirect impact is the sum of services provided by suppliers of goods and services on behalf of direct stakeholders. Indirect social impact is defined by the jobs needed to perform those same services (e.g. our maintenance expenses generate employment for our service providers) and by civil service jobs considered to be related due to the specific government levies on FDJ games.
- Induced impact is the result of spending by direct and indirect employees (suppliers and retailers) on their usual place of living (e.g. employees' food expenses).
- The catalytic impact measures externalities not previously taken into account. In the case of FDJ, these are the Group's specific contributions to public services related to the levies on player stakes and dividends paid (excluding the general corporate tax system and VAT).

The firm that conducted the study totalled the wealth generated by FDJ nationwide at €5.1 billion. The Company thus contributes 0.2% to the French Gross Domestic Product (GDP), a contribution comparable to the pharmaceutical or agri-food industries.

The Company's activity has helped to create or sustain 52,000 jobs in France, mainly in its local network consisting mainly of bars, tobacconists and newsagents (19,500 jobs, or a quarter of the 80,000 jobs in its sector).



SOLIDARITY TO BE USEFUL TO ALL

		Scope	2016	2017
	FDJ contributes significantly to three ecosystems.			
	<ul style="list-style-type: none"> • The national community: €3.3 billion in payments to the State generated specifically by gaming activities. • Suppliers and local merchants (retailers) with 240,000 employees. • French sport: €250 million in a sector that employs 240,000 people. 			
S566	Share of FDJ employees contributing to the solidarity salary rounding as a proportion of total payroll for the financial year	FDJ	25%	22%
	<p>At 31 December 2017, 292 FDJ employees have signed up to the solidarity rounding scheme versus 320 in 2016. The donations in 2017 amounted to nearly €21,127 (employee share: €10,563.37 and FDJ share: €10,563.37) versus €19,872 in 2016.</p> <p>With this scheme, which was implemented in 2013, FDJ democratises community support by making donations accessible to the largest number and enabling all employees to support solidarity projects in a simple, spontaneous and painless way. For FDJ, with its aim of improving its corporate responsibility, it is a way of encouraging commitment and involving its employees in this community support action.</p> <p>Employees are given two options for their donations:</p> <ul style="list-style-type: none"> – the ADIE, an association that helps people who do not have access to bank credit to start their own business; or – equal donations to three associations supported by the FDJ Corporate Foundation: Comme les Autres, À Chacun son Everest and Média Pitchounes. 			
S567	Share of mutual fund investments in socially responsible investment funds	FDJ	16%	17%

PIONEERS IN SHIFTING LINES

		Scope	2016	2017
P135	Percentage of Playscan registrations identified as "green" risk out of FDJ players who placed stakes over the previous ten weeks visiting the fdj.fr website	Group excluding PDJ	94%	93.8%
P136	Percentage of Playscan registrations identified as "orange" risk out of FDJ players who placed stakes over the previous ten weeks visiting the fdj.fr website	Group excluding PDJ	4%	4.5%
P137	Percentage of Playscan registrations identified as "red" risk out of FDJ players who placed stakes over the previous ten weeks visiting the fdj.fr website	Group excluding PDJ	2%	1.7%

2.4.6.3 Table of concordance of FDJ material issues with UN Sustainable Development Goals (SDGs)

To integrate the Sustainable Development Goals into its CSR programme, FDJ has aligned its material challenges with the SDGs. The table below is an initial inventory of FDJ's progress for each goal with a summary of material issues.

United Nations Sustainable Development Objectives	FDJ actions
Committed to entertaining and protecting	
 <ul style="list-style-type: none"> ◆ 12.1 Implement sustainable consumption and production methods 	<ul style="list-style-type: none"> → Prevent under-age gambling by training all sales agents → Minimise the risks associated with our activities and prevent problem gambling by inspecting all points of sale annually
 <ul style="list-style-type: none"> ◆ 5.5 Guarantee the full and effective participation of women at all levels of decision-making  <ul style="list-style-type: none"> ◆ 10.2 Promote independence for all individuals and foster social, economic and political inclusion 	<ul style="list-style-type: none"> → Encourage diversity and professional equality for all employees with women comprising 40% of management staff and disabled persons comprising 6% of the overall headcount
 <ul style="list-style-type: none"> ◆ 4.4 Substantially increase the number of young people and adults, with the skills required for employment, to access a decent job or entrepreneurship 	<ul style="list-style-type: none"> → Attract and retain talented individuals by ensuring their development by training all employees on CSR
 <ul style="list-style-type: none"> ◆ 8.4 Progressively improve the efficient use of global resources in terms of both consumption and production ◆ 8.8 Defend workers' rights, promote safety in the workplace and ensure the protection of all workers 	<ul style="list-style-type: none"> → Encourage responsible purchasing by using paper sourced from sustainably managed forests for gaming materials → Ensure health, safety, well-being and security at work by conducting an annual study to measure employees' quality of life at work
 <ul style="list-style-type: none"> ◆ 13.3 Improve approaches towards adapting to climate change, mitigating its effects and reducing its impact 	<ul style="list-style-type: none"> → Reduce the environmental impact of the company's business by cutting greenhouse gas emissions by 30% between 2007 and 2014
Integrity to guarantee ethical compliance	
 <ul style="list-style-type: none"> ◆ 16.4 Substantially reduce illegal financial flows ◆ 16.6 Establish efficient, responsible and transparent institutions at all levels ◆ 16.10 Guarantee fundamental freedoms 	<ul style="list-style-type: none"> → Fight fraud and money laundering by forwarding more than 100 statements to TRACFIN → Promote ethical, transparent and legally compliant business management by training employees in the company's ethics approach → Ensure the protection of personal data and information systems by providing data protection training
Solidarity to be useful to all	
 <ul style="list-style-type: none"> ◆ 8.3 Promote policies around development which encourage productive business and the creation of decent jobs 	<ul style="list-style-type: none"> → Contribute to the invigoration of local economies and to the development of sport with 52,000 jobs created or kept through FDJ's business activities





2.4.6.4 Verification report on the sincerity of the information relative to the transparency requirements on the disclosure by companies of environmental and social topics

The reviewed social, environmental and societal information are relative to year ended December 31, 2017.

Request, Responsibilities and Independence

At the request of La Française Des Jeux (FDJ), and in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*), Bureau Veritas performed, as independent third party accredited by Cofrac registered under the number 3-1341 (list of the locations and scope available on www.cofrac.fr), an independent verification of the social, environmental and societal information contained within the 2017 annual report.

The preparation and presentation of the qualitative and quantitative information for the publication, required by article R.225-105-1 of the French Commercial Code (*Code de commerce*), is the sole responsibility of FDJ. The collection and management of this information has been coordinated by the social Responsibility project manager in accordance with:

- ◆ CSR reporting protocol of FDJ,

This is hereafter referred to as 'the reporting methodology', available at FDJ Head Office, with a summary available on the FDJ web site www.groupefdj.com.

It is our role, in accordance with the requirements of article R.225-105-2 of the French Commercial Code (*Code de commerce*), to conduct the verification pursuant to the issuing of this verification report.

The conclusions of this report include:

- ◆ an attestation of completeness of the social, environmental and societal information required by article R.225-105-1 of the French Commercial Code (*Code de commerce*);
- ◆ a reasoned opinion on the sincerity of the published information, and if any, a reasoned opinion on the explanation given in case of the omission of certain consolidated information.

This opinion is independently stated, and without partiality. Our work has been conducted according to the professional practices. Bureau Veritas has implemented its Code of Ethics, which is applied by its staff.

Nature and scope of our work

We conducted our work from February 7, 2018 to the signature of the present report, for a period of about 3 weeks, by two verifiers. We conducted around ten interviews during this mission.

We verified that the social, environmental and societal information covers the consolidated perimeter as defined in articles L 233-1 and L 233-3 of the French Commercial Code (*Code de commerce*). The perimeter's adjustments for the social, environmental and societal information are clarified in the 2017 annual report.

For the attestation of completeness of the information, we undertook the following work:

- ◆ taking note of the Group policy relative to sustainable development, according to its social and environmental impacts and its societal commitments;
- ◆ comparison of the information presented in the 2017 annual report with the list as set out in article R.225-105-1 of the French Commercial Code (*Code de commerce*);
- ◆ verification of the explanation given in case of omission of consolidated information.

For the reasoned opinion on the sincerity of the information, we conducted our work in accordance with the French legal order, published on May 13, 2013, determining the methodology according to which the independent third party conducts its mission, and with our methodology.

We conducted the following procedures in order to conclude that nothing has come to our attention that causes us to believe that the produced information contains any material misstatements likely to call into question its sincerity, in all material aspects according to the 'reporting methodology':

- ◆ review of the 'reporting methodology' with regard to relevance, reliability, completeness, understandability of information;
- ◆ identification of the persons, within FDJ, who are in charge of the collection, and of those who are responsible for the procedures of internal control and risk management, if any;

- ◆ verification of the implementation of a process for the collection, treatment, compilation, internal control of the information to guarantee its completeness and consistency;
 - ◆ examination of the internal control and risks management procedures relative to the preparation of the information;
 - ◆ discussions with persons in charge of the social, environmental and societal reporting;
 - ◆ selection of consolidated information to be tested⁽¹⁾ and definition of the nature and the scope of the tests, taking into consideration their importance with regard to the social and environmental consequences related to the Group's activities as well as to its societal commitments;
 - ◆ Regarding the quantitative information we recognized as being the most important, we have:
 - performed an analytical review of the information and, for a sample of information, checked the calculations and the compilation of the information at the corporate level and the controlled entities;
 - selected a sample of primary data of various subsidiaries based on their activities, their contribution to the consolidated information, their localization and a risks analysis.
 - ◆ Regarding each selected entity, we performed the following work:
 - interviews to check that the 'reporting methodology' is correctly implemented;
 - detailed testing, checking, based on sampling, the calculation applied and reconciling the information with supporting evidences.
- We have undertaken samples to perform detailed testing. The sampling method used, according our professional judgment, seems to us sufficient to allow a conclusion on the basis of the performed works.
- ◆ Regarding the qualitative information we believe to be the most important, we have conducted interviews, examined source documents and, if any, public information;
 - ◆ Regarding the explanations relative to the missing/omitted information, we assessed their relevance.

Attestation of completeness of the information

Based on our work, within the perimeter defined by the Group, we attest to the completeness of all the required social, environmental and societal information, included missing information with explanations.

We have note, as identified in the annual report, that some information cover a restricted perimeter.

Sincerity opinion

Based on our work nothing has come to our attention to suggest that the social, environmental and societal Information, communicated by FDJ in its 2017 annual report, is not fairly presented in all material aspects in accordance with the reporting methodology.

The explanation in case of omission of consolidated information appears to be acceptable.

Puteaux, March 13, 2018

Bureau Veritas

Jacques Matillon

Vice-President

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consolidated financial statements

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3.1

Consolidated income statement

<i>In millions of euros</i>	Notes	31.12.2017	31.12.2016
Player stakes	3.1	15,144.4	14,330.7
Share returned to winners	3.1	-10,122.4	-9,545.3
Gross gaming revenue	3.1	5,022.1	4,785.4
Government levies	3.1	-3,235.7	-3,061.6
Structural increases and counterparty spread	3.1	-59.5	-63.3
Miscellaneous revenues	3.1	0.0	0.1
Revenue from gaming activities	3.1	1,726.8	1,660.7
Revenue from other activities	3.1	34.9	35.6
Revenue from ordinary activities	3.1	1,761.8	1,696.3
External purchases and expenses	3.2	1,194.9	1,164.8
Taxes and duties		23.6	20.1
Personnel expenses	4.2	213.1	196.8
Depreciation and provisions		57.3	53.8
Other current operating income and expenses		12.2	8.6
Current operating profit		260.7	252.3
Other net operating expenses	3.3	2.8	9.7
Operating result		257.9	242.6
Finance income		11.0	15.6
Finance expenses		6.5	3.6
Financial Result	7.3	4.5	12.0
Share of net income from joint ventures	8	1.2	1.3
Profit before tax		263.5	255.9
Income tax expense	9.1	82.6	79.9
NET INCOME FOR THE PERIOD		181.0	175.9
Attributable to			
→ minority interests		0.3	-0.1
→ parent company shareholders		180.7	176.0

3.2

Consolidated statement of comprehensive income

<i>In millions of euros</i>	31.12.2017	31.12.2016
Net income for the period	181.0	175.9
Change in the value of assets held for sale	0.5	-4.2
Taxes on change in the value of assets held for sale	-0.2	1.5
Change in exchange gains or losses	-0.9	-0.3
OCI recycled	-0.6	-3.1
Actuarial gains and losses recognised in equity	3.3	2.9
Taxes on actuarial gains and losses recognised in equity	-1.1	-1.6
OCI not recycled	2.2	1.2
NET INCOME FOR THE PERIOD	182.6	174.0
Attributable to		
→ minority interests	0.3	-0.1
→ parent company shareholders	182.3	174.1





3.3

Consolidated balance sheet

3.3.1 Assets

<i>In millions of euros</i>	Notes	31.12.2017	31.12.2016
Intangible assets	5.1	96.1	87.1
Property, plant and equipment	5.2	373.4	349.5
Non-current financial assets	7.1	748.5	693.4
Other non-current financial assets		20.6	14.2
Investments in joint-ventures	8.1	12.7	12.9
Non-current assets		1,251.3	1,157.1
Inventories		10.5	10.6
Current receivables	3.4	561.1	559.3
Current income tax assets		9.3	9.4
Current financial assets	7.1	50.2	75.2
Cash and cash equivalents	7.2	166.8	200.8
Current assets		797.9	855.2
TOTAL ASSETS		2,049.2	2,012.3



3.3.2 Liabilities

<i>In millions of euros</i>	Notes	31.12.2017	31.12.2016
Share capital		76.4	76.4
Reserves		256.9	202.8
Other transferable equity		3.5	3.1
Translation adjustment		2.2	3.1
Net income, Group share		180.7	176.0
Total equity, Group share	10	519.8	461.5
Minority interest		0.4	0.2
Shareholders' equity		520.2	461.7
Non-current provisions	6.1	83.9	83.6
Deferred tax liabilities	9.2	17.5	17.2
Non-current player funds		129.9	134.7
Non-current financial liabilities	7.1	103.5	111.5
Non-current liabilities		334.7	346.9
Current provisions	6.1	30.9	35.6
Current debts	3.4	1,110.4	1,043.6
Other financial liabilities	7.1	52.9	124.4
Current liabilities		1,194.2	1,203.7
TOTAL LIABILITIES		2,049.2	2,012.3



3.4

Consolidated statement of cash flows

<i>In millions of euros</i>	Notes	31.12.2017	31.12.2016
Operating activities			
Consolidated net profit		181.0	175.9
<i>of which interest accrued</i>		4.0	6.6
Change in depreciation, amortisation and impairment of non-current assets		55.7	48.1
Change in provisions		-1.1	-110.3
Gains/losses on disposals		2.0	0.8
Change in deferred tax		-1.0	-6.8
Other		2.8	0.0
Share of income from joint ventures		-0.5	-0.4
<i>including dividends received from joint ventures</i>		0.6	0.9
Non-cash items		57.7	-68.6
Change in trade receivables and other current assets		-1.9	-173.7
Change in inventories		0.1	-4.3
Change in trade payables and other current liabilities		59.8	42.5
Change in working capital requirements related to business		58.0	-135.5
Change in current financial assets		25.0	227.9
Change in non-current financial assets		-55.1	-178.3
Gains and losses on revaluation at fair value		-0.9	-4.4
Change in current and non-current financial assets (including fair value)		-31.0	45.2
NET CASH FLOW FROM OPERATING ACTIVITIES		265.7	17.0
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		-90.4	-265.8
Acquisitions of financial assets		-22.9	-3.8
Disposals of property, plant and equipment and intangible assets		0.2	0.1
Disposals of financial assets		0.4	0.3
NET CASH FLOW USED FOR INVESTING ACTIVITIES		-112.6	-269.2
Financing activities			
Long-term debt issue		0.0	120.0
Repayment of current portion of long-term debt		-8.0	0.0
Change in current financial liabilities		-58.7	0.0
Dividends paid to ordinary shareholders of the parent company		-120.3	-229.2
Other		-0.2	0.0
NET CASH FLOW USED FOR FINANCING AND INVESTING ACTIVITIES		-187.1	-109.2
Impact of changes in exchange rates		0.0	-0.3
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		-34.0	-361.6
Cash and cash equivalents at 1 January		200.8	562.4
Cash and cash equivalents at 31 December	7.2	166.8	200.8

3.5

Consolidated statement of changes in equity

In millions of euros

	Share capital	Reserves consolidated & transferable equity	Currency translation adjustment	Net income, Group share	Total equity, Group share	Minority interest	Total equity
EQUITY AS AT 31.12.2015	76.4	317.0	3.5	159.1	556.0	0.3	556.3
Other items recognised directly in equity	0.0	-1.6	0.0	0.0	-1.6	0.0	-1.6
Net income for 2016	0.0	0.0	0.0	176.0	176.0	-0.1	175.9
Change in currency translation differences	0.0	0.0	-0.3	0.0	-0.3	0.0	-0.3
Net income for the period	0.0	-1.6	-0.3	176.0	174.1	-0.1	174.0
Allocation of 2015 net income	0.0	159.1	0.0	-159.1	0.0	0.0	0.0
2015 dividends paid	0.0	-229.2	0.0	0.0	-229.2	0.0	-229.2
Other	0.0	-39.5	0.0	0.0	-39.5	0.0	-39.5
EQUITY AS AT 31.12.2016	76.4	205.9	3.1	176.0	461.5	0.2	461.7
Other items recognised directly in equity	0.0	2.5	0.0	0.0	2.5	0.0	2.5
Net income for 2017	0.0	0.0	0.0	180.7	180.7	0.3	181.0
Change in currency translation differences	0.0	0.0	-0.9	0.0	-0.9	0.0	-0.9
Net income for the period	0.0	2.5	-0.9	180.7	182.3	0.3	182.6
Allocation of 2016 net income	0.0	176.0	0.0	-176.0	0.0	0.0	0.0
2016 dividends paid	0.0	-124.0	0.0	0.0	-124.0	0.0	-124.0
EQUITY AS AT 31.12.2017	76.4	260.4	2.2	180.7	519.8	0.4	520.2

Income and expenses recognised directly in equity consist primarily of changes in the fair value of financial assets and actuarial gains and losses on pension obligations.

3.6

Additional notes

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NOTE 1 GROUP OVERVIEW

1.1 General information

FDJ is a semi-public limited company under French law governed by all the laws applicable to commercial companies in France, in particular the provisions of the French Commercial Code, subject to the provisions of the legal framework as described in Note 1.2. Its registered office is located at 126 rue Gallieni, 92643 Boulogne-Billancourt. It is 72% held by the French State.

The Group, made up of 13 entities, is a gaming operator in France, mainland France and French overseas departments, four French overseas territories and Monaco. It is present internationally through investments in the following companies:

- ◆ Beijing Zhongcai Printing Co Ltd (BZP), a lottery ticket printer located in China;
- ◆ SLE (Services aux Loteries en Europe), the Belgian cooperative company created as part of the Euro Millions lottery to provide draw services and administration for the participating lotteries;
- ◆ LVS (Laverock Von Schoultz Ltd), a UK software company specialising in Internet technologies.

Based on the opinion of the Audit Committee of 6 March 2018, the Board of Directors, at its meeting on 13 March 2018, approved the consolidated financial statements to be submitted for approval at the Annual General Meeting on 12 April 2018.

1.2 Regulatory background of the FDJ Group (the Group)

FDJ operates in the heavily-regulated gambling sector that is strictly monitored by the French State.

For the activities on which it enjoys exclusive rights, namely the sports bets that it sells in points of sale and its lottery games offered online and at points of sale, FDJ is under a legal obligation to meet mandatory public service objectives including "ensuring the integrity, safety and reliability of gaming operations and ensuring the transparency of such operation; the demand for gambling is managed through a channel controlled by the public authority in order to prevent risks of gambling operations being used for fraudulent or criminal purposes and to combat money laundering and supervising gaming consumption in order to prevent the onset of addictions".

The Budget Minister is responsible for regulating all the monopoly activities of FDJ. They are assisted in this by the COJEX, a gaming advisory body made up of representatives of public authorities and experts in addiction and gaming regulation, whose composition and remit were extended by the recently adopted Decree No. 2016-1488 of 3 November 2016. FDJ's annual games programme and its Responsible Gaming and anti-money laundering action plans are thus subject to the approval of the Budget Minister and the COJEX.

In addition, FDJ's online sports betting activities are operated in open competition under a licence that was issued in June 2010 by ARJEL, the regulatory authority for online gaming. This licence was renewed in June 2015 for a period of five years.



NOTE 2 REPORTING GUIDELINES AND ACCOUNTING PRINCIPLES

2.1 Reporting guidelines

The consolidated financial statements of the FDJ Group are prepared on a voluntary basis, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the European Union, with the exception of IFRS 8 (Operating Segments) and IAS 33 (Earnings per Share), as FDJ is not a public interest entity.

2.1.1 Mandatory standards, interpretations and amendments at 1 January 2016

The following amendments and interpretations, approved by the European Union and applicable for the first time for annual periods beginning on or after 1 January 2017, either had no material impact on the Group's financial statements or could not be applied to the Group, with the exception of the information to be provided:

- ◆ IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses;
- ◆ IAS 7 "Statement of Cash Flows";
- ◆ IFRS 12 "Disclosure of Interests in Other Entities" (adoption by the EU of the 2014-2016 cycle foreseen in 2017).

2.1.2 Texts adopted by the European Union and not applied early by the Group

- ◆ IFRS 9 "Financial Instruments" applicable for fiscal years beginning on or after 1 January 2018, provides for:
 - a change in the methods of classification and valuation of financial assets: removal of the old categories of IAS 39 (held-to-maturity and available-for-sale) and replaced by three main categories:
 - amortised cost,
 - fair value through comprehensive income,
 - fair value through net income;
 - an impairment model for financial assets based on expected credit losses.

The expected impacts on the Group's financial statements are as follows:

- valuation of financial assets: reclassification of assets available for sale under IAS 39 as financial assets at fair value through profit or loss or at fair value through comprehensive income under IFRS 9, without impact on the valuation of assets and continued valuation at amortised cost of assets under IAS 39 as under IFRS 9,

- the application of the forward calculation of the impairment of financial assets (term deposits and receivables) will not have a significant impact on the Group's financial statements;
- ◆ IFRS 15 "Revenue from Customer Contracts" applicable for fiscal years beginning on or after 1 January 2018. The new standard will not have a significant impact on the Group's financial statements;
- ◆ IFRS 16 "Leases", applicable for annual periods beginning on or after 1 January 2019, requires lessees to recognise a liability for future rent and an asset (right of use). The identification and evaluation of the leases are in progress.

2.1.3 Texts not yet adopted by the European Union

- ◆ IFRIC 22 "Foreign Currency Transaction and Advance Consideration", applicable as of 1 January 2018 subject to adoption by the European Union;
- ◆ IFRIC 23 "Tax uncertainties", applicable as of 1 January 2019 subject to adoption by the European Union.

These texts are currently being studied. At this stage, the Group anticipates no material impact.

2.1.4 Estimates and judgements

The preparation of financial statements in accordance with IFRS requires Management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets and liabilities, and revenues and expenses. The underlying estimates and assumptions are reviewed on a regular basis.

Details about the key assumptions relating to estimates and judgements exercised in applying the accounting policies, whose effect on the amounts recognised in the financial statements is significant, are provided in the following notes:

- ◆ impairment of intangible assets and property, plant and equipment (Note 2.2.8);
- ◆ financial assets (Note 2.2.9);
- ◆ employee benefits (Note 2.2.13);
- ◆ other provisions (Note 2.2.14);
- ◆ tax (Note 2.2.17).

Given the uncertainties inherent in all valuation processes, the Group revises its estimates on the basis of regularly updated information. Future results for the relevant transactions may therefore differ from these estimates.

Besides using estimates, the Group's management makes judgements to determine the proper accounting treatment of certain activities and transactions when the IFRS and the interpretations in force do not deal specifically with the accounting issues involved.

2.2. Accounting principles

The main accounting policies applied in preparing the consolidated financial statements are presented below. Unless otherwise noted, these methods have been applied consistently to all periods presented.

The consolidated financial statements have been prepared in accordance with the principles of business continuity and independence of accounting periods. They have been prepared under the historical cost basis, except for assets and liabilities measured at fair value.

Current and non-current assets and liabilities are presented separately in the statement of financial position (balance sheet).

In accordance with IAS 1, an asset is classified as current if it meets one of the following criteria:

- ◆ the entity expects to realise the asset as part of its normal operating cycle (inventories, trade receivables) or within the next twelve months following the closing date;
- ◆ the entity holds the asset primarily for the purpose of trading (financial assets at fair value through profit or loss);
- ◆ the asset consists of cash or cash equivalents.

All other assets are classified as non-current.

A liability is classified as current if it meets one of the following criteria:

- ◆ the entity expects to settle the asset as part of its normal operating cycle (trade payables) or within the next twelve months following the closing date;
- ◆ the entity holds the liability primarily for the purpose of trading (financial liabilities at fair value through profit or loss).

All other liabilities are classified as non-current.

2.2.1. Consolidation

The consolidated financial statements as at 31 December 2017 combine the financial statements of the parent company FDJ and the subsidiaries and affiliates over which it exercises control or joint control. All of these companies use 31 December as their year-end date.

- ◆ the companies over which FDJ exercises exclusive control, directly or indirectly, are fully consolidated;
- ◆ the companies (joint ventures) in which FDJ exercises any direct or indirect rights over net assets are accounted for using the equity method.

Transactions between the consolidated companies, as well as the results internal to the Group, are eliminated.

2.2.2 Revenue from ordinary activities

FDJ operates a service business, namely the development and operation of lottery games and sports betting, in a highly regulated environment. Player stakes make up the amounts that players bet. After deduction of the winnings paid to players, the hedging of current counterparty risks and government levies, they yield FDJ's remuneration, i.e. revenue from gaming activities. The player stakes and the revenue from gaming activities follow the same accounting rules, either when the results of the draw-based game or the sports betting are announced, or the scratch card is sold.

Revenue from ordinary activities is made up of the revenue of gaming activities and the revenue from other activities, in particular relating to the rental of points of sale fittings, the sale of computer software development services or their maintenance.

2.2.3 Counterparty and permanent funds

Some games are based on the fixed-odds principle: (i) the face value of prizes is fixed or determined by a probability calculation, and (ii) the number or value of prizes won is determined by chance.

The total amount effectively paid out to winners cannot be precisely predetermined but only estimated: it may be more or less than the share of player stakes set aside for players in the decree of the Budget Minister. These positive or negative differences can result in a financial risk for FDJ. Such risks are managed in a counterparty fund specific to each game, which allows the financial risk to be spread across all gaming events.

Furthermore, to limit overall counterparty risk for FDJ, all game-specific counterparty funds are backed by a permanent fund that serves to pool coverage of the risk.

According to the amended decree of 1978, the permanent fund is capped at 0.5% of player stakes for the year ended. The surplus, recognised at the end of the year after setting aside the initial allowances for the various counterparty funds, is paid to the State.



2.2.4 Currency translation

The consolidated financial statements are presented in euros.

Transactions denominated in foreign currency are translated at the current exchange rate at the time of the transaction. Receivables and payables denominated in foreign currency are translated at the exchange rate applicable at the balance sheet date. Translation differences are recorded in the income statement.

The financial statements of foreign entities with a functional currency other than that of FDJ are translated into euros using the exchange rates applicable at the balance sheet date for assets and liabilities, and using the average exchange rate for income and expense items.

Foreign currency translation adjustments are recognised directly in equity under "Translation adjustments" and will be recognised in income statement for the year at the date on which the business is sold.

2.2.5 Goodwill

Business combinations are accounted for under the purchase method. The purchase price is allocated to the assets, liabilities and contingent liabilities of the acquired entity based on the estimated fair value at the acquisition date. Purchase price adjustments dependent on future events (earn-out payments) are included in the valuation of the cost of acquiring the target company at the date of acquisition of a controlling interest. If the future events do not materialise, or if the estimate has to be revised after the acquisition date, any change is recorded in the income statement.

The positive difference between the acquisition cost, plus any earn-out payments as defined above, and the interest portion of FDJ in the fair value of assets and liabilities acquired, is recognised as goodwill and is tested at least once a year for impairment as defined in Note 2.2.8.

Costs directly attributable to the acquisition are recorded in the income statement when incurred. This allocation is considered definitive after a period of 12 months after the acquisition date.

2.2.7.2 Depreciation

Property, plant and equipment are depreciated over the useful lives, using the straight-line method as follows:

→ Buildings	between 20 to 60 years
→ Building improvements	between 10 to 30 years
→ Lottery terminals	between 5 to 8 years
→ Equipment and furniture	between 5 to 10 years

Residual values and useful lives of assets are reviewed, and adjusted if necessary, at each balance sheet date.

2.2.6 Intangible assets

2.2.6.1 Research and development expenditure

Research expenditure undertaken by the Group for its own account is expensed as and when incurred.

Development expenditure is capitalised as intangible assets provided it relates to projects with serious prospects for technical success and economic viability. It includes the valuation of internal man-days and subcontracting.

2.2.6.2 Other intangible assets

Other intangible assets are measured at acquisition cost (purchase cost plus incidental expenses), less any accumulated amortisation or accumulated impairment losses.

2.2.6.3 Amortisation

Assets are amortised over their estimated useful lives using the straight-line method, unless those lives are indefinite. Development costs are amortised over the expected useful life of the intangible asset using the straight-line method from the time at which it is available for use. Software programs are amortised over a period of 1 to 15 years using the straight-line method. Brands acquired are normally amortised over ten years.

These amortisation rates are reviewed at the close of each financial year. All changes to the expected useful life or to the expected pattern of consumption of the expected future economic benefits of the asset are taken into account prospectively.

2.2.7 Property, plant and equipment

2.2.7.1 Initial measurement

Property, plant and equipment are measured at acquisition cost (purchase price plus incidental expenses). If particular items of property, plant and equipment have different useful lives, they are recognised separately on the balance sheet.

2.2.7.3 Borrowing costs

Borrowing costs incurred to finance major investments during the construction period are considered part of the acquisition costs. The capitalisation rate is the effective interest rate of the loan in question.

2.2.8 Impairment of intangible assets and property, plant and equipment

In accordance with IAS 36, intangible assets and property, plant and equipment are tested for impairment whenever events or changes in the market environment or internal circumstances indicate that such assets may be impaired. Intangible assets not yet in service are tested for impairment annually. Capital assets with indefinite useful lives, such as goodwill, are tested for impairment at least at the close of each financial year.

The main indicators of impairment used by the Group are regulatory developments, market trends and the performance of games and equipment, changes in the technological environment that can make some equipment prematurely obsolete and changes in the offer.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset represents the value in use, based on the discounted future cash flows generated by the asset, or the market value, determined by reference to recent similar transactions or valuations performed by independent experts, in regards to a disposal, less disposal costs.

Impairment losses on goodwill recorded under operating income cannot be reversed.

2.2.9 Financial assets

At initial recognition, financial assets are measured at purchase cost, transaction costs that are directly attributable to the acquisition. Financial assets include investment securities (bonds, mutual funds, mutual funds and certificates of deposit maturing in more than three months) and receivables (see Note 2.2.12).

Securities whose holding period at the balance sheet date is more than 12 months are classified as non-current financial assets. Securities whose holding period at the balance sheet date is less than 12 months are classified as current financial assets. Securities whose holding period at the balance sheet date is less than 3 months are classified as cash and cash equivalents.

Securities held in the portfolio classified as available-for-sale assets and as assets at fair value

through profit or loss are measured by reference to market prices organised at the balance sheet date. For financial assets for which there is no active market, fair value is determined using valuation techniques (using recent arm's length market transactions, reference to the current fair value of another equivalent instrument, discounted cash flow analysis or other valuation models).

Potential gains and losses on assets held for sale are recognised directly in transferable equity; those relating to assets at fair value through profit or loss are recognised in income. If there is objective evidence of significant long-term impairment of an available-for-sale financial asset, the cumulative loss is irreversibly recognised in income. Once a financial asset available for sale is sold, the cumulative profit or loss previously carried in equity is recognised in income.

2.2.10 Cash and cash equivalents

Cash and cash equivalents consist of demand deposits and short-term money-market investments that are fully liquid, have a maturity equal to or less than three months on the date of acquisition, and present an insignificant risk of change in value as required by IAS 7 criteria.

Overdrafts are recognised as current financial liabilities.

2.2.11 Inventories

Inventories are measured at cost or at net realisable value, whichever is lower. The cost of game equipment and supplies is determined using the "First In, First Out" (FIFO) method. Inventories are depreciated according to their technical or commercial obsolescence.

2.2.12 Receivables

Receivables are recognised at their nominal value. They are impaired if the debtor's situation indicates that the amount may not be recoverable.

2.2.13 Employee benefits

A provision is recognised for pension obligations, which are administered under a defined benefit plan.

To determine the present value of the obligations, the Group uses the Projected Unit Credit Method, a retrospective method with projection of final salary. The obligations are measured annually, taking account of seniority, life expectancy, employee turnover by category, benefits negotiated under collective bargaining agreements, as well as economic assumptions such as inflation and the discount rate.



The discount rate used for most subsidiaries is determined on the basis of the Iboxx Corporate AA+ index.

The expense recognised during the financial year incorporates:

- ◆ additional benefits received by employees;
- ◆ the change, during the course of the year, in the discounting of benefits existing at the beginning of the financial year;
- ◆ the impact on the year of any changes to plans, or of new plans.

In application of the amendment to IAS 19, actuarial gains and losses are recognised directly in equity and the impact of any changes on plans or new plans is included in the expense recognised in income.

Costs related to defined benefit plans are recorded in the income statement as follows:

- ◆ the cost of services rendered, which reflects the increase in obligations related to the acquisition of one additional year of seniority, is recognised as an "operating result";
- ◆ the net financial expense for the period is recognised as "financial expenses". It is determined by applying the discount rate to the amount recognised in the statement of financial position at the beginning of the period, taking into account any variation during the period resulting from contributions paid and benefit payments.

Other long-term benefits, which only concern FDJ, are:

- ◆ service recognition awards. These consist of days of leave and are thus subject to social security charges. The annual expense is equal to the net change in the obligation;
- ◆ health coverage. Employees of FDJ retain their health coverage upon retirement (or in the event of disability/redundancy), in accordance with the requirements of the Évin law of 31 December 1989 and the inter-professional national agreement of 11 January 2008. The scheme for former employees and assets reported a loss and generated a liability.

The net obligations of the Group companies are recognised on the balance sheet as a liability, under "Non-current provisions".

2.2.14 Other provisions

A provision is recognised if, at the close of the financial year, the Group has an obligation to a third party arising from a past event, the settlement of which is expected to result in an outflow of resources from the entity without

at least an equivalent payment, and the amount of which can be estimated reliably. This obligation may be legal, regulatory, contractual or implied. The estimated amount of provisions reported corresponds to an outflow of resources that the Group has deemed probable. With the exception of those for employee benefits, provisions are not discounted.

Risk or litigation provisions estimated by FDJ to be settled within twelve months after the reporting date, and those related to the normal operating cycle are presented as current liabilities. The other provisions are presented as non-current liabilities.

2.2.15 Debt

Debt is recorded at amortised cost calculated on the basis of the effective interest rate.

2.2.16 Derivative financial instruments

It is the Group's policy to use the financial markets solely for hedging obligations associated with its business, never for speculative purposes. The Group therefore uses derivative financial instruments to hedge its exposure to currency and interest rate risks. It does not, however, qualify them as hedge instruments as defined in IAS 39. Derivative instruments are measured at fair value when initially recognised and revalued at each balance sheet date until settled. Changes in fair value are recognised in income.

Fair value is determined from valuation techniques that make use of mathematical calculation methods based on recognised financial theories and parameters whose value is determined from the prices of instruments traded on the capital markets.

2.2.17 Tax

Income tax comprises current tax expense and deferred tax expense. It is recognised in income except when related to items recognised directly in equity.

The tax rates used are the last rates that have been voted on for each tax jurisdiction.

Current tax is the amount of tax due for the reporting period. Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities and their tax bases. It is determined using the variable carryforward method. A deferred tax asset is only recognised to the extent that it is probable that a future taxable profit will be available to the Group against which this asset can be charged within a foreseeable time frame, or else against deferred tax liabilities of the same maturity. Deferred tax assets and liabilities are offset on the balance sheet by tax entity.

NOTE 3 OPERATING DATA

3.1 Gaming revenue and revenue from ordinary activities

<i>In millions of euros</i>	31.12.2017	31.12.2016	Change	
			2017/2016	
Player stakes	15,144.4	14,330.7	813.7	5.7%
Share returned to winners	-10,122.4	-9,545.3	-577.0	6.0%
Gross gaming revenue (GGR)	5,022.1	4,785.4	236.7	4.9%
Structural increases and counterparty spread	-59.5	-63.3	3.8	-5.9%
Government levies	-3,235.7	-3,061.6	-174.1	5.7%
Miscellaneous revenues	0.0	0.1	-0.1	-100.0%
Revenue from gaming activities	1,726.8	1,660.7	66.2	4.0%
Revenue from other activities	34.9	35.6	-0.7	-2.0%
REVENUE FROM ORDINARY ACTIVITIES	1,761.8	1,696.3	65.5	3.9%

<i>In millions of euros</i>	31.12.2017	31.12.2016	% of total stakes	Change	
				2017/2016	
Draw-based games	5,172.9	4,919.5	34.2%	253.4	5.2%
Scratch card games	7,453.5	6,901.3	49.2%	552.2	8.0%
Sports betting	2,518.1	2,510.0	16.6%	8.2	0.3%
TOTAL	15,144.4	14,330.7	100.0%	813.7	5.7%

Revenue from gaming activities makes up FDJ's remuneration as organiser and corresponds to the player stakes, less government levies, winnings paid to players and the hedging of current counterparty risks. It stood at €1,727 million at 31 December 2017.

Other than gaming revenue, revenue from ordinary activities is made up of revenue from other activities, consisting primarily of revenues generated from rentals, by FDJ, of sales tools to intermediaries and retailers, and financial provisions and other income from the joint arrangement with SGE, and sales of maintenance and software development services provided by LotSys and LVS. Revenue from ordinary activities totalled €1,762 million up by 3.9%.



3.2 External purchases and expenses

Distribution channel costs were up by 1% (+€8 million) to €807 million while player stakes rose by 5.2% across the network. It represents 5.6% of gaming stakes in 2017 compared to 5.8% in 2016. As a reminder, the sectors formerly operated by agent-brokers were all taken over by FDP or operators at the end of 2017.

Excluding distribution channel costs, external purchases and expenses increased by 6% or €22 million. This increase is mainly attributable to IT outsourcing, particularly in support of sporting projects, and to advertising partnerships.

Statutory Auditors' fees for the year broke down as follows:

<i>In thousands of euros</i>	Statutory audits		Non-audit services	
	PwC	Deloitte	PwC	Deloitte
FDJ	235	235	100	-
Subsidiaries	104	135	-	-
STATUTORY AUDITORS' FEES	339	370	100	-

3.3 Other net operating expenses

Other net operating expenses mainly comprised non-recurring costs incurred in relocating the head office.

3.4 Current receivables and payables

<i>In millions of euros</i>	31.12.2017	31.12.2016
Total trade and other receivables	16.8	16.4
Distribution network receivables	352.0	317.4
Other current assets	192.3	225.4
Total current receivables	561.1	559.3
Trade and other payables	-106.2	-105.5
Distribution network payables	-215.2	-190.0
Government gaming levies	-265.9	-289.8
Winnings payable and distributable, current player funds	-383.7	-342.9
Other current liabilities	-139.4	-115.5
Total current payables	-1,110.4	-1,043.6
TOTAL CURRENT RECEIVABLES AND PAYABLES	-549.2	-484.4
<i>of which net management liabilities</i>	-159.5	-149.9
<i>of which net distribution network receivables</i>	136.9	127.5
<i>of which net game-related liabilities</i>	-526.6	-461.9

3.4.1 Net management liabilities

<i>In millions of euros</i>	31.12.2017	31.12.2016
Total trade and other receivables – management	16.8	16.4
Other current assets, management	36.7	29.8
Trade and other payables	-106.2	-105.5
Other current liabilities, management	-106.8	-90.7
NET MANAGEMENT LIABILITIES	-159.5	-149.9

3.4.2 Net distribution network receivables

<i>In millions of euros</i>	31.12.2017	31.12.2016
Distribution network receivables	352.0	317.4
Distribution network payables	-215.2	-190.0
NET DISTRIBUTION NETWORK RECEIVABLES	136.9	127.5

Every week, game distributors are debited for the amount of player stakes collected, net of winnings paid out and commissions. The change in distribution network receivables and payables can be mainly explained by higher activity at the end of 2017 than at the end of 2016.

3.4.3 Net game-related liabilities

<i>In millions of euros</i>	31.12.2017	31.12.2016
Other current assets, gaming	155.6	195.7
Government gaming levies	-265.9	-289.8
Winnings payable and distributable, current player funds	-383.7	-342.9
Other current liabilities, gaming	-32.6	-24.8
NET GAME-RELATED LIABILITIES	-526.6	-461.9

Other current gaming assets were down by €40 million in line with the interim permanent fund surplus payment to the French State in December 2017 (€125 million vs. €170 million in late 2016, i.e. a decrease of €45 million).

Government gaming levies include the permanent fund surplus (€137 million at 31.12.2017 and €175 million at 31.12.2016). Restated for this item, they amounted to €129 million vs. €114 million, up 13.2% driven by the

activity effect (higher level of activity at the end of 2017 than at the end of 2016).

The increase in winnings payable and distributable, current player funds was €41 million and was mainly attributable to Euro Millions-My Million and Loto®, whose jackpots on 29 and 30 December 2017 were won but not yet paid out to the winners, which didn't occur at the end of 2016.



3.5 Coverage of operating risks

3.5.1 Coverage of receivables risks

The Group's trade receivables consist primarily of receivables from its retail distribution network corresponding to the stakes collected by them. The necessary approval to market FDJ games is given to retailers after obtaining the deposit requested in a systematic manner.

The risk attached to receivables from retailers is analysed in particular by a monitoring committee, which regularly brings together persons responsible within the

A maturity schedule for receivables not yet paid and not impaired, excluding receivables from associates, is as follows:

In millions of euros	31.12.2017							
	Gross amount		Provisions for overdue amounts	Net amounts past due	Net amounts overdue by			
	Non overdue	Overdue			0-3 months	3-6 months	6-12 months	> 1 year
Current receivables	551.6	21.1	-11.6	9.5	6.5	1.5	0.8	0.7

In millions of euros	31.12.2016							
	Gross amount		Provisions for overdue amounts	Net amounts past due	Net amounts overdue by			
	Non overdue	Overdue			0-3 months	3-6 months	6-12 months	> 1 year
Current receivables	551.4	21.6	-13.7	7.9	3.9	2.8	1.0	0.1

3.5.2 Management of foreign exchange risk

In its normal business activity, the Group is exposed to foreign exchange risks resulting from supplier invoices denominated in foreign currencies. The risk is measured in aggregate for each currency. The general Group policy is to hedge this risk over each budgetary period.

The only currency to which the Group had significant exposure during the financial year ended 31 December 2017 is the US dollar, for a maximum equivalent of \$30 million.

For the 2018 financial year, hedges (forward purchases) were made on the US dollar and the British pound, for \$21.4 million and £4.8 million respectively (position as at

Marketing, Financial, Legal, Security and Responsible Gaming Departments with decision-making powers on, in particular, material cases of non-payment, and on whether to litigate over certain receivables. The rules for the impairment of receivables are based on their amount and age. The Group considers the risk of retailer default, with a potentially material impact on its financial positions and results, to be limited.

Other receivables are impaired on a case-by-case basis.

31 December 2017). A purchase option of \$5.4 million was also purchased.

The fair value of these derivatives (forward purchase contracts) was -€0.2 million at year-end 2017 vs. +€0.2 million in end 2016, corresponding to the amount that the Group would have paid (2017) or received (2016) if it had cancelled its position.

An increase of \$0.10 per €1 in the EUR/USD exchange rate applicable to derivative instruments held for economic hedging purposes but not eligible as hedges would have reduced the Group's income by €1.4 million. A decrease of \$0.10 would have increased income by €1.9 million.

NOTE 4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

4.1 Group headcount

The weighted average headcount (WAH) for all types of contracts in 2017 and 2016 for FDJ and fully-consolidated entities was as follows:

	31.12.2017	31.12.2016
La Française des Jeux	1,377	1,302
Société de Gestion de L'Échappée	65	64
LotSys	71	63
FDJ Développement	16	16
La Française d'Images	51	52
La Pacifique des Jeux	19	19
La Française de Motivation	19	17
LVS	33	31
FDP	568	495
TOTAL WEIGHTED AVERAGE HEADCOUNT	2,219	2,059

The 160 increase in Group WAH largely concerned FDP (73 net new staff) due to the full year effect in 2017 following the takeover of 49 commercial sectors in 2016 undertaken as part of the commercial transformation; and FDJ (75 net new staff) following the restructuring related to the FDJ 2020 strategic project.



4.2 Personnel expenses

<i>In millions of euros</i>	31.12.2017	31.12.2016
Wages and salaries	122.7	116.5
Social security contributions	64.0	59.3
Employee profit-sharing and incentives	23.4	18.0
Long-term benefits	3.0	3.0
TOTAL PERSONNEL EXPENSES	213.1	196.8

The increase in personnel expenses corresponds to the higher WAH.

4.3 Employee benefits

<i>In millions of euros</i>	31.12.2015	Allowances	Reversals of provisions		Other movements	31.12.2016
			used	unused		
Pension obligations	32.0	5.7	-0.4	-	-4.6	32.6
Service recognition awards	4.9	0.9	-0.1	-	-	5.7
Health care costs	6.4	0.5	-	-0.1	1.8	8.7
Provisions for non-current personnel expenses	43.3	7.1	-0.5	-0.1	-2.9	47.0
Provisions for current personnel expenses	12.1	11.5	-7.4	-4.1	-	12.1
TOTAL PROVISIONS FOR PERSONNEL EXPENSES	55.4	18.6	-8.0	-4.2	-2.9	59.1

In millions of euros	31.12.2016	Allowances	Reversals of provisions		Other movements	31.12.2017
			used	unused		
Pension obligations	32.6	2.9	-0.1	-0.1	-2.0	33.3
Service recognition awards	5.7	0.4	-0.2	-	-	5.9
Health care costs	8.7	0.7	-0.1	-	-1.4	7.9
Provisions for non-current personnel expenses	47.0	4.0	-0.3	-0.1	-3.3	47.2
Provisions for current personnel expenses	12.1	6.5	-9.6	-0.8	-	8.1
TOTAL PROVISIONS FOR PERSONNEL EXPENSES	59.1	10.5	-10.0	-0.9	-3.3	55.3

4.3.1 Pension obligations

The parameters below are used to determine the provision for pension obligations:

	31.12.2017	31.12.2016
Discount rate	1.30%	1.30%
Salary increase rate*	3.00%	3.00%
of which inflation	2.00%	2.00%
Employee turnover rate*	management	0.85%
	non-management	0.48%
Mortality table	INSEE TH-TF 2000-2001	INSEE TH-TF 2000-2001

* Age-adjusted.

Debt related to pension obligations increased by €0.7 million. Consumption (departures) stood at €0.2 million.

In millions of euros	31.12.2017	31.12.2016
Actuarial obligation at the beginning of the period	32.6	32.0
Normal cost	2.4	2.4
Interest on the actuarial obligation	0.4	0.7
Costs for past service	-	2.6
Actuarial gains (losses)	-2.0	-4.6
Pensions paid	-0.2	-0.4
Provision at year-end	33.3	32.6

Pursuant to IAS19 revised, changes in actuarial assumptions and experience adjustments give rise to actuarial differences that are recognised fully in equity and cannot be recycled when they occur.

In millions of euros	31.12.2017	31.12.2016
Normal cost	2.4	2.4
Interest on the actuarial obligation	0.4	0.7
Costs for past service	-	2.6
Pensions theoretically paid	-0.2	-0.4
Net cost in income	2.7	5.3
Recognised in other nontransferable equity	-2.0	-4.6

The results of sensitivity tests show that a 25 basis point increase or decrease in the discount rate would lead to a corresponding 3% decrease or increase in the current provision for pension benefits.

4.3.2 Other employee benefits

Provisions for current employee expenses mainly cover employment litigation risks and the employee departure costs.

NOTE 5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

5.1 Intangible assets

In millions of euros	31.12.2017			31.12.2016		
	Gross	Amort. Provisions	Net	Gross	Amort. Provisions	Net
Development costs	81.4	-40.2	41.2	70.2	-37.4	32.8
Patents, licences	136.4	-107.7	28.7	140.2	-105.9	34.3
Other intangible assets	4.3	-2.8	1.4	4.3	-2.9	1.4
Intangible assets in progress	26.1	-1.3	24.8	19.0	-0.5	18.5
TOTAL INTANGIBLE ASSETS	248.2	-152.0	96.1	233.7	-146.6	87.1

In millions of euros	31.12.2015	Acquisitions & Allowances	Disposals & Reversals	Other movements	31.12.2016
Patents, licences	144.3	2.9	-7.9	0.9	140.1
Other intangible assets	4.3	-	-	-	4.3
Intangible assets in progress	13.2	16.4	-0.3	-10.3	19.0
Gross amounts	229.3	30.2	-25.4	-0.4	233.7
Development costs	-46.2	-7.6	16.4	-	-37.4
Patents, licences	-105.4	-8.4	7.5	0.5	-105.9
Other intangible assets	-2.9	-	-	-	-2.9
Intangible assets in progress	-0.4	-0.1	-	0.1	-0.5
Amortisation and provisions	-154.8	-16.2	23.9	0.5	-146.6
INTANGIBLE ASSETS, NET	74.5	14.0	-1.6	0.1	87.1

In millions of euros	31.12.2016	Acquisitions & Allowances	Disposals & Reversals	Other movements	31.12.2017
Patents, licences	140.2	3.4	-7.0	-0.1	136.4
Other intangible assets	4.3	-	-	-	4.3
Intangible assets in progress	19.0	19.3	-2.2	-10.0	26.1
Gross amounts	233.7	31.0	-16.2	-0.3	248.2
Development costs	-37.4	-10.3	7.6	-	-40.2
Patents, licences	-105.9	-9.0	7.0	0.1	-107.7
Other intangible assets	-2.9	-	-	-	-2.8
Intangible assets in progress	-0.5	-0.8	-	-	-1.3
Amortisation and provisions	-146.6	-20.1	14.6	0.1	-152.0
INTANGIBLES ASSETS, NET	87.1	10.9	-1.6	-0.2	96.1

Note: other movements relate to the reclassification of tangible assets in progress to property, plant and equipment, and currency translation effects.

In 2017, as in 2016, acquisitions in the period concerned the parent company and were related to developments made to live and back office information systems and gaming terminals. Disposals were primarily related to past development projects.



5.2 Property, plant and equipment

<i>In millions of euros</i>	31.12.2017			31.12.2016		
	Gross	Amort. Provisions	Net	Gross	Amort. Provisions	Net
Land and improvements	99.7	-2.2	97.5	99.7	-2.0	97.6
Buildings	168.9	-50.3	118.6	167.7	-50.4	117.3
Technical installations, materials, equipment	179.9	-112.4	67.4	181.7	-104.4	77.3
Other property, plant and equipment	224.4	-167.3	57.1	225.5	-174.9	50.6
Property, plant and equipment under construction	28.7	-	28.7	4.8	-	4.8
Advances and payments on account	4.1	-	4.1	1.9	-	1.9
TOTAL PROPERTY, PLANT AND EQUIPMENT	705.7	-332.3	373.4	681.3	-331.7	349.5

<i>In millions of euros</i>	31.12.2015	Acquisitions & Allowances	Disposals & Reversals	Other movements	31.12.2016
Land and improvements	3.1	96.6	-	-	99.7
Buildings	57.4	110.2	-	0.1	167.7
Technical installations, materials, equipment	178.2	9.3	-12.2	6.4	181.7
Other property, plant and equipment	220.4	13.6	-14.0	5.5	225.5
Property, plant and equipment under construction	11.8	4.2	-	-11.1	4.8
Advances and payments on account	1.4	1.8	-	-1.3	1.9
Gross amounts	472.3	235.6	-26.2	-0.4	681.3
Land and improvements	-1.8	-0.2	-	-	-2.0
Buildings	-49.2	-1.2	-	-	-50.4
Technical installations, materials, equipment	-101.5	-14.8	12.0	-	-104.4
Other property, plant and equipment	-172.9	-15.7	13.7	-	-174.9
Amortisation and provisions	-325.5	-31.9	25.7	-	-331.7
PROPERTY, PLANT AND EQUIPMENT, NET	146.7	203.7	-0.5	-0.4	349.5

<i>In millions of euros</i>	31.12.2016	Acquisitions & Allowances	Disposals & Reversals	Other movements	31.12.2017
Land and improvements	99.7	-	-	-	99.7
Buildings	167.7	2.2	-1.5	0.5	168.9
Technical installations, materials, equipment	181.7	6.5	-8.6	0.2	179.9
Other property, plant and equipment	225.5	19.9	-25.0	4.0	224.4
Property, plant and equipment under construction	4.8	26.8	-	-2.9	28.7
Advances and payments on account	1.9	3.9	-	-1.6	4.1
Gross amounts	681.3	59.3	-35.1	0.2	705.7
Land and improvements	-2.0	-0.2	-	-	-2.2
Buildings	-50.4	-1.3	1.5	-	-50.3
Technical installations, materials, equipment	-104.4	-16.6	8.6	-	-112.4
Other property, plant and equipment	-174.9	-17.0	24.6	-	-167.3
Amortisation and provisions	-331.7	-35.1	34.6	-	-332.2
PROPERTY, PLANT AND EQUIPMENT, NET	349.5	24.2	-0.5	0.2	373.4

Note: other movements relate to the reclassification of tangible assets in progress to property, plant and equipment, and currency translation effects.

In 2017, investments in property, plant and equipment were primarily related to the development of the new head office and to the fittings and fixtures for points of sale.

In 2016, investments in property, plant & equipment grew by €236 million gross and mainly consisted of the purchase of the Group's new head office for €207 million. Other movements concerned fittings and equipment at points of sale, in particular the upgrading of sales counters, gaming terminals and players' areas.

NOTE 6 OTHER PROVISIONS AND CONTINGENT LIABILITIES

6.1 Provisions

<i>In millions of euros</i>	31.12.2015	Allowances	Reversals		Other movements	31.12.2016
			used	unused		
Total non-current provisions	81.1	7.1	-1.6	-0.1	-2.9	83.6
Total current provisions	181.9	18.0	-129.0	-4.7	-30.6	35.6

<i>In millions of euros</i>	31.12.2016	Allowances	Reversals		Other movements	31.12.2017
			used	unused		
Total non-current provisions	83.6	4.0	-0.3	-0.1	-3.3	83.9
Total current provisions	35.6	9.1	-11.6	-2.2	-	30.9

Non-current and current provisions mainly cover litigation risks, operating risks, restructuring costs, costs related to relocating the head office, as well as employee benefits (see Note 4.3). In 2016, the decrease in current provisions is largely due to the departure of the last broker-agents.

Other movements primarily include changes to provisions linked to:

- ◆ actuarial gains and losses from pension and healthcare obligations which are recorded through non-transferable equity (Note 4.3);
- ◆ the removal of LB Poker from the scope of consolidation, at 31 December 2016.



6.2 Off-balance-sheet commitments

6.2.1 Commitments given

In accordance with employee savings agreements and to guarantee the liquidity of the "FDJ Actionnariat" employees' mutual fund, through which employees own 5% of the Company's share capital, Crédit Lyonnais granted the fund a first-demand guarantee for

€8.8 million. FDJ granted LCL a counter-guarantee in the same amount. The fund entered into an agreement with FDJ to repay funds collected or received from the sale of shares. These commitments were renewed for a period of two years, beginning on 1 June 2016.

6.2.2 Other commitments

The other commitments are described in the table below:

<i>In millions of euros</i>	31.12.2017	31.12.2016
Commitments given		
Deposits and first-demand guarantees	7.3	5.6
Investment funds	20.0	11.1
Performance bonds ⁽¹⁾	122.5	170.1
Image rights for cyclists and commitment to the Association L'Échappée	1.1	2.3
Escrow account	1.1	1.1
Property rental (buildings and vehicles)	32.4	35.8
Mortgage on goods acquired	123.1	132.6
TOTAL COMMITMENTS GIVEN	307.6	358.6
Commitments received		
Performance bonds and return of payments on account	54.0	45.4
Guarantees for return of stakes and payment of winnings	138.3	99.2
Furniture rentals	5.8	4.1
Other	33.3	4.5
TOTAL COMMITMENTS RECEIVED	231.3	153.1

(1) Of which printing contracts: €34 million.

The mortgage taken out by the Group in 2016 (including the principal, interest and related amounts) concerned the purchase its new head office.

The investment funds primarily comprise Partech, Raise and Level Up, innovation funds that support the development of start-ups.

On 15 December 2016, FDJ's Board of Directors decided to renew the FDJ Corporate Foundation for a term of five

years from 5 January 2018 to 2 January 2023. Of the €18 million set aside under the multi-year action plan, €7 million was used in 2016 and €8 million in 2017.

6.2.3 Reciprocal commitments

At the end of 2017, FDJ signed a bilateral sales agreement on its site at Moussy-le-Vieux, in Seine-et-Marne for €14.6 million.

NOTE 7 CASH AND FINANCIAL INSTRUMENTS

7.1 Financial assets and liabilities

<i>In millions of euros</i>	31.12.2017	31.12.2016
Euro Millions guarantee deposits	10.9	9.3
Non-current available-for-sale financial assets	716.7	664.1
Non-current securities measured at fair value through profit or loss	20.9	20.0
Total non-current financial assets	748.5	693.4
Current available-for-sale financial assets	50.0	75.0
Current derivatives	0.2	0.2
Total current financial assets	50.2	75.2
TOTAL FINANCIAL ASSETS	798.7	768.6
Long-term debt	103.5	111.5
Total non-current financial liabilities	103.5	111.5
Debt maturing in less than one year	8.0	8.0
Other current financial liabilities	44.9	116.4
Total other financial liabilities	52.9	124.4
TOTAL FINANCIAL LIABILITIES	156.4	235.9

With interest rates at all-time lows, in 2017 FDJ continued, when the conditions were advantageous, with its policy of making investments in term deposits with a five-year horizon. In accordance with the Company's asset allocation policy, other long-term UCITS investments were also made, all of which led to an increase in non-current financial assets of €55 million over the period.

The deposit paid under the surety trust agreement, which aims to protect the assets of online players, amounted to €5.6 million at 31 December 2017 (as at 31 December 2016).

Long-term financial debt of €103.5 million is attributable to the acquisition of the Group's future head office. This loan was taken out at a fixed rate and matures on 20 December 2031 with payments due on 20 June and 20 December of each year starting in 2017.

Current financial liabilities mainly include payables to banks and borrowings related to FDJ's commitment to repurchase its shares.

7.2 Cash and cash equivalents in thousands of euros

<i>In millions of euros</i>	31.12.2017	31.12.2016
Investments, cash equivalents	114.0	52.9
Bank accounts and other credit balances	52.8	147.9
CASH AND CASH EQUIVALENTS	166.8	200.8

Negative interest rates have the effect of limiting investments in cash and cash equivalents.

7.3 Financial result

<i>In millions of euros</i>	31.12.2017	31.12.2016
Proceeds from the sale of investment securities ⁽¹⁾	4.1	7.3
Income from investment securities	4.0	6.6
Financial income on securities measured at fair value through profit or loss	1.0	-
Foreign exchange gains	-	0.9
Other financial income	1.8	0.8
Finance income	11.0	15.6
Expenses on the sale of investment securities ⁽¹⁾	-0.2	-
Derivatives	-0.2	-0.2
Financial expenses on securities measured at fair value through profit or loss	-	-0.6
Foreign exchange losses	-1.8	-1.1
Other financial expenses	-4.4	-1.7
Finance expenses	-6.5	-3.6
FINANCIAL RESULT	4.5	12.0
	4.0	7.3

(1) Net proceeds from the sale of investment securities.

The reduction in revenue from investment securities was due to the combined fall in the average annual outstandings (from €940 million in 2017 to €1,174 million in 2016) and interest rates (which continued falling in 2017 with an average EONIA of -0.36%).

FDJ is exposed to foreign exchange risk related to purchases denominated in foreign currency (mainly the US dollar). Net foreign exchange losses over the period stemmed from the volatility of the US dollar.

Other financial income as of 31 December 2017 mainly includes deferred interest on the dividend tax refund (€1.5 million).

Other financial expenses included actuarial interest relating to pension obligations and the revaluation of current financial liabilities.

7.4 Financial risk management policy

7.4.1 Credit risk from investments and derivatives

Credit risk or counterparty risk of investments and derivative financial instruments is monitored by the Treasury Committee, which includes the Director of Accounting and Treasury and members of the Treasury and Investments Department. This risk corresponds to the loss that the Group would incur if a counterparty defaults, resulting in a failure to meet its obligations vis-à-vis FDJ.

For investments and derivatives, the Group's policy is to limit transactions, weighted by the nature of the risks, to a maximum amount per approved counterparty. This list of approved counterparties is established by the Treasury Committee, selected according to two criteria based on

their credit rating and the transaction's maturity. It is reviewed periodically, at least once every six months. In the event that a counterparty is downgraded below the minimum rating, the Treasury Committee decides whether to maintain the existing transactions to maturity.

The Group considers that the risk of counterparty default, with a potentially material impact on its financial position and results, is limited, due to the policy in place for counterparty management, and more particularly because of the minimum long-term rating stipulated for these transactions.



<i>In millions of euros</i>	31.12.2017	31.12.2016
Non-current available-for-sale financial assets	716.7	664.1
Non-current assets measured at fair value through profit or loss	20.9	20.0
Total non-current investment securities	737.6	684.1
Current available-for-sale financial assets	50.0	75.0
Total current investment securities	50.0	75.0
Investments, cash equivalents	114.0	52.9
TOTAL INVESTMENTS	901.6	812.0

At 31 December 2017, investments consisted mainly of €164 million in UCITS and €738 million in investments with counterparties, compared to €160 million and €652 million, respectively, at 31 December 2016.

The credit risk analysis breaks down as follows:

Amounts outstanding	Total amount outstanding in € million at 31.12.2017	0- €25 million	€25- €50 million	€50- €100 million	€100- 150 million
Rating					
AA/Financial institutions	288	3			2
AA/Other					
A/Financial institutions	450	6	3	3	
TOTAL	738				

7.4.2 Liquidity risk

Liquidity risk is the risk of not being able to raise the funds necessary to meet future financial obligations. In particular, the cash necessary to cover counterparty risks on certain games, for which amounts are potentially high, must be immediately available. It corresponds to the amounts recognised in the counterparty funds, the permanent fund and, for extreme cases, in the statutory reserve fund.

Under FDJ's cash management policy, over 33% of amounts outstanding must be invested in standard short-term instruments and FDJ must have access to bank overdrafts.

7.4.3 Interest rate risk

The Group's exposure to changes in interest rates is related primarily to its future investments. The Group implements a policy of dynamic interest rate risk management supervised by the Treasury Committee. The objective of this policy is to ensure a minimum return, in the context of a five-year investment horizon.

Sensitivity to interest rate risk arises from fixed rate investments (bonds and negotiable debt instruments) and interest rate derivatives. At 31 December 2017, no investments were exposed to this direct risk. A 0.5% increase or decrease across the entire yield curve would have no material impact on the fair value of investments.

7.5 Impact of financial instruments

Financial instruments consist of:

- ◆ in assets, all investments (classified as non-current financial assets, current financial assets and cash and cash equivalents), all loans and receivables related to the business, derivatives and bank accounts;
- ◆ in liabilities, all debts, liabilities related to the business, derivatives and financial debts.

7.5.1 Impact on the balance sheet

In millions of euros	IAS 39 category	FV hierarchy	31.12.2017		31.12.2016	
			Book value	Fair value	Book value	Fair value
Cash	Fair value through profit or loss	Level 1	52.8	52.8	147.9	147.9
Cash equivalents	Available-for-sale financial assets	Level 2	114.0	114.0	52.9	52.9
Non-current financial assets	-	Level 2	748.5	748.5	693.5	693.4
of which available-for-sale financial assets	Available-for-sale financial assets	Level 2	727.6	727.6	673.5	673.5
of which fair value through profit or loss	Fair value through profit or loss	Level 2	20.9	20.9	20.0	20.0
Current financial assets	-	Level 2	50.0	50.0	75.0	75.0
of which available-for-sale financial assets	Available-for-sale financial assets	Level 2	50.0	50.0	75.0	75.0
of which loans and receivables at amortised cost	Loans and receivables at amortised cost	Level 2	-	-	-	-
Other non-current financial assets	Loans and receivables at amortised cost	Level 2	20.6	20.6	14.2	14.2
Derivatives (assets)	Fair value through profit or loss	Level 2	0.2	0.2	0.2	0.2
Current receivables	Loans and receivables at amortised cost	-	561.1	561.1	559.3	559.3
of which trade and other receivables	Loans and receivables at amortised cost	-	16.8	16.8	16.4	16.4
of which network receivables	Loans and receivables at amortised cost	-	352.0	352.0	317.4	317.4
of which other receivable and current assets	Loans and receivables at amortised cost	-	192.3	192.3	225.4	225.4
Current income tax assets	Loans and receivables at amortised cost	-	9.3	9.3	9.4	9.4
TOTAL FINANCIAL INSTRUMENTS – ASSETS			1,556.5	1,556.5	1,552.3	1,552.2
Non-current player funds	Financial liabilities at amortised cost	-	129.9	129.9	134.7	134.7
Other non-current financial liabilities	Financial liabilities at amortised cost	Level 2	103.5	103.5	111.5	111.5
Current debts	Financial liabilities at amortised cost	-	1,110.4	1,110.4	1,043.6	1,043.6
of which trade and other payables	Financial liabilities at amortised cost	-	106.2	106.2	105.5	105.5
of which network payables	Financial liabilities at amortised cost	-	215.2	215.2	190.0	190.0
of which government gaming levies	Financial liabilities at amortised cost	-	265.9	265.9	289.8	289.8
of which winnings payable and distributable, current player funds	Financial liabilities at amortised cost	-	383.7	383.7	342.9	342.9
of which other current liabilities	Financial liabilities at amortised cost	-	139.4	139.4	115.5	115.5
Other non-current financial liabilities	Financial liabilities at amortised cost	Level 2	52.9	52.9	124.4	124.4
TOTAL FINANCIAL INSTRUMENTS – LIABILITIES			1,396.7	1,396.7	1,414.2	1,414.2

Level 1: quoted in financial markets.

Level 2: based on observable market data.



7.5.2 Impact on the income statement

<i>In millions of euros</i>	Financial result			Operating result
	Interest	Fair value through profit or loss	Gain or loss on disposal	Other ⁽¹⁾
Available-for-sale financial assets ⁽²⁾	6.6		7.3	
Securities measured at fair value through profit or loss		-0.6		
Loans and receivables				-1.1
Derivatives		-0.2		
Total at 31.12.16	6.6	-0.8	7.3	-1.1
Available-for-sale financial assets ⁽²⁾	4.0		4.1	
Securities measured at fair value through profit or loss		1.0		
Loans and receivables				-4.2
Derivatives		-0.2		
TOTAL AT 31.12.17	4.0	0.8	4.1	-4.2

(1) Losses on bad debts.

(2) Note 7.1.

7.5.3 Impact on transferable equity

<i>In millions of euros</i>	Gross amount	Tax	Net amount
Balance at 31.12.2015	12.3	-4.5	7.8
Changes in fair value	3.0	-	3.0
Impairment charges reclassified to the income statement	-	-	-
Amounts from disposals reclassified to the income statement	-7.2	-	-7.2
Change in taxes		1.5	1.5
Balance at 31.12.2016	8.1	-3.1	5.0
Changes in fair value	0.5	-	0.5
Impairment charges reclassified to the income statement	-	-	-
Amounts from disposals reclassified to the income statement	-	-	-
Change in taxes	-	-0.2	-0.2
BALANCE AT 31.12.2017	8.6	-3.2	5.3

NOTE 8 JOINT VENTURES

8.1. Share of income from joint ventures

<i>In millions of euros</i>	Total
Value of securities at 31.12.15	13.0
Group share of 2016 earnings	1.3
Gross dividends	-0.9
Changes in foreign exchange rates	-0.4
Reclassification in current provisions	-0.1
Value of securities at 31.12.2016	12.9
Group share of 2017 earnings	1.2
Gross dividends	-0.6
Changes in foreign exchange rates	-0.8
Reclassification in current provisions	-
VALUE OF SECURITIES AT 31.12.2017	12.7

8.2 Joint venture data

8.2.1 Beijing Zhongcai Printing

FDJ holds a 37% interest in Beijing Zhongcai Printing Co Ltd (BZP), a lottery ticket printing company located in China and consolidated using the equity method. The other shareholders are a Malaysian group (23%) and the China Welfare Lottery (40%).

The Group had no significant business relationship with this company in 2017. BZP paid out dividends, net of currency translation effects and withholding taxes, of €0.5 million in 2017 and €0.8 million in 2016.

8.2.2 Servivces aux Loteries en Europe

The Group holds a joint-venture interest in Services aux Loteries en Europe (SLE), a limited-liability cooperative company under Belgian law located in Brussels, created in October 2003 to carry out common operations for the Euro Millions game, such as draws, centralisation of numbers, payback ratio calculation and arrangements for transferring funds between operators to distribute

winnings. The company is jointly owned by the ten participating lotteries; FDJ holds a 26.57% stake. None of the transactions with this company has a material impact on the Group. SLE is accounted for using the equity method.

8.2.3 National Lotteries Common Services

The Group holds a stake in a joint venture, National Lotteries Common Services (NLCS), a French company established in February 2013 to bring together lotteries in a process and pool their skills and resources in the field of sports betting. The capital is held by two lotteries (the Portuguese state lottery Santa Casa de Misericordia de Lisboa (SCML) and FDJ), which each hold a 50% stake. None of the transactions with this company has a material impact on the Group. NLCS is accounted for using the equity method.



NOTE 9 INCOME TAXES**9.1 Income tax expense**

<i>In millions of euros</i>		31.12.2017	31.12.2016
Non-current	Deferred tax	-1.1	-7.0
Current	Current tax	83.6	86.9
TOTAL INCOME TAX EXPENSE		82.6	79.9

Net growth in the Group's income tax expense is mainly due to the introduction in 2017 of an exceptional additional contribution of 15% on tax for companies with revenue of more than €1 billion, partially offset by the removal and repayment of the additional contribution on dividends.

9.2 Deferred tax

<i>In millions of euros</i>	31.12.2017		31.12.2016	
	Assets	Liabilities	Assets	Liabilities
Non-deductible provisions	11.7		11.7	
Temporarily non-deductible expenses	5.8		4.9	
Other consolidation adjustments ⁽¹⁾		-36.0		-35.1
Other temporary differences	1.0		1.3	
Total deferred taxes	18.6	-36.0	17.9	-35.1
NET DIFERRED TAX		-17.5		-17.2

(1) Main special depreciation allowances.

9.3 Tax reconciliation

<i>In millions of euros</i>	31.12.2017	31.12.2016
Consolidated accounting profit before tax and effect of equity-accounting	262.4	254.6
Standard theoretical income tax rate	34.43%	34.43%
Theoretical tax expense	90.3	87.7
Effects of items generating differences from theoretical tax:		
→ permanent differences	2.4	-6.8
→ tax rate effect	10.4	-2.6
→ tax credits	-5.2	-5.3
→ unused tax loss carry forwards net of uses	-0.4	0.1
→ additional contribution on dividends	-15.0	6.9
Total differences between effective tax and theoretical tax	-7.8	-7.7
TOTAL EFFECTIVE TAXES	82.6	79.9
Effective tax rate	31.48%	31.40%

The net repayment of the additional dividend contribution generated a tax saving of €15.0 million.

9.4 Tax losses

At 31 December 2017, the stock of tax losses amounted to €4.5 million for Internationale de Jeux and €0.9 million for La Française d'Images.

NOTE 10 SHAREHOLDERS' EQUITY

10.1 Capital

FDJ's share capital is €76,400,000 consisting of 200,000 shares with a par value of €382. It has been unchanged over the last three fiscal years.

Shareholders owning at least 5% of the capital at 31 December 2017 were as follows:

	Number of shares	% of capital
French State	144,000	72.0%
Union des Blessés de la Face et de la Tête	18,457	9.2%
FDJ employees' mutual fund	10,000	5.0%
Other (individuals holding less than 5% of the share capital)	27,543	13.8%
TOTAL	200,000	100%

Dividends for 2016 amounted to €124 million.

The total dividend to be proposed to the Annual General Meeting is €130,000 million, i.e. €650 per share.

10.2 Reserves

The Group's business of organising and operating betting games involves specific risks and commitments of particular significance which must be anticipated through appropriate coverage.

Some of these risks and commitments were covered by the statutory reserve of €83 million at 31 December 2017.

The risks covered are:

- ♦ operating risks that may arise at any time during the life cycle of the games (design, production of game equipment, logistics, marketing, etc.). They are measured, after-tax, at 0.3% of stakes, or €43 million at the end of 2017, based on the 2016 financial statements;
- ♦ rare and extreme-case counterparty risks, exceeding ordinary risk for which models are available, are covered by counterparty funds and the permanent fund. These risks are measured as and when a major change occurs in the gaming offer and in players' behaviour. At year-end 2017, they were covered up to €40 million.

In May 2014, FDJ launched a sales restructuring programme aimed at enhancing the performance of the Company and its network. It consists for the most part of a new segment mapping, a gradual shift towards a modernised distribution network enabling points of sale to be delivered directly from a central logistics hub, and, as a result, a change in business for intermediaries set out in a contract with significantly different terms of operation and compensation leading to much lower distribution costs. As part of the restructuring, FDJ cancelled the contracts of broker-agents who had, until that time, been paid solely on the basis of the player stakes collected, thus ending the former distribution system and, as a result, terminating existing rights under the previous contract.

On 15 December 2016, the Board of Directors noted that Soficoma, which is no longer owned by FDJ agent-brokers, no longer met the requirements to be a FDJ shareholder. It therefore decided, in accordance with FDJ's Articles of Association, to have FDJ buy back the shares held by Soficoma. FDJ then carried out the payment for this transaction (see Note 12).



NOTE 11 TRANSACTIONS WITH RELATED PARTIES

11.1 French government

The Budget Minister determines how player stakes are distributed in view of the statutory levies on gaming including the levy to finance the national sports development programme (CNDS), the social security debt retirement tax (CRDS) and the supplementary social security tax (CSG).

The amounts reported for this in the income statement and on the balance sheet for the last two years are as follows:

<i>In millions of euros</i>		31.12.2017	31.12.2016
Balance sheet (liabilities)	Government gaming levies	265.9	289.8
Income statement	Government levies	3,235.7	3,061.6

An agreement between the French government and FDJ sets the legal and financial conditions governing the devolution of the fixed assets required to accomplish the mission entrusted to the Company if FDJ loses its gaming operator's licence.

Transactions between FDJ and other public sector entities (France Télévisions, EDF, SNCF, La Poste) are all conducted at normal market conditions.

11.2 Other related parties exercising significant influence over the Group

Transactions between FDJ and its consolidated subsidiaries, as related parties, are eliminated on consolidation and are not described in this note.

The allowance granted to FDJ Corporate Fondation totalled €8 million in 2017 (€7 million in 2016).

No material transactions have been entered into with members of governing bodies having a significant influence on the Group.

Remuneration allocated to executives (corporate officers) in 2017 amounted to €322 thousand (vs. €320 thousand in 2016) for the Chairwoman and CEO and €251 thousand (vs. €250 thousand in 2016) for the Deputy Chief Executive Officer, for a total of €573 thousand.

NOTE 12 ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES

In October and December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate – UNDJ) brought two actions, one before the Court of First Instance in Nanterre and the other before the Court of First Instance in Paris. The second case is ongoing, the first having been withdrawn by the UNDJ. Members filed a lawsuit against FDJ in May 2012 before the Commercial Court of Nanterre. This case is subject to a stay of proceedings pending the decision of the second claim before the Paris District Court.

On 6 August 2015, 67 brokers-agents served a summons on FDJ to appear before the Commercial Court of Paris in

emergency proceedings. They formulated claims for compensation in damages following the termination of their broker-agent contracts. In October 2016, the judgment rendered ruled against the broker-agents on all of their claims. In November 2016, they lodged an appeal with the Appellate Court of Paris where the proceedings are ongoing.

On 23 May 2017, FDJ filed a lawsuit against Soficoma, a civil society shareholder of FDJ, which it argues no longer holds the status of a shareholder. The dispute is currently pending before the Commercial Court of Marseille.

NOTE 13 SUBSEQUENT EVENTS

Until 2017, FDJ leased to retailers the furnishings installed in points of sale. These were regular lease agreements whose proceeds were recognised as revenue. The commitments received amounted at the end of 2016 to €4.1 million in less than one year. From 2018 on, these furnishings will be made available at no charge to retailers.

Following the sale of its Moussy site (see 6.2.3), FDJ signed, in January 2018, two six-year leases for two buildings in the Villepinte business park.

NOTE 14 LIST OF CONSOLIDATED COMPANIES

Control is defined as the practical ability to exercise a right to manage key activities (that have a major impact on returns), exposure to variable returns (dividends, changes in fair value, tax savings) and the ability to act on these returns i.e. the decision-making capability to influence the returns.

The Group is not aware of any major restrictions that would limit its ability to access the assets of subsidiaries controlled by it.

The Group consolidates 13 companies as at 31 December 2017.

During the financial year ended 31 December 2017, there were no changes in the scope of consolidation.

During the financial year ended 31 December 2016, LB Poker was removed from the scope of consolidation on 12 July 2016. The deconsolidation of this entity had no net material impact on consolidated pre-tax profit.

Name of entity	Head office	Consolidation method ⁽¹⁾	Activity	2017 Control	2016 Control
La Française des Jeux	France	FC	Organisation of lottery games and betting	100%	100%
LotSys	France	FC	Development and supply of materials, software and services related to games of chance	100%	100%
Internationale des Jeux	France	FC	Export activities for gaming	100%	100%
Beijing Zhongcai Printing	China	EM	Printing of lottery tickets	37%	37%
La Française de Motivation	France	FC	Business travel consulting agency Tourism agency	100%	100%
La Pacifique des Jeux	France	FC	Operation of lottery games in French Polynesia	99.99%	99.99%
FDJ Développement	France	FC	Distribution of lottery games and sports betting in the French Antilles and French Guiana	100%	100%
La Française d'Images	France	FC	Technical audiovisual services	100%	100%
Société de Gestion de L'Échappée	France	FC	Management and promotion of a cycling team	100%	100%
FDP	France	FC	Distribution of lottery games and betting in mainland France	100%	100%
Services aux Loteries en Europe	Belgium	EM	Provision of services for national lottery agents in connection with the operation of Euro Millions	26.57%	26.57%
Laverock Von Schoultz Ltd	UK	FC	Software development	100%	100%
NLCS	France	EM	Provision of services associated with the operation of sports betting	50.00%	50.00%

(1) FC: full consolidation; EM: accounted for using the equity method.

The ownership interest (the share of the consolidated entity held directly or indirectly by the Group) is identical to the percentage of control for all controlled entities except for Société de Gestion de L'Échappée in which the ownership interest is 34% but the percentage of control is 100%.

Given the non-material nature of Association L'Échappée and the FDJ Corporate Foundation, these two entities are not consolidated.





3.7

Statutory Auditors' report on the consolidated financial statements

For the year ended 31 December 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

La Française des Jeux

French semi-public company (*société anonyme d'économie mixte*)
126 rue Galliéni
92100 Boulogne Billancourt

To the Shareholders,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying consolidated financial statements of La Française des Jeux for the year ended 31 December 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the *Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements* section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2017 to the date of our report, and in particular we did not provide any non-audit services prohibited by the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

III. Emphasis of matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2 "Regulatory background of the FDJ Group (the Group)" to the consolidated financial statements, which sets out the specific nature of the company's legal framework.

IV. Justification of assessments

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgement, were of most significance in our audit of the consolidated financial statements.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

As indicated in Note 2.14 "Estimates and judgements" to the consolidated financial statements, management uses estimates and judgements in preparing the consolidated financial statements. Regarding the measurement of intangible assets and provisions for risks and liabilities, our work consisted in particular in examining the procedures used by management for preparing and approving these estimates, assessing the reasonableness of the assumptions on which these estimates and judgements were based, and ensuring that Notes 4.3, 5.1, 6.1 and 12 to the consolidated financial statements provided appropriate disclosures.

V. Verification of the information pertaining to the Group presented in the management report

As required by law and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.



VI. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements presenting a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The consolidated financial statements were approved by the Board of Directors.

VII. Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- ◆ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



Consolidated financial statements

Statutory Auditors' report on the consolidated financial statements

- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements.
- ◆ Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.
- ◆ Evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Neuilly-sur-Seine, May 25, 2018

The Statutory Auditors

PricewaterhouseCoopers Audit

Philippe Vincent

Laurent Daniel

Deloitte & Associés

Éric Gins

Anne Philipona-Hintzy





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4.1

Income statement

<i>In millions of euros</i>	Notes	2017	2016
Participating player stakes		15,144.4	14,330.7
Share returned to winners		-10,122.4	-9,545.3
Gross gaming revenue		5,022.0	4,785.4
Government levies		-3,235.7	-3,061.6
Additions to counterparty funds and counterparty spreads		-59.5	-63.3
Revenue from gaming activities	3.11	1,726.8	1,660.5
Revenue from other activities		26.6	26.6
Total revenue from ordinary activities	3.11	1,753.4	1,687.2
Capitalised production	3.11	29.9	28.4
Reversals of provisions		10.8	7.2
Other current operating income and transfers of expenses		0.2	3.9
Total operating income		1,794.4	1,726.7
Inventory purchases used		34.0	29.1
Other external purchases and expenses	3.1.2	1,281.4	1,239.8
Taxes and duties		19.0	16.4
Personnel expenses	4.1	129.9	122.1
Depreciation and amortisation		50.0	45.6
Provisions		10.3	7.6
Other expenses		14.4	13.9
Total operating expenses	3.1.2	1,539.1	1,474.6
Operating profit	3.1.2	255.3	252.1
Total financial income		25.4	25.5
Total financial expenses		3.4	3.3
Financial Result	7.3	22.1	22.1
Pre-tax profit/(loss)		277.4	274.2
Total non-recurring income		39.7	147.7
Total non-recurring expenses		58.5	177.8
Non-recurring profit (loss)	8	-18.8	-30.1
Employee profit-sharing and incentives	4.2	16.7	14.9
Corporate income tax	9	74.0	83.4
NET PROFIT		167.8	145.8

4.2

Balance sheet

4.2.1 Assets

<i>In millions of euros</i>	Notes	2017			2016
		Gross	Amortisation and provisions	Net	Net
Intangible assets	5.1	244.9	147.1	97.8	86.8
Property, plant and equipment	5.2	660.3	296.6	363.7	339.3
Financial assets	7.1	96.5	30.5	66.0	43.1
Capital assets		1,001.7	474.2	527.5	469.2
Inventories		10.6	0.7	9.9	10.1
Advances and payments on accounts		5.6	-	5.6	6.0
Trade receivables	3.2	418.9	32.4	386.5	392.0
Other receivables	3.2	153.8	0.1	153.7	196.4
Transferable securities	7.2	180.0	0.5	179.5	196.3
Cash and cash equivalents	7.2	730.0	-	730.0	674.0
Prepaid expenses	3.3	41.4	-	41.4	34.9
Current assets		1,540.3	33.6	1,506.7	1,509.7
Deferred expenses spread over several periods		0.5	-	0.5	0.5
Unrealised exchange gains		0.7	-	0.7	0.3
TOTAL ASSETS		2,543.3	507.9	2,035.4	1,979.7

4.

4.2.2 Liabilities

<i>In millions of euros</i>	Notes	2017	2016
Share capital		76.4	76.4
Legal reserve		7.6	7.6
Statutory reserve		83.0	81.1
Optional reserve		93.2	73.3
Net income for the period	13	167.8	145.8
Regulated provisions		128.5	113.9
Shareholders' equity	10	556.5	498.2
Provisions for risks		10.6	11.3
Provisions for liabilities		85.4	82.4
Provisions for risks and liabilities	4.3 and 6.1	96.0	93.7
Loans from credit institutions	7.2	129.6	122.0
Trade payables		1,130.7	1,160.1
Other payables		89.8	80.9
Prepaid income (player stakes)		32.5	24.5
Payables		1,382.6	1,387.5
Unrealised exchange losses		0.3	0.4
TOTAL LIABILITIES		2,035.4	1,979.7



4.3

Statement of cash flows

<i>In millions of euros</i>	Notes	31.12.2017	31.12.2016
Operating activities			
Net profit		167.8	145.8
Elimination of non-cash or non-operating income and expenses		63.1	-45.8
Amortisation and provisions		64.8	-46.9
Gains/losses on disposals		0.8	0.6
Impact of changes in the cash position on operating activities	3.2	42.0	-166.2
Management		-41.9	55.0
Gaming		83.9	-221.2
Cash flow from operating activities		272.9	-66.2
Investing activities			
Cash outflows from acquisitions of property, plant and equipment and intangible assets	5	-89.9	-262.6
Cash inflows from disposals of property, plant and equipment and intangible assets		12.5	0.2
Cash outflows from acquisitions of financial assets		-28.2	-4.9
Cash inflows from repayments of loans, deposits and guarantees		0.3	0.9
Cash flow from investing activities		-105.4	-266.4
Financing activities			
Dividends paid to shareholders		-120.3	-229.2
Borrowings	3	-8.0	120.0
Cash flow from financing activities		-128.3	-109.2
CHANGES IN CASH FLOW		39.2	-441.7
Gross cash at opening		870.3	1,312.0
Gross cash at closing	7.2	909.5	870.3

4.4

Additional notes

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4.

NOTE 1 COMPANY OVERVIEW

1.1 General information

FDJ is a semi-public limited company under French law governed by all the laws applicable to commercial companies in France, in particular the provisions of the French Commercial Code, subject to the provisions of the legal framework as described in Note 1.2. Its registered office is located at 126 rue Gallieni, 92643 Boulogne-Billancourt. It is 72% held by the French State.

The Company operates as a gaming operator in France, in mainland France and French overseas departments, four French overseas territories and Monaco. The Group, of which it is the parent company, is present internationally through investments in the following companies:

- ◆ BZP (Beijing Zhongcai Printing), a lottery ticket printing company located in China;
- ◆ SLE (Services aux Loteries en Europe), the Belgian cooperative company created as part of the Euro Millions lottery to provide draw services and administration for the participating lotteries;
- ◆ LVS (Laverock Von Schoultz Ltd), a UK software company specialising in Internet technologies.

Based on the opinion of the Audit Committee on 7 March 2018, the Board of Directors, at its meeting on 14 March 2018, approved the individual financial statements to be submitted for approval at the Annual General Meeting on 12 April 2018.

1.2 Regulatory environment

FDJ operates in the heavily-regulated gambling sector which is strictly monitored by the French State.

For the activities on which it enjoys exclusive rights, namely the sports bets that it sells in points of sale and its lottery games offered on line and at points of sale, FDJ is legally obliged to meet mandatory public service objectives including “ensuring the integrity, safety and reliability of gaming operations and ensuring the transparency of their operation; channelling the demand for gambling through a channel controlled by the public authority in order to prevent risks of gambling operations being used for fraudulent or criminal purposes and combat money laundering and supervising gaming consumption in order to prevent the onset of addictions”.

The Budget Minister is responsible for regulating all the monopoly activities of FDJ. They are assisted in this by the COJEX, a gaming advisory body made up of representatives of public authorities and experts in addiction and gaming regulation, whose composition and remit were extended by the recently adopted Decree No. 2016-1488 of 3 November 2016. FDJ’s annual games programme and its Responsible Gaming and anti-money laundering action plans are thus subject to the approval of the Budget Minister and the COJEX.

In addition, FDJ’s online sports betting activities are operated in open competition under a licence that was issued in June 2010 by ARJEL, the regulatory authority for online gaming. This licence was renewed in June 2015 for a period of five years.

NOTE 2 ACCOUNTING PRINCIPLES

2.1 General principles

FDJ's financial statements are prepared in accordance with French GAAP (Plan Comptable Général – ANC regulation No.2016-12). They are prepared on a going concern basis.

2.2 Intangible assets

Intangible assets are measured at their cost of acquisition or production. They largely comprise acquired software programs and the development costs incurred to bring them into use.

Software programs are amortised over a period of 1-15 years and brands are amortised over a period of 10 years from the date on which they are brought into use according to the straight-line method. Accelerated amortisation is recorded when there is a difference between the useful life and taxable life of an asset.

When there is an indication of impairment, the Company carries out an impairment test on the asset(s) concerned. The market value and the net carrying amount are then compared and the asset is written down for impairment if the market value falls below the value in use.

2.3 Property, plant and equipment

Property, plant and equipment is measured at cost of acquisition.

Property, plant and equipment is depreciated over its useful life according to the straight-line method with the exception of hardware which is depreciated according to the declining-balance method:

- ◆ 20 to 60 years for buildings;
- ◆ 10 to 30 years for building improvements;
- ◆ 5 to 8 years for lottery terminals;
- ◆ 5 to 10 years for furniture;
- ◆ 5 to 10 years for hardware.

Borrowing costs incurred to finance the new head office during the construction period are considered as part of acquisition costs.

When there is an indication of impairment, the Company carries out an impairment test on the asset(s) concerned. The market value and the net carrying amount are then compared and the asset is written down for impairment if the market value falls below the value in use.

2.4 Financial assets

2.4.1 Equity investments and fixed assets in the portfolio activity

The gross value of equity investments is the purchase price less the cost of acquisition recorded under expenses.

When there is an indication of impairment, the Company carries out an impairment test. Market value is compared with value in use based on the current and projected profitability of the subsidiary in question determined on the basis of the present value of future cash flows or the share of equity held. Impairment is recorded if the market value in use falls below the net carrying amount.

2.4.2 Receivables related to investments

These are long-term loans granted by the Company to a joint venture (LB Poker) which entered liquidation proceedings in 2016. These receivables are managed separately from current account advances given to or received from Group subsidiaries in terms of their daily cash management. Other receivables related to LB Poker are fully impaired.

2.5 Inventories

Inventories are recorded at cost according to the "first in, first out" method for games and according to the weighted average cost method for other products.

Inventories are depreciated according to their technical or commercial obsolescence.

2.6 Receivables

Receivables are recognised at their nominal value. They are impaired if the debtor's situation indicates that the amount may not be recoverable.

2.7 Transferable securities

Transferable securities are recorded on the balance sheet at historical cost. However, if at the balance sheet date their market value is less than their net book value, an impairment is recognised (with the exception of securities with guaranteed capital and securities with a maturity of less than six months). Market value is determined (i) for listed securities, by reference to the stock market price at year-end, (ii) for unlisted securities, by reference to the last net asset value published or the estimated realisable value.





2.8 Borrowings

Borrowings are recorded at their repayment value. Bond issue costs are spread over the duration of the bond.

2.9 Foreign currency transactions

In respect of currency hedges, income and expenses in a foreign currency are recorded at their equivalent value in euros at the hedging rate. Excluding currency hedges, they are recognised at their equivalent value in euros at the transaction date.

Payables and receivables in foreign currency carried on the balance sheet at year-end are translated at the exchange rate in force at closing. The difference resulting from this conversion is recognised in the balance sheet under "Translation adjustments". Any unrealised exchange losses are covered by a contingency provision.

2.10 Provisions for risks and liabilities

A provision is recognised if the Company has an obligation to a third party arising from a past event which is likely or certain to result in an outflow of resources from the entity without at least an equivalent payment, and the amount of the obligation can be estimated reliably. With the exception of those for employee benefits, provisions are not discounted.

2.11 Employee benefits

2.11.1 Post-employment benefits

Provisions are set aside for pension obligations. These provisions are determined using actuarial evaluations calculated retrospectively according to the projected unit credit method. This method factors in years of service, life expectancy and staff turnover as well as assumptions relating to revaluation, the discount rate and departure terms.

Moreover, employees of FDJ retain their health coverage upon retirement (or in the event of disability/redundancy), in accordance with the requirements of the Évin law of 31 December 1989 and the inter-professional national agreement of 11 January 2008. A provision is set aside to cover the plan's liabilities.

Actuarial differences arising from a change in assumptions or actual differences are recognised once they exceed 10% of the value of the obligations. They are then amortised over the average remaining active period of the plan beneficiaries.

2.11.2 Service recognition awards

Company employees receive leave days under service recognition awards. This obligation is calculated using an actuarial method factoring in years of service and staff turnover as well as assumptions relating to revaluation and the discount rate. Actuarial differences are recognised for the period in which they occur.

2.12 Revenue from ordinary activities

FDJ operates a service business, namely the development and operation of lottery games and sports betting, in a highly-regulated environment. Player stakes are the amounts players bet. After deduction of winnings paid to winners, hedging of current counterparty risks and government levies, they make up FDJ's remuneration, income from gaming activities. The player stakes and the income from gaming activities follow the same accounting rules, either at the moment of the draw and the announcement of the results for the draw-based games and sports betting, or when the scratch cards are sold.

Revenue from ordinary activities comprises income from gaming activities and from other activities, in particular related to rentals of point-of-sale fittings, sales of software development or maintenance services.

2.13 Counterparty and permanent funds

Some games are based on the fixed-odds principle. (i) the face value of prizes is fixed or determined by a probability calculation, and (ii) the number or value of prizes won is determined by chance.

The total amount effectively paid out to winners cannot be precisely predetermined but only estimated: it may be more or less than the share of player stakes set aside for players in the decree of the Budget Minister. These positive or negative differences can result in a financial risk for FDJ. Such risks are managed in a counterparty fund specific to each game, which allows the financial risk to be spread across all gaming events.

Furthermore, to limit overall counterparty risk for FDJ, all game-specific counterparty funds are backed by a permanent fund that serves to pool coverage of the risk.

According to the amended decree of 1978, the permanent fund is capped at 0.5% of player stakes for the year ended. The surplus, recognised at the end of the year after setting aside the initial allowances for the various counterparty funds, is paid to the State.

2.14 Corporate income tax

FDJ and subsidiaries in which it directly holds more than 95% form a tax consolidation group as defined by Articles 223 A et seq. of the French General Tax Code.

The tax saving resulting from the difference between the tax recognised by each consolidated entity and the tax calculated on the basis of consolidated income is recognised at the level of FDJ SA. The Company is liable to the French Treasury for tax calculated on the sum total of consolidated entities' taxable income.

NOTE 3 OPERATING DATA – SOME ADJUSTMENTS TO RECEIVABLES AND PAYABLES

2017 resulted in a net profit of €167.8 million, an increase of €22 million compared with 2016 and cash of

€909.5 million, an increase of €39 million compared with the previous year.

3.1 Income and expenses from operating activities

3.1.1 Operating income

<i>In millions of euros</i>	31.12.2017	31.12.2016	%
Player stakes	15,144.4	14,330.7	5.7%
Share returned to winners	10,122.4	9,545.3	6.0%
Gross gaming revenue	5,022.0	4,785.4	4.9%
Government levies	3,235.7	3,061.6	5.7%
Additions to counterparty funds and counterparty spreads	59.5	63.3	-6.0%
REVENUE FROM GAMING ACTIVITIES	1,726.8	1,660.5	4.0%



Revenue from gaming activities makes up FDJ's remuneration as organiser, recognised at the time a draw or a sporting event is carried out. It amounted to €1,727 million, up by 4% or €66 million from 2016 due to growth in business. It represents 11.4% of gaming stakes compared to 11.6% in 2016.

Revenue from other activities amounted to €27 million in 2017, stable compared to 2016. It mainly comprised income from the rental of point-of-sale fittings to retailers

and intermediaries and the charge back to subsidiaries of services carried out on their behalf.

Capitalised production amounted to €30 million in 2017, a slight increase compared to the previous year (€28 million). It is consistent with the phase of high investments implemented by the Company as part of its digital and commercial transformation.

3.1.2 Operating expenses

3.1.2.1 Other external purchases and expenses

Operating expenses related to the remuneration of the bricks-and-mortar distribution network stood at €908 million, up by 4% or €32 million from 2016, generated by a 5.7% increase in player stakes collected. The difference was due to the positive impact of the sales (intermediaries) restructuring initiated in 2014.

Excluding distribution channel costs, other external purchases and expenses (€373 million) increased by 2.5%, or €9 million compared to 2016. This net increase is related to the advertising support of products.

Operating profit amounted to €255 million, up €3 million from 2016.

3.2 Working capital requirement

Surplus working capital was up slightly, mainly due to a lower payment to the permanent fund surplus in 2017 (€125 million from €170 million in 2016).

<i>In millions of euros</i>	31.12.2017	31.12.2016
Inventories, advances and payments on account	15.5	16.1
Trade receivables	386.5	392.0
Other receivables	153.7	196.4
Accruals and prepayments	42.6	35.7
Total current assets	598.3	640.2
Trade payables	1,130.7	1,160.1
Other payables	89.8	80.9
Accruals and prepayments	32.7	24.9
Total liabilities due	1,253.3	1,265.9
SURPLUS WORKING CAPITAL	655.0	625.7

3.2.1 Surplus working capital related to management activities

<i>In millions of euros</i>	31.12.2017	31.12.2016
Inventories, advances and payments on account	15.5	16.1
Operating receivables	38.8	36.6
Net management liabilities	216.5	240.8
Accruals and prepayments	11.8	12.7
SURPLUS WORKING CAPITAL	150.4	175.4

3.2.2 Surplus working capital related to gaming activities

Surplus working capital directly related to gaming activities amounted to €505 million at 31 December 2017, up by €54 million over 2016 largely due to a timing effect.

<i>In millions of euros</i>	31.12.2017	31.12.2016
Gaming receivables	501.4	551.8
Gaming payables	1,004.0	1,000.2
Accruals and prepayments	1.9	1.9
GAMING SURPLUS WORKING CAPITAL	504.5	450.2
<i>of which working capital requirements – game distributors</i>	<i>150.7</i>	<i>177.6</i>
<i>of which surplus working capital – players</i>	<i>512.4</i>	<i>476.7</i>
<i>of which surplus working capital – government levies</i>	<i>142.8</i>	<i>151.1</i>

Net game distributor receivables, comprising player stakes collected minus small winnings paid by retailers and the remuneration of the distribution network.

3.2.3 Receivables and payables with subsidiaries and equity investments

Subsidiaries and equity investments represented a net requirement of €24.9 million of which €11 million was related to game distribution.

<i>In millions of euros</i>	Receivables			Payables	
	Advances and payments on accounts	Trade and similar receivables	Current account receivable gross	Trade and similar payables	Current account payable
1. Subsidiaries (≥ 50%):	2.8	40.0	23.6	12.5	21.4
Internationale des Jeux	-	-	2.2	-	-
La Pacifique des Jeux	-	-	-	0.1	-
La Française d'Images	-	0.6	-	2.1	-0.4
La Française de Motivation	2.8	-	-	4.6	0.7
FDP	-	36.8	-	5.3	19.3
FDJ Développement	-	1.2	-	0.3	1.8
NLCS	-	1.4	-	0.1	-
LB Poker	-	-	21.4	-	-
2. Interests (> 10% and < 50%):	-	0.1	-	0.1	-
Services aux Loteries en Europe	-	-	-	0.1	-
Société de Gestion de L'Échappée	-	0.1	-	0.1	-
TOTAL	2.8	40.1	23.6	12.6	21.4

3.3 Pre-paid expenses

Prepaid expenses amounted to €30.6 million in 2017 (vs. €22.6 million in 2016) and comprised the counterparty to prepaid player stakes (€32.5 million vs. €24.5 million in 2016), i.e. theoretical gains and government levies, on not yet participating player stakes.



NOTE 4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

4.1 Average headcount during the period

The weighted average headcount, for all contract types, during the period increased to 1,377 from 1,302 in 2016, a change in line with the sales restructuring.

4.2 Employee profit-sharing and incentives

An exceptional profit-sharing agreement was signed on 2 June 2016 for financial years 2016-2018. The provision for employee profit-sharing was €12.1 million in 2017 compared with €11.8 million in 2016. The net expense for the provision for 2017 incentives totalled €4.6 million, compared with €3.1 million in 2016.

4.3 Provisions related to personnel

<i>In millions of euros</i>	31.12.2016	Allowances	Reversals used	Reversals not used	31.12.2017
Pension obligations	17.1	2.0	-	-	19.1
Health care costs	5.7	0.6	0.1	-	6.3
Post-employment benefits	22.8	2.7	0.1	-	25.4
Service recognition awards	5.7	0.4	0.2	-	5.9
Other provisions for risks and liabilities	5.8	5.4	4.5	0.5	6.2
TOTAL PROVISIONS RELATED TO PERSONNEL	34.2	8.5	4.8	0.5	37.5
<i>of which operating profit</i>		7.0	3.7	0.3	
<i>of which financial result</i>		0.5	-	-	
<i>of which non-recurring profit</i>		1.1	1.1	0.2	

The main assumptions relating to post-employment benefits and service recognition awards were as follows:

	31.12.2017	31.12.2016
Discount rate including inflation	1,30 %	1,30 %
Salary increase rate	3.00%	3.00%

Changes in the liability and provision for post-employment benefits, and the net cost for the period were as follows:

<i>In millions of euros</i>	2017	2016
Actual actuarial obligation at 1 January	32.5	33.2
Normal cost	2.2	2.4
Interest rate cost	0.4	0.7
Actuarial gains (losses)	-3.3	-3.4
Pensions paid	-0.1	-0.4
Actual actuarial obligation at 31 December	31.7	32.5
Actuarial losses accrued	6.3	9.7
Provision at 31 December	25.9	22.8
Normal cost	2.2	1.2
Amortisation of actuarial gains and losses	0.4	0.6
Amortisation of costs of services rendered	0.1	0.7
Pensions	-	-0.4
NET COST	2.7	2.1
Operating profit	2.3	1.4
Financial result	0.4	0.7

The other provisions for risks and liabilities are primarily related to employee departures and labour disputes.

NOTE 5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

5.1 Intangible assets

<i>In millions of euros</i>	31.12.2017			31.12.2016		
	Gross	Amortisation and provisions	Net	Gross	Amortisation and provisions	Net
Trademarks, copyrights and similar assets	4.5	1.6	3.0	4.5	1.5	3.0
Research and development expenditure	80.0	38.4	41.6	67.3	35.3	32.0
Software	131.7	106.5	25.3	135.4	104.1	31.3
Fixed assets under construction	28.7	0.7	28.0	20.5	-	20.5
TOTAL INTANGIBLE ASSETS	244.9	147.1	97.8	227.8	140.9	86.8

<i>In millions of euros</i>	Gross	Amortisation and provisions	Net
Intangible assets at 31.12.2016	227.8	-140.9	86.8
Acquisitions	33.3		
<i>of which capitalised production</i>	29.9		
Disposals and scrappage	-16.2		
(Provisions)/reversal of depreciation, amortisation and provisions	-	-6.2	
INTANGIBLE ASSETS AT 31.12.2017	244.9	-147.1	97.8

Acquisitions, primarily related to internal production (€30 million), relate to changes in support tools for the Company's gaming offer.

5.2 Property, plant and equipment

<i>In millions of euros</i>	31.12.2017			31.12.2016		
	Gross	Amortisation and provisions	Net	Gross	Amortisation and provisions	Net
Land and improvements	99.6	2.2	97.4	99.6	2.0	97.6
Buildings	168.1	49.6	118.6	167.0	49.7	117.3
Technical installations, materials, equipment	153.4	90.1	63.3	156.7	83.5	73.2
Other property, plant and equipment	206.7	154.8	51.9	208.2	163.6	44.6
Property, plant and equipment under construction	28.3	-	28.3	4.9	-	4.9
Advances and payments on account	4.1	-	4.1	1.9	-	1.9
TOTAL PROPERTY, PLANT AND EQUIPMENT	660.3	296.6	363.7	638.2	298.8	339.3

<i>In millions of euros</i>	Gross	Amortisation and provisions	Net
Property, plant and equipment at 31.12.2016	638.2	-298.8	339.3
Acquisitions	56.6		
Disposals and scrappage	-34.5		
Reclassification to intangible assets			
(Provisions)/reversal of depreciation, amortisation and provisions		2.2	
PROPERTY, PLANT AND EQUIPMENT AT 31.12.2017	660.3	-296.6	363.7

Acquisitions were mainly related to the renovation work on the new head office and the transformation of the offices into dynamic spaces (€33 million) and to point-of-sale equipment.

Disposals and scrappage concerned the office and point-of-sale equipment.



NOTE 6 OTHER PROVISIONS AND CONTINGENT LIABILITIES

6.1 Other provisions

<i>In millions of euros</i>	Note	31.12.2016	Allowances	Reversals used	Reversals not used	31.12.2017
Provisions related to personnel	4.3	34.2	8.5	4.8	0.5	37.5
Other provisions for risks and liabilities		59.5	2.3	0.1	3.2	58.5
TOTAL PROVISIONS FOR RISKS AND LIABILITIES		93.7	10.8	4.8	3.7	96.0
<i>of which operating profit</i>			7.4	3.7	1.1	
<i>of which financial result</i>			0.5	-	-	
<i>of which non-recurring profit</i>			2.9	1.1	2.6	

Other provisions for risks are mostly related to ongoing court cases and disputes (Note 11).

6.2 Off-balance-sheet commitments

6.2.1 Commitments given

FDJ heads a tax consolidation group with the following entities in which it holds more than 95%: FDP, FDJ Développement, Internationale des Jeux, La Française d'Images and La Française de Motivation. The tax consolidation agreement allows for compensation in the event that a subsidiary becomes deconsolidated or suffers a tax burden because of its membership with the Group. No provision has been established in this respect.

At 31 December 2017, the stock of subsidiaries' tax losses amounted to €0.9 million for La Française d'Images and €4.5 million for Internationale des Jeux.

In accordance with employee savings agreements and to guarantee the liquidity of the "FDJ Actionnariat" employees' mutual fund, through which employees own 5% of the Company's share capital, Crédit Lyonnais granted the fund a first-demand guarantee for €8.8 million. FDJ granted LCL a counter-guarantee in the same amount. The fund entered into an agreement with FDJ to repay funds collected or received from the sale of shares. These commitments were renewed for a period of two years, beginning on 1 June 2016.

Other commitments given are as follows:

<i>In millions of euros</i>	31.12.2017	31.12.2016
Mortgage on goods acquired	123.1	132.6
Performance bonds*	122.4	169.4
Cycling team sponsorship	24.0	24.4
Investment funds	20.0	11.1
Regular lease contracts	14.7	15.1
Foundation	7.0	3.8
Deposits and first-demand guarantees	2.5	4.5
Escrow account	1.1	1.1
Cyclists' image contracts	1.0	2.2
Association L'Échappée	0.1	0.1
TOTAL OTHER COMMITMENTS GIVEN	316.0	364.2

* Of which printing contracts: €34 million.

The Group took out a mortgage to purchase its new head office. The total amount due is €123.1 million (principal, interest and related amounts).

The investment funds primarily comprise Partech, Raise and Level Up, innovation funds that support the development of start-ups.

On 15 December 2016, FDJ's Board of Directors decided to renew the FDJ Corporate Foundation for a term of five years from 5 January 2018 to 2 January 2023. Of the €18 million set aside under the multi-year action plan, €7 million were used in 2016 and €8 million in 2017.

6.2.2 Commitments received

<i>In millions of euros</i>	31.12.2017	31.12.2016
Performance bonds and return of payments on account	54.0	45.4
Guarantees for return of stakes and payment of winnings	103.9	41.9
COMMITMENTS RECEIVED	157.9	87.2

6.2.3 Reciprocal commitments

At the end of 2017, FDJ signed a bilateral sales agreement on its site at Moussy-le-Vieux, in Seine-et-Marne.

<i>In millions of euros</i>	31.12.2017	31.12.2016
Bilateral sales agreement for the Moussy site	14.6	-
Currency hedges		
Forward purchases of dollars with a maximum maturity of 1 February 2018 for an overall amount of:	22.6	2.7



NOTE 7 FINANCIAL ASSETS AND CASH**7.1 Financial assets****7.1.1 Equity investments and receivables related to investments**

In millions of euros	Shareholders' equity at 31.12.2017	of which share capital	Share % of equity held by FDJ	Carrying amount of equity held		Current account and receivables related to investments*	Revenue 2017	Profit (loss) 2017	Dividends received in 2017
				Gross	Net				
1. Subsidiaries (≥ 50%):				33.3	19.9	18.0	133.3	15.7	5.0
Internationale des Jeux	11.9	4.2	100.00%	17.8	11.9	2.2	-	0.5	-
La Pacifique des Jeux	3.1	1.3	99.99%	1.3	1.3	-	6.6	1.7	1.0
La Française d'Images	2.5	0.2	100.00%	0.3	0.3	-0.4	12.9	0.1	-
La Française de Motivation	1.9	0.7	100.00%	1.8	1.7	-0.7	10.6	0.2	-
FDP	17.5	-	100.00%	4.4	4.4	-19.3	93.9	12.9	4.0
FDJ Développement	3.7	0.2	100.00%	0.3	0.3	-1.8	2.0	0.3	-
NLCS	0.5	0.2	50.00%	0.1	0.1	-	7.2	0.1	-
LB Poker	-59.6	14.5	50.00%	7.3	-	38.1	-	-	-
2. Interests (> 10% and < 50%):				0.5	0.1	-	18.4	0.1	-
Services aux Loteries en Europe	0.7	0.4	26.57%	0.1	0.1	-	4.4	0.1	-
Société de Gestion de L'Échappée	0.6	0.1	34.01%	-	-	-	14.0	0.4	-
Techstar	-	0.4	20.00%	0.4	-	-	-	-	-
TOTAL				33.8	20.0	18.0	151.6	15.7	5.0

* Gross value of receivables or payables due/owed to FDJ by its subsidiaries.

In 2017, FDJ sold its shares of LotSys and LVS to its subsidiary Internationale des Jeux for €9.3 million and €3.2 million respectively, generating capital gains of €6.1 million for LotSys and €1.2 million, less reversals of provisions, for LVS (see 7.3).

7.1.2 Loans and other financial assets

In millions of euros	Gross value at 31.12.2017	Gross value at 31.12.2016
Fixed assets in the portfolio activity	9.7	4.2
Loans	0.1	0.1
Deposits and guarantees	20.6	18.1
Own shares	15.6	-

FDJ bought the 6,000 shares previously held by Soficom. The latter is disputing the loss of its shareholder status (see Note 11). The price of the shares (€15.6 million) was paid to the Caisse des Dépôts et Consignations.

7.2 Cash

<i>In millions of euros</i>	31.12.2017			31.12.2016
	Gross	Provisions	Net	Net
Shares in UCITS and investment funds	155.0	-0.5	154.5	146.3
Transferable debt securities	25.0	-	25.0	50.0
Bonds	-	-	-	-
Total transferable securities	180.0	-0.5	179.5	196.3
Short-term deposits, including cash instruments	730.0	-	730.0	674.0
TOTAL GROSS CASH	910.0	-0.5	909.5	870.3

Gross cash increased by €39.2 million over the period to €909.5 million.

Long-term debt of €103.5 million, of which €8 million is due within one year (€111.5 million at 31 December 2016),

is attributable to the acquisition of the Group's future head office. This loan was taken out at a fixed rate and matures on 20 December 2031 with payments due on 20 June and 20 December of each year starting in 2017.

7.3 Financial result

The financial result remained stable. The decrease in gains on disposals was offset by an increase in reversals on provisions.

<i>In millions of euros</i>	31.12.2017	31.12.2016
Interest and similar income	14.9	15.4
Reversals on provisions	6.2	2.5
Realised exchange gains	0.1	0.2
Net proceeds from the sale of investment securities	4.1	7.3
Total financial income	25.4	25.5
Interest and similar charges	1.5	0.4
Depreciation and provisions	1.2	2.0
Realised exchange losses	0.4	0.9
Net expenses on the sale of investment securities	0.2	-
Total financial income	3.4	3.3
FINANCIAL RESULT	22.1	22.1
Of which related to subsidiaries and investments	13.8	4.8

Other similar income includes a €4 million dividend from LotSys, which enabled the recapitalisation of Internationale des Jeux and LVS, before the sale of LotSys

and LVS to Internationale des Jeux (see 7.1.1) to create a sub-group, generating a capital gain of €3.0 million and a reversal of provisions of €4.3 million.

<i>In millions of euros</i>	31.12.2017	31.12.2016
Dividends received	9.0	2.5
Net interest on current accounts	-	0.4
Net provisions for investments and related receivables	4.8	0.9
Net provisions for current accounts	-	1.0
FINANCIAL RESULT RELATED TO SUBSIDIARIES AND INVESTMENTS	13.8	4.8

(Expense)/income

NOTE 8 NON-RECURRING PROFIT (LOSS)

<i>In millions of euros</i>	31.12.2017	
	Net expenses	Net income
Net non-recurring operating expenses	3.5	
Net non-recurring expenses from capital transactions	-0.8	
Depreciation, amortisation and provisions and reversals thereof		
→ amortisations	2.3	
→ provisions for risks and liabilities (see Note 6.1)	2.9	3.7
→ regulated provisions (see Note 10)	38.0	23.4
NON-RECURRING PROFIT (LOSS)	-18.8	

The bulk of non-recurring profit (loss) relates to regulated provisions (accelerated depreciation and amortisation).

NOTE 9 CORPORATE INCOME TAX

9.1 Tax consolidation agreement

FDJ heads a tax consolidation group with the following entities in which it holds more than 95%: FDP, FDJ Développement, Internationale des Jeux, La Française d'Images and La Française de Motivation. The tax position of the subsidiaries concerned is not affected by the

agreement: it is the same as it would be if they were taxed separately. The difference between the tax recognised by each of the companies and the tax resulting from the calculation of the Group's taxable income is recognised in FDJ's financial statements. The tax loss carryforwards of subsidiaries are presented in Note 6.2.1

9.2 Breakdown of tax liability

<i>In millions of euros</i>	31.12.2017	
	Current profit	Non-recurring profit (loss), employee profit-sharing and incentives
Accounting income before tax	277.4	-35.5
Taxable income	273.5	-36.2
FDJ SA tax	104.2	-30.0
→ long term	90.6	-14.4
→ additional contribution repayment of 3% on distributions	-	-15.0
→ exceptional contribution of 15%	13.6	-0.7
Net profit before tax consolidation	173.1	-5.5
Impact of tax consolidation	-0.2	
Tax after tax consolidation		74.0
NET RESULT AFTER TAX CONSOLIDATION		167.8

9.3 Contingent taxes

<i>In millions of euros</i>	31.12.2017	31.12.2016
Increase of future tax liability bases	133.3	115.4
Regulated provisions	128.5	113.9
Other items	4.8	1.5
Reduction of future tax liability bases	69.3	65.5
Employee benefits	25.4	22.8
Employee profit-sharing	12.1	11.8
Other items	22.7	23.7
Tax decrease	9.1	7.3

NOTE 10 SHAREHOLDERS' EQUITY

At 31 December 2017, FDJ's capital was €76,400,000, consisting of 200,000 shares with a par value of €382. Shareholders' equity stands at €557 million.

<i>In millions of euros</i>	
Shareholders' equity at 31.12.2016 (before allocation of 2016 profit)	498.2
Dividend	-124.0
2017 profit (loss)	167.8
Retained earnings	-
Change in investment subsidiaries	-
Change in regulated provisions (accelerated depreciation and amortisation)	14.6
SHAREHOLDERS' EQUITY AT 31.12.2017 (BEFORE ALLOCATION OF 2017 PROFIT)	556.5

A total dividend of €124 million was paid to shareholders in 2017 (compared to €229.2 in 2016), i.e. €620 per share.

Regulated provisions consist of accelerated depreciation and amortisation which were higher due to significant investments in 2017.

<i>In millions of euros</i>	31.12.2016	Allowances	Reversals	31.12.2017
Accelerated depreciation	113.9	38.0	23.4	128.5
TOTAL REGULATED PROVISIONS	113.9	38.0	23.4	128.5

The Board of Directors noted on 15 December 2016 that Soficom no longer met the conditions necessary to be a FDJ shareholder, because it was no longer held by FDJ broker-agents. It therefore decided, in accordance with

FDJ's Articles of Association, to have FDJ buy back the shares held by Soficom. FDJ then carried out the payment for this transaction (see Note 11).

NOTE 11 ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES

In October and December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate – UNDJ) brought two actions, one before the Court of First Instance in Nanterre and the other before the Court of First Instance in Paris. The second case is ongoing, the first having been withdrawn by the UNDJ. Members filed a lawsuit against FDJ in May 2012 before the Commercial Court of Nanterre. This case is subject to a stay of proceedings pending the decision of the second claim before the Paris District Court.

On 6 August 2015, 67 brokers-agents served a summons on La Française des Jeux to appear before the

Commercial Court of Paris at short notice. They formulated claims for compensation in damages following the termination of their broker-agent contracts. In October 2016, the judgment rendered ruled against the broker-agents on all of their claims. In November 2016, they lodged an appeal with the Appellate Court of Paris where the proceedings are ongoing.

On 23 May 2017, FDJ filed a lawsuit against Soficoma, a civil society shareholder of FDJ, which it argues no longer holds the status of a shareholder. The dispute is currently pending before the Commercial Court of Marseille.

NOTE 12 OTHER INFORMATION

12.1 Executive remuneration

Remuneration allocated to executives (corporate officers) in 2017 amounted to €322 thousand (vs. €320 thousand in 2016) for the Chairwoman and CEO and €251 thousand (vs. €250 thousand in 2016) for the Deputy Chief Executive Officer, for a total of €573 thousand.

12.2 Special provisions in case of loss of the right to organise and operate lottery games and sports betting

An agreement between the French State and FDJ establishes the legal and financial conditions in the case that, should FDJ cease to be mandated by decree to organise and operate lottery games in points of sale and online, and sports betting in points of sale, the assets necessary to accomplish its mission shall be returned to the State.

NOTE 13 PROPOSED ALLOCATION OF PROFIT

<i>In millions of euros</i>	31.12.2017
Net income for the period	167.8
Allocation to statutory reserves	2.4
Proposed dividends	130.0
Allocation to voluntary reserves	35.4

The proposed dividend amounts to €130,000 million, i.e. €650 per share.

NOTE 14 SUBSEQUENT EVENTS

Until 2017, FDJ leased to retailers the furnishings installed in points of sale. These were regular lease contracts whose proceeds were recognised as revenue. At year-end 2016 the commitments received amounted to €4.1 million in less than one year. From 2018 on, these furnishings will be made available at no charge to retailers.

Following the sale of its Moussy site (see 6.2.3.), FDJ signed, in January 2018, two six-year leases for two buildings in the Villepinte business park.





4.5

Statutory Auditors' report on the financial statements

Statutory Auditors' report on the financial statements

For the year ended 31 December 2017

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

La Française des Jeux

French semi-public company
(société anonyme d'économie mixte)
126 rue Galliéni
92100 Boulogne Billancourt

To the Shareholders,

I. Opinion

In compliance with the engagement entrusted to us by your Shareholders' Meeting, we have audited the accompanying financial statements of La Française des Jeux for the year ended 31 December 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2017 to the date of our report, and in particular we did not provide any non-audit services prohibited by the French Code of Ethics (*Code de déontologie*) for Statutory Auditors.

III. Emphasis of matter

Without qualifying our opinion, we draw your attention to the matter set out in Note 1.2 "Regulatory environment" to the financial statements, which sets out the specific nature of the company's legal framework.

IV. Justification of assessments

In accordance with the requirements of articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgement, were of most significance in our audit of the financial statements.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

As indicated in Notes 2.2 "Intangible assets", 2.10 "Provisions for risks and liabilities" and 2.11 "Employee benefits" to the financial statements, management uses estimates and judgements in preparing the financial statements, particularly regarding the measurement of intangible assets and provisions for risks and liabilities. Our work consisted in particular in examining the procedures used by management for preparing and approving these estimates, in assessing the reasonableness of the assumptions on which these estimates and judgements were based, and ensuring that Notes 4.3, 5.1, 6.1 and 11 to the financial statements provided appropriate disclosures.

V. Verification of the management report and of the other documents provided to the shareholders

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French law.

Information given in the management report with respect to the company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report and in the other documents provided to the shareholders with respect to the financial position and the financial statements. In accordance with French law, we have verified that the required information concerning the acquisition of investments and controlling interests has been properly disclosed in the management report.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by article L.225-37-4 of the French Commercial Code.

VI. Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements presenting a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it expects to liquidate the company or to cease operations.

The financial statements were approved by the Board of Directors.

VII. Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.





Individual financial statements

Statutory Auditors' report on the financial statements

As specified in article L.823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- ◆ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ◆ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- ◆ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements.
- ◆ Assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion.
- ◆ Evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Neuilly-sur-Seine, May 25, 2018

The Statutory Auditor

PricewaterhouseCoopers Audit

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