

Financial and Extra-Financial Report **2018**

— **INCLUDING THE** —

INTEGRATED REPORT



Contents

Integrated report



First part of FDJ's Financial and extra-financial report, the integrated report, sets out an outline of its activities and societal contributions.

| | |
|--------------------------|----|
| Profile | 2 |
| Editorial | 4 |
| Mission | 6 |
| Organisational structure | 8 |
| Challenges | 10 |
| Business model | 14 |
| Performances | 16 |
| Governance | 32 |

Financial and extra-financial report 2018

1. 2018 REPORT ON CORPORATE GOVERNANCE

| | | |
|-----|---|----|
| 1.1 | Composition of the Board of Directors | 36 |
| 1.2 | Operation and meetings of the Board of Directors | 38 |
| 1.3 | Board of Directors Committees | 40 |
| 1.4 | Agreements under the second paragraph of article L225-37-4 of the French Commercial Code | 43 |
| 1.5 | Delegations granted by the general meeting of shareholders in application of articles L225-129-1 and L225-129-2 of the French Commercial Code | 44 |
| 1.6 | Notes | 45 |

2. MANAGEMENT REPORT

| | | |
|-----|--|----|
| 2.1 | Highlights and Group Operations | 50 |
| 2.2 | Financial analysis | 56 |
| 2.3 | Risk management-Group framework | 61 |
| 2.4 | 2018 Extra-Financial Performance Statement | 71 |

3. CONSOLIDATED FINANCIAL STATEMENTS

| | | |
|-----|---|-----|
| 3.1 | Consolidated income statement | 108 |
| 3.2 | Consolidated statement of comprehensive income | 109 |
| 3.3 | Consolidated financial situation statement | 110 |
| 3.4 | Consolidated statement of cash flows | 112 |
| 3.5 | Consolidated statement of changes in equity | 114 |
| 3.6 | Additional notes | 115 |
| 3.7 | Consolidated financial statements Statutory Auditors' report on the consolidated financial statements | 150 |

4. INDIVIDUAL FINANCIAL STATEMENTS

| | | |
|-----|--|-----|
| 4.1 | Income statement | 154 |
| 4.2 | Balance sheet | 155 |
| 4.3 | Consolidated statement of cash flows | 156 |
| 4.4 | Additional notes | 157 |
| 4.5 | Statutory Auditors' report on the financial statements | 176 |



Through this second integrated report FDJ® presents an outline of its activities and societal contributions.

By presenting its vision, its business model and its resources, this document illustrates the way in which FDJ creates value across its ecosystem as a whole. Taking its inspiration from the framework published by the International Integrated Reporting Council (IIRC), this report supplements the Financial and extra-financial report, and is aimed at all FDJ stakeholders, in particular players, the distribution network, employees, shareholders and all partners, suppliers, the third sector etc. This comprehensive overview will give the reader an understanding of how FDJ is addressing the challenges of the gaming world so as to face the future with confidence.



Profile

2018, the Group in figures

15,8
€billions
of player stakes

Almost one in two French people
aged 18 and over played FDJ games in 2018

14 consolidated companies

€10.7 billion to prize winners
€3.6 billion paid to the State
€1.8 billion in revenue

198 millionaires

2nd European lottery

Over **30,000**
points of sale

2,183 Number of employees
in the Group (permanent
and fixed-term contracts)

90 games available
(online and at points of sale)

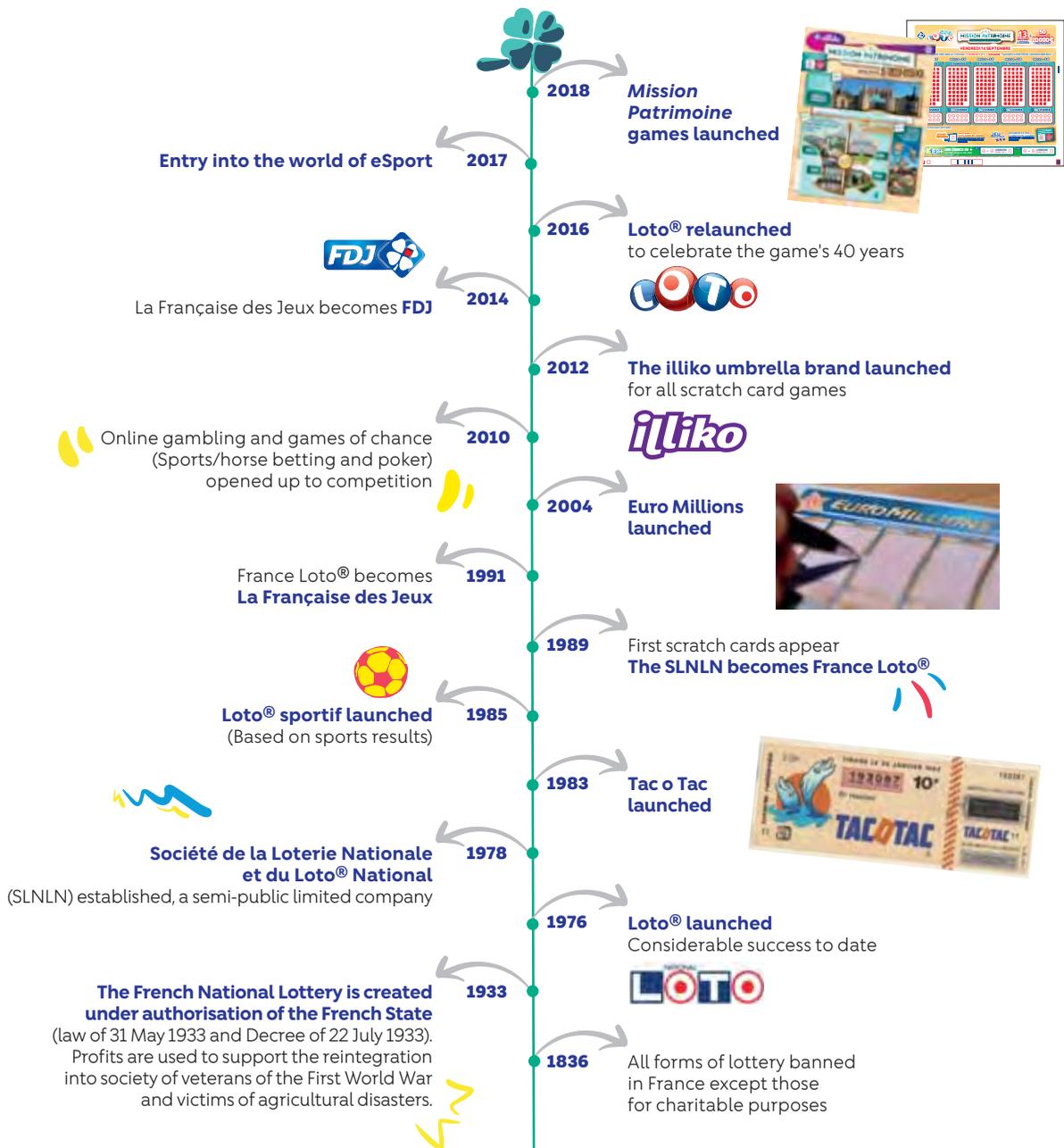
Capital





A varied history and a successful track record

Since its beginnings, FDJ has been part of a tradition of solidarity shared by all lotteries worldwide.



COMMENT FROM THE CHAIRWOMAN AND CEO

Another strong year



Stéphane Pallez,
Chairwoman
and CEO of FDJ

In 2018, FDJ once again recorded an increase in its stakes (+4.4% to €15.8 billion), to the benefit of all (€10.7 billion distributed to players, €3.6 billion to the public purse and €0.8 billion paid to the retailers). These numbers are the result of the FDJ 2020 Strategic Plan launched in late 2015 to consolidate the many assets of FDJ, Europe's 2nd largest lottery and 4th worldwide and confirm its position as Europe's main gaming provider.

Since 2015, the business has undergone profound changes whilst continuing to generate growth. FDJ has thus recorded an uninterrupted increase in its stakes

with an average annual growth rate of 5% over the last four years. Digital stakes, a key indicator of the FDJ 2020 Plan, exceeded €2 billion. This 46% increase in 2018 is the result of the boom in online sports betting, the simplification of the distribution of the digital offering and the "mobile first" strategy underpinned by the overhaul of mobile applications (sport and lottery). Digitized player stakes account for 15% of total player stakes (vs 11% in 2017 and 3.7% in 2014 with €0.5 billion), in line with the target of 20% by 2020.

Sports betting exceeds €3 billion in player stakes (+21%). Of course the FIFA World Cup gave a strong boost to bets, particularly thanks to France's

road to victory. But the success of sports betting both through ParionsSport Point of Sale and ParionsSport Online, also illustrates the success of actions taken to boost the appeal of offerings, particularly with a more attractive pricing policy, a wider range (with more sports on offer and an increase in the number of bets) and redeveloped applications.

The highlight of the year was the launch of the "Mission Patrimoine" games as part of the "Patrimoine en péril" (Endangered heritage) campaign led by Stéphane Bern. The scratch card game and the Loto® associated with this campaign were a huge success with almost

"All FDJ activities remain subject to our CSR policy, a pillar of our economic and social model."



€190 million in player stakes, thus enabling €21 million in funds to be allocated to the Fondation du patrimoine (Heritage Foundation). As such, in addition to sport, FDJ is helping to fund a new major national campaign.

After bringing its sales force in-house and centralising and automating distribution to its network, FDJ has completed a major stage in its commercial transformation. The implementation of an agreement signed in early 2018 with the Confédération des Buralistes (the French Confederation of Tobacconists) and Culture Presse increased pay and the involvement of retailers in our sales and CSR (Corporate Social Responsibility) priorities.

Following the launch of the FDJ Gaming Solutions (FGS) commercial brand, our international expansion is continuing with, at the end of November 2018, the operational launch of the FGS entity, a structure dedicated to the international sale of new products and services. FGS already supplies a number of operators worldwide (in Israel, Portugal and Switzerland in particular). The development of these growth hubs is supported by the technologies of our subsidiaries but also the Group's innovation, expertise and know-how which enable us to offer innovative, high-quality services with added value. On 1 October 2018, we also created the Lotteries Entertainment Innovation Alliance (LEIA) along with three other joint shareholders, Danske Spil (Denmark), Veikkaus (Finland) and Norsk Tipping (Norway). It operates a platform (Interactive Factory) for hosting and sharing games.

Since 2015, the company has also changed its organisational structure to allow greater agility and greater innovation. As part of this initiative, in 2018 FDJ teams moved to their new headquarters in which the Group puts technology and sales at the heart of its organisation. The layout in dynamic spaces, with areas dedicated to innovation, embodies the company's new digital and collaborative working methods.

All FDJ activities remain subject to our CSR policy, a pillar of our economic and social model. The ban on underage gambling, the prevention of problem gambling, combating fraud and money laundering, data protection and the promotion of ethics and transparency are priorities for our Group. This CSR policy developed by FDJ over the years, is at the heart of the Group's strategic vision, in a context where our stakeholders have increasingly high expectations in terms of CSR. FDJ's societal commitment is also expressed through the activities of its Foundation which has entered the second year of its new term dedicated to equal opportunities. Following a call for major national projects, it has chosen five new associations working in the fields of education and integration.

2019 is already proving to be a particularly eventful year with, in particular, the launch of a new gaming offering, Mission Patrimoine, a new version of Loto® and the women's football, rugby and basketball world cups. ParionsSport will benefit from the visibility generated by its partnerships with four major clubs from the Ligue 1 Conforama and with the NBA. The offering at points of sale will be boosted with four new sports and a more attractive Loto® Foot.

Finally, in 2019 the regulatory and regulation framework for the company may change, potentially opening up the way for a change in capital. The company is preparing for all of these changes, which will necessarily form the basis of its thinking on its medium-term strategy.



GAMES MISSION PATRIMOINE A KEY MOMENT FOR FDJ



Created to fund social welfare for veterans and with 30 years involvement in funding sport for all in France, FDJ is now helping to fund a new major national campaign for the restoration of France's endangered heritage. For this, FDJ is doing its utmost to make these games a success and to make heritage a popular cause.

Mission

To provide the public with access to gaming that offers peace of mind, and that is useful and respectful of regulations and of players.



INNOVATIVE

Reinventing oneself, thinking outside the box, offering new things every day. And this is an absolute priority.



RESPONSIBLE

Means knowing how to control the way in which we use our power while accepting our responsibilities, thus inspiring confidence among players.

FDJ values



OPTIMISTIC

Means the desire to believe that tomorrow will be better than today.



COMMITTED

Means using our work to benefit all members of society, and above all keeping it up, year after year.



IN TOUCH WITH PEOPLE

Literally and figuratively, being on every street corner while also constantly listening to our customers



Long-standing mission and values

The role of a gambling operator requires that certain legal and regulatory requirements are met. This is why FDJ promotes ethical and responsible conduct in its activities. The Group has adopted prevention and detection measures so as to ensure its practices comply with the law and regulations in force.

In terms of combating fraud and money laundering, FDJ scrupulously upholds its duty of vigilance.

As such, the Group is constantly strengthening its procedures for detecting and processing anomalies relating to gaming operations and physical and digital distribution channels.

Given the major changes in terms of regulating anti-corruption measures in business and the Group's profound transformation, FDJ has introduced a prevention and

detection scheme that complies with the obligations of the so-called "Sapin II" law.

In terms of data protection, FDJ meets the high standards of the WLA SCS (World Lottery Association - Security Control Standard) and standard ISO 27 001 which guarantees the maintenance of the Information Security Management System (ISMS). Finally, FDJ scrupulously upholds regulatory obligations on the protection of the personal data of customers and third parties.



Gambling, a regulated sector

FDJ operates in the heavily-regulated gambling sector which is strictly monitored by the French State. Under the laws applicable to it, it is required to ensure strict public interest objectives are met:



Ensuring the integrity, security and reliability of gaming operations;

Ensuring they are operated transparently;

Channelling demand for gambling in a circuit controlled by public authorities, so as to prevent risks of exploiting gambling for fraudulent or criminal ends;

Combating money-laundering and regulating the consumption of gambling so as to prevent the development of addiction.

The Ministry of Public Action and Accounts is the regulator for all FDJ activities operated under exclusive rights (lottery games offered online and at points of sale; sports betting at points of sale). In exercising its duties, it benefits from the opinion of the COJEX (Committee On Gambling And Betting Under Exclusive Rights), a body that brings together representatives of the public authorities and experts in addiction and the regulation of gambling. 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.

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



It happened in 2018

The FIFA
World Cup



Partnerships with 4 major football clubs and the NBA (ParionsSport)



International: creation of LEIA



Foundation - New call for major domestic projects

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EN SITUATION DE HANDICAP OU EN DÉTRESSE

PLAY
INTERNATIONAL
PLAY IT HUMAN

reJoué
le jouet solidaire

Mission
Patrimoine



First stage in increased
payment for retailers



New headquarters



Keno *Gagnant à vie*
relaunched



Challenges



A lot is happening on in the global gambling market

A GLOBAL LOTTERY AND SPORTS BETTING MARKET UNDERGOING STEADY AND SUSTAINED GROWTH



Approximately €120 bn of Gross Gaming Revenue (GGR) in 2017, that is, more than 1/3 of total GGR from gambling.

A MARKET THAT IS FRAGMENTED OR CONCENTRATED, DEPENDING ON THE GEOGRAPHIC AREA

- ◆ Several lotteries are run under a monopoly (in France, FDJ operates a monopoly on the lottery and on sports betting at points of sale)
- ◆ Some operators only run under a monopoly in a specific part of the country (in Germany in each Länder and in the United States in each State)
- ◆ Others share the national market (in Spain – SELAE and ONCE, in Italy – Lottomatica and Sisal, in China – China Sport Lottery and China Welfare Lottery, etc.).

These lotteries may be:

- ◆ Public (the National Lottery of Belgium, the Swiss “*Loterie Romande*” or the Portuguese “*Santa Casa da Misericórdia de Lisboa*”)
- ◆ Private (Sazka in the Czech Republic, Camelot in the United Kingdom or OPAP in Greece).

The main lottery suppliers (ticket printing, software development or terminal manufacture) outside China are:

- ◆ IGT and Scientific Games (USA);
- ◆ Intralot (Greece);
- ◆ Novomatic (Austria).





THE SPORTS BETTING SEGMENT IS THE MOST DYNAMIC AND THE MOST COMPETITIVE

- ◆ Average annual growth of 6.5% in 2016 and 2017 which will probably be further reinforced by the launch of sports betting in the United States (Supreme Court decision of 14 May 2018)*;
- ◆ Expected to be over \$5.6 billion of global GGR by 2025*;
- ◆ Arrival of new online operators, including some that operate without the authorisations required by the national authorities in their respective countries.

*Source: Gambling Compliance.

To remain a major player, FDJ must keep up its efforts to continue to enhance its value in its core business through innovation, digitisation and network modernisation. The Group must also capitalise on its assets (technology, brand and network) to take advantage of new horizons:

- ◆ In new areas of gaming and entertainment at international level;
- ◆ In services provided at points of sale.

The initial results of these actions can already be seen.



Risk management, a controlled process

The risk management policy contributes to 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.



Society is changing, and so is FDJ!

The main societal challenges facing FDJ in its business operations are described below: social and demographic change, technological innovation, regional cohesion, scarcity of resources and climate change.

DEMOGRAPHIC AND SOCIAL CHANGE

| | |
|------------------|--|
| TRENDS | <ul style="list-style-type: none"> ■ New expectations of people aged between 18-34 in terms of the products and services that they consume ■ Desire for a personalised offering, integrating a dimension of social interactivity ■ Longer average life span of the French population: in 2050, 1 out of 3 French persons will be aged 60 or more. |
| CHALLENGE | <ul style="list-style-type: none"> ■ Expand and rejuvenate the player base |
| SOLUTIONS | <ul style="list-style-type: none"> ■ Response to the new expectations of the target population that FDJ seeks to address ■ Development of digital access to its games ■ Innovation and modernisation of the offering ■ Development of the sports betting offering ■ Simplification of the customer journey |

TECHNOLOGICAL INNOVATION

| | |
|------------------|---|
| TRENDS | <ul style="list-style-type: none"> ■ Ever-increasing connectivity (mobile phones, tablets, internet access) among the French population ■ Increasingly "multi-channel" behaviour ■ Democratisation of online gaming, with interactive and participatory games appealing to an ever larger player universe ■ Drive for more flexible player interaction, through digitisation of the gaming offering and an innovative experience, whatever the gaming support used ■ More robust personal data security and integrity, supporting customer knowledge |
| CHALLENGE | <ul style="list-style-type: none"> ■ Address the new expectations of players and new competition |
| SOLUTIONS | <ul style="list-style-type: none"> ■ Enhancement of the Group's technological expertise, particularly with regard to services for other lotteries ■ 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 diversified multi-channel gaming offering ■ Acceleration of the Company's digital transformation ■ Recruitment and retention of talents internally |

REGIONAL COHESION

- TRENDS**
- Changing purchasing behaviour of French consumers
 - Out-of-town shopping centres as opposed to town centre locations, in towns with less than 100,000 inhabitants and in rural areas
 - Growth of online shopping to the detriment of the bricks-and-mortar network
 - Physical commercial grid is becoming more vulnerable
 - Competition from other countries in border regions and in certain product categories

- CHALLENGE**
- Strengthen the appeal of the bricks-and-mortar network

- SOLUTIONS**
- Support for regional development with the diversification of activities offered at points of sale
 - Modernisation of points of sale at bar-tobacco-press outlets
 - Reassessment of remuneration of outlets
 - Diversification of the distribution network in new local stores

SCARCITY OF RESOURCES AND CLIMATE CHANGE

- TRENDS**
- Increasing demands (Paris Agreement, IPCC's scientific report ⁽¹⁾), concerning the recognition of scarcity of resources and of climate change
 - Numerous regulations introduced requiring transparent communication and greater commitment in these matters

- CHALLENGES**
- Reduce environmental footprint
 - Promote sound practices
 - Be recognised as a responsible business

- SOLUTIONS**
- Reduction of greenhouse gas emissions
 - Action at points of sale to raise awareness among customers concerning environmental protection

(1) Intergovernmental Panel on Climate Change



Business model



To deliver its mission, FDJ operates:

- as a monopoly for lottery games at points of sale and online and sports betting at points of sale;
- on the competitive market for online sports betting.

Financial solidity
Proactive investment policy
Public interest missions as assigned by the French State
Clear rules of play: prevention of problem gambling, combating underage gambling, integrity and combating fraud and money laundering
Ongoing relations with the regulators to ensure the integrity, safety and reliability of gaming operations and to ensure they are operated transparently



FDJ OFFERS STRONG ADVANTAGES

FOR PLAYERS/CUSTOMERS

Almost 25 million players with diverse profiles

- Gender balance (50-50)
- Social and professional categories reflecting the French population
- Good reputation

A diversified and attractive offering

- Universally recognised brands
- Games renewed and reinvented (55 launches and relaunches of digital games and 15 points of sale)

Recognised expertise

- Over 500 employees within the Group working on technology
- Platforms and products developed by the FGS subsidiaries for FDJ of its overseas clients
- Own data center with high performance, security and integrity, running on cloud technologies
- Certifications ISO 27001, WLA SCS, PCI DSS, ARJEL

FOR THE NETWORK

A network anchored in France and its territories

- No. 1 local network in France with 30,000 points of sale, in more than 11,000 municipalities
- A point of sale within, on average, 10 minutes, on foot in the town centre, or by car in rural areas

A controlled supply chain

- Distribution chain for gaming materials (receipts, playslips and tickets) and advertising at points of sale mechanised and centralised
- 100% of commercial sectors are supplied directly

FOR EMPLOYEES

2,183 Group employees

- Long-standing and renowned policy to promote diversity and quality of life at work (intergenerational and disability policies in particular)

FOR THE ECOSYSTEM

Lasting supplier relations

- 86% of purchases made in France in 2017

A socially accountable player

- FDJ is a long-standing partner of French sport for all
- Strong commitment of the FDJ Corporate Foundation: €18 million for the five-year period 2018-2022

An ambitious environmental policy

- CO₂ emissions have been brought under control and stabilised (8% reduction over 10 years)
- 100% of gaming materials have been FSC-certified since 2012
- Partnership with WWF France since 2017 for environmental awareness-raising at points of sale



→ → → → → **FOR THE CREATION OF SUSTAINABLE VALUE**

- A more innovative and fun gaming offering with partnerships with Open Innovation investment funds and start-ups
- An attractive rate of return for players
- Prevention of problem gambling and of underage gambling at all key stages of the gaming chain
- Comprehensive support for big prize winners
- Support for structures to assist vulnerable individuals and health and social partnerships to support research into addiction
- B2B offering, source of diversification for the activities on offer and growth hubs for the Group



- An average of one game launched every week
- 67.6% redistributed to players
- 198 millionaires
- Around 13,000 retailers trained in the prevention of underage gambling and how to refuse sales
- Almost €1M invested in Responsible Gaming partnerships
- 25 international B2B customers

- Transformation of the sales function, underpinning network modernisation and bringing greater added value for retailers
- Increased commissions paid out to retailers



- Retailer satisfaction: score of 8.2/10
- 54 200 jobs created or retained in 2017
- + 5.7% of revenues for retailers (€785 M) by applying from 2017 the new payment terms agreed in 2018

- High employee engagement
- Greater employability thanks to the promotion of internal mobility and appropriate training
- A commitment towards professional and intergenerational equality



- Rate of employee commitment (FDJ Team): 76.5/100
- FDJ SA's AFNOR Diversity and Professional gender equality labels
- 6.58% of FDJ SA* employees have a disability
- 5% of capital owned by employees

- 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
- Sports partnerships in the form of philanthropy and sponsorship to promote ethics in sport
- A desire to play a part in limiting global warming to 2 degrees maximum
- Sharing best practices with European lotteries



- Contributions to French State: €3.6 billion
- €21 million deducted from player stakes for Mission Patrimoine
- more than 800 associations supported by the FDJ Corporate Foundation
- Joint work with sporting associations on raising awareness of maintaining integrity in sport
- Commitment to the international initiative Sciences Based Targets
- Creation of CSR Guidelines with European Lotteries

* Direct and indirect employment

Performance

FDJ sees its mission as creating value for all of its stakeholders. Consequently, its performance is communicated at both financial and extra-financial levels. This integrated vision is reflected in results for customers, for the retail network, for employees and, ultimately, for the ecosystem in which FDJ is developing.

An enhanced and responsible offering

A DIVERSIFIED GAMING OFFERING

Instant lottery (scratch cards):

Playfulness and immediacy.

A gaming offering that is continuously renewed and enriched, ranging from Morpion at €0.50 to Mission Patrimoine at €15.

The illiko brand comprises:

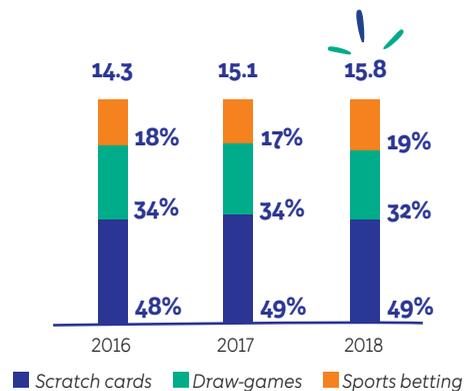
Around twenty scratch card games, with innovations introduced to the mechanics of the games or to the cards themselves (return of Banco and a new edition of Goal and Maxi Goal to coincide with the FIFA World Cup).

Around thirty games offered only on the Internet (+7.5% of player stakes in 2018).

Morpion, an ongoing success story

Launched in 1994, it made scratch games popular in France. In 2018, it became the first scratch card at the €0.50 price point, an unprecedented offering at points of sale, with a maximum possible win of €500. This game illustrates the extensive gaming model that FDJ holds dear: the discovery of gaming through entry-level products and numerous small-stake games appealing to a wide audience.

Evolution of player stakes by range (in € bn)



Scratch cards: €7.7 bn (vs €7.4 bn in 2017)
 Draw-games: €5.1 bn (vs €5.2 bn in 2017)
 Sports betting: €3 bn (vs €2.5 bn in 2017)



DIGITAL OFFERING:

All games are multi-device accessible.
 Complete overhaul of fdj.fr websites in 2018, and of the online sports betting website, ParionsSport en Ligne, for an optimised customer experience.
 Continuous growth of digitized player stakes: +46% in 2018; €2.4 billion versus €1.7 billion in 2017; 15% of overall player stakes in 2018, up from 11% in 2017.





Success for the "Mission Patrimoine" scratch card

Launched to coincide with the "Journées du patrimoine" held in France in September 2018, this game highlights some of France's most iconic monuments. Priced at €15, it offers an exceptional top prize of €1.5 million, an unprecedented amount for a scratch card game. Generating €172 million in player stakes, the scratch cards sold out in four months, two months ahead of the anticipated schedule, and the game has been a resounding success, contributing significantly to the growth of the scratch card range.

Draw-games:

The draw offering consists of Loto®, Euro Millions-My Million, Keno Gagnant à vie, Joker+, and Amigo. Player stakes declined by 1.9% compared to 2017, with players preferring draws offering high jackpots, such as those celebrating a special event (Super Loto®, Super Jackpot, etc.), or accumulated from multiple rollovers (following a series of consecutive no-win draws).

Keno Gagnant à vie was relaunched in 2018. Present in 80% of lotteries worldwide, this game celebrates its 25 years of play in France. To give the game a new lease of life, the playslips were modified to make it easier to place bets, while keeping the top prize at €100,000 per year for life or €2 million in cash.

Sports betting:

FDJ operates two sports betting offerings: one distributed under exclusive rights through the retail network (ParionsSport Point de Vente), and a competitive offering distributed over the Internet under a licence granted by ARJEL in 2010 (ParionsSport En Ligne). The sports betting segment is a market with strong growth potential in France where this activity is becoming more and more popular.

FDJ ranks among the top 10 sports betting operators at the international level, producing player stakes of more than €3 billion in 2018. It is a fully-fledged player in this high-growth market.

A gaming offering that is continuously renewed and enriched, from Morpion at €0.50 to Mission Patrimoine at €15



FIFA WORLD CUP: A VERY SATISFACTORY RESULT

The event generated a total of €690 million in player stakes in the French sports betting market (versus €290 million for the 2014 FIFA World Cup). Of those bets, €309 million were placed in FDJ points of sale (versus €181 million during the 2014 FIFA World Cup) and €381 million were placed through the websites of 12 active online operators (including FDJ).

Quite apart from the exciting journey of the French National team, these results illustrate the success of the new website, the new ParionsSport mobile apps and FDJ's enhanced betting offering.

The FIFA World Cup also coincided with the rollout of 1,000 betting terminals in FDJ's bricks-and-mortar network. These terminals offer players a new betting experience with a wider range, including 25% additional betting options compared with the conventional offering at points of sale, the possibility of placing bets two weeks prior to the event and the option of placing a bet just a few seconds before the start of a match.

Partnerships: FDJ among the best!



FDJ has nurtured partnerships:

- ◆ With four major football clubs: Olympique de Marseille, Olympique Lyonnais, AS Monaco and FC Nantes, effective as from the 2018-2019 season. Between them, these leading Ligue 1 Conforama clubs have won 32 Champions de France titles, and they all have a substantial fan-base.



- ◆ With NBA, which has made ParionsSport its official and exclusive partner for sports betting in France. This is a first in Europe for a sports betting operator.



A RESPONSIBLE OFFERING, WITH MEASURES TO ADDRESS THE CHALLENGES INVOLVED

The FDJ gaming model is based on a large customer base playing in moderation. FDJ's Responsible Gaming policy, continually enhanced since it was first introduced fifteen years ago, has enabled the Group to develop a key position in terms of inhibiting the negative external effects associated with gambling, not only in France but at an international level. As a result, FDJ was one of the first European lotteries to obtain Responsible Gaming standards certification from the association of European Lotteries. An inspection for renewal of this certification, carried out by AFNOR (the French national organisation for standardisation) in November 2018, confirmed that FDJ had maintained the maximum level of compliance (100%) since 2012.

FDJ is continually adapting its Responsible Gaming policy to technological changes and to the gaming behaviour of its customers. It strives to deploy increasingly customised digital preventive measures, proportionate to the risks to which players are exposed, throughout the game-play process (before, during and after).

This policy is supported by sponsorship partnerships developed over time with specialized associations, charities and research centres specialising in addictions. The aim of these partnerships is to improve the preventive measures or initiatives to help vulnerable players implemented by the company and, more generally, to support research into addiction and disseminate knowledge in the field.



Regarding the efforts to combat underage gambling, 2018 was particularly noteworthy due to:



- ◆ The implementation of an important training and awareness initiative, for the point of sale network, about refusing sales to minors. By the end of 2018, more than 13,000 retailers had already received this training.
- ◆ Messages concerning the prevention of underage gambling broadcast on TV, which routinely accompanied the 2018 advertising spots, to raise awareness among the general public about this ban.

In order to combat problem gaming, the actions implemented by FDJ included the following:

- ◆ In terms of assessing the appeal of gaming offerings, a new evaluation matrix (SERENIGAME) focusing specifically on scratch card games (through both physical network and digital networks) was introduced.
- ◆ With regard to the provision of support to players, a new version of Playscan, the online play behaviour evaluation tool (which has already been used by FDJ for several years), was launched. At the beginning of 2018, FDJ also introduced a restrictive measure on its fdj.fr website, intended for customers who present a high risk of developing a gambling problem, limiting their daily play spend to €150.

→ For more information refer to section 2.4 of the Management Report

FGS, A PROMISING SPRINGBOARD FOR DIVERSIFICATION

At the end of November 2018, at the bi-annual World Lottery Summit organised by the World Lottery Association, FDJ announced the creation of FGS (FDJ Gaming Solutions), dedicated to the sale of FDJ products and services at the international level. The offerings and services of FGS are aimed in particular at gaming operators which share the Group's values and which operate in regulated markets.

FGS relies on the technological products developed by its subsidiaries but it also depends on the innovation, expertise and know-how of the Group to offer high-quality and innovative value-added services.

In the field of sports betting, "Israël Sports Betting Board" is supported by FGS' omni-channel technology. In Portugal, FGS enabled the Portuguese lottery "Santa Casa de Misericórdia de Lisboa" to launch a sports betting business.

In 2018, FGS also launched a full sports betting management service for "Loterie Suisse Romande". The sales of this Swiss lottery have since more than doubled.

In the field of lottery games distribution, FGS, in partnership with IDEMIA¹, markets its proprietary software suite for games distribution in points of sale, for numerous lotteries worldwide, with a total of more than 300,000 gaming terminals. FGS and IDEMIA recently supplied optical camera terminals to lotteries in Germany and Sweden, and to PMU. In North America, it also won a contract with the Ontario lottery in Canada, with a market of more than 10,000 terminals.

Finally, in the field of interactive digital games, at the end of 2018, FGS signed a contract with a joint venture set up by FDJ with Danske Spil (Danish lottery), Veikkaus (Finnish lottery) and Norsk Tipping (Norwegian lottery), three of the most highly digitised lotteries in the world, to provide its Interactive Factory² distribution platform and its games catalogue.

- 1 French digital security company specialising in biometrics, identification and authentication, digital security, and data and video analysis
- 2 This platform is an open-access marketplace encouraging innovation in interactive digital gambling products

CONTINUOUS INNOVATION

Innovation is one of the core values of the FDJ brand and is most clearly visible in the continuous renewal of its gaming offering.

FDJ has undertaken an in-house test-and-learn initiative with incubation units and works in close collaboration with start-ups. It has been working with new partners since 2016 and, by the end of 2018, had invested approximately €9 million in open innovation funds (Partech, Raise and Level Up).



In 2018 it continued its collaboration with Techstars, initiated the year before, launching a call for projects which, once again, was a resounding success with more than 500 candidates submitting projects. The FDJ Open Innovation department selected the Proofs of Concept (POCs) submitted by:

- RampUp, a French start-up created in June 2018 which has developed a virtual assistant boosted by artificial intelligence. For FDJ, it is working on a chatbot intended to enhance the skills of new retailers;
- Tarot Analytics, an Australian start-up created in July 2016 which works on the optimisation of vehicle fleet travel. FDJ wants to optimise sales portfolios and sales trips for its sales force.

FDJ has also taken part in the Techstars Corporate Innovation Bootcamp programme. It has chosen the subject of "Millennials" with the aim of initiating a dialogue with young adults to enrich the Group's knowledge of this segment of the public, their user behaviour and their expectations. To do this, FDJ has been assisted by JAM1 which has jointly defined a range of conversations about games, luck, dreams, in relation to money and betting.

These interactions between FDJ and young adults represent a new and dynamic way of surveying a target population, by collecting qualitative and quantitative information about them, including their tastes and their habits, but also potentially about the media that they consume, the influencers they follow, etc.

1 Leading French chatbot, aimed at millennials, with 500,000 users.



AN ENHANCED ENTERTAINMENT OFFERING IN 2018



FDJ, the 1st French operator to organise eSport competitions

In 2017, FDJ embarked on an eSport venture, with the support and expertise of the Webedia³ group, to organise eSport competitions. FDJ eSport has managed to become a real player among fans of eSport and has made a name for itself in this market: by the end of 2018 it had more than 10 million live views and a slate of VOD for all competitions, in addition to more than 30,000 subscribers for the amateur tournaments.

At the end of 2018, FDJ teamed up with Level 256, the European eSport innovation and incubation platform of Paris&Co⁴, with the aim of:

- ◆ promoting eSport for all;
 - ◆ encouraging innovation and entrepreneurial development in the eSport industry and in the field in general.
- Through its incubator, the Level 256 platform allows start-ups to develop and test new eSport products and services. It offers FDJ eSport the possibility of capitalising on opportunities to collaborate with start-ups and develop innovative initiatives with them and with the broader eSport ecosystem (games software developers, professional teams, etc.).
- ◆ building eSport communities of amateur and professional players;

3 French Internet operator specialising in leisure and entertainment

4 Paris-based agency for economic development and innovation

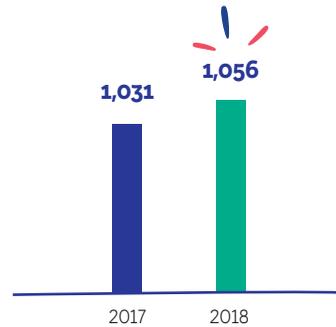
A transformed distribution network

FDJ brings retailers services that meet their expectations.

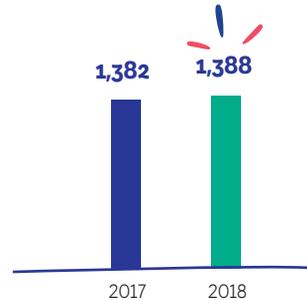


A network of more than 30,000 points of sale in 11,000 municipalities. A high coverage rate with almost all points of sale accessible in under ten minutes, on average, from urban, out-of-town or rural locations.

Points of sale **newly created** in the BTP* network



Points of sale **that have stopped operating** in the BTP* network



* BTP: Bars - Tabacs - Presse

FROM A LOGISTICS-LED APPROACH TO A SALES-DRIVEN APPROACH

The FDJ distribution network, the leading French local network, supports economic and social activity across all regions of France.

To ensure the sustainability of its extensive gaming model and to reassure its physical distribution channels, FDJ has made changes to its sales organisation. In 2014, it started work to take over areas previously served by broker-agents.

It then pursued the progressive implementation of an upgraded distribution model (direct distribution enabling direct delivery from points of sale via a central logistics warehouse).

Today, commercial operations at points of sale are managed directly by FDP (a subsidiary of FDJ) in two-thirds of outlets, and by independent operators under FDP's direction at one-third of outlets. All outlets were operating under the direct distribution model by the end of 2018 (versus 37% at the end of 2017). The sales force, now discharged from logistics activities, is completely dedicated to assisting the points of sale with the sales plan and the Responsible Gaming initiative.



AN INCREASINGLY ATTRACTIVE NETWORK

FDJ's priority is to modernise, digitise and consolidate its physical distribution network, and to provide direct access to new offerings from its digitised points of sale. This aim is firmly anchored in the Group's strategy of enhancing its technological assets, supporting the transformation of points of sale and diversifying its business activities.

Changes to the structure of retailers' remuneration

In 2018, retailers' commission amounted to 5.2% of player stakes, including a Responsible Gaming bonus based on the attainment of specific criteria. In 2019, the remuneration structure was modified based on the games offered (more commission paid on draw-based games and low-stakes scratch-card games, and changes to the commission paid on sports betting) with a view to achieving greater alignment with FDJ's strategic priorities.

2019 Objective: increase overall average retailer income by 0.2%.

Net remuneration of 2018 retailers

785 M€

Either + 5.7% *
vs 2017.



*By applying, as from 2017, the new remuneration conditions decided in 2018.



Point of sales equipment in tune with the times

FDJ has developed modular furnishings for the points of sale, which address the accessibility needs of disabled people and which also optimise visibility of the offering. The modular design will also enable the anticipated incorporation of new digital uses and will provide a platform to communicate Responsible Gaming messages, in line with CSR policy, particularly with regard to the prohibition of underage gambling.

FDJ has also developed a compact version of its retail equipment, the "multi-game kit", which is suitable for smaller points of sale. The kit offers basic access to three game ranges (draws, scratch cards and sports betting). The equipment, already installed in around 3,500 outlets by the end of 2018, should be introduced in a further 1,300 outlets in 2019.



An example of business diversification at points of sale

In 2017, FDJ and the Western Union Company joined forces to offer Click&Pay (a simple and fast money transfer service) which is potentially available at all FDJ points of sale.

This service allows retailers to:

- diversify their business into the ever-increasing money transfer market;
- potentially increase customer flows in their points of sale; and;
- access a source of supplementary income (commission will be earned by the retailer on transfers).

Using a "mobile-to-store" solution, customers can now set up their transaction on their mobile phone and then go to the point of sale to complete the transfer.



A company in motion

2,183
employees* in the Group
of which:

42.7% ✨
women
and
57.3%
men

33.9%
female managers
and
66.1% ✨
male managers

2017 handicap rate

4.89%
Group
6.58%
FDJ SA

*Direct and indirect employees
Group*

FDJ is developing a modern, innovative and inclusive vision of diversity and professional equality around four pillars:

Integration of persons with disabilities:

FDJ's objectives are two-fold: to integrate new employees with disabilities and to retain employees whose health is deteriorating.

Professional gender equality:

In addition to promoting female managers, FDJ is striving to reduce the gender pay gap through annual pay increases.

Intergenerational cohesion:

In 2018 FDJ was awarded the "Happy Trainees" prize by ChooseMyCompany for businesses where trainees can best benefit from their training. Moreover, specific attention is paid to promoting older staff.

Diversity of social background:

An example of FDJ employee engagement: around forty of them provide assistance to qualified young people looking for work from disadvantaged areas in collaboration with the association 'Our Neighbourhoods' Got Talent'.

Since 2013, FDJ holds the AFNOR label for its anti-discrimination policy, in particular associated with disability.
In 2017, FDJ obtained the workplace gender equality label.



In 2017, FDJ obtained the workplace gender equality label.

With some 2,183 employees * FDJ remains a group on a human scale which offers career progression opportunities.

In 2018, 164 of the Group's employees benefited from internal mobility. In order to support these changes and maintain employability for employees at all levels, particularly in the digital field, 4.3% of payroll was allocated to training this year.

Measured by survey, work-life balance is also a specific focus of annual appraisals. Remote working is facilitated with mobile devices (PCs and smartphones for all). The company-level agreement on remote working is under renegotiation to relax its terms. A company-level agreement on the right to log off means that individuals are free to log in or not when not at work.

→ For more information refer to section 2.4 of the Management Report

* Permanent and fixed-term contract payroll at 31/12/2018

A NEW HEADQUARTERS THAT STIMULATES INNOVATION

35
Employee-ambassadors

150
employees involved in the project

Over **20**
calls for tender

190
workers on-site

1,200
employees

25,000
m² of floor space

42
meeting rooms

103
pods (mini meeting rooms)

Since May 2018, the new headquarters, acquired in 2016, has housed FDJ, its corporate foundation and its subsidiaries FDP, FGS France and La Française de Motivation.

In order to improve quality of life at work, cross-disciplinary work and collaborative discussion, a dynamic environment has been set up with several types of workstation on offer. Employees have a dedicated space where they can set up to work wherever they want, depending on their daily schedule.

Several areas of the new headquarters are dedicated to innovation

The AZAP (Accelerated Zone for Accelerated Projects), Open Lab, CX Studio and above all the the first French incubator dedicated to the multi-channel customer experience. Created in partnership with Paris&Co and in association with other businesses (AG2R La Mondiale, Bouygues Télécom, Diam, Hammerson & L'Oréal), this incubator with a floor space of around 1 300 m² can house up to 20 start-ups developing innovations with retail customer experience as their priority.





Direct links with civil society

FDJ AND FONDATION DU PATRIMOINE, A WINNING COMBINATION

As part of a long-term heritage strategy led by the Ministry of Culture, the State has adopted the principle of using FDJ games to fund the "Heritage in Danger" campaign led by Stéphane Bern and hosted by the Fondation du patrimoine. FDJ is thereby contributing to the financing of an important national cause, much like many other lotteries do around the world.

In September 2018 FDJ launched two Heritage-themed games:

a special Super Loto® draw (14 September 2018, the day before the European Heritage Days).



a scratch card games "Mission Patrimoine" at €15.



€21 million from government levies on stakes for these games were thus allocated to a specific fund of the Foundation called "Endangered Heritage". It will be used to safeguard and renovate around 270 projects across France. In playing these games, players are contributing to the restoration of French heritage.

As part of this action, FDJ will sponsor the Fondation du patrimoine for three years (€1.4 million) and publicises its appeal for donations. Moreover, the FDJ Corporate Foundation dedicated to equal opportunities is becoming a major programme sponsor Heritage and Employment to integrate vulnerable people from society into the workplace. This initiative is part of FDJ's tradition with its origins in national solidarity and its model of redistributing the lottery profits for the public interest.

FDJ AND SPORT, A LONG HISTORY

For 30 years, FDJ has sponsored a cycling team, sporting institutions and major French sporting events (EURO UEFA 2016™, Paris 2024 bid). The company's commitment is based on four pillars: cycling, football, Olympics and women's sport.

Cycling



At the end of 2017, FDJ signed a partnership agreement with Groupama, which became a co-sponsor of the renamed "Groupama-FDJ" cycling team, for the 2018, 2019 and 2020 tour seasons. With 33 stage or race victories, the 2018 season set a historic record.

This team's overall budget is 30% higher, distributed equally between the two groups; 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 who currently wear their colours;
- to gradually build up the workforce in coming years;
- to set up a reserve team from 2019.

The cycling team Groupama-FDJ is an excellent vehicle for visibility, brand recognition and societal commitments, enhanced by the alignment between the values that FDJ intends to promote in sport and those embodied by the team.

Football



For the duration of the FIFA World Cup, FDJ welcomed supporters and the public at its ParionsSport Fanboat in Paris to bet and watch the 64 matches of the competition from 14 June to the final on 15 July.

Heavily involved in combating manipulations of competitions and more generally, defending the integrity of sports and sports betting, FDJ has included a section on integrity in all its partnership contracts. This is the case for those signed in 2018 with the Ligue 1 Conforama football clubs (AS Monaco, FC Nantes, Olympique Lyonnais and Olympique de Marseille), as well as the partnership entered into with INSEP (Institut National du Sport, de l'Expertise et de la Performance). In federations or clubs, FDJ conducts awareness raising campaigns on the risks of manipulation of competitions and proper conduct.

Olympics

Since 2000, FDJ has been a partner of the French National Olympic and Sports Committee (CNOSF) in promoting the values of sport and the Olympics; it has introduced a joint programme of action to defend the integrity of sport and a policy of corporate social responsibility in sports organisations (RSO).



The Challenge programme supports young champions, with or without disabilities, from the start of their career to the finish line and beyond!

Every year some 12 athletes are supported by FDJ and receive a €15,000 award. In 25 years, over 400 beneficiaries of the Challenge (Challengers) have joined FDJ's Team Challenge.

With 162 Olympic and Para-Olympic medals won since the start of the programme, the FDJ Challengers have proven their talent!

Women's sports

Launched in May 2016 at the initiative of Stéphane Pallez, the aim of the programme "Sport pour elles" is to promote women's sports, support high-level sport, develop media coverage of women's sport in France and join forces to change mentalities.



→ For more information refer to section 2.4 of the Management Report



THE FDJ CORPORATE FOUNDATION IS REINVENTING ITSELF TO SERVE EQUAL OPPORTUNITIES THROUGH GAMINGU

As a response to a changing French society and new challenges for the Group, the FDJ Corporate Foundation has changed its purpose and is now committed to promoting equal opportunities through gaming in all its forms, in line with FDJ values.

It has a maximum allowance of €18 million for the 2018-2022 period.

In 2018, it launched its first call for Major National Projects and received 150 applications. From 2019 the 5 projects selected will benefit from a total of €1.7 million in funding from the Foundation.



The ARI Project

involves using games as a resource for learning and including people with disabilities.

The Simplon project

facilitates the social and occupational integration of persons with disabilities using fun, interactive tools.

The project "Vivre ensemble" (live together) by Play International

aims to raise awareness among children on living in harmony, to enable each of them to become a citizen through play.

The project "Ma réussite au collège" by Energie Jeunes

aims to combat inequality of opportunity by teaching secondary school pupils the core behavioural skills needed for academic success.

The association Rejoué

helps the most vulnerable people to return to work by giving toys a second life.

In addition to the winning associations, every year the FDJ Corporate Foundation supports around one hundred charity projects.

→ For more information refer to section 2.4 of the Management Report

FDJ IN KEEPING WITH ITS ECOSYSTEM

Social laboratory

The Social laboratory is a forum for discussion between FDJ and its stakeholders, particularly civil society organisations (CSO), on issues around its Responsible Gaming policy in particular. FDJ has extended its laboratory to include new members and issues relating to its CSR policy.

In 2018 – 2019 the following topics will be covered: supporting local communities, digital technologies, under-age gambling, social cohesion and measuring the impacts of prevention campaigns.

Environmental footprint

Since 2008, FDJ has committed to an ambitious policy to reduce its carbon impact so as to contribute to the energy transition and be recognised as a sustainable company.

Carbon reporting is carried out regularly to draw up appropriate action plans for reducing its negative impact on the environment.

For example, since 2012, 100% of FDJ's gaming materials and scratch cards have been printed on paper sourced from sustainably managed forests (Forest Stewardship Council - FSC) and unused scratch cards are recycled. Moreover, as part of its partnership with WWF, at the end of 2018 FDJ tested recycling of gaming tickets, playslips and receipts at its points of sale. These actions have made FDJ a global leader in the lottery sector for the responsible management of its gaming materials.

In 2019, FDJ will join the initiative Science Based Targets, launched in the margins of the COP 21, to boost its action and establish a scenario for reducing its emissions by 2025 that is compatible with limiting global warming to 2 degrees.



→ For more information refer to section 2.4 of the Management Report



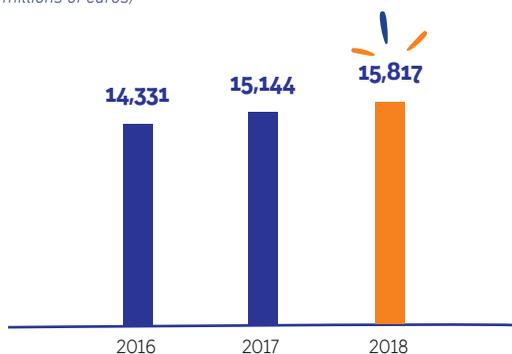
Since 2012, 100% of FDJ's gaming materials and scratch cards have been printed on paper from sustainably managed forests



Financial indicators

Player stakes

(in millions of euros)



Revenue

(in millions of euros)



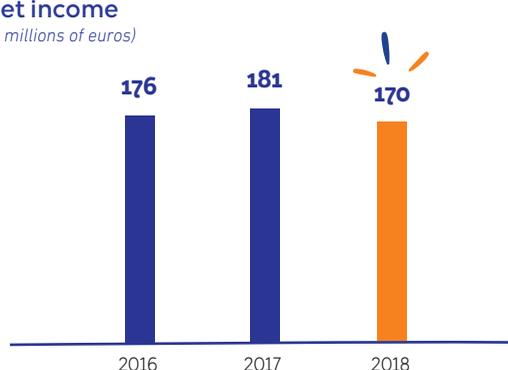
EBITDA

(in millions of euros)



Net income

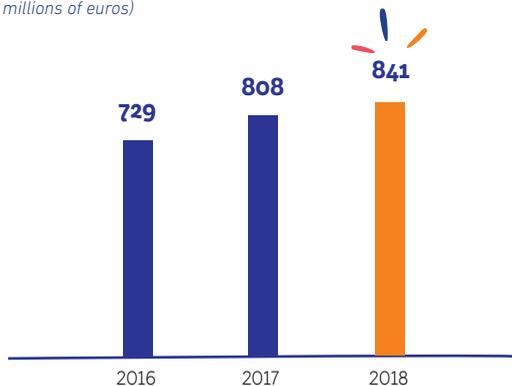
(in millions of euros)



EBITDA = Current operating profit before depreciation and amortisation

Net cash flow

(in millions of euros)



Dividends per share (FDJ SA)

(in euros)



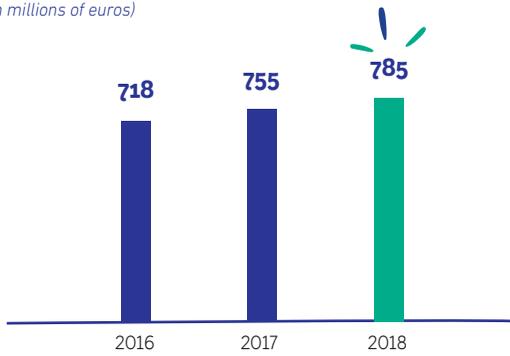
Net cash flow from gross debt, bank overdrafts, and including current and non-current investments



Extra-financial indicators

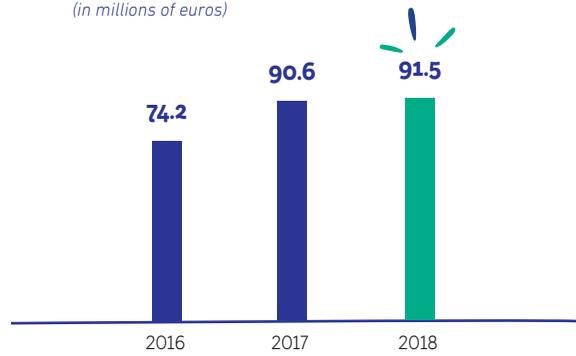
SUPPORT FOR POINT OF SALE NETWORK

Amount of commissions paid to retailers
(in millions of euros)



SUPPORT FOR POINT OF SALE NETWORK

Amount of commissions paid to retailers
(in millions of euros)

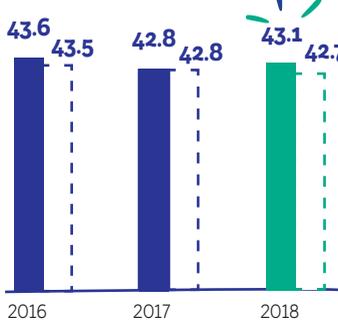


Inspection des points de vente sur les critères Jeu Responsable et Sécurité

HUMAN RESOURCES

Diversity

Percentage of female employees
in the company (in %)

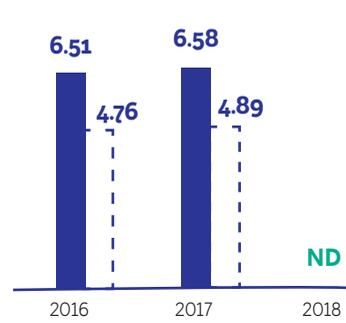


Percentage of women in
managerial positions (in %)



Percentage of employees
with disabilities

(direct and indirect employees %)



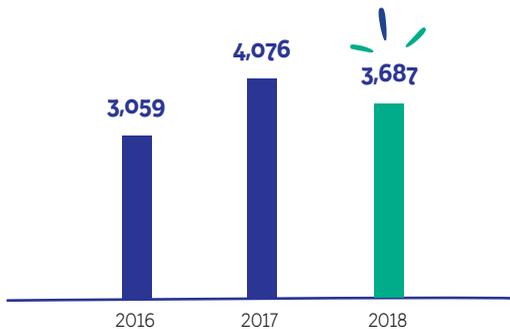
■ FDJ SA ■ Group

NA: not available at the date of publication

SOLIDARITY

Amount of financial support granted
by the FDJ Corporate Foundation

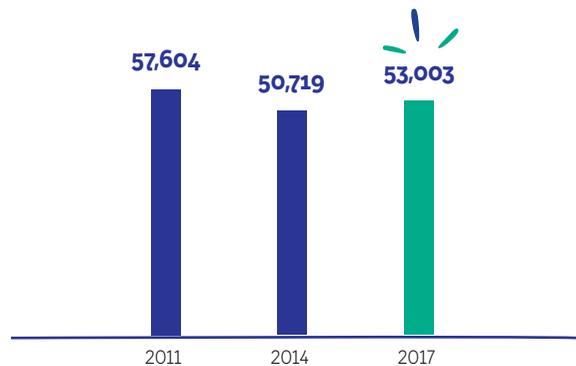
(in thousands of euros)



ENVIRONMENTAL PERFORMANCE

Greenhouse gas emissions

(in CO₂ equivalent tonnes)



Governance

The Executive Committee (at 31.12.2018)

Governance
is fully leveraged
to create value



Stéphane Pallez

Chairwoman and CEO



Charles Lantieri

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



Pierre-Marie Argouarch

Group Director of Human
Resources and Transformation



Raphaël Botbol

Strategy & Corporate
Development Director



Patrick Buffard

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



Pascal Chaffard

Executive Vice-President,
Performance, Finance and
Regulation division



Xavier Etienne

Executive Vice-President,
Technology
and International division



Cécile Lagé

Director of Marketing, Digital,
Customers and Innovation



**Elisabeth Monégier
du Sorbier**

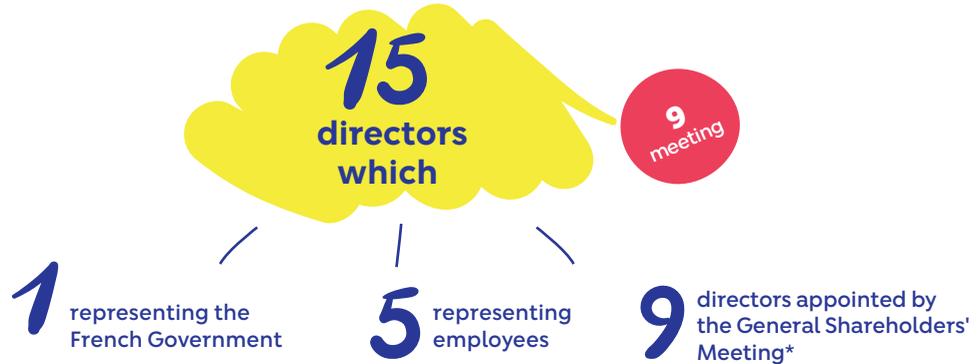
Group Legal Director



Laetitia Olivier

Director of Communication
and Sustainable Development

 **The Board of Directors** (at 31.12.2018)



4 AUDIT COMMITTEE

- ✓ Approves the financial statements and, at the recommendation of the Chairwoman and CEO, the strategic lines, of the Group.
- ✓ Approves strategic investment projects.
- ✓ Decides on the general principles of internal financial organisation.
- ✓ Carries out its supervisory task, particularly concerning risks.

4 specialist committees**

AUDIT COMMITTEE

Formed by 4 members, this committee:

- ✓ 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

7 meeting

NOMINATIONS AND REMUNERATION COMMITTEE

Formed by 2 members, this committee:

- ✓ Offers its opinion to the Board of Directors with regard to methods for determining the remuneration of corporate officers.

2 meeting

SUSTAINABLE DEVELOPMENT COMMITTEE

Formed by 4 members, this committee:

- ✓ Examines the CSR policy and its implementation in initiatives undertaken by FDJ and in its strategic approach.
- ✓ Examines the development of the FDJ Corporate Foundation's policy.

3 meeting

STRATEGY COMMITTEE

Formed by 7 members, this committee:

- ✓ 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.

2 meeting

* Including 6 put forward by the French Government.

** Further information about the committees can be found in the Report on Corporate Governance.

1.

2018 REPORT ON CORPORATE GOVERNANCE

| | | | | | |
|------------|--|-----------|------------|--|-----------|
| 1.1 | Composition of the Board of Directors | 36 | 1.5 | Delegations granted by the General Meeting of shareholders in application of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code | 44 |
| 1.2 | Operation and meetings of the Board of Directors | 38 | 1.6 | Notes | 45 |
| 1.3 | Board of Directors Committees | 40 | | | |
| 1.4 | Agreements under the second paragraph of Article L.225-37-4 of the French Commercial Code | 43 | | | |



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 employee 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 Article L.225-18-1 of the French Commercial Code.

1.1.3 Information on the directors

At 31 December 2018, 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 ◆ Ms Agnès LYON-CAEN ◆ 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.

1.2.2 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 control and verification operations 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 2018

In 2018, the Board of Directors met nine times, particularly on the following points: approval of the individual and consolidated financial statements for the 2017 financial year, the proposed assignment of 2017 earnings, the review of the management planning documents, approval of the consolidated financial statements at 30 June 2018, fixing 2017 variable compensation and objectives for 2018 for the Chairwoman and CEO and the Deputy Chief Executive Officer, and 2018 remuneration for the Chairwoman and CEO and the Deputy Chief Executive, the allocation of directors' fees for 2017, the review of the 2019 budget, the project to develop the capital of the Company, the presentation of the 2018

Group risk mapping and evolution, the policy of FDJ in matters of professional and salary equality, the authorisation given to the Chairwoman and CEO to grant deposits and guarantees in application of Article L.225-35 of the French Commercial Code, changes to commission rates of retailers, the regeneration of the strategy through to 2025, the liquidity mechanism for employee shareholder funds, the transfer of the Company's head office and the correlated changes to the Articles of Association, the appointment of a new member of the Audit Committee and the review of the previous five-year period of the FDJ Corporate Foundation.

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.

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

1.3.1.3 Activity

In 2018, the Audit Committee met seven times, in particular on the following points: the presentation of closure options, the closure of the 2017 accounts and elements of communication related to the 2017 activity, the review of the management report, the report on corporate governance and the integrated report related to the 2017 financial year, the review of the consolidated accounts at 30 June 2018 and management planning documents, the work of the Statutory Auditors, the monitoring of non-audit services, the update on 2017 cash management, the monitoring of the allocation of 2018 assets and cash forecasts for 2019, the presentation of the 2019 budget, the investment in innovation funds, the 2018 Group risk mapping, changes to it and its connections with the main strategic policies through to 2025, the summary of 2017 work, the progress of ongoing work during the year and the programme of work for 2018-2020 of the Audit, Risks, Control, Quality and Ethics Department, the project for the development of the capital of the Company and changes to the commission rates of retailers.



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 2018, the Nominations and Remuneration Committee met twice to establish the level of achievement of 2017 objectives, make a proposal to set the fixed and variable remuneration for 2018 and 2018 objectives for the Chairwoman and CEO and the Deputy Chief Executive to be made to the Board of Directors and examine the allocation of directors' fees for the 2017 financial year.

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 4 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.

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®.

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 examines any particular point that it so deems necessary or relevant.

1.3.3.3 Activity

In 2018, the Sustainable Development Committee met three times on specific topics, and in particular on the following points: the 2017 review of the CSR programme, setting CSR priorities for 2018, the 2018 review of the Responsible Gaming action plan and prospects for 2019, the 2017 review of action plans for the fight against money laundering, assessment of the achievement of 2017 CSR objectives for corporate officers, the proposal of 2018 CSR objectives, update on the activity of the FDJ Corporate Foundation, preparation of external communications related to the 2017 extra-financial results and examination of the draft integrated report for 2017, the 2018 review of FDJ's policy in matters of workplace equality, diversity and quality of life at work and priorities for 2019, the policy in matters of Responsible Sports Betting, the sport integrity policy, the 2017 review of the Social Laboratory and prospects for 2018, the environment and the Science Based Targets project, the summary of the 2013-2017 five-year period of the FDJ Corporate Foundation, and the Heritage Mission.



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.

- ◆ being referred to problems and important facts likely to have an impact on the strategic plan;
- ◆ offering its opinion to the Board of Directors on projects relating to the Group's expansion, monitoring changes in industrial partnerships, draft strategic agreements, and changes in the competitive environment and in the Group's position;
- ◆ making all recommendations that it considers useful to the Board of Directors.

1.3.4.2 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;

1.3.4.3 Activity

In 2018, the Strategy Committee met twice on specific topics, and particularly on the following points: the implementation of the sport strategy, the regeneration of the company's strategy through to 2025, the customer identification strategy and the implementation of the IT strategy.

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

Delegations granted by the General Meeting of shareholders in application of Articles L.225-129-1 and L.225-129-2 of the French Commercial Code

The General Meeting of shareholders of FDJ did not grant to the Board of Directors delegation in application of 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 functions and offices of the FDJ corporate officers during the 2018 financial year

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 Positive PlaNet
- ◆ Member of the Supervisory Board, Audit Committee and CSR Committee of EURAZEO
- ◆ Director of the RAISESHERPAS endowment fund

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)
- ◆ Permanent Representative of FDJ on the Board of Directors of FDJ Gaming Solutions (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 nominated by the French government on FDJ's Board of Directors

List of functions and offices held by Mr Schwan 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
- ◆ Government Commissioner on the Board of Directors of FDJ

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 and Chairman of the Audit Committee
- ◆ Director on the Board of Directors of Dalkia and Chairman of the Audit Committee
- ◆ Member and Chairman of the Supervisory Board of RTE
- ◆ Director on the Board of Directors of EDF EN
- ◆ Chairman of the Board of Directors EDF Trading UK
- ◆ Member of the Supervisory Board of ENEDIS
- ◆ Chairman and Chief Executive Officer of CTE
- ◆ Director nominated 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
- ◆ Director nominated by the French government on the Board of Directors of the Imprimerie Nationale
- ◆ Director proposed by the French government to the Board of Directors of FDJ and Chairman of the Sustainable Development Committee and the Nominations and Remuneration Committee

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 nominated 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 des Anciens Combattants et Victimes de Guerre
- ◆ Vice-Chairman of the Office National des Anciens Combattants
- ◆ 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 Claire Videau

- ◆ Management controller at FDJ
- ◆ Employee Director of FDJ

List of functions and offices held by Mr Michel Durand

- ◆ Systems engineer at FDJ
- ◆ Employee Director of FDJ

List of functions and offices held by Mr Philippe Pirani

- ◆ Qualification and integration manager at FDJ
- ◆ Employee Director of FDJ

List of functions and offices held by Mr Xavier Lehongre

- ◆ Commercial and Operations IS Manager at FDJ
- ◆ Employee Director of FDJ

List of functions and offices held by Mr Raphael Rignault

- ◆ Deputy Head of Treasury and Financing at FDJ
- ◆ Employee Director of FDJ (until February 2018)

List of positions and corporate offices held by Ms Agnès-Lyon Caen

- ◆ Project Manager at FDJ
- ◆ Employee Director of FDJ (from February 2018)





2.

MANAGEMENT REPORT

| | | |
|------------|--|-----------|
| 2.1 | Highlights and Group Operations | 50 |
| 2.2 | Financial analysis | 56 |
| 2.3 | Risk management – Group framework | 61 |

2.4 2018 Extra-Financial Performance Statement 71

| | | |
|--------------|---|------------|
| 2.4.1 | Introduction | 72 |
| 2.4.2 | Responsible Gaming | 75 |
| 2.4.3 | Integrity | 81 |
| 2.4.4 | Human resources | 87 |
| 2.4.5 | Solidarity | 92 |
| 2.4.6 | French territories | 95 |
| 2.4.7 | Environment | 97 |
| 2.4.8 | Sustainable Development Goals (SDG) | 99 |
| 2.4.9 | Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial statement included in the group management report. | 100 |
| 2.4.10 | Annex: additional monitoring indicators | 104 |



2.1

Highlights and Group Operations

2.1.1 Highlights

Article 51 of the Draft Legislation on the Growth and Transformation of Enterprises (PACTE) was presented on 18 June 2018 in the Council of Ministers and registered in the National Assembly on 19 June 2018. Adopted by the Assembly in October 2018, it is currently under discussion in the Senate. It aims to authorise the Government to proceed, by decree, with the transfer to the private sector of the majority of the capital of La Française des Jeux, while maintaining it under the strict control of the French

government, allowing the latter to prevent excessive gambling, protect vulnerable people (notably minors) and combat fraud and money laundering.

The new head office in Boulogne-Billancourt was opened in May 2018. The relocation to Villepinte of the teams formerly working in Mousy-le-Vieux (following the sale of the site) took place in July 2018.

2.1.2 Players at the heart of the Group's strategy

Often connected, better-educated, more engaged, FDJ's customers are becoming both more demanding and more responsible. Customers now demand a fluid and personalised experience, one that gives them the feeling of being recognised, listened to. The FDJ customer journey is becoming multi-channel and must be "seamless" for anyone coming into contact with a company or using its services. These new experiences can take various forms, by relying on many different kinds of innovative technologies (artificial intelligence, virtual reality, conversational agent, etc.).

played in combination has also increased from 8 to 15 matches. The odds are boosted on the big games of the day (goalscorer, head to head, exact score) and on event betting (winner, goalscorer, pre quarter-finals). The 27,000 ParionsSport points of sale are also flying the World Cup colours, with the goal of bringing the excitement of the competition to all players and fans, by creating social get-togethers at points of sale, each outfitted with fan kits (match schedules, point-of-sale publicity, an "ardoise du patron", etc.).

These actions have borne fruit. The event generated a total of €690 million player stakes on the French sports betting market (compared to €290 million during the 2014 World Cup). €309 million bets were made at FDJ points of sale (compared to €181 million during the 2014 World Cup) and €381 million on the websites of the 12 active operators approved by ARJEL. The France/Croatia final generated the most bets, with stakes of €67 million, becoming the highest bet-generating football match, all competitions combined. Other meet-ups that generated the most player stakes were the France/Belgium semifinal match (€35 million), followed by the France/Uruguay quarter-final match (€23 million). In the seven matches of the French team, players made nearly €180 million in bets, making up 26% of all player stakes during the entire competition.

As it did during the UEFA EURO 2016™, FDJ took advantage of the World Cup to raise awareness among the general public about the prohibition of underage gambling. It broadcasted a TV prevention campaign, which was also available in the 27,000 points of sale in the ParionsSport bricks-and-mortar network on the cash register displays, as well as on social networks.

2.1.2.1 An "invigorated" offer

An ambitious promotion programme for the FIFA World Cup

FDJ is putting players and fans at the heart of its strategy, making them the real participants of its offer before, during and after the bet. During the FIFA World Cup, the customer experience has been improved both at points of sale and online.

Online players enjoy a new website with a redesigned layout and optimised ergonomics, and a new application "ParionsSport En ligne", which is now also easier to use. The launch of the app was promoted by a TV advertisement using the traditional humour of the FDJ campaigns, playing on the slogan of the ParionsSport brand: "Even more in the game" (Encore plus dans le match).

At the points of sale, the "ParionsSport Point de Vente" application provides an enriched offer that includes seven new football betting formulas and allows up to 20 bets per match. The number of bets that can be

In addition, for the FIFA World Cup, FDJ continued the deployment of 1,000 self-service terminals in its bricks-and-mortar network. These offer a new experience to the players, including an expanded offer with 25% more bets (vs. the points of sale offer), the possibility of placing bets two weeks before the event and up to a few seconds before the start of a match. After logging in, each customer can manage his account independently and save time on the validation of his game.

A range of instant lottery (scratch) games, driven by numerous launches/ relaunched and a new visual identity for the illiko® brand

Once again this year, this product range has had a very busy schedule. In 2018, 55 games were launched/relaunched online and 15 in points of sale.

Launched in 1994, Morpion immediately met considerable success and has helped to popularise scratch games in France. It was the first FDJ game to have a mascot. Morpion's popularity (55% of French people know the game, even nowadays) comes from its name and its mascot. Both contribute to creating a humorous and offbeat universe. This game made its comeback in September, returning to the formula that made it a success: easy to play (if the player uncovers three O's or three X's in a line, column or diagonal, he wins the given amount), colourful and humorous scratch cards (3 varieties: "If you win the jackpot, you're taking me out to lunch!/If you win some money, where will we go?/If you win some cash... You're taking me out!").

The 2018 edition of Morpion became the first €0.50 lottery ticket ever marketed by FDJ. It offers winnings up to €500. FDJ endeavours to develop its general public game model (extensive model) by offering an entry-level game that is very accessible in a logic of discovery, and by reinforcing the game offer with moderate stakes. Since the beginning of the year, FDJ has relaunched five games with moderate player stakes: Numéro Fétiche (Favourite Number, €1), Black Jack (€2), Goal! (€1), Maxi Goal! (€3) and Banco (€1).

In addition to relaunching emblematic games, FDJ has invented new games on new themes:

- ◆ Mission Patrimoine (Heritage Mission): 1st scratch ticket at €15, launched as part of the "At-risk Heritage" programme, which is part of the French Ministry of Culture's multi-year strategy promoting national heritage. FDJ is thereby contributing to the financing of an important national cause, much like many other lotteries do around the world;

- ◆ Pixel Adventure: 1st scratch ticket inspired by arcade games from the 80s. Sold at €3, this game offers prizes up to €30,000. This new game puts the spotlight on the emerging trend of "retrogaming". This phenomenon plays on the nostalgia of 35-45 year-olds for the games they played when they were young, but also on the infatuation of new generations of young adults (millennials) with vintage products. This game is a follow-up to Rétro Arcader, a game also inspired by the retrogaming phenomenon but available exclusively on fdj.fr and on the mobile app;

- ◆ Défi Kosmik (Kosmik Challenge, €2): launched on 29 October, this ephemeral scratch game uses the theme of space conquest, popular among 18-34 year-olds. It offers winnings up to €20,000. To win, the player must explore the planet and recover resources. He can accumulate his winnings by collecting the same resource multiple times. This has also taken its inspiration from the world of video games.

The illiko® brand was created in 2012 to give new impetus to the scratch card range. At the end of 2018, its visual identity was changed for the first time since its launch. Black Jack was the first lottery ticket to incorporate this new identity, when it was relaunched at the end of November 2018. The new style guidelines, with more modern standards, help lend illiko® its dynamic and lively character. The new logo adopts a handwritten typography, embodying not only the relationship between FDJ and its game brands, but also between games and players. It creates a sense of movement and reinforces the brand's playful values.



2.1.2.2 An enriched customer experience

Creation of a customer studio

In 2017, the Customer Marketing Department was reorganised with the aim of developing expertise within FDJ on the management of the customer experience for the business lines, based on knowledge of multi-channel customers.

In this context, the development teams working on the customer experience are in charge of supporting FDJ's customer transformation. They inform employees about the customer experience and assist them in defining new experiences for FDJ customers by:

- ◆ informing, training and coaching them in order to facilitate the learning and implementation of customer-centric approaches and work methods;
- ◆ creating the methods and the specific tools necessary for the development of the customer experience by the business lines, and supporting their implementation operationally.

These teams of experts provide the business lines with a clearer vision and centralised support for topics related to the customer experience.



To facilitate their work and promote exchanges with the public, a dedicated space has been specially created within the new FDJ headquarters. The customer studio allows retailers and players to be invited to work together and form reflection or work groups for products and services.

In 2018, more than 200 players were welcomed for an hour and a half individually, for a total of more than 300 hours of interviews, in order to collect their expectations on specific topics.

Collaborative work with customers is happening more and more throughout the game and application creation cycle. This was the case in particular for the relaunch of Keno in November 2018. Around twenty players were asked to identify their needs and expectations. Meetings were also held with the internal teams to clearly define the issues to be addressed, and the target to be aimed at. The goal was to understand the challenges of each person, in order to imagine collectively the experience of tomorrow. The Keno playslip, game receipt and applications were co-designed with the players.

Creation of the first French incubator dedicated to the multi-channel customer experience

34% of customers want a similar online and in-store experience, with the latter remaining the choice of preference for 98% of purchases⁽¹⁾.

Through its department dedicated to Open Innovation, FDJ has put in place a policy that aims to open the Company to new trends and identify innovative solutions from partners. It is conducting experiments in order to integrate them into its model. It relies on today's start-ups

to develop the tools of tomorrow on the theme of "Innovation for the multi-channel customer experience".

Since 2015, FDJ has partnered with Paris&Co⁽²⁾ to promote innovation. A start-up incubator was born as a result of this partnership, in association with other companies (AG2R La Mondiale, Bouygues Telecom, Diam, Hammerson and L'Oréal). This platform, extending around 1,300m² and dedicated to innovation, can bring together up to 20 start-ups. It is the French incubator dedicated to the multi-channel customer experience. Several areas will be covered with this incubator: predictive marketing, new consumer experiences, customer relations or societal innovation.

The chosen start-ups were selected after a call for applications from 30 October 2018 to 30 November 2018. During the project selection process, specific attention was given to entities with two years of experience and a proof of concept. These young companies benefit from strategic support, a program of collective sectoral activities, exclusive offers with carefully selected partners, and relationships with numerous specialists and experts. The platform acts as a connector, organising common points in ecosystems of large groups and start-ups, and facilitating transfers between them in order to create value.

"Through this new partnership with Paris&Co and the creation of an incubator hosted within our premises, FDJ wishes to accompany the modernisation of its network of points of sale by putting innovation at the service of the customer experience," explained Patrick Buffard, Executive Vice-President responsible for Marketing, Sales, Digital and Operations.

2.1.3 A transformed and supported distribution network for more added value for players and retailers

FDJ uses several levers (human, financial, technological) to support the sustainable development of its distribution network with a "partner" approach.

2.1.3.1 A completely transformed distribution network, in order to shift from a logistic strategy to a commercial strategy

As a reminder, FDJ's "traditional" distribution model, based on broker-agents remunerated on the basis of

player stakes collected and exercising a mainly logistical activity, was no longer appropriate for the changes in services required for points of sale and to attract new players. In 2014, in order to ensure the continuity of its extensive game model and to strengthen its physical distribution channels, FDJ began to set up a new operational system. It ensures a commercial presence that is even more effective to meet the needs of its retailers and players.

(1) Generix Group Study – Opinionway 2018.

(2) Economic development and gaming innovation agency. It promotes the expansion of the innovation ecosystem through the incubation of more than 400 start-ups per year, the support of experiments using innovative solutions, and the organization of national and international events.

In 2016, the first phase of commercial transformation was completed with the increased internalisation of the sales force and the geographic streamlining of the number of commercial sectors. A new mapping of the commercial sectors (reduced from 140 to 53 sectors) was put into place. All segments are now spread across four geographic areas and are managed by 32 branches of the FDP distribution subsidiary, 20 commercial distribution companies and the FDJD subsidiary in the French Antilles and Guyana.

The second phase of the commercial transformation consisted of the gradual introduction of a new distribution mode (direct distribution - DD). In this model, parcel preparation is grouped together and mechanised in a central warehouse in the Paris area and the logistics operations are entrusted to specialised service providers. FDJ has invested more than €10 million to modernise its equipment and double the floor area of its warehouse (from 5,000m² to 10,000m²), and is now one of the most automated European lotteries in terms of logistics distribution to its points of sale. The automation of the supply chain is an integral part of the commercial transformation project, because it allows salespeople to concentrate, during their visits to points of sale, on the commercial support of retailers, in view of developing their business, while respecting principles of responsible gaming, prohibition of underage gambling and combatting fraud and money laundering. By the end of 2018, all sectors have switched to this mode of distribution.

The retailer satisfaction survey⁽¹⁾ carried out in 2018 once again underlined the good level of overall satisfaction. Despite the transformation process currently underway, the satisfaction score continues to rise, and is currently 8.2 out of 10 (compared to 8 at the same period in 2017). This level of satisfaction is based on the quality of the support provided (listening to their needs, truly considering the retailers as partners, etc.) and on the support itself, in terms of both financial and day-to-day management (receiving answers to questions, training in FDJ management tools, etc.).

The support in setting up new products is particularly appreciated by participants, with a satisfaction rate of 89% (stable compared to 2017).

New entrants continue to emphasise the effectiveness of the initial training, expressing satisfaction levels of 96% (vs. 94% in 2017).

2.1.3.2 A distribution network guaranteeing economic coverage throughout the country, synonymous with FDJ's extensive gaming model

2.1.3.2.1 Change in the retailers commission, which becomes variable and is aligned with the Company's strategic objectives

In early 2018, a tripartite agreement was signed between FDJ, the French Confederation of Tobacconists⁽²⁾ and Culture Press⁽³⁾ intended to advance and improve the method of payment for FDJ retailers.

"This agreement will give rise to a new and additional form of remuneration for retailers, linked to the Company's strategic objectives", said Stéphane Pallez, FDJ's Chairwoman and CEO.

It promotes the Company's development and aligns its interests (attracting new customers) with those of retailers (increasing in remuneration and sustainability of the network) and the State (Responsible Gaming and regional development), by supporting lottery games with low player stakes (thereby making them accessible to the largest number of people) and the sustainable growth of sports betting in the network.

A new remuneration system, which varies according to the game and is complementary to the remuneration system in place today, is being introduced in 2018 and 2019. It is based on several levers:

- ◆ starting in 2018, certain services such as the management of vouchers and coupons are remunerated. In addition, FDJ is eliminating the leasing fees for FDJ equipment (€13 million in revenue for the Group in 2017), an important gesture in support of smaller points of sale;
- ◆ in 2019, FDJ will increase the commission on draw-based games and low stakes scratch card games and will change the commission on sports betting.

By 2019, the entire system is expected to increase average retailer remuneration by 0.3 points. As a reminder, remuneration paid to retailers in 2017 was made up of a base commission of 5% of network player stakes, and an additional commission of 0.2% related to the Responsible Gaming objectives.



(1) Survey conducted by the CSA Institute among 4,260 retailers from 2 to 27 July 2018.

(2) The Confederation of Tobacconists is the only representative organisation for the 25,000 tobacconists in France. It is constituted from 113 departmental professional associations and 16 regional federations, all chaired by active tobacconists. It ensures the promotion of the network of tobacconists and the defence of the interests of the profession, as part of a process of modernisation.

(3) Culture Press (formerly the National Union of Press Distributors (Union nationale des diffuseurs de presse) is the representative professional organisation of national newspaper dealers.



2.1.3.2.2 Continuous adaptation of the points of sale, serving both retailers and players

FDJ is committed to continuing to support the points of sale of its bars-tobacconists-news agents network, which have been suffering from economic difficulties for several years. The modernisation and digitisation of the equipment, as well as the development of the experiences proposed to the players aim at aligning the points of sale of the traditional network with the new uses at local businesses.

FDJ is continuing to deploy eco-designed furniture (materials and recycling) that meets accessibility requirements of people with disabilities and optimises the visibility of the offer. The modularity of this furniture allows new digital uses to be anticipated, and the CSR policy relating to Responsible Gaming and underage gambling communication to be incorporated. By the end of 2018, 14,159 pieces of equipment have already been installed. In 2019, 4,000 new pieces of equipment will be installed.

The multi-player kit is a compact terminal designed to adapt to small points of sale which helps meet the objectives pertaining to the physical commercial grid. It offers simplified access to the three game ranges (draw, scratch cards and sports betting), including for the scratch card offer in particular an assortment of 13 game tickets (vs. 24 on average for the full offer). This equipment, already used in nearly 3,500 points of sale in 2018, is expected to be deployed in approximately 1,300 additional points of sale in 2019.

In addition, the receipt checker, which allows the player to scan his game receipt (draw-based games or sports betting) at the point of sale to check if he has a winning ticket, is becoming obsolete. The deployment of replacement equipment is expected to start in the second half of 2019. The mobile verification solution will also be promoted to players to develop new methods for verifying winnings.

2.1.3.2.3 Development of traffic in points of sale thanks to the "drive to store"⁽¹⁾ programme and new activities offered at points of sale

Various experiments have been tested by FDJ to generate point-of-sale traffic. Their goal is to send targeted consumers over the age of 18, at the right place and at the right time, a personalised message that corresponds to

their expectations and their consumption habits. The "drive-to-store" programme, an essential part of FDJ's commercial and digital developments, has been implemented through innovative promotional campaigns.

Relatia teams⁽²⁾ have supported the launch of the "Heritage Mission" by developing a "store locator" and a dedicated and customised interactive map to promote the iconic monuments supported by the operation.

They have also developed, via a dedicated online process, a "SUPER LOTO[®] Coupon" programme. A post-operation satisfaction survey was conducted to measure the impact of the programme:

- ◆ 70% of the recipients say that they would not have played without the coupon (motivation);
- ◆ 70% used the discount coupon (conversion);
- ◆ 66% took the opportunity to buy other games (cross selling).

Diversifying the activities of points of sale is essential to ensure the sustainable development of their revenues. Among the new activities envisaged, money transfers appear to be a natural extension for the retailer, who is already accustomed with working with cash and disbursing money as part of his FDJ business. That is why, in 2017, FDJ and the Western Union Company came 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 offer has been in effect since May 2018. FDJ retailers can become Western Union agents and transfer money from their Neptune terminal through a "mobile-to-store" solution⁽³⁾. This solution allows customers to prepare their transaction on their mobile devices, before going to a point of sale to finalise the transfer. The transfer is also very quick for the retailer, since he only has to enter the phone number of the customer to retrieve all the necessary information on his terminal and validate the operation. This solution proposed by Western Union simplifies the lives of both customers and retailers. This is what FDJ found particularly attractive. It is also an opportunity for the Company to build on its technological assets, which are well known for their robustness and security. Due to regulations on money transfers, the processing of the files for the assignment of the service takes between two and three months.

(1) Advertising techniques and marketing strategies to generate customer traffic in points of sale.

(2) Leading digital agency with dual expertise in e-CRM & mobile CRM (CRM = customer relations management).

(3) Customer experience initiated on the internet or on a mobile phone app, and finalised at a point of sale.

2.1.4 New head office (move-in in May 2018): not just a move, but a true transformation project

2.1.4.1 The accelerator of a true business transformation

In May 2018, FDJ and its subsidiaries FDP, FGS France, Française de Motivation and the Fondation d'entreprise FDJ moved into their new head office, purchased at the end of 2016. These entities, which used to be on three different sites in the Île-de-France area, are now grouped together in the same building.

This project was conducted in a joint process with FDJ employees. More than 150 Group employees were mobilised, including 35 ambassadors (representing each division, department and subsidiary). They were responsible for collecting information about the needs of their colleagues. It was this work that served as a basis for the project teams to develop their first plans. Next, the ambassadors had to check that their requests had been taken into account, propose improvements and participate in the validation of the choices. At the same time, most ambassadors participated in visits to companies already in a dynamic environment in order to get new ideas and identify relevant progress opportunities to include in their proposals. The process is identical to that conducted with the Seine-et-Marne teams who moved from Mousseux to Villepinte in July.

In addition to a relocation project, this was a unique opportunity for the Group to provide new answers to issues related to performance and individual and collective well-being by modifying its internal practices. Indeed, the layout of the workspaces and the evolution of the ways of working are key elements of such a transformation.

"The organisation of future work and living spaces in this new building must first and foremost aim to increase agility, flexibility and collaboration in the service of quality of life at work, innovation and ability to deliver our projects more quickly to serve our strategic ambitions" said Jean-Christophe Buvat, Programme Director.

2.1.4.2 Establishment of offices in a dynamic environment to meet the needs of all employees and to improve collaboration

In order to promote quality of life at work, transversality and collaborative exchanges, a more modern office layout, one that is adapted to the Company's development and performance ambitions, has been implemented.

Emphasis was therefore placed on creating a dynamic environment. An environment in which spaces are organised according to the activities of employees, with several typologies of workstations to meet different needs:

- ◆ *quiet spaces*: when concentration is needed;
- ◆ *intermediary areas*: for occasional exchanges;
- ◆ *interaction areas*: when small groups need to work together, within project teams, for example.

In concrete terms, there are no more dedicated desks and offices. The teams are located in spaces that have been assigned to them. Employees set up to work wherever they want, according to their daily agenda.

2.1.4.3 Implementation of new modes of operation for more agility and transversality

A collaborative approach has allowed teams of employees to test new ways of working. Once the scope and the modalities of the test have been defined, each team decides whether it makes sense to make this widespread across the Company or not. If so, the team presents its project to the Executive Committee, and then to the HR Management Committee, to obtain approval.

Among the selected proposals:

- ◆ *sponsorship*: assigning new employees a sponsor for one or several months to facilitate their understanding of the Company, help with their integration and answer their questions;
- ◆ *mentoring*: provide newly promoted managers with a mentor to help them take up their duties;
- ◆ *feedback*: train all employees in the art of receiving and giving feedback and putting it into practice.



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 €15,817 million, up by 4.4% relative to 2017.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 | % of total stakes | Change 2018/2017 | |
|------------------------------------|-------------------|-------------------|--------------------------|-------------------------|-------------|
| Sports betting | 3,047.3 | 2,518.1 | 19.3% | 529.2 | 21.0% |
| Scratch card games | 7,694.2 | 7,453.5 | 48.6% | 240.7 | 3.2% |
| Draw-based games | 5,075.6 | 5,172.9 | 32.1% | (97.3) | (1.9%) |
| TOTAL | 15,817.0 | 15,144.4 | 100.0% | 672.6 | 4.4% |
| <i>of which multimedia channel</i> | 2,428.6 | 1,669.0 | 15.4% | 759.6 | 45.5% |

FDJ retail sports betting services are offered under exclusive rights while online sports betting is offered in a competitive market.

Income from **sports betting** totalling €3,047 million (compared with €2,518 million in 2017) represents more than 19% of FDJ sales (compared with 17% in 2017). FDJ is putting sports players and fans at the heart of its strategy, making them the real participants in its offer before, during and after the bet. The 21% growth in betting was driven by the Football World Cup (and the victory of the French team). It also reflects the success of the actions carried out with a more attractive odds policy, an enriched offer and redesigned tools:

- ◆ online players enjoy a new website with a redesigned layout and optimised ergonomics, and a new mobile application "ParionsSport En ligne", which is now also easier to use;
- ◆ at the points of sale, the ParionsSport launched a new version of its "ParionsSport point of sale" application, providing an enriched offer that includes seven new football betting formulas and allows up to 20 bets per match. During the World Cup, the number of bets was raised to 30.

Moreover, during the World Cup, the 27,000 ParionsSport points of sale were flying the World Cup colours, with the goal of bringing the excitement of the competition to all players and fans, by creating social get-togethers at points of sale, each outfitted with fan kits (match schedules, point-of-sale publicity, an "ardoise du patron" sign, etc.).

The event generated a total of €690 million in player stakes on the French sports betting market (compared to €290 million during the 2014 World Cup). €309 million bets were made at FDJ points of sale (compared to €181 million during the 2014 World Cup).

The sports betting activity also benefited from the digitalisation of playslips, which increased by 61% vs. 2017 to reach 57% of bets in points of sale (vs. 42% at 31 December 2017).

Scratch card stakes, which represent almost 49% of FDJ's total sales (idem 2017), were up by 3% over the year, to reach €7,694 million.

Growth in scratch card stakes (+€241 million, +3%) was mainly driven by the €5 and over games segment, and more specifically by X20, launched in August 2017 and Mission Patrimoine, launched in September 2018, which benefited from French enthusiasm for supporting France's national heritage.

The stakes for **draw-based games** (including point-of-sale games) amounted to €5,076 million and accounted for 32% of FDJ sales (vs. 34% in 2017). Their variation (-2%) was linked to the life cycle of the games, with players who favour high jackpot draws and events (Super Lotto, Super Jackpot, etc.) or cumulative draws (following a series of consecutive draws without a winner).

2.2.1.2 Other financial items of the Group

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 | Change 2018/2017 | |
|--|-------------------|-------------------|-------------------------|---------------|
| Player stakes | 15,817.0 | 15,144.4 | 672.6 | 4.4% |
| Revenue | 1,802.6 | 1,762.0 | 40.6 | 2.3% |
| Current operating profit | 251.1 | 261.3 | (10.2) | (3.9%) |
| Operating result | 256.7 | 258.0 | (1.3) | (0.5%) |
| EBITDA | 314.7 | 315.7 | (1.0) | (0.3%) |
| Financial Result | (1.5) | 4.5 | (6.0) | N/A |
| Share of income from associated businesses | 0.8 | 1.2 | (0.4) | (33.3%) |
| Income taxes | (85.6) | (82.8) | (2.8) | 3.4% |
| NET PROFIT | 170.4 | 181.0 | -10.6 | (5.9%) |

Revenue amounted to €1,803 million compared to €1,762 million in 2017. The +2.3% increase is in line with the net gaming revenue (NGR) (+2.7%) which represents FDJ's remuneration as operator and which corresponds to player stakes net of government levies, winnings paid out or to be paid out to players and hedging of ordinary counterparty risks. In addition to the net gaming revenue, the revenue includes sales of maintenance and software development services provided by FGSUK and FGS France.

As of 2018, and following the partnership with Groupama in the management of the cycling team managed by the SGE subsidiary, it is accounted for using the equity method as at 31 December 2018 (and no longer fully consolidated). In fact, the subsidy received by FDJ is incorporated in other income (€8 million in 2018). It should also be noted that in 2017, it also included revenues from the leasing of retail sales support tools (€13 million). As part of the renegotiation of retailers' remuneration, these equipments and fittings have been made available to them free of charge since 1 January 2018.

Current operating profit reached €251 million, down €10 million. Excluding cost of sales (€1,100 million including €831 million of cost of sales intermediaries), external purchases and expenses increased by €17 million (+6.6%). This increase is essentially attributable to the rise in IT outsourcing costs, in particular associated with support for sports projects.

EBITDA (current operating profit before depreciation and amortisation) is almost stable.

The €6 million decline in the **financial result** (-€1.5 million vs. €4.5 million in 2017) is mainly explained by the fall in equity markets on the fair value of investments.

The Group's **tax expense** increased by €3 million, mainly due to a drop in corporate tax credit.

The Group posted a **consolidated net profit** of €170 million (compared with €181 million in 2017) after taking into account €0.8 million in income from associates (compared with €1.2 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> | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|
| 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 |
| Operation and results | | | | | |
| Player stakes ⁽¹⁾ | 15,817,043 | 15,144,448 | 14,330,738 | 13,704,503 | 12,998,756 |
| Revenue | 1,786,909 | 1,753,435 | 1,687,156 | 1,571,630 | 1,493,767 |
| Profit/loss before tax and employee profit sharing, depreciation and provisions | 338,338 | 315,785 | 192,653 | 235,581 | 274,740 |
| Corporate income tax | 80,794 | 74,042 | 83,390 | 89,877 | (1,421) |
| Employee profit-sharing | 11,813 | 12,103 | 11,795 | 10,487 | 10,652 |
| Net profit | 172,085 | 167,769 | 145,789 | 139,626 | (11,407) |
| Dividends paid ⁽²⁾ | 122,000 | 130,000 | 124,000 | 137,400 | 133,000 |
| Earnings per share (in euros) | | | | | |
| Profit/loss after tax and employee profit-sharing and before depreciation and provisions | 1,228.66 | 1,148.20 | 487.34 | 676.09 | 1,327.55 |
| Net profit | 860.43 | 838.84 | 728.95 | 698.13 | (57.04) |
| Dividends allocated ⁽²⁾ | 610.00 | 650.00 | 620.00 | 687.00 | 665.00 |
| Employees | | | | | |
| Weighted average headcount | 1,443 | 1,377 | 1,243 | 1,183 | 1,163 |
| Payroll | 87,444 | 82,517 | 76,727 | 72,197 | 68,669 |
| Amounts paid for employee benefits | 47,805 | 43,599 | 41,150 | 38,753 | 36,719 |
| Amounts paid for employee benefits, including taxes on wages | 54,195 | 50,143 | 46,605 | 43,536 | 41,496 |

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

(2) Dividends in respect of 2018 submitted for the approval of the General Meeting on 5 June 2019.

2.2.3 Key balance sheet ratios

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|-----------------------------|-------------------|-------------------|
| Non-current assets | 1,277.0 | 1,252.4 |
| Current assets | 930.2 | 796.7 |
| TOTAL ASSETS | 2,207.2 | 2,049.2 |
| Shareholders' equity | 563.9 | 520.2 |
| Non-current liabilities | 307.2 | 335.4 |
| Current liabilities | 1,336.0 | 1,193.6 |
| TOTAL LIABILITIES | 2,207.2 | 2,049.2 |

Financial assets accounted for 47% of **non-current and current assets** in 2018, very similar to 2017 (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 still negative, in 2018 FDJ continued its policy of making investments in term deposits with a five-year horizon, mainly when renewing maturing transactions. In accordance with the Company's asset allocation policy, other medium and long term UCITS investments were also made, often resulting from arbitrations of existing products. These two factors explain the €10 million increase in non-current financial assets, which amounted to €781 million.

Non-current assets increased by almost €14 million between 2017 and 2018. 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 new head office and points of sale.

Shareholder's equity includes reserves totalling €315 million, with €85 million of this amount consisting of a statutory reserve to cover the following risks (see Note 9.2 of the Consolidated financial statements):

- ♦ 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 €45 million at the end of 2018, based on the 2017 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 2018, they were covered up to €40 million.

Dividends for 2017 amounted to €130 million.

The increase in **network payables** and **Government gaming levies** mainly arose from activity effects and the commercial transformation.





2.2.4 Schedule of payables and receivables

Payables due not yet paid at year-end

| <i>In millions of euros</i> | 0 day (approximate) | 1-30 days | 31-60 days | 61-90 days | Over 91 days | Total (Over 1 day) |
|---|--------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------------------|
| (A) TRANCHES OF LATE PAYMENT | | | | | | |
| Number of invoices concerned | 57,320 | - | - | - | - | 2,817 |
| Total amount of invoices before tax | 45.8 | 0.4 | 0.6 | 0.2 | 0.2 | 1.4 |
| % of purchases before tax | 3.3% | 0.0% | 0.0% | 0.0% | 0.0% | 0.1% |
| (B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNISED PAYABLES | | | | | | |
| Number of invoices excluded | - | - | - | - | - | 146 |
| Amount of invoices excluded | - | - | - | - | - | 1.6 |

Invoices issued not yet paid at year-end

| <i>In millions of euros</i> | 0 day (approximate) | 1-30 days | 31-60 days | 61-90 days | Over 91 days | Total (Over 1 day) |
|--|--------------------------------|----------------------|-----------------------|-----------------------|-------------------------|-------------------------------|
| (A) TRANCHES OF LATE PAYMENT | | | | | | |
| Number of invoices concerned | 53,624 | - | - | - | - | 1,358 |
| Total amount of invoices before tax | 141.5 | 1.4 | 0.4 | 0.2 | 1.2 | 3.3 |
| % of revenue before tax | 8.0% | 0.1% | 0.0% | 0.0% | 0.1% | 0.2% |
| (B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNISED RECEIVABLES | | | | | | |
| Number of invoices excluded | - | - | - | - | - | 2,842 |
| Amount of invoices excluded | - | - | - | - | - | 15.2 |

2.2.5 Subsequent events

An acquisition is underway; it should be finalised in the coming weeks.

2.3

Risk management – Group framework

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.



2.3.1 Organisation

FDJ's organisational principles, 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 General Management is built around three divisions: the Technology and International division, the Marketing, Commercial, Digital and Operations division, and the Performance, Finance and Regulation division, and five support departments: Communication and Sustainable Development, Human Resources and Group Transformation, Security, Legal, and finally Audit, Risk, Controls, Quality and Ethics.

FDJ's 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, however, 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 ensures compliance within the legal and regulatory framework of the Company's gaming activities and guarantees and monitors the consideration of business performance issues across all dimensions: financial, strategic, organisational, operational, 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, assessed and classified in line with its strategic priorities. The annual mapping work relies on a universe of risks related to the Group's various business lines and activities, updated regularly and integrating all types of risks: strategic, external, operational and non-compliance risks. 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. The risk management and internal control systems contribute in a complementary manner to the monitoring of the Company’s activities, as envisaged by the AMF’s internal control and risk management reference framework, to which the FDJ Group adheres,
- the Integrated Management System, supported by the Quality SMI Improvement division, which provides tailored assistance to entities to build a solid operating platform. It provides a framework for the Group’s activities, by taking into account opportunities, in order to facilitate flexibility and improvement. It makes it possible to coordinate the different certifications and standard procedures of the Group,
- 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. This assessment covers all the components of the internal control system, including the reliability and integrity of financial information, the effectiveness and efficiency of operations, the protection of the Company’s assets and compliance with laws, regulations and contracts.

2.3.1.2 External players

French State controls

FDJ is subject to various controls exercised by the public authorities as a public company, a holder of exclusive rights and an operator in the gambling sector.

FDJ is subject to the control of the French government over public sector companies in the form of commercial companies, in application of Order No. 53-707 of 9 August 1953, as modified. This audit is carried out by the Budget Minister and the Finance Minister or, by delegation of the Ministers, by the Budget Directorate and the APE (French Government Shareholding Agency).

Furthermore, pursuant to the amended Decree N° 55-733 of 26 May 1955 on the economic and financial control of the French State, a Head of General Economic and Financial Control exercises, consistently throughout FDJ and its subsidiaries, his control over the economic activity and financial management of the business.

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).

The French Budget Minister is the regulator of all activities for which FDJ enjoys exclusive rights, whether they are lottery games marketed online and in its bricks-and-mortar distribution network, or sports games that it offers at points of sale.

A Government Commissioner appointed by the French State attends, in an advisory capacity, the meetings of the Board of Directors in order to ensure the implementation of the objectives of the national policy on gambling and games of chance.

For its competitive activity (online sports betting), FDJ is subject to the control of the regulatory authority for online gaming, ARJEL, which is tasked with ensuring compliance with the obligations defined by law No. 2010-476 of 12 May 2010 and by the regulatory texts adopted for its application.

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.

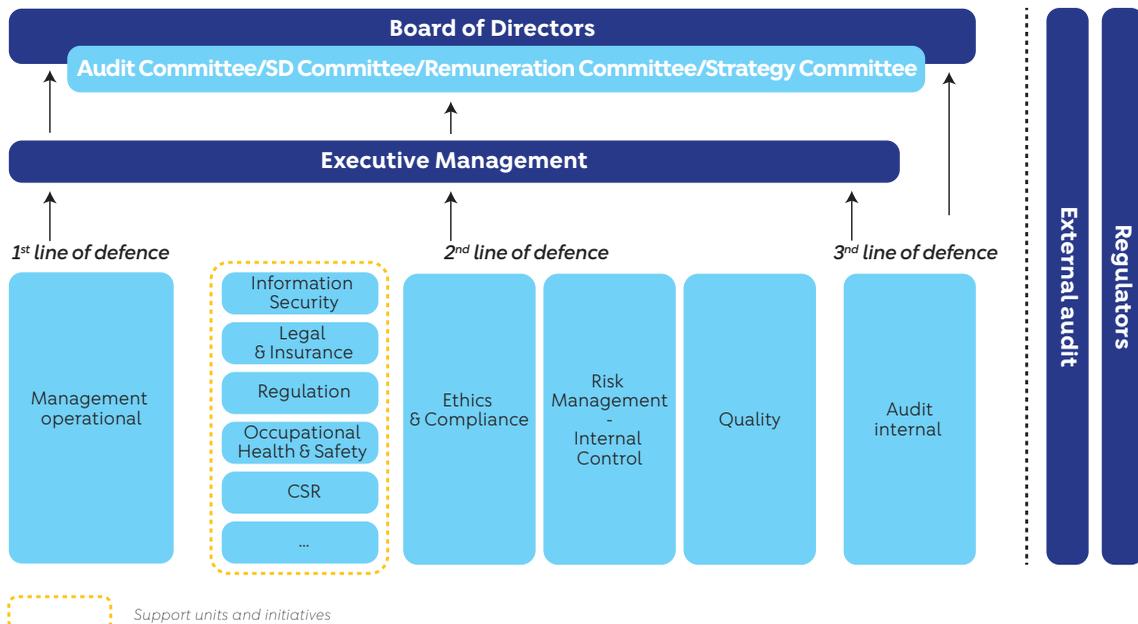
They report their findings to the Audit Committee, the Accounting and Treasury Department, and the Audit, Risk, Controls, Quality and Ethics Department during two meetings with the panel of Statutory Auditors following the interim and final review of the annual financial statements.

2.3.2 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.



Source: IMS manual.

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 FDJ Group's integrated management system is based on fundamental pillars: Quality (based on ISO 9001 version 2015), Information Security (based on ISO 27001), Sustainable Development-CSR (based on ISO 26000), Health and Safety at Work (based on the OHSAS 18001 standard), Diversity and Well-Being at Work, Safety and Business Continuity.

During 2018, 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 continue. Certifications concerning Quality and Information Security were retained across all respective units in 2018.

Deployment will continue in 2019, with the goal of consolidating the procedures in place, helping each entity to monitor its risks, opportunities and improvement actions, reinforcing ongoing initiatives, and expanding their scope within FDJ and its subsidiaries, thus making an effective contribution to the control of activities and the improvement of FDJ Group performance.



To date, the FDJ Group has the following certifications:

| | Certified scope | Security provided/ Advantage of the approach |
|--|---|--|
| Quality – ISO 9001 | The certification covers the activities: - of the Commercial Operations Department since 2008 - of the Printing and Announcement of Results department since 2017 - of the Subsidiary FGS France since 2004 - of the BZP since 2015 | Identify, define and support its processes and their interactions, risks and opportunities Guarantee customer satisfaction (internal or external) |
| ISMS - Information Security - ISO 27001/WLA SCS - Euromillions | The certification covers: - FDJ since 2008 - The Subsidiary FGS France since 2017 - The Subsidiary PDJ since 2015 - The BZP ISO 27001 participation since 2016 - WLA SCS since 2014 | Guarantee the availability, integrity, confidentiality and traceability of the information and computer systems Ensure the operation of the Euro Millions game |
| Responsible Gaming | The certification has covered the FDJ scope since 2009 | Strengthen national regulations/legislation by establishing uniform and consistent standards for lottery operators in Europe |
| CSR – Responsible Gaming | The extra-financial rating has covered the FDJ scope since 2010 | Ensure a response to the needs and expectations of stakeholders in terms of Corporate Social Responsibility (CSR) |
| Environmental performance ISO 14001 | The certification has covered the BZP participation since 2017 | Protecting the environment: environmental management system |
| EcoVadis | The rating has covered the FDJ scope since 2018 | The EcoVadis rating reflects the quality of the CSR management system. FDJ achieved the gold level |
| FSC Chain of Custody | The certification has covered the BZP participation since 2017 | Environmental label that certifies that the wood comes from responsibly and sustainably-managed forests or plantations (according to the FSC principles: management that meets the social, economic, ecological and cultural needs of present and future generations). |
| Quality of Life at Work and Diversity | The certification covers the FDJ scope since 2013 for professional equality and since 2017 for diversity | Demonstrate commitment to preventing discrimination and promoting equal opportunity, diversity and professional equality |
| Occupational Health & Safety (OHSAS 18001) | The certification has covered the BZP participation since 2016 | Identify and address risks undermining the security of property or persons as well as emergency situations |
| Decent working conditions (SA 8000) | The certification has covered the BZP participation since 2017 | Guarantee the respect of fundamental rights of workers in their operations |
| PCI-DSS (Payment Card Industry Data Security Standard) | The certification has covered the FDJ scope since 2018 | Standard requested by the banks for the FDJ merchant website, as part of the means of payment by bank cards |

Source: IMS manual.

The integrated management system offers two descriptive models as an operating basis: ◆ process modelling for ISO 9001 certified activities.

- ◆ a description of the Group's activities, which allows the control of the latter, the distribution of responsibilities and the management of activities through indicators;

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 by regular reviews of the Group’s activities and the risks to which it might be exposed.

The Audit, Risk, Control, Quality and Ethics Department also participates in this supervision. Based on the annual mapping of the Group’s major risks, it prepares 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.

In 2018, the Internal Audit entity, made up of four people, carried out a dozen missions, corresponding to the volume foreseen in the annual audit plan. These missions focused on assessing the effectiveness of the internal control systems of the parent company and subsidiaries as well as assessing other risks in the areas of information systems and gaming operations. It has also been mandated for one-off missions, mainly related to incidents or malfunctions that impacted the FDJ Group’s business activity during the year.

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.

| | Strategic | External | Non-compliances | Operational |
|---|-----------|----------|-----------------|-------------|
| Risks specific to the gaming operator activity | | | | |
| Game design | | | • | • |
| Production and distribution of games | | • | | • |
| Fraud via games | | • | • | • |
| Money laundering via games | | • | • | • |
| Generic risks | | | | |
| Evolution of the regulatory environment | | • | • | • |
| Cybercrime | | • | | |
| Competitive environment | • | • | | |
| Strategic management | • | | | |
| Budgetary management | | | | • |
| Preparation of the financial and accounting information | • | | • | • |

2.3.4.1 Specific risks

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

- ◆ risk of game design;
- ◆ risk of game manufacture and distribution;
- ◆ risk of error or fraud in games.

Secure transactions and stringent monitoring procedures are two fundamental imperatives for FDJ Group. They meet the requirements of integrity of gaming operations

imposed by the public authorities. They are made as reliable as possible to meet player expectations by advanced computer technology and regular updates to all those concerned within the Company.

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.





2.3.4.1.1 Risk of game design

The integrity, security and reliability of gaming operations are the three objectives assigned to FDJ in return for the exclusive rights it has been granted for the organisation and operation of lottery games and sports betting games at points of sale. This objective translates concretely into the Company's organisation and procedures. The means put into place are regularly evaluated by audits in the framework of various international certifications, which reflect FDJ's desire to implement the best information security practices currently implemented by other companies, and, more particularly, by other companies running lottery games. Special attention is also given to the enrichment and renewal of the gaming offer, in order to meet player expectations, while ensuring the financial integrity of the different ranges of games.

Counterparty risks inherent to certain types of games result from the differences between the theoretical share of stakes set aside for prize 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.

These risks are taken into account in the design of the games, as well as in their authorisation by the Minister for the Budget, which is the regulatory authority for FDJ's games and betting under exclusive rights. All of these lottery and sports games are indeed subject to a prior authorisation regime by the regulator.

2.3.4.1.2 Risk in the manufacture and distribution of games

FDJ benefits from France's leading local distribution network: this network must be supplied with gaming materials that meet the expected quality requirements and within the expected deadlines.

A disruption in the supply of the points of sale, due to a failure, either upstream in the routing of products to the central warehouse, or in the preparation of orders at this warehouse, or downstream in the transportation of products to the distribution network, could be detrimental to the achievement of the business objectives.

Monitoring activities are in place to prevent, detect and manage this operational risk.

Firstly, the gaming materials are made by different French and international suppliers, with the emphasis on using several different suppliers for each type of game support. The quality of these supports is controlled at the different key stages of manufacture by the suppliers themselves and by FDJ, but also by external third parties (laboratories, external auditors, etc.).

The products are transported to FDJ warehouses by boat and truck with continuity plans in case of unusual situations. Security devices have also been implemented to secure the various stages of the delivery of gaming materials (manufacturing, transport, storage in FDJ warehouses).

The reception, storage and preparation of game material orders, in particular for scratch games, are subject to various quantitative and qualitative controls and the various information systems make it possible to follow the location of the stock and its consumption, in order to avoid any stock shortages.

Finally, in order to guarantee continuity in the event of a major failure of the central warehouse (following a natural event, industrial accident, etc.), a so-called "security" stock is available at another dedicated site which allows, the national supply of the distribution network to be continued for the main products for several weeks, thereby covering the period necessary for the re-manufacture and replenishment of the gaming media.

2.3.4.1.3 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 overseas departments and territories) as part of the fight against fraud, money laundering and the financing of terrorism, 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, the anti-money laundering unit of the French Finance Ministry, in particular pursuant to Ordinance No.2016-1635 of 1 December 2016 and Decree No.2018-284 of 18 April 2018 having transposed into French law the 4th European directive against money laundering and the financing of terrorism).

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.

In 2018, inspections were conducted in points of sale by network inspectors with a 91.5% compliance rate. In 2018, FDJ decided to modify its point-of-sale inspection system in order to improve the targeting of its activities by setting up:

- ◆ a goal of visiting the network's points of sale at least once every two years, as well as, if necessary, upon a specific request from the Sales Department, which also monitors the points of sale;
- ◆ a complementary system of so-called "qualified" visits, which are longer and more detailed, on the basis of much more extensive prior information, in order to meet a "contextualisation" objective, that is, to work with all the actors in the field to understand local issues, the point-of-sale environment, etc. and thereby improve the quality of reports sent to TRACFIN.

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 in 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. For more than €2,000 in winnings, winners are asked to provide their first and last names, dates of birth and a scan of an ID document. In order to prepare for a legislation change, from 1 January 2019, FDJ will collect the identities of the players whose stakes are higher than €2,000 at the moment the bets are made.

Large prizes are paid in accordance with required confidentiality and security conditions.

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 a better understanding of the environment in which the FDJ Group currently operates.

Regulatory context

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

The main regulatory changes affecting the Group were:

- ◆ the law 2016-1691 of 9 December 2016 relating to the transparency, the fight against the corruption and the modernization of the economy (the so-called "Sapin 2" law), which entered into force on 1 June 2017, imposes in particular in its anti-corruption component the implementation of a plan for the prevention and detection of corruption. This plan includes eight obligations, implemented operationally by the FDJ Group within a business ethics compliance programme, designed to protect the Company, its employees and its managers, by securing its activities in the light of risks of corruption;
- ◆ the European regulation 2016/679 on the protection of personal data (known as the "GDPR"), which entered into effect on 25 May 2018, imposes in particular transparency, integrity and confidentiality in the processing operations carried out by FDJ, as well as on the persons tasked with exercising new rights on their personal data. FDJ has adapted its governance and processes in accordance with the GDPR.





More precise information on the associated control systems is available in the extra-financial performance report, in the chapters “3.2 - Ensuring personal data protection” and “3.3 - Promoting ethical, transparent and legally compliant business management”

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.

Competitive environment

Although the central part of the FDJ Group's activities is carried out under exclusive rights, the FDJ Group is evolving, for some of its activities (online sports betting operator, technology sales, services and games for lotteries, etc.) in a competitive environment, which could expose it to losses of market share or contracts. The Group develops new technologies and new services and adapts its organisation, in order to remain competitive and efficient in its range of offers, in compliance with laws and regulations relating to competition, regulations specific to operators of online sports betting, and internal policies of the FDJ Group, particularly in terms of Responsible Gaming.

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 and its subsidiaries 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 to monitor the achievement of objectives established for the budget and in the roadmap of projects, and performance indicators.

Subsidiaries

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

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, Controls, 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, a separate operating account 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 Group Financial Reporting entity prepares a half-year consolidated financial statement. 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 every six months.

Preparation of periodic financial statements

Group consolidated financial statements are prepared every month. The half-yearly accounts are subject to a limited review by the Statutory Auditors.

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

2018 Extra-Financial Performance Statement

| | | | |
|--|-----------|---|------------|
| 2.4.1 Introduction | 72 | 2.4.6 French territories | 95 |
| 2.4.1.1 Corporate Social Responsibility (CSR) Missions | 72 | FDJ support to French territories | 95 |
| 2.4.1.2 CSR governance | 72 | FDJ's economic and social contribution (BIPE study) | 96 |
| 2.4.1.3 Stakeholders | 73 | 2.4.7 Environment | 97 |
| 2.4.1.4 The extra-financial performance statement and its architecture | 73 | Measuring FDJ's Carbon Footprint | 97 |
| 2.4.2 Responsible Gaming | 75 | Carrying out a carbon reduction plan by 2025 | 98 |
| 2.4.2.1 Preventing underage gambling | 75 | Making carbon reduction everyone's priority | 98 |
| 2.4.2.2 Preventing excessive gaming | 77 | 2.4.8 Sustainable Development Goals (SDG) | 99 |
| 2.4.2.3 Innovating responsibly | 79 | 2.4.9 Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial statement included in the group management report. | 100 |
| 2.4.3 Integrity | 81 | 2.4.10 Annex: additional monitoring indicators | 104 |
| 2.4.3.1 Fighting against fraud and money laundering | 81 | | |
| 2.4.3.2 Ensuring personal data protection | 82 | | |
| 2.4.3.3 Promoting ethical, transparent and legally compliant business management | 82 | | |
| 2.4.3.4 Combatting the manipulation of sporting competitions | 84 | | |
| 2.4.3.5 Promoting responsible purchasing | 85 | | |
| 2.4.4 Human resources | 87 | | |
| 2.4.4.1 Guarantee good management of expertise | 87 | | |
| 2.4.4.2 Promoting a constructive social dialogue | 88 | | |
| 2.4.4.3 Strengthening diversity and professional equality | 88 | | |
| 2.4.4.4 Supporting quality of life at work | 91 | | |
| 2.4.4.5 Ensuring confidence in internal governance | 92 | | |
| 2.4.5 Solidarity | 92 | | |
| 2.4.5.1 Engaging in citizen actions | 92 | | |
| 2.4.5.2 Dialogue with stakeholders | 94 | | |


Performance and social responsibility are central to FDJ's responsible development strategy






2.4.1 Introduction

2.4.1.1 Corporate Social Responsibility (CSR) Missions

FDJ is the successor to the French National Lottery, which was founded in 1933 to help victims of war and farming disasters. Since its creation, corporate responsibility has been at the heart of its model.

FDJ promotes an extensive, recreational and responsible gaming model:

- ◆ extensive, in that it reaches a very large player base;
- ◆ recreational, being based on a diversified range of games with moderate stakes;
- ◆ responsible, through its firm policy of preventing excessive and underage gambling.

It also benefits society at large: almost 90% of stakes collected are redistributed to players and the state treasury. In addition, FDJ pays its retailers 5.2% of the player stakes.

Under the law, 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 the potentially negative effects of gambling and betting resulting therefrom.

In line with these public interest missions, FDJ drew up a Responsible Gaming policy in 2005. It is the cornerstone of its Corporate Social Responsibility. The Company wants to position itself as a leader and a reference in promoting a gaming model that can create sustainable and responsible performance benefiting all stakeholders.

2.4.1.2 CSR governance

FDJ Group's general CSR policy was formulated around ISO 26000 which concerns the social responsibility of businesses and organisations. It aims to apply and spread the CSR outlook determined by Executive Management throughout the Group. This CSR policy is therefore fully integrated into the Company's governance and strategy.

It is one of the pillars of the Company's integrated management system (IMS) (2.3 Risk Management). The IMS makes it possible to inform employees about CSR issues and facilitate the effective deployment of CSR actions within the Group, in compliance with regulations and standards.

CSR contributes to the transformation of the Company and is at the heart of the strategic orientations. The integration of CSR into the heart of FDJ's strategy is also illustrated by the inclusion of CSR criteria, related to the Responsible Gaming approach, as one of the criteria determining the proportion of variable compensation for the Company's corporate officers.

At the operational level, FDJ defines priority CSR actions every year. They are validated and monitored by the Company's decision-making bodies: the Executive Committee then the Sustainable Development Committee (specialized committee of the Company's Board of Directors).

Since 2012, the Sustainable Development Committee has been tasked with examining:

- ◆ the CSR policy of the Company as a whole and Responsible Gaming initiatives in particular;
- ◆ the link between the actions undertaken in this area and the Company's strategy;
- ◆ the work of the FDJ Corporate Foundation.

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 examines any particular point that it so deems necessary or relevant.

The Executive Committee adopts the Responsible Gaming action plan submitted to the regulatory authorities for approval as well as the CSR actions report for the previous year and future priorities. FDJ's Director of Communication and Sustainable Development, who is also a member of the Executive Committee, contributes to these exchanges and leads these discussions. The 2018 priorities concern Responsible Gaming, diversity and quality of life at work (QLW), ethics and integrity, protection of personal data, the environment and solidarity.

The CSR Department is in charge of implementing CSR actions throughout the Group by ensuring its consistency. Accordingly it is responsible for:

- ◆ preparing and holding Sustainable Development Committee Meetings;
- ◆ designing and carrying out the Responsible Gaming action plan submitted each year to the regulatory authorities for approval and reporting on its implementation;
- ◆ participating in the definition, implementation and coordination of actions;
- ◆ setting up management and performance dashboards;
- ◆ communicating to all stakeholders - whether internal and external - the Company's CSR policy (issues, objectives to be achieved and results achieved).

2.4.1.3 Stakeholders

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). A profound and thorough dialogue allows for the incorporation of their expertise and experience, and helps to enrich the actions carried out.



This dialogue takes various forms and relies on certain dedicated bodies (Chapter 2.4.5.2 Dialogue with stakeholders).

2.4.1.4 The extra-financial performance statement and its architecture

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 modify the provisions of the French Commercial Code relating to the publication of non-financial information (Article L.225-102-1). In this context, FDJ has replaced its CSR report with an extra-financial performance report, presenting, in particular, the business model, the Company's CSR risk analysis as well as the policies, action plans and indicators of associated performance.

The business model (financial and extra-financial information) has been prepared for the second consecutive year and presented in a dedicated chapter of the integrated report (business model section).

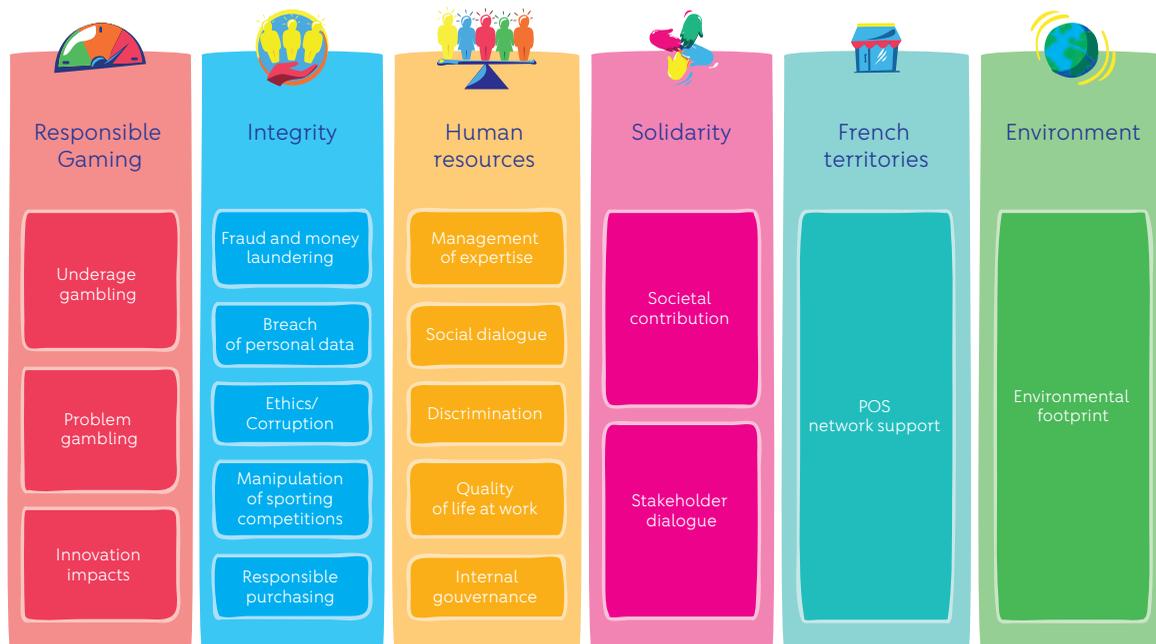
To define its CSR risk universe (social, societal, environmental, combatting corruption and human rights), FDJ has relied notably on the CSR materiality analysis prepared in 2017, the extra-financial issues inherent to its business sector, the Group's annual risk mapping as well as the themes presented in II of Article 2 of the decree on application of III of Article I of the order transposing the European Directive.

The evaluation of the 17 main CSR risks likely to impact FDJ was conducted according to a methodology of identification and evaluation involving internal stakeholders representative of the Company's various business lines. These CSR risks were validated in November 2018 by the Sustainable Development Committee. This analysis highlighted six major CSR risk topics: Responsible Gaming, Integrity, Human Resources, Solidarity, Territories and the Environment.



The 17 main CSR risks are divided into these six major topics and are presented in the diagram below.

★ The Company's 17 CSR risks



The extra-financial performance report consists of six chapters corresponding to the six themes, each of which presents the associated risks. For each of them, a summary of the initiatives undertaken to limit the impact of the risk considered, an associated action plan for the coming year and one or more performance⁽¹⁾ measurement indicators is presented where appropriate.

(1) For information, an appendix on the www.groupefdj.fr website includes a table of indicators complementary to those presented in the extra-financial performance report.

2.4.2 Responsible Gaming

FDJ operates in the gambling sector, a regulated sector in terms of the specific risks it entails in terms of the preservation of public and in particular social order, through the prevention of excessive gambling behaviour and underage gambling.

Since 2012 and for the third time in a row, FDJ has received a 100% compliance rating as part of the three-year certification programme for Responsible Gaming conducted by the European Lotteries Association. It was issued by AFNOR at the end of 2018. This highest certification level confirms that FDJ as the French leader in Responsible Gaming in the field of gambling and games of chance, and as one of European leaders in the lottery sector.

In accordance with the regulations applicable to its lottery and sports betting activities under exclusive rights, FDJ is required to submit each year to the French Budget Minister for its approval, after consulting the COJEX (Committee On Gaming And Betting Under Exclusive Rights), an advisory commission composed of representatives of the public authorities and experts in addition, its "action plan to prevent excessive gambling and underage gambling and to promote reasonable gambling".

FDJ's Responsible Gaming action plan is part of a dynamic of continuous improvement and strengthening of the mechanisms implemented. It takes into account the concerns expressed by its stakeholders. All these initiatives, whether conducted directly by FDJ or through partnerships, are part of a clear ethical framework developed with its partners over the last ten years. This ethical framework is based on the acknowledgement, on the one hand, of FDJ's responsibility for reducing potential negative impacts related to its activity, and on the other, the limits of its role in prevention, as an operator, compared to that of public health stakeholders.

2.4.2.1 Preventing underage gambling

Actions to combat underage gambling cover three areas:

- ◆ training and support for retailers and the sales force;
- ◆ information and awareness raising among the general public;
- ◆ the control and evaluation of the application of the prohibition of sales to minors.

Training of sales force and retailers

Preventing underage gambling is a central focus of the training given to retailers and the sales force. FDJ provides permanent and ongoing training and support to all commercial stakeholders, relying on long-term or more occasional interventions, linked in particular to important sporting events.

In 2018, it continued its activities in this area:

- ◆ optimising the training of new retailers provided in agencies, in order to facilitate, through a more interactive and specific programme based on testimonials from experts and retailers, the understanding of prevention topics;
- ◆ continuation of the individual training campaign for retailers, which consists in training, over a period of three years, every retailer on the ban on selling to minors. This training is provided by the salespeople at points of sale using animated content on a touch screen tablet. This campaign has trained more than 13,000 retailers (July 2017–July 2018), representing over 40% of the retail network. This is a key commitment on the part of the sales force.

The finalisation of this three-year training plan will take place in 2019.

- ◆ deployment of a specific procedure to train points of sale on the marketing of the sports betting offer. This training programme, conducted during the 2018 FIFA World Cup, had the following objectives:
 - to raise awareness among these retailers about the specificities of the prevention underage gambling, in particular among teenagers,
 - to draw their attention in particular to this issue during this particularly sensitive period, when young audiences are especially enthusiastic about a sporting event. In total, more than 5,000 retailers were collectively trained in agencies in the first half of 2018.





Preventive information for the general public

For many years, raising public awareness of the ban on underage gambling has been an important part of FDJ's work. It is deployed over multiple channels to maximize the reach of the disseminated messages.

The development of the various preventive information actions is part of a regular dialogue with all of its stakeholders. Exchanges with addiction experts and organisations are organised within the Social Laboratory (2.4.5.2 Dialogue with stakeholders).

Throughout 2018, numerous preventive information programmes on underage gambling were implemented through commercial advertising campaigns or deployed during events.

On the media side, in parallel with the "ParionsSport" advertising campaign launched during the FIFA World Cup, FDJ made a 10-second short film with the slogan "Younger than 18: play sports, don't bet on them". The spot was broadcast during the competition, on terrestrial channels and during prime time.

FDJ continued this new approach of integrated prevention at the occasion of the relaunch of the Morpion scratch game in September 2018 and during the end-of-the-year celebrations with gift bags.

FDJ has also carried out several actions regarding prevention in new places like music festivals (Lolapalooza), along motorways during big holiday weekends in the summer, and during the "Tournée du littoral" (a truck tour held over 20 beaches offering commercial entertainment accompanied by activities focused on the prevention of underage gambling).

Control of the point of sale network

The verification of retailers' compliance with the prohibition of the sale of games to minors is a priority for FDJ. The Company relies on a team of 12 inspectors to monitor the on-site implementation of Responsible Gaming obligations and, in particular, of those relating to the prevention of underage gambling.

In 2018, the network inspection approach was changed in order to strengthen monitoring by directly targeting points of sale. This new procedure thus ensures that points of sale in which a sale to a minor has been noted during an inspection carried out over the year is subject to a second inspection during the same year.

Following these inspections, more regular exchanges and feedbacks are also provided by the inspectors in order to develop a more pedagogical approach with retailers.

Respect of the Responsible Gaming criteria

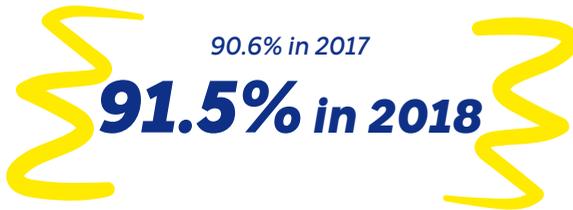
These inspections carried out by the inspectors are intended to verify the retailers' compliance with the predetermined Responsible Gaming criteria. Since 2014, FDJ retailers have been granted a bonus of 0.2%, called "Responsible Gambling Bonus". The bonus is granted on the basis of meeting these criteria, which include a specific section on the prevention of underage gambling.

In 2018, the overall level of compliance with the Responsible Gaming criteria increased by 0.9 points compared with 2017, from 90.6% to 91.5%. This high level underlines the commitment of both the retail network and the sales force to the application of the Responsible Gaming policy. The retailer is sanctioned with the automatic withdrawal of 100% of its Responsible Gaming Bonus in the event that an inspector detects the sale of an FDJ game to a minor.

In 2018, in addition to these inspections, and following initial experiments conducted since 2015, FDJ has deployed an additional inspection procedure to more accurately measure the reality of the sale of gambling to minors in the retail network. These actions, carried out in partnership with SEDAP (Society of Mutual Aid and Psychological Action - Addiction Centre Dijon), consist of unscheduled visits in which minors enter the points of sale alone to try to make a gambling purchase⁽¹⁾. The approach is based on education and support for the points of sale. This is why these tests are conducted only after retailers have received training on refusing sales to minors. The points of sale found to be non-compliant during the inspections are subject to increased controls the following year.

(1) In order to protect minors, the participating minors (12) are surveyed over a maximum period of ten days with an update and follow-up meeting held by the SEDAP after five days. The actions are scheduled throughout the year from Monday to Saturday, with a one-month break in the summer - from 23 July to 26 August 26.

★ Overall compliance rate for Responsible Gaming and Security



The overall compliance of points of sale is assessed in respect of behavioural, commercial, contractual and regulatory criteria. The involvement of the sales force and regular exchanges between inspectors and the commercial sectors contributed to the progression of this result in 2018.

2.4.2.2 Preventing excessive gaming

The prevention of excessive gambling behaviour and the detection and support of people in vulnerable situations is the second major focus of FDJ's actions to promote Responsible Gaming.

FDJ continues to strengthen its actions along six axes:

- ◆ monitoring its game offer;
- ◆ accompanying players and monitoring their practices;
- ◆ training of retailers and the sales force;
- ◆ preventive information on the risks associated with excessive gambling;
- ◆ the detection and support of persons in vulnerable situations;
- ◆ support for big prize winners.

Evaluation of the game offer and promotional actions

The evaluation of the game offer and the promotional and publicity activities is part of a process of interaction between FDJ's Responsible Gaming and Marketing teams as well as its stakeholders. This process aims to ensure a balance between the channelling of gaming demand

towards attractive offers and the protection of players, which is also monitored by the regulator within the framework of the prior authorisation regime by the State to which all games and bets are subject under FDJ's exclusive rights. This process is based in particular on an experimental phase which, during the game's test phase, allows for the continuous and detailed monitoring of player behaviour and for the identification of any changes that might be necessary for recreational purposes.

An expert committee of the game offer composed of several profiles - addiction, psychiatry, psychology, human sciences - is consulted regularly on marketing innovations for games, as well as on new prevention services offered to players. The analyses and points of attention highlighted by experts lead, depending on the case, to the adjustment of certain parameters of the gaming offers and/or to the carrying out of additional studies.

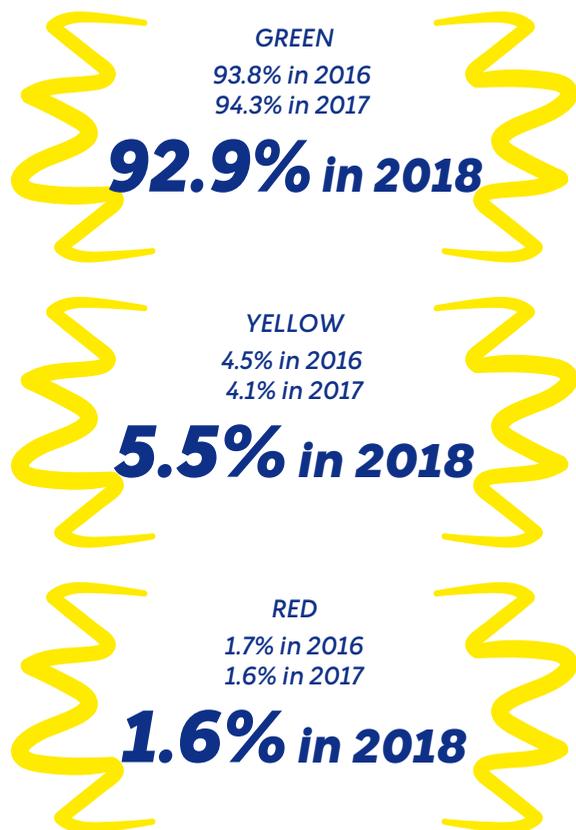
Player support tools

FDJ provides its players with several tools for monitoring and controlling their online gambling practices on fdj.fr and the ParionsSport website:

- ◆ Playscan™, developed by the Swedish lottery Svenska Spel, assesses the level of risk associated with the gambling practice of players online. Commissioned in April 2018, the latest version of Playscan now analyses players' game play in a global manner (instead of an assessment per game range as previously was the case) and a shorter observation period (5 weeks compared to 10 previously). This allows support measures to be implemented more quickly;
- ◆ game moderators allowing players to set limits. These limits, which cover both payments into the players' accounts or their stakes, some of which are mandatory, help players control their gambling habits. Since the beginning of 2018, FDJ has improved this mechanism by creating a new binding moderator aiming at capping the amount wagered per day on fdj.fr at €150 for players whose gambling habits imply the greatest risk. An evaluation of the impact of the new long-term moderator on gambling habits will be conducted in 2019;
- ◆ beyond these measures, players may also temporarily or permanently block themselves.



★ Playscan evaluation



Playscan analyses online gambling habits for players over the preceding 5 weeks (fdj.fr and ParionsSport En ligne). The annual rate is the average of the rates observed on the last day of the trading month.

Players assessed as green have risk-free habits. Players assessed as yellow have habits with a moderate risk of developing a gambling problem. Players assessed as red have habits with a higher risk of developing a gambling problem. The vast majority of players have a green Playscan status. The introduction of the new version of Playscan in April 2018 May explain the slight change in the number of players with a yellow status between 2017 and 2018.

Training of employees, retailers and the sales force

Since the end of 2016, FDJ has trained its employees on the Responsible Gaming policy through a COOC - Corporate Open Online Course - whose contents are largely devoted to the prevention of excessive gambling and underage gambling. Its gradual rollout continued in 2018.

Like the training measures planned to reinforce the application of the prohibition of underage gambling, FDJ continues to raise awareness and train its retailers and its sales force on issues related to excessive gambling. In 2018, the redesign of training sessions for new retailers also included a component on the prevention of excessive gambling. The contents of this session were adapted to be more interactive and to facilitate understanding and grasp of topics related to prevention.

Preventive information for the general public

Developed over the course of several years, the online informational programme to prevent excessive gambling was updated in 2018 to change the Responsible Gaming content on FDJ retail sites in order to make it more explicit and more attractive.

At the end of 2018, FDJ also launched a pilot campaign for Responsible Gaming communication on its digital channel, centred on the prevention of excessive gambling and based on the assessment of the player support at their disposal in order to ensure their gaming remains recreational (2.4.2.2. Player Support Tools). This system is an addition to the campaigns already conducted on underage gambling.

Detecting and supporting persons in vulnerable situations

For several years FDJ has been developing systems designed to identify and guide people in vulnerable situations towards the appropriate support channel. These actions are based on a system of detecting and managing risk situations, and require that employees and retailers exposed to these risks receive proper training.

In order to detect and manage atypical situations and potential risks, collegiate bodies composed of representatives of the various business lines involved (including the Responsible Gaming team) meet to discuss cases concerning retailers and players. These actions are aimed in particular at guiding people in vulnerable situations to support structures for players (SOS Joueurs, etc.) or local healthcare or social workers (CSAPA - Centre de soin, d'accompagnement et de prévention en addictologie).

As part of the support provided to individuals in certain vulnerable situations, FDJ encourages such individuals to approach these organisations and/or to work together with them to receive the appropriate care. Each of these FDJ partner helplines (SOS Joueurs, e-Enfance, CRÉSUS and Institut du Jeu Excessif) provides, in its respective field, specific expertise that enable people in vulnerable situations to find the help and support they need.

On its websites, FDJ also provides its players with contact information of helplines and support structures for problem gambling which offer specialised information spaces, such as the Addict'Aide internet portal developed by the Fonds Actions Addiction.

In 2019, with the same objective of strengthening its system in the field, FDJ will create a network of experts on the subject of Responsible Gaming within its commercial agencies throughout the French territory. These experts will act as local points of contact and information providers with players in vulnerable situations. In late 2018, the measure was tested in four zones and will be gradually deployed throughout the country in 2019.

★ Amount donated as part of the Responsible Gaming partnerships



Sponsorship actions are carried out with voluntary, health and social and research partners. The amount donated under the Responsible Gaming partnerships were stable at approximately €1 million:

- ◆ 30% of the funds were dedicated to the helplines;
- ◆ 30% to preventive actions carried out by major players in the areas of social solidarity and education (Risk and Harm Reduction);
- ◆ 40% for the funding of scientific research and the dissemination of knowledge.

Support for big prize winners

In 2018, 390 players won more than €500 thousand in FDJ games (i.e. more than one winner every day). Big prize winners can receive support from FDJ – if they wish – at

the time of payment, both tailor-made on an individual basis, and in groups through thematic workshops over a period of five years. The purpose of this support is to take stock of the impact of the winnings in the lives of the new millionaires, especially as regards their financial and emotional management of their new situation. Support for big prize winners allows FDJ to get to know its customers and their habits better. When the Company identifies a risk of excessive gambling by a big prize winner, the payout can be an opportunity to raise awareness, especially in view of their new financial situation, which could well generate additional risks. In such cases, an FDJ Responsible Gaming expert may be present when the prize is awarded.

More generally, FDJ is one of the few lotteries in the world to offer its winners (>€1 million) such a broad support system. It aims to take into account the impact of the winnings in the lives of new millionaires, especially in regards to the financial and emotional management related to their new situation.

2.4.2.3 Innovating responsibly

The FDJ Responsible Gaming policy applies to all stages of the activity. Before, during and after the marketing of a game, adapted measures accompany the development and commercialisation of the offer to promote recreational gaming. A specific process ensures at the operational level the consideration of the issues of prevention of excessive gaming behaviour as part of the innovations produced by the Company (2.4.2.2 Preventing excessive gaming).

At the design stage a new game and/or an innovation in the mechanics of an existing game, the level of attractiveness of the game offerings is assessed through analysis matrices developed by FDJ together with experts. Two matrices are used:

- ◆ a generic matrix to evaluate all gambling and games of chance sold by FDJ (universal Serenigame® matrix developed in 2012);
- ◆ a dedicated matrix for the evaluation of scratch card games (Serenigame® Scratch Card) commissioned in 2018.



FDJ also supports experimental mechanisms as part of its Responsible Gaming policy. Since 2016, for instance, Fédération Addiction⁽¹⁾ has been running an experiment aimed at limiting risky behaviour and damage resulting from excessive gambling – Risk and Harm Reduction – calling on care centres (CSAPA) offering paired professionals specialised in behavioural addictions. These experts perform “meeting-visits” in participating sales outlets. The purpose of the experiment is to:

- ◆ facilitate the action of healthcare professionals, of FDJ and its retailers in favour of players in vulnerable situations;
- ◆ facilitate the guidance of these players towards structures able to help them.

Following a first promising evaluation of this work by the OFDT⁽²⁾ in 2017, a new experimental phase initiated in 2017 was continued in 2018 around two complementary actions:

- ◆ one action that extends and simplifies the initial experiment. Led under the direction of the Fédération Addiction, it mobilises three CSAPA volunteers (Valenciennes, Bordeaux and Provins), it took place from January to November 2018 in about fifteen volunteer points of sale;

- ◆ one action piloted by SEDAP⁽³⁾, which was conducted until November 2018 in five points of sale in Dijon to test an intervention method based on mutual and self-support between players in vulnerable situations.

The evaluation of these experiments will be finalised in early 2019 in order to define, together with the public authorities, the modalities for extending this innovative approach.

★ Number of new or relaunched games run through the Serenigame® universal matrix



Serenigame® is a tool serving to assess a game's appeal in the design stage. Depending on the outcome of the evaluation, changes may be made to the game's workings or components. 100% of new or relaunched games are run through the matrix.

(1) Leading addictology network providing assistance to professionals supporting users in a medico-psycho-social and transdisciplinary approach to addictions.

(2) French drugs and drug addiction observatory.

(3) Société d'Entraide et D'Action Psychologique.

2.4.3 Integrity

FDJ defends the recreational dimension of gaming, taking care to minimise the risky behaviour associated with its business in order to act as a leader and strengthen confidence in its gaming model. 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.

2.4.3.1 Fighting against fraud and money laundering

In application of the texts⁽¹⁾ transposing into French law the European Union Fourth Anti-Money Laundering Directive, in 2018 FDJ strengthened its rules to meet these new requirements. These actions are placed under the responsibility of the Security Department, which reports directly to the Deputy Chief Executive Officer. Its missions are organised around three axes: prevention, surveillance and control. Operational measures allow for the monitoring of all potentially suspicious items that do not match FDJ's extensive gaming model.

Prevention

The risk of money laundering and the financing of terrorism are assessed from the game designing phase and implementation of new services. It is within this framework that FDJ has implemented a system for monitoring internal procedures.

The training and empowerment of employees and retailers is also one of the keys to risk prevention.

In May 2018, FDJ set up Safergame, a tool linked to its central site and designed to improve its reporting system. This tool facilitates alerting and early detection, through the analysis of vast amounts of data on atypical situations that may be related to situations of fraud or money laundering.

Supervision

Over the last few years, FDJ has taken steps to improve its knowledge of players, winners and retailers.

The monitoring of financial transactions (in points of sale and online) can identify anomalies, especially in regards to the sports betting range. FDJ strictly supervises the development of this sensitive range through continuous improvements to the system (means of detection and processing of suspicious situations). It has set up a system that constantly monitors betting. In case of an anomaly,

an alert is reported in real time and can lead to an in-depth analysis to identify the different participants. Enhanced examinations may lead to the reporting of a suspicious transaction to TRACFIN (Treatment of Information and Action against Illicit Financial Circuits). In 2018, FDJ filed 143 suspicious transaction reports (vs. 119 in 2017).

Control

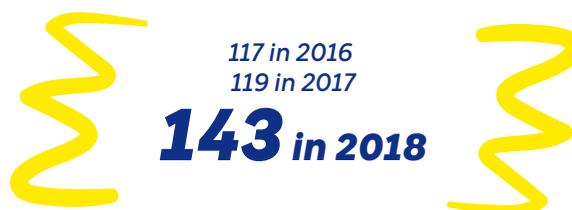
The inspections made in 2018 helped verify the compliance of the points of sale with security, behavioural, commercial, contractual and regulatory criteria. The point-of-sale compliance rate was 91.5% in 2018 (vs. 90.6% in 2017).

In 2018, FDJ took the option to modify its point of sale inspection system: to put in place a system of so-called "qualified" visits which are longer and more detailed, and on the basis of much more extensive prior information. The goal is to work with all stakeholders in the field to understand local issues, the point-of-sale environment, etc. and thereby improve the quality of reports sent to TRACFIN.

Starting on 1 January 2019 and in accordance with a recent change in the legislation, FDJ will identify and verify the identity of players whose winnings exceed €2,000 per game receipt. In addition, a new training plan to combat fraud and money laundering will be launched in 2019 for affected employees, sales force and retailers.

For more information refer to section 2.3 ("Risk Management") of the Management Report

★ Number of suspicious transaction reports filed with TRACFIN



The implementation of the Safergame tool has led to improved detection of anomalies.

(1) Order No. 2016-1635 of 1 December 2016 and Decree No. 2018-284 of 18 April 2018.



2.4.3.2 Ensuring personal data protection

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

Application of the GDPR (General Data Protection Regulation), which unifies European data protection laws to a considerable degree, has been mandatory since 25 May 2018.

FDJ has implemented this regulation and desires to maintain compliance and anticipate legislative and regulatory developments regarding the protection of personal data in order to optimise the transparency of the processing of personal data and to take into account player expectations.

Among the actions implemented for the GDPR in 2018, FDJ launched an initiative called "Privacy by customers" (by FDJ). It consists of relying on innovative tools and methods to collect feedbacks from users, in order to better understand their views, needs and expectations regarding the protection of personal data.

It is a long-term, iterative approach. The first step was to conduct a qualitative study that brought together players, non-players, user experience specialists, and lawyers. The results of this work were presented to the French National Commission for Data Processing and Freedom (CNIL). The guidelines of the European Data Protection Board (continuation of G29⁽¹⁾) on personal data in the GDPR published a few weeks after this exchange, have taken up and encouraged this practice, which has been incorporated into the constitution of panels to validate GDPR information.

The "Privacy by customers" project will be developed based on customer feedback (from the qualitative study) in order to implement new tools and methods adapted to their needs on the physical and digital channels.

Iteration and agility are the two keywords of this project which, in 2019, will best meet the expectations of players and visitors to sites, applications and outlets.

FDJ pays particular attention to protecting the data of its big prize winners. FDJ also maintains the anonymity of the winners from the press and its distribution network.

★ Number of FDJ employees sensitised to the GDPR

**At least
130 in 2018**

Awareness raising actions covered various topics: one employee trained on several topics will be counted more than once.

2.4.3.3 Promoting ethical, transparent and legally compliant business management

Ethics commitments

FDJ promotes ethical and responsible behaviour in the management of its activities through the adoption of prevention and detection measures that serve to ensure that practices comply with the Company's values and the laws and regulations in force.

The Group's Ethics Charter, attached to the rules of procedure, has been distributed to all employees. This reference is the basis of the document for the FDJ Group's ethics and compliance commitments. It affirms the Group's collective commitment to promoting its values and guiding behaviour in accordance with the fundamental principles of: compliance with laws and regulations, sharing of a culture of integrity, respect for employees, customers, partners and external interlocutors and the engagement of a constructive dialogue with the civil society.

Regarding the prevention and detection of corruption, and other breaches of probity, the FDJ Group is subject to the law of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy (SAPIN 2). This legislation requires the creation of a plan for the prevention and detection of bribery and trading in influence, and is made up of eight obligations:

(1) Independent European advisory body on data protection and privacy.



The implementation of these obligations, in accordance with the recommendations of the French Anti-Corruption Agency (AFA), is carried out operationally for the FDJ Group within a Business Ethics Compliance Programme (PCEA). The latter is intended to protect the Company, its employees, its managers and its leaders by securing its activities with regard to the risks of corruption.

Among the requirements and points of vigilance with regard to anti-corruption, two issues are of particular importance for employee training, taking into account the areas of the identified risks:

- ◆ the management of gifts, invitations and other advantages;
- ◆ prevention and management of conflicts of interest.

In the medium term, all Group employees will be trained or educated on business ethics, depending on the sensitivity of the activities and tasks entrusted to them.

★ Number of FDJ employees trained in ethics



FDJ, like the large majority of French companies, is in the process of bringing itself into compliance with the regulations of the Sapin2 law concerning the integration of anti-corruption measures. In 2018, 100% of Executive Committee members and directors directly concerned by the risks of corruption have been trained in ethics.



Prevent conflicts of interest in research partnerships

Research and experimentation partnerships are an essential pillar of FDJ's Responsible Gaming policy. They contribute to the research and dissemination of knowledge in the field of gambling and addiction and they support the Company's preventative measures to aid players. However, in order to guarantee the independence of research and protect the parties against potential conflicts of interest, these actions are part of a clearly defined scope of intervention.

In 2018, FDJ set up an ethics framework for the experimental project on Risk and Harm Reduction (see 2.4.2.3 Innovating responsibly), in the form of a document, co-authored and signed by SEDAP and FDJ. This ethics framework is justified by two main considerations:

- ◆ the sensitivity of the project and the jointly conducted research on the care provided to people in vulnerable situations;
- ◆ the durability of the relationship between the two entities, whose partnership began in 2007, has gradually built mutual trust.

This ethics work was presented during the training sessions of the International Multidisciplinary Symposium on Excessive Gambling at the University of Fribourg (Switzerland) in June 2018.

FDJ will continue to build on this work for future research and/or experimentation partnerships, while adapting it to the specificities of each collaboration.

Cycling team integrity

In close coordination with its ecosystem, FDJ participates in the efforts to tackle corruption in sport by sharing the information it possesses to detect any irregular situations. As part of FDJ's commitment to the fight against the manipulation of competitions, the Groupama-FDJ cycling team was made aware of these issues during an information session similar to those carried out with all its sports partners. (cf. 2.4.3.4 Combatting the manipulation of sporting competitions).

A perfect illustration of FDJ's commitment to sporting partnerships is its choice to invest in cycling sponsorship in 1997. The team has been involved in and gained recognition for its anti-doping work. This responsible sponsor status entails intensive ethics and integrity

awareness-raising work among racing cyclists and their training staff (zero tolerance attitude to doping). 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. Anti-doping tests are also carried out internally by Dr Jacky Maillot, head of the team's medical centre, in addition to those imposed by the UCI⁽¹⁾.

FDJ is a pioneering member of the MPCC (Movement for credible cycling). The MPCC is an association that aims to defend the idea of clean cycling, based in particular on the notions of transparency, responsibility and mobilisation of its members. FDJ manages the sponsors programme, and has initiated the Sponsors Charter, which specifies that these sponsors commit themselves to not putting pressure on the achievement of sporting results. The team is the first to have all of its individual riders belong to the MPCC. In 2018, when it partnered with the team, co-sponsor Groupama naturally adhered to the sponsors charter.

As a continuation of the Cycle Formation program initiated by the FDJ Foundation, which aims to support young talents in their education and in their sports, FDJ is proud to be part of the creation of the Groupama-FDJ Continental Cycling Team. This new milestone is part of its ongoing commitment to cycling and, more particularly, to the training (including on ethics issues) of young talents who will make up tomorrow's international cycling elite.

2.4.3.4 Combatting the manipulation of sporting competitions

As a monopoly sports betting operator in the bricks-and-mortar network, and faced with the manipulations of sports competitions around the world that are often linked to fraudulent bets, FDJ is strongly engaged in the fight against these manipulations, and, more broadly, in the defence of the integrity of sports and sports betting. In this context, FDJ's actions take place at two levels:

- ◆ within the National platform against sports manipulation⁽²⁾ in the area of prevention and supervision of competitions and sports betting;
- ◆ in international cooperation with the sports organisations, public authorities and global lotteries.

(1) *Union Cycliste Internationale.*

(2) *The French national platform against the manipulation of sporting competitions was created in 2016 under the patronage of the French Minister of Sports. It allows the main participants (French Ministry of Sports, CNOSF, Judicial Police, ARJEL, National Financial Prosecutor, FDJ) to communicate and work collaboratively on the prevention of manipulations of sporting events, as well as on the operational monitoring of sports betting and competitions.*

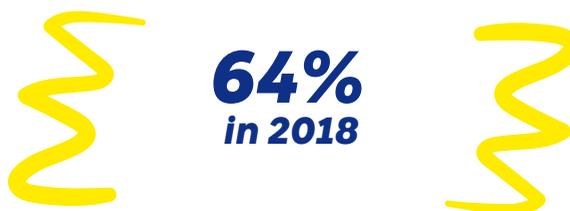
FDJ's action in terms of awareness raising and prevention has resulted in the inclusion of an integrity component in all partnership agreements, and in particular those concluded in 2018 between the Company and the Ligue 1 Conforama football clubs (AS Monaco, FC Nantes, Olympique Lyonnais and Olympique de Marseille), as well as in the partnership with INSEP (French National Institute of Sport, Expertise and Performance). In federations or clubs, FDJ conducts awareness raising campaigns on the risks of manipulation of competitions and proper conduct. They take place in the form of one-hour face-to-face meetings with sports stakeholders. Such activities have been organised with the French basketball and handball federations, the French National Olympic and Sports Committee (CNOSF) and with the football training centers under the Fondation du Football.

FDJ conducts internal awareness raising and training campaigns on the subject of the fight against sports manipulation through regular communications with all employees and specific training for employees working directly or indirectly with sports betting.

At the international level, FDJ is making a financial and human contribution to the Council of Europe's KCOOS+ (Keep crime out of sport+) project to help implement the Convention on the Manipulation of Sports Competitions, known as the Macolin Convention⁽¹⁾, which will enable the standardisation of international practices in the fight against the manipulation of competitions. With the Global Lottery Monitoring System (GLMS), FDJ is developing an "education/prevention" module, consisting of presentations on the risks of manipulation of competitions and the proper conduct to adopt. These presentations will be made available to GLMS members for internal and external use. As a reminder, GLMS is an association of 31 global lotteries that pool data together to monitor sports betting and competitions.

In terms of detecting and monitoring competitions and betting, FDJ works closely with members of the National Platform to identify the risks of manipulation throughout the year. Within the National Platform, FDJ also initiated the launch of a working group on the development of a French multisport system to support whistleblowers.

★ Number of employees of the Sports Betting Business Unit trained in the sports integrity strategy



The objective is to train all employees in the sports betting activity training in the stakes and risks related to the manipulation of sporting competitions.



2.4.3.5 Promoting responsible purchasing

As proof of its commitment, FDJ has been a signatory of the Inter-Company Mediation Responsible Supplier Relations Charter since 2014. It is now aiming to obtain the "Supplier Relations and Responsible Purchasing" label in 2020. This label distinguishes companies that have a balanced and sustainable relationship with their suppliers. To this end, an analysis of the actions to be implemented was carried out at the end of 2018 and progress plans will be implemented as early as 2019.

Supplier management approach

As part of the supplier management, FDJ has initiated a process of assessing risks by nature of purchases. For example:

- ◆ FDJ is supported by Ecovadis in the evaluation of the CSR performance of its suppliers. The evaluation campaigns of its suppliers from social, environmental and supply chain perspectives were continued in 2018. In its desire to take on a leading role in the area, FDJ also underwent Ecovadis' CSR evaluation and obtained a score of 68/100, placing it among the 5% most responsible companies in the world;
- ◆ in addition, starting in 2019, FDJ will acquire a tool to carry out compliance studies and financial analysis of suppliers.

Regarding the supplier relationship, since 2012 the FDJ Group Purchasing Department has regularly assessed the satisfaction of its suppliers through a satisfaction survey with the following objectives:

- ◆ measuring overall satisfaction;
- ◆ highlighting the global elements and themes of satisfaction dissatisfaction;

(1) *The Macolin Convention obliges national governments, inter alia, to create effective criminal standards and to strengthen collaboration and mutual legal assistance in the fight against the manipulation of sporting competitions.*

- ◆ identify supplier expectations in regards to the FDJ procurement process;
- ◆ identify and prioritise areas for improvement to increase satisfaction.

In 2018, the overall satisfaction rate remained stable at 96%, underscoring the good management of the consultations and the valuation of specifications.

Contributing to economic, social and societal dynamism

In order to evaluate the effects of its purchases on the French market, FDJ is studying the share of its purchases made in France (purchases made outside France are made under restrictions) and the breakdown of these purchases

by type of company (Small and Medium-Sized Enterprises, Intermediate-Sized Enterprises and Large Enterprises).

As proof of its significant economic contribution in France, in 2017 FDJ SA made:

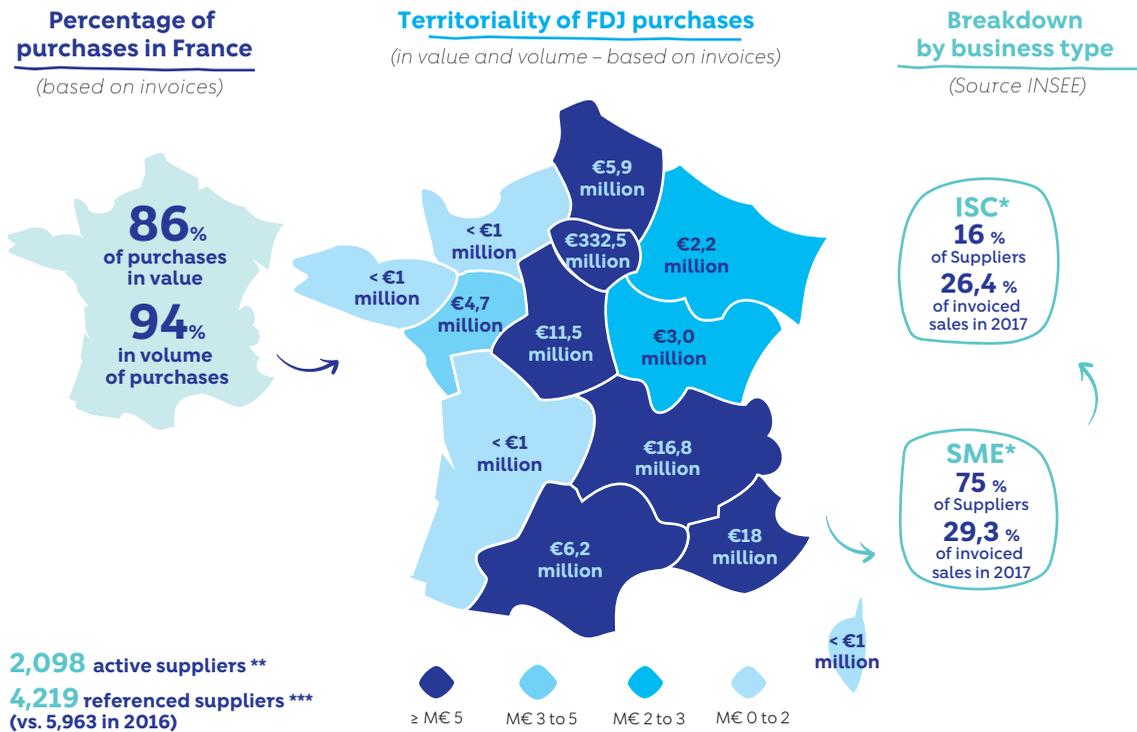
- ◆ 86% of its purchases in value terms in France, i.e. around €404 million;
- ◆ more than 56% of its purchases with SMEs and ISCs, i.e. around €226 million.

For more information refer to section 2.4.6 ("French Territories") of the Management Report

From a disability perspective, the FDJ Group promotes purchases from the protected sector with €851,000 in 2018 with ESAT (Establishments for Work Help Services) and EA (Adapted Companies).

★ **Local economic footprint of FDJ purchasing in 2017⁽¹⁾**

Annual purchasing amount: **€470,7 million**



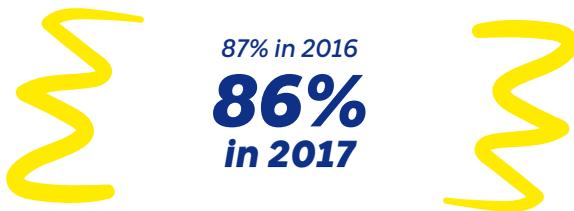
* LSC: Large Scale Corporations - ISC: Intermediate Size Companies - SMEs: Small and Medium-sized Enterprises
 ** "Active suppliers": all suppliers who have received an order and/or an invoice and/or a credit note in 2017
 *** "Referenced suppliers": all suppliers present in the database for the period in question, and whose status is active in the Oracle database

(1) Data collected each year based on the figures from the previous year. 2018 data will be available from March 2019, after the publication of this report.

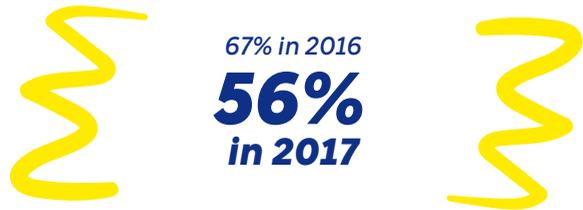
In 2017, the same exercise was conducted for the purchases of the FDJ Gaming Solutions and FDP ⁽¹⁾ subsidiaries:

- ◆ 93.4% of FDJ Gaming Solutions' purchases were made in France, i.e. around €11 million;
- ◆ 99% of purchases made in France for FDP, i.e. about €29 million.

★ Share of FDJ's purchases made with French suppliers



★ Share of FDJ's purchases made with SMEs and ISCs



★ Amount of the Group's purchases from ESAT and EA (amount ordered)



2.4.4 Human resources

Embodying the values of equity and responsibility, the FDJ Group plays a leading role in society and acts as a pioneer in the field of social innovation. Providing the same opportunities for career development and professional success to all employees, based on the richness and diversity of their profiles, has been a key commitment for several years. FDJ strives to enhance the quality of life at work and employability through an ambitious human resources management policy.

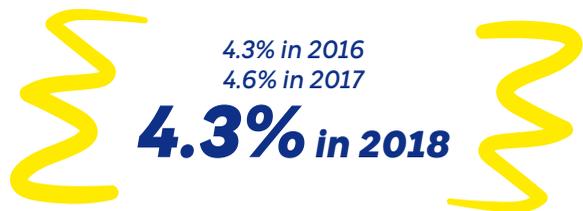
through skills training. The training plan also aims to develop skills in digital technologies in order to support employees in the Company's digital transformation.

The FDJ Group also proposes numerous opportunities for professional mobility, made possible by the actions of employees who are ready for change, HR and managers. In 2018, nearly 164 employees benefited from a professional mobility option or transfer within the Group.

2.4.4.1 Guarantee good management of expertise

The planned management of jobs and skills (GPEC) has been under development for more than ten years. The Company strives to ensure that the skills of its employees are matched with the skills needed to implement its strategy.

★ Percentage of total payroll spent on training



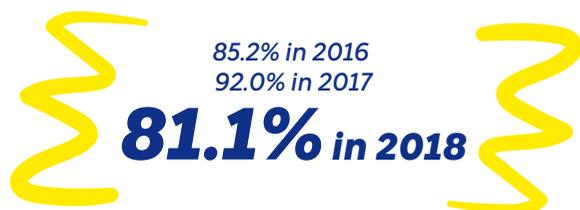
FDJ dedicates a significant part of its budget to employee training: in 2018, 4.3% of its payroll was devoted to training. In this way, it enables as many employees as possible to develop their skills and ensure their employability.

This calculation takes into account all training costs incurred by FDJ.

In 2018, more than half of the FDJ's training budget was devoted to improving the employability of its employees

(1) Information on the numbers of the previous year collected every year. 2018 data will be available starting in March 2018, following the publication of this report.

★ **Percentage of employees trained in the year**



Number of employees on fixed-term and permanent contracts trained during the year out of all employees on fixed-term and permanent contracts.

Today, new societal trends such as hyper-connectivity, professional mobility or the quest for meaning in one's work are leading to a transformation of careers and new demands. This is why FDJ is redesigning its GPEC approach to integrate these changes to support its strategy. This approach, which is being co-constructed with the various stakeholders within the Company, in particular the business teams, will be implemented in 2019.

2.4.4.2 Promoting a constructive social dialogue

Developing and maintaining a quality social dialogue is essential to the Company's sustainable performance policy.

Within this framework, each Group entity has set up employee representative bodies based on its configuration (Central Works Council/Works Committees/Health, Safety, Working Committees; Works Council; Single Employee Representative Body; Employee representatives; Social and Economic Committee, etc.). The majority of these bodies meet once a month. A Group Committee, in which the majority of the Group's entities are represented by elected employees, also meets two to three times a year.

All projects impacting the general running of the Company are regularly presented and discussed within these bodies. It was in this context, for example, that several projects were presented in 2018 for the moving and redevelopment of the Company's premises, and for the changing of internal operating methods. The Anti-Corruption Code and ethics alert projects were also presented in this way.

In addition to these meetings of employee representatives, negotiation meetings are regularly organised - within the Group companies with trade union representatives (FDJ, FDP and La Française d'Images).

Thus, at the FDJ level, management meets every 15 days with its three trade union organisations (CGT-FO, CFE-CGC, UNSA) to negotiate agreements, helping to ensure a high level of social dialogue. This has led to agreements on the right to disconnect, professional equality, wages and working time.

In 2018, these meetings led to the signing of six agreements within FDJ, including an agreement on wages and an agreement concerning, among other things, standby shifts. Discussions are also underway on working remotely in order to ease the rules currently in place.

For the first time at the level of the FDJ Group (FDJ, FDP, FGS France, Française de Motivation, Française d'Images, FDJ Développement, Pacifique des Jeux), an agreement was concluded in 2018 on participation, profit sharing and matching, the first step towards creating a Group-wide social foundation.

★ **Number of agreements signed over the year**



The topics of dialogue envisaged for 2019 include disability, diversity and gender equality and the planned management of jobs and skills.

2.4.4.3 Strengthening diversity and professional equality

Since 2010, FDJ has been engaged in an ambitious policy to promote diversity and equal opportunities in order to tackle all forms of discrimination. The anti-discrimination policy and action plans are presented every year to the Executive Committee and the Board of Directors.

In 2017 FDJ once again obtained the Diversity label and for the first time obtained its Gender Equality label. These labels are issued every four years by Afnor. They are the result of a collective effort involving and mobilising the entire company. They underline the common desire to continue this approach over the long term and in a perspective of continuous improvement.

Diversity of social origins

In order to promote the diversity of social origins, a pillar of the Group's Diversity policy, FDJ has renewed for the third year its partnership with Mozaik RH to help it recruit employees from all backgrounds.

As an extension of these actions, in 2019 FDJ will commit to the new PAQTE initiative launched in July 2018 by the French President. This programme is based on four axes:

- ◆ awareness raising through a policy of development of training programmes within the Company, especially for secondary school students under the mechanism promoted by the French government to support schools located in priority education zones (REP+)⁽¹⁾;
- ◆ training programmes ensuring access to students from priority inner city neighbourhoods, both in terms of guidance support and access to work-study programmes, as well as apprentice support;
- ◆ hiring, in order to support employment in priority neighbourhoods and to guarantee discrimination-free hiring practices;
- ◆ purchases, with a view of developing responsible and inclusive purchases from businesses established in these neighbourhoods.

Intergenerational equality

For many years, FDJ has been supporting the employment and training of young people within the Company. In 2018, work-study students represented more than 6% of the Group's workforce. To facilitate their integration, the Company organised welcome meetings at the start of the 2018/2019 school year and created a guide for work-study students, containing everything new employees need to know upon their arrival at the Company.

Welcoming trainees is an important priority, as demonstrated in 2018 by the Company receiving the "Happy Trainees" prize, given out by ChooseMyCompany⁽²⁾ in order to reward companies with strong internship programmes.

Since 2017, FDJ has given serious thought to proposing actions in favour of senior profiles. Taking into account the issues specific to seniors helps improve the motivation and performance of the teams, as well as the quality of life at work. It also promotes intergenerational work. In this context, a new incentive criterion was added in 2018 related to the training of seniors.

The Company has chosen to differentiate between seniors (who are actively preparing for retirement) and "seniors" (made up of active employees aged 45 and over) who wish to actively participate in their career plans. A catalogue of training courses for seniors and seniors has been deployed on aspects related to personal development to help these employees better consider their career development. FDJ has made permanent the "Point 50⁽³⁾" and "Cap 60⁽⁴⁾" training programmes tested in 2017 after receiving positive feedback from employees.

★ Number and percentage of apprentices



This calculation includes work study students and professionalization apprenticeships present at least once a month in the paid workforce during the year.

Integration of people with disabilities

As an employer, FDJ is fully committed to the professional inclusion of people with disabilities. The Company desires to act on two fronts: integrating new employees with disabilities and ensuring the continued employment of employees whose health deteriorates.

Employee awareness is essential for the inclusion of people with disabilities in the Company. Since 2017, employees of subsidiaries have been educated on the employment of people with disabilities with a game called "T'Handi Quoi?", designed to change the way we look at disability and show that the Group welcomes people with disabilities. In 2018, this awareness training was offered to employees of FDJ SA.

(1) Priority Education Network.

(2) Founded in 2011 by HR, IT & digital professionals, ChooseMyCompany helps improve the performance and attractiveness of companies using the opinions of employees, trainees, candidates and customers.

(3) Take stock of an employee's career, needs and expectations, and discuss the issue of having a good generational mix and the existing pension system.

(4) Anticipate an employee's retirement with specific measures.

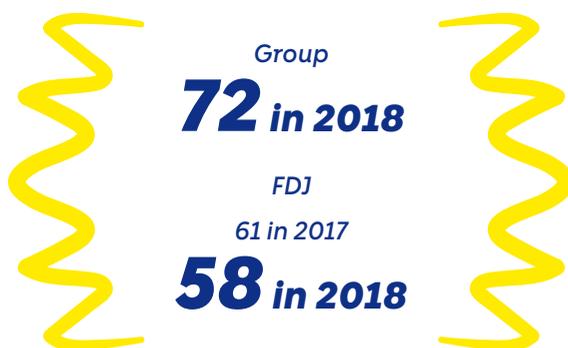


All employees in the Group Human Relations and Transformation Department have also been made aware of this issue, in order to help them recruit and support people with disabilities throughout their careers.

In April 2018, FDJ also participated in "Operation Duo Days" organised by the French Secretary of State for People with Disabilities. The operation was launched during a Loto® drawing, co-led by a celebrity with a disability. FDJ also welcomed several people who are unemployed due to disability for a day.

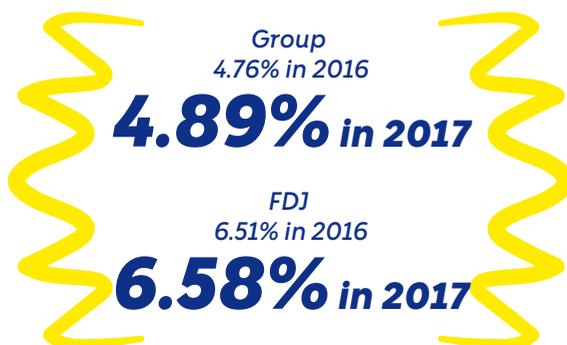
FDJ is preparing an employee awareness raising campaign on invisible disabilities for 2019. FDJ also wants to develop working relations with the ESATs⁽¹⁾ and EAs⁽²⁾, in particular in the IT sector.

★ Number of people with disabilities



Employees on permanent, fixed-term, combined work-study or trainee contracts recognised as disabled workers from 1 January to 31 December are taken into account. An employee present part of the year counts as 1.

★ Overall rate of disabled people among employees



Professional gender equality

FDJ actively supports actions aimed at increasing the number of women in managerial positions. The goal is to reach the same percentage of women in managerial positions as women employed in the Company. In 2018, 33.9% of managers were women, compared to 42.7% of female employees in the Group, 39.5% of managers were women, compared to 43.1% of female employees for FDJ SA.

2018 marks the end of the second agreement for professional gender equality. The negotiation of the third agreement is underway and this topic will be integrated into a more global agreement on "Quality of life at work and diversity".

For several years, FDJ has also been carrying out specific actions to bring more women into the technological professions, which constitute an important component of the Company's activity. In 2018, it took part in the Digital Woman's Day (#TakeAChance) to promote diversity in technology professions, the Company's core business, and is committed to launching the femmes@numérique foundation.

FDJ participates in the national program Mix'it with FACE (a foundation working against exclusion), which aims to raise awareness and support companies in setting up their professional diversity policy.

In addition, the Company benefits from an internal network called "À Elles de Jouer" ("Now it's women's turn to play") which aims to help women develop their potential. The network proposes actions around three themes:

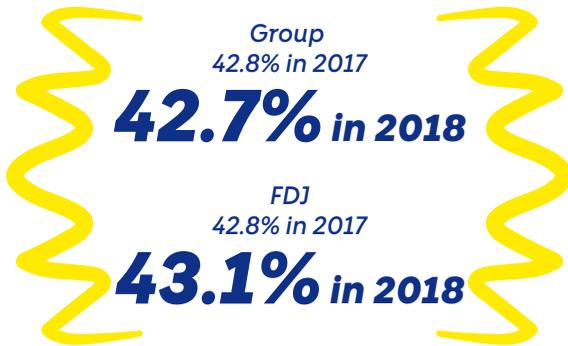
- ◆ dare: raise awareness of internal and external barriers and empower FDJ women to build their self-confidence and leadership;

(1) French Support and Work Assistance Establishment (Établissements et services d'aide par le travail).

(2) Work assistance companies (Entreprises adaptées).

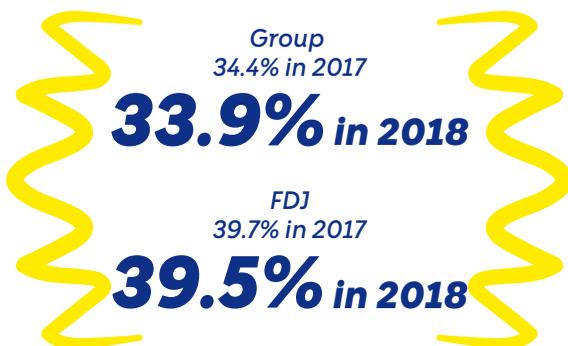
- ◆ raise awareness: inform employees about issues of gender diversity and raise awareness about the approach;
- ◆ opening up and growing: contributing to the transformation and improvement of the Group's performance by sharing knowledge, networks and opening up to the outside world.

★ Percentage of women in the Company



This calculation is based on the number of women on fixed-term and permanent contracts at 31 December.

★ Percentage of female managers



This calculation is based on the number of female managers on fixed-term and permanent contracts at 31 December.

2.4.4.4 Supporting quality of life at work

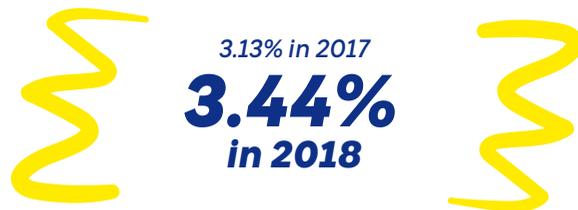
Since 2010, FDJ has been strongly committed to the quality of life at work (QLW) of its employees. Since 2014, it has a dedicated Diversity & QWL service which manages the actions carried out in this area.

A QLW assessment will be carried out in 2019 with the Wittyfit tool after a pilot phase in 2018. This tool helps make quality of life at work a collective undertaking. It allows for continuous measurements of satisfaction and stress levels. It allows managers to effectively target actions to improve QLW, and also encourages employees to propose ideas, improvements and actions. The tool will be deployed in 2019.

An internal counselling unit is available to employees of the FDJ Group experiencing personal problems or discrimination. If necessary, employees are referred free of charge to a counsellor who can work with them outside the Company.

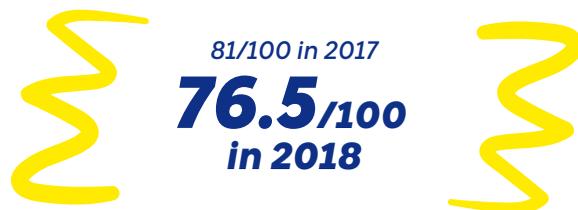
In the context of the transformation of trades, particularly at FDP, special attention is also given to the quality of life at work.

★ FDJ absenteeism rate



Number of days of absence per employee due to sickness, accidents at work or commuting accidents.

★ Average well-being at work level for Group employees



This level of well-being is taken from the FDJ Team internal survey conducted over a period of six months. The drop in the rating is mainly due to worksite relocations in 2018 (change of head office and relocation of the Moussy site). It nevertheless remains at a high level.



2.4.4.5 Ensuring confidence in internal governance

The internal organisation (Chapter 2.4.1.2 CSR Governance) helps strengthen employee confidence in internal governance.

In order to measure the level of employee engagement, FDJ interviews all Group employees every six months. This survey is organized around six themes: local environment (working environment, management satisfaction), recommendation of the Company to a close relative, alignment with the Company strategy, quality of life and well-being (well-being, work/personal life balance), involvement (motivation to give more than is asked for), opportunities for professional development.

During 2018, two surveys were proposed to employees (February and October). The results are stable, despite the fact that the Company is undergoing profound transformations in its operating procedures, such as the transition to a dynamic organisation in its work environments, and the announcement of the French government's project to convert the Company's share capital. After the peak reached in 2017 (79/100 in both surveys), the employee commitment rate in October 2018

returned to the same level as in the first survey in June 2016 (77/100). The result also improved by one point compared to February (76/100). This reflects a foundation of strong employee engagement and confidence in its ability to deliver on its strategic goals.

★ Rate of employee commitments - the Group



This commitment rate is taken from the FDJ Team internal survey conducted over a period of six months. In more detail, 86% of Group employees say they are satisfied with their manager and 82% say that the Company's strategy is going in the right direction.

2.4.5 Solidarity

For more than 80 years, FDJ has been faithful to its original values of solidarity, responsibility and fairness. Its position as the leading partner of French sports, and the support of the FDJ Corporate Foundation for public interest projects illustrates its strong and lasting societal commitment.

2.4.5.1 Engaging in citizen actions

FDJ Corporate Foundation

2018 marks the beginning of the new five-year period for the FDJ Corporate Foundation. In order to better respond to the needs of society, the actions of this new cycle aim to develop equal opportunities by using gaming, in all its forms, as a lever towards its achievement.

The FDJ Corporate Foundation has chosen two fields of intervention: education and inclusion of people with integration difficulties, for whatever reason (age, disability, economic, social and cultural precariousness, etc.). Its approach provides these individuals with the keys and confidence in their potential to reintegrate into the workforce through playful and participatory programs.

The FDJ Foundation has an endowment of €18 million over five years dedicated to projects related to integration and to education.

The FDJ Corporate Foundation naturally continues to invest specifically in the integration and reintegration of people with disabilities. At least 20% of its budget is dedicated to projects supporting people with disabilities.

Emblematic projects of equal opportunities

Because the lack of digital literacy tends to exacerbate inequalities, the FDJ Foundation is committed to providing access to information and digital education by supporting the "Digital Travellers" programme run by Bibliothèques sans Frontières.

The Foundation also supports the "Let's communicate differently!" programme from the French Red Cross to promote the participation and citizenship of people with disabilities. This project addresses people who do not have the ability to communicate verbally.

Other projects supported by the Foundation aiming to remobilise and develop the employability of young people without jobs or qualifications can be cited:

- ◆ Réseau Étincelle, whose trainee system, based on an innovative and recreational teaching approach focused on young people and skill development, helps them open new avenues for reflection on their career plans;
- ◆ Unis-Cité to adapt the support of civic services;
- ◆ Apprentis d'Auteuil to remobilise young people between the ages of 16 and 30 who are unemployed or unskilled, through a system based on career paths for those seeking work or already in employment;
- ◆ The Coup de Pouce Clém Association to prevent school drop-outs by offering socially disadvantaged children the opportunity to realise their potential and help reduce inequalities.

A strong ambition at the service of French territories and equal opportunities

In 2018, the FDJ Corporate Foundation became a Group Foundation, with its distribution arm FDP becoming a founding member. Thanks to the network of more than 30,000 FDJ points of sale across the country, the Group Foundation has privileged access to local development stakeholders in the service of equal opportunities.

Strengthened local involvement with local projects to serve the greatest number of people

In 2018, the FDJ Corporate Foundation supported nearly 70 associations by launching three calls for projects dedicated to local associations: the Tremplin Associations locales, the Tremplin Détaillants Solidaires and the Tremplin Collaborateurs solidaires.

In the wake of the partnership between FDJ and the Heritage Foundation (Fondation du Patrimoine) to support the Bern Mission (for the safeguarding of at-risk monuments), the Foundation is committed to supporting, together with the Heritage Foundation, integration projects in several regions in France.

For more information refer to section 2.4.6 ("French Territories") of the Management Report

Employee commitment

In 2018, more than 350 employees took part in the process to select solidarity projects and/or were involved in one or more actions proposed by the FDJ Corporate Foundation. A program of actions is presented each quarter to employees around four types of commitments: sponsoring a young person, tutoring, career and job presentations or mentoring.

2019 will be spent developing its new object. To that end, the FDJ Corporate Foundation has launched a call for major projects to continue its support for equal opportunities. The associations supported will be:

- ◆ Simplon: facilitating the social and professional integration of people with disabilities through training in digital professions;
- ◆ ARI: designing and developing new levers for learning and inclusion of people with disabilities;
- ◆ PL4Y: training facilitators to educate children about living together and citizenship;
- ◆ Énergie Jeunes: supporting academic success in priority education zones through the acquisition of the skills of commitment, perseverance and self-discipline;
- ◆ Rejoué: helping the most precarious individuals return to employment through the recycling of toys.

In 2019, it will continue to support local associations to further increase its local commitment. It also plans to strengthen the commitment of its stakeholders by allowing them to associate even more closely with the major causes supported: education and social inclusion to promote equal opportunities in France.

★ **Amount of financial support granted by the FDJ Foundation**





Sport

FDJ has been committed for many years to promoting sport in all its dimensions.

Women's sports

FDJ's strong commitment to gender equality is also reflected in the actions implemented by the Company in the area of sport, with the Sport pour Elles programme launched in 2016 and built around four priority axes:

- ◆ **encourage women not already practising a sport to take one up** by developing partnerships with associations and federations committed to the issue of gender equality (French Cycling Federation, Femémix, Sport dans la ville) or by organising events for the general public;
- ◆ **promote top-level female athletes:** FDJ is the main partner of the FDJ Nouvelle-Aquitaine cycling team (first professional women's team in France). FDJ is also a partner of France's handball and basketball teams and the "La Course by Le Tour" cycling race;
- ◆ **promote media coverage of women's sport** by partnering with two women's sports magazines (Les Sportives and Women Sports), or through the launch of the YouTube channel "FDJ SportPourElles" in 2017;
- ◆ **mobilise networks (social and professional) to change attitudes about the place of sport in women's lives.** FDJ therefore made a film promoting the idea of "Sports as an opportunity for every woman", following the career of four female athletes, Sarah Ourahmoune, professional sportswoman, and three amateur sportswomen, to promote the practice of sports among women and to demonstrate its importance for women in general. FDJ also partnered with WILLA⁽¹⁾ for the "Les sprinteuses" programme to encourage women's entrepreneurship in sports innovation.

Support for top athletes

The support program for top athletes, launched in 1991 and hosted by the Foundation until 2017, has been integrated into FDJ's sporting commitments in 2018. This "Challenge" programme supports young athletes with potential by providing them with financial support, career management support, training and occupational retraining.

The Team Challenge accompanies 12 new athletes every year for a period of two years. More than 400 athletes have benefited from this support. The support is based on:

- ◆ the setting up of media training sessions in partnership with INSEP;
- ◆ the integration of the Challengers into the Sciences Po training program dedicated to top athletes;
- ◆ the university organised by the Stars of Sport to facilitate the career management of these young athletes;
- ◆ a support program for occupational retraining has been created (Sport Compétences, created in partnership with the Collectif Sport association) to enhance the skills acquired during their sporting career and to provide them with additional value after their sporting career within a company. The first athlete presentations before a jury of companies took place in December 2018.

In 2020, FDJ aims to emerge as an important sponsor for athletes by making the "Challenge" programme a pioneer in the field once again, in an environment replete with many other participants providing financial support for high performance sports.

2.4.5.2 Dialogue with stakeholders

FDJ's CSR policy is built and maintained with and for its different stakeholders: players, sales network, employees, suppliers, regulators, shareholders, civil society, etc.

The dialogue with the civil society, initiated in 2012, has been structured as part of the Social Laboratory since 2014. The Social Laboratory allows dialogue and co-construction between the stakeholders, and the various FDJ businesses. Consultations are organised by a specialised agency acting as a third party facilitator. A dozen civil society organisations (CSOs) and as many FDJ interlocutors thus regularly address sensitive topics related to CSR policy and the Company's Responsible Gaming.

The Laboratory's new cycle (2018-2019) was inaugurated in 2018; its aim is to further open up the body by integrating six new CSOs and broadening the CSR topics under discussion. This new cycle is organized around seven sessions, the agenda, jointly decided by the internal and external participants in the Social Laboratory, and which will deal in particular with the topics such as underage gambling, preventive information and FDJ's involvement in local communities will be addressed in 2019.

The objective is to enable the Social Laboratory to continue, through collective discussions, to support FDJ in the mitigation of negative external factors related to its activity, and in the development of its positive social contribution, for example in terms of supporting local communities.

(1) First diversity accelerator in the field of technology.

In addition to the Social Laboratory, the dialogue with stakeholders, both internal and external, takes place through multiple channels:

- ◆ FDJ maintains a strong social dialogue first and foremost through the regular organisation of employee representative bodies and negotiation meetings (2.4.4.2 Promoting a Constructive Social Dialogue);
- ◆ Group employees are surveyed several times a year on their level of commitment and on the corporate climate within the Company (2.4.4.5 Ensuring confidence in internal governance);
- ◆ regarding customers, in addition to customer service points of contact (email, phone, mail, chat) and social networks, FDJ holds “customer workshops” to create offers and services with input from players;
- ◆ FDJ maintains regular exchanges with the professional bodies, in particular the Confederation of Tobacconists (Confédération des Buralistes) and the National Union of Press Distributors (Union Nationale des Diffuseurs de Presse) who represent a very large part of FDJ retailers. The Company also builds relationships with local institutional stakeholders to ensure its strong basis in local communities throughout the country;
- ◆ as far as the public authorities are concerned, FDJ frequently interacts with the ministries and bodies dedicated to the regulation of its activity as well as with the European institutions on topics of interest to the Company and issues related to gambling;
- ◆ FDJ regularly discusses with healthcare and social and research communities concerning its policy of

Responsible Gaming and more broadly its social responsibility policy. This dialogue takes various forms: expert opinions on changes to FDJ’s game offer (Expert Committee on the game offer), partnerships with structures specialised in assisting people in vulnerable situations, FDJ’s support of research and the dissemination of knowledge about excessive gambling and more broadly about the role of gambling in society;

- ◆ FDJ is also very active in the events and working groups organised by the European Lotteries Association (EL) and the World Lottery Association (WLA).

★ Number of member associations of the Social Laboratory



Six CSOs are historical members of the Social Laboratory since its creation). This continuity has made it possible to expand and broaden the system in 2018 to welcome new associations especially active in CSR on topics related to local communities and digital technologies.

2.4.6 French territories

The sale of FDJ products represents an important activity, even essential, for the tobacconists and distributors who make up the bulk of its distribution network. In keeping with its more than 30,000 points of sale in more than 11,000 municipalities throughout France, FDJ supports them in their modernisation (new equipment and digitisation) and provides specific support to the most vulnerable.

FDJ support to French territories

Through its activities, FDJ contributes to the economic development of the French territories and supports in particular local points of sale in rural and/or disadvantaged areas.

After a constructive dialogue with the representative retailers organisations, FDJ initiated a change in retailers’ remuneration over a period of two years, starting in 2018. This takes the form of an increase, followed by a modulation starting in 2019, of the commissions collected by retailers, and the elimination, in 2018, of rental fees on

point-of-sale equipment. This decrease in fixed costs makes it possible in particular to support small points of sale and located mainly in rural areas.

In addition, FDJ is maintaining its moratorium on the application of the contractual clause on minimum player stakes, thereby allowing points of sale whose player stakes are insufficient to stay in business. This measure helps maintain local commerce.

In addition, the Company organises local exchanges between the sector and local representatives of professional organisations in the distribution network, in order to promote the setting up or the return of points of sale in areas suffering from a lack of local development, especially in rural areas.

FDJ is also continuing its commitment to the “Impact Création” investment fund, created at the end of 2017 by “Impact Partenaires”, a socially responsible management company. This fund helps create franchised businesses in priority inner city neighbourhoods (QPV,



1,300 neighbourhoods in mainland France) in order to revitalise commercial areas and support employment.

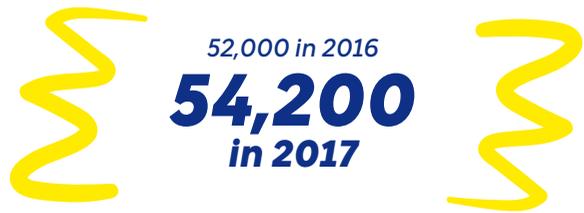
Aware of the importance of supporting the attractiveness of all its points of sale, FDJ also wants to help modernise its network. The Minister of Public Action and Accounts has created a transformation fund to subsidise modernisation projects of points of sale selling tobacco products. In order to study the most suitable measures to support this programme, at the end of 2018 FDJ launched an experiment to help retailers wishing to carry out modernisation work on their points of sale and thereby comply with the FDJ charter.

The Company also aims to help its points of sale in the diversification of their activities, allowing them to attract potential new customers and generate additional income. In 2018, a first money transfer service was launched in partnership with Western Union using the gaming terminals. This trend of introducing new services will be continuing in the coming years.

FDJ's economic and social contribution (BIPE study)

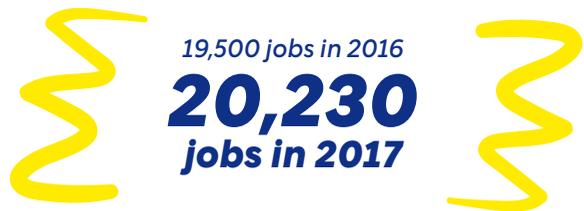
In order to assess the FDJ's economic and social contribution in France, a study was conducted by the BIPE (Office of Information and Economic Forecasts, Bureau d'Informations et de Prévisions Économiques)⁽¹⁾ using a methodology that is part of the international and academic benchmark for evaluating economic impacts. This methodology is used by international organisations such as the UN and European Commission and allows for unquestionable comparison of the results both by sector and internationally. In 2017, FDJ's contribution to the country's Gross Domestic Product (GDP) was thereby evaluated at €5.3 billion and 54,200 jobs were created or sustained throughout the country, including 20,000 jobs in the bars, tobacconists and newsagents sector, or around a quarter of the jobs in the sector.

★ Number of jobs created or sustained



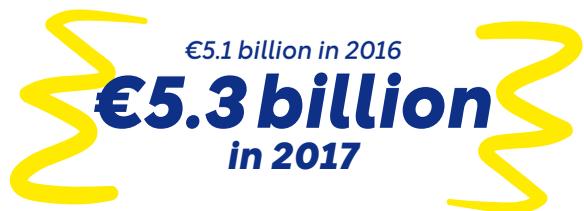
The data is taken from the study on FDJ's economic and social impact carried out by the BIPE cabinet.

★ FDJ's contribution in terms of employment in the Bar-Tobacconists-Newsagents sector



The data is taken from the study on FDJ's economic and social impact carried out by the BIPE cabinet.

★ FDJ's contribution to Gross Domestic Product (GDP)



The data is taken from the study on FDJ's economic and social impact carried out by the BIPE cabinet.

(1) Strategy consulting firm.

2.4.7 Environment

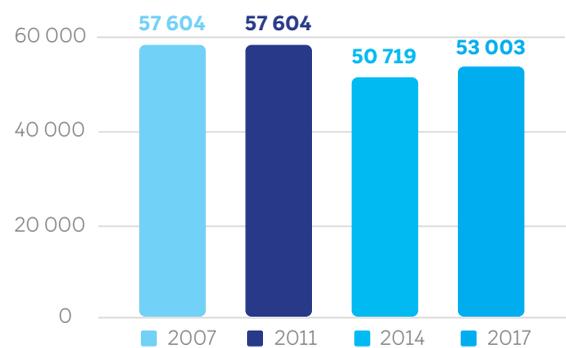
For more than ten years, FDJ has been reducing its greenhouse gas (GHG) emissions by taking action across its entire area of responsibility (from its sites to its points of sale) and by acting to protect the environment.

Measuring FDJ's Carbon Footprint

Since 2008, FDJ has embarked on an ambitious initiative to reduce its GHG emissions, contribute to the energy transition.

The latest measurement of GHG emissions in 2018 corresponds to two distinct perimeters: the Company's direct responsibility (energy consumption of buildings and fuel for the Group's vehicles) and an indirect area of responsibility (purchases of services, gaming materials, advertising, depreciation, freight, travel and waste, etc.).

★ Evolution of the FDJ Group's GHG emissions



In order to compare GHG emissions from one year to the next, the 2007 to 2014 data were recalculated in 2018 using Ademe's new emission factors.

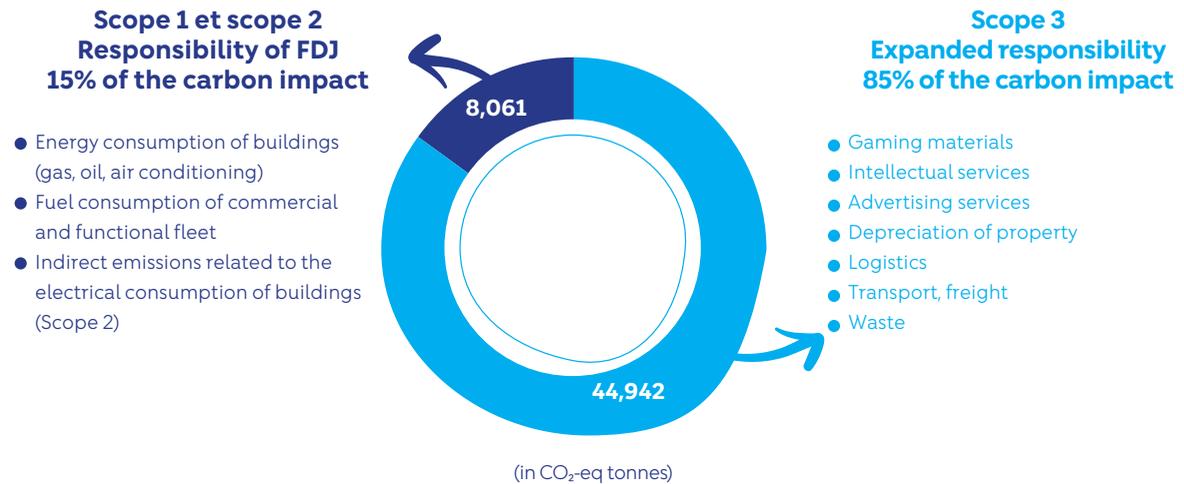
In ten years, the GHG emissions of the FDJ Group fell by 8% while the Company's activity has seen a very dynamic increase in the same time.

After a stabilisation of the emissions between 2007 and 2011, thanks to a first series of measures (for example the recovery of the heat produced by the FDJ data centres to heat its premises), a 12% reduction of the emissions was able to be achieved between 2011 and 2014 thanks in particular to a major effort on travel (elimination of half of the commercial vehicles and their limitation to 100g CO₂/km on average per vehicle). Moreover, since 2012, 100% of gaming materials are printed on certified paper (FSC) and scratch cards are made of 20% recycled paper. These actions have made FDJ a global leader in the lottery sector for the responsible use of gaming media paper.

Between 2014 and 2017, emissions increased by 4.5%, mainly due to growth in activity. This observation has led FDJ to strengthen its actions to reduce its Carbon Footprint.



★ Distribution of greenhouse gas emissions (Group scope) in 2017



Carrying out a carbon reduction plan by 2025

In 2019, FDJ will commit to the Science Based Targets Initiative (iSBT) to implement emission reduction targets in line with the decarbonisation scenarios required to limit the Earth's temperature increase to fewer than two degrees.

To reach this objective, FDJ will implement a series of actions:

- ◆ **reduce GHG emissions in its direct scope of responsibility by 66% (scope 2) by 2025;**
- ◆ **promote less polluting means of transportation** (development of 100% electric vehicles or plug-in hybrids within the Group's car fleet, deployment of a company travel plan encouraging and facilitating the practice of cycling, the use of carpooling or electric vehicles in car sharing);
- ◆ **integrate digital responsibility** in the environmental approach to minimise the negative impacts of all its IT equipment;
- ◆ **mobilise its suppliers** to commit to environmentally responsible approaches.

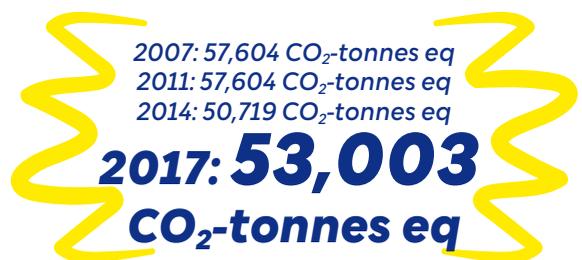
Making carbon reduction everyone's priority

FDJ is also committed to raising the awareness of its players, retailers and employees to reducing their impact by adopting good practices.

To mobilise players and retailers, and, thanks to the partnership with WWF for several years, in 2018 FDJ carried out a new collection test to recycle its gaming materials (tickets, payslips and game receipts) at points of sale (as a reminder: a test had already been carried out in 2012).

Nearly 80% of FDJ employees were also trained in FDJ's environmental approach as part of a COOC CSR (online programme to train employees in the Company's CSR policy) and during the European Sustainable Development Week. The topic chosen by FDJ in 2018 was mobility.

★ Greenhouse gas emissions



The Group's greenhouse gas emissions in CO₂ tonnes equivalent is taken from the *Bilan Carbone* measurement. In ten years, the FDJ Group's GHG emissions fell by 10%.

2.4.8 Sustainable Development Goals (SDG)

Member States of the United Nations have set 17 Sustainable Development Goals (SDGs), laying down targets for 2030. The 169 targets are common to all signatory countries. They fulfil the following general objectives: eradicating poverty, protecting the planet and ensuring prosperity for all.

In order to integrate the UN Sustainable Development Goals into its CSR policy, FDJ has studied the impact of its actions in regards to 13 of the 17 SDGs (see table below).

| Sustainable Development Objectives | FDJ actions |
|--|--|
|  Objective 1: No poverty | The amount of purchases from ESAT and EA for the FDJ Group amounts to €851,000 in 2018. |
|  Objective 3: Good health and well-being | FDJ has implemented a policy to ensure quality of life and well-being at work and a health and safety at work policy. As part of the European Sustainable Development Week, employees were made aware of the risks of a sedentary lifestyle. |
|  Objective 4: Quality education | At FDJ, where 4.3% of the payroll is dedicated to training employees, more than 80% employees received training in 2018. The Group promotes work-study programmes and over 6% of its employees were work-study students in 2018. |
|  Objective 5: Gender equality | In 2017, FDJ obtained the workplace gender equality label. The FDJ Group has an internal female network, "À Elles de Jouer". |
|  Objective 7: Affordable and clean energy | The electricity consumed on the FDJ sites has been guaranteed renewable since 2017. The heat produced by FDJ's data centres is recovered to heat its premises. |
|  Objective 8: Decent work and economic growth | FDJ once again obtained a Diversity label in 2017 and is committed to a policy that promotes intergenerational work. The FDJ Corporate Foundation is committed to equal opportunities through gaming. |
|  Objective 10: Reduced inequalities | The FDJ Group employs 72 people with disabilities in 2018. |
|  Objective 11: Sustainable cities and communities | FDJ is present throughout France through more than 30,000 points of sale. Commissions paid to retailers in 2018 amounted to €785 million. |
|  Objective 12: Responsible consumption and production | FDJ operates in the gambling sector and works to prohibit underage gambling and prevent excessive gambling. FDJ has undertaken CSR evaluation campaigns for its suppliers since 2017. |
|  Objective 13: Climate action | FDJ performs a Bilan Carbone™ every three years and deploys associated action plans to reduce its GHG emissions. In 2019, FDJ will engage in the Science-Based Targets initiative. |
|  Objective 15: Life on land | All gaming materials are printed on FSC paper and help preserve biodiversity. |
|  Objective 16: Peace, justice and strong institutions | FDJ has set up an ethics and anti-corruption compliance tool. FDJ has ensured its compliance with the General Data Protection Regulation. |
|  Objective 17: Partnerships for the goals | In 2017 FDJ conducted a materiality study to survey its stakeholders about their expectations. In 2018, the Company carried out a CSR risk analysis. FDJ participated in the creation of CSR (Corporate Social Responsibility) Guidelines within the European Lotteries Association. |





2.4.9 Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated non-financial statement included in the group management report.

For the year ended December 31st, 2018

This is a free translation into English of the Statutory Auditor's report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

To the Shareholders,

La Française des Jeux
3-7 quai du Point du Jour
92100 Boulogne-Billancourt

In our capacity as Statutory Auditor of La Française des Jeux (hereinafter the "entity"), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the non-financial statement for the year ended December 31st, 2018 (hereinafter the "Statement"), included in the management report pursuant to the legal and regulatory provisions of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

The entity's responsibility

Pursuant to legal and regulatory requirements, the Board of Directors is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are available on request from the entity's head office.

Independence and quality control

Our independence is defined by the provisions of article L. 822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional guidance and applicable legal and regulatory requirements.

Responsibility of the Statutory Auditor, appointed as an independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- ◆ the compliance of the Statement with the provisions of article R. 225-105 of the French Commercial Code;
- ◆ the fairness of the information provided in accordance with article R. 225-105 I, 3 and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on:

- ◆ The entity's compliance with other applicable legal and regulatory provisions, in particular the French duty of care law and anti-corruption and tax evasion legislation;
- ◆ The compliance of products and services with the applicable regulations.



Nature and scope of our work

The work described below was performed in accordance with the provisions of articles A.225-1 *et seq.* of the French Commercial Code determining the conditions in which the independent third party performs its engagement and with the professional guidance of the French Institute of Statutory Auditors ("CNCC") applicable to such engagements, as well as with ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

Our procedures allowed us to assess the compliance of the Statement with regulatory provisions and the fairness of the Information:

- ◆ we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and;
- ◆ we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- ◆ we verified that the Statement includes each category of social and environmental information set out in article L. 225-102-1 III;
- ◆ we verified that the Statement includes an explanation for the absence of the information required under article L. 225-102-1 III, 2;
- ◆ we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- ◆ we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R. 225-105 II;
- ◆ we assessed the process used to identify and confirm the principal risks;
- ◆ we asked what internal control and risk management procedures the entity has put in place;
- ◆ we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- ◆ we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L. 233-16 within the limitations set out in the Statement;
- ◆ we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- ◆ for the key performance indicators and other quantitative outcomes that we considered to be the most important, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
 - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entity, especially La Société Française des Jeux and covers between 64% and 70% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- ◆ we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important;
- ◆ we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgement, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.



Means and resources

Our work was carried out by a team of 6 people between the beginning of November 2018 and mid-february 2019 and took a total of 5 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around 10 interviews with the people responsible for preparing the Statement, representing human resources, risk management and compliance, health and security, environmental and purchasing departments.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the non-financial statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines.

Neuilly-sur-Seine, 1 March 2019

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Philippe Vincent
Partner

Pascal Baranger
Sustainable Development Director



Appendix: List of the information we considered most important

Key performance indicators and other quantitative results:

- ◆ Overall compliance rate with Responsible Gaming and Security criteria;
- ◆ Paid back within the framework of the Responsible Gaming partnerships;
- ◆ Playscan player rate;
- ◆ Number of games or game re-rolls submitted to the SERENIGAME universal matrix;
- ◆ Number of suspicious reports to TRACFIN;
- ◆ Number of employees sensitized to the GDPR;
- ◆ Number of employees trained in ethics;
- ◆ Rate of staff trained in the integrity of sport strategy in 2018;
- ◆ Share of purchases made from French suppliers;
- ◆ Share of purchases made with SMEs and mid-cap companies;
- ◆ Amount of purchases from ESAT and EA;
- ◆ Share of payroll dedicated to training;
- ◆ Share of employees who received training in the year;
- ◆ Number of agreements signed over the year;
- ◆ Overall employment rate of disabled employees;
- ◆ Share of women in the company;
- ◆ Share of women managers;
- ◆ Number and share of apprentices;
- ◆ Absenteeism rate;
- ◆ Job well-being of employees;
- ◆ Employee engagement rate;
- ◆ Amount of financial support granted by the FDJ Foundation;
- ◆ Number of associations members of the Societal Laboratory;
- ◆ Number of jobs created or sustained;
- ◆ FDJ contribution in terms of jobs within the Bar-Tobacco-Press sector;
- ◆ FDJ contribution to national wealth (GDP);
- ◆ Emissions of greenhouse gas;

Qualitative information (actions and results):

- ◆ Excessive play: Consultation of the minute's meetings of the dedicated Committee;
- ◆ Consultation of the SERENIGAME matrix;
- ◆ Fraud and Money Laundering: Consultation of TRACFIN Statement, Committee Reports and Tracking File;
- ◆ Data sharing awareness campaign;
- ◆ Consultation of the Code of Ethics;
- ◆ Relations with IORPs: Consultation of invitations and minutes meetings;
- ◆ Presentation of the Mix'it program;
- ◆ Review of the Label "Professional Equality between Women and Men".



2.4.10 Annex: additional monitoring indicators

| | Scope | 2017 | 2018 |
|--|-------|------------|----------|
| Amount donated as part of the Responsible Gaming partnerships | FDJ | €1,080,000 | €973,000 |

FDJ supports researchers and associations that independently conduct studies or preventive actions, as well as structures that support players in difficulty or their friends and family. Thus, in 2018:

- ◆ 30% of the funds were dedicated to the helplines and the following resources: SOS Players, CRESUS, E-Enfance, Vers un apprendre à miser sur soi (Institut du Jeu excessif), the organiser of the portal "Addict'Aide" portal, Fonds Actions Addictions, and SEDAP (CSAPA) as part of its innovation and experimental centre on excessive gambling;
- ◆ 30% to preventive actions carried out by major players in the areas of social solidarity and education (French Red Cross, Fédération Nationale des Écoles des Parents et des Educateurs) and more specifically for experimental projects to reduce risks and harm, carried out within the sales network. These pilot programmes are made in collaboration with major medical and social stakeholders (SEDAP, Fédération Addiction and three CSAPA * volunteers in the areas of Valenciennes, Provins and Bordeaux);
- ◆ finally, FDJ contributes the remaining 40%, as it has for more than ten years, to the financing of scientific research and the dissemination of knowledge: in the field of addiction research, it provides financial support to the endowment fund of the Nantes University Hospital for the Centre de Référence sur le Jeu Excessif (IFAC-CRJE), to Diderot University for a research project under the APHP-addictology unit at the Bichat-Claude Bernard Hospital, and to the IREMA and the Fédération Addiction to ensure that they can improve the training offered to professionals. It provides modest but long-term support to conference organisers (Fédération Française d'Addictologie, GRAMM for the ALBATROS congress, SOS Addictions for the e-congress E-ADD, and the Association de Psychiatrie et Psychobiologie for the Congrès Français de Psychiatrie or even the Société Francophone de Psychogériatrie et de Psychiatrie de la Personne Agée). In this context, it has fostered a fruitful relationship with the CRESUS resource structure and with caregivers (production of a testimonial video of a player, funding stands for CRESUS at some of these events). In the field of humanities and social sciences, FDJ contributes to the functioning of the Scientific Research Group "Jeu et Sociétés" to promote the development of humanities studies on gambling, still little developed in France. The Company does not intervene in the Scientific Committee's decisions. €144,000 was granted under this specific framework, i.e. around 15% of the total.

| | | | |
|---|-------|---|---|
| Oil consumption during the year | FDJ | 0 litre | 0 litre |
| Gas consumption during the year | FDJ | 3,428,331kWh LHV | 2,454,561kWh LHV |
| Electricity consumption during the year | FDJ | 15,300,069kWh | 13,683,291kWh |
| CO₂ emissions generated by energy consumption during the year | FDJ | 2,043,320kg CO ₂ eq. tonnes | 1,679,893kg CO ₂ eq. tonnes |
| Water consumption during the year | FDJ | 20,307m ³ | 27,062m ³ |
| Effect of gender equality measures on the wage policy and employee promotion | Group | | |

FDJ has signed a triennial agreement for professional equality between men and women (2016-2018). Key initiatives in 2018 were as follows:

- ◆ launch of a communication plan, with the publication of an article talking about sexism and a campaign on our internal network;
- ◆ FDJ provides "boost your professional impact" training to its employees returning from maternity leave in order to develop their leadership skills. Mixed training is also offered to all employees. Parenting remains an area of improvement, to promote a better work-life balance;
- ◆ after a study carried out in 2017 on professional gender equality for the Technology and International division, a specific action plan was developed;
- ◆ the women's network also promotes career development for women in the Company;
- ◆ FDJ guarantees equal pay for men and women with the introduction of a dedicated annual budget;
- ◆ promotions of women and men are analysed during performance reviews.



| | Scope | 2017 | 2018 |
|--|-------|------|------|
|--|-------|------|------|

Information on occupational health and safety

Group

FDJ is maintaining its occupational health and safety (OHS) management system. The Company has been involved for several years in training and awareness efforts for safety, prevention and risk analysis among its manager, employees, service providers, suppliers. Developing OHS culture and sharing good practices are clear, shared objectives within the FDJ Group.

The Company is aiming for a transition to a 45 001 approach, and is deploying new, secure and quality work environments that are adapted to changes in its business. These actions promote the strategy of the Group, anticipate working methods and contribute to the attractiveness of the employer brand.

In 2018, FDJ notably signed an agreement on standby shifts and interventions as part of its "Living better and working together in the digital age" project and the resulting business agreements, namely: the agreement on the right to disconnect and the agreement on solidarity donations.

Breakdown of employees by age

Group

| 55 to 59 | 50 to 54 | 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 |
|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|-------|
| 75 | 299 | 324 | 349 | 356 | 320 | 244 | 190 | 26 | 0 | 2,183 |

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

100%

100%

Share of employees contributing to the solidarity salary rounding as a proportion of payroll for the financial year

FDJ

22%

19%

In 2017-2018, two donation options are available to employees: either to the ADIE (an association that helps people who do not have access to bank credit to start their own business), or to three associations supported by the FDJ Foundation: Apprentis d'Auteuil, Institut Télémaque and L'Envol.

FDJ will put the new beneficiary associations for 2019-2020 to an employee vote.

Share of mutual fund investments in socially responsible investment funds (SRI)

FDJ

17%

19%

The average amount of UCITS investments in SRI investment funds over the year was €34.1 million (for a total of €155 million invested in UCITS units).

Actions to combat food insecurity, respect for animal welfare and a responsible, equitable and sustainable diet

Group

This has not been classified as a significant risk with regard to FDJ's activities and is not covered by a specific policy.



3.

CONSOLIDATED FINANCIAL STATEMENTS

| | | | |
|---|------------|--|------------|
| 3.1 Consolidated income statement | 108 | 3.5 Consolidated statement of changes in equity | 114 |
| 3.2 Consolidated statement of comprehensive income | 109 | 3.6 Additional notes | 115 |
| 3.3 Consolidated statement of financial position | 110 | 3.7 Consolidated financial statements Statutory Auditors' report on the consolidated financial statements | 150 |
| 3.4 Consolidated cash flow statement | 112 | | |

3.1

Consolidated income statement

| <i>In millions of euros</i> | Notes | 31.12.2018 | 31.12.2017 |
|---|------------|----------------|----------------|
| Player stakes | 3.1 | 15,817.0 | 15,144.4 |
| Share returned to winners | 3.1 | (10,697.5) | (10,122.4) |
| Gross gaming revenue | 3.1 | 5,119.6 | 5,022.1 |
| Government levies | 3.1 | (3,261.8) | (3,235.7) |
| Provisions to counterparty funds | 3.1 | (83.4) | (59.5) |
| Net gaming revenue | 3.1 | 1,774.3 | 1,726.8 |
| Revenue from other activities | 3.1 | 28.3 | 35.2 |
| Turnover | 3.1 | 1,802.6 | 1,762.0 |
| Cost of sales | 3.2 | (1,100.5) | (1,066.9) |
| Marketing and communication costs | | (277.1) | (260.2) |
| General and administrative expenses | 3.2 | (175.1) | (171.0) |
| Other operating income | | 2.1 | 1.6 |
| Other operating expenses | | (0.8) | (4.2) |
| Current operating profit | | 251.1 | 261.3 |
| Other income | 3.2.4 | 10.3 | 0.0 |
| Other expenses | 3.2.4 | (4.7) | (3.3) |
| Operating result | | 256.7 | 258.0 |
| Cost of the financial debt | | (0.9) | (0.2) |
| Other financial income | | 6.3 | 10.2 |
| Other financial expenses | | (6.8) | (5.4) |
| Net profit (loss) from financial items | 6.3 | (1.5) | 4.5 |
| Share of net income from joint ventures | 7 | 0.8 | 1.2 |
| Profit before tax | | 256.0 | 263.7 |
| Income tax expense | 8 | (85.6) | (82.8) |
| NET INCOME FOR THE PERIOD | | 170.4 | 181.0 |
| Attributable to | | | |
| ◆ Non-controlling interests | | 0.0 | 0.3 |
| ◆ Group share | | 170.4 | 180.7 |

The financial statements published on 31 December 2017 are restated and presented according to the new income statement disclosed adopted by the Group from

1 January 2018 (see 2.1). Net gaming revenue, turnover (previously revenue from ordinary activities), current operating profit and operating result remain unchanged.

3.2

Consolidated statement of comprehensive income

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Net income for the period | 170.4 | 181.0 |
| Change in the fair value of assets available for sale | 0.0 | 0.5 |
| Taxes related to change in the fair value of assets available for sale | 0.0 | (0.2) |
| Cash flow hedges | 0.3 | 0.0 |
| Taxes related to cash flow hedges | (0.2) | 0.0 |
| Change in exchange gains or losses | (0.1) | (0.9) |
| OCI recycled | 0.0 | (0.6) |
| Change in the fair value of investments through other comprehensive income | 0.0 | 0.0 |
| Change in the fair value of investments through other comprehensive income | 0.0 | 0.0 |
| Actuarial gains and losses | 4.6 | 3.3 |
| Taxes related to actuarial adjustments | (1.2) | (1.1) |
| OCI not recycled | 3.3 | 2.2 |
| Other items from the overall result | 3.3 | 1.6 |
| OVERALL RESULT FOR THE PERIOD | 173.7 | 182.6 |
| Attributable to | | |
| ◆ Non-controlling interests | | 0.3 |
| ◆ Group share | 173.7 | 182.3 |



3.3

Consolidated statement of financial position**3.3.1 Assets**

| <i>In millions of euros</i> | Notes | 31.12.2018 | 31.12.2017 |
|--|--------------|-------------------|-------------------|
| Intangible assets | 4.1 | 104.8 | 96.4 |
| Property, plant and equipment | 4.2 | 378.8 | 373.1 |
| Investments in joint-ventures | 7 | 12.8 | 12.7 |
| Non-current financial assets | 6.1 | 780.6 | 770.2 |
| Non-current assets | | 1,277.0 | 1,252.4 |
| Inventories | 3.7 | 8.7 | 10.5 |
| Trade and distribution network receivables | 3.4.1 | 411.5 | 373.5 |
| Other operating assets | 3.4.2 | 268.3 | 187.2 |
| Current income tax assets | | 18.6 | 9.5 |
| Current financial assets | 6.1 | 55.8 | 50.2 |
| Cash and cash equivalents | 6.2 | 167.2 | 165.8 |
| Current assets | | 930.2 | 796.7 |
| TOTAL ASSETS | | 2,207.2 | 2,049.2 |

3.3.2 Equity and liabilities

| <i>In millions of euros</i> | Notes | 31.12.2018 | 31.12.2017 |
|---|----------|----------------|----------------|
| Share capital | | 76.4 | 76.4 |
| Reserves and retained earnings | | 314.8 | 256.9 |
| Other reserves | | 0.2 | 3.5 |
| Currency translation adjustment | | 2.1 | 2.2 |
| Net income, Group share | | 170.4 | 180.7 |
| Total equity, Group share | 9 | 563.9 | 519.8 |
| Non-controlling interests | | 0.0 | 0.4 |
| Shareholders' equity | | 563.9 | 520.2 |
| Provisions for pensions and similar commitments | 3.8.3 | 45.6 | 47.2 |
| Non-current provisions | 5.1 | 37.6 | 36.7 |
| Deferred tax liabilities | 8.2 | 19.2 | 17.5 |
| Non-current player funds | 3.3 | 108.7 | 129.9 |
| Non-current financial liabilities | 6.1 | 96.1 | 104.1 |
| Non-current liabilities | | 307.2 | 335.4 |
| Current provisions | 5.1 | 24.9 | 30.9 |
| Trade and distribution network payables | 3.5.1 | 369.3 | 324.0 |
| Current tax liabilities | | 1.3 | 0.9 |
| Current player funds | 3.3 | 213.8 | 187.3 |
| Government levies | 3.5.2 | 357.2 | 265.9 |
| Winnings payable and distributable | 3.5.3 | 171.7 | 196.4 |
| Other operating liabilities | 3.5.4 | 155.9 | 135.8 |
| Other financial liabilities | 6.1 | 41.8 | 52.5 |
| Current liabilities | | 1,336.0 | 1,193.6 |
| TOTAL EQUITY AND LIABILITIES | | 2,207.2 | 2,049.2 |



3.4

Consolidated cash flow statement

| <i>In millions of euros</i> | Notes | 31.12.2018 | 31.12.2017 |
|---|-----------|---------------|----------------|
| Operating activities | | | |
| Consolidated net profit for the period | | 170.4 | 181.0 |
| Change in depreciation, amortisation and impairment of non-current assets | 3.2.3 | 64.5 | 55.2 |
| Change in provisions ⁽¹⁾ | | 6.3 | 8.4 |
| Gains/losses on disposals | | (9.5) | 2.5 |
| Tax expense ⁽¹⁾ | | 85.6 | 82.8 |
| Financial result | | 1.5 | (4.5) |
| of which interest received | | 2.9 | 8.2 |
| Share of income from joint ventures | | (0.8) | (1.2) |
| Non-cash items | | 150.5 | 151.4 |
| Use of provisions - payments | | (8.7) | (10.1) |
| Taxes paid | | (92.9) | (83.6) |
| Change in trade receivables and other current assets | | (120.1) | 0.5 |
| Change in inventories | | 1.4 | 0.1 |
| Change in trade payables and other current liabilities ⁽²⁾ | | 145.9 | 55.4 |
| Change in other working capital items | | (1.4) | (2.8) |
| Change in working capital related to business | 10 | 25.8 | 53.2 |
| Change in current and non-current financial assets | | (18.1) | (34.6) |
| Net cash flow from operating activities | | 227.0 | 257.2 |
| Investing activities | | | |
| Acquisition of property, plant and equipment and intangible assets ⁽³⁾ | 10 | (92.9) | (88.6) |
| Acquisition of financial assets | | 0.0 | (15.6) |
| Disposal of property, plant and equipment and intangible assets | | 14.7 | 0.2 |
| Disposal of financial assets | | 0.1 | 0.0 |
| Changes in loans and advances granted | | (3.6) | (0.8) |
| Dividends received from equity-consolidated companies | | 0.7 | 0.8 |
| Other | | (0.2) | (0.2) |
| Net cash flow used in investing activities | | (81.2) | (104.0) |

| <i>In millions of euros</i> | Notes | 31.12.2018 | 31.12.2017 |
|--|-------|----------------|----------------|
| Financing activities ⁽⁴⁾ | | | |
| Repayment of current portion of long-term debt | 10 | (8.0) | (8.0) |
| Change in current financial liabilities | 10 | 0.0 | 0.0 |
| Dividends paid to ordinary shareholders of the parent company | | (126.1) | (120.3) |
| Interest paid | | (0.4) | (0.2) |
| Other | | 0.0 | 0.1 |
| Net cash flow used for financing business | | (134.5) | (128.5) |
| Currency translation effect | | 0.5 | 0.1 |
| Net increase/(reduction) in net cash and cash equivalents | | 11.7 | 24.8 |
| Cash and cash equivalents at 1 January | | 165.8 | 199.6 |
| Cash and cash equivalents at 31 December | | 167.2 | 165.8 |
| Current bank overdrafts at 1 January | | (17.5) | (76.1) |
| Current bank overdrafts at 31 December | | (7.2) | (17.5) |
| Increase/(reduction) in net cash flow | | 11.7 | 24.8 |

(1) Payments related to provisions are now shown on a separate line within cash flows from operating activities

(2) Payments related to taxes are now shown on a separate line within cash flows from operating activities

(3) Cash flows related to advance payments on capital expenditures are now shown within investing activities

(4) Net cash and cash equivalents include bank overdrafts

2017 figures were restated accordingly.



3.5

Consolidated statement
of changes in equity

| <i>In millions of euros</i> | Share capital | Reserves and retained earnings | Currency translation adjustment | Net income, Group share | Total equity, Group share | Interest attributable to non-controlling interests | Total equity |
|---|---------------|--------------------------------|---------------------------------|-------------------------|---------------------------|--|--------------|
| EQUITY AS AT 31.12.2016 | 76.4 | 205.9 | 3.1 | 176.0 | 461.5 | 0.2 | 461.7 |
| Net profit as at 31 December 2017 | 0.0 | 0.0 | 0.0 | 180.7 | 180.7 | 0.3 | 181.0 |
| Change in currency translation adjustment | 0.0 | 0.0 | (0.9) | 0.0 | (0.9) | 0.0 | (0.9) |
| Other items recognised directly in equity | 0.0 | 2.5 | 0.0 | 0.0 | 2.5 | 0.0 | 2.5 |
| Overall result for the period | 0.0 | 2.4 | (0.9) | 180.7 | 182.3 | 0.3 | 182.5 |
| 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 | | (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 |
| Net profit as at 31 December 2018 | 0.0 | 0.0 | 0.0 | 170.4 | 170.4 | 0.0 | 170.4 |
| Change in currency translation adjustment | 0.0 | 0.0 | (0.1) | 0.0 | (0.1) | 0.0 | (0.1) |
| Other items recognised directly in equity | 0.0 | 3.9 | 0.0 | 0.0 | 3.9 | (0.4) | 3.5 |
| Overall result for the period | 0.0 | 3.9 | (0.1) | 170.4 | 174.1 | (0.4) | 173.7 |
| Allocation of 2017 net income | 0.0 | 180.7 | 0.0 | (180.7) | 0.0 | 0.0 | 0.0 |
| 2017 dividends paid | 0.0 | (130.0) | 0.0 | 0.0 | (130.0) | 0.0 | (130.0) |
| EQUITY AS AT 31.12.2018 | 76.4 | 315.0 | 2.1 | 170.4 | 563.9 | 0.0 | 563.9 |

Income and expenses recognised directly in equity consist primarily of changes in the fair value of financial assets (2017) and actuarial gains and losses on pension obligations (2017 and 2018).

3.6

Additional notes

contents

| | | |
|----------------|---|-----|
| NOTE 1 | GROUP OVERVIEW | 116 |
| NOTE 2 | REPORTING GUIDELINES AND ACCOUNTING PRINCIPLES | 117 |
| NOTE 3 | OPERATING DATA | 122 |
| NOTE 4 | INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT | 131 |
| NOTE 5 | PROVISIONS, CONTINGENT LIABILITIES AND OFF-BALANCE-SHEET COMMITMENTS | 135 |
| NOTE 6 | CASH AND FINANCIAL INSTRUMENTS | 137 |
| NOTE 7 | INVESTMENTS IN JOINT-VENTURES | 143 |
| NOTE 8 | INCOME TAXES | 144 |
| NOTE 9 | SHAREHOLDERS' EQUITY | 145 |
| NOTE 10 | DETAILS OF CASH FLOW | 146 |
| NOTE 11 | TRANSACTIONS WITH RELATED PARTIES | 146 |
| NOTE 12 | EXECUTIVE REMUNERATION | 146 |
| NOTE 13 | ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES | 147 |
| NOTE 14 | SUBSEQUENT EVENTS | 147 |
| NOTE 15 | LIST OF CONSOLIDATED COMPANIES – CHANGES IN CONSOLIDATION SCOPE | 147 |
| NOTE 16 | STATUTORY AUDITORS' FEES | 149 |



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. Head office is located at 3/7, quai du Point du Jour 92100 Boulogne-Billancourt. It is 72% held by the French State.

The Group, made up of 14 consolidated 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 Zhongcaï Printing (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;
- ◆ LEIA (Lotteries Entertainment Innovation Alliance AS), a Norwegian joint-venture operating a digital gaming platform;
- ◆ FGS UK (formerly named LVS), a British company, technology developer notably for the Group's sports betting.

Based on the opinion of the Audit Committee of 26 February 2019, the Board of Directors, during its meeting on 28 February 2019, approved the consolidated financial statements to be submitted for approval at the Annual General Meeting on 5 June 2019.

1.2 Regulatory background of the FDJ Group (the Group)

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.

1.3 Key events

Article 51 of the draft law related to growth and the transformation of companies (PACTE) was presented on 18 June 2018 in the Council of Ministers and registered at the National Assembly on 19 June 2018. Adopted by the National Assembly in October 2018, it is under discussion in the Senate. It aims to authorise the Government to proceed, by decree, to the transfer to the private sector of the majority of the capital of La Française des Jeux, while maintaining it under the strict control of the State, allowing the latter to prevent excessive gambling, protect vulnerable people (notably minors) and combat fraud and money laundering.

The new head office set up in Boulogne-Billancourt, as well as in Villepinte (following the disposal of the site at Mussy-le-Vieux) occurred in June 2018.

NOTE 2 REPORTING GUIDELINES AND ACCOUNTING PRINCIPLES

2.1 Basis for the preparation and presentation of the financial statements

The consolidated financial statements as at 31 December 2018 of the FDJ Group are prepared on a voluntary basis, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpreted by the IFRS Interpretations Committee and the Standard Interpretations Committee, and adopted by the European Union, with the exception of the standards IFRS 8 (operating segments) and IAS 33 (earnings per share), as FDJ is not a public interest entity.

From 1st January 2018, in order to optimise the income statement monitoring and the analysis of its components, the Group has opted for presentation by function: operating expenses are split into "cost of sales", "marketing and communication costs" and "administrative and general costs and other expenses", which are monitoring indicators for the Group. Net gaming revenue, turnover, curring operating result and operating result remain unchanged. The 2017 financial statements are restated according to the new format.

Previously, the Group published an income statement by category.

| <i>In millions of euros</i> | 31.12.2017 | | <i>In millions of euros</i> | 31.12.2017 |
|---|-------------------|---|--------------------------------------|-------------------|
| Player stakes | 15,144.4 | ➔ | Player stakes | 15,144.4 |
| Share returned to winners | (10,122.4) | | Share returned to winners | (10,122.4) |
| Gross gaming revenue | 5,022.1 | | Gross gaming revenue | 5,022.1 |
| Government levies | (3,235.7) | | Government levies | (3,235.7) |
| Additions to counterparty funds | (59.5) | | Provisions to counterparty funds | (59.5) |
| Miscellaneous revenues | 0.0 | | Net gaming revenue | 1,726.8 |
| Revenue from gaming activities | 1,726.8 | | Revenue from other activities | 35.2 |
| Revenue from other activities | 34.9 | | Revenue | 1,762.0 |
| Revenue from ordinary activities | 1,761.8 | | Cost of sales | (1,066.9) |
| External purchases and expenses | (1,194.9) | | Marketing and communication expenses | (260.2) |
| Taxes and duties | (23.6) | General and administrative expenses | (171.0) | |
| Personnel expenses | (213.1) | Other operating income | 1.6 | |
| Depreciation and provisions | (57.3) | Other operating expenses | (4.2) | |
| Other current operating income and expenses | (12.2) | Current operating profit | 261.3 | |
| Current operating profit | 260.7 | Other operating income | 0.0 | |
| Other net operating expenses | (2.8) | Other operating expenses | (3.3) | |
| Operating result | 257.9 | Operating result | 258.0 | |
| Finance income | 11.0 | Cost of the financial debt | (0.2) | |
| Finance expenses | (6.5) | Other financial income | 10.2 | |
| Financial Result | 4.5 | Other financial expenses | (5.4) | |
| Share of net income from joint ventures | 1.2 | Financial Result | 4.5 | |
| Profit before tax | 263.5 | Share of net income from joint ventures | 1.2 | |
| Income tax expense | (82.6) | Profit before tax | 263.7 | |
| Net income for the period | 181.0 | Income tax expense | (82.8) | |
| Attributable to | | Net income for the period | 181.0 | |
| ◆ minority interests | 0.3 | Attributable to | | |
| ◆ parent company shareholders | 180.7 | ◆ Non-controlling interests | 0.3 | |
| | | ◆ Group share | 180.7 | |



2.1.1 Mandatory standards, interpretations and amendments at 1 January 2018

From 1st January 2018, the Group applies IFRS 9 "Financial instruments", with the exception of hedging transactions (maintaining IAS 39) and IFRS 15 "Revenue from Customer Contracts".

The comparative periods are not restated for the application of IFRS 9.

All the amendments and interpretations approved by the European Union and applicable for the first time to the financial years open from 1 January 2018 are not applicable to the FDJ Group, with the exception of the IAS 28 Annual Improvement (Investments in Associates and Joint Ventures) and IFRIC 22 (Foreign Currency Transactions and Advance Consideration), which have no material impact on the Group's financial statements.

The Group has not opted for an early adoption of standards or interpretations as at 31 December 2018.

2.1.1.1 IFRS 9

Accounting principles

Financial assets include receivables, investment securities, cash and cash equivalents. They are classified and measured in three main categories:

- ◆ amortised cost;
- ◆ fair value through profit or loss;
- ◆ fair value through comprehensive income.

Classification of each financial asset is determined according to the business model defined by the Group and the characteristics of collected cash flows.

At initial recognition, financial assets are measured:

- ◆ at fair value, for financial assets measured at fair value through profit or loss;
- ◆ at nominal value for receivables, taking into account payment instalments.

Financial assets which holding period at financial year end is more 12 months are classified as non-current financial assets. Securities which holding period at the balance sheet date is less than 12 months are classified as current financial assets.

An impairment model for financial assets based on expected credit losses is applied to financial assets measured at amortised cost.

Impact of the initial application

First time application of IFRS 9 had no significant impact on the amount of shareholders' equity or the Group's consolidated statement of financial position on 1st January 2018.

The impacts are related to the classification of financial assets:

- ◆ reclassification of term deposits (non-current assets, current assets, cash and cash equivalents) from the available-for-sale category to the amortised cost category for €712 million. The Group objective on the term deposits is to collect the principal and interest, which represent the contractual cash flows. The impact on the valuation of these instruments between 31 December 2017 and 1st January 2018 is negligible, given their short-term characteristics;
- ◆ reclassification of UCITS units and negotiable debt securities from the available for sale category to the fair value through profit/loss category for €186 million. The Group objective on these instruments is to collect cash flows, both contractual and related to disposals; collected cash flows are not only repayments of principal and interest. This reclassification has no impact on the valuation of these instruments, measured at fair value under IAS 39 as under IFRS 9; the corresponding items included in other comprehensive income were reclassified in consolidated reserves for €9 million before tax.

| <i>In millions of euros</i> | 31.12.2017 | Reclassification | 01.01.2018 |
|--|--------------|------------------|----------------------------|
| Non-current available-for-sale financial assets | 716.7 | (716.7) | 0.0 |
| Non-current financial assets at amortised cost ⁽¹⁾ | 0.0 | 593.0 | 593.0 |
| Non-current financial assets at fair value through profit or loss ⁽²⁾ | 20.9 | 123.7 | 144.6 |
| Other non-current financial assets ⁽³⁾ | 32.6 | 0.0 | 32.6 |
| Total non-current financial assets | 770.2 | 0.0 | 770.2 |
| Current available-for-sale financial assets | 50.0 | (50.0) | 0.0 |
| Current financial assets at amortised cost ⁽⁴⁾ | 0.0 | 50.0 | 50.0 |
| Current derivatives | 0.2 | 0.0 | 0.2 |
| Deposits and guarantees | 0.0 | 0.0 | 0.0 |
| Loans to third parties | 0.0 | 0.0 | 0.0 |
| Total current financial assets | 50.2 | 0.0 | 50.2 ⁽³⁾ |
| TOTAL FINANCIAL ASSETS | 820.5 | 0.0 | 820.5 |
| Long-term debt | 104.1 | 0.0 | 104.1 |
| Total non-current financial liabilities | 104.1 | 0.0 | 104.1 |
| Financial debt, maturing in less than one year | 7.5 | 0.0 | 7.5 |
| Current derivatives | 0.0 | 0.0 | 0.0 |
| Other financial liabilities | 44.9 | 0.0 | 44.9 |
| Total other financial liabilities | 52.5 | 0.0 | 52.5 |
| TOTAL FINANCIAL LIABILITIES | 156.6 | 0.0 | 156.6 |

(1) Reclassification of term deposits from available-for-sale (IAS 39) to amortised cost (IFRS 9) category

(2) Reclassification of investment funds from AFS (IAS 39) to fair value through profit and loss (IFRS 9).

(3) The Euro Millions guarantee deposit is included in "Other Non-Current Financial Assets" of the consolidated financial situation statement.

(4) Reclassification of term deposits from AFS (IAS 39) to amortised cost (IFRS 9).



The application of an impairment model based on expected credit losses required by IFRS 9 is applicable to two types of the Group's financial assets:

- ◆ trade receivables;
- ◆ term deposits.

For trade receivables, given the extremely short payment deadlines and the credit-risk management monitoring, the application of the expected credit loss model does not generate any variance with the previous model. Indeed, the difference between initial recognition of the receivable on the balance sheet and identification of a payment incident corresponds to a limited number of days.

Credit risk on term deposits, valued at amortised cost, is considered as not material, given the low probability of default of the issuers and their ability to fulfil their obligations within twelve months.

2.1.1.2 IFRS 15

Initial application

IFRS 15 "Revenue from Customer Contracts" related to the revenue recognition was applied by the Group on 1 January 2018, by application of the retrospective method in accordance with IAS 8. The Group considers that IFRS 15 applies overall to its activities as an operator of lottery games and sports betting.

This new standard does not change the way in which the Group recognises its turnover and has no impact neither on the Group equity on 1 January 2018 nor on the consolidated statement of financial position nor the consolidated income statement for 2017.

The enforcement of IFRS 15 led to an update of the explanations of the accounting principles related to turnover.

IFRS 15 implementation was the subject of a complete analysis, notably through the five stages defined by the standard. The analysis confirmed the absence of material impact related to the first time application:

- ◆ the notion of turnover remains FDJ SA's remuneration for the main part of its income from its activity as an operator of lottery games and sports betting. However, on this occasion, FDJ modified the lines of the income statement (2018 and 2017), replacing the notion of "revenue from gaming activities" (RGA) with the notion of "net gaming revenue" (NGR), which is the turnover on the activity as a gaming operator, and replacing the notion of "revenue from ordinary activities" (ROA) with the notion of "turnover", including the NGR and the revenue from other activities of the Group;
- ◆ the analysis of performance obligations towards the players does not change the rhythm of revenue recognition as described in the accounting principles.

Accounting principles

FDJ operates a service business, namely the development and operation of lottery games and sports betting in a highly-regulated environment. Its remuneration (net gaming revenue – NGR), based on player stakes, is fixed for monopoly games and variable for online sports betting).

NGR is recognised once FDJ's obligations are all met. Performance obligations are different depending on the ranges of games:

- ◆ for **draw-based games**, FDJ's performance is complete when it has recorded the placing of the bets, organised the draw which determines the winning formula, calculated winnings and published the results and reports;
- ◆ for **scratch card games**, the chance event occurs before the presentation to the player of the gaming media (ticket). The sale is effective in FDJ's financial statements when a certain number of tickets have been sold, namely when those tickets are passed into the gaming terminals. Therefore, the sale is recognised before the booklet (batch of tickets), of either €150 or €300, is completely used up. Given the sales rhythm of the booklets, revenue recognition based on a unit sale would lead to revenue recognition very close to the current accounting treatment;

- ◆ for **sports betting**, principles are similar to draw-based games. The obligations undertaken by FDJ are met when the sporting event is completed, the winnings are calculated and the results and reports are published.

The Group's **turnover** is composed of NGR and revenue related to other activities, mainly IT services for foreign lottery operators. For development services, revenue is recognised by stage of completion. For maintenance activities, revenue is recognised over the course of the contract.

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

The Group has not opted for an early adoption of standards or interpretations as at 31 December 2018.

IFRS 16 "Leases", applicable for financial years beginning on or after 1st January 2019, requires lessees to recognise a liability for the discounted value of future rents and an asset corresponding to the right-of-use.

The identification and evaluation of the leases are in progress. FDJ plans to apply the modified retrospective method provided by IFRS 16 and to adopt the exemptions related to short-term and low-value contracts.

On this basis, the right-of-use asset as at 1st January 2019, corresponding to the lease liabilities, is around €30 million to €35 million. The underlying assets related to the right-of-use correspond mainly to property assets.⁽¹⁾

IFRIC 23 "Uncertainty over income tax treatments", applicable beginning 1st January 2019, has no impact on the Group financial statements.

2.1.3 Texts not yet adopted by the European Union

- ◆ Improvement of IFRS, cycle 2015-2017, beginning on 1st January 2019.
- ◆ Amendments to IAS 28, beginning on 1st January 2019.
- ◆ Amendments to IAS 19, beginning on 1st January 2019.

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

(1)

2.1.4 Estimates and judgements

Preparation of the financial statements in accordance with IFRS requires management to make judgements to define the accounting treatment in the financial statements. They are mainly related to the turnover presentation and the top lines of the income statement (see note 3.1).

Management also makes estimates, the effect of which is material on the amounts recognised, on the following items:

- ◆ property, plant and equipment and intangible assets (useful life and impairment) (see notes 4.1 and 4.2);
- ◆ financial assets (fair value of assets not listed on active markets) – see notes 6.1 and 6.2.

Given the uncertainties inherent in all valuation processes, the Group revises its estimates on the basis of regularly updated information. The future results of the transactions concerned may differ from these estimates.

These judgements and estimates have an effect on the application of the accounting policies and on the amount of the assets and liabilities, revenue and expenses.

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 on a historical cost basis, with the exception of financial assets and liabilities.

Assets and liabilities are presented in the statement of financial position splitting current and non-current items.

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;
- ◆ 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 liability in the normal operating cycle of its operation (trade payables) or in the 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 approved as at 31 December 2018 combine the financial statements of the parent company FDJ SA 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 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 date of the statement of financial position for assets and liabilities, and using the average exchange rate for income and expense items.

Foreign currency translation adjustments are recognised directly in other comprehensive income in the item "translation adjustment" and will be recognised in the income statement for the year at the date on which the business is sold.



NOTE 3 OPERATING DATA

3.1 Net gaming revenue and revenue

The player stakes are divided between the players, hedging of counterparty risk when applicable, public finances and FDJ.

Share returned to winners

The share of the player stakes set aside for winners, or the "rate of return to players", is set by the amended decree on the breakdown of player stakes of 9 March 2006, signed by the Budget Minister. It varies depending on the game:

- ◆ for draw-based games, it is between 50% and 70%;
- ◆ for scratch card games, it is in average between 50% and 70%;
- ◆ for sports betting across points of sale, it is a maximum of 76% over the year;
- ◆ for online sports betting, it is a maximum of 85% over the year.

Gross gaming revenue

Gross gaming revenue corresponds to the difference between player stakes and the share set aside for winners.

Structural allocation to counterparty funds

The decree on the breakdown of stakes of 9 March 2006 amended, defines the share of player stakes allocated to the structural allocation for counterparty funds intended to partially hedge the counterparty risk. The management of counterparty risk is described in note 3.3.

Government levies

These various deductions are representative of the amounts deducted on behalf of the State, which is why they are directly deducted from the player stakes.

General State Budget

Levies governed by Article 88 of Law no. 2012-1510 of 29 December 2012, amending finance act for 2012.

This corresponds, for each game, to the balance of player stakes net of winnings, structural allocations, tax and social security deductions and net gaming revenue.

Social-security deductions (CRDS and CSG) on lottery games

The **social security deductions** group the CRDS (social security debt retirement tax) and the CSG (supplementary social security tax).

CRDS: deduction defined by Article 18 of the Decree no. 96-50 dated 24 January 1996. The rate of CRDS is

calculated by applying a rate of 3% to a tax base of 25.5% of the amounts staked in metropolitan France and in the overseas departments, on the games operated by FDJ. The rate of CRDS is therefore 0.765% of the player stakes.

CSG: deduction defined by Articles L.136-7-1 and L.136-8 of the Social-Security Code. The rate of CSG is calculated by applying a rate of 8.6% to a tax base of 25.5% of the amounts staked in metropolitan France and in the overseas departments, on the games operated by FDJ. The rate of CSG is therefore 2.193% of the player stakes.

Deductions specific to sports betting: Betting tax deduction on sports betting and social-security deduction on sports betting

Tax deduction: deduction defined by Articles 302 bis ZH, ZK and ZL of the General Tax Code at a level of 5.7% of player stakes for sports betting.

Social-security deduction: deduction defined by Article L.137-21 of the Social Security Code at a level of 1.8% of player stakes for sports betting.

Centre National pour le Développement du Sport (National Centre for Sports Development): deduction defined by Articles 1609 (29) and 1609 (30) of the General Tax Code and 46 of the finance law n° 2011-1977 dated 28 December 2011 for 2012. The CNDS deduction corresponds to 1.8% of lottery player stakes and sports betting, with respective limits of €73,844 thousand and €34,600 thousand (for the whole of the market for sports betting), beyond which the payments are assigned to the General State Budget.

VAT: VAT, governed by chapter 1 of Title II of Book 1 of the General Tax Code, is based on the net gaming revenue. The applicable rate is 20%.

Net Gaming Revenue (NGR)

The NGR, net of amounts due to players and public deductions, is set as a percentage of player stakes by the decrees on distribution for lottery games and sports betting under monopolies:

| | 2018 | 2017 |
|---------------------------|-------|-------|
| Payback ratio < 65% | 12.6% | 12.6% |
| 65% ≤ Payback ratio < 70% | 11.3% | 11.4% |
| 70% ≤ Payback ratio < 75% | 10.9% | 11.0% |
| Payback ratio ≥ 75% | 10.1% | 10.3% |

For ParionsSport online, the NGR depends on the result of the player stakes.

The NGR is therefore net of winnings paid to players and amounts deducted for the State. It corresponds to FDJ's compensation for the organisation and placement of games.

Revenue

The Group's turnover is composed of NGR and revenue related to other activities, mainly other income arising from partnerships concluded by SGE and sales of software development and maintenance services provided by FGS France and FGS UK.

NGR, monitored by range of games, stands at €1,774 million on 31 December 2018 (€1,727 million on 31 December 2017).

| In millions of euros | 31.12.2018 | | | |
|----------------------|------------------|--------------------|-------|-------------|
| | Draw-based games | Scratch card games | Sport | Group total |
| Net gaming revenue | 624.2 | 853.2 | 296.9 | 1,774.3 |

| In millions of euros | 31.12.2017 | | | |
|----------------------|------------------|--------------------|-------|-------------|
| | Draw-based games | Scratch card games | Sport | Group total |
| Net gaming revenue | 639.7 | 834.4 | 252.7 | 1,726.8 |

Revenue from other activities stands at €28 million in 2018. In 2017, it also included rental revenue on point-of-sale equipment to intermediaries and retailers (€13.2 million) generated by FDJ. Following the agreement signed in the beginning of 2018 between FDJ, the Confédération des Buralistes (Confederation of tobacconists) and Culture Presse, the point-of-sale

equipment is, from 2018, provided free of charge to retailers.

Turnover stands at €1,803 million, up by 2.3% compared to 2017. This increase is driven by the growth in player stakes, partially offset by the drop in FDJ remuneration applied on 1 January 2018 and the free provision of point-of-sale equipment



3.2 Operating result

3.2.1 Current operating profit

Cost of sales stands at €1,100 million (+3.1%). It mainly includes the remuneration of the distribution network (€785 million; +4.0%), the increase in which is proportional to the increase in the activity.

Costs incurred to prepare the change to FDJ's shareholder structure stand at €4.1 million.

3.2.2 EBITDA

EBITDA, an alternative performance measure of the Group, corresponds to the current operating profit before depreciation and amortisation.

| In millions of euros | 31.12.2018 | 31.12.2017 |
|------------------------------------|--------------|--------------|
| Current operating profit | 251.1 | 261.3 |
| Net depreciations and amortisation | (63.6) | (54.4) |
| EBITDA | 314.7 | 315.7 |

3.2.3 Elements of the income statement by category

The details of personnel expenses are shown in 3.8.2.

Net provisions for depreciation on property, plant and equipment and intangible assets stood at €63.6 million in 2018 and €54.4 million in 2017. The acceleration in depreciation over 2018 is driven by the equipment and fixtures and fittings in points of sale and IT developments.

3.2.4 Other operating income and expenses

Unusual and material elements are shown in the operating result on the lines "other operating income" and "other operating expenses". These items essentially include restructuring costs, results of the disposal of property, impairment on capitalised assets and other non-recurring costs.

In 2018, other operating income mainly include the disposal of the site at Moussy-le-Vieux, which generated a net capital gain of €9 million. Other operating expenses

are related to costs incurred following the change of head office and the commercial restructuring.

In 2017, other operating expenses mainly included the costs incurred following the change of head office.

3.3 Player funds

Decree no. 78-1067 dated 9 November 1978 provides for the setting up of several funds in the books of the Française des Jeux. These funds correspond to the reserve fund, the permanent fund, the counterparty fund and the fund common to scratch card games. The decree specifies the means of supplying these funds and specifies that the amounts allocated to them can be used for the payment of extra lots or winnings to prizewinners or for assigning benefits in cash or in kind to all or some of the participants in the games. FDJ is their custodian. As such, these funds are recorded as liabilities.

Non-current player funds: counterparty funds 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. So, the total amounts that will actually be paid to winners cannot be precisely predetermined: it is sometimes below and sometimes above the share of player stakes set aside for players in the decree of the Budget Minister. Depending on the directions, these discrepancies may cause 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. A second level of counterparty risk pooling is provided via the permanent fund (see above).

These funds are intended to hedge counterparty risk, meaning the difference between the total amount of the stakes and the share devoted to winners (or rate of return to players). For Monopoly games, it is hedge by a counterparty fund, which may be supplied by a structural allocation (see 3.1). On competitive games, the counterparty risk directly affects the income statement.

At the launch of a game presenting a counterparty risk, an initial allocation is deducted from the permanent fund intended to provide the initial counterparty fund for the new game. Also, the texts governing lottery games and sports betting under monopolies state: "At the creation or during a substantial evolution of such a game, (FDJ) presents to the Budget Minister an estimate of the counterparty risks of this game. The Minister fixes, by order, the share of the player stakes allocated to the structural allocation to the counterparty fund intended to partially hedge the counterparty risk. "The amount of the initial allocation and the rate of this structural allocation are calculated in such a way that this fund is positive within a period of 1 year and with a probability of 95%.

Lastly, during the financial year, the fund is fed by the counterparty spreads (positive or negative). Indeed, during a draw (or a sporting event), the winners' share may be between zero and several times the total of the players' stakes. There is therefore a difference between these actual winnings and the winners' theoretical share. It is these differences, known as counterparty spreads, positive or negative, which are placed in the counterparty funds.

A **permanent fund**, supplied by surpluses from the counterparty fund, enables pooling of the counterparty risks for all games concerned, because in case of default of a counterparty fund, a deduction can be made from the permanent fund.

At the end of each financial year, the surpluses from the counterparty funds are recorded in the permanent fund. The permanent fund is limited to 0.5% of the player stakes for the financial year and at the end of the year, any surpluses are paid to the State. This fund may also be used to finance promotional operations.

Current player funds

Current player funds include the reserve funds and the funds intended for the promotion of the games.

In accordance with the decree related to the organisation and operation of authorised lottery funds and sports betting under exclusive rights, the **reserve fund** records the lots and winnings assigned to winners but not collected by them within the claim time limit. For draw-based games, this period is 60 days after the draw and for scratch cards, 30 days after closure of an issue. Each drawer-based game or sports bet proposed in the bricks-and-mortar network has its own reserve fund. From these funds, deductions may be made of all amounts necessary to the payment of additional lots or winnings or the assignment of benefits in cash or in kind to all or some of the participants in the game. Scratch card games have a common reserve fund. At the end of each year, the balance of the common reserve fund for scratch card games is transferred to the permanent fund.

The **funds intended for the promotion of games** (for example, funds carried forward, funds for super jackpot, etc.) contain sums carried forward to subsequent draws if there is no winner, for certain games and certain ranks of winnings.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|-----------------------------|-------------------|-------------------|
| Non-current player funds | 108.7 | 129.9 |
| Current player funds | 213.8 | 187.3 |
| TOTAL PLAYER FUNDS | 322.5 | 317.2 |

Permanent fund, limited to 0.5% of player stakes, follows their evolution. It stands at €79.1 million against €75.7 million on 31 December 2017 (+4.4%).

Counterparty funds stands at €29.6 million against €54.2 million on 31 December 2017, down by €24.6 million (45%). This decrease results notably from an increase in the rate of return to players for Keno.

Current player funds (€214 million against €187 million on 31 December 2017) include reserve fund (€100 million against €118 million on 31 December 2017) and funds allocated to games promotion (€114 million against €69 million on 31 December 2017). Their evolution is linked to the life-cycle of the games. Thus, their increase by €26 million is essentially attributable to Euro Millions-My Million and Loto[®], for which the jackpots of 28 December 2018 and 31 December 2018 were not won.

3.4 Current receivables

Upon initial recognition, current receivables are recorded at their fair value, taking into account payment due dates.

Receivables are subsequently recognised at amortised cost, which corresponds, in practice, to their nominal value. They are analysed regarding credit risk and expected loss. If the risk proves to be material, an impairment is recognised.

Game distribution network is debited on a weekly basis for the amount of player stakes collected, net of winnings paid out and their commissions. Player stakes are recorded on the asset side, while winnings and commissions are recorded on the liability side.



3.4.1 Distribution network receivables

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| Trade receivables | 13.1 | 24.6 |
| Distribution network receivables | 398.4 | 348.9 |
| TOTAL TRADE AND DISTRIBUTION NETWORK RECEIVABLES | 411.5 | 373.5 |

Trade receivables are related to the Group activity with foreign lotteries for the delivery of IT and related services.

Distribution network receivables correspond to player stakes collected by the network at the end of the year and not yet deducted by FDJ. Their evolution is explained by a timing effect and commercial restructuring.

3.4.2 Other operating assets

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|-------------------------------------|-------------------|-------------------|
| Pre-paid expenses | 52.9 | 43.5 |
| Other current receivables | 215.4 | 143.8 |
| TOTAL OTHER OPERATING ASSETS | 268.3 | 187.2 |

Pre-paid expenses (€39.5 million) are mainly related to expenses based on the player stakes collected, for which the draws will take place in 2019 (see 3.5.4), including winnings, government levies and distribution commissions.

Other current receivables mainly include advance payment on the permanent fund surplus (€200 million at the end of 2018 against €125 million at the end of 2017). Permanent fund is limited to 0.5% of the player stakes. Surplus is transferred to the State in two stages: an advance payment in December, then the balance in July of the following year.

3.5 Current debts

Upon initial recognition, current debts are recorded at their fair value, which corresponds to their nominal value, taking into account payment due dates.

Current debts are subsequently recognised at amortised cost.

3.5.1 Trade and Distribution network payables

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|--------------|--------------|
| Trade payables | 102.4 | 108.4 |
| Distribution network payables | 266.9 | 215.6 |
| TOTAL TRADE AND DISTRIBUTION NETWORK PAYABLES | 369.3 | 324.0 |

Debts to the distribution network correspond to winnings paid by retailers and network commissions at the end of the year.

Their evolution is explained by a timing effect and commercial restructuring.

3.5.2 Government levies

These deductions are due to the State, to the social-security agencies, local authorities and other public organisations (see 3.1).

Accounts payables to the State (€357 million on 31 December 2018 against €266 million at the end of 2017) mainly include permanent fund surplus (€208 million on 31 December 2018 and €137 million on 31 December 2017). Balance of €149 million (against €129 million on 31 December 2017) mainly includes:

- ◆ debts towards the General State Budget (€83 million against €66 million at the end of 2017);

- ◆ social-security deductions (CSG, CRDS and the deduction on sports bets): €21 million against €16 million at the end of 2017;

- ◆ deductions due to other local authorities (€45 million against €47 million at the end of 2017), mainly composed of the debt to the CNDS (€27 million against €31 million on 31 December 2017).

Excluding the permanent fund surplus, the level of government gaming levies follows the level of the activity at the end of 2018 which was stronger than at the end of 2017.

3.5.3 Winnings payable and distributable

It stands at €172 million against €196 million on 31 December 2017. It includes:

- ◆ winnings payable, which are non-expired remaining winnings to be paid to players (€119 million against €151 million on 31 December 2017);
- ◆ winnings to be distributed which mainly concern the draw-based games range. They correspond to winnings

on player stakes collected during the financial year and for which the draw will occur during the following financial year (€25 million against €21 million on 31 December 2017). They also Internet players advance payments (€28 million against €25 million on 31 December 2017), i.e. the amounts available in the wallets of players within their fdj.fr or parionsweb.fr accounts.

3.5.4 Other operating liabilities

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|--------------|--------------|
| Prepaid income | 42.7 | 34.0 |
| Other payables | 113.2 | 101.7 |
| OTHER CURRENT OPERATING LIABILITIES | 155.9 | 135.8 |

Other payables essentially include tax and social-security payables (€105 million against €98 million on 31 December 2017).

Prepaid income on games corresponds to player stakes collected in 2018 relating to draws or events taking place in 2019. They are transformed into player stakes within a maximum period of five weeks. Their increase of €10 million is due to Euro Millions player stake draw event of 1 January 2019 and collected in 2018.

3.6 Coverage of operating risks

3.6.1 Coverage of receivables risks

Group's receivables consist primarily of receivables of its distribution network corresponding to the stakes collected by them. FDJ necessary approval to market its games is given to retailers following the granting of a guarantee which is systematically requested.

The risk attached to receivables from retailers is analysed in particular by a monitoring committee, which regularly brings together persons in charge of Marketing, Financial, Legal, Security and Responsible Gaming Departments with decision-making ability, in particular, on 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 ageing and are in accordance with the expected credit loss model, taking into account extremely-short payment deadlines and existing systems for credit risk management. 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.

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

| In millions of euros | 31.12.2018 | | | | | | | |
|----------------------------|--------------|-------------|--------------------------------|----------------------|------------------------|------------|-------------|------------|
| | 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 | 670.4 | 22.2 | (12.8) | 9.4 | 4.8 | 2.4 | 1.6 | 0.5 |

| 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 | 551.7 | 21.1 | (11.6) | 9.5 | 6.5 | 1.5 | 0.8 | 0.7 |

3.6.2 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.

Currencies for which the Group has significant exposure for the financial year ending on 31 December 2018 are the US dollar, for a maximum equivalent amount of \$26.8 million and the British pound, for a maximum equivalent of £4.3 million.

The fair value of these derivative instruments is €0.3 million at the end of 2018, against €-0.2 million at the end of 2017, corresponding to the amount that the Group would have received (2018) or paid (2017) if it had cancelled its position.

In case of an increase of \$0.10 per €1 in the EUR/USD exchange rate applicable to derivative instruments held for economic hedging purposes and qualified as such, the valuation of these instruments would have decreased by €2.6 million. In case of a decrease of \$-0.10, it would have increased by €3.2 million.

In case of an increase of £0.10 for €1 in the EUR/GBP rate on derivative instruments held for economic hedging purposes and qualified as such, the valuation of these instruments would have dropped by €0.8 million. In case of a decrease of £-0.10, it would have increased by €1.0 million.

3.7 Inventories

Inventories are measured at the lowest of cost (determined using the "first in, first out" method) and net realisable value (estimated sales price net of related costs). They are depreciated according to their technical or commercial obsolescence.

At the end of 2018, as at the end of 2017, inventories relate primarily to gaming materials, i.e. scratch cards (€8.7 million vs. €10.5 million on 31 December 2017).

3.8 Personnel expenses and benefits

3.8.1 Group headcount

Weighted average headcount (WAH) for all types of contracts, including temporary contracts, during the financial years 2018 and 2017 for FDJ and the fully-consolidated entities was as follows:

| | 31.12.2018 | 31.12.2017 |
|---|--------------|--------------|
| TOTAL WEIGHTED AVERAGE HEADCOUNT | 2,292 | 2,287 |

WAH for 2018 includes SGE employees, fully-consolidated until 6 December 2018.

3.8.2 Personnel expenses

In addition to salaries and corresponding social-security expenses, personnel expenses include additional costs, including normal costs related to retirement benefits, temporary contracts costs, training and other expenses attached to personnel.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|--------------|--------------|
| Wages and salaries | 123.7 | 114.9 |
| Social security contributions | 66.7 | 61.4 |
| Employee profit-sharing and incentives | 24.4 | 24.2 |
| Long-term benefits | 3.0 | 3.3 |
| Other | 23.1 | 22.9 |
| TOTAL PERSONNEL EXPENSES | 240.9 | 226.7 |

The increase in personnel expenses is related to headcount changes (different population mixes in 2018 compared to 2017) and the implementation of salary policies.

3.8.3 Employee benefits

Employee benefits include short-term and long-term benefits. Short-term benefits are composed of paid leave, sickness leave, bonuses and other benefits, recognised as expenses for the financial year and current liabilities.

Long-term benefits cover:

- ◆ retirement benefits (defined-benefit scheme), which are post-employment benefits determined on the basis of employees wages and seniority at the end of their career. Contributions paid for defined contribution schemes are recognised in the social security expenses for the financial year. A provision is recognised for pension obligations, which are managed under a defined benefit plan;
- ◆ other long-term benefits include:
 - service recognition awards. These consist of days of leave and are subject to social security contributions. The annual expense is equal to the net change in the obligation;
 - health coverage. FDJ employees 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. Health coverage also constitutes a post-employment benefit.

To determine the present value of the obligations for the defined-benefit schemes, the Group uses the Projected Unit Credit Method, a retrospective method with projection of final salary. The obligations are measured annually, taking into account 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 other elements of comprehensive income and the impact of any changes on plans or new plans is included in the expense recognised in the income statement.

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 in the "operating profit";
- ◆ 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.

3.

| <i>In millions of euros</i> | 31.12.2017 | Allowances | Reversals | | Actuarial gains and losses | Other movements | 31.12.2018 |
|--|-------------|------------|--------------|--------------|----------------------------|-----------------|-------------|
| | | | Used | Unused | | | |
| Retirement indemnities | 33.3 | 2.6 | 0.0 | 0.0 | (3.7) | (0.3) | 32.0 |
| Service recognition awards | 5.9 | 0.2 | (0.1) | (0.1) | 0.0 | 0.0 | 6.0 |
| Health care costs | 7.9 | 0.6 | (0.1) | 0.0 | (0.9) | 0.0 | 7.6 |
| PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS | 47.2 | 3.5 | (0.2) | (0.1) | (4.6) | (0.3) | 45.6 |

| <i>In millions of euros</i> | 31.12.2016 | Allowances | Reversals | | Actuarial gains and losses | Other movements | 31.12.2017 |
|--|-------------|------------|--------------|--------------|----------------------------|-----------------|-------------|
| | | | Used | Unused | | | |
| Retirement indemnities | 35.6 | 2.9 | (0.1) | (3.1) | (2.0) | 0.0 | 33.3 |
| Service recognition awards | 5.7 | 0.4 | (0.2) | 0.0 | 0.0 | 0.0 | 5.9 |
| Health care costs | 5.7 | 3.7 | (0.1) | 0.0 | (1.4) | 0.0 | 7.9 |
| PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS | 47.0 | 7.0 | (0.3) | (3.1) | (3.3) | 0.0 | 47.2 |

The parameters below are used to determine the provision for retirement indemnities:

| | 31.12.2018 | 31.12.2017 |
|---------------------------------------|--------------------------|--------------------------|
| Discount rate | 1.55% | 1.30% |
| Salary increase rate * | 3.00% | 3.00% |
| <i>of wich employee turnover rate</i> | 2.00% | 2.00% |
| Employee turnover rate * | Management | 0.95% |
| | Non-management | 0.55% |
| Mortality table | INSEE TH-TF 2000-2002 | INSEE TH-TF 2000-2002 |

* Age-adjusted.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Actuarial obligation at the beginning of the period | 33.3 | 32.6 |
| Normal cost | 2.3 | 2.4 |
| Interest on the actuarial obligation | 0,4 | 0,4 |
| Actuarial gains (losses) | (3.7) | (2.0) |
| Pensions paid | 0.0 | (0.2) |
| Change of scope | (0.3) | 0.0 |
| ACTUARIAL OBLIGATION AT THE END OF THE PERIOD | 32.0 | 33.3 |

Pursuant to IAS 19 revised, changes in actuarial assumptions and experience adjustments give rise to actuarial differences that are recognised fully in other items of comprehensive income when they occur.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| Normal cost | 2.3 | 2.4 |
| Interest on the actuarial obligation | 0.4 | 0.4 |
| Pensions theoretically paid | 0.0 | (0.2) |
| Change of scope | (0.3) | 0.0 |
| Net cost in income | 2.4 | 2,7 |
| Recognised in other nontransferable equity | (3.7) | (2.0) |

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

NOTE 4 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

4.1 Intangible assets

Research and development expenses and intangible assets under development

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. It corresponds to projects developed internally, mainly related to the digitalisation and enhancement of the offer, both digital and at points of sale.

Other intangible assets

With the exception of goodwill, other intangible assets are measured at acquisition cost (purchase cost plus incidental expenses), less any accumulated amortisation or accumulated impairment losses.

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, and an average of 5 years, using the straight-line method.

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.

Impairment of intangible assets

In accordance with IAS 36, intangible assets 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 available for use are tested for impairment annually.

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



| <i>In millions of euros</i> | 31.12.2018 | | | 31.12.2017 | | |
|--------------------------------|--------------|----------------------------|--------------|--------------|----------------------------|-------------|
| | Gross | Amortisation Impairment | Net | Gross | Amortisation Impairment | Net |
| Research and development costs | 101.9 | (54.5) | 47.4 | 81.4 | (40.2) | 41.2 |
| Softwares | 136.2 | (115.9) | 20.2 | 134.2 | (107.4) | 26.9 |
| Other intangible assets | 39.5 | (2.3) | 37.2 | 30.1 | (1.8) | 28.3 |
| TOTAL INTANGIBLE ASSETS | 277.6 | (172.8) | 104.8 | 245.7 | (149.3) | 96.4 |

| <i>In millions of euros</i> | 31.12.2017 | Acquisitions Allowances | Disposals & Reversals | Reclassifi- cations | Other movements** | 31.12.2018 |
|---|----------------|----------------------------|--------------------------|------------------------|----------------------|----------------|
| Research and development costs | 81.4 | 6.3 | 0.0 | 14.2 | 0.0 | 101.9 |
| Softwares | 134.2 | 1.0 | (0.1) | 1.0 | 0.0 | 136.2 |
| Other intangible assets | 30.1 | 24.3 | 0.0 | (14.8) | (0.1) | 39.5 |
| Gross amounts | 245.7 | 31.6 | (0.1) | 0.4 | (0.1) | 277.6 |
| Development expenses amortisation/impairment | (40.2) | (14.4) | 0.0 | 0.0 | 0.0 | (54.5) |
| Software amortisation/impairment | (107.4) | (8.1) | 0.1 | (0.6) | 0.0 | (115.9) |
| Asset amortisation/other intangible assets | (1.8) | (0.2) | 0.0 | 0.6 | (0.8) | (2.3) |
| Amortisation and provisions | (149.3) | (22.7) | 0.1 | 0.0 | (0.8) | (172.8) |
| INTANGIBLE ASSETS, NET | 96.4 | 8.9 | 0.0 | 0.4 | (0.9) | 104.8 |

* Reclassifications from "work in progress" to "available-for-use"

** Mainly currency translation effect

| <i>In millions of euros</i> | 31.12.2016 | Acquisitions Allowances | Disposals & Reversals | Reclassifi- cations | Other movements** | 31.12.2017 |
|---|----------------|----------------------------|--------------------------|------------------------|----------------------|----------------|
| Research and development costs | 70.2 | 8.9 | (7.6) | 9.8 | 0.0 | 81.4 |
| Softwares | 138.8 | 2.9 | (6.6) | (0.7) | (0.1) | 134.2 |
| Other intangible assets | 22.7 | 19.7 | (2.5) | (9.7) | 0.0 | 30.1 |
| Gross amounts | 231.8 | 31.5 | (16.7) | (0.6) | (0.2) | 245.7 |
| Development expenses amortisation/impairment | (37.4) | (10.3) | 7.6 | 0.0 | 0.0 | (40.2) |
| Software amortisation/impairment | (106.4) | (8.3) | 6.6 | 0.6 | 0.1 | (107.4) |
| Asset amortisation/other intangible assets | (0.8) | (0.6) | 0.4 | 0.0 | (0.8) | (1.8) |
| Amortisation and provisions | (144.6) | (19.2) | 14.5 | 0.6 | (0.7) | (149.3) |
| INTANGIBLE ASSETS, NET | 87.2 | 12.3 | (2.2) | 0.0 | (0.9) | 96.4 |

* Reclassifications from "work in progress" to "available-for-use".

** Mainly currency translation effect

In 2017, as in 2018, major investments are related to the parent company and to developments to live and back-office information systems and gaming terminals. Disposals are primarily related to past development projects.

4.2 Property, plant and equipment

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.

Depreciation

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

| | |
|------------------------------------|-------------------------|
| Buildings | between 20 and 60 years |
| Fixtures and fittings in buildings | between 10 and 30 years |
| Gaming terminals | between 5 and 8 years |
| Equipment and furniture | between 5 and 10 years |

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

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.

Impairment of property, plant and equipment

See principles related to intangible assets in note 4.1.



| <i>In millions of euros</i> | 31.12.2018 | | 31.12.2017 | |
|--|--------------|-------------------------|--------------|--------------|
| | Gross | Depreciation Impairment | Net | Net |
| Land | 96.6 | 0,0 | 96.6 | 96.6 |
| Building facilities and amenities | 218.0 | (52.4) | 165.6 | 139.8 |
| Furniture, technical installations & points of sales equipment | 230.2 | (144.7) | 85.6 | 84.4 |
| Hardware | 65.5 | (54.2) | 11.3 | 12.0 |
| Local services equipment | 12.5 | (10.2) | 2.2 | 2.3 |
| Other property, plant and equipment | 38.6 | (34.2) | 4.5 | 5.2 |
| Property, plant and equipment under construction | 11.0 | 0.0 | 11.0 | 28.7 |
| Advances and payments on account | 2.0 | 0.0 | 2.0 | 4.1 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 674.5 | (295.7) | 378.8 | 373.1 |

| <i>In millions of euros</i> | 31.12.2017 | Acquisitions Allowances | Disposals & Reversals | Reclassifications * | Other movements | 31.12.2018 |
|--|----------------|-------------------------|-----------------------|---------------------|-----------------|----------------|
| Land | 96.6 | 0.0 | 0.0 | 0.0 | 0.0 | 96.6 |
| Building facilities and amenities | 239.6 | 17.8 | (60.5) | 21.2 | 0.0 | 218.0 |
| Furniture, technical installations & points of sales equipment | 222.5 | 22.1 | (17.1) | 2.7 | 0.0 | 230.2 |
| Hardware | 61.8 | 4.0 | (1.2) | 0.9 | 0.0 | 65.5 |
| Local services equipment | 12.1 | 1.3 | (1.1) | 0.2 | 0.0 | 12.5 |
| Other property, plant and equipment | 42.3 | 1.7 | (4.2) | 0.0 | (1.2) | 38.6 |
| Property, plant and equipment under construction | 28.7 | 7.7 | 0.0 | (25.4) | 0.0 | 11.0 |
| Advances and payments on account | 4.1 | 0.0 | 0.0 | 0.0 | (2.1) | 2.0 |
| Gross amounts | 707.7 | 54.6 | (84.0) | (0.4) | (3.3) | 674.5 |
| Building installations and amenities depreciation/impairment | (99.8) | (9.3) | 56.6 | 0.1 | 0.0 | (52.4) |
| Furniture, technical installations & POS equipment depreciation/impairment | (138.1) | (23.0) | 16.4 | 0.0 | 0.0 | (144.7) |
| Depr./imp. of IS hardware | (49.8) | (5.3) | 0.9 | 0.0 | 0.0 | (54.2) |
| Depr./imp. of Local services equipment | (9.7) | (1.4) | 0.9 | 0.0 | 0.0 | (10.2) |
| Depreciation/impairment of other property, plant and equipment | (37.1) | (2.0) | 4.1 | 0.0 | 0.8 | (34.2) |
| Impairment of property, plant and equipment under construction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation and provisions | (334.6) | (40.9) | 79.0 | 0.0 | 0.8 | (295.7) |
| NET PROPERTY, PLANT AND EQUIPMENT | 373.1 | 13.6 | (5.1) | (0.4) | (2.5) | 378.8 |

* Reclassifications from "work in progress" to "available for use".

| <i>In millions of euros</i> | 31.12.2016 | Acquisitions Allowances | Disposals & Reversals | Reclassifications * | Other movements | 31.12.2017 |
|--|----------------|-------------------------|-----------------------|---------------------|-----------------|----------------|
| Land | 96.6 | 0.0 | 0.0 | 0.0 | 0.0 | 96.6 |
| Building facilities and amenities | 237.2 | 5.2 | (2.7) | (0.1) | 0.0 | 239.6 |
| Furniture, technical installations & points of sales equipment | 232.7 | 15.0 | (29.9) | 4.7 | 0.0 | 222.5 |
| Hardware | 57.7 | 4.9 | (0.4) | (0.4) | 0.0 | 61.8 |
| Local services equipment | 11.5 | 1.5 | (2.0) | 1.1 | 0.0 | 12.1 |
| Other property, plant and equipment | 40.2 | 2.1 | 0.0 | 0.0 | 0.0 | 42.3 |
| Property, plant and equipment under construction | 5.0 | 26.8 | 0.0 | (3.1) | 0.0 | 28.7 |
| Advances and payments on account | 1.9 | 0.0 | 0.0 | (1.6) | 3.9 | 4.1 |
| Gross amounts | 682.8 | 55.5 | (35.1) | 0.6 | 3.9 | 707.7 |
| Building installations and amenities depreciation/impairment | (94.9) | (7.4) | 2.5 | 0.0 | 0.0 | (99.8) |
| Furniture, technical installations & POS equipment depreciation/impairment | (147.7) | (20.1) | 29.7 | 0.0 | 0.0 | (138.1) |
| Depr./imp. of IS hardware | (46.3) | (4.4) | 0.4 | 0.4 | 0.0 | (49.8) |
| Depr./imp. of Local services equipment | (9.6) | (1.0) | 2.0 | (1.1) | 0.0 | (9.7) |
| Depreciation/impairment of other property, plant and equipment | (34.9) | (2.3) | 0.0 | 0.0 | 0.0 | (37.1) |
| Impairment of property, plant and equipment under construction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation and provisions | (333.3) | (35.2) | 34.6 | -0.6 | 0.0 | (334.6) |
| NET PROPERTY, PLANT AND EQUIPMENT | 349.4 | 20.3 | (0.5) | 0.0 | 3.9 | 373.1 |

* Reclassifications from "work in progress" to "available for use".

In 2017, as in 2018, 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.

NOTE 5 PROVISIONS, CONTINGENT LIABILITIES AND OFF-BALANCE-SHEET COMMITMENTS

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, defined individually, corresponds to an outflow of resources that the Group has deemed probable. With the exception of those for employee benefits, provisions are not discounted.

Provisions estimated by the Group to be settled within twelve months after the reporting date, and those related to the normal operating cycle are presented as current liabilities. Other provisions are presented as non-current liabilities.

Non-current and current provisions mainly cover litigation risks, operating risks, restructuring costs and costs related to the change of head office.

A **contingent liability** is a potential obligation resulting from a past event for which the outcome is uncertain, or a current obligation resulting from a past event for which the amount cannot be reliably estimated.

5.1 Provisions and contingent liabilities

| <i>In millions of euros</i> | 31.12.2017 | Allowances | Reversals | | Other movements | 31.12.2018 |
|------------------------------|------------|------------|-----------|--------|-----------------|------------|
| | | | Used | Unused | | |
| Total non-current provisions | 36.7 | 0.5 | 0.0 | (0.3) | 0.7 | 37.6 |
| Total current provisions | 30.9 | 9.5 | (8.5) | (6.6) | (0.4) | 24.9 |

The amount of provisions corresponds to the best estimate of the risk.

In accordance with the exception specified by IAS 37, the details of provisions are not communicated because they could cause serious prejudice to FDJ in a dispute against third parties on the subject of the provision, the contingent liability or the contingent asset.

| <i>In millions of euros</i> | 31.12.2016 | Allowances | Reversals | | Other movements | 31.12.2017 |
|------------------------------|------------|------------|-----------|--------|-----------------|------------|
| | | | Used | Unused | | |
| Total non-current provisions | 36.7 | 0.0 | 0.0 | 0.0 | 0.0 | 36.7 |
| Total current provisions | 35.6 | 9.1 | (9.8) | (4.0) | 0.0 | 30.9 |



5.2 Off-balance-sheet commitments

5.2.1 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 has given LCL a counter-guarantee of the same amount, and the FCPE has signed with FDJ a promise to repay funds received or to sell shares, without

obligation of purchase for FDJ. These commitments were renewed for a period of two years, beginning on 1 June 2018.

Following the project for the privatisation of FDJ, the FCPE has been blocked for an indeterminate period since 27 July 2018. This situation does not change FDJ's commitments.

5.2.2 Other commitments

Other commitments are described in the table below:

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Commitments given | | |
| Deposits and first-demand guarantees | 12.0 | 7.3 |
| Investment funds | 20.0 | 20.0 |
| Performance bonds | 79.1 | 122.5 |
| Image rights for cyclists and commitment to the Association L'Échappée | 1.0 | 1.1 |
| Escrow account | 1.1 | 1.1 |
| Property rental (buildings and vehicles) | 37.3 | 32.4 |
| Mortgage on goods acquired | 113.8 | 123.1 |
| Other commitments given | 4.1 | 3.0 |
| TOTAL COMMITMENTS GIVEN | 268.3 | 310.5 |
| Commitments received | | |
| Performance bonds and return of payments on account | 57.4 | 54.0 |
| Guarantees for return of stakes and payment of winnings | 249.5 | 138.3 |
| Furniture rentals | - | 5.8 |
| Other commitments received | - | 33.3 |
| TOTAL COMMITMENTS RECEIVED | 306.9 | 231.3 |

Performance bonds given correspond to irrevocable purchase commitments made by the Group to its suppliers.

Pledge of mortgage given by the Group in 2016 relates to the loan contracted for the acquisition of head-office (including principal, interest and accessories).

Commitments received on guarantees for the return of stakes and payment of winnings are related to the financial guarantees provided by the retailers newly exercising an activity with FDJ. Newly approved retailers are required to provide a financial guarantee to hedge default payment. Their increase between 2017 and 2018 is explained by commercial restructuring and more precisely, transition to direct distribution mode. In this distribution mode, guarantees provided by retailers are

in favour of FDJ, which is in charge of debt collection. Previously, the beneficiaries of these guarantees and in charge of debt collection, were the intermediaries of the distribution network.

Investment funds primarily comprise Partech and Raise, innovation funds that support the development of start-ups.

5.2.3 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.

There are no reciprocal commitments as at 31 December 2018.

NOTE 6 CASH AND FINANCIAL INSTRUMENTS

6.1 Financial assets and liabilities

Investment securities

Upon initial recognition and subsequent measurement, securities at fair value through profit and loss are measured by reference to prices in organised markets at the balance sheet. For securities for which there is no active market, fair value is determined using valuation techniques (recent arms' length transactions, reference to the current fair value of another equivalent instrument, discounted cash flow analysis or other valuation models).

Equity investments are individually measured at fair value through profit and loss or at fair value through comprehensive income, when they are not held for trading purposes.

Term deposits

Term deposits are measured at amortised cost and subject to an analysis on their expected credit losses.

Other non-current financial assets

Other non-current financial assets include Euro Millions game deposit, as well as other deposits and guarantees. They are measured at amortised cost.

Debt

Financial debts are measured at amortised cost.

Derivative financial instruments

FDJ Group still applies IAS 39 on hedging transactions.

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. Derivative financial instruments are qualified by the Group as hedges if the following conditions are met:

- ◆ formal documentation from the inception of the hedging relationship;
- ◆ hedge efficiency test between 80% and 125% during the entire transaction;
- ◆ in the case of a future event hedging, the event must be very likely to happen.

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 transferable equity.

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.



| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| Non-current available-for-sale financial assets | 0.0 | 716.7 |
| Non-current financial assets at amortised cost | 628.0 | 0.0 |
| Non-current financial assets at fair value through profit or loss | 111.2 | 21.9 |
| Other non-current financial assets | 41.4 | 32.6 |
| Total non-current financial assets | 780.6 | 770.2 |
| Current available-for-sale financial assets | 0.0 | 50.0 |
| Current financial assets at amortised cost | 55.0 | 0.0 |
| Current derivatives | 0.6 | 0.2 |
| Deposits and guarantees | 0.2 | 0.0 |
| Loans to third parties | 0.0 | 0.0 |
| Total current financial assets | 55.8 | 50.2 |
| TOTAL FINANCIAL ASSETS | 836.4 | 820.5 |
| Long-term debt | 96.1 | 104.1 |
| Total non-current financial liabilities | 96.1 | 104.1 |
| Financial debt, maturing in less than one year | 8.0 | 7.5 |
| Current derivatives | 0.1 | 0.0 |
| Other financial liabilities | 33.8 | 44.9 |
| Total other financial liabilities | 41.8 | 52.5 |
| TOTAL FINANCIAL LIABILITIES | 137.9 | 156.4 |

With interest rates still negative, in 2018, FDJ pursued its investment policy in term deposits with a 5 years horizon, mainly renewal of transactions reaching maturity. In accordance with the Company's asset allocation policy, other medium-term and long-term investments in UCITS were also set up, often resulting from switching existing products. Both elements explain the slight increase in non-current financial assets (+€10 million) over the period.

Deposit paid under the surety trust agreement, which aims to protect the assets of online players, amounts at

€9.6 million on 31 December 2018, up by €4 million as compared to 31 December 2017, due to business growth.

Long-term financial debt of €96 million, of which €8 million with a maturity at less than one year (€104 million on 31 December 2017) is related to the acquisition of the Group new head office. This loan is at a fixed rate maturing on 24 November 2031.

Current financial liabilities mainly include bank overdrafts and indebtedness related to FDJ commitment to repurchase its shares.

6.2 Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents consist of 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.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Investments, cash equivalents | 128.4 | 112.9 |
| Bank accounts and other credit balances | 38.8 | 52.9 |
| CASH AND CASH EQUIVALENTS IN THOUSANDS OF EUROS | 167.2 | 165.8 |

Cash equivalent investments include interest-bearing term deposits or sight deposits (€64 million) and units of UCITS for €64 million (of which €64 million related to Euro Millions fund). Negative interest rates tend to limit investments in cash and cash equivalents.

The Group is not aware of any major restrictions that would limit its ability to access the assets of subsidiaries controlled by it.

6.3 Net profit (loss) from financial items

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Cost of financial indebtedness | (0.9) | (0.2) |
| Gains on disposals | 0.1 | 3.9 |
| Interest on investments | 5.3 | 4.0 |
| Financial income on securities valued at fair value through profit or loss | - | 0.6 |
| Other financial income | 0.0 | 1.6 |
| Financial income | 6.3 | 10.2 |
| Derivatives (expenses) | - | (0.2) |
| Financial expenses on securities valued at fair value through profit or loss | (6.2) | - |
| Foreign exchange losses | (0.1) | (1.7) |
| Other financial expenses | (0.5) | (3.5) |
| Financial expenses | (6.8) | (5.4) |
| NET PROFIT (LOSS) FROM FINANCIAL ITEMS | (1.5) | 4.5 |

Cost of financial indebtedness corresponds mainly to interest expense on the loan related to the acquisition of the head office.

The reduction in interest income on investments is the result of the drop in interest rates (which continued falling in 2018 with a negative EONIA throughout 2018 - average EONIA of -0.37%).

The reduction of gains on disposal and net result resulting from the change in fair value is linked with the market decrease.

FDJ is exposed to foreign exchange risk related to purchases denominated in foreign currency (mainly the US dollar). The positive change in net foreign exchange result over the period is due to changes in this currency.

Other financial expenses included actuarial interest expense relating to pension obligations and the revaluation of current financial liabilities.

6.4 Financial risk management policy

6.4.1 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 Finance Director 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> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Non-current available-for-sale financial assets | 0.0 | 716.7 |
| Non-current financial assets at amortised cost | 628.0 | 0.0 |
| Non-current assets measured at fair value through profit or loss | 111.2 | 21.0 |
| Total non-current financial assets | 739.2 | 737.7 |
| Current available-for-sale financial assets | 0.0 | 50.0 |
| Current financial assets at amortised cost | 55.0 | 0.0 |
| Current derivatives | 0.6 | 0.2 |
| Total current investment securities | 55.6 | 50.2 |
| Investments, cash equivalents | 128.4 | 112.9 |
| TOTAL INVESTMENTS | 923.2 | 900.7 |

As at 31 December 2018, investments were mainly composed of UCITS for €143 million and investments with counterparties for €780 million (including €697 million of

term deposits, €56 million of interest-bearing sight deposits and €27 million of EMTN) against €163 million and €738 million on 31 December 2017 respectively.

The credit risk analysis breaks down as follows:

| Amounts outstanding | Total amount outstanding in millions of euros at 31.12.2018 | 0-€25 million | €25-€50 million | €50-€100 million | €100-€150 million |
|----------------------------|--|--------------------------|----------------------------|-----------------------------|------------------------------|
| Rating | | | | | |
| AA/Financial institutions | 288 | 3 | 1 | | 2 |
| AA/Other | | | | | |
| A/Financial institutions | 493 | 7 | 3 | 3 | 1 |

6.4.2 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.

Outstanding investments on short-term instruments are consistent with FDJ's cash management policy.

6.4.3 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.

As at 31 December 2018, 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.

6.5 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.

6.5.1 Impact on the statement of financial position

| In millions of euros | Category IAS 39 (2017)/IFRS 9 (2018) | | 31.12.2018 | | 31.12.2017 | |
|---|--|----------------|----------------|----------------|----------------|----------------|
| | | | Book value | Fair value | Book value | Fair value |
| Cash | Fair value through profit or loss | Level 1 | 38.8 | 38.8 | 52.9 | 52.9 |
| Cash equivalents | - | Level 2 | 128.4 | 128.4 | 112.9 | 112.9 |
| | Available-for-sale financial assets | Level 2 | | | 112.9 | 112.9 |
| | Loans and receivables at amortised cost | Level 2 | 75.0 | 75.0 | | |
| | Fair value through profit or loss | Level 2 | 53.4 | 53.4 | | |
| Non-current financial assets | - | | 780.6 | 780.6 | 770.2 | 770.2 |
| Including non-current available-for-sale financial assets | Available-for-sale financial assets | Level 2 | | | 716.7 | 716.7 |
| Including non-current financial assets at amortised cost | Loans and receivables at amortised cost | Level 2 | 628.0 | 628.0 | 0.0 | 0.0 |
| Including non-current financial assets at fair value through profit or loss | Fair value through profit or loss | Level 2 | 111.2 | 111.2 | 20.9 | 20.9 |
| including Other non-current financial assets | Loans and receivables at amortised cost | Level 2 | 41.4 | 41.4 | 32.6 | 32.6 |
| Current financial assets | - | Level 2 | 55.8 | 55.8 | 50.2 | 50.2 |
| Including Current available-for-sale financial assets | Available-for-sale financial assets | Level 2 | | | 50.0 | 50.0 |
| Including Current financial assets at amortised cost | Loans and receivables at amortised cost | Level 2 | 55.0 | 55.0 | 0.0 | 0.0 |
| Including Current derivatives | Fair value through shareholders' equity | Level 2 | 0.6 | 0.6 | 0.2 | 0.2 |
| Including Deposits and guarantees | Loans and receivables at amortised cost | Level 2 | 0.2 | 0.2 | 0.0 | 0.0 |
| Trade and distribution network receivables | | | 411.5 | 411.5 | 373.5 | 373.5 |
| Including Trade receivables | Loans and receivables at amortised cost | Level 2 | 13.1 | 13.1 | 24.6 | 24.6 |
| Including Distribution network receivables | Loans and receivables at amortised cost | Level 2 | 398.4 | 398.4 | 348.9 | 348.9 |
| Other operating assets, not including pre-paid expenses | - | | 215.4 | 215.4 | 143.8 | 143.8 |
| TOTAL FINANCIAL INSTRUMENTS – ASSETS | | | 1,630.5 | 1,630.5 | 1,503.5 | 1,503.5 |
| Non-current player funds | Financial liabilities at amortised cost | Level 2 | 108.7 | 108.7 | 129.9 | 129.9 |
| Non-current financial liabilities | Financial liabilities at amortised cost | Level 2 | 96.1 | 96.1 | 104.1 | 104.1 |
| Trade and distribution network payables | | | 369.3 | 369.3 | 324.0 | 324.0 |
| Suppliers | Financial liabilities at amortised cost | Level 2 | 102.4 | 102.4 | 108.4 | 108.4 |
| Distribution network payables | Financial liabilities at amortised cost | Level 2 | 266.9 | 266.9 | 215.6 | 215.6 |
| Current player funds | Financial liabilities at amortised cost | Level 2 | 213.8 | 213.8 | 187.3 | 187.3 |



| In millions of euros | Category IAS 39 (2017)/IFRS 9 (2018) | | 31.12.2018 | | 31.12.2017 | |
|--|---|---------|----------------|----------------|----------------|----------------|
| | | | Book value | Fair value | Book value | Fair value |
| Government levies | Financial liabilities at amortised cost | Level 2 | 357.2 | 357.2 | 265.9 | 265.9 |
| Winnings payable and distributable | Financial liabilities at amortised cost | Level 2 | 171.7 | 171.7 | 196.4 | 196.4 |
| Other operating liabilities, not including pre-paid income | Financial liabilities at amortised cost | Level 2 | 113.2 | 113.2 | 101.7 | 101.7 |
| Other current financial liabilities | Financial liabilities at amortised cost | Level 2 | 41.8 | 41.8 | 52.5 | 52.5 |
| TOTAL FINANCIAL INSTRUMENTS – LIABILITIES | | | 1,471.9 | 1,471.9 | 1,361.7 | 1,361.7 |

Level 1: prices listed on active markets.

Level 2: use of data, other than prices listed for an identical instrument, observable directly or indirectly on the market (data corroborated by the market: interest rate curve, swap rate, multiples method, etc.).

Level 3: valuation techniques based on non-observable data such as projections or in-house data.

6.5.2 Impact on the income statement

| In millions of euros | Financial result | | | Operating result | |
|--|------------------|-----------------------------------|-----------------|----------------------|--|
| | Interest | Fair value through profit or loss | Disposal income | Other ⁽¹⁾ | |
| Available-for-sale financial assets ⁽²⁾ | 4.0 | 0.0 | 3.9 | 0.0 | |
| Financial assets valued at fair value through profit or loss | 0.0 | 0.6 | 0.0 | 0.0 | |
| Financial assets at amortised cost | 0.0 | 0.0 | 0.0 | (4.2) | |
| Derivatives | 0.0 | (0.2) | 0.0 | 0.0 | |
| Total at 31.12.2017 | 4.0 | 0.4 | 3.9 | (4.2) | |
| Available-for-sale financial assets ⁽²⁾ | 0.0 | 0.0 | 0.0 | 0.0 | |
| Financial assets valued at fair value through profit or loss | 0.0 | (6.2) | 0.0 | 0.0 | |
| Financial assets at amortised cost | 5.3 | 0.0 | 0.0 | (1.1) | |
| Derivatives | 0.0 | 0.0 | 0.0 | 0.0 | |
| TOTAL AT 31.12.2018 | 5.3 | (6.2) | 0.0 | (1.1) | |

(1) Losses on bad debts.

(2) Note 6.1.

6.5.3 Impact on transferable equity

| In millions of euros | Gross amount | Tax | Net amount |
|------------------------------------|--------------|--------------|------------|
| Balance at 31 December 2016 | 8.1 | (3.1) | 5.0 |
| Changes in fair value | 0.5 | 0.0 | 0.5 |
| Change in taxes | 0.0 | (0.2) | (0.2) |
| Balance at 31 December 2017 | 8.6 | (3.2) | 5.3 |
| First application of IFRS 9 | (8.6) | 3.2 | (5.3) |
| BALANCE AT 31 DECEMBER 2018 | 0.0 | 0.0 | 0.0 |

Transferable equity on financial assets measured at fair value through equity on 31 December 2017 were reclassified in consolidated reserves on 1 January 2018, following the first application of IFRS 9.

NOTE 7 INVESTMENTS IN JOINT-VENTURES

7.1 Share of income from joint ventures

| <i>In millions of euros</i> | Total |
|--|--------------|
| Value of securities at 31.12.2016 | 12.9 |
| Group share of 12.17 earnings | 1.2 |
| Gross dividends | (0.6) |
| Changes in foreign exchange rates | (0.8) |
| Value of securities at 31.12.2017 | 12.7 |
| Change of scope | 0.1 |
| Group share of 12.18 earnings | 0.8 |
| Gross dividends | (0.7) |
| Changes in foreign exchange rates | (0.1) |
| VALUE OF SECURITIES AT 31.12.2018 | 12.8 |

7.2 Joint venture data

7.2.1 Société de Gestion de L'Échappée (SGE)

SGE, held 50% by FDJ and 50% by Groupama, manages the Groupama-FDJ cycling team. The association L'Échappée remains responsible for defining the sports programme and managing any activities linked to amateur cycling and ethical issues. Sponsoring contract between FDJ and SGE was €7.3 million over 2018.

7.2.2 LEIA (Lotteries Entertainment Innovation Alliance)

The Group holds a 25% stake in the Norwegian joint-venture Lotteries Entertainment Innovation Alliance AS, operating a platform for distributing digital games, and located in Norway. The other shareholders are Danske Lotteri Spil, Denmark (25%), Norsk Tipping, Norway (25%) and Veikkaus, Finland (25%). The Group had no significant business relationship with this company in 2018.

7.2.3 Beijing Zhongcai Printing

The Group 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 the Chinese lottery CWL (China Welfare Lottery) (40%) and Berjaya Limited (23%), a Malay group.

The Group had no significant commercial relationships with this company in 2018. BZP paid the Group dividends, net of currency translation effects and withholding taxes, of €0.6 million in 2018 and €0.5 million in 2017.

7.2.4 Services aux Loteries en Europe (SLE)

The Group holds a 26.57% 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. None of the transactions with this company has a material impact on the Group.

7.2.5 National Lotteries Common Services (NLCS)

The Group holds a 50% 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 other shareholder is SCML, the Portuguese state lottery Santa Casa de la Misericordia de Lisboa. None of the transactions with this company has a material impact on the Group.



NOTE 8 INCOME TAXES

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

Tax rates used are rates that were adopted or almost adopted at the end of the period of presentation of the financial information 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, as well as tax deficits. It is determined using the variable carryforward method. A deferred tax asset is only recognised to the extent that it is very likely 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 statement of financial position per tax entity.

8.1 Income tax expense

Net growth of the Group tax expense is €3 million. In 2017, tax expense included the exceptional additional contribution of 15% on tax for companies with a turnover exceeding €1 billion, of €13 million, fully offset by the removal and repayment of the additional contribution on dividends of €15 million. Restated by these elements, the tax expense is stable.

8.2 Deferred tax

| In millions of euros | 31.12.2018 | | 31.12.2017 | |
|-------------------------------------|-------------|---------------|-------------|---------------|
| | Assets | Liabilities | Assets | Liabilities |
| Non-deductible provisions | 10.6 | | 11.7 | |
| Temporarily non-deductible expenses | 5.8 | | 5.8 | |
| Other consolidation adjustments * | | (37.3) | | (36.0) |
| Other temporary differences | 1.7 | | 1.0 | |
| Total deferred tax | 18.1 | (37.3) | 18.6 | (36.0) |
| NET DEFERRED TAX | | (19.2) | | (17.5) |

* Mainly accelerated depreciation and amortisation allowance

8.3. Tax reconciliation

| In millions of euros | 31.12.2018 | 31.12.2017 |
|---|---------------|---------------|
| Consolidated accounting profit before tax and effect of equity-accounting | 255.2 | 262.6 |
| Standard theoretical income tax rate | 34.43% | 34.43% |
| Theoretical tax expense | 87.9 | 90.4 |
| Effects of items generating differences from theoretical tax: | | |
| ◆ Permanent differences | 0.2 | 2.6 |
| ◆ Tax rate effect | (0.4) | 10.4 |
| ◆ Tax credits | (2.1) | (5.2) |
| ◆ Unused tax loss carry forwards net of uses | 0.0 | (0.4) |
| ◆ Additional contribution on dividends | | (15.0) |
| Total differences between effective tax and theoretical tax | (2.3) | (7.6) |
| TOTAL EFFECTIVE TAXES | 85.6 | 82.8 |
| EFFECTIVE TAX RATE | 33.53% | 31.55% |

2017 was marked by two major non-recurring events concerning tax, described in section 8.1.

NOTE 9 SHAREHOLDERS' EQUITY

9.1 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.

The shareholders, as at 31 December 2018, were the following:

| | 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 2017 financial year were €130 million, i.e. €650 per share.

The total dividend to be proposed to the Annual General Meeting is €122 million, i.e. €610 per share.

9.2 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.

FDJ's Articles of Association (Article 48) provides the constitution of a statutory reserve to cope with rare risks (repeated peak risks, very low frequency of occurrence with very high amount of several game events which occur over a given period) and extreme risks (peak risk, very low frequency of occurrence, very high amount). This statutory reserve may be used in "rare and extreme" cases or when the counterparty fund and the permanent fund (see 3.3) would not be sufficient to hedge the risks of the game.

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 €45 million at the end of 2018, based on the 2017 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 2018, they were covered up to €40 million.

The statutory reserve amounts at €85 million on 31 December 2018.

In May 2014, FDJ launched a sales restructuring programme aimed at enhancing the performance of the Company and its network. 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.

The Board of Directors noted on 15 December 2016 that Soficoma no longer met the conditions necessary to be FDJ shareholder, as it was no longer held by FDJ broker-agents. As a consequence, in accordance with FDJ's Articles of Association, the Board of Directors decided to have FDJ buy back the shares held by Soficoma. FDJ then carried out the payment for this transaction. With Soficoma contesting this transaction, FDJ filed a lawsuit on 23 May 2017. The dispute is currently pending nearby the Commercial Court of Marseille.



NOTE 10 DETAILS OF CASH FLOW

Capital expenditures net of corresponding advances stand at €92.9 million in 2018 (€88.6 million in 2017), of which:

- ◆ intangible assets capital expenditures of €31.6 million in 2018 (€31.5 million in 2017), which cover developments to production and back-office information systems, as well as gaming terminals;
- ◆ property, plant and equipment capital expenditures of €54.6 million in 2018 (€55.5 million in 2017) related to the head office premises and point-of-sale furniture;

- ◆ variations in corresponding advance payments of €6.7 million.

Gains on disposals of assets of €14.7 million, mainly relate to the disposal of the Moussy-le-Vieux site.

Growth in the change in operating working capital of €25.8 million (€53.2 million) is mainly related to gaming activities.

The Group repaid €8 million of the original long-term debt of €120 million, subscribed in 2016 to partially finance the acquisition of the head office.

NOTE 11 TRANSACTIONS WITH RELATED PARTIES

11.1 French Government

The French Government is the major shareholder with the option to control decisions requiring the approval of shareholders.

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 in this regard on the income statement and in the statement of financial position for the last two years are as follows:

| <i>In millions of euros</i> | | 31.12.2018 | 31.12.2017 |
|----------------------------------|-------------------|-------------------|-------------------|
| Financial position - Liabilities | Government levies | 357.2 | 265.9 |

| <i>In millions of euros</i> | | 31.12.2018 | 31.12.2017 |
|-----------------------------|--------------------------|-------------------|-------------------|
| Income statement | Government gaming levies | 3,261.8 | 3,235.7 |

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.

No material transactions have been entered into with members of governing bodies having a significant influence on the Group.

The allowance granted to the FDJ Corporate Foundation totalled €8 million in 2017 (nil in 2018).

NOTE 12 EXECUTIVE REMUNERATION

In 2018, the remuneration of senior management (corporate officers), including social-security contributions, stands at €0.8 million. It corresponds only to short-term benefits.

NOTE 13 ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES

In December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate - UNDJ) brought proceedings before the Court of First Instance in Paris. The Court declared the UNDJ inadmissible in bringing an action for annulment of the agent-broker contract signed in 2003 and in its petition to have FDJ pay the damages. The UNDJ appealed this judgement in May 2018 and the Paris Court of Appeal pronounced that the petition of appeal from the UNDJ was no longer applicable on 19 December 2018. Also, in May 2012, UNDJ members filed a lawsuit against Française des Jeux with the Commercial Court of Nanterre requesting that the amendment of 2003 be judicially terminated. This procedure is currently subject to a stay of proceedings.

On 6 August 2015, 67 agent-brokers brought proceedings against La Française des Jeux in the Commercial Court of Paris. They made claims for damages following the termination of their Agent-broker contracts. In October 2016, the Court ruled against the broker-agents on all of their claims. They appealed this decision in November 2016 to the Paris Court of Appeal. The Court has heard the case and judgement has been fixed for 27 March 2019.

On 23 May 2017, FDJ filed a lawsuit against Soficoma, a civil society, seeking legal recognition of its loss of status as a shareholder of FDJ. The case is currently before the Commercial Court of Marseille and is scheduled to be heard on 7 February 2019.

NOTE 14 SUBSEQUENT EVENTS

An acquisition is underway, it should be finalised in the coming weeks.

NOTE 15 LIST OF CONSOLIDATED COMPANIES – CHANGES IN CONSOLIDATION SCOPE

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 consolidates 14 companies as at 31 December 2018.

On 6 December 2018, Groupama acquired 50% of SGE, now jointly controlled. This disposal gave rise to no capital gain or loss.

On 1 October 2018, FDJ finalised the creation of a joint venture with Danske Lotteri Spil (Denmark), Norsk Tipping

(Norway) and Veikkaus (Finland), named LEIA (Lotteries Entertainment Innovation Alliance), a company incorporated in Norway, a platform for the distribution of digital games. Each shareholder holds 25% of LEIA.

The Group consolidates 13 companies as at 31 December 2017. There was no change of scope over this period.

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.

Given the non-material nature of Association L'Échappée and the FDJ Corporate Foundation, these two entities are not consolidated.



| Name of entity | Headquarters | Consolidation method 2018 ⁽¹⁾ | Consolidation method 2017 ⁽¹⁾ | Activity | 2018 Control | 2017 Control |
|---|--------------|--|--|--|--------------|--------------|
| La Française des Jeux | France | FC | FC | Organisation of lottery games and betting | 100% | 100% |
| FGS France | France | FC | FC | Development and supply of digital lottery technologies | 100% | 100% |
| FDJ Gaming Solutions (FGS) | France | FC | FC | Holding | 100% | 100% |
| Beijing Zhongcai Printing | China | EM | EM | Printing of lottery tickets | 37% | 37% |
| La Française de Motivation | France | FC | FC | Business travel consulting agency Travel agency | 100% | 100% |
| La Pacifique des Jeux | France | FC | FC | Operation of lottery games in French Polynesia | 99.99% | 99.99% |
| FDJ Développement | France | FC | FC | Distribution of lottery games and sports betting in the French Antilles | 100% | 100% |
| La Française d'Images | France | FC | FC | Technical audiovisual services | 100% | 100% |
| Société de Gestion de L'Échappée | France | EM | FC | Management and promotion of a cycling team | 50% | 100% |
| FDP | France | FC | FC | Distribution of lottery games and betting in mainland France | 100% | 100% |
| Services aux Loteries en Europe | Belgium | EM | EM | Provision of services for national lottery agents in connection with the operation of EuroMillions | 26.57% | 26.57% |
| FGS UK | UK | FC | FC | Development of sports betting technology | 100% | 100% |
| National Lotteries Common Services (NLCS) | France | EM | EM | Provision of services associated with the operation of sports betting | 50.00% | 50.00% |
| Lotteries Entertainment Innovation Alliance AS (LEIA) | Norway | EM | - | Operation of digital gaming platforms | 25.00% | - |

(1) FC: full consolidation ; EM: accounted for using the equity method

NOTE 16 STATUTORY AUDITORS' FEES

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

| <i>In thousands of euros</i> | Statutory audits | | Other due diligences | |
|---------------------------------|------------------|------------|----------------------|-----------|
| | PwC | Deloitte | PwC | Deloitte |
| FDJ | 350 | 350 | 82 | 47 |
| Subsidiaries | 76 | 130 | - | - |
| STATUTORY AUDITORS' FEES | 426 | 480 | 82 | 47 |



3.7

Consolidated financial statements Statutory Auditors' report on the consolidated financial statements

(For the year ended 31 December 2018)

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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

La Française des Jeux

French semi-public company
(*société anonyme d'économie mixte*)
3-7 quai du Point du Jour
92100 Boulogne Billancourt, France

I. Opinion

In compliance with the engagement entrusted to us by the Shareholders' Meeting, we have audited the accompanying consolidated financial statements of La Française des Jeux for the year ended 31 December 2018.

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 at 31 December 2018 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 2018 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 the most significant in our audit of the consolidated financial statements.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed as expressed above. We do not express an opinion on specific items of the consolidated financial statements.

As indicated in Note 2.1.4 "Estimates and judgements" to the consolidated financial statements, management makes 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 were based, and ensuring that Notes 3.8.3 "Employee benefits", 4.1 "Intangible assets", 5.1 "Provisions and contingent liabilities" and 13 "Ongoing legal proceedings and other disputes" to the consolidated financial statements provided appropriate disclosures.

V. Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the information pertaining to the Group in the management report includes the consolidated non-financial information statement required under article L.225-102-1 of the French Commercial Code. However, in accordance with article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.



VI. Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving 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 that are 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 taken by users 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.



CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements Statutory Auditors' report on the consolidated financial statements

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 in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response 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 the internal control procedures 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 management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Neuilly-sur-Seine and Paris-La Défense, 1 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

Philippe Vincent

Laurent Daniel

Jean-François Viat

Anne Philipona-Hintzy

4.

INDIVIDUAL FINANCIAL STATEMENTS

| | | | | | |
|------------|----------------------------|------------|------------|---|------------|
| 4.1 | Income statement | 154 | 4.4 | Additional notes | 157 |
| 4.2 | Balance sheet | 155 | 4.5 | Statutory Auditors' report on the financial statements | 176 |
| 4.3 | Cash flow statement | 156 | | | |



4.1

Income statement

| In millions of euros | Notes | 2018 | 2017 |
|--|------------|----------------|----------------|
| Player stakes | 3.1 | 15,817.0 | 15,144.4 |
| Share returned to winners | 3.1 | (10,697.5) | (10,122.4) |
| Gross gaming revenue | 3.1 | 5,119.5 | 5,022.0 |
| Government levies | 3.1 | (3,261.8) | (3,235.7) |
| Additions to counterparty funds and counterparty spreads | 3.1 | (83.4) | (59.5) |
| Net gaming revenue | 3.1 | 1,774.3 | 1,726.8 |
| Revenue from other activities | 3.1 | 12.6 | 26.6 |
| Revenue | 3.1 | 1,786.9 | 1,753.4 |
| Capitalised production | 3.2 | 31.4 | 29.9 |
| Reversals of provisions and transfers of expenses | | 11.9 | 10.8 |
| Other operating income | | 0.7 | 0.2 |
| Total operating income | | 1,830.9 | 1,794.4 |
| Inventory purchases used | 3.4 | 33.0 | 34.0 |
| Other external purchases and expenses | 3.2 | 1,294.6 | 1,281.4 |
| Taxes and duties | | 19.0 | 19.0 |
| Personnel expenses | 4 | 141.8 | 129.9 |
| Depreciation and amortisation | 5 | 61.1 | 50.0 |
| Provisions | 6 | 10.7 | 10.3 |
| Other expenses | | 12.5 | 14.4 |
| Total operating expenses | | 1,572.6 | 1,539.1 |
| Operating profit | | 258.3 | 255.3 |
| Total financial income | | 21.6 | 25.4 |
| Total financial expenses | | 5.8 | 3.4 |
| Net profit (loss) from financial items | 7.3 | 15.8 | 22.1 |
| Current profit | | 274.1 | 277.4 |
| Total non-recurring income | | 47.8 | 39.7 |
| Total non-recurring expenses | | 51.7 | 58.5 |
| Non-recurring profit (loss) | 8 | (3.9) | (18.8) |
| Employee profit-sharing and incentives | 4.2 | 17.4 | 16.7 |
| Corporate income tax | 9 | 80.8 | 74.0 |
| NET PROFIT | 13 | 172.1 | 167.8 |

4.2

Balance sheet

4.2.1 Assets

| <i>In thousands of euros</i> | Notes | 2018 | | 2017 | |
|--|-------|----------------|--|----------------|----------------|
| | | Gross | Depreciation, amortisations and provisions | Net | Net |
| Intangible assets | 5.1 | 277.2 | 170.5 | 106.7 | 97.8 |
| Property, plant and equipment | 5.2 | 628.7 | 258.4 | 370.3 | 363.7 |
| Long-term financial assets | 7.1 | 105.1 | 30.8 | 74.3 | 66.0 |
| Capital assets | | 1,011.0 | 459.7 | 551.3 | 527.5 |
| Inventories | | 8.7 | 0.3 | 8.4 | 9.9 |
| Advances and payments on accounts | | 6.0 | - | 6.0 | 5.6 |
| Trade and distribution network receivables | 3.4.1 | 436.8 | 33.6 | 403.2 | 386.5 |
| Other receivables | 3.4.2 | 235.6 | 0.1 | 235.5 | 153.7 |
| Marketable securities | 7.2 | 168.2 | 2.4 | 165.8 | 179.5 |
| Cash and cash equivalents | 7.2 | 777.9 | - | 777.9 | 730.0 |
| Prepaid expenses | 3.6 | 51.8 | - | 51.8 | 41.4 |
| Current assets | | 1,685.1 | 36.4 | 1,648.7 | 1,506.7 |
| Deferred charges spread over several periods | | 0.5 | - | 0.5 | 0.5 |
| Unrealised exchange losses | | 0.2 | - | 0.2 | 0.7 |
| TOTAL ASSETS | | 2,696.7 | 496.1 | 2,200.5 | 2,035.4 |

4.2.2 Equity and liabilities

| <i>In thousands of euros</i> | Notes | 2018 | 2017 |
|--|--------------------|----------------|----------------|
| Share capital | | 76.4 | 76.4 |
| Legal reserve | | 7.6 | 7.6 |
| Statutory reserve | | 85.4 | 83.0 |
| Optional reserve | | 128.5 | 93.2 |
| Net income for the period | | 172.1 | 167.8 |
| Tax-driven provisions | | 139.8 | 128.5 |
| Shareholders' equity | 10 | 609.9 | 556.5 |
| Provisions for contingencies | | 9.3 | 10.6 |
| Provisions for losses | | 84.2 | 85.4 |
| Provisions for contingencies and losses | 4.3 and 6.1 | 93.5 | 96.0 |
| Loans from credit institutions | 7.3 | 111.3 | 129.6 |
| Trade and distribution network payables | 3.4.3 | 1,252.2 | 1,130.7 |
| Other payables | 3.4.4 | 91.0 | 89.8 |
| Prepaid income (player stakes) | 3.6 | 42.4 | 32.5 |
| Payables | | 1,496.9 | 1,382.6 |
| Unrealised exchange gains | | 0.2 | 0.3 |
| TOTAL EQUITY AND LIABILITIES | | 2,200.5 | 2,035.4 |

4.3

Cash flow statement

| <i>Other provisions</i> | <i>Notes</i> | 31/12/2018 | 31/12/2017 |
|---|--------------|-------------------|-------------------|
| Operating activities | | | |
| Net profit | | 172.1 | 167.8 |
| Elimination of non-cash or non-operating income and expenses | | 61.0 | 63.1 |
| Depreciation, amortisation and provisions | | 71.3 | 64.8 |
| Gains (losses) on disposals | | (9.8) | 0.8 |
| Impact of changes in the cash position on operating activities | 3.2 | 10.8 | 42.0 |
| Management | | (18.7) | (41.9) |
| Gaming | | 29.5 | 83.9 |
| Cash flow from operating activities | | 243.9 | 272.9 |
| Investing activities | | | |
| Cash outflows from acquisitions of property, plant and equipment and intangible assets | 5 | (82.3) | (89.9) |
| Cash inflows from disposals of property, plant and equipment and intangible assets and long-term financial assets | | 15.3 | 12.5 |
| Cash outflows from acquisitions of financial assets | | (11.0) | (28.2) |
| Cash inflows from repayments of loans, deposits and guarantees | | 2.4 | 0.3 |
| Cash flow from investing activities | | (75.6) | (105.4) |
| Financing activities | | | |
| Dividends paid to shareholders | | (126.1) | (120.3) |
| Borrowings | 3 | (8.0) | (8.0) |
| Cash flow from financing activities | | (134.1) | (128.3) |
| CHANGES IN CASH FLOW | | 34.2 | 39.2 |
| Gross cash at opening | | 909.5 | 870.3 |
| Gross cash at closing | 7.2 | 943.7 | 909.5 |

4.4

Additional notes

contents

| | | |
|----------------|--|-----|
| NOTE 1 | GENERAL OVERVIEW OF THE COMPANY | 158 |
| NOTE 2 | REPORTING GUIDELINES AND ACCOUNTING PRINCIPLES | 159 |
| NOTE 3 | OPERATING DATA | 160 |
| NOTE 4 | PERSONNEL EXPENSES AND BENEFITS | 165 |
| NOTE 5 | INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT | 167 |
| NOTE 6 | OTHER PROVISIONS AND CONTINGENT LIABILITIES | 169 |
| NOTE 7 | LONG-TERM FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS | 171 |
| NOTE 8 | NON-RECURRING PROFIT (LOSS) | 173 |
| NOTE 9 | CORPORATE INCOME TAX | 173 |
| NOTE 10 | SHAREHOLDERS' EQUITY | 174 |
| NOTE 11 | ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES | 175 |
| NOTE 12 | OTHER INFORMATION | 175 |
| NOTE 13 | PROPOSED ALLOCATION OF PROFIT | 175 |
| NOTE 14 | SUBSEQUENT EVENTS | 175 |



NOTE 1 GENERAL OVERVIEW OF THE COMPANY

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. The head office is located at 3/7, quai du Point du Jour 92100 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:

- ◆ Beijing Zhongcai Printing (BZP), a lottery ticket printer located in China;
- ◆ Services aux Loteries en Europe (SLE), the Belgian cooperative company created as part of the Euro Millions lottery to provide draw services and administration for the participating lotteries;
- ◆ FGS UK (formerly named LVS), a British company, which has notably developed the technology for the Group's sports betting;
- ◆ LEIA (Lotteries Entertainment Innovation Alliance AS), a Norwegian joint-venture operating a digital gaming platform.

Based on the opinion of the Audit Committee on 26 February 2019, the Board of Directors, at its meeting on 28 February 2019, approved the individual financial statements to be submitted for approval at the Annual General Meeting on 5 June 2019.

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 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 of FDJ's monopoly activities. 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.

1.3 Key events

Article 51 of the draft law on Growth and the Transformation of Companies (PACTE) was presented on 18 June 2018 in the Council of Ministers and registered at the National Assembly on 19 June 2018. Adopted by the National Assembly in October 2018, it is under discussion in the Senate. It aims to authorise the Government to proceed, by decree, with the transfer to the private sector of the majority of the capital of La Française des Jeux, while maintaining it under the strict control of the State, allowing the latter to prevent excessive gambling, protect vulnerable people (notably minors) and combat fraud and money laundering.

FDJ's move to the new head office in Boulogne-Billancourt and Villepinte, following the disposal of the Moussy-le-Vieux site, occurred in June 2018.

NOTE 2 REPORTING GUIDELINES AND 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). Unless otherwise noted, these methods have been applied consistently to all periods presented.

The financial statements have been prepared in accordance with the principles of business continuity and independence of financial years. They have been prepared according to the historical cost principle.

2.2 Translation

The consolidated financial statements are presented in euros.

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 unrealized exchange gains or losses". Any unrealised exchange losses are covered by a contingency provision.



NOTE 3 OPERATING DATA

The 2018 financial year ended with net profit of €172 million, up by €4 million compared to 2017, and cash of €944 million, up by €34 million compared to the previous financial year.

3.1 Net gaming revenue and revenue

The player stakes are split between the players, hedging of counterparty risk when applicable, the public finances and FDJ.

Share assigned to winners

The share of the player stakes assigned to winners, or the "rate of return to players", is set by the amended decree on the breakdown of stakes dated 9 March 2006, signed by the Budget Minister.

It varies depending on the game:

- ◆ for draw-based games, it is between 50% and 70%;
- ◆ for scratch card games, it is between 50% and 70% on average;
- ◆ for sports betting at points of sale, it is a maximum of 76% over the year;
- ◆ for online sports betting, it is a maximum of 85% over the year.

Gross gaming revenue

The gross gaming revenue corresponds to the difference between the player stakes and the share set aside for winners.

Structural allocation to counterparty funds

The decree on the breakdown of stakes of 9 March 2006 as amended, fixes the share of player stakes allocated to the structural allocation for counterparty funds intended to partially hedge the counterparty risk. Management of counterparty risk is described in note 3.3.

Government levies

These various deductions are representative of the amounts deducted on behalf of the State, which is why they are directly deducted from the player stakes.

Social-security deductions (CRDS and CSG) on lottery games

The **social security deductions** group the CRDS (social security debt retirement tax) and the CSG (supplementary social security tax).

CRDS: deduction defined by Article 18 of Decree no. 96-50 dated 24 January 1996. The rate of CRDS is calculated by applying a rate of 3% to a tax base of

25.5% of the amount of player stakes in metropolitan France and in the overseas departments, on the games operated by FDJ. The rate of CRDS is therefore 0.765% of the player stakes.

CSG: deduction defined by Articles L.136-7-1 and L.136-8 of the Social-Security Code. The rate of CSG is calculated by applying a rate of 8.6% to a tax base of 25.5% of the amounts staked in metropolitan France and in the overseas departments, on the games operated by FDJ. The rate of CSG is therefore 2.193% of the player stakes.

Deductions specific to sports betting: Betting tax deduction on sports betting and social-security deduction on sports betting

Tax deduction: deduction defined by Articles 302 bis ZH, ZK and ZL of the French General Tax Code at a rate of 5.7% of player stakes for sports betting.

Social-security deduction: deduction defined by Article L.137-21 of the Social Security Code at a level of 1.8% of player stakes for sports betting.

Centre National pour le Développement du Sport (National Centre for Sports Development): deduction defined by Articles 1609 (29) and 1609 (30) of the French General Tax Code and 46 of Finance Act no. 2011-1977 dated 28 December 2011 for 2012. The CNDS deduction corresponds to 1.8% of lottery player stakes and sports betting, with respective limits of €73,844 thousand and €34,600 thousand (for the whole of the market for sports betting), beyond which the payments are assigned to the General State Budget.

VAT: VAT, governed by Chapter 1 of Title II of Book 1 of the French General Tax Code, is based on the net gaming revenue. The applicable rate is 20%.

Net Gaming Revenue (NGR)

The NGR, net of amounts due to players and public deductions, is set as a percentage of player stakes by the decrees on distribution for lottery games and sports betting under monopolies:

| | 2018 | 2017 |
|---------------------------|-------|-------|
| Payback ratio < 65% | 12.6% | 12.6% |
| 65% ≤ Payback ratio < 70% | 11.3% | 11.4% |
| 70% ≤ Payback ratio < 75% | 10.9% | 11.0% |
| Payback ratio ≥ 75% | 10.1% | 10.3% |

For ParionsSport online, the NGR depends on the result of the player stakes.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 | Change % |
|--|-----------------|-----------------|-------------|
| Player stakes | 15,817.0 | 15,144.4 | 4.4% |
| Share returned to winners | (10,697.5) | (10,122.4) | 5.7% |
| Gross gaming revenue | 5,119.6 | 5,022.0 | 1.9% |
| Additions to counterparty funds and counterparty spreads | (83.4) | (59.5) | 40.2% |
| Government levies | (3,261.8) | (3,235.7) | 0.8% |
| Net gaming revenue (NGR) | 1,774.3 | 1,726.8 | 2.8% |
| Revenue from other activities | 12.6 | 26.6 | (52.7%) |
| REVENUE | 1,786.9 | 1,753.4 | 1.9% |

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 | % of total player stakes | Change % |
|-----------------------------|-----------------|-----------------|--------------------------|-------------|
| Draw-based games | 5,075.6 | 5,172.9 | 32.1% | (1.9%) |
| Scratch card games | 7,694.2 | 7,453.5 | 48.6% | 3.2% |
| Sports betting | 3,047.3 | 2,518.1 | 19.3% | 21.0% |
| PLAYER STAKES | 15,817.0 | 15,144.4 | 100% | 4.4% |

The NGR stood at €1,774.3 million at 31 December 2018. Income from other activities corresponds to re-invoicing from subsidiaries and stands at €12.6 million, against €26.6 million the previous financial year. In 2017, it included revenue from the rental of sales tools to intermediaries and retailers for €13.2 million.

Revenue stood at €1,786.9 million, up by 1.9%.

3.2 Operating profit

Capitalised production stood at €31.4 million in 2018, slightly up compared to the previous financial year. It is consistent with the phase of high investments implemented by the Company as part of its digital and commercial transformation.

Operating expenses related to the remuneration of the bricks-and-mortar **distribution network** stood at €916 million, up 0.8% (€7.5 million) compared to 2017, generated by a growth in player stakes collected on the bricks-and-mortar network of 3.7% (€15,012 million vs €14,480 million). The difference was due to the positive

impact of the sales (intermediaries) restructuring initiated in 2014.

Excluding distribution channel costs, **other operating expenses (representing €657 million)** increased by €26 million, namely 4.1% compared to 2017. This net increase is related to depreciation and amortisation and personnel expenses connected to the restructuring of the Company.

Operating profit stood at €258 million, slightly up (€3 million) compared to 2017.



3.3 Player funds

Decree no. 78-1067 dated 9 November 1978 provides for the setting up of several funds in the accounts maintained by La Française des Jeux. These funds correspond to the reserve fund, the permanent fund, the counterparty fund and the fund common to scratch card games. The decree specifies the means of supplying these funds and specifies that the amounts allocated to them can be used for the payment of extra lots or winnings to prizewinners or for setting aside benefits in cash or in kind to all or some of the participants in the games. FDJ is their custodian. These funds are recorded as of liabilities for FDJ.

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. Thus, the total amount effectively paid out to winners cannot be precisely predetermined: 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. A second level of counterparty risk pooling is provided via the permanent fund (see above).

These funds are intended to cover the counterparty risk, meaning the difference between the total amount of the stakes and the share of stakes set aside for winners (or rate of return to players). For Monopoly games, it is covered by a counterparty fund, which may be supplied by a structural allocation (see 3.1). On competitive games, the counterparty risk directly affects the income statement.

At the launch of a game presenting a counterparty risk, an initial allocation is deducted from the permanent fund intended to provide the initial counterparty fund for the new game. Also, the legal texts governing lottery games and sports betting under monopolies state: "At the creation or during a substantial evolution of such a game, (FDJ) presents an estimate of the counterparty risks of this game to the Budget Minister. The Minister fixes, by order, the share of the player stakes allocated to the structural allocation to the counterparty fund intended to partially hedge the counterparty risk. "The amount of the initial allocation and the rate of this structural allocation are calculated in such a way that this fund is positive within a period of 1 year and with a probability of 95%.

Also, during the financial year, the fund is supplied by the counterparty spreads (positive or negative). In effect, during a draw (or a sporting event), the winners'

share may be between zero and several times the total of the players' stakes. There is therefore a difference between these actual winnings and the winners' theoretical share defined in terms of calculation of probabilities. It is these differences, known as counterparty spreads, positive or negative, which are placed in the counterparty funds.

A **permanent fund**, supplied by surpluses from the counterparty fund, enables pooling of the counterparty risks for all games concerned, because in case of default of a counterparty fund, a deduction can be made from the permanent fund.

At the end of each financial year, the surpluses from the counterparty funds are recorded in the permanent fund. The permanent fund is limited to 0.5% of the player stakes for the financial year and at year-end, any surpluses are paid to the State. This fund may also be used to finance promotional operations.

Other funds

Current player funds include the reserve funds and the funds intended for the promotion of the games.

In accordance with the decree on the Organisation and Operation of Authorised Lottery Funds and Sports Betting under Exclusive Rights, the **reserve fund** records the lots and winnings set aside for winners but not collected by them within the claim time limit. For draw-based games, this period is 60 days after the draw and for scratch cards, 30 days after closure of an issue. Each drawer-based game or sports bet proposed in the bricks-and-mortar network has its own reserve fund. From these funds, deductions may be made of all amounts necessary to the payment of additional lots or winnings or the assignment of benefits in cash or in kind to all or some of the participants in the game. Scratch card games have a common reserve fund. At the end of each year, the balance of the common reserve fund for scratch card games is transferred to the permanent fund.

The **funds intended for the promotion of games** (for example, funds carried forward, funds for super jackpot, etc.) contain sums carried forward to subsequent draws if there is no winner, for certain games and certain ranks of winnings.

The permanent fund follows the trend in player stakes. It stood at €79.1 million vs €75.7 million on 31 December 2017, up by 4.4%.

The counterparty fund stood at €29.6 million against €54.2 million on 31 December 2017, down by €24.6 million (45%). This development results notably from an increase in the rate of return to players for Keno.

3.4 Working capital requirement

Receivables

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

Every week, game distributors are debited for the amount of player stakes collected, net of winnings paid out and their commissions. The player stakes are recorded on the asset side, while the winnings and commissions are on the liability side.

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.

3.4.1 Trade and distribution network receivables

| <i>In millions of euros</i> | 31.12.2018 | | | 31.12.2017 | | |
|---|--------------|-------------|--------------|--------------|-------------|--------------|
| | Gross | Provisions | Net | Gross | Provisions | Net |
| Distribution network receivables | 409.1 | 12.2 | 397.0 | 387.3 | 10.9 | 376.4 |
| Trade receivables | 3.5 | 0.0 | 3.5 | 6.2 | 0.1 | 6.1 |
| Subsidiary current accounts | 24.2 | 21.4 | 2.8 | 25.4 | 21.4 | 4.0 |
| TOTAL TRADE AND DISTRIBUTION NETWORK RECEIVABLES | 436.8 | 33.6 | 403.2 | 418.9 | 32.4 | 386.5 |

The receivables from the distribution network correspond to player stakes collected by retailers and intermediaries in 2017. In 2018, all of the player stakes were transferred directly to FDJ from the retailers following transition from intermediated distribution to

direct distribution on the scratch card activity. The funds are therefore transferred more quickly to FDJ. The movement between 2017 and 2018 is consistent with the growth of the activity.

3.4.2 Other receivables

| <i>In millions of euros</i> | 31.12.2018 | | | 31.12.2017 | | |
|--------------------------------|--------------|------------|--------------|--------------|------------|--------------|
| | Gross | Provisions | Net | Gross | Provisions | Net |
| Pre-paid expenses | 51.8 | 0.0 | 51.8 | 41.4 | 0.0 | 41.4 |
| Other operating receivables | 35.6 | 0.1 | 35.5 | 28.7 | 0.0 | 28.7 |
| Permanent fund advance | 200.0 | 0.0 | 200.0 | 125.0 | 0.0 | 125.0 |
| TOTAL OTHER RECEIVABLES | 287.4 | 0.1 | 287.3 | 195.1 | 0.0 | 195.1 |

The advance payment on the permanent fund paid to the State at year-end, corresponds to almost all of the share exceeding 0.5% of player stakes. The balance of this surplus will be paid in July 2019, for an amount of €8 million.

4.

3.4.3 Supplier and distribution network payables

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|----------------|----------------|
| Trade and distribution network payables | | |
| Trade payables | 124.1 | 126.7 |
| Distribution network payables | 278.0 | 225.7 |
| Government levies | 357.1 | 265.8 |
| Winnings payable and distributable | 493.3 | 512.6 |
| TOTAL TRADE AND DISTRIBUTION NETWORK PAYABLES | 1,252.5 | 1,130.7 |

Payables to the distribution network correspond to winnings paid by retailers and distribution network commissions at year-end.

Public deductions correspond to amounts due to the State, social-security organisations, local authorities and public bodies (see 3.1).

The deductions due to the State (€357 million at 31 December 2018 against €266 million at the end of 2017) mainly include the permanent fund surplus (€208 million at 31 December 2018 and €137 million at 31 December 2017). The balance mainly includes payables

to the General State Budget and the deduction on sports betting.

Excluding the permanent fund surplus, the trend in government gaming levies is in line with the activity at the end of 2018 that was more robust than at the end of 2017.

Winnings payable and to be distributed stand at €493 million vs €512 million at 31 December 2017.

3.4.4 Other payables

Other debts mainly corresponding to tax and social-security payables.

3.5 Receivables and payables with subsidiaries and equity investments

Subsidiaries and equity investments represented a net surplus of €1.8 million of which €7.4 million was related to game distribution.

| <i>In millions of euros</i> | Receivables | | | Payables | |
|---|----------------------------------|-------------------------------|----------------------------------|----------------------------|-------------------------|
| | Advances and payments on account | Trade and similar receivables | Gross current account receivable | Trade and similar payables | Current account payable |
| 1- Subsidiaries (≥ 50%): | 4.3 | 0.4 | 24.2 | 14.6 | 17.1 |
| FGS France | 1.5 | | | 4.0 | 9.0 |
| FGS (FDJ Gaming Solutions) | | | 1.9 | | |
| La Pacifique des Jeux | | | 0.0 | 0.3 | |
| La Française d'Images | | 0.1 | | 2.1 | 0.2 |
| La Française de Motivation | 2.8 | | | 4.6 | 0.8 |
| FDP | | 0.1 | | 0.1 | 5.0 |
| FDJ Développement | | 0.1 | | 0.1 | 2.1 |
| NLCS | | | | | |
| FGS UK | | 0.1 | 0.9 | 3.5 | |
| LB Poker | | | 21.4 | | |
| 2- Equity investments (> 10% and < 50%): | - | 1.0 | - | 0.1 | - |
| Services aux Loteries en Europe | | 0.4 | | 0.1 | |
| Société de Gestion de L'Échappée | | 0.1 | | | |
| LEIA (Lotteries Entertainment Innovation Alliance) | | 0.5 | | | |
| TOTAL | 4.3 | 1.5 | 24.2 | 14.7 | 17.1 |

3.6 Prepaid expenses

Prepaid expenses amounted to €51.8 million in 2018 (vs. €41.4 million in 2017) and comprised the counterparty to prepaid player stakes (€42.4 million vs. €32.5 million in

2017), i.e. theoretical gains and government levies, on not yet participating player stakes.

NOTE 4 PERSONNEL EXPENSES AND BENEFITS

4.1 Average headcount during the period

The weighted average headcount employed during the financial year was, for all types of contracts, 1,443 against 1,377 in 2017, a change related to reorganisations relating to the strategic plan.

4.2 Employee profit-sharing and incentives

An exceptional profit-sharing agreement was signed on 29 June 2018 for financial years 2018, 2019 and 2020. The provision for employee profit-sharing was €11.8 million in 2018 compared with €12.1 million in 2017. The net expense for the provision for 2018 incentives totalled €5.6 million, compared with €4.6 million in 2017.

4.3 Employee benefits

The personnel benefits include short-term and long-term benefits. The short-term benefits are composed of paid leave, sickness leave, bonuses and other benefits, recognised as expenses for the financial year, and operating liabilities.

The long-term benefits cover **post-employment commitments**:

- ◆ retirement benefits (defined benefits scheme). The contributions paid for defined-benefit schemes are recognised in the social security expenses for the financial year. A provision is recognised for pension obligations, which are administered under a defined benefit plan;
- ◆ healthcare expenses. FDJ employees 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 and active employees reported a loss and generated a liability.

To determine the present value of the obligations for the defined-benefit schemes, FDJ uses the Projected Unit Credit Method, a retrospective method with projection of end-of-career 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.

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.

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 in "operating profit";
- ◆ 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 balance sheet at the beginning of the period, taking into account any variation during the period resulting from contributions paid and benefit payments.

The net obligations of the Group companies are recognised on the liability side of the balance sheet position, in the section "Provisions for contingencies and losses".

Other long-term benefits include **service recognition awards**. These consist of days of leave and are subject to social security expenses. Actuarial differences are recognised for the period in which they occurred.



| <i>In millions of euros</i> | 31.12.2017 | Allowances | Reversals | | 31.12.2018 |
|--|-------------|------------|------------|------------|-------------|
| | | | Used | Unused | |
| Retirement indemnities | 19.1 | 1.9 | - | - | 21.1 |
| Health care costs | 6.3 | 0.7 | 0.1 | - | 6.9 |
| Post-employment benefits | 25.4 | 2.6 | 0.1 | - | 27.9 |
| Service recognition awards | 5.9 | 0.2 | 0.1 | - | 6.0 |
| Other provisions for contingencies and losses | 6.1 | 6.5 | 5.7 | 0.2 | 6.7 |
| TOTAL | 37.4 | 9.4 | 5.8 | 0.2 | 40.6 |
| <i>of which operating profit</i> | | 8.0 | 5.8 | 0.1 | |
| <i>of which net profit (loss) from financial items</i> | | 0.4 | - | - | |
| <i>of which non-recurring profit</i> | | 1.0 | - | 0.1 | |

The main assumptions relating to post-employment benefits and service recognition awards were as follows:

| | 31.12.2018 | 31.12.2017 |
|---|------------|------------|
| Discount rate | 1.55% | 1.30% |
| Salary increase rate of which inflation | 3.00% | 3.00% |

Changes in the liability and provision for post-employment benefits, and the net cost for the period were as follows:

| Change in the liability | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Actuarial obligation at the beginning of the period | 31.7 | 32.5 |
| Normal cost | 2.1 | 2.2 |
| Interest on the actuarial obligation | 0.4 | 0.4 |
| Actuarial gains (losses) | (3.3) | (3.3) |
| Pensions paid | (0.1) | (0.1) |
| Actuarial obligation at the end of the period | 30.8 | 31.7 |
| Actuarial losses accrued | 2.9 | 6.3 |
| LIABILITY AT 31 DECEMBER | 27.9 | 25.4 |

| Change in the liability | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Provision at opening | 25.4 | 22.7 |
| Normal cost | 2.1 | 2.2 |
| Interest on the actuarial obligation | 0.4 | 0.4 |
| Amortisation of actuarial gains and losses | - | 0.1 |
| Net cost | 2.5 | 2.7 |
| Operating profit | 2.1 | 2.3 |
| Net profit (loss) from financial items | 0.4 | 0.4 |
| PROVISION AT 31 DECEMBER | 27.9 | 25.4 |

The **other provisions for contingencies and losses** are primarily related to employee departures and labour disputes.

NOTE 5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

5.1 Intangible assets

Intangible assets are measured at acquisition or production cost. They mainly comprise acquired software programs and the development costs incurred to bring them into use.

These intangible assets are amortised on a straight-line basis over a period of between 1 and 15 years for software programs. Software programs are amortised over a period of 1 to 15 years, and an average of 5 years, using 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.

| <i>In millions of euros</i> | 31.12.2018 | | | 31.12.2017 | | |
|---|--------------|-----------------------------|--------------|--------------|-----------------------------|-------------|
| | Gross | Amortisation and provisions | Net | Gross | Amortisation and provisions | Net |
| Trademarks, copyrights and similar assets | 4.5 | (1.6) | 2.9 | 4.5 | (1.6) | 3.0 |
| Research and development expenditure | 100.2 | (52.8) | 47.5 | 80.0 | (38.4) | 41.6 |
| Software | 132.7 | (114.5) | 18.2 | 131.7 | (106.5) | 25.3 |
| Fixed assets under construction | 39.7 | (1.6) | 38.1 | 28.7 | (0.7) | 28.0 |
| TOTAL INTANGIBLE ASSETS | 277.2 | (170.5) | 106.7 | 244.9 | (147.1) | 97.8 |

| <i>In millions of euros</i> | Gross | Amortisation and provisions | Net |
|--|--------------|-----------------------------|--------------|
| Intangible assets at 31.12.2017 | 244.9 | (147.1) | 97.8 |
| Acquisitions | 32.4 | | |
| <i>of which capitalised production</i> | 31.4 | | |
| Disposals and scrapping | (0.2) | | |
| Reclassification to property, plant and equipment | 0.0 | | |
| (Provisions)/reversal of amortisation, impairment and provisions | | (23.4) | |
| INTANGIBLE ASSETS AT 31.12.2018 | 277.2 | (170.5) | 106.7 |

Acquisitions, primarily related to internal production (€31 million), relate to changes in support tools for the Company's gaming offer.

4.

5.2 Property, plant and equipment

Property, plant and equipment are measured at acquisition cost. PPE is depreciated over the 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.

| <i>In millions of euros</i> | 31.12.2018 | | | 31.12.2017 | | |
|--|--------------|-----------------------------|--------------|--------------|-----------------------------|--------------|
| | Gross | Depreciation and provisions | Net | Gross | Depreciation and provisions | Net |
| Land and improvements | 98.2 | 1.4 | 96.8 | 99.6 | 2.2 | 97.4 |
| Buildings | 153.9 | 12.7 | 141.3 | 168.1 | 49.6 | 118.6 |
| Technical installations, materials, equipment | 161.1 | 101.2 | 59.8 | 153.4 | 90.1 | 63.3 |
| Other property, plant and equipment | 202.4 | 143.1 | 59.3 | 206.7 | 154.8 | 51.9 |
| Property, plant and equipment under construction | 11.0 | 0.0 | 11.0 | 28.3 | 0.0 | 28.3 |
| Advances and payments on account | 2.0 | 0.0 | 2.0 | 4.1 | 0.0 | 4.1 |
| TOTAL PROPERTY, PLANT AND EQUIPMENT | 628.7 | 258.4 | 370.3 | 660.3 | 296.6 | 363.7 |

| <i>In millions of euros</i> | Gross | Depreciation and provisions | Net |
|--|--------------|-----------------------------|--------------|
| Property, plant and equipment at 31.12.2017 | 660.3 | 296.6 | 363.7 |
| Acquisitions | 49.9 | | |
| Disposals and scrappage | (81.5) | | |
| Reclassification to intangible assets | (0.0) | | |
| (Provisions)/reversal of depreciation, impairment and provisions | | 38.2 | |
| PROPERTY, PLANT AND EQUIPMENT AT 31.12.2018 | 628.7 | 258.4 | 370.3 |

The acquisitions are essentially related to fixtures and fittings for the new head office and point-of-sale equipment.

Disposals and scrappage mainly concern the sale of the Moussy site, developments to the old premises at Boulogne and point-of-sale equipment.

NOTE 6 OTHER PROVISIONS AND CONTINGENT 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.

6.1 Other provisions

| <i>In millions of euros</i> | Notes | 31.12.2017 | Allowances | Reversals | | 31.12.2018 |
|--|-------|-------------|-------------|------------|------------|-------------|
| | | | | Used | Unused | |
| Provisions related to personnel | 4.3 | 37.4 | 9.4 | 5.8 | 0.2 | 40.6 |
| Other provisions for contingencies and losses | | 58.6 | 1.0 | 1.9 | 4.8 | 52.9 |
| TOTAL PROVISIONS FOR CONTINGENCIES AND LOSSES | | 96.0 | 10.3 | 7.8 | 5.0 | 93.5 |
| <i>of which operating profit</i> | | | 8.0 | 5.8 | 2.0 | |
| <i>of which net profit (loss) from financial items</i> | | | 0.4 | - | - | |
| <i>of which non-recurring profit</i> | | | 1.9 | 1.9 | 2.9 | |

Other **provisions for contingencies** 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 is deconsolidated or suffers a tax burden because of its membership in the Group. No provision has been recorded in this respect.

At 31 December 2018, the 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. La Française des Jeux gave LCL a counter-guarantee for the same amount. The fund entered into an agreement with La Française des Jeux 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.

4.

Other commitments given are as follows:

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--------------------------------------|-------------------|-------------------|
| Mortgage on goods acquired | 113.8 | 123.1 |
| Performance bonds * | 79.1 | 122.4 |
| Cycling team sponsorship | 14.3 | 24.0 |
| Investment funds | 20.0 | 20.0 |
| Regular lease contracts | 20.2 | 14.7 |
| Foundation | 11.7 | 7.0 |
| Deposits and first-demand guarantees | 2.5 | 2.5 |
| Escrow account | 1.1 | 1.1 |
| Cyclists' image contracts | 1.0 | 1.0 |
| Rental and guarantee deposits | - | - |
| Association L'Échappée | - | 0.1 |
| OTHER COMMITMENTS GIVEN | 263.6 | 316.0 |

* Of which printing contracts: €14 million.

The Group took out a mortgage to purchase its new head office. The total amount due is €113.8 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, the Board of Directors of Française des Jeux decided to renew the FDJ Corporate Foundation for a term of five years from 5 January 2018 to 2 January 2023. The multi-year action plan provides for a maximum amount of €18 million, of which €7 million was committed during 2016 and €8 million in 2017. The guarantee related to the €8 million was signed at the beginning of 2018.

6.2.2 Commitments received

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|---|-------------------|-------------------|
| Performance bonds and return of payments on account | 57.4 | 54.0 |
| Guarantees for return of stakes and payment of winnings | 247.0 | 103.9 |
| COMMITMENTS RECEIVED | 304.4 | 157.9 |

Player stakes and payment of winnings are guaranteed by two financial institutions (Camca and EDC). The significant increase between 2017 and 2018 essentially results from the change of distribution mode of scratch cards. The risk,

previously borne by the intermediate distribution network, is now borne by FDJ. The associated guarantee was therefore transferred to FDJ.

6.2.3 Intra-group commitments

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------------|-------------------|
| Bilateral sales agreement for the Mousse site | - | 14.6 |
| Currency hedges | | |
| Forward purchases of US dollars with a maximum maturity at 8 September 2020 for an overall amount of: | 30.9 | 22.6 |
| Forward purchases of pound sterling with a maximum maturity at 7 February 2020 for an overall amount of: | 7.7 | 22.6 |

NOTE 7 LONG-TERM FINANCIAL ASSETS AND CASH AND CASH EQUIVALENTS

Equity investments and securities holdings in the portfolio activity

The gross value of equity investments is the purchase price less the acquisition cost 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 falls below the net carrying amount.

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.

Marketable 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 and (ii) for unlisted securities, by reference to the last net asset value published or the estimated realisable value.

Borrowings

Borrowings are recorded at their repayment value. Bond issue costs are spread over the duration of the bond.

7.1 Equity investments and receivables related to investments

| In millions of euros | Shareholders' equity 31.12.18 | of which share capital | Share of capital held by FDJ | Carrying amount of shares held | | Current account and receivables related to investments * | Revenue 2018 | Profit/(Loss) 2018 | Dividends collected in 2018 |
|---|-------------------------------|------------------------|------------------------------|--------------------------------|-------------|--|--------------|--------------------|-----------------------------|
| | | | | Gross | Net | | | | |
| 1- Subsidiaries (≥ 50%): | | | | 33.3 | 20.2 | 32.0 | 114.0 | 5.1 | 13.5 |
| FDJ Gaming Solution | 12.2 | 4.2 | 100.00% | 17.8 | 12.2 | 1.9 | 0.1 | 0.3 | - |
| La Pacifique des Jeux | 2.6 | 1.3 | 99.99% | 1.3 | 1.3 | 0.0 | 6.5 | 1.2 | 1.4 |
| La Française d'Images | 2.5 | 0.2 | 100.00% | 0.3 | 0.3 | (0.2) | 12.3 | (0.5) | - |
| La Française de Motivation | 1.8 | 0.7 | 100.00% | 1.8 | 1.7 | (0.8) | 9.2 | (0.1) | - |
| FDP | 9.7 | 0.0 | 100.00% | 4.4 | 4.4 | (5.0) | 75.7 | 4.2 | 12.0 |
| FDJ Développement | 2.2 | 0.2 | 100.00% | 0.3 | 0.3 | (2.1) | 2.1 | (0.0) | - |
| NLCS | 0.5 | 0.2 | 50.00% | 0.1 | 0.1 | - | 8.1 | 0.1 | - |
| LB Poker | -59.6 | 14.5 | 50.00% | 7.3 | - | 38.1 | - | - | - |
| 2- Equity investments (> 10% and < 50%): | | | | 1.0 | 0.3 | - | 21.3 | -0.3 | 0.1 |
| Services aux Loteries en Europe | 0.8 | 0.4 | 26.57% | 0.1 | 0.1 | - | 4.4 | 0.1 | - |
| Société de Gestion de L'Échappée | 0.1 | 0.1 | 50.00% | 0.1 | 0.1 | - | 16.9 | (0.3) | 0.1 |
| Lotteries Entertainment Innovation Alliance | | 0.5 | 25.00% | 0.1 | 0.1 | - | - | - | - |
| Techstar | | 0.7 | 40.00% | 0.7 | - | - | - | - | - |
| TOTAL | | | | 34.3 | 20.5 | 32.0 | 135.3 | 4.8 | 13.5 |

* Gross amount of receivables (+) or payables (-) due/owed to La Française des Jeux by its subsidiaries.



In 2018, FDJ bought a portion of the SGE securities from the association and increased its stake to 50%, an equal share with that of Groupama. It also invested in Lotteries

Entertainment Innovation Alliance (LEIA), a joint venture with Nordic lottery companies, for an amount of €0.1 million.

7.2 Loans and other financial assets

| <i>In millions of euros</i> | Gross value at 31.12.2018 | Gross value at 31.12.2017 |
|---|------------------------------|------------------------------|
| Securities holdings in the portfolio activity | 14.3 | 9.7 |
| Deposits and guarantees | 24.1 | 20.6 |
| Own shares | 15.6 | 15.6 |
| TOTAL | 54.1 | 46.0 |

In 2017, FDJ bought the 6,000 shares previously held by Soficoma. 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.

7.3 Cash and cash equivalents and financial liabilities

| <i>In millions of euros</i> | 31.12.2018 | | | 31.12.2017 |
|---|--------------|--------------|--------------|--------------|
| | Gross | Provisions | Net | Net |
| Shares in UCITS and investment funds | 143.2 | (2.4) | 140.8 | 154.5 |
| Transferable debt securities | 25.0 | - | 25.0 | 25.0 |
| Total marketable securities | 168.2 | (2.4) | 165.8 | 179.5 |
| Short-term deposits, including cash instruments | 777.9 | - | 777.9 | 730.0 |
| TOTAL GROSS CASH AND CASH EQUIVALENTS | 946.1 | (2.4) | 943.7 | 909.5 |

Gross cash increased by €37 million over the period to €946 million.

Long-term debt of €104 million (against €112 million at 31 December 2017), of which €8 million is due within one year is attributable to the acquisition of the Group's future head office. This loan was taken out at a fixed rate and matures on 29 November 2031 with payments due on 29 May and 29 November of each year starting in 2017.

7.4 Net profit (loss) from financial items

If we exclude the reversal a €4.3 million provision in 2017 related to the sale of FGS France and FGS UK securities to FGS, the net profit from financial items decreased by €2 million, despite a €4.4 million increase in income.

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|---|-------------|-------------|
| Interest and similar income | 19.3 | 14.9 |
| Reversals on provisions | 1.1 | 6.2 |
| Realised exchange gains | - | 0.1 |
| Net proceeds from the sale of marketable securities | 1.2 | 4.1 |
| Total financial income | 21.6 | 25.4 |
| Interest and similar charges | 1.4 | 1.5 |
| Depreciation, amortisation and provisions | 3.3 | 1.2 |
| Realised exchange losses | - | 0.4 |
| Net expenses on the sale of marketable securities | 1.1 | 0.2 |
| Total financial expense | 5.8 | 3.4 |
| NET PROFIT (LOSS) FROM FINANCIAL ITEMS | 15.8 | 22.1 |
| Of which related to subsidiaries and investments | 13.4 | 13.8 |

Other similar income includes dividends of €13.5 million (of which €12 million from FDP), compared to €9 million in 2017 (of which €4 million from FGS France before the sale to FGS).

| <i>In millions of euros</i> | 31.12.2018 | 31.12.2017 |
|--|-------------|-------------|
| Dividends received | 13.5 | 9.0 |
| Net provisions and reversals thereof for investments and related receivables | (0.1) | 4.8 |
| NET PROFIT FROM SUBSIDIARIES AND INVESTMENTS | 13.4 | 13.8 |

(Expense)/income.

NOTE 8 NON-RECURRING PROFIT (LOSS)

| <i>In millions of euros</i> | 31.12.2018 | |
|---|--------------|--------|
| | Expenses | Income |
| Net non-recurring operating expenses | (5.1) | |
| Net non-recurring income from capital transactions | | 10.6 |
| Depreciation, amortisation and provisions and reversals thereof | | |
| ◆ impairment of assets | (0.9) | |
| ◆ provisions for contingencies and losses (see Note 6.1) | (1.9) | 4.9 |
| ◆ tax-driven provisions (see Note 10) | (38.5) | 27.2 |
| NON-RECURRING PROFIT (LOSS) | (3.9) | |

The bulk of the change in non-recurring profit (loss) relates to regulated provisions (accelerated depreciation and amortisation). The sale of the Moussy-le-Vieux site generated a capital gain of €10.6 million.

NOTE 9 CORPORATE INCOME TAX

9.1 Tax consolidation agreement

Française des Jeux, together with certain subsidiaries (FDJ Développement, FDJ Gaming Solutions, Française d'Images and Française de Motivation) held directly at more than 95%, forms a tax consolidation group as defined by Articles 223 A et seq. of the French General Tax Code.

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 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 Française des Jeux. The Company is liable to the French Treasury for tax calculated on the sum total of the consolidated entities' taxable income.

9.2 Breakdown of tax liability

| <i>In millions of euros</i> | 31.12.2018 | |
|--|----------------|---|
| | Current profit | Non-recurring profit (loss), employee profit-sharing and incentives |
| Accounting income before tax | 274.1 | (21.3) |
| Taxable income | 263.5 | (23.0) |
| FDJ SA tax | 87.4 | (6.5) |
| Net profit before tax consolidation | 185.9 | (13.9) |
| Impact of tax consolidation | | (0.1) |
| NET PROFIT | | 172.1 |

9.3 Contingent taxes

| <i>In thousands of euros</i> | 31.12.2018 | 31.12.2017 |
|--|--------------|--------------|
| Increase in future tax liabilities | 145.2 | 133.3 |
| Tax-driven provisions | 139.8 | 128.5 |
| Other items | 5.4 | 4.8 |
| Reduction in future tax liabilities | 61.7 | 69.3 |
| Employee benefits | 27.9 | 25.4 |
| Employee profit-sharing | 11.8 | 12.1 |
| Other items | 19.8 | 22.7 |
| Tax decrease | 2.2 | 9.1 |

NOTE 10 SHAREHOLDERS' EQUITY

At 31 December 2018, the share capital of Française des Jeux stood at €76,400,000, composed of 200,000 shares with a nominal value of €382. Shareholders' equity stands at €610 million.

| <i>In millions of euros</i> | |
|--|--------------|
| Shareholders' equity at 31.12.2017 (before allocation of 2017 profit) | 556.5 |
| Income allocated to dividends | (130.0) |
| 2018 profit (loss) | 172.1 |
| Retained earnings | - |
| Change in investment subsidies | - |
| Change in tax-driven provisions (accelerated depreciation and amortisation) | 11.3 |
| SHAREHOLDERS' EQUITY AT 31.12.2018 (BEFORE ALLOCATION OF 2018 PROFIT) | 609.9 |

€130 million was allocated to dividend in 2018 (against €124 million in 2017), representing €650 per share.

Tax-driven provisions consist of accelerated depreciation and amortisation, which were higher due to still-significant investments in 2018.

| <i>In millions of euros</i> | 31.12.2017 | Allowances | Reversals | 31.12.2018 |
|------------------------------------|--------------|-------------|-------------|--------------|
| Accelerated depreciation | 128.5 | 38.5 | 27.2 | 139.8 |
| TOTAL TAX-DRIVEN PROVISIONS | 128.5 | 38.5 | 27.2 | 139.8 |

€130 million was allocated to dividends in 2018 (against €124 million in 2017), representing €650 per share.

Regulated provisions consist of accelerated depreciation and amortisation which were higher due to still-significant investments in 2018.

The Board of Directors noted on 15 December 2016 that Soficoma 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 Soficoma. FDJ then carried out the payment for this transaction (see Note 11).

NOTE 11 ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES

In December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate - UNDJ) brought proceedings before the Court of First Instance in Paris. The Court declared the UNDJ inadmissible in bringing an action for annulment of the agent-broker contract signed in 2003 and in its petition to have FDJ pay damages. The UNDJ appealed this judgement in May 2018 and the Paris Court of Appeal pronounced that the petition of appeal from the UNDJ was no longer applicable on 19 December 2018. Also, in May 2012, UNDJ members filed a lawsuit against Française des Jeux with the Commercial Court of Nanterre requesting that the amendment of 2003 be judicially terminated. This procedure is currently subject to a stay of proceedings.

On 6 August 2015, 67 agent-brokers brought proceedings against Française des Jeux in the Commercial Court of Paris. They formulated claims for damages following the termination of their broker-agent contracts. In October 2016, the Court ruled against the broker-agents on all of their claims. They appealed this decision in November 2016 to the Paris Court of Appeal. The Court has heard the case and the judgement has been set for 27 March 2019.

On 23 May 2017, FDJ filed a lawsuit against Soficom, a civil company, seeking legal recognition of its loss of status as a shareholder of FDJ. The case is currently before the Commercial Court of Marseille.

NOTE 12 OTHER INFORMATION

12.1 Executive remuneration

In 2018, the senior management (corporate officers) received a total of €0.8 million, including social / security expenses (€0.8 million in 2017). These were only short-term benefits.

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 Française des Jeux establishes legal and financial conditions in the event that Française des Jeux ceases to be mandated by decree to organise and operate lottery games in points of sale and online, and sports betting in points of sale under the agreement, 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> | 31.12.2018 |
|-------------------------------------|-------------------|
| Net profit for the period | 172.1 |
| Allocation to the statutory reserve | 2.0 |
| Proposed dividend | 122,0 |
| Allocation to the optional reserve | 48.1 |

The proposed dividend stands at €122 million, representing €610 per share.

NOTE 14 SUBSEQUENT EVENTS

An acquisition is underway, that should be finalised in the coming weeks.





4.5

Statutory Auditors' report on the financial statements

For the year ended 31 December 2018

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. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

La Française des Jeux

French semi-public company
(*société anonyme d'économie mixte*)
3-7 quai du Point du Jour
92100 Boulogne Billancourt, France

I. Opinion

In compliance with the engagement entrusted to us by the Shareholders' Meeting, we have audited the accompanying financial statements of La Française des Jeux for the year ended 31 December 2018.

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 at 31 December 2018 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 2018 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 the most significant 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.

Accounting estimates

In preparing the financial statements, management uses estimates and judgements, particularly regarding the measurement of intangible assets and provisions for liabilities and charges, as described in Notes 5.1 "Intangible assets", 4.3 "Employee benefits" and 6 "Other provisions and contingent liabilities" to the financial statements.

Our work consisted in examining the procedures used by management for preparing and approving these estimates, assessing the reasonableness of the assumptions on which these estimates were based, and ensuring that Notes 4.3, 5.1, 6.1 and 11 to the financial statements provided appropriate disclosures.

V. Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders 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 Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information given with respect to the payment terms referred to in article D.441-4 of the French Commercial Code.

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.

Other information

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.

VI. Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving 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 that are 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 taken by users on the basis of these 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 in the financial statements, whether due to fraud or error, design and perform audit procedures in response 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 the internal control procedures 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 and Paris-La Défense, 1 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit

Deloitte & Associés

Philippe Vincent

Laurent Daniel

Jean-François Viat

Anne Philipona-Hintzy

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