



FINANCIAL & CSR REPORT

F D J 1 6



Any day could be your lucky day.


 CONTENTS

Chairwoman's statement	2
Key figures	4

1. Management report



1.1. Group operations	8
1.2. Financial analysis and financial risk management	12
1.3. Social responsibility	23

3. Individual financial statements



3.1. Income statement	112
3.2. Balance sheet	114
3.3. Statement of cash flows	116
3.4. Notes to the individual financial statements	117
3.5. Statutory Auditors' report on the individual financial statements	133

2. Consolidated financial statements

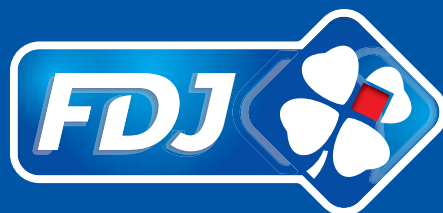


2.1. Consolidated income statement	76
2.2. Consolidated statement of comprehensive income	77
2.3. Consolidated balance sheet	78
2.4. Consolidated statement of cash flows	80
2.5. Consolidated statement of change in equity	81
2.6. Notes to the consolidated financial statements	82
2.7. Statutory Auditors' report on the consolidated financial statements	107

4. Internal control



4.1. Corporate Governance and operating procedures of the Board of Directors	138
4.2. Risk management and internal control procedures in place within La Française des Jeux Group	142
4.3. Conclusions	149



Promoting recreational and responsible gaming



Heir of the National Lottery, created in 1933 to help repair the damage caused by the trauma of the Great War, FDJ® continues to charm the French people whilst remaining loyal to its original values of equality, trust and sharing.



TAKING FDJ'S BOLDNESS FURTHER

FDJ had a record year in 2016 with sales up by 4.6%. What is the secret of this growth?

Stéphane Palleg : These results testify to the initial successes of our strategic plan, FDJ 2020, which places digital technologies and innovation at the heart of our activity.

FDJ had a very good year with sales exceeding €14 billion, up by some €600 million on the previous year.

Scratch cards and interactive games recorded continued growth (+7%) and generated 48% of our sales. The year was also marked by an 11% growth in sports betting sales to €2.5 billion. This activity benefited from the French people's enthusiasm for the UEFA EURO 2016™ and the Olympic and Paralympic Games in Rio.

FDJ also celebrated the 40th anniversary of Loto® which remains the preferred game of

the French people. Over 17 million players tried their luck in 2016.

This very satisfying result is based on our Responsible Gaming model, which is a fully integrated part of FDJ's business and overall performance.

Digital transformation occupies a central place in the FDJ 2020 project. What is the status today?

SP : The gaming sector continues its transformation worldwide, with the arrival of new games and new generations of customers accustomed to digital technologies. FDJ has embarked on this digital revolution with €500 million invested by 2020, to update our IT system, digitise our distribution network and support our innovative capacity. Over the last two years, we have committed €190 million, including €88 million in 2016, to future investments in order to carry out this transformation.

One of the aims of the strategic project is to conquer new generations of customers. What are your levers to achieve this?

SP : We want to increase the loyalty of our player base – 26 million customers – and also broaden and attract a younger clientèle by targeting young adults and women. We are constantly renewing our offering by adding innovation to traditional game mechanics, by creating new fun and interactive games and by imagining new mobile applications to prepare gaming. This momentum is rolled out in a framework that promotes recreational and responsible gaming. This is a commitment that we share with the 31,100 points of sale throughout France that distribute our games, and whose vocation is to extend the customer experience to the point of sale. Our network is equipped with digital terminals and displays to reinforce interactivity with our players.



Stéphane Pallez
Chairwoman and
CEO of FDJ®

You have launched a new commercial brand internationally, “FDJ Gaming Solutions”. What are your ambitions for this brand in the export market?

SP : FDJ is currently the 2nd European Lottery and the 4th worldwide. Our ambition is to become the leading lottery partner worldwide, notably by building on our technology. Lotteries are looking for “breakthrough” games and services. We want to capitalise on the know-how from our digital investments. This is precisely the vocation of “FDJ Gaming Solutions” which can provide them with technology, content and services.

FDJ’s CSR approach also aims to have a positive impact on its overall environment. How do you view corporate commitment?

SP : FDJ redistributes almost 95% of stakes to its players, distribution network and more widely to the community. Through our activity and the economic sectors that we support, particularly sport, FDJ provides a substantial contribution to the economy and employment in France. Beyond this, through our virtuous redistribution model, FDJ defends equality of chances, via games of course, but also through the actions that matter to us, such as parity, women’s sport,

disabilities and solidarity. Our corporate foundation has also cultivated this value of solidarity for over 20 years by sustainably supporting numerous associations.

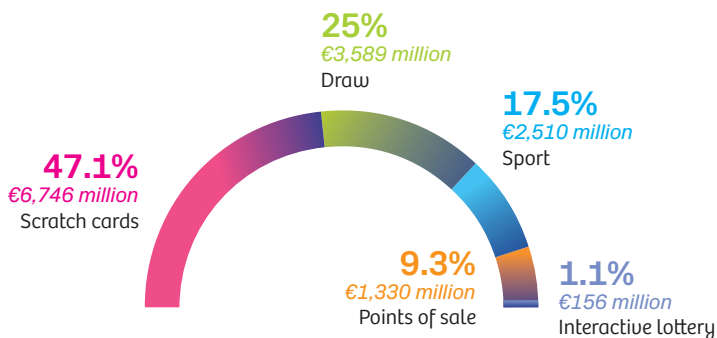




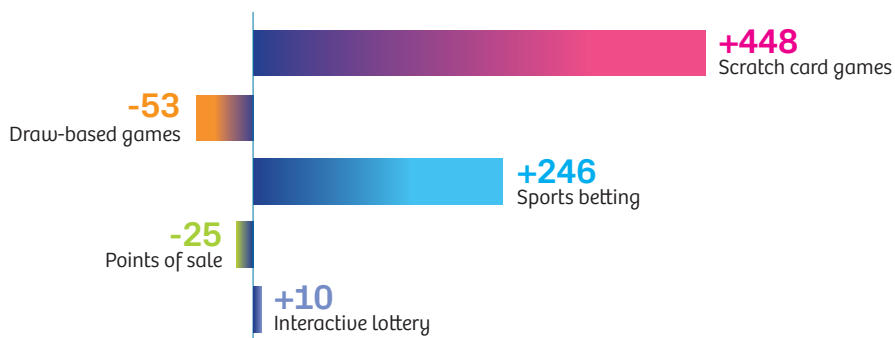
A NEW RECORD FOR STAKES



DISTRIBUTION OF PLAYER STAKES

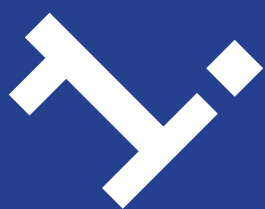


DISTRIBUTION OF STAKES DRIVEN BY SCRATCH CARDS AND SPORTS BETTING (€ million)



ALMOST 95% OF STAKES REDISTRIBUTED





Management report

1.1. GROUP OPERATIONS 8

- 1.1.1. FDJ is updating its offering and is opening up to include input from outside partners in order to meet the expectations of players even more successfully 8
- 1.1.2. FDJ is strengthening support for its network by providing greater added value through its remodelled sales function 10
- 1.1.3. Targets to be met/repeated to consolidate the extensive FDJ gaming model 11

1.2. FINANCIAL ANALYSIS AND FINANCIAL RISK MANAGEMENT 12

- 1.2.1. Items related to the Group's income statement 12
- 1.2.2. Results for the past five financial years 15
- 1.2.3. Activity by subsidiaries and equity investments 16
- 1.2.4. Key balance sheet ratios 18
- 1.2.5. Cash and financing flows 19
- 1.2.6. Risk management 19
- 1.2.7. Trade payables by maturity 20
- 1.2.8. Subsequent events 21

1.3. SOCIAL RESPONSABILITY 23

- 1.3.1. Our CSR policy 24
- 1.3.2. COMMITTED to entertaining and protecting 32
- 1.3.3. INTEGRITY to guarantee ethical compliance 41
- 1.3.4. SOLIDARITY to be useful to all 46
- 1.3.5. PIONEERS in shifting lines 48
- 1.3.6. CSR reporting 50

1.1. Group operations



1.1.1. FDJ is updating its offering and is opening up to include input from outside partners in order to meet the expectations of players even more successfully

FDJ must overhaul its offering to capture the interest of the customers of tomorrow. The FDJ project for the period to 2020 includes a target to attain 20% of player stakes from digitised products. This target naturally includes online sales but also includes sales in its bricks-and-mortar network through the use of digital services. The initial results are already proving positive in 2016 from digital stakes, which increased by 65% over the year to reach €0.9 billion and which now represent 6.5% of total stakes (vs. 4.1% in 2015). This indicator reflects the changing consumption patterns of FDJ customers who increasingly demonstrate multi-channel behaviour and prefer their points of sale to be connected. The significant increase in the percentage of digitised sales is attributable in particular to the successful introduction of paperless bets with the “ParionsSport Point de vente” app launched in 2015. Bets placed using this app were boosted by the two major fixtures which took place in 2016, namely, the UEFA EURO™ championship and the Olympic Games, and accounted for 16% of stakes in 2016.

Building on the success of paperless sports betting, electronic playslips (or “e-slips”) for Loto® and Euro Millions-My Million were launched in May. FDJ took advantage of this launch to rethink the apps for both these games following criteria based on simplicity, ergonomics and accessibility, to streamline the player experience as much as possible. The same will be done for Amigo and for Keno Gagnant à Vie in 2017. These changes are indispensable if FDJ is to meet the expectations of players who increasingly wish to see what is on offer or get their playslips ready at any time and wherever they may be. They also meet the needs of beginner or occasional players who are often reluctant to ask for help completing their gaming grid at a point of sale. The tutorials included with the apps can provide players with step-by-step assistance with their first digital bets.

The new Loto® app was launched on the 40th anniversary of this lottery. The mixture of traditional and interactive gaming offered to celebrate that anniversary demonstrated that players were leading the trend towards interactivity. For everyone, Loto® is synonymous with luck, fun and sharing;

it is an iconic brand that must be used to support FDJ's ambition for 2020 to retain existing customers and win over new ones, young adults included. This is why in 2016 FDJ collaborated with students from the Web School Factory⁽¹⁾, l'École Centrale Paris and l'Institut Supérieur des Arts Appliqués, to answer this question: how can 18-35 year-olds be encouraged to play Loto®? These meetings enabled the FDJ innovation team to share their ideas and confirm the path chosen by the company for the overhaul of that game, which consisted of strengthening its accessibility and developing new ways of using the game to make it more fun, social and digital. The relaunch of the Loto® game, to take place in March 2017, will include these elements and make greater use of new technologies and social networks. In particular, the new formula will offer a “tombola” mechanism with several entry grids drawn at random at each draw with a chance to win €20,000. FDJ is thus renewing the game based on the spirit of the national lottery tickets, which were drawn at random.

In addition to the changes made to existing games, FDJ also seeks to trial new and more innovative, breakthrough games. Since 2014, FDJ has had an ongoing innovation initiative in place, with the creation of incubation units: small multi-disciplinary teams which work flexibly and which are encouraged to test new ideas quickly and directly in the field. The new games developed offer a richer and more entertaining gaming experience. Following the Gare O Loup and Ruée vers l'Or launches in 2015, FDJ launched another four games in 2016, including L'Or des Caraïbes developed in cooperation with the games developer Asmodée⁽²⁾. The aim of the partnership with this company is to develop the existing catalogue of games, but also to develop new gaming concepts. In addition to technical expertise, Asmodée shares with FDJ its knowledge of multi-player mechanics and shared games. As a result, in 2016 L'Or des Caraïbes was launched on www.fdj.fr. This quality-driven approach was successful in its goal of seeking new kinds of customers, in particular, young adults and women.

(1) The Web School Factory trains future digital innovation managers.

(2) Europe's number two maker of board games.

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

The digital transformation needed to achieve the objectives of the strategic plan require changes to corporate culture and to the internal and external modes of operation.

Internally, the digital transformation of the work environment for employees is a priority for FDJ such that:

- ◆ the company is equipped with modern technical resources that promote mobility, interaction, collaborative work, agility and innovation to improve operational performance and quality of life at work;
- ◆ support is given to all employees in the adoption of digital practices and uses.

These digital tools are used under the framework of an in-house "Agreement to live and work better together in the digital age" including, in particular, the right to disconnect. This social agreement seeks to build on trade union law in the direction of connected social dialogue, to develop a managerial style suited to the digital age with a "coach" mindset, to strengthen measures concerning subsidies and contributions for employees and, finally, to set up a digital HR portal intended for use by employees.

In addition, FDJ, already accustomed to innovating internally, has opened up externally to new partners, including the venture capital funds **Partech** and **Raise** with whom it has commitments of some €15 million. **By working differently, open innovation also creates development opportunities.** Thus, open innovation enables the Group to open up to an external network of businesses and start-up companies to nurture ideas and accelerate the completion of projects. In this way, FDJ works with the cooperative organisation **Innovation Factory**, a not-for-profit association linking think tanks, investors, businesses and start-ups, whose mission

is to address digital challenges. Its ambition is to assist in the digital transformation of the economy, by developing an open-access centre of digital excellence which encourages exchanges of all kinds among businesses, students and start-ups; this will enable the emergence of innovative breakthrough solutions, working from a highly innovative model combining experimentation, collaboration and cross-linking of different professional universes. **Building on a very positive report on the achievements for that first year, FDJ is positioning itself as a strategic player for 2017 and 2018 in order to increase opportunities for collaboration with partners of its choosing.**

FDJ also took part in the "Innovation Summit", along with five other European games operators (Camelot, Danske Spil, Norsk Tipping, Svenska Spel and Veikkaus) keen to reflect, as a group, on the role of innovation in the lottery world. Specifically, the aim of this innovation summit was to exchange information about new trends among players and to envisage the connected point of sale of tomorrow. In addition to the examples chosen, by making use of projects, the company has been able to access a panorama of solutions for point of sale digitisation and to envisage collaborative ventures.

It is one of FDJ's ambitions to work in collaboration with other players in the gaming sector and in order to feed an international development objective. Supported by technological assets that have been totally restructured into a more modular and multi-channel format, the company is better placed to make proposals to foreign operators. It has already sold its sports betting platform to the Israeli lottery, ISBB and to the Portuguese lottery, Santa Casa, with which it has also collaborated to provide a sports odds service through a joint venture. In addition, jointly with Safran Identity & Security, it has developed an optical lottery terminal that was sold to the Bade-Wurtemberg lottery (Germany) and to the Swedish lottery operator.

In November, at the Singapore World Lottery Summit, FDJ presented FDJ Gaming Solutions, the Group's new commercial brand. Intended for international lotteries, it offers several B 2 B products and is based on the combined know-how of FDJ, its technological subsidiaries LotSys (lottery games) and LVS (sports betting), and that of BZP, its joint venture with the Chinese lottery operator, CWL (scratch card printer).

1.1.2. FDJ is strengthening support for its network by providing greater added value through its remodelled sales function

Work to upgrade and develop the points of sale network is also a priority for FDJ.

FDJ is committed to preserving the good relationship it enjoys with its network. The 2016 retailer survey, carried out between 4 and 12 July 2016 with the participation of 608 retailers representing all points of sale across the network, demonstrates that **92% of retailers are proud to work with FDJ and that 89% view FDJ as a real business partner**. The remuneration that they receive from it is essential for the economic balance of the network: it showed a good increase in 2016, reaching €718 million compared with €688 million in 2015 (an increase of 4.4%). There is good support for the new digital services offered and developed for them by FDJ: 76% of retailers are in favour of point of sale digitisation and 80% state that the e-slips simplify their day-to-day work. Finally, the quality of our relationships in the field is an asset. **Retailers gave their relationship with FDJ a rating of 7.8/10**; this rating has been the same for several years, testament to the quality and sustainability of the link between FDJ and its network which has endured despite the ongoing transformation of the sales function.

This transformation, started in May 2014 following the termination of contracts with some one hundred broker-agents who had performed sales and representative functions at local level, continued in 2016 with the introduction of a new sales areas map (streamlined from 140 to 55) with greater standardisation across the network, enabling increased efficiency. As a consequence of taking back 95 sales areas since September 2014 (including 65 taken by FDP which currently manages 2/3 of sales), there is now a drive to integrate new resources. From 2017, FDJ will be in a position to roll out the change management and support measures considered necessary for the transformation of the business lines. Both FDP and FDJ must adapt procedures, approaches, methods, skills and tools to enable the sales force to better assist retailers in their efforts to manage and develop games. All these factors have contributed to **the development of sales management, by introducing new ideas and business lines, such as the experience and knowledge of retailers, or trade marketing** which aims to develop turnkey solutions to support and improve network business. The underlying ambition is to offer innovative services which strengthen the appeal of points of sale and upgraded sales supports tools to assist with the purchasing journey towards new FDJ games, in line with a responsible model.

The switch to direct distribution from the automated FDJ warehouse in St Witz, which will continue until 2018, is another key stage in the transformation of the sale function.

The company has invested more than €10 million to modernise its equipment and double the surface area of its warehouse (from 5,000 m² to 10,000 m²), and is now one of **the most highly automated European lotteries in terms of logistics and distribution to its points of sale**. At the present time, the new system is up and running in five test regions (Grand Lille, Upper Normandy, East Brittany, Drôme-Ardèche and Artois), encompassing more than 2,700 points of sale. It will be rolled out in stages from mid-2017 to end-2018 throughout France and will enable the warehouse to supply the entire network directly. The automation of the logistics chain is clearly part of the project to transform the commercial function as it will allow the sales force to concentrate, when visiting points of sale, on assisting retailers with sales issues, with a view to growing their business, while observing the principles of responsible gaming, the prohibition of under-age gaming and the prevention of fraud and money laundering.

Sustainable development and the segmentation of points of sale have enabled the relationship with retailers to develop, as they are now given more assistance with the preparation of action plans to enable them to achieve their own business targets. **The relationship with the retailer is truly personalised**, as demonstrated by one sales person who says: **“the more carefully you listen to their needs, the more you are able to meet their expectations; the outcome is very positive”**. The sales function has thus become the first Group unit to have more than 800 employees. **This transformation represents a real evolution: it will transform FDJ from a marketing and technology group into a marketing, technology and sales group**.

The transformation of the sales function further strengthens the proximity between the sales teams and the retailers, which is in line with consolidation of the network, as are the consequent investments made therein. Since April 2016, the entire network is now linked to the central site via a state of the art terminal which **offers retailers new uses and new functionalities** such as a reduction of the insurable value of the books, the payment of Perben winnings⁽¹⁾ and combined small winnings on sports bets with the associated remuneration. The transformation of the sales function is also reflected in the roll out of a new furnishing item, Custo, accessible to persons with reduced mobility, and by the installation of gaming terminals that will complete the range of digital tools available to players in the network.

These tools, like the mobile apps, generate real benefits for players and retailers alike, by making players more independent, by lightening the workload of retailers and by reducing congestion in the checkout area.

(1) Winnings in excess of €3,000 (€2,000 from 1 July 2017).

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In addition, the features of the points of sale will be changed to accommodate all players. This gradual diversification will be carried out whilst ensuring that dialogue is ongoing with the professional organisations involved, at both the national and local level. FDJ wishes to have constructive and ongoing conversations with the two professional organisations concerned, the National Union of Press Distributors (l'Union Nationale des Diffuseurs de Presse) and the Confederation of Tobacconists (la Confédération des Buralistes). It must also take regulatory restrictions into account. The licensing of points of sale by the Ministry of the Interior, applicable to

horse-racing business activities since 2015, will be applied systematically across all FDJ activities from 1 July 2017. The fourth Directive on anti-money laundering will impose a constraint to disclose the identity of players placing bets above a given threshold or receiving winnings above an identical threshold, in 2019.

Whether across the current traditional network or, in the longer term, in other local stores, the challenge is to increase added value and commercial effectiveness.

1.1.3. Targets to be met/repeated to consolidate the extensive FDJ gaming model

From its beginning, FDJ has developed an extensive gaming model based on recreational gaming and an extensive logic (a large number of players with moderate player stakes).

FDJ is faced with major challenges which compel it to rethink its gaming offering and distribution methods in order to win new customers and ensure the sustainability of its extensive model, since it is at risk of seeing its business threatened, in the medium-term, by the erosion and ageing of its player base. FDJ's player base has in fact declined by 10% since 2008.

As set out in section 1.1.1. above, FDJ is updating its offering to better meet the expectations of players and to win new ones. In fact, the company is constantly renewing its offering. This is particularly so with the scratch card range which benefits from regular and varied game launches; of particular note in 2016, were the launches of The Voice and a game connected with the Euro football event. Draw-based games are not left out with the relaunch of the Euro Millions-My Million in September 2016 and the relaunch of Loto® in March 2017. The new formula for Euro Millions-My Million has been a resounding success, with 14.7 million players, including almost one million new players. The new Loto® formula, offering the option of picking emojis instead of

numbers, should also be a source of new players, particularly young adults. Furthermore, FDJ has been facilitating access to its digital offering by simplifying the online experience since May 2016, which has also contributed to increasing the number of players on the www.fdj.fr website.

In addition, FDJ must confront the attrition of its bricks-and-mortar network which has been ongoing for 15 years. A satisfactory level of coverage across France can no longer be assured. FDJ's network density is in decline, having fallen from 1 point of sale per 1,700 inhabitants in 2008 to 1 point of sale per 2,100 inhabitants in 2016. By comparison, the national coverage of the Italian lottery stabilised at 1 point of sale per 560 inhabitants during the same period.

To offset the closure of traditional points of sale and remain in close contact with the general public, and to supplement support actions for the BTN (bars, tobacconists and newsagents) network as set out in section 1.1.2. above, FDJ is gradually rolling out distribution of its products beyond the BTN network to include points of sale at other local stores. At present, the number of points of sale in non-BTN stores is just 5% of the total installed base of FDJ points of sale. This proportion remains far below that observed in other European or US lotteries.

1.2. Financial analysis and financial risk management



1.2.1. Items related to the Group's income statement

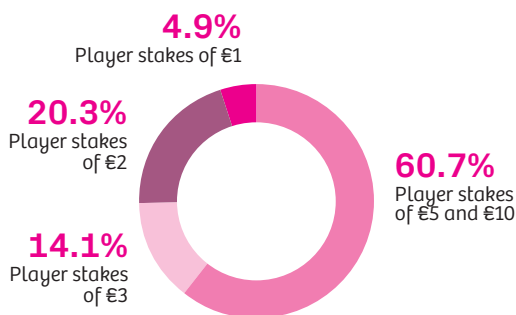
1.2.1.1. Player stakes

◆ Stakes collected by the Group totalled €14,331 million, up by 4.6% relative to 2015.

In millions of euros	2016	2015	% of total stakes	2016/2015 Change	
Scratch card games	6,746	6,298	47.1%	448	7.1%
Draw-based games	3,589	3,643	25.0%	-53	-1.5%
Point-of-sale games	1,330	1,355	9.3%	-25	-1.8%
Interactive lottery games	156	146	1.1%	10	7.7%
Total lottery games	11,821	11,441	82.5%	381	3.3%
Sports betting	2,510	2,264	17.5%	246	10.9%
TOTAL	14,331	13,705	100%	627	4.6%
<i>of which multimedia channel</i>	933	567	6.5%	366	64.6%

Stakes on **scratch card games**, which represent 47.1% of FDJ's total sales, increased by 7.1% over the year to reach €6,746 million.

◆ Scratch card games



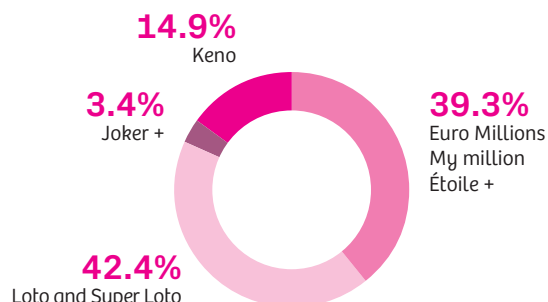
The twenty or so scratch card games (either permanent or temporary, based on a news story or theme), attracted 18.7 million customers.

The €5 and €3 segments are driving growth in scratch card stakes, with income up by 11.6% and 15.9% respectively. Cash is once again among the games at €5, having been relaunched in July. It is FDJ's most successful game, with stakes of €2,418 million (+10.6% compared to 2015), accounting for 36% of total scratch card sales. In addition, the FDJ scratch cards themed around the 2016 UEFA EURO™ championship (the limited series GOAL game in February and event-themed scratch card games in March) were a resounding success. Growth in the €3 segment was mainly driven by the Miel d'Or games (full year effect in 2016 following the April 2015 launch), Vegas and The Voice (launched in February 2016).

All segments combined, game launches in 2016 contributed more than €320 million to growth in player stakes, while relaunches (not including Cash) generated additional sales of around €400 million. Player stakes from the four key games relaunched this year, namely, Black Jack, Solitaire, Cash and Millionaire, increased by more than €450 million compared to 2015.

Draw-based games, with player stakes of €3,589 million, represent 25% of FDJ sales.

◆ Draw-based games



On the strength of its 17.5 million players and player stakes of €1.5 billion, Loto® reaffirms its staying power, despite fewer events (a single Friday 13th in 2016 compared with three in 2015) and fewer long cycles (eight in 2016 compared with nine in 2015). Loto® stakes posted on www.fdj.fr increased by 9%, raising the relative share of digital sales from 6.7% in 2015 to 7.2% in 2016. These results illustrate the success of the Loto® app, launched for the game's 40th anniversary. To mark that anniversary, FDJ offered the first ever participative jackpot in the history of the game.

A new formula for Euro Millions-My Million was launched in September. Twelve years after the launch of the biggest lottery in the world (with 20 million regular players), the nine partners of Euro Millions decided to introduce a series of changes to appeal to customers seeking more attractive jackpots and thus breathe new life into the game with the promise of outstanding winnings from the outset. The draw of 27 September was the first to incorporate the following changes: a higher starting jackpot (€17 million vs. €15 million); jackpots rising more quickly when they are not won; the super jackpots, held two to three times per year, were increased from €100 million to €130 million (first event held on 30 September 2016); more European millionaires and not just French ones (the My Million draw in France is retained). One new feature applies exclusively to France: a new option, Étoile+, allows players to taking winnings with one correct star and zero correct numbers. The launch of this new formula was accompanied by a television campaign and, in December, by a quirky and humorous 100% digital campaign, aimed specifically at young adults (18-34 years). This new formula attracted 14.7 million customers (including around one million new players) and enabled a renewed increase in sales.

In 2016, Euro Millions-My Million generated a new record number of millionaires with 157 new millionaires, compared with 150 in 2015. The app for the game was also a great success; player stakes generated on www.fdj.fr increased by 6%, raising the relative share of digital sales from 7.9% in 2015 to 8.7% in 2016.

The **point-of-sale games** posted sales of €1,330 million, representing 9.3% of total stakes in 2016 and a corresponding year-on-year decline of 1.8% due to weaker promotional support.

Income from **sports betting** totalling €2,510 million (vs. €2,264 million in 2015) represents 18% of FDJ sales.

FDJ sports betting services are offered under exclusive rights for the portion sold at points of sale and on a competitive basis for the portion of sports betting sold online.

There were a number of major sporting fixtures in 2016: the Euro football championship from 10 June to 10 July, the Tour de France from 2 to 24 July, and the Rio Olympic Games from 5 to 21 August.

With a 30-year commitment to sport and the promotion of its values, FDJ was a natural choice to partner the 2016 UEFA EURO™ championship, the biggest sports event organised in France since the World Cup in 1998. To enable as many people as possible to experience the competition in a spirit of fun, accompanied by hope and luck, the company set up a programme called “La OLA FDJ”, which reflects the values that distinguish FDJ (popular, celebratory and a creator of connections). A digital platform, accessible on the website or via a dedicated app, offers 35 exclusive free games. The point-of-sale network will also be a stakeholder in these festivities, wearing the “La OLA FDJ” colours before and during the competition.

In addition, to mark the Olympic Games, FDJ doubled the number of sports offered in its point-of-sale network (from eight to 16, vs. 23 online). Baseball, beach volleyball, swimming, skiing, athletics, Formula 1, motocross and rally will be added to the offering. FDJ is also set to double the number of types of bets available at its outlets by adding the ability to bet on, for example, the names of goal-scorers and rankings of sportspeople.

The range was also updated by deploying a strategy based on elevating the brand and enlarging the offering to include new sports and new betting formulas and services. In this respect, on 18 April, ParionsSport became ParionsSport Point de vente and ParionsWeb became ParionsSport en ligne.

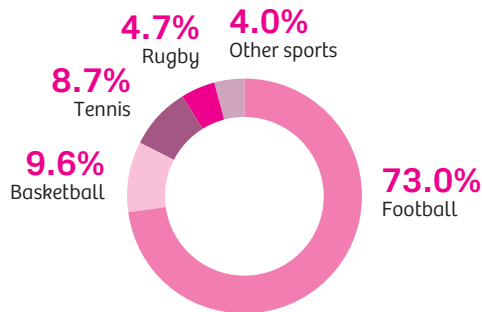


All these events, especially the Euro championship (with additional stakes of €174 million, +94% compared to the 2012 Euro championship) have contributed to 11% growth in sports betting.

Generally, the range has profited from a growing interest in sports betting among the French, who are catching up with the rest of Europe (7% penetration rate among the adult population in France vs. 12% in Europe). The number of betters is now 3.5 million, including 200,000 new betters joining the ranks in 2016.

The breakdown of betting by sport remains stable. However, it is worth noting that, excluding the Euro championship, growth in player stakes has mainly been driven by tennis and basketball.

◆ Breakdown of sports betting by sport



Finally, it should be stressed that paperless betting represented 28% of player stakes in the month of December, and an average 16% over the year.

1.2.1.2. Other Group financials

In millions of euros	31/12/2016	31/12/2015	2016/2015 Change	
Player stakes	14,331	13,705	626	4.6%
Revenue from ordinary activities	1,696	1,649	48	2.9%
Current operating profit	252	262	-10	-4.0%
Operating result	243	234	9	4.0%
Financial result	12	17	-5	-31.4%
Income taxes	80	94	-14	-15.2%
NET PROFIT	176	159	17	10.5%

Income from ordinary activities totalled €1,696 million, compared with €1,649 million in 2015 (up 2.9%). In 2015, it included unclaimed winnings and counterparty spreads on scratch card games. Following regulatory changes, since 2016 this is no longer the case, which explains the 2.9% rise despite the 4.6% rise in player stakes.

Current **operating profit** reached €252 million, having declined by €10 million. Excluding distribution circuit costs, other external purchases and expenses increased by €38 million (+11.6%). This increase is essentially attributable to IT outsourcing costs arising from the restructuring of IT systems (digitisation of the offering and of the company as part of the FDJ 2020 strategic plan) and also advertising costs, particularly those associated with the Euro championship.

The decline in the company's **financial result** (€12 million compared with €17 million in 2015) is mainly due to the changing US dollar exchange rate. The sustained fall in the dollar during 2015 had generated net foreign exchange earnings, while the contrasting exchange rate in 2016 had the reverse effect.

The decline in **tax** amounting to €14 million is explained essentially by the lowering of the tax rate following elimination of the exceptional contribution of 10.6% in 2016 and by the reduction of future tax rates (deferred tax) for taxable items as from 1 January 2020.

The Group posted a **consolidated net profit** of €176 million (compared with €159 million in 2015) after taking into account €1.3 million in income from associates (compared with €1.6 million in 2015).

1.2.2. 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>	2016	2015	2014	2013	2012
Share capital at year-end					
Share capital	76,400	76,400	76,400	76,400	76,400
Number of shares outstanding	200,000	200,000	200,000	200,000	200,000
Operations and results					
Player stakes *	14,330,738	13,704,503	12,998,756	12,353,656	12,137,823
Revenue from gaming activities	1,660,528	1,545,175	1,466,996	1,397,315	1,349,674
Profit/loss before tax and employee profit sharing, depreciation and provisions	192,653	235,581	274,740	288,685	249,893
Corporate income tax	83,390	89,877	-1,421	78,849	75,893
Employee profit-sharing	11,795	10,487	10,652	8,353	9,033
Net profit	145,789	139,626	-11,407	136,692	114,777
Dividends paid **	124,000	137,400	133,000	137,000	114,600
Earnings per share (in euros)					
Profit/loss after tax and employee profit-sharing and before depreciation and provisions	487.34	676.09	1,327.55	1,007.41	824.84
Net profit	728.95	698.13	-57.04	683.46	573.89
Dividend allocated **	620.00	687.00	665.00	685.00	573.00
Employees					
Weighted average headcount	1,243	1,183	1,163	1,135	1,105
Payroll	76,727	72,197	68,669	65,310	62,149
Amounts paid for employee benefits	41,150	38,753	36,719	34,423	30,937
Amounts paid for employee benefits, including taxes on wages	46,605	43,536	41,496	39,159	35,895

* Gaming revenue consists of amounts staked by players, regardless of distribution channel.

** Dividends in respect of 2016 submitted for approval at the Shareholders' General Meeting of 15 June 2017.

1.2.3. Activity by subsidiaries and equity investments

In thousands of euros	Consolidation method	Company revenue			Change 2016/2015	Contribution to consolidated revenue from ordinary activities		Contribution to consolidated net profit	
		2016	2015			2016	2016	2016	2015
LotSys	FC	20,854	15,467	5,387	4,257	427	471	257	
LVS	FC	7,356	10,687	-3,331	3,390	-226	-39	1,521	
Internationale des Jeux	FC	-	-	-	-	730	-82	-325	
Beijing Zhongcai Printing Co *	ME	18,473	21,298	-2,825	-	2,902	1,074	1,202	
FDP	FC	70,485	38,784	31,701	-	4,655	3,229	1,626	
FDJ Développement	FC	1,888	1,603	285	-	898	851	2,902	
La Pacifique des Jeux	FC	5,902	5,713	189	1,050	1,193	1,068	710	
Société de Gestion de L'Échappée	FC	12,529	12,443	86	2,026	-193	-63	19	
La Française d'Images	FC	14,319	13,221	1,098	74	151	161	288	
La Française de Motivation	FC	10,750	8,937	1,813	593	169	140	61	
NLCS	ME	6,323	3,538	2,785	-	64	32	34	
Services aux Loteries en Europe	ME	3,949	3,983	-34	-	61	17	16	
LB Poker	ME in 2015 **	-	-	-	-	-	148	384	
TOTAL SUBSIDIARIES AND AFFILIATES		172,828	135,674	37,153	11,389	10,831	7,007	8,695	

* Subsidiary.

** LB Poker was excluded from the scope of consolidation halfway through 2016.

1.2.3.1. Technology division

◆ LotSys

LotSys is involved in the development, manufacture, marketing and supply of hardware, software and services related to games of chance and, in particular, lottery terminals.

Its revenue in 2016 totalled €20.9 million compared with €15.5 million in 2015 (+35%). Business on behalf of the Group (€16.6 million, +27%) mainly concerns digital projects (€10.8 million) related to development of the digital platform (€4.5 million), the production of games (€1.9 million) and Interactive Factory (€2.0 million). Non-Group B2B revenue totalled €4.3 million (+74%). In addition to the ongoing contract with ISBB (Israel) won in 2012, LotSys stepped up its activities in new markets: an electronic draw system for SLE, devices and terminals for PMU and terminals for the Stuttgart and Swedish lotteries, rounding out its monitoring and maintenance business for long-standing customers.

In 2017, LotSys business will be further strengthened as a result of modernisation projects commissioned by the parent company and B2B prospects with regard to terminal sales (tenders currently underway). To confront these challenges, the company must continue to build skills internally and address levels of staff turnover and outsourcing.

◆ LVS

LVS is a software company based in London specialised in the creation and distribution of software for online games and sports betting, acquired by FDJ on 22 March 2010.

In 2016, the company's revenue totalled €7.4 million (€10.7 million in 2015). Net loss totalled -€0.2 million (compared with €1.3 million in 2015).

◆ Internationale des Jeux

Internationale des Jeux is a holding company that holds Beijing Zhongcai Printing Co Ltd (BZP). In 2016 and 2015, Internationale des Jeux revenue was mainly related to dividends from BZP. Its net profit totalled €0.7 million in 2016 (€1.0 million in 2015).

◆ Beijing Zhongcai Printing Co

BZP is a lottery ticket printing company located in China. It is jointly owned by Internationale des Jeux (37%), China Welfare Lottery (43%) and Malaysian partner Berjaya Group Limited (20%).

BZP revenue in 2016 totalled €18.5 million, a decline of -€2.8 million compared to 2015, due to a weaker games market in China over the period. Consequently, its operating profit declined over the year to €3.4 million (€4.4 million in 2015). Nevertheless, net profit remains stable at €2.9 million (€3.2 million in 2015). Dividends paid by BZP to Internationale des Jeux in 2016 totalled €0.8 million.

1.2.3.2. Distribution division

◆ FDP

FDP is FDJ's game distribution subsidiary. Created on 30 April 2013 as a result of the merger of 14 distribution companies, it has recovered 65 sales areas from sales agents since 2014.

The player stakes collected by FDP in 2016 accounted for 47% of total FDJ player stakes and amounted to €6.698 million, representing an increase of 82%. This strong growth was the result of the retrieval of 49 sales areas during the reporting period and is reflected by a corresponding rise in operating income which totalled €70.5 million (+82%). The retrieval of sales areas also served to increase operating expense (+64%), particularly personnel expenses. Non-recurring expenses (€5.1 million) essentially include costs related to transformation of the sales function. Net profit came in at €4.7 million in 2016.

◆ FDJ Développement

FDJ Développement organises and manages sales for the FDJ network, in the three Antilles/French Guiana departments (Martinique, Guadeloupe and French Guiana).

The strong sales momentum observed in 2015, with 3.9% growth in player stakes vs. 2014, continued in 2016. Player stakes broke a new record at €130 million, representing a year-on-year increase of 1.5%. Sports betting (+5.0%), and above all scratch cards (+6.3%), drove growth once again. Operating profit remains contained (€0.4 million in 2016 vs. €0.1 million in 2015). Net profit totalled €0.9 million.

◆ La Pacifique des Jeux

La Pacifique des Jeux is involved in the operation of games of chance in French Polynesia, in accordance with an operating agreement signed between FDJ and the Polynesian government.

In 2016, stakes collected by La Pacifique des Jeux totalled €41 million, up 7.9% relative to 2015. Growth in player stakes was driven by draws (7.5%) and scratch cards (+9.9%). Draws represent 83.5% of total revenue. Keno posted a rise of around 20% in the capture of new players and there is strong potential for the retention of regular players. Euro Millions-My Million posted 9.3% growth due to the effect of two major prize-winners in Polynesia (one winning My Million and another Tier 2 prize-winner), the launch of the new formula at the end of September 2015, in addition to several jackpot

rollovers. Amigo posted a 4.3% increase as a result of the opening of several points of sale (12 in total at year-end). The scratch card range, which represents 16.5% of global sales, gained momentum with the launch of four new games (Saphir, Fruit!, Mini Cash and Mega Cash) and two relaunches (Cash and Astro).

This business growth was key to the improvement observed in net profit, which rose from €0.7 million in 2015 to €1.2 million in 2016.

1.2.3.3. Sport and Sponsorship division

◆ Société de Gestion de L'Échappée

Société de Gestion de L'Échappée (SGE) manages the FDJ cycling team under the www.fdj.fr visual identity. Meanwhile, Association L'Échappée remains responsible for managing ethical issues, defining the sports programme and managing any activities linked to amateur cycling. It owns 66% of Société de Gestion de L'Échappée, with the remaining 34% owned by FDJ.

In 2016, SGE went up by four places in the UCI World Tour ranking, finishing in 11th place. The www.fdj.fr team had 20 wins in 2016 (vs. 15 in 2015). The Board of Directors of FDJ unanimously voted to renew its partnership contract with SGE for 2017 and 2018, with a maximum annual allocation of €12.2 million.

SGE's operating income totalled €13.2 million (+1.8% relative to 2015). Operating expense, excluding discretionary and non-discretionary profit-sharing, was contained at €12.9 million. Taking into account a non-recurring expense, the company posted a minor loss of -€0.2 million in 2016.

1.2.3.4. Resources division

◆ La Française d'Images

La Française d'Images is involved in the production of audiovisual works of all kinds, mainly for the internal requirements of its parent company. It is also tasked with managing studio sets for programmes produced by La Française des Jeux. As such, it works with all Euro Millions partner lotteries.

In 2016, it designed the sets and pilots for the Euro Millions teaser and for various films, in addition to sundry related services. Its revenue in 2016 totalled €14.3 million, an increase of 8% relative to 2015. Net profit was €0.1 million.

◆ La Française de Motivation

La Française de Motivation is a business travel consulting agency: it organises trips and events for prize-winners and for the FDJ Group distribution network, its main customer.

Revenue in 2016 totalled €10.7 million, an increase of €1.8 million (+20.3%) compared to 2015. This increase was partly related to Group initiatives with the operations departments, such as the internal agreement and the network enrichment trips. Business travel by Group employees increased by €0.6 million. Revenue from non-Group services, consisting of arranging incentive trips for third parties, grew by €0.1 million. Operating profit and net profit more than doubled in comparison with the previous year. Net profit totalled €0.2 million.

1.2.3.5. Partnerships division

◆ NLCS

FDJ and the Portuguese state lottery, Santa Casa de la Misericordia de Lisboa (SCML), formed a French joint venture, National Lotteries Common Services (NLCS), on 22 February 2013. Under a cooperative approach, NLCS exists to bring lotteries together to pool their expertise and resources in the field of sports betting.

In 2016, NLCS generated revenue of €6.3 million over the full year, compared with €3.5 million in 2015 (four months business only – the year of launch of SCML's sports betting business). Operating profit and net profit were both stable.

◆ Services aux Loteries en Europe

SLE is a Belgian limited liability cooperative company based in Brussels, formed in October 2003 to conduct shared operations for the Euro Millions game (draws, centralisation of numbers, calculation of payback ratios and arrangements for transferring funds between operators to pay out winnings). The company is jointly owned by the ten participating lotteries; FDJ holds a 26.57% stake.

The company reinvoices all of its expenses – some with an added margin – to its shareholders. It posted revenue of €4 million in 2016, a stable result in comparison with 2015. Net profit was at break-even level.

◆ LB Poker

LB Poker ran an online poker offering via the barrierepoker.fr website. This joint venture, formed on 25 May 2010 and owned 43.84% by FDJ, 43.84% by Groupe Lucien Barrière and 12.32% by Online Gaming 3D, ceased B-2-C trading operations on 30 September 2013 (its ARJEL licence was withdrawn on 28 November 2013). On 13 February 2014, La Française des Jeux exercised the put option established on 9 December 2013 between itself, Groupe Lucien Barrière and Online Gaming 3D. This option concerned the sale of LB Poker shares at par value by Online Gaming 3D. As a result, FDJ's interest in LB Poker increased from 43.84% to 50% on 27 February 2014, with the remaining shares held by Groupe Lucien Barrière. LB Poker was excluded from the Group's current scope of consolidation for 2016.

1.2.4. Key balance sheet ratios

<i>In millions of euros</i>	31/12/2016	31/12/2015
Non-current assets	1,157	768
Current assets	855	1,289
TOTAL ASSETS	2,012	2,057
Shareholders' equity	462	556
Non-current liabilities	347	294
Current liabilities	1,203	1,207
TOTAL LIABILITIES	2,012	2,057

Financial assets represent 49% of **non-current and current assets** in 2016 (69% in 2015). This change to the distribution of the Group's balance sheet structure is related to the acquisition, in 2016, of the Group's future head office. Financial investments consist of amounts invested by FDJ in low-risk, liquid instruments (mainly term investments, SICAVs and mutual funds) that do not qualify as cash equivalents (maturing in less than three months). With interest rates at all-time lows, in 2016 FDJ continued with its policy of making investments in term deposits with a five-year horizon.

Non-current assets increased by almost €215 million between 2015 and 2016. Investments in intangibles totalled €30 million in the year, mainly related to development work on live and back office information systems and gaming terminals.

Investment in property, plant and equipment totalled €236 million and mainly concerned the Group's future head office and, to a lesser extent, fittings and equipment at points of sale (gaming terminals, sales counters and players' areas).

Shareholders' equity includes reserves totalling €203 million, with €81 million of this amount consisting of a statutory reserve to cover the risks set out in section 2.6.1. Dividends paid in 2016 amounted to €229 million.

The change in **provisions** was mainly related to restructuring costs in relation to the sales function transformation programme which will continue to be implemented in 2016.

The fall in **non-current player funds** is related to the lowering of the permanent fund's capping threshold from 1%

of player stakes in 2015, to 0.5% of player takes in 2016. The increase in **French government gaming levies** of €55 million is mainly related to the rise in the permanent fund surplus (€175 million in 2016 vs. €66 million in 2015) which, in 2016 includes, in addition to a greater cap, the unclaimed winnings and counterparty spreads on scratch card games.

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

1.2.5. Cash and financing flows

Despite the increase in revenue in 2016, cash flow from operations declined by €37 million, following the payment during the period of compensation to sales agents who ceased operations as a result of the restructuring plan implemented by FDJ in 2014. Compensation paid in 2016 totalled €122 million.

Investments consisted of €207 million on the acquisition of the Group's future head office, €30 million on development work on information systems (including €17 million carried out internally) and €30 million mostly on fittings and equipment at points of sale. Dividends paid over the period amounted to €229 million.

The decline in cash and cash equivalents is related to the self-financing connected with a portion of the acquisition of the future head office and to the changes concerning the permanent fund (see section 2.4). The Group's financial debt amounts to €235 million, including €119 million subscribed in 2016 intended to fund the acquisition of the future head office.

FDJ carries no liquidity or solvency risk and faces no potential threats to its autonomy.

1.2.6. Risk management

1.2.6.1. Risk management

Shareholder's equity includes reserves totalling €203 million, with €81 million of this amount consisting of a statutory reserve to cover the following risks:

- ◆ 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 €41 million at the end of 2016, based on the 2015 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 2016, they were covered up to the amount of €40 million.

1.2.6.2. Common risks associated with the business of game operator

Some games are based on the fixed odds principle. The unit value of prizes is either fixed or calculated on the basis of

probabilities. The number or value of prizes won is determined by chance. For these fixed-odds games, the total amounts which will actually be distributed to winners cannot be predetermined in a precise fashion, but rather, can only be estimated: it will sometimes be less and sometimes more than the share of the stakes designated for return to players, pursuant to the decree of the French Budget Minister. These positive or negative differences can result in either a gain or a financial risk for La Française des Jeux. They are managed via a specific counterparty fund for each game, allowing financial risk to be spread across all gaming events.

Furthermore, to limit overall counterparty risk for La Française des Jeux, all game-specific counterparty funds are backed by a permanent fund that serves to pool coverage of the risk. In accordance with amended Decree No. 78-1067 of 9 November 1978, the permanent fund is capped at 0.5% of player stakes for the year. The surplus is paid back to the French State's general budget. In addition, a statutory reserve (€81 million) can be utilised to cover unusual and extreme risks if counterparty funds and permanent funds are insufficient. Counterparty funds totalled €63 million at end 2016, while the permanent fund stood at €72 million.

1.2.6.3. General business risk

La Française des Jeux is potentially exposed to risks arising from its business:

- ◆ rare and extreme counterparty risks linked to all fixed odds games operated and not covered by a specific fund;
- ◆ risks of fraud or human error attributable to FDJ's personnel, distribution network, players or IT system;
- ◆ risk of major incidents affecting the ability of IT systems to collect or process playslips, and their consequences in terms of loss of revenue, reputational damage and damage to player confidence.

These risks are covered by a statutory reserve totalling €81 million (see note 11.2 in the notes to the consolidated financial statements).

1.2.6.4. Ongoing legal proceedings and other disputes

In 2004, the company was brought before the Aix-en-Provence Conseil des Prud'hommes (Employment Conciliation Tribunal) by former employees on the matter of the employee savings plan. Because this tribunal was declared not to have jurisdiction at the end of 2012, the case was then brought before the Conseil de Prud'hommes of Boulogne-Billancourt and of Meaux on its merits and not on the geographical or material jurisdiction. The Prud'hommes case for former managerial staff (only) ruled in favour of La Française de Jeux and dismissed the complainants. The latter

therefore appealed to the Versailles court of appeal in 2014. The court ruled in favour again of FDJ and dismissed all of the plaintiffs' claims. The plaintiffs then filed an appeal with the Court of Cassation. As regards the former non-managerial staff in this dispute, the hearing before the Appellate Court in Versailles was suspended pending the decision of the court of cassation. On 15 June 2016, the Court of Cassation ruled in favour of La Française des Jeux. On 30 November, the Appellate Court of Versailles reported that former non-managerial staff had withdrawn their appeal. Consequently, both proceedings came to an end during the reporting period.

In October and December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate – UNDJ) brought two actions, one before the Court of First Instance in Nanterre and the other before the Court of First Instance in Paris. The second case is ongoing, the first having been abandoned by the UNDJ. Members filed a lawsuit against FDJ in May 2012 before the Commercial Court of Nanterre. This case is subject to a stay of proceedings pending the decision of the second claim before the Paris District Court.

On 6 August 2015, 67 brokers-agents served a summons on La Française des Jeux to appear before the Commercial Court of Paris at short notice. They formulated claims for damages following the termination of their broker-agent contracts. In October 2016, the judgment rendered ruled against the broker-agents' on all of their claims. In November 2016, they lodged an appeal with the Appellate Court of Paris where the proceedings are ongoing.

1.2.7. Trade payables by maturity

◆ 2016

Maturities (D = closing date)	Payables due at closing	Maturities D to D + 30	Maturities D + 31 to D + 60	Maturities beyond D + 60	Total trade payables
Trade payables	2,546	13,793	32,348	1,517	50,203
Suppliers of capital equipment	98	1,645	5,463	-	7,206
TOTAL PAYABLE	2,643	15,438	37,812	1,517	57,409

◆ 2015

Maturities (D = closing date)	Payables due at closing	Maturities D to D + 30	Maturities D + 31 to D + 60	Maturities beyond D + 60	Total trade payables
Trade payables	2,280	18,607	36,691	2,017	59,596
Suppliers of capital equipment	118	695	6,398	41	7,252
TOTAL PAYABLE	2,398	19,302	43,089	2,058	66,848

1.2.8. Subsequent events

FDJ is not aware of any event after 31 December 2016 that might have a significant impact on the Group's business, financial position or assets.

**1**



NOTES

1.3.

Social responsibility

1.3.1.	Our CSR policy	24
1.3.2.	COMMITTED to entertaining and protecting	32
1.3.3.	INTEGRITY to guarantee ethical compliance	41
1.3.4.	SOLIDARITY to be useful to all	46
1.3.5.	PIONEERS in shifting lines	48
1.3.6.	CSR reporting	50

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

The Group has defined its CSR policy with the aim of making it a **shared value creation driver**, in line with the Company's strategic ambition by **2020**.

THE FOUR GAME RULES



1.3.1. Our CSR policy

1.3.1.1. FDJ, a history and a vision

FDJ is the result of a strong history, and is the successor of the French national lottery, set up in 1933 to help victims of war and farming disasters. The values of redistribution and community support are part of our DNA and form the basis of our model: no less than 95% of FDJ player stakes are redistributed to our players, but also to the community and the retailers who distribute our products. A distinct history and a singular business. Gambling is heavily regulated, and its potential impact on public and social order has led the French government to grant us a monopoly on this activity. As such, a key component of our CSR policy is our

Responsible Gaming initiative, which aims to combat problem gambling and underage gambling. Tackling fraud and money laundering are also major priorities for us. However, although risk prevention is a central component of our CSR policy, it is not the only one. Our social commitment is reflected in the work of our FDJ Corporate Foundation which, for almost 25 years, has been working for the general interest to promote equal opportunities, particularly in the area of sport. Aware of the strict framework governing our operations, we have decided to go beyond the regulations. For over ten years our proactive approach and exemplary practice have made us a committed game operator.

1.3.1.2. FDJ and CSR, ten years of commitment

Our CSR approach has been in place since 2006. It was a time when companies had started to become aware of sustainable development and the potential positive impact on the longevity of their operations.

The development and key stages of our CSR commitment are described below.

◆ 10 YEARS OF COMMITMENTS



Based on this observation, our CSR approach can only develop as part of a continuing progress initiative. Since 2008, indicators associated with our efforts in this area have enabled us to measure our performance and identify areas for improvement. This evaluation work requires a fully independent viewpoint; for this we have called upon the Vigeo non-financial ratings agency. Its latest assessment from February 2015 gave us 78/100. A very high overall level of CSR performance, which has been constantly evolving since 2012.

1.3.1.3. Strategy and organisation

CSR is at the core of our growth model and business strategy. As such, it permeates the entire FDJ 2020 strategic plan, giving us a fantastic opportunity to place Responsible Gaming back at the very heart of the business and redesign

our processes and tools to facilitate its integration at the very start of our CSR approach.

Confident governance

Our CSR policy is the cornerstone of our 2020 strategy and has been shaping the way in which we work since 2008. In 2012, a Sustainable Development Committee was set up within the Board of Directors. Its roles are to examine our CSR policy and how well it fits our strategic priorities, and to develop the FDJ Corporate Foundation's policy. On a daily basis, this Committee prepares the Board of Directors' work and decisions, formulating proposals, recommendations and advice for the Board. In 2016, the Sustainable Development Committee met four times to discuss specific matters, namely: the 2015 report on CSR strategy and priorities for 2016, the 2017 Responsible Gaming action plan, the 2016 anti-money laundering plan and guidelines for 2017, the

company's approach to fostering diversity, the proposal of CSR criteria for inclusion in corporate officers' 2017 targets, the 2015 report on the FDJ Corporate Foundation and guidelines for 2016.

The CSR Department is under the responsibility of the Director of Communication and Sustainable Development, who is also a member of the Executive Committee.

The CSR strategy is embodied operationally each year in programmes implemented by the business line managers, and the CSR priorities are approved annually by the Executive Committee.

We initiated dialogue with the civil society in 2006, which took the form of discussions and annual information meetings. In 2014, we structured this dialogue by setting up the Social Laboratory, part of the company's operational governance which considers and reports to our stakeholders. This strong presence of CSR in our strategy reflects strong convictions. The wages and salaries paid to our managers are largely determined by CSR criteria. In particular, criteria linked to our Responsible Gaming initiative are among the factors which determine the variable remuneration paid to our corporate officers.

At the end of 2016, all employees were introduced to the initiative via the launch of a COOC (Corporate Open Online Course) which will be fully rolled out in 2017. This course covers CSR fundamentals and the way the company complies with its CSR obligations.

CSR is also one of the pillars of the integrated management system, which completes our approach. This system combines Internal Control and Quality, and has been in place since 2011. This integrated management system is called SMILE (*Système de Management, Intégrez-Le !*) and provides us with a framework to guide the operational management of the strategic priorities and commitments of each individual, in line with standards and regulations. The FDJ integrated management system is now based on seven fundamental pillars: Sustainable Development-CSR (based on ISO 26000), Internal Control (based on the reference framework of the French Financial Markets Authority – AMF), Quality (based on the ISO 9001 standard version 2015), Information Security (based on the ISO 27001 standard), Ethics, Occupational Health and Safety (based on the OHSAS 18001 standard) and General Safety. The coordination of these pillars is strengthened by the Group's measures to foster diversity and well-being at work.

In 2016, the SMILE system had several high points: at the request of Executive Management, FDJ began to roll it out across the Group, beginning with its FDP distribution subsidiary. The Quality certification covers two areas: "managing operations to support the sales network" and "property and working environment". Optimisation of the integrated management system tools will continue in 2017 to

accelerate implementation of the system and take-up by employees, in step with the significant ongoing work as part of the FDJ Group strategy.

Relations with our stakeholders

Our CSR policy is designed and implemented with and for internal (employees) and external (players, retailers, regulators, suppliers, civil society, etc.) stakeholders of the FDJ Group. The dialogue between us is an essential factor in the credibility of our CSR approach as whole. It gives substance to our policy, challenges it and drives it forward. And because CSR creates shared value for our ecosystem, we believe in the virtues of co-construction. We innovate in conjunction with our stakeholders in a pioneering spirit. By way of example, FDJ has taken the initiative to implement industry-wide CSR guidelines along with our European counterparts to enable national lotteries to extend their scope of responsibility beyond Responsible Gaming. The CSR guidelines for the lottery industry consist of commitments with performance indicators specific to the lottery sector aligned according to the ISO 26000 standard. They have been drawn up by the Austrian, Italian, Swedish and Swiss lotteries. Likewise, with our partners in the sporting world – our leading partner being CNOSF (French National Olympic and Sports Board) –, we have structured our CSR approach, also based on ISO 26000, in a version tailored to this sector. The idea behind this is to enable sporting organisations to evaluate their CSR maturity and make progress on their CSR if they are interested in doing so.

In the same spirit of open dialogue with our stakeholders, our Social Laboratory feeds in to the FDJ Group's CSR strategy. This forum of discussion and dialogue between the civil society (there are nine associations in the Laboratory), which expresses its concerns, and the FDJ Group (marketing, commercial, communication, CSR business lines, etc.), enables us to adjust and enrich our action plans. Three meetings were held in 2016. The topics discussed included preventing underage gambling and responsible advertising. At its assessment session in February 2016, after two years of existence, the Social Laboratory gave an overview of the main topics broached, sharing with the participants' specific progress made and instances of *status quo* on some matters. Prior to this meeting, interviews were conducted with Laboratory members (civil society organisations and FDJ employees) to gather information to drive the current system forward to better meet the expectations of external and internal stakeholders. The interviews revealed a good level of satisfaction, as well as bringing the needs of Social Laboratory participants to light. There is a need for continuing and consolidating dialogue, which is why the Social Laboratory was extended in 2017.

◆ Dialogue with stakeholders

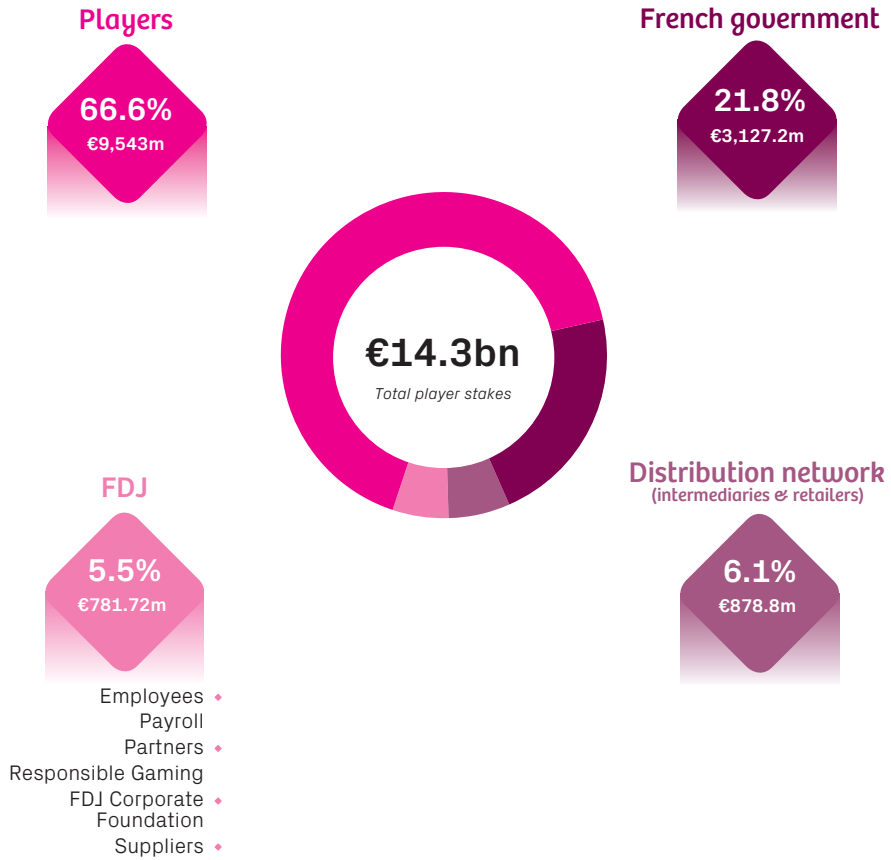
Stakeholders	Nature of the dialogue	Matters discussed	Frequency
Employees	Social dialogue		
	Central Works Council	Economic and financial projects, restructurings	Monthly on average
	Works committee	Economic and financial management of the company	Monthly
	Employee representatives	Wages Social protection	Monthly
	Negotiation meetings	Wage policy Living together better, retirement planning...	More than once a month
	Health and Safety and Working Conditions Committee meetings	Health, safety, working conditions	Four times a year
	Employee commitments		
	Company social network	Multidisciplinary discussions	Throughout the year
	Satisfaction survey	Corporate climate	Every two years
	Commitment survey	Commitment	Twice a year
	Event themed online chats	Presentation of strategic priorities	Three times a year
	On-site briefings	Current projects, news	Five-Six times a year
	Players/major prize winners	Meetings with players	Co-construction projects/quality of dialogue
Multi-channel contact points		Complaints management Requests for information	231,000 telephone calls 205,000 emails 24,500 letters
Websites Social networks		Managing customer relations/communication	Throughout the year
Workshops with major prize winners		Discussion/support Social meetings	15 a year
Retailers	Meetings with industry bodies	On-the-ground listening Tobacco and press conference (<i>Congrès Tabac et Presse</i>) The national meetings of the Confederation of Tobacconists (<i>Confédération des Buralistes</i>) and of the National Union of Press Distributors (<i>Union Nationale des Diffuseurs de Presse</i>)	Annually or twice a year/by type of meeting
	Training/trade visits	Tools, processes, Responsible Gaming	Throughout the year
	Inspections on points of sale	Commercial, behavioural, contractual and regulatory compliance	Annually for each retailer
	Magazine/trade shows	Communication	Throughout the year
Civil society	Social Laboratory (FDJ listening and dialogue body)	Responsible Gaming, responsible advertising, digital	Three-Four times a year

Stakeholders	Nature of the dialogue	Matters discussed	Frequency
Scientific, health and social ecosystem	Expert Committees	Evolution of product offering and services	Four times a year
	Discussions with universities	Research/problem gambling, gambling's place in society	Throughout the year
	Corporate philanthropy conventions (helplines/support structures)	Help for gamblers with problems	Throughout the year
	Press releases Press conferences Press meetings Open days	Strategy, news, behind the scenes at the company	Throughout the year
Institutional	Parliamentary lunches	Economic, social and financial dimension of sport	Eight-Ten times a year
	Local Mayors Exhibition	Strategic focus areas Local involvement	Annually
	Network visits	Discussions between the Chairwoman and local institutional bodies	Four times a year
	Institutional contacts	Discussions between the Chairwoman and an opinion leader	Throughout the year
Partners – sports movements	Events Symposia Working groups	Communication Current projects	Throughout the year
Foreign lotteries (The European Lotteries and World Lottery Association)	Events, working groups	News	Throughout the year
Regulatory authorities	Meetings with Cojex and Arjel *	Product offering and Responsible Gaming action plans	Every two months
Suppliers	Supplier survey	Satisfaction/feedback	Every two years

* Cojex: Committee on gambling and betting under exclusive rights.

Arjel: Autorité de régulation des jeux en ligne (online gambling regulator).

**FINANCIAL FLOWS:
OVER 95% OF PLAYER STAKES REDISTRIBUTED TO OUR STAKEHOLDERS**

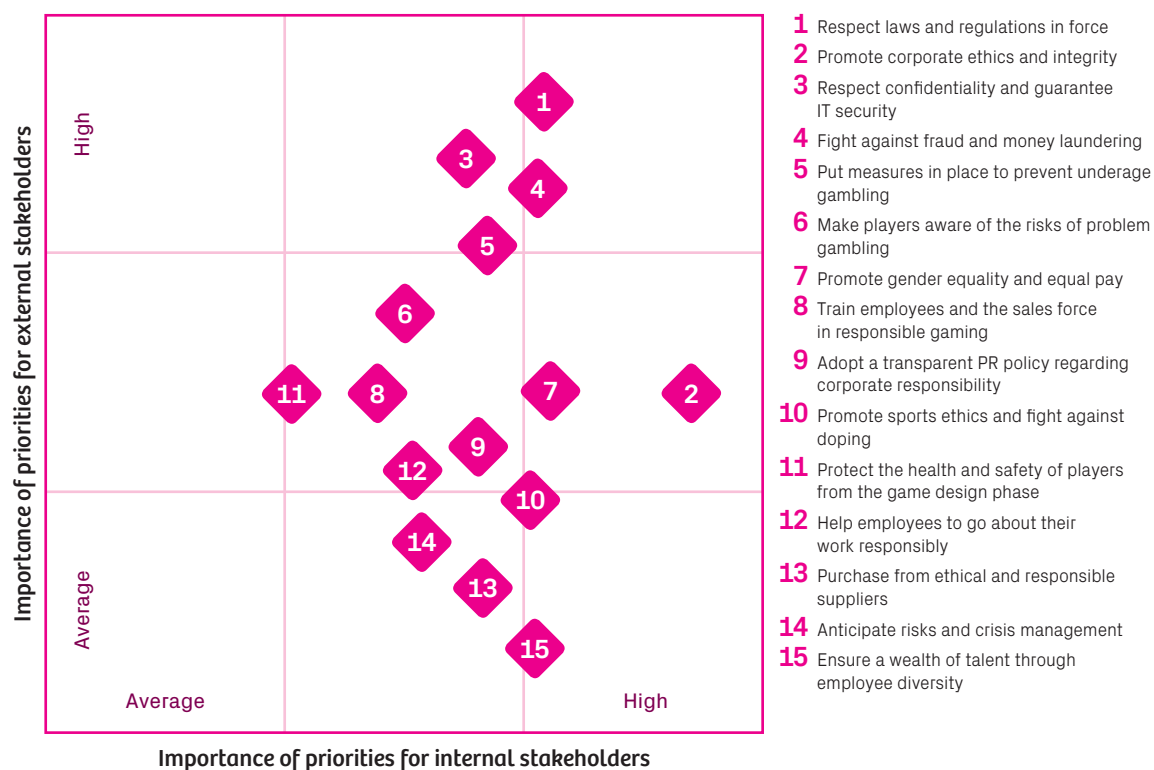


Including stakeholders in our priorities

Our materiality matrix, conducted in 2015, is one of the tools FDJ uses to adjust its CSR policy and allocate resources to the strategic priorities which create value for the Group and its stakeholders. Two priorities are given for each item: one from an internal standpoint and the other from the external standpoint of the stakeholders. Consultation with stakeholders takes place via an online questionnaire sent to a large sample of FDJ stakeholders. A total of 500 people (employees, players, retailers, regulators, suppliers, civil society, etc.) took part in this initiative. Ultimately, the

priorities selected were those which were of importance both internally and externally. Their relative positioning was shown according to two factors – major priorities for internal stakeholders and major priorities for external stakeholders. These results are a step towards greater CSR accountability and transparency requirements. They underpin the main orientations of our CSR policy, particularly risk prevention: control of underage gambling, problem gambling, fraud and money laundering. Ethics, integrity and governance were also priorities for our stakeholders.

◆ Materiality matrix



Our four game rules

In response to the results of the materiality study on our stakeholders' expectations, but also the orientations of the FDJ 2020 strategic plan, we have remodelled the architecture

of our CSR policy. This new structure is intended to reflect internal and external expectations as well as the Group's strategic challenges and long-held beliefs.



COMMITTED

- ♦ Implement a responsible gaming approach
- ♦ Support the economic dynamism of the sales network
- ♦ Promote diversity and quality of life at work
- ♦ Preserve the environment

SOLIDARITY

- ♦ Promote and animate our distribution model
- ♦ Make sport a vector of community support
- ♦ Promote the involvement of our stakeholders
- ♦ Invest in a socially responsible way

INTEGRITY

- ♦ Ensure ethics and transparency
- ♦ Fight against fraud and money laundering
- ♦ Fight against corruption
- ♦ Personal data protection
- ♦ Responsible purchasing

PIONEERS

- ♦ Lead the way in responsible game
- ♦ Create a virtuous circle around sport
- ♦ Innovate in CSR

1.3.1.4. Our key indicators: 2016 highlights





1.3.2. COMMITTED to entertaining and protecting

Commitment is not a word used lightly by the FDJ Group. Game rule no. 1 – this is of fundamental importance to our CSR policy – the FDJ Group is committed to its players, employees, commercial and distribution network and future generations. The Responsible Gaming initiative sets the FDJ Group apart and acknowledges the trust that our stakeholders place in us. Responsible Gaming is a pillar of the FDJ Group's model and is intended to offer products based on fun and recreation to as many people as possible.

For the FDJ Group, being committed also means being attentive to our employees. For them, this means our actions to promote quality of life in the workplace and diversity.

Finally, the FDJ Group has made a commitment to future generations by implementing sustainable solutions to preserve the environment.

are already visible. The Responsible Gaming teams are issuing increasingly positive opinions without reservations when analysing the product range and advertising and promotional initiatives *i.e.* the proposed product offerings increasingly meet the criteria of a recreational gambling offering. These are all examples of collaborative work between the marketing and Responsible Gaming teams, and the maturity of this work, with our responsibility to our players being incorporated very early on.

This collaborative work is also facilitated by Serenigame, a tool which evaluates the offering at the design stage. In 2016, a specific version for scratch cards was added to this analysis matrix. While Serenigame gives an overview of the sensitivity of the FDJ Group's offering in relation to the games market, Serenigame Grattage compares the levels of sensitivity of the games within one product range. It incorporates new criteria specific to scratch card games enabling a more product-specific analysis. This is major step forward for the FDJ Group when most operators use a universal matrix.

1.3.2.1. Reinforcing our Responsible Gaming approach

The aim of Responsible Gaming is to support development and innovation in the product offering by ensuring that fun is the key factor and that the pleasure of playing the lottery is not degraded by problem gambling. Problem gambling is caused by a range of factors (the player's environment, the game in question and the player's personality). Aware of the fact that our business activity can generate certain negative impacts, we are doing everything we can to mitigate these situations. With this in mind, we are innovating with recognised partners in this area.

This policy has been structured into an approach introduced over ten years ago and which has now reached maturity, so that it can be adapted to its environment, changing consumer behaviour, the digital revolution and changing usage. We favour a partner-based approach to implementing our Responsible Gaming strategy: with players, who we support in a new way, or by providing alternative support to the retailers who sell our products. We also apply it with a constant focus on prevention ethics with our partners.

In December 2015, the AFNOR audited the whole FDJ Group Responsible Gaming policy. The result was a fully renewed certification, in accordance with the most stringent European Responsible Gaming standards. In 2009, the FDJ Group was one of the first lotteries in Europe to achieve AFNOR certification.

The test and learn principle was trialled in 2016 to coincide with the launch of enriched-experience online games. For these specific games, playing is monitored to better define player profiles, and to identify players' behaviour in response to and perceptions of this new offering. The games offering can be adjusted in response to the results so as to retain recreational playing habits.

The Responsible Gaming initiative now favours innovation and the freedom of the business lines as well as the freedom of the players. A better understanding of player behaviour makes it possible to include prevention components tailored to players and the expectations of our consumers earlier on. Our approach focuses above all on the player, their journey, behaviours and expectations.

Raising awareness of underage gambling and problem gambling

Although gambling and games of chance are a source of fun for the vast majority of people who engage in them, they can also have negative impacts on people in a vulnerable situation. The FDJ Group has two priorities in this area: tackling underage gambling and problem gambling. Its areas of action include prevention and educating the general public. In 2016, the focus on preventing underage gambling resulted in a raft of initiatives, to improve understanding of gambling and games of chance, knowledge of regulations and best practice in the field of recreational gambling.

On the internet, the advertising campaign for the illiko® range of scratch card games includes a warning message for the first time. At the end of the campaign, a study⁽¹⁾ showed that the message regarding underage players was positively received, particularly among the target group of 15-17 year olds.

An accelerator and a safeguard

Since the end of 2015, the Responsible Gaming approach has included new processes within the Group: "JR Inside". It involves integrating prevention from the game design phase and adopting the test and learn principle for innovative offerings. The aim is to free up creativity at the early stages by closely observing the way players interact with these new products. The first signs of success of the "JR Inside" process

(1) Kantar TNS study, conducted on a sample of 601 people, 101 of which were aged 15 to 17, in October 2016.

Forty thousand copies of **Le carnet clients**, an information guide designed by FDJ with experts on addiction, were handed out at events such as the UEFA European Championship to raise awareness among the general public of the risks associated with gambling and betting, and their consequences (problem gambling and underage gambling).

Fun events are also excellent opportunities to raise awareness. The 2016 UEFA European Championship, of which the FDJ Group was a partner, enabled us to capitalise on a time of national optimism generated by sport to spread the prevention message. We implemented a strategy to present the various facets of our business. Starting with our commitment to society, particularly as regards preventing problem gambling and underage gambling. This strategy was in place for the duration of the competition via three actions, developed on a digital platform, in the competition's "fan zones" and in eight cities where matches were not being held via our "Ola" tour. On the internet, the general public took part in a range of free games, two of which were on the theme of prevention: "Green card" – making sense of legislation on underage gambling in France by asking players about the different restrictions in force in other countries – and "Majeur de promo" – which showed betting and gambling best practice.

In the "fan zones", spaces reserved for the event partners, the FDJ Group also handed out customer guides.

Finally, our **"Ola" tour**, which stopped at Reims, Caen, Troyes, Dijon, Clermont, Lorient, Angers and Nancy, enabled the general public to watch the France matches in a dedicated space designed around fun and sporting event stands. One of these, "Espace malin" (Smart Space) was set up in partnership with the charities S.O.S., Joueurs and e-Enfance. According to the CSA institute which conducted a study on this operation on 220 people (in August 2016), the mission was accomplished:

- ◆ 89% of visitors are encouraged to look out for underage gambling practices;
- ◆ 90% of visitors agree with FDJ's commitment to prevent underage gambling and 89% agree with its commitment to prevent problem gambling;
- ◆ almost a third have been informed specifically and almost half have made an effort to be more attentive and take further actions to prevent it, especially among young people.

For the FDJ Group, these actions take a family-based approach to prevention. The initiatives supply tools, and explain issues in a cross-generational way. Their aim is to encourage discussion within families, particularly as regards underage gambling.

"BIEN JOUER" (PLAY WELL) TEENAGE GAMBLING

Preventing underage gambling is a priority for the FDJ Group. To directly reach this target audience, it chooses to surround itself with partners and encourage initiatives in this regard. FDJ provides financial support to the "Bien Jouer" programme, an early intervention project in schools, which aims to prevent young people from starting to bet and gamble. Led by the Sedap (addiction support society), this pilot was adapted from a Canadian programme. Specifically, professionals from Sedap organise information workshops in secondary schools to improve psychosocial skills, information workshops to examine wrong beliefs, critical thinking, the concept of luck and chance and personal budget management. This last module was designed in conjunction with Cresus, the regional chamber for debt prevention.

Although FDJ is a financial partner in the project, it plays no role in evaluation and is not involved in the operational steering committee, which is made up of independent experts. This position ensures the necessary freedom of decision and choice while ruling out any conflict of interest.

Keys and tools for managing practices

Our approach to our consumers shifted in 2016. Focusing more on their needs, expectations and their actual gambling practices, it gives room for player autonomy. This freedom goes hand in hand with improved information, aimed at making our customers aware that the lottery is not an ordinary activity and that it can lead to high-risk behaviour. Enlightened consumers are better equipped to manage their playing using the tools available.

Role of the moderators

To ensure recreational gambling, the FDJ Group offers its players tools on its websites to help them control their playing behaviour. For example, the new moderators in 2016, which focused on player behaviour rather than on the range of games. Although the different limits (stakes, time) are set by the players, the moderators determine:

- ◆ the lowering of the total betting limit for games of chance to €1,800 (vs. €2,500), all offers combined;
- ◆ the hiring of a total time moderator, who takes into account player session times. Players are notified when they have been connected to our site for two hours;
- ◆ awareness messages adapted to player Playscan profiles.

With better controlled playing practices, as part of a prevention strategy, the FDJ Group encourages the freedom and independence of all players.

PLAYSCAN, SEGMENTED PREVENTION

Playscan is a device fitted on the fdj.fr website to monitor player behaviour. This multi-criteria analysis (value of player stakes, number of plays, time spent, etc.) helps define player profiles: green (recreational player), yellow (high-risk player), red (problem player). In 2016, prevention moved towards a segmented approach depending on the player's profile.

Green profile (94.3% of players): a generic message appears the first time they log on.

Orange profile (4.14% of players): a message recommending moderation appears when the player's profile changes from green to orange.

Red profile (1.56% of players): a message appears every time the player logs on directing them towards the FDJ Group's partner support organisations.

Special attention for prize winners

Although the FDJ Group supports its players, it monitors its large prize winners just as closely (winners of €500,000 and above, 361 prize winners in 2016). Winning a large sum of money can often have a destabilising influence on players. It can throw up many issues and situations for which they are not prepared. To this end, FDJ implements a support package from the time the prize is awarded to make life easier for prize winners so that they can begin their new lives calmly.

In addition to this tailored support, we offer our big prize winners four types of group workshops (15 in 2016):

- ◆ informative, to familiarise them with unknown vocabulary (banking, investment, taxes) so that they are more at ease during initial conversations with people from those institutions;
- ◆ informal lunch discussions, where they speak with a psychologist about life since they won as it affects their work, friendships, children, etc.;
- ◆ winner outings, to discover worlds and experiences unknown to them before they won. In 2016, winners discovered the world of travel and fine wines;
- ◆ social meetings, to meet other winners at FDJ-sponsored sporting events or parties.

These workshops, which were attended by 201 prize winners in 2016, were well received by the recipients. In addition to information, they improved their knowledge and were able to meet and share their experiences. FDJ Group plans to continue this individual and collective support, by adding new topics.

Support for retailers

The FDJ Group supports retailers who sell its products, both commercially and in terms of CSR. In 2016, it introduced a new plan to tackle underage gambling, designed in conjunction with professional organisations and representatives of the sales network and sales team. Underage gambling is a cause of great concern within our sales network. It is often difficult to explain the rules and to act as a mediator particularly where parents are concerned. Parents often do not want to hear moralising lectures from their retailer. Aware of these multiple difficulties, the FDJ Group is giving retailers tools to help them combat underage gambling.

This new action plan, which will be implemented in 2017 across 8,000 points of sale, includes prevention training for the entire sales force. The sales force will then pass on the message, with a particular focus on underage gambling, to the network's 31,143 points of sale. Another new initiative: underage gambling "crackdown visits" for three years. These visits to retailers by the sales force will incorporate a specific training module on how to refuse sales.

The approach of the sales network to underage gambling has been completely overhauled. It does not just involve reminding youngsters of the regulations but also explaining the whys and how to apply it. By opting for this approach, the FDJ Group wants to make life easier for retailers and support them as much as possible in the difficult task of selling restricted products.

We should also finally point out that since 2013, retailers have received a 0.2% bonus based on Responsible Gaming criteria. Tackling underage gambling is of course a part of this.

When prevention is not enough

Although the FDJ Group's internal operation is conducive to encouraging recreational gambling, it is implementing problem gambling prevention and support initiatives on a range of fronts and supports its players and prize winners. Although these situations are not the norm, we manage them from different angles.

Beginning with our long-standing support for help structures for people in vulnerable situations. These people can access help for their problem gambling in a range of ways: psychological, legal and/or social consequences. Each structure, particularly those with helplines – SOS Joueurs, Sedap or the *Institut du jeu excessif* (for problem gambling), e-Enfance and the FNEPE (for underage gambling), Cresus (for debt, particularly caused by gambling) – refer players/concerned relatives to sources of support, when protection initiatives prove insufficient. These partnerships with FDJ are built with a long-term outlook and are renewed every year.

Supporting research

The FDJ Group is committed to embedding its Responsible Gaming initiative within a holistic approach. Taking into account the soundness of the studies on gambling in its diversity, the FDJ Group is investing in researching and sharing knowledge in the domain of human and social sciences.

Since 2013, the Group has been a sponsor of the Jeu et Sociétés scientific interest group (SIG), a meeting of researcher-lecturers and university researchers (Paris Descartes, Paris 13-SPC and Paris Ouest-Nanterre La Défense), all specialists in gambling issues with different approaches across a range of disciplines including humanities and social sciences. Since it was launched, three calls for projects have taken place and the topic selected in 2016 was “games of chance and gambling”.

The SIG is also responsible for the ludocorpus.org website. This university database centralises all information related to gambling (exhibitions, symposia, studies, etc.) and presents the works and projects selected after the calls for projects. Viewed worldwide, the site attracts almost 300 separate visitors per day, and its audience is growing regularly. A renewal of the SIG is being considered with the arrival of the Sorbonne as the fourth university partner. The work of the SIG is helping gambling to be recognised as an academic research area.

Perspectives

Personalised prevention

The next objective for the FDJ Group is to implement its prevention work not only based on gambling behaviour but on a fine knowledge of its players. Ultimately, we must be able to address our consumers differently depending on their profile and expectations. To better support them and encourage moderation, we are going to develop an *à la carte* style prevention method. This more personal approach will offer new services to players, focused on managing the way they play. Each one will be able to select whether they want to receive information in format (push ...) and the method by which they want to be contacted (telephone/email, etc.). These services will be optional or, as a precaution, imposed by the FDJ Group upon players identified by Playscan as red profile players (problem gambling).

Segmented support for the sales network

To better take account of the diverse nature of the sales network, we want to adapt the support we give to retailers.

1.3.2.2. Increasing local involvement

Selling the FDJ Group's products is a complementary, sometimes essential activity for the tobacconists and newsagents which make up our distribution network. Faithful to our 31,143 points of sale across 11,000 locations throughout France, we support their modernisation efforts (new equipment and digitisation) and we provide specific support to the most fragile.

In order to successfully increase our involvement in mainland France and drive local economies, we rely on our FDP subsidiary. It was created in April 2013 as a result of the merger of 14 distribution companies, and now manages all of the Group's commercial activities.

First of all, our sales force is insured. The former independent brokers have been replaced by commercial agencies managed by FDP or by independent commercial intermediaries whose operations are managed by FDP. Finally, the commercial activity has shifted focus: automating the warehouse in the Paris region means that by the end of 2018 our products will be directly delivered to all of our points of sale in mainland France. This automation will make it possible for the sector managers to focus on their core role: sales development.

This transformation will enable the FDJ Group to more efficiently manage its commercial activity in the territories. Beginning with greater visibility of its local points of contact: sector managers and commercial departments.

Our local involvement plan

To involve its sales force more in local life, the FDJ Group began holding meetings in 2016 with local stakeholders on the Lille and Brest sectors (test & learn approach). This partner-based work combines local stakeholders in the commercial network (sectors and retailers) and some external stakeholders (community and sporting organisations, trade bodies, etc.). This approach will be gradually rolled out nationally.

Specifically, the 2016 UEFA European Championship was an opportunity to meet with institutional stakeholders on the Brest and Lille sectors.

Furthermore, the various parties involved in local trade, sport and the health and social sector, as well as their fields of expertise and operating methods, were identified and mapped. This work is expected to result in a pedagogical tool for all sectors to help their managers to better understand their economic, social and institutional environment and identify any expectations regarding the FDJ Group.

Accessibility at points of sale

The FDJ Group is committed to helping people with disabilities and is taking steps to make its points of sale accessible. A legacy of the National Lottery created in 1933 to help the war wounded.

The first specific example, a new generation of furniture has been specially designed for people with reduced mobility and had already been fitted in 1,800 points of sale at the end of

2016: height of the change tray and writing board, accessibility of game slips, counter signage, etc. The till area and self-service area have also been certified as compliant with current accessibility legislation.

Another example is the implementation of a retailer awareness programme. It offers training sessions on welcoming people with disabilities as part of the training to support the rollout of our new terminal.

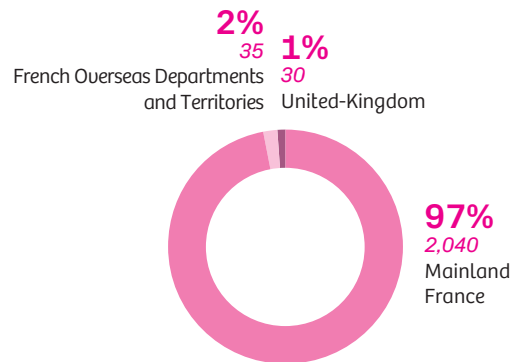
1.3.2.3. Promoting employee diversity and quality of life at work

Close to its 1,279 employees (2,105 across the Group), since 2010 FDJ has been involved in diversity and quality of life at work. In 2014 it introduced a department to reconcile these matters. To consolidate its vision and its objectives in this area, the Group drew up its Diversity & QLW policy in 2016 as well as its "Workplace gender equality" policy.

◆ Breakdown of permanent and fixed-term contracts

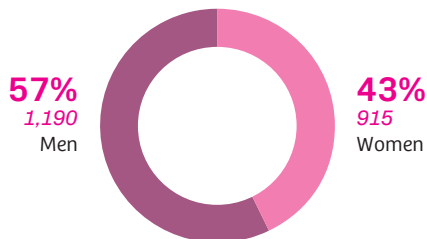
	Fixed-term	Permanent	Total
FDI		28	28
FDJ	100	1,179	1,279
FDM	2	12	14
FDP	22	573	595
LotSys	2	60	62
LVS		30	30
SGE	35	27	62
FDJD	1	15	16
PAC	2	17	19
GRAND TOTAL	164	1,941	2,105

◆ Breakdown by geographical area

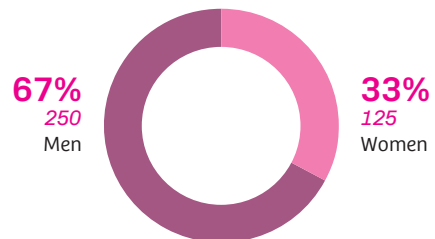


Diversity

◆ Breakdown of female/male (FDJ Group)



◆ Breakdown of female/male managers (FDJ Group)



1. Women in governance

The FDJ Group wants to support female representation in management, and by 2020 it aims to have the same percentage of women in management as there are in the company as a whole (43% for the FDJ Group in 2016). The structural work in the area of workplace equality in 2016 are:

- ◆ *Booster Égalité*: fifteen professional equality workshops were conducted in cooperation with employees. After initial work on representations of gender in their profession, they reflected on the obstacles to professional equality at FDJ and committed themselves to 120 ideas that they hoped to see put into practice in the Group;
- ◆ organisation of a *Booster son impact professionnel* (Boost your professional impact) pilot programme: this programme provides leadership tools to women in the FDJ Group, to better support the objectives of improved gender balance in management and business lines. Among other tools, some women will receive coaching to support them in their career advancement decisions. The most attention will be given to three career turning points: women in their 40s who are not managers, women returning from maternity leave during the year and younger women. About ten people from each target area attended this programme, declared to be a great success by the participants, so much so that several made decisions about the next step in their careers;
- ◆ *Women's Network*: establishment of an FDJ women's network with employee encouragement and the support of Senior Management and the HR Department. The first workshop to build the network's vision and methods was organised in November 2016 and was attended by twenty people.

38%

Proportion of female managers within FDJ in 2016 (vs. 34% in 2015)

2. Social background

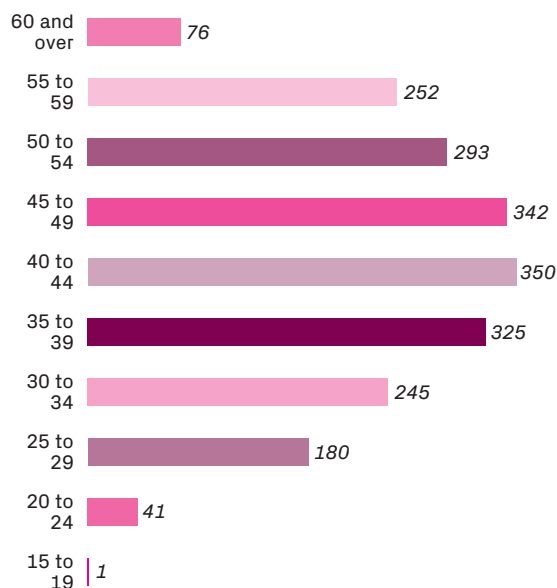
In 2016, FDJ continued to intensify its specific work in this area:

- ◆ *sponsorship* by employees of young graduates from underprivileged backgrounds seeking employment, through the association *Nos Quartiers ont des Talents (NQT)*. In total, 32 sponsors signed up, 69 sponsees were supported and 27 young people were back on their way to a job. This was enormously satisfying for the employees who took part, and it had a real impact on employment;
- ◆ *hiring* of employees from underprivileged backgrounds. With the help of our partner Mozaïk RH, eight people from underprivileged backgrounds were hired at FDJ on work-study programmes on temporary employment contracts since 2015. Employees have been learning to work with colleagues from varied backgrounds.

3. Intergenerational policy

The FDJ Group is involved in intergenerational dialogue and continues to provide support to young people on work-study programmes at a rate of 5.27% (111 students on work-study programmes) in 2016. They are supported by specially-trained tutors. At the other end of the workforce age structure, the older employees benefit from the generation contract signed within FDJ. This agreement ensures knowledge transfer as well as dedicated training for this age group.

◆ Workforce age structure



4. Disabilities

In 2016, 6.51% of FDJ employees were affected by a disability. For the fourth consecutive year, the rate has been above the legal rate of 6%. This rate includes both direct and indirect jobs, *i.e.* services provided by the protected sector. However, there are a number of disability initiatives in place at FDJ, such as T'Handi Quoi? (see box), the hearing tests day held at all FDJ sites – attended by 320 employees in one day – and the involvement of FDJ PACA in the HUGO project: to help people with disabilities return to the workplace, via training leading to a high-level IT engineer qualification. A student from this programme will work at FDJ in 2017.

T'HANDI QUOI ? FUN QUIZ

To raise awareness in the FDJ Group subsidiaries, a Diversity & QLW employee will attend the team meetings to talk about disability. The T'Handi Quoi fun quiz contains ten questions to remind all employees that the FDJ Group is disability-friendly. It was also an opportunity to explain the difference, break down stereotypes, explain that disability is in the DNA of FDJ, to talk about it openly, remind employees that the diversity team is there to offer tailored solutions to employees who need them. Our ambition is to raise awareness among all employees to meet the FDJ Group's disability target of 6% in 2020. In 2016, awareness was raised at three quarters of the branches of the FDP subsidiary, all of the FDI subsidiary and half of the teams of the LotSys subsidiary. This initiative is all the more important because disability affects us all and our diversity is a source of richness for our Group.

Quality of life at work (QLW)

QLW supports the sustained performance of the company by boosting employee commitment. FDJ explored its QLW vision with its employees. It starts with working on specific initiatives to make life easier for employees and grouped QLW with diversity to better reconcile them.

The action taken included:

- ◆ the launch of the QLW theme as a collaborative workshop to define its mission and broad outlines with twenty employees involved;
- ◆ contribution to the charter for the use of mobile phones at work;
- ◆ the contribution to the "Agreement to live and work better together in the digital age: the right to disconnect", signed in November 2016.

Training

The FDJ Group's training policy aims to support the company in its transformation and strategic priorities. It dedicates a significant part of its budget to employee training (over 4% of its payroll). The FDJ Group can therefore enable as many employees as possible to develop their skills and ensure their employability. In 2016, 1,090 FDJ employees received training (85.2% of the FDJ workforce).

This year, the training plan is making digital training a priority with a new training offering for all employees, as part of their yearly interview. Around ten face-to-face courses on digital culture is the first part of this package. The second part involves the Vodéclic platform, which gives access to 300 training modules on all digital topics (social networks, Office

pack, diverse applications, etc.). Training can also be tailored to the needs of each department to cover certain digital topics in more detail.

Finally, like the MOOC (Massive Open Online Courses), FDJ launched its first COOC (Corporate Open Online Course) on CSR matters at the end of 2016. This new digital learning tool raises awareness of the CSR policy being implemented on a daily basis among as many employees as possible. 185 employees have validated the four training modules in only six weeks. For the managers, the year's key topic was the coach in the digital era.

The digital transformation is therefore an opportunity to transform training and learning methods. Training is most effective when it is combined and adapted to individual needs (webinar, video training, COOCs, face-to-face, practical workshops, co-development, reverse mentoring *i.e.* training on digital matters delivered by a young employee).

Perspectives

Implementing the Group's new Diversity and QLW (quality of life at work) policy will be the focus in 2017. Prepared in 2016, it contains new areas of progress:

- ◆ diversity and fairness, which will focus mostly on disability, inter-generational relations and social backgrounds as well as other types of discrimination related to belonging to a minority;
- ◆ gender equality, which will become a subject in its own right;
- ◆ workplace organisation and environment, which will explore ways to contribute to improving employee motivation and effectiveness;
- ◆ listening, which will reinforce and simplify access to counselling centres if there are any tensions or discrimination.

As part of its plan to relocate and transform working methods, FDJ will put forward QLW services to make day to day life easier for employees. These services, an extension of the existing services, will be enriched by other initiatives such as the creation of a staff restaurant, sport and health facilities and even a concierge service. This project includes a range of specific QLW measures for employees:

- ◆ supporting the advancement of professional equality in the Group through an action plan derived in part from *Booster Égalité*, and extending the *Booster son impact professionnel* programme;
- ◆ raise awareness of disabilities by continuing the *T'Handi Quoi?* project and the NQT partnership (support for young people of various social backgrounds) throughout the Group;

- ◆ setting up our Women's Network and consolidating actions to support it;
- ◆ signing the amendment to the *Charte Entreprises et Quartiers* and implementing actions corresponding to the commitments made in the charter.

In 2017, FDJ has chosen to focus on employment of older staff by developing or improving training, measures to keep this age group in employment and recruitment drives.

1.3.2.4. Reducing our environmental footprint

To protect our planet, we are containing our environmental impact and have been constantly cutting our greenhouse gas (GHG) emissions. We have achieved this through targeted actions at our various sites, in terms of logistics and at our points of sale. At the same time, we are making customers more aware of environmental protection by circulating best practice vis-à-vis the products we sell.

Carbon emissions measurement and results

To precisely monitor the environmental impact of its operations, FDJ has been collecting data since 2007 on the energy consumption of its sites and the various CO₂ emissions from its sites to its points of sale. In 2008, we performed our first Bilan Carbone™ carbon assessment, updated every three years. We have been able to reduce our GHG emissions by 30% between 2007 and 2014, from 40,000 tonnes to 27,000 tonnes of CO₂ at our parent company. In 2015 we extended this carbon-measuring tool to all of our subsidiaries. In 2016, our total GHG emissions were 31,050 tonnes CO₂ equivalent.

FDJ has now set itself the target of reducing its GHG emissions by 10% by 2020 compared with 2014 levels, mainly by targeting its paper and card use and travel by its sales staff. The steps taken in 2016 reduced FDJ's carbon impact by 1,000 tonnes CO₂ equivalent.

Following its Bilan Carbone™ carbon assessment on greenhouse gas emissions, to complement its 2020 reduction action plan, FDJ decided to implement a carbon offsetting scheme for emissions which cannot be reduced. In 2016, 1,000 tonnes of CO₂ were offset, corresponding to the carbon impact of three activities: travel generated by the FDJ OLA tour for the 2016 UEFA European Championship, the FDJ cycling team for the Tour de France and plane journeys taken by employees between the Paris and Vitrolles sites.

This offsetting scheme has financed the Ugastoves project in Uganda, which won Gold Standard approval. This programme produces and distributes improved cooking stoves to reduce wood usage and thus decrease deforestation. FDJ also supported two associations: Mountain Riders and the ATES (Association for Fair and Responsible Tourism), to act locally during the Tour de France and promote responsible tourism.

Perspectives

1. Acting on our paper and card products

Aware of the environmental impact of the card and paper we use, we take action at the paper and card manufacturing stage. Since 2012, all scratch cards, playslips and receipts have been FSC certified. Our scratch cards are currently manufactured with 36% FSC recycled paper. Furthermore, in 2015, FDJ notified all its retailers and players that its scratch cards are 100% recyclable, and affixed the Triman logo on the back of each one. In 2016, we launched a feasibility study on raising the recycled paper content of our scratch cards to 46%. The first results (expected in 2017) and the test phases will have to take account of the technical limitations of the tickets (fiduciary supports).

2. Acting on our working environment

In 2016, an audit of our waste policy showed that employees were using sorting bins correctly and praised the introduction of specific recycling bins for ink cartridges and aerosols, etc. Following this audit, and as part of a continued improvement approach, FDJ plans to replace individual bins with larger shared bins at all sites from 2017.

Moreover, several changes are being made to our paper policy such as obligatory printing on both sides and badge-only access to printers. These choices resulted in recognition from PAP50 in 2016 (see box), which placed FDJ at the top of its ranking.

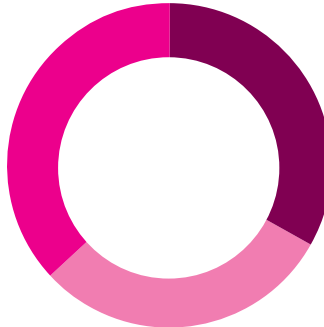
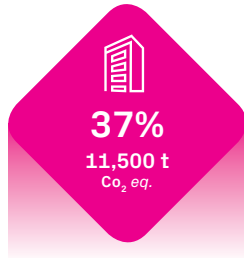
Finally, with a view to relocating some of its sites in 2017, in 2016 the FDJ steering committees completed environmental monitoring on the working methods transformation and relocation project. The aim of all this was to reduce the environmental impact of our sites and act throughout the project (choice of furniture, waste reduction, decrease carbon emissions, etc.).

3. Circulating best practice

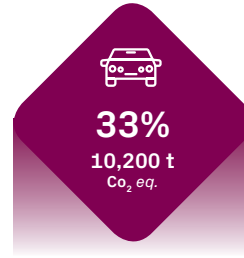
We make our players aware of recycling by including the Triman logo on our scratch cards. We are also convinced that each employee can play a part in reducing our carbon emissions. That is why each year we implement awareness-raising actions, particularly during Sustainable Development Week. In 2016, we invited seven mobile app designers to reduce our digital environmental footprint. A two-minute video shown on our company social network covered ways to help the environment and best practice, including digital practice.

OUR THREE MAIN SOURCES OF GREENHOUSE GAS EMISSIONS

Premises and subsidiaries



Commuting



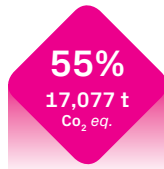
Gaming materials



BREAKDOWN OF GREENHOUSE GAS EMISSIONS
BY TYPE OF ACTIVITY

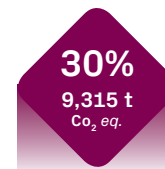
In tons of CO₂ eq.

Points of Sale

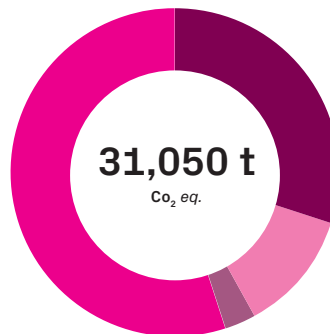


- Printing of gaming materials (tickets, playslips and receipts)
- Transport of gaming materials
- Sales vehicle fleet
- Point of sale equipment

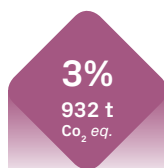
FDJ premises



- Energy
- External purchases and services
- Employee commuting
- Furniture
- Waste

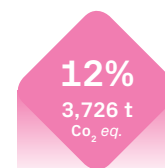


Events



- Transport
- Facilities/stands
- Goodies
- Energy

Subsidiaries



- Energy
- External purchases and services
- Employee commuting
- Furniture
- Waste

Sources Bilan Carbone, 2015

FDJ: NO. 1 IN THE PAP50

Since 2010, the NGO WWF France (in partnership with Riposte Verte) conducts its PAP50 survey on the paper policy of large French companies, authorities and institutions to encourage them to improve their environmental performance. This survey covers paper use, sustainable paper use and actions to optimise the collection of waste paper. The 2016 survey results placed FDJ as top out of 53 companies, with 93% of office paper recycled and office paper use of 26 kg/year/person (half the national average).

"In 2016, the PAP50 survey results show that it is possible to have an exemplary recycled and certified paper policy without deforestation, and optimised paper use. We congratulate La Française des Jeux on the leadership they have shown in this area". Pascal Canfin, Chairman of WWF France.

Also in the area of best practice, the mechanisation of the Saint Witz (95) warehouse involved standardising the size of the card to the industrial format. This has enabled us to

optimise their number and fold some of the POS posters. Over 50% of our cards which pass through the warehouse are recycled and we hope that this figure will reach 100% by 2018. Further, every year, plastic, cardboard and pallets as well as old terminals are recycled at the warehouse. All of our expired (unsold) tickets are recycled, almost ten tonnes of paper per year. We are also attentive to the carbon impact of our hauliers, and work to ensure that all delivery wagons meet the Euro 6 European emissions standard. Finally, as proof of its maturity in terms of quality and safety, in 2016 the warehouse maintained its existing external certifications: ISO 9001, OHSAS 18001 and ISO 27001.

These sustainability steps were indispensable for a warehouse which, by the end of 2018, will be responsible for the direct delivery of all our products to all FDJ Group points of sale in mainland France, *i.e.* 6,000 packages per day.

Following the rollout of the new Neptune gaming terminal between 2014 and 2016, around 23,000 old Quartz terminals have been recycled. Under the terms of the contract offer, 94% of terminal components are recycled. Following the introduction of the new Custo furniture, around 883 Noveo counters were recycled, representing over 167 tonnes, as well as 1,680 player areas weighing over 126 tonnes.

1

**1.3.3. INTEGRITY to guarantee ethical compliance**

21st century companies must play a full role in society rather than being merely units of production or exchange centres. They must grow through shared values and by instilling the relevant behaviours, showing discernment, an exemplary attitude and responsibility to earn the trust placed in it by its clients, partners and stakeholders.

The more powerful they are, the more they must set an example.

The FDJ Group is convinced of this:

- ◆ activities are mainly based on trust from the French government, which is the main shareholder, and from players and partners;
- ◆ the monopoly is justified by its capacity to achieve the goals of combating fraud, preventing risks of exploiting gambling for criminal purposes and preventing addiction (Council of State, 30 December 2011).

Therefore, we have decided to build, implement and manage a structured and adapted "Ethics & Compliance" approach.

1.3.3.1. Ensuring ethics and transparency

This cross-group initiative is based on a range of resources (charter, guides, training, prevention plan) to ensure that all FDJ Group stakeholders act in line with its values, whether they be representatives, employees or partners.

This initiative adheres to foreign and national regulatory requirements (UK Bribery Act, FCPA) including the recent enactment of the transparency, anti-corruption and economic modernisation law, known as Sapin II, which aims to make business relations more secure by preventing corruption and conflicts of interest.

Implementing an ethics charter

The Group ethics charter, which is pending approval from the employee representation bodies, is a document which sets out our ethics commitments. It reaffirms the Group's commitment to ethical principles.

Intended for inclusion in the internal regulations of the various Group entities, it applies to all Group employees and managers, corporate officers, directors and all related parties.

It enables standards, in accordance with the law:

- ◆ adapt individual and collective behaviour to the values chosen by the company;
- ◆ meet the legitimate expectations of society;
- ◆ take the best possible ethical decision in the performance of the missions, the conducting of the Group's business and relations with others by relying on everyone's sense of responsibility.

It reaffirms the Group's collective commitment to promoting its values: responsibility, commitment, proximity, optimism and innovation, in line with the four fundamental ethical principles:

- ◆ compliance with laws and regulations;
- ◆ sharing of a culture of integrity;
- ◆ respect for employees and related parties;
- ◆ engagement in constructive dialogue with the civil society.

Preventing conflicts of interest in research

Debates on the involvement of corporations in research are becoming increasingly heated. We have been aware of these matters for a long time now, and have adopted a strict protocol.

It involves having projects assessed by independent third-party structures. Furthermore, if we contribute to the remuneration for the assignment, we do not take part in selecting the evaluator. Nor do we vote on the steering and scientific committees, just as we may decide to be absent whenever matters present a specific risk. Likewise, we do not have access to studies prior to their publication and we insist that the sources of financing are clearly stated in each document.

We also recommend that each structure is monitored by an *ad hoc* ethics committee. We have asked the Sedap addiction support society (with whom we are designing a risk reduction project for vulnerable players) to place this committee under the observation of the National Ethics Committee's protection of persons board.

Finally, we have recently tightened our requirements in the allocation process for philanthropic donations to ensure that these are transparent and that there is no conflict of interest.

1.3.3.2. Fighting against fraud and money laundering

Because our business, particularly sports betting, poses a risk of money laundering, we are auditing our betting operations by monitoring transactions, on both the physical and digital networks. And, as security is a key component of the trust placed in us by our 26 million players, we are allocating significant resources to several areas, such as the training of our 31,100 retailers who are in turn monitored. Points of sale are subject to annual inspections.

31,825

Number of points of sale inspected in 2016

Anti-fraud and money laundering action plan

FDJ is a *Société anonyme d'économie mixte* (SAEM) 72% owned by the French government and has a monopoly on lottery games (draws, scratch cards) both online and at physical points of sale, and on sports betting at points of sale. As such, we organise, operate and sell these games and bets on an exclusive basis. However, our business model has two objectives: to prevent dependence/addiction and tackle underage gambling; help to protect public order by ensuring the transparency and integrity of our betting operations and by tackling criminal activity (money laundering, fraud, etc.). This monopoly means that we are placed under heavy supervision by the French Budget Ministry and many supervisory bodies with authorisation to act *vis-à-vis* state enterprises.

As a gambling operator, the FDJ Group has also been subject, since 2004, to fraud and money laundering vigilance obligations. It reports to Tracfin (Data processing and action against clandestine financial circuits), a body under the Economy and Finance Ministry.

Above and beyond these legal obligations, the FDJ Group is developing a proactive approach to tackle fraud and money laundering via a specialised entity within the Security Department.

More specifically, an action plan improved the detection and processing of situations presenting a risk of fraud or money laundering. Initiatives implemented in 2016 included training – either face to face or interactive training using a tablet – for managers of our points of sale to raise awareness of these issues. We also perfected our real time alert system, especially during the 2016 UEFA European Championship, generating significant betting volumes. The direct effect was to limit the use of cash and dramatically improve customer knowledge. We will continue to work in this area in 2017.

LATEST TRACFIN REPORT (CIRCULATED IN 2016)

“La Française des Jeux (FDJ), the main operator in the French gambling sector, accounts for over 40% of the gross proceeds of betting in France. This position places a special responsibility upon the operator as regards anti-money laundering and financing of terrorism. It is one of Tracfin’s main contact points.

Therefore, Tracfin underlines the quality of the dialogue with the Security Department of the betting operator, which is highly responsive and transparent.

FDJ sent 95 declarations to Tracfin in 2015, a slight increase on the previous year.

The quality of the declarations places the operator above industry standards, notably due to the large amount of data mobilised and quality analysis work. According to Tracfin’s understanding, this situation is due to the strong capability of FDJ’s Security Department to work in partnership with the operator’s support services.”

Integrity of sport and sports betting

FDJ monitors and controls sports betting every day. Member of the national platform set up in France on 28 January 2016 – which is active in areas of prevention, education and official supervision of sports betting in France –, it actively monitors the fight against results-rigging.

As the sole operator of the sports betting point of sale network in France, FDJ forwards to this platform, confidentially and in real time, any alerts requiring further investigation, and reports to the Public Prosecutor’s Department to open a criminal investigation.

In terms of prevention, we are implementing an awareness programme among sport stakeholders as part of the Integrity component of our sports partner contracts. Specific initiatives are in place in the form of training days at League 1 and League 2 football clubs with the LFP (professional football league) and the UNFP (national union of professional footballers). We are also implementing awareness initiatives with FFHB (handball), FFBB (Basketball), FFVB (volleyball) and the CNOSF (French National Olympic Sports Committee).

Internationally, the FDJ Group is a member of GLMS (Global Lottery Monitoring System), a sports betting supervisory platform comprising 29 operators worldwide. The Deputy Chairman is an employee of the company. It is also a partner of the International Olympic Committee (IOC) via IBIS, its system for monitoring the integrity of sports betting.

Our cycling team: a committed sponsor and owner

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

Our decision in 1997 to invest in cycling sponsorship is a perfect example of our commitment to sporting partnerships. As is the celebration in 2017 of 20 years of our team, led by the Société de Gestion de L’Échappée (a fully-owned subsidiary of FDJ). For several years, we have been involved in and gained recognition for our anti-doping work. Launched in 1998, this responsible sponsor status entails intensive ethics and integrity awareness-raising work among racing cyclists and their staff (*zero tolerance attitude to doping*). We also pay special attention to sporting performance, supervised for almost 15 years by Frédéric Grappe, scientific researcher and lecturer at Besançon sports university. 2016 also saw the strengthening of the partnership between Lapierre Bikes and the FDJ Group, with the launch of a new specially-designed time-trial bicycle. This innovation has enabled Thibaut Pinot to make significant progress in this event.

As regards sport, the cycling team had a very good start to the 2016 season with two major achievements: the historic victory of Arnaud Démare at the classic Milan/San Remo cycling race; a double spectacular in the French championship with the victory of Arthur Vichot in the road race and Thibault Pinot in the time trial. These performances enabled the team to obtain their best world ranking ever (11th in the world). The aim is to be in the global top 10 in 2017.

1.3.3.3. Personal data protection

In strict compliance with legal obligations, we ensure the protection, security and confidentiality of players’ data, which is processed and held in line with strict rules. We are committed to not transferring the data gathered to third parties.

The adoption of the European regulation on personal data protection, on 14 April 2016, further strengthened the obligations of those responsible for processing data. In this context, we have decided to implement governance on the data of all our existing and prospective customers. This decision reflects our intention to know our customers better, a major part of our 2020 strategic plan. It has a three-fold benefit: improved management of players’ personal data and of their relationship with the FDJ Group; easier for players to assert their rights, increased transparency and trust. In this vein, on our e-commerce site we have an option to deactivate cookies using integrated buttons vs. deactivation using the browser settings, which is more complex and less favourable to players asserting their rights.

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Employees' personal data is also covered by the European regulation. The cultural integration of the company was conducted by a CNIL representative to ensure better inclusion of this matter by all Group employees, indispensable to respecting the principle of privacy by design (respecting privacy from the design stage) to which we are committed.

1.3.3.4. Responsible purchasing

Responsible purchasing is at the heart of what we do. In 2014, we signed the Inter-Company Mediation Responsible Supplier Relations Charter, the ten commitments of which promote a balanced, long-term relationship between companies and suppliers.

Our Group responsible purchasing policy, in place since the end of 2015, is part of this. It has three objectives:

◆ Ensuring and promoting responsible commercial and partnering practices

A range of initiatives have been implemented in this regard such as regularly evaluating supplier satisfaction via a survey conducted by a specialist company. In 2016, 97% of suppliers said they were satisfied with the Group's Purchasing Department (particularly as regards the relationship with the representatives of this department and the quality of this relationship when managing and monitoring cases); this figure has been rising constantly since 2012.

In addition to evaluating supplier satisfaction, the Group Purchasing Department also strives to share its commitments and values (including CSR ones) with its suppliers. It remains vigilant in managing purchasing and social risks when arranging the manufacture of promotional FDJ items. In 2016, 97.78% of special manufacturing purchases for promotional items in high-risk countries are made in SA 8000 certified factories or subject to a social audit.

◆ Contributing to local economic, social and societal dynamism

The Group Purchasing Department conducts an annual study of our economic footprint as a result of our purchasing. It involves monitoring changes in the proportion of purchases made in France (vs. overseas), and purchases from SMEs, medium-sized businesses and large companies in France. The 2015 study revealed that almost 90% of the value of FDJ's purchasing was made in France, equivalent to €382 million. SMEs accounted for 74% of our French suppliers and 24% of total purchases made in France amounting to €92 million. This study, which was initially conducted on FDJ only, was extended in 2016 to our LotSys subsidiary, which purchased nearly 96% of its supplies in France (€7.1 million), with SMEs accounting for almost 66% of this total spend in France (€4.6 million).

More generally, at the end of 2016, FDJ improved its supplier payment terms, changing them to 30 days from the end of the month in which the invoice was issued (vs. 45 days from the end of the month in which the invoice was initially issued).

Furthermore, for several years, FDJ has been making over €500 thousand worth of solidarity purchases with ESAT (*Établissements et services d'aide par le travail*), which supports people with disabilities who cannot work in an ordinary company or in an adapted enterprise.

LOCAL ECONOMIC FOOTPRINT OF OUR PURCHASING/2015*

Annual purchasing amount
€429 million

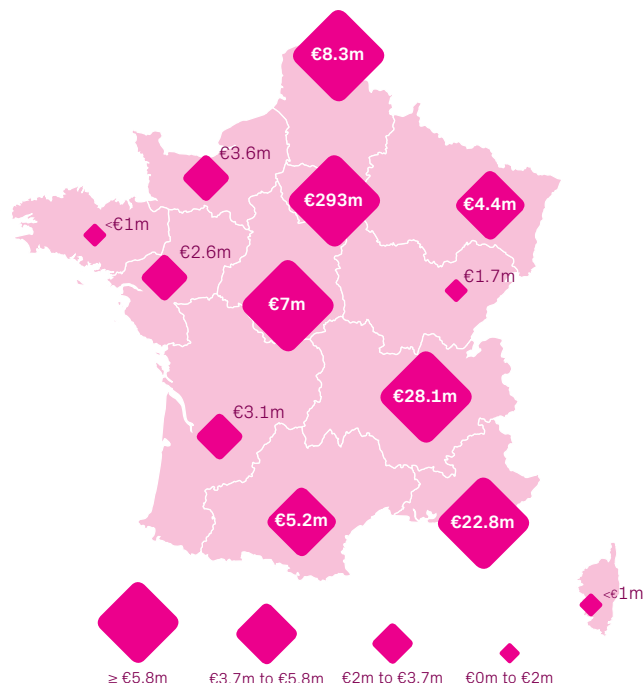
Share of purchasing
in France vs. Overseas
(billed purchases)



Europe/North America



Breakdown of purchasing by region
(billed purchases by region)



*Information on the previous year collected every year. Information for 2016 available from March 2017 after the publication of this report.

◆ **Innovating for a positive environmental footprint**

The FDJ Group values respectful environmental practices such as eco-design. For example, since 2012, all of the FDJ Group's paper and card products have been printed on FSC paper. Our scratch cards also have a 36% recycled paper content.

In 2017, we will implement a tool to evaluate the social and environmental performance of our suppliers (social,

environmental, ethics and supply chain risks) and continue rolling out our Group responsible purchasing policy within our subsidiaries.

Finally, a tool to manage travel and expenses will be introduced. It will notify employees of the CO₂ emissions generated by their travel.



1.3.4. SOLIDARITY to be useful to all

For over 80 years, we have been loyal to our original values of community support, responsibility and fairness. This is true for our redistribution model which actively contributes to economic development in the regions (local authorities, local stores...), our initiatives supporting disabled persons, our commitment as a leading partner for French sport and our Foundation's support for solidarity projects.

Our games and CSR provisions

Our *Games and CSR provisions* project is part of our overall social responsibility and positive contribution (social and environmental) approach towards civil society. It meets the expectations of our stakeholders, and also the needs of a category of players that wants to take part in the development of games that are useful for all.

1.3.4.1. Promoting and steering our redistribution model

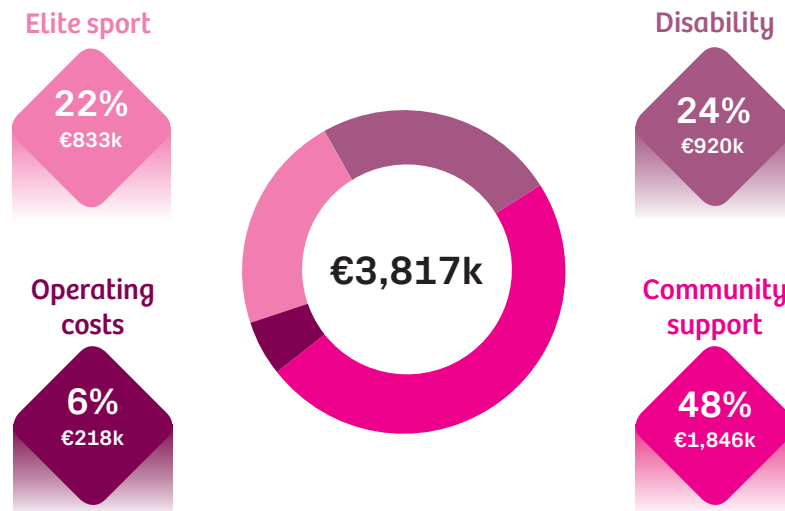
Our ambition is to build a universal, egalitarian and ethical gaming model to serve the public interest. This is why we redistribute 95% of the amounts played to players, local authorities and all of our points of sale, throughout France.

With this in mind, we create games and provisions that raise awareness on climate change and eco-gestures, or that contribute to local projects. Since 2015, as part of our CSR training, our sales and marketing teams have already generated numerous ideas. These discussions continued in 2016 within a working group of around 30 employees. This group defined a relevant operational framework and selected the games and provisions that contributed the most positively to society. Projects will be implemented from 2017 whilst new ones are already being created.

1.3.4.2. Making sport a vector for community support via our corporate Foundation

In 2016, our corporate Foundation continued the actions carried out over 20 years to promote sport. Long-lasting initiatives are constantly reinvented to push the causes we defend ever higher and to explore new ones. With an annual budget of around €4 million, the FDJ Foundation supported almost 200 associations in 2016.

FDJ CORPORATE FOUNDATION BUDGET 2016



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Elite sport: revealing tomorrow's athletes

The Challenge programme celebrated its 25th anniversary in 2016. Each year, it awards grants to 12 up-and-coming elite young athletes to facilitate their training conditions and support them in their career management. To date, 398 athletes from 38 sports federations have been supported by the Challenge programme.

The FDJ Foundation wanted to add a solidarity dimension to the Challenge. For this purpose, it created the Solidarity Challenge at the 2012 London Olympic and Paralympic Games. For Rio, in 2016, amongst the 52 hopefuls selected for the Games (44 athletes for the Olympics and eight for the Paralympics), 17 won medals (13 in the Olympics and four in the Paralympics). Each one received a solidarity grant of €5,000 to give to the association of their choice.

Disability: proving that it isn't one

In 2016 and for the second consecutive year on the Tour de France à la Voile sailing race, the FDJ Foundation entered a boat – the only one out of 28 – with a disabled/able-bodied crew. The skipper, Damien Seguin (Rio Paralympic champion), was accompanied by another disabled athlete to reinforce the supported cause. The aim: to contribute to changing how people view disabilities. Alongside the competition, the Foundation offered fun events in each town, and provided local authorities with TIRALO® (beach chairs for people with reduced mobility that can roll along the ground and float in water without transformations), reinforced life jackets, and TAPIROUL® (rollable mats for easier and more comfortable access to the coast). It also provided 167 sailing initiations with priority given to people with disabilities in four stage towns.

Supporting women's sport

The Sport and Women theme particularly close to our heart, through the promotion and defence of diversity in sport.

In 2016, our support for women's sport was demonstrated by the creation of the "FDJ Sport for Her" programme. Launched in May by Stéphane Pallez, Chairman and CEO of the FDJ Group, this programme includes a call for projects. Hosted on the crowdfunding site, Ulule, this digital, newsworthy and solidarity programme aims to promote sport for women. In total, 100 projects were posted, with 10 selected by a jury. These were submitted to Internet users on the Ulule site. In the end, nine reached their collection target to which €3,000 was added by our Foundation. Amongst them, the creation of an itinerant cycling school for women, the organisation of handball, basketball and volleyball introductory sessions for young women in disadvantaged districts, and the implementation of sports sessions with childcare offered to mothers.

Another major action is the organisation of the second edition of the Sports Solidarity Debates. Organised in partnership with the think tank, Sport et Citoyenneté, this event aims to set up a regular meeting to question sport's place in society and its significance. The aim is to share knowledge and good practices and to amplify surveys and research work, through exchanges between representatives of sporting, institutional and university movements. After a first edition at the start of 2016 dedicated to sport and disabilities, the debates at the end of the year looked at women's sport, with testimonies and by highlighting innovative projects in this area.

UEFA EURO 2016: TIME FOR COMMUNITY SUPPORT

For the famous football competition, the FDJ Foundation wanted to promote the Bernard Diomède academy⁽¹⁾, supported by us since 2011. Present in the "fan zones", we offered an original event to the general public: the Solidarity Goal. Some 90,000 people took part in this event, and 40,000 solidarity goals were scored, with one goal equalling one euro. Eight football teams supported by the Football Foundation received €5,000 to finance solidarity projects. In parallel, at our "OLA" tournament organised alongside the competition, our Foundation offered 100 football courses – including a sporting, educational and citizenship programme at the Clairefontaine Technical Centre – for young girls and boys between ages 11 and 15.

1.3.4.3. Promoting the involvement of our stakeholders

Specific measures

Community support and generosity only have meaning if they are shared. This is why many of our actions mobilise our stakeholders, including our employees and sales staff in our sales network.

For many years, our employees have had the chance to volunteer in numerous events. "Tous en Fête" is one of them. Co-built with the French Red Cross, it celebrated its tenth anniversary with events organised throughout France from 30 November 2016 to 15 January 2017. Each year, it supports over 450,000 beneficiaries, carries out nearly 3,000 actions and events in France and involves 4,000 volunteers, including around 50 FDJ employees. Over ten years, more than €3 million has been earmarked for this operation.

(1) The Bernard Diomède academy is an innovative associative structure founded by the former world champion. Football is not an end in itself but an education method to prepare young people for their adult lives. The 80 children and teenagers supported by the association each year and on a daily basis are integrated and made responsible in a triple educational, sporting and social project.

Since January 2013, FDJ employees can also become involved in an innovative fundraising action for associations supported by our Foundation: Arrondi solidaire sur salaire (solidarity salary rounding). In practical terms, each person can donate the centimes of their net monthly salary to associations, with the option of making an additional €10 maximum donation. The overall donation is 100% matched by the company. In 2016, 25% of our employees (vs 15% in 2015) joined this scheme, which collected over €19,872 including the FDJ matching.

Lastly, employee participation in the "Run&Bike solidaire" has, since 2013, financed 1,600 sporting licences for children helped by the Secours populaire français. The 2016 edition, endorsed by the athlete, Marie-José Pérec, and the journalist, Thomas Sotto, took place in the Bois de Boulogne, Paris, in September. Two races – 10 km for adults and 4 km for children – took place in pairs of foot and cycle racers with one euro was donated to the Secours populaire français for every kilometre travelled. In total, €50,000 was donated to this structure in 2016.

Sales people in our sales network also had the chance to express their solidarity and desire to take part in the local community. They were able to do this via the "Détailants

solidaires" operation, where each one could donate €2,000 to the association of their choice. In 2016, the operation focused on the theme, Football and community support. It set a record with 40 donations (compared to 15 for previous years) given to associations working in this area.

Outlook

The FDJ Foundation is currently redefining its targets for the next five years. The focus of equal opportunities through games – a very innovative positioning of a foundation – has been selected. This new scope has been approved by the Board of Directors, and new Articles of Association will soon be drafted. The first call for projects on this theme will be launched during 2017.

1.3.4.4. Investing in a socially responsible way

In 2016, we invested on average 16% of our OPCVM (Undertakings for Collective Investments in Transferable Securities – UCITS) investments in ISR funds (socially responsible investments). These OPCVM investments were carried out in the form of fund shares.



1.3.5. PIONEERS in shifting lines

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

1.3.5.1. Exploring new horizons in our core business

The detection, treatment, and finding ways of communicating about excessive game practices drives us to innovate and dare to be more effective. This state of mind translates into numerous initiatives.

A new type of communication

As adopters of new types of player support and innovative prevention practices, we tested a "nudges" principle in 2016. Based on the behavioural economics teaching, these "nudges" gently influence behaviour and encourage rather than constrain. A collaboration with the institut BVA underlined the relevance for our Group to apply this technique to preventive actions, for which we selected the use of a mascot. This type of nudge, baptised "messenger", creates a complicity and attachment to the brand by promoting a positive, meaningful relationship with the consumer.

Amigo Live was selected for this experiment. This is an entertainment loop offered to players on screens in points of sale, alternating sequences of Amigo game draws with information, general knowledge animations and prevention messages. The nudge sequences tested – four sketches showing two dogs with complementary personalities and relationships to games – replace the usual prevention messages. The idea is to question the player and bring him or her to question their stakes, motivation for playing, control over their practice and perception of winnings. The messages shown are positive and not moralising. This new type of prevention will be adjusted according to the pilot's results, then rolled-out on a wider scale if its effectiveness is proven.

Big data: to better combat risks

To better anticipate and detect atypical behaviour linked to gaming problems, the FDJ Group is exploring the area of big data. Thanks to the use of this data, the FDJ Group wants to detect and predict at-risk game behaviour. The aim is to strengthen protection for players and retailers by anticipating certain types of behaviour.

In 2016, to go even further, we signed a partnership with the IT giant, IBM. The challenge: use big data to more effectively detect unusual behaviour in the point of sale network. For money laundering, this big data facilitates faster detection thanks to a visualisation module for potential money laundering networks. For our Responsible Gaming policy, finer analysis of the communicated information should promote better targeting of prevention actions through point of sale

inspections. This cooperation, which should be operational during the first six months of 2017, is part of our FDJ 2020 project to make digital technologies available to our 26 million customers and accelerate innovation by opening up to new partners.

A unique and audacious experiment in points of sale

For over 10 years, our fight against excessive gaming through prevention has been a major focus of our approach. But we also have to manage atypical situations⁽¹⁾. Substance-less addictions are no longer considered to be simple transitory difficulties, and we recognise that people suffering from loss of control must be helped and supported in order to access a true treatment path. For this reason, with the assistance of the Pôle Discriminations, Violence, Santé (discrimination, violence and health unit – DVS) of the Ligue Française de Santé Mentale (French league for mental health – LFSM) and the Sedap, we are implementing risk and harm reduction initiatives. The aim is to provide voluntary retailers with solutions to advise problem players. This approach is complemented by a social intermediation project in points of sale, involving young people working for the French National Volunteer Service. In 2016, they helped volunteer retailers to detect and refer players in delicate situations to support structures. The project is led by the Fédération Addiction, the DVS unit of the Ligue Française pour la Santé Mentale, the National Volunteer Service Agency and four experimental CSAPA (Centre de soins, d'accompagnement et de prévention en addictologie or Addiction care, Support and Prevention Centres), who are responsible for training the volunteers. A steering committee, including the Mildeca⁽²⁾, validates the pilot's procedures and the system's assessment criteria. Lastly, this experiment will be assessed by the OFDT, with a neutral viewpoint that can be shared. The results of this assessment will enable experience sharing and will feed discussions by key persons involved in risk and harm reduction.

In 2016, FDJ invested €260 thousand in partnerships to fight against excessive and underage gaming. The experiment in risk and harm reduction is one of such partnerships.

1.3.5.2. Sharing our convictions with our partners

As the leading partner for French sport via our Foundation, a cycling team owner, and an active supporter for the National Centre for Sport Development (Centre National pour le Développement du Sport – CNDS) with a contribution of over €220 million, we are driving the movement to promote the common values that we share with sport: compliance with game rules, citizen involvement and a spirit of community support.

The sport benchmark

Building on their respective experience in CSR, FDJ and the French National French Olympic and Sports Committee (CNOSF) have worked together to set up an organisational social responsibility (OSR) benchmark. The discussions also involved the Centre de droit et d'économie du sport (Sports Law and Economics Centre – CDES), as well as sports federation managers.

The aim is to promote the production and performance of sports organisations and highlight the complementarity of for-profit and not-for-profit sectors, whilst taking into account the diversity of structures in all their aspects (types, sizes, status). It also aims to raise awareness and involve them in the OSR. In addition to a best practice guide, this benchmark targets structures in the competitive sports sector, from professional to amateur athletes, as well as organisers of sports events.

To check the project's relevance, the CNOSF and FDJ submitted the benchmark for critical analysis by recognised experts. Their observations validated the content. In 2016, two pilot entities – the FDJ cycling team and UEFA – tested the benchmark. Following this phase, new issues were identified and the existing ones reinforced.

In 2017, this benchmark should meet the expectations of all types of sports organisations, whatever their level of OSR maturity. The use of a self-diagnosis tool and possible certification are currently being studied.

The CSR guidelines with European Lotteries

The CSR guidelines for European State lotteries, co-drafted with some of them, have a dual aim. To share key responsible professional commitments and practices in our sector of activity in respect of our impacts on the issues of sustainable development and stakeholder relations. And also to show the way in which State lotteries wish to contribute to society's development.

(1) Atypical behaviour is the detection by FDJ® of a significant and rapid increase in stakes over a given range, either in a point of sale or on the Internet. This may be an indication of fraud or excessive gaming.

(2) Mission Interministérielle de Lutte contre les Drogues et les Conduites Addictives (interdepartmental mission to combat drugs and addictive behaviours).

Completed in 2016, this reference document, which lists our values in the business strategy for our sector of activity, defines our common commitments – in accordance with ISO 26000 – in respect of corporate responsibility. The themes are governance, human rights, working relations and conditions, the environment, fair practices, consumer issues, and the contribution to local development. They are illustrated in the area of gaming by compliance with SA 8000/ILO against child labour in at-risk countries, combating

corruption and money laundering, and the choice of paper from sustainably managed forests for our game supports.

With this European Lotteries/CSR guideline, the European State lottery stakeholders will intervene in new areas and can target other European stakeholders, beyond Responsible Gaming. This European Lotteries/CSR guideline opens up new dialogue opportunities.

1.3.6. CSR reporting

Each year, FDJ publishes a non-financial report, to assess and give an account of its CSR performance to stakeholders. It consists of two parts:

- ◆ statutory reporting in accordance with Article 225 of the Grenelle II Law, audited annually by an independent third party, which monitors the presence and fairness of the information provided;
- ◆ performance reporting, a voluntary approach based on indicators defined in a way relevant to our specific activity, which makes it possible to measure the performance of our CSR policy and to oversee the action programme. A selection of these indicators is also audited by the same independent third party as the regulatory indicators.

The FDJ Group studies the relationship between all the indicators published and the GRI G4 benchmark. A table is published at the end of the report. This year, the FDJ Group

publishes 66 indicators, including 35 regulatory indicators. Of the 66 indicators published, 27 have been verified by the independent third party. A methodological note, from the reporting protocol clarifying the methods for collecting, calculating, and consolidating information is published on the Group's institutional website. Our indicators are numbered and preceded by the first letter corresponding to each game rule: E for "Engagement", I for "Integrity", S for "Solidarity" and P for "Pioneers".

The 2016 reporting scope is the FDJ Group including the FDJ parent company and eight subsidiaries: La Française d'Images, LotSys, La Française de Motivation, La Pacifique des Jeux, SGE (Société de Gestion de L'Échappée), FDJ Développement, FDP and LVS. For some indicators, the scope is limited as certain subsidiaries are not directly concerned by the indicator or are unable to provide the information.

◆ Table of regulatory indicators



COMMITTED

		Scope	2015 value	2016 value
◆ E4	Qualitative information on conditions for dialogue with stakeholders	Group	-	-

FDJ set up dialogue with the civil society in 2006. This began in the form of annual information and exchange meetings, which gave rise to partnerships and collaborations with organisations in the healthcare and social sectors and the educational sector.

Since 2012-2013, FDJ wished to develop this relationship by globalising the exchanges on its entire CSR (Corporate Social Responsibility) policy, with a strong focus on Responsible Gaming. After a phase of "corporate" stakeholder mapping, working groups were created and have focused notably on the following subjects: "poverty, riches and redistribution" and "games practices" including for underage players.

On this basis, FDJ wanted to structure and sustain this approach via a structure to permanently listen to civil society, integrated into the company's CSR governance, and which gave rise to the Laboratoire Social (Social Laboratory) in June 2014.

After almost two years' existence, the Social Laboratory held a summary meeting in February 2016. This session reviewed the main subjects treated (underage gaming, responsible communications, regions) within the five Laboratory meetings (held in 2014 and 2015) and shared the tangible progress or *status quo* in certain subjects with the participants.

Interviews were carried out with members of the Social Laboratory (OSC and FDJ employees). The collection of this information enabled the current system to be modified to better meet the expectations of our internal and external stakeholders. Interviews also revealed a good level of satisfaction and strong expectations from key players in the Social Laboratory.

To continue and consolidate dialogue, the Social Laboratory was extended for the next two years, with new conditions: three meetings per year; the invitation of new stakeholders (new in terms of their type and/or their expertise) depending on the subjects; three different formats envisaged depending on the subject, subject maturity and expected deliverables.

In addition to the summary meeting, two other Social Laboratory sessions took place in 2016. The subjects covered were: action plans for underage gaming (in the presence of sales force and retailer representatives) and responsible communication (in the presence of researchers).

Throughout the year, a newsletter is exchanged to allow FDJ and the civil society to be mutually informed of their respective actions and projects in line with the Laboratory's themes.

		Scope	2015 value	2016 value
◆ E401	Qualitative information on the company's efforts to take environmental issues into account and, where appropriate, environmental assessments or certification	Group	-	-

Over several years, FDJ has reduced its environmental footprint (from its sites up to points of sale) by perfecting its logistics flows, by reducing its energy consumption and by gradually implementing a paperless office policy. Moreover, FDJ is committed to recycling its old point of sale fixtures (in 2016, 293 tonnes were recycled), and has installed waste recycling bins internally (printer toner, coffee capsules, paper).

Blue diamonds identify indicators that have been checked by Veritas



		Scope	2015 value	2016 value
E402	Qualitative information on the resources devoted to preventing environmental risks and pollution, and expenditure incurred to prevent operations from negatively impacting the environment	Group	-	-

The tertiary nature of the FDJ Group means that it does not generate pollution with significant impacts on the environment. The pollution and risk components are therefore not applicable. However, the FDJ Group continues to be vigilant, measuring its carbon footprint every three years in conjunction with action plans to reduce it.

		Scope	2015 value	2016 value
E411	Oil consumption during the year	FDP	5,000 litres	3,000 litres

One agency is concerned by this indicator. The difference is explained by an order carried out earlier in 2016.

		Scope	2015 value	2016 value
E412	Natural gas consumption during the year	FDJ + FDP	4,384,899 kWh PCI	4,383,870 kWh PCI

		Scope	2015 value	2016 value
◆ E413	Electricity consumption during the year	Group excluding LVS	18,046,970 kWh	19,695,258 kWh

As we do not have the consumption for Aguesseau R+3 and R+3a for December 2016, we have counted the November 2016 figure twice; the premises were taken over in June 2016 so we do not have the December 2015 consumption. As we do not have the real consumption of Morizet R+1 for December 2016, we have used the consumption for December.

		Scope	2015 value	2016 value
◆ E415	Qualitative information on changes in FDJ's Bilan Carbone™ (carbon accounting) results	Group	-	-

In 2015, FDJ carried out its third Bilan Carbone™ on 2014 data. GHG emissions have been reduced by 30%, dropping from a total of 40,000 tonnes to 27,000 tonnes CO₂ equivalent (at equivalent scope). This exercise to measure our carbon impact was carried out a Group level (including subsidiaries). The Group's CO₂ emissions were assessed at 31,050 equivalent CO₂. A reduction action plan has been implemented for 2020 with a reduction target of 10% of our CO₂ emissions compared to 2014.

		Scope	2015 value	2016 value
E414	CO ₂ emissions generated by energy consumption during the year	Group excluding LVS	2,375,528 kg CO ₂ eq.	2,838,692 kg CO ₂ eq.

		Scope	2015 value	2016 value
E416	Water consumption during the year	Group excluding LVS and LotSys	18,879 m ³	16,895 m ³

Blue diamonds identify indicators that have been checked by Veritas

1

	Scope	2015 value	2016 value
◆ E424 Qualitative information on waste prevention, recycling and disposal measures	Group	-	-

The FDJ Group has implemented several measures to raise employee awareness on waste management. In 2016, during the sustainable development week, a two-minute video on eco-gestures raised employee awareness on several good practices (reduction of emails, printing on both sides of paper, etc.). Moreover, FDJ organises cleaning days several times each year where employees can clear away certain archives in dedicated bins. Other dedicated bins are reserved for paper, coffee capsule and printer toner recycling.

	Scope	2015 value	2016 value
E452 Qualitative information on environmental protection training and educational initiatives for employees	Group	-	-

To enable each employee to grasp FDJ's CSR policy and understand the issues, a mandatory on-line training module was implemented in 2016. This COOC (Corporate Open Online Course) enabled 185 employees to be trained during 2016, with 1 hour 30 minutes of weekly training spread over six weeks. This training will continue in 2017 including a video and quiz specifically focused on the environment, to explain FDJ Group's carbon impacts and the reduction action plans implemented following the Bilan Carbone™. This innovative, digital module is part of the company's desire to continue its digital transformation. In addition, the CSR team produced a two-minute video broadcast on the company's social network to encourage employees to develop eco-gestures – particularly in the digital area – for example by deleting old emails. The video was viewed over 250 times. The CSR team has also organised DD Breaks (45 minute mini-conferences to raise employee awareness on sustainable development and specifically the environment), which enables a review of the "Solidaires pour un monde meilleur" (Solidarity for a better world) game for which some of the winnings were donated to the WWF and also to showcase start-ups working to reduce ecological impacts on a daily basis.

	Scope	2015 value	2016 value
E453 Qualitative information on measures to prevent, reduce or remedy discharges into the air, water and soil with a serious impact on the environment	Group	-	-

The FDJ Group's sector of activity does not generate pollution with a serious impact on the environment. However, FDJ continues to be vigilant on this matter, mainly through its recurring carbon accounting exercises and implementation of an action plan to reduce greenhouse gases by 2020.

	Scope	2015 value	2016 value
E454 Qualitative information on management of noise pollution and other forms of pollution specific to an activity	Group	-	-

The FDJ Group does not create noise pollution or any other form of pollution specific to its sector of activity.

	Scope	2015 value	2016 value
E455 Qualitative information on measures taken to preserve or enhance biodiversity	Group	-	-

FDJ Group's sector of activity has no major negative impacts on biodiversity. All gaming materials are FSC-certified (paper produced from sustainably managed forests) and therefore contribute indirectly to the protection of biodiversity. FDJ has also introduced initiatives in this area, such as the installation of beehives on the Moussy site.

Blue diamonds identify indicators that have been checked by Veritas

	Scope	2015 value	2016 value
E456 Qualitative information on consumption of raw materials and measures taken to improve their efficient use	Group	-	-

Our latest Bilan Carbone™ confirmed that our gaming materials have a major impact on our CO₂ emissions. As a result, we decided from 2012 to use FSC-certified paper for all our gaming materials (tickets, playslips and receipts) to act directly on the paper aspect, which now comes from sustainably managed forests. We are also working on the use of recycled paper for our scratch-card games, with our tickets currently comprising 36% recycled paper. FDJ Group remains proactive and mindful of how to improve the environmental impact of the paper for its gaming materials.

	Scope	2015 value	2016 value
◆ E501 Number of fixed-term and permanent contract paid staff at 31 December	Group	1,782	2,105

The change is due to the integration of 290 employees following the sales sectors being taken under control.

	Scope	2015 value	2016 value
E505 Number of part-time permanent staff at 31 December	Group	37	44

The FDJ Group confirms its position on work-private life balance by promoting the voluntary use of part-time work for employees.

The intergenerational agreement provides for employees aged over 57 to work with 80% part-time hours, with FDJ compensating 100% of the pension contributions for the employer and employee shares.

	Scope	2015 value	2016 value
E511 Number of women employed under fixed-term and permanent contract at 31 December	Group	773	915

	Scope	2015 value	2016 value
E515 Qualitative information on the effect of gender equality measures on the wage policy	Group	-	-

The 2016 wage policy saw 55 employees (54 women and one man) benefit from an individual pay rise via the dedicated gender equality budget. In addition, 167 employees moved into a higher pay bracket in 2016 (15% of women, 13% of men).

	Scope	2015 value	2016 value
E516 Qualitative information on the anti-discrimination policy	Group	-	-

CSR report: 1.3.2.3 Promoting diversity and the quality of working life for employees.

	Scope	2015 value	2016 value
◆ E518 Percentage of employees with disabilities (of which direct % and indirect %)	FDJ	6.47%	6.51%

	Scope	2015 value	2016 value
◆ E523 Number of permanent contract hires, excluding intra-group and intra-FDJ transfers	Group	89	147

As part of the application of its strategic plan, FDJ recruited 112 permanent-contract employees in key areas, such as digital technologies, international, customer knowledge, logistics and continues to modernise its IT system through a reinforcement plan.

Blue diamonds identify indicators that have been checked by Veritas

	Scope	2015 value	2016 value
◆ E524 Number of departures (excluding expired contracts) during the year	Group	96	169

The change is mainly due to FDP which totals 67 departures of employees from job brokering schemes.

	Scope	2015 value	2016 value
◆ E531 Median full-time equivalent monthly basic salary of permanent and fixed-term contract staff at 31 December	Group	€3.44 thousand	€3.46 thousand

Median wage 2015: 3.44 (excluding LVS). In 2015, this indicator was calculated with the average basic wage (€4,000). The data has, therefore, been modified.

	Scope	2015 value	2016 value
E532 Qualitative information on the annual wage policy	Group	-	-

CSR report: 1.3.2.3 Promoting diversity and the quality of working life for employees.

	Scope	2015 value	2016 value
◆ E542 Total training hours	Group	32,868 hours	33,794 hours

CSR report: 1.3.2.3 Promoting diversity and the quality of working life for employees (training).

	Scope	2015 value	2016 value
◆ E552 Qualitative information on occupational health and safety	Group	-	-

Once again this year, FDJ maintained its OHSAS 18001 certification for its occupational health and safety management system (OHSMS). This approach is based on a Quality Management System (QMS), implemented for the IET Department scope, certified ISO 9001 (2015 version). The structure of these processes and the operational performance on FDJ sites met the expectations of FDJ's interested stakeholders as well as regulatory requirements and standards, whilst continuously improving practices, with the aim of: managing the hazards associated with the company's activities and establishing a solid basis for rolling-out the OHSMS in FDJ Group entities.

Since 2014, the investment of FDJ Group entities in the Occupational Health and Safety (OHS) approach has enabled various actions to be carried out. Employee training, prevention for external companies, hazard analysis and the implementation of tools and procedures are some of the important subjects. The significant participation in the OHS World Day, organised for the first year in all FDJ Group sites is proof of employee involvement in these issues. Over 1,000 people took part in the various activities organised on the sites (fire risk, road safety, awareness of occupational hazards, ergonomics...) and 335 employees took the OHS quiz.

Developing OHS culture and sharing good practices with the other entities are clear, shared objectives within the Group.



	Scope	2015 value	2016 value
◆ E561 Qualitative information on social dialogue and the assessment of collective agreements during the year	Group	-	-

In addition, within the Group, meetings with staff representatives (Central Works Council/Works Council/Staff Representatives/Health & Safety Committee/Single Staff Delegation) generally take place at least once a month. Subjects dealing with the general running of the business, including entity restructuring projects as well as for 2016, the FDJ Phone project and relocation project are presented for opinion.

Trade union negotiation meetings also take place within FDJ and FDP. For FDJ, around 20 meetings with trade union representatives took place in 2016. These meetings covered different subjects and gave rise to the signing of 12 agreements, specifically on mandatory annual negotiations, employee profit sharing and also on the right to disconnect, fixed-term mission contracts, etc.

2016 was also a renewal year for FDJ's staff representative bodies: duration of term, electronic voting, pre-electoral agreement protocol were negotiated for this purpose.

	Scope	2015 value	2016 value
E563 Qualitative information on breakdown of employees by age group	Group	-	-

CSR report: 1.3.2.3 Promoting diversity and the quality of working life for employees (age pyramid).

	Scope	2015 value	2016 value
E564 Qualitative information on training policies implemented	Group	-	-

CSR report: 1.3.2.3 Promoting diversity and the quality of working life for employees (training).

	Scope	2015 value	2016 value
E566 Information on measures to combat food waste	Group		

This indicator is not significant in view of the sector in which the FDJ Group operates (gaming).

Blue diamonds identify indicators that have been checked by Veritas



INTEGRITY

		Scope	2015 value	2016 value
◆ I216	Qualitative information on inclusion of CSR objectives in the procurement policy	FDJ	-	-

CSR report: 1.3.3.4 Responsible purchasing.



SOLIDARITY

		Scope	2015 value	2016 value
S323	Qualitative information on the regional, economic and social impact of operations in terms of employment and regional development	Group	-	-

CSR report: 1.3.2.2 Developing territorial anchorage.

		Scope	2015 value	2016 value
S324	Qualitative information on the regional, economic and social impact of operations on neighbouring and local populations	Group	-	-

CSR report: 1.3.2.2 Developing territorial anchorage.

		Scope	2015 value	2016 value
S325	Qualitative information on partnership and corporate philanthropy	FDJ	-	-

CSR report: 1.3.4.2. Making sport a vector for community support via our corporate Foundation.

Blue diamonds identify indicators that have been checked by Veritas

◆ Table of performance indicators



COMMITTED

		Scope	2015 value	2016 value
E11	Number of employees trained in CSR	FDJ	340	533

The COOC training, launched in November 2016, has enabled the number of employees trained in CSR to be expanded considerably.

		Scope	2015 value	2016 value
E101	Certification under Responsible Gaming standards	Group	Yes	Yes

		Scope	2015 value	2016 value
◆ E102	Sums disbursed under FDJ's Responsible Gaming partnerships during the year	FDJ	€1,032 thousand	€860 thousand

To meet the needs for assistance and support for players and vulnerable people, FDJ consolidated its support to aid structures (SOS Joueurs, Cresus, Fédération Nationale des Écoles des Parents et des Educateurs, Institut du Jeu Excessif (problem gambling centre), Institut Fédératif des Addictions Comportementales (behavioural addictions institute) including the Centre de Référence sur le Jeu Excessif (IFAC-CRJE), Addict'aide, Secours Populaire Training Institute) and launched new projects in different areas: prevention by third parties, early screening, risk reduction and health (by supporting research on problem gambling). In parallel, the scientific interest group (SIG), "Jeu et Sociétés" (Games and Societies) continued its development to promote human and social science research work (it has been extended for an additional three years). Specific attention has been paid to strengthening young people's psycho-social skills with support for the French Red Cross' addiction prevention worker training programme and the development of an animation sequence on risk prevention in gaming, supported by the inter-association collaborative work on self esteem, led by the Les Petits Citoyens association. FDJ's financial assistance awarded to research (scientific and academic), prevention actions and support structures for vulnerable players amounted to €860 thousand in 2016, up 15% over five years. 2016 was marked by three highlights:

- the renewal of the partnership with IFAC-CRJE for three years (2016-2018), thus contributing to understanding behavioural addiction phenomena and to developing research work and training programmes on behavioural addictions, including pathological gaming;
- continued reinforced support granted to the SEDAP which carries out various pilot schemes on gaming within its centre for innovation and experimentation on problem gaming:
 - the early school intervention project ("Bien Jouer" – Play well): research-action in education prevention for gaming, on psychosocial skills and wrong thinking of young 17 year olds, carried out with the Cresus for the educational budget aspect. The assessment of the first phase of this research action is expected for the first quarter 2017 (FDJ's role is limited to participation in financing to avoid all risks of conflicts of interest),
 - sociological research carried out with the University of Bourgogne and the University of Lublin in Poland on seniors and problem gaming (idem),
 - risk reduction experiments (RR): ad hoc interventions at the request of retailers to manage delicate situations with problem players (in association with FDJ).

Blue diamonds identify indicators that have been audited by Veritas.

• Support for the launch of an experimental RR programme, suited to gaming: over eight months, young Civil Service volunteers had the task of carrying out visits-meetings in voluntary points of sale-bars; the aim was to strengthen the ties between Health, Support and Addiction Prevention Centres (CSAPA) and FDJ retailers, for the benefit of players in vulnerable situations with regard to gaming. Throughout their mission, these young volunteers followed action training and were managed by “substance-free addiction” professionals from the CSAPA taking part in the experiments. This experimental project, steered by the Addiction Federation, was co-developed and carried out with four volunteer CSAPA (including the SEDAP indicated above), the Health Violence Discriminations centre (LFSM), the Civil Service Agency, FDJ and its retailer network. It was rigorously monitored by an institutional steering committee. An independent assessment was carried out by the OFDT. FDJ is committed to continuing its support for this initiative. The precise conditions will be determined after the last institutional steering committee meeting planned for the first quarter 2017. To structure its approach, FDJ®, in collaboration with the Ethics and Compliance Department and the Financial and Legal divisions, rolled out an internal project selection procedure and redrafted its philanthropy convention to guarantee the independence of sponsored associations even further. The increase in the amounts dedicated to RR actions conveys FDJ’s desire to better support problem gamblers. In this respect, ethical discussions have begun with the SEDAP with the aim of defining a benchmark ethics framework and the option of presenting certain research action cases in the ethics framework of the Commission for the Protection of Individuals.

		Scope	2015 value	2016 value
E114	Percentage of retailers inspected during the year where “Which Player Are You?” brochures are available and clearly visible	Group excluding PDJ	96%	97%

		Scope	2015 value	2016 value
◆ E125	Support tool to detect sensitive cases made available to customer services	FDJ	-	-

Implemented by FDJ in 2015, this matrix enables sensitive cases identified as level 2 to be reported as soon as possible. It is made available to customer advisers. It includes all the cases identified as sensitive, such as suspicion of fraud. Clicking on the matrix displays on the customer adviser’s screen the procedure to follow in each sensitive case. There are three types of sensitive cases: mood cases (dissatisfaction with the adviser’s response), sensitive cases (proven cases with the risk of damage to FDJ), and alert cases (sensitive cases with tangible proof provided by the player). This matrix enables rapid reactions to sensitive cases. In sensitive and alert cases, a crisis unit organised by the Security Department can be triggered to deal with the matter.

		Scope	2015 value	2016 value
◆ E133	Number of big winners taking advantage of the services offered by FDJ through its support programme	Group	199	201

CSR report: 1.3.2.1 Reinforcing our Responsible Gaming approach (specific attention to prize winners).

		Scope	2015 value	2016 value
E134	Number of big prize winners	Group	309	361

CSR report: 1.3.2.1 Reinforcing our Responsible Gaming approach (specific attention to prize winners).

		Scope	2015 value	2016 value
E203	Share of people interviewed that declare that they have been correctly informed of their chances of winning	FDJ	64%	67%

Blue diamonds identify indicators that have been audited by Veritas.

	Scope	2015 value	2016 value
E204	Share of people interviewed that declare that they have been correctly informed of the risks of gambling addiction	FDJ	67% 72%

	Scope	2015 value	2016 value
E423	Total waste recycled	FDJ	79 tonnes 53 tonnes

The difference arises from major archiving and recycling operations implemented in 2015.

	Scope	2015 value	2016 value
E426	Share of FSC paper used to manufacture gaming materials	Group excluding PDJ	100% 100%

	Scope	2015 value	2016 value
◆ E427	Share of recycled paper used to manufacture scratch cards	Group excluding PDJ	- 36%

	Scope	2015 value	2016 value
E504	Number of work-study contracts during the year	Group	90 111

During 2016, 104 people on work-study programmes (39 apprentices and 65 professional training contracts) came to work within FDJ's teams compared to 88 in 2015 (39 apprentices and 49 professional training contracts).

	Scope	2015 value	2016 value
◆ E513	Number of female managers	Group	100 125

In 2016, 33% of FDJ Group managers are women (vs 30% in 2015). For FDJ, 38% of managers are women (vs 34% in 2015).

	Scope	2015 value	2016 value
◆ E514	Number of managers	Group	336 375

	Scope	2015 value	2016 value
E517	Qualitative information on employee promotion	Group	- -

CSR report: 1.3.2.3 Promoting diversity and the quality of working life for employees.

	Scope	2015 value	2016 value
E541	Percentage of total payroll spent on training	Group	4.32% 4%

	Scope	2015 value	2016 value
E565	Rate of employee commitments	FDJ	- 77%

Data collected during the FDJTeam survey in June 2016.

Blue diamonds identify indicators that have been audited by Veritas.



INTEGRITY

		Scope	2015 value	2016 value
I3	WLA SCS (Security Control Standard)/ISO 27001 certification	Group	Yes	Yes

		Scope	2015 value	2016 value
◆ I103	Qualitative information on actions to prevent corruption and money laundering	Group	-	-

CSR report: 1.3.3.2 Combatting fraud and money laundering.

		Scope	2015 value	2016 value
I222	Amount of purchases in the ESAT	FDJ	€500 thousand	€548 thousand

		Scope	2015 value	2016 value
I223	Satisfaction rate for suppliers interviewed every two years in the Purchasing survey	FDJ	-	97%

The survey was not carried out in 2015.

		Scope	2015 value	2016 value
I314	Total government levies on stakes	Group	€3,038 million	€3,060 million

Blue diamonds identify indicators that have been audited by Veritas.



SOLIDARITY

		Scope	2015 value	2016 value
S315	Foundation's budget amount	FDJ	€3,545 thousand	€3,817 thousand

		Scope	2015 value	2016 value
S318	Contribution to the Centre National pour le Développement du Sport (CNDS) for the year	Group	€280 million	€223 million

The amounts due to the CNDS are based on player stakes up to the ceiling fixed by the French government. The amounts are paid to the Public Treasury, which then pays them to the sports centre in compliance with the ceiling. This mechanism is harmonised for all market operators. The 2015 figures does not take the ceilings into account.

		Scope	2015 value	2016 value
◆ S321	Number of minimum-wage jobs equivalent to the commission paid to retailers	Group	35,734	37,077

		Scope	2015 value	2016 value
◆ S322	Amount of commissions paid to retailers	Group	€688 million	€718 million

		Scope	2015 value	2016 value
S566	Share of FDJ employees contributing to the solidarity salary rounding as a proportion of total payroll for the financial year	FDJ	15%	25%

At 31 December 2016, 320 FDJ employees have signed up to the solidarity rounding scheme vs 177 in 2015. The increase is linked to a communication campaign in June 2016.

With this scheme, FDJ democratises community support by making donations accessible to the largest number and enabling all employees to support solidarity projects in a simple, spontaneous and painless way.

For FDJ, with its aim of improving its corporate responsibility, it is a way of encouraging commitment and involving its employees in this community support action.



PIONEERS

	Scope	2015 value	2016 value
◆ P135 Percentage of Playscan registrations identified as “green” risk out of FDJ players who placed stakes over the previous ten weeks visiting the fdj.fr website	Group excluding PDJ	96%	94%
	Scope	2015 value	2016 value
◆ P136 Percentage of Playscan registrations identified as “orange” risk out of FDJ players who placed stakes over the previous ten weeks visiting the fdj.fr website	Group excluding PDJ	3%	4%
	Scope	2015 value	2016 value
◆ P137 Percentage of Playscan registrations identified as “red” risk out of FDJ players who placed stakes over the previous ten weeks visiting the fdj.fr website	Group excluding PDJ	1%	2%

Blue diamonds identify indicators that have been audited by Veritas.

◆ Equivalence table with G4 GRI (Global Report Initiative)

	Title	FDJ
General items		
G4-1	Statement from the most senior decision-maker	Interview with Stéphane Pallez
G4-2	Description of key impacts, risks, and opportunities	Interview with Stéphane Pallez
G4-3	Organisation name	Back cover of the financial and CSR report
G4-4	Primary brands, products, and services	Management report: 1.2. Financial analysis and financial risk management (stakes)
G4-5	Location of the organisation's headquarters	Back cover of the management report
G4-6	Number and names of countries where the organisation operates	Management report: 1.2 Financial analysis and financial risk management (operations by subsidiary and participation)
G4-7	Nature of ownership and legal form	FDJ is a semi-public limited company under French law
G4-8	Markets served	Management report: 1.2. Financial analysis and financial risk management (stakes)
G4-9	Organisation scale	CSR reporting: E501: Number of fixed-term and permanent contract paid staff at 31 December Management report: 1.2. Financial analysis and financial risk management
G4-10	Organisation workforce	CSR reporting: E501: Number of permanent staff at 31 December E512: Proportion of women in the workforce on fixed-term and permanent contracts at 31 December E519: Proportion of women in management on fixed-term and permanent contracts at 31 December E563: Qualitative information on breakdown of employees by age group CSR report: 1.3.2. Committed to entertaining and protecting (Promoting diversity and quality of working life)
G4-11	Percentage of total employees covered by collective bargaining agreements	Not provided
G4-12	Description of the supply chain	CSR reporting: I216: Qualitative information on inclusion of CSR objectives in the procurement policy CSR report: 1.3.3 Integrity to guarantee ethical compliance (Responsible purchasing)
G4-13	Significant changes during the reporting period regarding the organisation's size, structure, ownership or supply chain	Consolidated financial statements (2.6 Notes to the financial statements)
G4-14	Precautionary principle	CSR report: 1.3.2. Committed to entertaining and protecting (Reinforcing our Responsible Gaming approach)
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes	CSR report: 1.3.2. Committed to entertaining and protecting (Quality of working life, outlooks) 1.3.3. Integrity to guarantee ethical compliance (roll-out of an ethics charter, responsible purchasing) CSR reporting: I3: WLA Security Controls Standard Certification E101: Certification under Responsible Gaming standards
G4-16	Membership of associations and national or international organisations	FDJ is a member of European Lotteries and World Lottery Association and Global Lottery Monitoring System

	Title	FDJ
G4-17	Operational structure of the organisation, description of the main divisions, operational entities, subsidiaries and joint ventures	Management report: 1.2. Financial analysis and financial risk management
G4-18	Process for defining the report content and material Aspect Boundaries	CSR report: 1.3.2. Committed to entertaining and protecting (including stakeholders in our priorities)
G4-19	Relevant Aspects identified in the process for defining report content	CSR report: 1.3.6. Reporting
G4-20	Relevance of the Aspect within the organisation	CSR report: 1.3.1. Our CSR Policy
G4-21	Aspect boundary outside the organisation	CSR report: 1.3.2 Committed to entertaining and protecting (including stakeholders in our priorities)
G4-22	Explain the effects of any restatements of information provided in previous reports and the reasons for such restatements	CSR report: 1.3.6. CSR reporting
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries or measurement methods used in the report	CSR report: 1.3.6. CSR reporting methodology note (www.groupefdj.com)
G4-24 to G4-27	Dialogue with stakeholders	CSR report: 3.1.1 Our CSR Policy (Relations with our stakeholders) CSR reporting: E4: Qualitative information on conditions for dialogue with stakeholders
G4-28	Reporting period	Reporting from 01/01/16 to 31/12/16
G4-29	Date of most recent previous report	The 2015 report was published in June 2016
G4-30	Reporting cycle	Reports are annual
G4-31	Contact for questions regarding the report or its content	Christine Prouin: +33 (0)1 41 10 35 00
G4-32	"In accordance" option chosen by the organisation	FDJ is aligned with ISO 26000
G4-33	Assurance report of Statutory Auditors	CSR report: 1.3.6. Reporting
G4-34 to G4-49	Structure and composition of the governance	CSR report: 1.3.1 General policy (Confident governance) CSR reporting: E4: Qualitative information on conditions for dialogue with stakeholders Internal control (Corporate governance and operating procedures of the Board of Directors)
G4-50 to G4-58	Remuneration policies and corporate ethics	CSR reporting: E531: Median full-time equivalent monthly basic salary of permanent and fixed-term contract staff at 31 December Internal control (Nominations and Remuneration Committee)
Management approach		
G4-DMA	Material Aspects of the CSR policy	CSR report

	Title	FDJ
Economic performance		
G4-EC1	Direct economic value generated and distributed	
G4-EC2	Financial implications and other risks and opportunities for the organisation's activities due to climate change	Management report: 1.2.1. Items related to the Group's income statement CSR report: 1.3.1. Our policy (Stakeholders and financial flows) Making sport a vector of community support via our Corporate Foundation (Breakdown of the Foundation budget)
G4-EC3	Coverage of the organisation's defined benefit plan obligations	CSR reporting: E102: Sums disbursed under FDJ's Responsible Gaming partnerships during the year
G4-EC4	Government aide received	S321: Number of minimum-wage jobs equivalent to the commission paid to retailers
G5-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	S322: Qualitative information on the regional, economic and social impact of operations in terms of employment and regional development
G6-EC6	Proportion of senior management hired from the local community at significant locations of operation	S323: Qualitative information on the regional, economic and social impact of operations on neighbouring and local populations
G7-EC7	Development and impact of infrastructure investments and services supported	S324: Qualitative information on partnership and corporate philanthropy E523: Number of permanent contract hires, excluding intra-group and intra-FDJ transfers
G8-EC8	Significant indirect economic impacts, including the extent of impacts	E524: Number of departures (excluding expired contracts) during the year E531: Median full-time equivalent monthly basic salary of permanent and fixed-term contract staff at 31 December
G9-EC9	Proportion of spending on local suppliers at significant locations of operation	
Environmental performance		
G4-EN1	Materials used by weight or volume	CSR reporting: E423: Total waste recycled in tonnes
G4-EN2	Percentage of recycled input materials used	E456: Qualitative information on consumption of raw materials and measures taken to improve their efficient use
G4-EN3 to G4-EN4	Energy consumption within the organisation	CSR reporting: E411: Oil consumption during the year E412: Natural gas consumption during the year E413: Electricity consumption during the year E414: CO ₂ emissions generated by energy consumption during the year
G4-EN5	Energy intensity	The Group does not have figures for this ratio
G4-EN6	Reduction of energy consumption	CSR reporting: E411: Oil consumption during the year E412: Natural gas consumption during the year E413: Electricity consumption during the year E414: CO ₂ emissions generated by energy consumption during the year
G4-EN7	Reductions in energy requirements of products and services	
G4-EN8	Total water withdrawal by source	CSR reporting: E416: Water consumption during the year
G4-EN9	Water sources significantly affected by withdrawal of water	FDJ's activities do not require use of water sources significantly affected by withdrawal of water.

	Title	FDJ
G4-EN10	Percentage and total volume of water recycled and reused	CSR reporting: E415: Qualitative information on changes in Bilan Carbone™ results FDJ E453: Qualitative information on measures to prevent, reduce or remedy discharges into the air, water and soil with a serious impact on the environment. The Group does not recycle its water as it is treated by public treatment stations. Its impact is not deemed significant with regard to the Group's activities
G4-EN11 to G14-EN14	Impacts of the activity on biodiversity	CSR reporting: E455: Qualitative information on measures taken to preserve or enhance biodiversity FDJ's activity does not have a significant impact on soil
G4-EN15 to G21-EN21	Greenhouse gas emissions and other emissions responsible for atmospheric pollution	CSR reporting: E414: CO ₂ emissions generated by energy consumption during the year E415: Qualitative information on changes in FDJ's Bilan Carbone™ results
G4-EN22	Total water discharge by quality and intended use	CSR reporting: E453: Qualitative information on measures to prevent, reduce or remedy discharges into the air, water and soil with a serious impact on the environment
G4-EN23	Total weight of waste by type and disposal method	CSR reporting: E423: Total waste recycled in tonnes E424: Qualitative information on waste prevention, recycling and disposal measures
G4-EN24 to G26-EN26	Hazardous waste	These indicators are not relevant to the Group's operations
G4-EN27	Extent of measures to mitigate environmental impacts from products and services	CSR reporting: E415: Qualitative information on changes in FDJ's Bilan Carbone™ results
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category	Not provided
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	FDJ has not been fined or sanctioned
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organisation's operations, and transporting members of the workforce	CSR report: 1.3.2. Committed to protecting and entertaining (Reducing our environmental footprint) CSR reporting: S402: Qualitative information on the resources devoted to preventing environmental risks and pollution, and expenditure incurred to prevent operations impacting on the environment E415: Qualitative information on changes in FDJ's Bilan Carbone™ results
G4-EN31	Total environmental protection expenditures and investments by type	FDJ's operations are not of the type to have a serious impact on the environment
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	
G4-EN33	Environmental impacts in the supply chain	CSR report: 1.3.3. Integrity to guarantee ethical compliance (Responsible Purchasing)

	Title	FDJ
G4-EN34	Number of complaints about environmental impacts filed, reviewed and resolved through formal complaints mechanisms	The Group has not received any complaints about environmental impacts
Social performance		
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	CSR reporting: E523: Number of permanent contract hires, excluding intra-group and intra-FDJ transfers E524: Number of departures (excluding expired contracts) during the year
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	The French public health model offers these benefits
G4-LA3	Return to work and retention rates after parental leave, by gender	Not provided
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Not provided
G4-LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety	CSR reporting: E552: Qualitative information on occupational health and safety
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, absenteeism, and total number of work-related fatalities, by region and by gender	Given the nature of FDJ's operations, occupational diseases and accidents are rare
G4-LA7	Workers with high incidence or high risk of diseases related to their occupation	Given the nature of FDJ's operations, occupational diseases and accidents are rare
G4-LA8	Health and safety topics covered in formal agreements with trade unions	CSR reporting: E552: Qualitative information on occupational health and safety
G4-LA9	Average hours of training per year per employee by gender, and by employee category	CSR reporting: E542: Total training hours
G4-LA10	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	CSR report: 1.3.2. Committed to entertaining and protecting (Promoting diversity and quality of working life) CSR reporting: E541: Percentage of total payroll spent on training E564: Qualitative information on training policies implemented
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Not provided



	Title	FDJ
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	CSR report: 1.3.2. Committed to entertaining and protecting (Promoting diversity and quality of working life) CSR reporting: E501: Number of permanent staff on 31/12 of the year E515: Qualitative information on the effect of gender equality measures on the wage policy E518: Percentage of employees with disabilities (of which direct % and indirect %) E563: Qualitative information on breakdown of employees by age group
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	CSR report: 1.3.2. Committed to entertaining and protecting (Promoting diversity and quality of working life) CSR reporting: E512: Proportion of women in the workforce on fixed-term and permanent contracts at 31 December E514: Proportion of women in management on fixed-term and permanent contracts at 31 December
G4-LA14	Percentage of new suppliers that were screened using labour practices criteria	CSR report: 1.3.3. Integrity in entertaining and protecting (Responsible purchasing) CSR reporting: I216: Qualitative information on inclusion of CSR objectives in the procurement policy
G4-LA15	Significant real and potential negative impacts for labour practices in the supply chain and actions taken	
G4-LA16	Number of complaints about labour practices filed, reviewed and resolved through formal complaints mechanisms	Not provided
Human rights		
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that were subject to human rights screening	Not provided
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Not provided
G4-HR3	Total number of incidents of discrimination and corrective actions taken	CSR reporting: E516: Qualitative information on the anti-discrimination policy
G4-HR4 to G4-HR12	Inclusion of human rights principles at facilities and in relation to suppliers	CSR report: 1.3.3. Integrity to guarantee ethical compliance (Responsible Purchasing)

	Title	FDJ
Society		
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programmes	CSR reporting: I321: Number of minimum-wage jobs equivalent to the commission paid to retailers I322: Qualitative information on the regional, economic and social impact of operations in terms of employment and regional development
G4-SO2	Operations with significant actual or potential negative impacts on local communities	I323: Qualitative information on the regional, economic and social impact of operations on neighbouring and local populations
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	
G4-SO4	Communication and training on anti-corruption policies and procedures	CSR report: 1.3.3. Integrity to guarantee ethical compliance CSR reporting: I3: WLA Security Control Standard certification
G4-SO5	Confirmed incidents of corruption and actions taken	
G4-SO6 to G4-SO8	Anti-competitive behaviour	Not provided
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society	
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken	CSR report: 1.3.3. Integrity to guarantee ethical compliance (Responsible Purchasing)
G4-SO11	Number of complaints about impacts on society filed, reviewed and resolved through formal complaints mechanisms	Not provided
Product responsibility		
G4-PR1 to G4-PR9	Compliance with regulations and impacts on health and safety	CSR report: 1.3.2. Committed to entertaining and protecting (Reinforcing our Responsible Gaming approach); 3. Integrity to guarantee ethical compliance (combating fraud and money laundering) CSR reporting: E101: Certification under Responsible Gaming standards E114: Percentage of retailers inspected during the year where "Which Player Are You?" brochures are available and clearly visible E134: Number of big prize winners P135: Percentage of Playscan registrations identified as green risk out of FDJ players on the fdj.fr website P136: Percentage of Playscan registrations identified as orange risk out of FDJ players on the fdj.fr website P137: Percentage of Playscan registrations identified as red risk out of FDJ players on the fdj.fr website



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

The reviewed social, environmental and societal information are relative to year ended December 31, 2016.

Request, Responsibilities and Independence

At the request of La Française Des Jeux (FDJ), and in accordance with the requirements of article L.225-102-1 of the French Commercial Code (*Code de commerce*), we performed, as independent third party accredited by Cofrac registered under the number 3-289 (list of the locations and scope available on www.cofrac.fr), an independent verification of the social, environmental and societal information contained within the 2016 annual report.

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

- ✓ CSR reporting protocol of FDJ,

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

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

The conclusions of this report include:

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

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

Nature and scope of our work

We conducted our work from January 13, 2017 to the signature of the present report, for a period of about 3 weeks, by three verifiers. We conducted around fifteen interviews during this mission.

We verified that the social, environmental and societal information covers the consolidated perimeter as defined in articles L 233-1 and L 233-3 of the French Commercial Code (*Code de commerce*). The perimeter's adjustments for the social, environmental and societal information are clarified in the 2016 annual report.

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

- ✓ taking note of the Group policy relative to sustainable development, according to its social and environmental impacts and its societal commitments;



- ✓ comparison of the information presented in the 2016 annual report with the list as set out in article R.225-105-1 of the French Commercial Code (Code de commerce);
- ✓ verification of the explanation given in case of omission of consolidated information.

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

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

- ✓ review of the 'reporting methodology' with regard to relevance, reliability, completeness, understandability of information;
- ✓ identification of the persons, within FDJ, who are in charge of the collection, and of those who are responsible for the procedures of internal control and risk management, if any;
- ✓ verification of the implementation of a process for the collection, treatment, compilation, internal control of the information to guarantee its completeness and consistency;
- ✓ examination of the internal control and risks management procedures relative to the preparation of the information;
- ✓ discussions with persons in charge of the social, environmental and societal reporting;
- ✓ selection of consolidated information to be tested¹ and definition of the nature and the scope of the tests, taking into consideration their importance with regard to the social and environmental consequences related to the Group's activities as well as to its societal commitments;
- ✓ Regarding the quantitative information we recognized as being the most important, we have:
 - performed an analytical review of the information and, for a sample of information, checked the calculations and the compilation of the information at the corporate level and the controlled entities;
 - selected a sample of primary data of various subsidiaries based on their activities, their contribution to the consolidated information, their localization and a risks analysis.
- ✓ Regarding each selected entity, we performed the following work:
 - interviews to check that the 'reporting methodology' is correctly implemented;
 - detailed testing, checking, based on sampling, the calculation applied and reconciling the information with supporting evidences.

We have undertaken samples to perform detailed testing. The sampling method used, according our professional judgment, seems to us sufficient to allow a conclusion on the basis of the performed works.

- ✓ Regarding the qualitative information we believe to be the most important, we have conducted interviews, examined source documents and, if any, public information;
- ✓ Regarding the explanations relative to the missing/omitted information, we assessed their relevance.

¹ E4 - E11 - E102 - E125 - E133 - E401 - E413 - E415 - E424 - E427 - E501 - E513 - E514 - E518 - E523 - E524 - E531 - E542 - E552 - E561 - I103 - I216 - S321 - S322 - P135 - P136 - P137



Attestation of completeness of the information

Based on our work, within the perimeter defined by the Group, we attest to the completeness of all the required social, environmental and societal information, included missing information with explanations.
We have note, as identified in the annual report, that some information cover a restricted perimeter.

Sincerity opinion

Based on our work nothing has come to our attention to suggest that the social, environmental and societal Information, communicated by FDJ in its 2016 annual report, is not fairly presented in all material aspects in accordance with the reporting methodology.
The explanation in case of omission of consolidated information appears to be acceptable.

Puteaux, March, 7, 2017

Bureau Veritas

Jacques Matillon
Vice-President



2.

Consolidated financial statements

2.1.	CONSOLIDATED INCOME STATEMENT	76	2.5.	CONSOLIDATED STATEMENT OF CHANGE IN EQUITY	81
2.2.	CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	77	2.6.	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	82
2.3.	CONSOLIDATED BALANCE SHEET	78	2.7.	STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS	107
2.4.	CONSOLIDATED STATEMENT OF CASH FLOWS	80			

2.1. Consolidated income statement

<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Player stakes	4.1	14,330,738	13,704,503
Government levies	4.1	-3,061,601	-3,037,546
Share returned to winners	4.1	-9,545,337	-9,048,951
Additions to counterparty funds	4.1	-63,272	-72,831
Miscellaneous revenues	4.1	140	68,600
Revenue from gaming activities	4.1	1,660,668	1,613,775
Revenue from other activities	4.1	35,649	34,854
Revenue from ordinary activities	4.1	1,696,317	1,648,629
External purchases and expenses	4.2	1,164,763	1,132,330
Taxes and duties		20,052	18,317
Personnel expenses	5.2	196,784	172,304
Depreciation and provisions		53,795	53,867
Other current operating income and expenses		8,633	10,067
Current operating profit		252,292	261,744
Other net operating expenses	4.3	9,682	27,427
Operating result		242,610	234,317
Finance income		15,557	18,592
Finance expenses		3,578	1,126
Financial result	8.3	11,978	17,466
Share of net income from joint ventures	9	1,271	1,635
Profit before tax		255,859	253,418
Income tax expense	10.1	79,942	94,278
NET INCOME FOR THE PERIOD		175,918	159,140
Attributable to			
◆ minority interests		-121	36
◆ parent company shareholders		176,039	159,104

2.2.

Consolidated statement of comprehensive income



<i>In thousands of euros</i>	31/12/2016	31/12/2015
Net income for the period	175,918	159,140
Change in the value of assets held for sale	-4,215	31
Taxes on change in the value of assets held for sale	1,451	-382
Change in exchange gains or losses	-348	673
OCI recycled	-3,112	322
Actuarial gains and losses recognised in equity	2,851	-1,722
Taxes on actuarial gains and losses recognised in equity	-1,642	545
OCI not recycled	1,207	-1,177
COMPREHENSIVE INCOME FOR THE PERIOD	174,013	158,286
Attributable to		
◆ minority interests	-122	23
◆ parent company shareholders	174,136	158,262

2.3. Consolidated balance sheet



2.3.1. Assets

<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Goodwill		1,108	1,108
Intangible assets	6.1	85,957	73,360
Property, plant and equipment	6.2	349,547	146,747
Non-current financial assets	8.1	693,418	515,166
Other non-current financial assets		14,181	18,371
Investments in joint-ventures	9.1	12,872	13,024
Non-current assets		1,157,083	767,776
Inventories		10,600	6,328
Current receivables	4.4	559,272	410,389
Current income tax assets		9,400	7,036
Current financial assets	8.1	75,173	303,062
Cash and cash equivalents	8.2	200,798	562,446
Current assets		855,242	1,289,261
TOTAL ASSETS		2,012,325	2,057,037

2

2.3.2. Equity & liabilities

<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Share capital		76,400	76,400
Reserves		202,783	309,673
Other transferable equity		3,147	7,352
Translation adjustment		3,146	3,494
Net income, Group share		176,039	159,104
Total equity, Group share	11	461,515	556,023
Minority interest		174	296
Shareholders' equity		461,689	556,319
Non-current provisions	7	83,648	81,066
Deferred tax liabilities		17,176	23,983
Non-current player funds	4.4	134,654	188,545
Non-current financial liabilities	8.1	111,460	-
Non-current liabilities		346,937	293,594
Current provisions	7	35,646	181,895
Current debts	4.4	1,042,470	1,006,183
Tax liabilities payable		1,159	417
Other financial liabilities	8.1	124,424	18,628
Current liabilities		1,203,699	1,207,123
TOTAL LIABILITIES		2,012,325	2,057,037

2.4. Consolidated statement of cash flows

<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Operating activities			
Consolidated net profit		175,918	159,140
<i>of which interest accrued</i>		6,585	11,979
Change in depreciation, amortisation and impairment of non-current assets		48,071	46,881
Change in provisions		-110,266	-65,081
Gains/losses on disposals		768	909
Change in deferred tax		-6,802	2,375
Share of income from joint ventures		-400	-518
<i>including dividends received from joint ventures</i>		871	1,118
Non-cash items		-68,629	-15,433
Change in trade receivables and other current assets		-173,710	1,648
Change in inventories		-4,272	-835
Change in trade payables and other current liabilities		42,463	22,614
Change in working capital requirements related to business		-135,518	23,427
Change in current financial assets		227,889	-42,402
Change in non-current financial assets		-178,252	-35,840
Gains and losses on revaluation at fair value		-4,406	266
Change in current and non-current financial assets (including fair value)		45,231	-77,976
NET CASH FLOW FROM OPERATING ACTIVITIES		17,002	89,159
Investing activities			
Acquisitions of property, plant and equipment and intangible assets		-265,806	-77,046
Acquisitions of financial assets		-3,816	-3,407
Disposals of property, plant and equipment and intangible assets		65	396
Disposals of financial assets		305	169
Changes in loans and advances granted		22	30
NET CASH FLOW USED FOR INVESTING ACTIVITIES		-269,230	-79,857
Financing activities			
Dividends paid to ordinary shareholders of the parent company		-229,193	-133,000
Bond issues		120,039	-
NET CASH FLOW USED FOR FINANCING AND INVESTING ACTIVITIES		-109,154	-133,000
Impact of changes in exchange rates		-266	255
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		-361,648	-123,443
Cash and cash equivalents at 1 January		562,446	685,889
Cash and cash equivalents at 31 December	8.2	200,798	562,446

2.5. Consolidated statement of change in equity



<i>In thousands of euros</i>	Share capital	Reserves consolidated & transferable equity	Translation adjustment	Net income, Group share	Total equity, Group share	Minority interest	Total equity
EQUITY AS AT 31/12/2014	76,400	459,301	2,822	-7,749	530,774	273	531,047
Other items recognised directly in equity	-	-1,527	-	-	-1,527	-13	-1,540
Net income for 2015	-	-	-	159,104	159,104	36	159,140
Change in translation differences	-	-	672	-	672	-	672
Comprehensive income for the period	-	-1,527	672	159,104	158,249	23	158,273
Allocation of 2014 net income	-	-7,749	-	7,749	-	-	-
2014 dividends paid	-	-133,000	-	-	-133,000	-	-133,000
Other	-	-	-	-	-	-	-
EQUITY AS AT 31/12/2015	76,400	317,025	3,494	159,104	556,023	296	556,320
Other items recognised directly in equity	-	-1,556	-	-	-1,556	-	-1,556
Net income for 2016	-	-	-	176,039	176,039	-122	175,917
Change in translation differences	-	-	-348	-	-348	-	-348
Comprehensive income for the period	-	-1,556	-348	176,039	174,136	-122	174,013
Allocation of 2015 net income	-	159,104	-	-159,104	-	-	-
2015 dividends paid	-	-229,193	-	-	-229,193	-	-229,193
Other	-	-39,450	-	-	-39,450	-	-39,450
EQUITY AS AT 31/12/2016	76,400	205,930	3,146	176,039	461,515	174	461,689

Income and expenses recognised directly in equity consist primarily of changes in the fair value of assets, actuarial gains and losses on pension obligations, healthcare commitments and related taxes.

2.6.

Notes to the consolidated financial statements



Contents

NOTE 1	GROUP OVERVIEW	83
NOTE 2	REPORTING GUIDELINES AND ACCOUNTING PRINCIPLES	83
NOTE 3	CHANGES IN THE SCOPE OF CONSOLIDATION	88
NOTE 4	OPERATING DATA	88
NOTE 5	PERSONNEL EXPENSES AND EMPLOYEE BENEFITS	92
NOTE 6	INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	94
NOTE 7	OTHER PROVISIONS AND CONTINGENT LIABILITIES	96
NOTE 8	CASH AND FINANCIAL INSTRUMENTS	97
NOTE 9	JOINT VENTURES	102
NOTE 10	INCOME TAXES	103
NOTE 11	SHAREHOLDERS' EQUITY	104
NOTE 12	TRANSACTIONS WITH RELATED PARTIES	105
NOTE 13	PENDING LEGAL PROCEEDINGS AND OTHER DISPUTES	105
NOTE 14	SUBSEQUENT EVENTS	106
NOTE 15	LIST OF CONSOLIDATED COMPANIES	106

NOTE 1 GROUP OVERVIEW

1.1. General information

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

The Group, which includes 13 entities, operates its gaming business in mainland France and in French overseas departments. It is present internationally through investments in the following companies:

- ◆ Beijing Zhongcai 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;
- ◆ LVS (Laverock Von Schoultz Ltd), a UK software company specialising in Internet technologies.

Based on the opinion of the Audit Committee of 7 March 2017, the Board of Directors, at its meeting on 14 March 2017, approved the consolidated financial statements which will be submitted for approval at the Annual General Meeting on 15 June 2017.

1.2. Regulatory background of La Française des Jeux Group ("the Group")

FDJ operates in the heavily-regulated gambling sector which is strictly monitored by the French government.

For the activities where it enjoys, namely the sports bets that it sells in points of sale and its lottery games proposed on line

and at points of sale, FDJ is legally obliged to meet mandatory public service goals 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 fighting against money laundering and supervising gaming consumption in order to prevent the onset of addictions".

The minister in charge of the budget 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 members of parliament, judges 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 minister in charge of the budget 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. FDJ requested the renewal of this licence, awarded for a period of five years in June 2015.

Moreover, the revised commercial and financial operating conditions, which came into force on 1 January 2016, were applied in their entirety.

Accordingly, unclaimed winnings and counterparty spreads on scratch card games sold through the bricks-and-mortar distribution network were added to the permanent fund set up to cover risks related to gaming operations; the fund's surplus is paid to the French government at the end of the financial year. Loss of operating income resulting from this change was partially offset by a global increase in the commission charged by the company.

NOTE 2 REPORTING GUIDELINES AND ACCOUNTING PRINCIPLES

2.1. Reporting guidelines

The consolidated financial statements of FDJ Group were prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and adopted by the European Union.

2.1.1. Standards, interpretations and amendments mandatory at 1 January 2016

The following amendments and interpretations, approved by the European Union and applicable for the first time for annual periods beginning on or after 1 January 2016, either had no material impact on the Group's financial statements or could not be applied to the Group:

- ◆ "annual improvements" (2010-2012 cycle) – Annual improvements to standards, applicable for annual periods beginning on or after 1 February 2015:
 - ◆ IFRS 2 – Share-based payment,
 - ◆ IFRS 3 – Business combinations – conditional payments,
 - ◆ IAS 24 – Related party disclosures – key management personnel,
 - ◆ IFRS 8 – Operating segments,
 - ◆ IAS 16 and IAS 38 – Revaluation,
 - ◆ IFRS 13 – Fair value measurement – basis for conclusions;
- ◆ amendments:
 - ◆ IAS 19 – Employee contributions, applicable for annual periods beginning on or after 1 February 2015,
 - ◆ IFRS 11 – Acquisition of an interest in a joint operation, applicable prospectively as at 1 January 2016.

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

- ◆ New standards:
 - ◆ IFRS 9 "Financial Instruments" applicable for fiscal years beginning on or after 1 January 2018;
 - ◆ IFRS 15 "Revenue from Customer Contracts" applicable for fiscal years beginning on or after 1 January 2018.

The impact of these new texts is currently being studied. At this stage, the Group anticipates no material impact on its financial statements.

2.1.3. Texts not yet adopted by the European Union

- ◆ IFRS 16 "Leases", applicable for annual periods beginning on or after 1 January 2019, subject to adoption by the European Union

The impact of applying this new standard is currently being studied. The Group will review the leases concerned so as to assess the expected impact of this future standard.

2.1.4. Estimates and judgements

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

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

- ◆ impairment of intangible assets and property, plant and equipment (Note 2.2.6);
- ◆ financial assets (Note 2.2.7);
- ◆ employee benefits (Note 2.2.11);
- ◆ other provisions (Note 2.2.12);
- ◆ tax (note 2.2.15).

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

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

2.2. Accounting principles

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

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

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

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

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

All other assets are classified as non-current.

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

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

All other liabilities are classified as non-current.

2.2.1. Consolidation

The consolidated financial statements as at 31 December 2016 combine the financial statements of the parent company FDJ and the subsidiaries and affiliates it controls or over which it exercises joint control. All of these companies close their books on 31 December or cut-off their accounts on that 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 balance sheet date for assets and liabilities, and using the average exchange rate for income and expense items.

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

2.2.3. Goodwill

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

The positive difference between the acquisition cost, plus any earn-out payments as defined above, and the interest portion of FDJ in the fair value of assets and liabilities acquired, is recognised as goodwill and is tested at least once a year for impairment as defined in Note 2.2.6.

Costs directly attributable to the acquisition are recorded in the income statement when incurred.

2.2.4. Intangible assets

2.2.4.1. Research and development expenditure

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

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

2.2.4.2. Other intangible assets

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

2.2.4.3. Amortisation

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

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

2.2.5. Property, plant and equipment

2.2.5.1. Initial measurement

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

2.2.5.2. Depreciation

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

◆ Buildings	between 20 and 60 years
◆ Building improvements	between 10 and 30 years
◆ Lottery 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.

2.2.5.3. Borrowing costs

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

2.2.6. Impairment of intangible assets and property, plant and equipment

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

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

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses on goodwill recorded under operating income cannot be reversed.

2.2.7. Financial assets

At initial recognition, financial assets are measured at purchase cost, transaction costs that are directly attributable to the acquisition.

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

Securities held in the portfolio classified as available-for-sale assets and as assets at fair value through profit or loss are measured by reference to market prices organised at the balance sheet date. For financial assets for which there is no active market, fair value is determined using valuation techniques (using recent arm's length market transactions,

reference to the current fair value of another equivalent instrument, discounted cash flow analysis or other valuation models).

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

2.2.8. Inventories

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

2.2.9. Receivables

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

2.2.10. Cash and cash equivalents

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

Overdrafts are recognised as current financial liabilities.

2.2.11. Employee benefits

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

To determine the present value of the obligations, the Group uses the Projected Unit Credit Method, a retrospective method with projection of final salary. The obligations are measured annually, taking account of seniority, life expectancy, employee turnover by category, benefits negotiated under collective bargaining agreements, as well as economic assumptions such as inflation and the discount rate. The discount rate used for most subsidiaries is determined on the basis of the Iboxx Corporate AA+ index.

The expense recognised during the financial year incorporates:

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

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

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

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

Other long-term benefits are:

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

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

2.2.12. Other provisions

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

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

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

2.2.13. Debt

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

2.2.14. Derivative financial instruments

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

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

2.2.15. Tax

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

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

NOTE 3 CHANGES IN THE SCOPE OF CONSOLIDATION

As at 31 December 2016, the Group consolidates the 13 companies listed in Note 15.

3.1. Changes in the scope of consolidation in 2016

LB Poker was taken out of the scope of consolidation on 12 July 2016. The deconsolidation of this entity had no net material impact on consolidated pre-tax profit.

3.2. Changes in the scope of consolidation in 2015

There were no changes in the scope of consolidation during the financial year ended 31 December 2015.

NOTE 4 OPERATING DATA

4.1. Gaming revenue and revenue from ordinary activities

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Player stakes	14,330,738	13,704,503
Share returned to winners	-9,545,337	-9,048,951
Gross gaming revenue (GGR)	4,785,401	4,655,552
Structural increases and counterparty spread	-63,272	-72,831
Government levies	-3,061,601	-3,037,546
Miscellaneous revenues	140	68,600
Revenue from gaming activities	1,660,668	1,613,775
Revenue from other activities	35,649	34,854
REVENUE FROM ORDINARY ACTIVITIES	1,696,317	1,648,629

FDJ player stakes are broken down into the following ranges:

<i>In thousands of euros</i>	31/12/2016	31/12/2015	% of total stakes
Scratch card games	6,745,603	6,297,822	47.1%
Draw-based games	3,589,334	3,642,531	25.0%
Point-of-sale games	1,330,151	1,354,979	9.3%
Interactive lottery games	155,697	145,508	1.1%
Total lottery games	11,820,786	11,440,841	82.5%
Sports betting	2,509,952	2,263,663	17.5%
TOTAL	14,330,738	13,704,503	100%

FDJ operates a service business, namely the development and operation for the French government of lottery games and sports betting. Revenue from gaming activities ("gaming revenue" or GR), which consists of player stakes less government levies, winnings returned to players and the hedging of current counterparty risks, totalled €1.661 million at 31 December 2016. In 2015, GR also included unclaimed winnings and counterparty spreads on scratch card games. Since 2016, following regulatory changes, this is no longer the case, which explains the 2.9% rise despite the 4.6% rise in player stakes.

Revenue from ordinary activities (ROA) comprises GR plus revenue from other activities (consisting primarily of revenues generated from rentals of sales tools to intermediaries and retailers), and that of financial provisions and other income from the joint arrangement with SGE, and sales of maintenance and software development services provided by LotSys and LVS. ROA totalled €1.696 million up by 2.9%.

4.2. External purchases and expenses

Distribution channel costs were down by 0.6% to €799 million while player stakes rose by 4.4% across the network. This change came as a result of the takeover by FDP or operators of commercial sectors previously managed by broker-agents who charged higher fees.

Excluding distribution circuit costs, other external purchases and expenses increased by 11.6% or €38 million. This increase is essentially attributable to the 33.2% rise in IT outsourcing costs linked to the restructuring of IT systems aimed at managing the digitisation of the offering and of the company. Advertising costs, in particular those associated with the UEFA European championship, rose by 11.6%.

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

In thousands of euros	Statutory audits *		Other work	
	PwC	Deloitte	PwC	Deloitte
FDJ	223	275	2	72
Subsidiaries	51	123	-	-
STATUTORY AUDITORS' FEES	274	398	2	72

* Including other work.

4.3. Other net operating expenses

Other net operating expenses mainly comprised costs related to the sales restructuring aimed at enhancing the performance of the company and its network, and non-recurring costs incurred in moving the head office.

4.4. Receivables and payables

In thousands of euros	31/12/2016	31/12/2015
Total trade and other receivables	16,424	17,024
Distribution network receivables	317,410	266,665
Other current assets	225,438	126,700
TOTAL RECEIVABLES	559,272	410,389
Non-current player funds	-134,654	-188,545
Trade and other payables	-105,491	-104,522
Distribution network payables	-189,956	-171,996
Government gaming levies	-289,779	-234,970
Winnings payable and distributable, current player funds	-342,934	-362,748
Other current liabilities	-114,310	-131,947
Current debts	-1,042,470	-1,006,183
TOTAL PAYABLES	-1,177,124	-1,194,728
TOTAL RECEIVABLES AND PAYABLES	-617,852	-784,339
<i>of which net management liabilities</i>	-148,791	-125,183
<i>of which net distribution network receivables</i>	127,454	94,669
<i>of which net game-related liabilities</i>	-596,516	-753,825

4.4.1. Net management liabilities

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Total trade and other receivables – management	16,405	17,000
Other current assets, management	29,788	55,141
Trade and other payables	-105,491	-104,522
Other current liabilities, management	-89,492	-92,801
NET MANAGEMENT LIABILITIES	-148,791	-125,183

4.4.2. Net distribution network receivables

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Distribution network receivables	317,410	266,665
Distribution network payables	-189,956	-171,996
NET DISTRIBUTION NETWORK RECEIVABLES	127,454	94,669

Every week, **game distributors** are debited for the amount of player stakes collected, net of winnings paid out and commissions. The change in **distribution network receivables and payables** can be mainly explained by a calendar effect.

4.4.3. Net game-related liabilities

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Total trade and other receivables – gaming	19	24
Other current assets, gaming	195,650	71,559
Non-current player funds	-134,654	-188,545
Government gaming levies	-289,779	-234,970
Winnings payable and distributable, current player funds	-342,934	-362,748
Other current liabilities, gaming	-24,818	-39,146
NET GAME-RELATED LIABILITIES	-596,516	-753,825

Other current gaming assets rose by €124 million in correlation with the higher interim payment to the permanent fund surplus made to the French government in December 2016 (€170 million vs. €35 million in late 2015, *i.e.* an increase of €135 million). This increase was due to a lowering of the permanent fund's threshold from 1% to 0.5% of player stakes and the payment to the government of unclaimed winnings and counterparty spreads on scratch card games. Previously these had been kept by the Group and recognised as miscellaneous revenue which in 2015 amounted to €68 million.

The fall in **non-current player funds** was also related to the lowering of the permanent fund's threshold from 1% to 0.5% of player stakes with the difference now recorded as "Government gaming levies". The balance of this fund stood at €72 million at 31 December 2016 compared to €137 million at 31 December 2015.

The €55 million increase in **government gaming levies** was mainly related to the increase in the permanent fund surplus (€175 million in 2016 vs. €66 million in 2015) offset by, among other items, the €28 million reduction in the government's budget, an €8 million drop in VAT and a €6 million fall in the CNDS largely due to a calendar effect.

4.5. Coverage of operating risks

4.5.1. Coverage of receivables risks

The Group's trade receivables consist primarily of receivables from its retail distribution network corresponding to the stakes collected by them. The necessary approval to market FDJ games is given to retailers subject to an analysis of their financial situation. In some cases, deposit is required as a guarantee.

The risk attached to receivables from retailers is analysed in particular by a Monitoring Committee, which regularly brings together persons responsible at the Marketing, Financial,

Legal, Security and Responsible Gaming Departments whose task it is to rule on particular, material cases of non-payment, as well as on guarantee demands and on whether to litigate over certain receivables. The rules for the impairment of receivables are based on their amount and age. The Group considers the risk of retailer default, with a potentially material impact on its financial positions and results, to be limited.

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

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

In thousands of euros	31/12/2016							
	Gross amount		Provisions for overdue amounts	Net amounts past due	Net amounts overdue by			
	Non overdue	Overdue			0-3 months	3-6 months	6-12 months	> 1 year
CURRENT RECEIVABLES	551,384	21,628	-13,740	7,888	3,901	2,829	1,026	133

In thousands of euros	31/12/2015							
	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	383,607	20,284	-14,399	5,885	3,131	1,793	772	189

4.5.2. Management of foreign exchange risk

In its normal business activity, the Group is exposed to foreign exchange risks resulting from supplier invoices denominated in foreign currencies. The risk is measured in aggregate for each currency. The general Group policy is to hedge this risk over each budgetary period. The only currency to which the Group had significant exposure during the financial year ended 31 December 2016 is the US dollar, for a maximum equivalent of \$25 million. Forward currency purchases (US dollars) amounted on 31 December 2016 to \$3 million.

The fair value of the currency-based derivatives (forward purchase contracts) was +€0.2 million in end 2016 vs. -€0.3 million in end 2015, corresponding to the amount that the Group would have received (2016) or paid (2015) if it had cancelled its position.

An increase of \$0.10 per €1 in the EUR/USD exchange rate applicable to forward contracts held for economic hedging purposes but not eligible as hedges would have reduced the Group's income by €0.2 million. A decrease of \$0.10 would have increased income by €0.3 million.

4.5.3. Current risks associated with the business of game operator

Some games are based on the fixed-odds principle. The face value of the prizes is fixed or derived from a probability calculation. The number or value of prizes won is determined by chance. For these fixed-odds games, the total amounts of which will actually be distributed to winners cannot be determined in a precise fashion; it can only be estimated. It will sometimes be less and sometimes more than the share of the stakes designated for return to players by decree of the French Budget Minister. These positive or negative differences can result in either a gain or a financial risk for FDJ. Such risks are managed in a counterparty fund specific to each game, which allows the financial risk to be spread across all gaming events.

Furthermore, to limit overall counterparty risk for FDJ, all game-specific counterparty funds are backed by a permanent fund that serves to pool coverage of the risk. In accordance with amended Decree No. 78-1067 of 9 November 1978, the permanent fund is capped at 0.5% of player stakes for the year. The surplus is paid back to the French State's general budget. In addition, a statutory reserve (€81 million) can be raised to cover unusual and extreme risks in case of insufficient counterparty and permanent funds. Counterparty funds rise to €63 million by the end of 2016, and permanent funds to €72 million.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

5.1. Group headcount

The weighted average headcount (WAH) in 2015 and 2016 for FDJ and fully-consolidated entities was as follows:

	31/12/2016	31/12/2015
La Française des Jeux	1,243	1,183
Société de Gestion de L'Échappée	64	62
LotSys	62	62
FDJ Développement	16	17
La Française d'Images	52	54
La Pacifique des Jeux	19	21
La Française de Motivation	17	15
LVS	31	37
FDP	494	325
TOTAL WEIGHTED AVERAGE HEADCOUNT	1,998	1,776

The 222 increase in Group WAH largely concerned the FDP (169 net new staff) due to the continuing sales restructuring with the takeover of 49 commercial sectors in 2016 vs. 12 in 2015, and the FDJ (60 net new staff) following the restructuring related to the FDJ 2020 strategic plan.

5.2. Personnel expenses

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Wages and salaries	116,484	103,166
Social security contributions	59,292	53,670
Employee profit-sharing and incentives	17,963	15,861
Long-term benefits	3,044	2,164
Individual training entitlement	-	-2,556
TOTAL PERSONNEL EXPENSES	196,784	172,304

The 14.2% increase in personnel expenses corresponds to the higher WAH.

5.3. Employee benefits

<i>In thousands of euros</i>	31/12/2014	Allowances	Reversals of provisions		Other movements	31/12/2015
			used	unused		
Pension obligations	28,589	2,644	-948	-	1,715	32,000
Service recognition awards	4,887	151	-124	-	-	4,914
Health care costs	5,976	489	-	-74	26	6,417
Provisions for non-current personnel expenses	39,452	3,284	-1,072	-74	1,741	43,331
Provisions for current personnel expenses	14,738	2,953	-5,077	-504	-	12,110
TOTAL PROVISIONS FOR PERSONNEL EXPENSES	54,190	6,237	-6,149	-578	1,741	55,441

2

In thousands of euros	31/12/2015	Allowances	Reversals of provisions		Other movements	31/12/2016
			used	unused		
Pension obligations	32,000	5,694	-426	-	-4,647	32,622
Service recognition awards	4,914	878	-116	-	-	5,676
Health care costs	6,417	534	-	-79	1,796	8,668
Provisions for non-current personnel expenses	43,331	7,106	-542	-79	-2,851	46,965
Provisions for current personnel expenses	12,110	11,518	-7,426	-4,094	-	12,109
TOTAL PROVISIONS FOR PERSONNEL EXPENSES	55,441	18,624	-7,968	-4,173	-2,851	59,074

5.3.1. Pension obligations

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

		31/12/2016	31/12/2015
Discount rate		1.30%	2.07%
Salary increase rate *		3.00%	2.80%
of which inflation		2.00%	2.00%
Employee turnover rate *	management	1.09%	1.26%
	non-management	0.57%	0.57%
Mortality table		INSEE TH-TF 2000-2001	INSEE TH-TF 2000-2001

* Age-adjusted.

Debt related to pension obligations increased by €0.6 million largely on account of the lower discount rate. Consumption (departures) stood at €0.4 million.

In thousands of euros	31/12/2016	31/12/2015
Actuarial obligation at the beginning of the period	32,000	28,589
Normal cost	2,395	2,128
Interest on the actuarial obligation	708	514
Costs for past service	2,591	-
Actuarial gains (losses)	-4,647	1,715
Pensions paid	-426	-946
Provision at the end of the period	32,622	32,000

Pursuant to IAS 19 revised, changes in actuarial assumptions and experience adjustments give rise to actuarial differences that are recognised fully in equity and cannot be recycled when they occur.

In thousands of euros	31/12/2016	31/12/2015
Normal cost	2,395	2,128
Interest on the actuarial obligation	708	514
Costs for past service	2,591	-
Pensions theoretically paid	-426	-946
Net cost in income	5,268	1,696
Recognised in other nontransferable equity	-4,647	1,715

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

5.3.2. Other employee benefits

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

NOTE 6 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

6.1. Intangible assets

In thousands of euros	31/12/2016			31/12/2015		
	Gross	Amort. & Prou.	Net	Gross	Amort. & Prou.	Net
Development costs	70,239	-37,414	32,825	67,529	-46,222	21,307
Patents, licences	140,150	-105,850	34,300	144,316	-105,364	38,952
Other intangible assets	557	-250	307	548	-247	301
Intangible assets in progress	18,998	-473	18,525	13,187	-387	12,800
TOTAL INTANGIBLE ASSETS	229,944	-143,987	85,957	225,580	-152,220	73,360

In thousands of euros	31/12/2014	Acquisitions & Allowances	Disposals & Reversals	Other movements	31/12/2015
Development costs	60,847	5,649	-394	1,427	67,529
Patents, licences	133,637	8,115	-478	3,042	144,316
Other intangible assets	544	3	-	-	547
Intangible assets in progress	6,325	10,026	-38	-3,126	13,187
Gross amounts	201,353	23,793	-910	1,343	225,579
Development costs	-40,735	-5,661	174	-	-46,222
Patents, licences	-95,473	-10,006	252	-136	-105,364
Other intangible assets	-243	-4	-	-	-247
Intangible assets in progress	-231	-145	-	-12	-387
Amortisation and provisions	-136,681	-15,816	426	-148	-152,219
INTANGIBLE ASSETS, NET	64,672	7,977	-484	1,195	73,360

In thousands of euros	31/12/2015	Acquisitions & Allowances	Disposals & Reversals	Other movements	31/12/2016
Development costs	67,529	10,831	-17,181	9,060	70,239
Patents, licences	144,316	2,898	-7,942	878	140,150
Other intangible assets	547	9	-	-	556
Intangible assets in progress	13,187	16,441	-314	-10,316	18,998
Gross amounts	225,579	30,179	-25,437	-378	229,943
Development costs	-46,222	-7,563	16,371	-	-37,414
Patents, licences	-105,364	-8,446	7,502	458	-105,850
Other intangible assets	-247	-2	-	-	-249
Intangible assets in progress	-387	-148	-	62	-473
Amortisation and provisions	-152,219	-16,159	23,873	520	-143,986
INTANGIBLE ASSETS, NET	73,360	14,020	-1,564	141	85,957

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

Acquisitions in the period concerned the parent company and were related to developments made to live and back office information systems and gaming terminals. Disposals were primarily related to past development projects.

6.2. Property, plant and equipment

In thousands of euros	31/12/2016			31/12/2015		
	Gross	Dep. & Prou.	Net	Gross	Dep. & Prou.	Net
Land and improvements	99,669	-2,024	97,645	3,103	-1,848	1,255
Buildings	167,695	-50,444	117,251	57,446	-49,241	8,205
Technical installations, materials, equipment	181,714	-104,375	77,339	178,191	-101,533	76,658
Other property, plant and equipment	225,465	-174,885	50,580	220,395	-172,928	47,467
Property, plant and equipment under construction	4,817	-	4,817	11,760	-	11,760
Advances and payments on account	1,915	-	1,915	1,402	-	1,402
TOTAL PROPERTY, PLANT AND EQUIPMENT	681,276	-331,729	349,547	472,297	-325,550	146,747

In thousands of euros	31/12/2014	Acquisitions & Allowances	Disposals & Reversals	Other movements	31/12/2015
Land and improvements	3,055	48	-	-	3,103
Buildings	56,608	823	-	15	57,446
Technical installations, materials, equipment	205,157	26,289	-77,460	24,205	178,191
Other property, plant and equipment	209,217	12,790	-3,479	1,866	220,395
Property, plant and equipment under construction	9,723	10,441	-437	-7,967	11,760
Advances and payments on account	20,317	306	-	-19,221	1,402
Gross amounts	504,077	50,697	-81,376	-1,103	472,297
Land and improvements	-1,673	-175	-	-	-1,848
Buildings	-47,960	-1,281	-	-	-49,241
Technical installations, materials, equipment	-164,493	-14,387	77,346	1	-101,533
Other property, plant and equipment	-161,086	-15,044	3,217	-14	-172,928
Amortisation and provisions	-375,212	-30,887	80,562	-12	-325,550
PROPERTY, PLANT AND EQUIPMENT, NET	128,865	19,810	-813	-1,115	146,747

In thousands of euros	31/12/2015	Acquisitions & Allowances	Disposals & Reversals	Other movements	31/12/2016
Land and improvements	3,103	96,566	-	-	99,669
Buildings	57,446	110,174	-	75	167,695
Technical installations, materials, equipment	178,191	9,285	-12,186	6,425	181,714
Other property, plant and equipment	220,395	13,572	-14,005	5,504	225,465
Property, plant and equipment under construction	11,760	4,184	-42	-11,085	4,817
Advances and payments on account	1,402	1,847	-	-1,334	1,915
Gross amounts	472,297	235,627	-26,233	-415	681,276
Land and improvements	-1,848	-176	-	-	-2,024
Buildings	-49,241	-1,203	-	-	-50,444
Technical installations, materials, equipment	-101,533	-14,809	11,963	3	-104,375
Other property, plant and equipment	-172,928	-15,724	13,724	43	-174,885
Amortisation and provisions	-325,550	-31,912	25,687	46	-331,729
PROPERTY, PLANT AND EQUIPMENT, NET	146,747	203,715	-546	-369	349,547

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

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

NOTE 7 OTHER PROVISIONS AND CONTINGENT LIABILITIES

7.1. Provisions

In thousands of euros	31/12/2014	Allowances	Reversals		Other movements	31/12/2015
			Used	Unused		
Total non-current provisions	169,281	6,099	-1,072	-74	-93,168	81,066
Total current provisions	157,384	31,658	-99,530	-2,162	94,545	181,895

In thousands of euros	31/12/2015	Allowances	Reversals		Other movements	31/12/2016
			Used	Unused		
Total non-current provisions	81,066	7,106	-1,594	-79	-2,851	83,648
Total current provisions	181,895	17,960	-128,996	-4,663	-30,550	35,646

Current provisions primarily cover litigation risks, operating risks and costs relating to moving the head office. The decrease in current provisions is largely due to the departure of the last broker-agents over the course of the year.

Other movements primarily include changes to provisions linked to:

- ◆ actuarial gains and losses from pension and healthcare obligations which are recorded through nontransferable equity (Note 5.3);
- ◆ the removal of LB Poker from the scope of consolidation.

7.2. Off-balance-sheet commitments

7.2.1. Commitments given

At 31 December 2016, the stock of subsidiaries' tax losses amounted to €0.4 million for La Française d'Images and €4.5 million for Internationale des Jeux.

To comply with the legislation on employee savings and to guarantee the liquidity of the "FDJ Actionnariat" employees' mutual fund, through which employees own 5% of the company's share capital, FDJ requested that Crédit Lyonnais

grant the fund a first-demand guarantee for €9 million. FDJ granted Crédit Lyonnais a cross-guarantee in the same amount. The fund entered into an agreement with FDJ to repay funds collected or received from the sale of shares. The commitments were renewed for a period of two years, beginning on 1 June 2016.

7.2.2. Other commitments

The other commitments are described in the table below:

In thousands of euros	31/12/2016	31/12/2015
Commitments given		
Deposits and first-demand guarantees	5,595	8,975
Investment funds	11,088	13,075
Performance bonds *	170,128	61,725
Image rights for cyclists and commitment to the Association L'Échappée	2,250	665
Escrow account	1,126	1,126
Property rental (buildings and vehicles)	35,770	38,098
Mortgage on goods acquired	132,600	-
TOTAL COMMITMENTS GIVEN	358,557	123,664
Commitments received		
Performance bonds and return of payments on account	45,365	28,838
Guarantees for return of stakes and payment of winnings	99,166	42,448
Furniture rentals	4,089	10,650
Other	4,500	2,224
TOTAL COMMITMENTS RECEIVED	153,120	84,160

* Of which printing contracts for €51 million and terminal supplier maintenance for €31 million.

The Group took out a mortgage of €132.6 million (including the principal, interest and related amounts) to purchase its new head office.

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

On 15 December 2016, FDJ's Board of Directors decided to renew the FDJ Corporate Foundation for a term of five years from 5 January 2018 to 2 January 2023. Of the €18 million set aside under the multi-year action plan, €7 million was used in 2016.

NOTE 8 CASH AND FINANCIAL INSTRUMENTS

8.1. Financial assets and liabilities

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Euro Millions guarantee deposits	9,315	9,419
Non-current available-for-sale financial assets	664,140	490,294
Non-current securities measured at fair value through profit or loss	19,963	15,453
Total non-current financial assets	693,418	515,166
Current available-for-sale financial assets	74,992	276,167
Current securities measured at fair value through profit or loss	-	25,809
Current derivatives	182	387
Other	-	699
Total current financial assets	75,174	303,062
TOTAL FINANCIAL ASSETS	768,592	818,228
Long-term debt	111,460	-
Total non-current financial liabilities	111,460	-
Debt maturing in less than one year	8,000	-
Other current financial liabilities	116,424	18,628
Total current financial liabilities	124,424	18,628
TOTAL FINANCIAL LIABILITIES	235,884	18,628

With interest rates at all-time lows, in 2016 FDJ continued with its policy of making investments in term deposits with a five-year horizon, leading non-current financial assets to rise by €178 million over the period. Concurrently, the maturing of term deposits in 2016 led current financial assets to fall by €228 million.

The deposit paid under the surety trust agreement, which aims to protect the assets of online players, amounted to €5.6 million at year end 2016.

The purchase of the new head office was partly financed through a long-term loan of €119 million of which €8 million is due within one year. The loan, taken out at a fixed rate of 0.95%, matures on 20 December 2031 with payments due on 20 June and 20 December of each year starting in 2017.

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

8.2. Cash and cash equivalents

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Investments, cash equivalents	52,935	490,200
Bank accounts and other credit balances	147,863	72,246
CASH AND CASH EQUIVALENTS	200,798	562,446

The reduction in cash and cash equivalents is largely due to the payment of dividends and severance pay to broker-agents, calculation and payment changes to the permanent fund, and the outflow of working capital used as part of the self-financing for the Group's new head office.

8.3. Financial result

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Proceeds from the sale of investment securities *	7,339	2,132
Income from investment securities	6,585	11,979
Derivatives	-	261
Financial income on securities measured at fair value through profit or loss	-	810
Foreign exchange gains	861	2,719
Other financial income	772	691
Finance income	15,557	18,592
Expenses on the sale of investment securities *	-14	-41
Derivatives	-205	-517
Financial expenses on securities measured at fair value through profit or loss	-573	-
Foreign exchange losses	-1,087	-434
Other financial expenses	-1,700	-135
Finance expenses	-3,578	-1,126
FINANCIAL RESULT	11,978	17,466
	7,325	2,091

* Net proceeds from the sale of investment securities

The reduction in revenue from investment securities was due to the combined fall in the average annual balance (from €1,289 million in 2015 to €1,174 million in 2016) and interest rates (which continued falling in 2016 with an average Eonia of -0.32% throughout 2016).

FDJ is exposed to foreign exchange risk related to purchases denominated in foreign currency (mainly the US dollar). Net

foreign exchange losses over the period stemmed from the volatility of the US dollar. Its sustained fall during 2015 generated net foreign exchange gains while its more extreme fluctuations in 2016 offset one another.

Other financial expenses included actuarial interest relating to pension obligations.

8.4. Financial risk management policy

8.4.1. Credit risk from investments and derivatives

Credit risk or counterparty risk of investments and derivative financial instruments is monitored by the Treasury Committee. 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.

2

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Non-current available-for-sale financial assets	664,140	490,294
Non-current assets measured at fair value through profit or loss	19,963	15,453
Total non-current investment securities	684,103	505,747
Current available-for-sale financial assets	74,992	276,167
Current securities measured at fair value through profit or loss	-	25,809
Total current investment securities	74,992	301,976
Investments, cash equivalents	52,935	490,200
TOTAL INVESTMENTS	812,030	1,297,923

At 31 December 2016, investments consisted of €169 million in UCITS and €653 million in investments with counterparties, compared to €588 million and €710 million, respectively, at 31 December 2015.

The credit risk analysis breaks down as follows:

Amounts outstanding	Total amount outstanding (€ million) at 31/12/2016	€0-25 million	€25-50 million	€50-100 million	€100-150 million
Rating					
AA/Financial institutions	262	3	-	-	2
AA/Other	-	-	-	-	-
A/Financial institutions	391	8	3	2	-
TOTAL	653				

8.4.2. 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.

8.4.3. Interest rate risk

The Group's exposure to changes in interest rates is related primarily to its future investments. The Group implements a policy of dynamic interest rate risk management supervised by the Treasury Committee. The objective of this policy is to ensure a minimum return, in the context of a five-year investment horizon.

Sensitivity to interest rate risk arises from fixed rate investments (bonds and negotiable debt instruments) and interest rate derivatives. At 31 December 2016, 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.

8.5. 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.

8.5.1. Impact on the balance sheet

In thousands of euros	IAS 39 category	FV hierarchy	31/12/2016		31/12/2015	
			Book value	Fair value	Book value	Fair value
Cash	Fair value through profit or loss	Level 1	147,863	147,863	72,246	72,246
Cash equivalents	Available-for-sale financial assets	Level 2	52,935	52,935	490,200	490,200
Non-current financial assets	-		693,455	693,418	514,713	515,166
of which available-for-sale financial assets	Available-for-sale financial assets	Level 2	673,455	673,455	499,713	499,713
of which fair value through profit or loss	Fair value through profit or loss	Level 2	20,000	19,963	15,000	15,453
Current financial assets	-		74,992	74,992	302,675	302,675
of which available-for-sale financial assets	Available-for-sale financial assets	Level 2	74,992	74,992	301,976	301,976
of which loans and receivables at amortised cost	Loans and receivables at amortised cost	Level 2	-	-	699	699
Other non-current financial assets	Loans and receivables at amortised cost	Level 2	14,181	14,181	18,371	18,371
Derivatives (assets)	Fair value through profit or loss	Level 2	182	182	387	387
Current receivables	-	-	559,272	559,272	410,389	410,389
of which trade and other receivables	Loans and receivables at amortised cost	-	16,424	16,424	17,024	17,024
of which network receivables	Loans and receivables at amortised cost	-	317,410	317,410	266,665	266,665
of which other receivable and current assets	Loans and receivables at amortised cost	-	225,438	225,438	126,700	126,700
Current income tax assets	Loans and receivables at amortised cost	-	9,400	9,400	7,036	7,036
TOTAL FINANCIAL INSTRUMENTS – ASSETS			1,552,280	1,552,242	1,816,017	1,816,470
Non-current player funds	Financial liabilities at amortised cost		134,654	134,654	188,545	188,545
Other non-current financial liabilities	Financial liabilities at amortised cost	Level 2	111,460	111,460	-	-
Current debts	-		1,042,470	1,042,470	1,006,183	1,006,183
of which trade and other payables	Financial liabilities at amortised cost		105,491	105,491	104,522	104,522
of which network payables	Financial liabilities at amortised cost		189,956	189,956	171,996	171,996
of which government gaming levies	Financial liabilities at amortised cost		289,779	289,779	234,970	234,970
of which winnings payable and distributable, current player funds	Financial liabilities at amortised cost		342,934	342,934	362,748	362,748
of which other current liabilities	Financial liabilities at amortised cost		114,310	114,310	131,947	131,947
Tax liabilities payable	Financial liabilities at amortised cost		1,159	1,159	417	417
Other current financial liabilities	Financial liabilities at amortised cost	Level 2	124,424	124,424	18,628	18,628
TOTAL FINANCIAL INSTRUMENTS – LIABILITIES			1,414,167	1,414,167	1,213,773	1,213,773

Level 1: quoted in financial markets. Level 2: based on observable market data.

8.5.2. Impact on the income statement

<i>In thousands of euros</i>	Financial result			Operating result
	Interest	Fair value through profit or loss	Gain or loss on disposal	Other *
Available-for-sale financial assets **	11,979	-	2,092	-
Securities measured at fair value through profit or loss	-	810	-	-
Loans and receivables	-	-	-	-2,070
Derivatives	-	-256	-	-
Total at 31/12/15	11,979	554	2,092	-2,070
Available-for-sale financial assets **	6,585	-	7,325	-
Securities measured at fair value through profit or loss	-	-573	-	-
Loans and receivables	-	-	-	-1,139
Derivatives	-	-205	-	-
TOTAL AT 31/12/2016	6,585	-778	7,325	-1,139

* Losses on bad debts.

** Note 8.1.

8.5.3. Impact on transferable equity

<i>In thousands of euros</i>	Gross amount	Tax	Net amount
Balance at 31/12/2014	12,276	-4,573	7,703
Changes in fair value	1,828	-	1,828
Impairment charges reclassified to the income statement	-	-	-
Amounts from disposals reclassified to the income statement	-1,798	-	-1,798
Change in taxes	-	45	45
Balance at 31/12/2015	12,307	-4,528	7,779
Changes in fair value	3,024	-	3,024
Impairment charges reclassified to the income statement	-	-	-
Amounts from disposals reclassified to the income statement	-7,239	-	-7,239
Change in taxes	-	1,451	1,451
BALANCE AT 31/12/2016	8,092	-3,077	5,015

2

NOTE 9 JOINT VENTURES

9.1. Share of income from joint ventures

<i>In thousands of euros</i>	Total
Value of securities at 31/12/14	12,303
Group share of 2015 earnings	1,636
Gross dividends	-1,144
Changes in foreign exchange rates	612
Reclassification in current provisions	-384
Value of securities at 31/12/2015	13,024
Group share of earnings at 2016	1,272
Gross dividends	-871
Changes in foreign exchange rates	-404
Reclassification in current provisions	-148
VALUE OF SECURITIES AT 31/12/2016	12,872

9.2. Joint venture data

9.2.1. Beijing Zhongcāi Printing

FDJ holds a 37% interest in Beijing Zhongcāi Printing Co Ltd (BZP), a lottery ticket printing company located in China and consolidated using the equity method. The other shareholders are a Malaysian group (23%) and China Welfare Lottery (40%).

The Group has no significant business relationship with this company. BZP paid out dividends, net of currency translation effects and withholding taxes, of €0.8 million in 2016 and €1 million in 2015.

9.2.2. Services aux Loteries en Europe

The Group holds a joint-venture interest in Services aux Loteries en Europe (SLE), a limited-liability cooperative company under Belgian law located in Brussels, created in October 2003 to carry out common operations for the Euro Millions game, such as draws, centralisation of numbers, payback ratio calculation and arrangements for transferring funds between operators to distribute winnings. The company is jointly owned by the ten participating lotteries, with FDJ holding a 26.57% stake. None of the transactions with this company has a material impact on the Group. SLE is accounted for using the equity method.

9.2.3. National Lotteries Common Services

The Group holds a stake in a joint venture, National Lotteries Common Services (NLCS), a French company established in February 2013 to bring together lotteries in a process and pool their skills and resources in the field of sports betting. The capital is held by two lotteries (the Portuguese state lottery Santa Casa de Misericordia de Lisboa (SCML) and FDJ), which each hold a 50% stake. None of the transactions with this company has a material impact on the Group. NLCS is accounted for using the equity method.

9.2.4. LB Poker

The Group owns a 50% joint venture interest in LB Poker, created on 25 May 2010 with Group Lucien Barrière. LB Poker ceased its B2C operations on 30 September 2013 and was taken out of the scope of consolidation on 12 July 2016.

NOTE 10 INCOME TAXES

10.1. Income tax expense

<i>In thousands of euros</i>		31/12/2016	31/12/2015
<i>Non-current</i>	Deferred tax	-6,977	2,610
<i>Current</i>	Current tax	86,919	91,667
TOTAL INCOME TAX EXPENSE		79,942	94,278

The reduction in the Group's income tax expense was largely due to:

- ◆ the tax rate in France in 2016 being lowered by around 3.5% after the exceptional tax rate of 10.6% was cancelled (overall rate from 38% to 34.43%);
- ◆ the future tax rate used to calculate deferred tax being lowered in the wake of the 2017 Budget Law which reduced the rate to 28% in France from 1 January 2020.

10.2. Deferred tax

<i>In thousands of euros</i>	31/12/2016		31/12/2015	
	Assets	Liabilities	Assets	Liabilities
Non-deductible provisions	11,729	-	3,332	-
Temporarily non-deductible expenses	4,863	-	4,154	-
Other consolidation adjustments *	-	-35,093	-	-30,273
Other temporary differences	1,324	-	-1,195	-
Total deferred taxes	17,916	-35,093	6,291	-30,273
NET DEFERRED TAX		-17,176		-23,983

* Main special depreciation allowances.

10.3. Tax reconciliation

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Consolidated accounting profit before tax and effect of equity-accounting	254,589	251,783
Standard theoretical income tax rate	34.43%	38.00%
Theoretical tax expense	87,655	95,678
Effects of items generating differences from theoretical tax:		
◆ Permanent differences	-6,788	841
◆ Tax rate effect	-2,607	-3,760
◆ Tax credits	-5,259	-2,528
◆ Unused tax loss carryforwards net of uses	65	-206
◆ Additional contribution on dividends	6,876	4,253
Total differences between effective tax and theoretical tax	-7,713	-1,400
TOTAL EFFECTIVE TAXES	79,942	94,278
Effective tax rate	31.40%	37.44%

NOTE 11 SHAREHOLDERS' EQUITY

11.1. Share capital

FDJ's share capital is €76,400,000 consisting of 200,000 shares with a par value of €382. It has been unchanged over the last three fiscal years.

Shareholders owning at least 5% of the share capital at 31 December 2016 were as follows:

	Number of shares	% of capital
French government	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%

The following capital increases/decreases authorised by the Combined General Meeting of 25 May 2016 were carried out:

- ◆ share capital increase of €91.8 million to bring it to €168.2 million by drawing from voluntary reserves. This increase was carried out by raising the par value of each of the 200,000 shares constituting the share capital from €382 to €841;
- ◆ share capital decrease of €91.8 million to bring it to €76.4 million by reducing the par value of the shares from €841 to €382. The capital decrease amount was distributed to shareholders at the beginning of July on the basis of €459 per share.

In addition, a dividend of €137.4 million, *i.e.* €687 per share, was paid for the 2015 financial year on 6 July 2016.

Thus a total dividend of €229.2 million was paid to shareholders in 2016 (compared to €137.4 million in 2015), *i.e.* €1,146 per share (compared to €687 per share in 2015).

The total dividend to be proposed to the Annual General Meeting is €124 million, *i.e.* €620 per share.

11.2. Reserves

The Group's business of organising and operating betting games involves specific risks and commitments of particular significance which must be anticipated through appropriate coverage.

Some of these risks and commitments were covered by the statutory reserve of €81 million at 31 December 2016. This amount was reduced by €60 million following an analysis of the risks to which FDJ is exposed.

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 player stakes, *i.e.* €41 million at the end of 2016, based on the 2015 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 end 2016, they were covered up to €40 million.

In May 2014, FDJ launched a sales restructuring programme aimed at enhancing the performance of the company and its network. It consists, for the most part, of a new segment mapping, a gradual shift towards a modernised distribution network enabling points of sale to be delivered directly from a central logistics hub, and, as a result, a change in business for intermediaries as formalised in a contract with significantly different terms of operation and compensation leading to much lower distribution costs. As part of the restructuring, FDJ cancelled the contracts of broker-agents who had, until that time, been paid solely on the basis of the player stakes collected, thus ending the former distribution system and, as a result, terminating existing rights under the previous contract.

On 15 December 2016, the Board of Directors noted the loss of Soficoma's shareholder status, an entity no longer held by FDJ broker-agents.

At the prompting of its Board, FDJ proposed repurchasing its shares held by Soficoma.

NOTE 12 TRANSACTIONS WITH RELATED PARTIES

12.1. French government

The Minister in charge of the Budget determines how player stakes are distributed in view of the statutory levies on gaming including the levy to finance the national sports development programme (CNDS), the social security debt retirement tax (CRDS) and the supplementary social security tax (CSG).

The amounts reported for this in the income statement and on the balance sheet for the last two years are as follows:

<i>In thousands of euros</i>		31/12/2016	31/12/2015
Balance sheet (liabilities)	Government gaming levies	289,779	234,970
Income statement	Government levies	3,061,601	3,037,546

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 arm's length.

12.2. Other related parties exercising significant influence over the Group

Transactions between FDJ and its subsidiaries, as related parties, were eliminated on consolidation and are not described in this note. An allowance of €7 million was granted to the FDJ Corporate Foundation, which is not consolidated.

Remuneration allocated to executives (corporate officers) in 2016 amounted to €320 thousand (vs. €272 thousand in 2015) for the Chairwoman and CEO and €250 thousand (vs. €252 thousand in 2015) for the Deputy Chief Executive Officer, for a total of €570 thousand.

No material transactions have been entered into with members of governing bodies having a significant influence on the Group.

NOTE 13 PENDING LEGAL PROCEEDINGS AND OTHER DISPUTES

In 2004, the company was brought before the Conseil des Prud'hommes (Employment Conciliation Tribunal) of Aix-en-Provence by former employees on the matter of the employee savings plan. Because this tribunal was declared not to have jurisdiction at the end of 2012, the case was referred to the Conseil de Prud'hommes of Boulogne-Billancourt and of Meaux on its merits and not on the basis of geographical or material jurisdiction. The Prud'hommes case for former managerial staff (only) ruled in favour of La Française de Jeux and dismissed the complainants. The latter therefore appealed to the Versailles court of appeal in 2014. The court ruled in favour of FDJ and dismissed all of the plaintiffs' claims. They filed an appeal with the court of cassation. As regards the non-management aspect of this dispute, the hearing before the Appellate Court in Versailles was suspended pending the decision of the court of cassation. On 15 June 2016, the Court of Cassation ruled in favour of La Française des Jeux. On 30 November, the Appellate Court of Versailles reported that non-management parties had withdrawn their appeal. Consequently, both proceedings came to an end during the reporting period.

In October and December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate – UNDJ) brought two actions, one before the Court of First Instance in Nanterre and the other before the Court of First Instance in Paris. The second case is ongoing, the first having been abandoned by the UNDJ. Members filed a lawsuit against FDJ in May 2012 before the Commercial Court of Nanterre. This case is subject to a stay of proceedings pending the decision of the second claim before the Paris District Court.

On 6 August 2015, 67 brokers-agents served a summons on La Française des Jeux to appear before the Commercial Court of Paris at short notice. They formulated claims for compensation in damages following the termination of their broker-agent contracts. In October 2016, the judgement rendered ruled against the broker-agents on all of their claims. In November 2016, they lodged an appeal with the Appellate Court of Paris where the proceedings are ongoing.

NOTE 14 SUBSEQUENT EVENTS

FDJ is not aware of any event after 31 December 2016 that might have a significant impact on the Group's business, financial position or assets.

NOTE 15 LIST OF CONSOLIDATED COMPANIES

Control is defined as the practical ability to exercise a right to manage key activities (that have a major impact on returns), exposure to variable returns (dividends, changes in fair value, tax savings) and the ability to act on these returns *i.e.* the decision-making capability to influence the returns.

The Group is not aware of any major restrictions that would limit its ability to access the assets of subsidiaries controlled by it.

Name of entity	Head office	Consolidation method *	Activity	2016 Percentage controlled	2015 Percentage controlled
La Française des Jeux	France	FC	Organisation of lottery games and betting	100%	100%
LotSys	France	FC	Development and supply of materials, software and services related to games of chance	100%	100%
Internationale des Jeux	France	FC	Export activities for gaming	100%	100%
Beijing Zhongcaï Printing	China	EM	Printing of lottery tickets	37%	37%
La Française de Motivation	France	FC	Business travel consulting agency Tourism agency	100%	100%
La Pacifique des Jeux	France	FC	Operation of lottery games in French Polynesia	99.99%	99.99%
FDJ Développement	France	FC	Distribution of lottery games and betting in the French Antilles and French Guiana	100%	100%
La Française d'Images	France	FC	Technical audiovisual services	100%	100%
Société de Gestion de L'Échappée	France	FC	Management and promotion of a cycling team	100%	100%
FDP	France	FC	Distribution of lottery games and betting in mainland France	100%	100%
Services aux Loteries en Europe	France	EM	Provision of services for national lottery agents in connection with the operation of Euro Millions	26.57%	26.57%
Laverock Von Schoultz Ltd (LVS)	UK	FC	Software development	100%	100%
LB Poker	France	EM in 2015	Development of a platform for online poker	0.00%	50.00%
NLCS	France	EM	Provision of services associated with the operation of sports betting	50.00%	50.00%

* FC: full consolidation; EM: equity method.

The ownership interest (the share of the consolidated entity held directly or indirectly by the Group) is identical to the percentage of control for all controlled entities except for Société de Gestion de L'Échappée in which the ownership interest is 34% but the percentage of control is 100%.

Given the non-material nature of Association L'Échappée and the FDJ Corporate Foundation, these two entities are not consolidated.

2.7.

Statutory Auditors' report on the consolidated financial statements

**2**

Financial year ended 31 December 2016

To the Shareholders

La Française des Jeux located at 126 rue Gallieni 92100 Boulogne-Billancourt

In accordance with the appointment conferred on us by your Annual General Meeting, we hereby present to you our report for the year ended on 31 December 2016 on:

- ◆ the audit of the accompanying consolidated financial statements of FDJ;
- ◆ the justification of our assessments;
- ◆ the specific verification and information required by law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit according to the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or using other methods of selection, evidence supporting the amounts and disclosures in the financial statements. An audit also includes evaluating the accounting policies used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities and financial position of FDJ Group and the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without detracting from the opinion expressed above, we wish to draw your attention to Note 1.2 “Regulatory background of La Française des Jeux Group (“the Group”)” to the consolidated financial statements which sets out:

- ◆ the specific legal context in which La Française des Jeux operates;
- ◆ changes in the Company's remuneration terms and conditions effective 1 January 2016.



II – Basis of assessment

In accordance with the requirements of Article L.823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

As mentioned in Note 2.1.4 "Estimates and judgements" to the consolidated financial statements, management makes significant estimates and judgements in the course of preparing the consolidated financial statements. For the measurement of intangible assets and provisions for risks and liabilities, our work mainly consisted of examining the procedures whereby management prepared and approved these estimates, assessing the reasonableness of the assumptions on which these judgements and estimates were based, and verifying that the information provided in Notes 5.3, 6.1, 7.1 and 13 to the consolidated financial statements is suitable.

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 which is expressed in the first part of this report.

III – Specific verification

In accordance with the professional standards applicable in France, and as required by law, we have also verified the disclosures concerning the Group contained in the management report.

We have no matters to report as to the fair presentation and the consistency with the consolidated financial statements.

Neuilly-sur-Seine, 15 March 2017

Statutory Auditors

PricewaterhouseCoopers

Philippe Vincent

Laurent Daniel

Audit Deloitte & Associés

Éric Gins

Anne Philipona-Hintzy

NOTES



2



3.

Individual financial statements

3.1.	INCOME STATEMENT	112	3.4.	NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS	117
3.2.	BALANCE SHEET	114	3.5.	STATUTORY AUDITORS' REPORT ON THE INDIVIDUAL FINANCIAL STATEMENTS	133
3.3.	STATEMENT OF CASH FLOWS	116			

3.1. Income statement



<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Participating player stakes		14,330,738	13,704,503
Government levies		-3,061,601	-3,037,546
Share returned to winners		-9,545,337	-9,048,951
Additions to counterparty funds and counterparty spreads		-63,272	-72,831
Revenue from gaming activities	3.1.1	1,660,528	1,545,175
Revenue from other activities		26,628	26,455
Total revenue from ordinary activities		1,687,156	1,571,630
Capitalised production		28,376	16,798
Reversals of provisions		7,204	8,484
Transfers of expenses		3,664	875
Other operating income		278	68,573
Total operating income		1,726,678	1,666,360
Inventory purchases used		29,116	26,147
Other external purchases and expenses		1,239,844	1,171,085
Taxes and duties		16,393	15,523
Personnel expenses		122,095	114,100
Depreciation and amortisation		45,553	43,470
Provisions		7,634	11,066
Other expenses		13,933	13,374
Total operating expenses	3.1.2	1,474,569	1,394,766
Operating profit	3.1.3	252,109	271,594
Interest and similar income		15,414	16,089
Reversals of provisions and transfers of expenses		2,545	1,987
Realised exchange gains		169	767
Net income on disposal of transferable securities		7,338	2,131
Total financial income		25,465	20,974
Depreciation, amortisation and provisions		2,015	611
Interest and similar charges		384	155
Realised exchange losses		924	461
Net losses on disposal of transferable securities		12	41
Total financial expenses		3,335	1,268
Financial result	7.3	22,131	19,706

Pre-tax profit/(loss)		274,240	291,301
Non-recurring income from operations		804	60
Income arising on asset disposal		190	393
Reversals of provisions and transfers of expenses		146,717	114,167
Total non-recurring income		147,711	114,620
Non-recurring operating expenses		124,100	96,094
Net book value of asset disposals		809	933
Allowances to regulated provisions		46,032	35,830
Depreciation, amortisation and provisions		6,911	29,252
Total non-recurring expenses		177,851	162,109
Non-recurring profit (loss)	8	-30,139	-47,490
Employee profit-sharing	4.2	11,795	10,487
Employee incentives	4.2	3,127	3,821
Corporate income tax		83,390	89,877
NET PROFIT		145,789	139,626

3

3.2. Balance sheet



3.2.1. Assets

In thousands of euros	Note	31/12/2016			31/12/2015
		Gross	Amortisation and provisions	Net	Net
Intangible assets	5.1	227,778	140,943	86,835	73,646
Property, plant and equipment	5.2	638,188	298,838	339,350	137,302
Financial assets	7.1	77,897	34,836	43,061	38,173
Capital assets		943,862	474,617	469,245	249,121
Inventories		10,332	251	10,081	5,882
Advances and payments on accounts		6,044	-	6,044	3,651
Trade receivables	3.2	426,614	34,632	391,982	305,566
Other receivables	3.2	196,451	68	196,383	60,666
Transferable securities	7.2	197,068	726	196,342	648,943
Cash and cash equivalents	7.2	673,962	-	673,962	663,086
Prepaid expenses	3.3	34,863	-	34,863	49,932
Current assets		1,545,334	35,676	1,509,658	1,737,725
Deferred expenses spread over several periods		536	-	536	-
Unrealised exchange gains		298	-	298	137
TOTAL ASSETS		2,490,031	510,294	1,979,737	1,986,983

3.2.2. Liabilities

<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Share capital		76,400	76,400
Legal reserve		7,640	7,640
Statutory reserve		81,114	138,996
Optional reserve		73,297	104,989
Net income for the period		145,789	139,626
Regulated provisions		113,932	87,011
Shareholders' equity	10	498,172	554,662
Provisions for risks		11,284	12,929
Provisions for liabilities		82,415	199,179
Provisions for risks and liabilities	6.1	93,699	212,108
Loans from credit institutions	7.2	121,989	833
Trade payables	3.2	1,160,078	1,095,622
Other payables	3.2	80,880	84,505
Prepaid income (player stakes)		24,518	38,964
Payables		1,387,466	1,219,924
Unrealised exchange losses		400	290
TOTAL LIABILITIES		1,979,737	1,986,983

3

3.3. Statement of cash flows



<i>In thousands of euros</i>	Note	31/12/2016	31/12/2015
Operating activities			
Net profit		145,789	139,626
Elimination of non-cash or non-operating income and expenses		-74,150	-22,471
Amortisation and provisions		-46,867	-6,342
Capitalised production		-28,376	-16,798
Gains/losses on disposals		619	540
Impact of changes in the cash position on operating activities		-166,166	42,657
Cash flow from operating activities	3.2	-94,527	159,812
Investing activities			
Cash outflows from acquisitions of property, plant and equipment and intangible assets	5	-234,197	-54,999
Cash inflows from disposals of property, plant and equipment and intangible assets		190	393
Cash outflows from acquisitions of financial assets		-4,871	-3,107
Cash inflows from repayments of loans, deposits and guarantees		880	1,065
Cash flow from investing activities		-237,998	-56,649
Financing activities			
Dividends paid to shareholders		-229,200	-133,000
Borrowings	3	120,000	
Cash flow from financing activities		-109,200	-133,000
CHANGE IN CASH FLOW		-441,725	-29,837
Gross cash at opening		1,312,029	1,341,865
Gross cash at closing	7.2	870,304	1,312,029

3.4.

Notes to the individual financial statements



Contents

NOTE 1	COMPANY OVERVIEW	118
NOTE 2	ACCOUNTING PRINCIPLES	119
NOTE 3	OPERATING DATA	121
NOTE 4	PERSONNEL EXPENSES AND EMPLOYEE BENEFITS	123
NOTE 5	INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT	125
NOTE 6	OTHER PROVISIONS AND CONTINGENT LIABILITIES	126
NOTE 7	FINANCIAL ASSETS AND CASH	127
NOTE 8	NON-RECURRING PROFIT (LOSS)	129
NOTE 9	CORPORATE INCOME TAX	129
NOTE 10	SHAREHOLDERS' EQUITY	130
NOTE 11	ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES	131
NOTE 12	OTHER INFORMATION	131
NOTE 13	PROPOSED ALLOCATION OF PROFIT	132
NOTE 14	SUBSEQUENT EVENTS	132

NOTE 1 COMPANY OVERVIEW

1.1. General information

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

FDJ is the parent company of a Group comprising 13 entities at 31 December 2016 and operating its gaming business in mainland France, in French overseas departments and in French Polynesia. The Group 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), a cooperative under Belgian law responsible for drawing services and administration on behalf of the lotteries participating in the Euro Millions game;
- ◆ Laverock Von Schoultz Ltd (LVS), a UK software company specialising in Internet technologies.

Based on the opinion of the Audit Committee on 7 March 2017, the Board of Directors on 14 March 2017 approved the individual financial statements which will be submitted for approval to the Annual General Meeting on 15 May 2017.

1.2. Regulatory environment

FDJ operates in the heavily-regulated gambling sector which is strictly monitored by the French government.

For the activities on which it enjoys 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 Minister in charge of the Budget 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 members of parliament, judges 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 Minister in charge of the Budget and the COJEX.

In addition, FDJ’s online sports betting activities are operated in open competition under a licence issued in June 2010 by ARJEL, the Regulatory Authority for Online Gaming. FDJ requested the renewal of this licence, awarded for a five-year period in June 2015.

Moreover, the revised commercial and financial operating conditions, effective from 1 January 2016, were applied in their entirety.

Accordingly, unclaimed winnings and counterparty spreads on scratch card games sold through the bricks-and-mortar distribution network were added to the permanent fund set up to cover risks related to gaming operations; the fund’s surplus is paid to the French government at the end of the financial year. Loss of operating income resulting from this change was offset in part by a global increase in the commission charged by the company.

NOTE 2 ACCOUNTING PRINCIPLES

2.1. General principles

FDJ's financial statements are prepared in accordance with French GAAP (Plan Comptable Général – ANC Regulation No. 2016-12). They are prepared on a going concern basis.

2.2. Intangible assets

Intangible assets are measured at their cost of acquisition or production. They largely comprise acquired software programs and the development costs incurred to bring them into use.

Software programs are amortised over a period of 1-15 years and brands are amortised over a period of 10 years from the date on which they are brought into use according to the straight-line method. Accelerated amortisation is recorded when there is a difference between the useful life and taxable life of an asset.

When there is an indication of impairment, the company carries out an impairment test on the asset(s) concerned. The market value and the value in use are then compared and the asset is written down for impairment if the market value falls below the value in use.

2.3. Property, plant and equipment

Property, plant and equipment is measured at cost of acquisition.

Property, plant and equipment is depreciated over its useful life according to the straight-line method with the exception of hardware which is depreciated according to the declining-balance method:

- ◆ 20 to 60 years for buildings;
- ◆ 10 to 30 years for building improvements;
- ◆ 5 to 8 years for lottery terminals;
- ◆ 5 to 10 years for furniture;
- ◆ 5 to 7 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 value in use are then compared and the asset is written down for impairment if the market value falls below the value in use.

2.4. Financial assets

2.4.1. Equity investments and fixed assets in the portfolio activity

The gross value of equity investments is the purchase price less the cost of acquisition recorded under expenses.

When there is an indication of impairment, the company carries out an impairment test. Market value is compared with value in use based on the current and projected profitability of the subsidiary in question determined on the basis of the present value of future cash flows or the share of equity held. Impairment is recorded if the value in use falls below the net carrying amount.

2.4.2. Receivables related to investments

These are long-term loans granted by the company to a joint venture (LB Poker) which entered liquidation proceedings in 2016. These receivables are managed separately from current account advances given to or received from Group subsidiaries in terms of their daily cash management. Other receivables related to LB Poker are fully impaired.

2.5 Inventories

Inventories are recorded at cost according to the "first in, first out" method for games and according to the weighted average cost method for other products.

Inventories are depreciated according to their technical or commercial obsolescence.

2.6. Receivables

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

2.7. Transferable securities

Transferable securities are recorded on the balance sheet at historical cost. However, if at the balance sheet date their market value is less than their net book value, an impairment is recognised (with the exception of securities with guaranteed capital and securities with a maturity of less than six months). Market value is determined (i) for listed securities, by reference to the stock market price at year-end, (ii) for unlisted securities, by reference to the last net asset value published or the estimated realisable value.



2.8. Borrowings

Borrowings are recorded at their repayment value. Bond issue costs are spread over the duration of the bond.

2.9. Foreign currency transactions

In respect of currency hedges, income and expenses in a foreign currency are recorded at their equivalent value in euros at the hedging rate. Excluding currency hedges, they are recognised at their equivalent value in euros at the transaction date.

Payables, receivables and bank accounts in foreign currency carried on the balance sheet at year-end are translated at the exchange rate in force at closing. The difference resulting from this conversion is recognised in the balance sheet under "Translation adjustments". Any unrealised exchange losses are covered by a contingency provision.

2.10. Provisions for risks and liabilities

A provision is recognised if the company has an obligation to a third party arising from a past event which is likely or certain to result in an outflow of resources from the entity without at least an equivalent payment, and the amount of the obligation can be estimated reliably. With the exception of those for employee benefits, provisions are not discounted.

2.11. Employee benefits

2.11.1. Post-employment benefits

Provisions are set aside for pension obligations. These provisions are determined using actuarial evaluations calculated retrospectively according to the projected unit credit method. This method factors in years of service, life expectancy and staff turnover as well as assumptions relating to revaluation, the discount rate and departure terms.

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. A provision is set aside to cover the plan's liabilities.

Actuarial differences arising from a change in assumptions or actual differences are recognised once they exceed 10% of the value of the obligations. They are then amortised over the average remaining active period of the plan beneficiaries.

2.11.2. Service recognition awards

Company employees receive leave days under service recognition awards. This obligation is calculated using an actuarial method factoring in years of service and staff turnover as well as assumptions relating to revaluation and the discount rate. Actuarial differences are recognised for the period in which they occur. The provision is tax-deductible.

2.12. Player stakes

Player stakes are the amounts players bet. They are recognised at the time the event takes place, either when the scratch card is sold or when the results of draw-based games and sports betting are announced.

Revenue from gaming activities corresponds to the remuneration paid to the company as the gaming operator. It is recognised according to the same rules as player stakes.

2.13. Counterparty and permanent funds

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

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

Furthermore, to limit the overall counterparty risk for La Française des Jeux, all of its counterparty funds for each game have been combined into a permanent fund to spread hedging of the counterparty risk.

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

2.14. Corporate income tax

FDJ and subsidiaries in which it directly holds more than 95% form a tax consolidation group as defined by Articles 223 A et seq. of the French General Tax Code.

The tax saving resulting from the difference between the tax recognised by each consolidated entity and the tax calculated on the basis of consolidated income is recognised at the level of FDJ SA. The company is liable to the French Treasury for tax calculated on the sum total of consolidated entities' taxable income.

NOTE 3 OPERATING DATA

The following events had an impact on the financial statements closed on 31 December 2016:

- ◆ the company finished compensating the broker-agents whose contracts were terminated in May 2014. There was no impact on net income for the period. On the other hand, the compensation paid represented a cash outflow of €122 million in 2016 and €224 million over three years;
- ◆ the company revised the need to hedge its counterparty risks for gambling downwards. Following these conclusions, the French government reduced the level of permanent funds from 1% to 0.5% of stakes in a decree dated 30 December 2015.

At the same time, FDJ reduced the amount of the statutory reserve and paid a one-time dividend of €92 million. In total, these two elements and the distribution of the dividend for 2015 income led to a cash outflow of nearly €300 million;

- ◆ finally, La Française des Jeux acquired its new headquarters, which were capitalised for €207 million and financed in part by a loan of €120 million, with a term of fifteen years at a rate of 0.95%;
- ◆ 2016 resulted in a net profit of €146 million, an increase of €6 million compared with 2015 and cash of €870 million, a decrease of €442 million compared with the previous year.

3.1. Income and expenses from operating activities

The company ended 2016 with a net profit of €146 million compared with €140 million in 2015.

3.1.1. Operating income

<i>In thousands of euros</i>	31/12/2016	31/12/2015	%
Player stakes	14,330,738	13,704,503	4.6%
Prizes	9,545,337	9,048,951	5.5%
Gross gaming revenue (GGR)	4,785,401	4,655,552	2.8%
Additions to counterparty funds and counterparty spreads	63,272	72,831	-13.1%
Government levies	3,061,601	3,037,546	0.8%
REVENUE FROM GAMING ACTIVITIES	1,660,528	1,545,175	7.5%

Revenue from gaming activities corresponds to the remuneration paid to FDJ as the organiser. It amounted to €1,661 million, up by 7.5% or €115 million from 2015 due to growth in business and the change in FDJ's terms of remuneration.

Revenue from other activities amounted to €27 million in 2016, stable compared to 2015. It mainly comprised income from the rental of point-of-sale fittings to retailers and intermediaries and the charge back to subsidiaries of services carried out on their behalf.

Capitalised production amounted to €28 million in 2016, an increase of €12 million compared to the previous year. It is consistent with the phase of high investments implemented by the company as part of its digital transformation.

Other operating income in 2015 related to unclaimed winnings and counterparty spreads on scratch card games amounting to €68.3 million. Since 2016, following regulatory changes, these items are no longer recognised as income but paid back to the French government.

3.1.2. Operating expenses

Operating expenses related to the remuneration of the bricks-and-mortar **distribution network** stood at €876 million, up by 3% or €26 million from 2015, generated by a 4.4% increase in player stakes collected. The difference was due to the positive impact of the sales (intermediaries) restructuring initiated in 2014.

Excluding distribution channel costs, **other external purchases and expenses** rose by €39 million to reach €364 million, driven by higher IT subcontracting costs related to development work on various IT projects and by an increase in consulting fees related to the company's restructuring.

3.1.3. Operating profit

Operating profit amounted to €252 million, down €20 million from 2015.

3.2. Working capital requirement

Surplus working capital fell by €168 million in 2016, almost entirely due to flows from gaming activities, a timing effect and a payment on account of €170 million on amounts due to the French government (vs. €35 million in 2015).

In thousands of euros	31/12/2016			31/12/2015
	Gross	Provisions	Net	Net
Inventories, advances and payments on account	16,376	251	16,125	9,533
Trade receivables	426,614	34,632	391,982	305,566
Other receivables	196,451	68	196,383	60,666
Accruals and prepayments	35,698		35,698	50,050
Total current assets	675,139	34,951	640,188	425,815
Trade payables			1,160,078	1,095,622
Other payables			80,880	84,505
Accruals and prepayments			24,918	39,253
Total liabilities due			1,265,877	1,219,380
SURPLUS WORKING CAPITAL			625,689	793,565

3.2.1. Surplus working capital related to management activities

In thousands of euros	31/12/2016			31/12/2015
	Gross	Provisions	Net	Net
Inventories, advances and payments on account	16,376	251	16,125	9,533
Operating receivables	58,118	21,536	36,582	39,040
Net management liabilities			240,802	184,051
Accruals and prepayments			12,652	13,216
SURPLUS WORKING CAPITAL			175,443	122,262

3.2.2. Surplus working capital related to gaming activities

Surplus working capital directly related to gaming activities amounted to €450 million at 31 December 2016, down by €221 million from 2015 largely due to a timing effect.

In thousands of euros	31/12/2016			31/12/2015
	Gross	Provisions	Net	Net
Gaming receivables	564,635	12,871	551,783	327,192
Gaming payables			1,000,157	996,076
Accruals and prepayments			1,872	2,419
SURPLUS WORKING CAPITAL			450,246	671,304
<i>of which working capital requirements - game distributors</i>			<i>177,561</i>	<i>110,226</i>
<i>of which surplus working capital - players</i>			<i>476,720</i>	<i>552,380</i>
<i>of which surplus working capital - government levies</i>			<i>151,087</i>	<i>229,150</i>

Net **game distributor** receivables, comprising player stakes collected less small winnings paid within the network and the remuneration of the distribution network, rose by €67 million largely due to a timing effect.

Net payables due to players (winnings payable and player funds) came to €479 million, down by €73 million following the lowering of the cap on the permanent fund to 0.5% of player stakes of the year ended.

Surplus working capital related to government levies fell by €78 million to €151 million due to a timing effect and an increase of €135 million in the down payment to the French government.

3.2.3. Receivables and payables with subsidiaries and equity investments

Subsidiaries and equity investments represented a net requirement of €35.6 million of which €45 million was related to game distribution.

In thousands of euros	Receivables				Payables			
	Advances and payments on accounts	Trade and similar receivables	Other operating receivables	Current account receivable gross	Trade and similar payables	Payables on fixed-assets and other accounts payable	Assets to be determined	Current account payable
1. Subsidiaries (≥ 50%):	5,162	62,369	72	26,503	30,820	19	95	27,562
LotSys	39	41			6,372	19		5,277
Internationale des Jeux								6,853
La Pacifique des Jeux			43	18	127			
La Française d'Images		294	8	510	1,693		95	
La Française de Motivation	5,122	1			5,242			2,582
FDP		59,733			14,859			11,852
FDJ Développement		697			550			998
NLCS		1,512	21		1,152			
LVS		91		4,574	827			
LB Poker				21,401				
2. Interests (> 10% and < 50%):	-	1	-	-	173	-	166	-
Services aux Loteries en Europe		1			136		166	
Société de Gestion de L'Échappée					37			
TOTAL	5,162	62,370	72	26,503	30,993	19	262	27,562

3.3. Pre-paid expenses

Prepaid expenses amounted to €22.6 million in 2016 (vs. €36.5 million in 2015) and comprised the counterparty to prepaid player stakes of €24.5 million (vs. €39 million in 2015), i.e. theoretical gains and government levies.

NOTE 4 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS

4.1. Average headcount during the period

The weighted average headcount during the period increased to 1,243 from 1,183 in 2015 largely as a result of the sales restructuring.

4.2. Employee profit-sharing and incentives

An exceptional profit-sharing agreement was signed on 2 June 2016 for financial years 2016-2018. The provision for employee profit-sharing was €11.8 million in 2016 compared with €10.5 million in 2015. The net expense for the provision for 2016 incentives totalled €3.1 million, compared with €3.8 million in 2015.

4.3. Provisions related to personnel

<i>In thousands of euros</i>	31/12/2015		Reversals not used		31/12/2016
Post-employment benefits	20,677	2,517	334	79	22,781
Service recognition awards	4,914	852	116	-	5,650
Other provisions for risks and liabilities	6,492	4,182	4,385	494	5,796
TOTAL PROVISIONS RELATED TO PERSONNEL	32,083	7,551	4,835	573	34,227
<i>of which operating profit</i>		5,121	3,667	516	
<i>of which financial result</i>		1,258	-	-	
<i>of which non-recurring profit</i>		1,172	1,168	57	

The main assumptions relating to post-employment benefits and service recognition awards were as follows:

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Discount rate including inflation	1.30%	2.07%
Salary increase rate	3.00%	2.80%

Changes in the liability and provision for post-employment benefits, and the net cost for the period were as follows:

<i>In thousands of euros</i>	2016	2015
Actuarial obligation at 1 January	33,194	30,208
Normal cost	2,377	2,120
Interest rate cost	735	560
Actuarial differences generated at year-end	-3,428	1,269
Pensions paid	-413	-962
Actuarial obligation at 31 December	32,465	33,194
Actuarial losses accrued	9,684	12,517
Provision at 31 December	22,781	20,677
Normal cost	1,161	2,120
Amortisation of actuarial gains and losses	621	656
Interest rate cost	735	560
Pensions	-413	-962
NET COST	2,104	2,373
Operating profit	1,370	1,813
Financial result	735	560

The **other provisions for risks and liabilities** are primarily related to employee departures and labour disputes.

NOTE 5 INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

5.1. Intangible assets

In thousands of euros	31/12/2016			31/12/2015		
	Gross	Amort. and provisions	Net	Gross	Amort. and provisions	Net
Trademarks, copyrights and similar assets	4,548	-1,513	3,035	4,546	-1,460	3,085
Research and development expenditure	67,291	-35,328	31,963	63,466	-43,376	20,090
Software	135,408	-104,102	31,306	138,856	-101,520	37,337
Fixed assets under construction	20,531	-	20,531	13,134	-	13,134
TOTAL INTANGIBLE ASSETS	227,778	-140,943	86,835	220,002	-146,356	73,646

In thousands of euros	Gross	Amort. and provisions	Net
Intangible assets at 31/12/2015	220,002	-146,356	73,646
Acquisitions			31,092
<i>of which capitalised production</i>			28,376
Disposals and scrappage			-23,654
Reclassification of fixed assets under construction			337
(Provisions)/reversal of depreciation, amortisation and provisions		5,412	
INTANGIBLE ASSETS AT 31/12/2016	227,778	-140,943	86,835

Acquisitions are mainly related to the automation of the central hub and the roll-out of new gaming terminals. Disposals largely concerned the scrappage of the old terminals.

5.2. Property, plant and equipment

In thousands of euros	31/12/2016			31/12/2015		
	Gross	Amort. and provisions	Net	Gross	Amort. and provisions	Net
Land and improvements	99,593	-2,024	97,569	3,027	-1,848	1,180
Buildings	166,971	-49,720	117,252	56,722	-48,517	8,205
Technical installations, materials, equipment	156,673	-83,514	73,159	154,071	-82,124	71,946
Other property, plant and equipment	208,169	-163,581	44,588	205,112	-162,235	42,877
Property, plant and equipment under construction	4,867	-	4,867	11,693	-	11,693
Advances and payments on account	1,914	-	1,914	1,402	-	1,402
TOTAL PROPERTY, PLANT AND EQUIPMENT	638,188	-298,838	339,350	432,027	-294,724	137,302

In thousands of euros	Gross	Amort. and provisions	Net
Property, plant and equipment at 31/12/2015	432,027	-294,724	137,302
Acquisitions			231,481
Disposals and scrappage			-24,983
Reclassification as intangible assets			-337
(Provisions)/reversal of depreciation, amortisation and provisions		-4,114	
PROPERTY, PLANT AND EQUIPMENT AT 31/12/2016	638,188	-298,838	339,350

Acquisitions mainly related to the FDJ Group's new head office (€207 million).

NOTE 6 OTHER PROVISIONS AND CONTINGENT LIABILITIES

6.1. Other provisions

<i>In thousands of euros</i>	Note	31/12/2015	Allowances	Reversals used	Reversals not used	31/12/2016
Provisions related to personnel	4.3	32,083	7,551	4,835	573	34,227
Other provisions for risks and liabilities		180,025	5,957	122,339	4,170	59,472
TOTAL PROVISIONS FOR RISKS AND LIABILITIES		212,108	13,508	127,174	4,743	93,699
<i>of which non-recurring profit</i>			5,961	123,498	4,108	

Other provisions for risks are mostly related to ongoing court cases and disputes (Note 11).

6.2. Off-balance-sheet commitments

6.2.1. Commitments given

La Française des Jeux heads a tax consolidation group with the following entities in which it holds more than 95%: FDP, FDJ Développement, Internationale des Jeux, La Française d'Images and La Française de Motivation. The tax consolidation agreement allows for compensation in the event that a subsidiary becomes deconsolidated or suffers a tax burden because of its membership with the Group. No provision has been established in this respect.

At 31 December 2016, the stock of subsidiaries' tax losses amounted to €0.6 million for La Française d'Images and €4 million for Internationale des Jeux.

In accordance with employee savings agreements and to guarantee the liquidity of the "FDJ Actionnariat" employees' mutual fund, through which employees own 5% of the company's share capital, Crédit Lyonnais granted the fund a first-demand guarantee for €8.8 million. FDJ has given Crédit Lyonnais a counter-guarantee in the same amount. Finally, the fund entered into an agreement with FDJ to repay funds collected or received from the sale of shares. These commitments were renewed for a period of two years, beginning on 1 June 2016.

Other commitments given are as follows:

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Deposits and first-demand guarantees	4,500	3,825
Investment funds	11,088	13,075
Performance bonds*	169,386	60,823
Regular lease contracts	15,100	20,508
Cycling team sponsorship	24,350	10,500
Cyclists' image contracts	2,160	530
Association L'Échappée	90	135
Escrow account	1,126	1,126
FDJ Corporate Foundation	3,800	7,600
Mortgage on goods acquired	132,600	-
TOTAL OTHER COMMITMENTS GIVEN	364,199	118,122

* Of which printing contracts for €51 million and terminal supplier maintenance for €31 million.

The Group took out a mortgage of €132.6 million (including the principal, interest and related amounts) to purchase its new head office.

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

On 15 December 2016, FDJ's Board of Directors decided to renew the FDJ Corporate Foundation for a term of five years from 5 January 2018 to 2 January 2023. Of the €18 million set aside under the multi-year action plan, €7 million was used in 2016.

6.2.2. Commitments received

FDJ rents the furnishings installed at points of sale to retailers. The rentals take the form of operating leases and the proceeds are recognised as revenue in the period in

which they are earned. Rents receivable under these leases amounted to €4.1 million due within one year.

Other commitments received are as follows:

In thousands of euros	31/12/2016	31/12/2015
Performance bonds and return of payments on account	45,365	28,838
Guarantees for return of stakes and payment of winnings	41,871	10,592
OTHER COMMITMENTS RECEIVED	87,236	39,430

6.2.3. Reciprocal commitments

Reciprocal commitments are presented below:

In thousands of euros	31/12/2016	31/12/2015
Currency hedges		
Forward purchases of dollars with a maximum maturity of 1 February 2017 for an overall amount of:	2,659	13,000

NOTE 7 FINANCIAL ASSETS AND CASH

7.1. Financial assets

7.1.1. Equity investments and receivables related to investments

In thousands of euros	Shareholders' equity 31/12/2016	of which share capital	% of equity held by FDJ	Gross book value of equity held	Net book value of equity held	Current account and receivables related to investments*	Revenue 2016	Profit (loss) 2016	Dividends paid in 2016
1. Subsidiaries (≥ 50%):				38,709	20,645	15,678	137,876	9,893	2,368
LotSys	9,525	2,943	100.00%	3,153	3,153	-5,277	20,854	427	-
Internationale des Jeux	9,454	2,200	100.00%	15,832	9,454	-6,853	-	730	-
La Pacifique des Jeux	2,576	1,257	99.99%	1,313	1,313	18	5,902	1,193	594
La Française d'Images	2,241	229	100.00%	282	282	510	14,319	151	-
La Française de Motivation	1,752	706	100.00%	1,840	1,713	-2,582	10,750	169	-
FDP	8,669	42	100.00%	4,389	4,389	-11,852	70,485	4,655	1,775
FDJ Développement	1,900	229	100.00%	267	267	-998	1,888	898	-
LVS	-778	2,725	100.00%	4,289	-	4,574	7,356	-226	-
NLCS	380	150	50.00%	75	75	-	6,323	64	-
LB Poker	-59,604	14,539	50.00%	7,270	-	38,138	0	1,832	-
2. Interests (> 10% and < 50%):				118	118	-	16,479	-132	-
Services aux Loteries en Europe	557	376	26.57%	100	100		3,949	61	-
Société de Gestion de L'Échappée	194	53	34.01%	18	18		12,529	-193	-
TOTAL				38,827	20,763	15,678	154,355	9,761	2,368

* Gross value of receivables or payables due/owed to FDJ by its subsidiaries.

7.1.2. Loans and other financial assets

<i>In thousands of euros</i>	Gross amount 31/12/2016	Gross amount 31/12/2015
Fixed assets in the portfolio activity	4,162	2,175
Loans	54	46
Other (deposits and guarantees)	18,116	16,122

FDJ made investments in innovation funds amounting to €4 million at end 2016. Deposits mainly relate to the €9.3 million guarantee given to other member lotteries of the Euro Millions game and the surety trust agreement aiming to protect the assets of online players in accordance with ARJEL rules.

7.2. Net cash flow

<i>In thousands of euros</i>	31/12/2016			31/12/2015
	Gross	Provisions	Net	Net
Shares in UCITS and investment funds	147,068	-726	146,342	574,307
Transferable debt securities	50,000	-	50,000	65,000
Bonds	-	-	-	9,636
Total transferable securities	197,068	-726	196,342	648,943
Short-term deposits, including cash instruments	673,962	-	673,962	663,086
TOTAL GROSS CASH	871,030	-726	870,304	1,312,029

Gross cash fell by €442 million over the period to €871 million. Operations generated €72 million which did not offset the fall in surplus working capital of €166 million, acquisitions net of financing of €118 million and dividends of €229 million.

Acquisitions included the new head office for €207 million, €120 million of which was financed by a 15-year loan at a rate of 0.95%. The loan matures on 20 December 2031 with payments due on 20 June and 20 December of each year starting in 2017. Capital repayments scheduled for 2017 amount to €8 million.

7.3. Financial result

The increase in financial results was due to the increase in capital gains on transferable securities.

The **financial data for each subsidiary and equity investment** are as follows:

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Dividends received	2,368	3,219
Net interest on current accounts	411	692
Net provisions and reversals for investments and related receivables	897	1,107
Net provisions and reversals for current accounts	985	864

Expense (-)/income (+)

NOTE 8 NON-RECURRING PROFIT (LOSS)

<i>In thousands of euros</i>	31/12/2016	
	Expenses	Income
Net non-recurring operating expenses	-123,296	
Net non-recurring expenses from capital transactions	-619	
Depreciation, amortisation and provisions and reversals thereof		
◆ Depreciation and amortisation (see Notes 2.2 & 2.3)	-950	
◆ Provisions for risks and liabilities (see Note 6.1)	-5,961	127,607
◆ Regulated provisions (see Note 10)	-46,032	19,111
NON-RECURRING PROFIT (LOSS)		-30,139

The bulk of non-recurring profit (loss) relates to regulated provisions (accelerated depreciation and amortisation). Reversals of provisions offset the compensation paid (€122 million in 2016) to broker-agents who ceased operations as a result of the restructuring plan implemented

by FDJ in May 2014 to boost the performance of the company and its network.

Non-recurring depreciation was recorded for the assets relating to the current head office which will not be transferred to the new building.

3

NOTE 9 CORPORATE INCOME TAX

9.1. Tax consolidation agreement

La Française des Jeux heads a tax consolidation group with the following entities of which it holds more than 95%: FDP, FDJ Développement, Internationale des Jeux, La Française d'Images and La Française de Motivation. The tax position of the subsidiaries concerned is not affected by the agreement:

it is the same as it would be if they were taxed separately. The difference between the tax recognised by each of the companies and the tax resulting from the calculation of the Group's taxable income is recognised in FDJ's financial statements. The tax loss carryforwards of subsidiaries are presented in Note 6.2.1

9.2. Breakdown of tax liability

<i>In thousands of euros</i>	31/12/2016	
	Current profit	Non-recurring profit (loss), employee profit-sharing and incentives
Accounting income before tax	274,240	-45,061
Taxable income	278,504	-42,691
FDJ tax	92,032	-9,133
<i>long term</i>	92,032	-16,009
<i>additional contribution</i>	-	6,876
Net profit before tax consolidation	182,209	-35,928
Impact of tax consolidation		491
NET PROFIT		145,789

9.3. Contingent taxes

<i>In thousands of euros</i>	31/12/2016	31/12/2015
Increase of future tax liability bases	115,428	89,177
Regulated provisions	113,932	87,011
Other items	1,497	2,166
Reduction of future tax liability bases	65,506	65,644
Employee benefits	22,781	20,677
Employee profit-sharing	11,795	10,487
Other items	23,679	28,448
Tax decrease	7,252	6,032

NOTE 10 SHAREHOLDERS' EQUITY

At 31 December 2016, FDJ's share capital was €76,400,000 consisting of 200,000 shares with a par value of €382. Shareholders' equity stands at €498 million.

<i>In thousands of euros</i>	
Shareholders' equity at 31/12/2015 (before allocation of 2015 profit)	554,662
Dividends paid	-229,200
2016 profit (loss)	145,789
Retained earnings	-
Change in investment subsidies	-
Change in regulated provisions (accelerated depreciation and amortisation)	26,921
SHAREHOLDERS' EQUITY AT 31/12/2016 (BEFORE ALLOCATION OF 2016 PROFIT)	498,172

The following capital increases/decreases authorised by the Combined General Meeting on 25 May 2016 were carried out:

- ◆ share capital increase of €91.8 million to bring it to €168.2 million by drawing from voluntary reserves. This increase was carried out by raising the par value of each of the 200,000 shares constituting the share capital from €382 to €841;
- ◆ share capital decrease of €91.8 million to bring it to €76.4 million by reducing the par value of the shares from €841 to €382. The capital decrease amount was distributed to shareholders at the beginning of July on the basis of €459 per share.

In addition, a dividend of €137.4 million, i.e. €687 per share, was paid for the 2015 financial year on 6 July 2016.

Thus a total dividend of €229.2 million was paid to shareholders in 2016, i.e. €1,146 per share.

Regulated provisions consist of accelerated depreciation and amortisation which were higher due to significant investments in 2016.

<i>In thousands of euros</i>	31/12/2015	Allowances	Reversals	31/12/2016
Accelerated depreciation	87,011	46,032	19,111	113,932
TOTAL REGULATED PROVISIONS	87,011	46,032	19,111	113,932

In May 2014, FDJ launched a sales restructuring programme aimed at enhancing the performance of the company and its network. It consists for the most part of a new segment mapping, a gradual shift towards a modernised distribution network enabling points of sale to be delivered directly from a central logistics hub, and, as a result, a change in business for intermediaries set out in a contract with significantly different terms of operation and compensation leading to much lower distribution costs. As part of the restructuring, FDJ cancelled the contracts of broker-agents who had, until

that time, been paid solely on the basis of the player stakes collected, thus ending the former distribution system and, as a result, terminating existing rights under the previous contract.

On 15 December 2016, the Board of Directors noted the loss of a quality shareholder in the form of Soficom, an entity no longer held by FDJ broker-agents. At the prompting of its Board, FDJ proposed buying back its shares held by Soficom.

NOTE 11 ONGOING LEGAL PROCEEDINGS AND OTHER DISPUTES

In 2004, the company was brought before the Conseil des Prud'hommes (Employment Conciliation Tribunal) of Aix-en-Provence by former employees on the matter of the employee savings plan. Because this tribunal was declared to lack jurisdiction at the end of 2012, the case was referred to the Conseil de Prud'hommes of Boulogne-Billancourt and of Meaux on its merits and not on the geographical or material jurisdiction. The Prud'hommes case for former managerial staff (only) ruled in favour of La Française de Jeux and dismissed the complainants. The latter therefore appealed to the Versailles appellate court in 2014. The court ruled in favour again of FDJ and dismissed all of the plaintiffs' claims. They filed an appeal with the court of cassation. As regards the former non-managerial staff in this dispute, the hearing before the Appellate Court in Versailles was suspended pending the decision of the court of cassation. On 15 June 2016, the Court of Cassation ruled in favour of La Française des Jeux. On 30 November, the Appellate Court of Versailles reported that former non-managerial staff had withdrawn

their appeal. Consequently, both proceedings came to an end during the reporting period.

In October and December 2011, the Union Nationale des Diffuseurs de Jeux (French lottery distributors' syndicate – UNDJ) brought two actions, one before the Court of First Instance in Nanterre and the other before the Court of First Instance in Paris. The second case is ongoing, the first having been withdrawn by the UNDJ. Members filed a lawsuit against FDJ in May 2012 before the Commercial Court of Nanterre. This case is subject to a stay of proceedings pending the decision of the second claim before the Paris District Court.

On 6 August 2015, 67 brokers-agents served a summons on La Française des Jeux to appear before the Commercial Court of Paris at short notice. They formulated claims for compensation in damages following the termination of their broker-agent contracts. In October 2016, the judgment rendered ruled against the broker-agents on all of their claims. In November 2016, they lodged an appeal with the Appellate Court of Paris where the proceedings are ongoing.



NOTE 12 OTHER INFORMATION

12.1. Executive remuneration

Remuneration allocated to executives (corporate officers) in 2016 amounted to €320 thousand (vs. €272 thousand in 2015) for the Chairwoman and CEO and €250 thousand (vs. €252 thousand in 2015) for the deputy Chief Executive Officer, for a total of €570 thousand.

12.2. Special provisions in case of loss of the right to organise and operate lottery games and sports betting

An agreement between the French government and FDJ establishes the legal and financial conditions in the case that, should FDJ cease to be mandated by decree to organise and operate lottery games online and in sales outlets and of sports betting in sales outlets, 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>	31/12/2015
NET INCOME FOR THE PERIOD	146
Allocation to statutory reserves	2
Proposed dividends	124
Allocation to voluntary reserves	20

The proposed dividend amounts to €124 million, i.e. €620 per share.

NOTE 14 SUBSEQUENT EVENTS

No significant event has taken place since 1 January that might have an impact on the 2016 financial statements.

3.5. Statutory Auditors' report on the individual financial statements



Financial year ended 31 December 2016

To the Shareholders

La Française des Jeux located at 126 rue Gallieni 92100 Boulogne-Billancourt

In accordance with the appointment conferred on us by your Annual General Meeting, we hereby present to you our report for the year ended on 31 December 2016 on:

- ◆ the audit of the accompanying parent company financial statements of La Française des Jeux;
- ◆ the justification of our assessments;
- ◆ the specific audits and information required by law.

The parent company financial statements were approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I - Opinion on the annual financial statements

We conducted our audit according to the professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the accounting policies used and the significant estimates made, as well as the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements give a true and fair view of the assets, liabilities and the financial position of the company at 31 December 2016 and of the results of its operations for the year then ended in accordance with French generally accepted accounting principles.

Without detracting from the opinion expressed above, we wish to draw your attention to Note 1 "Company overview" to the individual financial statements which sets out:

- ◆ the specific legal nature of the company;
- ◆ the change in the company's compensation arrangements effective 1 January 2016.



II - Basis of our assessment

In accordance with the requirements of Article L.823-9 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we bring to your attention the following matters:

As mentioned in Notes 2.2 "Intangible assets", 2.10 "Provisions for risks and liabilities" and 2.11 "Employee benefits" to the annual financial statements, management makes estimates and judgements in the course of preparing the annual financial statements relating in particular to the measurement of intangible assets and provisions for risks and liabilities. Our work mainly consisted of examining the procedures whereby management prepared and approved these estimates, assessing the reasonableness of the assumptions on which these judgements and estimates were based, and verifying that the information provided in Notes 4.3, 5.1, 6.1 and 11 to the annual financial statements is suitable.

These assessments were made as part of our audit of the parent company financial statements taken as a whole and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III - Specific verifications and disclosures

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the documents addressed to the shareholders with respect to the financial position and the parent company financial statements.

Neuilly-sur-Seine, 15 March 2017

Statutory Auditors

PricewaterhouseCoopers

Audit Deloitte & Associés

Philippe Vincent

Laurent Daniel

Éric Gins

Anne Philipona-Hintzy

NOTES

3



4.

Internal control

Report on the internal control procedures of La Française des Jeux Group

4.1.	CORPORATE GOVERNANCE AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS	138
4.2.	RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES IN PLACE WITHIN LA FRANÇAISE DES JEUX GROUP	142
4.3.	CONCLUSIONS	149

Despite being exempt from any legal obligation in this regard given that Law No. 2005-842 of 26 July 2005, La Française des Jeux (FDJ) still informs its Audit Committee, Board of Directors and shareholders about the preparation and organisation of the work of the Board and the internal control procedures implemented by the Group. The Group's Audit, Risk, Internal Control, Quality and Ethics Department therefore prepares a report on FDJ Group's internal control procedures at the end of each reporting period for the Audit Committee and the Board of Directors.

4.1. Corporate Governance and operating procedures of the Board of Directors



La Française des Jeux is a semi-public limited liability company with share capital of €76,400,000. The French government owns 72% of the company; of the remainder, 20% is held by veterans' associations, mutual societies or undertakings with a social purpose and former issuers of French National Lottery tickets, while 5% is held by the Group's employee mutual fund and 3% by FDJ's broker agents.

4.1.1. Composition of the Board of Directors

4.1.1.1. Appointment of directors

Pending application of the provisions set out in Order No. 2014-948 of 20 August 2014, which will take place following the Combined General Meeting of 2 February 2017, La Française des Jeux remains subject to the provisions of the Law of 26 July 1983. In accordance with Law No. 83-675, FDJ's Board of Directors is composed of nine government representatives, six staff representatives elected by employees and three directors appointed by the General Shareholders' Meeting, which includes FDJ's Chairwoman and CEO. The latter is appointed to this position for a term of five years by decree of the French President on proposal of the Board of Directors. Pursuant to the Decree of 5 November 2014, the French President appointed Stéphane Pallez as Chairwoman and CEO.

4.1.1.2. Directors' term of office

Directors are appointed for renewable five-year terms of office. In accordance with Article 7 of Decree No. 83-1160 of 26 December 1983, the term of office of all members of the Board of Directors starts on the date of the first meeting of the newly appointed or reappointed Board. In 2014, the Board of Directors was reappointed in its entirety.

4.1.1.3. Equal representation of men and women

Article 66 of Law No. 2014-873 of 4 August 2014 amends the first paragraph of Article 6-1 of Law No. 83-675 of 26 July 1983 and provides that the difference between the number of women and the number of men that are members of the Board of Directors appointed by decree cannot exceed one. Article 66 II of the aforementioned Law of 2014 states that this provision applies from the second renewal of members of the Board of Directors following the publication of this law and adds that, in accordance with the law, the proportion of members of each gender may not be lower than 20% as of their first renewal.

The Board of Directors of La Française des Jeux comprised five male and four female directors appointed by decree. Meanwhile, in 2016 one female director was replaced, prior to conclusion of her term of office, by a male director, pending application of Order No. 2014-948 of 20 August 2014 regarding governance and transactions involving the share capital of companies that are partially state-owned.

4.1.2. Operation and meetings of the Board of Directors

4.1.2.1. Operation of the Board of Directors

Article 24 of the Articles of Association states that the Board of Directors determines the company'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 the operation of the company and, through its proceedings, decides on the matters within its remit. Article 24 also states that the Board of Directors carries out the controls and verifications that it deems appropriate, and that each director shall be given all of the information required to perform his or her duties and may request any documents he or she considers relevant for this purpose.

Furthermore, pursuant to Article 7 of Law No. 83-675 of 26 July 1983 relating to the democratisation of the public sector, the Board of Directors decides on the major strategic, economic, financial and technological matters of the company's activity.

The Board of Directors sets the annual budget and approves the annual and interim parent company and 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 Shareholders' 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 also decides on any proposals to be made to the Shareholders' Meetings, convenes these meetings and draws up the agenda.

The head of mission of the Economic and Financial Control Unit (part of the Ministry of the Economy and Finance) is entitled to attend meetings of the Board of Directors, its committees and the General Shareholders' Meeting.

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 the interests of the company 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.

4.1.2.2. Subjects discussed by the Board of Directors during 2016

In 2016, the Board of Directors met nine times to discuss specific matters, namely: the closing of the 2015 financial statements, review of the management planning documents and the 2015 cash management report, approval of the consolidated financial statements at 30 June 2016, the appointment of the Statutory Auditors, setting the 2015 variable portion of remuneration and the 2016 targets of the Chairwoman and CEO and of the Deputy Chief Executive Officer, and setting the 2016 remuneration of the Chairwoman and CEO and of the Deputy Chief Executive Officer, review of the 2017 budget, follow-up on the implementation of the strategic plan, notably through the information systems transformation plan and development strategies, presentation of the 2016 Group risk map and risk outlook, presentation of the manpower planning strategy, the company's professional gender equality and equal pay policy, the 2017 allocation of cash assets, the approval of related-party agreements, the plan to relocate the Boulogne sites and the renewal of the FDJ Corporate Foundation for the period 2018-2023.

4.1.2.3. 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.

4.1.3. Audit Committee

4.1.3.1. Composition and missions of the Audit Committee

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 government representatives, including EDF France's Financial Director, who chairs it, and one staff representative. The head of mission of the Economic and Financial Control Unit is entitled to attend meetings of the Audit Committee.

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

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 (parent company and consolidated), financial forecasts and budgets, multi-year plans, the management report and its notes;
- ◆ 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 the company, issuing an opinion on the annual internal audit programmes;
- ◆ supervision of the appointment or re-election procedure by calling for proposals from the Statutory Auditors and expressing an opinion on the choice of the aforementioned auditors, as well as their work programme, fees and the quality of their work;
- ◆ periodic review of the work of the Statutory Auditors and their recommendations.

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

4.1.3.2. Subjects discussed by the Audit Committee in 2016

In 2016, the Audit Committee met nine times to discuss specific matters, namely: the closing of the 2015 financial statements, review of the management planning documents and of the 2015 cash management report, the main projects undertaken in 2016, review of the 2015 report on internal control and of the 2015 report on Corporate Social Responsibility (CSR), review of the consolidated financial statements at 30 June 2016 and of the management planning documents, presentation of the 2017 budget, the initiative to invest in innovation funds, the subsidiaries, the work of the Statutory Auditors, the summary of work performed in 2015 and the 2016-2018 work plan of the Audit, Risk, Internal control, Quality and Ethics Department, the 2016 Group risk map and progress with work ongoing over the year, presentation of the risk and control approach and of the Group's draft code of ethics, and the asset allocation policy.

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

4.1.4. Nominations and Remuneration Committee

4.1.4.1. Composition and operation of the Nominations and Remuneration Committee

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.

On 15 October 2008, the Board of Directors decided to create a Nominations and Remuneration Committee. It comprises five directors appointed by the Board of Directors from among its members, three government representatives, including one department head, deputy to the Budget Department's Budget Director attached to the Ministry of Finance and Public Accounts and who chairs it, one representative of the Union des Blessés de la Face et de la Tête and one staff representative.

4.1.4.2. Subjects discussed by the Nominations and Remuneration Committee in 2016

In 2016, the Nominations and Remuneration Committee met three times to establish the level of attainment of 2015 targets by the Chairwoman and CEO and by the Deputy Chief Executive Officer and to propose the corresponding 2016 targets to the Board of Directors and, subsequently, to propose the 2016 remuneration of the Chairwoman and CEO and of the Deputy Chief Executive Officer and, finally, to present the outcome of research on market practices with regard to remuneration and to prepare the remuneration packages and targets for 2017.

4.1.5. Sustainable Development Committee

4.1.5.1. Composition and missions of the Sustainable Development Committee

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 the present time, the Sustainable Development Committee comprises one director representing the Union des Blessés de la Face et de la Tête, two directors representing the French government, including one General Mining Engineer walking for the General Council for the Economy who chairs it, and one director who

represents Group employees. The Sustainable Development Committee convenes at least twice a year.

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

4.1.5.2. Subjects discussed by the Sustainable Development Committee in 2016

In 2016, the Sustainable Development Committee met four times to discuss specific matters, namely: the 2015 report on the CSR strategy and priorities for 2016, the 2017 Responsible Gaming action plan, the 2016 anti-money laundering plan and guidelines for 2017, the company's approach to fostering diversity, the proposal of CSR criteria for inclusion in corporate officers' 2017 targets, the 2015 report on the FDJ Corporate Foundation and guidelines for 2016.

4.1.6. The Strategy Committee

4.1.6.1. Composition and missions of the Strategy Committee

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 eight members, including the Chairwoman and CEO, who chairs it, five French government representatives, one representative of the Union des Blessés de la Face et de la Tête and one staff representative. The Strategy Committee meets as often as is required, and at least twice a year. The Strategy Committee gives its opinion to the Board of Directors on the company's major strategic guidelines.

Its remit includes the following:

- ◆ preparing for discussions during the Board of Directors' meetings on the multi-year strategic plan and examining the monitoring of its implementation;
- ◆ being aware of major problems and issues that may impact the strategic plan;
- ◆ offering its opinion to the Board of Directors on projects relating to the Group's expansion, the monitoring of changes in industrial partnerships, strategic agreement projects, changes in the competitive environment and in the Group's position;
- ◆ making all recommendations that it considers useful to the Board of Directors.

4.1.6.2. Subjects discussed by the Strategy Committee in 2016

In 2016, the Strategy Committee met five times to discuss specific matters, namely: international strategy, manpower planning strategy in conjunction with organisational transformation and the strategic plan, player behaviour, the sports betting strategy, the evolution of the gambling sector and its regulatory framework.

4.2.

Risk management and internal control procedures in place within La Française des Jeux Group



4.2.1. Reference framework and definitions

Although it is exempted from any legal internal control-related requirement, FDJ has chosen to structure its approach based on the recommendations of the French Financial Markets Authority (Autorité des Marchés Financiers – AMF). In addition, because of particular requirements relating to the fight against fraud and money laundering that apply to FDJ, the Group has opted to supplement this framework with the elements specific to fraud prevention issued by COSO (the Committee Of Sponsoring Organizations of the Treadway Commission).

4.2.1.1. Internal control

Definition

Internal control is a corporate system, defined and implemented under the company's responsibility. It includes a set of resources, behaviours, procedures and actions tailored to the unique features of the company, that:

- ◆ facilitate the control of its activities, the effectiveness of its operations, and the efficient use of its resources; and
- ◆ enable it to take appropriate measures for significant risks relating to operations, financial transactions and compliance.

Objectives

The aims of the internal control system include ensuring:

- ◆ compliance with laws and regulations;
- ◆ the application of instructions and strategies set by the Executive Management;
- ◆ the proper functioning of the company's internal processes, especially those that contribute to safeguarding its assets;
- ◆ the reliability of financial reporting.

Inherent limits

However, like any control system, it cannot provide absolute assurance that risks, including errors or frauds, resulting from the activity of the FDJ Group are totally eliminated.

4.2.1.2. Risk management

Definition

Risk management concerns every stakeholder of the company. It should be comprehensive and cover all of the company's activities, processes and assets. Risk management is a dynamic approach, defined and implemented under the company's responsibility.

Risk management comprises a set of resources, behaviours, procedures and actions adapted to the characteristics of the organisation so that Executive Management can maintain risks at an acceptable level for the company.

Risk represents the possibility of an event occurring, the consequences of which could affect the organisation's ability to meet its strategic objectives, its personnel, its assets, its reputation or the environment.

Objectives

Risk management is a high value-added strategic management tool that contributes to:

- ◆ creating and preserving the company's value, assets and reputation;
- ◆ securing the company's decision-making and processes to promote the achievement of strategic objectives and the completion of the company's everyday activities;
- ◆ promoting the consistency of the company's actions with its values;

- ◆ bringing the company's employees together around a shared vision of the main risks and raise awareness of the risks inherent in their activity.

Components

The risk management system includes:

- ◆ an organisational framework and dedicated governance;
- ◆ a system for identifying, evaluating and dealing with risks, notably represented by an annual map of Group risks based on a risk universe;
- ◆ ongoing oversight of priority action plans and a periodic reappraisal of strategic risks.

4.2.1.3. Link between risk management and internal control

Risk management and internal control systems complement each other in monitoring the company's activities. The coordination and balance between the two approaches depend on the control environment, which constitutes their shared foundation, and, more specifically, the company's own risk and control culture, and its ethical values.

4.2.2. Organisation

4.2.2.1. Organisational principles

The organisational principles of the parent company La Française des Jeux, based on the adoption of a collegiate and multidisciplinary internal management model, consist of two key approaches:

- ◆ the position of Deputy Chief Executive allowing the Chairman and CEO to be present outside the company to contribute to the changing environment and anticipate demands on the company, while ensuring that the Group's operational management continues;
- ◆ management bodies and procedures allowing strategic decision-making roles and processes to be distinguished more clearly from operational management roles and processes.

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

FDJ's wholly-owned subsidiaries provide support services or expertise directly relating to the business of the parent company. In terms of internal control, the principle of task segregation, the documentation of procedures, continuous improvement initiatives and the formalisation of controls are

implemented generally within the operating limits allowed by the size of such entities. However, the rules to be observed relating to operations, reporting and transparency are issued and monitored by FDJ.

4.2.2.2. Delegated powers

Delegation of powers

The company's Executive Management delegated authorities with financial thresholds to its department and division heads according to their responsibilities and operations. These powers enable them to fulfil their duties. Department heads can also delegate some of these powers, on a case-by-case basis, to their teams.

Banking authorisation

Banking authorisation has been given to FDJ employees for corporate treasury management and to intermediaries and their employees for paying out prizes to winners from specific accounts. These are updated as employees change and are confirmed every year.

4.2.2.3. Internal players

The company's divisions and support departments, under the supervision of the Executive Management, as well as the Group's subsidiaries, implement the internal control procedures governing their activities.

The Group's operations are primarily monitored and controlled by:

- ◆ the Security Department, specifically responsible for:
 - ◆ ensuring the integrity and security of gaming operations within the distribution network (physical and online) as part of the fight against fraud and money laundering and in the framework of WLA-SCS and ISO 27001 certifications,
 - ◆ managing and ensuring the safety of the company, via an operational system for managing critical incidents and continuous monitoring,
- ◆ the Performance, Finance and Regulation Division, which guarantees and monitors the consideration of business performance issues across all dimensions:
 - ◆ financial,
 - ◆ strategic,
 - ◆ organisational,
 - ◆ operational,
 - ◆ regulatory,
 - ◆ projects,
 - ◆ decision-making;

- ◆ the Audit, Risks Internal Control, Quality and Ethics Department, specifically responsible through:
 - ◆ its Internal Control and Quality unit, for:
 - implementing and managing internal control procedures at the Group level through, among other things, self-assessment by business unit;
 - assisting business units with internal control and quality matters, such as the formal introduction of processes and procedures or the attainment and upkeep of quality certification;
 - ◆ its Risk Management unit, for:
 - defining and implementing risk governance;
 - directing the risk management and risk handling approach;
 - coordinating risk management initiatives within the Group;
 - ◆ its Ethics and Compliance unit, to build a dedicated, sustainable and integrated ethics approach in accordance with regulations and with best practices,
 - ◆ its Internal Audit unit, to:
 - assuring the company's governing bodies and the Audit Committee as to the degree of control of the Group's operations, offering advice, in the form of analysis, for improvement and helping to create added value;
 - providing recommendations for improvement, with the ongoing aim of consolidating the effectiveness of the operating, internal control and risk management systems, whilst also monitoring these systems.

4.2.2.4. External players

French government control

La Française des Jeux is subject to French government control over public enterprises established as commercial companies, in application of modified Decree No. 53-707 of 9 August 1953. This control is exercised by the French Budget Minister and the French Economy Minister, or, when this is delegated by the Ministers, by the French Budget Ministry and the Government Shareholding Agency.

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

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

Online Gaming Regulation Authority

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

Other control authorities

FDJ and its subsidiaries are also regularly subject to:

- ◆ audits by the Cour des Comptes (French Court of audits);
- ◆ inspections by the Inspection générale des Finances (French Tax authority).

Finally, La Française des Jeux 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 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 Finance Department, the Audit, Risk, Internal Control, Quality and Ethics Department during two meetings with the panel of Statutory Auditors following the interim and final review of the annual financial statements.

4.2.3. Monitoring

4.2.3.1. 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 all-important;
- ◆ the second line of defence comprises the Ethics, Risk Management, and Internal Control and Quality bodies, together with support units and initiatives;
- ◆ the Internal Audit entity represents the third line of defence.

4.2.3.2. Integrated management system

La Française des Jeux has had an integrated management system in place since 2011.

This integrated management system gives FDJ an organisational framework to guide the operational implementation of strategic policies and the commitments of each employee, in compliance with regulations and standards.

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

During 2016, La Française des Jeux enriched its integrated management system and pursued its deployment, observing the Governance, Risk and Compliance approach. The procedures to analyse risks and opportunities are ongoing. Certification concerning Quality, Information Security and Occupational Health and Safety were retained across all respective units in 2016.

Deployment will continue in 2017, with the goal of consolidating the results already achieved, reinforcing ongoing initiatives, and expanding their scope within FDJ and its subsidiaries, thus making an effective contribution to the control of risks and the improvement of FDJ Group performance.

4.2.4. Supervision

The risk management and internal control system is supervised, firstly, by the Board of Directors, particularly through its Audit Committee, which ensures that it is relevant and suited to the aims of the FDJ Group.

The Executive Management Board also supervises the system through regular reviews of the Group's activities, including key performance indicators, a review of major projects and a minimum four meetings a year in Risk Committee structure.

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

4.2.5. Reporting on the main risks and associated risk control procedures

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

4.2.5.1. Specific risks

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

- ◆ counterparty risk relating to game operation;
- ◆ risk of error or fraud in games;
- ◆ risk of a major IT systems incident connected with player stakes.

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

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

Counterparty risk relating to game operation

The operation of lottery games and of sports betting in points of sale is entrusted to FDJ pursuant to two separate decrees.

Furthermore, the ruling of 30 April 2012 on FDJ's commercial offering sets out the terms under which the Group conducts its business. In particular it provides that before 31 October each year, FDJ must submit a gaming programme for the following year for the approval of the French Budget Minister.

In addition to the gaming programme which is approved each year by the French Budget Minister for the following year, in particular when launching certain games, FDJ submits to the French government information about the launch and operating conditions of each of its games throughout the year.

Before being launched, each game undergoes a legal analysis on compliance with gaming regulations in particular. All of the rules for games are available at www.fdj.fr and the rules for each game and bet under exclusive rights are published in the Journal Officiel (France's official gazette). The rules of the game represent a contract between the player and the company and, in accordance with the decrees applicable to

activities under exclusive rights, the rules define the technical characteristics of the game, the conditions of entry, the stakes and jackpots, the technical procedures for the calculation and payout of prizes or jackpots, the payment methods and the time limit for claiming prizes.

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

Counterparty risks result from the differences between the theoretical share of stakes set aside for winners and the total amount of prizes actually distributed. They are covered by a two-tier system comprising counterparty funds specific to each game, and the permanent fund, whose principles of operation are defined by two decrees.

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 the fight against money laundering, criminal activities and fraud, lead it to continuously strengthen its mechanisms for detecting and handling irregularities in its gaming operations and distribution networks (points of sale and digital).

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

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

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

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

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

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

In 2016, more than 31,000 inspections were conducted within the sales network by network inspectors. The nature of these inspections is either random or targeted. Their objective is to ensure points of sale compliance with behavioural, commercial, contractual and regulatory criteria.

Furthermore, in 2016 the supervision of digital and point-of-sale sports betting activities was consolidated in a dedicated entity due to the specific features of sports betting and odds.

Draw error or fraud

When televised, draws are conducted in close cooperation between FDJ and La Française d'Images, under the supervision of the Security Department. Draws take place under the supervision of a court officer, who certifies the results. The most frequent draws are subject to specific controls. The results are announced, after verification, using dedicated tools.

Error or fraud related to the payment of winnings

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

Major IT systems incident connected with player stakes

This section deals with the risk of a major incident affecting the ability of IT systems to collect or process stakes, and its impact in terms of loss of revenue, reputational damage and impairment of player confidence.

Information systems

Information systems are central to FDJ's business. Subject to strict operating procedures, they facilitate management of all games offered by FDJ. They are managed by the Technology, Development and International division. The Security Department is also responsible for the proper implementation of FDJ's security principles, mainly through the use of state-of-the-art and specialist systems.

Information security

Security and integrity are major concerns for FDJ, which is subject to the obligations of the French Monetary and Financial Code concerning the fight against money laundering and the financing of terrorism, and those of the gaming liberalisation and regulation law of 12 May 2010.

At the end of 2008, FDJ obtained certification under the rules of the World Lottery Association (WLA), known as the "WLA Security Control Standard: 2006" requiring:

- ◆ the implementation of a Management and Information Security Systems (MISS) defined by the international standard ISO 27001;
- ◆ compliance with 72 industry control measures specific to the gaming sector;
- ◆ compliance with the specific criteria of the partner lotteries of the Euro Millions game.

Through its ISO 27001 certification, FDJ agreed to the requirement to maintain an ongoing improvement process, thus ensuring the security and integrity of Management and Information Security Systems (MISS).

In 2014, FDJ was awarded full recertification under both WLA SCS: 2012 and ISO 27001: 2013 for all its activities.

4.2.5.2. Generic risks

Like all businesses, La Française des Jeux must face a number of "generic" risks, irrespective of the specific features of its business activities.

Effectiveness of governance

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 the Performance Management Department in order to provide management with continual updates based on the month-end closing and on information fed back by departments. These reports allow the achievement of targets established for the budget, in the roadmap of projects, and performance indicators to be regularly monitored.

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

Monitoring of subsidiaries

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

Subsidiaries report back each quarter in order to provide management with continual oversight over the activities of subsidiaries and key decisions.

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



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 La Française des Jeux produces, as part of its management accounting system, separate operating accounts for its online ParionsSport activity.

General information

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

◆ Financial closing procedure

A closing report is produced each year. It indicates the dates of key deadlines and identifies any legislative 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 unit prepares the interim consolidated financial statements. The account closing date of La Française des Jeux and of the Group is on 31 December of each year.

◆ Procedures for management and processing of off-balance sheet commitments

The procedures provide for systematic updating of off-balance sheet commitments when a new contract, agreement or other significant transaction to be declared is signed. FDJ updates its off-balance-sheet commitments each year.

Preparation of periodic financial statements

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

Consolidation procedures

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

4.3. Conclusions



While no control system can offer an absolute guarantee, the collegiate operation of FDJ, with its Board of Directors, Audit Committee, Nominations and Remuneration Committee, Sustainable Development Committee, Strategy Committee and Executive Management bodies, in addition to the Chairmen of the subsidiaries, internal and external supervisory bodies, and actions carried out or in progress, such as those described in this report, demonstrate FDJ Group's commitment to implementing an effective system of internal control, designed to be continuously improved.

Furthermore, FDJ Group has undertaken global progress and performance initiatives, notably to optimise the synergies between its lines of defence, i.e. ethics, risk management,

internal control and quality, and internal audit. The governance, risk and compliance approach, which is being implemented on a gradual basis, is a mechanism for continuous improvement which aims to fortify the identification of the main risks concerning Group strategy, and to strengthen the links between risk management, internal control and quality, in line with the Group's multi-year internal audit plan.

FDJ Group is committed to implementing an ever stronger internal control evaluation system in the future and to making any improvements that might be deemed necessary, in line with its continuous improvement approach.

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