Financial and extra-financial report 2019

This annual financial report includes the consolidated and parent company financial statements approved by the Board of Directors on 12 February 2020 and the report on corporate governance approved by the Board of Directors on 19 March 2020. This information does not take into account the changes made by the Board of Directors on 20 April 2020. Prompted by the uncertainties arising from the Covid-19 epidemic, these changes concern the long-term variable compensation of executive corporate officers for 2020 and the reduction in the amount of the proposed dividend. This updated information is contained in the universal registration document registered by the AMF under number R.20-005 on 29 April 2020.

CONTENT

Person responsible

I certify, to the best of my knowledge that the Statutory and Consolidated Financial Statements of the Company have been prepared in accordance with applicable accounting standards and give a fair view of the assets, liabilities, financial position and results of the Company and all of the entities included in the consolidation, and that the management report (rapport de gestion) of the Board of Directors as referred on chapter 2 of this document presents a fair view of the development and performance of the business and financial position of the Company and all of the entities included in the consolidation and describes the main risks and uncertainties they are exposed to.

Ms. Stéphane Pallez,
Chairwomand and Chief Executive Officer

This is a free English translation of the original report that was prepared in French. The original French version is the only legally binding version. All possible care has been taken to ensure that the translation is an accurate presentation of the original. However, in matters of interpretation, the original French-language report takes precedence over the translation.

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2019 report on corporate governance

In accordance with the law, particularly article L.225-37 of the French Commercial Code, below are reported the principles of corporate governance enacted by the Company, specifically the conditions for preparing and organising the work of the Board of Directors and shareholders.

This report[1] has been drafted in accordance with the regulations in force, the Code of Corporate Governance for Listed Companies published by the Association Française des Entreprises Privées (AFEP) and the Mouvement des Entreprises de France (MEDEF), updated in January 2020 (the "Afep-MEDEF Code") and the recommendations of the French Financial Markets Authority ("AMF").

The contents of this report were approved by the Company's Governance, Nominations and Remuneration Committee on 19 March 2020 and approved by the Company's Board of Directors on 19 March 2020.

Frame of reference

Chosen frame of reference:

For the purposes of drafting this report, the Board of Directors has decided to refer to the recommendations of the Afep-MEDEF Code, which can be read at the following website: http://www.medef.com.

The Company complies with all recommendations of the Afep-MEDEF Code, except for the following points:

Article of the Afep-MEDEF Code	Afep-MEDEF Recommendations	Company practice	Explanations
Article 8.3[2]	Half of the Board members in companies with dispersed capital with no controlling shareholders should be independent. In controlled companies, at least one-third of Board members must be independent. Directors representing employee shareholders and directors representing employees are not counted when determining these percentages.	Five of the 11 members of the Board of Directors are currently independent, or 45.4% when calculated for these purposes (excluding directors representing employees and employee shareholders).	At the Annual Ordinary General Meeting of Shareholders on 18 June 2020, the appointment of a new Board member and a director representing employee shareholders will be proposed. In accordance with the Board deliberations held on 12 March 2020 regarding the recommendations of the Governance, Nominations and Remuneration Committee, the new member will be independent. With six independent members out of 12 counted for these purposes, half of the Board members will be independent at the conclusion of the Ordinary General Meeting of Shareholders on 18 June 2020.
Article 24.3.3[3]	Regarding the award of performance shares and options, it is recommended to avoid concentrating too large an award among the executive corporate directors. Boards will be responsible, depending on each company's own situation (size, business sector, varying scope of award, number of executives, etc.) for defining the maximum share of performance shares and options that may be awarded to executive corporate directors relative to the total amount approved by the shareholders. The resolution authorising the award plan put to a vote at the General Meeting of Shareholders must mention this maximum percentage in the form of an award limit for the executive corporate directors.	Resolutions 24 and 25 of the Company's General Meeting of Shareholders held on 4 November 2019 on awarding those options does not mention the maximum percentage in the form of an award limit for the executive corporate directors.	These resolutions were adopted before the Company's initial public offering, at a time when the incentive plan for executives had not been determined.

(1) This report was prepared by the Group's Legal Department, based on contributions from multiple departments, particularly the Company's Finance Department and its Employee Experience and Transformation Department.

(2) Article 9.3 of the Afep-MEDEF Code as amended on 30 January 2020.

(3) Article 25.3.3 of the Afep-MEDEF Code as amended on 30 January 2020.

1.1

INFORMATION ABOUT CORPORATE DIRECTORS AND THEIR REMUNERATIONS

1.1.1 Composition and operation of the administration and management bodies

The Company is managed under the responsibility of Ms. Stéphane Pallez in her capacity as Chairwoman and Chief Executive Officer (CEO).

Based on her proposal, the Board of Directors has appointed Mr. Charles Lantieri to be Deputy Chief Executive Officer.

1.1.1.1 Executive Management

Composition

The executive management of the Company is the responsibility of the Chairwoman of the Board of Directors (Ms. Stéphane Pallez), as the consolidation of the duties of Chairwoman of the Board of Directors and CEO was confirmed at the Board meeting of 5 June 2019, and a Deputy Chief Executive Officer (Mr. Charles Lantieri) was appointed to assist her in her duties.

The Chairwoman and CEO and the Deputy Chief Executive Officer are assisted by two management bodies:

- Executive Committee, which manages the business and oversees proper pursuit of the strategy. It comprises the following persons:
  - Stéphane Pallez, Chairwoman and CEO,
  - Charles Lantieri, Deputy Chief Executive Officer of FDJ and Chairman of FDP and FDJ Corporate Foundation,
  - Patrick Buffard, Executive Vice-President, Offline Distribution, Sport Business Unit, Media, TV Prod and Events,
  - Pascal Chaffard, Executive Vice-President, Finance, Performance and Strategy,
  - Xavier Etienne, Executive Vice-President, Technology and International,
  - Cécile Lagé, Executive Vice-President, Lottery Business Unit, Entertainment Acceleration Business Unit and Customers Department.

  In addition to the members listed above, the Executive Committee also has three permanent guest members. They are:
  - Raphaële Rabatel, Director in charge of Communication and CSR,
  - Raphaël Botbol, Director responsible for Strategy, Innovation and M&A, as well as the Payment and Services Acceleration Business Unit,
  - Nadia Faure, Executive Committee Secretary, Chief of Staff to the Chairwoman and CEO;
- a Group Management Committee, which shares operational and financial priorities and steers corporate functions as well as their coordination with Business Units. In addition to members of the Executive Committee, it comprises the following persons:
  - Pierre-Marie Argouarc'h, Director responsible for Employee Experience and Transformation,
  - Valérie Berche, Director responsible for Audit, Risks, Control, Quality and Ethics,
  - Raphaël Botbol, Director responsible for Strategy, Innovation and M&A, as well as for Payment and Services Acceleration Business Unit,
  - Richard Courtois, Director responsible for Sports Betting Business Unit,
  - Marion Hugé, Director responsible for Regulation and Public Affairs,
  - Philippe Lemaire, Director responsible for Safety,
  - Sophie Metras, Clients Director,
  - Elisabeth Monégier du Sorbier, Director in charge of Legal,
  - Yovan Obrenovitch, Director in charge of Information Systems,
  - Vincent Perrotin, Director in charge of CSR Group,
  - Raphaële Rabatel, Director in charge of Communication and CSR.

Information about the Chairwoman and CEO and Deputy Chief Executive Officer

Ms. Stéphane Pallez – Profile

Stéphane Pallez has been Chairwoman and CEO of FDJ since November 2014; she was re-appointed in June 2019. In her first term of office, she successfully completed a new phase in the Company's development, combining growth with digital transformation. She comforted the territorial anchoring of FDJ, France's leading local distribution network, while stepping up the Group's international growth by creating FDJ Gaming Solutions. In 2019, she led the Company's privatisation through an initial public offering.

Stéphane Pallez was previously Chairwoman and CEO of the CCR reinsurance group from 2011 to 2014. From 2004 to 2011, she was deputy Chief Financial Officer at France Télécom-Orange telecommunications Group. From 1984 to 2004, Stéphane Pallez has held various positions in the executive management of the Treasury at the Ministry in charge of the Economy and Finance. She was successively responsible for the Insurance subdirectorate from 1995, a portfolio of French State investments between 1998 and 2000, then Head of the European and International Affairs Department between 2000 and 2004. During this period, she was also Alternate Executive Director for the World Bank in Washington from 1988 to 1990, and technical advisor to the Ministers in charge of the Economy and Finance Pierre Bérégovoy and Michel Sapin, responsible for industrial matters, from 1991 to 1993.

Stéphane Pallez is a Member of the Board of Directors of several French companies including CNP Assurances (she chairs the Audit Committee) and Eurazeo.

Born in 1959, she is a graduate of the Institut d'Etudes Politiques (IEP) in Paris and of the Ecole Nationale d'Administration (ENA – Louise Michel cohort).

Mr. Charles Lantieri – Profile

Charles Lantieri has been Deputy Chief Executive Officer of FDJ since 2006. He is also Chairman of FDP, a subsidiary which distributes lottery and betting games in mainland France, and of the FDJ Corporate Foundation.

Charles Lantieri joined FDJ while working deputy Budget Director at the Ministry in charge of the Economy and Finance, where he spent the first part of his career. He performed a range of functions at the Ministry, steering budgetary policy, preparing and implementing finance laws, as well as conducting public management reforms. He began his career at Insee, where he conducted macroeconomic modelling studies and medium-term forecasts.

Charles Lantieri has also served as director of several companies (Gaz de France, France Télévision, La Poste, Agence France Presse, etc.) and of institutions such as Institut Pasteur and Ecole Polytechnique.

Born in 1961, Charles Lantieri is a graduate of Ecole Polytechnique and the ENSAE.

Terms of office

Ms. Stéphane PALLEZ

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Chairwoman and CEO of FDJ Group

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- Member of the supervisory Board, the Audit Committee and CSR Committee of Eurazeo
- Member of the Board and Chairwoman of the Audit and Risk Committee of CNP Assurances

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Member of the Board of Engie until 18 May 2018

Mr. Charles LANTIERI

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Deputy Chief Executive Officer of FDJ
- Chairman of the FDJ Corporate Foundation
- Chairman of FDP (a subsidiary of FDJ)
- Permanent representative of FDJ on the Board of Directors of La Pacifique des Jeux (a subsidiary of FDJ)
- Permanent representative of FDJ on the Board of Directors of FDJ Gaming Solutions (a subsidiary of FDJ)

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

None

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

None

Appointment and cessation of duties

Ms. Stéphane Pallez

In accordance with article 19 of Ordinance 2014-948 of 20 August 2014, on 5 June 2019 the Board of Directors proposed Ms. Pallez to the President of France as a candidate for Chairwoman and CEO of the Company.

She was reappointed to those duties by decree of the President of France on 9 September 2019 for a period of five years following her appointment.

Since the Company's initial public offering on 21 November 2019, the rules of appointment and withdrawal set out in the French Commercial Code have applied to the Chairwoman and CEO. However, it should be noted that article 20 of Ordinance 2019-1015 of 2 October 2019 requires that she cannot take office until the Ministers of the Economy and of the Budget have granted prior license, after consulting the French gaming regulatory authority (ANJ). Furthermore, that same article states that this license can be withdrawn by order of the Ministers of the Economy and of the Budget, after consulting the French gaming regulatory authority (ANJ); such withdrawal shall by operation of law cause the Chairwoman and CEO's duties to cease.

Mr. Charles Lantieri

As proposed by the Chairwoman and CEO, on 5 June 2019, the Company's Board of Directors reappointed the Deputy Chief Executive Officer, Mr. Charles Lantieri, with the same duties and assignments set by the Board of Directors at its 6 July 2006 and 2 July 2014 meetings.

The rules for appointment and withdrawal set out in the French Commercial Code apply to the Deputy Chief Executive Officer. However, it should be noted that article 20 of Ordinance 2019-1015 of 2 October 2019 requires that he cannot take office until the Ministers of the Economy and of the Budget have granted prior license, after consulting the French gaming regulatory authority (ANJ). Furthermore, that same article states that this license can be withdrawn by order of the Ministers of the Economy and of the Budget, after consulting the French gaming regulatory authority (ANJ); such withdrawal shall by operation of law cause the Deputy Chief Executive Officer's duties to cease.

1.1.1.2 Board of Directors

Composition

The company is administered by a Board of Directors with at most eighteen members, including:

- a representative of the French State, appointed in compliance with article 4 of Ordinance 2019-1015 of 2 October 2019;
- if applicable, members of the Board appointed by the General Meeting of Shareholders on the proposal of the French State, in compliance with article 6 of Ordinance 2019-1015 of 2 October 2019;
- members of the Board appointed by the General Meeting of Shareholders, including a proportion of independent members in compliance with Afep-MEDEF Code recommendations;
- two directors representing the employees of the Company and of its subsidiaries, whether direct or indirect (in compliance with law), having registered office on the French territory, appointed under conditions stated in article L.225-27-1 of the French Commercial Code;
- one director representing employee shareholders, appointed under article L.225-23 of the French Commercial Code.

Furthermore, and in accordance with article 19 of Ordinance 2019-1015 of 2 October 2019, the Minister of the Budget appoints a Government Commissioner to the Company. This person ensures that the Company's operations comply with the goals mentioned in article L.320-3 of the French Code of Domestic Security. To that end, he may make arrangements to receive any form of information and have any verifications carried out as necessary for the accomplishment of his mission.

The Government Commissioner sits on the Board of Directors in an advisory capacity. He also sits on the committees and commissions set up by the Board of Directors. He may request the inclusion of any matter on the agenda of an ordinary meeting of those bodies and shall be the intended recipient of their deliberations. He may oppose a deliberation of the Board of Directors based on the objectives defined by article L.320-3 of the French Code of Domestic Security under conditions set by decree of the Council of State. He may also oppose deliberations relating to the estimates of the Company's revenue and operating or capital expenses.

The Government Commissioner informs the French gaming regulatory authority (ANJ) of any failure on the part of FDJ to comply with the obligations imposed on it that fall within the competence of that authority;

In accordance with article 13.3 of the Articles of Association, the Board may, based on a proposal from its Chairwoman, appoint between one and three non-voting members (censeurs), who may be artificial or natural persons, for a one-year renewable term. The Board of Directors may decide to allocate some of its members' remuneration budget to remuneration for non-voting members. The non-voting members sit on the Board with no vote in deliberations.

As of 31 December 2019, the following 13 individuals were members of the Company's Board of Directors:

	Identity
Members of the Board appointed by the General Meeting of Shareholders	◆ Ms. Stéphane Pallez (Chairwoman and CEO) ◆ L'Union des Blessés de la Face (UBFT) (association incorporated under 1901 law), represented by Mr. Olivier Roussel ◆ Fédération Nationale André Maginot des Anciens Combattants (FNAM), represented by Mr. Henri Lacaille ◆ Ms. Marie-Ange Debon ◆ Ms. Fabienne Dulac ◆ Mr. Xavier Girre ◆ Ms. Corinne Lejbowicz ◆ Mr. Pierre Pringuet
Representative of the French State	◆ Mr. Emmanuel Bossière
Members of the Board appointed by the General Meeting of Shareholders on the proposal of the French State	◆ Ms. Ghislaine Doukhan ◆ Mr. Didier Trutt
Directors representing employees	◆ Ms. Agnes Lyon-Caen ◆ Mr. Philippe Pirani

Also attending the meetings of the Company's Board of Directors in an advisory capacity only are the representative of the Economic and Labour Relations Council and the General Economic and Financial Controller. The Government Commissioner also sits on the Board of Directors in an advisory capacity (see 1.1.2 below).

Independent members

In accordance with the Board deliberations held on 4 November 2019, as of 31 December 2019, five of the 11 members of the Board of Directors are independent, or 45.4% of the members counted for these purposes (excluding directors representing employees and employee shareholders). At the next annual General Meeting of Shareholders, a proposal will be made to appoint one new member.

In accordance with the Board deliberations held on 12 March 2020 regarding the recommendations of the Governance, Nominations and Remuneration Committee, that member will be independent. With 6 independent members out of 12 counted for these purposes, (excluding directors representing employees and employee shareholders) half of the Board members will be independent.

Below is the analysis of the independence from the Company of each member appointed by the General Meeting of Shareholders, other than members appointed on a proposal by the Government (who are not considered independent given the Government's stake in the Company's capital and the control that the Government exercises over the Company as per Ordinance 2019-1015 of 2 October 2019 which reformed the regulation of gambling), in light of the criteria set out by the Afep-MEDEF Code.

Criteria[(1)]	Ms. Pallez	Mr. Roussel, Permanent representative of UBFT	Mr. Lacaille, permanent representative of FNAM	Ms. Debon	Ms. Dulac*	Mr. Girre**	Ms. Lejbowicz	Mr. Pringuet
Criterion 1: Employee corporate director over the previous five years	X	√	√	√	√	√	√	√
Criterion 2: Cross-directorships	√	√	√	√	√	√	√	√
Criterion 3: Significant business relationships	√	√	√	√	√*	√	√	√
Criterion 4: Family connection	√	√	√	√	√	√	√	√
Criterion 5: Statutory Auditors	√	√	√	√	√	√	√	√
Criterion 6: Term of office in excess of 12 years	√	X	X	√	√	√	√	√
Criterion 7: Status of non-executive corporate director	√	√	√	√	√	√	√	√
Criterion 8: Status of significant shareholder	√	√	√	√	√	√**	√	√

(1) In this table, √ denotes an independence criterion that has been met and X denotes an independence criterion that has not been met

* *Ms. Fabienne Dulac works as Executive Director at Orange France and as Deputy General Director of Orange. These positions do not preclude the 3rd criterion, relating to significant business relationships, from being fulfilled. The Group has non-significant business relationships with Orange and enters into contracts with Orange Business Services, the only service provider capable to operate a network of 30,000 points of sale, taking into account the requirements in terms of quality and consistency of services throughout the entire points of sale network.*

** *With respect to Mr. Xavier Girre, who was appointed as Member of the Board of Directors after the Company's initial public offering, neither the fact that he used to be appointed by the General Meeting of Shareholders upon proposal for the French State, nor his position (Executive Director for the Group in charge of the Finance Department of EDF group) preclude his qualification as Independent Member of the Board.*

Diversity policy applied within the Board of Directors

Before 21 November 2019, the Company was not subject to the Afep-MEDEF Code, but rather to the Ordinance of 20 August 2014 and ordinary corporate law. Six members had been proposed by the Government, five had been elected by employees, and three had been named by the General Meeting of Shareholders, including two representatives of historical shareholders representing military veterans and the Chairwoman and CEO. With respect to the balanced representation of women and men within the Board of Directors, the ratio was four women to six men (excluding directors representing employees and employee shareholders).

Since 21 November 2019 and the inauguration of the new Board members, the Company's Board of Directors contains five women and six men (excluding directors representing employees and employee shareholders), or 45% women and 55% men among Board members.

The members appointed in the General Meeting of Shareholders are between the ages of 51 and 84, and on average 61.

The recruitment of Board members took into account a diverse range of professional experience and complementary profiles. At present, the Board of Directors has no members of foreign nationality.

Results of inclusiveness in the 10% of highest-responsibility positions.

In accordance with article L.225-37-4 6° of the French Commercial Code, the Company must disclose its results for inclusiveness in the 10% of highest-responsibility positions.

The Group is convinced that diversity within its teams is essential to innovation, engagement and performance. To attract talent from a wide range of backgrounds and secure the loyalty of these employees, the Group's entities are developing tools and programmes to promote gender equality, generational diversity and the inclusion of people with disabilities.

In 2017, FDJ renewed its Diversity certification (from AFNOR, the French national organisation for standardisation) and for the first time was awarded the Workplace Gender Equality label (also from AFNOR, the French national organisation for standardisation), evidencing the Company's commitment to promoting diversity and preventing all forms of discrimination.

FDJ ensures that promotions are offered based on contributions and competence; it is working to break down gender stereotypes and to respect work/life balance and supports the Group's women's network "À elles de jouer", which was created by employees in 2017 to help develop leadership and the place of women within the Group:

In 2015, women represented 34% of the Company's managers and 44% of its staff. In 2019, they represented 41% of the Company's managers and 43% of its staff. The aim is to achieve as soon as possible the same percentage of women in management as in the Company as a whole and to eventually achieve full parity.

Likewise, since 2016, the rate at which women have been promoted has remained higher than the rate for men within the Group. In 2019, 15% of women were promoted, compared to 10.5% of men.

Diversity in managerial positions remains a goal of the Company in its governance, as women accounted for 41% of Group Management Committee (CDG) members in 2019.

In addition to the career path measures being taken, the gender pay gap has been under review for several years and initiatives have been introduced, bringing it down from 9.75% in 2016 to 5.82% in 2019. This has been achieved by increasing the proportion of women in the most senior roles and, constantly paying attention to wage equality at recruitment and during annual wage reviews.

Law No. 2018-771 of 5 September 2018 on freedom in career choices and the implementing decree No. 2019-15 of 8 January 2019 created a gender equality index with an obligation to score at least 75 points out of 100 as of 2019. In its first year of application, in 2018, FDJ scored 84 out of 100. In 2019, its score was 99 out of 100.

This index includes a special grade on the proportion of women among the highest wage-earners. That proportion is 4 in 10, thereby earning the highest score of 10 out of 10.

Overview of members

The profile, experience and expertise of each director is provided below.

Members of the Board appointed by the General Meeting of Shareholders:

Ms. Stéphane PALLEZ

Age and nationality:
60 years old, French national

First appointment:
21 October 2014

Expiry of term of office:
2024
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2023)

Shares held*:
117 shares

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Ms. Pallez was a member of the Strategic Committee. Since 21 November 2019, Ms. Pallez has chaired the Company's strategy seminar, which is held at least once a year.

Summary of main fields of expertise and experience:

Chairwoman and CEO of FDJ
(see section 1.1.1. "Executive Management")

Main activities outside the Company:

n/a

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Chairwoman and CEO of FDJ

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- Member of the Supervisory Board, the Audit Committee and CSR Committee of Eurazeo
- Member of the Board and Chairwoman of the Audit and Risk Committee of CNP Assurances

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Member of the Board of Engie until 18 May 2018

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Mr. Olivier ROUSSEL

Permanent representative of l'Union des Blessés de la Face et de la Tête (UBFT) (association incorporated under 1901 law)

Age and nationality:
58 years old, French national

First appointment:
UBFT has been a Member of the Board since 1980; Mr. Roussel has been a Member of the Board since 2002

Expiry of term of office:
2024
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2023)

Shares held*:
18,727,390 shares held by UBFT

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Mr. Roussel was a member of the Remuneration Committee, Sustainable Development Committee and Strategic Committee. Since 21 November 2019, he has been a member of the CSR and Responsible Gaming Committee.

Summary of main fields of expertise and experience:

Knowledge of the war veterans' milieu: social actions and duty to remember

Medical sponsorship

Knowledge of the history of development of National Lottery, then of Loto®

Main activities outside the Company:

General Director of UBFT

General Secretary of la Fondation des Gueules Cassées

Chief Executive of CYP SAS and member of its strategic committee, operating the "Résidence Colonel Picot" retirement home

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Permanent representative of UBFT, Board member of FDJ

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

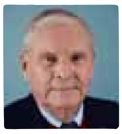
- Member of the Board at Association Lino Ventura
- Member of the Board at Association Pas Saint-Maurice

(see "Main activities outside the Company" above)

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

n/a

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*



Mr. Henri LACAILLE

Permanent representative of Fédération Nationale André Maginot des Anciens Combattants et Victimes de la Guerre (FNAM)

Age and nationality:
83 years old, French national

First appointment:
FNAM has been a Member of the Board since 1980, represented by Mr. Lacaille since 2006, Chairman of FNAM since 2014

Expiry of term of office:
2024
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2023)

Shares held*:
8,139,300 shares held by FNAM

Involvement in Board committees:

M. Lacaille does not sit on any committee of the Board of Directors.

Summary of main fields of expertise and experience:

n/a

Main activities outside the Company:

President of FNAM

First Vice-President of Office National des Anciens Combattants

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Permanent representative of Fédération Nationale André Maginot des Anciens Combattants, Member of the Board of FDJ

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- President of FNAM since September 2014

(see "Main activities outside the Company" above)

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

n/a

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Ms. Marie-Ange DEBON

Age and nationality:
54 years old, French national

First appointment:
4 November 2019
(effective 21 November 2019)

Expiry of term of office:
2023
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2022)

Shares held*:
502 shares

Involvement in Board committees:

Since 21 November 2019, Ms. Debon has been Chairwoman of the CSR and Responsible Gaming Committee. As Chairwoman of the CSR and Responsible Gaming Committee, she sits on the Governance, Nominations and Remuneration Committee.

Summary of main fields of expertise and experience:

Ms. Debon holds a Master's degree in law and graduated from HEC and from ENA. She worked as auditor, then as a conseiller référendaire at the Cour des Comptes from 1990 to 1994. From 1994 to 1998, she was Deputy General Director in charge of resources (finance, legal, production means) at France 3. She joined the group Thomson (which became Technicolor) in 1998 as Deputy Finance Director then, from 2003 to 2008, worked as Corporate Secretary – member of the management committee. From 2008 to 2013, she worked as Corporate Secretary of Suez then, from 2013 to 2018, as General Director of international division. From 2007 to 2018, in parallel with her other duties, Ms. Debon was Associate Director and member of the Western Europe and Latin America Leadership Team at Boston Consulting Group. Until 31 December 2019, she held positions as General Director for France, Italy and Central and Eastern Europe at Suez.

Main activities outside the Company:

Chief Executive for France, Italy, and Eastern and Central Europe at Suez until 31 December 2019.

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ independent Board member

Offices and functions in companies outside the Group:

(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- Technip FMC (since 2010): Member of the Board, Chairwoman of the Audit Committee since 2017
- Arkema: Member of the Board and Chairwoman of the Audit Committee since 2018
- Vice-President of MEDEF International (President of groups France-Morocco and France – Azerbaijan)
- Medical entities Jeanne Garnier: Member of the Board
- Lydec, a company listed in Morocco (Suez group)

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- General Director for France, Italy, Central and Eastern Europe and member of the Executive Committee of Suez until 31 December 2019
- GRDF (Engie group): Member of the Board between 2013 and 2017
- Groupama: Member of the Board between 2012 and 2017
- Member of the college of the French Financial Markets Authority from 2008 to 2013
- MEDEF International: Chairman of the Corporate law Commission from 2009 to 2013

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Ms. Fabienne DULAC

Age and nationality:
52 years old; French national

First appointment:
4 November 2019
(effective 21 November 2019)

Expiry of term of office:
2023
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2022)

Shares held*:

Involvement in Board committees:

Since 21 November 2019, Ms. Dulac has been a member of the CSR and Responsible Gaming Committee.

Summary of main fields of expertise and experience:

Ms. Dulac holds a Master's in political sociology from the Paris Institute of Political Sciences and is a graduate from the Stanford Executive Programme. Between 1993 and 1997, she oversaw communication and marketing at VTCOM. In 1997, she joined France Telecom in the newly created Multimedia division, then extended her responsibilities to oversee all of France Telecom's multimedia activities within its subsidiaries such as Wanadoo, Voila and Mappy. From 1997 to 1999, she was head of communications and the multimedia division of France Telecom. In 2003, she worked as an officer in charge of marketing of internet market services, before becoming in 2006 Director of retail shops and online support at Orange. In 2008, Ms. Dulac became Director in charge of sales and online customer relations at Orange, then in 2011, Operational Director for the North of France until 2013, when she became Director in charge of communication for the Group. Since 2015, Ms. Dulac works as Executive Director of Orange France. She has been Deputy General Director of Orange and Chief Executive Officer of Orange France since 2018. From 2007 to 2018, in parallel with her other duties, Ms. Dulac was also Associate Director and member of the Western Europe and Latin America Leadership Team at Boston Consulting Group.

Main activities outside the Company:

Deputy General Director of Orange and Chief Executive Officer of Orange France

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ independent Board member

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- L'Oréal (since 2019): Member of the Board, Member of the Audit Committee

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

n/a

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Mr. Xavier GIRRE

Age and nationality:
50 years old, French national

First appointment:
2014

Expiry of term of office:
2022
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2021)

Shares held*:
117 shares

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Mr. Girre was Chairman of the Audit Committee and a member of the Strategic Committee. Since 21 November 2019, he has been Chairman of the Audit and Risks Committee.

Summary of main fields of expertise and experience:

Mr. Girre, a graduate from HEC (1990), holds a Master's degree in corporate law (1990), graduated from IEP Paris (1992) and is a former student of ENA (1995). He started his career at the Cour des Comptes from 1995 to 1999 as an auditor and later a conseiller référendaire. He joined the Veolia Environnement Group in 1999, serving as task officer with the Chairman of Dalkia, before becoming in turn the Audit Director of Veolia Environnement (2002-2004), Risk and Audit Director at Veolia Environnement (2004-2007), member of the Management Committee of Veolia Environnement and Executive Vice-President of Veolia Transport (2007-2011), then in 2011, Chief Financial Officer of Veolia Propreté and Managing Director of the Central Europe region. From 2011 to 2015, within the La Poste group, Mr. Girre worked as Executive Vice-President in charge of Group finances. He also served as Chairman of the Management Board of Xange Private Equity. Mr. Girre joins EDF group in 2015, where he occupies since 2016 the position of Executive Director for the group in charge of Finance Department of the group.

Main activities outside the Company:

Executive director of EDF group in charge of the Finance Department of the group

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ Board member

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- RTE: Chairman of the Supervisory Board since 2018
- CTE: Chief Executive Officer since 2017
- EDF Trading: Chairman of the Board since 2017
- Dalkia: Member of the Board and Chairman of the Audit Committee since 2016
- EDF Energy Holding: Member of the Board and Chairman of the Audit Committee since 2016
- Enedis: Member of the Supervisory Board since 2015
- EDF Renouvelables: Member of the Board since 2016
- Edison: Member of the Board since 2019

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Electricité de Strasbourg: Member of the Board until 2016
- EDF Assurances: Member of the Supervisory Board until 2016
- RATP: Member of the Board and Chairman of the Audit Committee until 2016
- NNB Holding Company: Member of the Board until 2017

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Ms. Corinne LEJBOWICZ

Age and nationality:
59 years old, French national

First appointment:
4 November 2019
(effective 21 November 2019)

Expiry of term of office:
2023
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2022)

Shares held*:

Involvement in Board committees:

Since 21 November 2019, Ms. Lejbowicz has been a member of the Audit and Risks Committee.

Summary of main fields of expertise and experience:

Ms. Lejbowicz, a graduate from ESCP Europe and of Institut d'Etudes Politiques (IEP) in Paris. She started her career in 1986 as marketing and export director at Nemo, a design furniture start-up. From 1987 to 1994, she occupied commercial functions, then works as General Director at TBWA. In 1994, she joined Infogrammes and took part in the launch of the first partnerships with content editors and e-traders. From 1996 to 1998, she became project manager of the high-speed internet access project at Numericable (Vivendi Group). In 1998, she was appointed as director in charge of strategy and new projects at the subsidiary AOL France. In 2001, she served as strategic marketing director at the Internet Department of the holding company of Vivendi group. In 2005, she joined the first independent French operator of search engines, comparators and shopping guides online: LeGuide.com. First, she served as Deputy Director, then as Chief Executive Officer and finally as Chairwoman and CEO of the Company between 2007 and 2012. From 2013 to 2015, she was Head of strategy and Board member at Minutebuzz. From 2015 to 2018, she served as general Director of PrestaShop.

Ms. Lejbowicz has also been a mentor at Moovjee, an association promoting entrepreneurship by young people, since 2011. From 2007 to 2018, in parallel with her other duties, she was also Associate Director and member of the Western Europe and Latin America Leadership Team at Boston Consulting Group.

Main activities outside the Company:

Member of the Board

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ independent Board member

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- La Poste (since 2016): Member of the Board and Member of the Strategy and Investment Committee
- Lengow (since 2013): Member of the Board
- Bird Office (since 2015): Member of the Board
- Agriconomie.com (since 2015): Member of the Board

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Minutebuzz (from 2013 to 2015): Member of the Board
- Member of the Board at Educlever
- Member of the Board at Filae
- Member of the Board at PrestaShop

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Mr. Pierre PRINGUET

Age and nationality:
69 years old, French national

First appointment:
4 November 2019
(effective 21 November 2019)

Expiry of term of office:
2023
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2022)

Shares held*:
1000 shares

Involvement in Board committees:

Since 21 November 2019, Mr. Pringuet has been a member of the Audit and Risks Committee and Chairman of the Governance, Nominations and Remuneration Committee.

Summary of main fields of expertise and experience:

Mr. Pringuet, a graduate of the Ecole Polytechnique and the Ecole des Mines. He started his career in the French civil service from 1976 to 1987, where he held various positions at the Ministry of Industry, served within ministerial cabinets with Mr. Michel Rocard (Ministry of Planning, then Ministry of Agriculture) and became Director of Agricultural and Food Industries at the Ministry of Agriculture. He joined Pernod Ricard group in 1987 as Development Director, before successively becoming CEO of SEGM, Chairman and CEO for Europe, Co-CEO, Deputy CEO and CEO (from 2000 to 2015).

Main activities outside the Company:

Member of boards of companies.

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Independent Board member at FDJ

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- Vallourec (since 2015): Vice-Chairman and Lead Member of the Supervisory Board
- Iliad (since 2007): Member of the Board
- Cap Gemini (since 2009): Member of the Board and Lead Member since 2017
- Avril gestion (since 2015): Member of the Board
- Agro Paris Tech (since 2014): Member and Chairman of the Board (until 2015 due to age limit)
- Amicale du Corps des Mines; Chairman since 2015
- MichelROCARD.org Association: Vice-Chairman since 2014 and Chairman since 2019

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Pernod Ricard: Member of the Board (from 2014 to 8 November 2019) and Vice-Chairman of the Board of Directors (from 2012 to 23 January 2019)
- Association Française des Entreprises Privées (AFEP): Chairman from 2012 to 2017

* *Article 2.1 of the Company's Rules of Procedure stipulates that: "With the exception of directors representing employees, directors representing employee shareholders, the Member of the Board representing the French State and members of the Board appointed upon proposal by the French State, each Member of the Board must own at least 500 shares. Any Member of the Board that does not own the requisite number of shares when appointed must acquire them within one year of being appointed".*

Representative of the French State

Mr. Emmanuel BOSSIERE

Age and nationality:
29 years old, French national

First appointment:
3 September 2019

Expiry of term of office:
2 February 2022
(replacement of S. Badirou-Gafari for its ongoing mandate, who was himself appointed as replacement for J. Reboul appointed on 2 February 2017)

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Mr. Bossière was a member of the Audit Committee, the Remuneration Committee, and the Strategic Committee. Since 21 November 2019, he has been a member of the Audit and Risks Committee and the Governance, Nominations and Remuneration Committee.

Summary of main fields of expertise and experience:

Finance and corporate governance

Management of large projects

Structured and international finance

Main activities outside the Company:

APE, Assistant director of investments

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ Board member (representing the Government)

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

N/A

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Member of the Board, appointed upon proposal by the French State, at Holding SP, a company jointly held by the French State and Bpifrance Participations

Members appointed based on Government proposal

Ms. Ghislaine DOUKHAN

Age and nationality:
52 years old, French national

First appointment:
2017

Expiry of term of office:
2022
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2021)

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Ms. Doukhan was a member of the Strategic Committee. Since 21 November 2019, she has been a member of the Audit and Risks Committee.

Summary of main fields of expertise and experience:

Ms. Doukhan graduated HEC in 1991. She started her career at Snecma, within the International Affairs Department (1991 to 2000), before joining the Production Department as Treasury Department Supervisor from (2000-2004), then as Director of the testing division within the Technical Department (2004-2007). She served as Director of high-power engine programmes at the civilian engines division (2007-2010), then as Director of the services and spare parts division (2010 to 2015). She joined Safran in 2015 and became director of Safran Analytics, new entity dedicated to value creation based on data.

Main activities outside the Company:

Executive Director of Safran Analytics

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ Board member

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

n/a

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

n/a

Mr. Didier TRUTT

Age and nationality:
59 years old, French national

First appointment:
2014

Expiry of term of office:
2022
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2021)

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Mr. Trutt was a member of the Remuneration Committee. Since 21 November 2019, he has been a member of the CSR and Responsible Gaming Committee.

Summary of main fields of expertise and experience:

Mr. Trutt was appointed Chief Executive Officer of IN Group (Imprimerie Nationale) in September 2009. His mandate at the head of Imprimerie Nationale has been acclaimed given his success in transforming the Company through digital transformation, return to profitability and expansion of international activities. Having graduated as engineer (Ecole National d'Ingénieurs de Saint-Etienne), Didier Trutt joins Thomson group in 1984, within which he spent a significant amount of time working abroad, particularly in Asia. He is one of the key actors in the transformation of the Company from analogue to digital technology.

Main activities outside the Company:

Chairman and Chief Executive Officer of IN Group (formerly Imprimerie Nationale S.A.)

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- FDJ Board member

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

- Independent Board member, Chairman of the Board of Directors and CEO of the Strategic Committee – Imprimerie Nationale S.A. since 2009
- Member of the Board representing the French State, member of Economic and Strategic Commission at RATP since July 2019
- Counsel for France in exterior trade since 1992

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

- Member of the Board of the Company Keynectis from 2009 to 2014, of Nexter Group from 2011 to 2014 and of Centre Technique du papier (CPT) from 2012 to 2015

Directors representing employees

Ms. Agnès LYON-CAEN

Age and nationality:
50 years old, French national

First appointment:
12 February 2018

Expiry of term of office:
2023
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2022)

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Madame Agnès Lyon-Caen was a member of the Audit Committee. Since 19 December 2019, she has been a member of the Audit and Risks Committee and the Governance, Nominations and Remuneration Committee.

Summary of main fields of expertise and experience:

Director representing employees of FDJ

Main activities outside the Company:

n/a

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Task officer at FDJ

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

n/a

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

n/a

Mr. Philippe PIRANI

Age and nationality:
58 years old, French national

First appointment:
1999

Expiry of term of office:
2023
(General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2022)

Involvement in Board committees:

Before the Company's initial public offering on 21 November 2019, Mr. Pirani was a member of the Audit Committee and the Sustainable Development Committee. Since 19 December 2019, he has been a member of the CSR and Responsible Gaming Committee.

Summary of main fields of expertise and experience:

IT for the points of sale Employee saving plans

Main activities outside the Company:

n/a

ONGOING TERMS OF OFFICE:

Offices and functions in Group companies

- Officer in charge of qualification integration at FDJ
- Director representing employees of FDJ

Offices and functions in companies outside the Group:
(French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

n/a

TERMS OF OFFICE THAT HAVE EXPIRED OVER THE PAST FIVE YEARS

n/a

Members in office until 13 December 2019

Ms. Claire BAPTISTE (VIDEAU)

Age and nationality: **38 years old, French national** **First appointment:** **2014** **Expiry of term of office:** **13 December 2019**	**Involvement in Board committees:** Before the Company's initial public offering on 21 November 2019, Ms. Videau was a member of the Remuneration Committee. ONGOING TERMS OF OFFICE: **Offices and functions in Group companies** ◆ Director representing employees of FDJ until 13 December 2019 ◆ Management controller at FDJ

Mr. Michel DURAND

Age and nationality: **60 years old, French national** **First appointment:** **2009** **Expiry of term of office:** **13 December 2019**	**Involvement in Board committees:** Before the Company's initial public offering on 21 November 2019, Mr. Durand was a member of the Strategic Committee. ONGOING TERMS OF OFFICE: **Offices and functions in Group companies** ◆ Director representing employees until 13 December 2019 ◆ Systems Engineer at FDJ

Mr. Xavier LEHONGRE

Age and nationality: **45 years old, French national** **First appointment:** **2017** **Expiry of term of office:** **13 December 2019**	**Involvement in Board committees:** n/a ONGOING TERMS OF OFFICE: **Offices and functions in Group companies** ◆ Director representing employees until 13 December 2019 ◆ Officer in charge of Information Systems and Operations

Government Representative in office until 3 September 2019

Mr. Schwan BADIROU-GAFARI

Age and nationality: **36 years old, French national**	**Involvement in Board committees:** Before the Company's initial public offering on 21 November 2019, Mr. Badirou-Gafari was a member of the Remuneration Committee, Audit Committee and Strategic Committee.
First appointment: **16 September 2017** **Expiry of term of office:** **2 February 2022** *(appointed as a replacement for J. Reboul on 2 February 2017). His term ended on 3 September 2019, after Mr. Bossière was appointed.*	ONGOING TERMS OF OFFICE: **Offices and functions in Group companies** ◆ FDJ Board member (representing the Government) until 3 September 2019

Board members in office until the Company's initial public offering on 21 November 2019

Mr. Henri SERRES

Age and nationality: **69 years old, French national**	**Involvement in Board committees:** Before the Company's initial public offering on 21 November 2019, Mr. Serres was Chairman of the Sustainable Development Committee and Remuneration Committee.
First appointment: **2 February 2017** **Expiry of term of office:** **21 November 2019**	ONGOING TERMS OF OFFICE: **Offices and functions in Group companies** ◆ Member of the Board of FDJ until 21 November 2019

Ms. Mélanie JODER

Age and nationality: **40 years old, French national**	**Involvement in Board committees:** Before the Company's initial public offering on 21 November 2019, Ms. Joder was a member of the Audit Committee.
First appointment: **2 February 2017** **Expiry of term of office:** **21 November 2019**	OFFICES AND FUNCTIONS IN GROUP COMPANIES ◆ Member of the Board of FDJ until 21 November 2019

Ms. Catherine DELMAS COMOLLI

Age and nationality: **71 years old, French national**	**Involvement in Board committees:** Before the Company's initial public offering on 21 November 2019, Ms Delmas Comolli was a member of the Sustainable Development Committee.
First appointment: **2 February 2017** **Expiry of term of office:** **21 November 2019**	ONGOING TERMS OF OFFICE: **Offices and functions in Group companies** ◆ Member of the Board of FDJ until 21 November 2019

Appointment and cessation of duties

Article 14 of the Company's Articles of Association states:

"In the event of vacation by death or resignation of one or more Board members appointed by the General Meeting of Shareholders, the Board of Directors may, between two General Meeting of Shareholders, make temporary appointments under the conditions set by the French Commercial Code, except for: (i) the Government Representative, who is appointed as per article 4 I of Ordinance 2014 and (ii) the directors representing employees and the directors representing employee shareholders, appointed in accordance with the legislative and regulatory provisions in force, as well as these Articles of Association. The Board member co-opted by the Board of Directors to replace an outgoing member remains in office only long enough to serve out the remaining term of their predecessor. Appointments made by the Board are subject to ratification at the next Ordinary General Meeting of Shareholders. If not ratified, earlier deliberations and actions by the Board are still considered valid.

If the seat of a director representing employee shareholders becomes vacant, that person's replacement will be under the conditions set out in article 13.1 a) above, with that Board member being appointed by the Ordinary General Meeting of Shareholders for a new period of four years.

If there is a vacancy in the seat of director representing employees, the vacant seat is to be filled in accordance with article L.225-34 of the French Commercial Code.

The General Meeting of Shareholders may withdraw the members it has appointed at any time."

The members of the Board of Directors are elected by the General Meeting of Shareholders, subject to special rules that apply (i) to the Government Representative, appointed in accordance with article 4 I of Ordinance 2014-948 of 20 August 2014, (ii) to director representing employees, appointed in accordance with the laws and regulations in force as well as this article, and (iii) to director representing the employee shareholders elected by the General Meeting of Shareholders based on a proposal by the employee shareholders per the applicable laws.

Specifically:

- the Government Representative is appointed by the Minister of the Economy from among active Category A or equivalent civil servants with at least five years' professional experience. That person is appointed for a period equal to the term of the members of the Board of Directors, Supervisory Board, or similar deliberative body. This Representative's duties end with resignation or if he or she loses the position whereby he or she was appointed. That person may be replaced at any time to serve out the remainder of the term;
- directors representing the employees of the Company or its direct or indirect subsidiaries are elected to their positions by the employees of the Company and its direct or indirect subsidiaries. The reasons for duties to end that are specific to this category are breach of employment contract and managed withdrawal (it is necessary to be able to prove that the person whose term is ending was at fault in the exercise of their duties; the decision can be made only by the Chairman of the Tribunal de Grande Instance at the request of a majority of all Board members);
- the director representing employee shareholders is elected by the Ordinary General Meeting of Shareholders upon a proposal by the employee shareholders. Before this happens, the employee shareholders appoint candidates at a single consultation with all employee shareholders, in case one of them loses their status as an employee of the Company. The reasons for duties to end that are specific to this category are loss of status as employee or shareholder of the Company, either individually or via a company mutual fund.

Below are the appointment and end of term dates for members of the Company's Board of Directors as at 31 December 2019:

Members of the Board	Date of (re)appointment	End of term date
Stéphane PALLEZ	First appointed in 2014 Reappointed 5 June 2019	2024 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2023)
French State, represented by Emmanuel BOSSIÈRE	3 September 2019	2 February 2022
Ghislaine DOUKHAN	2 February 2017	2022 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2021)
Didier TRUTT	2 February 2017	2022 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2021)
Xavier GIRRE	Appointed member proposed by the Government in 2014 Appointed 21 November 2019 as member by the General Meeting of Shareholders	2022 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2021)
Fabienne DULAC	21 November 2019	2023 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2022)
Pierre PRINGUET	21 November 2019	2023 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2022)
Corinne LEJBOWICZ	21 November 2019	2023 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2022)
Marie-Ange DEBON	21 November 2019	2023 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2022)
Fédération MAGINOT	First appointed in 1980 Reappointed 5 June 2019	2024 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2023)
UBFT	First appointed in 1980 Reappointed 5 June 2019	2024 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2023)
Philippe PIRANI	First appointed in 1999 Re-elected 13 December 2019	2023 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2022)
Mélanie JODER	2 February 2017	21 November 2019
Henri SERRES	2 February 2017	21 November 2019
Catherine DELMAS-COMOLLI	2 February 2017	21 November 2019
Michel DURAND	2 February 2017	13 December 2019
Xavier LEHONGRE	2 February 2017	13 December 2019
Agnès LYON-CAEN	First appointed 12 February 2018 Re-elected 13 December 2019	2023 (at the annual General Meeting of Shareholders called to approve the financial statements for the financial year ending on 31 December 2022)
Claire VIDEAU	2 February 2017	13 December 2019
French State, represented by Schwan BADIROU-GAFARI	7 September 2017	3 September 2019

1.1.1.3 Preparation and organisation of the Board of Directors' work

Powers of the Board of Directors

In accordance with the Rules of Procedure of the Board of Directors, a new version of which was adopted on 28 November 2019, the powers of the Company's Board of Directors are as follows:

- The Board of Directors is endeavoured to promote value creation by the Company over the long term by reviewing social and environmental issues related to its business.
- It determines strategic directions, reviews and decides on significant operations after examination by the Strategic Committee and the ad hoc committees, as the case may be.
- It appoints and dismisses executive corporate directors, sets their compensation, chooses the mode of organization of its governance, controls management, ensures the quality of the information provided to shareholders and to the markets, sets the annual financial statements, consolidated financial statements and prepares the management report, the consolidated management report and the forecast management documents.

In particular, the following items must be reviewed by the Board of Directors, after examination, if necessary, by the relevant committee(s):

- the annual Budget including the gaming programme and the multi-year financial plans associated with strategic directions; and
- the multi-year strategic plan.

In accordance with the Afep-MEDEF Code, the Board of Directors:

- is informed of market developments, competitive environment and main challenges faced by the Company, including in the area of social and environmental responsibility;
- regularly reviews, in connection with the strategy it has defined, the opportunities and risks such as financial, legal, operational, social and environmental risks and the measures taken as a result;
- ensures, as the case may be, the implementation of a prevention and detection system of corruption and influence peddling;
- ensures that the executive corporate directors implement non-discrimination and diversity policies, particularly in terms of balanced representation of women and men within the governing bodies;
- ensures that shareholders and investors receive relevant, balanced and educational information on the strategy, the development model, consideration of significant extra-financial issues for the Company as well as on its long-term outlook;
- ensures compliance with the provisions of the Afep-MEDEF Code when a disposal is contemplated, whether through one or several transactions, involving at least half of the Company's assets over the last two financial years; and
- subject to the powers expressly granted to shareholders' meetings and within the limits of the corporate purpose, it considers any matter concerning the proper operation of the Company and through its deliberations addresses any matters concerning the Company.

Limits on the powers of executive management

In accordance with article L.225-56 of the French Commercial Code, the Chairwoman and CEO has the broadest powers to act in all circumstances in the name of the Company. She exercises her powers within the limits of the Company's duties and subject to those powers which the law expressly grants to shareholder meetings and the Board of Directors. She represents the Company in its relations with third parties.

Article 1.2 of the Rules of Procedure of the Board of Directors sets the rules limiting the powers of the Chairwoman and CEO, defining the thresholds at which point prior authorisation by the Board of Directors is required for certain decisions. The decisions in question are as follows:

- long-term borrowing in amounts exceeding €80 million;
- direct or indirect transactions to acquire, take possession, sell, or expand ownership in any company or entity that represents financial exposure for the Company greater than €35 million (including the impact on the Group's consolidated debt and its off-balance-sheet financial commitments);
- investment or divestment, off-budget, regardless of its nature, in a unitary amount exceeding €35 million;
- any significant transaction that falls outside of the stated strategy.

Procedure for evaluating standard agreements

In accordance with article L.225-39 of the French Commercial Code and AMF recommendation DOC-2012-05, the Board of Directors' meeting on 12 March 2020 will approve an internal charter relating to the procedures for identifying regulated agreements and evaluating standard agreements. It is available on the Company's website.

The procedure that enables agreements related to ordinary, arm's length transactions to be evaluated on a regular basis to ensure they fulfil these conditions is described below:

(i) a report on the different categories of agreements considered to be ordinary and arm's length that are in effect during the financial year, drawn up by the Legal Department in consultation with the Finance Department, must be sent to the Audit Committee at least five days before the Audit Committee meeting called to approve the financial statements for the financial year. The committee reports its findings to the Board of Directors called to approve the financial statements for the financial year.

Exceptionally, for the financial year ended on 31 December 2019, this report is sent at least five days before the Audit Committee meeting that will take place before the Board of Directors' meeting called to approve the interim financial statements;

(ii) this report includes:

a. the criteria used to classify each of the categories of agreement as ordinary, arm's length transactions,

b. the criteria used to classify the financial conditions as normal, providing market comparables if applicable,

c. the categories of interested parties if this is likely to have an impact on the evaluation of the agreement as an ordinary, arm's length transaction;

(iii) if applicable, this agreement contains recommendations that amend one or more of the criteria stipulated in paragraph (ii) above.

This report is then sent, with the Audit Committee's recommendations, to the Board of Directors.

If an individual is directly or indirectly an interested party of one of the categories of agreement, that individual will not take part in the evaluation (either as part of the Audit Committee or the Board of Directors).

The Board of Directors is required to confirm that the different categories of agreement submitted to it fulfilled the conditions to be classified as ordinary, arm's length transactions on the date they were signed. It may also decide to amend the classification criteria and, if applicable, re-examine the agreements that do not or longer fulfil the necessary criteria.

Duration of terms

Taken from article 14 of the Articles of Association:

"Board members whose election becomes effective upon the transfer of the majority of the Company's capital to the private sector and Board members elected from that date on are appointed for a maximum of four years. Within that limit, the General Meeting of Shareholders may decide to appoint Board members for different durations in order to space apart the durations of their respective terms. The terms of members end upon the conclusion of the annual Ordinary General Meeting of Shareholders held in the year during which those terms expire. Members can be re-elected and are subject to the laws and regulations that apply to holding multiple offices."

Frequency of meetings (article 3.1 of the Rules of Procedure)

In accordance with article 3.1 of the Company's Rules of Procedure, the Board of Directors meets at least four times during the financial year and whenever circumstances require.

Convening members and holding meetings (article 3.1 of the Rules of Procedure)

The notice to convene sets the location of the meeting, which may be held at headquarters or any other place. It is sent by letter, fax, or email to the Board members, at least five business days prior to the meeting date.

Documents related to matters on the agenda that would enable the members to take informed positions with full knowledge of the facts on the agenda items are also sent to each member as soon as possible, and unless there is particular urgency, at least three calendar days before the meeting when those topics will be addressed.

The agenda is attached to the notice; it mentions the matters to be deliberated, and is accompanied by the draft minutes that will be submitted for the Board's approval.

Informing and educating the members of the Board of Directors

Informing the Board of Directors (article 1.3 of the Rules of Procedure)

a) The Chairwoman places on the agenda of the Board of Directors:

- at least once a year, a review of the implementation of the Company's and the Group' s strategy;
- at least once a year, a review of the Company's and the Group's cash position, liquidity situation and commitments;
- a review of the performance of the Company subsidiaries when the annual and half-year financial statements are presented;
- the reports prepared annually excluding financial statements;
- commercial policy;
- the policy implemented to prevent excessive and underage gambling and to promote reasonable gambling;
- the policy implemented to fight against fraud and money laundering and terrorist financing; and
- the human resources policy including, in particular, the compensation policy within the Group;
- monitoring adherence to the obligations placed on the Company by the specifications (cahier des charges) set by decree No. 2019-1060 of 17 October 2019 governing the application of close control by the Government over the Company. This particularly includes:
  - an obligation to offer an attractive set of games and bets aimed at diverting players from the illegal offer. FDJ must ensure that players, throughout metropolitan France and overseas territories referred to in article 73 of the Constitution, have access to all the lottery and sports betting games it is authorised to operate,
  - an obligation to carry out investigations in order to assess the concentration of gaming and the players' gaming habits,
  - an obligation to limit the share of the Company's revenue or of its stakes resulting from its most intensive gamblers, under conditions defined by the Minister of the Budget, in order to help contain the consumption of gambling,
  - an obligation to measure distributors' satisfaction,
  - an obligation to implement attention policy and measure players' satisfaction and to publish regular qualitative surveys,
  - an obligation to organise, at least once a year, meetings with all stakeholders on issues relating to the prevention of excessive gambling, prevention of underage gambling, support for people in vulnerable situations and participation of the offline distribution network in responsible gaming initiatives,
  - in addition to the authorisation of the French gaming regulatory authority (ANJ), an obligation to obtain the authorisation of the Minister in charge of the Budget for the launch of games dedicated to cultural heritage,

- an obligation to subscribe the necessary insurance policies to adequately cover counterparty risks relating to games operated by FDJ under the exclusive rights,
- an obligation to pursue FDJ's initiative to control the environmental impact of its activities relating to games operated under the exclusive rights and to limit the carbon impact of its information technologies,
- an obligation to draw up an annual report on the implementation of the cahier des charges, addressed to the Ministers in charge of the Budget and Economy, with a copy to the French gaming regulatory authority (ANJ).

The monitoring of the budget, financial situation and performance indicators is subject to reporting, which is discussed by the Board of Directors at meetings dedicated to the annual financial statements, provisional management documents and the Budget.

b) Information on a regular basis:

The Board of Directors is regularly informed, either directly or through its committees, of any significant event related to the Company's business. It may also be informed at any time, including between meetings dedicated to the review of financial statements, of any significant changes in the Company's financial and liquidity position and commitments.

In order to support their considerations, the members of the Board of Directors receive all the relevant information, including critical information concerning the Company, in particular press articles and financial analysis reports.

Conversely, the members of the Board of Directors have a duty to request any useful information they need to fulfil their mission. If a Member of the Board of Directors considers that he or she has not been put in a position to deliberate in full knowledge of the facts, he or she must inform the Board and obtain the information necessary for the performance of his or her duties.

The members of the Board of Directors may meet with the Company's main executives, including in the absence of executive corporate directors. In this case, executive corporate directors must be previously informed.

Educating the members of the Board of Directors (article 2.4 of the Rules of Procedure)

Each Board member has received additional education with respect to the unique features of the Company, its business lines, its sector of activity, and its corporate social responsibility challenges.

The members of the Audit and Risks Committee, when appointed, receive specific information about the Company's accounting, financial, and operational situation.

The directors representing employees and those representing employee shareholders receive appropriate training to carry out their duties.

Evaluation of the Board of Directors (article 4 of the Rules of Procedure)

The Board of Directors assesses its ability to meet expectations of the shareholders who have given it the mandate to administer the Company, by reviewing periodically its composition, organisation and functioning (which also implies a review of the Committees of the Board of Directors and, in particular, of the Audit and Risks Committee).

The Board of Directors shall consider the desirable balance of its composition and that of the committees it sets up and periodically examines the adequacy of its tasks, its organisation and functioning.

The evaluation has three objectives:

- review the operating procedures of the Board of Directors;
- ensure that important issues are properly prepared and discussed;
- assess the effective contribution of each Member of the Board to the work of the Board of Directors.

The evaluation shall be carried out in accordance with the following procedures:

- once a year, the Board of Directors discusses its functioning;
- a formal evaluation is carried out at least every three years. It is implemented under the direction of the Governance, Nominations and Remuneration Committee with the assistance of an external consultant and the Lead Director if one has been appointed;
- shareholders are informed annually in the corporate governance report of the performance of the evaluations and, where applicable, the follow-up given to such evaluations.

Board meetings and work

In 2019, the Board of Directors met twelve times, with an attendance rate, in-person or by telecommunication, of 89% of its members.

The Board's activity centred on the following issues:

- monitoring the group's ongoing management
  - reviewing the quarterly business reports, annual and half-year parent company and consolidated financial statements in the presence of the Statutory Auditors,
  - regularly reviewing the Group's financial situation, and more specifically the financing and outside growth strategy,
  - tracking risks and prevention mechanisms, including more deeply investigating certain risks based on the work of the Audit Committee and Sustainable Development Committee,
  - reviewing the Company documents: parent company balance sheet and management planning documents,

- Company policy with respect to professional and wage equality,
- preparing for the Annual General Meeting of Shareholders (agenda, draft resolutions, annual management report, and any other reports or sections that appear in the annual financial report which originated from or were approved by the Board);

- preparing for privatisation through the initial public offering
  - approving the convention with the Government,
  - financing the consideration for the granting of exclusive rights,
  - implementing the employee-reserved offering,
  - formation of governance after the IPO and preparing for the ad hoc General Meeting of Shareholders.

Audit and Risks Committee[1]

Composition

The Audit and Risks Committee assists the Board of Directors with the analysis of the financial statements and financial information, major risk management policy and internal control.

The members of the Audit and Risks Committee must have finance or accounting expertise.

The Audit and Risks Committee comprises at least four members of the Board. The percentage of Independent members of the Board on the Audit and Risks Committee must be at least two-thirds and the committee must not include any executive corporate director.

The appointment or reappointment of the Chairman of the Audit and Risks Committee, proposed by the Governance, Nominations and Remuneration Committee, is subject to the specific review of the Board of Directors.

At 31 December 2019, the members of the Audit and Risks Committee were as follows:

Chairman	Xavier Girre (Independent Board member)
Members	Emmanuel Bossière (Board member representing the French State)
	Ghislaine Doukhan (Board member appointed by the French State)
	Corinne Lejbowicz (Independent Board member)
	Pierre Pringuet (Independent Board member, Chairman of the Governance, Nominations and Remuneration Committee)
	Agnès Lyon-Caen (Director representing employees)

The Government Commissioner sits on the Audit and Risks Committee in an advisory capacity.

Duties and remit

In addition to its legal responsibilities, the Audit and Risks Committee carries out the following tasks:

- carry out a preliminary review of the accounting and financial documents to be submitted to the Board of Directors, including in particular the half-yearly and annual financial statements (corporate and consolidated), provisional accounts and budgets, multi-year plans, the management report and its appendices;
- monitor the financial reporting process and review the quality and reliability of the financial information produced by the Company;
- review the Company's financial communication policy and elements;
- review the relevance and consistency of accounting standards and policies and of the options for closing the accounts for the financial year; examine any proposal for significant amendment of these standards and methods before their implementation;
- review the overall risk control policy based on a mapping of the risks; as such, the committee reviews the main financial risks and any other question likely to lead to significant risks, commitments or threats;
- examine, as part of the review of the financial statements, material transactions under which a conflict of interest could have occurred;
- review the nature and scope of significant off-balance sheet commitments;
- examine the evolution of internal control systems; review the activity debriefings and the conclusions of the internal audit reports, and the follow-up provided by the Company thereto; provide its opinion on the annual internal audit programmes;
- supervise the Statutory Auditors' appointment or renewal procedure by competitive bidding and issue an opinion on the selection of the said Statutory Auditors, as well as on their work programme, their fees and the quality of their work;
- periodically review the status of the Statutory Auditors' interventions and of their recommendations;
- review the scope of the consolidation of companies and, where applicable, the reasons for which companies would not have been included within such scope.

The Audit and Risks Committee may also be consulted on any other regular assignment or on an ad hoc basis as assigned by the Board of Directors; it may also suggest to the Board of Directors the referral of any issue that it deems necessary or relevant.

At least once a year, a meeting of the Audit and Risks Committee is held without the executive corporate directors.

(1) New name effective 21 November 2019 (previously the Audit Committee).

Functioning

The Audit and Risks Committee meets at least three times a year.

The time periods allocated for provision of financial statements and for their examination must be sufficient.

The Audit and Risks Committee shall hear the Statutory Auditors, in particular at meetings devoted to the review of the financial reporting process and the review of the financial statements, in order to report on the execution of their mission and the conclusions of their work.

It also hears annually the Chief Financial Officers, the Chief Accountants, the Chief Treasury Officers and the Internal Control Officers. These hearings may be held, when the committee so wishes, without the presence of the Company's general management.

The Audit and Risks Committee met nine times in 2019, the first eight of which were in its previous form as the Audit Committee.

The committee particularly dealt with the following matters:

- matters related to acquisition projects;
- 2025 financial projections;
- performance approach and sales performance for the future;
- financial statements as at 30 June 2019;
- management planning documents;
- Statutory Auditors' programme;
- follow-up on asset allocation management and 2020 forecast;
- tracking investments in the innovation funds;
- presentation of the preliminary work by the Statutory Auditors for closing the 2019 financial year;
- Budget 2020;
- presentation of the 2019 Group risk map;
- summary of the 2018 work and the 2019 work programme of the Audit, Risks, Control, Quality and Ethics Department;
- update on the investment strategy;
- update on the Company's IPO plans;
- review of draft versions of the financial statements, management report, and corporate governance report for the 2018 financial year;
- 2018 consolidated report;
- 2018 balance sheet.

Governance, Nominations and Remuneration Committee[1]

Composition

The Governance, Nominations and Remuneration Committee ("CGNR") is comprised of at least four members of the Board. It must not include any executive corporate director and must be composed of a majority of Independent members of the Board. The Chairman of the committee must be independent, and a Member of the Board shall represent the employees.

Chairman	Pierre Pringuet (Independent Board member)
Members	Emmanuel Bossière (Representative of the French State)
	Marie-Ange Debon, as Chairwoman of the CSR and Responsible Gaming Committee (Independent Board member)
	Agnès Lyon-Caen (Director representing employees)

The Government Commissioner sits on the Governance, Nominations and Remuneration Committee in an advisory capacity.

Duties and remit

With respect to the selection of new members of the Board

The CGNR is responsible for making proposals to the Board of Directors after having examined in detail all the elements to be taken into account in its deliberation, in particular in view of the composition and evolution of the shareholding structure of the Company, to achieve a balanced composition of the Board of Directors: representation between women and men, nationality, international experiences, expertise, etc.

In particular, it organises a procedure to select future independent Board members and carries out its own studies into potential candidates before beginning the process of selecting them.

With respect to the succession of executive corporate directors

The CGNR sets up a succession plan for the executive corporate directors.

With respect to the compensation of executive corporate directors

The CGNR is responsible for reviewing and proposing to the Board of Directors all compensation and benefits components for corporate directors. It also makes a recommendation on the envelope and the terms and conditions for the distribution of the remuneration allocated to members of the Board.

In addition, the committee is informed of the compensation policy for the main non-executive corporate directors. In this role, the CGNR shall involve the executive corporate directors in its work.

Finally, the CGNR is informed, by the Chairman, of appointments concerning the Executive Management.

(1) New name effective 21 November 2019 (previously the Nominations and Remunerations Committee).

Functioning

The executive corporate directors are consulted by the CGNR with respect to their appointment-related skills.

When presenting the report of the work of the CGNR, it is necessary for the Board of Directors to deliberate on the elements of compensation of executive corporate directors without their presence.

This committee met three times in 2019 in its previous form.

The committee particularly dealt with the following matters:

- reassessing the fixed remuneration and maximum amount of variable remuneration for the Chairwoman and CEO and the Deputy Chief Executive Officer;
- remuneration for the Chairwoman and CEO and the Deputy Chief Executive Officer upon renewal of their terms of office on 5 June 2019.

Corporate Social Responsibility and Responsible Gaming Committee[1]

Composition

The CSR and Responsible Gaming Committee comprises at least four members of the Board. It must include at least one Independent Member of the Board.

At 31 December 2019, the Board had the following members:

Chairwoman	Marie-Ange Debon (Independent Board member)
Members	Fabienne Dulac (Independent Board member)
	Philippe Pirani (Director representing employees)
	Olivier Roussel (Board member appointed by the General Meeting of Shareholders)
	Didier Trutt (Board member appointed on proposal by the French State)

The Government Commissioner sits on the CSR and Responsible Gaming Committee in an advisory capacity.

Duties and remit

The CSR and Responsible Gaming Committee has the following duties:

- ensuring that the Group promotes a Responsible Gaming model that develops moderate and supervised gambling among the general public, from the design of the games to their sale;
- reviewing CSR policy and, more broadly, addressing issues essential for the business model;
- reviewing the intersection between the policies enacted and the corporate strategic policy, the Company's management processes; how the Company derives value from its key assets;
- supporting the actions and evolution of the Corporate Foundation's policy;
- issuing a decision on the action plan to prevent excessive gambling and underage gambling and promoting a reasonable practice of the gaming;
- each year, it validates the action plan to combat fraud and money laundering that is transmitted to the French gaming regulatory authority (ANJ) before 31 January.

It reports on its work to the Board of Directors. It may also be consulted on any other regular assignment or on an ad hoc basis as assigned by the Board. In addition, it can suggest that the Board of Directors refer to it any issue that it deems necessary or relevant.

Functioning

The CSR and Responsible Gaming Committee meets at least twice a year.

The committee in its previous form (Sustainable Development Committee) met twice in 2019.

The committee particularly dealt with the following matters:

- presentation of the CSR programme: 2018 report and 2019 priorities
- environmental policy focus
- update on the extra-financial performance disclosure
- variable compensation of corporate directors (CSR objectives)
- anti-money-laundering: 2018 report
- proposed 2020 CSR objectives from corporate directors
- Company policy with respect to diversity (including professional and wage equality)
- update on integrity policy
- responsible gaming action plan: 2019 report and 2020 outlook

Strategic Committee

The Strategic Committee met once in 2019, as it ceased to exist on the day of the Company's initial public offering.

The committee particularly dealt with the following matters:

- updating the strategic plan
- updating the Information Systems strategy.

At least once per year, the Board of Directors meets in a strategy seminar led by the Chairwoman and CEO to decide on the Company's main strategic focuses. In particular, the purpose of this seminar is to:

- discuss the multi-year strategic plan and review how it is being implemented;
- examine the significant issues and facts that may have an impact on the strategic plan;
- examine projects related to the development of the Group, monitoring the evolution of industrial partnerships, strategic draft agreements, the evolution of the competitive environment and the positioning of the Group;
- make any recommendations it deems useful to the Chairwoman and CEO.

(1) New name effective 21 November 2019 (previously the Sustainable Development Committee).

1.1.1.4 Terms of shareholder participation in the General Meetings of Shareholders

Article 25 of the Company's Articles of Association explains how shareholders participate in the General Meetings of Shareholders. Those terms are described below.

Any shareholder may participate in any meeting, either in person, physically or by post, or by proxy, upon proof of his or her identity and the accounting registration of his or her securities in his or her name or on behalf of the intermediary registered for his or her account pursuant to the seventh paragraph of article L.228-1 of the French Commercial Code, no later than the second working day preceding the meeting at midnight, Paris time, either in the registered share accounts kept by the Company, or in the bearer share accounts kept by an authorised intermediary. The accounting inscription or registration of the securities in bearer share accounts held by an authorised intermediary will be documented by a certificate of shareholding issued by the intermediary within the time limits and under the conditions stated in the regulations in force.

If the Board of Directors so provides, shareholders participating in any general or special meeting, whether personally or by proxy, by videoconference or by electronic means of telecommunication allowing their identification such as the Internet, shall be deemed to be present for the calculation of the quorum and majority, in accordance with the terms and conditions that it has previously defined in accordance with the laws and regulations in force.

If necessary, this option and the site address provided for this purpose will be mentioned in the notice of meeting published in the Bulletin des Annonces Légales Obligatoires.

Postal or proxy voting

Hard copy postal or proxy voting forms that have not effectively been received at the headquarters of the Company or at the location specified in the notice of meeting no later than three days prior to the date of the general or special meeting shall be disregarded. This period may be shortened by decision of the Board of Directors.

Electronic forms for remote or proxy voting may be received by the Company up to one day before the meeting no later than 3pm Paris time.

Any shareholders who have cast their votes remotely, sent a proxy or requested their admission card or a certificate of shareholding, may nevertheless sell some or all of the shares for which they have cast their remote vote, sent a proxy or requested their admission card or a certificate of shareholding. However, if the sale occurs before the second working day preceding the meeting at midnight, Paris time, the Company, upon notification by the authorised intermediary account holder, will accordingly invalidate or modify, as the case may be, the vote cast remotely, proxy, admission card or certificate of shareholding.

Notwithstanding any convention to the contrary, no sale or transaction made after the second working day preceding the meeting at midnight, Paris time, regardless of the means used, shall be notified by the authorised intermediary or taken into consideration by the Company.

Shareholder representation

A shareholder may be represented under the conditions set by the laws and regulations in force.

1.1.1.5 Authority of managerial bodies to issue or purchase shares

The General Meeting of Shareholders of 4 November 2019 granted the Board of Directors certain delegations of authority, as summarised in the table below:

N° of the resolution	Type of the authorization	Authorized amount	Global cap	Duration of the authorization
16	Delegation of authority granted to the Board of Directors in order to issue ordinary shares and/or other securities giving immediate or deferred access to the share capital of the Company or one of its subsidiaries with retention of the preferential subscription right (subject to condition precedent)	20% of the share capital +300M€ in nominal value of securities representing debt instruments Set up of a Global Cap of 20% of the share capital	This amount constitutes a maximum Global cap of increases of share capital likely to be carried out under this delegation and those granted under resolutions 17, 18, 19, 20, 22, 23, 25 and 26.	12 months
17	Delegation of authority to be granted to the Board of Directors in order to issue ordinary shares and/or securities giving immediate or deferred access to the share capital of the Company or one of its subsidiaries with suppression of the preferential subscription right, by way of public offering (subject to condition precedent)	10% of the share capital +300M€ in nominal value of securities representing debt instruments	Deducted from the Global Cap of resolution 16. The capital increases carried out under the resolutions 18, 19, 20, 22, 23, 25 and 26 are counted against the 10% limit of share capital.	12 months

N° of the resolution	Type of the authorization	Authorized amount	Global cap	Duration of the authorization
18	Delegation of authority to be granted to the Board of Directors in order to issue ordinary shares and/or other securities giving immediate or deferred access to the share capital of the Company or one of its subsidiaries with suppression of the preferential subscription right, by way of offer referred to in section II of article L.411-2 of the French Monetary and Financial Code (private placement) (subject to condition precedent)	10% of the share capital +300M€ in nominal value of securities representing debt instruments	Deducted from the Global Cap of resolution 16 and from the cap of resolution 17.	12 months
19	Authorization to the Board of Directors in the event of an issuance without preferential subscription right, by way of public offering or by offer referred to in section II of article L.411-2 of the French Monetary and Financial Code in order to set the issuance price according to the terms and conditions set by the General Meeting of Shareholders, up to a maximum of 10% of the share capital per year (subject to condition precedent)	Relating to the resolutions 17 and 18 Within the limit of 10% of the share capital of the Company	Deducted from the Global Cap of the resolution 16 and from the caps of the resolutions 17 and 18	12 months
20	Delegation of authority to be granted to the Board of Directors to decide to increase the number of securities to be issued in the event of a share capital increase with retention or suppression of the preferential subscription right (subject to condition precedent)	Limit provided by the applicable regulation (or to this day 15% of the initial issuing)	Cap provided for in the resolution pursuant to which the issuing is decided, as well as the Global Cap set by the resolution 16	12 months
21	Delegation of authority to be granted to the Board of Directors to decide to increase the share capital by incorporation of premiums, reserves, benefits or other (subject to condition precedent)	Cap set at the amount that can be legally integrated	Not deducted from the Global Cap of resolution 16	12 months
22	Delegation of powers to be granted to the Board of Directors, to issue ordinary shares and/or securities giving immediate or deferred access to the share capital with suppression of the preferential subscription right, in order to remunerate contributions in kind granted to the Company (subject to condition precedent)	Within the limit of 10% of the share capital of the Company	Deducted from the Global Cap of resolution 16 and from the cap of resolution 17 in paragraph 3a).	12 months
23	Delegation of authority to be granted to the Board of Directors, in order to proceed, with suppression of the preferential subscription right, to the issuance of ordinary shares or securities giving access to the share capital of the Company in the event of a public offering initiated by the Company (subject to condition precedent)	Within the limit of 10% of the share capital of the Company	Deducted from the Global Cap of resolution 16 and from the cap of resolution 17.	12 months
24	Authorization to be granted to the Board of Directors to proceed with free allocations of shares of the Company, existing or to be issued, for the benefit of salaried employees and corporate directors of the Company and/or its subsidiaries or some of them, whose final acquisition is conditioned on conditions of performance, resulting in the waiver of shareholders of their preferential subscription right (subject to condition precedent)	Within the limit of 0.6% of the share capital of the Company	N/A	38 months
25	Authorization granted to the Board of Directors, to consent to the Benefit of salaried employees and corporate directors of the Company and its subsidiaries or some of them stock options or call options resulting in the waiver of shareholders of their preferential subscription right of shares to be issued following the exercise of stock options (subject to condition precedent)	Within the limit of 0.6% of the share capital of the Company	Deducted from the Global Cap of resolution 16 and from the cap of resolution 17.	12 months
26	Delegation of authority to be granted to the Board of Directors, in order to carry out a share capital increase by issuing ordinary shares and/or securities giving access to the Company's share capital reserved for members of employee savings plan, with removal of the preferential right to their benefit, pursuant to articles L.3332-18 et seq. of the French Labour Code (subject to condition precedent)	Within the limit of 1% of the share capital of the Company	Deducted from the Global Cap of resolution 16 and from the cap of resolution 17.	12 months

1.1.2 Remuneration of corporate directors

As a reminder, the Company's shares have been eligible for trading on the Euronext regulated exchange in Paris since 21 November 2019, and consequently the General Meeting of Shareholders of 18 June 2020 will be the first to deliberate "ex-ante" and "ex-post" on the remuneration of corporate directors.

This section 1.1.2 of the report of the Board of Directors on corporate governance describes the policy for remunerating the Company's corporate directors in accordance with article L.225-37-2 of the French Commercial Code, particularly in its version resulting from the provisions of law No. 2019-486 of 22 May 2019 regarding the growth and transformation of businesses, known as the "Pacte law", of Ordinance No. 2019-1234 of 27 November 2019 related to the remuneration of corporate directors of publicly traded companies, and of Decree No. 2019-1235 of 27 November 2019.

1.1.2.1 Corporate director remuneration policy

The policy described below applies to all of the Company's corporate directors. Whenever necessary, it is specified which components and principles of the remuneration policy are specific to the Executive Corporate Directors (ECDs), namely the Chairwoman and CEO and the Deputy Chief Executive Officer, and which are specific to the other corporate directors (Board members).

Remuneration in accordance with the Company's general interest and in line with its business strategy and sustainability

The Board of Directors has particularly drawn from the recommendations of the Afep-MEDEF Code when determining its corporate director remuneration policy.

In particular, the principles of balancing different remuneration components, being consistent with the remuneration of the Company's employees, and of measurement, all of which the Company abides by, help to ensure that its general interest is pursued.

The remuneration of corporate directors must be competitive in order to attract and motivate the talent needed to implement the Company's commercial strategy and achieve its short- and long-term goals. That remuneration has therefore been defined in a way that takes into account relevant comparables and market practices.

Finally, another goal of the policy is to support the lasting growth of the Company.

◆ Specific features of the ECD remuneration policy

The ECD remuneration policy is forward-looking in both the short and long term, while also seeking to align the ECDs' interests with the Company's general interest and the interests of its shareholders:

- by aligning in terms of the strategic orientations and the annual objectives defined by the Board of Directors, in accordance with the Company's general interest, via performance criteria affecting both the annual variable remuneration and also the long-term variable remuneration based on performance shares,
- by specifically taking into account the Company's business strategy, through performance criteria defined for the annual variable portion,
- by working toward the Company's goal of sustainability, in the form of performance criteria included in both the annual and long-term variable remuneration, enabling:
  - alignment with the shareholders' interests in the goal of creating long-term value. A significant share of ECD remuneration is to be comprised of performance shares, which only vest if long-term performance targets are met,
  - in line with the Company's general remuneration policy, to best approximate the relevant comparables in order to be able to attract, retain, and motivate the talents that the Group needs, by gradually shrinking the gap between its total remuneration and that of the relevant comparables. For the first time in 2020, the Company will implement long-term variable remuneration for the ECDs and a significant number of executives and managers of the Company by awarding performance shares,
  - taking into account stakeholders in the Company's development, with at least one CSR and Responsible Gaming criterion for determining the annual variable remuneration.

Procedure for determining, revising, and implementing the remuneration policy

The CGNR proposes criteria to the Board of Directors for how to determine the corporate director remuneration policy, as well as how to revise and implement it.

Within this context, the CGNR describes and explains any changes in the corporate director remuneration policy and emphasises the ways in which shareholders' votes and opinions are taken into account.

The CGNR particularly relies on comparative studies to ensure the transparency, consistency, balance, and competitiveness of the remuneration compared to market practices.

It regularly reviews activity reports from the High Committee on Corporate Governance (HCGE) as well as the AMF's annual reports on corporate governance in order to take them into account in its recommendations and proposals to the Board of Directors.

The CGNR is also attentive to the observations and requests of investors, and strives to take them into account, consistent with the remuneration policy decided by the Board of Directors.

- Specific features of the ECD remuneration policy

The CGNR's recommendations on the ECD remuneration policy take into account the remuneration level and structure of executive directors of the SBF80, as well as the practices observed for comparable levels of duties within relevant comparables, and provided by an independent global firm that specialises in directors' remuneration. These reference sources are consistent and stable but are nonetheless subject to change due to the composition of the SBF80 index and to changes in the structures or activities selected, based on the proposals of the independent firm.

The CGNR proposes to the Board of Directors any changes to the remuneration components of the two ECDs, taking into account the Company's objectives and strategy, the recommendations of the Afep-MEDEF Code, observed market practices, and the alignment of the ECDs' interests with those of the Company's shareholders. The CGNR also proposes to the Board of Directors performance criteria, their weight in determining the ECDs' short- and long-term variable remuneration, the performance levels, and their correlation with the amounts to be allocated.

On this basis, the CGNR, once the financial year has closed, evaluates the extent to which the ECDs met the performance criteria determined for short- and long-term variable remuneration. To do so, the CGNR can rely on the recommendation of the CSR and Responsible Gaming Committee regarding the CSR criteria, including Responsible Gaming.

The Company generally accepts the recommendations of the Afep-MEDEF Code, and particularly in terms of adhering to the principles of exhaustiveness, balance, comparability, consistency, intelligibility and measurement.

Exhaustiveness

All of the ECDs' remuneration components and benefits are taken into account when determining total remunerations.

Balance

While remaining within the general interest of the Company and its growth targets, the ECDs' remuneration strives for balance in terms of:

- short-term/long-term performance horizon, particularly through setting up a long-term variable remuneration plan;
- the nature of the performance criteria and taking stakeholders into account: value creation, operational profitability, growth, CSR and Responsible Gaming, governance;
- the share of remuneration that depends on performance conditions (variable/fixed).

Comparability

Variable remuneration is expressed relative to a fixed remuneration level. The market references are stated clearly and the sources used are consistent and stable. The market constitutes a reference in combination with the actual responsibilities assumed, the contribution provided and the results achieved.

Consistency

The ECD remuneration policy is proportionate to the remuneration policy for all employees, which shares the same goals (attract, retain and motivate talent) and approach (be similar to the market in terms of both levels and structure of remuneration). More specifically, it rests on the same foundations and instruments as those applied to the Company's executives.

Intelligibility

The CGNR makes its recommendations in line with the goal that the rules for determining and implementing the ECD remuneration policy should be intelligible; that is, simple, clear, and understandable. The performance criteria applied to determine the ECDs' remuneration are aligned with the Company's strategy and objectives; they are as ambitious, explicit, and permanent as possible.

Measurement

Determining the remuneration components takes into account all of the principles mentioned above, with the aim of achieving a well-understood balance between the interests of Company stakeholders, including its own general interest, the shareholders' interest, market practices and executive performance.

To prevent conflicts of interest, the Company follows the recommendations of the Afep-MEDEF Code. The CGNR is chaired by Mr. Pierre Pringuet, an independent Board member.

The CGNR and the Board of Directors deliberate on the remuneration policy and finalise the remuneration components with the ECDs not present.

The Rules of Procedure of the Board of Directors provide a system to prevent conflicts of interest, and require Board members to inform the Board of any conflict of interest and to refrain from participating in the portion of the Board or CGNR meeting that relates to the project affected by said conflict and to the corresponding resolution's vote.

In accordance with the Afep-MEDEF Code, very specific circumstances may give rise to special remuneration (such as due to their importance to the Company, the involvement they require and the difficulties they pose). Special remuneration may only be awarded for cause, and the event justifying it must be made explicit.

Taking into account the remuneration and employment conditions of employees

In order to take into account employees' remuneration and employment conditions when drafting the remuneration policy that applies to corporate directors, the Board of Directors, based on the CGNR's recommendation, draws on remuneration and employment data provided by the Company, on an international job classification, and on studies from firms that specialise in remuneration. More specifically, it is informed about the remuneration of executives who are not corporate directors.

When determining the remuneration policy, the CGNR takes into account the ratios set out in article L.225-37-3 of the French Commercial Code, one between the remuneration of the two ECDs and the mean remuneration of the Company's employees, and the other between the former and the median remuneration of the Company's employees for the previous financial year.

Performance evaluation affecting annual and long-term variable remuneration

With respect to the ECDs, at the end of the financial year the Governance, Nominations and Remuneration Committee evaluates how satisfied it was with the performance criteria set for annual and long-term variable remuneration, based on:

(i) the performance criteria their weight in determining the ECDs' annual and long-term variable remuneration;

(ii) the performance levels achieved and their correlation with the amounts to be allocated;

(iii) all components defined in the remuneration policy that apply to the ECDs for the financial year.

To do so, the CGNR can rely on the recommendation of the Corporate Social Responsibility and Responsible Gaming Committee regarding the CSR criteria, including Responsible Gaming.

Changes to the remuneration of corporate directors

The remuneration of corporate directors, i.e. ECDs and Board members, for financial year 2019, is described in section 1.1.3 of this report of the Board of Directors on corporate governance.

As a consequence of the Company's initial public offering in November 2019, the General Meeting of Shareholders of the Company on 18 June 2020 will be the first to deliberate "ex ante" and "ex post" on the remuneration of corporate directors.

Section 1.1.2.1 of this report details how the components of ECD remuneration, particularly due to the Company's initial public offering, are changing.

◆ Changes to the Board member remuneration policy

In a resolution on 4 July 2017, the Company's Board of Directors approved the rules for distributing attendance fees among the Board members based on €100,000 in maximum annual funding. Those distribution rules are described in section 1.1.3.2 of this report.

The General Meeting of Shareholders of 4 November 2019, with the initial public offering as a condition precedent, allocated €600,000 in maximum annual funding as remuneration for the members of the Board of Directors until the General Meeting of Shareholders decides otherwise.

Effective in 2020, the Board of Directors proposed new distribution rules centred on the following principles:

a. defining a fixed portion based on the minimum work required by the position

b. keeping the variable portion larger than the fixed portion

c. taking into account the additional workload associated with chairing a committee, both for fixed and variable remuneration

The proposed distribution criteria are detailed in the section "Criteria for distributing the annual amount allocated to Board members" that details the remuneration allocated to Board members for their service.

◆ Changes to the ECD remuneration policy

Given the changes in the ECDs' responsibilities related to the Company's new status as a publicly traded company, issues of implementing the strategy and the large discrepancy between the ECDs' remuneration and market practices, the Board of Directors has proposed to change the annual fixed remuneration awarded to the ECDs by the Company to more closely resemble market practice in order to ensure market consistency and retain talent.

The annual variable portion that aims to encourage the ECDs to achieve the annual performance targets set by the Board in line with the Group's strategy remains stable as a percentage of the fixed portion.

Finally, the ECDs are to receive long-term variable remuneration, consisting of an award of shares subject to performance conditions that the Company plans to implement in 2020 for a significant number of the Group's executives and managers.

In light of the specific situation regarding the Company's recent initial public offering at the time the Board determined the annual fixed and variable remuneration of the ECDs for the 2020 financial year, this remuneration may be reviewed for subsequent years, specifically in order to comply with the principle mentioned above to more closely resemble market practice.

Applying the remuneration policy to new or reappointed corporate directors

If a corporate director is appointed or reappointed, that corporate director's remuneration will be determined based on the remuneration policy described in this section 1.1.2.1 of this report, based on a proposal by the CGNR to the Board of Directors deciding on the appointment or reappointment.

If the appointment of an outside individual as an ECD could cause that person to lose conditional remuneration allocated by their previous company, the CGNR may take that situation into account, and propose that their remuneration incorporate a remuneration component proportionate to the amounts corresponding to the lost rights and compliant with the various components of ECD remuneration described in this section 1.1.2.1 of this report.

Exception to the remuneration policy described in this section 1.1.2.1 of this report

In accordance with the provisions of article L.225-37-2 of the French Commercial Code, no remuneration component of any sort whatsoever can be determined, awarded, or paid by the Company, nor any commitment corresponding to remuneration components, indemnities, or benefits owed or likely to be owed due to their entering, leaving, or changing office or subsequent to their holding that office, may be made by the Company if it does not comply with the remuneration policy described above as approved by the shareholders, or in the absence of approval, in accordance with past practices or remunerations.

However, in exceptional circumstances, the Board of Directors may override the application of the remuneration policy if that exception is temporary, in accordance with the Company's general interest and as needed to ensure its sustainability or viability.

Criteria for distributing the annual amount allocated to Board members

The General Meeting of Shareholders of 4 November 2019, with the Company's initial public offering as a condition precedent, allocated €600,000 in maximum annual funding (fixed and variable combined) as remuneration for the members of the Board of Directors until the General Meeting of Shareholders decides otherwise.

The directors representing employees and employee shareholders, as well as the Chairwoman and CEO, do not collect remuneration for their participation in the Board of Directors.

The fixed annual share of that remuneration was defined in a way that takes into account (i) the minimum work required by the position and (ii) the additional workload associated with chairing or participating in a committee.

The annual fixed share will be determined as follows:

- per Board member: €10,000, calculated on a pro rata basis if applicable;
- for chairing a committee: €5,000 for chairing the Audit and Risks Committee and €2,000 for chairing the other committees, calculated on a pro rata basis if applicable.

The variable share for attendance by Board members or non-voting members shall be determined as follows:

- per participation in a Board of Directors meeting: €2,000 (if multiple Board of Directors meetings are held on the same day, particularly the day of the Annual General Meeting of Shareholders, then participating in more than one of those meetings only counts as one);
- per participation in a meeting of the Board of Directors meeting for strategy seminar training (longer than 1/2 day): €3,500 (€2,000 otherwise if less than or equal to 1/2 day);
- per participation in a committee meeting: €2,000;
- supplement per committee meeting for the chair of that committee (allocated to the chair, or their alternate where appropriate): €1,000.

1.1.2.2 Details of the components of ECD remuneration (fixed, variable, exceptional and benefits of all types) for 2020

The annual remuneration of ECDs is made up of a fixed portion, an annual variable portion, and a long-term variable portion in the form of awarding performance shares.

The Board of Directors finalises its various components based on a CGNR proposal, while being attentive to the necessary balance between those components.

Annual fixed remuneration

Fixed remuneration is determined based on:

- the level and complexity of the responsibilities given to the ECDs, particularly in light of the economic aspects of the Company (market capitalisation, revenue, number of employees);
- the ECDs' experience and their expected contribution to the enactment of the Company's business strategy and the achievement of its growth targets;
- market analyses for comparable positions with respect to the data taken from SBF 80, which constitutes a useful reference source in light of the economic aspects of the Company. A study is conducted each year with data provided by an independent global firm that specialises in setting components of ECD remuneration: fixed, annual variable, long-term variable and other benefits.

The Chairwoman and CEO

Based on a proposal from the CGNR and after a Board of Directors resolution on 19 March 2020 the Chairwoman and CEO's annual fixed remuneration for the 2020 financial year is set at €320,000, subject to approval by the Annual General Meeting of Shareholders convened to approve the financial statements for the 2019 financial year.

The Deputy Chief Executive Officer

Based on a proposal from the CGNR and after a Board of Directors resolution on 19 March 2020 the Deputy Chief Executive Officer's annual fixed remuneration for the 2020 financial year is set at €248,000, subject to approval by the Annual General Meeting of Shareholders convened to approve the financial statements for the 2019 financial year.

Annual variable remuneration

As a reminder, per article L.225-100, III of the French Commercial Code, the variable remuneration components for ECDs owed for the 2020 financial year cannot be paid until after approval by the General Meeting of Shareholders convened to approve the financial statements for the 2020 financial year.

The majority (60%) is based on quantitative economic performance criteria, with a balance between growth and performance. These quantitative criteria aim to reflect the Company's development (revenue) and operating/financial performance (EBITDA margin, free cash flow) targets.

Those quantitative economic criteria are the only ones that can be outperformed, up to a maximum rate of 150%.

The weight accorded to the **CSR and Responsible Gaming** criterion (25%) reflects the strategy and market recommendations (principles recommended by the Afep-MEDEF Code).

Quantitative economic criteria	60%	**EBITDA margin**
		30%
		Revenue
		20%
		Free Cash Flow
		10%
Qualitative multicriteria	40%	**CSR / Responsible Gaming**
		25%
		Governance
		15%

There are five criteria:

- **Criterion 1**: Actual EBITDA margin rate over budgeted EBITDA margin rate, as determined by the Board of Directors

weight: 30%, threshold: 15%, maximum achievable: 45%

- **Criterion 2:** Actual revenue over budgeted revenue, as determined by the Board of Directors

weight: 20%, threshold: 10%, maximum achievable: 30%

- **Criterion 3:** Actual free cash flow over budgeted free cash flow, as determined by the Board of Directors

weight: 10%, threshold: 5%, maximum achievable: 15%

- **Criterion 4:** Multicriteria assessment for CSR and Responsible Gaming, as determined by the Board of Directors based on a proposal by the CSR and Responsible Gaming Committee

weight: 25%, maximum achievable: 25%

- **Criterion 5:** Specific governance targets as determined by the Board of Directors

weight: 15%, maximum achievable: 15%

The maximum outperformance therefore corresponds to an achievement level of 130%; for a variable share equal to 25% of the fixed share with objectives achieved, the maximum variable share in 2020 will therefore be 32.5%.

Overall for 2020, the annual variable share may therefore range from 0 to 32.5% of the fixed remuneration.

In light of the unprecedented health situation occurring in France at the date this report was finalised, the Board of Directors may exceptionally adjust the weightings, thresholds and maximum achievable percentages described above in order to account for the crisis and to mitigate its impact on these performance criteria, while considering how well this exceptional situation has been managed. Pursuant to the Afep-MEDEF Code, as these performance criteria are used to determine variable remuneration amounts, they must take into consideration the performance of directors and the Company.

The Chairwoman and CEO

The Chairwoman and CEO's annual variable portion, if she achieves her targets, would be €80,000, i.e. 25% of her fixed remuneration for the 2020 financial year. If she achieves the maximum outperformance targets, the maximum annual variable portion would be €104,000.

The Deputy Chief Executive Officer

The Deputy Chief Executive Officer's annual variable portion, if he achieves his targets, would be €62,000, i.e. 25% of his fixed remuneration for the 2020 financial year. If he achieves the maximum outperformance targets, the maximum annual variable portion would be €80,600.

Long-term variable remuneration

The long-term variable remuneration takes the form of an award of performance shares in accordance with the 24th resolution adopted by the General Meeting of Shareholders on 4 November 2019. The total performance shares awarded are capped at 0.6% of the Company's share capital over 38 months, for all recipients combined. The total number of shares that may be awarded to ECDs shall not exceed 15% of this limit.

This long-term variable remuneration is meant to incentivise the ECDs to achieve the Company's long-term performance in order to create value while remaining consistent with the interests of stakeholders, particularly shareholders.

This award shall be subsequent to the General Meeting of Shareholders of 18 June 2020, and subject to a two-year vesting period, with performance conditions, and a one-year lock-up period.

Performance criteria

The awarding of these performance shares in 2020 shall be based on the following four criteria:

2020	
30%	EBITDA
30%	Earnings per share – EPS
20%	Digitalised stakes ratio
20%	CSR / Responsible Gaming

- **Criterion 1:** Cumulative EBITDA for the 2020-2021 period

weight: 30%, threshold: 15%, maximum achievable: 45%

- **Criterion 2:** Cumulative earnings per share for 2020 and 2021

weight: 30%, threshold: 15%, maximum achievable: 45%

- **Criterion 3:** Digitalised stakes ratio

weight: 20%, threshold: 10%, maximum achievable: 30%

- **Criterion 4:** assessment in terms of CSR and Responsible Gaming, specifically based on an extra-financial rating from Vigeo Eiris

weight: 20%, maximum achievable: 25%

In light of the unprecedented health situation occurring in France at the date this report was finalised, the Board of Directors may adjust the assessment of the EBITDA and Earning per share criteria. This adjustment will not allow the maximum awardable amount to be exceeded, specifically in accordance with article 25.3.3 of the Afep-MEDEF Code, which stipulates that performance conditions may only be adjusted due to exceptional situations and that the interests of shareholders and the recipients of long-term remuneration must continue to be aligned.

Maximum awardable amount

The value of the performance-based shares awarded to each of the ECDs, estimated at the date they are awarded, would be capped at 45% of their total remuneration assuming they achieve 100% of their targets (fixed remuneration +100% of annual variable remuneration +100% of long-term variable remuneration) and at 53% including outperformance (fixed remuneration + maximum annual variable remuneration + maximum long-term variable remuneration).

Lock-up obligation until end of term

In accordance with the French Commercial Code, the ECDs shall be required to hold a number of performance shares set by the Board of Directors at the time of the award decision, until the end of their terms. This number of shares to be held corresponds to 20% of the shares included in the 2020 award.

Condition of presence

The permanent vesting of the performance shares is subject to a condition of presence at the final vesting date of the performance shares, as provided for al recipients, including the two ECDs, save for the exceptions laid out by the plan's regulations (particularly in the event of death, disability or retirement).

In accordance with the Afep-MEDEF Code, the Board of Directors may decide, if warranted, to remove the condition of presence on a pro rata basis for the two ECDs (unless they were withdrawn for negligence or misconduct) provided that this decision be made public and explained. The performance shares retained in this way will still be subject to the applicable plan rules, particularly in terms of the schedule and performance conditions.

The possibility of retaining their rights to performance shares if they leave before the end of the period set for evaluating the performance criteria helps incentivise the ECDs to think of the long term when taking action.

Other multi-year remuneration mechanisms

In 2020, the ECDs are not receiving any other long-term or multi-year remuneration mechanisms.

Other benefits and remuneration components

Benefits in kind: the two ECDs receive a company car and a fixed number of hours of specialised legal advice.

The two ECDs receive the same life and health insurance as all FDJ SA employees.

The two ECDs do not collect any remuneration for their terms as Board members of the Company or any of the Group's companies.

Duration of the ECDs' terms – corporate director employment contracts

The duration of the terms of the various corporate directors is indicated in section 1.1.1.2 of this report.

Other than the directors representing employees and the director representing employee shareholders, none of the corporate directors have an employment contract with the Company.

The conditions for withdrawing corporate directors are as defined by law and in the Articles of Association accessible on the Company's website.

Remuneration components, indemnities or benefits owed to the ECDs for leaving office – pension commitments

In 2020, the ECDs did not receive any commitment for remuneration or indemnities that would have been owed for leaving office, regardless of the reason why, nor any supplemental pension commitments.

In accordance with Afep-MEDEF recommendations, if the ECDs leave office, the amount of annual variable remuneration for the current financial year may be prorated based on the time they were present during the financial year in question, and also depending on the performance level observed and assessed by the Board of Directors for each of the criteria initially selected. It is specified that no variable compensation will be paid for an ECD removed for negligence or misconduct.

1.1.3 Remuneration components and benefits of all types paid or awarded to corporate director for financial year 2019

1.1.3.1 Remuneration and benefits paid to Company's executive corporate directors

1.1.3.1.1 The tables below show the remuneration and benefits of all types paid to executive corporate directors by the Company or by any Group company during the financial years ended 31 December 2018 and 31 December 2019

Table No. 1 (AMF Nomenclature) – Summary table of the remuneration and options and shares allocated to each executive corporate director

Stéphane Pallez, Chairwoman and CEO	2018 financial year	2019 financial year
Remuneration due in respect of the reporting period (detailed in table 2)	€324,878	€387,069
Value of the options allocated during the reporting period *(detailed in table 4)*	None	None
Value of the performance-based shares allocated during the reporting period *(detailed in table 6)*	None	None
Value of the other long-term remuneration plans	None	None
TOTAL	**€324,878**	**€387,069**

Charles Lantieri, Deputy Chief Executive Officer	2018 financial year	2019 financial year
Remuneration due in respect of the reporting period *(detailed in table 2)*	€253,491	€299,509
Value of the options allocated during the reporting period *(detailed in table 4)*	None	None
Value of the performance-based shares allocated during the reporting period *(detailed in table 6)*	None	None
Value of the other long-term remuneration plans	None	None
TOTAL	**€253,491**	**€299,509**

Table No. 2 (AMF nomenclature) – Summary table of the remuneration paid to each executive corporate director

	2018 financial year		2019 financial year	
Stéphane Pallez, Chairwoman and CEO	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed remuneration	€260,004 gross	€260,004 gross	€274,884 gross	€274,884 gross
Annual variable remuneration*	€60,000 gross	€56,400 gross	€66,581 gross	€60,000 gross
Exceptional remuneration	None	None	40,000 gross	None
Attendance fees	None	None	None	None
Benefits in kind	€4,874	€4,874	€5,604	€5,604
TOTAL	**€324,878**	**€321,278**	**€387,069**	**€340,488**

* *For 2018, Ms. Stéphane Pallez's variable remuneration collected in 2019 accounted for 22% of the fixed portion, in accordance with the Board of Directors deliberation on 28 February 2019.*

	2018 financial year		2019 financial year	
Charles Lantieri, Deputy Chief Executive Officer	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Fixed remuneration	€202,008 gross	€202,008 gross	€213,448 gross	€213,448 gross
Annual variable remuneration*	€47,000 gross	€44,180 gross	€51,578 gross	€47,000 gross
Exceptional remuneration	None	None	€30,000 gross	None
Attendance fees	None	None	None	None
Benefits in kind	€4,483	€4,483	€4,483	€4,483
TOTAL	**€253,491**	**€250,671**	**€299,509**	**€264,931**

* *For 2018, Mr. Charles Lantieri's variable remuneration collected in 2019 accounted for 22% of the fixed portion, in accordance with the Board of Directors deliberation on 28 February 2019.*

Table No. 4 (AMF nomenclature) – Share subscription or purchase options allocated during the financial year to each executive corporate director

	2019 financial year					
	Plan No. and date	Nature of the options (purchase or subscription)	Value of the options according to the method used for the consolidated financial statements	Number of options allocated during the reporting period	Exercise price	Reporting period
Stéphane Pallez	None					
Charles Lantieri	None					

Table No. 5 (AMF nomenclature) – Share subscription or purchase options exercised during the financial year by each executive corporate director

	2019 financial year		
	Plan No. and date	Number of options exercised during the reporting period	Exercise price
Stéphane Pallez	None		
Charles Lantieri	None		

Table No. 6 (AMF nomenclature) – Performance-based shares allocated free of charge during the reporting period to each executive corporate director by the issuer

	2019 financial year					
	Plan No. and date	Number of shares allocated during the reporting period	Value of the shares according to the method used for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Stéphane Pallez	None					
Charles Lantieri	None					

Table No. 7 (AMF nomenclature) – Performance-based shares becoming available during the financial year to each executive corporate director

	2019 financial year	
	Plan No. and date	Number of shares becoming available during the financial year
Stéphane Pallez	None	
Charles Lantieri	None	

Table No. 8 (AMF nomenclature) – Past share subscription or purchase option allocations

	Plan No. 1	Plan No. 2	Plan No. 3	Etc.
Date of meeting				
Date of the Board meeting				
Total number of shares that can be subscribed for or purchased, including the number that can be subscribed for or purchased by:				
Opening date to exercise options				
Expiry date		None		
Subscription or purchase price				
Exercise methods (when the plan has several tranches)				
Number of shares subscribed at 31 December 2019				
Accumulated number of share subscription or purchase options cancelled or void				
Share subscription or purchase options remaining at year-end				

Table No. 9 (AMF nomenclature) – Share subscription or purchase option allocated to first ten employees not holding a corporate director mandate and options exercised by the latter

	Total number of options allocated/subscribed or purchased	Weighted average price	Plan
Options allocated, during the financial year, by the issuer and any company comprised within the options allocation perimeter, to ten employees of the issuer and of any company included in this perimeter, for which the number of options thus allocated is the highest (global information)		None	
Options held by the issuer and the companies previously referred to, exercised, during the financial year, by ten employees of the issuer and of these companies, for which the number of options thus purchased or subscribed is the highest (global information)			

Table No. 10 (AMF nomenclature) – Past performance-based share allocations

	Plan No. 1	Plan No. 2	Plan No. 3	Etc.
Date of meeting				
Date of the meeting of the Board of Directors or Executive Board as applicable				
Total number of shares allocated, including those allocated to:				
Share vesting date				
Holding period end date		None		
Performance conditions				
Number of shares vested on 31 December 2019				
Cumulative number of cancelled or void shares				
Performance-based shares remaining at year-end				

Table No. 11 (AMF nomenclature)

	Employment contract		Additional pension scheme		Indemnities or benefits due or likely to become due as a result of a cessation or change of function		Indemnities relating to a non-competition clause	
Executive corporate directors	**yes**	**No**	**yes**	**No**	**yes**	**No**	**yes**	**No**
Stéphane Pallez Chairwoman and CEO Start of term of office: 21 October 2014 End of term of office: 2024 (General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2023)		X		X		X		X
Charles Lantieri Deputy Chief Executive Officer Start of term of office: 6 July 2006 End of term of office: 2024 (General Meeting of Shareholders approving the financial statements for the financial year ending 31 December 2023)		X		X		X		X

1.1.3.1.2 Fixed, variable, and exceptional that make up the total remuneration and benefits of all types paid during the past financial year or awarded for that same year to Ms. Stéphane Pallez, Chairwoman and CEO

Fixed remuneration for financial year 2019: 274,884 euros[1]

This remuneration was increased by 10% over financial year 2018, as part of the renewal of Ms. Stéphane Pallez's term. It had not been changed since October 2014, the date when she began her first term as Chairwoman and CEO.

Variable remuneration for financial year 2019: 66,581 euros

The variable remuneration of Ms. Stéphane Pallez for financial year 2019 was capped at €60,000 (on an annual basis) until 5 June 2019 and €71,500 (on an annual basis) beginning 5 June 2019; Ms. Stéphane Pallez's variable remuneration was equal to 25% of her fixed remuneration. Ms. Stéphane Pallez's variable remuneration was capped at €66,581 in 2019.

Ms. Stéphane Pallez's variable remuneration was based on four criteria (two quantitative and two qualitative), totalling 100 points:

- two quantitative criteria (for 60% of the variable remuneration):
  - 2019 EBITDA[2],
  - digitalised stakes and market share of ParionsSport En Ligne,

  For each criterion, the Board of Directors defined a target[3], corresponding to the amount shown in the Budget. A formula is used to calculate the amount of variable remuneration owed by counting, based on the financial year's consolidated financial statements, the actual level met compared to the target. If the target is exceeded, the value of the variable remuneration is adjusted upward, within the maximum limit set for each criterion. If the performance is below the lower limit set for each target, the variable remuneration for that criterion is equal to zero.

Because actual performance exceeded each of the targets, these criteria were 120% met, awarding a total of 60 points;

- two qualitative criteria (for 40% of the variable remuneration):
  - Responsible Gaming: In view of the quantitative and qualitative information presented, the CSR and Responsible Gaming Committee awarded 9 out of 10 points for the Responsible Gaming criterion.
  - governance: The Governance, Nominations and Remuneration Committee observed that this criterion was 100% met and awarded 40 points.

The Board of Directors therefore set the performance level at 109% (allowing for 100% of the variable portion).

As the Company has only been subject to articles L.225-37-3 of the French Commercial Code since its shares became listed on the regulated exchange on 21 November 2019, the Company was unable to use the option to request the repayment of variable remuneration during financial year 2019.

Multi-year variable remuneration

Ms. Stéphane Pallez did not receive any multi-year variable remuneration for financial year 2019.

Allocations of share subscription or purchase options

Ms. Stéphane Pallez was not allocated any stock options for financial year 2019.

Free share awards

Ms. Stéphane Pallez was not awarded any free shares for financial year 2019.

Exceptional remuneration

On 12 February 2020, the Board of Directors met after receiving a positive opinion from the Governance, Nominations and Remuneration Committee, and unanimously decided to award Ms. Stéphane Pallez, in recognition of the successful privatisation of FDJ through its initial public offering, a special bonus of €40,000.

Commitments corresponding to components of remuneration, indemnities or benefits due or likely to be due as a result of entering or leaving office

The Company did not make any commitments corresponding to components of remuneration, indemnities or benefits due or likely to be due as a result of Ms. Stéphane Pallez entering, leaving, or changing office or subsequent to holding that office, in particular pension commitments and other lifetime benefits.

Benefits in kind

Ms. Stéphane Pallez received professional communication devices (telephone, laptop computer), the services of a driver, and a company car representing in-kind benefits of €5604 for financial year 2019, and the option to use a number of hours of custom legal advice for professional purposes. She did not use any in 2019.

Remuneration paid or allocated by a business that falls within FDJ's scope of consolidation

The tables above include all the remuneration paid or allocated by a business that falls within the Company's scope of consolidation as defined by article L.233-16 of the French Commercial Code.

(1) Fixed remuneration of €286,000 gross on an annual basis since 5 June 2019.

(2) Excluding the impact of new projects not projected in the Budget, such as the external growth project, subject to the approval of the Board of Directors, and excluding major decisions that may be made during the year.

(3) The targets are not made public, for confidentiality reasons.

Remuneration as a Board member

Ms. Stéphane Pallez did not collect any remuneration as a Board member of the Company for financial year 2019.

Pay ratio

Ratio between the level of remuneration paid to Ms. Stéphane Pallez and the average remuneration on a full-time equivalent basis of employees on long-term or short-term work contracts, present throughout the financial year, at FDJ and FDP other than corporate directors:

Year	average
2019	4.76
2018	4.68
2017	4.94
2016	4.87

2015 not published because data was unavailable for FDP.

Ratio between the level of remuneration paid to Ms. Stéphane Pallez and the median remuneration on a full-time equivalent basis of employees on long-term or short-term work contracts, present throughout the financial year, at FDJ and FDP other than corporate directors:

Year	median
2019	5.41
2018	5.31
2017	5.61
2016	5.50

2015 not published because data was unavailable for FDP.

Consideration of the most recent Ordinary General Meeting of Shareholders vote set out in paragraph II of article L.225-100 of the French Commercial Code

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

Adherence to the adopted remuneration policy

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

Divergence from the procedure to implement the remuneration policy and exception applied in accordance with the second subparagraph of paragraph III of article L.225-37-2 of the French Commercial Code

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

1.1.3.1.3 Fixed, variable and exceptional components of total remuneration and benefits of all types paid during the past financial year or allocated for that same year to Mr. Charles Lantieri, Deputy Chief Executive Officer

Fixed remuneration for financial year 2019: 213,448 euros(1)

This remuneration was increased by 10% over financial year 2018, as part of the renewal of Mr. Charles Lantieri's term.

Variable remuneration for financial year 2019: 51,578 euros

The variable remuneration of Mr. Charles Lantieri for financial year 2019 was capped at €47,000 (on an annual basis) until 5 June 2019 and €55,500 (on an annual basis) beginning 5 June 2019; Mr. Charles Lantieri's variable remuneration was equal to 25% of his fixed remuneration. Mr. Charles Lantieri's variable remuneration was therefore capped at €51,578 in 2019.

Mr. Charles Lantieri's variable remuneration depended on the same quantitative and qualitative criteria as Ms. Stéphane Pallez.

The Board of Directors decided that the performance level of those criteria was as follows: 109% (allowing for 100% of the variable portion).

As the Company has only been subject to articles L.225-37-3 of the French Commercial Code since its shares became listed on the regulated exchange on 21 November 2019, the Company was unable to use the option to request the repayment of variable remuneration during financial year 2019.

Multi-year variable remuneration

Mr. Charles Lantieri did not receive any multi-year variable remuneration for financial year 2019.

Allocations of share subscription or purchase options

Mr. Charles Lantieri was not granted any stock options for financial year 2019.

Free share awards

Mr. Charles Lantieri was not awarded any free shares for financial year 2019.

Exceptional remuneration

On 12 February 2020, the Board of Directors met after receiving a positive opinion from the Governance, Nominations and Remuneration Committee, and unanimously decided to award Mr. Charles Lantieri, in recognition of the successful privatisation of FDJ through its initial public offering, a special bonus of €30,000.

Commitments corresponding to components of remuneration, indemnities or benefits due or likely to be due as a result of entering or leaving office

The Company did not make any commitments corresponding to components of remuneration, indemnities or benefits due or likely to be due as a result of Mr. Charles Lantieri entering, leaving, or changing office or subsequent to holding that office, in particular pension commitments and other lifetime benefits.

(1) Fixed remuneration of €222,000 gross on an annual basis since 5 June 2019.

Benefits in kind

Mr. Charles Lantieri received professional communication devices (telephone, laptop computer), and a company car representing in-kind benefits of €4,488 for financial year 2019, and the option to use a number of hours of custom legal advice for professional purposes. He did not use any in 2019.

Remuneration as a Board member

Not applicable, as Mr. Charles Lantieri is not a Board member of the Company.

Remuneration paid or allocated by a business that falls within FDJ's scope of consolidation

The tables above include all the remuneration paid or allocated by a business that falls within the Company's scope of consolidation as defined by article L.233-16 of the French Commercial Code.

Pay ratio

Ratio between the level of remuneration paid to Mr. Charles Lantieri and the average remuneration on a full-time equivalent basis of employees on long-term or short-term work contracts, present throughout the financial year, at FDJ and FDP other than corporate directors:

Year	average
2019	3,71
2018	3,65
2017	3,86
2016	3,80

2015 not published because data was unavailable for FDP.

Ratio between the level of remuneration paid to Mr. Charles Lantieri and the median remuneration on a full-time equivalent basis of employees on long-term or short-term work contracts, present throughout the financial year, at FDJ and FDP other than corporate directors:

Year	median
2019	4,21
2018	4,14
2017	4,38
2016	4,30

2015 not published because data was unavailable for FDP.

Consideration of the most recent Ordinary General Meeting of Shareholders vote set out in paragraph II of article L.225-100 of the French Commercial Code

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

Adherence to the adopted remuneration policy

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

Divergence from the procedure to implement the remuneration policy and exception applied in accordance with the second subparagraph of paragraph III of article L.225-37-2 of the French Commercial Code

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019.

1.1.3.1.4 Other information

Year-on-year change in the Company's performance-based remuneration, the remuneration paid to Ms. Stéphane Pallez, the average remuneration on a full-time equivalent basis of employees on long term or short term work contracts during financial year 2019, at FDJ and FDP other than corporate directors, and the ratios mentioned above during the four financial years:

In millions of euros	2016	2017	2018	2019
Turnover	1,696	1,762	1,803	1,956
Variation base 100	*100*	*104*	*106*	*115*
EBITDA	301	316	319	346
Variation base 100	*100*	*105*	*106*	*115*
In thousands of euros	**2016**	**2017**	**2018**	**2019**
CEO's remuneration	320	322	321	340
Variation base 100	*100*	*101*	*100*	*106*
Average remuneration of the employees	66	65	69	72
Variation base 100	*100*	*98*	*105*	*109*
Average equity ratio	4.87	4.94	4.68	4.76

2015 not published because data was unavailable for FDP.

1.1.3.2 Remuneration and benefits paid to Company's other corporate directors

1.1.3.2.1 The tables below show the remuneration and benefits of all types paid to non-executive corporate directors by the Company or by any Group company during the financial years ended 31 December 2018 and 31 December 2019.

Table No. 3 (AMF nomenclature) – Table on remunerations received by non-executive corporate directors

Non-executive corporate directors	Amounts paid for financial year 2018*	Amounts paid for financial year 2019**
Name: Didier Trutt(1)		
Remuneration as Board member	€7,933	€10,324
Other remuneration	-	-
Name: Ghislaine Doukhan(1)		
Remuneration as Board member	€6,233	€11,509
Other remuneration	-	-
Name: Catherine Delmas-Comolli*(1)**		
Remuneration as Board member	€7,367	€6,462
Other remuneration	-	-
Name: Henri Serres*(1)**		
Remuneration as Board member	€11,333	€10,439
Other remuneration	-	-
Name: UBFT		
Remuneration as Board member	€8,667	€14,485
Other remuneration	-	-
Name: FNAM		
Remuneration as Board member	€4,000	€9,222
Other remuneration	-	-
Name: Marie-Ange Debon****		
Remuneration as Board member	-	€5,128
Other remuneration	-	-
Name: Fabienne Dulac****		
Remuneration as Board member	-	€5,128
Other remuneration	-	-
Name: Xavier Girre(2)		
Remuneration as Board member		€10,256
Other remuneration	-	-
Name: Corinne Lejbowicz****		
Remuneration as Board member	-	€5,128
Other remuneration	-	-
Name: Pierre Pringuet****		
Remuneration as Board member	-	€7,692
Other remuneration	-	-
Name: Mélanie Joder***		
Remuneration as Board member	-	€0
Other remuneration		

** Amounts due in respect of the 2018 financial year and paid in 2019 before deduction of the amounts withheld for tax and social security contributions*
*** Amounts due in respect of the 2019 financial year that will be paid in 2020 before deduction of the amounts withheld for tax and social security contributions.*
**** Board members until 21 November 2019.*
***** Board members since 21 November 2019.*
****** APE representative, a Board member since 3 September 2019*
******* APE representative, a Board member until 3 September 2019*
(1) Amount after repaying 15% to the French State
(2) Amount after repaying 100% to the French State until 21 November 2019
(3) Amount accounting for the 100% repayment to the French State.

Non-executive corporate directors	Amounts paid for financial year 2018*	Amounts paid for financial year 2019**
Name: Agnès Lyon-Caen		
Remuneration as Board member	N/A	N/A
Other remuneration		
Name: Claire Videau* **		
Remuneration as Board member	N/A	N/A
Other remuneration		
Name: Schwan Badirou-Gafari(3)**** **		
Remuneration as Board member	€0	€0
Other remuneration		
Name: Michel Durand		
Remuneration as Board member	N/A	N/A
Other remuneration		
Name: Emmanuel Bossière(2)*** **		
Remuneration as Board member	-	€0-
Other remuneration		
Name: Philippe Pirani		
Remuneration as Board member	N/A	N/A
Other remuneration		
Name: Xavier Lehongre* **		
Remuneration as Board member	N/A	N/A
Other remuneration		
TOTAL	**€45,533**	**€95,773**

* *Amounts due in respect of the 2018 financial year and paid in 2019 before deduction of the amounts withheld for tax and social security contributions*

** *Amounts due in respect of the 2019 financial year that will be paid in 2020 before deduction of the amounts withheld for tax and social security contributions.*

*** *Board members until 21 November 2019.*

**** *Board members since 21 November 2019.*

***** *APE representative, a Board member since 3 September 2019*

****** *APE representative, a Board member until 3 September 2019*

(1) Amount after repaying 15% to the French State

(2) Amount after repaying 100% to the French State until 21 November 2019

(3) Amount accounting for the 100% repayment to the French State.

On the proposal of the Board of Directors, the General Meeting of Shareholders of 2 February 2017 set at €100,000 the annual total attendance fees to be distributed by the Board to its members. That same funding was applied for financial year 2018 and continuing until 21 November 2019.

At its meeting on 4 July 2017, the Board of Directors determined the rules for distribution of the annual amount depending on directors' attendance at Board meetings and Board committee meetings. Those rules were in effect until 21 November 2019.

On 12 February 2020, the Board of Directors, upon a recommendation from the Governance, Nominations and Remuneration Committee, decided to maintain for 2019 the same terms for distributing Board members' remuneration (formerly called attendance fees) that had been in effect since 2017, namely:

a) In accordance with article 8 I of Ordinance No. 2014-948 in effect until 21 November 2019 and in accordance with the new Articles of Association provisions in effect since 22 November 2019, the Board members eligible for remuneration are the Government Representative and the members appointed by the Company's General Meeting of Shareholders, excluding (i) Board members elected by the Company's employees, and (ii) the Chairwoman and CEO, as the Board noted her choice to not collect attendance fees (the "Eligible Members").

Each Eligible Member is entitled to collect 1 attendance fee for each meeting of the Board and of each Committee of which they are a member.

Attendance fees are only awarded to an Eligible Member for Board or Committee meetings at which they were physically present or in which they participated by teleconferencing.

However, the Board decided that if it were to meet twice in the same day, before and after the Company's General Meeting of Shareholders, those two Board meetings would be counted as only one for the purposes of attendance fees.

b) Each Committee chair is entitled to collect 1 additional attendance fee for each Committee meeting they chaired. If the Committee chair is unable to attend, their fee will be awarded to the member appointed to chair the meeting in their place.

The maximum number of attendance fees that Eligible Members and Committee chairs are entitled to collect in accordance with a) and b) above, is calculated based on the assumption that they attend all of the aforementioned meetings, forming the total number of attendance fees to be awarded for the previous year (the "Total Annual Number of Fees").

The value of each fee is calculated by dividing the Annual Funding Amount by the Total Annual Number of Fees.

The amounts owed to the Eligible Members are either paid to them directly and/or paid in whole or part to the French State's budget, in accordance with articles 5 and 6V of Ordinance No. 2014-948.

The Board of Directors noted how many meetings it and the Committees had held during the previous year and, recalling that the remuneration funding that had been €100,000 (on an annual basis) until 21 November 2019, raised the funding to €600,000 (on an annual basis) effective 21 November 2019, and:

- set the number of awardable attendance fees for the period until 21 November 2019, each valued at €584.80, at 152 (137 were actually awarded based on attendance);
- set the number of awardable attendance fees for the period from 21 November 2019 on, each valued at €2,564.10, to be 26 (25 were actually awarded based on attendance);
- adopted the distribution of the Board member remuneration as described in the above table No. 3:

The Chairwoman and CEO does not receive any director's remuneration in respect of her work within the Board of Directors.

The director representing the French State and the public sector directors appointed by the General Meeting of Shareholders upon suggestion from the French State, Xavier Girre (until 21 November 2019) and Mélanie Joder respectively, did not personally receive any remuneration from the Company in respect of their offices. The private sector directors appointed by the General Meeting of Shareholders upon suggestion from the French State, Didier Trutt, Ghislaine Doukhan, Catherine Delmas-Comolli and Henri Serres respectively, received 85% of the attendance fees corresponding to their offices by virtue of the order of 5 January 2018 pursuant to article 6 of ordinance No. 2014-948 of 20 August 2014 on governance and transactions on the share capital (see table below). The remainder of the attendance fees corresponding to these offices is paid directly to the Public Treasury in line with regulations.

The directors representing employees on the Company's Board of Directors did not receive any remuneration from the Company in respect of their offices as directors. They are Ms. Claire Videau (until 13 December 2019), Mr. Michel Durand (until 13 December 2019), Mr. Philippe Pirani (re-elected 13 December 2019), Mr. Xavier Lehongre (until 13 December 2019) and Ms. Agnès Lyon-Caen (re-elected 13 December 2019).

The non-executive members did not collect any remuneration from the Company for serving as Board members, or from a company within its scope of consolidation:

- no exceptional remuneration;
- no share subscription or purchase options;
- no free share allocations;
- no benefits in-kind.

No commitments were made to directors corresponding to components of remuneration, indemnities or benefits due or likely to be due as a result of entering, leaving, or changing office or subsequent to their holding that office, in particular pension commitments and other lifetime benefits.

Consideration of the most recent Ordinary General Meeting of Shareholders vote set out in paragraph II of article L.225-100 of the French Commercial Code

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

Adherence to the adopted remuneration policy

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

Divergence from the procedure to implement the remuneration policy and exception applied in accordance with the second subparagraph of paragraph III of article L.225-37-2 of the French Commercial Code

Not applicable, as the Company's shares became eligible for trading on the Euronext regulated exchange in Paris on 21 November 2019

1.2

OWNERSHIP AND FACTS THAT COULD BE RELEVANT IN THE EVENT OF A PUBLIC OFFERING

1.2.1 Capital structure

The General Meeting of Shareholders held on 4 November 2019 decided, subject to the condition precedent and with effect on the date of approval by the AMF of the prospectus for admission of Company shares on the regulated exchange of Euronext Paris (i) to confer double voting rights to registered shares held for over 2 years then (ii) divide the par value of Company shares by 955 by exchanging 191,000,000 new shares at a par value of 0.40 euro each for 200,000 old shares with a par value of 382 euros.

All of the ordinary shares that make up the Company's share capital were made eligible for trading on the Euronext Paris exchange on 21 November 2019.

Composition of the share capital before eligibility for trading on Euronext Paris:

Shareholders	Number of shares	% of capital and voting rights
French State	144,000	72.00%
Française des Jeux Shareholding structure mutual fund (FCP)	10,000	5.00%
Union des Blessés de la Face et de la Tête	18,457	9.23%
Fédération Maginot	8,460	4.23%
(concerted action between UBFT – Fédération Maginot)	26,917	13.45%
IDSud	5,252	2.63%
Confédération Nationale des Buralistes de France	3,908	1.95%
MASFIP (formerly Mutuelle du Trésor)	2,000	1.00%
Comalo	1,174	0.59%
Emissions Berger	748	0.37%
Stéphane Pallez	1	-
Company/Soficoma*	6,000	3.00%
TOTAL	**200,000**	**100%**

**Soficoma's holding of FDJ shares is subject to current legal proceedings before the Aix-en-Provence Court of Appeal.*

Composition of share capital as at 31 December 2019:

FDJ ownership as at 31 December 2019	Number of shares	% of capital (as a%)	% of voting rights (as a%)	Number of actual voting rights
French State	41,852,014	21.91	29.68	83,704,028
Military veterans' associations, together (UBFT share 9.8%)	28,233,690	14.78	19.13	53,939,425
FDJ shareholders (historic fund FDJ SA)	5,257,020	2.75	3.73	10,514,040
New group employee share ownership fund, FDJ Group France	3,157,604	1.65	1.12	3,157,604
Other (individual ownership below 5% as at 31 December 2019)	106,756,776	55.90	42.28	119,253,098
Treasury shares	12,896	0.01	0.00	N/A
Company/Soficoma*	5,730,000	3.00	4.06	11,460,000
TOTAL	**191,000,000**			**282,028,195**

* *Soficoma's holding of FDJ shares is subject to current legal proceedings before the Aix-en-Provence Court of Appeal.*

Below are the details of the collective made up of the military veterans' associations: FNAM, UBFT and Ailes Brisées on the date that the 5 December 2019 threshold breach was declared, when the Company's share capital base represented 289,508,341 voting rights:

	Equities	% capital	Voting rights	% voting rights
FNAM	8,139,300	4.26	16,218,60	5.60
AMGYO	105, 000	0.056	105,000	0.04
Union Fédérale	42,000	0.02	42,000	0.02
CARAC	360,000	0.19	360,000	0.12
France Mutualiste	500,00	0.26	500,000	0.17
FNAM block	9,146,300	4.79	17,225,600	5.95
UBFT	18,727,390	9.80	36,353,825	12.56
Ailes Brisées	360,000	0.19	360,000	0.12
Subtotal: UBFT and Ailes Brisées	**19,087,390**	**9.99**	**36,713,825**	**12.68**
TOTAL COLLECTIVE	**28,233,690**	**14.78**	**53,939,42**	**18.63**

1.2.2 Statutory limitations on exercising voting rights and transferring shares or agreements as set out in article L.233-11 of the French Commercial Code

Legislative and regulatory provisions delaying, deferring or preventing a change of control

In accordance with the Action Plan for Business Growth and Transformation (Pacte) law no2019-486 of 22 May 2019 and the Pacte Ordinance No. 2019-1015 of 2 October 2019, regardless of its stake, the Government has direct control over the Company, particularly in the form of:

- the obligation that the Chairman, Chief Executive Officer and Deputy Chief Executive Officers of FDJ be approved by the Ministers in charge of the Budget and Finance (who may refuse to grant their license solely for reasons relating to the existence of certain criminal convictions or the failure to comply with the objectives mentioned in the Order);
- the obligation that shareholders, both individuals and corporate entities, acting alone or in concert, that wish to hold more than 10% or a multiple of 10% of share capital or voting rights of FDJ, obtain prior approval by the Ministers in charge of the Budget and Finance (authorisation may be refused solely on grounds of protection of public order, the fight against money laundering and the financing of terrorism, the needs of public safety and the fight against excessive or pathological gambling).

Breaching thresholds set by the Articles of Association

Pursuant to article 11 of the Company's Articles of Association, in addition to declarations of crossing of legal thresholds, any individual or corporate entity, acting alone or in concert, that comes to hold, or ceases to hold, directly or indirectly, a fraction of the share capital or voting rights of the Company:

- greater than or equal to 1% of share capital or voting rights of the Company, or any multiple of that percentage up to 5% of the share capital or voting rights; and
- greater than or equal to 0.5% of the share capital or voting rights of the Company, or any multiple of that percentage above 5% of the share capital or voting rights, including above the reporting thresholds stated in the laws and regulations in force,

must inform the Company of the total number of shares and voting rights that it owns and of the securities giving access to the share capital and voting rights potentially attached thereto by means of a registered letter with acknowledgement of receipt sent to the headquarters by the closing of the fourth trading day following the day that the threshold is crossed.

For the purpose of determining the thresholds referred to above, indirectly held shares or voting rights and shares or voting rights similar to the shares or voting rights held as defined by the provisions of articles L.233-7 and following of the French Commercial Code will be taken into account.

In the event that the provisions of this article are not observed, on a request recorded in the minutes of the General Meeting of Shareholders by one or several shareholders holding at least 5% of the share capital or voting rights of the Company, the shareholder who has not made the aforementioned declaration within the prescribed time shall be deprived of the voting right in any meeting of shareholders that would be held until the expiry of a period of two years following the date of a declaration of regularisation.

The Company reserves the right to inform the public and shareholders of the information notified to it, as well as, where applicable, the failure to comply with the aforementioned obligation by the person or entity in question.

AMF notice by the UBFT/FNAM/others collective under article L.233-11 of the French Commercial Code

In accordance with article L.233-11 of the French Commercial Code, on 14 November 2019 the AMF was notified (with a supplemental letter received on 5 December 2019) by FNAM and UBFT of their finalisation of the terms and conditions of a shareholders' agreement constituting a concerted action within the meaning of article L.233-10 I of the French Commercial Code, in order to govern their relations within the Company (the "Shareholders' Agreement").

Under AMF opinion 219C2633, this Pact, which came into effect on the date of the Company's IPO, has an initial term of 10 years, renewable in five-year periods.

The objectives pursued by the FNAM and the UBFT shall consist of implementing a common and sustainable policy towards FDJ, in order to preserve the common values that have animated the historical relations between the FNAM and the UBFT, as well as the asset value and the return on their respective holdings in FDJ, which condition the continuation of their general interest activities. This Shareholders' Agreement shall include provisions relating to governance and to securities transfers:

- the FNAM and the UBFT undertake to exercise their votes on the Board of Directors and all their voting rights at shareholders' meetings and, more generally, to do everything in their power to ensure that representatives of the FNAM and the UBFT sit on FDJ's Board of Directors;
- the parties to the Shareholders' Agreement shall consult each other in order to prepare for the meetings of the Board of Directors and the General Meetings of Shareholders of FDJ, and in particular with respect to strategic decisions relating to (i) the distribution policy and investment value protection, (ii) the determination of the strategy of FDJ and (iii) the governance and control of the financial statements;
- the parties agree not to transfer any shares if this would cause their equity stake in the Company to be lower than it was once the initial public offering had taken place, by the following percent:
  - a cumulative 10% within the two years following the IPO,
  - a cumulative 25% within the five years following the IPO,
  - a cumulative 50% at any point in the duration of the pact;
- for the entire duration of the pact, the parties agree to not acquire or subscribe for shares of the Company, directly or indirectly, that would cause the parties to collectively own more than 29% of the Company's capital and/or voting rights at any point in the duration of the concerted action
- unless otherwise stipulated, each party agrees to register all shares that it owns currently or subsequently, in a registered account;
- a mutual pre-emptive right applicable to certain transfers of the Company's shares is instituted between UBFT and FNAM and, if applicable, the FNAM block (see below).

In those same letters, the AMF received a shareholders' pact entered into on 8 November 2019 between the FNAM, the Union Fédérale des Associations Françaises d'Anciens Combattants et Victime de Guerre (the "Union Fédérale"), and the Association des Mutilés de Guerre des Yeux et des Oreilles (AMGYO) that counts as a concerted action between them with respect to the Company, to govern their relations within the Company.

On the same day, two mutual insurers for veterans, CARAC and France Mutualiste, signed on to this second pact, thereby forming the "FNAM block" alongside the FNAM, Union Fédérale, and AMGYO.

This second pact has an initial term of ten years, renewable in five-year periods for a maximum duration of 25 years beginning 21 November 2019.

The objectives pursued by the FNAM block consist of enacting a shared, lasting policy with respect to the Company, in order to protect the earning potential of their stakes and ensure stable ownership for veterans' organisations, a historic stakeholder in the National Lottery.

This Shareholders' Agreement shall include provisions relating to governance and to securities transfers:

- the FNAM is the FNAM block's representative on the Company's Board of Directors, and within it will defend the common interests of the FNAM block, and more generally speaking, veterans' organisations;
- the FNAM will retain a dominant role within the FNAM block;
- the parties to the Pact will cooperate to prepare for the Company's General Meeting of Shareholders, in particular on strategic decisions related to dividends, returning value to shareholders, and other important decisions;
- each member of the FNAM block commits to retaining 75% of its stake in the Company for the duration of the pact, and for that duration, the members of the FNAM block will keep all of their shares in the Company in a registered account;
- subject to free transfers, a mutual pre-emptive right will be instituted within the FNAM block;
- in the event that FNAM wishes to give or sell more than 50% of its shares in the Company to a third party, then subject to the exercise of the aforementioned pre-emptive right, the other members of the FNAM block will have a tag-along right for all or some of their own shares, under the same conditions.

In those same letters, the AMF received a shareholders' pact entered into on 24 October 2019 between UBFT and the association Ailes Brisées, which counts as a concerted action between them with respect to the Company, to govern their relations within the Company.

This Pact has an initial duration of ten years beginning 21 November 2019, renewable for a five-year period.

The goals pursued by UBFT and Ailes Brisées consist of enacting a shared, lasting policy with respect to the Company, in order to preserve both the common values that guided their historic ties. This Shareholders' Agreement shall include provisions relating to governance and to securities transfers:

- UBFT and Ailes Brisées, if they believe it necessary, will cooperate in advance on draft resolutions included on the agenda of any General, Ordinary, Extraordinary, or Special Shareholders' Meeting of the Company;
- a mutual pre-emptive right applicable to certain transfers of the Company's shares has been instituted between UBFT and Ailes Brisées; this pre-emptive right granted to Ailes Brisées is a second-tier pre-emptive right, inferior to the pre-emptive right granted by UBFT to the FNAM block under the conditions of the shareholders' pact agreed by UBFT and FNAM on 16 October 2019 (see above);
- unless otherwise stipulated, each party agrees to register all shares that it owns currently or subsequently, in a registered account.

In the same letters, the collective formed by the FNAM block, UBFT, and Ailes Brisées stated that it owned 28,233,690 shares of the Company, representing 53,939,425 voting rights, or 14.78% of its capital and 18.63% of its voting rights[1].

(1) On the basis of share capital comprised of 191,000,000 Company's shares representing 289,508,341 voting rights.

1.2.3 Direct or indirect stakes in capital pursuant to articles L.233-7 and L.233-12 of the French Commercial Code, brought to the Company's attention

In letters received on 18 December 2019, the limited company Amundi Asset Management (90 boulevard Pasteur, 75015 Paris), acting on behalf of the FCPE Actionnariat FDJ company mutual fund which it manages, declared, as a correction, that it had:

- on 21 November 2019, following the acquisition of shares in the Company, risen above the threshold of 5% voting rights in the Company, and held, on behalf of the FCPE Actionnariat FDJ company mutual fund, 8,950,000 shares in the Company representing 17,900,000 voting rights, or 4.69% of its capital and 6.18% of its voting rights;
- on 26 November 2019, following the sale of shares in the Company on the exchange, fallen below the threshold of 5% voting rights in the Company, and held, on behalf of the FCPE Actionnariat FDJ company mutual fund, 6,856,284 shares in the Company representing 13,712,568 voting rights, or 3.59% of its capital and 4.74% of its voting rights.

The declarer stated that as at 17 December 2019, it held on behalf of the FCPE Actionnariat FDJ company mutual fund 5,331,810 shares in the Company representing 10,663,620 voting rights, or 2.79% of its capital and 3.68% of its voting rights.

1.2.4 Shares that contain special control rights, and description thereof

In accordance with article 9, "Rights and obligations attached to the shares" in the Company's Articles of Association, double voting rights relative to those of other shares, considering the percentage of capital that they represent, were granted effective 4 November 2019 to all fully paid shares which could be proven to be held in the registered account of the same shareholder for at least two years.

1.2.5 Control mechanisms set out in a potential employee ownership system, when control rights are not exercised by that system

A company mutual fund (FCPE), the FCPE ACTIONNARIAT FDJ, was created for the purposes of preserving and managing the shares acquired by Company employees as part of its Employee Savings Plan (PEE). The Supervisory Board of the FCPE ACTIONNARIAT FDJ is made up of six employees representing unitholders, those employees themselves being unitholders, and two representatives of Management. The unitholder employee representatives were appointed by the Central Works Council. The Supervisory Board exercises the voting rights attached to the shares held in the fund, and as such, appoints a representative to represent the fund at FDJ's General Meeting of Shareholders.

Another company mutual fund (FCPE), the FCPE ACTIONNARIAT GROUPE FDJ INVEST, was created at the time of the offer reserved for employees when the Company was privatised through an initial public offering, for the purposes of preserving and managing the shares acquired by employees of the Company and of the companies participating in the Group Savings Plan (PEG) and the International Group Savings Plan (PEGI). The Supervisory Board of the FCPE ACTIONNARIAT GROUPE FDJ INVEST will be made up of five employees representing unitholders, those employees themselves being unitholders, and three representatives of Management. The unitholder employee representatives will be chosen by the unitholders, from among the unitholders. The Supervisory Board exercises the voting rights attached to the shares held in the fund, and as such, appoints a representative to represent the fund at the Company's General Meeting of Shareholders.

1.2.6. Agreements between shareholders that could entail restrictions on transferring shares and on exercising voting rights

See part 1.2.2 above.

1.2.7 Rules that apply to the appointment and replacement of Board of Directors members and to the amendment of the Company's Articles of Association

The terms for appointing and replacing Board of Directors members are detailed in article 14 of the Company's Articles of Association, reproduced below:

"14.1 Board members whose election becomes effective upon the transfer of the majority of the Company's capital to the private sector and Board members elected from that date on are appointed for a maximum of four years. Within that limit, the General Meeting of Shareholders may decide to appoint Board members for different durations in order to space apart the durations of their respective terms. The terms of members end upon the conclusion of the annual Ordinary General Meeting of Shareholders held in the year during which those terms expire. Members can be re-elected and are subject to the laws and regulations that apply to holding multiple offices.

The number of members age 70 and over may not be greater than one-third of the members in office.

14.2 In the event of vacation by death or resignation of one or more Board members appointed by the General Meeting of Shareholders, the Board of Directors may, between two General Meeting of Shareholderss, make temporary appointments under the conditions set by the French Commercial Code, except for: (i) the Government Representative, who is appointed as per article 4 I of Ordinance 2014 and (ii) the directors representing the employees and the employee shareholders, appointed in accordance with the legislative and regulatory provisions in force, as well as these Articles of Association. The Board member co-opted by the Board of Directors to replace an outgoing member remains in office only long enough to serve out the remaining term of their predecessor. Appointments made by the Board are subject to ratification at the next Ordinary General Meeting of Shareholders. If not ratified, earlier deliberations and actions by the Board are still considered valid.

If the seat of a director representing employee shareholders becomes vacant, that person's replacement will be under the conditions set out in article 13.1 a) above, with that Board member being appointed by the Ordinary General Meeting of Shareholders for a new period of four years.

If there is a vacancy in the seat of director representing the employees, the vacant seat is to be filled in accordance with article L.225-34 of the French Commercial Code.

14.3 The General Meeting of Shareholders may withdraw the members it has appointed at any time."

The specific system for appointing the Chairman, CEO, and Deputy Chief Executive Officers of the Company should be specified, in accordance with article 20 of the Pacte Ordinance of 2 October 2019 cited above. Indeed, in accordance with this Ordinance, the assumption of office of the Chairman, the CEO and the Deputy Chief Executive Officers of FDJ shall be subject to prior license by the Ministers in charge of the Budget and Finance, after consulting the French gaming regulatory authority (ANJ). Such licenses may be withdrawn by decree of the competent Ministers, after consulting the French gaming regulatory authority (ANJ). Decree 2019-1060 of 17 October 2019 related to the terms of direct Government control of the Company provides that the Ministers have thirty days to respond when asked for approval. Failure by the Ministers in charge of the Economy and Budget to provide an answer by the end of such thirty-day period amounts to a license decision. Any refusal or withdrawal of license shall be motivated and delivered after the person concerned has been invited to provide comments.

Furthermore, article 18 of the same Ordinance states that amendments to the Company's Articles of Association must be approved by decree.

1.2.8 Agreements by the Company that are amended or end if control of the Company were to change

Significant agreements entered into by the Company that would be amended or ended if control of the Company were to change are as follows:

Crédit Bred Banque Populaire

A loan with a nominal amount of €120 million was subscribed in November 2016 with BRED Banque Populaire to partially finance the acquisition of the Group new head office ("Delta building"). It is a fixed-rate loan with a final maturity of 20 December 2031, repayable in half-yearly instalments (annual repayment of €8 million). It is subject to early repayment in full in the event of a change of control or in the event that the French State ceases to hold, directly or indirectly, 33.34% of FDJ's share capital and voting rights. At the end of June 2019, it stood at €100 million (€104 million at the end of 2018).

An amendment to the repayment conditions of this loan was agreed on 15 October 2019. It states that, upon completion of the Company's planned public offering, the loan will be subject to early repayment in full in the event of a change of control, defined as (i) the French State ceasing to hold, directly or indirectly, at least 20% of FDJ's share capital and voting rights, or (ii) a third party holding more than 25% of the Company's share capital. In such case and also in the event that the leverage ratio (net debt[1]/EBITDA) exceeds 3x, FDJ has agreed to grant the lender a senior mortgage lien in respect of the Delta building for the outstanding amount. The fixed rate will be reviewed annually according to changes in the leverage ratio.

Syndicated loan

In May 2019, the Group took out a syndicated loan of GBP 100 million to finance the acquisition and refinancing of Spynsol Limited (Sporting Group), a UK-based operator in B2B and B2C sports betting markets. This loan, granted by a syndicate of banks (Barclays Bank PLC, Crédit Agricole Corporate & Investment Bank and Société Générale), matures on 15 May 2024 and has two one-year extension options. It carries interest at Libor plus a variable margin based on the leverage ratio (consolidated net debt[2]/ consolidated EBITDA) and is subject to an interest rate hedge.

The loan is subject to early repayment in full if the Group loses its exclusive rights to operate online lottery games and at points of sale and sports betting at points of sale, or in the event of a change of control, defined as (i) the French State ceasing to hold a percentage of FDJ's share capital, unless it continued to exercise close control, or (ii) a third party holding at least 50% of FDJ's share capital or voting rights.

1.2.9. Agreements to compensate members of the Board of Directors or employees if they resign or are dismissed without real and serious cause, or if their employment ends due to a public offering of purchase or exchange

No corporate agreement provides for such compensation. The compensation set out in the collective bargaining agreement is applied.

The executive members of the Group Management Committee have a severance clause in their employment contract that exceeds the collective bargaining agreement.

(1) Net debt corresponds to the total amount of capital and interest accrued on short, medium and long-term loans and debt (of any kind, including shareholder current accounts and any receivable factoring or assignment that is not non-recourse), less current and non-current assets at amortised cost and cash and cash equivalents.

(2) Consolidated Net Financial Debt corresponds to non-current and current financial liabilities, less non-current financial assets at amortised cost, current financial assets, and cash and cash equivalents (see Annex 2 – Notes to the consolidated financial statements).

1

1.3

AGREEMENT(S) BETWEEN A DIRECTOR OR SIGNIFICANT SHAREHOLDER IN THE COMPANY AND A SUBSIDIARY OF THE COMPANY

To the knowledge of the Board of Directors, no agreements were entered into in 2019, either directly or through an intermediary, between one of the corporate directors or shareholders holding a percentage of the Company's voting rights greater than 10%, and any other company in which the Company directly or indirectly owns more than half of the capital thereof, except for agreements related to ordinary, arm's length transactions.

19 March 2020

The Board of Directors

2

Management Report

2.1

2019 HIGHLIGHTS

2.1.1 Initial public offering of FDJ on Euronext Paris

The company has been listed on Euronext since 21 November 2019. The listing took place the day after the issuance of the decree by which the Minister for the Economy and Finance set the price and terms of allocation of FDJ shares within the framework of the sale by the French State of a maximum number of 99,320,000 shares representing a maximum of 52% of FDJ's share capital:

- a Global Placement intended chiefly for institutional investors in France and internationally: €19.90 per share (upper end of the indicative price range);
- an Open Price Offer intended chiefly for individuals and FDJ distributors: €19.50 per share, i.e. a discount of 2% to the Global Placement price, and also permitting the delivery, under certain conditions, of one additional share for every ten shares purchased and kept for 18 months;
- an Over-Allotment Option relating to the sale by the French State of additional FDJ shares representing a maximum of 15% of the cumulative number of shares sold under the Global Placement and the Open Price Offer;
- an Offer Reserved for Staff.

As the over-allotment option was exercised in full, the French State ultimately sold 99,320,000 shares, 40.5% of which were allocated to individuals and FDJ distributors. Following the IPO, the free float represented more than 50% of the number of existing shares.

The IPO followed the adoption of the Pacte law of 22 May 2019 (law 2019-486 on business growth and transformation), which authorised the government to transfer the majority of the Company's capital to the private sector, as well as the instruments adopted for its application.

Bruno Le Maire, the Minister for the Economy and Finance, stressed that the transfer of the Company does not call into question the fact that "the activity of La Française des Jeux will remain under the close control and strict regulation of the French State".

This close control of the activity of the Company and its governance, the methods of which are set notably by decrees 2019-1060 of 17 October 2019 on the terms of application of the close control of the government on La Française des Jeux and 2019-1061 of 17 October 2019 on the supervision of the gaming offer of La Française des Jeux and Pari Mutuel Urbain, is one of the provisions accepted in exchange for the confirmation of exclusive operating rights for lottery games sold in the offline distribution network and online, and sports betting sold in the offline distribution network, granted for a period of up to 25 years by the Pacte law adopted on 23 May 2019.

Government order 2019-1015 of 2 October 2019 reforming the regulation of gambling sets the duration of exclusive rights at 25 years. It also specifies that a financial consideration is due by the Company, and that its payment must be made no later than 30 June 2020. Consequently, an intangible asset corresponding to the securing of these rights and amortised from the date of promulgation of the Pacte law, has been recognised in an amount of €380 million in consideration of a debt owed to the French State. This amount was set out in the cahier des charges ("Specification Document") the approved Specification Document, upon the assent of the French Investments and Transfers Commission, by decree 2019-1060 of 17 October 2019 on the terms of application of the close control of the government on La Française des Jeux.

These changes in the management of FDJ and its gaming activities are part of the broader reform of the gambling industry ushered in by the government order of 2 October 2019 and the instruments adopted for its application, which notably provide for the establishment of a new French gaming regulatory authority (Autorité nationale des jeux – ANJ), which in 2020 will replace the online gaming regulator (Autorité de régulation des jeux en ligne – ARJEL), and will see its powers extended to gaming and betting activities operated under the exclusive rights granted to FDJ and PMU.

Moreover, article 138 of the law amends the taxation of gambling, notably by providing for a change in the base used to determine public levies applicable to lotteries and sports betting, both online and in the offline distribution network, from player stakes to Gross Gaming Revenue and taxed betting from 1 January 2020.

The same article also provides that the regulated funds referred to in articles 13 and 14 of decree 78-1067 of 9 November 1978 and articles 14 and 15 of decree 85-390 of 1 April 1985 will be closed as from 1 January 2020. The sums held in these funds are to be paid to the French State before the end of 2022. This includes counterparty funds and the permanent fund (presented in non-current player funds), as well as reserve funds (presented in current player funds) recording unclaimed prizes, with the exception of first-ranking prizes and gains on stakes in organised sports betting games in mutual form and traditional draws, as well as first-ranking prizes and gains on additional draw games. These funds have been reclassified as current financial debt from 30 June 2019.

To make up for the return of funds relating to the coverage of counterparty risk on lottery activities, FDJ has established an insurance contract designed to cover these risks from 1 January 2020.

2.1.2 Acquisitions

2.1.2.1 Acquisition of Spynsol, the entity holding all of Sporting Group's activities

At the end of May 2019, the Group acquired Sporting Group, one of the world leaders in technology and trading for sports betting operators, with the Sporting Solutions and Sporting Index brands, to strengthen its B2B[(1)] offer in services to sports betting operators and accelerate its international development. These services include the management of the life cycle of events, continuous odds with the management of data relating to the state of matches, and risk management.

FDJ, through its subsidiary FGS, holds 100% of the capital of the Sporting Group holding company, fully consolidated and acquired for an amount including the cash acquired of £103 million (€116 million), financed through external debt in the amount of £100 million.

Sporting Group offers two activities in line with the FDJ Group's strategy:

- provision of services to sports betting operators (B2B): sale of pricing and risk management services to sports betting operators, presented on the "Income from other activities" line of the consolidated income statement;
- B2C[(2)] sports betting, broken down between:
  - a "spread[(3)]" offer marketed in the United Kingdom and Ireland by Sporting Index, which has market share of 70% in the UK, generating NGR presented on the "Other sports betting activities" line of the consolidated income statement;
  - a classic fixed-odds sports betting offer generating NGR, whose breakdown in the consolidated income statement is identical to that of the Group's sports betting activity, namely stakes, share attributable to prize winners and public levies.

Sporting Group's assets and B2B skills in managing sports betting and risk management are highly complementary to the Group's current assets and expertise. Operating in the United Kingdom, South Africa, Canada and Sweden, Sporting Group employs nearly 300 people. It generated nearly £39 million in revenue in 2018 and has approximately 40 clients.

These services include the management of the life cycle of events, continuous odds with the management of data relating to the state of matches, and risk management.

To operate these activities, Sporting Group holds licences obtained from the UK Gambling Commission in Great Britain and the Financial Conduct Authority (for spread betting).

Sporting Group also operates a proprietary trading activity considered as non-core by FDJ, and which will therefore be discontinued.

2.1.2.2 Acquisition of Bimedia

On 25 November 2019, FDJ announced the signing of an agreement bearing on the acquisition from Idinvest Partners of Bimedia, a software publisher specialising in point-of-sale collection and payment solutions.

The acquisition of Bimedia will allow FDJ to accelerate the development of its "Payment and Services" activity, which is part of its 2025 plan, thereby confirming its commitment to supporting the development and modernisation of its distribution network by offering value-added services.

The completion of the transaction is subject to the usual conditions precedent for this type of transaction, in particular antitrust approval.

(1) B2B designates commercial and marketing activities carried out between companies.

(2) B2C designates commercial and marketing activities carried out for end consumers.

(3) Spread betting consists in predicting whether a number of actions (or match events) during a match will be less or more than a range of actions (spread) set by the trader.

2.2

FINANCIAL ANALYSIS

2.2.1 Elements relating to the Group

2.2.1.1 Comments on the consolidated income statement

In millions of euros	2019	2018	Variation 2019/2018	
Stakes	17,239.5	15,817.0	1 422.4	9.0%
Gross Gaming Revenue (GGR)(1)	5,540.9	5,119.6	421.3	8.2%
Net Gaming Revenue (NGR)(2)	1,924.8	1,774.3	150.5	8.5%
Revenue	1,955.6	1,802.6	153.0	8.5%
Cost of sales	(1,191.0)	(1,100.5)	(90.6)	8.2%
Marketing and communication expenses	(330.4)	(277.1)	(53.4)	19.3%
General and administrative expenses	(173.1)	(175.1)	2.1	(1.2%)
Other recurring operating income / (expenses)	(9.1)	1.2	(10.3)	N/A
Recurring operating profit	**252.0**	**251.1**	**0.9**	**0.3%**
EBITDA	346.1	314.7	(68.0)	(26.5%)
Operating profit	188.7	256.7	31.4	10.0%
Net financial income / (expense)	20.6	(1.5)	22.0	N/A
Share of net income from joint ventures	2.0	0.8	1.3	N/A
Income tax expense	(78.3)	(85.6)	7.3	(8.5%)
NET PROFIT FOR THE PERIOD	**133.0**	**170.4**	**(37.4)**	**(21.9%)**

(1) GGR = stakes less the share paid out to winners
(2) NGR corresponds to FDJ's remuneration

The Group's stakes amounted to €17,239 million, an increase of 9% (€1,422.4 million) compared with 2018; all ranges increased.

In millions of euros	2019	2018	% of total stakes	2019/2018 Change	
Instant games	*8,204.6*	*7,620.0*	*47.6%*	*584.6*	*7.7%*
Draw games	*5,479.8*	*5,149.7*	*31.8%*	*330.1*	*6.4%*
Lottery	13,684.4	12,769.7	79.4%	914.6	7.2%
Sports betting	3,537.8	3,047.3	20.5%	490.5	16.1%
Other*	17.3	0.0	0.1%	17.3	N/A
TOTAL STAKES	**17,239.5**	**15,817.0**	**100.0%**	**1,422.4**	**9.0%**
of which digitalised stakes	*3,385.7*	*2,428.6*	*19.6%*	*957.1*	*39.4%*

* *Classic sports betting offer ("fixed odds") provided by Sporting Group.*

As a reminder, FDJ operates its sports betting offer in points of sale under exclusive rights, and its online sports betting offer in competition.

Lottery game stakes grew by 7.2%, the strongest growth seen in the last five years.

Instant games stakes, which represent 47.6% of FDJ's total stakes (vs 48.2% in 2018), increased by 7.7% year on year to €8,204.6 million. The increase is attributable to sustained activity on this range, with 11 game launches and 2 reformats (compared with 6 launches and 7 reformats in 2018). The chief growth driver was the segment of games costing €5 and more, and especially the Super 10 and Super 200 games launched in early May (which offer smaller prizes than the other games, but on a higher frequency), and Bingo 2019, reformatted in early July (initially launched in 1993 and inspired by the Board game of the same name, the new ticket can carry prizes of up to €1 million).

This range also benefited from the success of Quitte ou Double (€3), launched in early March. This first phygital game comes with an innovation: winners on the scratch card are given the option of continuing their gaming experience online, where they can double their winnings.

Draw games stakes totalled €5,479.8 million and accounted for 31.8% of FDJ's total stakes (vs 32.1% in 2018). Their growth (+6.4%) was attributable chiefly to Euro Millions (+8%) and Loto® (+4%), which both benefited in particular from exceptional long cycles generating €136 million in additional stakes.

In addition, Loto® was reformatted in November, with a new formula offering players a third chance to win through a second draw, on top of the jackpot and the Loto® codes draw. The new formula has been a great success, with stakes up more than 10% in the two months following the reformatting.

Stakes continued also continued to grow on Amigo thanks to its rollout in a larger number of points of sale.

Sports betting stakes totalled €3,537.8 million (vs €3,047.3 million in 2018, an increase of 16.1%), representing more than 20% of FDJ's total stakes (vs 19% in 2018). Despite the absence of major events in 2019, sports betting posted growth of 16.1%, driven by a fast-growing sports betting market and a news flow fuelled by FDJ throughout the year. Online sports betting has grown much faster than the market, and point-of-sale betting delivered a fresh year of double-digit growth.

As in 2018, the major sports were football, tennis, basketball and rugby, which together accounted for approximately 90% of growth. In 2019, tennis experienced the strongest growth of all sport, notably thanks to the ramp-up of streaming. Overall, the offer was enriched in all sports, with respectively 118 and 231 new betting opportunities offered at points of sale and online.

The Parions Sport brand also benefited from several advertising campaigns, notably including a more "impactful" new advertising campaign in September 2019, as well as several optimisations of the apps.

ParionsSport Point de Vente also benefited from the digitalisation of betting slips, with an increase of nearly 40% year on year to 71% of bets (vs 57% as of 31 December 2018).

For FDJ, digitalised stakes benefited from the growth of dematerialised stakes to increase by more than 39%, representing 19.6% of total stakes in 2019 (vs 15.3% in 2018). This means that the 20% target has already almost been reached.

The growth in stakes is almost perfectly reflected in the growth in revenue, which totalled €1,955.6 million, up from €1,802.6 million in 2018 (+8.5%). Revenue includes Net Gaming Revenue (NGR), which represents FDJ's remuneration as operator and distributor (which increased by 8.5% between 2018 and 2019), and which corresponds to player stakes net of playerpayout, government levies,, and coverage of current counterparty risks. Other than NGR, revenue includes revenue from other activities (€31 million in 2019, vs €28 million in 2018), mainly sales of software maintenance and development services, as well as the provision of services to sports betting operators of B2B international activity.

Cost of revenue amounted to €1,191 million in 2019, compared with €1,100.5 million in 2018, an increase of 8.2%. It comprised the remuneration of distributors in the amount of €865.5 million (€785.2 million in 2018, an increase of 10.2%), which varies in line with change in stakes and which in the year under review also reflected the implementation as of 1 January 2020 of the new compensation agreement differentiated by games. At the same time, compensation of the commercial sectors keeps on reducing (at €38 million in 2019) by more than 20% as a result of the ongoing commercial transformation.

Marketing and communication expenses (which mainly include the costs of IT development and the operation of games and services, as well as advertising costs and design of offers) amounted to €330 million in 2019, compared with €277 million in 2018, an increase of 19.3%. Their trend in the Bus (+€15million in the lottery segment and +€13millions in the sports betting segment) and in the ABUs (+€22 million, including +€18 million relating to Sporting Group) reflects the development of the offer.

General and administrative expenses (which mainly include personnel expenses and operating costs for corporate functions, as well as building costs and IT infrastructure costs) are slightly down at €173 million, compared with €175 million in 2018.

EBITDA (recurring operating income before depreciation and amortisation) came to €346.1 million, compared with €314.7 million in 2018. This €31 million increase was driven by lottery games and by sports betting alike. The EBITDA's margin is stable at 17.7%.

The increase in net depreciation and amortisation is attributable chiefly to exclusive operating rights (€9.3 million), IT developments (€8 million), IFRS 16 (€7 million) and point-of-sale equipment (€3 million).

Recurring operating income came to €252.0 million, an increase of €0.9 million (0.3%).

The difference between recurring operating income and EBITDA is attributable to other operating income/expenses (net expenses of €63.3 million in 2019, compared with net income of €5.6 million in 2018).

2019 was impacted in particular by:

- the FDJ capital transaction, with €31 million in related expenses, of which more than €7 million relating to the offer reserved for staff;
- asset impairment in the amount of €22 million; and
- expenses related to M&A transactions (€5 million).

In 2018, other operating income mainly included the disposal of the site at Moussy-le-Vieux, which generated a net capital gain of €9 million.

The €22 million improvement in financial result (income of €20.6 million, compared with an expense of €1.5 million in 2018) is attributable chiefly to the improvement in the equity markets, securities valued at fair value through profit and loss having generated income of €11 million in 2019 compared with an expense of €6 million in 2018.

The Group's tax expense fell by €7 million in line with that of FDJ SA's taxable income and the drop in tax rates reduction to come provided for in the legal texts.

Consolidated net income accordingly amounted to €133 million (€170 million in 2018).

2.2.1.2 Segment information

In millions of euros	2019 Lottery BU	Sports betting BU	ABU	Holding company	Total before depreciation and amortisation	Depreciation and amortisation	Group total
Stakes	13,684	3,538	17		17,239		17,239
Gross Gaming Revenue (GGR)	4,695	845	1		5,541		5,541
Net Gaming Revenue (NGR)	1,574	340	10		1,925		1,925
Revenue	**1,578**	**341**	**36**	**1**	**1,956**		**1,956**
Cost of sales	(939)	(209)	(4)	0	(1,152)	(39)	(1,191)
Marketing and communication expenses	(147)	(95)	(33)	(31)	(305)	(25)	(330)
Contribution margin	**492**	**36**	**0**	**(30)**	**498**	**(64)**	**434**
General and administrative expenses				(152)	(152)	(30)	(182)
EBITDA					**346**		
Depreciation and amortisation						(94)	
RECURRING OPERATING PROFIT							**252**

In millions of euros	2018 Lottery BU	Sports betting BU	ABU	Holding company	Total before depreciation and amortisation	Depreciation and amortisation	Group total
Player stakes	12,770	3,047			15,817		15,817
Gross Gaming Revenue (GGR)	4,372	748			5,120		5,120
Net Gaming Revenue (NGR)	1,477	297			1,774		1,774
Revenue	**1,482**	**297**	**14**	**9**	**1,803**		**1,803**
Cost of sales	(874)	(192)	(2)	0	(1,067)	(33)	(1,100)
Marketing and communication expenses	(132)	(82)	(11)	(37)	(262)	(15)	(277)
Contribution margin	**476**	**24**	**1**	**(28)**	**474**	**(49)**	**425**
General and administrative expenses				(159)	(159)	(15)	(174)
EBITDA					**315**		
Depreciation and amortisation						(64)	
RECURRING OPERATING PROFIT							**251**

Lottery BU

The increase of more than 7% in stakes and 6% in lottery revenue was driven by instant games and draw games (see Note 1.1.1 – Comments on the consolidated income statement).

Cost of revenue mainly corresponds to the remuneration of sales intermediaries (distributors and commercial sectors). Distributors' remuneration amounted to €703 million in 2019, compared with €636 million in 2018 (an increase of 10.6%). This growth, which is greater than that of network stakes (+6.2%), is attributable to the implementation of a new remuneration agreement and a change in the product mix. Until 2018, distributors benefited from a payment of 5.2% of network stakes, all games combined. As of 2019, their remuneration is differentiated by type of game. Lottery distributors' compensation accordingly stood at 5.4% of network stakes in 2019.

The increase in lottery marketing and communication costs is attributable chiefly to advertising (with in particular the Loto® reformatting campaigns and the two communication campaigns on the Mission Patrimoine games, vs only one in 2018), the development of the offer and the work related to strengthening the security and performance of information systems.

The contribution margin of the lottery BU amounted to €492 million (31.2% of lottery revenue), an increase of 3.4% compared with 2018. Adjusted for the impact of the change in distributors' remuneration, the lottery BU's contribution margin would have been 33% of lottery revenue vs 32,1% in 2018.

Sports betting BU

The increase of more than 16% in stakes and almost 15% in revenue in sports betting was driven by a very dynamic market and the performance of ParionsSport, both at point of sale and online (see note 1.1.1 – Comments on the consolidated income statement).

Cost of revenue mainly corresponds to the remuneration of sales intermediaries (distributors and commercial sectors). Distributors' remuneration amounted to €162 million in 2019, compared with €149 million in 2018.

Regarding sports betting, the increase in marketing and communication expenses is attributable chiefly to the improvement of the offer and the services offered, the increase in the number of bets offered in points of sale and online, streaming, report estimator, and the related update of computer systems.

The contribution margin of the Sports Betting BU amounted to €36 million (10.7% of sports betting revenue), an increase of more than 50% compared with 2018.

ABU

The ABUs (adjacent activities – International, Payments and Services and Entertainment) recorded revenue of €36 million, an increase of €22 million compared with 2018 (attributable chiefly to the integration of Sporting Group) and a contribution margin at breakeven.

Holding company

The variation in the figures of the holding company is attributable mainly to the change in the consolidation method of SGE at the end of 2018 following the sale of 50% of its capital (transition from full consolidation to equity method).

2.2.1.3 Comments on the consolidated income statement

In millions of euros	31.12.2019	31.12.2018
Non-current assets	**1,568.2**	**1,277.0**
o/w goodwill	*56.4*	*1.1*
o/w exclusive operating rights	*370.7*	*0.0*
o/w property, plant and equipment	*394.0*	*378.8*
o/w non-current financial assets	*584.3*	*780.6*
Current assets	**1,287.8**	**930.2**
o/w trade and distribution network receivables	*469.8*	*511.5*
o/w other current assets	*314.8*	*268.3*
o/w current financial assets	*272.2*	*55.8*
o/w cash and cash equivalents	*201.5*	*167.2*
TOTAL ASSETS	**2,856.0**	**2,207.2**
Equity	**569.2**	**563.9**
Non-current liabilities	**360.9**	**307.2**
o/w non-current player funds	*0.0*	*108.7*
o/w total non-current financial liabilities	*229.7*	*96.1*
Current liabilities	**1,925.9**	**1,336.0**
o/w trade and distribution network payables	*411.6*	*369.3*
o/w current player funds	*156.6*	*213.8*
o/w public levies	*414.8*	*357.2*
o/w winnings payable and distributable	*189.3*	*171.7*
o/w other current liabilities	*169.6*	*155.9*
o/w payable to the French State with respect to the exclusive operating rights	*380.0*	*0.0*
o/w other current financial liabilities	*186.5*	*41.8*
TOTAL LIABILITIES	**2,856.0**	**2,207.2**

Goodwill relates to Sporting Group (see 1.2.1 – Acquisition of Spynsol, the entity holding all of Sporting Group's activities).

Exclusive operating rights correspond to the securing of exclusive operating rights to lottery activities sold in the offline distribution network and online, as well as sports betting games sold in the offline distribution network, entrusted to La Française des Jeux for a period of 25 years. Amounting to €380 million, it will be amortised over this term, from 23 May 2019, the date of promulgation of the Pacte law 2019-486; the amortisation recorded in 2019 amounted to €9.3 million. At the same time, a liability (debt to the French State in respect of exclusive rights) was recorded.

The reduction in non-current financial assets and the increase in current financial assets is attributable to the expiry of €253 million in term accounts in 2020.

The increase in trade and distribution network receivables is attributable chiefly to a calendar effect and by more sustained activity at the end of 2019 than at the end of 2018.

Current assets increased, mainly comprising the advance payment on the permanent fund surplus (€265 million at the end of 2019, compared with €200 million at the end of 2018). This trend can be ascribed to:

- the new system for covering counterparty risks, notably insurance, effective from 1 January 2020, which has resulted in the elimination of the counterparty funds and their transfer to the permanent fund;
- the lowering, by decree, of the permanent fund ceiling to 0.005% of stakes (vs 0.5% as of 31 December 2018).

Shareholder's equity includes reserves totalling €356 million, including a €87 million statutory reserve intended to cover the following risks:

- operating risks that may arise at any time during the game life cycle (design, production of game equipment, logistics, marketing, etc.). They are measured, after-tax, at 0.3% of stakes, or €47 million at the end of 2019, based on the 2018 financial statements;
- rare and extreme-case counterparty risks, exceeding ordinary risk for which models are available, covered by counterparty funds and the permanent fund. They are measured as and when there is a major change in the gaming offer and in players' behaviour. At year-end 2019, they were covered in the amount of €40 million.

Dividends for 2018 amounted to €122 million.

The variation in non-current and current player funds stems from the Pacte law; and more specifically to the closure of regulated funds (see 1.1 – Initial public offering of FDJ on Euronext Paris).

Non-current financial liabilities of nearly €230 million (€96 million as of 31 December 2018) mainly comprise:

- a loan of €88 million taken out for the purchase of the Group's headquarters (with a nominal value of €120 million, fixed rate, repayable in instalments and on maturity on 24 November 2031); and
- a loan taken out in May 2019 for the acquisition of Sporting Group, with a nominal value of £100 million (€118 million) (variable rate, repayable on maturity on 15 May 2024), which is the subject of interest rate hedging established on 27 June 2019 and maturing on 27 June 2022;
- it also includes the liability of €24 million relating to IFRS 16.

The change in trade and distribution network payables in 2019 can be attributed to calendar and activity effects.

Public levies (€415 million as of 31 December 2019 and €357 million as of 31 December 2018) mainly include the permanent fund surplus (€311 million as of 31 December 2019 and €208 million as of 31 December 2018), which changed in line with the advance (see current assets). The balance of €104 million as of 31 December 2019 (€149 million as of 31 December 2018) mainly includes:

- debts to general government revenue of €41 million (€83 million as of 31 December 2018): the reduction stems from the payment at the end of 2019 of debts due on 3 January 2020;
- social security contributions (CSG, CRDS and the levy on sports betting) of €23 million (€21 million as of 31 December 2018);
- levies due to other public authorities of €39 million (€45 million as of 31 December 2018), mainly comprising debt owed to the CNDS (€30 million as of 31 December 2019 and €27 million as of 31 December 2018).

Winnings payable and distributable amounted to €189 million (€172 million as of 31 December 2018). They include:

- winnings payable, which are non-expired remaining winnings payable to players (€154 million as of 31 December 2019 and €119 million as of 31 December 2018);
- winnings payable and distributable covering the cash balances of online players (€35 million as of 31 December 2019 and €28 million as of 31 December 2018), i.e. the amounts available in players' accounts on their fdj.fr or parionssportenligne.fr accounts. In 2018, they also corresponded to the players' theoretical gains on stakes collected during the year and for which the draw will take place in the subsequent year (€25 million as of 31 December 2018).

2.2.1.4 Comments on the change in consolidated net cash surplus

In millions of euros	31.12.2019	31.12.2018
Non-current financial assets at amortised cost	440.0	628.0
Non-current assets at fair value through profit or loss	90.4	111.2
Other non-current financial assets	29.3	16.6
Total non-current investments [(a)]	**559.8**	**755.7**
Current financial assets at amortised cost	253.0	55.0
Non-current financial assets at fair value through profit or loss	16.1	0.0
Current derivatives	0.9	0.6
Total current investments [(b)]	**270.0**	**55.6**
Total current and non-current investments	**829.8**	**811.3**
Investments, cash equivalents	121.2	128.4
Cash at bank and in hand	80.3	38.8
Total cash and cash equivalents	**201.5**	**167.2**
TOTAL GROSS INVESTMENTS AND CASH	**1,031.3**	**978.5**
Long-term financial debt	(205.0)	(96.1)
Non- current lease liabilities	(24.4)	0.0
Total non-current financial debt [(c)]	**(229.4)**	**(96,1)**
Short-term financial debt	(8.2)	(8.0)
Current lease liabilities	(7.0)	0.0
Current derivatives	(0.7)	(0.1)
Other	(170.5)	(33.3)
Total current financial debt [(d)]	**(186.4)**	**(41.4)**
TOTAL FINANCIAL DEBT	**(415.8)**	**(137.5)**
INVESTMENTS AND NET CASH	**615.5**	**841.0**
Payable to the French State with respect to the exclusive operating rights	(380.0)	0.0
Reclassification of player's wallet uncovered by trust	(26.9)	0.0
Player funds closed with effect from 1 January 2020 and to be repaid to the French State	0.0	(204.7)
Restricted cash	(5.3)	(1.1)
Sums allocated exclusively to Euro Millions winners	(77.2)	(53.4)
Net liability associated with the permanent fund surplus	(46.1)	(8.1)
NET CASH SURPLUS	**79.9**	**573.8**

(a) Non-current investments correspond to non-current financial assets (as defined in the notes to the consolidated financial statements – statement of financial position), excluding Euro Millions deposits and guarantee deposits

(b) Current investments correspond to current financial assets (as defined in the notes to the consolidated financial statements – statement of financial position), excluding deposits and guarantees

(c) Financial debts due in more than one year correspond to non-current financial liabilities (as defined in the notes to the consolidated financial statements – statement of financial position)

(d) Financial liabilities due in less than one year correspond to current financial liabilities (as defined in the notes to the consolidated financial statements – statement of financial position

Net cash totalled €79.9 million as of 31 December 2019, compared with €573.8 million as of 31 December 2018, a decline of €493.9 million. The change is breaks down essentially as follows:

- €380 million reduction relating to the adjustment for the exclusive operating rights, due by 30 June 2020 at the latest;
- €109 million increase in long-term debt, mainly relating to the £100 million loan taken out in May 2019 to fund the acquisition of Sporting Group;
- €27 million reduction relating to the restatement of player portfolios not covered by the trust (decree 2019-1061 promulgated on 17 October 2019 provides for the extension of the trust mechanism to players in the activity operated under operating exclusive rights – the calculation as of 31 December 2019 already took into account this modification, which was to come into force on 1 January 2020);
- €31 million reduction resulting from IFRS 16 (lease liabilities).

2.2.2 Elements relating to FDJ SA

2.2.2.1 Comments on the income statement

In millions of euros	2019	2018
Stakes	**17,222.2**	**15,817.0**
Player payout	(11,682.3)	(10,697.5)
Gross gaming revenue	**5,539.9**	**5,119.6**
Public levies	(3,497.6)	(3,261.8)
Structural allocation to counterparty funds	(127.8)	(83.4)
Net gaming revenue	**1,914.5**	**1,774.3**
Revenue from other activities	16.0	12.6
Revenue	**1,930.4**	**1,786.9**
Capitalised production	26.9	31.4
Reversals of provisions and transfers of expenses	9.8	11.9
Other operating income	0.4	0.7
Total operating income	**1,967.5**	**1,830.9**
Inventory purchases used	34.8	33.0
Purchases and external expenses	1,386.2	1,294.6
Taxes	19.7	19.0
Personnel expenses	151.2	141.8
Depreciation and amortisation	79.6	61.1
Provisions	16.3	10.7
Other operating expenses	14.8	12.5
Total operating expenses	**1,702.6**	**1,572.6**
Operating profit	**264.9**	**258.3**
Total financial income	**22.1**	**21.6**
Total financial expenses	**11.5**	**5.8**
Net financial profit	**10.6**	**15.8**
Profit before tax	**275.6**	**274.1**
Total non-recurring income	**34.9**	**47.8**
Total non-recurring expenses	**80.3**	**51.7**
Non-recurring profit (loss)	**(45.4)**	**(3.9)**
Employee profit-sharing and incentives	18.8	17.4
Income tax expense	73.3	80.8
NET PROFIT	**138.1**	**172.1**

Stakes: See comments on the consolidated income statement (the difference of €17 million relates to Sporting Group).

The trend in revenue (+8%) is in line with that of Net Gaming Revenue (NGR), which represents FDJ's remuneration as operator and distributor, and which corresponds to player stakes net of winnings paid out (i.e. Net Gaming Revenue) or to be paid to players, public levies and coverage of current counterparty risks and spreads. In addition to the Net Gaming Revenue, the revenue includes re-invoicing to subsidiaries.

Advertising expenses are increasing, notably due to the reformatting of Loto® and two communication campaigns on the Mission Patrimoine games in 2019, as opposed to one in 2018. IT developments relating notably to the development of the offer and services to players are a big factor in the increase in depreciation and amortization and subcontracting. Operating income increased by 3% compared with 2019.

The financial result decreased by €5 million, attributable chiefly to impairment recorded on FGS securities in the amount of €6.8 million.

The non-recurring loss in 2019 reflected expenses related to the Company's IPO in the amount of €32.1 million and expenses relating to M&A transactions. In 2018, non-recurring income consisted of the capital gain on the sale of the Moussy site.

2.2.2.2 Comments on the income statement

In millions of euros	31.12.2019 Gross	31.12.2019 Amortisation and provisions	31.12.2019 Net	31.12.2018 Net
Exclusive operating rights	380.0	9.3	370.7	-
Other intangible assets	305.7	200.6	105.2	106.7
Property, plant & equipment	647.3	294.3	353.0	370.3
Non-current financial assets	178.6	38.0	140.6	74.3
Fixed assets	**1,511.6**	**542.2**	**969.5**	**551.3**
Inventories	10.8	0.6	10.2	8.4
Advances and down payments	13.6	-	13.6	6.0
Trade and distribution network receivables	542.8	35.9	506.9	403.2
Other current assets	307.7	0.1	307.6	235.5
Current financial assets	218.5	0.4	218.1	165.8
Cash and cash equivalents	748.3	-	748.3	777.9
Prepaid expenses	26.1	-	26.1	51.8
Current assets	**1,867.9**	**37.0**	**1,830.9**	**1,648.7**
Deferred expenses	0.6	-	0.6	0.5
Unrealised exchange gains	4.2	-	4.2	0.2
TOTAL ASSETS	**3,384.4**	**579.2**	**2,805.4**	**2,200.5**

In the year ended 31 December 2019, total assets increased by €605 million compared with 31 December 2018.

The variation mainly reflects:

- exclusive operating rights of €380 million (see Highlights);
- the FGS capital increase fully subscribed by FDJ in the context of the acquisition of Sporting Group;
- current assets up €182 million, including:
  - €65m from the increase in advances on permanent funds,
  - €39 million from the increase in distribution network receivables due to calendar effect,
  - €23 million from the increase in gross cash.

In millions of euros	31.12.2019	31.12.2018
Share capital	76.4	76.4
Legal reserve	7.6	7.6
Statutory reserve	87.5	85.4
Optional reserve	176.6	128.5
Net profit for the period	138.1	172.1
Regulated provisions	140.9	139.8
Equity	**627.1**	**609.9**
Provisions for risks	8.9	9.3
Provisions for liabilities	90.2	84.2
Provisions for risks and liabilities	**99.1**	**93.5**
Borrowings	254.0	111.3
Trade and distribution network payables	416.3	402.1
Player funds to be repaid to the French State	103.9	-
Public levies and winnings payable and distributable	755.9	850.4
Payable to the French State with respect to exclusive rights	380.0	-
Other payables	133.6	91.0
Prepaid income (stakes)	35.4	42.4
Payables	**2,079.2**	**1,496.9**
Unrealised exchange losses	0.1	0.2
TOTAL EQUITY AND LIABILITIES	**2,805.4**	**2,200.5**

The €605 million increase in total liabilities mainly results from:

- the €380 million debt to the French State in respect of exclusive operating rights (payment of which is expected in the first half of 2020);
- the new €117 million loan taken out in pounds sterling for the acquisition of Sporting Group;
- the increase in debts to the distribution network (linked to activity and chargeable on distribution network receivables).

2.2.2.3 Research and development

The company's research and development activity, which is expensed, amounted to €64 million in 2019, compared with €57 million in 2018.

2.2.2.4 Reintegration of general expenses and total amount of lavish expenses

Reintegration of general expenses into taxable profits

N/A

Amount of lavish expenses incurred during the year

For 2019, lavish expenses expenditure incurred amounted to €235 thousand and relates solely to rents for passenger vehicles.

2.2.2.5 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.

In millions of euros	2019	2018	2017	2016	2015
Share capital at year-end					
Share capital	76,400	76,400	76,400	76,400	76,400
Number of shares outstanding	191,000,000	200,000	200,000	200,000	200,000
Transactions and results *(in thousands of euros)*					
Stakes*	17,222,191	15,817,043	15,144,448	14,330,738	13,704,503
Revenue	1,930,433	1,786,909	1,753,435	1,687,156	1,571,630
Profit/loss before tax and employee profit sharing, depreciation and provisions	326,428	338,338	315,785	192,653	235,581
Corporate income tax	73,277	80,794	74,042	83,39	89,877
Employee profit-sharing	11,58	11,813	12,103	11,795	10,487
Net profit	138,105	172,085	167,769	145,789	139,626
Dividends paid**	122,240	122,000	130,000	124,000	137,400
Earnings per share *(in euros)*					
Profit/loss after tax and employee profit-sharing and before depreciation and provisions	1.26	1,228.66	1,148.20	487.34	676.09
Net profit	0.73	860.43	838.84	728.95	698.13
Dividends allocated**	0.64	610.00	650.00	620.00	687.00
Employees					
Weighted average headcount	1,517	1,443	1,377	1,243	1,183
Payroll	95,138	87,444	82,517	76,727	72,197
Amounts paid for employee benefits	51,26	47,805	43,599	41,15	38,753
Amounts paid for employee benefits, including taxes on wages	57,664	54,195	50,143	46,605	43,536

* *Gaming revenue consists of amounts staked by players, irrespective of the distribution channel.*
** *Dividends in respect of 2019 submitted for the approval of the 2020 General Meeting of Shareholders on 2019 financial statements.*

2.2.2.6 2019 schedule of debts and receivables

Payables due not yet paid at year-end

	0 days (approximate)	1-30 days	31-60 days	61-90 days	Over 91 days	Total (over 1 day)
(A) Tranches of late payment						
Number of invoices concerned	57,412					1,276
Total amount of invoices before tax *(in € millions)*	428.6	4.2	0.1	0.2	0.3	4.7
% of purchases before tax	23.1%	0.2%	0.0%	0.0%	0.0%	0.3%
(B) Invoices excluded from (A) relating to disputed or unrecorded payables						
Number of invoices excluded						147
Amount of invoices excluded						5.3

Invoices issued not yet paid at year-end

	0 days (approximate)	1-30 days	31-60 days	61-90 days	Over 91 days	Total (over 1 day)
(A) Tranches of late payment						
Number of invoices concerned	54.217					1,45
Total amount of invoices before tax *(in € millions)*	150.9	2.5	1.1	0.4	2.5	6.6
% of revenue before tax	7.8%	0.1%	0.1%	0.0%	0.1%	0.3%
(B) Invoices excluded from (A) relating to disputed or unrecorded receivables						
Number of invoices excluded	-	-	-	-	-	2,375
Amount of invoices excluded	-	-	-	-	-	16.9

2.2.3 Shareholding/treasury shares

As of 31 December 2019, FDJ's share capital amounted to €76,400,000, consisting of 191,000,000 fully subscribed and paid-up shares with a par value of 0.40 euros each. As of 31 December 2019, the share capital was held in the proportion of 21.9% by the French State, 14.8% by veterans associations (of which 9.8% for Union des Blessés de la Face et de la Tête) and 4.4% by the Group's employees and former employees. The balance of 58.9% is held by the Company's other legacy shareholders, and the individual and institutional shareholders who acquired shares at the time of the initial public offering; to the best of the Company's knowledge, these investors hold less than 5% of the share capital each.

As of 31 December 2018, it amounted to €76,400,000 and consisted of 200,000 shares with a par value of €382 each, held in the proportion of 72% by the French State, 9.2% by Union des Blessés de la Face et de la Tête, 5% by employees and 13.8% by shareholders holding less than 5% of the capital each.

A share buyback programme authorised by the Board of Directors at its meeting of 19 December 2019 has been implemented, pursuant to the authorisation granted by the General Meeting of Shareholders of 4 November 2019, for the purpose of concluding a liquidity contract to facilitate trading in the FDJ share. The Board of Directors has decided to allocate the maximum authorised amount of €6 million to this liquidity contract, which took effect on 23 December 2019, for a period expiring on 31 December 2020. The programme is the subject of a liquidity contract meeting the provisions laid down by the Autorité des Marchés Financiers (AMF) and bearing on 6,000 shares as of 31 December 2019.

In addition, as part of the Offer Reserved for Staff made to Group employees in line with its privatisation, FDJ purchased 3,176,327 shares, pursuant to the authorisation granted by the General Meeting of Shareholders of 4 November 2019, for the purpose of giving them to the Group employee mutual fund serving as depositary for the beneficiaries of the Offer Reserved for Staff. However, as some employees were unable to purchase all of the reserved shares, FDJ continued to hold 6,896 of its own shares as of 31 December 2019.

As of 31 December 2019, treasury shares recorded as a reduction in consolidated equity represented 12,896 shares and were valued at €0.3 million.

2.2.4 Summary of transactions carried out on FDJ shares in 2019 by directors and persons closely related to them

Director concerned	Nature of the transactions	Number of shares/FCPE units	Unit price (€)
Cécile Lagé	Sale	672.2577 units	259.542
Pierre Pringuet	Acquisition	117.000 shares	19.5
	Acquisition	883.000 shares	21.5

2.2.5 Elements of calculation and results of the adjustment of the conversion bases and the conditions of subscription or exercise of securities giving access to capital and stock options

N/A

2.2.6 New regulated agreements authorised in 2019

Board of Directors meeting of 23 July 2019

At this meeting, the Board of Directors authorised:

- FDJ to sign a tripartite agreement (the "Convention") with MDB Services and the French Treasury for the outsourcing of the collection of fines, local public sector recovery notices and taxes. This Convention is part of the approach taken by the Company and aimed at developing additional sources of revenue for its commercial network and sharing the use of its point-of-sale infrastructure. It is concluded for a minimum period of five years;
- FDJ is to act as surety, in the event of the awarding of the French Treasury outsourcing contract, in favour of the bank issuing the bank guarantee provided for under the terms of the tender, as a counter guarantee of the bank guarantee granted by the banking institution for the French Treasury, in the amount of €19 million. This surety will be granted for the duration of the Convention, and at least until July 2024.

Board of Directors meeting of 16 October 2019

This meeting authorised the signing of a Convention with the French State which aims, first, to anticipate the consequences of the occurrence of events liable to undermine the economic conditions of the operation of FDJ's exclusive rights (legal or regulatory developments), and second to anticipate the end period of exclusive rights. This Convention expires on 22 May 2044, the end date of the exclusive rights conferred on FDJ in application of the Pacte law.

It provides that in the event of significant change in laws or regulations with either a direct link with the taxation applicable to lottery games or sports betting operated in an offline distribution network, or liable to affect the operation of the said network, or with the effect of reducing the scope or duration of the exclusive rights held by FDJ, the Company approach the French State to examine whether the change is likely to substantially undermine the economic conditions of the operation of FDJ's activities, assessed on a consolidated basis. If so, FDJ can propose to the French State the measures it considers necessary to allow the pursuit of its activities under economic conditions that are not substantially undermined, and the French State undertakes to examine them.

With regard to the clauses relating to the consequences of the end of exclusive rights, the Convention provides that the assets strictly necessary for the operation of exclusive rights will be taken back by the French State in consideration for a corresponding compensation at the market value of the buildings and the net book value of other fixed assets. The list of these assets will be drawn up by the French State and FDJ, in an adversarial manner, within one year from the date of entry into force of the Convention.

At the normal or anticipated expiry of the exclusive rights, FDJ undertakes to the French State or any holder of such rights, to transfer, free of charge, the ownership of or rights to all copyrights, trademarks and trademark applications, rights on designs and models, logos and domain names in force in France and pertaining to activities carried out under exclusive rights. Similarly, for software and patents, it is expected that, at the normal or anticipated expiry of the exclusive rights, FDJ will grant the French State or any new holder of such rights a free licence relating to software and patents strictly necessary for the operation of said rights in France and of which FDJ is the owner, for a period limited to 18 months from the end of FDJ's exclusive rights.

The Convention further specifies that, at the normal or anticipated expiry of the exclusive rights, the French State and FDJ shall meet to examine the situation of the personnel assigned to the operation of the exclusive rights, and in particular the conditions for their reclassification or their transfer, where appropriate, to any future possible holder of such rights. It is expected that FDJ will at that time reclassify the relevant employees wherever possible. The new Convention terminates the current agreement binding FDJ and the French State, dated 29 December 1978.

Board of Directors meeting of 4 November 2019

At this meeting, the Board of Directors approved:

1) the draft contract allowing the buyback of shares from the French State, the main terms of which are as follows:

- purpose of the buyback: buyback for the purpose of transfer ng of the shares within the framework of the ORS, in accordance with article 31-2 of the government order,

- buyback volume: equal to the number of shares necessary to serve the requests made by the persons eligible for the ORS during the period of the offer period and under the terms of the ORS, within the limit of the total number of shares allocated to the ORS,
- redemption date: before the ORS settlement-delivery date, scheduled for 19 December 2019, i.e. no later than 18 December 2019,
- price: equal to the price of the open price offer offered to individuals as part of the privatisation of the Company by way of its initial public offering;

2) the underwriting and investment agreements to be concluded between the French State, FDJ and the banks in charge of placing shares. Under the terms of these agreements:

- the banks undertake to place the shares with the public in France and with institutional investors in France and internationally,
- FDJ issues a certain number of representations and warranties in favour of the banks, relating to the exact, precise and sincere nature of the information appearing in the admission prospectus, the international prospectus and the promotional documentation and the absence of omissions of such a nature as to alter their scope,
- FDJ undertakes to indemnify, without limitation of amount, the banks in the event of their liability being incurred in the process of placing shares,
- French State undertakes not to issue or dispose of securities for a period of 18 months following the settlement-delivery of the shares sold by the French State (22 November 2019).

2.2.7 Regulated agreements approved during previous financial years that were continued in 2019

Board of Directors meeting of 22 March 2016

The Board of Directors authorised La Française des Jeux to sign a framework agreement with the Observatoire des Jeux providing for the free-of-charge exchange of information and data, in particular with a view to improving analysis and knowledge of players' behaviour and thus enhancing its measures to prevent excessive gambling. The agreement was signed on 3 March 2016 and will continue indefinitely.

The expenses incurred in the production and transmission of the relevant information and data are the only financial impacts for the Company.

Board of Directors meeting of 1 July 2015

The Board of Directors authorised La Française des Jeux to sign a protocol with the French Minister of Finance and Public Accounts and the online gambling regulatory authority (ARJEL) providing for the free-of-charge exchange of information on preventing the betting-related manipulation of sporting competitions. Your Company is subject to the regulatory provisions applying to such monopolies, and as such must monitor the integrity of gambling transactions and to combat fraud, money laundering and all related criminal activities. The agreement was signed on 1 July 2015 and will continue indefinitely.

The expenses incurred by La Française des Jeux to secure the whistle-blowing and information exchange system with the ARJEL are the only financial impacts.

2.2.8 Statement of sureties, endorsements and guarantees given by FDJ and state of the guarantees granted by it

CA$15 million (€10.3 million) guarantee: as part of a contract to be signed, FDJ has asked BNP Paribas for a guarantee of CA$15 million for FGS France for the benefit of the Canadian lottery operator OLG.

€8.2 million guarantee relating to the FDJ Corporate Foundation (legal obligation).

€1.5 million guarantee given to the Union Cycliste Internationale (UCI), in accordance with its regulations.

Mortgage of €104.6 million: signed in 2016, it concerns the purchase of the Group's new head office, including the principal, interest and related amounts.

€1.1 million escrow account: this corresponds to the insurance deductible implemented to deal with any prejudice FDJ could cause other lotteries in the operation of the Euro Millions game.

2.2.9 Foreseeable change

In 2020, the FDJ Group will continue its strategy of enriching its games and services portfolio, coupled with numerous events such as the reformatting of Euro Millions in early February, the launch of new instant games, the third edition of the Mission Patrimoine game and a second phygital game.

2.2.10 Significant events occurring between the reporting date and the date of closing of closing of the financial statements

See note 2.3.3.7 Health/epidemic risk.

2.3

RISKS AND RISK MANAGEMENT

FDJ operates in an environment liable to give rise to a variety of risks, some of which are beyond its control. The risks described below are, as of 31 December 2019, those identified as being liable to have a significant adverse effect on the Group, its business, results, financial situation or prospects, and which are important for investment decision-making. The list of risks presented here is not exhaustive. Other risks not identified as of 31 December 2019 or not identified as liable to have a significant adverse effect on the Group, its business, results, financial situation or prospects, may exist or arise. More specifically, FDJ draws investors' attention to the fact that the regulations applicable to FDJ as a lottery and sports betting operator in France have recently been subject to significant changes, and that certain implementing instruments bearing on the framework for the operation of FDJ's activity have not yet been issued. As of 31 December 2019, not all of the practical procedures for applying the new regulations were known, and may create new risks.

Pursuant to the provisions of article 16 of Regulation (EU) 2017/1129 of the European Parliament and the European Council, this chapter presents the main risks that may, as of 31 December 2019, affect the Group's business, results, financial position or prospects, as identified by the Company, as part of the Group's risk mapping process. Within each risk category and sub-category mentioned below, the risk factors are, unless otherwise stated, classified in decreasing order of importance as estimated by FDJ. Those risk factors that the Company considers, as of 31 December 2019, as the most significant are identified by an asterisk in view of the probability of their occurrence and/or the severity of their harmful nature, as the case may be. This classification of risk factors takes into account the effects of measures undertaken by the Company to mitigate these risks.

2.3.1 Risks related to the regulatory framework of the gaming sector

FDJ operates in the heavily regulated gaming sector, which is strictly controlled by the French State in view of the specific risks related to gambling that impact the preservation of public and social order, especially regarding the prevention of excessive gambling and underage gambling. As a general principle, gambling is prohibited in France, with limited exemptions pursuant to which the operation of gambling is permitted either under a system of exclusive rights or under a regime of authorisations or licences issued by the French State. As such, FDJ holds exclusive rights for the operation of lottery games (draw games and instant games) online and offline, as well as for offline sports betting, whereas its online sports betting activities are operated in open competition with other operators, under a licence currently issued by ARJEL. Activities operated under exclusive rights represent more than 95% of 2019 FDJ's stakes[(1)].

Accordingly, almost all of the Group's activities are regulated, with varying levels of regulatory constraints depending on the activities in question.

This regulatory framework gives rise to three types of risk: risks related to changes in the regulatory framework, risks related to its implementation and risks related to non-compliance.

(1) Note that points of sale account for 94% of FDJ stakes.

2.3.1.1 Risks related to the implementation of the regulatory framework

2.3.1.1.1 Risk related to the creation of a new regulatory body*

FDJ has always carried out its activities within a strictly supervised framework and is familiar with the procedures for applying regulations. While the gaming sector has always been subject to strict regulations under the control and appreciation of various public authorities, the new methods of regulating the gaming sector, revised under the Pacte law and the government order will be subject to the control of the soon to be established ANJ, and could change under its influence. This new independent administrative authority, provided for by the government order, will, from the first meeting of its college, be the regulatory authority for all lottery and sports betting games, whereas FDJ's activities under exclusive rights are currently operated under the control of the Minister in charge of the Budget, and its online sports betting activities open to competition are subject to the control of ARJEL (which is to be replaced by the ANJ).

The rules that may be adopted by the new authority, or the application or the interpretation thereof, could create new constraints for FDJ affecting the operating conditions of its games, which could have an adverse impact on its revenue or its expenses, and consequently on its results, financial position and prospects.

In this context, FDJ could also encounter difficulties in quickly modifying its games and information systems to changes in the legal and regulatory framework (by way of illustration, FDJ estimates at between 12 and 24 months the time needed to implement the measures ushered in by the Pacte law and the government order), or be forced to spend significant sums in order to perform such modifications. The need to comply with new regulations could cause the Group to discontinue certain offers due to a financial imbalance, a significant reduction in its market share or difficulties in achieving its commercial and financial objectives, which could have a significant adverse effect on its business, results, financial position and outlook.

2.3.1.1.2 Risk related to obtaining authorisation to operate new games

FDJ's operation of gaming and betting under exclusive rights is subject, for each new game, to prior authorisation from the Minister in charge of the Budget, then from the ANJ when it is set up. In addition, FDJ must submit its exclusive rights gaming and betting programme to the ANJ each year, presenting both (i) the conditions for continued operation of the existing games and (ii) the new games planned for the year in question and the subsequent years.

FDJ could face a refusal to operate one or more new games or be forced to accept a substantial modification of their operating conditions by the regulator, which could affect the main parameters, including the PPO. Licence refusals with respect to new games are rare given that the main outlines of the programme of games are approved beforehand. However, when obtaining authorisation to renew its games, FDJ could be forced to substantially modify one or more of them. The need for FDJ to review the design of a game during its authorisation period could entail the risk that the game in question would not be as effective as expected, leading to a delay in the launch of the new game or even its withdrawal, which could have a significant adverse effect on the Group's business, results, financial position and prospects.

2.3.1.1.3 Risks related to the submission of FDJ's governance and share capital structure to close control by the French State

In accordance with the requirements derived from the case law of the Court of Justice of the European Union (CJEU) for the granting of exclusive rights to a private operator, the Pacte law and the government order provide that FDJ is subject to close control by the French State, notably in respect of its governance.

As such, irrespective of the French State's holding in FDJ's share capital, the texts provide that, as from the date of the transfer to the private sector of the majority of FDJ's share capital, the French State will exercise a close control over FDJ, framed and motivated by considerations of general interest and public order, resulting in:

- the need to have FDJ's Articles of Association and their amendments approved by decree;
- the appointment by the Minister in charge of the Budget of a Government Commissioner within the Company to ensure the compliance of its activities with the objectives entrusted to FDJ by the regulations. This Government Commissioner sits on FDJ's Board of Directors in an advisory capacity, as well as on the committees and commissions set up by the Board of Directors. The Government Commissioner may add any items to the agenda of the ordinary meetings of these bodies and may oppose a decision of the Board of Directors based on the objectives defined by the French Internal Security Code, or decisions relating to the estimates of FDJ's revenue and operating or investment expenses;
- the right of the Government Commissioner to have all information, in whatever form, communicated to him, and to conduct any verifications necessary for the carrying out of his duties;
- the right of the Government Commissioner to inform the ANJ of any failure by FDJ to comply with the obligations imposed upon it that are within the jurisdiction of that authority;
- obtaining approval, by order of the Ministers in charge of the Economy and the Budget, after consultation with the ANJ, prior to the appointment, of FDJ's Chairman, Chief Executive Officer and Deputy Chief Executive Officers;
- the obligation that a shareholder, whether an individual or legal entity, acting alone or in concert, that wishes to hold more than 10% or a multiple of 10% of the share capital or voting rights of FDJ, be approved by the Ministers in charge of the Economy and Budget (authorisation may be refused solely on grounds of protection of public order, the fight against money laundering and the financing of terrorism, the needs of public safety or the fight against excessive or pathological gambling). In the absence of approval, the shareholders having acquired their shares in breach of this rule will not be able to exercise their voting rights, as long as their investment has not been approved by Ministers in charge of the Economy and of the Budget.

Although the control exercised by the French State, in return for the granting of exclusive rights, is a strict control related to the general interest and the protection of public order, and such control is, in any event, regulated by European Union law which prohibits the discretionary and disproportionate use of such specific rights, it is possible that such control may be implemented in a manner that goes beyond the objectives of general interest and public order for which it has been established, which could have an adverse impact on the Company's business, results, financial position and prospects.

2.3.1.1.4 Risk related to the prohibition of the operation of a game or a set of games

The government order provides for the possibility that the ANJ may suspend or withdraw, by reasoned decision and after an adversarial procedure involving both parties, the authorisation of a game (including a tacit authorisation) at any moment if the conditions under which its operation was authorised are no longer met.

The order also provides that the Minister in charge of the Budget may suspend or prohibit at any time the operation of a game operated under exclusive rights for reasons related to the safeguarding of public and social order. Such suspension or prohibition shall be pronounced by a reasoned decision, after an adversarial procedure and after consulting the ANJ.

Lastly, in the event of a breach of the obligations defined in the government order (in particular with regard to the prevention of excessive or pathological gambling and the protection of minors, and to the integrity of the game and the information system), the ANJ's sanctions committee may order against operators holding exclusive rights the provisional suspension of the operation of the game or all the games concerned for a period of three to six months, or, depending on the seriousness of the breach, the prohibition of the operation of the game or all the games concerned.

A suspension of the right to operate a game or set of games, or an operating ban, could have a significant adverse impact on FDJ's business, results, financial position and prospects.

2.3.1.2 Risks related to changes in the regulatory framework

2.3.1.2.1 Risks related to changes in the regulatory framework of the gaming sector

Although the legislative and regulatory framework applicable to the gaming sector was recently overhauled under the framework of the Pacte law and the government order, this new framework could be modified again to tighten constraints placed on operators in the gaming sector, and more particularly on FDJ. FDJ could thereby be confronted with additional constraints related to a tightening of the operating methods applying to games, including heightened measures to identify and monitor players, or a further restriction of the player payout ratio (PPO) or the total number of games licensed under exclusive rights that can be operated by FDJ. Such developments could lead to an increase in operational requirements for FDJ or could impede its growth strategy.

2.3.1.2.2 Risks related to increased restrictions on advertising

With more than 24 million players, and a new lottery game introduced every month on average, the Group makes extensive use of advertising, which is essential to publicise FDJ's game offer to the general public, accompany the launch of new games and strengthen the Group's reputation and image.

While advertising campaigns promoting gambling are permitted by law in France, they are subject to strict regulation. Moreover, in the context of strengthened protection and monitoring of lotteries and gambling, it is possible that new legislation, or the ANJ, may tighten the rules for companies marketing gambling operations (particularly if the ANJ were no longer able to enforce the current regulations in practice). For example, a tightening of regulations in this area could lead to restrictions on the types of media channels allowed for the advertising of gambling, or to a cap on operators' advertising expenditure in certain game segments.

Although the Group's brands benefit from strong recognition, the tightening of advertising regulations could affect FDJ's ability to attract new players, particularly in the area of online sports betting, which could hinder the development of its activities and have an impact on the level of stakes and the Group's revenue, results, financial position and prospects.

2.3.1.2.3 Risk related to changes in gaming taxes

In 2019, on a total of €17.2 billion in stakes, FDJ paid out €11.7 billion to prize winners and €3.8 billion to the French Treasury in the form of gaming taxes. FDJ's revenue and EBITDA therefore depend very heavily on the rate of public levies on gaming.

As part of the overhaul of the framework for gaming regulations under the Pacte law, gambling taxation has changed significantly. Since 1 January 2020, the stakes-based tax system has been replaced by a system based on Gross Gaming Revenue (GGR). As a result, the split of revenues generated from games between the French State and FDJ has been clarified and enshrined in the law, in contrast to the previous situation where the rules were set in a ministerial decree modified annually.

Given this new tax system, which is likely to have implications for the way that games are managed, the Group may adjust its development strategies and its new games in order to take into account of their level of profitability. However, the Group may not be able to fully adapt its product strategy effectively to the new regulatory framework or may fail to implement this new strategy in a timely manner due to the compliance efforts said framework will require, which could have a significant negative impact on its business, revenue, results, financial position and prospects.

In addition, the Group may be confronted with new developments in tax matters in France and in the countries in which it operates. An increase in public levies or a significant change in their terms of application could have a substantial adverse effect on the Group's revenue, business, results, financial position and prospects.

2.3.1.2.4 Risks related to challenges to exclusive rights

With the adoption in 2019 of the new legislative and regulatory framework applicable to the gaming sector, FDJ was granted, under the terms of the Pacte law and the government order, exclusive rights to operate offline and online lottery and offline sports betting for a period of 25 years. FDJ derives more than 95% of its revenue from activities operated under exclusive rights[(1)].

Although the scope of the exclusive rights granted to FDJ was confirmed for 25 years by legislators in 2019, it is possible that, during this period, the general framework for the operation of gambling will shift towards a liberalisation of the sector, with the opening to competition of segments currently operated under exclusive rights or the legalisation of games that are currently prohibited in France (for example, online casinos, or slot machines or video lottery terminals in points of sale outside casinos).

This liberalisation, which could mean the loss of exclusive rights for FDJ, could create new constraints for the Group, forcing it to change its strategic approach. The Convention entered into between the French State and FDJ details the consequences of any significant change in the regulation and/or taxation of gambling, as well as changes in the scope or duration of the exclusive rights granted to FDJ, on the basis of case law principles of French administrative law with regard to the French State's responsibility The Convention provides notably that in the event of a reduction in the duration or scope of the exclusive rights, FDJ will work with the French State in order to establish whether this modification is liable to substantially deteriorate the economic conditions under which FDJ operates its business activities. If so, FDJ will be able to propose measures to the French State, which undertakes to examine them, that would allow for its activities to continue under normal economic conditions.

Lastly, FDJ could, at the end of the 25-year period, fail to obtain the renewal of its exclusive rights, even though it considers that, given the experience it has acquired, its relationship with distributors and its recognised Responsible Gaming policy, it has the assets it needs to support its application for the renewal of its exclusive rights. If the exclusive rights are granted through a competitive process at the end of the 25-year period, such a process would in all likelihood be initiated prior to that expiry date.

Without prejudice to the application of the provisions of the Convention and the implementation of the aforementioned measures, in particular if the duration of the exclusive rights is reduced, a loss of exclusive rights, even if it would probably not occur with immediate effect, could have a significant negative impact on FDJ's business, results, financial position and prospects.

2.3.1.3 Risks related to the implementation of financial penalties

The government order provides, in the event of a breach of existing regulations, that the ANJ sanctions committee may, instead of or in addition to the suspension or prohibition of gambling mentioned above, impose a financial penalty, the amount of which would be proportionate to the seriousness of the breach, the situation of the operator holding the exclusive rights in question, the extent of the damage caused and the benefits derived therefrom, without exceeding 5% of the revenue excluding VAT for the last financial year ended generated by the activities covered by the licence. This ceiling would be increased to 10% in the event of a further breach.

In addition, the sanctions committee may decide to attach to any sanction the publication of the decision in the official legal gazette (Journal Officiel) or its dissemination, which may affect the image and reputation of the companies concerned.

Although the Group pays particular attention to compliance with applicable regulations, an unintentional error or omission could lead to the materialisation of any of the risks indicated above, which could have a significant adverse impact on FDJ's business, results, financial position and prospects.

(1) Note that points of sale account for 94% of FDJ stakes.

2.3.2 Risks related to competitive pressure in the gaming sector

As of 31 December 2019, FDJ derived more than 95% of its revenue from activities operated under exclusive rights[(1)]. Despite this, FDJ is faced with growing and multifaceted competitive pressure from other gaming operators and more broadly from other players in the entertainment industry.

2.3.2.1 Risk of lack of competitiveness in the online sports betting sector*

In the French online sports betting market, which is experiencing strong growth and is still not consolidated, the Group is facing increasingly intense competition as a result of high player churn, which leads to commercial aggressiveness among online sports betting operators, especially in terms of attracting new players, with particularly high levels of communication and promotional expenses.

Competition between online sports betting operators is also very intense in terms of odds setting policies and new offers, and new features are developed extremely quickly. This competition could further intensify as a result of the arrival of new international players on the market.

In this competitive environment where product innovation is key, FDJ is making significant investments to anticipate and adapt its offer in line with players' expectations. However, FDJ is in competition with larger players, with superior technological resources and which benefit from economies of scale by offering their customers not only online sports betting but also other types of betting and online games, such as online horse racing and online poker, both in France and internationally. It therefore cannot be assured that the actions implemented by the Group will prove sufficient to maintain the attractiveness and competitiveness of its offers, particularly because of the development and/or coverage of specialised operators. In the event that its strategic plan for sports betting, particularly online, should fail, FDJ could face a widespread decline in the attractiveness of its sports betting offer and the success of its offers, which could ultimately have a significant negative impact on the Group's business, results, financial position and prospects.

2.3.2.2 Risks related to changes in the player base

To achieve its strategic growth objectives, FDJ must maintain a player base consistent with its extensive model and must therefore ensure the recruitment and retention of a population of players whose needs and expectations are constantly evolving and differ according to the type of offer and the typology of the players.

To consolidate its player base, FDJ has sought to diversify its gaming offer, especially with the move into gamification and the launch of the "Mission Patrimoine" game, which aims both to target a younger audience and to bring players together around a national cause.

However, the tastes and aspirations of players, especially younger generations, change very rapidly. FDJ may not be able to adapt its offer with sufficient agility and speed to meet the expectations of new generations of players, who may shift from gaming to other forms of entertainment offering different kinds of rewards or satisfaction.

Moreover, to better meet the needs of its customers and develop a Responsible Gaming policy adapted according to gaming practices, FDJ has set itself the objective of implementing an identification system in points of sale. However, players or potential players may not naturally embrace a point of sale identification system that could be considered too restrictive or intrusive.

Gambling competes with other types of discretionary spending, and in particular with other forms of leisure and entertainment. If FDJ does not adequately respond to this competition, it may result in an adverse effect on the operational and financial performance of the Group.

If FDJ is unable to continue to develop its player base, the gaming frequency of regular players could decrease or these players could turn to new third-party offers, which could have an adverse impact on the Group's revenue, results, financial position and prospects.

2.3.2.3 Risk of increased competition from offers that do not comply with online lottery regulations

While in France the Group's online lottery activities are subject to exclusive rights, new operators in Europe and elsewhere are offering "synthetic lotteries" or "global lotteries" bets on high jackpot draw games. Legal proceedings are ongoing in several countries to have these offers declared illegal. In addition, the online lottery market is also seeing the emergence of gaming offers incorporating an incidental chance factor, similar to a lottery game, or even unauthorised gaming offers, such as betting on non-sporting events or betting on virtual events. Although this phenomenon has not yet developed in France, due in particular to the intervention of the ARJEL, which is forcing the closure of illegal sites, it cannot be ruled out that illegal operators, or operators at the limit of legality, could eventually enter the market.

These different gaming offers could spark interest among players and lead them to change their expectations and gaming habits. Players could also move to other games that they find more attractive, especially in terms of player payout ratios (PPO). This could lead to a drop in stakes and thus have a significant negative impact on the Group's business, results, financial position and prospects.

(1) Note that points of sale account for 94% of FDJ stakes.

2.3.3 Risks related to Group activities

2.3.3.1 Risks related to gaming operations

2.3.3.1.1 Risks of infringement to the integrity and security of gaming operations at all levels of the gaming processing chain

In exchange for the exclusive rights granted to it for the organisation and operation of lottery games (offline and online) and online sports betting, FDJ must ensure the integrity, security and reliability of its gaming operations and ensure the transparency of their operation.

In this context, FDJ continuously strives to prevent the many risks of damage to the integrity of its games that could occur throughout the game processing chain, from their design to payment of winnings.

The various risk factors presented below are not listed by order of importance but instead are presented according to the game processing chain. The two most important risk factors are signalled by an asterisk.

Risk of design defects in lottery games

FDJ offers a large number of lottery games, both in points of sale and online, some of which may be complex and elaborate at times. When designing these games, technical and human defects cannot be ruled out (for example, errors in lot scoreboards). Although the rare events of this nature to date have been immaterial, the occurrence of such failures, which may compromise the integrity, reliability and transparency of FDJ games and arouse players' mistrust, could call into question the compliance of FDJ games with applicable regulations and could thereby lead to the temporary suspension or permanent withdrawal of the operating licences for the games concerned or result in financial penalties. Errors or other design defects could also delay product introductions or enhancements. These failures could also force FDJ to pay players winnings that exceed the stakes or expose it to claims or disputes from players, which could damage FDJ's image and reputation, with adverse consequences for its business, results, financial position and prospects.

Risk in the manufacture of instant games

Instant games (whether physical or digital), are composed of a series of blocks that together make up the game unit. Each instant game consists of one or more blocks with the same lots scoreboard. The symbols representing winnings are hidden before the game is made available to the public. The symbols are revealed at the player's initiative by an action or a decision on his or her part. Approximately €22 million is wagered every day on instant games.

In this regard, the quality of scratch card materials is of fundamental importance for FDJ and is subject to multiple controls at the various key stages of manufacture by the suppliers themselves and by FDJ, as well as by external third parties (such as laboratories and external auditors). Despite the quality control measures in place, one or more suppliers could make errors, for example in the printing of tickets. These errors could lead FDJ to pay amounts that were not anticipated on the basis of the lots scoreboard or could expose FDJ to claims or legal disputes initiated by players. Although supply contracts stipulate that the manufacturer is responsible for unduly paid lots as result of a printing error, such errors, as well as FDJ's errors in game planning, could give rise to disputes with players. Such errors could also lead to the non-compliance of the games concerned with applicable regulations and consequently lead to a temporary suspension or permanent withdrawal of the operating licences of the games concerned or to financial penalties, which could have a significant adverse effect on the Group's image and reputation, its business, results, financial position and prospects.

Risks of interruption in the points of sale supply chain

FDJ operates the largest local distribution network in France, with more than 30,000 points of sale. This vast network must be supplied with gaming materials that meet the expected quality requirements and on schedule.

FDJ has set up a system for switching game production between two main printers, allowing one to ensure all or part of the production if the other fails (the two main suppliers are North American and alone provide more than 2.2 billion cards per year to the Group). Although the Group favours the use of several suppliers for each type of gaming material, it may nevertheless encounter difficulties in its supply, such as delays or interruptions in delivery, despite the arrangements put in place to avoid such difficulties or to limit their consequences, which could lead to significant replacement costs.

FDJ has also owned a 10,000 sq.m mechanised central warehouse in the Paris area since 2016, covering 52 weeks of operation, and has implemented a business continuity plan for this warehouse, notably involving the opening of an operational emergency warehouse with emergency stocks allowing it to cover an interruption in business of two to three weeks. However, in the event of a prolonged interruption in the production or logistics systems due to a breakdown, a national or local strike affecting ground transportation, for example, or a major weather event liable to delay or prevent the delivery of products to the central warehouse, the preparation of orders at the warehouse level or the transportation of products to the distribution network, the Group could face a shortage of stocks or an interruption of the delivery chain.

The impossibility of supplying points of sale with all or part of the lottery games could damage the Company's image, lead to potential disputes with distributors, and have an adverse impact on the Group's revenue, results and prospects.

Risk of prolonged unavailability of game terminals in points of sale*

Although FDJ has a threefold IT data security system and an IT continuity plan, the game terminals in points of sale may be subject to failures or human error (insufficient tests before going into production, for example), or could suffer from saturated computer networks, third-party failure (such as a telecommunications network failure), cyber-attacks or natural disasters.

A prolonged outage (more than 2 hours) of computerised point-of-sale gaming systems, or of the telecommunications network through which the game terminal information is transmitted, or a failure by a strategic supplier (in particular the supplier of gaming terminals), preventing the recording of stakes, could result in financial losses for FDJ (estimated at approximately €130,000 in lost stakes per minute of interruption at peak activity times), expose it to potential disputes with distributors, damage its image and reputation and cause it to lose market share. Such consequences are liable to have a significant adverse effect on the Group's revenue, results and prospects.

Risks in the computer processing of games*

The Group's activities are increasingly dependent on information systems for the recording of stakes in points of sale, digitalised betting or online gaming and betting, as well as for the conduct of its B2B activities for the benefit of lottery and sports betting operators internationally.

Although the Group has implemented protection mechanisms (see "Game integrity organisation"), a problem with FDJ's information system (accident, breakdown, human error, insufficient tests, saturation of the computer network, cyber-attacks, natural disasters) could lead to the cessation of taking bets or prevent online draws from being made. This could have significant adverse consequences on its revenue, results and prospects.

FDJ may face many risks in this area, including:

- an anomaly in the execution of computer draws delivering more or less winnings than they should (for example, an anomaly in one of the random generation systems for the super jackpot);
- an anomaly in the terminal at the point of sale resulting in the failure to detect winning tickets;
- a malfunction in the display of the winnings (inconsistency between the computer system and what is displayed to players);
- a prolonged unavailability of the odds system or a malfunction in the setting of odds;
- a defect in game integrity. For example, two FDJ gaming sites were preventively blocked in 2018, from Saturday morning 14 April to Monday afternoon 16 April, after display anomalies occurred during the night of Friday 13 April to 14 April 2018. Between the beginning of the incident and the blocking of the sites, customers reported having access to other customers' personal information (but not to their means of payment).

Lastly, operators of app stores on smartphones and tablets could decide to implement restrictive policies, in particular with regard to gambling (for example, prohibiting any application related to gambling) and could prohibit any application that does not work entirely (including for payments) within their operating system.

In addition to the direct impact that this could have on FDJ's stakes and on its image and reputation, the risks in the computer processing of games could lead to disputes with players or even to a sanction from the regulator (as has already occurred in other countries for a breach of game integrity). Such consequences are liable to have a significant adverse effect on the Group's business, results, financial position and prospects.

Risk of draw error

The draws for FDJ lottery games, which are broadcast on television or on the internet for greater transparency, are subject to specific controls, carried out under the supervision of a judicial officer, who certifies the results using dedicated tools before their announcement.

However, these high-level protection measures cannot totally prevent the risk of technical or human errors during the draws or announcement of the results. In addition to the damage to FDJ's image that could result, the occurrence of such failures could force FDJ to pay players larger winnings than the normal payment of prizes, expose it to complaints from or litigation by players, and have a significant adverse effect on the Group's revenue, results and prospects.

Risk related to excessive gambling

Gambling, which can be addictive, may create a risk of dependency for some players. For many years, as part of its commitment to a gaming model that is intended to be recreational and responsible (see "Responsible Gaming management policy"), the Group has made significant efforts to prevent excessive or even addictive gambling behaviour. Despite these efforts, gambling addiction can cause both financial and psychological harm to those concerned and to their relatives.

Such situations could give rise to legal actions by players or their relatives and could make distributors (as the players' direct point of contact) or FDJ itself liable, which could damage FDJ's image and reputation. In addition, if FDJ is found to be responsible for breaches of Responsible Gaming regulations, the Company could be subject to sanctions imposed by the regulator, which could have a significant adverse impact on the Group's revenue, results and prospects.

Risk related to game security and the monitoring of the distribution network for game integrity

FDJ is required, on an ongoing basis, to control and strengthen its systems for detecting and processing anomalies in its gaming operations and distribution networks (points of sale and online) in order to prevent external risks.

As such, FDJ must ensure:

- the integrity and security of gaming operations in distribution channels to address the risks of fraud, breach of trust, scams and money laundering by point-of-sale distributors;
- compliance with the laws and regulations to combat money laundering and terrorist financing.

Despite the fact that the Group's Security Department analyses atypical trends in point-of-sale stakes, that the opening of new FDJ points of sale is strictly regulated and subject to approval, and regular controls are carried out on points of sale, it is possible that players or distributors may use highly sophisticated means to launder money or conduct other illegal operations (see also the risk factors "Risk of gambling fraud" and "Risk of money laundering" described below). Failure by FDJ to monitor games and points of sale could result in sanctions by the competent authorities, damage FDJ's image and reputation and, where applicable, have adverse consequences on FDJ's business, results, financial position and prospects.

2.3.3.1.2 Risk of cybercrime*

In the context of increasing external threats (targeted or global cyber-attacks in particular), the Group may be the target of multiple forms of cybercrime, both internal and external, including intrusions, scams, digital identity theft, phishing, hacking, financial misappropriation, denial of service, website deletion, extortion and theft of sensitive or personal data (including from the customer database or the big prize winners database).

The information systems of operators in the gaming sector are increasingly under attack. For example, operators have been subjected to distributed denial of service attacks (DDoS) and the hacking of online player accounts and customer data.

Cyber-attacks could also be carried out by organisations that could use the denunciation of gambling as a way to promote themselves.

Although the Group has implemented a significant number of measures to reduce the risk of cybercrime, such as stepping up the compartmentalisation of its information system (thus limiting the risk of spreading a possible virus attack), such attacks could lead to an interruption of all or part of the Group's activities, cause litigation risks and result in financial losses. They could also have negative consequences for the Group's image and reputation.

2.3.3.1.3 Counterparty risk

Some instant games and draw games (such as Amigo or KENO) are based on the counterparty principle: (i) the unit value of prizes is fixed or determined by a calculation of probabilities, and (ii) the number or value of prizes won is determined by chance. As such, the total amounts actually paid to winners cannot be precisely predetermined: it is sometimes below and sometimes above the share of player stakes allocated to players.

For example, with draw games, the prize winners' share may be between zero and several times the total of players' stakes. The exclusive rights decree limits the amount of winnings payable per event to €100 million for games based on the counterparty principle. However, it is possible that the lots scoreboard of one of the FDJ counterparty games may lead, for a given draw and in theoretically extremely rare cases (approximately once every 15,000 years), to winnings exceeding €100 million, or in theoretically and statistically even less likely cases, to winnings exceeding €200 million. There is therefore a possibility of a difference between these actual winnings and the prize winners' theoretical share. These positive or negative differences can result in a financial risk for FDJ. This is referred to as counterparty risk, which refers to the existence of discrepancies (positive or negative) between the theoretical share of stakes allocated to prize winners and the total amount of prizes actually distributed.

As at 31 December 2019, in addition to instant games based on the fixed-odds principle, FDJ operated four fixed-odds draw games [(1)] (My Million, Amigo, KENO and JOKER+®), the new Loto® mechanism being based on breakdown of stakes principle since its launch in November 2019.

In addition, a counterparty risk may also arise in the case of sports betting, in the event that competitions are won repeatedly, over long periods, by favoured athletes or in the presence of very experienced players who multiply their winnings.

If the amount of winnings exceeds the regulatory limit for a given event, FDJ would not be able to pay players the amount of winnings that would be due to them, which could expose it to player claims or disputes that could damage its image and reputation and affect the level of future stakes collected by the Group on its games.

Until 31 December 2019, the counterparty risk was almost completely covered by a counterparty funds system whose principles of operation were defined by decree. As of 1 January 2020, concurrently with the entry into force of new regulations on the tax and accounting framework for gambling, the counterparty risk for lottery games is no longer insured by counterparty funds, but by an annual insurance policy that FDJ has arranged with several front-ranking French and international insurance and reinsurance companies. This insurance policy, which was arranged by the broker Marsh, covers a basket of lottery games on an aggregated basis, with an annual ceiling of €150 million and an excess of €6 million.

Notwithstanding this insurance policy arrangement, the Group may not be able to fully cover the counterparty risk of certain games, due to the existence of standard exclusion clauses provided for in the insurance policy, which may lead to a total absence of compensation, late compensation or partial compensation. In addition, insurance premiums may increase in the future, notably depending on trends in counterparty claims statistics in the gaming sector, which could make it more difficult, costly, or even impossible for the Group to obtain or renew such an insurance policy. An absence of coverage or insufficient coverage of counterparty risk could have a significant adverse effect on FDJ's business, results, financial position and prospects.

(1) FDJ does not plan to increase the part of counterparty lottery games by 2025.

2.3.3.1.4. Risk of fraud in games

Fraud is an inherent risk in the gambling sector. As a gambling operator, FDJ is exposed to various forms of fraud (player fraud, distributor fraud, internal fraud), which may occur at all stages of the gaming chain, including during draws or payment of winnings. In addition to the risk of fraudulent exploitation inherent in lottery games, the Group is also exposed to an increased risk of fraud due to its sports betting activities, particularly online betting which is a breeding ground for multiple types of fraud. One of the main risks in online sports betting is the possible collusion between players and traders (the trader allowing the player to bet after the end of the betting period, for example).

To protect itself against such risks of fraud, FDJ has put in place a significant number of measures designed to ensure these are detected quickly. However, these measures cannot exclude any risk of late or insufficient detection of fraud or the mishandling of detected cases. If it is unable to prevent or detect the fraudulent exploitation of its activities, the Group could suffer significant financial losses as well as damage to its image and reputation among interested parties (the French State, players, B2B customers, regulatory authorities, TRACFIN (Treatment of Information and Action against Illicit Financial Circuits), etc.), which could have negative consequences for its business, results, financial position and prospects.

2.3.3.2 Risks related to the Group's organisation and the points of sale network

2.3.3.2.1 Risk of a mismatch between the coverage of the offline distribution network and the Group's strategy

The Group's aim is to retain a network of approximately 30,000 points of sale, spread across the whole of France, by 2025.

Unlike other major lotteries, which have chosen to promote their offer through a variety of distribution channels (specialised shops, service stations, supermarkets and grocery stores), FDJ's games are mainly available via bar-tobacconist-newsagent outlets, which have historically had a broad presence throughout France. However, the bar-tobacconist-newsagent sector has been weakened in recent years by the implementation of various regulations, including the introduction of a smoking ban in bars, the increase in the price of tobacco and the application of the "neutral packaging" law, as well as the decline in the printed press market.

FDJ has initiated measures to support the maintenance and expansion of the traditional bar-tobacconist-newsagent network and has taken concrete steps to diversify its distribution network, in consultation with the organisations representing that network.

Despite its efforts, FDJ may not be able to achieve its objective of maintaining the number of points of sale, which could ultimately lead to a reduction in the amount of stakes and thus have an unfavourable impact on the Group's sales, results, financial position and prospects.

2.3.3.2.2 Risks related to the externalisation of offline distribution

FDJ and its distributors are closely linked, as evidenced by the fact that, in 2019, 94% of the Group's stakes were wagered in points of sale and the remuneration paid by FDJ to distributors represented the second largest source of revenue for most distributors.

However, the arrival of new players and new games and services (for example, via payment cards), or new forms of services (such as banking or other services and local services) could eventually change the points of sale ecosystem. For example, advertising information screens and spaces dedicated to specific services are being developed in points of sale and distributors are being offered services targeting their customers, such as rechargeable online betting cards.

This multiplication of services and sources of income for distributors notably reflects the appeal of the bar-tobacconist-newsagent network (in terms of location and number), the scarcity of contact points with physical customers for all operators, and the drive by some online sports betting operators to establish themselves at points of sale. These new services offered to distributors, which provide them with additional sources of revenue, could constitute a form of competition for the FDJ product offering at points of sale in future.

Despite the measures taken by FDJ aimed in particular at modernising and diversifying the activities of its point of sale network, in particular by forging new partnerships, and despite the fact that FDJ owns the terminals present in the points of sale, this multiplication of service offerings in points of sale could lead to confusion among players as to the different types of offerings. It could also limit the spaces dedicated to the development of FDJ offerings in points of sale, while increasing advertising costs and, in some cases, the total distribution cost of its offers in points of sale. In addition, although a new level of distributor commission was negotiated in 2018 as part of an agreement that should lead to an increase in distribution costs of approximately €40 million per year from 1 January 2020[1], further changes in the commission structure can never be ruled out.

In the long term, these trends could have a significant negative impact on the Group's expenses, financial position and prospects.

2.3.3.3 Risks related to adjacent activities

In order to reinforce the resilience of its business model, one of the Group's strategic focuses is the development of three business lines adjacent to its two core businesses, by exploring areas of growth that it believes to be promising and relying on its assets and its know-how, with the ultimate objective of generating profitability outside the gaming activities regulated by the ANJ. Therefore, the Group is developing three adjacent activities: (i) B2B international services for lottery and/or sports betting operators, (ii) payment services and services for distributors and the general public, and (iii) the exploration of segments in the entertainment sector (eSport and other entertainment concepts). Each of these three adjacent activities carries risks.

(1) Compared with 2017, based on the same amount of stakes.

2.3.3.3.1 Risks related to the implementation of the development strategy in these adjacent activities

The three adjacent activities were recently developed by the Group and, for some, are still in the early stages of development. It is therefore difficult to anticipate at this stage whether the Group will be able to successfully implement its development strategy in these new market segments and the profitability that can be derived from these future opportunities.

As regards international B2B services for lottery and/or sports betting operators, the sector has consolidated rapidly in recent years with several major acquisitions on an international scale since 2015. In this context, the Group may encounter difficulties in facing up to competition from larger operators already present in this market segment. Although the Group has already achieved initial successes, it could nevertheless encounter difficulties in winning new international tenders in countries where it would have less control over the environment and be up against more powerful or more experienced competitors. Given this intense competitive environment, it is possible that a number of projects under consideration by the Group will not be realised.

As concerns the Payment and Services and entertainment businesses, and although the Group has also enjoyed some initial successes, its entrance into these two sectors is recent and still in the exploratory phase. As such, these present numerous risks, particularly the entertainment sector, with the ongoing shift to digital and the multitude of operators and business models at play. As a result, the Group may not be able to develop projects within the expected deadlines or achieve the expected success.

If the Group were to encounter significant difficulties in the implementation of its expansion strategy for adjacent activities or if this expansion does not prove sufficiently profitable, its image, strategy and prospects could be affected.

2.3.3.3.2 Risks related to international expansion

The development of an international B2B activity entails new risks for the Group, due in particular to the differences in cultural, commercial and regulatory environments compared with its domestic market. This new activity involves, for example, taking part in calls for tender launched by public or private players in lottery and sports betting in contexts over which the Group has less control. As a result, the Group could face fresh difficulties in winning new contracts, which could slow down its international expansion.

The Group could also encounter difficulties in adapting to the regulatory constraints of the countries in which it is developing its B2B activities. In the event of non-compliance with these constraints, this could lead to financial penalties or incur the Group's contractual or tortious liability and, in some cases, result in damage to its image that could make it more difficult to obtain contracts in other countries. By way of illustration, the activities of Sporting Group and its subsidiaries (acquired in May 2019), in particular trading and spread betting, are subject to specific regulations under the control of the competent local authorities.

FDJ cannot guarantee that it will be able to manage all the risks related to its international expansion or ensure compliance with all the applicable regulations, which may have an adverse effect on its image and reputation, its business, results, financial position and prospects.

2.3.3.4 Risks related to acquisitions

The Group may consider acquisition opportunities, as it did prior to acquiring Sporting Group in May 2019, as part of its international expansion strategy and also, as may be the case with the acquisition of Bimedia[1], as part of its strategy to expand in the provision of Payment and Services for distributors and the general public.

In the event of significant acquisitions, the Group's results will partially depend on its ability to successfully integrate the acquired businesses. Such integrations may require the implementation of long and complex processes and generate a number of risks. In addition, the Group cannot guarantee that an acquisition will generate the expected synergies, cost savings, increased results, or, more generally, the benefits it expects to obtain. The Group may also be exposed to unforeseen liabilities or commitments related to such acquisitions. If these liabilities and commitments are significant or the Group fails to effectively integrate a new acquisition, this could have an adverse impact on its business, results, financial position, development and prospects.

In addition, the Group may not be able to identify acquisition targets enabling it to accelerate the implementation of its strategic expansion priorities, or may have to outbid competitors, thereby reducing the economic interest of these developments. Furthermore, the examination of potential targets and the integration of acquisitions may require a significant mobilisation of management teams that may prevent them from fulfilling their daily functions.

2.3.3.5 Risk of failure and difficulty in adapting the Group's information system

FDJ's activities are closely linked to its information system upon which they depend, even at points of sale. This information system supports all gaming operation processes, including the validation of gaming operations in points of sale and on the internet, the management of gaming platforms, customers, and logistic supply, invoicing and remuneration of distributors, as well as tools for training the sales force.

Having decided to use proprietary technology, FDJ must maintain a high-level, high-performance information system at all times.

(1) On 25 November 2019, FDJ announced the signature of an agreement with Idinvest Partners with a view to acquiring Bimedia, a software publisher specialising in point-of-sale collection and payment solutions. The completion of the transaction is subject to the usual conditions precedent for this type of transaction, in particular antitrust approval.

Risks related to questions of game integrity (risk of prolonged downtimes of the point of sale gaming system and risk in the computer processing of games) are therefore of fundamental importance to the Group's activities and its reputation.

The Group may also face difficulties in adapting its information system to changes in its activities and its technology strategy towards an omnichannel approach. Indeed, as illustrated by the rapid increase in online betting, the Group's business practices are changing rapidly, in an increasingly digitalised environment. In this context, information systems play a major role.

Although the Group has put in place measures to mitigate these potential difficulties, if it encounters significant difficulties in the management of its information system or fails to develop it in accordance with its objectives, or if this evolution is delayed, this could have a significant adverse impact on its business, image, results, financial position and prospects.

2.3.3.6 Risks related to the acquisition of certain skills

Considering the digital nature of its activities and the importance of its information systems, the Group is confronted with the scarcity of certain skills, particularly in the digital and technology sectors, which makes recruitment more difficult and lengthens the amount of time required for recruiting even entry-level profiles.

Although FDJ has taken measures to develop the attractiveness of its employer brand and may in some cases resort to subcontracting to remedy any shortcomings, it is possible that recruitment difficulties will slow down the implementation of its strategy, particularly when it comes to the ongoing digitalisation of its online lottery and sports betting offer, the omnichannel approach to its proprietary technology and the expansion of its B2B activities abroad.

2.3.3.7 Health/epidemic risk

Epidemic risk (e.g. SARS, H1N1 flu, Ebola virus, etc.) is a systemic risk, the consequences of which may concern FDJ Group employees, suppliers, distributors or customers.

It is a risk that could have the consequence, in addition to the human aspects, of forcing the closure of certain areas of activity, thereby causing changes in levels of production, consumption, transport and normal travel in various regions. The Group's exposure to this risk mainly reflects epidemic scenarios in France, but more broadly in Europe and North America.

The FDJ Group closely monitors health risks that could harm its employees or have an adverse impact on its activity. Faced with the risk of epidemic, the Group has developed business continuity plans (BCP) to ensure the continuity of its operations while maintaining the health security of its employees.

In particular, in the face of the global coronavirus epidemic (Covid-19), the FDJ Group activated a dedicated crisis management system in mid-February 2020; action plans have been implemented on health and business continuity projects.

In response to the health crisis linked to the Covid-19 epidemic, FDJ launched its business continuity plan in mid-February. The objective is to guarantee the best safety and working conditions for its employees, the vast majority of whom are now teleworking, and to maintain the continuity of its operations, particularly as regards its information systems and logistics chain. Measures are being adapted as the situation develops and in line with government recommendations on the issue.

The plan has been reinforced to address the exceptional measures taken by national and international authorities to stem the Covid-19 epidemic, such as the closure of most shops and restrictions on individual travel in France, and the postponement, or even cancellation, of many national and international sporting events. While nearly 80% of FDJ's points of sale (press distribution, tobacconists, service stations) remain open to the public, these provisions will have an impact on the Group's activity – and one that is hard to assess precisely at this date.

- For lottery (approximately 80% of the Company's revenue in 2019):
  - As most of the points of sale offering the "Amigo" game are closed (mainly bars), its distribution has been suspended. The impact of this decision over one month can be estimated on revenue of approximately €17 million and at nearly €10 million in EBITDA.
  - Footfall in points of sale that remain open is expected to decline given the lockdown measures imposed by the government. By way of illustration, FDJ estimates that a drop in stakes of around 50% (excluding Amigo) would result in a monthly impact of close to €55 million on revenue, and around €17 million on EBITDA, before any further cost-saving measures.
  - FDJ's online lottery games continue to perform well.
- For sports betting (approximately 20% of the Company's revenue in 2019):
  - The cancellation of numerous sporting events, including UEFA Euro 2020, most championship matches, particularly football and basketball, and all of the upcoming tennis tournaments including the French Open, can be expected to result in a very steep decline in stakes over the first half. However, we could still see simply the postponement of certain competitions until the second half of 2020, such as football championships and the French Open, or even until 2021, such as UEFA Euro 2020.
  - On that basis and in the event of a resumption of certain championships in June, FDJ estimates its lost revenue in 2020 at around €120 million and its loss of EBITDA at around €50 million, before any further cost-saving measures.

2.3.4 Legal risks and non-compliance risks

2.3.4.1 Risk of money laundering

In the context of accelerating regulatory changes relating to the fight against money laundering and terrorist financing (notably the transposition and implementation of the fourth Anti-Money Laundering Directive (EU) 2015/849 dated 20 May 2015), FDJ must be increasingly vigilant when taking bets and paying winnings.

Although FDJ has taken steps to improve its knowledge of players and implement means to reduce the circulation of cash in points of sales in recent years, its activities, in particular sports betting, which is subject to less risk than lotteries, have the potential to attract money laundering networks. In 2019, FDJ filed 158 suspicious transaction reports to TRACFIN.

FDJ may encounter failures in the detection or handling of money laundering cases and may not be able to keep up with the constant developments in fraud/money laundering techniques and the increasingly rapid transmission of information by fraudsters.

A failure in the detection or handling of a money laundering event could expose the Group to prosecution for complicity in money laundering and/or lead to significant sanctions, which could damage FDJ's image and reputation. Depending on the seriousness of the situation, distributors may have their approvals withdrawn and, if serious and repeated breaches of their obligations in this regard are proven, FDJ may be subject to severe financial penalties and, in extreme cases, its exclusive rights may be called into question, which could have a significant adverse impact on the Group's business, financial position, results and prospects.

2.3.4.2 Risk of corruption and other breaches of probity

France has strengthened its system for preventing and detecting corruption, with the entry into force on 1 June 2017 of law 2016-1691 of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy (the so-called "Sapin 2" law) promulgated on 9 December 2016. The anti-corruption component of this law requires the implementation of a plan to prevent and detect corruption.

Although it has implemented the means to comply with the eight obligations set out in the corruption prevention and detection plan and has established awareness-raising and control procedures, FDJ could be confronted with attempted public or private acts of corruption, particularly by its traders or its managers. In addition to the consequences of non-compliance with regulations and the resulting penalties, this risk could have a significant impact on the Group's ethical values and lead to a deterioration in the Group's reputation, along with a loss of trust on the part of its partners. Should such incidents of non-compliance continue to occur, they could have significant adverse effects on FDJ's business, financial position, results and prospects.

2.3.4.3 Risk of underage gambling

FDJ is obliged to prevent the participation of minors, even those who are legally emancipated, in gambling or betting activities. In addition, article 139 of the Pacte law stipulates that it is forbidden to sell or offer free gambling to minors in points of sale that are authorised to market lottery games and sports betting games.

The fight against underage gambling is a priority for FDJ, whether at point of sale or online.

The Group's determination to prevent underage gambling is consistent with the strengthening in the regulatory framework and the growing expectations of stakeholders in respect of this matter. Thus, the government order issued pursuant to the Pacte law amends or strengthens existing administrative and criminal penalties and provides for new penalties in the event of non-compliance with the rules applicable to the gaming sector.

Despite substantial efforts made by the Group to supervise the sale of games and its activities with distributors and the sales force, this prohibition could be insufficiently respected.

A significant or repeated failure to respect the rules and principles of the prohibition of underage gambling is likely to have a significant impact on the Group's ethical values and cause a deterioration of its image and reputation and may entail the non- compliance with applicable legal and regulatory provisions. In the event of an extremely serious breach, FDJ could be sanctioned by the regulators (see above "Risks related to the implementation of financial penalties"). The occurrence of these various risks could have a significant adverse impact on its business, financial position, results and prospects.

2.3.4.4 Risk of infringement to the security of personal data

European regulation (EU) 2016/679 on the protection of personal data (known as the "GDPR"), which came into effect on 25 May 2018, imposes transparency, integrity and confidentiality in the processing operations carried out by FDJ, as well as the possibility for the persons concerned to exercise new rights in respect of their personal data.

An important pillar of the Group's strategy involves building its knowledge of its customers in order to better meet their needs and requires the collection and use of a growing amount of personal data.

Although the Group has put in place a structured approach involving many contributors, it cannot guarantee that it will comply at all times with every new regulation in force.

Moreover, although FDJ takes all the appropriate precautions to secure its data, losses or theft of personal data are becoming more frequent and publicised.

Inadequate protection of the personal data of players or potential players, employees, suppliers or service providers could lead to non-compliance with regulatory requirements, litigation and a deterioration of the Group's image and reputation, which could also have a significant adverse impact on its business, results, financial position or prospects.

2.3.4.5 Risk related to sporting competitions

Given that FDJ's activities are strongly linked to sports competitions, whether through sports betting or sponsorship activities (such as the FDJ-Nouvelle Aquitaine-Futuroscope and Groupama-FDJ cycling teams), FDJ's image and reputation could be affected if shortcomings in sports ethics were noted during sports betting organised by FDJ (for example, in the case where bets have been placed by professional athletes or their entourage, despite being prohibited from betting on their sport, as was the case with the handball affair) or from FDJ partners (match-fixing, athlete doping, leaders of international sports bodies suspected of corruption).

While the law of 1 March 2017 aimed at preserving the ethics of sport and strengthening the regulation and transparency of professional sports has broadened the powers of the gaming regulatory authority, in particular by granting its president with the ability to prohibit betting on a competition in the event of serious signs of fraud, it is possible that one or more events challenging the ethics of the sports sector could damage FDJ's image and reputation and cause a decline in its revenue, particularly in sports betting, which could lead to a decline in its results and prospects.

2.3.4.6 Risks related to litigation

The Company may be involved in legal, administrative or regulatory proceedings in the normal course of its business, in particular in connection with the creation and sale of its draw games, especially instant draw games, online sports betting or in points of sale, or in the context of its relations with its distributors.

With more than 24 million players, FDJ is regularly confronted with very diverse claims from players, who sometimes take their claims to court. By way of illustration, players have brought legal claims for the payment of winnings despite the absence of a receipt, or for the payment of winnings on the basis of a "free" interpretation of the game rules. Others have challenged the cancellation of a sports bet and then claimed payment of winnings. Lastly, players may consider themselves winners, without actually having won, and claim damages for loss of opportunity.

FDJ is also involved in litigation with one of its former shareholders and in a significant number of disputes with its former agent-brokers.

Meanwhile, FDJ's change in status to a private-sector company could cause certain co-contracting parties to breach their agreements with FDJ, exposing it to litigation.

In addition to the fact that any legal dispute, particularly when it concerns a company whose brand is well known to the general public, may constitute a risk to the Company's image or reputation, if several legal disputes of the same nature arise simultaneously, if one or more of these disputes were to result in an unfavourable outcome for FDJ, or if provisions passed by FDJ were not sufficient to cover the estimated risk, these outcomes could have an adverse impact on the Group's results, financial position and prospects, despite the fact that FDJ considers that it has recorded a sufficient amount of provisions.

2.3.4.7 Legal risks related to the coexistence of activities carried out under exclusive rights and in competition

Since 12 May 2010, the date of the partial opening of online gambling to competition (sports betting, horse-race betting and poker), FDJ has carried out most of its activity under exclusive rights (offline sports betting and lottery), but has also obtained a license to operate online sports betting in the competitive sector.

The co-existence of activities operated under exclusive rights and activities open to competition must be carried out in compliance with competition law. FDJ may not operate activities under exclusive rights as a monopoly in a manner that results in abusive behaviour likely to distort the market for the Company's activities that are open to competition. Doing so could give rise to possible legal proceedings by gaming operators before the French competition authority (ADLC). However, rules exist to mitigate this risk (in particular, FDJ must keep separate accounts for the two activities and must not promote competitive gaming to customers of the monopoly activity).

Competitors or third parties could attempt to challenge, before the courts or before the competent authorities, the co-existence of activities under exclusive rights and in competition. The consequences of such a challenge could have a significant adverse effect on FDJ's business, financial position, results and prospects.

2.3.4.8 Risks related to intellectual property rights

The Group's brands, domain names and other intellectual property, and in particular the FDJ, Loto®, Euro Millions, KENO, Amigo and ParionsSport brands, and the domain names enligne.parionssport.fdj.fr and fdj.fr, are well known to the general public, contributing to the Group's business and development. The protection of its intellectual property rights is therefore very important.

Third parties may wish to use the Group's trademarks and other intellectual property in a fraudulent manner, including offering online games that may be confused with FDJ games, or attempting to scam players into believing that they have won. The Group cannot guarantee that the various preventive actions and the lawsuits it engages in to defend its intellectual property rights will prevent third parties from marketing products identical or similar to its own and that this will not result in weakening of the brand's value. These frauds may harm FDJ's image and reputation and interfere with the Group's offers.

Third parties may also try to contest the intellectual property rights held by FDJ, notably by claiming the FDJ brands lack distinctive features. Although the Group believes that it is taking appropriate preventive measures, it is possible that it may be prohibited from submitting and using a trademark or other intellectual property rights. This could have consequences for its expansion strategy and in particular for the launch of new games, which could be delayed in the event of a dispute.

More broadly, third parties could also request the termination of a game or an advertising campaign relating to a game, or of business activities subsequent to a trademark, patent or copyright infringement proceeding initiated by a third party whose rights may have been infringed by the Group.

The infringement of intellectual property rights held by the Group could lead to a decrease in the value and reputation of its intellectual property assets, affect its image and reputation and have an adverse effect on the Group's revenue, results, financial position and prospects.

Lastly, under the Pacte law, FDJ will guarantee the French State, and any new holder of the exclusive rights, access to any intellectual property rights used in connection with the operation of activities under exclusive rights at the conclusion of the 25-year exclusivity period. The Convention addresses the transfer or the use of copyrights and trademarks, and provides for a free licence to software and patents for a period of 18 months.

2.3.4.9 Risk of recourse against legislation concerning activities under FDJ's exclusive rights

The Exclusive Rights Decree and the Close Control Decree, which approves the Convention and the Specification Document, were published on 17 October 2019 (see Chapter 9 "Legislative and regulatory environment").

For a period of two months (with two additional months applying to foreign residents), the government order and its implementing decrees will be subject to judicial review by third parties having an interest in bringing proceedings, which could lead the administrative judge to nullify one or more of these acts. While such annulment is not likely to affect FDJ's exclusive rights – granted by article 137 of the Pacte law – it is possible that other aspects of the new regulation provided for in the government order or its implementing decrees may be called into question. In this case, the pre-existing texts would then remain in force (see Chapter 9 "Legislative and regulatory context").

Similarly, the Convention may be the subject of legal proceedings by interested third parties who bring proceedings within a time limit of two months of the completion of the appropriate publicity measures (this period is increased to four months for foreign residents), i.e. from the date of publication of the Close Control Decree. In the event that the Convention is annulled, the provisions of the Convention would no longer apply, although FDJ would remain protected against changes in law under the jurisprudential principles established by the administrative judge.

Although the annulment of the government order and/or the Convention would not be likely to affect the exclusive rights granted to FDJ, such an event could create uncertainties as to which rules would remain in force and how they would be applied to FDJ and thereby create difficulties in implementing the new applicable regulation, which could have a negative impact on the conduct of the Company's activities.

Finally, the dates of publication and entry into force of all of the government order's implementing decrees are not yet known.

2.3.5 Financial risks

2.3.5.1 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its cash requirements with its financial resources. This includes the risk that assets cannot be sold quickly under satisfactory conditions if required, and the risk of accelerated repayment of liabilities or the inability to access credit under satisfactory conditions.

In this respect, FDJ's exposure to liquidity risk is limited to the extent that, under FDJ's cash management policy, over 33% of amounts outstanding must be invested in standard short-term instruments (which include the ability to recover invested funds without penalty or risk in capital after 32 calendar days' prior notice) and FDJ has access to bank overdrafts from time to time. However, in the event of a crisis, the Group may not be able to obtain the financing or refinancing necessary to implement its investment plan or to obtain such financing or refinancing on acceptable terms.

As from 1 January 2020, FDJ will also be exposed to liquidity risk associated with its counterparty risk (see section 3.3.1.3 "Counterparty risk"), given that, as of that date, counterparty risk will not be covered by counterparty funds, but by an annual insurance policy. As this insurance policy will be based on a cumulated annual counterparty risk, in the event a counterparty risk claim arises during a financial year, the indemnity would be paid only at the beginning (first quarter) of the following financial year. This delayed indemnification will affect FDJ's liquidity until such time as it is paid. Lastly, FDJ is exposed to the risk of accelerated repayment of its financial liabilities, insofar as the main loans it has taken out are subject to standard default or early repayment clauses. FDJ may not be able to comply with these clauses in the future.

At 31 December 2019, the amount of borrowings and debts with credit institutions amounted to €213.5 million (comprising a loan taken out with Crédit Bred Banque Populaire to acquire the building hosting FDJ's headquarters in Boulogne Billancourt and a loan taken out with a banking syndicate composed of Barclays Bank PLC, Crédit Agricole Corporate & Investment Bank and Société Générale for the acquisition of Sporting Group).

The loan agreement contracted with Crédit Bred Banque Populaire for the acquisition of the building located in Boulogne-Billancourt, which currently houses FDJ's head office, as modified by the amendment dated 15 October 2019, includes a provision for a change of control if (i) the French State ceases to hold, directly or indirectly, at least 20% of FDJ's share capital and voting rights or (ii) a third party comes to hold more than 25% of the share capital of FDJ.

The table below presents the maturity dates of the Group's financial debts as of 31 December 2019, including interest payments:

	Total		N+1		N+2		N+3		N+4		N+5 and >	
In millions of euros	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest	Nominal	Interest
Bonds	-	-										
Bank loans	213.5	14.2	8.0	2.6	8.0	2.5	8.0	2.4	8.0	2.4	181.5	4.3
Lease liabilities	31.4	-	7.0	-	6.4	-	4.1	-	3.9	-	10.1	-
Bank credit/bank overdrafts	40.2	-	40.2									
Derivatives	-	-										
Total	285.2	14.2	55.2	2.6	14.4	2.5	12.1	2.4	11.9	2.4	191.6	4.3
Player funds closed as from 1 January 2020 and to be returned to the French State (schedule yet to be defined)	103.8	N/A	103.8	N/A								

Pursuant to the Pacte law and the government order, FDJ will pay the French State financial compensation in consideration for its exclusive operating rights for a 25-year period to operate lottery games through offline and online distribution networks, as well as sports betting games through offline networks. The Close Control Decree approving the Specification Document, has upon obtaining the assent of the French Commission for Participations and Transfers (Commission des Participations et des Transferts), the amount of the financial compensation payable by FDJ at €380 million. FDJ is currently examining different ways of financing this consideration to be paid on 30 June 2020 and, in particular, could enter into a syndicated loan agreement. As of the date hereof, the provisions of such agreement are unknown.

2.3.5.2 Interest rate risk

The following table summarises the Group's net exposure to interest rate risk, before and after hedging as at 31 December 2019:

	Financial assets[a] (to be defined)		Financial assets[b] (to be defined)		Net exposure before hedging (c)=(a)-(b)		Hedging instruments rate[d]		Net exposure after hedging (e)=(c)+[d]	
In millions of euros	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate	Fixed rate	Variable rate
Less than 1 year	297.0		8.0		289.0	-			289.0	-
From 1 year to 2 years	215.0		8.0		207.0	-			207.0	-
From 2 years to 3 years	105.0		8.0		97.0	-		117.5	97.0	N/A
From 3 years to 5 years	75.0		24.0	117.5	51.0	(117.5)			51.0	(117.5)
More than 5 years	45.0		48.0		(3.0)	-			(3.0)	-
TOTAL	**737.0**	**-**	**96.0**	**117.5**	**641.0**	**(117.5)**	**-**	**117.5**	**641.0**	**N/A**

(a) Financial assets are term deposits, remunerated current accounts, as well as certain categories of debt securities (EMTN);

(b) Financial liabilities relate to borrowings;

(d) The loan agreement entered into in order to finance the acquisition of Sporting Group was concluded in pounds sterling in order to hedge the changes in Sporting Group's functional currency. It carries a variable interest rate and has a 5-year maturity. The loan was hedged by means of a cap and was undertaken for a 3-year period. It will subsequently be reviewed depending on interest rate movements. Only interest due in less than 3 years is subject to hedging.

More than 95% of the investments listed in the table above are term accounts, which can be redeemed at their nominal value after 32 days' notice. The interest rate risk on these investments is therefore practically nil.

The Group's exposure to changes in interest rates is primarily related to its investments. The Group actively manages its interest rate risk under the supervision of the Treasury Committee. The objective of this policy is to ensure minimum revenue in the context of a five-year investment horizon. Sensitivity to interest rate risk arises from fixed rate investments (bonds and negotiable debt instruments) and interest rate derivatives.

As at 31 December 2019, no investments had been exposed to this direct risk.

2.3.5.3 Other financial risks

See note 9.5 "Financial risk management policy" in the consolidated financial statements for the 2019 financial year.

2.3.6 Risk management

2.3.6.1 Control systems

The Group's risk management system consists of two components: an internal component and an external component.

2.3.6.1.1 Internal risk management and risks mapping bodies

FDJ's business units, support departments and subsidiaries implement the internal control systems governing their activities. The Group's operations are primarily monitored and controlled by:

- the Security Department, whose missions consist of guaranteeing the security of the FDJ Group's human, material and reputational assets and, with a view to combating fraud and money laundering, of ensuring the integrity and security of games and their marketing across the point of sale and digital networks. To this end, the Security Department consists of three departments:
  - the Games Security Department, which fights against fraud and money laundering by integrating security requirements into gaming projects or new processes, by monitoring and controlling gaming operations, logistics and payment operations, by inspecting the point-of-sale network and by collaborating with the authorities (judicial requisitions, right of communication, suspicious transaction reports to TRACFIN),
  - the Game Integrity Department, which guarantees the integrity of games and processes by defining, formalising and enforcing security standards, evaluating and authorising the most sensitive processes, certifying games, ensuring anti-money laundering compliance, training operators and promoting certifications,
  - the Safety Department, which protects human, tangible and intangible assets by managing critical situations (threats, frauds, alerts, crises), by organising business continuity, and by guaranteeing the security of buildings and people. Within this department, the Crisis Management Unit is tasked with enabling the Group to deal with incidents threatening the sustainability of its activities by applying the following crisis management system. All detected incidents are subject to pre-assessment by the departments having detected it. In the event of doubt as to the analysis of the criticality of an incident, the event is escalated to the Crisis Management Unit (Security Department) and several organisational levels may be mobilised, up to Security Department level, depending on the level of criticality for the Company:
    - standard incident:
      - resolution by the most appropriate business line,
      - mobilisation of a coordination unit (internal department proposed and led by the FDJ Crisis Management Unit) when the action plan requires the intervention of several internal operational business lines,
    - critical incident:
      - mobilisation of an operational crisis unit involving all the internal operational business lines needed to resolve the incident rapidly and completely,
      - mobilisation of a decision-making crisis unit involving the Directors of the Group Management Committee required to determine the Company-wide position and appropriate action plan to be adopted in response to the incident.

    These two emergency response units can be activated either individually or simultaneously (e.g. for long-term and major crises) when a considerable amount of coordination work is needed between the decision-making process and implementation of the ensuing action plans.

    The incident response plan implemented by these units follows a methodology of sharing facts, assessing impacts, identifying stakeholders and determining action plans.

    The steering and monitoring of critical incidents involves filling out decision reports following the intervention of each organised crisis unit, and the use of a dedicated tool for ensuring the traceability of the entire incident handling process and a dashboard to monitor the investigation of all critical incidents that have occurred.
- the Regulation and Public Affairs Department, which:
  - manages the relationship with both national and European public authorities, as well as with the regulators on all issues related to the regulation of gambling,
  - ensures financial compliance and the evaluation of counterparty risks related to the operation of the games,
  - ensures that the gaming and betting activities offered in competition and under exclusive rights by the Company comply with regulations, in particular by convening a dedicated steering committee which brings together and coordinates all the internal entities of the Company concerned;
- the Finance, Performance and Strategy division, which guarantees and checks that business performance issues are taken into account across all dimensions: financial, taxation, strategic, organisational and operational;
- the Legal Department, tasked with managing the risks of non-compliance, contractual risks and litigation risks;
- the Audit, Risks, Controls, Quality and Ethics Department (DARCQE), responsible for the main specific or multidisciplinary risk control mechanisms, such as:
  - Ethics and Compliance, which shapes and directs the Ethics and Compliance approach required by the FDJ Group and by the regulations in force; and
  - Risk Management, which enables improvement in the governance process and the risk identification, control and steering process of FDJ Group.

This system is notably based on an annual risk mapping process whereby the Group's main risks are identified, assessed and classified in relation to its strategic priorities. Annual risk mapping involves examining the whole sphere of risks related to the Group's various business lines and activities, which is updated at least once a year and integrates strategic, external, operational and non-compliance risks. Each risk in the mapping system is assigned to a single "risk carrier", a member of the Group Management Committee, whose mission is to determine and monitor the action plans related to this risk during the year. The mapping of Group risks and the progress of related action plans are presented each year to the Audit and Risks Committee.

Risk Management gives a top-down and comprehensive view of the Group's risks on a three-year horizon;

- Internal Control reinforces Group risk management and associated risk control procedures. This mission notably involves conducting regular risk assessments and controls. Internal Control provides a bottom-up view of the Group's control procedures, complementing that of Risk Management. Risk management and internal control systems play a complementary role in the efficient oversight of the Company's activities;
- the Integrated Management System, supported by the Quality IMS Improvement division, provides tailored assistance to the entities in building a solid operating platform. It provides a framework for the Group's activities, by taking into account opportunities to facilitate flexibility and improvement. It coordinates the Group's various certifications and standard procedures;
- Internal Audit is a permanent, independent and objective activity (complying with professional standards and reporting directly to general management) which ensures a degree of control of the Group's operations, offers advice for improvement and helps to create added value. It helps the Group meet its risk management goals by systematically assessing its risk management, control and corporate governance processes and by suggesting areas for improvement. This assessment covers all the components of the internal control system, including the reliability and integrity of financial information, the effectiveness and efficiency of operations, the protection of the Company's assets and compliance with laws, regulations and contracts.

The Group has adopted an approach to governance, risk and compliance organised along three lines of defence, based on IFACI (the French Audit and Internal Control Institute), AMRAE (the French Association for Management of Corporate Risks and Insurance) and IFA (the French Institute of Administrators) guidelines:

1. the first line of defence comprises operational teams and their supervisors, whose daily involvement is essential;
2. the second line of defence comprises Ethics, Risk Management, Internal Control and Quality;
3. the third line of defence is Internal Audit.

2.3.6.1.2 External risk management system bodies

FDJ is subject to various controls exercised by public authorities.

In addition, like any other public limited company required to prepare consolidated financial statements, FDJ is subject to the control of a panel of two Statutory Auditors.

2.3.6.2 Description of the main risk management systems

As indicated above, the Group is exposed to specific risks linked to its activity as a gaming operator. Given the importance of the issues related to game integrity and Responsible Gaming, a description of the risk management systems related to these two themes is provided below.

2.3.6.2.1 Risk management principle for game integrity

Pursuant to its legal and regulatory obligations, FDJ must implement measures and perform the procedures and oversight needed to ensure the integrity, security and reliability of its gaming operations and their transparency.

2.3.6.2.2 Game integrity organisation

In step with the drive to implement the best information security practices among companies in general, and particularly companies operating lottery games, FDJ introduced its own Information Security Management System (ISMS) in 2009.

FDJ's ISMS addresses three major issues:

- ensure that FDJ's activities comply with regulations;
- guarantee game integrity;
- combat the risks of cybercrime.

The ISMS now covers all company processes: gaming systems and operations (both at points of sale and online), accounting, equipment, customer relationship management, websites and call centres, etc.

FDJ has ISO 27001 and WLA SG certification.

FDJ was one of the first lotteries to attain the World Lottery Association's new WLA-SCS 2016 certification, which includes 26 new checkpoints that reinforce the requirements for (i) electronic lottery draws, (ii) interactive services and digital distribution channels, in particular to secure remote financial transactions, and (iii) sports betting, as a result of strong growth in the market and issues related to sports integrity.

Overall technical system

At FDJ Group, game integrity is based on fundamental technical principles:

- a segmented and compartmentalised information system, using filtering mechanisms;
- a data centre built in 2009 in compliance with anti-seismic standards and equipped with two autonomous rooms for data supply, power supply and cooling systems. Data backups are

conducted simultaneously in both of the computer rooms to ensure operational continuity in the event that one suffers an outage. FDJ also has an "integrity centre" that allows a triple replication of critical processes and data (e.g. gaming and payments);

- strict identity and access control management: unique identifiers and logical access controls based on the principle of the lowest privilege, enhanced physical access controls for sensitive areas such as vault rooms (lottery draw balls) or the data centre;
- a communication security system: monitoring of computer equipment, use of cryptography;
- a specific approach to managing the integrity of game information systems: data backup, "journalling/time stamping/data sealing" cycle;
- a cybersecurity system.

Measures in place to ensure the integrity of instant game operations

With €8.0 billion in stakes in 2019, instant games distributed at points of sale represent the Company's largest source of stakes (46.3% of the total). They also play a major role in driving its offering of games, with numerous launches and relaunches. 2.2 billion tickets were printed by the two printers in charge of ticket production in 2019.

The integrity issues involved in the instant game range essentially concern:

- the generation and random distribution of prizes;
- the integrity and security of gaming materials (tickets);
- the security of the dedicated information system;
- the physical security of tickets.

The various steps for any launch of instant games in points of sale include prevention and detection control points that are either automatic or operated by business teams:

1/ Design and validation phase

Validation of the main components of the game (name, visual, lots scoreboard, etc.) by the Group's support functions (Security Department, Legal Department and Responsible Gaming Department).

2/ Manufacturing phase

Manufacturing of gaming materials by the two world leaders in lottery ticket printing, with the emphasis on the use of multiple distinct suppliers for each type of gaming material. A third supplier has just been approved by FDJ.

The quality of these materials is controlled at the different key stages of manufacture by the suppliers themselves and by FDJ, as well as by external third parties (laboratories, external auditors, etc.).

3/ Launch phase

Transport of the products to FDJ warehouses by boat and truck with continuity plans in place in case of unusual situations. Implementation of security measures in order to secure various stages of the delivery of gaming materials (manufacturing, transport, storage in FDJ warehouses). In addition, instant game tickets have no value until the booklets are activated by the distributor at the point of sale.

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

Lastly, in order to guarantee business continuity in the event of a major failure of the central warehouse (following a natural event, industrial accident, etc.), "back-up" inventory is available at separate dedicated site enabling the continuous supply of the Group's main games to the distribution network nationwide for several weeks.

Measures in place to ensure the integrity of operations of draw games

With €5.5 billion in stakes in 2019, the draw game offer, which includes Loto®, Euro Millions-My Million, KENO Gagnant à Vie, JOKER+® and Amigo, represents more than 32% of FDJ's stakes.

The integrity challenges related to this game range are essentially related to:

- the validation and recording of bets;
- mechanical drawing operations and systems (machines and balls);
- online draw systems;
- the security of the dedicated information system;
- game receipts.

Validation and recording of draw games stakes

The validation and recording of draw game stakes is based on two separate systems: one for digital stakes (internet or via the application) and one for PoS stakes (involving the optical reading terminal provided to the distributor).

These two systems are related to three measures that are essential to game integrity:

- a dedicated platform for the generation of random numbers;
- a time stamping system allowing a trusted third party to certify the accuracy of transactions; and
- a central system for managing draw game stakes, carrying out checks and recording of winnings paid.

The integrity of the validation and recording operations for the draw game stakes is ensured by prevention and detection unit control points that are either automatic or operated by business teams, and in particular:

- compliance checks of game stakes, embedded in the optical terminal in points of sale or in mobile applications or on the fdj.fr website;
- recording and duplications on back-up and storage sites before printing the game receipt or before displaying the validation screen for digital games;

- digital fingerprinting device for each game stake;
- system for regular time-stamping of transaction files, securely operated, supervised and certified by an external service provider;
- each game receipt also has control codes and enhanced security measures, including a 22-digit barcode for paper receipts.

Draw operations and announcements

Draws are carried out by the Draws and Announcements Department, in charge of managing the drawing systems, carrying out the draws and announcing the results, with ISO 9001 certification (Quality Management System).

The main mechanisms aimed at ensuring the integrity of the draws are as follows:

- engineering of mechanical draw systems;
- certification of mechanical and online drawing systems;
- accreditation of the random nature of online draw generators;
- security of hosting sites;
- certification of the physical card generating the random numbers. This recognised certification (EAL 4+) ensures that high safety requirements are met, particularly in the military sector (EAL 5 to 7), or, in the civilian sector, for critical systems (EAL 1 to 4+);
- integrity control of sensitive files on GDA servers;
- secure storage of draw equipment;
- automatic and computerised sealing of the game stakes before any printing operation ("GoForDraw"); and
- during each official draw carried out under the responsibility of the Draws and Announcements Department, a judicial officer is present to certify the draw result and the regularity of the process used to obtain this result.

Means in place to ensure continuity of draws

- at least two levels of back-up are in place on the draw systems and sites;
- regular training sessions are organised to test the effectiveness of the activity continuity systems; and
- measures are also taken to ensure the integrity of the site, including preventing people from entering the studio to use it as a public platform;

Payment operations

After each draw, the integrity of payment transactions is ensured by prevention and detection unit control points that are either automatic or operated by business teams.

2.3.6.3 Responsible Gaming management policy

FDJ operates in the gaming sector, which is regulated in light of the specific risks it entails in terms of preserving public and, in particular, social order, through the prevention of excessive and underage gambling.

Since 2012 and for the third consecutive time, FDJ received a 100%-compliance rating from AFNOR in 2018, as part of the three-year certification programme for Responsible Gaming conducted by the European Lotteries Association. This is the highest level of certification and cements FDJ's position as the French leader in Responsible Gaming in the field of gambling and as one of Europe's foremost players in the lottery sector.

In June 2019, FDJ was awarded an A1+ rating by Vigeo-Eiris, placing it among the top 5% of the best rated companies. FDJ obtained a score of 79/100 on the indicator relating to the societal impacts of its activity, which specifically evaluates Responsible Gaming measures(1).

FDJ's Responsible Gaming action plan is part of a dynamic of continuous improvement and strengthening of the mechanisms implemented. It relies on an ongoing dialogue with its stakeholders to integrate their concerns.

2.3.6.3.1 Prevention of underage gambling

The Group has stepped up efforts to combat underage gambling in recent years. These cover three areas:

Training and support for distributors and the sales force:

Preventing underage gambling is given top priority in the training given to distributors and the sales force.

As part of their integration process, each new distributor receives training on the issues related to the Company's Responsible Gaming policy, with priority given to underage gambling.

Specific training campaigns complement this system: between 2017 and 2019, all distributors were given individual training in how to refuse to sell to minors at their points of sale. In all, 34,000 distributors were thus trained over a period of three years, of which 10,000 in 2019 alone.

Information and awareness raising among the general public:

Raising awareness about the prohibition of underage gambling is a central part of FDJ's activities in its network and is expressed in many measures (posters on the prohibition of underage gambling in points of sale, prevention messages displayed on screens in checkout areas).

FDJ also takes action to remind the general public of the ban on underage gambling through targeted television campaigns.

Since 2018, FDJ has systematically broadcast films aimed at preventing underage gambling together with each of its TV advertising campaigns on sports betting or instant games (prevention films during the 2018 World Cup, relaunch of the game Morpion in 2018).

(1) These ratings do not result from the valuation method applicable to listed issuers; they are therefore not strictly comparable to the ratings of these listed issuers (in particular, the governance criteria do not cover the same principles of action and do not assess the same risks).

In 2019, FDJ pushed ahead with this communication effort in the mainstream media, by:

- including short films aimed at preventing underage gambling shown at the end of its TV scratch game advertising campaigns (Astro, Pochettes Cadeaux de Fin d'année);
- broadcasting a specific campaign aimed at preventing underage sports betting during the FIFA Women's World Cup in June 2019, in conjunction with sports journalist Thomas Thouroude.

As of 2019, FDJ committed to devote 10% of its total budget for purchasing television advertising space to films dedicated to Responsible Gaming, particularly the issue of prohibiting underage gambling.

Control and evaluation of the application of the prohibition of sales to minors[1].

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

In 2019, the controls took the form of inspections carried out throughout the year to verify the proper application of 7 criteria, which include the prevention of underage gambling (19,024 controls conducted in 2019, compared with 19,445 in 2018). In this context, distributors benefit from the "Responsible Gaming Bonus". This represents an additional remuneration of 0.2%, subject to compliance with the criteria. In 2019, the overall level of compliance with Responsible Gaming criteriaincreased by a further 1.6 points compared with 2018, from 91.5% to 93.1%.

In the event of a sale to a minor noted by the inspector, the distributor automatically loses 100% of his Responsible Gaming bonus (financial penalty of €1,000 on average per distributor and which concerns more than 60 distributors every year).

In order to strengthen this system, for the past two years FDJ has been running "testing" campaigns at the points of sale in partnership with SEDAP (French society for psychosocial support and action, at the Centre d'addictologie addiction treatment centre near Dijon, and the Addiction federation's lead experts on gambling). These involve unannounced visits during which minors enter points of sale alone to purchase games, thereby placing the distributors in real situations.

2.3.6.3.2 Prevention of excessive gambling

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

FDJ continues to strengthen its actions with six priority areas:

Monitoring its game offer

FDJ controls the level of attractiveness of all its gaming offers via analytical matrices developed in-house (Universal Serenigame + Serenigame Scratch Card) and used to assess and limit the risks of excessive gambling.

The evaluation of the game offering and of promotional and advertising activities is more generally part of a process involving close interaction between FDJ's Responsible Gaming and Marketing teams ("JR Inside") as well as its stakeholders. A committee of experts on the game offering, made up of addiction specialists and social scientists, is consulted during the process of developing a new game or a new version of a game. Depending on the case, the analyses and key focal points highlighted by these experts lead to the adjustment of certain parameters of the gaming offers and/or to additional studies.

In addition, in the context of innovative offers, after their launch, the JR Inside process relies in particular on a "test and learn" phase to understand and evaluate the impact of the game on player behaviour. Depending on the results, changes may be made to the game.

Lastly, before being placed on the market, all games and bets to which FDJ has exclusive rights are also checked by the regulator under the French State's prior authorisation scheme to which all games and bets under the exclusive rights held by FDJ are subject.

Training of distributors and the sales force

Like the training measures aimed at reinforcing the application of the ban on underage gambling, FDJ raises awareness and trains its distributors and sales force on issues related to excessive gambling. In 2019, in addition to pushing ahead with its general training schemes, FDJ focused its training efforts on reminding participants of the ban on credit-based gambling.

Information to players

Raising public awareness about preventing excessive gambling has been an important part of FDJ's work for many years. This work is deployed across several distribution channels (posters, brochures and messages distributed on screens in points of sale, information on digital sites).

The development of various preventive information actions is also part of a regular dialogue with all of its stakeholders. Exchanges with addiction experts and civil society organisations are notably held at the Social Laboratory, a consultative body set up by FDJ in 2014.

FDJ has also been broadcasting prevention campaigns on television to inform players about the tools available to control their gambling habits since 2019. As part of this drive, a TV campaign was broadcast in April 2019 in the form of entertaining, non-stigmatising animated films featuring animals to illustrate situations in which players can use certain tools (evaluation of gaming habits, tests, game limits).

Accompanying players and monitoring their practices

FDJ provides its players with several tools for monitoring and controlling their online gambling practices:

- Playscan™, developed by Swedish lottery Svenska Spel and also used by the Norwegian lottery Norsk Tipping, assesses the level of risk related to the gambling practice of players online. Each risk level corresponds to a specific colour[2] (increasing in seriousness from green, yellow and red) and involves sending specific messages to players when their risk level changes (colour). Playscan™ informs the player about the risk that his or

(1) The following developments are described as at 31 December 2019.

(2) Players assessed as green have risk-free habits. Players assessed as yellow have habits with a moderate risk of developing a gambling problem. Players assessed as red have habits with a higher risk of developing a gambling problem. The vast majority of players have a green PlayscanTM status.

her gaming habit may lead to the development of a gambling problem. It is not therefore a tool for diagnosing gambling addiction but for providing information and risk assessment.

- In 2019, 91.6% of players were identified as having a green risk level, which is stable relative to 2018. The percentages of players assessed as yellow and red were also practically stable (6.3% and 2.1%, respectively, compared to 5.8% and 1.8% in 2018). In November 2019, the Playscan™ assessment model was optimised such that it is better adapted to changes in game practices. Game moderators allow players to set limits for themselves. These limits, which cover both payments into the players' accounts or their stakes, some of which are mandatory, help players control their gambling habits. Since the beginning of 2018, FDJ has improved this mechanism by creating a new restrictive moderator aimed at capping the amount wagered per day on fdj.fr at €150 for players whose gambling habits imply the greatest risk (Playscan™ red players (R6) betting more than €1,500 per week).
- Beyond these measures, online players may also temporarily or permanently block themselves.

The detection and support of persons in vulnerable situations

The management of vulnerable situations resulting from gaming is a complex but essential priority area.

For several years now, FDJ has been developing mechanisms to identify and subsequently help guide people in vulnerable situations. In 2019, 119 cases of people in vulnerable situations were managed in this way, out of more than 447 reports processed. The rising number of cases processed in 2019 stems from the diversification in means of detection and increased training in the detection of vulnerability.

These efforts are based firstly on ensuring players are informed, via brochures available in points of sale or on its websites, of the contact details of partner helplines (SOS Joueurs, e-Enfance, CRÉSUS) and about organisations providing support for problem gambling which offer specialised information platforms, such as the Addict'Aide online portal developed by the Fonds Actions Addiction.

It also has a detection system in place (atypical activity in points of sale, reports from distributors or customer service department, phone calls from players) and can then refer people to appropriate organisations (local addiction centres) or, exceptionally, take action at ground level with the intervention of addiction experts (SEDAP– Dijon local addiction centre). Since the end of 2018, FDJ has also set up a network of Responsible Gaming consultants within its 55 commercial agencies to facilitate the reporting, processing and management of cases of vulnerability detected on the ground. These consultants were provided with targeted training in 2019.

Support for big prize winners

In 2019, 364 players (vs 390 in 2018) won more than €500,000 in FDJ games. FDJ can provide big prize winners with support – if they so wish – at the time of payment, both on an individually tailored basis and in groups, involving theme-based workshops over a period of five years. The purpose of this support is to take stock of the impact of the winnings on the lives of first-time millionaires, whether in regards to financial management or the emotional impact of their new situation. Support for big prize winners allows FDJ to get to know its customers and their gaming habits better. When the Company identifies a risk of excessive gambling behaviour by a big prize winner, the payout can be an opportunity to raise awareness, especially in view of their new financial situation, which could well create additional risks. In such cases, an FDJ Responsible Gaming expert may be present when the prize is awarded.

2.3.6.3.3 A Responsible Gaming policy based on numerous partnerships with health and social services organisations

FDJ devotes nearly €1 million per year to sponsorship partnerships(1) to support addictology research and prevention efforts in the health and social sectors, some of which are directly linked to our own Responsible Gaming activities.

Actions to support addictology and gambling research

- support for organisations dedicated to research, training and information concerning excessive gambling with the sponsorship partnership launched in 2008 with the Centre de référence du Jeu Excessif (CRJE), part of the Institut Fédératif des Addictions Comportementales (IFAC) at the Nantes University Hospital. In addition to research, this partnership has enabled 2,275 health professionals to receive gambling addiction training over the past 10 years;
- more generally, support for research in the humanities and social sciences on gambling in general through the partnership with the Scientific Interest Group "Jeu et sociétés", involving the Universities of Paris Descartes, Paris Nanterre, Paris 13 and Paris Sorbonne.

Support for preventive action in the health and social sectors that directly contributes to Responsible Gaming policy efforts:

- partnerships with helplines and exchange forums managed by non-profits and aimed at players in vulnerable situations and their entourage (see above): SOS Joueurs, CRESUS, E-Enfance, Addict'Aide online portal;
- experimental projects with Fédération Addiction to help professionals intervene directly in points of sale with players to limit excessive gambling behaviour and the damage this causes. This innovative system, which is independently assessed by the public authorities and monitored by MILDECA (Mission interministérielle de lutte contre les drogues et les conduites addictives), is based on "meeting visits" with addiction professionals and social workers (working in pairs) in voluntary points of sale in bars; and
- support for experiments carried out by SEDAP in schools to help minors become aware of the risks of gambling (Bien Jouer project in secondary schools).

(1) In 2019, this amount was €1,070,000, vs €973,000 in 2018.

2.3.6.4 Procurement policy for insurance policies and the main insurance policies

Insurance contracts are generally underwritten by FDJ, on its own behalf and on behalf of its subsidiaries. Insurers are selected based on their financial rating, their ability to support FDJ in France and abroad, their ability to offer sufficient coverage in terms of both capital and guarantees, and also the quality of the claims' payments provided by insurers.

In principle, the guarantees are renewed each year with effect from 1 January, except for certain multi-year contracts. Total insurance premiums for 2019 amounted to approximately €950,000. Aside from the need to take out insurance to cover its counterparty risk (see above) from 1 January 2020, FDJ does not anticipate an increase in its insurance premiums as result of admission of its shares for trading on the regulated market of Euronext Paris or the transfer of most of its share capital to the private sector.

Below is a summary of the main insurance policies taken out by the Group.

In addition to these insurance policies, the Group has insurance policies covering the civil liability of the Group's corporate directors, the Group's vehicle fleet, the Group's vehicle insurance mission (coverage of accidents suffered or caused by any personal vehicle of a Group employee when used in connection with an occasional professional mission) and death/disability/medical expenses/medical protection for all employees of FDP (subsidiary for the distribution of lottery games and betting) and FDJ Développement during professional missions throughout the world.

FDJ adapts its insurance coverage according to changes in the risks related to the Group's normal activities.

Counterparty risk insurance for lottery games

The Specification Document stipulates that FDJ must take out the necessary insurance policies to adequately cover counterparty risks relating to the games for which it has exclusive operating rights.

As of 1 January 2020, counterparty risk for lottery games is covered by an annual insurance policy, providing for the coverage under certain conditions of cumulative counterparty risks up to an annual ceiling of €150 million, with an excess of €6 million.

Damage to property/operating losses

The Group's property insurance policy is based on the "all risks with exceptions" principle. It therefore guarantees all material damages that are not specifically excluded. This contract was arranged with MMA with effect from 1 January 2020 or a period of one year.

It covers any material damage, as well as additional costs and consequent operating losses incurred on the premises (buildings, facilities, furniture, equipment, etc.) of which FDJ is the owner or tenant. It also covers equipment installed by FDJ at distributors. Exclusions are in line with market standards and include fines and other criminal sanctions, market losses, and operating losses due to strikes. This insurance covers damage to equipment entrusted by FDJ to its distributors, as well as any ensuing operating losses.

The main guarantees, such as fires, explosions and earthquakes, are limited to the amount of damages, within the contractual limit of a global indemnity (combining direct damage and business interruption) which amounts to €220 million per claim, with the exception of equipment located in the validation points, particularly at distributors outlets, for which the limit is €2 million per claim. Property, buildings and equipment are insured at their "replacement cost", up to 33% of their value deducted for obsolescence.

The contractual indemnity limit has been determined according to the MPL (Maximum Possible Loss) constituted by the Vitrolles site.

Premiums are calculated on the basis of the valuation of the goods (containers and contents) and the gross margin for FDJ's last financial year ended.

General civil liability

The "Operation and After-Delivery Liability/Professional Liability" coverage covers the Civil Liability financial consequences incurred by FDJ in respect of third parties in the course of operating its business as well as in connection with the sale of products and/or services. This insurance policy also covers the professional civil liability risk for Euro Millions, the coordinated lottery operated by several European lottery operators.

This contract was renewed with MSIG with effect from 1 January 2020 for a period of one year.

This contract is based on the principle of the "all risks with exceptions" guarantee, according to which only damages, liabilities or risks that are the subject of an exclusion provided for in the contract are excluded.

The maximum amount of indemnities paid for the main risks, all damages combined, under this insurance policy is €25,000,000 per claim and per year. A number of sub- limitations apply, including for accidental environmental damage, of €3,000,000 per year (per claim).

Fraud and Cyber Data Protection

The Group has a fraud insurance policy, which is renewed annually, the purpose of which is to protect FDJ against any damage to its property and assets, in particular in the event of theft, embezzlement, use or attempted use of forgeries, falsification of documents, breach of trust, scams and attacks on automated data processing systems. This insurance covers internal and external acts.

The Group also has an annual "cyber risks" insurance policy, the purpose of which is to protect FDJ against breaches of its automated data processing systems, its own confidential data and information, as well as the personal and confidential data of third parties, contained and processed in its information systems or those of its subcontractors and external service providers.

2.4

STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

General Shareholders' Meeting held to approve the financial statements for the year ended 31 December 2019

This is a free translation into English of the Statutory Auditors' special report on related-party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory Auditors of La Française des Jeux, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of Article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the General Shareholders' Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements to be submitted for the approval of the General Shareholders' Meeting

Agreements authorised and entered into during the year

In accordance with Article L.225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year and authorised in advance by the Board of Directors.

With the French State or a French government agency

Persons concerned: The French State, a shareholder of La Française des Jeux, holding more than 10% of the voting rights and the director representing the French State, S. Badirou-Gafari (up to 3 September 2019) and E. Bossière (as from 3 September 2019).

Three-party agreement between La Française des Jeux, MDB Services and the French Treasury (Direction Générale des Finances Publiques – DGFiP) in a call for tenders initiated by the DGFiP.

Nature, purpose and conditions

On 23 July 2019, the Board of Directors authorised La Française des Jeux to sign a three-party agreement with MDB Services and the DGFiP.

Pursuant to a call for tenders initiated by the DGFiP, La Française des Jeux, together with the confederation of tobacconists (Confédération des buralistes), entered into a three-party agreement for collection services on behalf of third parties via points of sale for the outsourcing of cash and bank card collections for public treasuries. The Agreement was entered into for a maximum 5-year period, renewed annually, with effect from 23 July 2019, the date of signature of the commitment agreement by MDB Services, the representative of the group formed between La Française des Jeux and MDB Services to respond to DGFiP's call for tenders and representing the date of award of the contract and the inception date of the agreement.

In financial terms, the agreement provides for the payment to La Française des Jeux of approximately €2 per transaction and an amount of €1,160 thousand (excluding VAT) for project management, IT systems development and distributor training services.

This agreement had no financial impact for La Française des Jeux for the year ended 31 December 2019.

Reasons why the agreement is beneficial for the Company

The Board of Directors considered that the agreement is in line with the Company's strategy to develop additional sources of revenue for its sales network as well as to pool the use of its point of sales infrastructure.

Surety granted by La Française des Jeux to the DGFiP

Nature, purpose and conditions

On 23 July 2019, the Board of Directors authorised the setting up of a surety by La Française des Jeux, for the purpose of securing a bank guarantee granted to the DGFiP.

Under the aforementioned contract awarded by the DGFiP for the outsourcing of cash, La Française des Jeux stood surety for the bank issuing the bank guarantee provided for under the contract, in order to counter-guarantee bank guarantee granted by the bank to the DGFiP, in an amount of €19 million. This surety is granted for the duration of the contract and until July 2024 at least.

This agreement had no financial impact for La Française des Jeux for the year ended 31 December 2019.

Reasons why the agreement is beneficial for the Company

The Board of Directors considered that the setting up of the surety was one of the conditions set out in the call for tenders initiated by the DGFiP, in the event the contract for the outsourcing of cash was awarded.

Agreement entered into with the French State

Nature, purpose and conditions

On 16 October 2019, the Board of Directors authorised La Française des Jeux to enter into an agreement (the "Convention") with the French State, the purpose of which is to anticipate the consequences of the occurrence of events likely to deteriorate the economic conditions for the operation of La Française des Jeux's exclusive rights (changes in laws or regulations) and to anticipate the end of the exclusive rights period.

This Convention was entered into on 17 October 2019 and terminates on 22 May 2044. On this date, the exclusive rights granted to La Française des Jeux pursuant to the Pacte Law will terminate.

The Convention provides that in the event of a significant change in legislation or regulations either directly related to the taxation of lottery games or sports betting operated through the offline distribution network, or likely to affect such operation or, finally, reducing the scope or duration of the exclusive rights held by La Française des Jeux, the Group shall approach the French State in order to examine whether this change is likely to substantially deteriorate the economic conditions under which La Française des Jeux operates its business, assessed on a consolidated basis. If so, La Française des Jeux may propose to the French State the measures it deems necessary to enable it to continue its activities under economic conditions that are not substantially deteriorated. The French State undertakes to examine such proposal.

With respect to the provisions governing the consequences of termination of exclusive rights, the Convention provides that the assets strictly necessary for the operation of the exclusive rights are to be taken over by the French State in return for compensation amounting to the market value of the buildings and the net book value of other fixed assets. The list of these assets will be determined by the French State and La Française des Jeux, in an adversarial manner, within one year from the date of entry into force of the Convention.

Upon normal or early termination of the exclusive rights, La Française des Jeux guarantees to the French State or to any holder of the exclusive rights, the transfer or use, on a free-of-charge basis, of all copyrights, trademarks and trademark filing applications, rights to designs, logos, domain names, effective in France and relating to activities operated under exclusive rights. Similarly, for software and patents, upon normal or early termination of the exclusive rights, La Française des Jeux grants to the French State, or to the possible new holder of the exclusive rights, a free license to use the software and patents strictly necessary for the operation of these rights in France and owned by La Française des Jeux, for a limited period of 18 months from the expiry date of La Française des Jeux's exclusive rights.

The Convention also specifies that, upon normal or early termination of the exclusive rights, the French State and La Française des Jeux shall come together to examine the situation of employees assigned to the operation of exclusive rights and, in particular, the conditions for their reclassification and takeover, as the case may be, by the potential holder of the exclusive rights. To the extent feasible, La Française des Jeux reclassifies the employees in question.

The Convention terminates the convention currently in place between La Française des Jeux and the French State dated 29 December 1978, as amended, which now contains, as a result of successive amendments, only one residual provision relating to compensation for land, buildings, facilities and real property belonging to La Française des Jeux in the event of termination of the exclusive rights.

This Convention had no financial impact for La Française des Jeux for the year ended 31 December 2019.

Reasons why the agreement is beneficial for the Company

The Board of Directors considered that the Convention should make it possible to anticipate the consequences of the occurrence of events likely to deteriorate the economic conditions for operation of La Française des Jeux's exclusive rights (changes in laws or regulations) and the end of the exclusive rights period.

Agreement for the buyback of La Française des Jeux shares held by the French State, for the purposes of the offer reserved to La Française des Jeux employees

Nature, purpose and conditions

To make it possible to carry out an offer reserved for employees ("ORE") in the event of the privatisation of La Française des Jeux via an initial public offering, on 4 November 2019, the Board of Directors authorised the draft agreement providing for the buyback of shares held by the French State, its main shareholder ("the Buyback").

The main characteristics of this agreement are as follows:

- the Buyback is carried out for the purpose of share retrocessions in connection with the ORE, in accordance with Article 31-2 of Order no. 2014-948 of 20 August 2014 on governance and transactions involving the share capital of publicly-held companies, which provides that shares must be offered to employees in the event of the sale of a significant interest in a public company's capital;
- the volume of the Buyback should be equal to the number of shares necessary to cover requests by persons eligible for the ORE within the offer period, in accordance with the conditions of the ORE and within the limit of the total number of shares allocated to the ORE;
- the Buyback should be carried out before the ORE settlement-delivery date, scheduled for 19 December 2019, i.e., by 18 December 2019 at the latest;
- the price should be equal to that proposed to individuals in the event of the privatisation of La Française des Jeux via an initial public offering.

This agreement was approved on 19 November 2019 and the Buyback took place on 18 December 2019 for an amount of €61,938,376.50.

Reasons why the agreement is beneficial for the Company

The Board of Directors considered that the signing of this Buyback agreement should make it possible to carry out the ORE in the event of the privatisation of La Française des Jeux via an initial public offering.

Guarantee and investment agreements, one in connection with the guaranteed global investment (GGI) and the other in connection with a public offering (PO), to be entered into between the French State, La Française des Jeux and the banks responsible for the investments

Nature, purpose and conditions

On 4 November 2019, the Board of Directors approved two guarantee and investment agreements, one in connection with the GGI and the other in connection with the PO, to be entered into between the French State, La Française des Jeux and the banks responsible for the investments.

Under these agreements:

- the banks undertake to place La Française des Jeux shares with the public in France and with institutional investors in France and elsewhere;
- La Française des Jeux made number of representations and warranties to the banks, as to the true, accurate and precise nature of the information set out in the listing prospectus, the international prospectus and the promotional documentation, as well as on the absence of any omissions likely to affect their import;
- La Française des Jeux undertakes to compensate the banks, with no cap on the amount, in the event that they are held liable with respect to the investments;
- La Française des Jeux agrees not to issue or sell shares for a period of 18 months following the settlement-delivery of the shares sold by the French State, i.e., 22 November 2019.

These agreements were entered into on 20 November 2019 and had no financial impact for La Française des Jeux for the year ended 31 December 2019.

Reasons why the agreements are beneficial for the Company

The Board of Directors considered that these agreements should enable the privatisation of La Française des Jeux via an initial public offering, by guaranteeing that its shares are placed with the public and institutional investors.

Agreements already approved by the General Shareholders' Meeting

Agreements approved in previous years that were implemented during the year

In accordance with Article R.225-30 of the French Commercial Code, we were informed of the following agreements, approved by the General Shareholders' Meeting in previous years, which were implemented during the year.

With the French gambling observatory (Observatoire des Jeux – ODJ), a French government agency

Person concerned: The French State, a shareholder of La Française des Jeux, holding more than 10% of voting rights.

Nature, purpose and conditions

On 22 March 2016, the Board of Directors authorised La Française des Jeux to sign a framework agreement with the ODJ providing for the free-of-charge exchange of information and data, in particular with a view to improving analysis and knowledge of players' behaviour and thus enhancing its measures to prevent excessive gambling. The agreement was signed on 3 March 2016 and will continue indefinitely.

The expenses incurred in the production and transmission of the relevant information and data are the only financial impacts for the Company.

With the French online gambling regulator (Autorité de Régulation des Jeux En Ligne — ARJEL), a French government agency

Person concerned: The French State, a shareholder of La Française des Jeux, holding more than 10% of voting rights.

Nature, purpose and conditions

On 1 July 2015, the Board of Directors authorised La Française des Jeux to sign an agreement with the French Minister of Finance and Public Accounts and the ARJEL providing for the free of-charge exchange of information on preventing the betting-related manipulation of sporting competitions. In accordance with the regulatory provisions applying to these monopolies, the Company is required to monitor the integrity of gambling transactions and to combat fraud, money laundering and all related criminal activities. The agreement was signed on 1 July 2015 and will continue indefinitely.

The expenses incurred in connection with securing the whistle-blowing and information exchange system with the ARJEL are the only financial impacts for the Company.

Paris-La-Défense and Neuilly-sur-Seine, 20 March 2020

The Statutory Auditors

Deloitte & Associés		PricewaterhouseCoopers Audit	
Jean-François Viat	Nadège Pineau	Philippe Vincent	Jean-Paul Collignon

2.5

2019 NON-FINANCIAL INFORMATION STATEMENT

2.5.1 Introduction

2.5.1.1 Corporate Social Responsibility (CSR)

FDJ is the successor to the French National Lottery, which was founded in 1933 to help victims of the First World War. Since its creation, corporate responsibility has been central to its business model, promoting extensive, recreational and responsible gaming:

- extensive in that it reaches a very large player base;
- recreational because it builds on a diversified range of games fostering moderate gaming habits;
- responsible by virtue of its proactive policy of preventing excessive and underage gambling.

Nearly 90% of the stakes collected are redistributed to the players or go to French central government revenue. In addition, the Group pays its distributors 5.2% of player stakes.

In the interests of safeguarding public and social order, FDJ's purpose under the law – in exchange for the exclusive rights granted to it – is to channel public demand for gaming into a controlled circuit, thereby preventing the risks and potentially negative effects of gambling.

Expanding on these public interest missions, since 2005 the FDJ Group has been developing a Responsible Gaming (RG) policy, which is the foundation of its social responsibility protocols. It aims to be a leader player in the promotion of a responsible gaming model serving sustainable performance and benefiting all of its stakeholders.

Since the publication of the Action Plan for Business Growth and Transformation ("Pacte" French law 2019-486) of 22 May 2019, FDJ has been working on its raison d'être. Thinking about such concerns comes naturally to it in view of its history, its model and its commitments. It has been addressed in a broad co-construction process with its stakeholders, not only its employees but also the members of its Social Laboratory[(1)], backed up by external experts. The work is due to be completed in the first half of 2020.

2.5.1.2 CSR governance

Developed in application of ISO 26000, an international standard developed to help organisations effectively assess their social responsibilities, the FDJ Group's CSR policy is an integral part of its governance and strategy. It is one of the pillars of its integrated management system (IMS), designed to educate employees about CSR challenges and facilitate the effective roll-out of CSR initiatives across all Group entities.

CSR is central to the Group's 2025 strategic plan, notably through its goal of strengthening its actions in the field of responsible gaming with a view to consolidating its benchmark position in the gaming sector in France and Europe. Another illustration is the inclusion of CSR criteria, stemming notably from the Responsible Gaming approach, among the factors determining the variable compensation of corporate officers.

At the operational level, FDJ lays down priority CSR initiatives each year. They are then validated and monitored by the Group Management Committee, which includes the Communication & CSR Director and the Group CSR Director, before being submitted to the CSR and Responsible Gaming Committee[(2)]. Its role is to examine the CSR policy of the Company as a whole, and more specifically its initiatives in terms of Responsible Gaming and how they fit into the corporate strategy, and to report on its work to the Board of Directors.

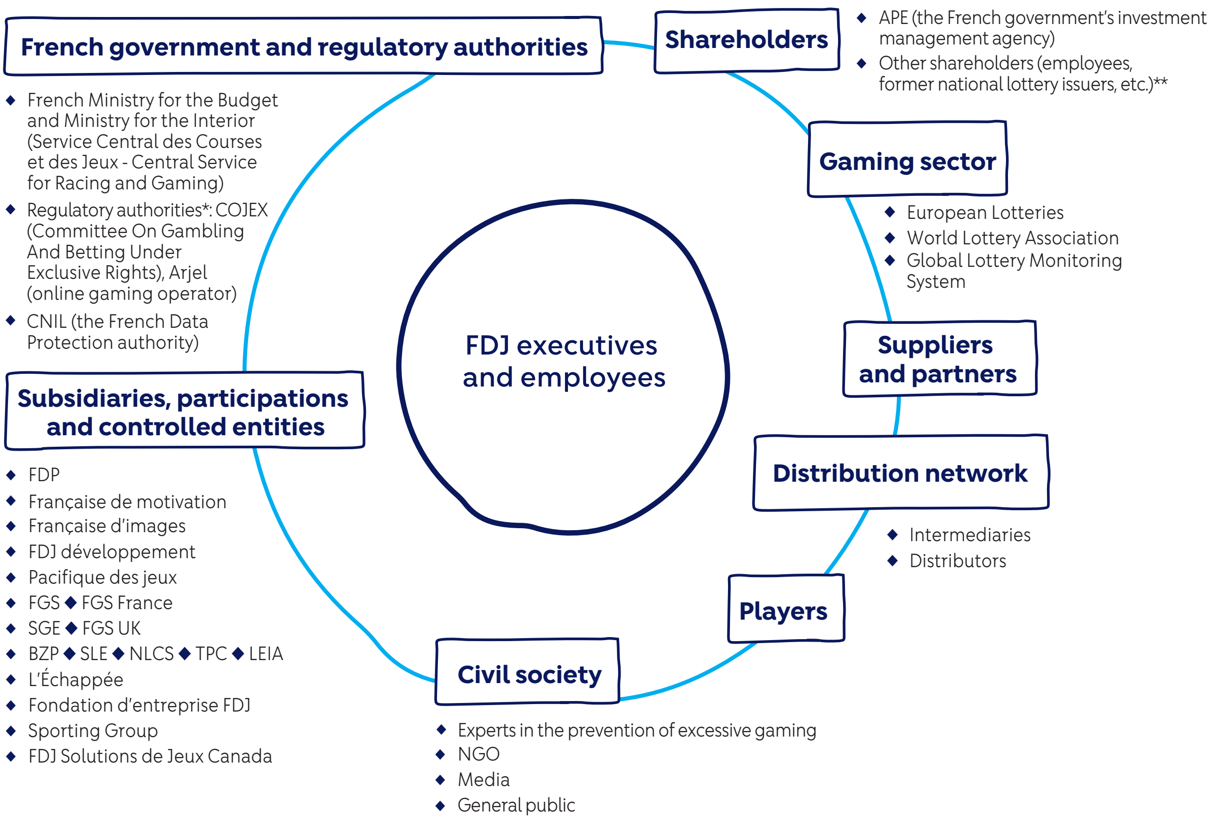
The CSR Department is tasked with overseeing the preparation and implementation of CSR initiatives throughout the Group, ensuring their consistency, evaluating their outcomes and facilitating dialogue with stakeholders.

(1) Forum for discussion between FDJ and its stakeholders, particularly civil society organisations, on issues relating to its Responsible Gaming policy.

(2) Specialised committee of the Board of Directors previously known as the Sustainable Development Committee.

2.5.1.3 Stakeholders

The FDJ Group's CSR policy is constructed and coordinated with all stakeholders, both internal (Board of Directors, employees, etc.) and external (players, distributors, regulators, suppliers, civil society, etc.). An in-depth and fruitful dialogue allows for the incorporation of a wide range of expertise and experience, and helps enrich the initiatives implemented.



*Government order 2019-1015 of 2 October 2019 reforming the regulation of gambling creates a single regulatory authority, which from 2020 will have powers to regulate all segments of the gambling market, including gaming and betting activities carried out under exclusive rights operated by FDJ, except casinos. The French gaming regulatory authority (ANJ), which will have the status of independent administrative authority and a broader range of powers, will replace the existing online gaming regulatory authority (ARJEL).

** New investors purchased securities at the time of the admission of FDJ shares to trading on the regulated market of Euronext Paris.

2.5.1.4 Architecture of the non-financial information statement (NFIS) and links with the Sustainable Development Goals (SDG)

This non-financial information statement complies with the provisions of government order 2017-1180 of 19 July 2017 and decree 2017-1265 of 9 August 2017 issued in application of the said order. It covers the business model, the analysis of the Company's CSR risks and the associated policies, action plans and performance indicators.

The 17 Sustainable Development Goals (SDG) set by the United Nations constitute an international frame of reference for CSR, in addition to ISO 26000. The targets set for 2030 are designed to meet three broad objectives: eradicate poverty, protect the planet and guarantee prosperity for all.

Drawing on the recommendations of the SDG Compass[(1)], FDJ identified the main SDGs to which the Group contributes via its CSR initiatives in respect of the 169 indicators breaking down the SDGs, and the French roadmap set out in the 2030 Agenda:

8 DECENT WORK AND ECONOMIC GROWTH	**SDG 8: Decent work and economic growth** Promote sustained, inclusive and sustainable economic growth, full productive employment and decent work for all.
	Target 8.3: Promote development-oriented policies that [...] encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services. Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.
10 REDUCED INEQUALITIES	**SDG 10: Reduced inequality** Reduce inequality within and among countries.
	Target 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. Target 10.4: Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.
11 SUSTAINABLE CITIES AND COMMUNITIES	**SDG 11: Sustainable cities and communities** Make cities and human settlements inclusive, safe, resilient and sustainable.
	Target 11.4: Strengthen efforts to protect and safeguard the world's cultural and natural heritage. Target 11.7.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**SDG 12: Responsible consumption and production** Ensure sustainable consumption and production patterns.
	Target 12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.
13 CLIMATE ACTION	**SDG 13: Climate action** Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.
	Target 13.2: Integrate climate change measures into national policies, strategies and planning.
15 LIFE ON LAND	**SDG 15: Life on land** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and end biodiversity loss.
	Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**SDG 16: Peace, justice and strong institutions** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
	Target 16.5: Substantially reduce corruption and bribery in all their forms. Target 16.6: Develop effective, accountable and transparent institutions at all levels.

The FDJ Group's contribution to these seven SDGs is highlighted in each of the following sections setting out the Company's key CSR challenges (responsible gaming, integrity, human resources, solidarity, French regions and the environment).

(1) *SDG (Sustainable Development Goals) Compass: methodological guide developed by the GRI and the UN Global Compact for companies wishing to contribute to the United Nations 2030 Agenda.*

2.5.2 The business model

The FDJ Group business model described below is presented in line with the recommendations of the International Integrated Reporting Council (IIRC). It includes a presentation of the Group's main activities, resources and assets (inputs and outputs), as well as a description and measurement of its value creation for each stakeholder.

MAIN ACTIVITIES

Monpoly position in its offline and online lottery games and sports betting in points of sale

Competitive market for online sports betting

RESOURCES

SOUND FINANCIAL POSITION

Shareholders' equity of €569 million and

Net cash of €80 million

PROACTIVE INVESTMENT POLICY
€63 million

GENERAL INTEREST MISSIONS ENTRUSTED BY THE GOVERNMENT

prevention of excessive gambling, fight against underage gambling, integrity and fight against fraud and money laundering.

FDJ CAN COUNT ON SOLID ASSETS...

FOR PLAYERS/CUSTOMERS

10 REDUCED INEQUALITIES
12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS

Over 25 million players with varied profiles
- Gender equality
- Socio-professional categories reflecting the French population
- Good reputation (Image barometer)

A diversified and attractive offering
- Universally recognised brands
- Reformatted and reinvented games (29 launches and reformats of digital games and 13 in points of sale)

Recognised technological expertise
- Roughly 550 employees dedicated to technology within the Group
- Platforms and products developed by FDJ Gaming Solutions subsidiaries serving FDJ and its international customers
- State-of-the-art technological infrastructure, consisting of data centres with high levels of performance, availability and integrity, using cloud technologies
- ISO 27001, WLA SCS, PCI DSS, ARJEL certifications

FOR THE NETWORK

8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES

A network with deep roots in France and its regions
- Largest local network in France, with 30,000 points of sale in more than 11,000 municipalities
- A point of sale within 10 minutes on average, on foot in town centres, or by car in rural areas
- A subsidiary dedicated to the distribution of lottery games and betting in mainland France and developing relationships with points of sale

A controlled supply chain
- Distribution chain for gaming materials (receipts, play slips and tickets) and mechanised and centralised advertising at points of sale
- 100% of points of sale under direct distribution

FOR EMPLOYEES

10 REDUCED INEQUALITIES

Over 2,500 employees in the Group
- Longstanding and recognised approach favouring diversity and quality of life at work (inter-generational approach and policy in support of disability in particular)

FOR THE ECOSYSTEM

10 REDUCED INEQUALITIES
13 CLIMATE ACTION
15 LIFE ON LAND

Long-term supplier relationships
- 87% of FDJ's purchases were made in France, and 83% of them were from small and medium-sized enterprises or intermediate firms in 2019

A socially accountable player
- FDJ is a long-standing partner of French sport for all
- Strong commitment from the FDJ Corporate Foundation: €18 million for the 2018-2022 five-year period
- Support for French heritage via its Mission Patrimoine games since 2018

A company committed to the fight against climate change
- An ambitious environmental policy across its entire scope of responsibility (from sites to points of sale)

Main Sustainable Development Goals to which the Group contributes.

... FOR SUSTAINABLE VALUE CREATION

OUTPUTS	OUTCOMES
• 17.2 billion stakes in 2019 • An innovation policy in the gaming offer nurtured by partnerships with open innovation investment funds and start-ups • A redistributive model for players • A system to prevent excessive gambling and underage gambling at all key stages in the gaming chain • Careful support for big prize winners • Support for structures helping people experiencing hardship, and health and social partnerships to support research on addiction • B2B offering, source of diversification for the activities on offer and growth driver for the Group	• **67.9%** redistribution to players • **155 millionaires** • More than **30,000 distributors** trained between 2017 and 2019 in the prevention of underage gambling and the refusal of sales • Nearly **€1.1 million** donated through Responsible Gaming partnerships • **70 international B2B customers**
• Transformation of the sales function, underpinning network modernisation and bringing greater added value for distributors	• Distributor satisfaction: score of **8.4/10**(1) (vs 8.2/10 in 2018) • **21,900 jobs** created or made permanent in 2019 • **€865 million** in revenue for distributors in 2019, i.e. +10% vs 2018
• High employee engagement rate • Employability reinforced through internal mobility and appropriate training • A commitment towards professional and intergenerational equality	• Engagement rate of Group employees (FDJ scope): **87/100** • FDJ SA's Afnor Diversity and Gender Equality labels • Nearly **6% of employees** with disabilities at FDJ SA(2) in 2018 • **4.4% of the capital held** by employees(3)
• A model built on the redistribution of stakes for the benefit of the community • Initiatives to promote equal opportunities supported by the FDJ Corporate Foundation • Sports partnerships in the form of philanthropy and sponsorship to promote ethics in sport • Exchanges of good practices and role as a driving force within European lotteries • Determination to play its part in capping global warming at 2°C	• Payments to the French State: **€3.9 billion** • Payments to the French national heritage foundation: €22 million paid for the 2018-2019 edition and already almost **€19 million** for the 2019-2020 edition (on 31.12.19), still underway • **> 800 associations** supported by the FDJ Corporate Foundation • Joint work with sporting associations on raising awareness about maintaining integrity in sport • Creation and circulation of CSR guidelines with The European Lotteries association • Commitment to the Science Based Targets initiative: **20%** cut in CO_2 emissions between 2017 and 2025

(1) Distributor survey, July 2019.
(2) Direct and indirect employees.
(3) As of 31 December 2019, employee shareholdings amounted to 4.4% of FDJ's share capital.

2.5.2.1 CSR performance: non-financial ratings

Keen to measure the results of its CSR commitments, FDJ approached non-financial rating agency Vigeo-Eiris, which assessed the Group's CSR policy and assigned it an A1+ rating. This places FDJ among the 5% of highest-rated companies of the 4,900 companies assessed to date[(1)] FDJ's ESG score[(2)] is 66/100, which is significantly above the average score of other operators in the gaming sector assessed by Vigeo-Eiris, which is 37/100.

To date, FDJ is the only company in the gaming sector in France to have submitted its commitments and its CSR governance system to an independent rating. The rating assesses the Company's ability to account for its social and environmental impacts, its risk management system and the implementation of its CSR approach.

This Vigeo-Eiris rating testifies to high levels of assurance, placing FDJ in a leading position in the management of environmental, social and governance risks among gaming operators in Europe and, more broadly, within the European hotels and leisure sector. This rating process will be renewed annually from 2020.

In addition, in an exemplary approach to its suppliers, FDJ for the second consecutive year underwent the Ecovadis CSR rating system, which associates purchasers and suppliers to promote the development of lasting and balanced relationships. FDJ obtained a score of 70/100 (68/100 in 2018), placing it among the top 5% of the most responsible global companies.

In addition to these global assessments of its CSR initiatives, FDJ has also obtained specific and sector-based certifications and labels – Responsible Gaming certification from The European Lotteries association, with a maximum level of compliance, and the Diversity and Professional Equality labels from AFNOR (French standards body) – described below under Responsible Gaming and Human Resources.

2.5.2.2 CSR risk analysis

In application of the new regulations stipulating the content to be provided in the non-financial information statement, FDJ has defined its universe of CSR risks (social, societal, environmental, fight against corruption and tax evasion, and human rights), relying in particular on the CSR materiality analysis carried out in 2017[(3)], the non-financial challenges specific to its business sector, the Group's annual risk mapping and the themes presented in section II. of article 2 of the application decree and section III. of article 1 of the government order. The assessment of the 17 main CSR risks liable to affect FDJ was carried out on the basis of an identification and prioritisation methodology involving internal stakeholders representing the Company's various businesses. The methodology was based on risk assessment scales (similar to those used for the Group's risk mapping) and on three main criteria: impact (strategic, financial, reputation and legal), plausibility and control.

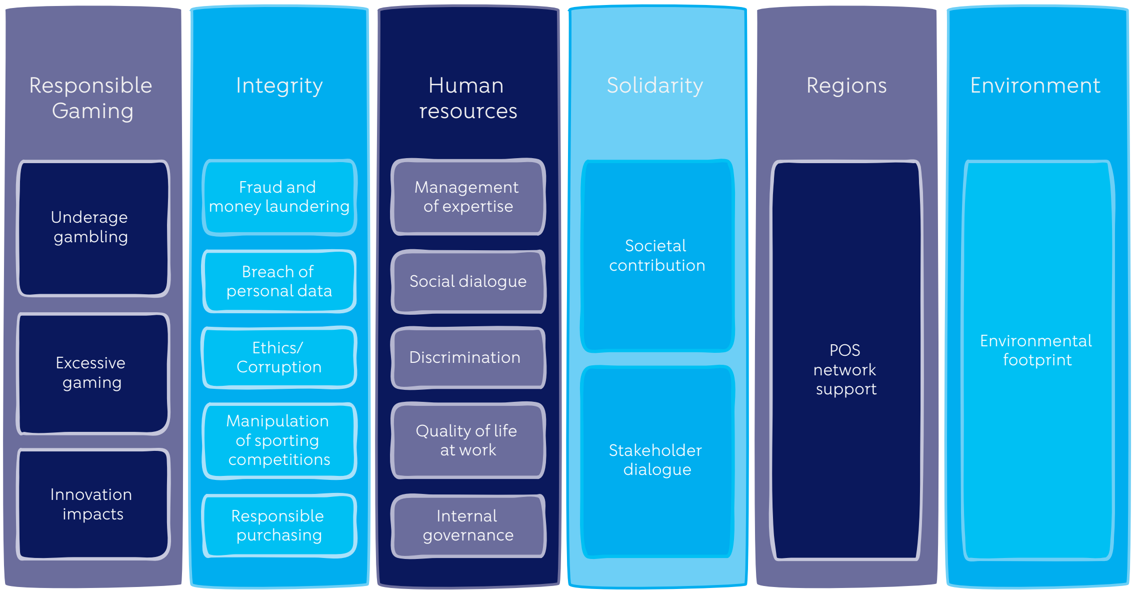
CSR risks were defined and validated at the end of 2018, on the basis of six main themes: responsible gaming, integrity, human resources, solidarity, regions and the environment. This CSR risk analysis process is regularly updated, depending on change in the Group's external and internal context as regards CSR challenges. In 2019, FDJ conducted in-depth work to control and cover the CSR risks identified and described in the following pages of the non-financial information statement. The advisability of continuing in-depth work to update the CSR risk mapping and their articulation with the policies implemented will be examined and documented in 2020. Likewise, continued the deployment of the 2020-2025 strategy, certain performance indicators can then be specified in the next non-financial information statement.

(1) Vigeo-Eiris assessment: "We assessed La Française des Jeux at its request in accordance with our unsolicited rating methodology. As La Française des Jeux is not part of our universe of listed issuers, this assessment does not result in a ranking in relation to the other listed companies. Therefore, all sector comparisons mentioned here are for indicative purposes only, and should not be relied on for the purposes of legal reporting or legal assessment."

(2) Economic, social and governance criteria.

(3) The materiality analysis used an online questionnaire to rank the main CSR issues related to FDJ's activity by order of importance for stakeholders. In 2017, almost 5,050 people were consulted and 1,054 people responded (a response rate of 21%) vs 4,500 people consulted and a response rate of 11% (481 people) in 2015. The strong response (above the estimated average rate of 10% for other companies) is an indication of genuine involvement on the part of FDJ's stakeholders and well-established dialogue.

The 17 main CSR risks are split into six main themes and are presented in the diagram below.



The following six chapters describe the six themes of the FDJ Group's CSR strategy and the associated risks. Each of them presents:

- a review of initiatives taken to limit the impact of the risk in question;
- an associated action plan for the coming year;
- one or more performance measurement indicators[(1)], if applicable.

The following risks are not relevant with regard to FDJ's activity: the fight against food waste, fight against food insecurity, commitments to promote responsible, fair and sustainable food, and respect for animal welfare. These themes are therefore not addressed in the non-financial information statement.

(1) The CSR reporting protocol is available on the FDJ Group website (www.groupefdj.com). For information, Chapter V includes a complementary table of indicators to those presented in the non-financial information statement.

2.5.3 Responsible Gaming

FDJ operates in the gaming sector, which is regulated in connection with the specific risks it entails in terms of the preservation of public and social order, through the prevention of excessive gambling behaviour and underage gambling (2.3.6.3 Responsible gaming management policy).

Since 2012 and for the third consecutive time in 2018, FDJ has received a 100% compliance rating by AFNOR (French standards body) as part of the three-year certification programme for Responsible Gaming conducted by the European Lotteries Association[1]. This highest certification level confirms FDJ as the French leader in Responsible Gaming in the field of gambling, and as one of the European leaders in the lottery sector.

In accordance with the regulatory provisions applicable to its lottery games and sports betting activities operated under exclusive rights, FDJ is required to submit its "action plan to prevent excessive gambling and underage gambling and to promote reasonable gaming behaviour" for approval to the Minister for the Budget each year, after review by the consultative committee of games under exclusive rights (COJEX), an advisory committee comprising representatives of public authorities and experts in addictology[2].

FDJ's Responsible Gaming action plan is part of a dynamic of continuous improvement and strengthening of the mechanisms implemented. It takes into account the concerns expressed by its stakeholders. All of these initiatives, whether carried out directly by FDJ or through partnerships, are part of an ethical framework based on the recognition of FDJ's responsibility for reducing the potential negative impacts stemming from its activity, and at the same time the limits on its role in terms of prevention, as an operator, as opposed to that of players in the field of public health.

The company's initiatives in terms of Responsible Gaming contribute to SDG 12, relating to responsible consumption and production, and revolve around both the fight against underage gambling and the fight against excessive gambling:

12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**SDG 12: Responsible consumption and production** Ensure sustainable consumption and production patterns.
	Target 12.8: By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.
	Aim: Contribute to the promotion of Responsible Gaming, and in particular to the fight against underage gambling

2.5.3.1 Fighting underage gambling

The fight against underage gambling is a priority for the FDJ Group. The company's determination on that issue reflects mounting expectations among stakeholders, but also a strengthening of legal requirements (including government order 2019-1015 of 2 October 2019 reforming the regulation of gambling).

Accordingly, the new regulatory framework published in 2019 includes new measures to prevent underage gambling, notably:

- a legislative provision recognising the possibility for the distributor to request the player's identity document in order to verify he/she is over 18;
- the establishment of a criminal fine sanctioning distributors selling games to minors;
- the possibility open to department prefects to restrict the establishment of gambling outlets or the display of advertisements relating to gambling near establishments attended by minors (schools, leisure facilities, etc.);
- tighter restrictions on the content of commercial communications, so that they do not target minors.

Action to combat underage gambling covers three areas:

- training and support for distributors and the sales force;
- information and awareness raising among the general public;
- monitoring and evaluation of the application of the ban on the sale of gambling to minors.

Training of the sales force and distributors

Preventing underage gambling is a central focus of the training policy implemented by FDJ with distributors and the sales force. All commercial players are trained and supported and monitored on a regular basis, using long-term or more irregular arrangements reflecting the calendar of major sporting events for instance.

Between 2017 and 2019, all of the Group's distributors were trained individually to refuse sales to minors, including more than 10,000 trained in 2019.

(1) This certification is valid until 2021.

(2) In May 2019, FDJ acquired Sporting Group, a British operator that manages a sports betting platform including fixed odds betting and spread betting offers. The Sporting Group subsidiary holds licences obtained from the UK Gambling Commission and the Financial Conduct Authority and is therefore subject to the regulatory framework provided by the UKGC for responsible gaming.

Preventive information for the general public

For many years, FDJ has made public awareness of the ban on underage gambling an important part of its work. It is rolled out on several channels (TV, digital and events) in order to maximise the reach of the message.

The development of the various preventive information actions is also part of a regular dialogue with all of its stakeholders. Exchanges with addiction experts and organisations are held within the Social Laboratory.

In 2019, FDJ pushed ahead with this communication effort in the mainstream media, by:

- the inclusion of short prevention films on underage gambling at the end of televised scratch game campaigns (Astro, end-of-year gift packs);
- the TV broadcast of a specific prevention campaign on the ban on sports betting for minors during the FIFA Women's World Cup in June 2019, with sports journalist Thomas Thouroude.

As of 2019, FDJ committed to devote 10% of its total budget for purchasing television advertising space to films dedicated to Responsible Gaming, particularly the issue of prohibiting underage gambling.

Control of points of sale

Compliance by distributors with the ban on the sale of games to minors is verified by a team of 12 inspectors monitoring the implementation of obligations relating to Responsible Gaming in the field. They put a particular focus on those relating to the prevention of underage gambling.

Since 2014 FDJ distributors have benefited from a 0.2% bonus on their remuneration. Obtaining it is conditional on the compliance of the point of sale, assessed by a network inspector, of seven criteria, three of which relating to the prevention of underage gambling. If an inspector notes a sale to a minor, the bonus is automatically withdrawn. Each year, roughly 60 distributors are seeing their bonus taken back for non-compliance with the ban on underage gambling. That represents a financial penalty of €1,000 on average per distributor.

In 2019, overall compliance continued to improve among inspected points of sale, reaching 93.1% (a gain of 1.6 points compared with 2018). This improvement, which takes in all of the compliance criteria verified by inspectors, and not just the fight against underage gambling, reflects both the commitment of distributors and the awareness-raising they receive from players in the field (sales representatives and inspectors).

Faced with the persistence of underage gambling and to reinforce the impact of its evaluation system, FDJ is also developing a new control approach based on random visits, testing the distributor's reaction faced with minors aged from 16 to 18 (selected in partnership with Sedap[1] in order to prevent any risk for minors taking part in these operations), and to monitor compliance by distributors with the ban on underage gambling in a more systematic and objective manner.

KPI: Overall compliance rate with Responsible Gaming and Security criteria

2018	2019
91.5%	**93.1%**

The overall compliance of the points of sale is assessed with regard to behavioural, commercial, contractual and regulatory criteria.

Outlook

A new underage gambling prevention plan for the 2020-2025 period will be rolled out from 2020. The plan was devised as the result of a co-construction process involving professional organisations of distributors (Tobacconists Confederation, National Union of Newsagents), as well as stakeholders from the health and social world (Sedap). It will include three components:

- development of the visibility of preventive information systems to continue to improve awareness among the general public, and to facilitate the implementation of the ban on underage gambling by distributors;
- implementation of a segmented and differentiated approach to training initiatives depending on the specific characteristics of the points of sale (size of the activity, presence of employees, etc.) and their location (proximity to schools, etc.);
- reinforcement of the control and sanction mechanisms for points of sale that do not comply with the ban on underage gambling, henceforth to be based on the results of campaigns of random visits (see above). This will serve as the basis of a progressive and cumulative system of sanctions, targeting above all distributors who repeatedly fail to comply with the ban.

(1) Société d'entraide et d'action psychologique (Mutual aid and psychological initiative society) – Centre d'addictologie de Dijon (Addictology centre in Dijon).

2.5.3.2 Preventing excessive gambling

The prevention of excessive gambling behaviour and the detection and support of people in vulnerable situations is the second major focus of FDJ's actions to promote Responsible Gaming. FDJ continues to strengthen its actions along six axes:

- monitoring its game offering;
- supporting players and monitoring their practices;
- training of distributors and the sales force;
- preventive information on the risks linked to excessive gambling;
- detection and referral of people in vulnerable situations;
- support for big prize winners.

Evaluation of the game offer and advertising and promotional initiatives

The evaluation of the game offering and the promotional and publicity activities is part of a process of interaction between FDJ's Responsible Gaming and Marketing teams, as well as its stakeholders. Gaming offers are also monitored by the regulator within the framework of licensing by the French State to which all the gaming and betting activities operated by FDJ under exclusive rights are subject.

A committee of experts comprising a range of expert profiles – addictology, psychiatry, psychology, human sciences – is consulted regularly on the development of game offers, as well as new services made available to players to help them rein in and monitor their gaming habits throughout their gaming experience: matrix for assessing the potential risks of gaming projects (Serenigame®), game moderators, tool for detecting risky gaming habits. In 2019, the Serenisport matrix was discussed with the committee of experts (Innovating responsibly).

Player support tools

FDJ provides its online players with several tools for monitoring and controlling their online gambling practices:

- Playscan™, developed by the Swedish lottery, assesses the level of risk associated with the players' gaming habits and helps define a behaviour profile (and its fluctuations), which is shared with players. In 2019, 91.6% of players were identified as having a green risk level, which is stable relative to 2018. The proportion of players mostly rated yellow and red were also virtually stable (6.3% and 2.1% respectively, compared with 5.8% and 1.8% in 2018).

In a continuous optimisation approach, the Playscan™ tool has evolved with an eye to improving the customer experience and the accessibility of information. As part of the change, players are offered a new self-assessment test a new format for sharing tips and recommendations in support of a more informed gaming habits and increased personalisation of messages informing players of changes in their Playscan™ status.

KPI: Playscan™ evaluation

	2018	2019
Green	92.4%	91.6%
Yellow	5.8%	6.3%
Red	1.8%	2.1%

Playscan™ analyses players' online gaming habits over the preceding five weeks. The indicator, calculated this year based on the player's majority colour, shows the breakdown of players by their Playscan™ colour. The 2018 data have been restated in accordance with the new calculation methodology.

Players assessed as green have risk-free habits. Players assessed as yellow have habits with a moderate risk of developing a gambling problem. Players assessed as red have habits with a higher risk of developing a gambling problem. The vast majority of players have a green Playscan™ status.

In November 2019, the Playscan™ tool analysis model was optimised to make it better suited to fluctuations in gaming habits. The optimisation has impacted the breakdown of players by Playscan™ colour.

- Game moderators allow players to set limits. In addition to the game moderators imposed by the regulations (in particular a compulsory moderator for capping stakes at an amount decided at the discretion of online players), FDJ has taken active steps to develop a more restrictive and targeted moderator approach. Since 2018, a new moderator has been in place targeting players whose gaming habits present the greatest risk. It forces them to set a daily limit that cannot exceed €150. In 2020, it will be extended to all Playscan™ red players wagering more than €1,500 per week. Their daily betting limit will be lowered to €140 euros.
- Beyond these measures, online players may also temporarily or permanently block themselves.

Training of employees, distributors and the sales force

Since the end of 2016, FDJ has trained its employees on the challenges of the Responsible Gaming policy through a COOC (Corporate Open Online Course) whose content is largely devoted to the prevention of excessive gambling and underage gambling. Its gradual roll-out continued in 2019. Since its launch, 80% of employees have been trained.

In 2019, in addition to pushing ahead with its general training systems, the Group focused its training efforts on the ban on credit-based gambling. These initiatives took the form of general awareness-raising among distributors via a magazine, Profession Jeux, addressed to all 30,000 FDJ distributors, training provided to a large portion of the sales force and a new experimental module, targeted at a commercial sector in eastern France.

After creating a network of Responsible Gaming liaison officers across all sales offices in 2018, the Group underpinned the ramp-up in these initiatives by providing specific training for these liaison officers in 2019. This system improves coordination between teams in the field and Responsible Gaming teams at the central level in the detection and referral of people in vulnerable situations.

Preventive information for the general public

In 2019, FDJ ran preventive events to mark the Tour de France and the two summer Car Podium tours in 36 cities in July, to raise awareness among the general public of the prevention of underage gambling and excessive gambling. Activities were organised in the form of quizzes, in direct interaction with the public, to promote understanding of the special risks of gambling.

In the media, following a successful experiment on the digital channel in 2018, FDJ ran an advertising campaign in 2019 promoting the tools for preventing excessive gambling made available by FDJ to players, both online and in points of sale (coloured dot on the level of gaming risk with the Playscan™ tool, self-assessment test and betting limits). This campaign was humorous in tone and called on a cast of animal characters to avoid stigmatic representations of risky behaviours and as such to encourage the use of the tools being advertised. The survey carried out after the 2019 campaign[(1)] shows that the profiles of players most at risk were more inclined to use these tools.

The detection and support of persons in vulnerable situations

For several years, the Group has been developing systems aimed at identifying and then guiding people in vulnerable situations. These initiatives are based on a system for detecting and managing risky situations requiring the training of employees and distributors.

To detect and manage atypical situations and potential risks, collegial bodies comprising representatives of the various business lines involved (including the internal Responsible Gaming team) meet to process reports concerning distributors and players. Initiatives of this nature are aimed above all at directing people in vulnerable situations to gambling support structures (SOS Joueurs, etc.) or local healthcare or social workers such as the CSAPA (Centre de soin, d'accompagnement et de prévention en addictologie – centre for the care, support and prevention of addiction). On its websites, FDJ also provides its players with the contact details of helplines and support structures for problem gambling, which offer specialised information areas, such as the Addict'Aide internet portal developed by Fonds Actions Addiction.

In managing certain situations of individual vulnerability, FDJ encourages people to approach these structures and/or works with them to ensure they receive appropriate care. Each of FDJ's partner helplines (SOS Joueurs, e-Enfance, Crésus and Institut du Jeu Excessif) provides specific skills in its respective field, enabling people in vulnerable situations to find help and the right tools.

The rising number of cases of vulnerability stems from the diversification in means and strengthened training in the detection of vulnerability, in particular the creation of the network of Responsible Gaming liaison officers.

(1) Kantar study conducted on 600 individuals aged 18 to 60 from 6 to 14 May 2019.

Responsible Gaming partnerships

The design and implementation of these various measures and systems is underpinned by the Group's policy of forming partnerships in the field of research and prevention. These provide input for the Responsible Gaming Action Plan and contribute to the strengthening of expertise and the circulation of knowledge in the fields of gambling and addictology. This policy draws upon the guidelines for the 2018-2022 Mildeca[1] plan to combat addictions. It has three main planks:

1. helplines for vulnerable players;
2. research in addictology and in the humanities and social sciences;
3. initiatives and experiments in prevention and in risk and damage reduction.

Endowments in 2019 amounted to nearly €1.1 million, compared with €973 thousand in 2018.

KPI: Amounts paid with respect to Responsible Gaming partnerships

2018	2019
€973k	**€1,070k**

FDJ supports researchers and associations that independently conduct studies or preventive actions, as well as structures that support players in difficulty or their friends and family. As such, in 2019:

- *30% of endowments went to helplines;*
- *31% went to prevention and reinforcement of psychosocial skills carried out by major players in solidarity and education;*
- *lastly, as it has done for more than a decade, FDJ contributed the remaining 39% to the funding of scientific research and the spread of knowledge.*

Support for big prize winners

In 2019, 364 players won more than €500,000 in FDJ games (i.e. nearly one winner every day). FDJ offers these big winners a support system, first on an individual basis, at the time of payment, and then on a collective basis over the subsequent five years through theme-based workshops. The purpose of this support is to take stock of the impact of the winnings in the lives of new millionaires, particularly when it comes to financially or emotionally managing this new situation. Support for big prize winners allows FDJ to get to know its customers and their habits better. When the Company identifies a risk of excessive gambling behaviour by a big prize winner, the payout can be an opportunity to raise awareness, especially in view of their new financial situation, which could well generate additional risks. In such cases, an FDJ Responsible Gaming expert may be present when the prize is awarded.

More generally, FDJ is one of the few lotteries in the world to offer its winners (those winning more than €1 million) such a vast support system. The purpose of this support is to take stock of the impact of the winnings in the lives of new millionaires, particularly when it comes to financially or emotionally managing this new situation.

2.5.3.3 Innovating responsibly

FDJ's Responsible Gaming policy applies to all stages of its business. Before, during and after the marketing of a game, adapted measures accompany the development and commercialisation of the offer to promote recreational gaming. At the operational level, a specific process ensures that issues related to the prevention of excessive gaming behaviours are taken into consideration as part of the innovations produced by the Company. An experimentation phase is also run for new offers to identify their impact on player behaviour, to identify and consider possible changes to the game to foster recreational gaming.

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

- a generic matrix enabling evaluation of all gambling games sold by FDJ (universal Serenigame® matrix developed in 2012);
- a matrix dedicated to the evaluation of scratch games (Serenigame Grattage), brought into service in 2018;
- a matrix dedicated to the evaluation of the sports betting offer (Serenisport) rolled out in 2019.

KPI: Number of games or game relaunches subject to the universal Serenigame® matrix

2018	2019
51	**43**

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

FDJ also supports experimental mechanisms as part of its Responsible Gaming policy. For instance, Fédération Addiction[2] has been piloting an experiment aimed at limiting risky behaviour and damage resulting from excessive gambling since 2016. Known as the Risk and Damage Reduction (or by its French acronym, RdRD) approach, it calls on care centres (CSAPA) involving professionals specialising in substance-free addictions working in pairs. The two professionals hold "meet-ups" in points of sale opting to participate. The purpose of the experiment is to:

- facilitate the action of healthcare professionals, FDJ and its distributors in favour of vulnerable players;
- help direct these players towards structures capable of offering them help.

On the basis of the positive assessment of the experiments finalised in 2019 by the OFDT[3] and the sharing of these results with the professional members of Fédération Addiction, 2020 will be devoted to the preparation of the propagation of these new experimental practices which will notably involve the drafting of a framework of operating practices by Fédération Addiction and Sedap.

(1) From the French acronym for interdepartmental mission to combat drugs and addictive behaviour.
(2) Large network bringing together professionals in addictology supporting users in a medico-psycho-social and interdisciplinary approach to addiction.
(3) Observatoire français des drogues et des toxicomanies (French Monitoring Centre for Drugs and Drug Addiction).

A new call for candidates will also be launched in the second quarter of 2020 with the regional gambling liaison officers, in order to spread the process more widely.

Outlook

FDJ Group's strategic priority for 2025 is to continue strengthening the Responsible Gaming policy through a differentiated approach depending on the range of games and aligned with the individual players' habits. This approach will serve both to adapt prevention measures in line with the specifics of the various offers marketed by the Company (lottery, sports betting) and the risk profiles of players, particularly online players, whose game practices are more readily available, with a view to improving the detection and referral of players in vulnerable situations.

The forthcoming publication in 2020 of the new prevalence study on gambling addiction by the French Gambling Observatory will also be an important milestone to nurture FDJ's Responsible Gaming initiatives.

2.5.4 Integrity

FDJ is fully committed to reducing the risks linked to the integrity of its activity, so as to be exemplary and to reinforce confidence in its gaming model. To that end, it rolls out and ensures compliance with its rules among its stakeholders.

Integrity risk management contributes to SDG 16 and indicators 16.5 and 16.6, as set out in the table below:

16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**SDG 16: Peace, justice and strong institutions** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
	Target 16.5: Substantially reduce corruption and bribery in all their forms. **Target 16.6:** Develop effective, accountable and transparent institutions at all levels.
	Aims: ◆ contribute to the fight against fraud and money laundering; ◆ contribute to the fight against corruption; ◆ contribute to the integrity of the world of sport.

2.5.4.1 The fight against fraud and money laundering

Since 2018, in application of the texts[(1)] transposing the EU's fourth directive on money laundering and the financing of terrorism into French law, the FDJ Group has been strengthening its initiatives to meet the new requirements. Initiatives of this nature are placed under the responsibility of the Security Department, whose tasks fall under three headings: prevention, monitoring and control. Operational systems are used to prevent or control potentially suspicious atypical aspects (also termed "atypisms") detected by the Company in the context of the marketing of its gaming offer, particularly in points of sale.

Preventing

The assessment of the risks of money laundering and terrorist financing takes place from the game design phase and from the implementation of new services. It is within this framework that the Group has implemented a system for monitoring internal procedures.

Training and empowering employees and distributors is also one of the keys to risk prevention. FDJ has conducted a training campaign to fight fraud and money laundering for employees and salespeople. In addition, FDJ deployed a network of anti-money laundering liaison officers in the commercial sectors in 2019. These liaison officers were trained to exercise their responsibilities and play their role in relaying information on the anti-money laundering system across the offline distribution network.

Since 2018, FDJ has been using Safergame, a tool linked to its central site, designed to improve its reporting system. Safergame is an alert and detection system calling on the analysis of vast amounts of data on atypical situations that may be related to fraud or money laundering. It offers the capacity to look at wagering at a specific point of sale over a defined period, thereby providing an overview of the activity of an entity (timetables, sports, odds, etc.).

The work carried out in 2019 helped obtain nationwide vision of the network of points of sale in order to improve the level of knowledge of customer risks and to strengthen controls.

(1) Government order 2016-1635 of 1 December 2016 and decree 2018-284 of 18 April 2018 transposing into French law Directive 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing.

Monitoring

In recent years, the Group has taken steps to improve its knowledge of players, prize winners and distributors.

The monitoring of financial transactions (in points of sale and online) serves to identify atypisms, especially on the range of sports betting. FDJ strictly supervises the development of this sensitive range by adding continuous improvements (means of detection and treatment of suspicious situations). It has set up a system that constantly monitors betting. In the event of an atypism, an alert is raised in real time and can give rise to in-depth analysis to identify the various parties involved. Closer examination can result in a declaration of suspicion with TRACFIN (French body tasked with information and action against illicit financial circuits). In 2019, the Group issued 158 suspicious transaction reports (up from 143 in 2018).

In 2019, for those customers holding online accounts, FDJ improved the identification of atypisms, notably by strengthening the monitoring of means of payment (for deposits and withdrawals from player accounts). FDJ also initiated an approach to improve knowledge of customers with atypical or suspect profiles, by asking them about the origin of the funds used.

KPI: Number of suspicious transaction reports to TRACFIN

2018	2019
143	**158**

The commissioning of the Safergame tool has improved the detection of atypisms.

Controlling

Inspections of points of sale in 2019 helped verify compliance with regard to security, behavioural, commercial, contractual and regulatory aspects. The point of sale compliance rate was 93.1% in 2019 (91.5% in 2018) (Responsible Gaming). The procedures governing point-of-sale inspections, implemented biannually[1], have made it possible to work with all those operating in the field and thus understand local issues, and the environment in which the point of sale is operated. The process has improved the quality of reports to TRACFIN.

In 2020, FDJ plans to roll out a new anti-money laundering training module to distributors. The new three-year course will be given to all distributors, adapted to the risks to which he or she is exposed. FDJ will also enrich its action plan to fight fraud.

2.5.4.2 Ensuring the protection of personal data

As part of its activity, FDJ ensures the security and confidentiality of all Group data (players and employees), including personal data, against potential security breaches.

Application of the EU's General Data Protection Regulation (GDPR), which largely unifies the laws on data protection in Europe, has been mandatory since 25 May 2018.

FDJ has implemented the new regulation, and aims both to both maintain compliance and anticipate legal and regulatory developments in the field of personal data protection with a view to optimising the transparency of the processing of personal data and factoring in players' expectations.

Among the initiatives implemented as part of the GDPR, the Group launched "Privacy by customers" in 2017. It calls on innovative tools and methods for collecting user experience so as to better understand their perceptions, needs and expectations in terms of the protection of their personal data. FDJ accordingly carries out qualitative studies bringing together players, non-players, specialists in user experience and lawyers. This multi-initiative approach will continue long into the future, and findings will be shared with other companies belonging to professional associations, as well as with France's national data protection agency (Commission Nationale Informatique et libertés – CNIL). At the end of 2018, a new initiative took place on the collection of consent to the receipt of commercial prospecting and marketing profiling.

In 2019, the "Privacy by customers" method was applied to the collection of consent to cookies, with the participation of other companies and an IAA[2] for the first time.

In 2020, work will take place on cookies so as to align practices with the expectations of players and visitors to sites and apps.

The FDJ Group also protects the anonymity of prize winners by paying close attention to the conditions for storing and restricting access to data concerning them. It notably guarantees anonymity with respect to any external third party, in particular the media for reports on big prize winners.

KPI: Number of employees that have received awareness-raising on the GDPR

2018	2019
At least 130	**266**

Awareness-raising initiatives covered various topics: a single employee trained on several topics may be counted more than once.

(1) *Longer, more extensive inspections (referred to as "qualified visits"), providing a much greater amount of advance information.*

(2) *Independent administrative authority.*

2.5.4.3 Combating match fixing

The FDJ Group is strongly mobilised in the fight against match fixing around the world (often linked to fraudulent betting). Decree 2019-1060 of 17 October 2019 consolidates the tasks entrusted to the Company by the government, notably with regard to the installation of the tools necessary for the detection of atypisms in the taking of bets and prevention programmes featuring sports players.

As a sports betting operator, it is committed to two main areas in the defence of the integrity of sport and sports betting: prevention and the monitoring of sporting competitions and betting within the National Platform for Combating Match Fixing, but also internationally with players in the sporting movement, international bodies and world lotteries.

A broad plan to promote the integrity of sporting competitions has been implemented on several fronts. The Group carries out internal awareness-raising and training initiatives to combat match fixing through regular communication with all employees and specific training for employees working directly or indirectly on sports betting. Between 2018 and 2019, the employees of the Sports Betting Business Unit were trained in sports integrity. In 2019, the training plan was extended to the other internal actors within the Company concerned by such initiatives (legal teams, security, commercial marketing, sports partnerships), especially local sales force managers. As such, all regional directors, heads of regional business development and heads commercial sectors, a total of 60 people, have been trained.

In 2019, awareness-raising initiatives were also carried out with representatives of sports federations (French Basketball Federation, French Handball Federation), professionals and managers of the Olympique de Marseille, Olympique Lyonnais, AS Monaco and FC Nantes football clubs, as well as young people and managers of football club training centres as part of FondAction du Football. In addition, young athletes from the Saint-Raphaël and Châtenay-Malabry Resource, Expertise and Sports Performance Centres (CREPS) were also provided with awareness-raising information in cooperation with the French Central Racing and Games Service of the Judicial Police. This means that over 800 people working in French sport were made more aware of the problem of match fixing by FDJ in a single year.

In 2019, the Group was the key contributor to the launch of a French multi-sport digital reporting system known as "Signale! "on the National Platform. The system, which is being co-funded, among others, by the Ministry of Sports and French National Olympic Committee, will be made available to stakeholders in French sports for the Tokyo Olympics in 2020.

In addition, for 2018-2020, FDJ is continuing its financial and human contribution to the KCOOS+ (Keep crime out of sport +) project. KCOOS+ is a Council of Europe project designed to facilitate the implementation of the Convention on the Manipulation of Sports Competitions, also known as the Macolin Convention, aimed at harmonising international regulations and practices to combat match fixing.

Within the framework of international co-operation under the aegis of the Council of Europe, FDJ also took part in the last two meetings of the Copenhagen Group (35 countries), comprising representatives of the various national platforms working to improve cooperation in the service of integrity in sport.

As a member of the Executive Committee of the Global Lottery Monitoring System (GLMS), an association of 33 international lotteries that pools its sports betting and match monitoring data, FDJ works to strengthen the effectiveness of match monitoring in the service of sport. In 2019, GLMS decided to establish a new surveillance hub in Canada in 2020 to add to those in Hong Kong and Denmark. This will allow the implementation of 24/7 monitoring.

In 2019, FDJ participated in the international monitoring group for the FIFA Women's World Cup football tournament. No match fixing was identified.

The new regulatory framework published in 2019 will allow FDJ to monitor compliance with the prohibition on betting by sports professionals in points of sale from 2020, in cooperation with the federations requesting it (order 2019-1015 of 2 October 2019).

KPI: Rate of employees that received sports integrity strategy training

2018	2019
124	**74**

In 2019, the training plan was extended to legal entities, commercial marketing, and sports partnerships, security management, and especially to the managers of the commercial subsidiary. As such, all regional directors, heads of regional business development and heads of commercial sectors, a total of 60 people, have now been trained.

2.5.4.4 Promoting ethical business management and fighting corruption

Ethics policy

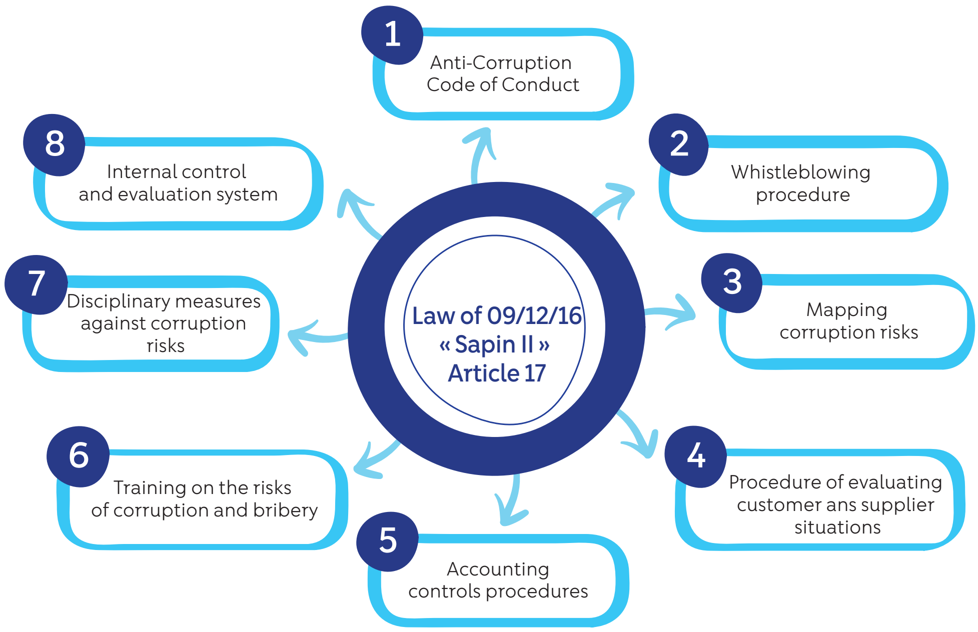
In its activities, and in accordance with its Ethics Charter, the FDJ Group respects the fundamental ethical principles of compliance with laws and regulations, sharing the culture of integrity, respect for employees and related parties, and engaging in constructive dialogue with civil society.

The Ethics Charter, annexed to the internal regulations, has been circulated to all employees and is available on the Group's institutional website.

Prevention of corruption

Within this framework and in accordance with the law of 9 December 2016 on transparency, the fight against corruption and the modernisation of the economy (Sapin II), the FDJ Group advocates a principle of "zero tolerance" and has implemented a structured system, as well as awareness-raising, training and support initiatives for employees to the highest standards of business conduct.

The Business Ethics compliance programme reflects the Group's collective commitment to implementing the plan to prevent and combat corruption ushered in by the Sapin II law, which is structured as follows:



To implement its system for preventing and detecting corruption, the Group set up an organisation dedicated to the construction, implementation and recurring verification of compliance with commitments. This system started operating in 2017, immediately after the law came into force. Further initiatives were taken in 2019; the main ones being:

- publication of the Anti-Corruption Code of Conduct, annexed to the internal regulations, available to all employees, and supplemented by a series of procedures to support employees in their day-to-day activity (in particular as regards gifts and invitations and the prevention of conflicts of interest);
- opening of the professional whistleblowing system to Group employees via an outsourced platform, in addition to the usual channels for listening and reporting information in force within the Group;
- formal updating of the corruption risk mapping system;
- establishment of a third party evaluation system on a risk-based approach (suppliers, B2B customers, partners, intermediaries, M&A, etc.);
- construction of an accounting control plan aimed at detecting corruption;
- further awareness-raising and training initiatives for employees on corruption prevention principles, aimed at progressively developing stronger ethical reflexes;
- an audit of the corruption prevention and detection system in progress at the end of 2019.

In 2020, efforts will focus mainly on the continued application of anti-corruption procedures within the Group, the pursuit of awareness-raising and training initiatives, and the finalisation of the development of an accounting control plan aimed at detecting corruption.

With its ongoing efforts to raise awareness and train employees, the FDJ Group strives to promote responsible and transparent behaviour, which is essential for the sustainability of an ethical culture.

KPI: Number of employees trained in ethics and anti-corruption

2018	2019
212	**222**

FDJ, like the vast majority of French companies, is in the process of complying with the rules stemming from the Sapin II law concerning the integration of anti-corruption mechanisms. 100% of the members of the Group Management Committee and managers concerned chiefly with corruption risks have been trained in ethics.

In the fight against tax evasion, FDJ has made transparency and tax compliance the priorities of its tax policy. The Group takes care to comply with all tax rules and laws applicable in all the countries in which it operates. In particular, all tax returns required by law or regulations are filed in a timely manner, and all taxes and levies are paid accordingly.

With regard to cross-border transactions, FDJ complies with the OECD guidelines and ensures that the transfer pricing policies implemented within the Company comply with the arm's length principle.

One of the tasks of the Tax Department is to lay down the transfer pricing policies applicable within the Group and to ensure that they are properly applied. To avoid artificial transfers of profits, the Group applies the arm's length principle, which aims to ensure that transactions within an international group are priced as if they had taken place between independent parties. In 2019, the Group's tax expense was €78.3 million. This corresponds to an effective tax rate of 37.4%.

Prevention of conflicts of interest in research partnerships

Research and experimentation partnerships are an essential pillar of FDJ's Responsible Gaming policy. They contribute to research and the spread of knowledge in the field of gambling and addictology, and nurture the Company's work on Responsible Gaming mechanisms targeted at players. To guarantee the independence of research and to protect the parties against potential conflicts of interest, these initiatives are part of an ethical intervention framework guaranteeing the independence of the structures supported:

- appraisal of projects in accordance with the Sapin II law (conflicts of interest, anti-corruption, etc.);
- non-participation of the FDJ Group in the governance of projects dedicated to research on addictions and the prevention of underage gambling;
- respect for the independence of the scope of work and professional practices of each partner.

A specific ethical framework is also laid down as part of initiatives and involving players in the medico-social sector and the Group's sales network to reduce risks and damage to players in difficulty. As such, a specific ethics charter has been signed with Sedap, a highly committed organisation that works directly in points of sale alongside FDJ employees in the event of human emergencies detected in relation to gambling. An extension of this approach as part of the partnership with Fédération Addiction is expected to be effective in the first half of 2020.

Anti-competitive practices

FDJ operates under exclusive rights (online lotteries, point-of-sale lotteries, point-of-sale sports betting) as well as in open competition (online sports betting) in the classic gaming sector. In recent years, the Group has diversified its activities and launched initiatives in new competitive and/or developing markets, namely eSport, online entertainment games and the provision of services to sports betting operators. The contrast within its activities entails greater risks with regard to competition law, especially the potential abuse of a dominant position, given the monopoly enjoyed in the vast majority of its activities.

In 2019, FDJ therefore developed guidelines for employees to prevent the risks of non-compliance with competition law. It lists situations posing risks for the Company in which Group employees could find themselves, as well as the behaviours they should adopt if necessary. It therefore lists a set of best practices to avoid any infringement of competition law.

Integrity of the cycling team

In close coordination with its partners and stakeholders, FDJ has for many years participated in the fight against corruption in sport by sharing information to help detect possible atypical situations.

As an illustration of the Group's commitment to sporting partnerships, it started investing in cycling sponsorship back in 1997. The cycling team, which became Groupama-FDJ in 2017, has since played an active role in the fight against doping and is recognised for its commitment. This responsible sponsor status entails intensive ethics and integrity awareness-raising work among racing cyclists and their training staff (zero tolerance attitude to doping). In December 2019, all cyclists and the management of the World Tour team – roughly 70 people in total – were made aware of the integrity and the risks of manipulation of the sports competitions with which they may be faced. One of the preventive measures implemented was the daily collection of cyclists' power data and their analysis, which has been overseen for nearly 15 years by Frédéric Grappe, a former research scientist and director of the performance unit. In addition to those imposed by the International Cycling Union (UCI), anti-doping controls are also carried out by Doctor Jacky Maillot, head of the medical unit for the Continental and World Tour teams.

FDJ is a founding member of the Movement for Credible Cycling (MPCC), whose goal is to defend clean cycling, and to promote transparency, responsibility and mobilisation among its members. FDJ runs the sponsors programme, and was behind the Sponsors' Charter, which states that sponsors undertake not to apply pressure for the achievement of sporting results. The Groupama-FDJ cycling team was the first on which all cyclists were individual members of the MPCC. It was followed by the Continental team and the FDJ-Nouvelle Aquitaine-Futuroscope women's team. In continuation of the "Cycle Formation" programme initiated by the FDJ Corporate Foundation, which aims to support young talents in their dual academic and sporting endeavours, the Group is part of the creation of the Groupama-FDJ Continental Cycling Team. This new achievement is part of the pursuit of its commitment in cycling and, more particularly, in the training of young talents who will make up the elite of world cycling tomorrow, including on ethics.

2.5.4.5 Promoting responsible purchasing

Since 2014, the FDJ Group has been a signatory of business mediation organisation Responsible Supplier Relations Charter, from the Médiation inter-entreprises, the aim of which is to raise awareness about responsible purchasing challenges and the quality of customer-supplier relationships among economic operators. As part of a continuous improvement of purchasing practices, FDJ aims to obtain the "Supplier Relations & Responsible Purchasing" label awarded by Médiation inter-entreprises and the National Purchasing Council. This label is an extension of the principles laid down in the Charter. It aims to distinguish companies and public entities whose practices demonstrate sustainable and balanced relationships with their suppliers.

In 2019, FDJ rolled out the following action plan:

1) FDJ updated its Responsible Purchasing policy(1), which incorporates the Company's challenges, principles and commitments and which will be gradually rolled out and run with subsidiaries;
2) FDJ trained all buyers in social responsibility, and specifically in responsible purchasing, in order to consolidate their theoretical and operational knowledge and offer them tools to help them in their purchasing duties;
3) the supplier management process has been optimised, with supplier risk analysis on specific issues, allowing the segmentation of the supplier panel. Concerning the specific issue of managing CSR risks, FDJ continued to conduct assessments of its suppliers with Ecovadis, a rating agency. In addition, FDJ is keen to commit its large suppliers to an ambitious reduction of their greenhouse gas (GHG) emissions within the framework of the Science Based Targets initiative.;
4) to improve its payment terms, FDJ has embarked on a simplification process through the digitising of invoices and purchase orders. FDJ now follows the payment terms of its suppliers on a weekly basis to optimise the payment processes;
5) the FDJ Group has strengthened its commitments to the sheltered sector: in 2019, it devoted nearly €749 thousand to vocational rehabilitation centres and sheltered employment companies. In 2019, FDJ carried out initial work to integrate companies from the sheltered employment sector into the purchase of intellectual IT services.
6) lastly, FDJ contributes through its purchases to the economic, social and societal vitality of its host communities, with nearly 87% of purchases (by value) made in France and 83% from small and medium-sized enterprises (SME) and intermediate-sized firms.;
7) as part of the government's PAQTE initiative (plan to promote inclusion of businesses in socially disadvantaged areas), FDJ identified the suppliers installed in priority districts for urban policy (QPV): nearly 400 FDJ suppliers are from QPVs (data from of the panel of active suppliers in 2018).

In 2020, the FDJ Group wants to roll out its Responsible Purchasing policy across its subsidiaries, notably through the development of purchasing from the sheltered sector so as to strengthen its contribution to the professional integration of people with disabilities.

KPI: Amount of Group purchases from and disability-inclusive centres and companies (ESATs and EAs)

2018	2019
€851k	**€749k**

The above figure for 2018 corresponds to the amount of orders placed with vocational rehabilitation centres and companies that year. In 2019, the figure corresponds to the amount invoiced.

(1) *This policy can be found on the website at www.groupefdj.com.*

2.5.5 Human resources

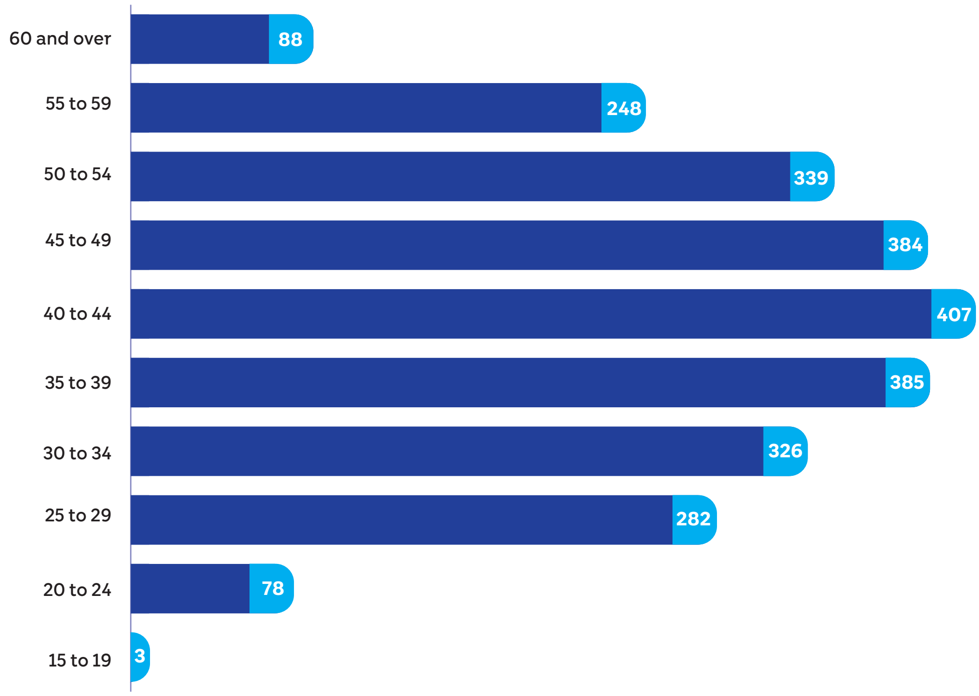
Embodying values of equity and responsibility, the FDJ Group strives to be an exemplary player and a pioneer in the field of social innovation. Offering the same opportunities for career development and professional success to all employees, based on the richness and diversity of their profiles, has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

The Group's workforce and the age structure are shown below:

NUMBER OF PERMANENT AND FIXED-TERM EMPLOYEES AS OF 31 DECEMBER(1)

	2018	2019	Country
FDJ	1,400	1,466	France
FDI	27	27	France
FDP	509	484	France
FDJD	16	16	France
FDM	13	13	France
FGS France	89	97	France
La Pacifique des Jeux	19	19	French Polynesia
SGE	71	90	France
FGS UK	39	54	United Kingdom
Sporting Group	-	274	United Kingdom
FDJ Group	**2,183**	**2,540**	

AGE STRUCTURE OF THE FDJ GROUP AS OF 31 DECEMBER 2019(2)



(1) *Number of permanent and fixed-term employees as of 31 December of the relevant year. The numbers do not include combined work-study trainees (apprentices and professional training contracts), trainees, employees who left the Group (up to 31 December of the year inclusive), corporate officers and suspended contracts.*

(2) *In 2019, the age structure includes the employees of Sporting Group, a subsidiary acquired in May 2019.*

Initiatives in terms of human resources are intended to contribute to the reduction of inequalities promoted by SDG 10:

10 REDUCED INEQUALITIES	**SDG 10: Reducing inequality** Reduce income inequality within and among countries.
	Target 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. **Target 10.4:** Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.
	Aims: ◆ contribute to equal opportunities and inclusion of all; ◆ pursue social and societal action central to the Group's identity since its creation.

The human resources CSR theme comprises five CSR risks: skills management, social dialogue, diversity and professional equality, quality of life at work and, lastly, confidence in internal governance. These CSR risks are developed below.

2.5.5.1 Guaranteeing good skills management

The planned management of jobs and skills (GPEC) system, developed by FDJ more than ten years ago, is designed to ensure a match between employee skills and the skills necessary to implement its strategy. FDJ dedicates a significant part of its budget to employee training: in 2019, FDJ SA devoted almost 4% of its payroll to training. In this way, it enables as many employees as possible to develop their skills and ensure their employability.

In 2019, other than the budget devoted to business skills, priority was given to interpersonal skills and cross-functional skills. The training plan thus revolved around five key macro-skills (soft skills and management, operational performance and project management, data, English language and specific business skills).

The FDJ Group also offers many opportunities for internal transfers, made possible by the initiative of employees wishing to change jobs, HR and managers. In 2019, almost 10% of employees (242 employees) benefited from mobility or transfer within the Group.

Today, rapid technological progress and change in society means anticipating the professions of tomorrow is now more important than ever. That is why FDJ is working on revising its forward management of jobs and skills approach to identify the talents of tomorrow and help employees develop their skills. The new approach currently being co-constructed with the various stakeholders concerned within the Company, in particular the business teams, will be implemented once it has been finalised in 2020.

KPI: Total training hours

	2018	2019
FDJ	26,387	25,017
FDI	169	279
FDP	14,095	11,927
FDJD	37	1,108
FDM	57	155
FGS France	3,263	1,707
La Pacifique des Jeux	164	477
SGE	948	519
FGS UK	-	112
TOTAL	**45,120**	**41,301**

KPI: Proportion of payroll allocated to training for FDJ SA

2018	2019
4.3%	**4%**

KPI: Proportion of FDJ SA employees who received training during the year

2018	2019
81.1%	**92.2%**

The development of e-learning (particularly for English lessons) explains the increase in the indicator between 2018 and 2019.

2.5.5.2 Promoting a constructive social dialogue

Developing and maintaining quality social dialogue are critical parts of the Company's sustainable performance policy. In this context, each Group entity has employee representative bodies depending on its configuration (Social and Economic Committee (SEC)/central SEC and entity SEC, in addition to the mandatory SEC commissions (Health, Safety and Working Conditions Commission), Economic Commission, Professional Equality Commission, etc.), elected by a large majority in 2019. The majority of these bodies meet once a month. A Group Committee, in which the majority of the Group's entities are represented by elected employees, also meets two to three times a year. All projects that impact the general running of the Company are regularly presented and discussed within these bodies. For example, it was within this framework that the capital transaction and many organisational development projects were regularly discussed in 2019.

In addition to these employee representative meetings, negotiation meetings are regularly organised at Group companies with union representatives (FDJ, FDP and La Française d'Images). At FDJ, the management meets with representative trade union organisations twice a month to negotiate agreements helping guarantee a high level of social dialogue. This has resulted in the signing of agreements on the right to disconnect, professional equality, wages and working time over the last three years. In 2019 alone, the meetings resulted in the signing of eight agreements within FDJ, including an agreement easing the rules governing teleworking and another on the functioning of the SEC. In 2019, as a follow-up to the measures initiated in 2018 with the conclusion of a first global Group agreement on profit-sharing, inventive bonuses and the employer's matching contribution, a Group savings plan was implemented to hold shares acquired under the Offer Reserved for Staff at the time of the Company's foreseen privatisation.

In 2020, it is planned to organise dialogue on disability, diversity and gender equality and forward management of jobs and skills.

KPI: Number of employee agreements signed during the year

2018	2019
6 for FDJ SA and 1 for the Group	**8 for FDJ SA**

In 2019, FDJ signed eight agreements with unions: the annual agreement relating to wage negotiations, working time and the sharing of value added, an agreement relating to the fixed-term contract for a defined purpose, an agreement relating to the Central Social and Economic Committee (SEC), an addendum to the incentive agreement, an addendum to the collective agreement establishing a supplementary pension scheme, an addendum to the agreement of the responsible contract establishing group guarantees for the reimbursement of medical expenses, an agreement relating to teleworking and an agreement on the Group savings plan.

2.5.5.3 Strengthening diversity and equality in the workplace

Since 2010, FDJ has been engaged in an ambitious policy to promote diversity and equal opportunities in order to tackle all forms of discrimination. The anti-discrimination policy and associated action plans are presented each year to the Group Management Committee and the Board of Directors. In 2017, FDJ once again obtained Diversity certification, and for the first time obtained its Gender Equality label. These labels are issued by Afnor every four years. They are the result of a collective effort involving and mobilising the entire company. They underline a shared determination to implement the policy over time, with a view to continuous improvement.

Professional equality between men and women

FDJ actively supports measures to promote the better representation of women in management roles. The objective is to reach the same percentage of women managers as there are women employed in the Company. In 2019, women accounted for 40.9% of managers, but 42.9% of the FDJ SA workforce. At Group level, 31.1% of managers are women, while among the rate for the workforce is 38.2%, a shortfall of seven points resulting from the consolidation of the Sporting Group in May 2019, the rate of women managers at the subsidiary being significantly lower. 2018 marked the end of the second agreement for professional gender equality. The negotiation of the third agreement is underway, and the issue will be integrated into a more comprehensive agreement on "Quality of life at work and diversity". Similarly, FDJ has for several years been implementing specific initiatives to bring more women into the technological professions, which constitute an important component of its activity. In 2019, the Group took part in Digital Women's Day intended to promote gender diversity in the technological professions central to the business, and got involved in the launch of femmes@numérique, an endeavour devoted to that theme. FDJ also took part of the nationwide Mix'it programme alongside Face (a foundation working against exclusion), which aims to raise awareness and support companies in setting up their professional diversity policy.

For the programme's second year, FDJ SA obtained a score of 99/100 (84/100 in 2018) in respect of the gender equality index for companies with over 1,000 employees introduced by France's Avenir law. The law implements this index based on five indicators reflecting the gender pay gap in the Company, both directly and indirectly: pay gap; percentage of female employees given pay rises upon return from maternity leave; difference in spread of individual increases between men and women; difference in the spread of promotions between men and women; and percentage of women in the top 10 highest salaries.

The company also has an internal network known as "À Elles de Jouer" (Women's turn to play), which aims to help women develop their potential. It offers initiatives around three themes:

1) Dare: raise awareness of internal and external obstacles and allow FDJ women to strengthen their self-confidence and leadership;
2) Raise awareness: inform employees about the challenges of gender equality and ensure they are aware of the approach;
3) Open up and grow: contribute to the transformation and improvement of the Group's performance by sharing knowledge and networks, and by opening up to the outside world.

KPI: Proportion of women in the Company

	2018	2019
Group	42.7%	38.2%
FDJ	43.1%	42.9%

KPI: Proportion of women managers

	2018	2019
Group	33.9%	31.1%
FDJ	39.5%	40.9%

The decline results from the consolidation of Sporting Group in May 2019, where the rate of women managers is significantly lower.

Integrating people with disabilities

As an employer, FDJ is fully committed to the workplace inclusion of people with disabilities. The Company desires to act on two fronts: recruiting new employees with disabilities and ensuring their continued employment and support. In 2018, FDJ had a disability employment rate of 5.89% (direct and indirect[1]); for the FDJ Group it was 4.48%.

Employee awareness is essential for the inclusion of people with disabilities in the Company.

Since 2016, the employees of subsidiaries have been made aware of disability with a game called T'Handi Quoi?", designed to change the way we look at disability and promote the message that the Group is "handi-friendly". In 2019, awareness-building was organised on all FDJ Group sites on the theme of invisible disabilities with the Co-Théâtre corporate theatre troupe.

All of the members of the Group Employee Experience and Transformation Department are also made aware of the issue to help them hire people with disabilities and support them throughout their careers.

In May 2019, FDJ took part for the second consecutive year in Operation DuoDay, in which 24 out of work disabled people were hosted at a day-long event allowing them to learn about FDJ's businesses. The operation kicked off with a Loto® draw co-hosted by a personality with a disability. The event resulted in three people being hired by the Company.

FDJ is also developing working relationships with disability-inclusive structures known by their French acronyms ESAT[2] and EA[3], with a pilot run in the IT professions in 2019. At the end of 2019, FDJ established a partnership with the Mulhouse rehabilitation centre to support the engineer training circuit.

In November 2019, at the initiative of Sophie Cluzel, Secretary of State responsible for People with Disabilities, FDJ signed the manifesto for the inclusion of people with disabilities in economic life, alongside a hundred other French companies. FDJ committed to undertake 10 measures, including the regular implementation of internal awareness-raising initiatives to combat stereotypes and discrimination against people with disabilities, the mobilisation of all new employees in addressing the challenges of disability and the optimisation of access to the Company's tools, especially digital applications.

(1) Direct jobs plus indirect jobs through purchases from the disability-inclusive sector.
(2) Vocational rehabilitation centres.
(3) Disability-inclusive companies.

KPI: Number of employees with disabilities(1)

	2018	2019
Group (1)	72	85
FDJ	58	67

(1) Excluding FDJ Gaming Solution UK and Sporting Group, subject to British law, and La Pacifique des Jeux.

This indicator identifies all employees on permanent, fixed-term, combined work-study or trainee contracts recognised as disabled workers during the year. Employees present for part of the year are counted.

KPI: Overall employment rate of people with disabilities(2)

	2017	2018
Groupe (1)	4.89%	4.48%
FDJ	6.58%	5.89%

(1) Excluding FDJ Gaming Solution UK and Sporting Group, subject to British law, and La Pacifique des Jeux.

The overall employment rate of people with disabilities takes into account direct jobs and purchases made from ESATs and EAs.

Intergenerational solidarity

For many years, FDJ has supported the employment and training of young people within the Company. In 2019, work-study employees represented more than 6% of the Group's workforce. To facilitate their integration, the Group organised three onboarding sessions for the 2019-20 school year, issuing them with a guide prepared specifically for work-study trainees containing all the information necessary for new employees. Welcoming trainees is also a priority, as demonstrated the Company's receipt in 2019 of the "Happy Trainees" award from ChooseMyCompany(3), which distinguishes companies with exemplary internship and work-study programmes.

Since 2017, FDJ has given serious thought to proposing actions in favour of seniors. Taking into account issues specific to seniors helps motivate teams and boost both performance and quality of life at work. It also promotes intergenerational work.

The company has chosen to differentiate between seniors (who are actively preparing for retirement) and "jeniors" (made up of active employees aged 45 and over) who wish to actively help them in their career plans. A catalogue of dedicated training courses for young seniors and seniors has been rolled out. It addresses aspects relating to personal development to give them a clearer picture of their possible career developments. In 2019, FDJ made permanent the Point 50(4) and Cap 60(5) training courses tested in 2017 after receiving positive feedback from employees.

In 2019, an intergenerational workshop was also held to contrast the views of four generations: baby boomers, generation X, generation Y and generation Z.

KPI: Number and proportion of work-study employees

	2018	2019
Group	141 or more than 6% of the workforce	156 or 6.1% of the workforce
FDJ	128 or more than 9% of the workforce	133 or 9.1% of the workforce

In 2019, work-study trainees represented more than 6% of the Group's workforce, with 156 employees on combined work-study contracts or professional training contracts.

(1) Excluding FDJ Gaming Solution UK and Sporting Group, subject to British law, and Pacifique des Jeux.
(2) The 2019 data were not available when this document was being prepared.
(3) Founded in 2011 by HR, IT & digital professionals, ChooseMyCompany helps improve the performance and attractiveness of companies using the opinions of employees, trainees, applicants and customers.
(4) Take stock of the employee's career, expectations and needs, and discuss the issue of intergenerational work and existing retirement arrangements.
(5) Set out the practical aspects of the employee's retirement.

Diversity of social origins

To promote diversity in terms of social origins, a pillar of the Group's diversity policy, FDJ signed up to the PAQTE initiative (action plan to promote inclusion of businesses in socially disadvantaged areas) in 2018. PAQTE is built on four pillars:

- awareness-building via a policy of developing internships within the Company, especially for third-year middle school students within the framework of the government-sponsored system for schools located in priority areas[(1)], with interns brought in through the United Way Alliance.
- training through the development of access to students from priority districts in urban policy, in terms of career orientation, access to combined work-study programmes and support for apprentices. In 2019, FDJ SA hired 6 interns from priority districts.
- recruitment, in order to support employment in priority districts and guarantee non-discriminatory hiring methods: all HR development managers were trained in "discrimination-free hiring" in 2019. In addition, FDJ renewed for the fourth year its partnership with Mozaik RH to help it recruit employees from all backgrounds.
- purchasing, with a view to developing responsible and inclusive purchasing from companies operating out of priority districts.

2.5.5.4 Supporting quality of life at work

Since 2010, FDJ has been strongly committed to the quality of life at work (QLW) of its employees. Since 2014, it has had a dedicated Diversity & QLW Department to oversee initiatives in this area.

In mid-March 2019, employees were given access to Wittyfit, a QLW diagnostic tool to make quality of life at work a collective and continuous approach, focused on increasing satisfaction and reducing stress. Indicators and ideas can be used as a basis for upstream team discussion on issues that are generally only tackled in the event of actual problems. The approach is therefore part of a general effort to prevent workplace risk. At the same time, FDJ has established personal support and social assistance services for all Group employees. Their aim is to reinforce the internal counselling unit, which remains active as a solution in the event of distress or discrimination. Accessible 24/7, they put employees in direct contact with specialists, either social workers or psychologists. If necessary, employees can be referred free of charge to a counsellor who can work with them outside the Company.

KPI: Absenteeism rate at FDJ SA

2018	2019
3.44%	**3.33%**

The absenteeism rate reflects days of absence resulting from illness, and from workplace and commuting accidents, divided by the number of theoretical days worked for the relevant year. It is not consolidated at Group level. The absenteeism rate by entity can be found in the annexes, with the additional indicators.

The Group also measures well-being at work via an internal survey sent to all employees. In 2019, respondents gave an average well-being at work score of 85/100.

KPI: Occupational well-being of Group employees[(2)]

2018	2019
76.5/100	**85/100**

In 2018, well-being was measured based on two aspects: work-life balance and overall level of well-being at work.

In 2019, FDJ changed the measure by creating an indicator comprising six questions related to well-being: professional and personal development within the Company, appeal of work, satisfaction with the work environment, autonomy and accountability, atmosphere in the team and balance between professional and personal life.

These indicators come from the "FdjScope" survey conducted among Group employees.

2.5.5.5 Ensuring confidence in internal governance

The internal organisation (CSR Governance) helps build employee confidence in internal governance. To measure the level of employee engagement, FDJ interviews all Group employees.

In 2019, FDJ made the decision to change the composition of the legacy engagement indicator, as it was specific to FDJ and hard to standardise. The Group has now adopted the indicator generally used in the internal studies of other companies covered by the benchmark[(3)]. The engagement indicator now covers five themes: job satisfaction, attachment to the Company, motivation to do more, recommendation of the Company as an employer and pride in working for the Group.

While the Company has embarked on profound transformation of its operating methods (transition to a new operational model) against the background of the capital transaction, employee engagement remains very high[(4)], with a score of 87/100. This reflects a solid base of employee engagement, strong attachment to the Company and pride in working for the FDJ Group.

KPI: Group employee engagement rate[(2)]

2018	2019
76/100	**87/100 in 2019** *(78/100 in 2019 based on the former calculation methodology)*

The composition of the legacy engagement indicator changed in 2019. It was specific to FDJ and hard to standardise. The indicator has now been standardised to adapt it to the standards used in the internal studies of other companies.

(1) *Priority education network (REP+).*

(2) *Excluding Sporting Group, acquired in May 2019.*

(3) *A sample of 500 employees working in medium-sized companies (250 to 5,000 employees) in the service sector. Most of the employees of these companies are manager or intermediate grade, which is consistent with FDJ, and their profile is comparable with FDJ profiles in terms of age and experience.*

(4) *The benchmark average is 81/100.*

2.5.6 Solidarity

For over 80 years, the FDJ Group has been faithful to its original values of solidarity and responsibility. The support of its Corporate Foundation for general interest projects and, more recently, the Mission Patrimoine operation in support of the restoration of endangered heritage, illustrate its strong and sustainable societal commitment.

In 2019, FDJ ran its first institutional campaign to introduce its activities to the general public, being primarily known for its lottery games. The film, which was devised, produced and shot entirely in France, shows how FDJ has managed to remain faithful to its original raison d'être and its founding values of solidarity and proximity, while keeping up with the transformation of society over the decades. The campaign goes back to circumstances surrounding FDJ's creation in 1933 to help people wounded in the First World War. Today, the Company continues to support veterans associations, such as the Union des blessés de la face et de la tête (UBFT) and Fédération Maginot, which are the Company's legacy shareholders, in addition to the societal initiatives it has been rolling out for many years.

The Group's commitment is reflected in its initiatives alongside and in support of civil society, but also in its dialogue with its stakeholders.

2.5.6.1 Engaging in solidarity initiatives

The initiatives described in this chapter contribute to the reduction of inequalities, as advocated by SDG 10:

10 REDUCED INEQUALITIES	**SDG 10: Reducing inequality** Reduce income inequality within and among countries.
	Target 10.3: Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard. **Target 10.4:** Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.
	Aims: ◆ contribute to equal opportunity; ◆ pursue social and societal action central to the Group's identity since its creation.

The FDJ Corporate Foundation

The initiatives of the FDJ Corporate Foundation for the five-year period from 2018-2022 are aimed at developing equal opportunities by using games in all their forms. Two areas have been chosen for a more specific focus: the education and inclusion of people experiencing hardship, for whatever reason (disability, economic, social or cultural vulnerability, etc.), in an approach designed to restore their confidence in their potential and help them recover their place in society through fun and participatory programmes.

The FDJ Corporate Foundation has an endowment of €18 million for the coming five years. It also continues to invest specifically in the integration and reintegration of people with disabilities.

In 2019, it provided support to close to 65 charities and their local projects through four calls for projects: two under the heading Tremplins Associations Locales for charities, one Tremplin Détaillants Solidaires for distributors, and one Tremplin Collaborateurs Solidaires for employees.

The five winning FDJ Corporate Foundation projects

At the end of 2018, the FDJ Corporate Foundation launched a call for major projects to continue its support for equal opportunities. The charity-sponsored projects supported are:

- Simplon: this project aims to facilitate the social and professional integration of people with disabilities through training in digital professions. Its funding will allow Simplon to promote diversity, with a target of 10% of people with disabilities per promotion. The association has also established partnerships with providers of socio-professional support for people with disabilities. A total of 91 people have been trained or started training since the launch.
- ARI (Regional Association for the Integration of People with Disabilities or Difficulties): to design and develop new learning and integration pathways for people with disabilities. ARI has created a "year of science" on the theme of the brain, with three talks combining expert speakers and testimonies. The association also launched an internal call for projects and selected 54 initiatives promoting learning through alternative methods benefiting 5,000 people.
- PL4Y: to train youth workers to educate 8,500 children (70% of whom from priority education networks) in living together as communities and citizenship, the association has developed games based on four new themes (fighting discrimination, changing view of disability, promoting equality between girls and boys, and managing conflicts peacefully) and 40 new serious games tested by Canopé (a creation and educational support network). A total of 361 professionals from the educational community were also trained.
- Energie Jeunes: for academic success in priority education areas through the acquisition of commitment, perseverance and self-discipline. The Foundation's support helped 11,030 middle school students from priority education networks in the 2018/19 school year.
- Rejoué: to help the most challenged individuals return to employment through the recycling of toys. The association recruited 16 people in 2018 and 2019, plus two technical supervisors and a socio-professional integration advisor.

A compelling ambition in the service of French regions and of equal opportunities

The FDJ Group's network of more than 30,000 points of sale throughout the territory gives the Foundation special access to local development actors working to promote equal opportunity.

In 2019, a workshop with the stakeholders of the Societal Laboratory promoted thinking on how to revitalise the Tremplin Détaillants Solidaires initiative, launched in 2013, which allows distributors donate €2,000 to local non-profits by registering a file on the Internet. A pilot run is underway in two commercial branches of the FDJ network to identify distributors wishing to participate in the initiative in their local regions.

Committed employees

In 2019, nearly 650 employees took part in the selection of solidarity projects and/or were involved in one or more initiatives proposed by the FDJ Corporate Foundation.

2019 saw the employee engagement programme expanded through a pilot designed to promote skills sponsorship. In 2019, eight employees assumed long-term responsibilities within associations supported by the Foundation.

The FDJ Corporate Foundation is to launch a new call for major projects with iconic associations in 2020.

KPI: Amount of financial aid granted by the FDJ Corporate Foundation

2018	2019
€3,698k [1]	**€3,228k**

Since the beginning of the five-year period, the FDJ Corporate Foundation has allocated nearly €7 million for equal opportunity through play.

Sport

FDJ has for many years been committed to the development of French sport and the promotion of its values, in particular in terms of ethics and inclusiveness (support for female sport and disabled sports).

Women's sports

FDJ's firm commitment to gender equality is also reflected in the Company's initiatives in the field of sport, namely the Sport pour Elles programme launched in 2016 based on four priority pillars:

- encourage women who do not play sport to take it up by developing partnerships with associations and federations committed to gender equality (French Cycling Federation, Sport dans la Ville) or by organising events to get the general public on Board;
- support elite women's sport: FDJ is the main partner of the FDJ Nouvelle-Aquitaine cycling team (the leading professional female team in France). The Group is also a partner of France's handball and basketball teams, and the La Course by Le Tour cycling race. In 2018, FDJ launched a call for projects under the title Performance pour Elles, with the objective of funding the female performance projects of the French Olympic and Paralympic federations. Twenty-five files were submitted by French federations in 2019; the selection panel chose five federations to which FDJ awarded €20,000 each.
- support the media coverage of women's sport by partnering with two women's sports magazines (Les Sportives and Women Sports) or through the launch of a YouTube channel, FDJ SportPourElles, in 2017;
- mobilise networks (social and professional) to change mentalities around the place of sport in women's lives. In July 2019, FDJ organised, the Elle Active Sport event in partnership with Elle magazine. The programme included debates and testimonies on the place of sport in the lives of women and on the need for gender equality in sporting bodies (federations, Olympic and Paralympic committees, etc.), attended by athletes, experts and personalities. Similarly, the Group has extended its partnership with Femix'Sport to help it create a training programme to support women in accessing management positions within sports bodies.

Support for elite athletes

Since its creation in 1991, the Challenge programme has provided support to 430 athletes, young hopefuls of French sport, able-bodied or with disabilities, to reveal their talent, and build and manage their sporting careers in optimal conditions. Together, they have won 162 Olympic and Paralympic medals.

Building on the Challenge programme's 28 years of existence, FDJ has sought to extend its support system for elite athletes, especially ahead of the 2024 Olympic and Paralympic games, which will take place in France. The new and more ambitious support offered to athletes in their Olympic and Paralympic preparation for 2022 and 2024 will allow them to prepare for their major sporting events with less anxiety and also to prepare for professional retraining. The FDJ Sport Factory, launched in December 2019, will bring together 27 elite athletes, including 11 women (44% of the programme) practising an individual discipline in an Olympic or Paralympic sport, as well as an incubator for 30 hopeful athletes.

In addition to the financial endowment, all athletes joining the FDJ Sport Factory or the Incubator, will benefit from support in the management of their high-level career, in the form of an annual seminar. Athletes will also receive support in their training and will be able to benefit from access to the Sciences Po programme for elite athletes and other training programmes provided by prestigious higher education institutions with which partnerships are under construction.

Athletes will also have access to a sport skills retraining support programme developed with Collectif Sport to enhance the skills acquired during their sporting career and monetise them within a company after their career.

As an extension of its initiatives, the FDJ Group is to become an Official Partner of the Paris 2024 Olympic and Paralympic Games from the second quarter of 2020, bringing it into the Paris 2024 national partnership programme. This dovetails with FDJ's commitment to the organisation of the bid, its support for French athletes and its status as a major contributor to sport in France.

(1) The 2018 figure has been modified to integrate the rounding of wages.

Heritage

FDJ contributes to the achievement of SDG 11 through the Mission Patrimoine games:

11 SUSTAINABLE CITIES AND COMMUNITIES	**SDG 11: Sustainable cities and communities** Make cities and human settlements inclusive, safe, resilient, and sustainable.
	Target 11.4: Strengthen efforts to protect and safeguard the world's cultural and natural heritage.
	Aim: Contribute to efforts to protect and preserve cultural heritage by the various means available to the Group.

Mission Patrimoine was launched in 2018 and provides for the donation of proceeds of games sold by the Company (€22 million for the 2018 edition) to the French national heritage foundation Fondation du Patrimoine (269 sites were funded under the first edition). The second edition of the operation in 2019 was highlighted by two key events: the first was the Loto® draw on Bastille Day; the second was the issue of scratch cards (costing €3 and €15) to mark the European Heritage Days. An estimated €25 million is expected to be donated to the French national heritage foundation for the second edition by June 2020, which is more than for the 2018 edition. In continental France and the French overseas territories, 121 endangered heritage sites have been selected by the mission led by Stéphane Bern, and will receive the funds raised by FDJ during the second edition of the Mission Patrimoine games. A third edition is under preparation for 2020.

Actions with societal impact

FDJ has taken stock of its initiatives with societal impact to identify its capacity to reinforce the purpose and impact of its initiatives for the general public. It did so in a co-construction approach with employees, allowing new initiatives to emerge.

In 2020, FDJ will test micro-donations on its site fdj.fr in partnership with Paygreen[1]. The Paygreen solution allows players to make a micro-donation when recharging their account, providing them with the chance to show their generosity and awareness of societal causes, in line with the Company's commitments.

2.5.6.2 Dialogue with stakeholders

FDJ's CSR policy is built and run in close collaboration with its various stakeholders (players, sales network, employees, suppliers, civil society, etc.). Dialogue with civil society was has been housed within the Social Laboratory since 2014, to foster dialogue and co-construction of CSR initiatives. Consultations are organised by a specialised agency acting as a third-party facilitator. Based on the Chatham House[2] confidentiality rule, a dozen civil society organisations (CSO) and as many contacts within the FDJ Group regularly examine sensitive topics related to the Company's CSR and Responsible Gaming policies.

In 2019, the FDJ Social Laboratory met four times to address various issues.

1) measure the impact of a preventive information campaign on Responsible Gaming tools/moderators available to players: the challenge was to analyse the first quantitative feedback and to study how to measure the impact and effects on players;
2) develop regional roots: the challenge was to study potential avenues for strengthening its CSR policy at the regional level, notably with the improvement of the Détaillants Solidaires system supported by the FDJ Corporate Foundation. This decentralised session took place in the FDJ office in Aix-en-Provence, making it possible to invite local guests from associations and the world of sustainable development, as well as representatives from Provence-Alpes-Côte d'Azur the French national heritage foundation;
3) co-construct the FDJ *raison d'être*: determined effort to share the work of developing FDJ's raison d'être and to collect the contribution of its stakeholders. An additional Social Laboratory session dealt with the Company's raison d'être. In view of the Group's challenges and its determination to involve the most diligent members of the Laboratory in thinking about the issue, an exceptional session was held specifically on this theme. As a result, the session on underage gambling initially planned for this date was postponed until January 2020;
4) develop a digital data exchange protocol: drawing on two ongoing experiments, the idea was to imagine a shared base between researchers and FDJ to take into account the constraints of research, regulations (GDPR for instance) and the need for innovation in risk and damage reduction.

FDJ takes the Social Laboratory's various recommendations on Board after each session, with a view to continuous improvement.

The 2018-2019 cycle will end in January 2020, with a meeting dedicated to underage gambling.

A new cycle (2020-2021) of the Social Laboratory will open during the first half of 2020. The programme of the various issues to be addressed is currently being prepared between FDJ and its stakeholders.

(1) *French online payment solution specialising in the collection of digitised payments via the Internet.*

(2) *The Chatham House rule allows participants to use the information collected during meetings freely, but states that they must not disclose the affiliation of the people responsible for this information, or the identity of participants.*

KPI: Number of CSOs belonging to the Social Laboratory

2016-2017 cycle	2018-2019 cycle
9 CSOs	**11 CSOs**

Six CSOs are longstanding members of the Social Laboratory, having joined when it was created. This great stability has made it possible to flesh out and broaden the system for the 2018-2019 cycle to welcome new associations active in the field of CSR on issues related to regional development and digital technology.

Outside the Social Laboratory, FDJ conducts dialogue with all stakeholders, both internal and external, via multiple channels throughout the year:

- First, the FDJ Group maintains quality social dialogue, notably through regular meetings of employee representative bodies and negotiations (Promoting constructive social dialogue).
- Group employees are interviewed several times a year about their level of commitment and the social climate within the Company (Ensuring confidence in internal governance).
- Customers are invited to regular "customer workshops" to allow the co-construction of offers and services with players, in addition to contact points through customer service (email, telephone, mail, chat) and social networks.
- The Group also maintains regular exchanges with professional bodies, in particular the Tobacconists Confederation and the National Union of Newsagents, which make up a very large contingent of FDJ distributors. The company also builds relationships with local institutional players to help it put down roots in the French regions.
- It regularly exchanges with the healthcare, and social and research communities on its Responsible Gaming policy and more broadly its social responsibility policy. This dialogue takes various forms: expert opinion on changes to the FDJ game offers (Responsible Gaming Expert Committee), partnerships with structures specialising in listening to and supporting people in situations of hardship, support provided by FDJ to research and the spread of knowledge on excessive gambling and more broadly the place of gambling in society. (Responsible Gaming).
- Lastly, FDJ plays an active role in the events and working groups of the European Lottery Association, The European Lotteries (notably the working group dedicated to Responsible Gaming and CSR), and the World Lottery Association.

2.5.7 Regions

The sale of FDJ games represents a major portion or even a majority of the business generated by the bar-tobacconist-newsagent network distributors, who make up the bulk of the distribution network. FDJ is loyal to its more than 30,000 points of sale, spread out across more than 11,000 towns around the country. It assists them with their modernisation (new equipment and digitalisation) and provides specific support to the most vulnerable ones.

These initiatives contribute to SDGs 8 and 11:

8 DECENT WORK AND ECONOMIC GROWTH	**SDG 8: Decent work and economic growth** Promote sustained, shared and sustainable economic growth, full productive employment and decent work for all.
	Target 8.3: Promote development-oriented policies that [...] encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.
	Aim: Contribute to local economic development through employment, purchases and a presence throughout the country.
11 SUSTAINABLE CITIES AND COMMUNITIES	**SDG 11: Sustainable cities and communities** Make cities and human settlements inclusive, safe, resilient, and sustainable.
	Target 11.7.a: Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning.
	Aim: Contribute to maintaining the presence of dynamic points of sale in declining town centres and sensitive urban areas.

2.5.7.1 Supporting of the FDJ Group to the French regions

Through its activity, FDJ contributes to the economic development of the French regions, and notably supports local points of sale in rural and/or disadvantaged areas.

In accordance with the multi-year agreement signed in 2018 with the Tobacconists Confederation and the National Union of Newsagents, and following the reduction in fixed charges applied in 2018 for the benefit of small points of sale, the commission paid by FDJ to distributors on draw games and low-stakes scratch games increased in 2019, in step with a change in the sports betting commission. In 2019, distributors received total net PoS commissions of €865 million, an increase of 10% compared with 2018.

The Group has also maintained its moratorium on the application of the contractual clause imposing a minimum level of stakes to maintain FDJ's activity, thereby avoiding the forced closure of points of sale with very low levels of activity and contributing to the maintenance of local businesses, especially when the point of sale is the last remaining shop in the town. In addition, the Company organises local exchange commissions with local representatives of professional organisations of distributors to encourage the relocation or installation of points of sale in areas with lack of coverage, especially rural areas.

FDJ is also continuing its commitment to the Impact Création investment fund, created at the end of 2017 by Impact Partenaires, a socially responsible management company. This fund helps to create franchised businesses in the priority districts in urban policy (1,300 districts in mainland France) in order to revitalise commercial areas and support employment.

The company has also set itself the objective of helping its points of sale diversify their activities, thereby allowing them to attract new customers and generate additional income contributing to their sustainability. In 2019, the FDJ Group and the Tobacconists Confederation won the contract from the French Treasury for the outsourced collection of cash and bank card payments. The concession covers the collection of taxes, fines and payment for public services (nursery, canteen, hospitals, etc.), which will be available in the network of tobacconists from the summer of 2020. The Group and the Tobacconists Confederation plan to offer an innovative local payment solution on top of that launched in 2018 with Western Union for money transfers from FDJ terminals.

2.5.7.2 The FDJ Group's economic and social contribution

Study on FDJ's economic and social impact

To further assess its economic and social contribution in France, FDJ has renewed the study conducted by BIPE[1] (Office of Economic Information and Forecasting) since 2017[2]. In 2019, FDJ's contribution to France's gross domestic product (GDP) was evaluated at €5.7 billion, with 53,700 jobs created or maintained throughout the country, of which 21,900 in bars, tobacconists and newsagents, or roughly a quarter of jobs in that sector.

KPI: FDJ's contribution to gross domestic product (GDP)

2018	2019
€5.3 billion[3]	**€5.7 billion**

KPI: Number of jobs created or made permanent

2018	2019
52,200[3]	**53,700**

KPI: FDJ's contribution to jobs in the bar-tobacconist-newsagent sector

2018	2019
20,350	**21,900**

Distributors, mainly bars, tobacconists and newsagents, within the network of points of sale active for at least one period during 2019, represent 21,900 employees linked to FDJ's activity.

Local economic footprint through purchasing

FDJ also contributes to the creation of jobs in the regions through its purchases, made mainly in France, from suppliers with which it works directly and indirectly. In 2019, FDJ made 87% of its purchases, i.e. almost €425 million, in France (purchases outside of France are essentially forced purchases).

KPI: Share of value of purchases made from suppliers located in France

	2018	2019
FDJ	88%	87%
FDP	100%	100%
FGS France	94%	95%

In 2019, FDJ made nearly 87% of its purchases in France, i.e. almost €423m (compared with €408m in 2018). These purchases are made from suppliers located across almost the entire country (see map below). The Ile-de-France and Provence-Alpes-Côte d'Azur regions benefit from their closeness to the FDJ Group's sites.

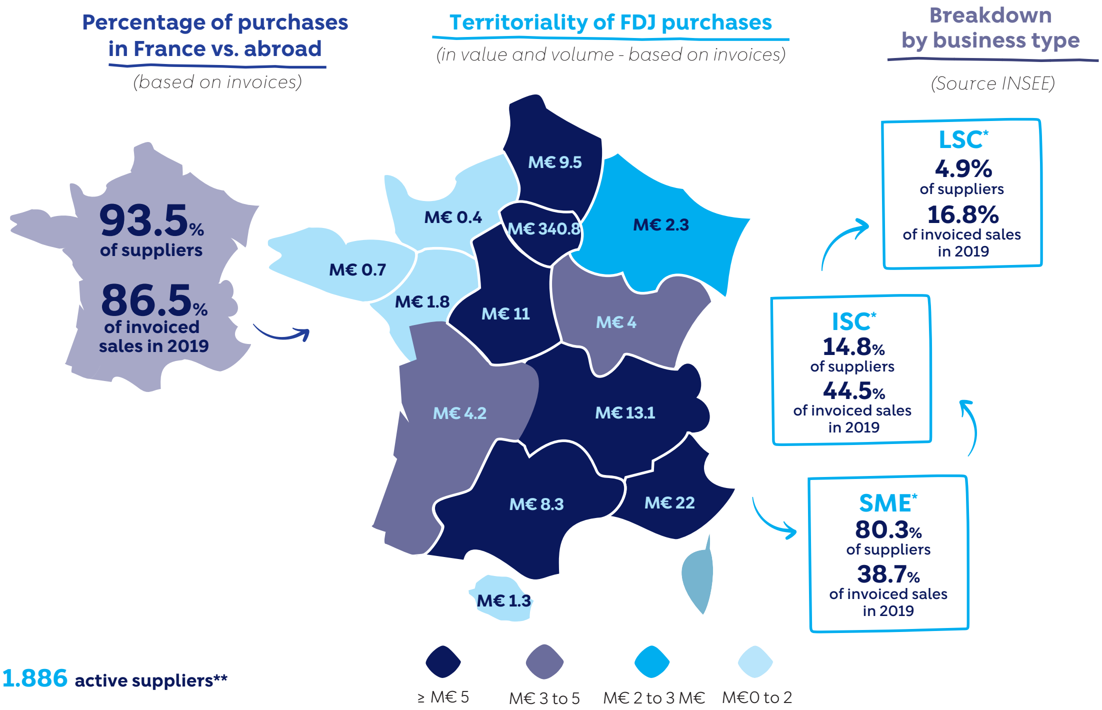
(1) *Strategy consulting firm.*

(2) *Methodology in line with the international and academic benchmark for the evaluation of economic impacts used by international organisations (UN, European Commission, etc.), and allowing unequivocal sector-based and international comparability of results.*

(3) The 2018 figure has been updated in line with the calculation methodology used in 2019.

LOCAL ECONOMIC FOOTPRINT OF FDJ'S PURCHASES IN 2019

Annual purchasing amount: **M€ 489,5**



* LSC: Large-sized companies - ISC: Intermediate-sized companies - SME: Small and medium-sized enterprises
** "Active suppliers": all suppliers who received an order and/or an invoice and/or a credit note in 2017

KPI: Proportion of purchases from SMEs and mid-sized companies

	2018	2019
FDJ	82%	83%
FDP	95%	70%
FGS France	95%	96%

Even though the share of FDJ's purchases made from SMEs and intermediate firms is stable, purchases were up by nearly 9% by value compared with 2018 (€297 million euros vs €273 million).

2.5.8 Environment

For many years, FDJ has been working to reduce its environmental footprint and help meet the challenges of preserving the environment and combating climate change. Its initiatives in this area accordingly contribute to the achievement of SDGs 13 and 15.

13 CLIMATE ACTION	**SDG 13: Climate action** Take urgent action to combat climate change and its impacts by regulating emissions and promoting developments in renewable energy.
	Target 13.2: Integrate climate change measures into national policies, strategies and planning.
	Aims: ◆ align the Group's greenhouse gas emissions with a 2°C trajectory; ◆ achieve carbon neutrality.
15 LIFE ON LAND	**SDG 15: Life on land** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and end biodiversity loss.
	Target 15.2: By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.
	Aims: Source paper from sustainably managed forests

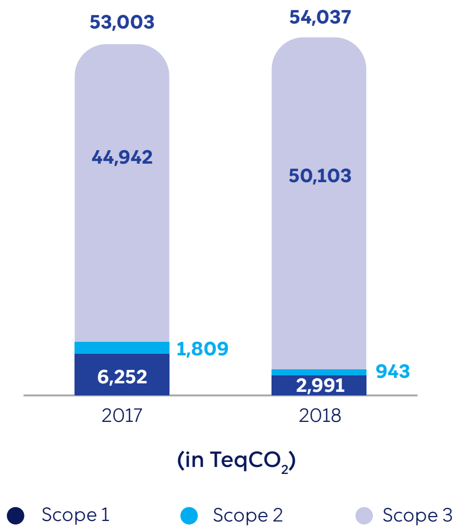
2.5.8.1 Reducing the FDJ Group's carbon impact

In 2008, FDJ embarked on an ambitious approach to reduce its greenhouse gas (GHG) emissions across its entire scope of responsibility (from its sites to its points of sale). Its most noteworthy initiatives include reducing its energy consumption, reducing the number of commercial vehicles and limiting their GHG emissions, recycling 80% of all PoS terminals and end-of-life furniture, and printing all gaming materials on paper from sustainably managed forests (FSC).

CO_2 emissions were cut by 8% between 2007 and 2017, despite vigorous compound annual growth in stakes of nearly 5% during the same period.

The measurement of GHG emissions reflects two distinct scopes: under the Company's direct responsibility (Scopes 1 and 2: energy consumption of buildings and fuel for company cars) and under its indirect responsibility (Scope 3: purchases of services, gaming materials, advertising, depreciation and amortisation, freight, fixed assets and IT equipment, travel and waste, etc.).

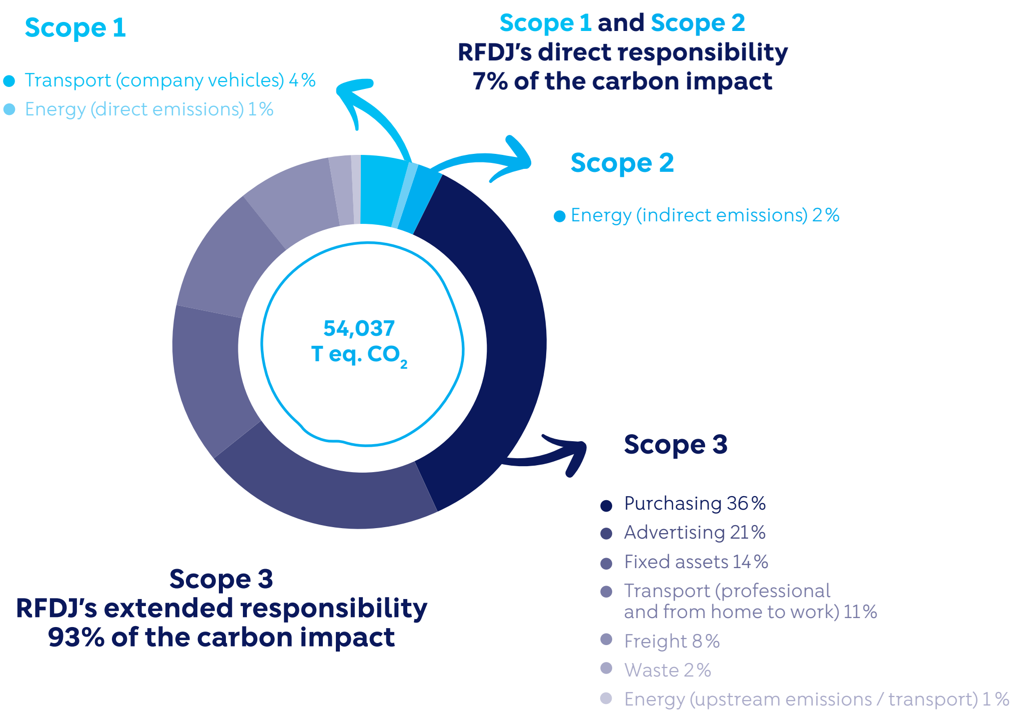
KPI: GREENHOUSE GAS EMISSIONS (ADEME METHOD)



In 2018, the Group emitted 54,037 Teq.CO_2 across all scopes (based on the Bilan Carbone® methodology). On Scopes 1 and 2, reflecting FDJ's direct responsibility, GHG emissions represented 1.80 Teq.CO_2 per employee.

Between 2017 and 2018, the Company's direct emissions (Scopes 1 and 2) fell largely on the back of a 30% reduction in energy consumption (electricity and gas) and an 85% reduction in consumption excluding energy (air conditioning). Over its entire scope of responsibility (from its sites to its points of sale), the Group's GHG emissions increased due to the relocations of the various Ile-de-France sites: increase in waste and fixed assets such as furniture (for employees' offices and meeting rooms), IT equipment (laptops and meeting room equipment)[1].

BREAKDOWN OF GREENHOUSE GAS EMISSIONS IN 2018 BASED ON THE ADEME METHODOLOGY



2.5.8.2 2025 targets

To fight global warming and preserve the environment, FDJ has strengthened its goals by drafting a new environmental policy[2] and setting a new course for reducing and offsetting greenhouse gas emissions by 2025.

Greenhouse gas (GHG) emission reduction target

FDJ has set itself the goal of reducing its GHG emissions by 20% between 2017 and 2025 across its entire scope of responsibility.

In 2019, the GHG emission reduction target was approved by the international Science Based Targets (SBT) initiative on the basis of scientific objectives, in line with the levels required by the Paris Agreement (capping the rise in global temperatures at 2°C).

The Group's GHG emissions have been measured using the GHG Protocol methodology[3], a unit of measurement used by Science Based Targets to define reduction targets. The main differences with the f® (ADEME) methodology come from "fixed assets[4]" and renewable energy[5].

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

(1) To limit its negative environmental impact from moving offices, FDJ donated part of its old furniture to charities and employees; other discarded furniture found a second life on the Group's new sites, and the rest was recycled by an approved provider.

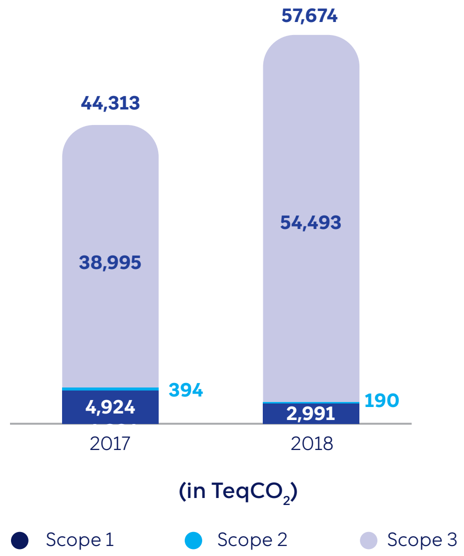
(2) This policy can be consulted on the website at www.groupefdj.com

(3) GHG Protocol methodology: the World Business Council for Sustainable Development (WBCSD) and the World Resources Institutes (WRI) have developed, in partnership with companies, NGOs and government representatives, a method of accounting and reporting GHG for businesses (direct and indirect emissions). This protocol, which is widely used around the world, served as the basis for ISO 14064-1: 2006

(4) The Bilan Carbone® methodology accounts for all fixed assets, whereas the GHG methodology only takes into account the emissions of fixed assets acquired over the year.

(5) The GHG Protocol methodology (market-based approach) accounts for emissions avoided through the purchase of renewable energy, unlike the ADEME methodology.

GREENHOUSE GAS EMISSIONS (GHG PROTOCOL METHODOLOGY – MARKET-BASED APPROACH)



The carbon reduction objective is broken down into four initiatives:

- FDJ's direct responsibility (Scopes 1 & 2):
  - reduce GHG emissions by 20%:

    In 2019, FDJ laid down a new vehicle policy to reduce the Carbon Footprint of its vehicles, notably by promoting plug-in hybrid and electric vehicles.

    An energy study (electricity, air conditioning, heating, etc.) was carried out to define ways to improve the reduction of energy consumption in buildings,
  - obtain 100% of energy from renewable sources: Since 2017, the electricity used on FDJ's sites has been 100% guaranteed as coming from renewable sources. The FDJ Group has set itself the objective of extending this initiative to all the branches of its FDP subsidiary by 2025;
- Indirect responsibility (scope 3):
  - reduce GHG emissions by 15% (excluding suppliers)

    A series of initiatives will be implemented to encourage cleaner travel, both on business (promoting video-conferencing and train travel) and for employees' personal travel (establishment of a business travel plan, promotion of teleworking, etc.).

    In 2019, FDJ evaluated the impact of its IT equipment on the environment via the WeGreenIT study[(1)], in partnership with WWF France. This study allowed:
    - to quantify the environmental footprint of FDJ's information systems
    - to assess the maturity of the Company in terms of GreenIT best practices.

      This study made it possible to enhance the initiatives already implemented (purchase of eco-labelled equipment, reallocation of equipment internally, reuse of thermal energy produced by the data centre, adaptation of the physical architecture of servers to their use, etc.) and identify areas for improvement to continue the Company's responsible digital approach in 2020,
  - commit 65% of Group suppliers to ambitious GHG emission reductions (i.e. 65% of GHG emissions related to the purchase of goods and services) and to environmentally responsible approaches.

Offset residual emissions

When included in part of a trajectory to reduce carbon emissions, carbon offsetting can help achieve the objective of overall carbon neutrality by 2050, which is necessary to cap global warming at 2°C by 2100. Carbon offsetting implies the neutralising of residual or incompressible GHG emissions through the funding of projects that either reinforce natural carbon sinks throughout the world (forests, oceans, etc.) or which improve technology. The FDJ Group has set itself the goal of being carbon neutral on the three scopes from 2019 by offsetting the emissions that could not be avoided. It is accordingly funding two projects certified Verified Carbon Standard for their reliability and their international recognition, notably by the UN.

- Project to preserve the Floresta de Portel forest located in Brazil. The aim of this project is to protect a fragile ecosystem by preventing and averting deforestation and by helping local populations develop sustainable and supervised forest management allowing the forest to regenerate naturally and to protect biodiversity. It also promotes the development of fair and sustainable income-generating activities, thanks to agroforestry and land management in the form of a forest conservation reserve.
- The "Ghandi" programme to develop wind energy in India. The Gandhi programme consists of developing clean and renewable energy in India (notably in Porbandar, Gandhi's birthplace), where 56% of energy demand is covered by coal, as well as developing a more stable and more accessible electric network (1 in 4 inhabitants does not have access to electricity in India) by developing wind energy. The project will not only reduce dependence on coal, but will also improve the environment and air quality.

(1) WeGreenIT study: the tools used to quantify environmental footprint and assess maturity are those developed by GreenIT.fr. The study quantifies the environmental footprint of each information system using a simplified Life Cycle Assessment (LCA) approach. The model and the impact factors have been validated by an independent consultant (Bureau Veritas). The data were collected by the companies, which were assisted by an expert in order to validate the consistency and uniformity of the information transmitted and, where necessary, to rework it.

2.5.8.3 Studying the financial risks linked to climate change

In a context in which the threat of climate change is an increasingly pressing issue, FDJ is studying the advisability of integrating climatic factors into the management of financial risks through the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures). Its study will allow FDJ to identify, assess and manage climate-related financial risks and opportunities, and to identify the gaps between the Company's current climate strategy and the TCFD recommendations, by prioritising the initiatives to be implemented.

2.5.8.4 Acting to preserve biodiversity

In addition to its commitment to the fight against global warming, FDJ is developing initiatives aimed at promoting biodiversity to preserve the planet's natural assets:

- Since 2012, 100% of scratch cards have been printed on paper from FSC®-certified sources. The FSC (Forest Stewardship Council®) label aims to preserve the world's forests. It promotes the diversity of species, preserves the soil, fauna and flora and helps combat the destruction of habitats and wetlands.
- In addition to international carbon offset projects, in 2019, FDJ began funding a project called "FSC Biodiversity Ecosystem Services" to preserve biodiversity in France. This innovative project aims to protect and restore French forest environments (Saint-Sylvestre, in Haute Vienne) for rare and endangered species. Some species, notably bats and birds, are also included on the IUCN red list[1]. The project is being implemented by IP Foret Services, holder of an FSC collective management certificate, and the tools used for it have been developed with NGOs including WWF France and expert naturalists.
- To help reduce the environmental impact of plastic, FDJ implemented a Zero Plastic initiative on its sites in 2019: disposable cups have been replaced by reusable plastic cups and thermos bottles have been distributed to each Group employee to replace plastic water bottles. This initiative will remove 911,000 cups and 50,000 plastic bottles (2018 measure).

2.5.8.5 Raising awareness of environmental preservation

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

A CSR COOC (online employee training in the Company's CSR policy) has to date trained 80% of FDJ employees in FDJ's environmental approach.

Conferences have been organised to make employees aware of the challenges of preserving the environment and the steps the Company is taking. In 2019, conferences were led by WWF France on the theme of responsible digital technology, and FDJ took part in European Sustainable Development Week to showcase its new environmental policy. In 2020, responsible digital technology will be a priority project, with the implementation of action plans drawn up at the end of 2019.

FDJ employees, very committed to preserving the environment, have created an association, Mon petit geste pour la planète (My small gesture for the planet) to share eco-responsible everyday practices.

(1) *International Union for Conservation of Nature.*

2.5.9 Appendix: additional monitoring indicators

The table below presents additional indicators to those associated with the risks of the non-financial information statement. It also constitutes a monitoring base necessary for managing CSR issues:

	Scope	2018	2019
Fuel oil consumption during the year	Group	0 litre	0 litre
Gas consumption during the year	FDP and Saint-Mard agencies	2,156,080 kWh PCI	298,646 kWh PCI
Electricity consumption during the year	FDP agencies, Boulogne-Billancourt sites (Delta, Aguesseau – excluding cold generators – Morizet), Saint-Mard, Saint-Witz, Villepinte and Vitrolles	21,443,350 kWh	19,263,930 kWh
Water consumption during the year	Vitrolles, Saint-Witz, Saint-Mard, Boulogne-Billancourt (Delta and Aguesseau) sites and FDP agencies	27,062 cu.m	12,471 cu.m
Share of waste recycled	Sites in Vitrolles, Boulogne-Billancourt (Delta and Aguesseau) and Paris Nord (Villepinte, Saint-Mard, Saint-Witz)	NC	55%
Information on occupational health and safety	Group		

FDJ has an occupational health and safety (OHS) management system. The Company has for several years been working to train and build awareness on the issues of security, prevention and risk analysis among its managers, employees, service providers and suppliers.
Developing an OHS prevention culture and sharing good practices remain clear and shared objectives for the FDJ Group.
The company uses an ISO 45001 approach and a control plan for its management system within the Group. It is also continuing work to improve the regulatory *intelligence,* external audit, progress monitoring and action plan and performance reporting relating to the functioning of its OHS management system.
This approach serves the FDJ Group's strategy, anticipates working methods and contributes to the attractiveness of the employer brand.
In 2019, FDJ signed agreements bearing on profit-sharing, teleworking and the Social Economic Committee (SEC), which are part of a virtuous approach to the development of "Better living and working together in the digital age" and corporate social responsibility.

	Scope	2018	2019
Absenteeism rate(1)	FDJ	3.44%	3.33%
	FDP	4.51%	4.82%
	FDI	1.31%	0.29%
	FDM	1.24%	4.07%
	Pacifique	0.89%	1.35%
	FGS France	2.48%	1.49%
	SGE	1.81%	3.13%
	FDJD	1.02%	1.17%
	FGS UK	2.34%	2.00%
Workplace accident frequency rate(1)	FDJ	2.53	5.78
	FDP	5.91	7.69
	FDI	0	0
	FDM	0	0
	Pacifique	0	0
	FGS France	7.97	0
	SGE	18.77	30.40
	FDJD	0	0
	FGS UK	15.74	0
Workplace accident severity rate(1)	FDJ	0.01	0.08
	FDP	NC	0.29
	FDI	NC	0
	FDM	NC	0
	Pacifique	NC	0
	FGS France	NC	0
	SGE	NC	0.90
	FDJD	NC	0
	FGS UK	NC	0

(1) The consolidation of Sporting Group into the above reporting is to be done gradually.

	Scope	2018	2019
Average wage of employees	FDJ	€4.25k	€4.32k
	Group	€4.27k	€4.32k
Median wage of employees	FDJ	€3.85k	€3.90k
	Group	€3.58k	€3.63k
Share of revenue from promotional item production orders placed in factories located in high-risk countries and certified SA 8000 or subject to a social audit	FDJ	100%	100%
Share of UCITS investments in socially responsible investment funds	FDJ	18.8%	20.4%
Attendance rate at Board of Directors meetings(2)	FDJ	89%	90.4%
Percentage of women on the Board of Directors(3)	FDJ	42%	40%(3)
Employee shareholding(4)	FDJ Group	5%	4.4%(4)

(2) The attendance rate for 2019 was calculated by averaging the attendance rate of each Member of the Board of Directors over the year.
(3) The percentage of women on the Board of Directors was calculated before FDJ's initial public offering, i.e. from 1 January 2019 to 21 November 2019.
(4) Employee shareholding as of 31 December 2019.

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

For the year ended December 31, 2019

To the FDJ Annual General Meeting of Shareholders,

In our capacity as Statutory Auditor of your company La Française des Jeux (hereinafter the "entity), appointed as an independent third party and accredited by COFRAC under number 3-1060 rév.2 (whose scope is available at www.cofrac.fr), we hereby report to you on the consolidated non-financial statement for the year ended December 31, 2019 (hereinafter the "Statement"), included in the Group management report pursuant to the legal and regulatory provisions of articles L.225-102-1, R.225-105 and R.225-105-1 of the French Commercial Code (Code de commerce).

The entity's responsibility

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

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

Independence and quality control

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

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

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

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

However, it is not our responsibility to comment on:

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

Nature and scope of our work

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

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

- we obtained an understanding of all the consolidated entities' activities, the description of the social and environmental risks associated with their activities and, the impact of these activities on compliance with human rights and anti-corruption and tax evasion legislation, as well as the resulting policies and their outcomes;
- we assessed the suitability of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III, as well as information regarding compliance with human rights and anti-corruption and tax evasion legislation;
- we verified that the Statement includes an explanation for the absence of the information required under article L.225-102-1 III, 2;

- we verified that the Statement presents the business model and the principal risks associated with the entity's activities all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under article R.225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e., all the companies included in the scope of consolidation in accordance with article L.233-16, within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
- for the key performance indicators and other quantitative outcomes that we considered to be the most important and that are listed in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
  - substantive tests, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities, i.e La Française des Jeux and la Française de Proximité and covers around 77% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important and that are listed in the Appendix;
- we assessed the overall consistency of the Statement based on our knowledge of all the entities included in the consolidation scope.

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

Means and ressources

Our work was carried out by a team of 6 people between beginning of November 2019 and mid-February 2020 and took a total of 5 weeks.

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

Conclusion

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

Neuilly-sur Seine, March 20, 2020

One of the Statutory Auditors

PricewaterhouseCoopers Audit

Jean-Paul Collignon	Pascal Baranger
Partner	Sustainable Development Director

Appendix: List of the information we considered most important

Key performance indicators and other quantitative results:

- Global compliance rate to Responsible Gaming and Security criteria;
- Portion of distributors trained to Responsible Gaming;
- Donations related to Responsible Gaming partnership;
- Big prize winners data;
- Playscan™ players rate;
- Number of games/relaunched games controlled by the universal matrix Serenigame®;
- Number of declarations for suspicions to TRACFIN;
- Number of employees GDPR aware;
- Headcount as of December 31, 2019 and split by age;
- Portion of women in the Company, as manager and within the Board of Directors;
- Number of disabled people;
- Number and portion of work-study people;
- Total training hours;
- Percentage of salaries dedicated to training;
- Percentage of people trained during the year;
- Percentage of people trained to "COOC" since its launch;
- Number of trained people to ethics;
- Number of trained people to sport integrity in 2019;
- Average and Median salary;
- Frequency and gravity rates;
- Absenteeism rate;
- Number of collective agreements signed during the year;
- Average rating of wellness at work;
- Commitment rate;
- Attendance rate to Board meetings;
- Employees shareholding;
- Percentage of purchases from French suppliers;
- Percentage of purchases from SMEs;
- Amount of purchases from ESAT and EA;
- Financial amounts granted by the FDJ Foundation;
- Number of associations partners to the Social Laboratory;
- Number of jobs created or maintained;
- FDJ contribution in terms of jobs in the Bars, Tobacconists and Newsagents sector;
- FDJ contribution to the Gross Domestic Product;
- Percentage of Socially Responsible Investments within UCITS;
- Percentage of promotional items purchased in risky and SA8000/social audit certified countries;
- Consumption of fuel, gas, electricity and water during the year;
- Percentage of recycled wastes;
- Greenhouse gas emission.

Qualitative information (actions and results):

- Distributors and salesforce training using COOC, to refuse to sell to underage persons;
- Awareness campaign related to prohibition of underage sports betting;
- Awareness campaign promoting excessive gambling prevention tools (Playscan™);
- Support of big prize winners thanks to thematic workshops;
- Consultation of the matrix dedicated to analyze sports betting offer;
- Deployment of an anti-money laundering network and training of the referent persons;
- Improvement of the detection of unusual behavior – observation of Safergame tool;
- Observation of the "Privacy by customers" method related to cookies acceptance;
- Consultation of the ethic and anti-money laundering code of conduct;
- Guide to alert on the risks of non-compliance to the competition law;
- Presentation of "Signale!" project;
- Participation to the international taskforce in charge of the supervision of the Women Worldwide Cup;
- Employees training to fight against match-fixing;
- Process optimization of supplier management and payments;
- Consultation of the training program and GPEC approach;
- Implementation of a Group employee savings plan;
- Signature of an agreement related to softer e-working rules;
- Review of actions plan dedicated to work-study persons;
- Signature of the Manifesto in favor of disabled people economic inclusion;
- Participation to the national Mix'it program with FACE (Fondation Agir Contre l'Exclusion);
- Presentation of the diagnostic tool (Wittyfit) to employees and managers;
- Presentation of the new criteria considered in the commitment rate calculation;
- ARI project support through FDJ Foundation (steering committee);
- Review of the Social Laboratory committee minutes;
- Organisation of the "ELLE ACTIVE SPORT" event and the "customers workshops";
- Review of the minutes with Joint committee and professional bodies;
- Definition of the new environmental policy;
- Objective of a reduction of greenhouse gas impact, approved by Science Based Targets (SBT);
- Presentation of the project for the preservation of Floresta de Portel forest in Brazil;
- Financing of the project "Ecosystem Services FSC Biodiversity";
- Implementation of "Zero-plastic" objective.

3

2019 consolidated financial statements

3.1

CONSOLIDATED INCOME STATEMENT

The financial statements are presented in millions of euros, rounded to the nearest hundred thousand euros. They may therefore contain rounding differences.

In millions of euros	Note	2019	2018
Stakes	*4.1*	*17,239.5*	*15,817.0*
Player payout	*4.1*	*(11,698.6)*	*(10,697.5)*
Gross Gaming Revenue	**4.1**	**5,540.9**	**5,119.6**
Public levies	*4.1*	*(3,498.0)*	*(3,261.8)*
Structural allocations to counterparty funds	*4.1*	*(127.8)*	*(83.4)*
Other revenue from sports betting	*4.1*	*9.7*	*0.0*
Net Gaming Revenue	**4.1**	**1,924.8**	**1,774.3**
Revenue from other activities	**4.1**	**30.8**	**28.3**
Revenue	**4.1**	**1,955.6**	**1,802.6**
Cost of sales	4.2.1	(1,191.0)	(1,100.5)
Marketing and communication expenses	4.2.1	(330.4)	(277.1)
General and administrative expenses	4.2.1	(173.1)	(175.1)
Other recurring operating income		0.6	2.1
Other recurring operating expenses		(9.7)	(0.8)
Recurring operating profit	**4.2.1**	**252.0**	**251.1**
Other operating income	4.2.3	4.0	10.3
Other operating expenses	4.2.3	(67.3)	(4.7)
Operating profit		**188.7**	**256.7**
Cost of debt	9.4	(2.3)	(0.9)
Other financial income	9.4	23.8	6.3
Other financial expenses	9.4	(0.9)	(6.8)
Net Financial income/(expense)	**9.4**	**20.6**	**(1.5)**
Share of net income from joint ventures	10	2.0	0.8
Profit before tax		**211.3**	**256.0**
Income tax expense	11.1	(78.3)	(85.6)
NET PROFIT FOR THE PERIOD		**133.0**	**170.4**
Attributable to			
◆ Owners of the parent		133.0	170.4
◆ Non-controlling interests		0.0	0.0
Basic earnings (loss) per share *(in euros)*	**12**	**0.70**	**0.89**
Diluted earnings (loss) per share *(in euros)*	**12**	**0.70**	**0.89**

3.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In millions of euros	2019	2018
Net profit for the period	**133.0**	**170.4**
Cash flow hedging	(2.6)	0.3
Taxes related to cash flow heding	0.9	(0.2)
Change in currency translation differences	1.2	(0.1)
Items that may be subsequently transferable to profit or loss	**(0.5)**	**0.0**
Actuarial gains and losses	(3.1)	4.6
Taxes on actuarial gains and losses through other comprehensive income	0.5	(1.2)
Items that may not be subsequently transferable to profit or loss	**(2.7)**	**3.3**
Other comprehensive income	**(3.1)**	**3.3**
TOTAL COMPREHENSIVE INCOME/(EXPENSE)	**129.9**	**173.7**
Attributable to		
◆ Owners of the parent	129.9	173.7
◆ Non-controlling interests	-	-

3.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.3.1 Assets

In millions of euros	Note	31.12.2019	31.12.2018
Goodwill	6	56.4	1.1
Exclusive operating rights	7.1	370.7	0.0
Other intangible assets	7.1	148.3	103.7
Property, plant and equipment	7.2	394.0	378.8
Non-current financial assets	9.1	584.3	780.6
Other non-current financial assets	9.1	14.5	12.8
Non-current assets		**1,568.2**	**1,277.0**
Inventories	4.8	10.5	8.7
Trade and distribution network receivables	4.5.1	469.8	411.5
Other current assets	4.5.2	314.8	268.3
Tax payable assets	11.2	18.9	18.6
Current financial assets	9.1	272.2	55.8
Cash and cash equivalents	9.1	201.5	167.2
Current assets		**1,287.8**	**930.2**
TOTAL ASSETS		**2,856.0**	**2,207.2**

3.3.2 Liabilities

In millions of euros	Note	31.12.2019	31.12.2018
Share capital	13.1	76.4	76.4
Reserves and retained earnings	13.4	358.0	314.8
Other reserves	13.4	(1.5)	0.2
Currency translation differences	13.4	3.3	2.1
Net profit attributable to owners of the parent	13.4	133.0	170.4
Equity attributable to owners of the parent		**569.2**	**563.9**
Non-controlling interests		0.0	0.0
Shareholders' equity		**569.2**	**563.9**
Provisions for pensions and other employee benefits	5.3	56.9	45.6
Non-current provisions	8	49.3	37.6
Deferred tax liabilities	11.2	24.9	19.2
Non-current player funds	4.4	0.0	108.7
Non-current financial liabilities	9.1	229.7	96.1
Non-current liabilities		**360.9**	**307.2**
Current provisions	8	16.7	24.9
Supplier and distribution network payables	4.6.1	411.6	369.3
Current tax liabilities	11.2	0.7	1.3
Current player funds	4.4	156.6	213.8
Public levies	4.6.2	414.8	357.2
Winnings payable and distributable	4.6.3	189.3	171.7
Other current liabilities	4.6.4	169.6	155.9
Payables to the French State with respect to exclusive operating rights	4.6.5	380.0	0.0
Current financial liabilities	9.1	186.5	41.8
Current liabilities		**1,925.9**	**1,336.0**
TOTAL LIABILITIES		**2,856.0**	**2,207.2**

3.4

CONSOLIDATED STATEMENT OF CASH FLOWS

In millions of euros	Note	2019	2018
Operating activities			
Consolidated net profit for the period		**133.0**	**170.4**
Change in depreciation, amortisation and impairment of non-current assets		121.2	64.5
Change in provisions		13.9	6.3
Gains/losses on disposals		0.1	(9.5)
Income tax expense		78.3	85.6
Other non-cash items included in the consolidated income statement		0.3	0.0
Financial result		(20.6)	1.5
Interest received		9.1	2.9
Share of net income from joint ventures		(2.0)	(0.8)
Non-cash items		**200.3**	**150.5**
Use of provisions – payments		**(7.3)**	**(8.7)**
Income tax paid		**(76.5)**	**(92.9)**
Change in trade receivables and other current assets		(118.3)	(120.1)
Change in inventories		(1.8)	1.4
Change in trade payables and other current liabilities		76.9	145.9
Change in other components of working capital		(1.7)	(1.4)
Change in operating working capital		**(44.8)**	**25.8**
Net cash flow from/(used in) operating activities	**9.3**	**204.7**	**245.1**
Investing activities			
Acquisitions of tangible and intangible assets [a]		(67.1)	(92.9)
Acquisitions of securities [b]		(111.8)	0.0
Disposals of property, plant and equipment and intangible assets		0.1	14.7
Change in current and non-current financial assets		(2.7)	(18.1)
Disposals of other financial assets		0.0	0.1
Change in loans and advances granted		1.8	(3.6)
Dividends received from joint ventures and shareholdings		0.7	0.7
Other		1.0	(0.2)
Net cash flow used in investing activities	**9.3**	**(178.0)**	**(99.4)**
Financing activities			
Long-term debt issue[c]		113.3	0.0
Repayment of the current portion of long-term debt		(8.0)	(8.0)
Repayment of lease liabilities [d]		(7.1)	0.0
Dividends paid to ordinary shareholders of the parent company		(118.3)	(126.1)
Interest paid		(1.8)	(0.4
Other		(3.8)	0.0
Net cash flow used in financing activities	**9.3**	**(25.7)**	**(134.5)**
Impact of changes in exchange rates		0.2	0.5
Net Increase/(decrease) in net cash [e]	**9.3**	**1.3**	**11.7**
Cash and cash equivalents at 1 January		167.2	165.8
Cash and cash equivalents at 31 December		201.5	167.2
Current bank overdrafts at 1 January		(7.2)	(17.5)
Current bank overdrafts at 31 December		(40.2)	(7.2)
Increase/(decrease) in net cash		**1.3**	**11.7**

(a) Acquisitions of property, plant and equipment and intangible assets relate to developments of production and back-office information systems and gaming terminals, as well as the development of the headquarters and items of point-of-sale furniture.

(b) Payments related to the acquisition of Sporting Group amount to €111.8 million.

(c) A loan of £100 million was taken out as part of the acquisition of Sporting Group.

(d) Repayment of lease liabilities (IFRS 16) corresponds to the rent paid.

(e) Net cash includes bank overdrafts.

3.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In millions of euros	Share capital	Reserves and retained earnings	Other reserves (transferable equity)	Currency translation differences	Net profit/(loss) attributable to owners of the parent	Equity attributable to owners of the parent	Interest attributable to non-controlling interests	Total equity
EQUITY AT 31.12.2017	**76.4**	**254.8**	**5.6**	**2.2**	**180.7**	**519.8**	**0.4**	**520.2**
Net profit for 2018					***170.4***	***170.4***	***0.0***	***170.4***
Change in currency translation differences				(0.1)		(0.1)		(0.1)
Other comprehensive income (OCI)		3.3	0.1			3.5		3.5
Total comprehensive income/(expense)	**0.0**	**3.3**	**0.1**	**(0.1)**	**170.4**	**173.7**	**0.0**	**173.7**
Allocation of 2017 net profit		180.7			(180.7)	0.0		0.0
2017 dividends paid		(130.0)				(130.0)		(130.0)
Other[(1)]		6.1	(5.6)			0.4	(0.4)	0.0
EQUITY AT 31.12.2018	**76.4**	**314.8**	**0.2**	**2.1**	**170.4**	**563.9**	**0.0**	**563.9**
Net profit for 2019					***133.0***	***133.0***	***0.0***	***133.0***
Change in currency translation differences				1.2		1.2		1.2
Other comprehensive income (OCI)		(2.7)	(1.7)			(4.3)		(4.3)
Total comprehensive income/(expense)	**0.0**	**(2.7)**	**(1.7)**	**1.2**	**133.0**	**129.9**	**0.0**	**129.8**
Allocation of 2018 net profit		170.4			(170.4)	0.0		0.0
2018 dividends paid		(122.0)				(122.0)		(122.0)
Other [(2)]		(2.6)				(2.6)	0.0	(2.6)
EQUITY AT 31.12.2019	**76.4**	**358.0**	**(1.5)**	**3.3**	**133.0**	**569.2**	**0.0**	**569.2**

(1) In 2018, other comprehensive income relating to the fair value of available-for-sale financial assets, net of tax, was reclassified from "other reserves" to "reserves and retained earnings" following the first-time application of IFRS 9 as of 1 January 2018.

(2) The amount of €2.6 million includes the offsetting entry of IFRS 2 expense for the Employee offering for €5.5 million, the loss on treasury shares transactions for €9.1 million and the related tax impact of €1.2 million.

Income and expenses recognised directly in equity consist primarily of actuarial gains and losses on pension obligations (2018 and 2019). Non-transferable equity (actuarial gains and losses net of deferred taxes), included in reserves and retained earnings, amounted to a negative €7.1 million and a negative €4.4 million as at 31.12.2019 and 2018, respectively.

3.6

NOTES

NOTE 1
Overview of the Group

1.1. General information

FDJ is a French semi-public limited company governed by all the laws applicable to commercial companies in France, in particular the provisions of the French Commercial Code, subject to the provisions of the legal framework as described in note 1.2. Its headquarters are located at 3/7, quai du Point du Jour 92650 Boulogne-Billancourt.

The consolidated financial statements for the year ended 31 December 2019 reflect the financial position of the parent company FDJ SA and its subsidiaries ("the Group") and the results of their operations, as well as the Group's shareholdings in joint ventures. They are prepared in euros, the functional currency of the parent company.

As at 31 December 2019, the Group, which comprises 27 consolidated entities, is a gaming operator and distributor in France, mainland France and French overseas departments, four French overseas territories and Monaco. It operates internationally in particular through shareholdings in the following companies:

- BZP (Beijing Zhongcai Printing), a Chinese lottery ticket printer;
- SLE (Services aux Loteries en Europe), the Belgian cooperative company created as part of the Euro Millions lottery to provide draw services and administration for the participating lotteries;
- LEIA (Lotteries Entertainment Innovation Alliance AS), a Norwegian joint-venture operating a digital gaming platform;
- FGS UK (formerly named LVS), a British company, which develops the technology for the Group's sports betting;
- FGS Canada, a Canadian sports betting technology development company created in May 2019;
- Sporting Group, a British group, which comprises 12 companies, acquired in May 2019.

1.2. Regulatory background of the FDJ Group (the Group)

FDJ operates in the heavily-regulated gaming sector which is strictly monitored by the French State.

For the activities over which it exercises exclusive rights, namely sports bets sold in points of sale and lottery games (draw games and instant games) offered on line and in points of sale, FDJ is legally obliged to meet public interest objectives including "ensuring the integrity, safety and reliability of gaming operations and ensuring their transparency; manage the demand for gaming via a channel controlled by the public authority in order to prevent risks of gambling operations being used for fraudulent or criminal purposes and to combat money laundering, and supervising gaming consumption in order to prevent the onset of addiction".

The Minister in charge of the Budget is responsible for regulating all the monopoly activities of FDJ. He is assisted in his duties by the French Consultative Committee of games under exclusive rights (Commission Consultative des Jeux sous Droits Exclusifs – COJEX), which is made up of representatives of public authorities and experts on addiction and gambling regulation, whose composition and powers were extended by Decree No. 2016-1488 of 3 November 2016. FDJ's annual gaming programme and its Responsible Gaming and anti-fraud and -money laundering action plans are thus subject to the approval of the Minister in charge of the Budget, upon delivery of opinion of the COJEX.

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

From 2020, FDJ's regulatory environment will change following the adoption of the Action Plan for Business Growth and Transformation (known as the Pacte law) (see 1.3.1 – Initial public offering of FDJ on Euronext Paris).

1.3. Highlights

1.3.1. Initial public offering of FDJ on Euronext Paris

The company has been listed on Euronext since 21 November 2019. The listing took place the day after the issuance of the decree by which the Minister for the Economy and Finance set the price and terms of allocation of FDJ shares within the framework of the sale by the French State of a maximum number of 99,320,000 shares representing a maximum of 52% of FDJ's share capital:

- a Global Placement intended chiefly for institutional investors in France and internationally: €19.90 per share (upper end of the indicative price range);
- an Open Price Offering intended chiefly for individuals and FDJ distributors: €19.50 per share, i.e. a discount of 2% to the Global Placement price, and also permitting the delivery, under certain conditions, of one additional share for every ten shares purchased and kept for 18 months;
- an Over-Allotment Option relating to the sale by the French State of additional FDJ shares representing a maximum of 15% of the cumulative number of shares sold under the Global Placement and the Open Price Offer;
- an Employee Offering.

As the over-allotment option was exercised in full, the French State ultimately sold 99,320,000 shares, 40.5% of which were allocated to individuals and FDJ distributors. Following the IPO, the free float represented over 50% of the number of existing shares.

The IPO followed the adoption of the Pacte law of 22 May 2019 (law 2019-486 on business growth and transformation), which authorised the Government to transfer the majority of the Company's capital to the private sector, as well as the instruments adopted for its application.

Bruno Le Maire, the Minister for the Economy and Finance, stressed that the transfer of the Company does not call into question the fact that "the activity of La Française des Jeux will remain under the close control and strict regulation of the French State".

This close control of the activity of the Company and its governance, the methods of which are set notably by decrees 2019-1060 of 17 October 2019 on the terms of application of the close control of the government on La Française des Jeux and 2019-1061 of 17 October 2019 on the supervision of the gaming offer of La Française des Jeux and Pari Mutuel Urbain, is one of the provisions accepted in exchange for the confirmation of exclusive operating rights for lottery games sold in the offline distribution network and online, and sports betting sold in the offline distribution network, granted by the Pacte law enacted 23 May 2019 for a period of up to 25 years.

Order No. 2019-1015 of 2 October 2019 reforming the regulatory framework of gambling sets the duration of operation by FDJ of exclusive rights at 25 years. This order also specifies that a financial consideration is payable by FDJ in this respect. This payment will be made on 30 June 2020 at the latest. Consequently, an intangible asset corresponding to the securing of these rights and amortised from the date of promulgation of the Pacte law, has been recognised for an amount of €380 million in consideration of a payable to the French State. This amount was set by the approved specification document, upon assent of the French Commission for Participations and Transfers (Commission des Participations et des Transferts), by decree 2019-1060 of 17 October 2019 on the terms of application of the close control of the government on La Française des Jeux.

These changes in the supervision of FDJ and its gaming activities are part of the broader reform of the gambling industry ushered in by the government order of 2 October 2019 and the instruments adopted for its application, which notably provide for the establishment of a new French gaming regulatory authority (Autorité nationale des jeux – ANJ), which in 2020 will replace notably the online gaming regulator (Autorité de régulation des jeux en ligne – ARJEL), and will see its powers extended to gaming and betting activities operated under the exclusive rights granted to FDJ and PMU.

Article 138 of the law amends the tax rules applicable to gaming, notably by providing for a change in the base for public levies applicable to lotteries and sports betting, both online and in the offline distribution network, from stakes to Gross Gaming Revenue and taxed betting, which will be applicable from 1 January 2020.

The same article also provides that the regulated funds referred to in articles 13 and 14 of Decree 78-1067 of 9 November 1978 and articles 14 and 15 of Decree 85-390 of 1 April 1985 will be closed as from 1 January 2020. The sums held in these funds will be paid to the French State before the end of 2022. This covers the counterparty and permanent funds (presented in non-current player funds), together with the reserve funds (presented in current player funds) holding unclaimed prizes, with the exception of first-rank prizes and stakes wagered on pooled sports betting games or traditional draw games, as well as first-rank prizes and winnings from additional draw games. These funds were reclassified as current financial debt as of 30 June 2019.

To compensate the payment of funds intended to cover counterparty risk on lottery activities, FDJ has concluded an insurance contract designed to cover these risks from 1 January 2020 (see 16.2 – Other commitments).

1.3.2 Acquisitions

1.3.2.1 Acquisition of Spynsol, the entity holding all the activities of Sporting Group

At the end of May 2019, the Group acquired Sporting Group, one of the world leaders in technology and trading for sports betting operators, with the Sporting Solutions and Sporting Index brands, to strengthen its B2B[1] offer and accelerate its international development.

Through its subsidiary FGS, FDJ holds 100% of the capital of the Sporting Group holding company, fully consolidated and acquired for an amount including cash of £103 million (€116 million), financed through external debt for an amount of £100 million.

Sporting Group offers two activities in line with the FDJ Group's strategy:

- provision of services to sports betting operators (B2B): sale of pricing and risk management services to sports betting operators, disclosed in the "Revenue from other activities" line of the consolidated income statement;
- B2C[2] sports betting offer, broken down between:
  - a "spread[3]" offer marketed in the United Kingdom and Ireland by Sporting Index, which has market share of 70% in the UK, generating NGR disclosed in the "Other sports betting activities" line of the consolidated income statement,
  - a classic fixed-odds sports betting offer generating NGR, which breakdown in the consolidated income statement is identical to that of the Group's sports betting activity, namely stakes, player payout and public levies.

Sporting Group's assets and B2B know-how in managing sports betting offer and risk management are highly complementary to the Group's current assets and expertise. Sporting Group is located in the United Kingdom, South Africa, Canada and Sweden. It has nearly 300 employees, had revenue of nearly £39 million in 2018 and has around forty clients.

These services include event life cycle management, continuous odds with the management of data related to match status and risk management.

To operate these activities, Sporting Group holds licences obtained from the UK Gambling Commission in Great Britain and the Financial Conduct Authority (for spread betting).

In addition, Sporting Group operates a proprietary trading activity considered as non-core by FDJ, and which will therefore be discontinued.

1.3.2.2 Bimedia acquisition in progress

On 25 November 2019, FDJ announced the signing of an agreement for the purpose of the acquisition of Bimedia, from IDinvest Partners, a software publisher specialising in point-of-sale collection and payment solutions.

The acquisition of Bimedia would allow FDJ to accelerate the development of its "Payment and Services" activity, which is part of its 2025 plan. FDJ thereby confirms its commitment to supporting the development and modernisation of its distribution network by offering value-added services.

The completion of the transaction is subject to the usual conditions precedent for this type of transaction, in particular the approval of the French Antitrust body, the "Autorité de la Concurrence".

(1) B2B means commercial and marketing activities carried out between businesses.

(2) B2C means commercial and marketing activities carried out with final customers.

(3) Spread betting consists in betting whether a number of actions during a game will be above or below a range of actions (spread).

NOTE 2

Accounting principles and framework

2.1. Basis for preparation of the financial statements

The consolidated accounts of FDJ and its subsidiaries ("the Group"), which are published for 2019 financial year, were prepared in accordance with International Financial Reporting Standards (IFRS), as adopted in the European Union at 31 December 2019.

The Board of Directors held on 12 February 2020 approved the consolidated financial statements for the year ended 31 December 2019.

These notes to the consolidated financial statements present the accounting principles in the same section as the comments on the figures in order to facilitate the reading of the financial statements.

2.1.1 Mandatory standards, interpretations and amendments at 1 January 2019

Since 1 January 2019, the Group has applied IFRS 16 Leases and IFRIC 23 Uncertainty over Income Tax Treatments.

IFRIC 23 Uncertainty over Income Tax Treatments does not have an impact on the Group's financial statements.

Other amendments and interpretations (amendment to IFRS 9 on prepayment features with negative compensation, amendment to IAS 28 on long-term interests in associates and joint ventures, amendment to IAS 19 on plan amendment, reduction or liquidation) as well as the annual improvements (2015-2017 cycle) approved by the European Union and applicable for the first time to financial years beginning on or after 1 January 2019 did not have an impact on the Group's financial statements.

2.1.1.1 First-time application of IFRS 16 "Leases"

IFRS 16 "Leases", applicable to financial periods beginning on or after 1 January 2019, requires lessees to recognise:

- an asset corresponding to the right to use the leased property;
- a lease liability representing the present value of future rents.

The Group has chosen to apply the modified retrospective method provided by IFRS 16 and to adopt the exemptions related to short-term and low-value leases (less than €5,000).

The discount rate used is the incremental borrowing rate, i.e. that which the Group would be required to pay for borrowings over a similar term and with a similar guarantee. It corresponds to the rate on 1 January 2019 for all leases outstanding on that date and takes into account the remaining term of the leases from the date of first-time application.

On this basis, right-of-use assets as at 1 January 2019 correspond to the amount of lease liabilities, i.e. €33 million. The underlying assets related to rights of use correspond to property assets. The right-of-use assets appear in tangible assets on the assets side of the consolidated statement of financial position, and the corresponding liabilities are presented in current and non-current financial liabilities depending on their maturity.

The difference between the commitments on real estate and vehicle leases (€37.3 million as at 31 December 2018) and the lease liability as at 1 January 2019 (€33.0 million) was €4.3 million. It corresponds mainly to the car fleet, which is excluded from the calculation of IFRS 16 given its immaterial nature (total amount of €2.9 million), and the low value of the individual leases (€0.8 million). Other items, including discouting effect, are not material overall.

As at 31 December 2019, right-of-use assets (in gross value) break down as follows:

In millions of euros	31.12.2019
First-time application of IFRS 16 Leases – Right of use	**33.5**
New leases	2.1
Lease terminations	(0.1)
Changes of scope	2.4
Right of use at 31 December 2019	**38.0**
Total cash outflows in respect of leases	7.1

The application of the standard results in a positive impact of €7.1 million on EBITDA and in the creation in the Consolidated Cash Flow Statement of a "Repayment of lease liabilities" line of the same amount in financing activities, corresponding to rents paid.

No deferred tax related to the first-time application of IFRS 16 has been recognised.

2.1.1.2 Texts not yet adopted by the European Union

- IFRS 14 (regulatory deferral accounts)
- IFRS 17 (insurance contracts)
- Amendments to IFRS 10 and IAS 28 (sales or asset contribution between the Group and the entities accounted for by the equity method)
- Amendments to references to the IFRS conceptual framework
- Amendments to IFRS 3 (definition of a business)
- Amendments to IAS 1 and IAS 8 (definition of material)

These texts are currently being studied. At this stage, the Group does not anticipate a material impact.

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

No applicable standard or interpretation was applied early as of 31 December 2019.

2.2. Accounting principles

The main accounting methods 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 going concern and independence of financial years. They have been prepared on a historical cost basis, with the exception of financial assets and liabilities (see Notes 4.4, 4.5, 4.6, 8.1 and 8.2 below).

Assets and liabilities are presented in the statement of financial position, broken down between current and non-current items.

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

- the entity expects to realise the asset as part of its normal operating cycle (inventories, trade receivables) or in the 12 months following the reporting date;
- the entity holds the asset primarily for the purpose of trading (financial assets at fair value through profit or loss); or
- the asset consists of cash or cash equivalents.

All other assets are classified as non-current.

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

- the entity expects to settle the liability as part of its normal operating cycle (trade payables) or in the 12 months following the reporting date; or
- 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 for the year ended 31 December 2019 include the financial statements of the parent company, FDJ SA, the controlled subsidiaries and joint ventures.

Control is determined by the practical ability to exercise a right to manage the key activities (that have a major impact on returns), exposure to variable returns (dividends, changes in fair value, tax savings) and the ability to affect those returns.

Subsidiaries, which are the entities in which the Group holds a shareholding representing more than half of the voting rights or which it controls, directly or indirectly, are fully consolidated.

Joint ventures, in which the Group exercises joint control and over which it has direct or indirect rights to the net assets, are accounted for under the equity method.

All the companies have a 31 December year-end.

Transactions between the consolidated companies, as well as internally generated profits, are eliminated.

2.2.2 Foreign currency translation

The consolidated financial statements are presented in millions of euros, unless otherwise stated.

Transactions denominated in foreign currency are translated at the prevailing exchange rate at the time of the transaction. Receivables and payables denominated in foreign currency are translated at the exchange rate applicable at the reporting date. Currency 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 prevailing at the date of the statement of financial position for assets and liabilities, and using the average exchange rate of the period for income and expense items.

Currency translation differences are recognised directly in other comprehensive income within “currency translation differences” and are recognised in the income statement of the year during which the business is sold.

The acquisition of Sporting Group in the United Kingdom was made in pounds sterling. External debt has been taken out in sterling in order to hedge this group’s equity against foreign exchange risk. On the date of implementation of the hedge, net assets in foreign currency (£103 million including the cash acquired) were greater than the notional amount of the hedge (£100 million).

In accordance with IAS 39.102 and IAS 21.8, exchange differences on external debt considered as the effective part of the hedge will be recognised in consolidated equity until the date of disposal of Sporting Group. This offsets the translation differences recognised on the consolidation of the entities of this group. The ineffective portion of the hedge is recognised immediately in financial income/(expense).

2.2.3 Estimates and judgements

Preparation of the financial statements in accordance with IFRS requires management to make judgements to define the accounting treatment in the financial statements.

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

	Topic	Most materials sources of estimates of future earnings and/or cash flows
Note 5	Employee benefits	Sensitivity to the discount rate, termination assumptions
Note 6	Goodwill	Sensitivity to the discount rate, to the business plan assumptions affecting the expected cash flows
Notes 7.1 & 7.2	Intangible assets and property, plant & equipment	Useful life and recoverable amount
Notes 9.1 & 9.2	Financial assets	Fair value of assets not quoted on active markets

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

These judgements and estimates influence the application of the accounting methods and the amount of assets and liabilities and income and expenses.

NOTE 3
Acquisition of Sporting Group

On 30 May 2019, FDJ finalised the acquisition of 100% of Sporting Group, which has been controlled and fully consolidated by FDJ since that date. The acquisition price was £103 million (€116 million), funded by external debt of £100 million. The initial price included an earn-out mechanism in respect of 2019 EBITDA, estimated and recognised as a financial liability for £3.5 million, which will ultimately not be paid and which has therefore been reversed in "other operating income".

The allocation of the purchase price was as follows: £28.9 million for customers, £16.8 million for technology and £3.8 million for property, plant and equipment (including IFRS 16 right-of-use assets). The residual goodwill amounts to £57.2 million.

Sporting Group reported £39 million (€43 million) revenue in 2018.

FDJ Group's revenue including Sporting Group over the full year would have amounted to €1,972 million in 2019.

NOTE 4
Operating data

4.1. Net Gaming Revenue and revenue

Stakes are distributed between the players, the hedging of counterparty risk when applicable, public finances and FDJ.

Player payout

In 2019, the share of stakes set aside for prize winners, or the "payout ratio" (PR), is set by the decree on the allocation of stakes dated 9 March 2006 by the Minister in charge of the Budget. It varies depending on the game:

- for draw games, depending on the related game, it varies between 50% and 70%;
- for all instant games, it averages at least 50% and at most 70.5% (between 50% and 70% as of 31 December 2018);
- for offline sports betting, it averages 76.5% (76% as at 31 December 2018);
- for online sports betting, it averages 85% at most.

Gross Gaming Revenue (GGR)

GGR corresponds to the difference between stakes and the share set aside for winners.

Public levies

These various public levies are representative of the amounts collected on behalf of the French State, which is why they are directly deducted from stakes.

General State Budget

Public levies for the General State Budget are governed by article 88 of amended Finance law No. 2012-1510 of 29 December 2012 in respect of 2012.

They correspond, for each game, to the balance of stakes net of winnings, structural allocations, tax and social security deductions and Net Gaming Revenue.

Social-security deductions (CRDS and CSG) on lottery games

The social security deductions group the CRDS (social security debt retirement levy) and the CSG (supplementary social security levy).

CRDS: deduction defined by article 18 of Order No. 96-50 dated 24 January 1996. In 2018 and 2019, the CRDS rate was calculated by applying a rate of 3% to a tax base of 25.5% of stakes in mainland France and in the overseas departments, on the games operated by FDJ. CRDS is therefore 0.765% of stakes.

CSG: deduction defined by articles L.136-7-1 and L.136-8 of the French Social Security Code. The CSG rate was calculated by applying a rate of 8.6% in 2019 and 2018 to a tax base of 25.5% of the amount of stakes in mainland France and the overseas departments on the games operated by FDJ. CSG was therefore 2.193% of stakes in 2019 and 2018.

Public levies specific to sports betting: Tax and social security deductions on sports betting

Tax deduction: deduction defined by articles 302 bis ZH, ZK and ZL of the French Tax Code at a rate of 5.7% of sports betting stakes in 2019 and 2018.

Social security deduction: deduction defined by article L.137-21 of the French Social Security Code at a rate of 1.8% of sports betting stakes in 2019 and 2018

National Sports Agency (Agence Nationale du Sport – ANS) – formerly the National Centre for the Development of Sport until 23 April 2019

Deduction defined by articles 1609 (29) and 1609 (30) of the French Tax Code and 46 of Finance law No. 2011-1977 dated 28 December 2011 (2012 budget). The ANS/CNDS deduction corresponded to 1.8% of lottery stakes in 2019 and 2018 and 1.8% of sports betting in 2019 and 2018, with respective limits of €73 million and €35 million (for the entire sports betting market) beyond which the payments are allocated to the General State Budget.

VAT

VAT, governed by Chapter 1 of Title II of Book 1 of the General Tax Code, is based on the Net Gaming Revenue. The applicable rate is 20%.

Structural allocations to counterparty funds

The decree on the allocation of stakes of 9 March 2006 as amended sets the share of stakes allocated to the structural allocation to counterparty funds intended to partially cover counterparty risk (see Note 4.4).

Net Gaming Revenue (NGR)

FDJ is a service provider that develops and operates lottery games and sports betting, in a highly-regulated environment. Its remuneration (Net Gaming Revenue – NGR), based on stakes, is fixed for games operated under exclusive rights and variable for online sports betting.

NGR is recognised once FDJ's obligations have been fulfilled. Performance obligations are different depending on the type of game:

- for draw games, FDJ's performance is complete when it has recorded the placing of the bets, organised the draw which determines the winning formula, calculated winnings and published the results and reports;
- for instant games, the chance event occurs before the player receives the gaming materials (ticket). The sale is effective in FDJ's books when a certain number of tickets have been sold, namely when those tickets are passed into the gaming terminals. Therefore, the sale is recognised before the booklet (batch of tickets), worth between €150 and €300, is completely used up. Given the speed at which the booklets are sold, revenue recognition based on unit sales would lead to revenue recognition very close to that recorded in FDJ's financial statements; and
- for sports betting, the principles are similar to draw games. FDJ's obligations are fulfilled when, once the sporting event has taken place, the winnings have been calculated and the results and prizes have been published.

NGR, net of amounts due to players and public levies, is set as a percentage of stakes by the decrees on allocation for lottery games and sports betting under monopolies:

	2019	2018
TRJ < 65%	12.6%	12.6%
65%≤TRJ≤70%	11.3%	11.3%
70%≤TRJ < 75%	10.9%	10.9%
TRJ≥75%	10.1%	10.1%

For ParionsSport online, NGR depends on the profit on the stakes.

NGR is therefore net of winnings paid to players and public levies. It corresponds to FDJ's remuneration for the organisation and placement of games.

The processing of gaming operations, their accounting and the determination of NGR are very highly automated. They call on a complex information system, which carries all game flows from the validation of stakes in points of sale and online to the recognition of NGR.

Revenue

The Group's revenue is composed of NGR and revenue derived from other activities, mainly sales of development and maintenance services for the software provided by the companies held by FDJ Gaming Solutions, a subsidiary of the FDJ Group. For development services, revenue is recognised on a percentage-of-completion basis. For maintenance activities, revenue is recognised on a pro-rata temporis basis.

NGR, monitored for each range of games, amounted to €1,925 million in 2019 (as compared to €1,774 million in2018).

	2019				
In millions of euros	Draw games	Instant games	Sport	Other	Group total
Net Gaming Revenue (NGR)	666.7	907.3	340.4	10.5	1,924.8

	2018				
In millions of euros	Draw games	Instant games	Sport	Other	Group total
Net Gaming Revenue (NGR)	624.2	853.2	296.9	-	1,774.3

Revenue from other activities totalled €31 million in 2019 (€28 million in 2018).

Revenue amounted to €1,956 million in 2019, an increase of 8.5% compared to 2018, driven, as was NGR, by the growth in stakes seen across all ranges of games.

4.2 Operating profit

4.2.1 Recurring operating profit

Recurring operating profit came to €252 million, compared with €251 million in 2018.

Cost of sales amounted to €1,191 million in 2019 compared with €1,100.5 million in 2018, an increase of 8.2%. It comprised the cost of distributors remuneration for €865.5 million (€785.2 million in 2018, an increase of 10.2%), which varies in line with the increase in stakes and the implementation as of 1 January 2020 of the new compensation agreement differentiated by games. At the same time, remuneration of the commercial sectors continues to decrease by more than 20% to €39 million as a result of the ongoing commercial transformation.

Marketing and communication expenses amounted to €330 million in 2019, compared to €277 million in 2018, an increase of 19.3%. The changes within the BUs (+€15 million for the lottery segment and +€13 million for the sports betting segment) and the ABUs (€22 million, including €15 million relating to Sporting Group) are driven by the development of the offer. The increase in lottery costs is attributable mainly to advertising (notably with the Loto® reformatting campaigns and the two waves of communication on the Mission Patrimoine games, compared with only one in 2018), the development of the offer and work to reinforce the security and performance of information systems. For sports betting, the increase in marketing and communication costs is attributable mainly to the enrichment of the range and the services offered, the increase in the number of games offered in points of sale and online, streaming, odds estimator), and the related modernisation of computer systems.

General and administrative expenses decreased slightly from €173 million in 2019 to €175 million in 2018 (-1.2%).

R&D expenses recorded in expenses in 2019 and 2018 amounted to €37 million and €26 million, respectively.

4.2.2 Components of the income statement by nature

In millions of euros	2019	2018
Personnel costs	255.8	240.9
Net depreciation and amortisation	94.1	63.6
IT outsourcing expenses	41.2	30.5

Change in personnel costs is described in Note 5.2.

The increase in net depreciation and amortisation reflects investments, which are described in Notes 6.1 and 6.2.

Change in IT subcontracting costs is driven by an increasing work plan, covered by an increase in internal staff and also by greater use of subcontracting.

4.2.3 Other operating income and expenses

Unusual and material items are shown under "Other operating income" and "Other operating expenses", in accordance with ANC recommendation 2013-03 of 7 November 2013. These items essentially include restructuring costs, gains or losses on the disposal of non-current assets, impairment of non-current assets and other non-recurring costs.

In 2019, other operating income and expenses are mainly related to:

- the FDJ capital transaction (see 1.3.1 – Initial public offering of FDJ on Euronext Paris), with €31 million related expenses;
- Sporting Group (€15 million expense);
- the impairment of PoS furniture and operating software (€7 million) following the abandonment of the project for which they had been initially developed;
- and expenses related to M&A transactions (€5 million).

Under the Pacte law and the sale of part of the French State's stake in the capital of FDJ, part of the shares were reserved for employees and former employees of FDJ SA and some of its subsidiaries, in France and the United Kingdom, on preferential purchase terms. This related to a number of existing shares representing 3.3% of the total number of shares placed on the market as part of the IPO.

The Employee offering (ORS) was implemented within a Group Savings Plan ("PEG"), allowing employees to purchase FDJ shares through the corporate mutual fund ("FCPE") under various arrangements locking up the investment for five years, except in cases of early release.

Each of the benefits granted within the framework of the Employee offering was measured and recognised on the grant date (21 November 2019) in accordance with the rules prescribed by IFRS 2. The price of the shares granted to individuals served as the basis for recording the discount for the price of the shares sold to employees and former employees.

As the benefits granted vested immediately, the expense was recognised in full in 2019.

Together, these expenses have been recognised as "non-recurring expenses" for €7.2 million, in accordance with IFRS 2. This amount was calculated taking into account the 25% discount offered to employees as part of the ORS, i.e. €9.1 million, the matching contribution and the forfait social (employer's contribution), i.e. €1.7 million, and a deduction of €3.6 million representing the cost of locking up the shares for employees.

For 2019, a net expense of €14.7 million was recorded in respect of Sporting Group in "other operating income and expenses". The net expense breaks down as follows:

- €11.5 million impairment loss on goodwill (see 6 – Goodwill);
- impairment of technology assets in the amount of €6.1 million;
- provision for onerous contracts in the amount of €1 million;
- €3.9 million in income corresponding to the reversal of the liability recognised as an earn-out.

In 2018, other operating income mainly included the disposal of the Moussy-le-Vieux site, which generated a net capital gain of €9 million. Other operating expenses were related to costs incurred following the change of headquarters and the commercial transformation.

4.3 Segment reporting

Segment reporting is presented in accordance with IFRS 8 "Operating Segments". The breakdown used by the Group corresponds to the operating segments as regularly reviewed by the corporate directors, who are the main operational decision-makers.

The operating segments used based on internal reporting are as follows:

- Lottery, which includes activities related to instant games and draw games;
- Sports Betting, which includes sports betting activities in points of sale and online; and
- ABU (Acceleration Business Unit), which includes development activities (international services, payments and services, and entertainment).

The holding column, which includes central costs and brand-related costs (corporate advertising campaigns), allows the data to be reconciled with the Group's income statement.

The contribution margin measures the profitability, excluding central costs, generated by a segment, regardless of the renewal of investments, financing conditions and tax rules.

EBITDA (earnings before interest, tax, depreciation and amortisation) corresponds to recurring operating profit before depreciation and amortisation. It reflects the Group's profit excluding the renewal of investments, financing costs and taxation. It is not monitored by operating segment.

The data below are presented in accordance with the same accounting principles as those used to prepare the Group's consolidated financial statements.

	2019						
In millions of euros	**Lottery BU**	**Sports betting BU**	**ABU**	**Holding**	**Total before depreciation and amortisation**	**Amortisation**	**Group total**
Stakes	13,684	3,538	17		17,239		17,239
Gross Gaming Revenue (GGR)	4,695	845	1		5,541		5,541
Net Gaming Revenue (NGR)	1,574	340	10		1,925		1,925
Revenue	**1,578**	**341**	**36**	**1**	**1,956**		**1,956**
Cost of sales	(939)	(209)	(4)	0	(1,152)	(39)	(1,191)
Marketing and communication expenses	(147)	(95)	(33)	(31)	(305)	(25)	(330)
Contribution margin	**492**	**36**	**(0)**	**(30)**	**498**	**(64)**	**434**
General and administrative expenses				(152)	(152)	(30)	(182)
EBITDA					**346**		
Depreciation and amortisation						(94)	
RECURRING OPERATING PROFIT							**252**

	2018						
In millions of euros	**Lottery BU**	**Sports betting BU**	**ABU**	**Holding**	**Total before depreciation and amortisation**	**Amortisation**	**Group total**
Stakes	12,770	3,047			15,817		15,817
Gross Gaming Revenue (GGR)	4,372	748			5,120		5,120
Net Gaming Revenue (NGR)	1,477	297			1,774		1,774
Revenue	**1,482**	**297**	**14**	**9**	**1,803**		**1,803**
Cost of sales	(874)	(192)	(2)	0	(1,067)	(33)	(1,100)
Marketing and communication expenses	(132)	(82)	(11)	(37)	(262)	(15)	(277)
Contribution margin	**476**	**24**	**1**	**(28)**	**474)**	**(49)**	**425**
General and administrative expenses				(159)	(159)	(15)	(174)
EBITDA					**315**		
Depreciation and amortisation						(64)	
RECURRING OPERATING PROFIT							**251**

The proportion of the Group's revenue generated outside its domestic country (France) was marginal in 2019 and 2018 (1.8% in 2019 and 0.8% in 2018).

Given the nature of its business, the Group does not have key accounts.

EBITDA, an alternative performance measure of the Group, corresponds to the recurring operating profit before depreciation and amortisation.

In millions of euros	2019	2018
Recurring operating profit	252.0	251.1
Net depreciation and amortisation	(94.1)	(63.6)
EBITDA	**346.1**	**314.7**

In 2018, it included €4 million in expenses related to the FDJ capital transaction.

The increase in net depreciation and amortisation is attributable mainlyto exclusive operating rights (€9.3 million), IT developments (€8 million), IFRS 16 (€7 million) and point-of-sale equipment (€3 million).

4.4 Player funds (non-current and current)

Decree No. 78-1067 dated 9 November 1978 provides for the creation of several funds in FDJ's books. These funds are the reserve fund, the permanent fund, the counterparty fund and the common fund for instant games. The decree specifies the means of endowing these funds and states that the amounts allocated to them must be used to pay out additional prizes or winnings to prize winners or for assigning benefits in cash or in kind to all or some of the game participants. FDJ is their custodian. As such, these funds constitute liabilities for FDJ.

Non-current player funds: counterparty funds and permanent funds

Some games are based on the fixed-odds principle: (i) the face value of prizes is fixed or determined by probability and (ii) the number or value of prizes won is determined by chance. Therefore, the total amounts that will actually be paid out to prize winners cannot be precisely determined in advance: sometimes they are below and sometimes they are above the share of stakes set aside for players in the decree of the Minister in charge of the Budget. These positive or negative discrepancies can result in a financial risk for FDJ. Such risks are managed in a **counterparty fund** specific to each such game, which allows the financial risk to be pooled across all gaming events. A second level of counterparty risk pooling is provided via the permanent fund (see below).

These funds are intended to cover the counterparty risk, i.e. the difference between the total value of prizes and the amount set aside for players (the payout ratio). For games operated under exclusive rights, risk is covered by a counterparty fund, which is endowed via a structural allocation (see Note 4.1). On competitive games, the counterparty risk directly affects the income statement.

At the launch of a game presenting a counterparty risk, an initial amount is deducted from the permanent fund, to provide the initial counterparty fund for the new game. In addition, the texts governing lottery games and sports betting operated under exclusive rights state: "When such games are created or when they undergo substantial change, FDJ shall submit an estimate of the counterparty risks of this game to the Minister in charge of the Budget. The minister sets, by decree, the share of the stakes allocated to the structural allocation to the counterparty fund intended to partially hedge the counterparty risk." The amount of the initial allocation and the rate of this structural allocation are calculated in such a way that this fund is positive within one year and with a probability of 95%.

Lastly, during the financial year, the counterparty spreads (positive or negative) are allocated to the funds. During a draw (or a sporting event), the player payout may be between zero and several times the total of the stakes. There is therefore a difference between the actual winnings and the winners' theoretical share. It is these differences, known as positive or negative counterparty spreads, which are placed in the counterparty funds.

A **permanent fund**, supplied by surpluses from the counterparty fund, pools the counterparty risks for all games concerned, given that in case of default of a counterparty fund, a deduction can be made from the permanent fund.

At the end of each financial year, the surpluses from the counterparty funds are transferred to the permanent fund. The permanent fund is limited to 0.005% of stakes for the year (0.5% of stakes as at 31 December 2018) and any surpluses at the year-end are paid to the French State. This fund may also be used to finance promotional operations.

Current player funds

Current player funds include the reserve funds and the funds intended for the organisation of the games.

In accordance with the decree on the organisation and operation of authorised lottery funds and sports betting under exclusive rights, the **reserve funds** record the prizes and winnings attributed to prize winners but not collected by them within the claim time limit. For draw games, this period is 60 days after the draw and for instant games, it is 30 days after the close of the issue. Each draw game or sports bet proposed in the offline network has its own reserve fund. All amounts necessary to pay out additional prizes or winnings, or to assign benefits in cash or in kind to all or some of the game participants, are deducted from these funds. Instant games have a common reserve fund. At the end of each year, the balance of the common reserve fund for instant games is transferred to the permanent fund.

The **funds intended for the organisation of games** (for example, funds carried forward, funds for super jackpots, etc.) contain sums carried forward to subsequent draws if there is no prize winner, for certain games and certain types of winnings.

In millions of euros	31.12.2019	31.12.2018
Non-current player funds	0.0	108.7
Current player funds	156.6	213.8
TOTAL PLAYER FUNDS	**156.6**	**322.5**

In accordance with paragraph VI of article 138 of the Pacte law of 22 May 2019, the funds referred to in articles 13 and 14 of Decree 78-1067 of 9 November 1978 and article 48 of the Amending 1994 Budget, namely the permanent, reserve and counterparty funds, will be closed from 1 January 2020, and must be handed over to the government by 31 December 2022 at the latest (see 1.3 Highlights). As they are no longer part of the operating cycle, the funds closed on 1 January 2020 that have not yet been transferred to the French State have been reclassified as current financial liabilities.

As of 31 December 2019, current player funds included the funds intended for the promotion of games (€157 million as of 31 December 2019 and €114 million as of 31 December 2018). As of 31 December 2018, they also included reserve funds (€100 million as of that date). The increase in funds intended for the promotion of games is attributable chiefly to Euro Millions, and more specifically to the long cycles recorded on that game in 2019 (the Euro Millions super jackpot funds, which are part of the funds for the promotion of games, receive a percentage of stakes that increases after the seventh draw without a winner).

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4.5 Current receivables

Upon initial recognition, current receivables are recorded at their fair value, taking into account payment due dates.

Receivables are subsequently recognised at amortised cost, which corresponds, in practice, to their nominal value. They are analysed with respect to their credit risk and the probability of loss.

4.5.1 Trade and distribution network receivables

In millions of euros	31.12.2019	31.12.2018
Trade receivables (gross amount)	33.7	13.1
Distribution network receivables (gross amount)	452.5	411.2
Impairment	(16.4)	(12.7)
TOTAL TRADE AND DISTRIBUTION NETWORK RECEIVABLES	**469.8**	**411.5**

Trade receivables are related to the Group's activities with foreign lotteries for the delivery of IT and related services.

The distribution network is debited on a weekly basis of the amount of stakes collected, net of winnings paid out and their commissions. Stakes are recorded in assets, while winnings and commissions are recorded in liabilities.

Distribution network receivables correspond to stakes collected by the network at the end of the year and not yet deducted by FDJ. Their change in 2019 can be attributed to calendar and activity effects.

4.5.2 Other operating assets

In millions of euros	31.12.2019	31.12.2018
Prepaid expenses	29.6	52.9
Other current receivables	285.2	215.4
OTHER OPERATING ASSETS	**314.8**	**268.3**

Prepaid expenses relate (€12.5 million at the end of 2019 and €39.5 million at the end of 2018) to the stakes collected as at 31 December of each year, but for which the draws take place in the following financial year (see description of prepaid income in Note 4.6.4), including public levies. In 2018, they included player winnings yet to be distributed.

Other current receivables mainly include advance payment to the permanent fund surplus (€265 million at the end of 2019, compared with €200 million at the end of 2018). This change was due to:

- the new system for covering counterparty risks, notably insurance, effective on 1 January 2020, which resulted in the extinction of the counterparty funds and their transfer to the permanent fund;
- the lowering, by decree, of the permanent fund ceiling to 0.005% of stakes (vs 0.5% as of 31 December 2018).

4.6 Current payables

Upon initial recognition, current payables are recorded at their fair value, which corresponds to their nominal value, taking into account payment due dates.

Current payables are subsequently recognised at amortised cost.

4.6.1 Supplier and distribution network payables

In millions of euros	31.12.2019	31.12.2018
Suppliers	133.5	102.4
Payables to the distribution network	278.1	266.9
TOTAL SUPPLIER AND DISTRIBUTION NETWORK PAYABLES	**411.6**	**369.3**

Distribution network payables correspond to winnings paid by distributors and network commissions at the end of the year. Their change in 2019, as in 2018, can be attributed to calendar and activity effects.

4.6.2 Public levies

These liabilities are related to payables to the French State, social security bodies, local authorities and other public bodies (see Note 4.1).

Public levies to the French State (€415 million as at 31 December 2019 and €357 million as at 31 December 2018) mainly include the permanent fund surplus (€311 million as at 31 December 2019 and €208 million as at 31 December 2018). The balance of €104 million as at 31.12.2019 (€149 million as at 31.12.2018) mainly comprises:

- debts to general government revenue of €41 million (€83 million as of 31 December 2018): the reduction stems from the payment at the end of 2019 of debts due on 3 January 2020;
- social security deductions (CSG, CRDS and the public levies on sports betting) of €23 million (€21 million as at 31.12.2018);
- payables to other local authorities of €39 million (€45 million as at 31.12.2018), mainly consisting of payables to the CNDS (€30 million as at 31.12.2019 and €27 million as at 31.12.2018).

Excluding the permanent fund surplus, the change in French State gaming levies is in line with business at year-end.

4.6.3 Winnings payable and distributable

Winnings payable and distributable amounted to €189 million (€172 million as of 31 December 2018). It includes:

- winnings payable, which are non-expired remaining winnings due to players (€154 million as at 31 December 2019 as compared to €119 million as at 31 December 2018);
- the cash balances of online players (€35 million as of 31 December 2019 and €28 million as of 31 December 2018), i.e. the amounts available in players' accounts on their fdj.fr or parionssportenligne.fr accounts.

As of 31 December 2018, they also included prizes to be distributed, mainly concerning the range of draw games and corresponding to the theoretical winnings of players on stakes collected during the year and for which the draw will take place in the following year (€25 million as of 31 December 2018).

4.6.4 Other current liabilities

In millions of euros	31.12.2019	31.12.2018
Prepaid income	35.7	42.7
Other payables	133.9	113.2
OTHER CURRENT OPERATING LIABILITIES	**169.6**	**155.9**

Prepaid income on games corresponds to stakes collected in one year for draws or events taking place in the subsequent year. They are transformed into stakes within a maximum period of five weeks. The expenses related to the corresponding stakes are included in prepaid expenses (see Note 4.5.2 – Other operating assets).

In 2019, their trend relates mainly to Euro Millions and is attributable to a calendar effect. 31 December 2019 was a Tuesday, the day of the Euro Millions draw, whereas 31 December 2018 was a Monday, and entries for the draw on 1 January 2019 had already registered.

Other payables include tax and social security payables (€122 million as compared to €105 million as at 31 December 2018).

4.6.5 Payable to the French State with respect to exclusive operating rights

The €380 million in debts correspond to the financial compensation owed by FDJ to the French State in return for the securing of the exclusive rights entrusted to it for 25 years. This debt is to be paid before 30 June 2020 (see 1.3 – Highlights).

4.7 Hedging of operating risks

4.7.1 Hedging of receivables risks

The Group's receivables, mainly relating to its distribution network, correspond to the stakes collected by the distributors, which are deducted weekly by FDJ. In order to obtain the necessary approval from FDJ to market its games, distributors are systematically requested to obtain guarantee.

The risk attached to receivables from distributors is analysed by a monitoring committee, which meets regularly and consists of the people in charge of the Marketing, Financial, Legal, Security and Responsible Gaming Departments. This committee is authorised to make decisions on special and material cases of default payments, and on whether to litigate over certain receivables. Impairment rules for receivables are based on their amount and ageing and are determined in accordance with the expected credit loss model, taking into account extremely-short payment deadlines and existing systems for managing credit risk. The Group considers the risk of distributor default payment, with a potentially material impact on its financial position and profit, to be limited.

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

A maturity schedule for receivables not yet paid and not impaired is as follows:

	31.12.2019								
	Gross amount		Provisions for overdue amounts	Net value	Net amounts past due	Net amounts overdue by			
In millions of euros	Non overdue	Overdue				0-3 months	3-6 months	6-12 months	> 1 year
Trade receivables, distribution network and players	461.4	24.8	(16.4)	469.8	8.4	3.9	2.8	1.8	0.2
Other current receivables	284.9	0.4	(0.1)	285.2	0.4	0.2	0.0	0.2	0.0
CURRENT RECEIVABLES	**746.2**	**25.3**	**(16.5)**	**755.1**	**8.8**	**4.1**	**2.8**	**2.1**	**0.2**

	31.12.2018								
	Gross amount		Provisions for overdue amounts	Net value	Net amounts past due	Net amounts overdue by			
In millions of euros	Non overdue	Overdue				0-3 months	3-6 months	6-12 months	> 1 year
Trade and distribution network receivables	402.6	21.7	(12.8)	411.5	8.9	4.8	2.4	1.4	0.3
Other current receivables	214.8	0.6	0.0	215.4	0.5	0.1	0.0	0.2	0.3
CURRENT RECEIVABLES	**617.5**	**22.2**	**(12.8)**	**626.9**	**9.4**	**4.8**	**2.4**	**1.6**	**0.5**

4.7.2 Management of foreign exchange risk

As part of 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 financial year.

Currencies to which the Group has incurred significant exposure are the US dollar (in 2019 and 2018), in a maximum equivalent amount of $29.2 million ($26.8 million in 2018) and the pound sterling (in 2019 and 2018), in a maximum equivalent amount of £6.1 million (£4.3 million in 2018).

The fair value of derivative instruments was €0.2 million at the end of 2019 (€0.3 million at the end of 2018), and mainly relates to the hedging of purchases of gaming equipment in foreign currencies.

In 2019, an increase of $0.10 per €1 in the EUR/USD exchange rate applicable to derivative instruments held for economic hedging purposes and qualifying as such would have reduced the value of these instruments by €3.0 million. In the event of a $0.10 decrease, it would have increased the value by €3.9 million. In the event of a £0.10 increase for €1 in the EUR/GBP exchange rate applicable to derivative instruments held for economic hedging purposes and qualified as such, the valuation of these instruments would have dropped by €0.9 million. In the event of a £0.10 decrease, it would have increased by €1.1 million.

In 2018, an increase of $0.10 per €1 in the EUR/USD exchange rate applicable to derivative instruments held for economic hedging purposes and qualifying as such would have reduced the value of these instruments by €2.6 million. In the event of a $0.10 decrease, it would have increased the value by €3.2 million. In the event of a £0.10 increase for €1 in the EUR/GBP exchange rate applicable to derivative instruments held for economic hedging purposes and qualified as such, the valuation of these instruments would have dropped by €0.8 million. In the event of a £0.10 decrease, it would have increased by €1.0 million.

4.8 Inventories

Inventories are measured at the lower of cost (determined using the “first in, first out” method) FIFO) and net realisable value (estimated sales price net of related costs). They are impaired according to their technical or commercial obsolescence.

At the end of 2019, as at the end of 2018, inventories related primarily to gaming materials, i.e. instant game cards (€10 million as at 31.12.2019 and €9 million as at 31.12.2018).

NOTE 5

Personnel costs and employee benefits

5.1 Group headcount

The weighted average headcount (WAH) for all types of contracts, including temporary contracts, for 2019 and 2018 for the Group was as follows:

	2019	2018
TOTAL FTE	**2,467**	**2,292**

The increase in FTEs in 2019 (+175) mainly reflected the acquisition of Sporting Group (186 FTEs on 31 December 2019) and the restructuring implemented to enable the FDJ Group to achieve its medium-term strategic objectives.

The WAH for 2018 included the employees of SGE (66 FTEs), which was fully consolidated until 6 December 2018.

The end-of-period numbers are as follows:

	2019	2018
TOTAL HEADCOUNT AT END OF PERIOD	**2,652**	**2,258**

The increase in FTEs at the end of the period (+394) was driven mainly by Sporting Group (+326 people) and by the restructuring carried out to enable the FDJ Group to achieve its medium-term strategic objectives.

5.2 Personnel costs

In addition to salaries and the corresponding social security expenses, personnel costs comprise additional costs, including service costs related to retirement benefits, temporary contracts costs, training and other employee-related expenses.

In millions of euros	2019	2018
Wages and salaries	130.6	123.7
Social security contributions	66.4	66.7
Employee profit-sharing and incentives	25.7	24.4
Long-term benefits	7.7	3.0
Other	25.2	23.1
TOTAL PERSONNEL COSTS	**255.8**	**240.9**

The increase in personnel costs is due to changes in headcount.

5.3 Employee-related liabilities

Employee benefits include short-term and long-term benefits. Short-term benefits are composed of paid leave, sickness leave, bonuses and other benefits, recognised as expenses for the financial year and within current liabilities.

Long-term benefits cover:

- retirement benefits (defined-benefit scheme), which are post-employment benefits determined on the basis of employees' salaries and years of service at the end of their career. The contributions paid for defined-benefit schemes are recognised in social security expenses for the financial year. A provision is recognised for pension obligations, which are administered under a defined-benefit plan;
- other long-term benefits include:
  - length-of-service medals. These consist of days of leave and are subject to social security contributions. The annual expense is equal to the net change in the obligation,
  - health coverage. 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 the related assets reported a shortfall and represents a liability. Health coverage also constitutes a post-employment benefit.

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

The expense recognised during the financial year incorporates:

- additional benefits acquired by employees;
- the change, during the course of the year, in the discounting of the benefits existing at the beginning of the financial year;
- the impact of any potential plan amendments during a given year, or of new plans.

In accordance with the amendment to IAS 19, actuarial gains and losses are recognised directly in other comprehensive income and the impact of any plan amendments or new plans is included in the expense recognised in the income statement.

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

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

In millions of euros	31.12.2019	31.12.2018
Pension obligations	39.2	32.0
Service recognition awards	7.5	6.0
Health care costs	10.3	7.6
PROVISIONS FOR PENSIONS AND SIMILAR COMMITMENTS	**56.9**	**45.6**

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

	31.12.2019	31.12.2018
Discount rate	0.70%	1.55%
Salary increase rate*	3.00%	3.00%
of which inflation	*2.00%*	*2.00%*
Employee turnover rate*		
◆ Management	0.95%	0.95%
◆ Non-management	0.57%	0.55%
Mortality table	INSEE TH-TF 2000-2002	INSEE TH-TF 2000-2002

* *Age-adjusted.*

In millions of euros	31.12.2019	31.12.2018
Actuarial obligation* at the beginning of the period	**45.6**	**47.2**
Normal cost	7.7	3.4
Interest on the actuarial obligation	0.7	0.6
Costs for past service	-	-
Actuarial gains (losses)	3.2	(5.2)
Pensions paid	(0.2)	(0.2)
Changes of scope	-	(0.3)
ACTUARIAL OBLIGATION* AT THE END OF THE PERIOD	**56.9**	**45.6**

* *Actuarial obligation related to retirement indemnities, healthcare costs and long-service awards*

Pursuant to IAS 19 revised, changes in actuarial assumptions and experience adjustments give rise to actuarial gains and losses that are recognised fully in other comprehensive income when they occur. The cost of the services rendered in the year under review includes a readjustment of the departure conditions based on the Group's practices, in a net amount of €3.6 million.

In millions of euros	2019	2018
Normal cost	7.7	3.4
Interest on the actuarial obligation	0.7	0.6
Pensions theoretically paid	(0.2)	(0.2)
Changes of scope	-	(0.3)
Net cost in the income statement	**8.2**	**3.6**
Recognised in other non-transferable equity	**3.2**	**(5.2)**

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

The average duration was 14.2 years as of 31 December 2019 and 14.8 years as of 31 December 2018.

NOTE 6
Goodwill

Goodwill is the difference between the acquisition price and the fair value of the identifiable assets acquired and liabilities assumed. It is assigned to the cash-generating unit (CGU) or group of CGUs liable to benefit from the synergies of business combinations and representing the lowest operating level at which the Group monitors the rate of return on investment of this goodwill. A CGU is defined as the smallest identifiable group of assets generating cash inflows largely independent of the cash inflows generated by other assets or groups of assets.

In accordance with IAS 36, it is not amortised, and is subject to impairment testing at the end of each year, or more frequently when an indication of impairment is identified. The objective of testing is to ensure that the net carrying amount does not exceed the recoverable amount.

The recoverable amount is the value in use or the fair value less costs to sell, when that is higher.

The value in use of a CGU is determined by reference to the value of the discounted future cash flows expected from these assets, within the framework of the economic assumptions and operating conditions provided by the management of the Company. An impairment loss is recorded when the value in use or the fair value less costs to sell is less than the carrying amount of the CGU. Losses of this nature are allocated in priority to goodwill. Any additional amounts are then allocated to property, plant and equipment and intangible assets.

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In millions of euros	31.12.2018	Acquisitions Allowances*	Disposals	31.12.2019
Goodwill (gross)	3.3	67.0	-	70.4
Impairment/goodwill	(2.2)	(11.8)	-	(14.0)
GOODWILL (NET)	**1.1**	**55.3**	**-**	**56.4**

* *Including currency translation effect.*

In millions of euros	31.12.2017	Acquisitions Allowances	Disposals	31.12.2018
Goodwill (gross)	3.3	-	-	3.3
Impairment/goodwill	(2.2)	-	-	(2.2)
GOODWILL (NET)	**1.1**	**-**	**-**	**1.1**

As of 31 December 2019, the value in use of the Sporting Group CGU was estimated at £84 million on net assets of £94 million, resulting in the recognition of goodwill impairment of £10 million (€11.5 million).

The value in use was determined on the basis of the business plan drawn up by the Sporting Group CGU. The cash flows were established on the basis of the assumptions used in the 2020 budget and the Group's strategic plan approved by the Executive Committee. These assumptions represent the best estimate of the Group's management. The Group's 2020-2024 revenue, investments and EBITDA projections exclude the discontinued proprietary trading activity.

The discount rate used is 14% and the long-term growth rate is 2%. Sensitivity testing of the central assumptions to the discount rate and long-term growth rate has been performed. A quarter of a percentage point of long-term growth rate represents an equivalent value in use of £1.5 million, while a point of discount rate represents approximately £10 million.

A second round of sensitivity testing was performed based on the assumption of a lower terminal margin. A 3.3 point reduction in the margin in the terminal year reduces the value in use by £10 million.

NOTE 7

Property, plant and equipment and intangible assets

7.1 Exclusive operating rights and other intangible assets

Exclusive operating rights

This asset corresponds to the securing of exclusive operating rights to lottery activities sold in the offline distribution network and online, as well as sports betting games sold in the offline distribution network, entrusted to La Française des Jeux for a period of 25 years. Amounting to €380 million, it will be amortised over this term, from 23 May 2019, the date of promulgation of the Pacte law (2019-486).

Research and development expenses and intangible assets in progress

Research expenses undertaken by the Group for its own account are recognised as expenses as and when incurred.

Development costs are capitalised provided they relate to projects with serious prospects for technical success and economic viability. These include the value of internal man-days and subcontracting. These correspond to projects developed internally, mainly related to the digitisation and enrichment of the offering, both digital and in points of sale.

Software

Software is measured at acquisition cost (purchase price plus incidental expenses), less any accumulated amortisation or impairment losses.

Intangible assets in progress and other intangible assets

Intangible assets in progress concern development costs (see above) for assets not yet in service. With the exception of goodwill, other intangible assets are measured at acquisition cost (purchase price plus incidental expenses), less any accumulated amortisation or accumulated impairment losses.

Depreciation and 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 the asset is available for use. Development expenditures are amortised over a period of one to 15 years, and an average of five years, on a straight-line basis. Software is amortised over a period of five years.

These amortisation durations 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 considered prospectively.

Impairment of intangible assets

In accordance with IAS 36, intangible assets are tested for impairment whenever events or changes in the market environment or internal circumstances indicate that such assets may be impaired.

The main indicators of impairment used by the Group are the achievement of the objectives of the five-year business plan, regulatory developments, market trends and the performance of games and equipment, changes in the technological environment, which can make some equipment prematurely obsolete, and changes in the offering.

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

In 2019, asset related to exclusive operating rights was amortised for an amount of €9.3 million. The payment of the financial consideration for this asset will take place no later than 30 June 2020; it is expected to be financed by a loan, the conditions of which have not yet been fully determined. This absence of settlement explains the classification of €380 million in "Other movements" in the table of changes in fixed assets below.

In millions of euros	31.12.2019 Gross	31.12.2019 Depr./Amort. Impairment	31.12.2019 Net	31.12.2018 Gross	31.12.2018 Depr./Amort. Impairment	31.12.2018 Net
Exclusive operating rights	380.0	(9.3)	370.7	-	-	-
Development costs	155.4	(86.8)	68.6	101.9	(54.5)	47.4
IT Software	137.0	(123.0)	13.9	136.2	(115.9)	20.2
Intangible assets in progress and other intangible assets	67.2	(1.4)	65.8	36.2	(0.1)	36.1
TOTAL INTANGIBLE ASSETS	**739.6**	**(220.6)**	**519.0**	**274.3**	**(170.5)**	**103.7**

In millions of euros	31.12.2018	Acquisitions Allowances	Disposals Reversals	Reclassifications*	Changes of scope	Other movements	31.12.2019
Exclusive operating rights	-	-	-	-	-	380.0	380.0
Development costs	101.9	8.4	-	25.0	19.5	0.6	155.4
IT Software	136.2	0.8	(0.2)	-	-	0.2	137.0
Intangible assets in progress and other intangible assets	36.2	22.0	(0.1)	(25.0)	32.6	1.4	67.2
Gross value	**274.3**	**31.2**	**(0.3)**	**0.0**	**52.2**	**382.2**	**739.6**
Depr./ amort. & Imp. of exclusive op. rights	-	(9.3)	-	-	-	-	(9.3)
Depr./ amort. & Imp. of development expenses	(54.5)	(31.7)	-	-	(0.5)	(0.1)	(86.8)
Depr./ amort. & Imp.of software	(115.9)	(7.1)	0.2	-	-	(0.2)	(123.0)
Depr./amort. & Imp. of other intangible assets	(0.1)	(1.3)	-	-	-	-	(1.4)
Amortisation, depreciation and impairment	**(170.5)**	**(49.5)**	**0.2**	**-**	**(0.5)**	**(0.3)**	**(220.6)**
NET INTANGIBLE ASSETS	**103.7**		**(0.1)**	**0.0**	**51.7**	**381.9**	**519.0**

* *Reclassifications from «work in progress» to «available for use».*

In millions of euros	31.12.2017	Acquisitions Allowances	Disposals Reversals	Reclassifications*	Other movements**	31.12.2018
Development costs	81.4	6.3	-	14.2	-	101.9
IT Software	134.2	1.0	(0.1)	1.0	-	136.2
Intangible assets in progress and other intangible assets	26.8	24.3	-	(14.8)	(0.1)	36.2
Gross value	**242.4**	**31.6**	**(0.1)**	**0.4**	**(0.1)**	**274.3**
Depr./ amort. & Imp. of development expenses	(40.2)	(14.4)	-	-	-	(54.5)
Depr./ amort. & Imp.of software	(107.4)	(8.1)	0.1	(0.6)	-	(115.9)
Depr./amort. & Imp. of other intangible assets	0.4	(1.1)	-	0.6	-	(0.1)
Amortisation, depreciation and impairment	**(147.1)**	**(23.6)**	**0.1**	**-**	**0.1**	**(170.5)**
NET INTANGIBLE ASSETS	**95.3**		**-**	**0.4**	**-**	**103.7**

* *Reclassifications from "work in progress" to "available for use".*
** *Mainly currency translation effect.*

Excluding exclusive operating rights, in 2019 as in 2018, major investments concerned the parent company and were related to the development of live and back-office information systems and point of sale terminals.

7.2 Property, plant and equipment

Entry value

Property, plant and equipment are measured at acquisition cost (purchase price plus incidental expenses). When components of property, plant and equipment have different useful lives, they are recognised as separate assets.

Depreciation and amortisation

Land is not depreciated. Other property, plant and equipment are depreciated using the straight-line method as follows:

- Buildings between 20 and 60 years
- Fixtures and fittings between 10 and 30 years
- Point of sale terminals between 5 and 8 years
- Equipment and furniture between 5 and 10 years

The residual values and useful lives of the assets are reviewed, and adjusted if necessary, at the end of each financial year

Borrowing costs

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

Impairment of property, plant and equipment

See principles related to intangible assets in Note 7.1.

	31.12.2019			31.12.2018		
In millions of euros	Gross	Depr./Amort. Impairment	Net	Gross	Depr./Amort. Impairment	Net
Land	96.6	-	96.6	96.6	-	96.6
Building facilities and amenities	269.0	(74.7)	194.3	218.0	(52.4)	165.6
Furniture, technical installations & PoS equipment	234.8	(161.9)	72.9	230.2	(144.7)	85.6
Hardware	70.1	(59.6)	10.5	65.5	(54.2)	11.3
Local services equipment	23.2	(19.2)	4.0	12.5	(10.2)	2.2
Other property, plant and equipment	40.8	(36.0)	4.9	38.6	(34.2)	4.5
Property, plant and equipment under construction	10.9	(1.4)	9.4	11.0	-	11.0
Advances and payments on account	1.4	-	1.4	2.0	-	2.0
TOTAL PROPERTY, PLANT AND EQUIPMENT	**746.8**	**(352.7)**	**394.0**	**674.5**	**(295.7)**	**378.8**

In millions of euros	31.12.2018	Acquisitions Allowances	Disposals Reversals	Reclassifications*	Changes of scope	Other movements	31.12.2019
Land	96.6	-	-	-	-	-	96.6
Building facilities and amenities	218.0	7.6	(0.8)	1.2	7.1	35.9	269.0
Furniture, technical installations & PoS equipment	230.2	14.7	(13.1)	3.0	-	-	234.8
Hardware	65.5	3.7	(0.2)	1.0	-	-	70.1
Local services equipment	12.5	2.4	(0.8)	0.4	8.3	0.3	23.2
Other property, plant and equipment	38.6	2.1	-	0.1	-	-	40.8
Property, plant and equipment under construction	11.0	5.7	(0.2)	(5.7)	-	-	10.9
Advances and payments on account	2.0	-	-	-	-	(0.7)	1.4
Gross value	**674.5**	**36.3**	**(15.0)**	**-**	**15.4**	**35.6**	**746.8**
Amort./Dep. of building facilities and fixtures	(52.4)	(18.9)	0.7	-	(3.9)	(0.2)	(74.7)
Amort./Dep. of furniture, technical installations & POS equipment	(144.7)	(30.3)	13.1	-	-	-	(161.9)
Amort./Dep. Hardware	(54.2)	(5.5)	0.2	(0.1)	-	-	(59.6)
Amort./Dep. Local services equipment	(10.2)	(2.3)	0.8	0.1	(7.2)	(0.3)	(19.2)
Amort./Dep. of other property, plant and equipment	(34.2)	(1.8)	-	-	-	-	(36.0)
Impairment of property, plant and equipment under construction	-	(1.4)	-	-	-	-	(1.4)
Amortisation, depreciation and impairment	**(295.7)**	**(60.2)**	**14.7**	**-**	**(11.0)**	**(0.5)**	**(352.7)**
NET PROPERTY, PLANT AND EQUIPMENT	**378.8**		**(0.2)**	**0.0**	**4.3**	**35.0**	**394.0**

* *Reclassifications from «work in progress» to «available for use».*

In millions of euros	31.12.2017	Acquisitions Allowances	Disposals Reversals	Reclassifications*	Other movements	31.12.2018
Land	96.6	-	-	-	-	96.6
Building facilities and amenities	239.6	17.8	(60.5)	21.2	-	218.0
Furniture, technical installations & PoS equipment	222.5	22.1	(17.1)	2.7	-	230.2
Hardware	61.8	4.0	(1.2)	0.9	-	65.5
Local services equipment	12.1	1.3	(1.1)	0.2	-	12.5
Other property, plant and equipment	42.3	1.7	(4.2)	-	(1.2)	38.6
Property, plant and equipment under construction	28.7	7.7	-	(25.4)	-	11.0
Advances and payments on account	4.1	-	-	-	(2.1)	2.0
Gross value	**707.7**	**54.6**	**(84.0)**	**(0.4)**	**(3.3)**	**674.5**
Amort./Dep. of building facilities and fixtures	(99.8)	(9.3)	56.6	0.1	-	(52.4)
Amort./Dep. of furniture, technical installations & POS equipment	(138.1)	(23.0)	16.4	-	-	(144.7)
Amort./Dep. Hardware	(49.8)	(5.3)	0.9	-	-	(54.2)
Amort./Dep. Local services equipment	(9.7)	(1.4)	0.9	-	-	(10.2)
Amort./Dep. of other property, plant and equipment	(37.1)	(2.0)	4.1	-	0.8	(34.2)
Impairment of property, plant and equipment under construction	-	-	-	-	-	-
Amortisation, depreciation and impairment	**(334.6)**	**(40.9)**	**79.0**	**-**	**0.8**	**(295.7)**
NET PROPERTY, PLANT AND EQUIPMENT	**373.1**		**(5.1)**	**(0.4)**	**(2.5)**	**378.8**

* *Reclassifications from «work in progress» to «available for use».*

In 2019, investments in property, plant and equipment were primarily related to fittings and fixtures for points of sale. The other changes relate to IFRS 16.

In 2018, they primarily concerned furnishings and fixtures for the future headquarters and points of sale.

NOTE 8
Provisions and contingent liabilities

A provision is recognised if, at the end 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 can be estimated reliably. This obligation may be legal, regulatory, contractual or implied. The estimated amount of provisions, defined individually, corresponds to an outflow of resources that the Group has deemed probable. With the exception of those for employee benefits, provisions are not discounted. The amount given is the best estimate of the risk.

Provisions estimated by the Group to be settled within 12 months after the reporting date or those related to the normal operating cycle are presented within current liabilities. The other provisions are presented within non-current liabilities.

Non-current and current provisions mainly cover litigation risks, operating risks, restructuring costs and costs related to the change of headquarters.

A contingent liability is a potential obligation resulting from a past event for which the outcome is uncertain, or a current obligation resulting from a past event for which the amount cannot be reliably estimated.

In millions of euros	31.12.2018	Allowances	Reversals		Other movements	31.12.2019
			Used	Unused		
Total non-current provisions	37.6	0.5	(0.2)	(0.8)	12.2	49.3
Total current provisions	24.9	11.4	(7.0)	(0.9)	(11.7)	16.7
TOTAL PROVISIONS	**62.5**	**11.8**	**(7.1)**	**(1.6)**	**0.5**	**66.0**

Non-current provisions cover collective litigation with former agent-brokers following the termination of their contracts in 2014.

Current provisions mainly cover litigation related to operations, as well as the costs of commercial restructuring and of the change of headquarters.

The reclassification of provisions from current provisions to non-current provisions reflects an overall assessment of the litigation with former broker-agents, as collective and individual proceedings are linked.

NOTE 9
Cash and financial instruments

9.1 Financial assets and liabilities

Financial assets include investment securities, term deposits, deposits and guarantees given, and derivatives. They are classified and evaluated in three main categories:

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

The classification of each financial asset is determined according to the business model defined by the Group and the characteristics of its cash flows.

Financial assets with a holding period of more than 12 months at the end of the financial year are classified as non-current financial assets. Those which holding period is less than 12 months at the end of the financial year are classified as current financial assets.

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

Financial liabilities include borrowings, deposits and guarantees received, and derivatives.

Investment securities

Upon initial recognition and subsequent measurement, securities at fair value through profit and loss are measured by reference to prices in organised markets at the reporting date. For securities for which there is no active market, fair value is determined using valuation techniques (recent arm's length transactions, reference to the current market value of another equivalent instrument, discounted cash flow analysis or other valuation models).

Equity investments are measured line by line at fair value through profit and loss or at fair value through comprehensive income, when they are not held for trading purposes.

Term deposits

Term deposits are measured at amortised cost and subject to an analysis based on expected credit losses.

Euro Millions Deposits-My Million and deposits and guarantees

The deposit linked to the Euro Millions-My Million game, together with deposits and guarantees, are presented in non-current financial assets. They are measured at amortised cost.

Debt

Debt is measured at amortised cost.

Derivative financial instruments

The FDJ Group still applies IAS 39 on hedging transactions.

It is the Group's policy to use the financial markets solely for hedging obligations associated with its business, never for speculative purposes. The Group therefore uses derivative financial instruments to hedge its exposure to currency and interest rate risks. Derivative financial instruments are qualified by the Group as hedges if the following conditions are met:

- formal documentation from the inception of the hedging relationship;
- hedge efficiency test between 80% and 125% during the entire transaction; and
- in the case of hedging of a future event, the event must be very likely to happen.

Derivative instruments are measured at fair value when initially recognised and remeasured at each reporting date until unwound. Changes in fair value are recognised in transferable equity.

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

In millions of euros	31.12.2019	31.12.2018
Non-current financial assets at amortised cost	440.0	628.0
Non-current financial assets at fair value through profit or loss	90.4	111.2
Other	53.9	41.4
Total non-current financial assets	**584.3**	**780.6**
Current financial assets at amortised cost	253.0	55.0
Current financial assets at fair value through profit or loss	16.1	-
Current derivatives	0.9	0.6
Deposits and guarantees	2.1	0.2
Total current financial assets	**272.2**	**55.8**
TOTAL FINANCIAL ASSETS	**856.5**	**836.4**
Long-term financial debt	205.0	96.1
Non-current lease liabilities	24.4	-
Other financial liabilities	0.3	-
Total non-current financial liabilities	**229.7**	**96.1**
Short-term financial debt	8.2	8.0
Current lease liabilities	7.0	-
Current derivatives	0.7	0.1
Bank overdrafts	40.2	7.2
Other financial liabilities	130.5	26.5
Total current financial liabilities	**186.5**	**41.8**
TOTAL FINANCIAL LIABILITIES	**416.3**	**137.9**

		Cash flow					Non-cash flow					
In millions of euros	31.12.2018	Issue of long-term debt	Repayment of financial debt	Change in overdrafts	IFRS 16 – Leases	Total cash flow	Changes of scope	Currency effects	First-time application of IFRS 16	Other	Total non-cash flows	31.12.2019
Long-term financial debt	96.1	113.3				113.3	-	4.6		(9.1)	(4.5)	205.0
Non-current lease liabilities	-					-	3.0		26.5	(5.1)	24.4	24.4
Total non-current financial liabilities	**96.1**	**113.3**	**-**	**-**	**-**	**113.3**	**3.0**	**4.6**	**26.5**	**(13.9)**	**20.3**	**229.7**
Short-term financial debt	8.0		(8.0)			(8.0)	-			8.2	8.2	8.2
Current lease liabilities	-				(7.1)	(7.1)			7.0	7.1	14.1	7.0
Current derivatives	0.1					-				0.6	0.6	0.7
Other financial liabilities	33.8	-	-	33.0	-	33.0	-	-	-	103.9	103.9	170.7
Total other financial liabilities	**41.8**	**-**	**(8.0)**	**33.0**	**(7.1)**	**17.9**	**-**	**-**	**7.0**	**119.8**	**126.8**	**186.5**
TOTAL FINANCIAL LIABILITIES	**137.9**	**113.3**	**(8.0)**	**33.0**	**(7.1)**	**131.3**	**3.0**	**4.6**	**33.5**	**106.0**	**147.1**	**416.3**

Non-cash flows related to other financial liabilities concern regulated player funds closing on 1 January 2020 (see Note 1.3.1).

With interest rates at all-time lows or even negative, FDJ continued its policy of investing in 5-year term accounts in 2019, whenever the conditions were appealing, mainly when renewing maturing investments. Account was also taken of the payments to be made in connection with its privatisation. This specific constraint resulted in the non-renewal of certain term accounts. In accordance with the Company's asset allocation policy, other medium and long term UCITS investments were also made, often resulting from choices made among existing products.

The reduction in non-current financial assets and the increase in current financial assets is explained by the expiry of €253 million in term accounts in 2020.

The deposit paid under the surety trust agreement, which aims to protect the assets of online players, amounted to €8.1 million as at 31 December 2019, as compared to €9.6 million as at 31 December 2018, a decline of €1.5 million. Assets were higher in 2018 due to the French team's victory in the Men's Football World Cup.

Non-current debt of €230 million (€96 million as at 31 December 2018) mainly consists of a loan related to the acquisition of the Group's headquarters in the amount of €88 million (with a nominal value of €120 million, fixed rate, amortising and expiring on 24 November 2031) and a loan taken out in May 2019 to acquire Sporting Group, with a nominal value of £100 million, or €118 million (floating rate repayable on maturity on 15 May 2024), which is subject to interest rate hedging, contracted on 27 June 2019, and maturing on 27 June 2022. The closing EUR/GBP exchange rate as of 31 December 2019 was 0.85080. It also includes the liability of €24 million relating to IFRS 16.

Other current financial liabilities mainly include reserve funds, in accordance with the Pacte law (see 1.3 – Highlights), as well as credit accounts and the debt linked to FDJ's commitment to buy back its own shares.

	2019						
In millions of euros	Less than a year	In over 1 year	More than 2 years	In under 4 years	In under 5 years	More than 5 years	Total
Non-current financial assets at amortised cost		215.0	105.0	25.0	50.0	45.0	440.0
Non-current financial assets at fair value through profit or loss		84.7	0.0	5.7	0.0	0.0	90.4
Other non-current financial assets		53.2	0.2	0.0	0.0	0.6	53.9
Total non-current financial assets		**352.9**	**105.2**	**30.7**	**50.0**	**45.6**	**584.3**
Current financial assets at amortised cost	253.0						253.0
Current financial assets at fair value through profit or loss	16.1						16.1
Current derivatives	0.9						0.9
Deposits and guarantees	2.1						2.1
Loans to third parties	0.1						0.1
Total current financial assets	**272.2**						**272.2**
TOTAL FINANCIAL ASSETS	**272.2**	**352.9**	**105.2**	**30.7**	**50.0**	**45.6**	**856.6**
Long-term financial debt		7.9	7.9	7.9	125.5	55.8	205.0
Lease liabilities		6.4	4.1	3.9	3.7	6.4	24.4
Other financial liabilities		0.0	0.0	0.0	0.1	0.2	0.3
Total non-current financial liabilities		**14.3**	**12.0**	**11.8**	**129.3**	**62.3**	**229.7**
Short-term financial debt	8.2						8.2
Lease liabilities	7.0						7.0
Current derivatives	0.7						0.7
Bank overdrafts	40.2						40.2
Other financial liabilities	130.5						130.5
Total current financial liabilities	**186.5**						**186.5**
TOTAL FINANCIAL LIABILITIES	**186.5**	**14.3**	**12.0**	**11.8**	**129.3**	**62.3**	**416.3**

In millions of euros	2018						
	Less than a year	In over 1 year	More than 2 years	In under 4 years	In under 5 years	More than 5 years	Total
Non-current financial assets at amortised cost		253.0	215.0	50.0	25.0	85.0	628.0
Non-current financial assets at fair value through profit or loss		106.3	0.0	0.0	4.9	0.0	111.2
Other non-current financial assets		40.5	0.0	0.2	0.0	0.8	41.5
Total non-current financial assets		**399.8**	**215.0**	**50.2**	**29.9**	**85.8**	**780.6**
Current financial assets at amortised cost	55.0						55.0
Current derivatives	0.6						0.6
Deposits and guarantees	0.2						0.2
Total current financial assets	**55.8**						**55.8**
TOTAL FINANCIAL ASSETS	**55.8**	**399.8**	**215.0**	**50.2**	**29.9**	**85.8**	**836.4**
Long-term financial debt		8.5	8.0	8.0	8.0	63.7	96.1
Total non-current financial liabilities		**8.5**	**8.0**	**8.0**	**8.0**	**63.7**	**96.1**
Short-term financial debt	8.0						8.0
Current derivatives	0.1						0.1
Bank overdrafts	7.2						7.2
Other financial liabilities (HFM)	26.5						26.5
Total current financial liabilities	**41.8**						**41.8**
TOTAL FINANCIAL LIABILITIES	**41.8**	**8.5**	**8.0**	**8.0**	**8.0**	**63.7**	**137.9**

9.2 Cash and cash equivalents

Cash and cash equivalents

Cash and cash equivalents consist of sight 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.

In millions of euros	31.12.2019	31.12.2018
Investments, cash equivalents	121.2	128.4
Cash at bank and in hand	80.3	38.8
CASH AND CASH EQUIVALENTS	**201.5**	**167.2**

Investments counting as cash equivalents include interest-bearing term or demand deposits (€44 million as at 31 December 2019 and €75 million as at 31 December 2018) and units of UCITS, mainly comprising the Euro Millions fund (€77 million as at 31 December 2019 and €53 million as at 31 December 2018).

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

9.3 Cash flows

The increase in depreciation and impairment of fixed assets reflects that of IT developments and the new headquarters, as well as the impairments set out in 4.2.3 – Other operating income and expenses.

Investments net of corresponding payables and advances stood at €67.1 million in 2019 (€92.9 million in 2018), of which:

- investments in intangible assets of €31.2 million (€31.6 million in 2018), covering developments of live and back-office information systems, as well as point of sale terminals;
- investments on property, plant and equipment of €36.3 million (€54.6 million in 2018) relating to the fitting out of the new headquarters (2018) and point-of-sale furnishings (2019 and 2018);
- changes in the corresponding payables and advances (negative €0.4 million in 2019 and positive €6.6 million in 2018).

Acquisitions of securities relate to Sporting Group (see Highlights).

The gains on disposals of non-current assets of 2018 (€14.7 million) mainly stemmed from the disposal of the Moussy-le-Vieux site.

Fluctuations in the change in operating working capital in 2019 and 2018 (negative €44.8 million and positive €25.8 million respectively) are attributable chiefly to player funds.

Moreover, the participating Euro Millions lotteries[1] have established a trust governed by English law to cover counterparty and default risks. The trust is managed by one trustee, the Law Debenture Trust Corporation. For FDJ, the sums deposited as guarantees in a fund are managed by the trustee (who alone has the capacity to execute payments) and are broken down into sums allocated exclusively to the winners of the Euro Millions game, of which €77 million as of 31 December 2019 (€54 million as of 31 December 2018), included in cash and cash equivalents.

3

9.4 Net financial income and expenses

Net financial income and expenses include:

- borrowing costs;
- income from financial investments;
- change in the value of derivatives;
- foreign exchange gains or losses.

In millions of euros	2019	2018
Cost of debt	**(2.3)**	**(0.9)**
Gains on disposals	2.3	0.1
Interest on investments	8.1	5.3
Derivatives (Income)	0.9	0.5
Financial income on securities valued at fair value through profit or loss	11.1	-
Foreign exchange gains	1.0	0.4
Other	0.3	0.0
Other financial income	**23.8**	**6.3**
Derivatives (Expenses)	(0.2)	-
Financial expenses on securities valued at fair value through profit or loss	-	(6.2)
Foreign exchange losses	-	(0.1)
Other	(0.7)	(0.5)
Other financial expenses	**(0.9)**	**(6.8)**
FINANCIAL INCOME AND EXPENSES	**20.6**	**(1.5)**
Total financial income	**23.8**	**6.3**
Total financial expenses	**(3.2)**	**(7.7)**

Borrowing costs mainly correspond to the interest expense on the loans related to the acquisition of the new headquarters and Sporting Group.

The increase in interest income and gains on disposal of investments stems from the favourable market environment in 2019, as opposed to the unfavourable conditions that prevailed in 2018.

The net change in financial income and expense on securities measured at fair value through profit or loss (positive €17 million between 2019 and 2018) stems from market trends.

FDJ is exposed to foreign exchange risk related to purchases denominated in foreign currency (mainly the US dollar). The positive change in the net foreign exchange result (a gain of €0.8m in 2019 vs 2018) is attributable to the change in that currency's exchange rate (EUR/USD: 1.1195 in 2019, vs 1.1810 in 2018).

Other financial expense includes actuarial interest relating to pension obligations and the remeasurement of current financial liabilities.

(1) *An Post (Ireland), Camelot (United Kingdom), FDJ, the National Lottery of Belgium, the National Lottery of Luxembourg, Österreischice Lotterien (Austria), Santa Casa (Portugal), SELAE (Spain), Swisslos (Switzerland) and Loterie Romande (Switzerland).*

9.5 Policy for managing financial risks

In managing its cash surpluses, the Group faces three main categories of risk:

- credit risk (related to the default risk of counterparties to transactions);
- liquidity risk (related to the Group's inability to meet its payment obligations); and
- interest rate risk (related mainly to falls in interest rates).

The points below describe the nature of these risks and the actions taken by the Group to limit their impact.

9.5.1 Credit risk from investments and derivatives

Credit risk or counterparty risk of investments and derivative financial instruments is monitored by the Treasury Committee, which includes the Finance Director and members of the Treasury and Investments Department. This risk corresponds to the loss that the Group would incur if a counterparty were to default, resulting in a failure to meet its obligations vis-à-vis the Group.

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 managing counterparties and more particularly given the minimum long-term rating stipulated for these transactions.

in million of euros	31.12.2019	31.12.2018
Non-current financial assets at amortised cost	440.0	628.0
Non-current assets at fair value through profit or loss	90.4	111.2
Total non-current financial assets	**530.4**	**739.2**
Current financial assets at amortised cost	253.0	55.0
Current assets at fair value through profit or loss	16.1	(0.0)
Current derivatives	0.9	0.6
Total current investment securities	**270.0**	**55.6**
Investments, cash equivalents	**121.2**	**128.4**
TOTAL INVESTMENTS	**921.7**	**923.2**

As at 31.12.2019, investments consisted mainly of UCITS and similar products in the amount of €163 million (€143 million as at 31.12.2018) and €759 million in investments with counterparties (€780 million as at 31.12.2018). These include €667 million in term accounts (€697 million as at 31 December 2018), €25 million in interest-bearing sight deposits (€56 million as at 31 December 2018) and €67 million in EMTNs (€27 million as at 31 December 2018).

The credit risk analysis breaks down as follows:

Amounts outstanding	Total amount outstanding in € million at 31.12.2019	0-€25 million	€25-€50 million	€50-€100 million	€100-150 million
RATING					
AA/Financial institutions	293	2	-	-	2
AA/Other					
A / Financial Institutions	468	8	5	2	-

9.5.2 Credit risk on trade receivables

The Group considers the risk of default by a distributor, with a potentially material impact on its financial position and results, is limited due to its policy for addressing credit risk, which requires guarantees for all new distributors from insurers or a bank guarantee/deposit of funds.

9.5.3 Liquidity risk

Liquidity risk is defined as the inability of the Group to meet its financial obligations at a reasonable cost. In particular, the cash necessary to cover counterparty risks on certain games, for which amounts are potentially high, must be immediately available. This corresponds to the amounts recognised in the counterparty funds, the permanent fund and, for extreme cases, in the reserve fund required under the articles of Association.

FDJ's asset allocation policy requires that a minimum of 33% of outstanding amounts be invested in standard short-term assets. FDJ also has the possibility of using bank overdrafts.

Chaired by the Finance Director, the Treasury Committee meets monthly to monitor the liquidity position and ensure compliance with defined limits.

Outstanding amounts invested in short-term instruments are consistent with FDJ's cash management policy.

As at 31 December 2019, most of the investments were in the form of term accounts with banks. For these investments, FDJ can recover the invested funds, without penalty or risk of capital loss, after 32 calendar days' notice. Investments comply with the applicable rules.

In 2019, investments averaged €1,115 million; the debt related to the acquisition of the Group's headquarters was €96 million in late 2019; and the debt related to the acquisition of Sporting Group was €118 million.

9.5.4 Interest rate risk

The interest rate risk of a financial asset is the risk of realising a loss on an instrument or incurring an additional cost as a result of a change in interest rates.

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

Sensitivity to interest rate risk arises from fixed rate investments (bonds and negotiable debt instruments) and interest rate derivatives.

As at 31.12.2019, 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.

9.6 Impact of financial instruments

Financial instruments consist of:

- among 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; and
- among liabilities, all debts, liabilities related to the business, derivatives and debts.

9.6.1 Impact on the statement of financial position

Given the nature of the financial instruments (assets, liabilities), their accounting value corresponds to their fair value.

In millions of euros	Category IAS 39 (2017)/IFRS 9 (2018 & 2019) and valuation		31.12.2019 FV and Book value	31.12.2018 FV and Book value
Cash	**Fair value through profit or loss**	**Level 1**	**80.3**	**38.8**
Cash equivalents			**121.2**	**128.4**
	Loans and receivables at amortised cost	*Level 2*	*44.0*	*75.0*
	Fair value through profit or loss	*Level 2*	*77.1*	*53.4*
Non-current financial assets	-		**584.3**	**780.6**
including non-current financial assets at amortised cost	*Loans and receivables at amortised cost*	*Level 2*	*440.0*	*628.0*
including non-current financial assets at fair value through profit or loss	*Fair value through profit or loss*	*Level 2*	*90.4*	*111.2*
including other non-current financial assets	*Loans and receivables at amortised cost*	*Level 2*	*53.9*	*41.4*
Current financial assets	-	*Level 2*	**272.2**	**55.7**
including current financial assets at fair value through profit or loss	*Fair value through profit or loss*	*Level 2*	*16.1*	*0.0*
including current financial assets at amortised cost	*Loans and receivables at amortised cost*	*Level 2*	*253.0*	*55.0*
including current derivatives	*Fair value through shareholders' equity*	*Level 2*	*0.9*	*0.6*
including deposits and guarantees	*Loans and receivables at amortised cost*	*Level 2*	*2.1*	*0.2*
Trade and distribution network receivables (net value)			**469.8**	**411.5**
including trade receivables	*Loans and receivables at amortised cost*	*Level 2*	*33.7*	*13.1*
including receivables from the distribution network	*Loans and receivables at amortised cost*	*Level 2*	*436.0*	*398.5*
Other operating assets excluding employee and tax receivables and pre-paid expenses		-	**267.8**	**201.5**
TOTAL FINANCIAL INSTRUMENTS – ASSETS			**1,795.6**	**1,616.6**
Non-current player funds	**Financial liabilities at amortised cost**	**Level 2**	**-**	**108.7**
Non-current financial liabilities	**Financial liabilities at amortised cost**	**Level 2**	**229.7**	**96.1**
Supplier and distribution network payables			**411.6**	**369.3**
including suppliers	*Financial liabilities at amortised cost*	*Level 2*	*133.5*	*102.4*
including payables to the distribution network	*Financial liabilities at amortised cost*	*Level 2*	*278.1*	*266.9*
Current player funds	**Financial liabilities at amortised cost**	**Level 2**	**156.6**	**213.8**
Winnings payable and distributable	**Financial liabilities at amortised cost**	**Level 2**	**189.3**	**171.7**
Other operating liabilities excluding employee and tax payables and pre-paid income	**Financial liabilities at amortised cost**	**Level 2**	**12.3**	**8.4**
Other current financial liabilities	**Financial liabilities at amortised cost**	**Level 2**	**186.5**	**41.8**
TOTAL FINANCIAL INSTRUMENTS – LIABILITIES			**1,186.1**	**1,009.9**

Level 1: prices quoted in active markets

Level 2: use of inputs other than quoted prices for identical instruments, observable directly or indirectly in active market (market-corroborated inputs: interest rate curve, swap rate, multiples method, etc.)

9.6.2 Impact on the income statement

	Financial result			Operating profit
In millions of euros	Interest	Fair value through profit or loss	Disposal income	Other*
Financial assets at fair value through profit or loss	-	(6.2)	-	-
Financial assets at amortised cost	5,3	-	-	(1.1)
Derivatives	-	-	-	-
Total at 31.12.2018	**5,3**	**(6.2)**	**-**	**(1.1)**
Financial assets at fair value through profit or loss	-	11.1	2.3	-
Financial assets at amortised cost	8,1	-	-	(0.5)
Derivatives	-	-	-	-
TOTAL AT 31.12.2019	**8,1**	**11.1**	**2.3**	**(0.5)**

* *Losses on unrecoverable receivables.*

9.6.3 Impact on transferable equity

In millions of euros	Gross amount	Tax	Net amount
Total at 31.12.2017	**8.6**	**(3.2)**	**5.3**
Changes in fair value	0.3	(0.2)	0.1
First-time application of IFRS 9	(8.6)	3.2	(5.3)
Total at 31.12.2018	**0.3**	**(0.2)**	**0.2**
Changes in fair value(1)	(2.6)	0.9	(1.7)
TOTAL AT 31.12.2019	**(2.3)**	**0.7**	**(1.5)**

(1) Impact stemming from the net investment hedge implemented on the loan financing the acquisition of Sporting Group.

Transferable equity on financial assets measured at fair value through equity as at 31 December 2017 was reclassified to consolidated reserves as of 1 January 2018, following the first-time application of IFRS 9.

NOTE 10
Investments in joint ventures

Other non-current financial assets relate to investments in joint ventures.

10.1 Value of securities in joint ventures

In millions of euros	Total
Value of securities at 31.12.17	**12.7**
Changes of scope	0.1
Share of net income for 2018	0.8
Dividends	(0.7)
Currency translation difference	(0.1)
Value of securities at 31.12.18	**12.8**
Share of net income for 2019	2.0
Dividends	(0.4)
Currency translation difference	0.1
VALUE OF SECURITIES AT 31.12.19	**14.5**

10.2 Information about transactions with joint ventures (related parties)

10.2.1 Société de Gestion de L'Échappée (SGE)

A 50% interest in SGE was sold to Groupama on 6 December 2018. The company has been accounted for using the equity method since that date. It manages the Groupama-FDJ cycling team. The association L'Échappée remains responsible for defining the sports programme and managing any activities linked to amateur cycling and ethical issues. The sponsorship agreement between FDJ and SGE represented an expense of €7.5 million in 2019 (€7.3 million in 2018).

10.2.2 LEIA (Lotteries Entertainment Innovation Alliance)

Since October 2018, the Group has held a 25% stake in Norwegian company Lotteries Entertainment Innovation Alliance AS, a platform for distributing digital games, located in Norway. The other shareholders are Danske Lotteri Spil, Denmark (25%), Norsk Tipping, Norway (25%) and Veikkaus, Finland (25%). The Group had no significant business relationships with this company in 2018 or 2019.

10.2.3 Beijing Zhongcai Printing (BZP)

The Group holds a 37% interest in Beijing Zhongcaï Printing Co Ltd (BZP), a lottery ticket printing company located in China and consolidated using the equity method. The other shareholders are the Chinese lottery CWL (China Welfare Lottery) (40%) and Berjaya Limited (23%), a Malay group.

The Group had no significant business relationship with this company in 2019. BZP paid the Group dividends, net of currency translation effects and withholding taxes, of €0.4 million in 2019 and €0.6 million in 2018.

10.2.4 Services aux Loteries en Europe (SLE)

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

10.2.5 National Lotteries Common Services (NLCS)

The Group holds a 50% stake in National Lotteries Common Services (NLCS), a French company established in February 2013 to bring together lotteries for the purposes of pooling their skills and resources in the field of sports betting. The other shareholder is Santa Casa de la Misericordia de Lisboa (SCML), the Portuguese state lottery. None of the transactions with this company has a material impact on the Group.

NOTE 11

Income tax

Income tax comprises current tax expense and deferred tax expense. It is recognised in the income statement except when related to items recognised directly in equity, in which case it is recognised directly in equity.

Tax rates used are rates that were adopted or almost adopted at the end of the period of presentation of the financial information for each tax jurisdiction.

Current tax payable is the amount of tax due for the reporting period. Deferred tax arises from temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as tax losses. It is determined using the variable carry forward 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 statement of financial position for each tax entity.

11.1 Income tax expense

In millions of euros	2019	2018
Deferred tax	(1.1)	(0.2)
Current tax payable	(77.2)	(85.3)
TOTAL INCOME TAX EXPENSE	**(78.3)**	**(85.6)**

In 2019, the Group's net tax expense fell by €7.3 million. This is attributable chiefly to the decline in FDJ SA's taxable income and the drop in future tax rates defined by current applicable laws.

11.2 Current tax payable

In millions of euros	31.12.2019	31.12.2018
Tax payable assets	18.9	18.6
Current tax liabilities	0.7	1.3

Current tax payable assets (liabilities) correspond mainly to the net amount of income tax instalments paid and the liability reflecting the tax expense for the period.

11.3 Deferred tax

	31.12.2019		31.12.2018	
In millions of euros	Assets	Liabilities	Assets	Liabilities
Non-deductible provisions	13.2		10.6	
Temporarily non-deductible expenses	5.6		5.8	
Other consolidation adjustments*		(37.9)		(37.3)
Other temporary differences		(5.9)	1.7	
Total deferred taxes	**18.9**	**(43.8)**	**18.1**	**(37.3)**
NET DEFERRED TAX		**(24.9)**		**(19.2)**

* *Mainly accelerated amortisation.*

11.4 Reconciliation of the theoretical tax rate and the effective tax rate

In millions of euros	2019	2018
Consolidated accounting profit before tax, excluding impact of equity-accounted companies	209.3	255.2
Standard theoretical income tax rate	34.4%	34.4%
Theoretical income tax expense	**72.1**	**87.9**
Effects of items generating differences from theoretical tax:		
◆ Permanent differences	7.6	0.2
◆ Tax rate effect	(0.7)	(0.4)
◆ Tax credits	(3.7)	(2.1)
◆ Unused tax loss carry forwards net of uses	2.5	(0.0)
◆ Additional contribution on dividends	-	-
◆ Other items	0.5	-
TOTAL DIFFERENCES BETWEEN EFFECTIVE TAX AND THEORETICAL TAX	**6.2**	**(2.3)**
Effective income tax expense	**78.3**	**85.6**
Effective tax rate	37.4%	33.5%

Permanent differences relate mainly to the impairment of goodwill and patronage.

NOTE 12

Earnings per share

The calculation of earnings per share is established according to IAS 33.

It is obtained from the weighted average number of shares outstanding during the year, after deduction of the average number of treasury shares reducing the net equity.

Basic earnings per share is calculated by dividing the net income for the period attributable to holders of ordinary shares of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated by dividing the net income for the period attributable to holders of ordinary shares by the weighted average number of ordinary shares outstanding during the period and adjusting that amount for the impact of all dilutive potential ordinary shares.

If the inclusion of deferred equity instruments in the calculation of diluted earnings per share generates an anti-dilutive effect, they are not taken into account.

	2019	2018
Net income (in millions of euros)	133.0	170.4
Weighted average number of ordinary shares at 31 December *	190,987,104	191,000,000
Basic earnings (loss) per share *(in euros)*	**0.70**	**0.89**
Diluted earnings (loss) per share *(in euros)*	**0.70**	**0.89**

* *The weighted average number of ordinary shares as of 31 December 2019 is net of treasury shares (see 13.2).*

The General Meeting of Shareholders held on 4 November 2019 decided to divide the nominal value of the shares of the Company by 955 through the exchange of 191,000,000 new shares with a nominal value of €0.40 each for 200,000 old shares with a nominal value of €382. The division of the nominal value must be taken into account in the calculation and comparison of earnings per share over the various periods presented. In accordance with IAS 33, earnings per share has been adjusted retrospectively to take account of this transaction.

FDJ considers that it has acquired the shares previously held by Soficoma. In light of the ongoing dispute with Soficoma, the weighted average number of ordinary shares does not take this transaction into account (see Note 15 below).

As the Group did not issue any dilutive or non-dilutive instruments in any of the periods presented, diluted earnings per share is equal to basic earnings per share.

NOTE 13

Shareholders' equity

13.1 Share capital

As of 31 December 2019, FDJ's share capital amounted to €76,400,000, consisting of 191,000,000 fully subscribed and paid-up shares with a par value of 0.40 euros each. As of 31 December 2019, the share capital was held in the proportion of 21.9% by the French State, 14.8% by veterans associations (of which 9.8% for Union des Blessés de la Face et de la Tête) and 4.4% by the Group's employees and former employees. The balance of 58.9% is held by the Company' other legacy shareholders, and the individual and institutional shareholders who acquired shares at the time of the initial public offering; to the best of the Company's knowledge, these investors hold less than 5% of the share capital each.

As of 31 December 2018, it amounted to €76,400,000 and consisted of 200,000 shares with a par value of 382 euros each, held in the proportion of 72% by the French State, 9.2% by Union des Blessés de la Face et de la Tête, 5% by employees and 13.8% by shareholders holding less than 5% of the capital each.

13.2 Treasury shares[1]

Treasury shares are recorded at their acquisition cost as a deduction from equity. Gains and losses on sales of such securities, net of tax, are charged directly to equity and do not contribute to profit or loss for the year.

A share buyback programme authorised by the Board of Directors at its meeting of 19 December 2019 has been implemented, pursuant to the authorisation granted by the General Meeting of Shareholders of 4 November 2019, for the purpose of concluding a liquidity contract to facilitate trading in the FDJ share. The Board of Directors has decided to allocate the maximum authorised amount of €6 million to this liquidity contract, which took effect on 23 December 2019, for a period expiring on 31 December 2020. The programme is the subject of a liquidity contract meeting the provisions laid down by the Autorité des Marchés Financiers (AMF) and bearing on 6,000 shares as of 31 December 2019.

In addition, as part of the Employee Offering made to Group employees in line with its privatisation, FDJ purchased 3,176,327 shares, pursuant to the authorisation granted by the General Meeting of Shareholders of 4 November 2019, for the purpose of giving them to the Group employee mutual fund serving as depositary for the beneficiaries of the Employee Offering. However, as some employees or former employees were unable to purchase all of the reserved shares, FDJ continued to hold 6,896 of its own shares as of 31 December 2019.

As of 31 December 2019, treasury shares recorded as a reduction in consolidated equity represented 12,896 shares and were valued at €0.3 million.

13.3 Payment of dividends

Dividends in respect of 2019, submitted to the vote of the 2020 General Shareholders' Meeting on 2019 financial statements, amounted to €122.2 million, i.e. €0.64 per share.

Dividends in respect of 2018, approved by the General Shareholders' Meeting of 05 June 2019, amounted to €122 million, i.e. €610 per share.

13.4 Reserves

The Group's business of organising and operating betting games involves specific risks and commitments, which are particularly important and must be anticipated through appropriate coverage.

FDJ's Articles of Association (article 29.A) instituted a statutory reserve to cope with rare risks (repeated peak risks, very low frequency of occurrence and very high amount for several game events occurring over a given period) and extreme risks (peak risk, very low frequency of occurrence, very high amount). This reserve can be used in "rare and extreme" cases when the counterparty fund and the permanent fund (see Note 4.4) are not sufficient to cover the risks of the game.

The risks covered are:

- operating risks that may arise at any time during the life cycle of the games (design, production of gaming materials, logistics, marketing, etc.). They are measured, after tax, at 0.3% of stakes, and amounted to €47 million at the end of 2019, based on the 2018 financial statements (€45 million at the end of 2018, based on the 2017 financial statements);
- rare and extreme-case counterparty risks, exceeding ordinary risk for which models are available, are covered by counterparty funds and the permanent fund. These risks are measured as and when a major change occurs in the gaming offer and in players' behaviour. At the end of 2019 and 2018, they were covered up to an amount of €40 million.

The statutory reserve therefore amounted to €87 million as at 31.12.2019 (€85 million as at 31.12.2018).

(1) *Note that 5,730,000 of the Company's shares are the subject of litigation with Soficoma before the Aix-en-Provence Court of Appeal (see 15 – Ongoing legal proceedings and other disputes). FDJ considers that it purchased these shares on 18 May 2017. It is specified in this respect that the Combined General Meeting of Shareholders of 18 June 2018 resolved to cancel the shares in question subject to the conditions precedent that the request made before the Commercial Court is granted, i.e. that the Court notes that (i) Soficoma, pursuant to article 15 (b) of its Articles of Association, was required to sell its shares within three months of the meeting of its Board of Directors that noted the non-fulfilment of the conditions governing its capacity to remain a shareholder of FDJ, (ii) FDJ has satisfied its obligation to pay the price of the shares by depositing the price with the Caisse des Dépôts et Consignations, (iii) Soficoma forfeited its status as shareholder on the date of that deposit, i.e. on 18 May 2017, and (iv) FDJ is authorised to transcribe the transfer of these shares by Soficoma to FDJ in its registers.*

NOTE 14

Transactions with related parties

14.1 French State

The French State is no longer FDJ's majority shareholder, but nevertheless continues to exercise close control over it, with specific prerogatives including a right of veto granted to the Government Commissioner over decisions taken in FDJ's governing bodies, approval by decree of the modifications of the Articles of Association of FDJ and also the obtaining of a licence from the Ministers in charge of the Economy and the Budget, after consultation with the French gaming regulatory authority (ANJ) for the appointment of a Chairman, CEO or Deputy CEO of FDJ.

The Exclusive Rights Decree of 17 October 2019 sets the PR ranges and/or caps per range of games, while article 138(I) of the Pacte law establishes a levy paid to the French State that is calculated based on Gross Gaming Revenue, which, in this case, is the difference between the sums wagered as from 1 January 2020 by players and the sums to be paid or returned to the prize winners. The rate of this levy is set at 54.5% for traditional draw games for which the first prize level is distributed in a pooled way and 42% for other lottery games. The recovery conditions of this levy shall be defined by decree.

The related amounts reported in the income statement and in the statement of financial position for the last three years are as follows:

In millions of euros		31.12.2019	31.12.2018
Statement of financial position – Assets	Exclusive rights of use (gross value)	380.0	0.0
Statement of financial position – Assets	Advance payment on the permanent fund surplus	265.0	200.3

In millions of euros		31.12.2019	31.12.2018
Statement of financial position – Liabilities	Public levies	414.8	357.2
Statement of financial position – Liabilities	Player funds closed at 1 January 2020	103.8	0.0
Statement of financial position – Liabilities	Debt owed to the French state	380.0	0.0

In millions of euros		2019	2018
Income statement	Public levies	3,498.0	3,261.8

The agreement concluded between the French State and FDJ, dated 17 October 2019, provides that, at the normal or anticipated expiry of exclusive rights, the assets strictly necessary for the operation of exclusive rights will be taken back by the French State in consideration for a corresponding compensation at the market value of the buildings and the net book value of other fixed assets.

Transactions between FDJ and other public sector entities (France Télévisions, EDF, SNCF, La Poste) are all conducted at normal market conditions.

14.2 Other related parties

Transactions between FDJ and its fully consolidated subsidiaries, as related parties, are eliminated upon consolidation and are not disclosed in this note.

The endowment to the FDJ Corporate Foundation amounted to €3 million in 2019 (nil in 2018).

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

14.3 Executive remuneration

The remuneration of senior executives falls within the scope of the information to be provided in respect of related parties.

The most senior directors sit on the Group Management Committee, which has 18 members. It was created in 2019 to replace the Executive Committee, which had 10 members in 2018.

In the consolidated income statement, the items relating to executive remuneration are as follows:

In millions of euros	31.12.2019	31.12.2018
Short-term employee benefits	4.0	2.5
Post-employment benefits	0.2	0.1
TOTAL	**4.2**	**2.6**

Short-term benefits include all remuneration and related social security contributions. Other long-term benefits include post-employment benefits (retirement indemnities and health insurance), as well as service recognition medals.

In the consolidated statement of financial position, payables to executives are as follows:

In millions of euros	31.12.2019	31.12.2018
Short-term employee benefits	0.9	0.6
Post-employment benefits	2.0	0.8

Corporate directors (the Chairwoman and Chief Executive Officer and the Deputy Chief Executive Officer) do not receive post-employment benefits, given their status as civil servants on secondment.

NOTE 15

Ongoing legal proceedings and other disputes

Members of the French lottery distributors' syndicate (UNDJ – Union Nationale des Diffuseurs de Jeux) sued Française des Jeux in May 2012 before the Commercial Court of Nanterre, requesting that the 2003 amendment to the agent-broker contract be terminated by a court decision. A stay of proceedings is currently in place.

On 6 August 2015, 67 agent-brokers brought proceedings against Française des Jeux in the Commercial Court of Paris. They formulated claims for damages following the termination of their broker-agent contracts. On 3 October 2016, the Court dismissed all the claims brought by the broker-agents. They appealed this decision in November 2016 at the Paris Court of Appeal.

On 27 March 2019, the Paris Court of Appeal upheld the initial judgement in its entirety. In June 2019, the agent-brokers filed an appeal against this judgement before the Court of Cassation (Cour de cassation). The case is currently pending before the Court of Cassation.

On 23 May 2017, FDJ filed a lawsuit against Soficoma, a civil company, seeking legal recognition of its loss of status as a shareholder of FDJ. On 23 May 2019, the Commercial Court of Marseille granted FDJ's application. Soficoma appealed against this ruling on 20 June 2019 before the Court of Appeal of Aix-en-Provence. The case is currently pending before the Court of Appeal.

NOTE 16
Off-balance-sheet commitments

16.1 Commitment related to the employees' mutual fund (FCPE)

In accordance with employee savings agreements and to guarantee the liquidity of the "FDJ Actionnariat" investment fund, through which employees owned 5% of the Company's share capital, LCL granted the fund a first-demand guarantee for €8.8 million. FDJ gave LCL a counter-guarantee of the same amount, and the FCPE signed with FDJ a promise to repay funds received or to sell shares, without obligation of purchase for FDJ. These commitments were renewed for periods of two years on 1 June 2016 and 1 June 2018.

Following the admission of FDJ shares to trading on the regulated market Euronext in Paris on 22 November 2019, this guarantee has been terminated.

16.2 Other commitments

The other commitments are described in the table below:

In millions of euros	31.12.2019	31.12.2018
Commitments given		
Deposits and first-demand guarantees	20.4	12.0
Sponsorship contract	7.5	-
Investment funds	47.7	20.0
Performance bonds*	85.5	79.1
Image rights for cyclists and commitment to the Association L'Échappée	0.5	1.0
Escrow account	1.1	1.1
Property rental (buildings and vehicles)**	4.0	37.3
Mortgage on goods acquired	104.6	113.8
Paris 2024 partnership	28.6	-
Other commitments given	2.1	4.1
TOTAL COMMITMENTS GIVEN	**302.1**	**268.3**
Commitments received		
Performance bonds and return of payments on account	127.7	57.4
Guarantees for return of stakes and payment of winnings	321.8	249.5
Counterparty risk insurance	150.0	-
TOTAL COMMITMENTS RECEIVED	**599.5**	**306.9**

* *of which printing contracts: €49 million.*
** *following the application of IFRS 16 in 2019, commitments in respect of vehicles and low-value contracts (under €5,000).*

Performance undertakings given correspond to irrevocable purchase commitments made by the Group to its suppliers.

The mortgage taken out by the Group in 2016 (including the principal, interest and related amounts) related to the purchase of its new headquarters.

Commitments received on guarantees for the return of stakes and payment of winnings correspond to the financial guarantees provided by new distributors working with FDJ. Newly approved distributors are required to provide a financial guarantee against payment default. The increase in new distributors between 2018 and 2019 is attributable to the commercial transformation and, more specifically, the transition to direct distribution. Under this system, distributors provide their guarantees directly to FDJ, which is responsible for debt collection. Previously, the intermediaries of the distribution network were the beneficiaries of these guarantees and thus responsible for debt collection.

Investment funds are mainly innovation funds geared towards supporting the development of start-ups in activities close to FDJ's core business. They include Partech and Raise, as well as CVC V13 (in partnership with Séréna), Level-up (specialised in e-sport) and Trust e-sport.

The €150 million commitment relates to comprehensive insurance covering the counterparty risk on lottery games from 1 January 2020, following the reform of FDJ's fiscal and regulatory framework, which ended the counterparty fund system (see 1.3 – Highlights).

The schedule of lease liabilities in respect of property and vehicle assets and lease liabilities in respect of property assets (as at 31.12.2019 and 31.12.2018) is as follows:

In millions of euros	31.12.2019	31.12.2018
Under 1 year	1.4	8.9
Less than 5 years	2.3	23.5
More than 5 years	0.2	5.0
Property and vehicle rental commitments*	**4.0**	**37.3**
PROPERTY RENT OVER THE PERIOD	**(1.5)**	**5.2**

* *Following the application of IFRS 16 in 2019, commitments in respect of vehicles and low-value contracts (under €5,000).*

16.3 Reciprocal commitments

There were no reciprocal commitments in place at the end of 2019.

As of the end of 2018, following the sale of 50% of SGE to Groupama, FDJ and Groupama signed reciprocal pledges to buy and sell the remaining SGE shares.

NOTE 17

Subsequent events

N/A

NOTE 18

Scope of consolidation – change in scope

18.1 Scope of consolidation

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.

Name of entity	Headquarters	Activity	2019 consolidation method (1)	2018 consolidation method (1)	2018 controlling stake	2019 controlling stake
La Française des Jeux	France	Organisation of lottery games and betting	FC	FC	100%	100%
FDJ Gaming Solutions France (FGS France) (2)	France	Development and supply of digital lottery technologies	FC	FC	100%	100%
FDJ Gaming Solutions (FGS)(2)	France	Holding company	FC	FC	100%	100%
Beijing Zhongcai Printing	China	Printing of lottery tickets	EM	EM	37%	37%
La Française de Motivation	France	Business travel consulting agency Travel agency	FC	FC	100%	100%
La Pacifique des Jeux	France	Operation of lottery games in French Polynesia	FC	FC	99,99%	99,99%
FDJ Développement	France	Distribution of lottery games and sports betting in the French Antilles	FC	FC	100%	100%
La Française d'Images	France	Technical audiovisual services	FC	FC	100%	100%
Société de Gestion de l'Echappée	France	Management and promotion of a cycling team	EM	EM	50%	50%
FDP	France	Distribution of lottery games and betting in mainland France	FC	FC	100%	100%
Services offered to Lotteries in Europe	Belgium	Provision of services for national lottery agents in connection with the operation of Euro Millions	EM	EM	26,57%	26,57%
FDJ Gaming Solutions (FGS)(2)	United Kingdom	Development of sports betting technology	FC	FC	100%	100%
National Lotteries Common Services (NLCS)	France	Provision of services associated with the operation of sports betting	EM	EM	50%	50%
Lotteries Entertainment Innovation Alliance AS (LEIA)	Norway	Operation of digital gaming platforms	EM	EM	25%	25%
Spynsol Ltd	United Kingdom	Holding	FC	N/A	100%	N/A
Spynsolin Ltd	United Kingdom	Holding	FC	N/A	100%	N/A
BGPH Ltd	United Kingdom	Holding	FC	N/A	100%	N/A
Sporting Index Holdings Ltd	United Kingdom	Holding	FC	N/A	100%	N/A
Sporting Index Ltd	United Kingdom	Sports betting (fixed and variable odds)	FC	N/A	100%	N/A
SPIN Services Ltd	United Kingdom	Development of sports betting technology	FC	N/A	100%	N/A
SPIN Services Canada Inc	Canada	Development of sports betting technology	FC	N/A	100%	N/A
Romney Holdco Ltd	Malta	Holding	FC	N/A	100%	N/A
Betstat Ltd	Malta	Holding	FC	N/A	100%	N/A
RPA Software Ltd	Malta	Intellectual property	FC	N/A	100%	N/A
Touchbet Ltd	Malta	Trading	FC	N/A	100%	N/A
RPA Realtime Pricing Algorithm AB	Sweden	Trading software/ Development of sports betting technology	FC	N/A	100%	N/A
FGS Canada	Canada	Development of sports betting technology	FC	N/A	100%	N/A

(1) Full consolidation (FC) – Companies over which the Group exercises exclusive control – Equity method (EM) – Companies over which the Group exercises significant influence or joint control.

(2) Entities whose corporate name changed on 2 October 2018 (Lotsys renamed FGS France; Internationale des Jeux renamed FGS; LVS renamed FGS UK).

18.2 Changes of scope

On 30 May 2019, FDJ acquired Sporting Group, a British company (see 1.3.2.1).

FDJ Solutions de Jeux Canada, a Canadian sports betting technology development company, wholly owned by FDJ Gaming Solutions (FGS), was incorporated in May 2019.

On 6 December 2018, FDJ sold 50% of SGE, effectively forfeiting exclusive control. SGE has accordingly been consolidated using the equity method since that date. This disposal gave rise to no capital gain or loss.

On 1 October 2018, FDJ finalised the creation of a joint venture with Danske Lotteri Spil (Denmark), Norsk Tipping (Norway) and Veikkaus (Finland), named LEIA (Lotteries Entertainment Innovation Alliance), a company governed by Norwegian law, a platform for the distribution of digital games. Each shareholder holds 25% of LEIA's capital and voting rights.

NOTE 19

Statutory Auditors' fees

The Statutory Auditors' fees for 2019 and 2018 break down as follows:

	31.12.2019			
	Accounts audit services		Non-audit services	
In millions of euros	PwC Audit	Deloitte & Associés	PwC Audit	Deloitte & Associés
FDJ (issuer)	423	423	795	681
Subsidiaries (controlled entities)	57	132	-	-
STATUTORY AUDITORS' FEES	**480**	**555**	**795**	**681**

Services other than the certification of financial statements in 2019 related mainly to the transaction on FDJ's capital.

	31.12.2018			
	Accounts audit services		Non-audit services	
In millions of euros	PwC Audit	Deloitte & Associés	PwC Audit	Deloitte & Associés
FDJ (issuer)	350	394	85	52
Subsidiaries (controlled entities)	76	87		
STATUTORY AUDITORS' FEES	**426**	**481**	**85**	**52**

3.7

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your General Meeting of Shareholders, we have audited the accompanying consolidated financial statements of La Française des Jeux for the year ended 31 December 2019.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2019 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any non audit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Notes 1.2 "Regulatory background" and 1.3.1 "Initial public offering of FDJ on the Euronext Paris market" to the consolidated financial statements, which set out the specific nature of the Company's legal framework and its changes over time.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

Information systems, automated processing and controls related to the recognition of Net Gaming Revenue (see Note 4.1 to the consolidated financial statements)

Description of risk

The Group's main activity consists in developing and operating lottery games and sports betting within a highly regulated framework. This activity is characterised by a high volume of low-value individual transactions. La Française des Jeux's remuneration (net gaming revenue – NGR) is based on the players' stakes placed at points of sale and online, after deducting the prize winners' share as well as public levies at variable rates depending on the games and structural allocations to counterparty funds calculated on the basis of the stakes. The Group's revenue for 2019 amounted to €2 billion, of which €1.9 billion derived from NGR.

The processing of gaming transactions, their recognition according to the methods described in Note 4.1 to the consolidated financial statements and the determination of NGR are highly automated. They are based on a highly complex information system specific to FDJ, which covers all the steps in the processing of games from the validation of gaming transactions at points of sale and online to the recognition of the different components of NGR. The revenue recognition process also relies on several computing applications and the controls implemented by management to identify, value and recognise the transactions.

Given the high volume of transactions processed, the significance of automated processing in determining and recognising the different components of NGR and the reliability of the internal controls organised by management in a regulated environment, we deemed the information systems, automated processing and controls related to the recognition of NGR to be a key audit matter.

How our audit addressed this risk

With the assistance of our information systems specialists, we assessed the design and effectiveness of the internal control system, particularly in relation to the information systems and automated processing underlying NGR recognition. Our work consisted primarily in:

- familiarising ourselves with the control environment and identifying the controls implemented by management and the applications used as part of the recognition of the components of NGR, which we deemed of key importance to our audit;
- testing the IT general controls of each system, notably including access management, change management and automated controls;
- evaluating the effectiveness of the interfaces linked to the transactions and relevant for recognising flows from stakes to NGR;
- performing analytical validation tests on the allocation of the various components of NGR.

Recoverable amount of Sporting Group goodwill (see Note 6 to the consolidated financial statements)

Description of risk

The acquisition of Sporting Group at the end of May 2019 led the Company to recognise €67 million in goodwill, of which impairment of €11.5 million was recognised at 31 December 2019.

Goodwill corresponds to the difference between the acquisition price and the fair value of the identifiable assets acquired and the liabilities assumed. As indicated in Note 6.1. to the consolidated financial statements, it is allocated to the new Sporting Group cash-generating unit (CGU).

Goodwill is not amortised but is tested for impairment once a year at the reporting date or more frequently if there is evidence of impairment. The objective of the impairment test is to ensure that the carrying amount of the tested assets is not higher than their recoverable amount.

The recoverable amount represents the higher of fair value (less costs to sell) and value in use. At 31 December 2019, the recoverable amount was determined by management by discounting the estimated future cash flows of the activities to which the goodwill is allocated. These cash flows are determined based on numerous estimates and assumptions, including revenue growth rates, operating margin rate and the discount rate, which can, particularly in the segments in which Sporting Group operates, fluctuate over time and vary significantly from actual future performance.

We deemed the measurement of the recoverable amount of Sporting Group goodwill to be a key audit matter due to the material amount of the goodwill, the recent decision taken by La Française des Jeux to discontinue one of the Sporting Group business activities and the high degree of judgement and estimation required from management.

How our audit addressed this risk

We examined the methodology used by management to determine the recoverable amount of goodwill, and assessed its compliance with current accounting standards.

We also performed a critical assessment of the implementation of this methodology and, in particular:

- obtained the test prepared by management and reconciled the value of the assets tested with the underlying accounting data;
- gained an understanding of the process for preparing the Sporting Group five-year business plan as defined by management;
- compared the cash flows used in the test with the five-year business plan defined by management;
- conducted, with the help of our valuation experts, a critical assessment of the methods used to calculate value in use and assessed the discount rates used;
- assessed the cash flow projections, including growth in revenue and operating margin, based on our knowledge of the relevant business segments and the strategic, economic and financial environment in which Sporting Group operates, and compared them with past performance and market data when available;
- verified that the cash flow projections did not include cash flows related to discontinued operations.

Lastly, we examined the disclosures provided in the notes to the consolidated financial statements, in particular the information concerning the analyses of the sensitivity of the recoverable amount to changes in the main assumptions used.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the Board of Directors' management report.

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

We attest that the management report includes the consolidated non-financial information statement required under Article L. 225-102-1 of the French Commercial Code. However, in accordance with Article L.823-10 of the French Commercial Code, we have not verified the fair presentation and consistency with the consolidated financial statements of the information given in that statement, which will be the subject of a report by an independent third party.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of La Française des Jeux by the General Meeting of Shareholderss held on 25 May 2016 for PricewaterhouseCoopers Audit and on 3 June 2003 for Deloitte & Associés.

At 31 December 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the fourth and seventeenth consecutive year of their engagement, respectively, thus one year each since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit.

They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 20 March 2020

The Statutory Auditors

PricewaterhouseCoopers		Deloitte & Associés	
Philippe Vincent	Jean-Paul Collignon	Jean-François Viat	Nadège Pineau

4

Parent company financial statements

The financial statements are presented in millions of euros, rounded to the nearest hundred thousand euros. Rounding differences may appear between the various financial statements.

4.1

INCOME STATEMENT

In millions of euros	Note	Year ended 31 December 2019	2018
Stakes	*3.1*	*17,222.2*	*15,817.0*
Player payout	*3.1*	*(11,682.3)*	*(10,697.5)*
Gross Gaming Revenue	**3.1**	**5,539.9**	**5,119.6**
Public levies	*3.1*	*(3,497.6)*	*(3,261.8)*
Structural allocation to counterparty funds	*3.1*	*(127.8)*	*(83.4)*
Net Gaming Revenue	**3.1**	**1,914.5**	**1,774.3**
Revenue from other activities	*3.1*	*16.0*	*12.6*
Revenue	**3.1**	**1,930.4**	**1,786.9**
Capitalised production	3.2	26.9	31.4
Reversals of provisions and transfers of expenses		9.8	11.9
Other operating income		0.4	0.7
Total operating income		**1,967.5**	**1,830.9**
Inventory purchases used		34.8	33.0
Purchases and external expenses	3.2	1,386.2	1,294.6
Taxes		19.7	19.0
Personnel expenses	4	151.2	141.8
Depreciation and amortisation	5	79.6	61.1
Provisions	6	16.3	10.7
Other operating expenses		14.8	12.5
Total operating expenses		**1,702.6**	**1,572.6**
Operating profit	**3.2**	**264.9**	**258.3**
Total financial income		**22.1**	**21.6**
Total financial expenses		**11.5**	**5.8**
Net financial profit	**7.4**	**10.6**	**15.8**
Profit before tax		**275.6**	**274.1**
Total non-recurring income		**34.9**	**47.8**
Total non-recurring expenses		**80.3**	**51.7**
Non-recurring profit (loss)	**8**	**(45.4)**	**(3.9)**
Employee profit-sharing and incentives	4.2	18.8	17.4
Income tax expense	9	73.3	80.8
NET PROFIT	**13**	**138.1**	**172.1**

4.2

BALANCE SHEET

4.2.1 Assets

In millions of euros	Note	31.12.2019 Gross	31.12.2019 Amortisation and provisions	31.12.2019 Net	31.12.2018 Net
Exclusive operating rights	5.1	380.0	9.3	370.7	
Other intangible assets	5.2	305.7	200.6	105.2	106.7
Property, plant & equipment	5.3	647.3	294.3	353.0	370.3
Non-current financial assets	7	178.6	38.0	140.6	74.3
Fixed assets		**1,511.6**	**542.2**	**969.5**	**551.3**
Inventories	3.4	10.8	0.6	10.2	8.4
Advances and down payments		13.6	-	13.6	6.0
Trade and distribution network receivables	3.4.1	542.8	35.9	506.9	403.2
Other current assets	3.4.2	307.7	0.1	307.6	235.5
Current financial assets	7.3	218.5	0.4	218.1	165.8
Cash and cash equivalents	7.3	748.3	-	748.3	777.9
Prepaid expenses	3.6	26.1	-	26.1	51.8
Current assets		**1,867.9**	**37.0**	**1,830.9**	**1,648.7**
Deferred expenses		0.6	-	0.6	0.5
Unrealised exchange gains		4.2	-	4.2	0.2
TOTAL ASSETS		**3,384.4**	**579.2**	**2,805.4**	**2,200.5**

4.2.2 Equity and liabilities

In millions of euros	Note	31.12.2019	31.12.2018
Share capital		**76.4**	**76.4**
Legal reserve		7.6	7.6
Statutory reserve		87.5	85.4
Optional reserve		176.6	128.5
Net profit for the period		138.1	172.1
Regulated provisions		140.9	139.8
Equity	**10**	**627.1**	**609.9**
Provisions for risks		8.9	9.3
Provisions for liabilities		90.2	84.2
Provisions for risks and liabilities	**4.3 & 6.1**	**99.1**	**93.5**
Borrowings	7.3	254.0	111.3
Trade and distribution network payables	3.4.3	416.3	402.1
Player funds to be repaid to the French State	3.4.4	103.9	
Public levies and winnings payable and distributable	3.4.4	755.9	850.4
Payable to the French State with respect to exclusive rights	5.1	380.0	
Other payables	3.4.5	133.6	91.0
Prepaid income (stakes)	3.6	35.4	42.4
Payables		**2,079.2**	**1,496.9**
Unrealised exchange losses		0.1	0.2
TOTAL EQUITY AND LIABILITIES		**2,805.4**	**2,200.5**

4.3

STATEMENT OF CASH FLOWS

In millions of euros	Note	31.12.2019	31.12.2018
Operating activities			
Net profit for the period		**138.1**	**172.1**
Elimination of non-cash or non-operating income and expenses		**96.3**	**61.0**
Amortisation and provisions		96.1	71.3
Disposal gains or losses		0.2	9.8
Impact of changes in the cash position on operating activities		**(103.6)**	**10.8**
Other cash cost positions (excluding game operations)		(81.9)	(18.7)
Game operations		(21.7)	29.5
Net cash flow from operating activities		**130.8**	**243.9**
Investing activities			
Cash outflows from acquisitions of property, plant and equipment and intangible assets	5	(54.8)	(82.3)
Cash inflows from disposals of fixed assets (tangible, intangible and financial)		0.0	15.3
Cash outflows from acquisitions of financial assets		(67.6)	(11.0)
Cash inflows from repayments of loans and advances granted		(5.8)	2.4
Net cash flow used in investing activities		**(128.2)**	**(75.6)**
Financing activities			
Dividends paid to shareholders of the parent company		(118.3)	(126.1)
Issue of long-term debt		113.3	
Repayments of lease liabilities	7.3	(8.0)	(8.0)
Net cash flow used in financing activities		**(13.0)**	**(134.1)**
NET INCREASE / (DECREASE) IN NET CASH		**(10.4)**	**34.2**
Cash and cash equivalents at opening		**936.5**	**909.5**
Cash and cash equivalents at closing	**7.2**	**926.1**	**943.7**

Cash at the end of the 2018 financial year was presented on a gross basis, in line with the presentation of cash in the Group's consolidated financial statements. For 2019, cash is presented on a net basis (active cash less bank overdrafts). Consequently, opening cash flow for 2019 has been adjusted by €7.2 million.

4.4

NOTES

Unless otherwise stated, all amounts are in millions of euros.

NOTE 1

Overview of the Company

1.1 General information

FDJ is a semi-public limited company under French law governed by all the laws applicable to commercial companies in France, in particular the provisions of the French Commercial Code, subject to the provisions of the legal framework as described in note 1.2. Its head office is located at 3/7, quai du Point du Jour 92650 Boulogne-Billancourt.

As of 31 December 2019, the Group, which comprises 27 consolidated entities, was a gaming operator in France, in the mainland and overseas departments and regions, the communities of French Polynesia, Saint-Barthélemy, Saint-Martin and Saint-Pierre-et-Miquelon, and the Principality of Monaco. It operates internationally through investments in the following companies:

- BZP (Beijing Zhongcaï Printing), a lottery ticket printer located in China;
- SLE (Services aux Loteries en Europe), the Belgian cooperative created as part of the Euro Millions lottery to provide draw and administrative services for the participating lotteries;
- LEIA (Lotteries Entertainment Innovation Alliance AS), a Norwegian joint venture operating a digital gaming platform;
- FGS UK (formerly LVS), a British company that develops the technology for the Group's sports betting operations;
- FGS Canada, a Canadian sports betting technology development company that entered the scope of consolidation in May 2019;
- British group Spynsol, which comprises 12 companies, acquired in May 2019.

1.2 Regulatory background of the Company

In 2019, FDJ operated in the heavily regulated gambling sector, which is closely and tightly overseen by the French State.

For the activities operated under exclusive rights, namely sports betting in points of sale and lottery games (draw games and instant games) offered online and in points of sale, FDJ is legally obliged to meet general interest objectives including "ensuring the integrity, security and reliability of gaming operations and ensuring the transparency of their operation; channelling demand for gambling through a circuit controlled by the public authority so as to prevent risks of gambling operations being used for fraudulent or criminal purposes and to combat money laundering; and supervising gaming consumption in order to prevent the onset of addictions".

The Minister for the Budget is responsible for regulating all FDJ activities operated under exclusive rights. He is assisted in this task by COJEX, a gaming advisory body comprising representatives of public authorities and experts in addiction and gaming regulation, whose composition and powers were extended by decree 2016-1488 of 3 November 2016. FDJ's annual games programme and its responsible gaming (so called Jeu Responsable) and anti-money laundering action plans are therefore subject to the approval of the Minister for the Budget, after consulting with COJEX.

Lastly, 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, and renewed in June 2015 for a period of five years.

From 2020, FDJ's regulatory environment will change following the adoption of the Action Plan for Business Growth and Transformation (known as the Pacte law) (see 1.3.1 – Initial public offering of FDJ on Euronext Paris).

1.3 Highlights

1.3.1 Initial public offering of FDJ on Euronext Paris

The company has been listed on Euronext since 21 November 2019. The listing took place the day after the issuance of the decree by which the Minister for the Economy and Finance set the price and terms of allocation of FDJ shares within the framework of the sale by the French State of a maximum number of 99,320,000 shares representing a maximum of 52% of FDJ's share capital:

- a Global Placement intended chiefly for institutional investors in France and internationally: €19.90 per share (upper end of the indicative price range);
- an Open Price Offer intended chiefly for individuals and FDJ distributors: €19.50 per share, i.e. a discount of 2% to the Global Placement price, and also permitting the delivery, under certain conditions, of one additional share for every ten shares purchased and kept for 18 months;
- an Over-Allotment Option relating to the sale by the French State of additional FDJ shares representing a maximum of 15% of the cumulative number of shares sold under the Global Placement and the Open Price Offer;
- an Offer Reserved for Staff.

As the over-allotment option was exercised in full, the French State ultimately sold 99,320,000 shares, 40.5% of which were allocated to individuals and FDJ distributors. Following the IPO, the free float represented approximately 50% of the number of existing shares.

The IPO followed the adoption of the Pacte law of 22 May 2019 (law 2019-486 on business growth and transformation), which authorised the government to transfer the majority of the Company's capital to the private sector, as well as the instruments adopted for its application.

Bruno Le Maire, the Minister for the Economy and Finance, stressed that the transfer of the Company does not call into question the fact that "the activity of La Française des Jeux will remain under the close control and strict regulation of the French State".

This close control of the activity of the Company and its governance, the methods of which are set notably by decrees 2019-1060 of 17 October 2019 on the terms of application of the close control of the government on La Française des Jeux and 2019-1061 of 17 October 2019 on the supervision of the gaming offer of La Française des Jeux and Pari Mutuel Urbain, is one of the provisions accepted in exchange for the confirmation of exclusive operating rights for lottery games sold in the offline distribution network and online, and sports betting sold in the offline distribution network, granted by the Pacte law for a period of up to 25 years.

Government order 2019-1015 of 2 October 2019 reforming the regulation of gambling sets the duration of exclusive rights at 25 years. It also specifies that a financial consideration is due by the Company, and that its payment must be made no later than 30 June 2020. Consequently, an intangible asset corresponding to the securing of these rights and amortised from 23 May 2019, the date of promulgation of the Pacte law, has been recognised in an amount of €380 million in consideration of a debt owed to the French State. This amount was set by the approved cahier des charges, after the assent of the French Investments and Transfers Commission, by decree 2019-1060 of 17 October 2019 on the terms of application of the close control of the government on La Française des Jeux.

These changes in the management of FDJ and its gaming activities are part of the broader reform of the gambling industry ushered in by the government order of 2 October 2019 and the instruments adopted for its application, which notably provide for the establishment of a new French gaming regulatory authority (Autorité nationale des jeux – ANJ), which in 2020 will replace the online gaming regulator (Autorité de régulation des jeux en ligne – ARJEL), and will see its powers extended to gaming and betting activities operated under the exclusive rights granted to FDJ and PMU.

Moreover, article 138 of the law amends the taxation of gambling, notably by providing a change in the base used to determine public levies applicable to lotteries and sports betting, both online and in the offline distribution network, from stakes to Gross Gaming Revenue and taxed betting from 1 January 2020.

The same article also provides that the regulated funds referred to in articles 13 and 14 of decree 78-1067 of 9 November 1978 and articles 14 and 15 of decree 85-390 of 1 April 1985 will be closed as from 1 January 2020. The amount held in these funds are to be paid to the French State before the end of 2022. This includes counterparty funds and the permanent fund, as well as reserve funds recording unclaimed prizes, with the exception of first-ranking prizes and gains on stakes in organised sports betting games in mutual form and traditional draws, as well as first-ranking prizes and gains on additional draw games.

To make up for the return of funds relating to the coverage of counterparty risk on lottery activities, FDJ has established an insurance contract designed to cover these risks from 1 January 2020 (see 16.2 – Commitments received).

1.3.2 Acquisitions

Acquisition of Spynsol, the entity holding all of Sporting Group's activities

At the end of May 2019, the Group acquired Sporting Group, one of the world leaders in technology and trading for sports betting operators, with the Sporting Solutions and Sporting Index brands, to strengthen its B2B[1] offer and accelerate its international development.

FDJ, through its subsidiary FGS, holds 100% of the capital of the Sporting Group holding company, acquired for an amount including the cash acquired of £103 million (€116 million), financed through external debt in the amount of £100 million.

Sporting Group offers two activities in line with the FDJ Group's strategy:

- provision of services to sports betting operators (B2B): sale of pricing and risk management services to sports betting operators, presented on the "Income from other activities" line of the consolidated income statement;
- B2C[2] sports betting, broken down between:
  - a "spread" offer marketed in the United Kingdom and Ireland by Sporting Index, which has market share of 70% in the UK, generating NGR presented on the "Other sports betting activities" line of the consolidated income statement,
  - a classic fixed-odds sports betting offer generating NGR, whose breakdown in the consolidated income statement is identical to that of the Group's sports betting activity, namely stakes, share attributable to prize winners and public levies.

Sporting Group's assets and B2B skills in managing sports betting and risk management are highly complementary to the Group's current assets and expertise. Operating in the United Kingdom, South Africa, Canada, Sweden and Malta, Sporting Group employs nearly 300 people. It generated nearly £39 million in revenue in 2018 and has approximately 40 clients.

These services include the management of the life cycle of events, continuous odds with the management of data relating to the state of matches, and risk management.

To operate these activities, Sporting Group holds a licence obtained from the UK Gambling Commission in Great Britain and the Financial Conduct Authority (for spread betting[3]).

Sporting Group also operates a proprietary trading activity considered as non-core by FDJ, and which will therefore be discontinued.

Bimedia acquisition in progress

On the 25 November 2019, FDJ announced the signing of an agreement bearing on the acquisition from Idinvest Partners of Bimedia, a software publisher specialising in point-of-sale collection and payment solutions.

The acquisition of Bimedia will allow FDJ to accelerate the development of its "Payment and Services" activity, which is part of its 2025 plan, thereby confirming its commitment to supporting the development and modernisation of its distribution network by offering value-added services.

The completion of the transaction is subject to the usual conditions precedent for this type of transaction, in particular antitrust approval.

(1) B2B designates commercial and marketing activities carried out between companies.

(2) B2C designates commercial and marketing activities carried out for end consumers.

(3) Spread betting consists in predicting whether a number of actions (or match events) during a match will be less or more than a range of actions (spread) set by the trader.

NOTE 2

Accounting principles and framework

2.1 Basis for the preparation of the financial statements

The financial statements of FDJ are established in accordance with the legal and regulatory provisions applicable in France, including ANC regulation 2016-07 of 4 November 2016 and the opinions and subsequent recommendations of the ANC.

These notes to the parent company financial statements present the accounting principles in the same section as the comments on the figures, in order to facilitate the reading of the financial statements.

The Board of Directors approved the parent company financial statements for the year ended 31 December 2019 at its meeting of 12 February 2020.

2.2 Accounting principles

Unless otherwise noted, accounting policies have been applied consistently to all periods presented. The financial statements have been prepared in accordance with the principles of business continuity and independence of financial years. They have also been prepared according to the historical cost principle.

2.3 Translation

The financial statements are presented in euros, FDJ's functional currency. They are presented in millions of euros, unless otherwise stated.

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

Payables and receivables in foreign currency carried on the balance sheet at the year-end are converted at the exchange rate in force at the closing date. The difference resulting from the conversion is recognised in the balance sheet under "Translation adjustments". Any unrealised exchange losses are subject to a contingency provision, except in cases in which a hedging contract has been taken out.

2.4 Estimates and judgements

Preparation of financial statements requires management to make judgements to define the accounting treatment used in the financial statements.

FDJ's management also makes estimates, the effect of which is material on the amounts recognised, on the following items:

- employee benefits (discount rate and starting assumptions) – see note 4;
- property, plant and equipment and intangible assets (useful life and recoverable amount) – see note 5;
- equity securities (discount rate and business plan assumptions affecting the expected cash flows).

Given the uncertainties inherent in all processes of evaluation, the Company revises its estimates based on regularly updated informations. The future results of the transactions concerned may differ from these estimates.

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

NOTE 3
Operating data

3.1 Net Gaming Revenue and revenue

Stakes are split between the players, the hedging of counterparty risk when applicable, the public finances and FDJ.

Player payout

In 2019, the share of stakes set aside for prize winners, or the "payout ratio" (PR), is set by the Budget Minister's decree on the allocation of stakes of 9 March 2006. It varies depending on the game:

- for draw games, depending on the game in question, it varies between 50% and 70%;
- for all instant games, it varies between 50% and 70.5% (between 50% and 70% as of 31 December 2018);
- for offline sports betting, it averages 76.5% at most over the year (76% as of 31 December 2018);
- for online sports betting, it averages 85% at most over the year.

Gross Gaming Revenue (GGR)

GGR is the difference between stakes and the share set aside for winners.

Public levies

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

General State Budget

Public levies earmarked for general government revenue are governed by article 88 of law 2012-1510 of 29 December 2012 amending the 2012 budget.

This corresponds, for each game, to the balance of stakes net of winnings, structural allocations, tax and social security deductions, and Net Gaming Revenue.

Social security deductions (CRDS and CSG) on lottery games

The Social security deductions include the CRDS (social security debt retirement levy) and the CSG (supplementary social security levy).

CRDS: deduction defined by article 18 of Decree No. 96-50 dated 24 January 1996. In 2019 and 2018, CRDS was calculated by applying a rate of 3% to a tax base of 25.5% of stakes in metropolitan France and in the overseas departments, on the games operated by FDJ. CRDS is therefore 0.765% of stakes.

CSG: contribution defined by articles L.136-7-1 and L.136-8 of the French Social Security Code. The CSG rate is calculated by applying a rate of 8.6% in 2019 and 2018 (6.9% in 2017) to a tax base of 25.5% of stakes in metropolitan France and in the overseas departments on the games operated by FDJ. The CSG rate is therefore 2.193% of stakes in 2019 and 2018 (1.76% in 2017).

Public Levies specific to sports betting: tax and social security deductions on sports betting

Tax deduction: deduction defined by articles 302 bis ZH, ZK and ZL of the French Tax Code at a rate of 5.7% of stakes for sports betting in 2019 and 2018.

Social-security deductions: deduction defined by article L.137-21 of the French Social Security Code at a rate of 1.8% of stakes for sports betting in 2019 and 2018.

National Sports Agency (Agence Nationale du Sport – ANS) – formerly the National Centre for the Development of Sport – until 23 April 2019: Deduction defined by articles 1609 (29) and 1609 (30) of the French Tax Code and 46 of law 2011-1977 of 28 December 2011 (2012 budget). The ANS/CNDS deduction corresponds to 1.8% of lottery stakes in 2019 and 2018, and 1.8% of sports betting in 2019 and 2018, with respective limits of €74 million and €35 million (for the entire sports betting market), beyond which payments are allocated to General State Budget.

VAT: VAT, governed by Chapter 1 of Title II of Book 1 of the French Tax Code, is based on the Net Gaming Revenue. The applicable rate is 20%.

Structural allocation to counterparty funds

The decree on the allocation of stakes of 9 March 2006 as amended sets the share of stakes assigned to the structural allocation for counterparty funds intended to partially cover the counterparty risk (see 3.3).

Net Gaming Revenue (NGR)

FDJ is a service provider that develops and operates lottery games and sports betting, in a highly regulated environment. Its remuneration (Net Gaming Revenue – NGR), based on stakes, is fixed for games operated under exclusive rights and variable for online sports betting.

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

- for draw games, FDJ's performance is complete when it has recorded the placing of the bets, organised the draw that determines the winning formula, calculated winnings and published the results and reports;
- for instant games, the chance event occurs before the presentation to the player of the gaming material (ticket). The sale is effective in FDJ's books when a certain number of tickets has been sold, namely when those tickets are passed into the gaming terminals. Therefore, the sale is recognised before the booklet (batch of tickets), worth between €150 and €300, is completely used up. Given the speed at which the booklets are sold, revenue recognition based on unit sale would lead to revenue recognition very close to that recorded in FDJ's financial statements;
- for sports betting, the principles are similar to draw games. FDJ's obligations are fulfilled when once the sporting event has taken place, the winnings have been calculated and the results and prizes have been published.

NGR, net of sums due to players and public levies, is set as a percentage of stakes by the decrees on allocation for lottery games and sports betting under monopolies:

	2019	2018
TRJ < 65%	12.60%	12.60%
65% ≤ TRJ ≤ 70%	11.30%	11.30%
70% ≤ TRJ ≤ 75%	10.90%	10.90%
TRJ ≥ 75%	10.10%	10.10%

For ParionsSport online, NGR depends on the profit on the stakes.

NGR is therefore net of winnings paid to players and public levies. It is FDJ's remuneration for the organisation and placement of games.

The processing of gaming operations, their accounting and the determination of NGR are very highly automated. They call on a complex information system, which carries all game flows from the validation of stakes in points of sale and online to the recognition of NGR.

Revenue

The company's revenue is comprised of NGR and revenue related to other activities, which mainly consists of invoicing by FDJ for services provided to its subsidiaries.

In millions of euros	2019	2018	Change %
Stakes	**17,222.2**	**15,817.0**	**8.9%**
Player payout	(11,682.3)	(10,697.5)	9.2%
Gross Gaming Revenue (GGR)	**5,539.9**	**5,119.6**	**8.2%**
Structural allocation to counterparty funds	(127.8)	(83.4)	53.2%
Public levies	(3,497.6)	(3,261.8)	7.2%
Net Gaming Revenue (NGR)	**1,914.5**	**1,774.3**	**7.9%**
Revenue from other activities	16.0	12.6	27.1%
REVENUE	**1,930.4**	**1,786.9**	**8.0%**

NGR totalled €1,914.5 million in the year ended 31 December 2019. Income from other activities corresponds to rebilling to subsidiaries, and amounted to €16.0 million, compared with €12.6 million in 2018.

In millions of euros	2019	2018
Draw games	666.7	624.2
Instant games	907.3	853.2
Sports betting	340.5	296.9
NET GAMING REVENUE (NGR)	**1,914.5**	**1,774.3**

Revenue accordingly amounted to €1,930.4 million, an increase of 8%.

3.2 Operating income

Operating profit amounted to €264.9 million, an increase of €6.7 million compared with 2018.

Despite persistently significant investments made on the Company's digital and commercial transformation, capitalised production fell slightly to €26.9 million in 2019.

Operating expenses linked to the remuneration of the offline distribution network (distributors and commercial sectors including FDP) amounted to €984.2 million, an increase of 7.5% (€68.3 million in 2018). This reflected growth of 7.2% in stakes (€16.1 million, vs €15.0 million in 2018) and a change of almost 0.3 points in PoS commissions in line with the tripartite agreement signed with the Confédération des buralistes et Culture Presse, intended to advance the mode of PoS commissions and align their interests with those of FDJ.

Excluding distribution channel costs, other operating expenses (€718.4 million) increased by €61 million or 9.3% compared with 2018. This substantial increase was related to depreciation and amortisation and personnel expenses resulting from the Company's restructuring.

Transfers of expenses, in the amount of €3.1 million in 2019, compared with €2.2 million in 2018, correspond to rebilling to IT service providers.

3.3 Player funds

Decree 78-1067 of 9 November 1978 provides for the creation of several funds in FDJ's books. They are the reserve funds, the permanent fund, the counterparty funds and the common fund for instant games. The decree specifies the means of endowing these funds, and specifies that the amounts allocated to them must be used to pay extra prizes or winnings to prize winners, or to allocate benefits in cash or in kind to all or some of the game participants. FDJ is their custodian. As such, these funds constitute liabilities for FDJ.

Counterparty funds and permanent funds

Some games are based on the fixed-odds principle: (i) the face value of prizes is fixed or determined by a calculation of probabilities, and (ii) the number or value of prizes won is determined by chance. As such, the total amounts actually paid to winners cannot be precisely predetermined: it is sometimes below and sometimes above the share of stakes allocated to players in the Budget Minister's decree. These positive or negative differences can result in a financial risk for FDJ. Such risks are managed in a counterparty fund specific to each game, which allows the financial risk to be pooled across all game events. A second level of counterparty risk pooling is provided via the permanent fund (see above).

These funds are intended to cover the counterparty risk, meaning the difference between the total amount of prize and the amount set aside for players (or payout ratio). For games operated under exclusive rights, risk is covered by a counterparty fund, which is endowed via a structural allocation (see 3.1). On competitive games, the counterparty risk directly affects the income statement.

When a game presenting a counterparty risk is launched, an initial amount is deducted from the permanent fund, to the initial counterparty fund for the new game. In addition, the texts governing lottery games and sports betting operated under exclusive rights state: " When such games are created or when they undergo substantial change, FDJ shall submit an estimate of the counterparty risks of this game to the Minister in charge of the Budget. The Minister sets, by decree, the share of the stakes allocated to the structural allocation to the counterparty fund intended to partially hedge the counterparty risk." The amount of the initial allocation and the rate of the structural allocation are calculated in such a way that this fund is positive over 1 year with a probability of 95%.

Lastly, during the year, the fund is endowed by the counterparty spreads (positive or negative). For a draw (or a sporting event), the player payout may be between zero and several times the total of the stakes. There is therefore a gap between the actual winnings and the winners' theoretical share. It is this difference, known as the counterparty spread, positive or negative, that is placed in the counterparty funds.

A permanent fund, endowed by surpluses from the counterparty funds, serves to pool counterparty risks for all relevant games, since money can be drawn from the permanent fund in the event that sufficient funds are not available in a counterparty fund.

At the end of each year, the surpluses from the counterparty funds are placed in the permanent fund. The permanent fund is capped at 0.005% of stakes for the year (0.5% of stakes as of 31 December 2018), and any surplus at the end of the year is paid to the French State. This fund may also be used to finance promotional operations.

Player funds

Player funds include the reserve funds and the funds intended for the organisation of games.

In accordance with the decree on the organisation and operation of authorised lottery funds and sports betting operated under exclusive rights, the reserve fund records the prizes and winnings set aside for winners but not collected by them within the claim time limit. For draw games, this period is 60 days after the draw; for instant games, it is 30 days after the close of the issue. Each draw game or sports betting game offered in the offline network has its own reserve fund. All amounts necessary for the payment of additional prizes or winnings or the allocation of benefits in cash or in kind to all or part of the game participants are deducted from these funds. Instant games have a common reserve fund. At the end of each year, the balance of the common reserve fund for instant games is transferred to the permanent fund.

The funds intended for the organisation of games (for example, funds carried forward, funds for super jackpots, etc.) contain sums carried forward to subsequent draws if there is no prize winner, for certain games and certain types of winnings.

According to paragraph VI of article 138 of the Pacte law of 22 May 2019, the funds referred to in articles 13 and 14 of decree 78-1067 of 9 November 1978 and article 48 of the amending 1994 budget, namely the permanent funds, reserve funds and counterparty funds, are closed as from 1 January 2020 and must be handed over to the State by 31 December 2022 at the latest (see 1.3).

As of 31 December 2019, current player funds included the funds intended for the organisation of games (€157 million as of 31 December 2019 and €114 million as of 31 December 2018). As of 31 December 2018, they also included reserve funds (€100 million). The increase in funds intended for the promotion of games is attributable chiefly to Euro Millions, and more specifically to the long cycles recorded on that game in 2019 (the Euro Millions super jackpot funds, which are part of the funds for the promotion of games, receive a percentage of stakes that increases after the seventh draw game without a winner).

3.4 Working capital

Receivables

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

Each week, game distributors are debited for the amount of stakes collected, net of winnings paid out and their commissions. Stakes are recorded as assets, while winnings and commissions are recorded as liabilities.

Inventories

Inventories are recorded at cost according to the "first in, first out" method for games, and the weighted average cost method for other products. Inventories are impaired in accordance with their technical or commercial obsolescence.

They consist mainly of reels and tickets intended for the Company's activity.

3.4.1 Trade and distribution network receivables

	31.12.2019			31.12.2018		
In millions of euros	Gross	Provisions	Net	Gross	Provisions	Net
Distribution network receivables	448.2	13.6	434.5	409.1	12.2	397.0
Trade receivables	8.3	0.8	7.5	3.5	0.0	3.5
Subsidiary current accounts	86.3	21.4	64.9	24.2	21.4	2.8
TOTAL TRADE AND DISTRIBUTION NETWORK RECEIVABLES	**542.8**	**35.9**	**506.9**	**436.8**	**33.6**	**403.2**

Each week, game distributors are debited for the amount of stakes collected, net of winnings paid out and their commissions. Stakes are recorded as assets, while winnings and commissions are recorded as liabilities.

Distribution network receivables correspond to stakes collected by the network at the end of the year and not yet debited by FDJ. Their change in 2019 can be attributed to calendar and activity effects.

Receivables mature chiefly within one year.

3.4.2 Other current assets

	31.12.2019			31.12.2018
In millions of euros	Gross	Provisions	Net	Net
Other operating receivables	42.7	0.1	42.6	35.5
Permanent fund advance	265.0	0.0	265.0	200.0
TOTAL OTHER RECEIVABLES	**307.7**	**0.1**	**307.6**	**235.5**

Other current receivables mainly include advance payment on the permanent fund surplus (€265 million at the end of 2019, compared with €200 million at the end of 2018). This trend can be ascribed to:

- the new system for covering lottery game counterparty risks, notably insurance, effective on 1 January 2020, which resulted in the elimination of the counterparty funds and their transfer to the permanent fund;
- the lowering, by decree, of the permanent fund ceiling to 0.005% of stakes (vs 0.5% as of 31 December 2018).

3.4.3 Trade and distribution network payables

In millions of euros	31.12.2019	31.12.2018
Trade payables	132.5	124.1
Distribution network payables	283.8	278.0
TOTAL TRADE AND DISTRIBUTION NETWORK PAYABLES	**416.3**	**402.1**

Debts to the distribution network correspond to winnings paid by distributors and distribution network commissions at the year-end. Their change in 2019, as in 2018, can be attributed to calendar effects and the Company's transformation.

3.4.4 Player funds to be repaid to the French State, public levies and winnings going to players

In millions of euros	31.12.2019	31.12.2018
Player funds repaid to the French state	103.9	
Public levies	414.1	357.1
Winnings payable and distributable	341.8	493.3
TOTAL	**859.8**	**850.4**

Player funds to be repaid to the French State mainly include reserve funds, in accordance with the Pacte law (see 1.3 – Highlights).

Public levies correspond to amounts due to the French State, social security bodies, local authorities and other public bodies (see 3.1).

Levies due to the French State (€414.1 million as of 31 December 2019 and €357 million as of 31 December 2018) mainly include the permanent fund surplus (€311.1 million as of 31 December 2019 and €208 million as of 31 December 2018). The balance of €103 million as of 31 December 2019 (€149 million as of 31 December 2018) mainly includes:

- debts to general government revenue of €41 million (€83 million as of 31 December 2018): the reduction stems from the payment at the end of 2019 of debts due on 3 January 2020;
- social security contributions (CSG, CRDS and the levy on sports betting) of €23 million (€21 million as of 31 December 2018);
- levies due to other authorities of €39 million (€45 million as of 31 December 2018), mainly comprising debt owed to the CNDS (€30 million as of 31 December 2019 and €27 million as of 31 December 2018).

Excluding the permanent fund surplus, the trend in public gaming levies is in line with the activity at the end of 2019, which was stronger than at the end of 2018.

Winnings payable and distributable amounted to €341.8 million, compared with €493 million as of 31 December 2018.

Liabilities are due within one year.

3.4.5 Other payables

Other payables essentially include tax and social security payables.

3.5 Receivables and payables with subsidiaries and equity investments

	Receivables		Payables	
At 31 December 2019 *In millions of euros*	Trade and similar receivables	Gross current account receivable	Trade and similar payables	Current account payable
1-Subsidiaries (≥ 50%):	**1.7**	**76.6**	**16.4**	**14.9**
FGS (FDJ Gaming Solutions)		54.2		
La Pacifique des Jeux	0.0	0.0	0.1	
La Française d'Images	0.8	1.1	1.4	
La Française de Motivation	0.1		4.0	0.9
FDP	0.5		9.3	12.6
FDJ Développement	0.1		0.4	1.4
NLCS	0.3		1.1	
LB Poker		21.4		
2-Interests (> 10% and < 50%):	**0.9**	**-**	**2.8**	**-**
Servivces aux Loteries en Europe	0.4		0.5	
Société de Gestion de L'Échappée	0.1		2.3	
LEIA (Lotteries Entertainment Innovation Alliance)	0.4		0.1	
TOTAL	**2.6**	**76.6**	**19.2**	**14.9**

3.6 Prepaid expenses and accrued stakes

In millions of euros	31.12.2019	31.12.2018
Prepaid expenses	26.1	51.8
Prepaid income	35.4	42.4

Accrued stakes correspond to those collected in draw games and sports betting for which the event has not yet taken place (draw or sporting match).

Prepaid expenses relate to public levies and the remuneration of the distribution network, due on the collection of stakes.

NOTE 4
Personnel expenses and benefits

4.1 Average workforce during the period

The full-time equivalent (FTE) workforce during the financial year, all types of contracts combined, was 1,517, compared with 1,443 in 2018, breaking down as 1,175 managers, 262 non-managers and 80 apprentices or professional training contracts. The increase in the workforce is chiefly due to the reorganisations implemented to enable the Company to achieve its long-term strategic objectives.

4.2 Employee profit-sharing and incentives

An exceptional profit-sharing agreement was signed on the 29 June 2018 for 2018, 2019 and 2020 fiscal years. The provision for employee profit-sharing was €11.5 million in 2019, compared with €11.8 million in 2018. The net provision for incentives totalled €7.3 million in 2019, compared with €5.6 million in 2018.

4.3 Employee benefits

Employee benefits include short-term and long-term benefits.

Short-term benefits consist of paid leave, sick leave, bonuses and other benefits recognised as expenses for the year and as operating liabilities.

Long-term benefits cover:

- retirement benefits (defined-benefit scheme), which are post-employment benefits determined on the basis of employees' wages and the number of years of service at the end of their career. The contributions paid are recognised in social security contributions for the financial year. A provision is recognised for pension obligations, which are administered under a defined-benefit plan;
- health cover, also a post-employment benefit. FDJ employees retain their health cover upon retirement (or in the event of disability/redundancy), in accordance with the requirements of the Évin law of 31 December 1989 and the national inter-professional agreement of 11 January 2008. The scheme for former and current employees is run at a loss and generates a liability;
- long-service awards, which consist of days of leave and are subject to social security contributions. The annual expense is equal to the net change in the obligation, including any actuarial differences.

To determine the present value of the obligations for the defined-benefit schemes, FDJ uses the projected unit credit method, a retrospective method with a projection of the final salary. Obligations are measured annually, taking account of seniority, life expectancy, employee turnover by category, benefits negotiated under collective bargaining agreements, and economic assumptions including 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 year incorporates:

- additional rights acquired by employees;
- the change in the present value of benefits as estimated at the beginning of the financial year due to the passage of time;
- the impact of any plan amendments or new plans over the year.

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 period of employment of the plan beneficiaries.

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

- the cost of services rendered, which reflects the increase in obligations stemming from the acquisition of an additional year of seniority, is recognised in "operating income";
- the net financial expense for the period is recognised in "financial expense". 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.

The net obligations of the Group companies are recognised in liabilities in the balance sheet, under "Provisions for risks and liabilities".

			Reversals		
In millions of euros	**31.12.2018**	**Allowances**	**used**	**unused**	**31.12.2019**
Pension obligations	21.1	1.8	-	-	22.9
Health care costs	6.9	0.6	0.1	-	7.4
Service recognition awards	6.0	0.8	0.1	-	6.8
Long-term benefits	**34.0**	**3.3**	**0.2**	**-**	**37.1**
Other provisions for risks and liabilities	6.7	8.7	5.4	0.6	9.4
TOTAL	**40.6**	**12.0**	**5.6**	**0.6**	**46.4**
of which operating profit		*9.9*	*5.0*	*0.6*	
of which financial profit		*1.0*	-	-	
of which non-recurring profit		*1.1*	*0.6*	-	

The main assumptions relating to post-employment benefits and long-service awards were as follows:

	31.12.2019	31.12.2018
Discount rate	0.70%	1.55%
Salary increase rate*	3.00%	3.00%
of which inflation	*2.00%*	*2.00%*
Employee turnover rate*		
◆ management	0.95%	0.95%
◆ non-management	0.57%	0.55%
Mortality table	INSEE TH-TF 2000-2002	INSEE TH-TF 2000-2002

* *Age-adjusted*

4

Changes in the liability and provision for long-term benefits, and the net cost for the period were as follows:

Change in liability	31.12.2019	31.12.2018
Actuarial obligation at the beginning of the period	**36.8**	**37.6**
Normal cost	2.7	2.7
Interest on the actuarial obligation	0.6	0.5
Off-balance sheet items (actuarial gains/losses, costs for past service, etc.)	12.0	(3.9)
Pensions paid	(0.2)	(0.2)
Actuarial obligation at the end of the period	**51.9**	**36.8**
Actuarial losses accrued	14.8	2.9
PROVISION AT 31 DECEMBER	**37.1**	**33.8**

The stock of actuarial losses is an off-balance sheet item.

The results of sensitivity testing show that a 25 basis point increase or reduction in the discount rate would result in a 3% increase or reduction respectively in the actuarial obligation for retirement benefits.

Change in provisions	31.12.2019	31.12.2018
Provision at opening	**34.0**	**31.3**
Normal cost	2.7	2.4
Interest on the actuarial obligation	0.6	0.3
Amortisation of actuarial gains and losses	(0.1)	-
Net cost	**3.1**	**2.7**
operating profit	2.6	2.1
financial profit	0.6	0.4
PROVISION AT 31 DECEMBER	**37.1**	**34.0**

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 Exclusive operating rights

This asset corresponds to the securing of exclusive operating rights to lottery activities sold in the offline distribution network and online, as well as sports betting games sold in the offline distribution network, entrusted to La Française des Jeux for a period of 25 years. Amounting to €380 million, it will be amortised over this term, from 23 May 2019, the date of promulgation of the Pacte law (2019-486).

The amount of amortisation recognised 2019 was €9.3 million.

The payment must be made no later than 30 June 2020.

5.2 Other intangible assets

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

Research and development expenditure

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

Development expenditure is capitalised, provided that it relates to projects with serious prospects for technical success and economic viability. It includes the valuation of internal person-days and subcontracting. It corresponds to projects developed internally, mainly related to the digitisation and enhancement of the offer, both online and in points of sale.

Software

Software is amortised on a straight-line basis over periods of 1 to 15 years, and on average over 5 years. 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 conducts impairment testing on the relevant assets. The market value and the net carrying amount are then compared, and the asset is impaired if the market value falls below the value in use.

	31.12.2019			31.12.2018		
In millions of euros	Gross	Amort./Dep. and provisions	Net	Gross	Amort./Dep. and provisions	Net
Exclusive operating rights	380.0	(9.3)	370.7			
Trademarks, copyrights and similar assets	4.6	(1.7)	2.9	4.5	(1.6)	2.9
Research and development expenditure	132.5	(72.7)	59.8	100.2	(52.8)	47.5
Software	133.2	(121.5)	11.7	132.7	(114.5)	18.2
Fixed assets under construction	35.4	(4.7)	30.7	39.7	(1.6)	38.1
TOTAL EXCLUSIVE OPERATING RIGHTS AND OTHER INTANGIBLE ASSETS	**685.7**	**(209.9)**	**475.8**	**277.2**	**(170.5)**	**106.7**

In millions of euros	Gross	Amort./Dep. and provisions	Net
Intangible assets at 31.12.2018	**277.2**	**(170.5)**	**106.7**
Acquisitions	408.9		408.9
of which capitalised production and 2018 work-in-progress	*32.3*		
Disposals and scrappage	(0.3)		(0.3)
Reclassification to property, plant and equipment	0.0		0.0
(Provisions)/reversals of depreciation, amortisation and provisions		(39.5)	(39.5)
EXCLUSIVE OPERATING RIGHTS AND OTHER INTANGIBLE ASSETS AT 31 DECEMBER 2019	**685.7**	**(209.9)**	**475.8**

Acquisitions for the period relate to exclusive operating rights in the amount of €380 million, as well as internal production (€32.3 million), which covers changes in support tools for the Company's gaming offer.

Impairment for the year includes €3 million on three projects that were subject to anticipated impairment following an analysis of their profitability and their performance that did not meet market expectations.

5.3 Property, plant and equipment

Property, plant and equipment is measured at acquisition cost. It is depreciated using the straight-line method, with the exception of IT equipment, which is depreciated using the declining-balance method, over the estimated life of the goods:

- 20 to 60 years for buildings;
- 10 to 30 years for building improvements;
- 5 to 8 years for PoS terminals;
- 5 to 10 years for furniture;
- 5 to 10 years for equipment.

Borrowing costs incurred to finance the new head office during the construction period are considered part of the acquisition cost.

When there is an indication of impairment, the Company conducts impairment testing on the relevant assets. The market value and the net carrying amount are then compared, and the asset is impaired if the market value falls below the value in use.

	31.12.2019			31.12.2018		
In millions of euros	Gross	Amort./Dep. and provisions	Net	Gross	Amort./Dep. and provisions	Net
Land and improvements	98.2	(1.5)	96.7	98.2	(1.4)	96.8
Buildings	155.6	(18.9)	136.7	153.9	(12.7)	141.3
Technical installations, materials, equipment	165.2	(120.7)	44.5	161.1	(101.2)	59.8
Other property, plant and equipment	216.0	(151.7)	64.3	202.4	(143.1)	59.3
Property, plant and equipment under construction	10.9	(1.4)	9.5	11.0	0.0	11.0
Advances and payments on account	1.4	0.0	1.4	2.0	0.0	2.0
TOTAL PROPERTY, PLANT AND EQUIPMENT	**647.3**	**(294.2)**	**353.1**	**628.7**	**(258.4)**	**370.3**

In millions of euros	Gross	Amort./Dep. and provisions	Net
Property, plant and equipment at 31.12.2018	**628.7**	**(258.4)**	**370.3**
Acquisitions	32.3		32.3
Disposals and scrappage	(13.8)		(13.8)
Reclassification to intangible assets	(0.0)		(0.0)
(Provisions)/reversal of depreciation, amortisation and provisions		(35.7)	(35.7)
PROPERTY, PLANT AND EQUIPMENT AT 31.12.2019	**647.3**	**(294.2)**	**353.1**

Most acquisitions relate to equipment in points of sale.

Disposals and scrapping concern point-of-sale equipment. 2018 was marked by the sale of the Moussy site and the opening of the Company's new headquarters.

Impairment for the year includes €4.8 million on two projects that were subject to anticipated impairment following an analysis of their profitability and their performance that did not meet market expectations.

NOTE 6

Other provisions and contingent liabilities

A provision is recognised if the Company has an obligation to a third party arising from a past event, 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. Their amount is the best estimate of the risk.

With the exception of those for employee benefits, provisions are not discounted.

A contingent liability is a potential obligation resulting from a past event for which the outcome is uncertain, or a current obligation resulting from a past event for which the amount cannot be reliably estimated.

Other provisions

				Reversals		
In millions of euros	Note	2018	Allowances	used	unused	2019
Provisions related to personnel	4.3	40.6	12.0	5.6	0.6	46.4
Other provisions for risks and liabilities		52.9	0.6	0.3	0.4	52.8
TOTAL PROVISIONS FOR RISKS AND LIABILITIES		**93.5**	**12.6**	**5.9**	**1.0**	**99.2**
of which operating profit			*10.1*	*5.5*	*0.6*	
of which financial profit			*1.0*	*-*	*-*	
of which non-recurring profit			*1.5*	*0.4*	*0.4*	

Other provisions for risks are mostly related to ongoing litigation and disputes (see note 11).

NOTE 7

Financial assets and cash

Investment securities

The gross value of equity investments is the purchase price less acquisition costs, recorded under expenses. When there is an indication of impairment, the Company carries out impairment testing. The carrying amount 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, or an analysis carried out by external experts using a multi-criteria approach to capital valuation adjusted for the Company's net debt. Impairment is recorded if the value in use falls below the carrying amount.

Receivables related to investments

Receivables related to investments 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 as part of their daily cash management. Other receivables related to LB Poker are fully impaired.

Current financial assets

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 carrying amount, 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 the year-end, and (ii) for unlisted securities, by reference to the most recent net asset value published or the estimated realisable value.

Borrowings

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

7.1 Equity investments and receivables related to investments

In millions of euros	31.12.2018	Increase	Decrease	31.12.2019
Equity investments	34.3	67.3		101.6
Receivables from equity investments	16.7			16.7
TOTAL A	**51.0**	**67.3**	**0.0**	**118.3**
Impairment of equity investments	(13.8)	(6.8)		(20.6)
Impairment of receivables from equity investments	(16.7)			(16.7)
TOTAL B	**(30.5)**	**(6.8)**		**(37.3)**
Net value	20.5	60.5		81.0

FDJ SA increased the capital of FDJ Gaming Solutions (FGS) to finance the acquisition of Sporting Group. Sporting Group also operates a proprietary trading activity consisting of taking positions with its own funds on the betting exchange market via an automated system (algorithms) monitored by traders. As the mode of operation of this activity does not meet the Group's standards, it has been decided to discontinue it and to cease the operation of the algorithmic trading computer programs currently used. Impairment of €6.8 million has accordingly been recorded on the FGS securities.

In millions of euros	Equity as at 31.12.2019	of which share capital	Share of capital held by FDJ	Carrying amount of shares held		Current account and receivables related to investments *	Revenue 2019	Profit / (Loss) 2019	Dividends collected in 2019
				Gross	Net				
1-Subsidiaries (≥ 50%):				**100.6**	**80.7**	**78.5**	**112.9**	**(16.4)**	**4.9**
FDJ Gaming Solution	58.7	71.5	100.00%	85.1	72.7	54.2	-	(20.8)	-
La Pacifique des Jeux	3.1	1.3	99.99%	1.3	1.3	-	7.1	1.7	1.0
La Française d'Images	1.5	0.2	100.00%	0.3	0.3	1.1	12.1	(0.9)	-
La Française de Motivation	1.9	0.7	100.00%	1.8	1.7	(0.9)	10.3	0.1	-
FDP	9.3	0.0	100.00%	4.4	4.4	(12.6)	72.9	3.4	3.9
FDJ Développement	2.2	0.2	100.00%	0.3	0.3	(1.4)	2.0	-	-
NLCS	0.6	0.2	50.00%	0.1	0.1	-	8.4	0.1	-
LB Poker	(59.6)	14.5	50.00%	7.3	-	38.1	-	-	-
2-Interests (> 10% and < 50%):				**1.4**	**0.3**	**-**	**26.8**	**0.2**	**-**
Servivces aux Loteries en Europe	0.9	0.4	26.57%	0.1	0.1	-	5.1	0.1	-
Société de Gestion de L'Échappée	0.1	0.1	50.00%	0.1	0.1	-	19.1	-	-
Lotteries Entertainment Innovation Alliance	0.7	0.5	25.00%	0.1	0.1	-	2.6	-	-
Techstar	-	1.1	40.00%	1.1	-	-	-	-	-
TOTAL	-	-	-	**102.0**	**81.1**	**78.5**	**139.7**	**(16.2)**	**4.9**

* *Gross amount of receivables (+) or payables (-) due/owed to La Française des Jeux by its subsidiaries.*

7.2 Loans and other financial assets

In millions of euros	Gross amount 31.12.2019	31.12.2018
Fixed assets in the portfolio activity	20.3	14.3
Deposits and guarantees	23.8	24.1
Own shares	15.6	15.6
TOTAL	**59.8**	**54.0**

In 2017, FDJ purchased the shares previously held by Soficoma, which disputes the loss of its status as shareholder (see note 11). The price of the shares (€15.6 million) was paid to the Caisse des Dépôts et Consignations.

The deposit paid under the surety trust agreement, designed to protect the assets of online players, amounted to €8.1 million as of 31 December 2019 (compared with €9.6 million as of 31 December 2008, a decline of €1.5 million). Assets were higher in 2018 due to the French team's victory in the Men's Football World Cup.

Treasury shares[1]

A share buyback programme authorised by the Board of Directors at its meeting of 19 December 2019 has been implemented, pursuant to the authorisation granted by the General Meeting of Shareholders of 4 November 2019, for the purpose of concluding a liquidity contract to facilitate trading in the FDJ share. The Board of Directors has decided to allocate the maximum authorised amount of €6 million to this liquidity contract, which took effect on 23 December 2019, for a period expiring on 31 December 2020. The programme is the subject of a liquidity contract meeting the provisions laid down by the Autorité des Marchés Financiers (AMF) and bearing on 2,988 shares as of 31 December 2019.

In addition, as part of the Offer Reserved for Staff made to Group employees in line with its privatisation, FDJ purchased 3,176,327 shares, pursuant to the authorisation granted by the General Meeting of Shareholders of 4 November 2019, for the purpose of giving them to the Group employee mutual fund serving as depositary for the beneficiaries of the Offer Reserved for Staff. However, as some employees were unable to purchase all of the reserved shares, FDJ continued to hold 6,896 of its own shares as of 31 December 2019.

As of 31 December 2019, treasury shares represented 12,896 shares and were valued at €0.3 million.

7.3 Cash and cash equivalents and financial liabilities

	31.12.2019			31.12.2018
In millions of euros	Gross	Provisions	Net	Net
Shares in UCITS and investment funds	153.5	(0.4)	153.1	140.8
Transferable debt securities	65.0	0.0	65.0	25.0
Total transferable securities	**218.5**	**(0.4)**	**218.1**	**165.8**
Short-term deposits, including cash instruments	748.3	0.0	748.3	777.9
TOTAL GROSS CASH	**966.8**	**(0.4)**	**966.4**	**943.7**

Gross cash increased by €20 million to €967 million over the year.

Long-term debt of €254 million (vs €111 million as of 31 December 2018) includes a €117.5 million loan taken out in 2019 for the acquisition of Sporting Group and the debt incurred for the acquisition of the Group's headquarters. Debt maturing in less than one year amounts to €8 million.

The loan taken out for the acquisition of the new headquarters is at a fixed rate and matures on 29 November 2031, with payments due on 29 May and 29 November of each year starting in 2017.

The loan taken out for the acquisition of Sporting Group amounts to £100 million (value of €117.5 million as of 31 December). It is at a floating rate, and is repayable on maturity on 15 May 2024.

(1) *Note that 5,730,000 of the Company's shares are the subject of litigation with Soficoma before the Aix-en-Provence Court of Appeal (See 11 – Ongoing legal proceedings and other disputes). FDJ considers that it purchased these shares on 18 May 2017. It is specified in this respect that the Combined General Meeting of Shareholders of 18 June 2018 resolved to cancel the shares in question subject to the conditions precedent that the request made before the Commercial Court is granted, i.e. that the Court notes that (i) Soficoma, pursuant to article 15 (b) of its Articles of Association, was required to sell its shares within three months of the meeting of its Board of Directors that noted the non-fulfilment of the conditions governing its capacity to remain a shareholder of FDJ, (ii) FDJ has satisfied its obligation to pay the price of the shares by depositing the price with the Caisse des Dépôts et Consignations, (iii) Soficoma forfeited its status as shareholder on the date of that deposit, i.e. on 18 May 2017, and (iv) FDJ is authorised to transcribe the transfer of these shares by Soficoma to FDJ in its registers.*

7.4 Financial profit

The financial profit is impacted by impairment on the FGS securities in the amount of €6.8 million. Restated for this amount, it was €17.5 million, a slight increase compared with 2018.

In millions of euros	2019	2018
Interest and similar income	14.5	19.3
Reversals on provisions	2.3	1.1
Realised exchange gains	2.5	-
Net proceeds from the sale of investment securities	2.7	1.2
Total financial income	**22.1**	**21.6**
Interest and similar charges	2.6	1.4
Depreciation and provisions	8.5	3.3
Net expenses on the sale of investment securities	0.4	1.1
Total financial expense	**11.4**	**5.8**
FINANCIAL PROFIT	**10.7**	**15.8**
Of which related to subsidiaries and investments	**(3.6)**	**13.4**

Financial risk management policy

In the management of its Net cash, the Company faces three main categories of risk:

- credit risk (related to the risk of failure by transaction counterparties);
- liquidity risk (related to the inability for the Group to meet its payment obligations);
- interest rate risk (mainly related to falls in interest rates).

The points below describe the nature of these risks and the actions taken by the Group to limit their impact.

Credit risk from investments and derivatives

The credit risk or counterparty risk of investments and derivative financial instruments is monitored by the Treasury Committee, which includes the CFO and members of the Treasury and Investments Department. This risk corresponds to the loss that the Company would bear in the event of default by a counterparty, resulting in a failure to meet its obligations towards it.

For investments and derivatives, FDJ's policy is to limit transactions, weighted by the nature of the risks, to a maximum amount per authorised counterparty. The list of authorised counterparties is established by the Treasury Committee, selected subject to a dual criterion based on their rating and the maturity of the transaction. It is reviewed periodically, at least once every six months. If a counterparty is downgraded below the minimum rating, the Treasury Committee decides whether to maintain the existing transactions to maturity.

The company considers the risk of counterparty default with a potentially material impact on its financial position and results to be limited due to the policy in place for counterparty management, and more particularly because of the minimum long-term rating stipulated for such transactions.

As of 31 December 2019, investments consisted mainly of UCITS and similar products in the amount of €163 million (€143 million as of 31 December 2018) and investments with counterparties in the amount of €759 million (€780 million as of 31 December 2018). These include €667 million in term accounts (€697 million as of 31 December 2018), €25 million in interest-bearing demand deposits (€56 million as of 31 December 2018) and €67 million in EMTNs (€27 million as of 31 December 2018).

Credit risk analysis breaks down as follows:

Amounts outstanding	Total amount outstanding in millions of euros as of 31.12.2019	0-€25 million	€25-€50 million	€50-€100 million	€100-150 million
RATING					
AA/Financial institutions	293	2	-	-	2
AA/Other					
A/Financial institutions	468	8	5	2	-

Credit risk on trade receivables

The Group considers the risk of default by a distributor with a potentially material impact on its financial position and results to be limited due to its credit coverage policy: implementation of systematic guarantees from insurers for all new distributors, or bank guarantee/deposit of funds.

Liquidity risk

Liquidity risk is defined as FDJ's inability to meet its financial obligations at a reasonable cost. In particular, the cash required to cover counterparty risks on certain games, the amounts of which are potentially high, must be immediately available. It corresponds to the amounts entered in the counterparty funds, the permanent fund and, for extreme cases, the statutory reserve.

FDJ's asset allocation policy requires that a minimum of 33% of funds be invested in standard short-term assets. FDJ also has the possibility of using bank overdrafts.

The monthly Treasury Committee, headed by the CFO, monitors the liquidity position on a monthly basis and ensures compliance with defined limits.

Investments on short-term instruments are consistent with FDJ's cash management policy.

As of 31 December 2019, a large majority of investments were in the form of term accounts with banks. For these investments, FDJ can ask to recover the invested funds, without penalty or capital risk, with 32 calendar days' notice. Investments are in compliance with the established rules.

In 2019, investments averaged €1,115 million; the debt related to the acquisition of the Group's headquarters was €96 million and the external debt for the acquisition of Sporting Group was € 117.5 million at the end of 2019.

Interest rate risk

The interest rate risk of a financial asset is the risk of realising a capital loss on a security or incurring an additional cost resulting from a variation in interest rates.

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

Sensitivity to interest rate risk arises from fixed income investments (bonds and negotiable debt instruments) and interest rate derivatives.

As of 31 December 2019, no investments were exposed to this direct risk. A 0.5% increase or decline across the entire yield curve would not have a material impact on the fair value of investments.

The impact on the financial result of financial transaction relating to subsidiaries and equity interests is as follows:

In millions of euros	2019	2018
Dividends received	4.9	13.5
Net provisions and reversals thereof for investments and related receivables	(8.5)	0.1
FINANCIAL RESULT RELATED TO SUBSIDIARIES AND INVESTMENTS	**(3.6)**	**13.4**
(Expense)/income		

NOTE 8

Non-recurring profit (loss)

For the year ended 31 December 2019 *In millions of euros*	**Expenses**	**Income**
Non-recurring operating (expenses) / income	32.5	1.5
Non-recurring (expenses) / income fom capital transactions	6.6	0.2
Depreciation, amortisation and provisions and reversals		
◆ impairment of assets	6.8	
◆ provisions for risks and liabilities (see Note 6)	1.5	1.3
◆ regulated provisions (see Note 10.4)	32.9	31.9
NON-RECURRING PROFIT (LOSS)	**(45.4)**	

In 2019, non-recurring expenses mainly relate to the FDJ capital transaction in the amount of €32.1 million, of which €7.8 million relates to the offer reserved for staff, the impairment of PoS furniture and operating software (€7 million, following outcomes not aligned with the objectives set) and, lastly, M&A transactions (€5 million).

Under the Pacte law and the sale of part of the French State's stake in the capital of FDJ, part of the shares were reserved for employees and former employees of FDJ SA and some of its subsidiaries, in France and the United Kingdom, on preferential purchase terms. This related to a number of existing shares representing 3.3% of the total number of shares placed on the market as part of the IPO.

The offer reserved for staff (ORS) was implemented within a Group Savings Plan ("PEG"), allowing employees to purchase FDJ shares through the corporate mutual fund ("FCPE") under various arrangements locking up the investment for five years, except in cases of early release.

As the benefits granted vested immediately, the expense was recognised in full in 2019.

Together, these expenses have been recognised in "non-current expenses", in the amount of €7.8 million.

In 2018, other operating income mainly included the disposal of the site at Moussy-le-Vieux, which generated a net capital gain of €9 million. Other operating expenses related to the costs arising from the change of headquarters and commercial restructuring.

NOTE 9

Income tax

9.1 Tax consolidation agreement

La Française des Jeux and certain subsidiaries (FDJ Développement, FDJ Gaming Solutions, La Française d'Images, FDP and La Française de Motivation) in which it holds direct interests of more than 95% together form a tax consolidation group as defined in articles 223 A et seq. of the French General Tax Code.

The tax position of the subsidiaries in question is not affected by the agreement: it is the same as it would be if they were taxed separately. The tax saving resulting from the difference between the tax recognised by each consolidated entity and the tax calculated on the basis of consolidated income is recognised by La Française des Jeux. The company is liable to the French Treasury for tax calculated on the total of consolidated entities' taxable income.

9.2 Breakdown of tax expense

For the year ended 31 December 2019 *In millions of euros*	**Current profit**	**Non-recurring profit (loss), employee profit-sharing and incentives**
Accounting income before tax	275.6	(64.2)
Taxable income	286.9	(63.2)
FDJ SA tax	96.1	(23.1)
Net profit before tax consolidation	**179.5**	**(41.1)**
Impact of tax consolidation	0.3	
NET PROFIT	**138.1**	

9.3 Contingent taxes

In millions of euros	31.12.2019	31.12.2018
Increase of future tax liability bases	**169.9**	**145.2**
Regulated provisions	140.9	139.8
Other items	29.0	5.4
Reduction of future tax liability bases	**74.9**	**61.7**
Employee benefits	30.3	27.9
Employee profit-sharing	11.5	11.8
Other items	25.6	19.8
Tax decrease	7.4	2.2

NOTE 10
Shareholders' equity

10.1 Share capital

As of 31 December 2019, FDJ's share capital amounted to €76,400,000, consisting of 191,000,000 fully subscribed and paid-up shares with a par value of €0.40 each. As of 31 December 2019, the share capital was held in the proportion of 21.9% by the French State, 14.8% by veterans associations (of which 9.8% for Union des Blessés de la Face et de la Tête) and 4.4% by the Group's employees and former employees. The balance of 58.9% is held by the Company' other legacy shareholders, and the individual and institutional shareholders who acquired shares at the time of the initial public offering; to the best of the Company's knowledge, these investors hold less than 5% of the share capital each.

As of 31 December 2018, it amounted to €76,400,000 and consisted of 200,000 shares with a par value of €382 each, held in the proportion of 72% by the French State, 9.2% by Union des Blessés de la Face et de la Tête, 5% by employees and 13.8% by shareholders holding less than 5% of the capital each.

On 15 December 2016, the Board of Directors noted that Soficoma, which is no longer owned by FDJ agent-brokers, no longer met the requirements to be a FDJ shareholder. It was therefore decided, in accordance with FDJ's Articles of Association, that FDJ would buy back the shares held by Soficoma. FDJ subsequently made the payment for this transaction (see note 7.2).

10.2 Payment of dividends

Dividends in respect of 2019, to be submitted to the vote of the 2020 General Meeting of Shareholders on 2019 financial statements, amounted to €122 million, i.e. €0.64 for each of the 191,000,000 shares.

Dividends in respect of 2018, approved by the General Meeting of Shareholders of 5 June 2019, amounted to €122 million, i.e. €610 per share on the basis of 200,000 shares and €0.64 on the basis of 191,000,000 shares.

In millions of euros

Shareholders' equity 31 December 2018	**609.9**
Allocation of 2018 net income	
Income allocated to dividends	(122.0)
2019 profit/(loss)	138.1
Retained earnings	-
Change in investment subsidies	-
Change in regulated provisions (accelerated depreciation and amortisation)	1.1
SHAREHOLDERS' EQUITY 31 DECEMBER 2019	**627.1**
Allocation of 2019 net income	

10.3 Reserves

FDJ's business of organising and operating gambling activities involves specific risks and commitments of particular significance, which must be anticipated through appropriate coverage.

FDJ's Articles of Association (article 29.A) provide for the constitution of a reserve to deal with rare and extreme risks (repeated peak risks, very low frequency of occurrence with a very high amount of several game events occurring over a given period). This statutory reserve may be used in "rare and extreme" cases or when the counterparty fund and the permanent fund (see note 3.3) are not sufficient to cover the risks of the game.

The risks covered are:

- operating risks that may arise at any time during the game life cycle (design, production of game equipment, logistics, marketing, etc.). They are measured, after tax, at 0.3% of stakes, or €47 million at the end of 2019 based on the 2018 financial statements (€45 million at the end of 2018 based on the 2017 financial statements);
- rare and extreme-case counterparty risks, exceeding ordinary risk for which models are available, covered by counterparty funds and the permanent fund. They are measured as and when a major change occurs in the gaming offer and in players' behaviour. At the end of 2019 and 2018, they were covered in the amount of €40 million.

The statutory reserve therefore amounted to €87 million as of 31 December 2019 (€85 million as of 31 December 2018).

10.4 Regulated provisions

Regulated provisions consist of accelerated depreciation and amortisation which were relatively stable due to persistently significant investments in 2019.

In millions of euros	**31.12.2018**	**Allowances**	**Reversals**	**31.12.2019**
Accelerated depreciation	139.8	32.9	31.9	140.8
Total regulated provisions	139.8	32.9	31.9	140.8

NOTE 11

Ongoing legal proceedings and other disputes

Members of the French lottery distributors' syndicate (Union Nationale des Diffuseurs de Jeux – UNDJ) sued Française des Jeux in May 2012 before the Commercial Court of Nanterre, requesting that the 2003 rider to the agent-broker agreement be judicially terminated. This procedure is currently subject to a stay of proceedings.

On 6 August 2015, 67 agent-brokers brought proceedings against La Française des Jeux in the Commercial Court of Paris. They made claims for damages following the termination of their broker-agent agreements. On the 3 October 2016, the Tribunal dismissed the broker-agents' claims in their entirety. They appealed this decision to the Paris Court of Appeal in November 2016. In a judgement handed down on 27 March 2019, the Paris Court of Appeal upheld the initial judgement in all its provisions. In June 2019, the agent-brokers filed an appeal against this judgement in the Court of Cassation. The case is currently pending before the Court of Cassation.

On 23 May 2017, FDJ filed a suit against Soficoma, a civil company, seeking legal recognition of its loss of status as a shareholder of FDJ. In a ruling dated 23 May 2019, the Commercial Court of Marseille granted FDJ's application. Soficoma appealed against this ruling before the Court of Appeal of Aix-en-Provence on 20 June 2019. The case is currently pending before the Court of Appeal.

NOTE 12

Other information

12.1 Executive compensation

In 2019, the senior management (corporate officers) received a total of €0.6 million. These were only short-term benefits.

12.2 Special provisions in case of loss of the right to organise and operate lottery games and sports betting

The agreement concluded between the French State and FDJ, dated 17 October 2019, provides that, at the normal or anticipated expiry of exclusive rights, the assets strictly necessary for the operation of exclusive rights will be taken back by the French State in consideration for a corresponding compensation at the market value of the buildings and the net book value of other fixed assets.

12.3 Related-party transactions

Related party transactions are carried out on an arm's length basis.

NOTE 13

Proposed allocation of profit

In millions of euros	31 December 2019
Net profit for the period	**138.1**
Allocation to statutory reserves	4.2
Proposed dividends	122.2
Allocation to voluntary reserves	11.9

The proposed dividend amounts to €122.2 million, or €0.64 per share.

NOTE 14
Details of charges payable and receivables

In millions of euros	31.12.2019	31.12.2018
Assets – Accrued income	**-**	**0.1**
Accrued income	-	0.1
TOTAL ASSETS	**0.0**	**0.1**
Liabilities – Accrued employee expenses	**15.7**	**12.2**
Time saving account	2.7	2.4
Variable share	5.5	4.2
Provision for incentives	7.5	5.7
Liabilities – Expenses due to social security agencies	**13.8**	**13.0**
Expenses due	13.8	13.0
Liabilities – Accrued expenses	**0.8**	**1.9**
Other accrued expenses – HR	0.4	0.3
Other accrued expenses – Management	0.5	1.6
Liabilities – Misc. accrued expenses	**445.7**	**493.3**
Miscellaneous accrued expenses	0.1	0.2
Permanent fund	0.9	79.1
Counterparty funds	-	29.6
Reserve fund	110.1	100.0
Booster fund	74.8	35.3
Super Cagnotte fund	46.4	32.7
Rollover fund	10.3	24.6
Prizes carried forward	18.1	21.3
Winnings payable	152.1	118.3
Prizes to be distributed	-	23.4
Other accrued winnings	1.3	1.4
Player Balances	23.8	19.2
Blocked Player Balances	8.0	8.4
TOTAL LIABILITIES	**476.1**	**520.4**

NOTE 15
Subsequent events

None.

NOTE 16

Off-balance-sheet commitments

16.1 Commitments given

La Française des Jeux heads a tax consolidation group with the following entities in which it holds interests of more than 95%: FDP, FDJ Développement, FDJ Gaming Solutions, La Française d'Images and La Française de Motivation. The tax consolidation agreement allows for compensation in the event that a subsidiary is deconsolidated or incurs additional tax costs because of its membership of the Group. No provision has been established in this respect.

As of 31 December 2019, the stock of subsidiaries' tax losses amounted to €1.8 million for La Française d'Images and €3.9 million for FDJ Gaming Solutions.

Other commitments given are as follows:

In millions of euros	31.12.2019	31.12.2018
Mortgage on goods acquired	104.6	113.8
Performance bonds*	85.4	79.1
Cycling team sponsorship	7.5	14.3
PARIS 2024 partnership	28.6	-
Investment funds	47.7	20.0
Regular lease contracts	16.8	20.1
FDJ Corporate Foundation	8.2	11.7
Deposits and first-demand guarantees	1.6	2.5
OLG contract guarantee (FGS)	10.3	-
Escrow account	1.1	1.1
Cyclists' image contracts	0.5	1.0
Other commitments given	**312.3**	**263.5**

* *Of which printing contracts: €49m.*

Performance bonds given correspond to irrevocable purchase commitments made by the Group to its suppliers.

The Group took out a mortgage to purchase its new head office. The balance due is €104.6 million (principal, interest and related amounts).

Investment funds are mainly innovation funds geared towards supporting the development of start-ups in activities close to FDJ's core business. They include Partech and Raise, as well as CVC V13 (in partnership with Séréna), Level-up (specialised in e-sport) and Trust e-sport.

On 15 December 2016, the Board of Directors of Française des Jeux decided to renew the FDJ Corporate Foundation for a term of five years from 5 January 2018 to 2 January 2023. Of the €18 million set aside under the multi-year action plan, €7 million was used in 2016, €8 million in 2017 and €3 million in 2019. The guarantee related to the €3 million was signed at the beginning of 2020.

16.2 Commitments received

In millions of euros	31.12.2019	31.12.2018
Performance bonds and return of payments on account	127.7	57.4
Counterparty risk insurance	150.0	-
Guarantees for return of stakes and payment of winnings	319.4	247.0
Commitments received	**597.1**	**304.4**

Commitments related to the Company mutual fund (FCPE)

In accordance with employee savings agreements and to guarantee the liquidity of the "FDJ Actionnariat" company mutual fund, through which employees held 5% of the Company's share capital, Crédit Lyonnais granted the fund a first-demand guarantee for €8.8 million. FDJ gave LCL a counter-guarantee in the same amount, and the FCPE signed a promise with FDJ to repay funds received or to sell shares, with no obligation for FDJ to purchase. These commitments were renewed for periods of two years on 1 June 2016 and 1 June 2018.

Following the admission of FDJ shares to trading on the French regulated market on 22 November 2019, this guarantee has been terminated.

Commitments received on guarantees for the return of stakes and payment of winnings are related to the financial guarantees provided by distributors newly exercising an activity with FDJ. Newly approved distributors are required to provide a financial guarantee to cover the risk of payment defaults. Their increase between 2018 and 2019 is attributable to commercial restructuring and, more precisely, the transition to direct distribution. In this distribution model, guarantees provided by distributors are in favour of FDJ, which is in charge of collecting debts. Previously, the beneficiaries of these guarantees were the intermediaries of the distribution network, which were also in charge of debt collection.

The €150 million commitment relates to comprehensive insurance cover to cover the counterparty risk on lottery games from 1 January 2020, following the reform of FDJ's fiscal and regulatory framework applicable from 1 January 2020, which ended the counterparty fund system (see 1.3.1.).

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16.3 Reciprocal commitments

In millions of euros	2019	2018
Currency hedges		
Forward purchases of US dollars with a maximum maturity at 8 September 2020 for an overall amount of:	35.1	30.9
Forward purchases of pound sterling with a maximum maturity at 7 February 2020 for an overall amount of:	8.4	7.7

At the end of 2018, following the sale of 50% of SGE to Groupama, FDJ and Groupama signed reciprocal pledges to buy and sell the remaining SGE shares.

4.5

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

(For the year ended 31 December 2019)

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Opinion

In compliance with the engagement entrusted to us by your General Meeting of Shareholders, we have audited the accompanying financial statements of La Française des Jeux for the year ended 31 December 2019.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company at 31 December 2019 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements" section of our report.

Independence

We conducted our audit engagement in compliance with the independence rules applicable to us, for the period from 1 January 2019 to the date of our report, and, in particular, we did not provide any nonaudit services prohibited by Article 5(1) of Regulation (EU) No. 537/2014 or the French Code of Ethics (Code de déontologie) for Statutory Auditors.

Emphasis of matter

Without qualifying our opinion, we draw your attention to Notes 1.2 "Regulatory background" and 1.3.1 "Initial public offering of FDJ on the Euronext Paris market" to the financial statements, which set out the specific nature of the Company's legal framework and its changes over time.

Justification of assessments – Key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (Code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the financial statements.

Information systems, automated processing and controls related to the recognition of Net Gaming Revenue (see Note 4.1 to the financial statements)

Description of risk

The main activity of La Française des Jeux (FDJ) consists in developing and operating lottery games and sports betting within a highly regulated framework. This activity is characterised by a high volume of low-value individual transactions. FDJ's remuneration (net gaming revenue – NGR) is based on the players' stakes placed at points of sale and online, after deducting the prize winners' share as well as public levies at variable rates depending on the games and structural allocations to counterparty funds calculated on the basis of the stakes. The Company's revenue for 2019 amounted to €1.9 billion, derived essentially from NGR.

The processing of gaming transactions, their recognition according to the methods described in Note 4.1 to the financial statements and the determination of NGR are highly automated. They are based on a highly complex information system specific to FDJ, which covers all the steps in the processing of games from the validation of gaming transactions at points of sale and online to the recognition of the different components of NGR. The revenue recognition process also relies on several computing applications and the controls implemented by management to identify, value and recognise the transactions.

Given the high volume of transactions processed, the significance of automated processing in determining and recognising the different components of NGR and the reliability of the internal controls organised by management in a regulated environment, we deemed the information systems, automated processing and controls related to the recognition of NGR to be a key audit matter.

How our audit addressed this risk

With the assistance of our information systems specialists, we assessed the design and effectiveness of the internal control system, particularly in relation to the information systems and automated processing underlying NGR recognition. Our work consisted primarily in:

- familiarising ourselves with the control environment and identifying the controls implemented by management and the applications used as part of the recognition of the components of NGR, which we deemed of key importance to our audit;
- testing the IT general controls of each system, notably including access management, change management and automated controls;
- evaluating the effectiveness of the interfaces linked to the transactions and relevant for recognising flows from stakes to NGR;
- performing analytical validation tests on the allocation of the various components of NGR.

Measuring equity investments (see Note 7 to the financial statements)

Description of risk

At 31 December 2019, equity investments represented a net amount of €81.1 million in the balance sheet. Equity investments are recognised at historical cost excluding transaction expenses, which are expensed in the year in which they are incurred. They are measured on the basis of their value in use, which corresponds to the price that the Company would be willing to pay if it had to acquire them. An impairment loss is recognised if the value in use is less than the acquisition cost.

As indicated in Note 7 to the financial statements, value in use is estimated by management based on the current and projected profitability of the subsidiary concerned, determined on the basis of discounted estimated cash flows, the share of equity held by the Company or an analysis by external experts using a multi-criteria approach to measure the equity of the subsidiary as adjusted for its net debt.

Estimating the value in use of equity investments requires management to exercise judgement when selecting the inputs to be taken into account for each investment.

Accordingly and due to the inherent degree of judgement required with regard to certain inputs, in particular the likelihood of management's projections materialising, we deemed the measurement of equity investments to be a key audit matter.

How our audit addressed this risk

We examined the assumptions used by management to measure equity investments, notably by:

- evaluating the relevance of the methodology used to determine the value in use of equity investments;
- performing sensitivity analyses on the key assumptions;
- assessing cash flow projections, including growth in revenue and operating margin, based on our knowledge of the relevant business segments and the strategic, economic and financial environment in which the subsidiaries operate, and comparing them with past performance and market data when available.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific verifications required by French legal and regulatory provisions.

Information given in the management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Board of Directors' management report and in the other documents provided to the shareholders with respect to the Company's financial position and the financial statements.

We attest to the fair presentation and the consistency with the financial statements of the information about payment terms referred to in Article D. 441-4 of the French Commercial Code.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code relating to remuneration and benefits paid or awarded to corporate directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements, and, where applicable, with the information obtained by the Company from controlled companies within its scope of consolidation. Based on this work, we attest to the accuracy and fair presentation of this information.

Concerning the information given in accordance with the requirements of Article L. 225-37-5 of the French Commercial Code relating to those items the Company has deemed liable to have an impact in the event of a takeover bid or exchange offer, we have verified its consistency with the underlying documents that were disclosed to us. Based on this work, we have no matters to report with regard to this information.

Other information

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests has been properly disclosed in the management report.

Report on other legal and regulatory requirements

Appointment of the Statutory Auditors

We were appointed Statutory Auditors of La Française des Jeux by the General Meeting of Shareholderss held on 25 May 2016 for PricewaterhouseCoopers Audit and on 3 June 2003 for Deloitte & Associés.

At 31 December 2019, PricewaterhouseCoopers Audit and Deloitte & Associés were in the fourth and seventeenth consecutive year of their engagement, respectively, thus one year each since the Company's securities were admitted to trading on a regulated market.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for preparing financial statements giving a true and fair view in accordance with French accounting principles, and for implementing the internal control procedures it deems necessary for the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors relating to the audit of the financial statements

Objective and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the Company's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;
- evaluate the overall presentation of the financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit Committee.

Neuilly-sur-Seine and Paris-La Défense, 20 March 2020

The Statutory Auditors

PricewaterhouseCoopers		Deloitte & Associés	
Philippe Vincent	Jean-Paul Collignon	Jean-François Viat	Nadège Pineau

Designed & published by LABRADOR INFORMATION DESIGN

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