The registration document was approved on 17 October 2019 under number I. 19-035 by the French Financial Markets Authority (Autorité des marchés financiers, or AMF) in its capacity as the competent authority for application of the provisions of Regulation (EU) no. 2017/1129. The AMF approves this document upon having verified that the information contained herein is complete, consistent and clear. This approval is not a favourable opinion from the AMF on the issuer to which this registration document relates. Investors are encouraged to carry out their own assessment regarding the advisability of investing in the securities concerned.

The registration document may be used for the purposes of a public offer of securities or the admission to trading of securities on a regulated market if it is accompanied by a securities note and, where applicable, a summary and supplement(s). This set of documentation is approved by the AMF in accordance with Regulation (EU) no. 2017/1129.

Copies of this registration document are available free of charge at the headquarters of La Française des Jeux, 3-7 quai du Point du Jour - 92100 Boulogne Billancourt - France.

It is also available on the websites of La Française des Jeux (www.groupefdj.com) and the Autorité des marchés financiers (www.amf-france.org).
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GENERAL INFORMATION

Definitions

The terms below, used in this document, are defined as follows:

“Acceleration Business Unit” or “ABU” refers to one of the Group’s three adjacent activities under development: (i) international activities (provision of services to foreign lottery and sports betting operators), (ii) payment and services in points of sale and (iii) entertainment.

“AFEP MEDEF Code” means the corporate governance code established by AFEP and MEDEF for publicly traded companies.

“ARJEL” means the French online gambling regulatory authority created in 2010 following the opening of the market to competition. The Order provides for a change in the name (French national gaming authority - ANJ) and in the composition of ARJEL (Autorité de Régulation des Jeux en Ligne), as well as an extension of its jurisdiction to include games operated under exclusive rights by FDJ and the PMU, whether these are marketed online or through an offline distribution network (see Chapter 9 “Legal and regulatory environment”).

“B2B” means the commercial and marketing activities carried out between businesses.

“B2C” means the commercial and marketing activities carried out between a business and a consumer.

“Business Unit” or “BU” refers to one of the two core activities of FDJ: lottery and sports betting.

“Close Control Decree” refers to Decree relating to the terms of implementation of the close control of the French State over FDJ.

“Convention” means the convention entered into between FDJ and the French State on 17 October 2019 in relation to the operation of lottery games distributed through offline and online networks, as well as sports betting games distributed through offline networks and approved by the Close Control Decree (see section 9.1.1.1. “Overview of the new general regulatory framework”).

“Date of the Registration Document” refers to the date on which the Registration Document was approved by the Autorité des Marchés Financiers.

“Digitalised stakes” means digital stakes made by players, in full or in part, with a

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1 The International ABU is also intended to examine international B2C development opportunities and has done so since the acquisition of the operator Sporting Group which carries out both B2B and B2C activities.
digital device (laptop, tablet, smartphone, terminal). They comprise stakes made either online or in points of sale using, for all or part of the stakes placed, a digital device (smartphone/tablet/laptop or terminal).

“Draw games” means games for which the element of chance, in the form of a draw, is shared by all players.

“eSport” means the competitive playing of video games (alone or in teams, online or offline).

“Exclusive Rights Decree” refers to Decree relating to the supervision of the gaming offer of FDJ and the PMU.

“Extensive gaming” means gambling by a large number of players making low level stakes.

“FDJ annual market survey” means the survey carried out annually by Médiamétrie at the request of the Company on a sample of 7,000 people representative of the French population aged 18 and over. Data is collected online over a period of three weeks (in October 2018 for 2018 data). The survey is complemented by a telephone survey carried out in parallel on 3,000 people. The estimated statistical margin for error is plus or minus 5%.

“GGR” or “Gross Gaming Revenue” see section 7.1.3.3 “Gross Gaming Revenue (GGR)”.

“Group” means the group of companies made up of FDJ and all of its subsidiaries.

“IFRS” International Financial Reporting Standards.

“Instant games” means games for which the element of chance is unique to each player. These include scratch games, instant risk games and other instant games.

“License” means the authorisation granted by FDJ to a distributor for the promotion and marketing of all or some of its games and services at a point of sale. Distributors holding a license act in the name and on behalf of FDJ in accordance with contractually agreed conditions.

“NGR” or “Net Gaming Revenue” see section 7.1.3.5 “Net Gaming Revenue (NGR)”.

“Occasional players” means FDJ players that have stated that they play FDJ games less than once a month, according to the FDJ annual market survey (FDJ players are considered Occasional Players only if they state that they have played an FDJ game at least once during the past 12 months).

“Order” means Order no. 2019-1015 of 2 October 2019 reforming the
regulation of the gaming sector.


“PR” or “Payout Ratio” see section 7.1.2.1 “Regulatory context”.

“Registration Document” means this Registration Document approved by the Autorité des Marchés Financiers.

“Regular players” means FDJ players that have stated that they play FDJ games at least once a month, according to the FDJ annual market survey.

“Responsible Gaming” refers to all measures aimed at preventing underage and excessive gambling (see section 3.6.3 “Responsible Gaming Management Policy”).

“Revenue” revenue consists of net gaming revenue (NGR) and income from other Group activities which primarily includes income from partnerships entered into by Société de Gestion de L’Échappée (SGE) and sales of software maintenance and development services provided by FDJ Gaming Solutions France (FGS France) and FDJ Gaming Solutions UK (FGS UK), the Group’s technology subsidiaries.

“Specification Document” refers to the specification document (cahier des charges) of FDJ, approved by the Close Control Decree.

“Sports Betting” means bets with a stake of monetary value where the potential winnings of the players depend on the accuracy of their predictions of the outcome of any genuine sports competition lawfully held in France or abroad.

“Stake” means the amount paid by the player in consideration for his or her participation in a game. In a point of sale, the stake is paid by the player to the distributor in the form of money or a promotional coupon. Online, the stake is paid via the customer’s “electronic purse” which itself is filled by customer payments, winnings from previous games and promotional credits received (ecredits).

“Theoretical Payout Ratio” means the theoretical percentage of stakes allocated to players.

**Information about FDJ**

The Group carries out two core activities: lottery operator and sports betting operator. FDJ holds exclusive rights for:

- online and offline lottery; and
- offline sports betting.

Online sports betting is open to competition and subject to a regulated environment.

The Group is also developing three adjacent activities (the Acceleration Business Units): (i) international activities (provision of services to foreign lottery and sports betting operators),
(ii) payment and services in point of sale, and (iii) entertainment. These three activities are open to competition.

To ensure the best understanding of the Group’s activities, in this Registration Document, no distinction is made between those activities carried out under exclusive rights and those activities open to competition, in particular with regard to sports betting activity (both in points of sale and online). It should however be noted that the Group complies with the legal principles underlying the co-existence of these different activities under exclusive rights for some and open to competition for others (i.e. prohibition on activities carried out under exclusive rights leading to ABUive behaviour that could distort competition on markets open to competition).

**Information about the market and competitive environment**

The Registration Document contains information about the Group’s markets and competitive positions, including information about the size and growth prospects of these markets, as well as the market shares of the Group and its competitors, notably in Chapter 5 “Overview of activities”. Unless otherwise indicated, the market and market-related data provided in the Registration Document is based on estimates calculated by FDJ on the basis of published information, notably by ARJEL. FDJ cannot guarantee that a third party using alternative data collection, analysis or calculation methods would obtain the same results. Other information, identified as such, is based on studies published by independent bodies such as H2GC.

FDJ undertakes no commitment and gives no guarantee as to the accuracy of this information. Furthermore, given the rapid changes in the market and in the sports betting market in particular, market data included in the Registration Document may evolve differently from projections or may prove to be incorrect or out of date. The Group undertakes no commitment to publish updates to this information, with the exception of any applicable legal or regulatory obligations.

**Forward-looking information**

The Registration Document contains information about the Group’s objectives as well as forward-looking statements. Such information can be identified by the use of the future and conditional tenses, and of prospective terms such as “consider”, “envisage”, “think”, “aim”, “expect”, “intend”, “need”, “estimate”, “would like”, “be able to” and, where applicable, the negative form of these same terms, or other similar terminology. This information is not historical data and must not be interpreted as guarantees that the facts and data provided will occur. This information is based on data, assumptions and estimates deemed reasonable by the Group.

The Group operates in a competitive and rapidly-changing environment. The Group is therefore not in a position to anticipate all of the risks, uncertainties or other factors likely to impact its activity, the potential impact thereof on its activity, or even to what extent the materialisation of a risk or a combination of risks could present significantly different results from those mentioned in any forward-looking statements. This information is provided only as at the Date of the Registration Document. The Group undertakes no commitment to publish updates to this information or to the assumptions on which it is based, with the exception of any applicable legal or regulatory obligations. As part of the preparation of the securities note and in the context of the admission of securities to trading on the regulated market of Euronext Paris, FDJ will disclose to the market any updates to information provided that are likely to have a significant impact on its activities, results, financial position or outlook, in accordance with applicable regulations, and will comply with the ongoing disclosure obligations applicable to all companies whose shares are listed for trading on the regulated market of Euronext Paris.
**Alternative performance indicators and restated financial information**

The Registration Document contains performance indicators that the Group is not required to publish, or which do not conform to a definition provided by IFRS, notably stakes, EBITDA, GGR, NGR, EBITDA cash conversion, digitalised stakes, net cash and Capex.

Moreover, section 7.1.4.2 “Restatement relating to the new tax framework applicable from 1 January 2020 and to the costs related to the opening up of the share capital” contains 2018 financial data restated for the purposes of improving investor understanding, in particular, of the impacts of the entry into force of the new tax system applicable to gambling with effect from 1 January 2020. The Group presents these performance indicators and restated financial information to enable investors to better understand the changes in its results as well as the elements that could impact its future results. These indicators and restatements should be used for analysis purposes only and should not be considered as substitutes for indicators defined by IFRS nor as presenting the true and fair view of historical financial statements. They must therefore not be considered as substitutes for the financial statements approved by the general meeting of shareholders.

**Rounding**

Certain figures (including data expressed in thousands and millions) and percentages presented in the Registration Document have been rounded. There may therefore be minor differences between the totals presented in this Registration Document and those that would have been obtained by calculating the sum of the exact (non-rounded) values of these figures.

**Risk factors**

Investors are invited to carefully read the risk factors described in Chapter 3 “Risk factors” of the Registration Document before making any investment decision. The occurrence of any or all of these risks is likely to have a negative impact on the activities, results, financial position and outlook of the Group. Furthermore, other risks, not yet identified or deemed insignificant by the Group as at the Date of the Registration Document, could also have a negative impact on the activities, results, financial position or outlook of the Group.

**Information relating to FDJ players**

Information in the Registration Document relating to FDJ players is based on the FDJ annual market survey.
Chapter 1

Person responsible for the registration document

1.1 Person responsible for the Registration Document

Ms. Stéphane Pallez, Chairwoman and Chief Executive Officer of the Company.

1.2 Statement by the person responsible for the Registration Document

“I hereby certify, having taken all reasonable measures to this effect, that the information contained in this Registration Document is, to my knowledge, accurate and free from any omission likely to affect its import.”

17 October 2019

Ms. Stéphane Pallez

Chairwoman and CEO

1.3 Expert report and declarations of interest

Not applicable.

1.4 Person responsible for the financial information

Mr. Pascal Chaffard, Executive Vice-President in charge of Finance, Performance and Strategy
Chapter 2
Auditors

2.1 Statutory Auditors

Deloitte & Associés
Member of the Compagnie régionale des commissaires aux comptes de Versailles.
Represented by Jean François Viat and Nadège Pineau
Tour Majunga, 6 place de la Pyramide 92908 Paris-la-Défense Cedex.
Deloitte & Associés was appointed as Statutory Auditor for the first time by the annual general meeting of shareholders held on 3 June 2003. Its mandate was renewed most recently by the annual general meeting of 27 May 2015 for a period of six years, i.e. until the ordinary general meeting called to approve the financial statements for the year ended 31 December 2020.

PricewaterhouseCoopers Audit
Member of the Compagnie régionale des commissaires aux comptes de Versailles.
Represented by Philippe Vincent and Jean-Paul Collignon
63, rue de Villiers 92200 Neuilly-sur-Seine.
PricewaterhouseCoopers Audit was appointed as Statutory Auditor for the first time by the annual general meeting of shareholders of 25 May 2016 for a period of six years, i.e. until the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2021.

2.2 Alternate Auditors

BEAS
Member of the Compagnie régionale des commissaires aux comptes de Versailles
Represented by Laurent Odobez
6 place de la Pyramide 92908 Paris-la-Défense Cedex
BEAS was appointed as Alternate Auditor for the first time by the annual general meeting of shareholders held on 3 June 2003. Its mandate was renewed most recently by the Annual General Meeting of 27 May 2015 for a period of six years, i.e. until the Ordinary General Meeting called to approve the financial statements for the year ended 31 December 2020.

Mr. Jean-Christophe Georghiou
Member of the Compagnie régionale des commissaires aux comptes de Versailles
63, rue de Villiers 92200 Neuilly-sur-Seine Cedex.
Mr. Georghiou was appointed as Alternate Auditor for the first time by the annual general meeting of shareholders of 25 May 2016 for a period of six financial years, i.e. until the ordinary general meeting called to approve the financial statements for the year ended 31 December 2021.
Chapter 3
Risk factors

Investors are invited, before acquiring Company shares, to examine all the information contained in the Registration Document, including the risks described below.

FDJ operates in a context that may give rise to a variety of risks, some of which are beyond its control. The risks described below are, at the Date of the Registration Document, those identified as likely to have a significant adverse effect on the Group, its business, results, financial position or prospects, and which are important for investment decision-making. Investors’ attention is drawn to the fact that the list of risks presented in Chapter 3 of the Registration Document is not exhaustive and that other risks, not identified at the Date of the Registration Document or not identified as likely to have a significant adverse effect on the Group, its business, results, financial position 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 will be subject to significant changes (see Chapter 9 “Legislative and Regulatory Environment”). At the Date of the Registration Document, the practical application of these new regulations is not known and may create new risks.

Within the framework of the provisions of Article 16 of Regulation (EU) 2017/1129 of the European Parliament and of the Council, this chapter presents the main risks which may, as at the Date of the Registration Document, 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 mentioned below, risk factors are, unless stated otherwise, listed in decreasing order of importance as estimated by FDJ and the risk factors that the Company considers, at the Date of the Registration Document, as the most important are marked by an asterisk in regards to their probability of occurrence and/or to the seriousness 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, which are described in section 3.6 of the Registration Document.

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 terms of the specific risks related to gambling that impact the preservation of public and social order, especially regarding the prevention of excessive gambling behaviours and underage gambling. As a general matter, 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 licenses issued by the French State. In this context, FDJ holds exclusive rights for the operation of lottery games (draw games and instant games) offline and online, as well as for offline sports betting, whereas its online sports betting activities are operated in open competition with other operators under a license issued by the French online gaming regulatory authority (ARJEL) on the date hereof. The activities operated under exclusive rights represent more than 95% of FDJ stakes.

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2 95% of stakes are recorded offline.
Almost all the Group’s activities are therefore regulated, with varying levels of regulatory constraints depending on the activities concerned (see Chapter 9 “Legislative and Regulatory Environment”).

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.

3.1.1 Risks related to changes in the regulatory framework

3.1.1.1 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 Order, this new framework could be modified again, to strengthen constraints placed upon 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 that apply to games, including heightened measures to identify and monitor players, or a further restriction of the payout ratio (PR) to players 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.

In this context, FDJ may also encounter difficulties in quickly adapting its games and information systems to changes in the legal and regulatory frameworks (for instance, FDJ estimates it will take 12 to 24 months to implement the measures required by the Pacte Law and by the Order) or may be compelled to spend significant sums of money to implement these adjustments. The need to comply with new regulations could lead the Group to end certain offers because of a financial instability, a significant reduction in its market shares or difficulties in achieving its commercial and financial objectives, which could have a significant adverse effect on its business, results, financial position and prospects.

3.1.1.2 Risks related to increased restrictions on advertising

With more than 25 million players, and a new lottery game introduced every month on average, the Group makes extensive use of advertising, that 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 (see section 5.5.2 “Communication, Media, TV Production, Events and Innovation Departments”).

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 gaming market ing by companies commercialising gambling games. This would be particularly true were the ANJ no longer able to concretely enforce the current regulations. 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 expenditures in certain game segments (see the examples of the United Kingdom and Italy in section 5.2.2 “European gaming market ”).

Although the Group’s brands benefit from a strong public recognition, the tightening of advertising regulations or restrictions on marketing 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.

3.1.1.3 Risk related to changes in the gaming taxes

For the 2018 financial year, out of a total of €15.8 billion in stakes, FDJ paid out €10.7 billion to prize winners and €3.5 billion in gaming taxes to the state treasury. 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 will change significantly. Starting on 1 January 2020, the stakes-based tax system will be 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 implemented by way of legislation, as opposed to by ministerial decree amended on a yearly basis as was previously the case.

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, 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 state public levies or a significant change in their terms of application could have a significant adverse effect on the Group’s revenue, business, results, financial position and prospects.

3.1.1.4 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 Order, exclusive rights to operate offline and online lottery and offline sports betting for a period of 25 years. The activities operated under exclusive rights represent more than 95% of FDJ stakes.

Although the scope of the exclusive rights granted to FDJ has been extended for 25 years by the legislature, it is possible that, during this period, the general framework for the operation of gambling will evolve 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 non-casino points of sale).

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 (see section 9.1.1.1 “Presentation of the new general regulatory framework”). The Convention will provide, in particular, that in the event of a

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3 The stakes recorded offline represent 95% of FDJ stakes.
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 likely to lead to a substantial deterioration in the economic conditions under which FDJ operates its business activities.

In the event that such a deterioration is likely, 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. At the Date of the Registration Document, more than 95% of FDJ’s stakes are generated by its activities under exclusive rights.\(^4\)

Finally, 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 process would likely be initiated prior to the expiry of the 25-year period.

Without prejudice to the application of the provisions of the Convention and the implementation of the above-mentioned 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.

3.1.2 Risks related to the implementation of the regulatory framework

3.1.2.1 Risk related to obtaining authorisations for the operation of new games

FDJ’s operation of gaming and betting under exclusive rights is subject to the prior authorisation of the minister in charge of the budget (until 1 January 2020, date as of when it will become subject to the prior authorisation of the ANJ). In addition, FDJ must submit its exclusive rights gaming and betting programme to the ANJ each year by 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 following years.

A competent authority could refuse to grant a license to FDJ to operate one or more new games or require a substantial change in their operation, in particular with respect to their main financial indicators, including the payout ratio (PR). License refusals with respect to new games are rare given that the main guidelines for the programme of games are approved beforehand. FDJ could nonetheless be required, when applying for a renewal of its games, to modify one or more of its proposed lots scoreboards or payout ratios. The need for FDJ to reconsider 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 to its withdrawal, which could have a significant adverse effect on the Group’s business, results, financial position and prospects.

3.1.2.2 Risk related to the creation of a new regulatory body

FDJ has always operated its activities in a strictly regulated framework and is familiar with the modalities of the application of the regulations. Although the gaming sector

\(^4\) 95% of stakes are recorded offline.
has always been subject to strict regulation under the control and evaluation of various public authorities, the new modalities of regulation of the gaming sector, revised under the Pacte Law and Order, will be subject to the control of the newly created ANJ and could evolve under its influence (for a description of its areas of responsibility, see Chapter 9 “Legislative and regulatory environment”). This independent administrative authority, provided for by the Order, will become, as of 1 January 2020, the national 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 currently subject to the control of ARJEL (predecessor of the ANJ).

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

3.1.2.3 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 set forth in 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 Order provide that FDJ is subject to close control by the French State, which concerns in particular FDJ’s governance.

Thus, 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 (see more detailed presentation in paragraph 9.1 “Regulation of activities under exclusive rights”), 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 with a consultative vote, 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 deliberation of the Board of Directors based on the objectives defined by the French Internal Security Code, or the deliberations 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 mission;
- 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.

3.1.2.4  Risk related to the prohibition of the exploitation of a game or set of games

The 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 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.

Finally, in the event of a breach of the obligations defined in the 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.

3.1.3  Risks related to the implementation of financial penalties

The 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 tax for the last
financial year ended generated by the activities covered by the license. This cap would be increased to 10% in the event of a new breach.

In addition, the sanctions committee may decide to attach to any sanction a publication of the decision in the official legal gazette (Journal Officiel) or disseminate the decision, 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.

3.2 **Risks related to competitive pressure in the gaming sector**

At the Date of the Registration Document, more than 95% of FDJ’s stakes are generated by its activities under exclusive rights.\(^5\) Despite this situation, FDJ is faced with growing and multifaceted competitive pressure from other gaming operators and more broadly from other players in the entertainment industry.

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 (see section 5.2.3 “French gaming market”), the Group is facing increasingly intense competition as a result of high churn from players, which leads to commercial aggressiveness of 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 makes significant investments to anticipate and adapt its offer to the expectations of players. Nevertheless, FDJ competes with larger operators with superior technology and who benefit from economies of scale by offering their customers not only online sports betting but also other types of bets and online gaming, such as online horse-race betting and online poker, both in France and internationally. It cannot therefore 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 the specialised operators. In the event that its strategic plan for sports betting, particularly online, should fail, FDJ could face a global drop in the attractiveness of its sports betting offer and a decrease in the success of its offers, which could ultimately have a significant negative impact on the Group’s business, results, financial position and prospects.

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 attraction 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.

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\(^5\) 95% of stakes are recorded offline.
To consolidate its player base, FDJ has sought to diversify its gaming offer, especially with the launch of its first staged games and the launch of the “Mission Patrimoine” game, which aims both to target a younger audience and to bring players together around an issue of national solidarity (see section 5.5.1.1 “Customer Department” and section 5.3.2 “Group Strategy”).

However, the tastes and aspirations of players, especially younger generations of players, 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, in order to better meet the needs of its customers and ensure observance of Responsible Gaming, FDJ has set an 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 burdensome or intrusive.

Additionally, gambling activities compete with other consumer products for consumers’ discretionary spending and in particular with other forms of leisure and entertainment. If FDJ does not adequately respond to competition for consumers’ discretionary spending, 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.

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 offer “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 payout ratios (PR). 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.

3.3 Risks related to Group activities

3.3.1 Risks related to gaming operations

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 signaled by an asterisk.

**Risk of design defects in lottery games**

As of 30 June 2019, FDJ offered nearly 85 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 lots scoreboards). Although the rare occurrence of these incidents have thus far proven to be insignificant, 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 licenses for the games concerned or result in financial penalties. Errors or other design defects may result in a negative experience for customers and 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 part. Approximately €19 million is wagered every day in 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 key different stages of manufacture by the suppliers themselves and by FDJ, as well as by external third parties (such as laboratories or 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 licenses 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 of the supply chain for points of sale**

FDJ operates the largest local distribution network in France, with more than 30,000 points of sale (see section 5.5.1.2 “Offline distribution department and offline distribution network”). This vast network must be supplied with gaming materials that meet the expected quality requirements and within the expected deadlines.

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 favors 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.

In addition, FDJ has owned since 2016 a 10,000 m² mechanised central warehouse in the Paris area that enables 52 weeks of operation and has implemented a business continuity plan for this warehouse, in particular through the opening of an operational emergency warehouse with an emergency stock allowing it to cover an interruption of two to three weeks. However, in the event of a prolonged interruption to the production or logistics systems due to a breakdown, a national or local social movement affecting ground transportation, for example, or a major climatic event likely 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 to supply 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 a negative 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 (see section 3.6.2.2 “Game integrity organisation”), 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 unavailability (more than 2 hours) of the gaming terminals in points of sale, 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 €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 likely 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 abroad.
Although the Group has implemented protection mechanisms (see section 3.6.2.2 “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 negative consequences on its revenue, results and prospects.

FDJ may face many risks in this area, including:

- an anomaly in the execution of computer draws that would deliver 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 that would result 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 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).

Finally, 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 likely 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 addiction for some players. For many years, as part of its commitment to a gaming model that is intended to be
recreational and responsible (see section 3.6.3 “Responsible Gaming Management Policy”), the Group has deployed 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 within its gaming operations and distribution networks (points of sale and online) in order to prevent external risks.

Thus, 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; and

- compliance with the laws and regulations relating to the fight against money laundering and terrorist financing.

Although the Group’s Security Department analyses atypical changes in stakes made in points of sale, the opening of new FDJ points of sale is strictly regulated and subject to approval (see section 5.5.1.2 “Offline distribution department and offline distribution network”) 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 carry out other illegal operations (see also the risk factor “Risk of gambling fraud” and the risk factor “Risk of money laundering” below). A 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.

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 denial of service attacks (DoS) 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 taken a significant number of measures to reduce the risk of cybercrime, such as tightening 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, lead to litigation risks and cause financial losses. They could also have negative consequences for the Group’s image and reputation.

### 3.3.1.3 Counterparty risk

Some instant games and draw games (such as Amigo or Keno) are based on the fixed-odds principle: (i) the face value of prizes is fixed or determined by a probability calculation, and (ii) the number or value of prizes won is determined by chance. Thus, the total amounts that will actually be paid to prize winners cannot be precisely predetermined: these amounts are sometimes below and sometimes above the statutory payout ratio for these games set forth in the decree of the minister in charge of the budget.

For example, for draw games, the prize winners’ share may be between zero and several times the total of the players’ stakes. The amount of winnings payable per event is limited by decree to €76 million (this amount will increase to €100 million on 1 January 2020 for lottery 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, in theoretically extremely rare cases (approximately once every 15,000 years), to winnings exceeding €100 million, or in theoretically and statistically very improbable cases, 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 discrepancies can result in a financial risk for FDJ. This is referred to as fixed-odds 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 (see section 7.1.2.1 “Regulatory environment” and section 9.1.2.1 “Regime applicable to the organisation and operation of lottery games”).

As at 30 June 2019, in addition to instant games and sports betting based on the fixed-odds principle, FDJ operated five fixed-odds draw games.\(^6\)

In addition, a fixed-odds 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 should be due to them, which could expose it to claims or disputes from players that could damage its image and reputation and affect the level of future bets collected by the Group on its games.

Until 31 December 2019, the counterparty risk is almost completely covered by a counterparty funds system whose principles of operation are defined by decree. Starting on 1 January 2020, concurrently with the entry into force of the new regulations on the tax and accounting framework for gambling, the counterparty risk for lottery games will no longer be insured by the counterparty funds, but by an annual insurance policy that will be underwritten by FDJ with an insurance company to hedge the cumulative counterparty risks, up to a maximum range of €100 million to €150 million, subject to certain conditions and a deductible within a range of €6 million to €8 million. This insurance policy, currently being negotiated, would be underwritten on a yearly basis.

\(^6\) FDJ does not intend to increase the portion of lottery games based on counterparty risk by 2025.
Notwithstanding this insurance policy being underwritten, 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, depending in particular on the evolution of 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.

3.3.1.4 Risk of fraud in games

The operation of games involves risks of fraud. As a gaming operator, FDJ is exposed to various forms of fraud (gambling 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 common location 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 these risks of fraud, FDJ has put in place a significant number of measures designed to ensure that instances of fraud are detected quickly. However, these measures cannot exclude any risk of late or insufficient detection of fraud or a failure in the handling 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 (Traitement du renseignement et action contre les circuits financiers clandestins), etc.), which could have negative consequences for its business, results, financial position and prospects.

3.3.2 Risks related to the Group’s organisation and the points of sale network

3.3.2.1 Risk of a mismatch between the coverage of the offline distribution network and the Group’s strategy

The Group’s objective is to maintain by 2025 a network of approximately 30,000 points of sale throughout the French territory.

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 offers its games mainly in the bar-tobacconist-newsagent network, which has been historically strong throughout France. However, the bar-tobacconist-newsagent sector has been weakened in recent years through 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 due to the weakening of the printed press market.

FDJ has initiated measures to support the maintenance and development of the traditional bar-tobacconist-newsagent network (see section 5.5.1.2 “Offline distribution department and offline distribution network”) and has implemented a
process to diversify its distribution network, in consultation with the organisations representing the traditional bar-tobacconist-newsagent 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 have an unfavourable impact on the Group’s sales, results, financial position and prospects.

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 2018, more than 95% 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, or 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 for their customers such as rechargeable cards for online bets.

This multiplication of services and sources of income for distributors is due in particular to the attractiveness 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 desire of some online sports betting operators to establish themselves within points of sale. These new services offered to distributors, which provide them with additional sources of revenue, are likely to present in the future a form of competition for the FDJ product offering within points of sale.

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 (see section 5.4.3.2 “Payment and services”), 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, to a limitation of the spaces dedicated to the development of FDJ offerings in points of sale, and to an increase in advertising costs and, where applicable, in the total distribution cost of its offers in points of sale. In addition, although a new commission level for distributors was negotiated in 2018 as part of an agreement that should lead to an increase in distribution costs of approximately €40 million per year starting on 1 January 2020, 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.

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

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7 Compared to 2017, based on the same amount of stakes.
adjacent activities: (i) a B2B international services offering to 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) (see section 5.3.2 “Group strategy”). Each of these three adjacent activities carries risks.

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.

In regard to international B2B services for lottery and/or sports betting operators, the sector has been rapidly consolidated in recent years with several major acquisitions on an international scale since 2015. In this context, the Group may encounter difficulties in facing the competition from larger operators already present in this market segment. Although the Group has already marked its first successes, it could nevertheless encounter difficulties in winning new mandates outside of France, where it would have less control over the environment and compete 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.

In the area of providing payment and services and entertainment, although the Group has also enjoyed its first successes (see section 5.4.3.2 “Payment and services”), the Company’s entrance into these areas is recent and still in the exploratory phase and therefore presents numerous risks, particularly in the entertainment sector, which is undergoing rapid digital changes, in an environment marked by a multitude of operators and business models. 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 development strategy for adjacent activities or if this development does not prove sufficiently profitable, its image, strategy and prospects could be affected.

3.3.3.2 Risks related to international development

The development of an international B2B activity entails new risks for the Group, due in particular to cultural, commercial and regulatory environments that differ from those in its home market. This new activity involves, for example, participation 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 new difficulties in winning new contracts, which could slow down its international development.

The Group could also encounter difficulties in adapting to the regulatory constraints of the countries in which it is developing its B2B activities, which could lead, in the event of non-compliance with these constraints, to financial penalties or to civil contractual or tortious liability and, where applicable, to reputational 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 in 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 development and ensure compliance with all applicable regulations, which may have an adverse effect on its image and reputation, its business, results, financial position and prospects.

3.3.4 Risks related to acquisitions

The Group may consider acquisition opportunities, as it did in the acquisition of Sporting Group (see section 5.4.3.1 “B2B international services”) as part of its international development strategy.

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 the Group may hope for. 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 targets to accelerate the implementation of its strategic development pillars, or may have to outbid competitors, reducing the economic interest of these developments. In addition, the examination of potential targets and the integration of acquisitions may require a significant mobilisation of management teams that may divert management from their daily functions.

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 and depend, even in points of sale, on this system. 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. Risks related to questions of game integrity (risk of prolonged unavailability 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 serve its expanded offerings and new business lines. Indeed, as illustrated by the rapid increase in online betting, the Group’s business practices are changing rapidly, in an increasingly dematerialized 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.

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 shortcomings, it is possible that recruitment difficulties will slow down the implementation of its strategy, particularly as it seeks to further digitalise its online lottery and sports betting offer, the multi-channel approach to its proprietary technology and the development of its B2B activities internationally.

3.4 Legal risks and non-compliance risks

3.4.1 Risk of money laundering

In the context of accelerating regulatory developments relating to the fight against money laundering and terrorist financing (notably the transposition and implementation of the 4th Anti-Money Laundering Directive EU 2015/849 dated 20 May 2015), FDJ must be increasingly vigilant when taking bets and paying winnings.

Although, in recent years, FDJ has initiated a process to improve its knowledge of players and implement means to reduce the circulation of cash in points of sales, its activities, in particular sports betting, which is subject to greater risk than lotteries, face the risk that they may be used by money laundering networks. In 2018, FDJ filed 143 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 found, 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.

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.

3.4.3 Risk of underage gambling

FDJ is obliged to prevent the participation of minors, even emancipated minors, 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. See section 9.3 “Shared regulation of all activities carried out under exclusive rights and in competition – Protection of minors and persons prohibited or excluded from gaming”.

The fight against underage gambling is a priority for FDJ, whether at point of sale or online.

The Group’s willingness to prevent underage gambling is in line with the growing expectations of stakeholders against underage gambling, including above all the French State. Thus, the 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.

3.4.4 Risk of infringement to the security of personal data

European regulation 2016/679 on the protection of personal data (known as the “GDPR”), which entered 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.

The Group’s strategy involves improving its knowledge of its customers, requiring 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.

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 handball) 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.

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 25 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. In addition, 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 (see section 18.7 “Legal and arbitration procedures”).

Finally, 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, 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 prospect, despite the fact that FDJ considers that it has recorded a sufficient amount of provisions (see Appendix 1 “2016, 2017 and 2018 consolidated financial statements” – Note 5 “Provisions”).

If FDJ is not successful in any legal, administrative or regulatory proceedings or is unable to create sufficient provisions or assess the likely outcome of any proceedings, it may have a material adverse impact on its business, results, financial position or prospects.

3.4.7 Risk of recourse against certain acts concerning activities under FDJ’s exclusive rights

As of the Date of the Registration Document, the dates of publication and entry into force of all the decrees implementing the Order are not known. The Exclusive Rights Decree and the Close Control Decree, which approves the Convention and the Specification Document, are expected to be published few days after the publication of the Registration Document (see Chapter 9 “Legislative and regulatory environment”).

As soon as they are published and for a period of two months (increased by two additional months for foreign residents), the 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 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 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, which could have a negative impact on the conduct of the Company’s activities.

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®, Euromillions, Keno and Amigo brands, and the domain names enligne.parionssport.fdj.fr and fdj.fr, are well known trademarks and domain names for 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 lack of distinctiveness of the FDJ brands (see section 5.9.1 “Brands and trademark licenses”). 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 development 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 following 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.

Finally, under the Pacte Law, at the conclusion of the 25-year exclusivity period, 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. The Convention addresses the transfer or the use of copyrights and trademarks, and provides for a free license for a limited period of time for software and patents during 18 months.

3.4.9 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 ABUive 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.
3.5 Financial risks

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 on capital upon 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 its payment. Finally, 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 (see section 8.1.1.4 “The Group’s main financial resources and cash requirements – Borrowings”). FDJ may not be able to comply with these clauses in the future.

At 30 June 2019, the amount of borrowings and debts with credit institutions amounted to €211.5 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 30 June 2019, including interest payments:
Pursuant to the Pacte Law and the 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 set upon delivery of 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.

3.5.2 Interest rate risk

Below is a summary at 30 June 2019 of the Group’s net exposure to interest rate risk, before and after hedging:

<table>
<thead>
<tr>
<th>30 June 2019</th>
<th>Financial Assets (a) (to specify)</th>
<th>Financial Liabilities (b) (to specify)</th>
<th>Net exposure before hedging (c)=(a)-(b)</th>
<th>Interest rate hedging instruments (d)</th>
<th>Net exposure after hedging (e)=(c)+(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fixed rate</td>
<td>Variable rate</td>
<td>Fixed rate</td>
<td>Variable rate</td>
<td>Fixed rate</td>
</tr>
<tr>
<td>Less than a year</td>
<td>218.0</td>
<td>8.0</td>
<td>210.0</td>
<td>0.0</td>
<td>210.0</td>
</tr>
<tr>
<td>From 1 year to 2 years</td>
<td>379.0</td>
<td>8.0</td>
<td>371.0</td>
<td>0.0</td>
<td>371.0</td>
</tr>
<tr>
<td>From 3 years to 5 years</td>
<td>155.2</td>
<td>16.0</td>
<td>139.2</td>
<td>0.0</td>
<td>111.5</td>
</tr>
<tr>
<td>More than 5 years</td>
<td>45.0</td>
<td>68.0</td>
<td>111.5</td>
<td>-23.0</td>
<td>-111.5</td>
</tr>
<tr>
<td>Total</td>
<td>797.2</td>
<td>0.0</td>
<td>100.0</td>
<td>111.5</td>
<td>697.2</td>
</tr>
</tbody>
</table>

(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 bears a variable interest rate and has a 5-year maturity. The hedge of the loan, provided for as a cap, was undertaken for a 3-year period and will be reviewed after that time depending on interest rate movements (see section 8.1.1.4 “Borrowings”). 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 related primarily to its investments. The Group implements a policy of dynamic interest rate risk management supervised by the Treasury Committee. The objective of this policy is to ensure a minimum 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 30 June 2019, no investments had been exposed to this direct risk.

3.5.3 Other financial risks

See Note 7.4 “Financial risk management policy” in the consolidated financial statements as of 31 December 2016, 31 December 2017 and 31 December 2018.

3.6 Risk management

3.6.1 Control systems

The Group’s risk management system comprises two components: an internal component and an external component.

3.6.1.1 Internal operators of the risk management system and risks mapping

FDJ’s 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 fighting fraud and money laundering, in ensuring the integrity and security of games and their marketing in the point of sale network and the digital network. For this purpose, the Security Department is made up 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 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, material and immaterial 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 Department’s mission is to enable the Group to deal with incidents threatening the sustainability of its activities through the following crisis management system:
    - any detected incident is prequalified by the services that detected this incident. In case of doubt as to the analysis of the criticality of an incident, there is an escalation procedure to the Crisis Management Service (Security Department) within the organisation and several organisational levels can be mobilised, depending on its criticality for the Company, up to the Security Department:
Standard incident:
- processing undertaken by the most appropriate business line,
- mobilisation of a coordination unit (internal service proposed and led by the FDJ Crisis Management Service) when the action plan requires the intervention of several internal operational business lines;

Critical incident:
- mobilisation of an operational crisis unit soliciting all the internal operational business lines necessary for the rapid and exhaustive resolution of the incident,
- mobilisation of a decision-making crisis unit soliciting the Directors of the Group Management Committee required to define a company-wide positioning, as well as the appropriate action plan, in response to the incident having occurred.

These two emergency processing bodies can be engaged either individually, or both simultaneously (e.g. for long-term and major crisis) when there is a large amount of coordination work needed between the decision-making process and the implementation of associated actions.

Within these bodies, the definition of the processing plan follows the FIPA methodology of sharing facts, assessing impacts, identifying stakeholders and defining action plans.

The steering and monitoring of critical incidents are carried out using decision reports upon the intervention of each organised crisis unit, a dedicated tool for ensuring the traceability of all incident processing 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 the conformity with the regulatory framework for the gaming and betting activities offered in competition and under exclusive rights by the company, 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 monitors the consideration of business performance issues 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 risks control mechanism 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 allows for the improvement of governance process and the identification, control and steering process of the FDJ Group’s risks.

This system is based on an annual risk mapping process whereby the Group’s main risks are identified, assessed and classified in line with its strategic priorities. The annual mapping work relies on a universe of risks related to the Group’s various business lines and activities, updated at least once a year and integrates strategic, external, operational and non-compliance risks. Each risk in the mapping 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 Committee.

Risk Management gives a top-down and global view of the Group’s risks on a three-year horizon;

- Internal Control reinforces Group risk management and associated risk control procedures. This mission is notably implemented through regular risk assessments and controls. Internal Control complements Risk Management with its bottom-up view of the Group’s business processes. Risk management and internal control systems play a complementary role in controlling the company’s activities,

- the Integrated Management System, supported by the Quality SMI Improvement division, provides tailored assistance to entities to build a solid operating platform. It provides a framework for the Group’s activities, by taking into account opportunities, in order to facilitate flexibility and improvement. It makes it possible to coordinate the different certifications and standard procedures of the Group,

- Internal Audit, continuous, independent and objective activity (complying with professional standards and reports directly to the Executive 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 achieve its risk management objectives by systematically assessing its risk management, control and corporate governance processes and by suggesting areas for improvement. This assessment covers all the components of the internal control system, including the reliability and integrity of financial information, the effectiveness and efficiency of operations, the protection of the company’s assets and compliance with laws, regulations and contracts.

The Group has adopted a governance, risk and compliance approach organised along three lines of defence, based on IFACI market position (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 the Ethics, Risk Management, Internal Control and Quality; and

3. the third line of defence corresponds to the Internal Audit entity.

3.6.1.2 External operators of the risk management system
FDJ is subject to various controls exercised by public authorities as described in Chapter 9 “Legislative and regulatory environment describing state controls”.

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.

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.

3.6.2.1 Risk management principle for game integrity

Pursuant to its legal and regulatory obligations, in compliance with the current legal framework (Decrees nos. 78-1067 and 85-390 relating to the organisation and operation of lottery games and sports betting games in points of sale), as well as the new legal framework to enter into force as of 1 January 2020, FDJ must take measures and steps and perform oversight needed to ensure the integrity, security and reliability of the gaming business and its transparency.

3.6.2.2 Game integrity organisation

In order to respond to the willingness to implement the best information security practices commonly practised in companies in general, and more particularly in companies operating lottery games, FDJ has implemented an Information Security Management System (ISMS) since 2009.

FDJ’s ISMS addresses three major issues:
- ensuring that FDJ’s activities comply with regulations;
- guaranteeing the integrity of the games; and
- fighting against the risks of cybercrime.

This ISMS now covers all company processes: gaming systems and operations (both in points of sale and online), accounting, equipment, customer relationship management, websites and call centres, etc.

FDJ is certified ISO 27001 and WLA SG.

FDJ was one of the first lotteries to obtain 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, in line with the strong development of the market and issues related to sports integrity.

Global technical system

Within the FDJ Group, game integrity is based on fundamental technical principles:
- an information system segmented and compartmentalised through the use of 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 made simultaneously in both computer rooms to ensure operational continuity in the event of a failure of one of them. 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 management of the integrity of the game information systems: data backup, “journaling/time stamping/data sealing” cycle; and

- a cybersecurity system.

**Measures in place to ensure the integrity of instant game operations**

With €7.5 billion in stakes in 2018, instant games distributed in points of sale represent the company’s largest source of stakes (47.2% of the total). They also play a major role in helping drive the game offering, with numerous launches and relaunches. More than 2.2 billion tickets were printed by the two printers in charge of ticket production in 2018.

The integrity challenges related to the instant game range are essentially:

- the generation and random distribution of prizes;

- the integrity and security of gaming materials (tickets);

- the security of the dedicated information system; and

- the physical security of tickets.

The various steps for any launch of instant games in points of sale include preventive and detective 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 qualified by FDJ. The quality of these materials is controlled at the different key stages of manufacture by the suppliers themselves and by FDJ, but also by external third parties (laboratories, external auditors, etc.).

3/Launch phase:

Transport of the products to FDJ warehouses by boat and truck with continuity plans 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 itself 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 stock shortages.

Finally, in order to guarantee continuity of activity in the event of a major failure of the central warehouse (following a natural event, industrial accident, etc.), a so-called “security” stock is available at another dedicated site which allows the national supply of the distribution network to be continued for the main games marketed for several weeks.

**Measures in place to ensure the integrity of operations of draw games**

With €5.1 billion in bids in 2018, the draw game offer, which includes Loto®, Euromillions – 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 registration of a play;
- mechanical drawing operations and systems (machines and balls);
- online draw systems;
- the security of the dedicated Information System; and
- game receipts.

**Validation and recording of draw games stakes**

The validation and recording of draw game stakes is based on two separate systems, either dedicated to digital game stakes (internet or via the application), or to game stakes in points of sale, via the optical reading terminal made available 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 preventive and detective 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; and
- 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, certified ISO 9001 (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 preventive and detective unit control points that are either automatic or operated by business teams.

### 3.6.3 Responsible Gaming management policy

FDJ operates in the gaming sector, a regulated sector in terms of the specific risks it entails in terms of the preservation of public and in particular social order, through the prevention of excessive gambling behaviour and underage gambling (see Chapter 9 “Legislative and regulatory environment”).

Since 2012 and for the third consecutive time, FDJ has received a 100% compliance rating as part of the three-year certification programme for Responsible Gaming conducted by the European Lotteries Association. It was issued by AFNOR at the end
of 2018. This highest certification level confirms 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 June 2019, FDJ was assigned an A1+ rating by Vigeo-Eiris, for reference, 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.8

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.

3.6.3.1 Prevention of underage gambling

Actions undertaken to combat underage gambling have been strengthened for several years. These actions are carried out at all stages of a game’s life cycle (from design to marketing) according to a principle known as “JR Inside”. It covers three areas:

1/Training and support for distributors and the sales force:

Preventing underage gambling is the priority of 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 a priority given to underage gambling.

Specific training campaigns complement this system: all distributors were trained individually in their points of sale to refuse to sell to minors between 2017 and 2019.

In addition, in anticipation of the 2018 World Cup, more than 5,000 distributors were also trained in the commercial agencies in the specificities of fighting against underage sports betting, a growing challenge in the offline and online networks.

2/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 dedicated television campaigns (e.g. a prevention film with a well-known sports personality during Euro 2016).

Since 2018, FDJ has systematically broadcast preventive films on underage gambling together with each of its TV advertising campaigns on sports betting or instant games (preventive films during the 2018 World Cup, the relaunch of the game Morpion in 2018 or the game Astro in early 2019). A new TV campaign on the prohibition of underage sports betting was also broadcast during the Feminine Football World Cup in June and July.

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8 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).
As of 2019, FDJ has committed to devote on an annual basis 10% of its budget for purchasing television advertising space to films dedicated to Responsible Gaming (underage and excessive gambling).

3/Control and evaluation of the application of the prohibition of sales to minors:

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.

The controls take the form of inspections carried out throughout the year to verify the proper application of 7 criteria, which include the prevention of underage gambling (19,445 controls conducted 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. The overall level of compliance with the Responsible Gaming criteria continued to increase by +0.9 points compared with 2017, increasing from 90.6% to 91.5%. FDJ has set an objective of achieving 95% compliance.

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 held testing campaigns based in the points of sale in partnership with SEDAP (Society for Psychological Help and Action – Addictology centre located near Dijon, France and reference structure on gambling within the Addiction Fédération). These are unannounced visits during which minors enter points of sale alone to purchase games.

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 along six axes:

1/Monitoring its game offering:

FDJ controls the level of attractiveness of all its gaming offers via analysis 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 the promotional and publicity activities is more generally part of a narrow process of 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. The analyses and points of attention highlighted by experts lead, depending on the case, to the adjustment of certain parameters of the gaming offers and/or to the carrying out of additional studies.

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 developments described are as at the Date of the Registration Document.
impact of the game on player behaviour. Depending on the results, changes can be made to the game.

Finally, before being placed on the market, all games and bets under FDJ’s exclusive rights are also checked by the regulator under the State’s prior authorisation scheme to which all games and bets under the exclusive rights held by FDJ are subject (see section 9.1.2.1 “Regime applicable to the organisation and operation of lottery games”).

2/Training of distributors and the sales force:

Like the training measures planned to reinforce the application of the prohibition of underage gambling, FDJ raises awareness and trains its distributors and its sales force on issues related to excessive gambling.

Today, the Group’s sales force is particularly aware of Responsible Gaming issues, and, in particular, the fight against underage gambling; it even receives remuneration conditional on the achievement of objectives in this area.

3/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 on several distribution channels (posters, brochures and messages distributed on screens in points of sale, information on digital sites).

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 civil society organisations are held within the Social Laboratory, a consultation body set up by FDJ since 2014.

Since 2019, FDJ has also broadcast prevention campaigns on television to inform players about the tools available to control their gambling habits. Thus, a TV campaign was broadcast in April 2019 in the form of playful animated films featuring animals to illustrate in a non-stigmatising way situation where the tools - evaluation of gaming habits, tests, game limits - can be used by players).

4/Accompanying players and monitoring their practices:

FDJ provides its players with several tools for monitoring and controlling their online gambling practices:

- Playscan™, developed by the 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 (increasing in seriousness from green, yellow and red) and the sending of specific messages to players when their risk level changes (colour). The tool informs the player about the risk that his or her gaming habit may lead to the development of a gambling problem. It is therefore not a tool for diagnosing gambling addiction, but a tool for information and risk assessment.

  In 2018, 92.9% of players were identified as safe by Playscan™ (Playscan™ green), 5.5% as moderate risk (Playscan™ yellow) and 1.6% as high risk (Playscan™ red);

- Game moderators allow players to set limits. These limits, which cover both payments into the players’ accounts or their stakes, some of which are mandatory, help players control their gambling habits. Since the beginning of 2018, FDJ has complemented this system by launching a new binding 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); and
- beyond these measures, online players may also temporarily or permanently block themselves.

5/The detection and support of persons in vulnerable situations:
The management of vulnerable situations resulting from gaming is a complex but essential field of action.
For several years now, FDJ has been developing mechanisms to identify and then guide people in vulnerable situations (40 situations were managed in 2018, out of more than 200 reports processed).
These actions are based primarily on making available to its players via its brochures in points of sale or on its websites, the contact details of partner helplines (SOS Joueurs, e-Enfance, CRÉSUS) or support structures on problem gambling that offer specialised information spaces, such as the Addict’Aide Internet portal developed by the Fonds Actions Addiction.
They are then based on a detection system (atypical activity in points of sale, reports from distributors or customer service, calls from players) and referral of people to appropriate structures (local addiction centres) or, exceptionally, on field interventions with 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 in the field.

6/Support for big prize winners:
In 2018, 390 players won more than €500,000 in FDJ games (i.e. more than one winner every day). Big prize winners can receive support from FDJ – if they wish – at the time of payment, both tailor-made on an individual basis, and in groups through thematic workshops over a period of five years. The purpose of this support is to take stock of the impact of the winnings in the lives of new 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 habits better. When the Company identifies a risk of excessive gambling behavior 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.

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 to support addictology research and prevention activities in the health and social sectors, some of which are directly involved in our own Responsible Gaming activities.
1) Actions to support addictology and gambling research:
- support for structures dedicated to research, training and information on excessive gambling with the sponsorship partnership launched in 2008 with the Centre de

10 In 2018, this amount was €973,000.
référence du Jeu Excessif (CRJE), attached to the Institut Fédératif des Addictions Comportementales (IFAC) within the Nantes University Hospital. In addition to research, this partnership has enabled 2,275 health professionals to receive JHA addiction training over the past 10 years; and

- 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”, which includes the Universities of Paris Descartes, Paris Nanterre, Paris 13 and Paris Sorbonne.

2) Support for preventive actions in the health and social sectors that directly contribute to the actions of the Responsible Gaming policy:

- partnerships with helplines and exchange forums managed by associations and aimed at players in vulnerable situations and their entourage (see above): SOS Joueurs, CRESUS, E-Enfance, Addict’Aide Internet portal;

- experimental projects with the Fédération Addiction to help professionals intervene directly in points of sale with players to limit excessive gambling behaviour and the damage resulting from it. This innovative system, independently evaluated 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 make minors aware of the risks of gambling (Bien Jouer project in secondary schools).

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 2018 amounted to approximately €950,000. Other than the need to underwrite insurance to cover its counterparty risk (see above), 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 automobile mission (coverage of accidents suffered or caused by any personal vehicle of a Group employee when used in connection with an occasional professional mission) or death/disability/medical expenses/medical protection covering all FDJ employees (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**

As of 1 January 2020, in conjunction with the new regulations on the company’s tax and accounting framework, counterparty risk will no longer be covered by counterparty funds but by an annual insurance policy for the coverage under certain conditions of cumulative counterparty risks for a maximum in the range of €100 million to €150 million, with a deductible ranging from €6 million to €8 million.

Under the Specification Document, FDJ must subscribe insurance policies in order to adequately cover the counterparty risks relating to the games operated under exclusive rights.

• **Damage to property/operating losses**

The Group’s property insurance policy is based on the “all risks except” principle. It therefore guarantees all material damages that are not specifically excluded. This contract is subscribed with MMA effective 1 January 2017 for a period of three years.

It covers any material damage, as well as additional costs and consequent operating losses incurred in 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, operating losses due to strikes. This insurance covers damage to equipment entrusted by FDJ to its distributors, as well as consequent 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 (combined direct damage and operation interruption) which amounts to €220 million per claim, with the exception of equipment located in the validation points, particularly at distributors, 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 towards 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 liability risk for Euromillions, the coordinated lottery operated by several European lottery operators.

This contract was renewed with MSIG effective 1 January 2018 for a period of two years.

This contract is based on the principle of the “all risks except” 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 incident).
• **Fraud and Cyber DataProtect**

The Group benefits from a fraud insurance policy, 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 benefits from annual “cyber risks” coverage, 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.
Chapter 4
Information about the Issuer

4.1 Legal information about the Company

4.1.1 Company name/trade name

The corporate name is “La Française des Jeux”. Its trade name is “FDJ”.

4.1.2 Trade and Companies Register and LEI

The Company is registered in the Trade and Companies Register of Nanterre under number 315 065 292.

Its LEI number is 969500R4CLSQFTYYI535.

4.1.3 Date of incorporation and duration

The Company was incorporated on 19 December 1978 for a term of 99 years and registered on 19 February 1979.

It will expire on 18 February 2078, unless it is dissolved early or its term is extended.

The financial year begins on 1 January and ends on 31 December of each year.

4.1.4 Headquarters, legal form, applicable legislation and website

The Company’s headquarters is located at 3-7 Quai du Point du Jour, 92100 Boulogne-Billancourt, France.

The Company is a semi-public limited company (société anonyme d’économie mixte) governed by a board of directors. The majority of its share capital is publicly held.

The Company’s website is www.groupefdj.com. Readers should note that the information on that website is not part of the Registration Document.

As of the Date of the Registration Document, FDJ is subject to Order No. 2014-948 of 20 August 2014 respecting the governance and capital transactions of companies with public shareholding and to the provisions of the French Commercial Code. For a description of the legislation governing FDJ’s activities, see Chapter 9 “Legal and regulatory environment”.

4.2 Group history

The history of the Group, spanning nearly a century, is entrenched in French national history and the solidarity tradition of all lotteries worldwide.

1836: Prohibition of all forms of lotteries in France except lotteries for charitable purposes

1933: Creation, with State authorisation, of the French National Lottery

The Law of 31 May 1933 and the Decree of 22 July 1933 establish the French National Lottery, whose profits were used to support the reintegration into society of veterans of the First World War and victims of agricultural disasters.
Whole National Lottery tickets were issued by the General Secretariat of the National Lottery, an office of the Ministry of Finance. These whole tickets were each worth 100 francs at the time and sold in Treasury offices. War veterans (les “gueules cassées”) were given the task of splitting them into smaller tickets for sale to the public at an affordable price. The State regulated this task by licensing the issuers, which were either veterans’ associations, commercial companies, or individuals. These issuers bought large quantities of tickets at a discount from the General Secretariat of the National Lottery and divided them into tenths with a value of 10 francs, or sometimes twentieths and hundredths. They would issue these ticket fractions in their own name and resell them mainly to intermediaries, independent professionals called “brokers”.

1976: Launch of Loto® game

In 1974, in order to launch the Loto® game, at the request of the State the issuers regrouped into an EIG entrusted, by virtue of the Decree of 10 July 1975, with the organisation and operation of Loto®.

Brokers were responsible for supplying Loto® tickets to distributors and collecting validated lottery slips to be sent to computer processing centres prior to the draw.

1978: Creation of Société de la Loterie Nationale et du Loto National

In 1978, given the success of Loto®, the French State wanted to resume oversight of “additional National Lottery drawings”, which is how the Loto® game was legally referred to in the 1975 decree.

The issuers and the State decided to combine their operations (Loto® for issuers and the National Lottery for the State) into a joint company, the semi-public company called the Société de la Loterie Nationale et du Loto National (SLNLN), 51% of which was owned by the State and 49% by the issuers. Pursuant to Decree No. 78-1067 of 9 November 1978, the State entrusted the organisation and operation of the National Lottery and the National Loto to this company and discharged the EIG from its Loto®-related mission.

1983: Launch of Tac-o-Tac

On 25 December 1983, SLNLN launched the Tac-o-Tac game, the first mixed lottery game with a drawing and an instant lottery scratch card.

1985: Launch of Loto Sportif

On 20 April 1985, SLNLN launched Loto Sportif, a mutual odds betting game, which would be replaced by Loto Foot® in 1997.

1989: Launch of the first instant lottery game and SLNLN becomes France Loto

On 3 April 1989, SLNLN launched “100 000 F Cash”, the first scratch card instant lottery game. In the same year, two other instant lottery games were launched: “Surf 100 000 F” and “421”. These were followed by “Jackpot” and “Banco” in 1990.

At that time, SLNLN changed its name and became France Loto.

1991: France Loto® becomes La Française des Jeux

France Loto became La Française des Jeux in June 1991.
1998: Launch of the first express draw game, Amigo

In 1998, La Française des Jeux launched its first express draw game, Amigo.

2001: Creation of the fdjeux.com online games site

2003: Launch of offline sports betting

2004: Launch of Euromillions

On 13 February 2004, the first drawing took place for Euromillions, a joint lottery game with the UK’s Camelot and Spain’s Loterías y Apuestas del Estado. In October 2004, lotteries from six other countries joined this joint European lottery.

2010: Launch of online sports betting

In the context of opening the online gaming market (sport betting, horse-race betting and poker) to competition, La Française des Jeux launched the Parions Web brand, which became Parions Sport En Ligne in 2016.

2009-2016: La Française des Jeux becomes FDJ

In 2009, the Company created the trade mark “FDJ” as an umbrella for all of its game offerings and renamed its online games site fdj.fr.

In 2014, it decided to adopt “FDJ” as a trade name for the entire company, and in 2016, it launched FDJ Gaming Solutions, a subsidiary dedicated to selling B2B products and services internationally.

2017: Entry into the world of eSport

In February 2017, FDJ entered into a partnership with Webedia and launched the brand “FDJ eSport”, which is dedicated to the organisation of video game competitions online and at physical locations. That same year, Parions Sport launched a free version of its offering for eSports predictions called “Parions eSport”.

2018: Launch of Mission Patrimoine games

In partnership with the French national heritage foundation, FDJ launched Mission Patrimoine, an instant lottery game that benefits a special fund of the French National Heritage Foundation dedicated to the preservation and renovation of French heritage monuments and a French heritage Super Loto®.

2019: Adoption of the Pacte Law

The Pacte Law, which notably provides for the privatisation of the Company, was promulgated on 22 May 2019.

2019: Acquisition of Sporting Group

In 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, based primarily in the UK, Canada and Sweden, to strengthen its B2B offering and accelerate its international expansion (see section 5.4.3.1 “International B2B services”).

11 Rapido until 2010.
Chapter 5
Overview of activities

5.1 General presentation

As the heir to the National Lottery, created in 1933 under authorisation of the French State, FDJ is now the leading player in the French gaming sector (with 51% of French GGR in 2018) as well as the second largest lottery in Europe and the fourth largest in the world in terms of GGR\(^\text{12}\).

FDJ has two core activities: lottery (draw games and instant games\(^\text{13}\)) and sports betting. FDJ is also developing three adjacent activities: (i) International B2B services, (ii) payment and services in points of sale and (iii) entertainment. FDJ was awarded exclusive rights by the French State to operate offline and online lottery games as well as offline sports betting. Since Law no. 2010-476 of 12 May 2010 relating to the opening to competition and regulation of the online gaming sector was adopted, FDJ has also operated an online sports betting activity. The latter is operated in a framework open to competition, but regulated, each operator requiring a license.

Built on a rich history, spanning nearly a century and entrenched in national history, FDJ has developed a resilient model based on diversified, complementary games. As such, in addition to the traditional lottery introduced in 1933, in 1983 the Company’s offering was expanded to include instant games with the creation of Tac-o-Tac, then sports betting in 1985. Thanks to the diversification and complementarity of its offering, FDJ has enjoyed a near continual increase in stakes over the last 30 years. Moreover, over the last five years, the Group has succeeded in combining growth (with an average growth in annual stakes of 5% between 2015 and 2018) and profound digital transformation.

With over 30,000 points of sale as of 31 December 2018 spread over 11,000 communes, making it France’s largest local distribution network in terms of points of sale\(^\text{14}\), FDJ has around 25 million players aged 18 and over (of whom over half are regular players accounting for more than 95% of stakes)\(^\text{15}\), who are attracted by a diversified and appealing offering made up of emblematic, high-profile games and which is based on a strategy of innovation, supported by the modernisation of the distribution network and the digitilisation of the offering (accessible on the Internet websites fdj.fr, enligne.parionssport.fdj.fr, pointdevente.parionssport.fdj.fr and on smartphone apps), as well as on the promotion of a Responsible Gaming model.

FDJ offers almost 85 lottery games (offline and online)\(^\text{16}\). On average FDJ launches or relaunches one new instant game per month offline and two games online. Among its games, five (in alphabetical order: Amigo, Cash, Euromillions, Loto® and Parions...
Sport Point de Vente) are “billionaire” games, i.e. with stakes in excess of over €1 billion each year.

The Group intends to rely on this unique position to continue to take advantage of the opportunities for growth expected in the lottery and sports betting segments (see section 5.2 “Markets”).

FDJ also intends to strengthen the resilience of its economic model by continuing to develop adjacent activities in addition to the gaming activities regulated by ANJ. The Group plans on developing an (i) international B2B offering for lottery and/or sports betting operators, (ii) payment services and services for distributors and the general public and, finally (iii) certain entertainment segments (eSport and other entertainment concepts). FDJ draws on certain assets and expertise to develop these activities, such as its core technologies, distribution network, expertise in TV and events production and reputation.

For the financial year ended 31 December 2018, FDJ recorded €15.8 billion in stakes (of which €2.4 billion consisting of digitalised stakes, including stakes made offline using, for all or part of the stakes placed, a digital device), with the following breakdown: instant games (€7.6 billion) (i.e. 48% of stakes), draw games (€5.1 billion) (i.e. 32% of stakes) and sports betting (€3.0 billion) (i.e. 19% of stakes). Over 95% of FDJ stakes are from activities under exclusive rights.

Out of the €15.8 billion in stakes collected by FDJ in the financial year ended 31 December 2018, €10.7 billion was paid out to players in the form of winnings (i.e. 68% of stakes) and €3.3 billion (i.e. 21% of stakes) was paid to the French State in the form of public levies. As such, for the year ended 31 December 2018, the Group’s revenue was €1.8 billion (i.e. 11.2% of stakes), of which €1.5 billion was derived from the lottery and €0.3 billion was derived from sports betting. The Group generated EBITDA of €315 million in the financial year ended 31 December 2018, a margin of 17.5%. The Group’s net income stood at €170 million for the year ended 31 December 2018.

In the first half of 2019, stakes stood at €8.4 billion (of which €1.652 billion consisting of digitalised stakes, up 7% year-on-year, with the following breakdown: instant games (€4.0 billion) (up 7% year-on-year), draw games (€2.6 billion) (up 2% year-on-year) and sports betting (€1.8 billion) (up 15% year-on-year). In the first half of 2019 the Group’s revenue stood at €944 million, i.e. a 5% increase year-on-year.

FDJ is developing a gaming model that is entertaining, responsible and to the benefit of the public interest. FDJ is a high-profile operator with a strong commitment to Responsible Gaming and which promotes gambling with moderation among the general public. From the game design process through to marketing, FDJ strives to be the best at preventing the risks related to addiction and excessive gambling. The many actions implemented in this respect have enabled FDJ to achieve a level of 100% compliance with European Lotteries certification (uninterrupted since 2012), and in 2018 a score of 4 (the highest achievable score) was awarded under the World Lotteries Association certification system.

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17 95% of the stakes are made offline in 2018.

18 EBITDA, or earnings before interest, tax, depreciation and amortisation, corresponds to recurring operating profit before depreciation and amortisation. It highlights the Group’s profit after stripping out the renewal of investments, financing costs and taxation. See section 7.1.4 “Alternative performance indicators”.)
In addition to its commitment to promote Responsible Gaming, all of FDJ’s activities are part of an ambitious corporate and social responsibility policy in terms of Integrity (fighting against fraud, money laundering and personal data protection, and responsible purchasing), human resources (awarded Diversity and Professional Equality Labels, signed up to PAQTE\textsuperscript{19}), solidarity (support for French amateur and professional sport, promotion of women’s sport, work of the Corporate Foundation, funding the “Patrimoine en péril” (Endangered heritage) campaign through the game Mission Patrimoine), Regional development (support for the modernisation of the distribution network and contribution to French Gross Domestic Product) and the Environment (8% reduction in CO\textsubscript{2} emissions over 10 years, objective of carbon neutrality from 2019 and 20% reduction in carbon emissions by 2025). In June 2019 FDJ was awarded an A1+ score by Vigeo\textsuperscript{20}.

5.2 Markets

Operating in the gaming sector, FDJ’s core activities are operating lottery games (draw games and instant games) and sports betting. In addition, FDJ is developing three adjacent activities: international B2B services, providing services for lottery and/or sports betting operators, payment and services in points of sale and entertainment.

FDJ is currently the leading player in the French gaming sector (with over 50% of French GGR in 2018) as well as the second largest European lottery and the fourth lottery globally in terms of GGR.

5.2.1 Global gaming market

In 2018 the global gaming market accounted for a GGR of $451.3 billion, compared with $412.6 billion in 2014, making gaming the sixth biggest leisure industry (source: H2GC\textsuperscript{21}). With an average annual growth rate of 2.3% over the 2014-2018 period, it has undergone continuous growth and should reach $529.4 billion by 2024, i.e. an average annual growth rate of 2.7%.

The main three primary global gaming markets in terms of geography and GGR are Asia and the Middle East (38%), North America (29%) and Europe (26%) which together accounted for almost 93% of global GGR in 2018. The Australian market accounts for almost 4%. Europe and North America, both considered to be economically mature, have undergone significant growth, at 3.6% and 3.1% per year on average respectively between 2014 and 2018. The Asian and Middle-Eastern market saw slower growth between 2014 and 2018, at 0.4% per year on average.

There are three main branches within the global gaming market: casinos and slot machines, lottery and sports betting and horse-race betting.

The global lottery and sports betting market accounts for a third of the global gaming market, with a GGR of $159.7 billion dollars in 2018, compared with $136.0 billion

\textsuperscript{19} The PAQTE is an initiative of the minister in charge of territorial cohesion and relations with local government (Ministère de la Cohésion des territoires et des Relations avec les collectivités territoriales).

\textsuperscript{20} This rating does not result from the valuation method applicable to listed issuers; it is therefore not strictly comparable to the ratings of these listed issuers (in particular, the governance criteria do not relate to the same principles of action and do not assess the same risks).

\textsuperscript{21} Unless otherwise stated, the source used in this section is H2GC, applying OECD exchange rates.
in 2014. With an average annual growth rate of 4.1% over the 2014-2018 period, the global lottery and sports betting market underwent steady and sustained growth, driven both by the traditional lottery segment (with an average annual growth rate of 2.2%) and sports betting (with an average annual growth rate of 11.0%).

Globally, on a like-for-like basis with the activities operated by FDJ, the main operators in the global market (excluding China) are:

- Lottomatica, a group based in Italy, whose GGR stood at approximately €6.2 billion\(^{22}\) in 2018, and which operates in the lottery, sports betting and poker segments\(^{23}\);
- FDJ, with a 2018 GGR of €5.1 billion;
- Camelot, the British lottery, whose GGR stood at approximately €3.4 billion\(^{24}\) in 2018, and which operates exclusively in the lottery segment;
- GVC, a listed group based in the United Kingdom, whose GGR stood at approximately €3.2 billion in 2018 and which operates in the sports betting, horse-race betting, poker and online casino segments;
- Tabcorp, a listed group based in Australia, whose GGR stood at approximately €2.9 billion in 2018 and which operates in the lottery, sports betting and horse-race betting segments;
- Loteria Y Apuestas des Estado, the Spanish lottery, whose GGR stood at approximately €3.2 billion in 2018 and which operates exclusively in the lottery segment;
- Stars Group, a listed group based in Canada, whose GGR stood at approximately €2.3 billion in 2018 and which operates in the sports betting, poker and online casino segments;
- Flutter, a listed group based in Ireland, whose GGR stood at approximately €2.1 billion in 2018 and which operates in the sports betting, horse-race betting, poker and online casino segments;
- Sazka Group, a Czech group, whose GGR stood \(^{25}\) at approximately €1.9 billion in 2018 and which operates in the lottery, sports betting, horse-race betting and offline and online casino segments;
- William Hill, a listed British group, whose GGR stood at approximately €1.8 billion in 2018 and which operates in the sports betting, horse-race betting and online casino segments;
- Veikkaus, a Finnish group, whose GGR stood at approximately €0.9 billion in the FDJ scope (€1.8 billion in total) in 2018 and which operates in the lottery, poker and offline and online casino segments;

\(^{22}\) GGR estimated on the basis of player payout estimated at 65% in the case of draw and instant games, Video Lottery Terminals, Amusement with Price and interactive games and 82% in the case of sports betting.

\(^{23}\) Lottomatica also has online casino activities but revenues from these are not included in the €6.2 billion.

\(^{24}\) Financial year for the period 30 March 2017-30 March 2018.

\(^{25}\) Sazka Group is consolidating its investments in Sazka, SuperSport and OPAP but uses the equity method for its investments in Casinos Austria and LottoItalia.
- OPAP, a listed Greek company, whose GGR stood at approximately €1.3 billion in the FDJ scope (€1.5 billion in total) in 2018, and which operates in the lottery, sports betting and horse-race betting segments;

- Kindred, a listed Swedish company, whose GGR stood at approximately €1.0 billion in 2018, and which operates in the sports betting, horse-race betting, poker and online casino segments.

FDJ is positioned as follows among the listed operators of lotteries, namely Tabcorp and OPAP:

<table>
<thead>
<tr>
<th>Operator</th>
<th>GGR (2018, Billions)</th>
<th>Breakdown of Businesses</th>
<th>Offline Distribution</th>
<th>Internet Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>€3.1bn</td>
<td>- Lottery: 40%</td>
<td>36,000+ points of sale (net owned)</td>
<td>9 years for lottery (offline and online) and offline sports betting</td>
</tr>
<tr>
<td>Tabcorp</td>
<td>€2.9bn</td>
<td>- Lottery and Keno: 37%</td>
<td>c.5,000 points of sale (net owned)</td>
<td>9 to 32 years for lottery and Keno (9 and 31 years for the main lottery licences)</td>
</tr>
<tr>
<td>OPAP</td>
<td>€1.5bn</td>
<td>- Sports betting: 23%</td>
<td>c.13,000 points of sale (net owned)</td>
<td>7 years for instant games and 11 years for lottery</td>
</tr>
</tbody>
</table>

Global lottery market

The lottery segment has undergone steady growth, with a GGR of $119.1 billion in 2018 compared with $109.3 billion in 2014, i.e. a growth rate of 2.2% over the 2014-2018 period. The offline lottery offering accounts for most of the global lottery market, with a GGR of $114.7 billion in 2018 and an average annual growth rate of 1.8% over the 2014-2018 period. The online lottery offering is recording significant growth with a GGR of $4.4 billion in 2018, an average annual growth rate of 14.9% over the 2014-2018 period.

This market is in the midst of transformation. For several years we have been witnessing a consolidation of the sector and the internationalisation of a number of players in the traditional lottery sector. This trend relates to privately-owned operators in particular, who are looking for new growth levers or to protect themselves against the risks of regulatory changes. As an example, in 2015 the Italian lottery GTECH acquired International Game Technology, an American supplier of platforms, software and game engines, whilst in 2016 the Czech group Sazka took control of the Greek and Austrian lotteries as well as a minority interest, with Lottomatica, in the Italian lottery concession Lottotitalia.

Moreover, lottery operators are seeking to diversify their lottery distribution networks beyond traditional offline networks, like Camelot, which is distributing its offering in hypermarkets, supermarkets and service stations. In parallel, in order to increase the resilience of their economic model, some players in the lottery sector are diversifying their activities by offering new services, such as Sisal, one of the Italian lottery operators which is now offering financial services.
Another trend is linked to the digitilisation of the traditional lottery, with the online offering now a strategic channel for all market players which, in some countries, accounts for a significant percentage of the lottery segment (over 50% in the case of some Nordic lotteries). Moreover, gaming operators are striving to incorporate digital codes and to innovate so as to meet the new expectations of players, seeking more immersion, sociability and interactions with, for example, multi-player options and incidental services such as voice assistants, etc.).

Finally, the traditional global lottery market has been characterized by the arrival of new players who may sometimes take advantage of regulatory loopholes to position themselves with offerings presented as innovative for the consumer. While in France these offerings are prohibited by the French online gaming regulatory authority (ARJEL), in other countries players in the traditional lottery sector are having to compete with these new players.

**Global sports betting market**

The global market in sports betting is extremely buoyant and undergoing rapid growth. This market accounted for GGR of $40.6 billion in 2018, compared with $26.7 billion in 2014, an average annual growth rate of 11.0% over the 2014-2018 period. Offline sports betting accounted for GGR of $28.6 billion in 2018 (with an average growth rate of 10.1% over the 2014-2018 period). Online sports betting accounted for GGR of $12.0 billion in 2018 (with an average annual growth rate of 13.4% over the 2014-2018 period).

The global market in sports betting is very buoyant and also the most competitive segment, with the arrival of new online operators, some of whom operate without applying for the compulsory licenses required by the national authorities in the countries in question.

The gaming sector is one of the few that is not harmonised under European Union law. As a result, in France and in other EU member states, the situation is similar to the rest of the world: national authorities remain fully competent to determine the organization and regulation of their domestic gaming markets. National competence is exercised by the States according to their appraisal and ranking of risks related to preserving public order (fraud, money laundering, illegal gambling) and social order (excessive and underage gambling). The organisation of gaming markets varies according to national, political, historic, cultural, moral and even religious specificities. This situation explains why the national models vary greatly and a given gaming or betting activity may be banned for some reasons in one country, restricted to a single operator under State control in another and finally open to competition in a third.

This is the case for the various forms of bets, the lawful offering of which varies depending on the jurisdiction in question. Thus, while only bets organised for sporting events or competitions are permitted in France, bets on non-sporting events (politics, current news, results of eSport competitions for example) or even virtual events, are permitted in other countries. Under certain domestic legislations, betting operators are only permitted to offer pool betting (in France in the horse-race betting segment for example). In other jurisdictions, forms of betting are permitted that remain prohibited in France and in some neighbouring countries, insofar as they allow losses that are greater than the stake (spread betting, generally governed by regulation on financial services where it is lawful) or players are entitled to have the role of bookmakers against other players (betting exchange).
In 2018 a major change occurred in the global sports betting landscape with an end to the ban on sports betting in the United States. In May 2018, the United States Supreme Court overturned the text which prohibited States from legalising sports betting (PASPA). Each U.S. State may now choose whether or not to permit sports betting in the form they choose. To date, some twelve U.S. States have opened their markets, primarily through casinos. By 2023, with the gradual authorisation state by state, American sports betting may account for a GGR of approximately €5.2 billion (based on estimates by Gambling Compliance), assuming sports betting is authorised in 37 out of the 50 U.S. States. Many players in the sports betting market within the European ecosystem have positioned themselves in the U.S. market since the PASPA was overturned: William Hill, IGT, Scientific Games, SBTech, Kambi, etc. Partnerships and acquisitions are preferred means used by players to supplement their offerings.

However, we cannot refer to a single market in the United States: there are as many sports betting markets in the United States as there are States that authorise them, limiting the opportunities for players that are not already established.

5.2.2 European gaming market

The European gaming market accounted for a GGR of €94.7 billion in 2018, compared with €82.2 billion in 2014, an average annual growth rate of 3.6% over the 2014-2018 period. It is set to reach over €99.7 billion by 2024, an average annual growth rate of 1.3% over the 2018-2024 period.

In 2018 the European lottery games and sports betting markets accounted for a GGR of €43.5 billion, compared with €38.1 billion in 2014, an average annual growth rate of 3.4% over the 2014-2018 period and is set to reach over €49.7 billion by 2024, an average annual growth rate of 2.2% over the 2018-2024 period, driven by sports betting.

Size of European market in 2018 by country and expected growth in 2024

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26 Includes the European Union (including the United Kingdom), Norway and Switzerland; excluding all international activities as well as all illegal markets.

27 Source: H2GC.

28 Source: H2GC.
On the European gaming market:

- Italy, Europe’s biggest market, accounted for a GGR of €19.3 billion in 2018, compared with €17.2 billion in 2014, an average annual growth rate of 2.9% over the 2014-2018 period. The Italian market is centered on non-casino slot machines which have accounted for 50% of the market since 2013. Sports betting was the main driver of growth with 15.0% per year on average between 2014 and 2018. However, by 2024, the Italian gaming market should account for no more than €16.5 billion, an average annual growth rate forecast of -2.6% over the 2018-2024 period due to an expected drop in horse-race betting and non-casino machines;

- in 2018, the United Kingdom accounted for a GGR of €15.4 billion, compared with €14.0 billion in 2014, an average annual growth rate of 2.4% over the 2014-2018 period. This growth was driven by casinos, particularly online casinos (9.8% growth between 2014 and 2018). The British gaming market is set to reach €15.6 billion in 2024, with an average annual growth rate of 0.2% over the 2018-2024 period due to the anticipated drop in horse-race betting and non-casino slot machines in this market;

- in 2018, the French market accounted for a GGR of €10.1 billion, compared with €9.3 billion in 2014, an average annual growth rate of 2.1% over the 2014-2018 period. The French market has been bolstered by a growth in sports betting and lottery in particular, whereas horse-race betting has remained stable or dropped slightly. FDJ considers that, unlike most European countries, the French gaming market is set to continue to grow, reaching €11.5 billion by 2024, an anticipated average annual growth rate of 2.2% over the 2018-2024 period. In France, per-player spending is indeed moderate compared with most European countries. Annual GGR per resident is €192 per adult in France (i.e. 0.7% of net income), compared with €191 (0.6% of net income) in Belgium, €223 (1.0% of net income) in Spain, €295 (1.1% of net income) in the...
United Kingdom, €216 (1.3% of net income) in Greece and €381 (1.5% of net income in Italy)\(^{29}\);

- in 2018, the German market accounted for a GGR of €13.3 billion, compared with €11.1 billion in 2014, an average annual growth rate of 4.4% over the 2014-2018 period. The lottery and non-casino slot machines accounted for 87% of the German market in 2018. These markets have reached maturity. It is estimated that the German gaming market should reach €13.3 billion in 2024, with an annual growth rate of 0.1% over the 2018-2024 period. The sports betting market should be the main driver of growth with an anticipated annual growth rate of 4.2% over the 2018-2024 period.

In total, in 2018 the European gaming market achieved a GGR of €94.7 billion, an average annual growth of 3.6% over the 2014-2018 period, and is set to grow by 1.3% a year on average between 2018 and 2024, reaching nearly €100 billion in 2024.

The table below shows that FDJ is positioned in the gaming segments that are set to grow the fastest.

```
<table>
<thead>
<tr>
<th>Country</th>
<th>GGR (€)</th>
<th>2018-2024 growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>€11.5</td>
<td>0.1</td>
</tr>
<tr>
<td>Greece</td>
<td>€1.7</td>
<td>0.0</td>
</tr>
<tr>
<td>Italy</td>
<td>€4.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Germany</td>
<td>€3.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Germany</td>
<td>€13.3</td>
<td>4.2</td>
</tr>
</tbody>
</table>
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Certain observed or projected characteristics and trends in the European gaming market suggest a number of similarities with the Australian and American markets, as shown in the graph below:

\(^{29}\) Sources: INSEE, OCDE and H2GC
The online offering accounts for a very large share of GGR in some Nordic countries. Conversely, online activity still remains limited in Southern European countries.

In general terms, in the European gaming market, those players positioned in the traditional draw games and horse-race betting segments are experiencing less growth than those positioned in the sports betting and casino segments. Players with significant exposure to sports betting, such as Bet365 and Flutter Entertainment are in a better position to achieve two-figure growth, and players with an international presence appear to be benefiting from additional growth.

Among the European lotteries, some are public (Loterie Nationale Belge, La Loterie Suisse Romande and Santa Casa da Misericórdia de Lisboa) and others are private (IGT in Italy, Sazka in the Czech Republic, Camelot in the United Kingdom and OPAP in Greece).

In terms of regulation, different models predominate within the European countries, depending on the games segments in question30:

- in terms of offline lottery, the exclusive rights model remains predominant and is to be found in most countries of the European Union and in Norway. In 2018, 20 countries were under exclusive rights (or equivalent rights) and none are planning on opening their market to competition by 2025 (UK, Ireland, Italy, Greece, Austria). Four countries are already open to competition (Sweden, Czech Republic, Bulgaria and Lithuania);
- in terms of online lottery, operating under exclusive rights is the dominant model;
- in terms of sports betting, the majority of countries have opted for opening their markets to competition, particularly in the case of online sports betting.

A certain number of countries have to deal with illegal offerings, which has been somewhat residual in France since the opening to competition of online sports betting, online horse-race betting and online poker, given that French regulations are very strict and controls are carried out by the French online gaming regulatory authority (ARJEL).

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30 Source: National Regulators and Gambling Compliance.
Main trends in the European lottery and sports betting market

Recently we have begun to witness the beginnings of a consolidation of the European market and growing internationalisation of European players, which has led competitors to seek new growth hubs. By way of example, Camelot, initially established in the United Kingdom, is expanding into Ireland and the United States. Cirsa, established in Spain, is turning to Latin America. Sazka, the leader in the Czech Republic, now has a presence in Greece, Austria and Italy.

Moreover, in an increasingly competitive market, technological innovation has become a major strategic angle for all players in this segment, mainly due to increased online commercialisation and the emergence of new operators.

Players are also adopting strategies for diversification, both in terms of distribution (lotteries are seeking out new points of sale) and in terms of areas of intervention (offering adjacent services, particularly financial services in points of sale).

Finally, while the identification of players is the norm for online games, we are observing in the offline European market a strong trend towards identifying players, associated mainly with the strengthening of obligations related to fighting against money laundering and underage gambling.
In Nordic countries, as well as in Portugal (only for sports betting), identification in points of sale has become practically systematic from the first euro. In other European countries, identification in points of sale has been made compulsory depending on the segments in question (lottery, sports betting or casinos), only in the case of transactions or winnings in excess of a certain amount (generally €2,000). By way of illustration, identification is compulsory in Belgium for sports betting in excess of €2,000, and in the United Kingdom only for casinos in excess of €2,000 and in France for any transactions and winnings over €2,000 (excluding player accounts).

In Europe, there is a trend towards increased restrictions on advertisement of gambling. By way of illustration. Since 1 August 2019 the United Kingdom has banned sports betting advertisement during live sporting competitions, Belgium has banned television advertisement for sports betting before and after sports competitions and gambling during programming for young people, since 1 January 2019 Italy has banned television, radio and internet advertisement as well as sponsorship for all gaming segments and requires the inclusion of health warnings on scratch cards.

5.2.3 French gaming market

In France the gaming market is a heavily regulated sector broken down into five distinct categories:

<table>
<thead>
<tr>
<th></th>
<th>In points of sale</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery (draw and instant)</td>
<td>FDJ exclusive rights</td>
<td>FDJ exclusive rights</td>
</tr>
<tr>
<td>Sports betting</td>
<td>FDJ exclusive rights</td>
<td>Open to competition</td>
</tr>
<tr>
<td>Horse-race betting</td>
<td>PMU exclusive rights</td>
<td>Open to competition</td>
</tr>
<tr>
<td>Casino - poker</td>
<td>Open to competition (restricted number of casinos)</td>
<td>Open to competition</td>
</tr>
<tr>
<td>Casino - slot machines and gaming tables</td>
<td>Open to competition (restricted number of casinos)</td>
<td>Banned</td>
</tr>
</tbody>
</table>

In France, FDJ has exclusive rights to operate offline and online lottery games, as well as to operate offline sports betting (these exclusive rights were strengthened by the Pacte law which overhauled the regulatory framework for gaming in France (see Chapter 9 “Legal and regulatory context”) whereas its online sports betting activities
are operated in competition with other operators under a license issued by the French online gaming regulatory authority (ARJEL).

The French gaming market accounted for a GGR of €10 billion in 2018. It was up 2% a year on average between 2014 and 2018 and is broadly set to grow between 2018 and 2024, mainly in the segments in which FDJ operates:

- lottery, which accounted for a GGR of €4.4 billion in 2018, with an average annual growth rate of 2.5% over the 2014-2018 period (source: H2GC), is set to continue to grow by 3.5% a year on average over the 2018-2024 period, reaching a GGR of €5.4 billion in 2024;31;

- sports betting, which accounted for a GGR of €1.1 billion in 2018, with an average annual growth rate of 12.2% over the 2014-2018 period, is set to continue to grow by 7.7% a year on average over the 2018-2024 period, reaching a GGR of €1.8 billion in 2024;32;

- casinos, which accounted for a GGR of €2.3 billion in 2018, with an annual growth rate of 1.8% over the 2014-2018 period, are set to remain stable over the 2018-2024 period;33;

- poker, which accounted for a GGR of €0.3 billion in 2018, with an annual growth rate of 1.2% over the 2014-2018 period, is set to slightly decrease over the 2018-2024 period;34;

According to the Customer Market Survey, the French market has approximately 27 million players: 24.3 million for the lottery, 5.2 million for sports betting, 2.6 million for horse-race betting, 1.9 million for poker and 1.8 million for the casinos.

Sports betting activities increased by 20.7% between 2010 and 2018, with stakes in points of sale having increased by 13.2% over the same period and online stakes having increased by 31.1%.

The online sports betting market is growing faster than offline sports betting. This is mainly due to the rapid adoption of digital technology by players, driven by the development of new technologies which allow the emergence and permanent accessibility of new online gaming offerings as well as the gamification of games in a context of the development and growing popularity of video games. Moreover, the nearly 10 point-gap between the maximum online payout ratio (85%) and the payout ratio offline (76% permitted in 2018) in a market essentially governed by the odds (so called “price” led market) is contributing to the growth of online sports betting.

The French sports betting market has undergone very considerable changes in terms of the size and number of licensed operators since passing of the Law no. 2010-476 of 12 May 2010 on opening the gaming sector to competition and introducing regulation, which opened online sports betting, online horse-race betting and online poker to competition (see section 9.2 “Regulation of activities carried out in competition”). As of 30 June 2019, 13 sports betting operators had been provided licenses by the French online gaming regulatory authority (ARJEL). Since 2015, this market has recorded significantly accelerated growth. Thus, between 2015 and 2018,

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31 Source: FDJ
32 Source: H2GC.
33 Source: H2GC.
34 Source: H2GC.
the number of online players has increased from 1.2 to 3.2 million. Since 2017, stakes on the online sports betting market have been greater than those on the offline market.

In 2018, sports betting activities, offline and online, accounted for almost €7 billion in stakes\(^35\), with a continuous acceleration of the online market (over 50% growth year-on-year) and a growth of approximately 19% in the offline market. Since early 2019, the online market has also continued to record significant growth of approximately +34% as at 30 June 2019\(^36\).

The characteristics of sports betting are very different from those of the lottery:
- players are often experts;
- online stakes are concentrated (in the French market, 70% of online stakes are placed by 10% of players);
- players often switch between online sports betting operators or play across multiple platforms;
- players tend to be men and to be younger.

Unlike sports betting, casinos, which grew by 1.8% between 2014 and 2018 reaching €2.3 billion of GGR in 2018, are set to stagnate between 2018 and 2024 whereas horse-race betting, after a 2.2% drop between 2014 and 2018, is set to continue to fall by 1.3% between 2018 and 2024. Online poker, which accounts for €0.3 billion of GGR, is set to fall by 0.7% between 2018 and 2024 having increased by 1.2% between 2014 and 2018\(^37\).

5.2.4 International B2B market

FDJ is a recent player on the international B2B market in the provision of services for lottery and sports betting operators.

The market FDJ considers to be targetable by FDJ is broken down as follows:
- services to sports betting operators: €1.5 billion.
- services to lottery operators: €400 million.

This market primarily covers Europe and North America.

The B2B market for lottery operators is highly concentrated with three players accounting for almost 80% of the market (International Game Technology, Scientific Games and Intralot). These players operate across the whole value chain.

The market of services to sports betting operators is more fragmented with players of varying sizes (Betgenius, Flutter Entertainment, FSB, International Game Technology, Intralot, Kambi, SBTech, Scientific Games, Sporting Solutions, Sportradar, etc.).

Customers’ requirements vary depending on their profile: the largest specialist players in the sports betting segment prefer solutions in which they are the proprietors of their own technology, which gives them a strategic advantage, whereas the small

\(^{35}\) Source: The French online gambling regulator (ARJEL) and FDJ.

\(^{36}\) Source: The French online gambling regulator (ARJEL).

\(^{37}\) Source: H2GC and FDJ.
and non-specialist players prefer outsourced solutions which require less expertise and investment.

For a description of the Group's strategy, see sections 5.3.2 "Group strategy" and 5.4.3.1 "B2B international services".

5.3 Group assets and strategy

The Group’s ambition is to strengthen its leadership in the French gaming market and to become a key international player in the games and services.

5.3.1 Group assets

The Group has significant assets in a French market driven by a shift towards digital technology. In this context, throughout its history the Group has been able to develop a unique business model which enables it to present a robust financial profile in a market offering significant potential for growth.

The gaming leader in France and a player with global reach, present in the most buoyant market segments

As the second largest lottery in Europe and fourth largest lottery worldwide in terms of GGR38, FDJ is the gaming leader in France, with over 50% of French GGR in a buoyant gaming market (up 2% on average each year over the 2014-2018 period), and a total GGR of €10 billion in 2018.

In a general context of regular and steady growth of the lottery and sports betting market (see section 5.2.2 “European Gaming Market”), FDJ is also positioned in the segments of the French market with the highest growth in GGR over the 2014-2018 period: the lottery (up 2.5% on average over this period) is the segment from which the Group generates most of its GGR, and sports betting (up 12.2% on average over the same period) is the segment where the Group recorded the biggest increase in its GGR39.

In addition to the overall attractiveness and dynamism of the segments in which the Group is positioned, the French gaming market offers significant growth levers (particularly due to the level of per-player spending which remains moderate in France compared with most European countries) and favourable growth prospects. In particular, the sports betting market is set to continue to grow to reach €1.8 billion by 2024, with an average annual growth rate forecast of 7.7% over the 2018-2024 period40 (see section 5.2.3 “French gaming market”).

FDJ’s positioning in the segments of the French gaming market with the strongest potential for growth, combined with the size of the Group, in terms of points of sale, the number of players and the quality of its lottery games and sports betting offering, both online and in points of sale, represent key assets in delivering FDJ’s growth strategy.

Operating in a clarified and strengthened regulatory and tax framework

A large proportion of FDJ’s activities, accounting for over 95% of stakes recorded by the Group in 2018, is operated through the exclusive rights framework. Indeed, the

38 Source: FDJ and H2GC.
39 Source: FDJ and H2GC.
40 Source: H2GC.
legislature has awarded FDJ exclusive rights across all lottery games in France, both offline and online, as well as for offline sports betting.

The reform of the French regulatory framework in the gaming sector established by the Pacte Law has also strengthened the existing scope of exclusive rights awarded to FDJ for a 25-year term. The Pacte Law also brought changes to taxation on gaming, providing for a change in the tax base for state public levies applicable to the lottery and to sports betting, both offline and online, which will come into force from 1 January 2020. From this date, tax and social levies on lottery gaming activities and sports betting will be based on the GGR and no longer on stakes.

**A broad, diverse and constantly evolving games portfolio**

FDJ has a broad and diverse portfolio of over 85 lottery games and several sports betting ranges, many of which are emblematic products (Cash, Loto®, Euromillions, Bingo Live, Black Jack, Keno Gagnant à Vie, Morpion, Solitaire, Astro, Vegas, Parions Sport Point de Vente, Parions Sport En Ligne, Mission Patrimoine). Among these games, five (in alphabetical order: Amigo, Cash⁴¹, Euromillions, Loto® and Parions Sport Point de Vente) are “billionaire” games, i.e. with stakes in excess of €1 billion each year.

This constantly evolving games portfolio of both recent and historic games (55 launches and relaunches of digital games and 15 in points of sale in 2018), which covers a wide range of gaming experiences, is evidence of FDJ’s capacity for innovation to diversify and renew its offering, while avoiding the phenomenon of cannibalisation since innovation is achieved by adding new forms of games to existing ranges (see section 5.5.2.2 “Innovation Division”).

To maintain the appeal of its lottery games’ offering and distribution and offer to players an enriched gaming experience, the Group monitors societal evolutions and trends and sits at the centre of an innovative ecosystem enabling it to offer players attractive offerings in a multifaceted competitive environment (see Section 5.2 “Markets”). FDJ thus creates new types of lottery games, particularly multi-player and omnichannel games that meet player demands, as has been illustrated by the recent success of Quitte ou Double, a lottery game played in points of sale which can be continued online.

The breadth and diversity of the Group’s games portfolio, as well as its capacity to renew products and modes of distribution, are key assets enabling FDJ to continue to take advantage of the opportunities for growth that are anticipated in the lottery and sports betting segments.

**An actor recognised for Responsible Gaming and corporate and environmental responsibility**

FDJ promotes an extensive, recreational and sustainable gaming model which supports the public interest and is now a recognised and strongly committed actor in the area of Responsible Gaming. This long-standing commitment to Responsible Gaming has been built on an in-depth dialogue between FDJ and various stakeholders in the health and social sector, enabling the Group to incorporate their expertise and experience and enrich the actions delivered. The Group’s Responsible Gaming Action Plan is based on four pillars: the fight against underage gambling, prevention of excessive gambling, the fight against fraud, money laundering and corruption and promotion of responsible innovation. Over the years FDJ has strengthened its actions

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⁴¹ More than 2 billion stakes in 2018.
in these different areas aiming at constant improvement, sometimes ahead of regulatory requirements. Hence, as of 2019, the Group has committed to spending 10% of its annual television advertisement space purchasing budget on the fight against underage and excessive gambling. In the sports betting segment, FDJ has implemented a differentiated Responsible Gaming policy by adapting tools used in the fight against excessive gambling which take into account specificities in terms of sports betting and customer behaviours.

The many actions implemented by FDJ have, since 2012, enabled it to be awarded, for the third consecutive time, a 100% compliance score under the European Lotteries association triennial Responsible Gaming certification scheme.

Beyond its commitment to promote Responsible Gaming, all of FDJ’s activities are part of an ambitious corporate and environmental responsibility policy (support for French amateur and professional sport, funding the “Patrimoine en péril” (Endangered heritage) for the French national heritage foundation through the game Mission Patrimoine, promoting diversity and professional equality as well as environmental actions).

FDJ has a substantial economic and social impact across France. In 2018, FDJ distributed €10.7 billion to its players (68% of stakes), contributed €3.5 billion to the public finances, remunerated its offline distribution network in the amount of €785 million, and redistributed €160 million to promote sport and heritage and through its Foundation’s activities. According to a 2018 BIPE study, FDJ’s contribution to French GDP amounted to €5.3 billion and in 2018 over 52,000 jobs were created or made permanent across France through the Group’s activities (including over 20,000 jobs in the distribution network).

FDJ’s recognised expertise in Responsible Gaming, its significant economic and social contribution across France, as well as its institutional nature within the landscape of French businesses, confirm its status as a leading player in France’s gaming market.

**An unparalleled distribution network in France**

FDJ relies on an unparalleled offline distribution network in France. As of 31 December 2018, the distribution network consisted of over 30,000 independent points of sale spread across 11,000 municipalities, making it the most widespread network (ahead of La Poste and PMU) and enabling it to achieve a coverage rate of over 90% of the population located at least ten minutes from an FDJ point of sale (see section 5.5.1.2 “Commercial function and offline distribution network”).

The Group has made considerable investments in modernising and digitalising this vast distribution network, with investment expenditure of €114 million over the 2015-2018 period (set to reach €180 million by 2020) with the target of a 100% digital network now achieved. As of 31 December 2018, the distribution network had 365,000 terminals, 100,000 of which are connected in real time to FDJ’s IT centre in Vitrolles (see section 5.5.1.2 “Offline distribution department and offline distribution network”).

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42 In order to assess the FDJ’s economic and social contribution in France, a study was conducted by the BIPE (Office of Information and Economic Forecasts, Bureau d’Informations et de Prévisions Économiques) using a methodology that is part of the international and academic benchmark for evaluating economic impacts. This methodology is used by international organisations such as the UN and European Commission and allows for unquestionable comparison of the results both by sector and internationally.
Moreover, in order to maintain a steady number of points of sale spread evenly across the whole country, the Group has successfully diversified its network, particularly in service stations or local stores or hypermarkets with a floor space of 400 m², in order to compensate for the closure of traditional points of sale such as bar-tobacconist-newsagent. Thus, as of 31 December 2018, the FDJ network encompassed 28,500 traditional points of sale (bars, tobacconists, newsagents) and 1,500 additional points of sale (franchises, service stations and local stores).

In order to better align its interests with those of its network for the benefit of all, FDJ has made substantial changes to the contractual framework of its relations with the points of sale in its distribution network. In 2018, FDJ paid its offline distribution network, key partners in its extensive gaming policy, €785 million and contributed to creating or sustaining over 20,000 jobs in the offline distribution network. FDJ has long-standing contractual relations with its network (71% of existing points of sale have been part of the FDJ network for over 20 years). This is evidenced by a survey of 4,240 professional customers conducted by the CSA Institute between 2 and 27 July 2018, which shows a high satisfaction rate (8.2/10), which is constantly increasing (7.9/10 in 2015).

This vast distribution network composed of small businesses is also a major asset for FDJ, due to its low capital intensity. Moreover, through coverage across the whole of France, conferring to FDJ a strong local presence with a broad player base, this modernised, digital and diversified distribution network supports the development of the Group’s extensive gaming model and is part of the Group’s omnichannel distribution strategy, complementing a burgeoning digital offering.

**A burgeoning innovative digitalised offering**

In a context of continuous growth in the connectivity of the French population (mobile phones, tablets, internet access), FDJ has successfully implemented an increased digitisation of its games offering and modes of distribution and now offers a comprehensive range of innovative digital products, both online and in points of sale.

In 2018, the total overhaul of the sites fdj.fr and enligne.parionssport.fdj.fr for an optimised customer experience has enabled the Group to record an average of over 7 million online visitors per month during the year 2018.

Actions conducted to promote the digitilisation of the offering and of the distribution have also spurred the acceleration of the process of placing digitalised stakes. In 2018, digitalised stakes (including the digital bets made in points of sale) exceeded €2.4 billion, amounting to five times the digitalised stakes in 2014, with a significant growth year-on-year. In the half-year ending 30 June 2019, digitalised stakes were up 40% year-on-year, amounting to €1.7 billion, i.e. an identical figure to the one recorded two years earlier for the whole of the 2017 financial year.

Digitalised stakes as a proportion of total stakes are increasing steadily. Accounting for 3.7% of total stakes in 2014, the proportion of digitalised stakes has continued to increase: 4.1% in 2015, 6.5% in 2016, 11.0% in 2017, 15.4% in 2018 and 19.6% in the first half-year ending 30 June 2019. Among digitalised stakes, online stakes have increased gradually, reaching 5.1% of total stakes in 2018, whereas digitalised stakes

43 In 2014, digitalised stakes amounted to €0.5 billion and accounted for 3.7% of stakes, in 2015, they amounted to €0.6 billion and accounted for 4.1% of stakes, in 2016, they amounted to €0.9 billion and accounted for 6.5% of stakes, and in 2017 they amounted to €1.7 billion and accounted for 11.0% of stakes.
in points of sale increased significantly between 2015 and 2018, reaching 10.3% of total stakes in 2018.

This acceleration of the digitilisation of the offering and its distribution is also an asset for the future development of FDJ in that it promotes customer knowledge, through improved customisation of the offering and the player experience, whilst being part of a Responsible Gaming strategy, enabling the analysis of players’ data in order to prevent excessive gambling.

A state-of-the-art, largely proprietary technological infrastructure

The Group has a state-of-the-art technological infrastructure which is mostly proprietary and supports all gaming operation processes. It has selectively and strategically opted to bring the key functionalities of this technology in-house.

Benefiting from significant investment of approximately €250 million under the 2015-2020 strategic plan (see section 5.5.1.3 “Technology Function”), this technological infrastructure relies on a dedicated team of over 550 employees within the Group benefiting from a diversity of technological expertise and recognised technological know-how, as well as of high performance and high availability data centres. With approximately 5 billion transactions in 2018, delivering round the clock operations, 24 hours a day, 7 days a week, with very high availability, supporting peaks of over 1,000 transactions per second, the Group’s information system has a high standard of certification and operational security. Its information security management system is ISO 27001 certified and complies with the certifications of the World Lottery Association (certification WLA-SCS) and the French online gaming regulatory authority (ARJEL) in France. Moreover, it complies with industry security standards for payment cards (PCI DSS), data security standards that apply to the various players in the payment chain.

This technological infrastructure is an essential strategic asset for the Group, offering end-to-end operational and secure control of its activities and the components of its core business and enabling the Group to optimise costs in comparison to outsourced technology.

Giving the Group agility and independence which have promoted strong growth in the past, this state-of-the-art technological infrastructure is a differentiating factor for the future in that it enables FDJ to create its own games and is thus at the heart of its innovation strategy. Moreover, the Group can also rely on this technological infrastructure to pursue the network digitilisation strategy and also support the development of its international B2B activity in the provision of services to lotteries and sports betting operators.

A broad player base committed to the strong reputation of the FDJ brand and its emblematic games

FDJ has a broad player base (approximately 25 million players in 2018). Almost half of over-eighteens in France played a FDJ game at least once in 2018, and at least half of this group played at least once a month (source: FDJ annual market survey).

Aside from the strong proximity with its player base due to the size of its offline distribution network, the Group relies on the strong reputation of the FDJ brand, as well as its positive public image. According to a 2018 study (source: Kantar TNS 2018), 97% of French people are aware of FDJ (aided awareness) and 69% of those being aware of FDJ have a good opinion of the brand. 85% of French people spontaneously cite FDJ or one of its games as a leader in the French games market. The reputation of its games’ offering and its most emblematic games is also very
Such awareness of the FDJ brand and its products represents an important asset for the pursuit of its strategy of product innovation, market share capture in the online sports betting segment and growing its distribution network.

**An experienced management team and employees committed to delivering the Group’s strategy**

The Group has a management team and operational teams, back-office functions and highly experienced corporate divisions specialising in the games sector, the heads of which have worked within the Group for 13 years on average.

The Group can thus rely on the commitment of its 2,500 employees mobilised behind the Group’s strategy to take full advantage of its new organisation in the form of business units (BU), acceleration business units (ABU) and three cross-functional departments supporting the BUs and ABU (customers, offline distribution and technology). The Group’s workforce teams have successfully delivered its 2015-2020 plan enabling it to continue the increase of the level of stakes, its revenue and its EBITDA over that period, contributing to improving its financial profile and to confirm the relevance of its unique business model.

**A robust economic model that has demonstrated its capacity to generate long-term profitable growth that is resilient to economic cycles**

The Group has demonstrated its capacity for long-term growth with a strong resilience to economic cycles.

In the last 25 years, stakes have only fallen twice. This limited sensitivity to economic cycles is mainly due to the moderate proportion of income spent by the French on games as well as the appeal and success of FDJ’s diversified offering among a large number of players.

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44 In 2007, mainly due to the effect of an unfavourable comparative basis after an exceptional year for Euromillions in 2006, and in 2008 due to the ban on smoking in bars. The 2009 economic recession did not affect FDJ stakes which, on the contrary, increased by 8.6%, propelled notably by the launch of the game Cash. In 2013, the stakes increased less rapidly then in 2012 due to exceptional events (Euro 2012 and the Olympic Games in London) and to a long cycle for the Euromillions game. In the absence of such events, the stakes’ growth would have reached 4% (instead of 2%).
FDJ draws on a number of growth drivers, which strengthens the resilience of its model. In 2017 growth was driven by the lottery, whereas in 2018, €333 million was spent on sports betting during the FIFA World Cup, which offset the lack of buoyancy in the draw games segment, particularly Loto® (which is set to be relaunched in early November 2019) and Euromillions;

The Group benefits from strong, cash-generating profitability:

- between 2010 and 2018, stakes increased by 5.2% a year on average, revenue by 4.8% and EBITDA by 8.9%. The EBITDA margin stood at 13% in 2010, 16.1% in 2014 and 17.7% in 2018\(^\text{45}\);

- EBITDA increased between 2014 and 2018 despite a levelling off between 2016 and 2018 related to the French State’s decision to reduce FDJ’s NGR over this period;

- the Group relies on a flexible cost structure with variable costs representing an average of 60% of operating expenses over the 2016-2018 period (see section 7.1.3.7 “Operating Expenses”);

\(^{45}\) Excluding costs of €4 million associated with the proposed initial public offering and the evolution of the regulatory framework.
- The Group has a high level of EBITDA cash conversion, amounting to 79% in 2018 (85% in 2014, 82% in 2015, 70% in 2016, 84% in 2017 and 79% in 2018 (see section 7.1.4.1 “Group indicators”).

5.3.2 Group strategy

The Group’s 2020-2025 strategy was developed on the basis of outcomes and performances already recorded as part of the previous strategic plan (2015-2020) and after taking into account changes in the Group’s environment and regulatory, tax and financial framework (see Chapter 9 “Legislative and Regulatory Environment”).

The Group seeks to consolidate growth in lottery activities, accelerate its sports betting activities and develop its adjacent activities. It will pursue its ambitions through three high-level priorities: developing and enriching customer relationship, further modernising and diversifying the offline distribution model and fine-tuning responsible gaming deployment. This is reflected in the six strategic priorities explained below.

**Building on the momentum of the lottery by strengthening customer relations and accelerating the digitilisation of habits**

1/Continuing its strategy of increasing the loyalty of its customer base through a relational approach facilitated through improved identification of customers as well as new, innovative games offerings.

In response to the challenge of retaining its player base in the lottery segment, the Group intends to implement a relational programme to identify players more effectively, secure their loyalty and better monitor their gaming habits. Ultimately this approach is expected to have a positive impact on profitability (in developing stakes, reducing player base attrition, increasing the average spending of high-value players and by improving the effectiveness of loyalty programmes) whilst promoting compliance with the Responsible Gaming policy, helping to fight against fraud, money-laundering and underage gambling and implementing a policy broken down by segment of players in order to fight against excessive gambling.

Moreover, FDJ intends to adapt and enrich its lottery offering to take advantage of market opportunities, particularly by offering innovative draw games, turning draws into real events to regularly involve players and by adapting its strategy for instant games to new tax rules.

2/Accelerating the digitilisation of habits by streamlining customer experiences and building on its omnichannel strategy to support the Lottery activity, given the trend of an increasing proportion of digitalised stakes which is more than three times greater than offline stakes in points of sale over the 2014-2018 period.

In order to take into account these changing habits, FDJ wishes to improve, simplify and customise its player experiences (registration and gaming process), to develop recognition of its online offering, distribute its contact in an appropriate format across the various channels whilst facilitating the circulation of the offering between the various channels in order to reach new players.

FDJ also wishes to promote omnichannel habits by developing digitilisation in points of sale, as in the case of the recent success of the game “Quitte ou Double” which offers the player the opportunity to continue his/her game in a digital format. 47% of winning tickets have thus been reinvested in the digital side of the game, 41% of players have opted to register online and 120,000 smartphone apps were downloaded.
in the week the game was launched (compared with 38,000 per week on average in 2019).

**Accelerating the capture of market share in online sports betting whilst maintaining the momentum of the growth in offline sports betting.**

Historically, the Group has focussed on developing a broad, digitalised and successful offline sports betting offering (under exclusive rights). FDJ intends to continue to grow this segment.

However, given the changes in sports betting in France and particularly the fact that the competitive online market is now bigger than the offline market, the Group is increasing its efforts across its online sports offering in order to strengthen its position in this market.

FDJ thus intends to develop its online offering by accelerating the development of a distinctive and competitive marketing mix and accelerating the recruitment and loyalty of high-value players through customer segmentation and an innovative offering, with the aim of becoming one of the top online sports betting operators. FDJ also wishes to increase player loyalty offline through dedicated incentives. Finally, depending on the market opportunities, FDJ may contribute to the consolidation of the online sports betting market if this were to accelerate.

**Online.** FDJ intends to:

- accelerate the development of a distinctive and competitive offering
  - continue the modernisation of the brand and improve the effectiveness of communication about the brand,
  - continue the development of its technical platform to host a growing number of players and support the rapid increase in the number of bets, revamping the user experience with new functionalities,
  - continue to enrich its sports betting offering,
  - strengthen its competitive edge in terms of pricing and the associated risk management through the implementation of new generation risk management tools,
  - increase the customisation of customer relations, through an enhanced data strategy and tools providing holistic customer knowledge in accordance with current regulations,
  - implement a differentiated marketing positioning (both in terms of offering and digital distribution channels),

- accelerate the recruitment of high-value players;
  - implement a mechanism for detecting high-value players and then a specific action play to retain them,
  - accelerate the recruitment of high-value players through the improvement of key elements of the customer experience, including developing its service offering and tailored relationship management (dedicated customer service, specific acquisition and loyalty, and tailored gift mechanisms),
  - adopt a differentiated Responsible Gaming policy based on player profiles.
In points of sale, FDJ wants to continue to grow by accelerating player loyalty. In this context, FDJ aims to:

- roll out a customer knowledge strategy through the implementation of an identification process in points of sale. FDJ will encourage its customers to create a personal account in points of sale giving them access to added value services including in respect of Responsible Gaming and making their transactions easier;

- continue to strengthen the offering in points of sale by increasing simultaneous betting, the number of sports on offer and the number of markets offered in accordance with current regulations;

- strengthen the sports betting expertise of the sales team and distributors, making them true prescribers of the sports betting offering with incentive programmes aligned with FDJ’s strategy.

**Strengthen the resilience of the Group’s economic model by developing adjacent activities**

The Group’s third strategic axis is the development of adjacent activities, supported by three ABU, the objective of which is to generate profitability outside the gaming sector regulated by ANJ, exploring promising avenues for growth and drawing on FDJ’s assets (technological platform, equipment in points of sale and brand awareness) and expertise. These three adjacent activities are:

- **International B2B activities:**
  
  Drawing on its technological assets, FDJ’s ambition is to become an internationally recognised player through its B2B services aimed at lottery and/or sports betting operators:

  - by positioning itself on high-value niches in the lottery market and focussing on the distribution of digital games and software solutions for point of sale equipment;

  - by supplying turnkey solutions to sports betting operators, mainly in Europe and North America, through an omnichannel solution that is adaptable to local specificities and covers all the requirements for operating sports betting.

- **Payment and services in points of sale:**

  By capitalising on its distribution network and technological assets, FDJ’s ambition is to position itself in the payment and services market by turning the bar-tobacconist-newsagent network into a hub for local services. In particular, the Group intends to offer third party payment services and offer payment solutions adapted to different uses. These activities address two major challenges for FDJ: contributing to the regeneration of town centres and supporting the bar-tobacconist-newsagent network by giving distributors additional sources of revenue and increasing foot traffic within the network as well as strengthening the Group’s business model by creating new sources of revenue and growth. These activities will be developed internally or through partnerships. FDJ is also reviewing external growth opportunities.

- **Entertainment:**

  Building on the legitimacy it has established in gaming and its expertise in the creation and launch of products aimed at the general public, FDJ’s ambition is to roll out its business model to the entertainment sector in order to capture a bigger share of the spending of players, who are consumers of other entertainment aside from
gaming, and thus to increase the profitability of some of the Group’s assets for the purpose of value creation. At this stage, the Group is adopting an exploratory approach to the various entertainment segments (eSport, digital games and media, immersive entertainment), avoiding markets concentrated around a limited number of international historic players and prioritising high-potential niches. It is also drawing on multiple entry strategies in these new markets (organic, partnerships, external growth) as part of an approach based on innovation and skills appropriation.

**Developing and enriching customer relationship**

The relationship with players is a key factor, the cross-functional Customers Department supports the BUs and ABU. FDJ intends to draw on this function (which manages player accounts, customer relationship management (CRM), technology and customer support) to improve the customer experience, with the aim of simplifying the player journey and supporting players throughout that journey:

- online, by simplifying the registration process in accordance with legal and regulatory restrictions, making registration entertaining;

- offline, by turning the distributor into a major player in the FDJ experience.

FDJ also seeks to improve its knowledge of its player base with an identification target of approximately 25% of the players by 2025. This knowledge should create levers for developing the business by offering a customised experience through identification.

Finally, player knowledge is a key factor in guaranteeing the role of the honest and responsible FDJ operator, helping to fight against fraud and money laundering and enabling the transition from a global approach of Responsible Gaming to a differentiated and customised approach in order to tailor the prevention policy to each customer profile.

In order to address these customer challenges, FDJ has adopted effective omnichannel customer management tools including a back-office platform, a CRM tool including a customised promotional management system in real time.

**Further modernising and diversifying the offline distribution model**

Faced with the natural attrition of its traditional bar-tobacconist-newsagent network FDJ wants to continue to invest to stabilise its distribution network, whilst continuing to transform its business model through a performance-based approach. This policy is based on three complementary approaches:

- giving a new lease on life to the bar-tobacconist-newsagent network to assist in local regeneration: FDJ will pursue a process of modernisation and refurbishment of the FDJ space in points of sale, adapting the network to new digital habits (including payments), customising customer relations, taking into account the type and segmentation of points of sale;

- implementing a managed and targeted expansion aimed at improving the customer journey: FDJ first aims to (i) become fully established across the bar-tobacconist-newsagent network and to maximise its penetration rate, (ii) expand its network, where necessary, for improved regional coverage, by opening independent points

46 The CRM incorporates all marketing or support measures or campaigns aimed at optimising the standard of customer relations, promoting customer loyalty and maximising revenue or margins per customer.
of sale (service stations, local stores with a floor space under 400 m²) and (iii) invest in order to make its systems (particularly billing, direct debit, reporting and ticket activation systems) compatible with multi-channel network systems to facilitate bringing them to market;

- continue the transformation of its business model in a performance-based approach: the commercial transformation initiated by FDJ in 2013 (by taking over the agent-brokers activity between 2014-2016, streamlining the number of point of sale sectors between 2016 and 2017 and the professionalisation of sales roles between 2016 and 2017) is set to continue until 2025. FDJ aims to improve commercial performance in support of the various segments of the Group’s activities (BUs and ABU) and to improve distributors’ satisfaction through digital equipment and the professionalisation of the sales force. FDJ also aims to continue its diversification through the gradual introduction of a sales force for major accounts, a performance approach, supported by the reduction, or even removal, of residual logistics, the industrialisation of commercial processes, modernisation for the back office and information system and an increase in the capacity of the Group’s supply chain.

**Fine-tuning Responsible Gaming deployment**

The Responsible Gaming policy is at the heart of the business model of FDJ which has been awarded exclusive rights by the French State to channel demand for games and preserve social and public order. In addition to this mandate, FDJ’s Responsible Gaming policy is based on the profound conviction of FDJ which has been advocating a recreational, extensive and sustainable gaming model for many years. The Group’s actions in this area go beyond regulatory requirements and apply to all of the Group’s gaming activities, irrespective of the regulatory framework (exclusive rights or competitive market). FDJ’s ambition is to strengthen its lead in Responsible Gaming in the gaming sector in France and Europe. In this, the Group has two main priorities:

- the first priority relates to differentiating its Responsible Gaming policy according to the various playing fields (see 5.4.1.1 “Lottery games offering”), whilst consolidating the core framework developed over more than ten years. In 2018, FDJ initiated a differentiated Responsible Gaming process by defining and implementing a process for sports betting taking into account the specificities of this activity and its regulatory framework (competitive online market). This gradual process of differentiation is to be developed further and rolled out to other playing fields, particularly within the lottery games range, and in parallel will be accompanied by the strengthening of the common framework applicable to all gaming operated by FDJ across the different channels: the fight against underage gambling will remain a priority and, in particular, FDJ will continue to strengthen its preventative information campaigns in this area;

- the second priority is tailoring Responsible Gaming measures to the level of risk and gaming habits of customers through a better understanding of their gaming behaviour:

  - online, the use of the players’ gaming data will be further developed in order to implement actions tailored to the risk profile of customers,

  - offline, the development of tailored Responsible Gaming actions will draw on a gradual process of player identification,
- FDJ will also continue to develop its measures aimed at detecting and guiding people in vulnerable situations (such as the 2019 roll-out of a network of Responsible Gaming Contacts across 55 commercial agencies enabling the reporting of alerts and experimenting with approaches to reduce risks and harm (experiment under way in partnership with the Addiction Federation to facilitate contact and guiding high-risk or excessive players towards local treatment, support and addiction centres – CSAPA).

In this sense, FDJ will continue to further embed Responsible Gaming in its core business by developing processes (“JR inside” approach) allowing Responsible Gaming to be incorporated in the heart of the organisation and customer journey and developing the skills of employees and distributors in key areas (data, behavioural economy, detection and guidance of people in vulnerable situations).

The aim is to continue to make Responsible Gaming an overall performance lever for the Group by improving the evaluation of the outcomes of any actions.

5.4 Description of the Group’s core activities

The Group is the leading player in the gaming market in France (with over 50% of French GGR generated in 2018). It is also the second European and fourth world lottery in terms of GGR. Historically it has operated two principal activities: lottery games (draw games and instant games) and sports betting, both marketed offline and online. FDJ benefits from exclusive rights to all lottery games (offline and online) and offline sports betting as well as a license for online sports betting.

For the year ended 31 December 2018, the Group recorded €15.8 billion in stakes and generated revenue of €1.8 billion with an EBITDA of €319 million (excluding expenses for the privatisation and the IPO project). €12.8 billion (or 81% of stakes) was derived from the lottery and €3.0 billion (or 19% of stakes) was derived from sports betting. Digitalised stakes (online stakes + digitalised game stakes in points of sale) accounted for €2.4 billion in 2018, or over 15% of overall stakes in 2018, compared to 11% in 2017 (up 46% compared to 2017). FDJ has an average of over 7 million online visitors per month.

In order to strengthen the resilience of its economic model, the Group has also implemented a growth strategy based on three adjacent activities by providing (i) an international B2B offering in the lottery and/or sports betting services segment, (ii) payment services and services for distributors and the general public, and (iii) entertainment segments (eSport and other entertainment concepts). FDJ relies on certain assets and know-how to develop these activities, such as the control of its core technologies, its distribution network, its expertise in TV and events production and its reputation.

Development activities accounted for €14 million in revenue for the year ended 31 December 2018.

The Group has organised its business into three operating segments and a “holding company” item, based on internal reporting:

- **Lottery**, which consists of instant games and draw games. Lottery accounted for 82% of the Group’s revenue for the year ended 31 December 2018 and 81% of the Group’s revenue for the first half of 2019;

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47 Source: FDJ and H2 Gaming Capital.
o **Sports Betting**, which consist of sports betting activities in points of sale and online. Sports betting accounted for 16% of the Group’s revenue for the financial year ended 31 December 2018 and 18% of the Group’s revenue for the first half of 2019;

o **ABU (Acceleration Business Units)**, which consist of the adjacent activities under development (international B2B services, point of sale payments and services and entertainment). The ABU accounted for 1% of the Group’s revenue for the financial year ended 31 December 2018 and 1% of the Group’s revenue for the first half of 2019;

o the holding company, which includes central, brand-related costs (marketing campaigns). The holding company’s activities accounted for 1% of the Group’s revenue for the financial year ended 31 December 2018.

The table below provides a breakdown of the stakes, of the share returned to prize winners and of the GGR for the financial year ended 31 December 2018.

<table>
<thead>
<tr>
<th>in € million</th>
<th>Stakes</th>
<th>Player payout</th>
<th>GGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw games</td>
<td>5,149.7</td>
<td>3,059.8</td>
<td>2,089.9</td>
</tr>
<tr>
<td>Instant games</td>
<td>7,620.0</td>
<td>5,338.0</td>
<td>2,282.0</td>
</tr>
<tr>
<td>Lottery total</td>
<td>12,769.7</td>
<td>8,397.8</td>
<td>4,371.9</td>
</tr>
<tr>
<td>Sports betting</td>
<td>3,047.3</td>
<td>2,299.7</td>
<td>747.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,817.0</strong></td>
<td><strong>10,697.5</strong></td>
<td><strong>5,119.6</strong></td>
</tr>
</tbody>
</table>

The table below provides a breakdown of the stakes, the share returned to prize winners and the GGR for the half-year ended 30 June 2019.

<table>
<thead>
<tr>
<th>in € million</th>
<th>Stakes</th>
<th>Player payout</th>
<th>GGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw games</td>
<td>2,606.2</td>
<td>1,542.2</td>
<td>1,064.0</td>
</tr>
<tr>
<td>Instant games</td>
<td>4,003.4</td>
<td>2,810.2</td>
<td>1,193.2</td>
</tr>
<tr>
<td>Total lottery</td>
<td>6,609.5</td>
<td>4,352.4</td>
<td>2,257.2</td>
</tr>
<tr>
<td>Sports betting</td>
<td>1,810.4</td>
<td>1,404.6</td>
<td>405.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,410.0</strong></td>
<td><strong>5,757.0</strong></td>
<td><strong>2,663.0</strong></td>
</tr>
</tbody>
</table>

The charts below present the evolution of stakes, the conversion of stakes to GGR and changes in revenues between 2014 and 2018.
Stakes evolution over 2014-2018 (Cbn)

Conversion of stakes into Net Gaming Revenue over 2014-2018

Revenue evolution over 2014-2018 (Cm)

Sources: FDI

1 Unclaimed player winnings re-integrated in FDI ROE in 2014 and 2015 (not attributable to FDI from 2016 onwards).
2 Including counterfeit spread.
3 Other includes:
- Unclaimed player winnings in 2014 and 2015 (not attributable to FDI from 2016 onwards).
- Merchandising revenue over 2014-2017 (not charged anywhere to distributers from 2018 onwards).
- ROE revenue.
- Other revenue (TV show, video server) and IV (Regulatory allowances related to the licenc to earn 28)”.
5.4.1 Lottery

Offline and online lottery games, for which FDJ has exclusive operating rights, are the Group’s historical business and also its primary source of revenue.

For the financial year ended 31 December 2018, lottery accounted for €12,770 million in stakes (i.e. 81% of the Group’s stakes in 2018) and generated revenue of €1,482 million (i.e. 82% of the Group’s revenue), with a contribution margin of €476 million (i.e. 95% of the Group’s contribution margin).

Out of the €12.8 billion in stakes recorded by lottery in 2018, €7.6 billion (approximately 60% of stakes) were from instant games and €5.1 billion from draw games (i.e. approximately 40% of all stakes). Offline stakes placed through paper slips accounted for 96% of total lottery stakes in 2018 (an increase of 5.2% compared to the previous financial year) and digitalised stakes (including digitalised stakes in points of sale) accounted for 5% of total lottery stakes in 2018 (an increase of 14.6% over the 2015-2018 period).

The lottery’s growth is primarily due to the increase in instant gaming activities and to digitisation:

Lottery stakes increased by 3.8% a year overall between 2014 and 2018. Over the same time period:

- instant games increased by 7.2% a year; and
- draw games increased slightly by 0.6% a year.
- offline stakes placed through paper slips increased by 3.4% a year; and
- digitalised stakes (online and digitalised in points of sale) increased by 11.9% a year.

In 2018, the lottery totalled approximately 24 million players according to the FDJ annual market survey, with stakes of approximately €10.2 a week on average. The FDJ player base is representative of the French population of over 18 years old given that, in 2018, 52% of players were women (compared to 48% men) and 25% of players were between 18 and 34, 25% between 35 and 49, 25% between 50 and 64 and 25% over 65.

The most popular lottery games in 2018 were Loto® (15 million players), Illiko®, the instant games umbrella brand (15 million players), including Astro (8.6 million players) and Cash (5.8 million players), and Euromillions (13 million players). On average, nearly 200 players become millionaires each year thanks to lottery games.

During the half year ended 30 June 2019, lottery stakes amounted to €6,610 million (an increase of 5% compared to the first half of 2018), including €4,012 million in instant game stakes (an increase of 7.4%) and €2,598 million in draw games (an increase of 2%). The Group generated revenue of €761 million in the first half of 2019 (i.e. 81% of the Group’s revenue), with a contribution margin of €243 million.

As part of its player-oriented strategy, the lottery BU has focused its organisation and its strategy on the three following leverage points:

- the offering and services;

48 Source: INSEE and FDJ.
- activation (i.e. promotion of the games offering to as many people as possible); and
- digital distribution, notably online.

5.4.1.1 Lottery games offering

FDJ’s lottery games offering is diversified and appealing. It includes brands known to the general public which are continuously being enriched and refreshed with new games (FDJ launched, or relaunched, 55 online games and 15 offline games in 2018).

There are two categories of lottery games:

- **Draw games**, which have included Loto® since 1976, Keno Gagnant à Vie since 1993, Euromillions since 2004, Joker+ since 2006, Bingo Live since 2009, and Amigo since 2010.

  During the financial year ended 31 December 2018, draw games accounted for €5.1 billion stakes (approximately 40% of Loterie BU stakes) with the three main draw games (Loto®, Euromillions and Amigo) each accounting for over €1 billion in stakes;


  During the year ended 31 December 2018, instant games accounted for €7.6 billion in stakes (i.e. 60% of the Loterie BU’s stakes).

The table below presents the breakdown of stakes between instant games of up to €3 and instant games starting at €5 (excluding instant games played online and in French Polynesia).

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>€3 and less</td>
<td>2,462</td>
<td>2,657</td>
<td>2,645</td>
<td>2,459</td>
<td>2,389</td>
</tr>
<tr>
<td>€5 and more</td>
<td>3,277</td>
<td>3,635</td>
<td>4,094</td>
<td>4,780</td>
<td>5,063</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>5,738</td>
<td>6,292</td>
<td>6,739</td>
<td>7,238</td>
<td>7,453</td>
</tr>
</tbody>
</table>

The table below presents the number of tickets sold for instant games of up to €3 and instant games starting at €5 (excluding Polynesia):

<table>
<thead>
<tr>
<th>In millions of tickets</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>€3 and less</td>
<td>1,307</td>
<td>1,377</td>
<td>1,327</td>
<td>1,223</td>
<td>1,275</td>
</tr>
<tr>
<td>€5 and more</td>
<td>614</td>
<td>675</td>
<td>757</td>
<td>885</td>
<td>916</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,922</td>
<td>2,051</td>
<td>2,084</td>
<td>2,108</td>
<td>2,189</td>
</tr>
</tbody>
</table>

Draw games and instant games differ as follows:

- plays: the single plays made with traditional draw games vary between €1 and €2.5, whereas instant games range from €0.5 to €15;
- Game mechanics: draw games are games in which chance, created by the draw, is the same for all players, whereas instant games are games in which chance is dependent on each player within a pool of common tickets whose result can be known instantaneously as a result of a player’s action.

Lottery games (draw and instant games) can be based on the distribution principle, the fixed-odds principle or on a combination of the two:

- In pooled games: total winnings, set as a percentage of stakes, is divided among the prize winners following the involvement of chance;
- In counterparty games: the type and value of the prizes allocated to prize winners are set or are based on a probability calculation.

At 30 June 2019, in addition to instant games based on counterparty risk, FDJ operates five counterparty draw games (Loto, My Million, Amigo, Keno and Joker+).

The Loterie BU also categorises its games by “playing fields”. A playing field is a market segment whose boundaries are defined based on player expectations, a typical player profile, a specific competitive dynamic and a consistent regulatory environment to which FDJ must bring an integrated value proposition to meet a promise made to customers. The main playing fields are:

- **Life changing**, the promise to players is that “a change of life will become a reality”. This is embodied in high maximum winnings (in excess of €1 million) and a projection of what life will be after the win. This playing field includes the draw games (Loto® and Euromillions);

- **Experience and winnings**, the promise to players is that they will “live an immersive experience and win”. This is embodied in an experiential game and player immersion. This playing field includes instant games over €5 and Amigo (express);

- **Little pleasures**, the promise to players is that they “can try their luck while discovering simple and entertaining games”. This is embodied in speed, simple mechanics and the player taking on more of a spectator role. This playing field primarily includes instant games under €3;

- **Tactics and reflection**, the promise to players is that they “can rely on their own abilities to win”. This is embodied in the ability to make the player think and in the depth of field of the game. This playing field includes Keno Gagnant à Vie; and

- **Multi-player**, the promise to players is that “playing in a group will enhance the experience and the challenge”. This is embodied in the group aspect and game enjoyment that does not depend solely on winning. This playing field is still being explored.

**Draw games**

FDJ’s draw games include six brands: Euromillions, Loto®, Keno Gagnant à Vie, Joker+, Amigo, and Bingo Live. They are available in points of sale and online, except for Amigo (which is only available in points of sale) and Bingo Live (which is only available online).

Draw games are games in which chance, organised as a draw, is the same for all players, as opposed to instant games where chance applies to each player separately.
Draw games consist of:

- **Traditional draw games**
  
  Traditional draw games are games in which chance takes the form of a draw organised once a day maximum. This includes Loto® (three draws a week) and Euromillions (two draws a week). The games are included in the “life changing” playing field and are generally characterised by high jackpots.
  
  The stakes of traditional draw games are usually driven by the following elements:
  
  ▪ the jackpot: the higher the jackpot (which occurs when there are no winners for several consecutive draws), and the higher the amount of the stakes, the more occasional players play (see section 7.1.2.2 “Seasonality - The effect of game life cycles and of the sports schedule” for an analysis of the sensitivity of stakes for “life changing” game jackpots);
  
  ▪ events: in addition to “regular” draws, the main draw games (Loto® and Euromillions) bring in players, notably occasional ones, for major events. As a result, in 2018, FDJ offered:
    * Loto®: three high jackpots for Valentine’s Day, Mother’s Day and Easter,
    * Super Loto®: three Super Lotos®, of which two were tied to Friday the 13th and one wealth Super Loto® of €13 million on 14 September,
    * the Christmas Grand Loto®: €15 million + 100 prize winners of €20,000 each,
    * Euromillions: two high jackpots of €130 million, a bunch of 10 millionaires in France over a week and a bunch of 25 millionaires in Europe from one draw;
  
  ▪ the schedule: annual stakes vary significantly depending on the schedule. France is very specific due to the fact that stakes are usually three times greater on Friday the 13th.

- **Additional draw games**
  
  Additional draw games are games which are only offered as a complement to one or several other games, either as an option or not. Examples include My Million and Etoile+.
  
  ▪ My Million is an additional draw game, in which players take part automatically. A My Million code is automatically assigned with each purchase of a Euromillions grid.
  
  ▪ Etoile+ is an optional additional draw game, which players freely choose to purchase when they buy their Euromillions grid.

- **Successive draw games**
  
  In successive draw games, chance takes the form of draws organised several times on the same day. They include Amigo, Keno Gagnant à Vie, Joker+, and Bingo Live.
  
  Successive draw games are intended for different player categories. For example:
  
  ▪ Amigo, which is part of the “experience and winnings” playing field, is intended for regular buyers;
Keno Gagnant à Vie, which is part of the “thought and strategy” playing field is intended both for players looking for winning frequency and those who are hoping for a significant win since it enables players to choose the way they want to play (number of numbers to be checked and amount of winnings). It enables players to “win for life” with a maximum annual payout of €100,000 a year (limited to 20 years) or a €2 million cash payment.

Euromillions brand games (see section 5.7.3 “Information about joint ventures and significant investments”): Euromillions, My Million and Etoile+

<table>
<thead>
<tr>
<th>Price</th>
<th>Number of draws</th>
<th>Game mechanics</th>
</tr>
</thead>
</table>
| **Euromillions**  
(traditional draw game with distributed winnings) | €2.50 for a Euromillions grid and one My Million code taking part in one draw (€2.20 for the Euromillions and €0.30 for My Million). | Two draws a week (Tuesday and Friday) for the 10 European lotteries participating in Euromillions. | Players check off five numbers out of 50 and two out of 12 stars.  
Jackpot winners must get all five numbers right, plus the two winning stars.  
The jackpot is put back in play if there is no first-level winner until it reaches €190 million. If no one wins the last jackpot, it is put back in play five more times and distributed amongst the next-lower level of prize winners if there is no first-level winner.  
Players can take out a subscription and play multiples (i.e. play more numbers).  
Players can also play the additional Etoile+ game. |
| **My Million**  
(additional, automatic-entry draw game in the form of a raffle with additional fixed-odds winnings) | The €0.30 price is included in the price of the Euromillions grid. | Draws are for France only. They are held on the same night as Euromillions draws, i.e. two draws a week (Tuesday and Friday). | For each Euromillions combination, one unique alphanumeric My Million code is automatically allocated to the player when they validate their play.  
Based on the raffle principle, the mechanics of this additional game guarantee a one million euro winner in France for each draw.  
This is a counterparty game. |
| **Etoile+**  
(additional optional draw game with distributed winnings) | €1 | This game does not include a special draw | Euromillions players can decide if they want to play Etoile+ when they purchase their grid.  
For each grid related to Etoile+, players get (i) one win if they have one or two correct stars and no numbers, or (ii) an additional win if they have already won Euromillions thanks to one of the eight combinations with one or two correct stars. |
<table>
<thead>
<tr>
<th>Price</th>
<th>Number of draws</th>
<th>Game mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Maximum winnings total approximately €60,000 and can be added to Euromillions winnings.</td>
</tr>
</tbody>
</table>

**Loto® brand games: Loto®/Super Loto®/Grand Loto de Noël**

<table>
<thead>
<tr>
<th>Price</th>
<th>Number of draws</th>
<th>Game mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>€2.20 per grid</td>
<td>Three draws a week (Monday, Wednesday and Saturday)</td>
<td>Players check off five out of 49 numbers and one Chance number out of 10. To win the jackpot, they have to get all five numbers right, plus the Chance number. When there is no first-level winner, the jackpot is put back in play for the next draw (+€1 million) for up to 34 consecutive draws. If there still is no winner, it is shared among the prize winners of the next closest lower-level with at least one winner. A unique code is automatically assigned to players for each validated grid. The code is included in a draw to win €20,000 (raffle type game). Ten codes are drawn for each Loto® draw. Players can subscribe and play multiples. They can also play as a group via the lottery slip. Players can also play the additional JOKER+® game as an add-on to their Loto® stake. Players can win from €2.20 (refund of their stake) to the jackpot (€2 million minimum). Loto® is a counterparty game.</td>
</tr>
<tr>
<td>Super Loto®</td>
<td>Draws only take place on Friday the 13th or for special events (such as the Mission Patrimoine), i.e. three times a year on average.</td>
<td>Players can win from €3 up to the jackpot (€13 million minimum).</td>
</tr>
</tbody>
</table>
### Grand Loto® de Noël

<table>
<thead>
<tr>
<th>Price</th>
<th>Number of draws</th>
<th>Game mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>€5</td>
<td>One annual draw around Christmas time</td>
<td>Players can win from €5 up to the jackpot (€15 million minimum).</td>
</tr>
</tbody>
</table>

### Other draw games

<table>
<thead>
<tr>
<th>Price</th>
<th>Number of draws</th>
<th>Game mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Players select their stake per grid: €1, €2, €3, €5 or €10, then check two to 10 numbers per grid out of the 70 numbers available. They can use the multiplier x2 minimum option to attempt to multiply any winnings by 2, 3, 5 or 10 times (the stake per grid is doubled). Next, they select the number of draws they want to take part in: noon and/or evening for up to seven days (i.e. up to 14 successive draws in the case of a maximum 7-day subscription). They can also choose to play the additional JOKER+® game. Prizes: - Traditional lottery slip (multi-grid): cash, €1 (refund of the lowest stake offered) to €100,000 a year for life or €2 million immediately (for a €10 stake and 10 numbers checked off) - excluding the Multiplier - Access lottery slip (single grid): cash, €1 (refund of the stake) to €10,000 a year for life or €200,000 immediately (for 10 numbers checked off). This is a counterparty game.</td>
<td></td>
</tr>
<tr>
<td><strong>Game Mechanics</strong></td>
<td><strong>Number of Draws</strong></td>
<td><strong>Price</strong></td>
</tr>
<tr>
<td>-------------------</td>
<td>---------------------</td>
<td>-----------</td>
</tr>
<tr>
<td><strong>Joker</strong>&lt;br&gt;(traditional draw game with the option to take part in this game only or in addition to Loto® or Keno Gagnant à Vie)</td>
<td>Two a day, every day, in sync with the Keno game</td>
<td>€1 or €2 per draw</td>
</tr>
<tr>
<td><strong>Amigo</strong>&lt;br&gt;(traditional offline game)</td>
<td>A draw takes place every five minutes during the opening hours of the points of sale. They are displayed on the Amigo screen in the points of sale.</td>
<td>€2, €4, €6, €8, €10 or €20</td>
</tr>
</tbody>
</table>

Players check off a combination of 7 numbers, each between 0 and 9, or request the random generation of a combination from the distributor (“Flash system”).

Players can change one of their numbers after the draw by doubling their stake. When players check this option, the probability that they will win increases to 1 out of 2.

A combination of seven numbers is drawn randomly for each draw. Players win a predefined amount depending on the match between the numbers they selected and the numbers drawn.

Types of prizes: cash, from €1 to €500,000.

This is a counterparty game.

Players check off a combination of seven numbers among the 28 available or request a random generation of the combination from the distributor via the Flash system.

Short programmes with a range of content (games, quizzes, news) are provided between game draws to entertain the players and create breaks.

The draw consists of two steps: the first step is the draw for the 7 blue numbers and the second step is the draw for the 5 bonus numbers (yellow). Players win a pre-set amount depending on the match between the numbers they selected and the numbers drawn (blue numbers and bonus numbers) during the two steps of the draw.

Types of prizes: cash prizes of €2 (for a single stake of €2) to €250,000 (for a single stake of €20).

This is a counterparty game.
### Instant games

Instant games are games in which the chance component is dependent on each player, as opposed to draw games in which draws are organised in advance, at precise times of the day, and involve all players.

<table>
<thead>
<tr>
<th>Price</th>
<th>Number of draws</th>
<th>Game mechanics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(multi-player pooled games are only available online (fdj.fr))</td>
<td>Between €0.20 and €3 per grid depending on the formula selected by the player</td>
<td>Game in which several players challenge each other during a draw to win the jackpot in play and/or the amount in play.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Players select their game formula then one or more cards available in the game room. A pre-set number of balls out of 75 or 90 is drawn for each game formula via a computer programme in accordance with the procedure specific to each game formula. Each ball is numbered from 1 to 75 or from 1 to 90. The order in which the balls are drawn is decisive. The jackpot corresponds to a number on the lots scoreboard which must be matched with fewer than “x” balls to win the jackpot and the first level winnings. The jackpot can be pre-set or increase from draw to draw if there are no prize winners. The game ends when all winnings (excluding the jackpot) have been won and/or the maximum number of balls to take the winnings and the jackpot has been met. Types of prizes: rolling jackpots (€500 minimum to €100,000 maximum) or pre-set jackpots (€10,000) depending on the formula.</td>
</tr>
</tbody>
</table>

### Instant games

Instant games are games in which the chance component is dependent on each player, as opposed to draw games in which draws are organised in advance, at precise times of the day, and involve all players.
There are several types of instant games:

- **Scratch games**

Scratch games are games which are issued on material or immaterial media in blocks consisting of a pre-set number of game units. Each issue consists of one or several blocks with the same lots scoreboard. The symbols representing winnings are hidden before the issue is sold to the public. They are revealed at the initiative of the player by an action or a decision on his part.

The FDJ games are: Cash, Astro, Banco, and Goal! Millionnaire, Mots Croisés, Solitaire, and Morpion.

- **Instant risk games**

Instant risk games are games in which chance becomes operational as a result of the individual player’s request. They include the following FDJ games: Au Vol d’Or, Couleur Fétique, Instant Loto, Keno Atlantia and Monster Win.

- **Additional instant games**

Additional instant games are games which are only available as a complement to one or more other games, either as an option or not. An example is the FDJ Super Jackpot game.

Instant games have a payout ratio\(^{49}\) set between 63% and 73.5% with an average of 70% (which is in line with the maximum authorised).

Instant games are primarily intended for the “experience and winnings” and “little pleasures” playing fields.

There are two components to this product range:

- games up to €3: intended for occasional players and included in the “little pleasures” playing field. These games require a wide distribution network, a significant portfolio of games and a lots scoreboard oriented towards experimentation, discovery and reinvestment; and

- games over €3 (i.e., starting from €5): intended for regular players and included in the “experience and winnings” playing field. The €5 games are intended for players who are knowledgeable about instant games and are drawn by the significant winnings since they could win two, four, six or even ten times their stake. The range must be continuously revitalised, including through the launch of limited-edition games.

FDJ has significant expertise in designing lots scoreboards. It can design two games for different players with the same payout ratio.

FDJ also designs core and one-off games to liven up the range of games and, in particular, to renew the interest of regular players.

FDJ has demonstrated that it is able to increase the amount of the stakes generated by a game despite quasi-stability of the payout ratio. For example, stakes made in points of sale in games under the Illiko® brand umbrella reached €5.7 billion with a payout ratio of 69.3% in 2014, €6.3 billion with a ratio of 69.6% in 2015, €6.8 billion with a payout ratio of 69.8% in 2016, €7.2 billion with a payout ratio of 69.9% in 2017 and €7.5 billion with a payout ratio of 70% in 2018. FDJ has also shown its ability to increase stakes despite a decrease in the payout ratio on one of its games: starting at a

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\(^{49}\) For a description of future payout ratio, see Chapter 9 “Legal and regulatory environment”. 
base level of 100, the stakes continued to grow and doubled between 2010 and 2016, despite a decrease in the payout ratio (PR) from 75% to 72% over the same period. Since 2016, stakes have slightly decreased, despite a one-point decrease in the payout ratio (PR).

FDJ’s instant games are grouped under the Illiko® brand umbrella created in 2012. They are sold in points of sale and online.

The Illiko® brand is divided into four categories online:

- Illiko® Grattage: a digital version of the scratch games sold in points of sale (primarily long-running scratch games);
- Illiko® Express: instant games sold exclusively online, with simple and quick reveal mechanics;
- Illiko® Action: instant games sold exclusively online, based on successive individual draws in which players must make decisions that will have an impact on the results of their game;
- Illiko® Super Jackpot: instant games sold exclusively online, with compulsory participation in a progressive jackpot.

As at 30 June 2019, the Illiko® brand consisted of about 20 instant games in points of sale, which include innovations in game or ticket mechanics (new Banco and new editions of Goal and Maxi Goal), and about thirty games available online only.

<table>
<thead>
<tr>
<th>Price</th>
<th>Game mechanics</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>€0.50, €1, €2, €3, €5, €10 or €15</td>
<td>The games are either simple (scratching a “Win” box immediately reveals the amount won) or more or less complex depending on the game (symbol collection mechanics, comparison of symbols, etc.). Maximum winnings range from €500 to €1,500,000 depending on the stake segment. Winnings are paid in cash or, if applicable, in capital based on the assumption of a monthly payment delegated to an insurance company.</td>
<td>The Cash game includes two game areas to explore: (i) the “WINNING No.” area with five “euro” symbols to scratch and under which there are five numbers, and (ii) the “YOUR NUMBERS” area with 20 “star” symbols to scratch and under which there are 20 numbers and the associated amounts. If one or more of “YOUR NUMBERS” matches one or more “WINNING No.”, the player wins the amount(s) related to the identical numbers revealed in the two game areas.</td>
</tr>
<tr>
<td>Price</td>
<td>Game mechanics</td>
<td>Examples</td>
</tr>
<tr>
<td>------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------</td>
</tr>
<tr>
<td>€0.25 to</td>
<td>The game mechanics vary, providing a richer digital experience. The games</td>
<td>The Morpion game has three different tickets “If you win the jackpot,</td>
</tr>
<tr>
<td>€3</td>
<td>feature instant animated winnings reveals. They are redesigned frequently to</td>
<td>you’re paying for the restaurant”, “If you win some money, we’re taking</td>
</tr>
<tr>
<td></td>
<td>change their worlds with the seasons and to liven up the product range. If</td>
<td>a trip”, and “If you win some dough, we’re having a night out”. The game</td>
</tr>
<tr>
<td></td>
<td>applicable, they are related to the additional mandatory Super Jackpot draw</td>
<td>consists of a grid. If the player finds three O’s or three X’s aligned</td>
</tr>
<tr>
<td></td>
<td>game. Maximum winnings: €2,000 to €30,000</td>
<td>horizontally, vertically or diagonally, they win the amount shown.</td>
</tr>
<tr>
<td>Illiko® Express (online only)</td>
<td></td>
<td>Players click on six logs. They win the associated prize if they find three pine cones in the same row or column. If they find the six letters of the word “CASTOR”, they also win the associated prize. If they find an “EXTRA” symbol, the game is extended.</td>
</tr>
<tr>
<td>€0.25 to</td>
<td>The game mechanics are similar to those of Illiko® Express, with three game</td>
<td>Instant Loto: play is simple and quick and the result is based purely on</td>
</tr>
<tr>
<td>€3</td>
<td>categories: (i) simple games where players make one or more choices which</td>
<td>chance.</td>
</tr>
<tr>
<td></td>
<td>have no impact on frequency or winnings given that the draw is carried out</td>
<td></td>
</tr>
<tr>
<td></td>
<td>before the player takes action. (e.g.: Instant Loto); (ii)</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>Game mechanics</td>
<td>Examples</td>
</tr>
<tr>
<td>-------</td>
<td>----------------</td>
<td>----------</td>
</tr>
<tr>
<td>fairly simple games where players make a choice between frequency and winnings (e.g.: Keno Atlantis), and (iii) more complex games where players make choices as they move through the parts and which impact both frequency and winnings (e.g.: the stop mechanism or: Next Level/Pile Up Donuts)</td>
<td>Maximum earnings: from €1,000 to €300,000</td>
<td>Next Level: players are plunged into an immersive experience where they decide on their play.</td>
</tr>
<tr>
<td>Illiko® Super Jackpot</td>
<td>€0.03 to €0.09 depending on the unit stakes (€0.50 or €1, €2, €3) of each game in the Super Jackpot offering</td>
<td>With each bet on an Illiko® game in this offering, players automatically take part in an additional draw to attempt to win the Super Jackpot. Part of their stake is allocated to funding the progressive jackpot, which provides the right to a participation token. The tokens increase the jackpot with every play. One or more draws are done instantly based on the number of tokens related to the stake. For example, if the player bets on a €2 game, they are eligible for two Super Jackpot draws. Single, progressive winnings level, with a minimum Super Jackpot of €10,000.</td>
</tr>
</tbody>
</table>

**Launches and “relaunches”**

Launches and relaunches are an integral part of the FDJ strategy to boost its offering and meet player needs, notably those of regular players, and to continue to attract new players. FDJ uses game launches and relaunches to revitalize entry-level games, offer one-off games with a high recruiting potential (e.g.: Mission Patrimoine) and use current themes by acquiring licenses (such as “The Wall”) which will draw players who would not normally play without these offerings. On average, relaunches take place every 3 or 4 years.

**Draw games:**

As FDJ experienced a decline in draw game plays in 2018, it now intends to enhance the differences between Loto® and Euromillions to maximise the potential of the “Life Changing” playing field with:
- a relaunch of Loto® scheduled for November 2019, and the creation of a new
game option with a second drawing; and

- a relaunch of Euromillions planned for February 2020, subject to the approval of
the French regulator and of the other lotteries intended to increase the gaming
frequency of occasional players by making Euromillions the game with large
jackpots again.

In addition, FDJ intends to expand its offering, notably its Amigo product, to new
points of sale.

**Instant games**

FDJ launched or relaunched 15 instant games in 2018, including six new games:

- launch of new one-off games: Morpion (€0.50), Défi Kosmik (€2), Noël
  Renversant (€3), Pixel Aventure (€3), Polaire (€5), and Mission Patrimoine (€15).

  The launch of the “Mission Patrimoine” games (instant game and Super Loto®) as
  part of Stéphane Bern’s “Patrimoine en péril” (Endangered Heritage) mission met
  with great success with over 187 million stakes in 2018. This enabled FDJ to
  allocate nearly €22 million to the French National Heritage Foundation’s
  dedicated fund, to which the French State added €21 million, of which €14 million
  was used for “Mission Bern” projects.

  Likewise, the relaunch of Morpion in the offline distribution network in
  September 2018 at €0.50 was very successful (the first version of the game was
  from 1994);

- relaunch of long-standing games: Numéro Fétiche (€1), Banco (€1), Goal (€1),
  Black Jack (€2), Maxi Goal (€3), Cash (€5) and Jackpot (€5);

- launch of limited series of long-standing games: Numéro Fétiche (SL13) at €1.

**5.4.1.2 Digital lotteries**

In a growing market for online gaming (see section 5.2 “Markets”), FDJ has sought
to meet player expectations by strengthening its digitalised lottery offering, which
includes both the online lottery and stakes placed in points of sale, via the use of a
digital device for all or part of them.

Digitalised lottery stakes increased by 11.9% a year between 2014 and 2018, driven
by the significant increase in the number of players (1.06 million in 2014 compared
with 1.87 million in 2018, i.e. an increase of 15.2%). This strong increase in the
number of players has gone hand-in-hand with a decrease in the average annual
stakes per player. This is the result of the extensive FDJ model, with occasional
players, whose numbers have increased substantially, making average bets below
those of regular players. In 2017, bets by smartphone and tablet accounted for 36%
of digitalised stakes and stakes by computer and other digital devices accounted for
64%. These numbers were 48% and 52%, respectively, in 2018.

To grow its online lottery offering, FDJ first began by transposing its lottery games,
traditionally available in points of sale, to a digital format. It used the latest
development technology available to provide the same game experience on all
media (computer screens, tablet and smartphone). In order to simplify the
distribution of its digital offering to optimise the customer experience, the three
fdj.fr websites (for computer screens, tablet and smartphone) were reworked into a
single website equipped with “responsive” technology (the website adapts
automatically to all of the devices it is viewed on). This enables FDJ to provide a unified experience on its website which displays perfectly on every screen size (computer, smartphone and tablet). In addition, in order to promote cross-selling between the various online lottery games, the dedicated Loto®, Euromillions and Illiko® applications for iOS and Android were terminated and replaced with a new, single application which regroups all draw and instant games. The redesign of mobile applications meets the requirements of FDJ’s “mobile first” strategy. The online revenue from Illiko® has increased significantly since then. In addition, the player experience was also rethought to enable playing in points of sale with a smartphone (preparation of the grid on a mobile phone and later validation of the grid at the point of sale of the player’s choice). To further simplify the player experience, FDJ users who have a smartphone with a fingerprint or visual reader (e.g. FaceID or TouchID) can now connect or play a FDJ game without having to enter their password.

In addition to its traditional online lottery games transposed from the point of sale model, FDJ has been developing new games which are solely available online and provide more interaction within the games and between players online. For example:

- **Illiko® Express** provides online games which are reminiscent of scratch card pools. The drawing of a symbol enables the creation of a scenario for the revelation of the player’s winnings via a graphical setting and the issue of the game symbol provides a revelation comparable to that in a video game;

- **Illiko® Action games** provide a richer digital experience with one or several individual draws depending on the game;

- **Illiko® Action** provides a richer digital experience with one or several individual draws depending on the game;

- multiplayer games provide players with an experience in which they become a participant in their own game by acting based on the actions of other players. Several players can challenge each other in real time;

- as part of its strategy to accelerate the shift to online games, FDJ created MultiChances Loto and Euromillions at the end of 2018. This new game model enables the pooling of stakes with other players in order to play a greater number of grids. FDJ estimates that, after six months, it enabled the generation of 4% more online Loto stakes and 5% more online Euromillions stakes.

The number of online games offered by FDJ each year has continuously increased since 2014: it grew from 60 in 2014, to 70 in 2015, 80 in 2016, 86 in 2017 and 108 in 2018.

FDJ has additional growth levers given that digitalised stakes have not yet reached the level of the digitalised stakes of other European lotteries. Therefore, while the percentage of digitalised stakes for the Spanish lottery is 3% of total stakes, (compared to 5% for FDJ), it is 10% for Sisal, 24% for Camelot, 42% for Veikkaus and 53% for Norsk Tipping.

The main reasons for the current level of digitilisation of the FDJ lottery are as follows: (i) the constraints on registration are greater in France than in other countries (see section 5.2 “Markets”), (ii) the offering segments provided are different given that, for example, the Italian lottery offers skill games and casino games online which have grown significantly online (and are forbidden in France), (iii) France is exemplary in the fight against addiction and severely limits gaming by players who
are suffering from addiction or are at risk of addiction, (iv) FDJ’s extensive gaming model does not promote an increase in average spending, (v) Nordic countries were quicker to adopt digital practices, (vi) FDJ’s excellent national network of points of sale does not encourage customers to play online, and (vii) 60% of FDJ’s lottery games are instant games, which, by definition, are less digitalised, but which have, nevertheless, experienced strong growth between 2014 and 2018 (+7.2% a year on average).

FDJ wants to continue to develop online games and to facilitate the player experience (see below “Improving the gaming experience”). FDJ will also invest in a mobile offering, notably by designing a 100% mobile offering and experience to recruit new players.

5.4.1.3 Activation: promotion of the game offering to as many people as possible

Activation, i.e. the promotion of the game offering to as many people as possible, is intended to draw new players using communication methods such as the media to ensure that the first game experience is successful and to gain player loyalty via special deals and targeted marketing.

- Recruiting players in compliance with extensive regulations on gaming advertising

FDJ is working to increase the visibility of its game offering, both in points of sale and online, via advertising campaigns and promotional coupon offers tied to the launch of new games and the relaunch of existing ones.

The Group has been deploying advertising campaigns, primarily in the form of films, some of which have become cult films. They boost significantly the name recognition of FDJ and of its brands. These films, which are usually humorous, concentrate on people, values and human behaviours via characters that are easy to identify with (sometimes in the shape of personified animals or tickets), in a joyful and positive tone underlying the entertaining, recreational and diversifying nature of FDJ games. Some of the cult films have made a major contribution to the brand’s name recognition among the general public by bringing slogans like: “Au revoir Président” (Goodbye President), “C’est le jeu ma pauv’ Lucette” (That’s the game, my poor Lucette), and “Gratter Dédé” (“Scratch DéDé”) into everyday language.

The sales schedule is based on calendar dates, notably Friday the 13th, events (Valentine’s Day, Mother’s Day, Christmas) and launches to ensure a total of one event on average per month.

FDJ also uses promotional coupons (discount coupons) which are offered both in points of sale and online to increase the visibility of its games, of their benefits, of the options available, and of new products.

According to Kantar TNS (June 2019), the Loto® brand’s prompted awareness amounts to 94%, compared to 92% for Euromillions, 72% for Keno Gagnant à Vie, 55% for Joker+ and 38% for Amigo. The prompted name recognition of Illiko®, the scratch games umbrella brand, was 59%, even though most campaigns target the individual games of this product line.

A responsible marketing charter sets limits on potential discrimination and prevents the promotion of underage gambling.

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50 The brand is cited among others via a multiple choice.
Improving the game experience

Following the targeted marketing, players are asked to register and explore the offering. FDJ guides players throughout the process online. The Group is also working to make the player experience easier, with fewer clicks, and more fluid, due to reduced response times and improved ergonomics. The first pages of the FDJ applications are being reworked to include news, videos and dynamic flows.

Loyalty

Over the past years, the Group has been working on repeat play and gaming frequency by developing cross-selling and up-selling mechanisms which allow players to discover the game product line as well as the depth of the offering. This leads players to try other games and, in compliance with Responsible Gaming (see section 3.6.3 “Responsible gaming management policy”), to play on a more regular basis or for higher amounts. Customer data and knowledge are important in this respect as they make it possible to offer products which are suited to each player’s profile.

In the future, the Group intends to put in place a relationship programme which will include a common base (services to facilitate the player experience in points of sale, exclusive benefits all year round and support to manage gaming habits) and specific benefits based on player profiles. This programme should enable better Responsible Gaming management by improving knowledge of the customers (see section 5.3.2 “Group Strategy”).

5.4.2 Sports betting

FDJ launched its sports betting activity in points of sale in 1985, via Loto Sportif (mutual odds bets), which was replaced by Loto Foot® in 1997. Stakes totalled approximately €100 million annually for 10 years. In 2003, FDJ launched Cote & Match (fixed odds), the first game available both via the distribution network and online, with about 60 bets offered a week. Sports betting grew significantly in 2009 and 2010 with more sports, more types of bets and more attractive odds. In 2010, as the online gaming market (sports betting, horse-race betting and poker) was opening to competition, FDJ launched the Parions Web brand, which became Parions Sport En Ligne in 2016.

FDJ has exclusive rights to operate offline sports betting whereas online sports betting is open to competition within a regulatory framework. In order to comply with the requirements resulting from the co-existence of these two separate regulatory frameworks, the Group manages the activities under exclusive rights and the activities open to competition under two different brands called Parions Sport Point de Vente and Parions Sport En Ligne, which are based on two different sites/applications and two different offerings.

In an overall context of regular and sustained growth (see section 5.2 “Markets”), sports betting is now the segment in which the Group is seeing the strongest increase in stakes (with an average annual growth rate of 11.4% from 2014 to 2018).

In the financial year ended 31 December 2018, sports betting accounted for €3,047 billion in stakes (i.e. 19% of the Group’s stakes) (up by 21% compared to 2017) and generated revenue of €297 million (i.e. 16% of the Group’s revenue with a contribution margin of €24 million (i.e. 5% of the Group’s contribution margin). 93% of stakes were generated by fixed odds betting and 7% by pooled bets.
In the half-year ended 30 June 2019, sports betting recorded €1,810 billion in stakes, up by 15% compared to the first half of 2018 (which included the 20 days of the 2018 FIFA World Cup in Russia).

In 2018, FDJ’s sports betting offer drew approximately 3.5 million players with stakes of €17.3 a week on average, of which 77% were men and 23% women. 52% of players were between 18 and 34 years old, 24% between 35 and 49, 19% between 50 and 64 and 6% over 65. Online players are a little younger and include more men. The most popular sports are, in order, football, tennis, basketball, rugby and ice hockey.

The rate of digitilisation of sports bets was 60% in 2018 (compared with 40% for offline stakes placed through paper slips, including bets taken directly by a distributor via terminal).

FDJ considers itself to be the leader in sports betting in France and to be among the five leaders in Europe in terms of GGR. FDJ also considers itself to be the leader operator in sports betting activities in France by number of players, ahead of BetClic, Winamax, PMUOnline, Unibet, Bwin and ZEbet, with at least three times more players than the other companies in the French market (whose activities are restricted to online sports betting).

FDJ considers itself to be in the second tier of the online sports betting market together with ZEbet, Bwin and PMU.fr. According to FDJ, the first tier consists of Betclic, Unibet and Winamax and the third tier consists of NetBet, Vbet, Geny Bet, France-paris, Bet Stars and Joa Online, among others. FDJ’s ranking in the second tier is due in part to other operators’ older and/or stronger online presence. In the online market, Betclic, PMU.fr and Unibet offer horse-race betting and poker, Winamax offers poker, Bwin offers poker and ZEbet offers horse-race betting. In addition, many companies also operate in other European countries, which provides them with broad markets for investment and innovation.

5.4.2.1 FDJ’s sports betting offering

FDJ operates two sports betting offerings: one is distributed offline under exclusive rights (Parions Sports Point de Vente) and the other is a competitive offering distributed online under authorisation granted by the French online gaming regulatory authority (ARJEL) in 2010 and renewed in 2015 (Parions Sport En Ligne).

The table below provides a comparison between offline and online offerings (compiled based on 2018 financial year data):
<table>
<thead>
<tr>
<th>Product offering</th>
<th>Parions Sport Point de Vente</th>
<th>Parions Sport En Ligne</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average annual payout ratio</td>
<td>76%</td>
<td>85%</td>
</tr>
<tr>
<td>Pre-match for 20 sports</td>
<td>Pre-match for over 30 sports</td>
<td></td>
</tr>
<tr>
<td>(live betting is not allowed in points of sale)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loto Foot®, Loto Rugby (7/15, Pactole)</td>
<td>Live betting for over 20 sports</td>
<td></td>
</tr>
<tr>
<td>Over 55,000 events available</td>
<td>Over 120,000 events available</td>
<td></td>
</tr>
<tr>
<td>Over 330,000 bets available</td>
<td>Over 7 million bets available</td>
<td></td>
</tr>
<tr>
<td>Digitalised stakes(^{52}) iOS/Android apps/terminals</td>
<td>iOS/Android apps, Web/Webapp</td>
<td></td>
</tr>
<tr>
<td>Stats/Combi-bonus</td>
<td>Services (Video, Stats, bonus bet(s), etc.)</td>
<td></td>
</tr>
<tr>
<td>Promotion (coupons, vouchers)</td>
<td>Segmented gift policy (bonuses, etc.)</td>
<td></td>
</tr>
<tr>
<td>Customer services</td>
<td>Customer services</td>
<td></td>
</tr>
<tr>
<td>Management of high-value players</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Over 27,000 points of sale</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

Sports betting is included in the “Expertise” playing field, which among other things is characterised by players having a more developed expertise.

The activity of sports betting operators is guided by sports events. Traditionally, even-numbered years, which feature more sports events, have seen a significant increase in sports betting activity (2014 FIFA World Cup, UEFA Euro 2016, 2018 FIFA World Cup, Handball Euro 2018, PyeongChang 2018 Olympic Winter Games, etc.). This strong growth now tends to occur in odd-numbered years as well as due to annual events (UEFA Champions League, UEFA Europa League, Ligue 1, Premier League, Roland Garros, Wimbledon, La Liga and US Open), but also due to events which take place during odd-numbered years (2019 FIFA Women's World Cup, Rugby World Cup in Japan 2019, Copa America 2019, Women's Handball World Championship 2019). For instance, according to ARJEL, online stakes in France relating to Roland Garros increased by 37% (from €77 million to €105 million) between 2018 and 2019 and stakes relating to the FIFA Women's World Cup were multiplied by 7 (from €8 million to €58 million) between 2015 and 2019.

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\(^{52}\) Via an ADSL connection with the FDJ server.
**Parions Sport Point de Vente**

The Parions Sport Point de Vente offering differentiates itself from online betting by its fellowship, the option to pay for stakes and pick up winnings in cash (up to €300) and the potential to become a millionaire by playing Loto Foot® (which has high jackpots).

Access to the Parions Sport Point de Vente offering is available via paper slip and via digitalised channels (through mobile applications or terminals).

<table>
<thead>
<tr>
<th>Minimum stake</th>
<th>Game mechanics</th>
<th>Prizes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parions Sport Point de Vente (offline fixed-odds betting)</td>
<td>€1 per bet</td>
<td>Players predict the results of one or several sports events. Each prediction is given odds which, multiplied by the stake, determines the winnings if the prediction is correct. The odds are greater or equal to 1 and include up to two decimal points. The minimum odds are 1.1 for single or combined bets. The fixed-odds betting offering in points of sale covers 20 sports, 16 betting formulas (approved by the regulator) and three game options (single, combined or multiple).</td>
</tr>
<tr>
<td>Parions Sport Point de Vente (offline bet placed through gaming terminal)</td>
<td>€0.10 per bet</td>
<td>The terminal is a point of sale gaming channel dedicated to the activity in identification mode. There are approximately 800 terminals in the FDJ network.</td>
</tr>
<tr>
<td>Loto Foot®</td>
<td>€1 for a single game grid</td>
<td>Loto Foot® consists of two independent prediction sports betting games based on the results of several sports events: Loto Foot® 7: this game consists in predicting the results of seven sports events. Loto Foot® 15: this game consists in predicting the results of 14 or 15 sports events (based on sports and commercial news). Three predictions are allowed for each event: Case “1”: victory of the first team listed; Case “N”: tie between the two teams listed; Case “2”: victory by the second team listed. Single game: consists in</td>
</tr>
<tr>
<td>Minimum stake</td>
<td>Game mechanics</td>
<td>Prizes</td>
</tr>
<tr>
<td>---------------</td>
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</tr>
<tr>
<td>Loto Rugby®</td>
<td>predicting a single result for each of the matches of an event. Multiple game: consists in simultaneously predicting two or three results per match, for one or more matches in the same grid (number of “doubles” or “triples” limited by the rules).</td>
<td>Winnings vary depending on the amount of stakes and are split between winners of each rank. During the Rugby World Cup and the entire Top 14 season, lots of €50,000 are regularly offered on the grids of Loto Rugby 15.</td>
</tr>
</tbody>
</table>
| €1 for a single game grid | Loto Rugby® was launched in early October 2019, during the 2019 Rugby World Cup. Loto Rugby®, like Loto Foot®, is based on pooled bets. Loto Rugby® 7 comprises 7 rugby games and Loto Rugby® 15 comprises 14 or 15 rugby games. The grids may be built on two betting formulas:
- betting “1N2” on the winner of the match; or
- betting “1N2 Handicap”, which allows the power balance to shift between the two teams, allocating bonus points to the weakest team. | |

To handle the acceleration in market growth from 2016, in the context of a market which has become primarily an online market, FDJ has implemented a digitisation strategy over the past years and is deploying an identification strategy in points of sale.

**Parions Sport En Ligne**

The Parions Sport En Ligne offering is different from the offline sports betting offering due to the range of bets available (over 30 pre-match and live sports available in 2018) and to the betting experience it provides. The betting experience was improved in 2018 due to new ergonomics and the addition of several services valued by players (including the inclusion of statistics, a streaming offering which enables players to watch the matches while betting on the event, new bets to meet player and market expectations and new products such as the bonus bet(s) or free bets).

<table>
<thead>
<tr>
<th>Minimum stake</th>
<th>Game mechanics</th>
<th>Prizes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parions Sport En Ligne (online fixed-odds sports betting game)</td>
<td>€0.10 per bet Players predict the results of one or several sports events. Each prediction is given odds which, multiplied by the stake, determines the winnings if the prediction is correct. The odds are greater or equal to 1</td>
<td>Cash winnings vary depending on the amount bet, the odds and the combination of bets.</td>
</tr>
</tbody>
</table>
and include up to two decimal points. The minimum odds are 1.1 for single or combined bets.

The online fixed-odds betting offering covers over 30 sports, 800 betting formulas (approved by the French online gaming regulatory authority (ARJEL)) and three game options (single, combined or multiple).

The Sports Betting BU wishes to accelerate the progress made in 2018, which includes five themes:

- **brand**: brand recognition increased by 12 points compared to 2017, reaching 67% in 2018 (prompted awareness)\(^{53}\).

- **design and functionality**: FDJ has reworked all of its applications and its website which are now updated on a regular basis;

- **betting offering**: 8 new sports and over 256 new types of bets have been added since the end of 2017;

- **price and promotion**: FDJ has improved its promotional offers and its pricing policy (better odds);

- **services and animation**: implementation of a tailored customer service department and special assistance programmes.

Using five as the basis, which corresponds to the level FDJ believes has been met by the best companies in the French market (it being specified that FDJ does not believe that any of the companies has achieved 5/5 in every area), FDJ considers that it has increased from 2/5 to 3.5/5 with respect to its brand, 1/5 to 3.5/5 with respect to design and functionality, from 3.5/5 to 4.5/5 with respect to the betting offering, 3/5 to 3.5/5 with respect to pricing and promotion and 2/5 to 3.5/5 with respect to services and assistance.

As described in section 5.3.2 “Group Strategy”, the goal of the Sports Betting BU is to improve its positioning in each of these areas in order to progress towards a score of 5 in each one. This will enable the Sports Betting BU to provide a sufficiently appealing offering to enable it to recruit players and ensure their loyalty (i) offline, and (ii) online for players who want to retain an online offering.

### 5.4.2.2 Innovations in sports betting

The Group has been innovating since 2015 to meet player expectations and optimise the customer journey.

In 2015, FDJ also launched its QR code service in points of sale using a technology accessible from mobile applications. Players prepare bets on their smartphones (for example, from home) using the Parions Sports Point de Vente application. The application generates a QR code which is then scanned at the point of sale to validate the bet. The player then pays for the bet at the point of sale and receives a ticket. Players pick up their winnings in points of sale. This new game media has made the customer journey more fluid in points of sale (time savings, player autonomy and fewer

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\(^{53}\) Source: FDJ annual market survey
errors) and enabled the development of the offering by providing more sports, competitions and types of bets.

In 2016, the number of simultaneous bets increased from approximately 1,000 to approximately 2,000 and from 2016 to 2018, 13 new sports and over 150 new types of bets were added.

Stakes by QR code increased by 61% between 2017 and 2018 and are on average 23% higher than stakes without a QR code in points of sale.

The Parions Sport Point de Vente application was downloaded more than 1.4 million times in 2018.

Parions Sport launched the first voice application (skill) for sports betting on Amazon Alexa in March 2019. The skill provides betters with the odds, schedules, and favourites of upcoming football matches and allow players to simulate their winnings by talking with a device in which Alexa is integrated (Echo speakers, compatible connected objects, Alexa mobile application). The assistant now provides information to players about the Parions Sport Point de Vente odds for the main football championships, cups and international competitions. The 1N2 odds are available in single format. For example: “What are the odds for Lyon against Marseille?” Players can also obtain the odds for exact match scores. For example: “What are the odds that France will beat Brazil 3-0?” It provides favourites: “Who is favoured between Paris and Madrid in the European cup?” It also provides match schedules: “When does Monaco play next?”

5.4.3  Adjacent activities

5.4.3.1  International B2B services

In 2015, FDJ initiated a development project based on the mastery of its core business technology in order to extend its activities internationally in the form of an offering of B2B services for lottery operators and sports betting companies. This related business is managed by the FDJ Gaming Solutions subsidiary. It plans to build on strategic partnerships with other market players.

The Group’s ambition is to become an internationally recognised player in the B2B market for services to lottery operators and sports betting companies. The goal is being implemented gradually by exporting the Group’s know-how via an innovative offering of digital services which capitalise on its technologies and expertise.

The Group offers different B2B solutions to operators depending on the segments they operate in.

The Group provides turnkey solutions to the sports betting operator segment, primarily in Europe and North America, via global services offering which covers the entire value chain and all of the needs of sports betting operations (platform, technology operations, trading service, betting offer management and risk management) and which is adaptable to local specificities.

In the lottery operator services segment, the Group is positioned in high-value niche markets by offering solutions that fall within major market trends. At this stage, the offering is focused on the distribution of online games and software solutions for point of sale equipment, primarily in Europe, although other regions can be considered depending on the opportunities.
Construction of the B2B services offering and the development of activities can be carried out by strategic partners in order to extend the ability to operate in markets through additional products and services, to access new regions or to add distribution capacity.

FDJ registered its first achievements:

- in the sports betting operator services segment: the implementation of an omnichannel platform for the Israeli sports betting operator (ISSB) in 2018, the launch of the offering for the Portuguese Lottery (SCML) in 2015, and the supply of a complete sports betting management service to the Loterie Romande (LORO) in 2018;

- in the lottery operator services segment: with respect to the supply of terminal software, FDJ, in partnership with IDEMIA, delivered its software solutions for the supply of point of sale terminals for Lotto Baden Württemberg in Germany (2015), Svenska Spel in Sweden (2015), Loteria de Catalunya in Spain (2015), PMU in France (2016), Loterie Romana in Romania (2017) and the Ontario Lottery and Gaming Corporation in Canada (upcoming); and

- in the lottery operator services segment: with respect to digital content, the creation of LEIA (Lottery Entertainment Innovation Alliance), a joint venture with three Scandinavian lotteries (Norway, Finland and Denmark) for the implementation of a digital game distribution platform using the model and technology designed by FDJ Gaming Solutions. Over 40 games will be available on the platform.

The contracts are generally signed for five years with a renewal option. Revenue is based on the initial and development investments and on a percentage of the GGR earned by the customer.

FDJ Gaming Solutions acquired all of Sporting Group’s share capital in May 2019. Its B2B assets and know-how in sports betting offering management and risk management are very complementary to the Group’s current assets and expertise. Sporting Group is located in the United Kingdom, South Africa, Canada, Sweden and Malta. It has nearly 300 employees, had revenue of nearly 39 million pounds in 2018 and has around forty clients.

The acquisition enables the Group to strengthen its B2B offering in services to sports betting operators and to accelerate its international development. Its services include event life cycle management, continuous odds with the management of data related to match status and risk management.

Sporting Group also operates a sports betting platform in the United Kingdom which includes a spread betting\(^{54}\) and fixed odds betting offering for which the Group holds a license obtained from the UK Gambling Commission in Great Britain and from the Financial Conduct Authority (for spread betting). In the context of periodical evaluation of its activities’ portfolio, FDJ is currently reviewing the activities portfolio of Sporting Group; this could lead to a repositioning around the activities

\[^{54}\text{Spread betting consists of predicting if a number of actions (or events) occurring during a match will be greater or smaller than the range of actions (spread) set by the bookmaker. The actions in question can be the number of cards, corners, goals, throw-ins, games (tennis), etc. This activity is regulated by the Financial Conduct Authority in the United Kingdom. Sporting Group is the leader on this activity segment in the United Kingdom. Spread betting is forbidden in some countries, including France, and Sporting Index has implemented a geo-blocking system based on IP addresses to ensure that its offering cannot be accessed in unauthorised territories.}\]
which are the most aligned with the Group’s strategy, i.e. provision of B2B services to operators of lottery and sports betting activities.

5.4.3.2 Payment and services

The Group intends to promote its assets and capitalise on its technological footprint in points of sale, in particular its network of 30,000 points of sale equipped with 100,000 devices connected to the FDJ computer centre in Vitrolles in real time by positioning itself as a player in collections services on behalf of third parties and in payment solutions.

By developing this offering, FDJ’s goal is to support its traditional points of sale (bar-tobacconist-newsagent network) in diversifying their business, in order to create new contact opportunities with the public and to improve the resilience of its business model with new sources of revenue for the Group.

For example, Sisal, the second-leading gaming and gambling operator in Italy55 behind Lottomatica, which benefits from extensive territorial coverage, direct access to players, an offline distribution network and technological synergies, has successfully launched a payment and services offering via the implementation of payment systems which enable the payment of invoices, fines and taxes, prepaid cards and marketing products. This business generated €191 million in revenue, €66 million in EBITDA and a 35% EBITDA margin in 2018.

FDJ’s ambition of presenting itself as the leading player in point of sale hinges on providing two types of special offerings by 2025:

- collection services for third-party accounts in FDJ points of sale; and
- design and distribution of its own payment solution.

FDJ entered into a technology partnership with Western Union in 2017. This has enabled it to develop Click&Pay, a simple and quick solution for money transfers from the FDJ game terminal in each point of sale. Thanks to a “mobile-to-store” solution, customers can now set up their transaction on their mobile phones, then go to the point of sale to complete the transaction.

FDJ wishes to develop payment services for third parties by relying on its know-how in distribution network and associated financial flow management. FDJ intends to provide a solution to public and private players who want to streamline their presence in the territory while maintaining their proximity to their customers and users. FDJ would provide a funds collection service on their behalf and manage the physical collection point network (approvals, training and remuneration).

These services would enable the customers of companies and institutions who partner with FDJ to pay invoices, taxes and fines or to pay for a basket of purchases from an e-commerce website via a simple and secure solution.

FDJ, together with the Confederation of Tobacconists, has recently signed a first contract for collection services on behalf of third parties via points of sale as part of a call for tenders initiated by the French Treasury for the outsourcing of cash and bank card collections for public treasuries. The outsourcing will be operational in 2020. It has a 5-year maximum duration, with an annual renewal. The French Treasury anticipates recording over 2 million transactions in 2021, for a total amount of over €500 million. This service is remunerated based on a fixed amount charged per

55 Sisal counts 50,000 points of sale, point of sale equipment, sales force and IT capacities.
transaction, as well as by payment of an initial amount for project management, IT developments and distributors’ training.

FDJ also wishes to offer a service based on this invoice collection service model to reload electronic purses and manage deposits to payment accounts (e.g. prepaid cards, online accounts) from its points of sale. The service will be targeted at new payment players (neo-banks, fintech, online banks) who wish to develop an offline distribution network to reinforce their proximity and broaden the range of services they offer to their customers.

For all of its services, FDJ would collect either a fixed commission or a commission based on the amount of the transaction or reload, or a commission based on the reloading or transfer fees, part of which would be paid back to the distributor.

In the medium term, FDJ seeks to offer its own prepaid payment solutions based on the prepaid card and electronic purse model which would be reloadable at its points of sale. FDJ is the interface between 30,000 distributors and the 25 million customers of its gaming activities, which means that it is well positioned to offer payment solutions by developing high value-added services for customers (for example, cash back on game purchases and the use of FDJ services, game winnings credit, etc.).

In addition, customer identification based on the applicable thresholds and data collection in compliance with the GDPR will enable FDJ to better understand its customers and, as a result, better address their needs and protect them.

In addition to entering into partnerships and internal developments, FDJ examines external growth opportunities.

5.4.3.3 Entertainment

FDJ wants to focus on emerging segments and high-potential niches in this market. The Group has identified three entertainment segments in which it can differentiate itself due to its assets, its know-how, and its current expertise: eSport, Digital Games and Media and experiential entertainment.

- eSport:

In 2017, FDJ began to organise amateur and professional video game competitions (eSport) via its new FDJ eSport brand and the fdjesport.fr website (registration, schedule, results and videos). FDJ eSport decided to rely on the know-how of the Webedia group (a French digital services provider specialised in leisure and entertainment) for the organisation and broadcasting of competitions (primarily via the Twitch online platform) and for their promotion in specialised eSport media and on social networks (comments/relay by YouTubers specialised in video games).

This launch was carried out by using start-up methods given the early market. It is part of the FDJ 2020 transformation project and has two goals: to provide new game experiences (FDJ eSport is FDJ’s first diversification outside of gaming) in order to capture new markets (particularly Millennials) and to contribute to the growth of eSport in France.

Over a two year period, FDJ eSport organised three seasons of the FDJ Masters League, a professional competition which brings together the best European players (season 1 on Street Fighter V, season 2 on Tekken 7 with the final held in the Carreau du Temple, and season 3 on Dragon Ball FighterZ with the final held in La Maison de la Mutualité in Paris) and nearly 250 FDJ Open Series, free online amateur tournaments each week on many different games including Fortnite, Rocket League,
CS:GO, Dragon Ball FighterZ, Street Fighter V, Tekken 7, DOTA 2, Minecraft, Krosmaga and Battlerite. By mid-2019, FDJ eSport had over 25 million combined live and VOD views for the competitions and over 50,000 players registered for amateur tournaments.

The Group intends to develop its tournament organisation activity via dual positioning as a B2C tournament producer and as an operator of B2B tournaments for third parties (game publishers and corporate). In partnership with specialised sector players, FDJ is producing the UFA (Ultimate Fighting Arena) on 4, 5 and 6 October 2019, for which it acquired the rights. This is one of the most important tournaments of the European Versus Fighting scene. FDJ will continue to operate online tournaments in France and in Europe with cash prizes and bridges to offline tournaments. The business model for this activity is based on revenue from players via ticket sales, advertising sponsors and financing from video game publishers.

To increase its footprint in the sector, its strategic watch capabilities and its strong connection to the eSport ecosystem, FDJ has become a strategic partner of Level 256, the Paris&Co (the economic development and innovation agency of Paris) European innovation and incubator platform dedicated to eSport and has invested in a venture capital fund dedicated to eSport called Trust eSport.

- **Mobile & Media Entertainment**

The Group wants to develop several entertainment products for mobiles and digital media. In May 2019, it launched a joke contest application called “Payetablague” based on the UGC (User Generated Content) model, accessible via a platform daily offering a new joke theme. Players can propose their jokes based on a wide range of animated GIFs (Graphics Interchange Format). Based on a “like”, “dislike” system, a ranking ensures maximum player involvement with daily winnings (between €1 and €10) for the most popular jokes. This type of application is based on a business model in which the audience provides value through advertisement which is then completed by a registration model (partnership with the payment solution for the winnings offered within the application).

Other digital application and content projects are under development. They are based on advertisement or freemium business models (in which purchase offers are built within the application: in app purchase).

- **Experiential Entertainment**

FDJ intends to develop and provide experiential entertainment activities based on its experience and know-how in gaming: fun activities outside the home in which the consumer is an actor in the experience.

The Group intends to provide the largest treasure hunt ever organised in France in 2020 relying on its partners in the entertainment sector. The general public will be able to follow and take part in the adventure featuring influencers who will criss-cross France to find clues that will enable participants to find a treasure of significant value hidden somewhere in France. The business model is based on sponsoring, advertising and special event-related operations.

In the experiential entertainment segment, the Group is also interested in virtual reality games and escape games (life-size entertainment games which are the physical embodiment of video games: the players are locked in a room which they must explore to find clues that will enable them to solve puzzles and meet challenges to escape). The Group intends to use its know-how in managing extended networks and
its ability to structure activities to generate significant economies of scale and synergies between the various micro-segments in these highly fragmented markets.

FDJ’s preferred approach to these segments tends to limit the Group’s exposure to risk with a low entry cost per project and a portfolio of projects with different business models and areas of operation. This operating model is based on a partnership approach with renowned groups or start-ups in order to ensure access to the best skills and to accelerate the time to market of the projects launched and, if required, targeted acquisitions to build a sustainable asset and reinforce its legitimacy in these business sectors over the long term.

5.5 Operational organisation

FDJ has set up an operational organisation to implement its strategy.

In addition to its two business units (BU) which manage well-established activities related to the regulation of gaming by the ANJ and to its three business development units (ABU), which manage immature activities falling outside of the scope of the ANJ’s regulation of gambling and which face specific challenges as described in section 5.4 “Description of the Group’s main activities”, FDJ is organised around:

- three transversal functions which manage the operational implementation of the strategy with the goal of optimising resources. Their role is to facilitate the implementation of the strategy. These are the Customer Service, Offline Distribution of Sales and Technology Departments; and
- corporate departments which define the Group’s overall policy and ensure its global consistency. The corporate departments include the Communication and Innovation departments.

5.5.1 Transversal functions: customer service, sales and technology

5.5.1.1 Customer Department

Group customers
FDJ has approximately 25 million players who have very different profiles. They are representative of the French population in terms of age, gender and socio-professional category, as shown in the FDJ annual market survey.

Out of these 25 million players, those who play an FDJ game at least once a month are called regular players. They are the main target of the loyalty programmes implemented by the Group. The regular player base accounted for over 50% of total players and over 95% of stakes in 2018. The base has been particularly stable over time whereas the pool of occasional players (which accounted for less than 5% of stakes in 2018) is much more volatile (2 to 3 million occasional players are recruited and lost each year). Half of all regular players play at least once a week.56

**Customer strategy**

Customers are at the heart of the FDJ strategy. The Group has developed a model which enhances the customer relationship and client journey to create value, which are optimised by knowledge of the customers and guarantee integrity and a responsible approach.

The model is based on three key components: the player base, gaming frequency and average stakes.

In order to optimise its growth, FDJ acquires detailed knowledge of its players via the cross-checking of segments (divided into six groups according to the player's profile, gaming behaviour, gaming habits, motivations, game concerns and behaviour in points of sale) based on playing habits, player value and profile criteria, as well as on the segmentation of its points of sale based on types of games and player typology.

This knowledge enables the BUs to provide an optimised customer experience by using their three main action levers: products/services, distribution and activation.

**Customer Department**

The Customer Department, acting as an internal service provider to the two BUs (Lottery and Sports betting), is in charge of developing the tools and services needed to gain customer knowledge and to develop the customer relationship. Its mission is to ensure the quality and consistency of the customer experience, the operational implementation of the Responsible Gaming strategy, the consistency of data and of management rules (regulatory and legal compliance, notably with the GDPR), the protection of customer data integrity and overall operational performance.

The Customer Department consists of three business lines:

- customer knowledge, which is based on (i) customer monitoring tools (marketing studies, customer satisfaction surveys, customer journey surveys and the FDJ annual market survey, (ii) the “customer’s voice” (customer services and social networks), and (iii) the customer experience (access to games, to winnings, and to renewed winnings) and the relationship with the customer;

- customer service (the traditional customer department function), part of which is subcontracted to two service providers (WebHelp and Comdata starting in 2020), manages all incoming flows (500,000 incoming contacts a year), notably via email, chat and mail. “Level 2” contacts, which require expert handling or are considered to be sensitive, are redirected internally and handled either by the Customer Department or by other Group departments (BU, Legal Department, Responsible Gaming Department). While a chat (deployed in 2017) has replaced

56 Source: FDJ annual market survey.
nearly 50% of the email flow, over 50% of requests/complaints are still handled via telephone;

- management of the multichannel platform, which consists in managing customer accounts (online and in points of sale), is intended to improve registration and develop the easiest customer journeys possible, while guaranteeing strict compliance with all regulatory constraints.

In addition, the Customer Department is also responsible for managing the overall customer knowledge process, a priority cross-departmental challenge, which is intended to collect information about the players, notably in points of sale:

- track and analyse player habits. This is an indispensable prerequisite for the development of a personalised customer relationship and the growth of customer value;

- propose personalised moderation tools to effectively address issues involving people whose gambling behaviour could put them at risk; and

- have the resources needed to effectively fight fraud and money laundering.

The Customer Department, in close cooperation with the Responsible Gaming Department, is also responsible for identifying customers at risk with respect to excessive gambling, notably via the Playscan™ tool (designed by the Swedish lottery, which enables identification of these profiles based on behaviour monitoring and profile analysis) or the implementation of specific game moderators suited to the habits of each player (see section 3.6.3 “Responsible Gaming Policy”).

FDJ has also worked to integrate some of the best customer relationship management tools (CRM) on the market. Implementation of this approach started in 2017 and should be completed by 2020. It will eventually include:

- a tool to interact with players (email campaigns): optimisation of customer relationship campaigns based on player segments, their usage and behavioural data and editorial involvement in content in real time. The tool went live in 2017;

- special offers’ management tool: personalised special offers based on complex attribution criteria such as events (sports, draws, etc.) with simplified and fluid management (for the player and for internal administrative processes). The first building blocks of this tool were implemented in 2019;

- an individual database: real time centralising of reference data on potential customer and customers to obtain a single picture of the player, regardless of the game media. This tool will go into production in the summer of 2020;

- optimisation of the certification process (verification and storage of the ID documents of newly registered players) for the benefit of player. It is anticipated that this tool will be available at the end of 2020;

- customer relationship management: improvement of the customer relationship management by using a tool which meets market standards and enables customer differentiation based on their habits. It is anticipated that this tool will be available at the end of 2020.

5.5.1.2 Sales Department and offline distribution network
FDJ uses an omnichannel distribution strategy to sell its lottery games and sports betting via two complementary channels:
- an offline distribution network consisting of 30,000 points of sale managed by the Sales Department;
- a digital offering which provides a broader range of games and services than the one available in points of sale, managed by the lottery and sports betting BUs (see sections 5.4.1 “Lottery” and 5.4.2 “Sports betting”).

Sales Department

The Sales Department is responsible for managing independent distributors. It consists of five business lines:
- a Strategy, Transformation and Performance Department, which defines the network strategy for five years, builds network transformation plans and measures the performance of the points of sale;
- a Trade Marketing Department, which prepares the annual sales action plan jointly with the BUs;
- a Sales Force Department (four regional departments and 55 sectors with 760 salespeople, including approximately 200 outside service providers) responsible for implementing the action plan with the distributors in the points of sale. It made 465,000 commercial visits in 2018, managed the opening of 976 points of sale, issued 1,941 additional approvals to existing points of sale, took 875,000 orders, answered 350,000 calls from distributors and trained 13,000 distributors;
- a Project Department, which manages all projects with a technical component involving IT, in particular, those relating to the industrialisation of the back office; and
- a Supply Chain Department responsible for product distribution (104 launches and events in 2018, over 1.3 million packages a year prepared at the greater Paris region warehouse and shipped throughout the country via two courier companies), the installation and maintenance of network equipment, the administrative management of distributor contracts and the collection of stakes in points of sale. 98% of distributors receive their packages on time (D+2 if the order is entered before 3:00 pm).

Offline Distribution Network

With over 30,000 points of sale in over 11,000 communes, FDJ’s offline distribution network has a coverage rate of over 90% of the French population located less than ten minutes from a FDJ point of sale in urban, semi-urban and rural areas. It is the most extensive network in France by number of points of sale, ahead of La Poste (approximately 17,000 points of sale), PMU (approximately 13,000 points of sale), Groupe Casino (fewer than 10,000 points of sale), Crédit Agricole (approximately 7,000 points of sale), Total (over 3,000 points of sale) or McDonald’s (over 1,000 points of sale) (sources: company, public data, Euromonitor). FDJ contributes to the economic and social activity of all French regions via its distribution network and pays an average annual commission of €25,800 per point of sale.

As at 31 December 2018, the FDJ network consisted of 28,500 traditional points of sale (bar-tobacconist-newsagent network) and of 1,500 new points of sale (service stations and local stores).
The map of France below shows the location of the Group’s 30,000 points of sale as at 31 December 2018 (excluding French Polynesia (Pacifique des jeux) and Saint Pierre et Miquelon).

While the FDJ establishment ratio (a point of sale for every 2,206 inhabitants as of the end of 2018) is, by comparison, lower than that of other European countries, for example Lottomatica in Italy (over 65,000 points of sale, with approximately one point of sale for every 900 inhabitants in 2018) or Camelot in the United Kingdom (approximately 45,000 points of sale, with approximately one point of sale for every 1,500 inhabitants in 2018), this difference is offset by the higher stakes per each FDJ point of sale, as FDJ has decided to concentrate on less extensive, but better equipped network.

The number of points of sale decreased by nearly 3,000 over the 2014-2018 period, with a slowdown of this decrease in 2017 and 2018 (the number of net closings reached a peak of 800 in 2015 and fell to 332 points of sale in 2018). The reduction in size of the installed base was, however, largely offset by the increase in the stakes per point of sale, which rose from €383,000 in 2014 to €493,000 in 2018 as a result of the efforts deployed by the sales force to develop business:

- sports betting licenses, which covered 92% of the installed base in 2018 (compared to 69% in 2010);
- draw licenses (excluding Amigo), which covered 84% of the installed base in 2018 (compared to 59% in 2010);
- Amigo licenses (to a lesser extent, given that these are only granted to points of sale which have sufficient space) which covered 43% of the installed base in 2018 (compared to 30% in 2010); and
- licenses for instant games, which remained virtually unchanged at 97% of the installed base in 2018 (compared to 96% in 2010).

FDJ grants licenses at the end of a process which lasts approximately 12 weeks. License granting is subject to the distributor obtaining a bank deposit (required by FDJ) and to the distributor creating a license file which is then addressed by FDJ to the Service Central des Courses et Jeux (Central Service for Racing and Gaming)
(French Ministry of the Interior). This agency proceeds with the verification of the source of the funds and of the character of the contracting distributor. Once the distributor has been licensed, but prior to commencing business activities, the distributors must attend the course in FDJ management methods (terminal use, Responsible Gaming, FDJ procedures). Each license is granted *intuitu personae* and cannot be transferred. Licenses can be suspended or withdrawn by FDJ for missed payments, a serious Responsible Gaming breach or fraud.

**Distribution network activities**

In 2018, offline distribution network stakes accounted for €15 billion57 (i.e. approximately 95% of total stakes), an increase of 3.7% compared to 2017. Average weekly stakes per point of sale were €9,641 in 2018 compared to €9,173 in 2017, i.e. an increase of 5.1%. Average weekly stakes per inhabitant (over 18 years old) amounted to €5.70 in 2018, for all games.

As of 30 June 2019, offline distribution network stakes accounted for €7.916 billion (i.e. approximately 94% of total stakes) up 6% compared to the first half of 201858.

Since 2016, the point of sale network has been segmented into four categories based on average weekly stakes: Bronze for points of sale with weekly stakes of less than €3,500, Silver for points of sale with weekly sales between €3,500 and €10,000, Gold for points of sale with weekly stakes ranging from €10,000 to €20,000, and Platinum for points of sale with stakes of at least €20,000 a week. These thresholds will be increased on 1 January 2020. This segmentation enables an enhanced steering of investments, promotions and of the sales pressure put on the points of sale and to relate it to the performance of each point of sale. Bronze points of sale account for 28% of all points of sale and for 5% of stakes; Silver, accounted for 38% of points of sale and 25% of stakes; Gold, accounted for 24% of points of sale and 35% of stakes; and, Platinum, accounted for 10% of points of sale and 35% of stakes. The point of sale network is also highly digitalised now as a result of the increased use of FDJ applications and of QR codes which enable players to prepare their stakes on their mobile telephone and to validate them at the terminal available at the point of sale. Digitalised stakes in points of sale reached €1.6 billion in 2018, i.e. double the number of stakes in the digital channel (€0.8 billion).

**Distribution and sale of instant games**

FDJ instant games are sold on consignment via distributors who are authorised agents. Invoicing is not triggered when the booklets are delivered, but only after they have been activated and their sale has begun. This model, which is the result of the exclusive rights granted to FDJ, requires FDJ to collect any unsold ticket booklets at the end of the commercialization period.

The instant game design, printing and distribution process is secure:

- printing is managed by specialist North American printers. The computer programming for the lots is verified by an independent audit firm and the games are certified by an external laboratory (see section 3.6.2.2 “Organisation to ensure game integrity”);
- scratch games have no value as long as they have not been activated by the distributor at the point of sale. This reduces risks throughout the logistics chain.

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57 Note that digitalised stakes totalled €2.427 billion in 2018.

58 Digitalised stakes totalled €1.652 billion in the first-half of 2019.
**Commercial strategy:**

FDJ’s commercial strategy is organized around three pillars:

- support and revitalize the traditional network via changes to points of sale commissions, the modernisation of points of sale, and the addition of new, remunerating services;

- expand and diversify the offline distribution channels; and

- continue the transformation of the sales model in search of greater performance.

**Changes to the structure of distributors’ remuneration**

Prior to 2018, distributors’ remuneration consisted of a 5% commission on the stakes collected in points of sale and of a Responsible Gaming bonus system which provided additional points of sale commissions of 0.2% of the amount of the stakes, conditional on compliance with the seven Responsible Gaming and security conformity criteria. Distributors could lose all of their bonus in the event of non-compliance.

Furniture rent paid by distributors had to be deducted from this commission.

In early 2018, FDJ decided to align the terms of remuneration of distributors with the rules of the specific taxation by reflecting this alignment in the remuneration agreement. A new remuneration model, which varies based on the different games, was implemented over a two-year period, in 2018 and 2019. It is based on several levers (see section 7.1.2.5 “Change in the commission of distributors”):

- starting in 2018, the rent paid by distributors for FDJ furniture was eliminated (it accounted for €13 million in 2017, i.e. the equivalent of 0.1% of remuneration in relation to the stakes);

- FDJ introduced remuneration for certain services such as the management of vouchers and reduction coupons activated during 2018;

- in 2019, the commission for the most profitable games for FDJ was increased and commissions on sports betting became variable.

This reworking of FDJ points of sale commissions is intended to:

- improve the resilience of the most fragile points of sale;

- promote a responsible model by favouring the games with the lowest payout ratios;

- strengthen the competitiveness of sports betting by developing combined stakes and increasing the flexibility of the odds policy.

By the end of 2019, the entire system should enable an increase in the average annual remuneration of distributors of almost 0.3 points compared to 2017. Beginning in 2020, the additional costs for FDJ should amount to nearly €40 million compared to 2017 costs and on the basis of an identical number of stakes.

Distributor income should continue to grow through 2025 as a result of the growth in stakes and the new services FDJ will be offering in its network. Between 2010 and 2018, the average commission by point of sale increased from €14,200 to €25,800, an increase of over 80%. The system however does not include a contractual mechanism for future increases in remuneration.

The commissions paid by FDJ to distributors most often represent their second source of income.
**Modernisation of the points of sale for distributors and players**

For several years, FDJ has deployed and maintained over 365,000 pieces of equipment (of which 100,000 are connected in real time to FDJ’s IT centre in Vitrolles) throughout its entire network in order to provide a quality experience to both players and distributors in the points of sale.

This equipment is positioned along the four key steps of the customer journey and meets four objectives:

- indicate FDJ’s presence from outside the point of sale (29,500 signs and 20,000 outside poster frames);
- promote the FDJ games offering inside (merchandising equipment: 23,000 till counter areas with screens, 41,500 self-service stations, 4,400 multi-game kits and 15,500 Amigo screens);
- enable transactions (33,000 Neptune point of sale terminals); and
- enable verification of winnings (28,500 receipt checkers).

The equipment (counters and self-service areas) which FDJ has developed over the past years is modular and eco-designed (materials and recycling). It optimises the visibility of the FDJ offering and meets the accessibility requirements of people with disabilities. Given its modularity, it also anticipates the installation of new digital equipment and enhances the Responsible Gaming message, notably the prohibition of sales to minors.

FDJ has also developed a compact version of its retail equipment, the “multi-game kit”, for smaller points of sale. It provides simplified access to the three game ranges (draw, instant and sports betting) with, notably, for the instant games, an assortment of 13 game tickets (vs. 24 on average for the full offer).

In order to process stakes, FDJ has deployed 33,000 new next-generation terminals (Neptune terminals) which have fully tactile screens and contactless technology, which facilitate distributors’ tasks while increasing transaction security (ID scans for winnings above the Perben threshold, ticket checking).

The receipt checker, which allows players to scan their game receipt (draw games and sports betting) at the point of sale to check if they have a winning ticket, is becoming obsolete. The deployment of replacement equipment is expected to start in 2020. The mobile verification solution will also be promoted to players to develop new methods for verifying winnings.

From 2015 to 2020, FDJ will have invested approximately €180 million in equipment and the modernisation of its points of sale. 52% of investments will be spent on merchandising equipment to promote the FDJ offering, 33% on digitalisation with new gaming terminals, 9% on innovation with new equipment including gaming terminals in the points of sale and dynamic displays and, lastly, 6% on modernising the logistics chain.

**Consolidation and diversification of the points of sale**

FDJ has set itself the goal to maintain 30,000 points of sale by 2025. To offset the closures in the traditional bar-tobacconist-newsagent network, FDJ has initiated the diversification of its distribution channels in new types of points of sale, primarily in service stations and local stores with a floor space under 400m² in city centres and in shopping malls. These categories of points of sale, which accounted for 2.1% of the installed base in 2010, have reached 5.4% in 2018.
This selective diversification effort is being conducted to enhance local coverage and target new potential players. It is discussed on a regular basis with the two distributor representatives: the Tobacconists Confederation (Confédération des Buralistes) and Culture Presse. This ensures follow-up and the objectification of the results provided by these new types of points of sale and the potential risk of cannibalisation of the sales of nearby points of sale.

**Change in the distribution model and sales organisation**

To ensure the sustainability of its extensive gaming model and to reassure its physical distribution channels, FDJ has made changes to its distribution model and sales organisation.

Historically, FDJ’s distribution network was managed by independent broker-agents remunerated on the basis of a commission based on stakes collected and who exercise a primarily logistical function. As this system was no longer suited to the changes in services required for developing points of sale and to attract new players, FDJ terminated the contracts of all the broker-agents in 2014. It took back direct management of the sales sectors via FDP (the lottery and betting game distribution subsidiary for mainland France) and FDJ Développement (the subsidiary responsible for leading and managing sales in the FDJ network in the Caribbean and French Guiana) by bringing two-thirds of the sales force in-house (i.e. by bringing in the brokers’ personnel in application of Article 1224-1 of the Labour Code). The remaining third is managed by external service providers Commercial Distribution Companies (CDC), managed by FDP.

As a result, since the end of 2018, distribution to all of the sales sectors is managed in-house with delivery to all of the points of sale from the central warehouse in the greater Paris region, via two courier companies (see section 7.1.2.4 “Change in the distribution model and sales organisation”).

The map below shows the geographical distribution of the sales force between the CDCs and FDJ subsidiaries (excluding French Polynesia (Pacifique des Jeux) and Saint Pierre et Miquelon) as at 31 December 2018. Out of 55 sectors, 35 are managed by FDJ subsidiaries and 20 by CDCs.

The contracts signed with the CDCs expire in 2025. Their remuneration is calculated using the same rules as for the remuneration of FDJ subsidiaries. Remuneration is
based on the number of points of sale covered and the stakes generated by the points of sale. It also includes a variable portion based on annual targets.

5.5.1.3 Technology Department

The Technology Department is responsible for the Group’s technology strategy and for managing all computer transactions related to FDJ’s core business.

The Technology Department consists of the teams managing the evolution of the information system (Information Systems Department), the technical engineering for its operation, including managing draws (Technical Department) and security (Information System Security Department). It counts approximately 550 employees.

The information system is FDJ’s industrial tool. It is the foundation on which all transactional and financial flows for the stakes recorded by the Group are based. It carries the entire game transaction processing, from validation of the gaming operations in the points of sale and online through the management of gaming platforms, customers, the supply logistics for distributors, their invoicing, their remuneration and the sales force management tools. It manages over 100,000 terminals in the points of sale (terminals, self-service terminals, promotional displays, receipts) connected to the FDJ IT centre in Vitrolles. It processes approximately €17 billion in financial flows annually, consisting of 5 billion transactions, over 3 billion consisting of game transactions, and with peak activity reaching over 1,000 transactions a second. It handled 400 bets a minute and enabled 44,000 simultaneous live sessions on 15 July 2018 during the Football World Cup finals. In 2018, according to a Gartner study, FDJ’s spending on information systems represented 3% of its revenue, compared to an average of 4.8% for five comparable lotteries.

It is built on a state-of-the-art technology infrastructure consisting of a high-performance and high-availability data centre with a dual room data centre located in Vitrolles. It also includes a data integrity centre located in Marseille and local infrastructure dedicated to warehouses for logistics operations. This technology infrastructure, with over 6,000 virtual servers, which represents 1.9 petabytes of storage, is operational 24/7 and 365 days a year with an extremely high availability rate.

The information system meets all sector requirements with respect to conformity. Its information security management system is ISO 27001 certified and it complies with the standards of the World Lottery Association (WLA-SCS) and of the French online gaming regulatory authority (ARJEL). Moreover, it complies with industry security standards for payment cards (PCI DSS), data security standards that apply to the various players in the payment chain.

Historically, FDJ’s information system was designed to manage an offline distribution network consisting exclusively of bar-tobaccoist-newsagent and games without customer identification. The Group’s technology strategy for 2025 is to transform the information system into an omnichannel target with the capacity to manage a diversified distribution network based on cloud technologies. The strategy selected consists of the gradual modernisation of the information system in successive steps to transform its foundations, while ensuring the inclusion of new functionalities to implement the Group’s strategy.

This transformation is supported by technology management principles based on core business line and high-value components. The general principles for the allocation of resources are implemented in different ways for each facet of the information system, enabling the optimal application of resources to the Group’s key challenges:
- for digital interfaces: use of specialists who have the bandwidth and ability to absorb the rapid changes inherent to these technologies;
- for innovative game platforms: customer account and distributor management including omnichannel properties and 360° views of customers and distributors: design and development are entrusted to Group resources (FDJ Gaming Solutions);
- for traditional game engines: use of gaming sector specialists, with a technology transfer if need be;
- for back-office systems: use of market software packages and general-purpose integrators;
- for corporate digital (IS support consisting of tools and applications provided to employees): purchase of SaaS services (Software as a Service) on the market.

5.5.2 Communication, Media, TV Production, Events and Innovation Departments

5.5.2.1 Communication, Media, TV Production and Events Departments

The FDJ marketing strategy is deployed throughout France (mainland and overseas departments and territories) via media and non-media communication methods. It is intended to inform the general public of the FDJ game offering (a legal and responsible offering), to enhance the presence of the brand in peoples’ minds and to strengthen the name and brand recognition of FDJ products. It contributes to the Group’s extensive gaming model, which enables the recruiting of new players who have not been exposed to the FDJ offering and the retention of occasional players as well as ensuring the loyalty of regular players while promoting moderate gambling.

The Group’s communication strategy is designed in a differentiated manner depending on the offer in question.

For draw games, the advertising emphasises jackpots in order to attract new players or occasional players. Ten marketing campaigns were carried out for larger or exceptional jackpots in 2018 (linked to calendar events). For instant games, advertising is related to the launches of the Group’s new games. In 2018, five marketing campaigns were deployed for the launch of new games such as “Mission Patrimoine” and for the “Pochettes Cadeaux de Fin d’Année” operation.

For sports betting, the advertising is implemented throughout the year to inform players of the new services offered. It is further enhanced for the Super Pactole Loto Foot and for important sports events like the Football World Cup. With respect to the FDJ brand in general, advertising contributes to strengthening player trust, creating preferences and developing their commitment.

The Group’s communication budget (media and non-media) has been relatively stable for 10 years. It amounted to €127 million in 2018, split between advertising costs (purchases of advertising space), audiovisual production (draw programme broadcasts), sports partnerships and events.

FDJ’s advertising space purchases accounted for 3.2% of the Group NGR in 2018. According to the Kantar ranking, the share of votes for FDJ in the gaming sector in France is over 40% in an environment in which there was a very significant increase in advertising spending by online sports betting operators during the Football World Cup. According to Kantar, FDJ is regularly ranked among the top 25 French advertisers. FDJ spends most of its advertising budget on television (nearly 50%), the
most effective mass media for instant games, and on digital (over a third), a complementary medium to ensure the broadest possible coverage of the playing-age population and to reach players in their different multichannel consumption journeys. In terms of trends, investment in television is stable, although its relative weight is down given the sharp increase in digital (up 30%). FDJ has committed to spending 10% of its annual television budget on Responsible Gaming messages to reinforce its societal responsibility in communication.

In addition, for the past several decades, in order to ensure the transparency of its gaming operations, FDJ has designed, together with its subsidiary FDJ Studios, the audiovisual production of draw programmes for its main games (Loto®, Euromillions/My Million) which are broadcasted on the main television channels. Since 2014, as part of an agreement with FDJ which was renewed in 2019 following a consultation process, TF1 has broadcasted its draw games. The draw broadcasts are full-fledged television programmes since they provide real information to television viewers.

In addition to media and marketing campaigns in points of sale and online, FDJ designs and organises occasional events (regional activities, events in the points of sale and in shopping centres, marketing in the street) to attract the attention of the general public and involve it in the events, notably in sports (Parions Club events). These marketing events provide an opportunity for these targets to discover the FDJ offering (distribution of discovery offers) and to live unique experiences (Parions Club prize winners become stars).

5.5.2.2 Innovation Department

Lotteries are faced with multi-faceted competition from other gaming operators (notably, sports betting companies and casinos) and, more broadly, from players in the entertainment industry (Netflix, Spotify, Candy Crush), which they have to compete with for individuals’ leisure time and budgets, in a changing environment, characterized by the emergence of new digital habits and behaviours impacting the entire society.

FDJ has opted for a proactive approach to innovation to differentiate itself. Innovation relates to the Group’s product offering, which is consistently designed to ensure that one offering does not cannibalise another, and the evolution of the experiences offered to players via, for example, the development of new game models (syndication, multiplayer).
FDJ has been able to expand its offering without impacting its existing business line, as illustrated in the chart below:

Innovation is also at the heart of the modernisation of the Group’s offline (new offline distribution models, digitalisation, combined offline/online) and digital (mobile application, new voice interfaces) distribution channels and the diversification of its activities (international, payment & services, entertainment). FDJ also plays an active part in European innovation systems in collaboration with other lotteries (Euromillions, European Lotteries, LEIA).

FDJ’s innovation effort covers four main areas below, in order to meet the major challenges it faces (density and diversification of its network of points of sale, digitilisation of its offering and access, renewal of the player base):

- offering: stimulate product innovation in the core business and create innovative business models to develop adjacent activities;
- customer experience: innovate to improve the entire customer experience with a particular focus on modernising the point of sale network;
- customer knowledge: better knowledge of customers via improved customer journeys, identification and personalisation, while enhancing Responsible Gaming;
- assistance provided to support departments: provide support departments with innovative solutions via an opportunistic approach.

To meet its goals, FDJ has implemented an approach which, in addition to general management and the Innovation Department, involves all of the Group (BUs and other departments), as well as its entire innovation ecosystem created over the past years, which includes:

- a corporate venture fund (V13 Invest) whose role is to take minority interests in early stage European start-ups in the entertainment and point of sale customer experience sectors to support their growth and create synergies with FDJ;
- general-purpose and themed investment funds in which it has invested (Partech, Raise, OneRagTime, LevelUp, Trust eSport) and which provide it with a vision and understanding of innovation trends, both cross-cutting on topics common to many industries and specific to themes which are important to the Group and enable it to identify start-ups which offer solutions addressing FDJ’s challenges and with which experiments are put in place; and

- start-up accelerators and incubators, such as D3, the Paris&Co innovation platform dedicated to the omnichannel customer experience, retail and services, hosted on FDJ premises and of which FDJ is a partner and founder alongside AG2R La Mondiale, Bouygues Télécom, Diam, Hammerson and L’Oréal.

**Responsible innovation**

FDJ’s Responsible Gaming policy applies to all stages of its business, including the innovation phase. 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.

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

- a generic matrix enabling evaluation of all gambling games sold by FDJ (Universal Serenigame® matrix developed in 2012); and

- a dedicated matrix for the evaluation of scratch games (Serenigame® Scratch Card) commissioned in 2018.

FDJ also has recourse to artificial intelligence and to big data (mass data processing).

### 5.6 Corporate and Social Responsibility (CSR) Policy

Social responsibility has been at the heart of the FDJ model since its inception. It is the heir to the Loterie Nationale created in 1933 to assist the victims of the Great War and of agricultural disasters. In addition, social responsibility is inseparable from the FDJ model, which has been entrusted by law with a mission to protect public order and social order by channelling the general public’s demand for gambling in a controlled manner and by preventing the potential negative aspects of gaming and gambling.

Expanding on these public interest missions, FDJ implemented a Responsible Gaming (RG) policy in 2005 which is the foundation of its social responsibility protocols. The Group’s Responsible Gaming policy is described in section 3.6.3 “Responsible Gaming Management Policy”.

In addition to Responsible Gaming, the Group implemented a global Corporate and Social Responsibility (CSR) policy in 2006 which is included in all of its activities. It has been consolidated since 2009 via the application of ISO 26000 principles on the social responsibility of companies and fully integrated in the company’s governance and strategy via the creation in 2012 of a sustainable development committee within the FDJ board of directors.

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59 In addition, in order to include the UN’s 17 Sustainable Development Goals in its CSR policy, FDJ examined the impact of its actions with respect to 13 of the 17 SDGs, notably the fight against poverty, inequality, money laundering and climate change.
The FDJ Group’s CSR policy has been evaluated several times by Vigeo, an extra-financial rating agency. The last evaluation was conducted at the end of the first half of 2019 and resulted in an A1+ rating. This puts the Group in the top 5% of the best-rated companies with an overall score of 66/100, an increase of nine points compared to its previous assessment in 2017. FDJ is ranked number one in the gaming subsector. The average for the subsector in Europe is 31.7/100 and the second-ranked company obtained a score of 37/100.

FDJ has developed a materiality matrix and a mapping of its main CSR challenges and risks as part of the ongoing dialogue with its stakeholders. As of the date of this Registration Document, 17 major CSR challenges have been identified. They are broken down into six major risks: Responsible Gaming, Integrity, Human Resources, Solidarity, French Territories, and the Environment, as shown in the diagram below:

**Best-in-class Corporate Social Responsibility across all key areas**

- **Responsible Gaming**
- **Integrity**
- **Human Resources**
- **Good Causes**
- **Territorial Development**
- **Environment**

**Responsible Gaming**

See section 3.6.3 “Responsible Gaming Management Policy”.

**Integrity**

For a description of the mechanisms aimed at fighting against fraud and money laundering, to protect personal data, to fight against corruption and against the manipulation of sports competitions, see section 3.6.2 “Description of the main risk management systems”.

With respect to responsible purchasing, FDJ signed the Inter-Company Mediation Responsible Supplier Relations Charter in 2014. It now aims to obtain the “Supplier Relations and Responsible Purchasing” label in 2020. This label distinguishes companies that have a balanced and sustainable relationship with their suppliers.

In the extra-financial rating carried out by Vigeo, FDJ was ranked first for the prevention of corruption and money laundering indicator with a score of 78/100. The average for the subsector was 35/100 and the second ranked company had a score of 39/100. FDJ has made formal commitments covering all of its responsibilities in this area and ensures that its most at-risk employees receive training.
The Group also promotes purchasing from companies that employ people with disabilities. In 2018, €851,000 were allocated to purchases from Establishments of Assistance Services through Work (Etablissements aux Services d’Aide par le Travail - ESAT) and Assistance Companies (Entreprises Adaptées - EA).

**Human resources**

The Group has identified five main social challenges in its CSR policy:

- ensure proper management of skills via the planned management of jobs and skills (GPEC). The system has been in place for over 10 years. Its goal is to ensure a match between employee skills and the skills necessary to implement its strategy. FDJ allocates over 4% of its payroll to training;

- promote constructive social dialogue: FDJ management meets with its three unions every 15 days to negotiate agreements which contribute to ensuring a high level of social dialogue;

- increase career diversity and equality by fighting against all types of discrimination. Since 2010, FDJ has been engaged in an ambitious policy to promote diversity and equal opportunities in order to tackle all forms of discrimination.

FDJ renewed its diversity certification and obtained its gender equality label for the first time in 2017. This label guarantees career equality between women and men and is issued every four years by Afnor (French national organisation for standardisation). The wage gap has narrowed due to a specific budget allocated for this purpose. FDJ obtained a score of 84/100 on the new “gender equality” index implemented by Avenir Professionnel in 2018 and continues to strengthen its actions to improve its score in 2019.

In order to promote the diversity of social origins, a pillar of the Group’s Diversity policy, in 2018 FDJ renewed its partnership with Mozaik RH for the third year to assist it in the recruitment of employees from all backgrounds.

Expanding on these actions in 2019, FDJ committed to the new PAQTE (Pacte Avec les Quartiers pour Toutes les Entreprises) initiative launched in July 2018 by the French President. This programme is based on four pillars: raising awareness, training, recruiting and purchasing.

For many years, FDJ has supported the employment and training of young people within the Company. In 2018, work-study employees represented more than 6% of the Group’s workforce.

With respect to the employment of people with disabilities, the Group integrates new employees with disabilities and ensures the continued employment of employees whose health deteriorates. In 2018, 5.89% of the people employed by FDJ had a disability (direct and indirect jobs).

- support quality of life at work: FDJ has had a dedicated Diversity and Quality of Life Department since 2014, which manages actions to achieve its objectives in this area. An internal counselling unit is available to employees of the FDJ Group experiencing personal problems or discrimination;

- ensure trust in internal governance while maintaining a high level of employee commitment as measured by a rate of commitment survey of all of the Group’s employees carried out every six months. The survey covers six topics: local environment, recommending the company to a relative, alignment with the company strategy, quality of life and well-being, involvement and opportunities
for career development. Results are above 75% and reflect a solid basis of employee commitment and trust in the company’s ability to meet its strategic objectives.

**Solidarity**

**Societal contribution**

FDJ has been involved in a large number of societal activities for many years.

Created in 1993, the FDJ Corporate Foundation set a new course for its action in 2018. It is committed to promoting equal opportunities through gaming in two areas: education and inclusion of people with integration difficulties, regardless of the reasons (see section 6.2.3 “Corporate Foundation”).

FDJ has been a leading sponsor of French sports for many years and promotes all facets of sport. The Group also supports Women’s sports and promotes gender equality via the “Sport pour Elles” programme launched in 2016. It is built around four priority pillars: encourage women to do sports, support high-level women’s sports, support women’s sports in the media and mobilise networks (both social and professional) to change thinking about the place of sports in women’s lives. The Group is also active with elite athletes via the “Challenge” programme which supports young, promising athletes through financial aid, career management, training and occupational retraining.

FDJ has also sponsored a cycling team for 30 years (see section 5.7.3.3 “Société de Gestion de L’Échappée”). It partners with sports establishments and sponsors major French sports events (UEFA EURO 2016™, Candidature Paris 2024…).

In addition, as part of a long-term heritage strategy led by the Ministry of Culture, the French State has adopted the principle of using FDJ games to fund the “Patrimoine en péril” (Heritage in Danger) campaign hosted by the Fondation du Patrimoine (French national heritage foundation). As a result, FDJ also helps fund a major national cause.

In 2018, €21 million from state public levies on the stakes of “Mission Patrimoine” games were allocated to the “Patrimoine en péril” fund of Fondation du Patrimoine (French national heritage foundation). It will be used to safeguard and renovate around 270 projects across France. This initiative was renewed for 2019 with the Super Loto® du Patrimoine on 14 July 2019 and scratch games for the Heritage Day in September. By playing these games, players contribute to the restoration of French heritage.

FDJ will also sponsor the Fondation du Patrimoine (French national heritage foundation) for three years (€1.4 million over 2018, 2019 and 2020) and publicise its appeal for donations.
Dialogue with stakeholders

FDJ has maintained an ongoing, in-depth dialogue with all of its stakeholders for many years, in particular on issues involving civil society. The dialogue has been structured and strengthened by a Social Laboratory set up in 2014. It brings together a dozen civil society non-profits and organisations (see section 3.6.3.2 “Prevention of excessive gambling”).

FDJ also takes part in exchanges on best practices with other European lotteries within the European Lotteries Association on issues involving Responsible Gaming and CSR. In 2018, this resulted in the creation of CSR guidelines for lotteries (CSR Guidelines).

Support to French territories

The sale of FDJ products is an important activity for 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. It assists them with their modernisation (new equipment and digitilisation) and provides specific support to the most vulnerable ones.

In 2018, FDJ’s contribution to gross domestic product (GDP) was valued by a BIPE study at €5.4 billion. It created or gave permanent status to 52,000 jobs throughout the country, of which 20,350 were in the distributor network, i.e. one-fifth of the jobs in the bar-tobacconist-newsagent sector.

Environmental actions

Faced with the challenges of global warming and the growing deterioration of the environment, FDJ is fully committed to decreasing its environmental impact and to contributing to the environmental transition. The company has assessed its overall Bilan Carbone® (carbon footprint) using the ADEME method since 2008. FDJ has implemented actions for over ten years which reduced its carbon emissions by 8% between 2007 and 2017 while its business grew strongly. For example, since 2012, 100% of FDJ’s scratch cards and gaming materials have been printed on paper from sustainably managed forests (FSC). Instant game tickets are made of 20% recycled paper and all of the points of sale terminals and furniture at the end of their useful life are 80% recycled. The electricity consumed is from renewable sources and the heat produced by FDJ data centres is recovered to heat the premises at the Vitrolles site. FDJ decided to join the international Science-Based Targets (SBT)® initiative in 2019 in order to validate its carbon emissions reduction efforts against the international objectives approved by the Paris Agreement in 2015.

FDJ set the following goals:

- reduce its carbon emissions by 20% between 2017 and 2025;
- achieve carbon neutrality by 2019 by offsetting emissions which cannot be avoided. The offsetting will be implemented by funding international projects to limit carbon emissions (Gold Standard and/or VCS - Verified Carbon Standard) certified for their reliability, notably by the UN.

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60 The Science-Based Targets initiative is an international non-profit initiative launched in 2015 during COP 21 in Paris by the Carbon Disclosure Project (CDP), the United Nations Global Compact (UNGC), the WWF and the World Resources Institute. The initiative helps companies set and validate their greenhouse gas emissions targets in line with the general target defined by the IPCC in order to limit the increase in the average global temperature to under 2°C by 2100.
5.7 Investments

5.7.1 Significant investments over the past three financial years and during the first half of 2019

The investments made by the Group amounted to €92.9 million for the year ended on 31 December 2018 compared to €104.2 million for the year ended on 31 December 2017 and €265.7 million for the year ended on 31 December 2016 (the 2016 investment was allocated for the acquisition of the company’s head office in Boulogne). The investments made by the Group over the first half of 2019 totalled €144.2 million.

These investments consist of acquisitions of tangible and intangible assets. They include recurring investments and strategic investments.

The acquisitions of tangible and intangible assets correspond to investments net of payables and advances.

The table below shows the amount of fixed-asset acquisitions over the three financial years:

<table>
<thead>
<tr>
<th>in € million</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions of tangible and intangible assets</td>
<td>92.9</td>
<td>88.6</td>
<td>265.7</td>
</tr>
<tr>
<td>Acquisitions of investments</td>
<td>-</td>
<td>15.6</td>
<td>-</td>
</tr>
</tbody>
</table>

The total amount of investments made by the Group was €144.2 million for the half-year ended on 30 June 2019 compared with €55.3 million for the half-year ended on 30 June 2018.

The table below shows the amount of fixed-asset acquisitions for the half-year ended on 30 June for 2019 and 2018:

<table>
<thead>
<tr>
<th>in € million</th>
<th>June 2019</th>
<th>June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions of tangible and intangible assets</td>
<td>32.4</td>
<td>55.3</td>
</tr>
<tr>
<td>Acquisition of investments</td>
<td>111.8</td>
<td>-</td>
</tr>
</tbody>
</table>

The Order reforming the regulatory framework applicable to the gaming sector set the duration of FDJ’s exclusive operating rights at 25 years. In accordance with the Pacte Law, the Order also specifies that a financial consideration is payable by FDJ no later than 30 June 2020. Accordingly, in the interim financial statements at 30 June 2019, FDJ recognised an intangible asset corresponding to these rights, amortised with effect from 23 May 2019, the date of enactment of the Pacte Law, as well as a corresponding payable to the French State. At the date of adoption of the financial statements, and in accordance with discussions with the French State, the financial consideration payable was estimated at €380 million. This amount was confirmed by the decree of the supreme administrative court (Conseil d’Etat) dated 17 October 2019 approving the Specifications Document, after receiving the assent of the French Investments and Transfers Commission (Commission des Participations et des Transferts).

As this amount had not been paid as at 30 June 2019, it is not presented within cash flows from investing activities for the period in the Group's consolidated cash flow statement for the first half of 2019.

As this amount has not been paid as at 30 June 2019, it does not appear as an investment for the period in the Group's cash flow statement for the first half of 2019.
Recurring investments

Recurring investments mainly include purchases of tangible and intangible assets required to continue the business under the same conditions as previously conducted. They primarily include costs linked to point of sale equipment, development costs of information systems and the maintenance thereof and, to a lesser extent, distribution warehouse equipment costs and costs linked to TV production.

Recurring investments also include project costs associated with the development of the Group’s various BU and ABU, compliance with current regulations, and boosting the capacity and efficiency of information systems.

For the years ended 31 December 2016, 2017 and 2018, recurring investments are broken down as follows:

- investments in intangible assets totalled €31.6 million in 2018, €31.5 million in 2017 and €29.9 million in 2016. They mainly relate to development work on live and back office information systems and gaming terminals;
- investments in tangible assets totalled €36.3 million in 2018, €36.1 million in 2017 and €28.9 million in 2016. These investment amounts mainly represent the acquisition costs of points of sale fixtures and fittings and the cost of IT equipment (hosting and servers).

For the financial half-years ended 30 June 2018 and 2019, recurring investments are broken down as follows:

- investments in intangible assets totalled €13.2 million in 2019 and €17.3 million in 2018. They mainly relate to development work on omnichannel architecture systems for the sports betting activity and the sales information systems;
- investments in tangible assets totalled €19.2 million in 2019 and €24.0 million in 2018. These investment amounts mainly represent the acquisition costs of points of sale fixtures and fittings.

Strategic development investments

Development investments correspond to the strategic acquisitions of assets which increase the Group’s capabilities.

The Group decided to establish its headquarters in Boulogne-Billancourt, so as to bring together employees from the various sites and improve operational and financial efficiency; the cost of this acquisition and of the associated improvements amounted to €25 million in 2018, €21 million in 2017 and €207 million in 2016.

In 2017, the Group made the decision to buy back a portion of its securities (3% of capital) from Soficoma, the acquisition price of which was placed in escrow with the Caisse des dépôts et consignations due to a dispute with Soficoma over this acquisition (see section 18.7 “Legal and arbitration procedures”).

In addition, FDJ Gaming Solutions, an FDJ subsidiary, announced on 24 June 2019 that it had acquired Sporting Group, the assets and B2B expertise of which, in terms of managing the sports betting offering and worldwide risk management, are highly complementary to the current assets and expertise of the Group. This acquisition was completed for a consideration of €121 million, of which €111.8 million had been paid as at 30 June 2019 (acquisition of shares for €35.1 million and acquisition of debt for €76.7 million. The amount not yet disbursed (variable part of 2019 EBITDA) is €4 million (£3 million). To date, it seems likely that the threshold for triggering this price adjustment will not be reached. Sporting Group employs over 300 employees and
generated revenue of £38.6 million in 2018 (see section 5.4.3.1 “International B2B services”). To finance the acquisition and refinancing, the Group subscribed a loan for £100 million on 15 May 2019, granted by a banking pool (Barclays Bank PLC, Crédit Agricole Corporate & Investment Bank and Société Générale). The balance was financed by its own funds.

5.7.2 Significant investments in progress and those covered by firm commitments from management bodies

Apart from the items described above, the Group has neither significant investments in progress, nor firm commitments given by the corporate bodies other than those relating to normal business activities (which on average amount to 4% of the revenues).

5.7.3 Information on joint ventures and major shareholdings

5.7.3.1 Contract relating to the joint company Beijing Zhongcai Printing Co

FDJ Gaming Solutions held, as of 31 December 2018, 37% of the share capital of Beijing Zhongcai Printing Co, a public private joint venture registered in China which produces and sells instant lottery tickets and transfers related to printing technology. The balance of the share capital is held at 43% and 20%, respectively, by the Chinese lottery (China Welfare Lottery) and Berjaya Limited (a private Malaysian company).

The relationships between shareholders were governed by a deed of partnership for 15 years, which expired on 24 November 2018 and has been renewed for an additional one-year period. Discussions are under way to enable the Chinese Lottery to buy FDJ’s share.

The holding is equity-accounted for in the Company’s financial statements.

5.7.3.2 Contract relating to the joint company National Lotteries Common Services

FDJ and Santa Casa da Misericordia de Lisboa (Portuguese lottery) created the French law company National Lotteries Common Services (NLCS) on 22 February 2013, in which they own equal portions. The purpose of the NLCS is to coordinate and supply shared services for sports betting to its partners. The shared services, which are intended to pool the skills and resources of FDJ and of Santa Casa da Misericordia de Lisboa for sports betting, are formalised in several services contracts concluded by NLCS, on the one hand, and, depending on the case, FDJ, Santa Casa da Misericordia de Lisboa, or FDJ Gaming Solutions UK, on the other. The contracts cover services, licensing and maintenance of Advanced Betting Platform and eXclusive Trading Services software, developed and owned by FDJ Gaming Solutions UK for the fixed-odds betting business.

The convention was amended in 2019 to expand the scope of shared services to the lottery business.

The holding is equity-accounted for in the Company’s financial statements.

5.7.3.3 Société de Gestion de L’Échappée

61 This percentage has not changed since that date.
Société de Gestion de L’Échappée (SGE) has managed the FDJ cycling team since 2012. In early 2018, FDJ signed a partnership agreement with Groupama, which became a co-sponsor of the renamed “Groupama-FDJ” cycling team for the 2018, 2019 and 2020 tour seasons.

The annual budget allocated for the partnership varies depending on the cycling season in question: it is approximately €17 million, of which €7.5 million is funded by FDJ (the remainder is contributed by Groupama and other sponsors, in particular Les Cycles Lapierre), and constitutes the maximum financial contribution of the partners.

As part of the implementation of the new partnership, Association l’Échappée sold all of the shares it held in SGE in December 2018, as a result of which each of the co-partners held 50% of capital and voting rights of SGE as at 31 December 2018. This holding percentage has not changed since then.

The holding was fully consolidated in the 2016 and 2017 financial statements and was equity-accounted for in the 2018 financial statements.

5.7.3.4  Lotteries Entertainment Innovation Alliance AS (LEIA AS)

Lotteries Entertainment Innovation Alliance (LEIA) is a limited liability company registered under Norwegian law held jointly by Danske Lotteri Spil A/S (Danish national lottery), FDJ, Norsk Tipping AS (Norwegian national lottery) and Veikkaus OY (Finnish national lottery), each with 25% of the share capital and voting rights as at 31 December 2018.62

The purpose of the company is to: (i) enable its shareholders to use a common platform to host and share lottery games and to create a more extensive and efficient gaming offering combined with reduced costs, and (ii) enable the shareholders to develop new games benefiting from the liquidity generated by the gaming activities hosted on the platform.

It operates as a services company, primarily for its shareholders. The company can also provide services to third parties in compliance with regulatory constraints and under certain contractual limits. Each shareholder decides alone whether they want to offer LEIA games in their jurisdiction and is solely responsible for offering the games to its players in compliance with the applicable rules. LEIA’s scope of application is strictly limited to the types of games and associated services for which its customers, including affiliates, enjoy exclusive rights in their respective jurisdictions.

The holding is equity-accounted for in the Company’s financial statements.

5.7.3.5  Services offered to Lotteries in Europe

The Euromillions game consists of ten European lotteries (France, the United Kingdom, Spain, Ireland, Belgium, Portugal, Luxembourg, Austria and two in Switzerland). Euromillions coordinates national games in a manner such that each of the lotteries operates in its own territory.

The nine European lotteries are linked by an agreement (Lottery Operator Agreement, LOA) which sets the common conditions for the Euromillions game, which must be complied with by all members (matrix, probabilities, draws, winnings, stakes, etc.).

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62 This percentage has not changed since that date.
A Belgian law limited liability cooperative company named Services aux Loteries en Europe (SLE) was created in October 2003 to conduct shared operations for the Euromillions game (draws, centralisation of numbers, calculation of payback ratios and arrangements for transferring funds between operators to pay out winnings). This company’s share capital is held by the nine European lotteries’ members of the Euromillions game; as at 31 December 2018, FDJ owned 26.57%.

From a financial standpoint, SLE centralises the stakes of the different member lotteries, calculates each winnings tier and rebalances the funds due to the member lotteries based on their revenue within the Euromillions community.

The Euromillions agreement and SLE’s articles of association were revised in 2019 to enable SLE to provide services to games other than Euromillions.

The holding is equity-accounted for in the Company’s financial statements.

5.8 Dependency factors

FDJ is not aware of any current dependencies with respect to a supplier or customer or with respect to a patent, license, sales or financial contract.

5.9 Brands, patents and licenses

The Group’s portfolio of intellectual property and industrial rights consist of an extensive portfolio of brands, domain names, patents and designs and models. Filing is primarily done in France, with some specificities with respect to the Group’s international activities for which FDJ occasionally files trademarks in other countries.

5.9.1 Brands and trademark licenses

The Group’s brands, the most significant of which are FDJ and Loto®, are highly visible brands and are very important to the Group’s communication and name recognition. FDJ is very careful in its selection of brands for its games. The name and graphics for all new games require in-depth joint work by the lottery or sports betting teams (depending on the case) responsible for the creation and development of the games, the Sales Department and the Legal Department. The brands are usually developed in-house by the lottery and sports betting teams. Certain names are proposed on a one-off basis by the marketing agencies with which FDJ has agreements regarding the registration of brands. The brands of the Group’s games contain strong, often humorous markers (see section 5.4.1.3 “Activation: promotion of the game offering to as many people as possible”). In addition, the Group continuously monitors the brands registered by third parties in order to react if a trademark is damaging to the company.

Given this context, FDJ decided to hold its brands and their variants and to occasionally rely on licensing contracts to develop themed games within its different game lines.

5.9.1.1 Trademarks registered by the Group

The Group has registered over 650 brands in France, 78 in the European Union and 138 with WIPO (World Intellectual Property Organization) or in other countries with the national offices of those countries. Most of the trademarks are registered in

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63 This percentage has not changed since that date.
classes 9 (game software), 16 (printing products), 28 (games) and 41 (entertainment, sports and cultural activities, and gaming services).

The games marketed by the Group are usually registered as a logo. FDJ also owns the umbrella brand Illiko® used for its line of instant games.

5.9.1.2 Loto brand®

Loto® is a leading FDJ brand. The company has many Loto® trademarks (verbal and semi-figurative) and pays close attention to their protection.

FDJ has owned the verbal Loto® trademark since 1983. Following several lawsuits, FDJ was required to register the verbal Loto trademark again, notably to designate games and gambling services, limiting its label to products and services “not related to traditional loto”. Aware of the importance of the brand, but also of its generic nature, FDJ implemented a special strategy to protect the brand which enables it to defend and maintain the exclusive operating territory of the brand in the field of gambling.

5.9.1.3 FDJ brand supervision and defence

FDJ is very active in defending its brands. The Group’s main brands are monitored bi-monthly. This enables the identification of trademark registrations by third parties which are those of the company.

For example, this enabled the identification of 285 registrations similar to its own by third parties in 2018. Out of the 285 trademarks, FDJ decided to take action against 117, which presented a potential threat to its business. The others were not directly related to the company’s sector of interest. The legal action launched can result in letters of commitment or agreements to co-exist, limitation of the brand, withdrawal of the brand or a decision to challenge. For example, in 2018, FDJ won cases which limited 40 disputed brands and withdrew eight others.

5.9.1.4 Licenses

FDJ has two types of licenses: (i) long term licenses, and (ii) short term licenses which enable it to launch themed games using brands and worlds known to the general public or insiders.

✔ Long term licenses

- FDJ has an exclusive use and operating license for the JOKER brand and the JOKER+ brand for France and Monaco, running until 2027. The first license for this brand was granted to FDJ in 1999.

- FDJ has had an exclusive use and operating license for the Euromillions brand in France since 2004. It is valid through the end of the agreement between the European lotteries for the operation of the Euromillions game.

✔ Short-term licenses

- FDJ has signed several licenses with the TF1 and Endemol groups. After obtaining licenses to launch the “Koh-Lanta” scratch card in 2015 and “The Voice” scratch card in 2016, FDJ signed a license agreement in January 2019 with TF1 Licenses, a subsidiary of TF1 Entertainment, and Endemolshine production, enabling it to launch a “THE WALL” scratch cards and sell it for approximately nine months in FDJ points of sale: “THE WALL” ticket was
inspired by the codes of the television programme of the same name.

- FDJ also signed several licenses with the publisher of Asmodee Digital games. In October 2018, FDJ signed a license contract allowing it to use the digital game “Harald” on fdj.fr and on the FDJ mobile application. Harald was originally a card game combining power and influence, which takes place in a fantastic medieval world. “Harald” joined six other games resulting from the partnership with Asmodee Digital.

- In 2018, FDJ was entrusted with the exclusive rights, to use, reproduce and represent in lottery and gambling games the semi-figurative Quitte ou Double brand in mainland France and the overseas departments, territories and communities, and Moncao until 3 March 2023. The game is an instant lottery with a digital facet sold as a scratch game in the ILLIKO product line (see section 5.4.1.2 “Digital lotteries”).

5.9.2 Domain names

Among the domain names registered by the Group, the most important ones are registered with the .com, .fr and .net extensions.

The Group’s domain names are all reserved and hosted by the same service provider. They renew automatically from year to year, unless otherwise requested by FDJ within 30 days before their expiration date.

FDJ also monitors the domain names registered by third parties containing FDJ brands. Legal actions are undertaken on a regular basis against the disputed domain names identified.

5.9.3 Designs and models

The Group registers few designs and models. The only significant one is the jersey of the Groupama FDJ cycling team which was registered in France on 16 March 2018 and in the European Union on 26 June 2018, within 0202 class.

5.9.4 Patents

The Group has filed approximately twenty patents in France and other countries.
Chapter 6
Organisational structure

6.1 Simplified Group organisation chart as at the Date of the Registration Document

Below is the simplified Group organisation chart, excluding the subsidiaries of Spynsol Ltd. (Sporting Group) (percentages correspond to percentages in terms of share capital and voting rights).

6.2 Subsidiaries and shareholdings

6.2.1 List of direct and indirect subsidiaries

The Company’s direct and indirect subsidiaries as at the Date of the Registration Document are described below (except for FDJ Solutions de Jeux Canada and Spynsol, the percentages of shareholdings described above are provided as at 31 December 2018 and have not changed since that date):

- **La Française d’Images**, a company governed by French law, wholly owned by FDJ with its head office located at 121 rue d’Aguesseau 92643 Boulogne-Billancourt Cedex, France. It produces audiovisual works, mainly to meet the parent company’s internal needs (Loto® and Euromillions draws, Keno Gagnant à Vie; in addition to the production of films for seminars...) and is also responsible for managing the sets for programmes produced by FDJ. It works with all Euromillions partner lotteries. In 2018, it generated revenue of €12.3 million;

- **La Française de Motivation**, a company governed by French law, wholly owned by FDJ with its head office located at 18-59 avenue de la Voie Lactée 92100 Boulogne-Billancourt, France, It is a travel agency and a business travel consultant. It notably organises trips and events for prize winners and the FDJ Group distribution network (for intra-group income of €6.9 million as at 31 December 2018, compared to €8.1 million in 2017 for services to the parent
company), its main customer. It generated revenue of €9.1 million in 2018, a decrease of 14% compared to 2017;

- **FDP**, a company governed by French law, wholly owned by FDJ with its head office located at 18-59 avenue de la Voie Lactée 92100 Boulogne-Billancourt, France, is the lottery games and betting distribution subsidiary in mainland France. Created in 2013 from the merger of 14 distribution companies, it recently took over almost 60 sectors formerly operated by broker-agents and develops the relationships with the points of sale that, as at the date of this Registration Document, collect two-thirds of the Group’s stakes (see section 5.5.1.2 “Sales Department and offline distribution network”). It generated revenue of €75.7 million in 2018, compared to €93.9 million in 2017. The change in revenue is related to the end of deployment of direct distribution in FDP branches supported by a change in the commission rate;

- **FDJ Développement**, a company governed by French law, wholly owned by FDJ with its head office located at 18-59 avenue de la Voie Lactée 92100 Boulogne-Billancourt, which is responsible for the operation and management of the FDJ network in the Antilles and French Guiana. It generated revenue of €2.2 million in 2018, stable compared to 2017. The commissions paid by FDJ in respect of services carried out by FDJ Développement amounted to €2.2 million in 2018 compared to €2.0 million for the previous year;

- **Pacifique des Jeux**, a company with its head office located in French Polynesia, 99.9% owned by FDJ (the remainder is subject to a simple loan (prêt de consommation) for the benefit of employees,) operates the Group’s gaming products in French overseas communities. It generated revenue of €6.4 million (of which €6.3 million related to commissions paid by FDJ with different rates depending on game type) in 2018, compared to €6.6 million in 2017;

- **FDJ Gaming Solutions**, a company governed by French law, wholly owned by FDJ, with its head office located at 18-59 avenue de la Voie Lactée 92100 Boulogne-Billancourt, France, is the holding company for the Group’s International activities. Its tasks consist in developing FDJ Group’s strategic core technologies and marketing B2B services internationally. As a holding company, it does not generate revenue. FDJ Gaming Solutions holds shareholdings in the following companies:

  - **FDJ Gaming Solutions UK**, a company governed by UK law, wholly owned by FDJ Gaming Solutions acquired in March 2010 (with its head office located at 140 Fenchurch Street - 5th Floor – London – England – EC3M 6BL). It is responsible for developing the Group’s sports betting technology, both within the Group and for the benefit of foreign third-party companies. See section 5.7.3.2 “Contract relating to the joint company National Lotteries Common Services”. It generated revenue of €12.9 million (of which €6.2 million related to sales to FDJ) in 2018 compared to €11.5 million (of which €5.6 million related to sales to FDJ) in 2017;

  - **FDJ Gaming Solutions France**, a company governed by French law, wholly owned by FDJ Gaming Solutions (with its head office located at 18-59 avenue de la Voie Lactée 92100 Boulogne-Billancourt, France), is responsible for the development of digital technologies and lottery points of sale within the Group and for the benefit of foreign third-party companies. See section 5.4.3.1 “International B2B services”. It generated revenue of €20.7 million (of which €18.0 million related to sales with FDJ) in 2018 compared to €21.9 million (of
which €19.2 million related to sales with FDJ) in 2017. FDJ Gaming Solutions France wholly owns:

- **FDJ Solutions de Jeux Canada**, a company governed by Quebec law incorporated in May 2019, wholly owned by FDJ Gaming Solutions (with its head office located at 511-625 avenue du Président Kennedy, Montreal (Quebec), H3A1K2 Canada) is responsible for providing IT services;

- **Spynsol (Sporting Group)**, a company governed by UK law acquired in May 2019 (with its head office located at Gateway House – Milverton Street – London – England – SE11 4AP), with operations in the UK, South Africa, Canada, Sweden and Malta. It is responsible for (i) providing services to sports betting operators and (ii) spread betting and proprietary trading. See section 5.4.3.1 “International B2B services”.

### 6.2.2 List of shareholdings

The companies in which the Company has significant shareholdings as at the Date of the Registration Document are as follows:

- **Société de Gestion de L’Echappée (“SGE”),** a company 50% owned by FDJ and 50% owned by Groupama, is responsible for managing the “Groupama-FDJ” cycling team. See section 5.7.3.3 “Société de Gestion de L’Echappée”. It generated revenue of €16.9 million in 2018, compared to €14.0 million in 2017. The sponsoring contract between FDJ and SGE was valued at €7.3 million in 2018 compared to €11.9 million in 2017;

- **Beijing Zhongcaï Printing Co (“BZP”),** a company governed by Chinese law, 37% owned by FDJ Gaming Solutions, which prints scratch cards. See section 5.7.3.1 “Contract relating to the joint company Beijing Zhongcaï Printing Co.”; discussions are currently ongoing for the purchase of FDJ’s shareholding by the Chinese lottery;

- **National Lotteries Common Services**, a company governed by French law owned equally with Santa Casa da Misericordia de Lisboa, the Portuguese lottery, is responsible for coordinating projects concerning changes in shared technologies. See section 5.7.3.2 “Contract relating to the joint company National Lotteries Common Services”. It generated revenue of €8.1 million in 2018;

- **Services aux Loteries en Europe**, a company governed by Belgian law, 26.57% owned by FDJ, which carries out shared operations for the Euromillions game run by FDJ and nine other European lotteries (Camelot – UK, Loterias y Apuestas del Estado – Spain, An Post National lottery company – Ireland, LNL Services – Belgium, Departamento de Jogos da Santa Casa da Misericordia de Lisboa – Portugal, Österreichische Lotterien GmbH – Austria, Loterie de la Suisse Romande – Switzerland, Swisslos Interkantonale Landeslotterie – Switzerland, (Œuvre Nationale de Secours Grande-Duchesse Charlotte – Luxembourg). See section 5.7.3.5 “Services offered to lotteries in Europe”. It generated revenue of €4.4 million in 2018;

- **Lotteries Entertainment Innovation Alliance (LEIA)**, a company governed by Norwegian law, created on 1 October 2018, equally owned by FDJ, Danske Lotterier Spile (Denmark), Norsk Tipping (Norway) and Veikkaus (Finland), operates the Interactive Factory game platform. See section 5.7.3.4 “Lotteries Entertainment Innovation Alliance AS (LEIA AS)”. It did not generate any revenue in 2018.
6.2.3 Corporate Foundation

On 6 January 1993, FDJ incorporated the FDJ Corporate Foundation.

In response to changes in French society and new challenges for the Group, the FDJ Corporate Foundation changed its purpose in 2017 and is now committed to promoting equal opportunities through gaming in all its forms, in line with FDJ’s values. It supports general interest projects to enable people in difficulty, to achieve their potential and demonstrate their talent, regardless of the reason for their difficulty (age, disability, economic, social or cultural hardship). It focuses on promoting recreational, collaborative or (re)creative projects in the areas of education, training and insertion into society, and it aims to support innovative projects designed to be rolled out throughout French territory and to measure their social impact.

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

In June 2018, it launched its first call for major national projects and received over 150 applications. From 2019, the five projects selected will benefit from a total of €1.7 million in funding from the Foundation over two years.

6.2.4 Association L’Échappée

The Association l’Échappée founded Société de Gestion de l’Échappée (see section 5.7.3.3 “Société de gestion de L’Échappée”) pursuant to Article L.122-2 3° of the French Sport Code.

On 6 December 2018, the Association sold all of its shares in Société de Gestion de l’Échappée which, as at the Date of the Registration Document, is owned equally by FDJ and Groupama.

The Association L’Échappée, which is affiliated with the French Cycling Federation, aims primarily to promote cycling as a sport as well as (i) the establishment of ethical rules and moral control of compliance with these rules, (ii) the management of all activities related to amateur cycling and (iii) the procurement and management of individual licenses for the members of the Groupama-FDJ cycling team.

6.3 Main intra-group flows

The main intra-group flows correspond to the flows resulting from the following intra-group agreements:

6.3.1 Cash-pooling agreement

On 13 January 2015, FDJ signed a cash-pooling agreement allowing it to manage the Group’s cash by centralising its subsidiaries’ requirements and surpluses.
6.3.2 Tax consolidation agreement

Along with certain subsidiaries held directly at more than 95% (FDP, FDJ Développement, La Française d’Images, La Française de Motivation and FDJ Gaming Solutions), FDJ has formed a tax consolidation group as defined by Articles 223 A et seq. of the French Tax Code.

6.3.3 Services agreement

FDJ provides consulting, support and know-how services on financial, legal and purchasing matters to certain subsidiaries. In exchange for the services provided, it receives a flat-rate fee computed based on the last known daily internal rate, increased by a margin rate for non-consolidated subsidiaries for tax purposes. It is renewable by tacit consent for periods of one year.

This agreement, effective as at 1 January 2018, concerns the following subsidiaries: FDP, National Lotteries Common Services, FDJ Gaming Solutions, Pacifique des jeux, Société de Gestion de l’Echappée, La Française de Motivation, La Française d’Images, FDJ Gaming Solutions France and FDJ Développement.

In addition, on 30 May 2019, as part of the acquisition of Sporting Group, FDJ granted a loan of €49.9 million (equivalent value of £44 million) to FDJ Gaming Solutions, which in turn granted a loan of £66.4 million to Spynsol (equivalent value of €74.1 million).
Chapter 7
Operating and financial review

Readers are invited to consult the following information on the Group’s results in conjunction with the Group’s condensed interim consolidated financial statements for the six months ended 30 June 2019 and the Group’s consolidated financial statements for the years ended 31 December 2018, 2017 and 2016, as set out in Appendices 4 and 1, respectively, of the Registration Document and prepared specifically for this Registration Document.

The Group’s condensed interim consolidated financial statements for the six months ended 30 June 2019 and the Group’s consolidated financial statements for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the IFRS Interpretations Committee and Standard Interpretations Committee.

The Statutory Auditors’ review report on the condensed interim consolidated financial statements for the six months ended 30 June 2019 is set out in Appendix 5 of the Registration Document and the Statutory Auditors’ reports on the Group’s consolidated financial statements for the years ended 31 December 2016, 2017 and 2018 is set out in Appendix 1 of the Registration Document.

Figures indicated in millions of euros in the tables and analyses in this section have been rounded. Consequently, totals may not correspond to the sum of the figures rounded separately. Similarly, the sum of percentages, calculated based on rounded figures, may not amount to 100%.

7.1 General presentation

7.1.1 Introduction

The Group is the leading player in gaming and play in France (with over 50% of French gross gaming revenue GGR in 2018) as well as the second largest European lottery operator and the world’s fourth largest lottery operator in terms of GGR (source: FDJ and H2 Gaming Capital). It operates two main historical activities: lottery games (draw games and instant games) and sports betting, both marketed in physical points of sale and online. In France, FDJ benefits from exclusive rights over all lottery games (in points of sale and online) and on offline sports betting as well as a license for online sports betting.

For the year ended 31 December 2018, the Group recorded €15.8 billion in stakes, generating revenue of €1.8 billion and EBITDA of €319 million (excluding expenses related to FDJ’s planned public offering). €12.8 billion (or 81% of stakes) were derived from the lottery business and €3.0 billion (or 19% of stakes) from sports betting. Digital stakes (including digital stakes in points of sale) represented €2.4 billion in 2018, or 15% of overall stakes in the period, compared to 11% in 2017 (up 46% compared to 2017). Online, the FDJ website has on average more than seven million visitors per month.

To increase the resilience of its economic model, the Group has also implemented a development strategy based around three adjacent activities: (i) a service offering for corporate (B2B) and private (B2C) customers in the lottery and sports betting segments internationally, based on the Group’s strength in its core business technologies, (ii) payment and other services for distributors and the general public, by capitalising notably on its distribution network and deploying its technological assets, and (iii) the development of new segments in the entertainment sector (eSports...
and new entertainment concepts), building on the experience acquired by FDJ in the gaming sector.

For the year ended 31 December 2018, businesses under development represented revenue of €14 million and a contribution margin of €1 million.

7.1.1.1 Three-year selected consolidated financial information

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>8,420.0</td>
<td>15,817.0</td>
<td>15,144.4</td>
<td>14,330.7</td>
</tr>
<tr>
<td>Player payout</td>
<td>(5,756.9)</td>
<td>(10,697.5)</td>
<td>(10,122.4)</td>
<td>(9,545.3)</td>
</tr>
<tr>
<td>Gross gaming revenue (GGR)</td>
<td>2,663.0</td>
<td>5,119.6</td>
<td>5,022.1</td>
<td>4,785.4</td>
</tr>
<tr>
<td>Public levies</td>
<td>(1,692.4)</td>
<td>(3,261.8)</td>
<td>(3,235.7)</td>
<td>(3,061.6)</td>
</tr>
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<td>(3,235.7)</td>
<td>(3,061.6)</td>
</tr>
</tbody>
</table>

7.1.1.2 Basis of preparation and presentation of the consolidated financial statements

Accounting principles

The accounting principles and methods used to prepare the Group’s consolidated financial statements at 31 December 2018, 2017 and 2016 and condensed interim consolidated financial statements at 30 June 2019 are identical, with the exception of
certain items presented in the notes to those financial statements set out in Appendices 1 and 4 of the Registration Document.

IFRS 15 "Revenue from Contracts with Customers" does not modify the manner in which the Group recognises revenue and had no material impact on consolidated equity or the consolidated statement of financial position at 1 January 2016, or on the consolidated income statements for the years presented.

IFRS 9 "Financial Instruments" did not have a material impact on consolidated equity or on the consolidated statement of financial position at 1 January 2018. The changes in the preparation of the consolidated financial statements attributable to this new classification are set out in Note 2.2.1 to the consolidated financial statements. Only the statement of financial position at 31 December 2017 has been restated (the statement of financial position at 31 December 2016 is not restated).

IFRS 16 "Leases" had a €33 million impact on assets and liabilities at 1 January 2019, in connection with the recognition of right of use assets and lease liabilities for property assets. In order to improve the Group’s performance monitoring and the analysis of its components, the Group opted to present its income statement by function from 1 January 2018. Net gaming revenue, revenue, recurring operating profit and operating profit for prior periods were not modified significantly. The consolidated financial statements presented in the Registration Document were restated for the three years based on the new format (see Note 2.1 to the consolidated financial statements for the years ended 31 December 2018, 2017 and 2016).

Main changes in scope

✓ Acquisition of Sporting Group

On 30 May 2019, FDJ acquired the entire share capital of Spynsol (also referred to as Sporting Group) through its subsidiary FDJ Gaming Solutions. Together with all of its subsidiaries, Sporting Group is fully consolidated in the financial statements of FDJ.

Sporting Group provides three services:

- provision of services to sports betting operators (B2B): sale of pricing and risk management services;
- a B2C sports betting offering in the United Kingdom and Ireland run by Sporting Index, which has a 70% market share in the United Kingdom;
- proprietary trading: Touchbet takes positions with its own funds on the betting exchange market via an automated algorithm-based system overseen by traders.

Sporting Group’s results were consolidated with effect from the acquisition date. Accordingly, the financial statements for the first half of 2019 include just one month of results for Sporting Group. Sporting Group has been classified within the Acceleration BU, alongside the Group’s other international activities. Revenue relating to the sports betting offering contributed €1.9 million to consolidated NGR, presented under "Other sports betting activities", with Sporting Group’s other activities contributing €1.3 million to "Revenue from other activities". Sporting Group generated revenue of GBP 38.6 million in 2018.

✓ Change in control of Société de Gestion de l’Echappée (SGE)

On 6 December 2018, Groupama acquired 50% of SGE. This transaction did not give rise to any capital gains or losses. Further to the transaction, SGE is controlled jointly by Groupama and FDJ. Accordingly, SGE is no longer consolidated in the financial
statements of FDJ, and the Group’s interest is now accounted for under the equity method. Income and expense items pertaining to SGE are no longer included line by line in the Group’s income statement, but are presented on a specific line under "Share of net income from joint ventures". In the first half of 2018, SGE’s contribution to consolidated revenue was €6 million, and its contribution to EBITDA was €1 million.

7.1.1.3  Segment reporting

The Company has opted to present three operating business units (BU) for reporting purposes, corresponding to reportable segments within the meaning of IFRS 8:

✓ the *Lottery BU*, comprising businesses related to instant games and draw games;

✓ the *Sports Betting BU*, comprising the point-of-sale (under exclusive rights) and online (competitive) sports betting businesses;

✓ the *Acceleration BU* (ABU), comprising businesses under development, including international activities, whose contribution to FDJ’s results is relatively non-material at this stage.

The Group also presents the **holding company**, comprising corporate costs (support functions, buildings and associated costs), and to a lesser extent costs related to the FDJ brand (FDJ brand advertising campaigns, Group partnerships), as well as sponsorship activities (including in 2016, 2017 and 2018 SGE, which manages the professional cycling team).

Each of these reportable segments earns its own revenues and incurs its own expenses. They also bear indirect costs representing expenses that cannot be allocated directly to a given segment (mainly the cost of point-of-sale equipment and personnel costs relating to sales activities). These costs represent less than 20% of total segment costs and are broken down by business based on operational allocation keys.

For each segment, the chief operating decision makers – the Chairwoman and Chief Executive Officer, and the Deputy Chief Executive Officer – monitor the **contribution margin**, which is one of the main cash indicators for the Group’s operating performance. Contribution margin corresponds to the difference between segment revenue adjusted for allocated cost of sales and marketing and communication expenses (excluding depreciation and amortisation).

The Lottery BU and Sports Betting BU are each under the responsibility of a single director and capital allocation within the BUs falls under their responsibility. The chief operating decision makers base their decisions on the overall BU and not according to distribution channels.

For the lottery, improvements in profitability remain largely correlated to changes in stakes for each range, which is why FDJ analyses stakes and the related impact on NGR by game range. However, the cost base allocated to the lottery (excluding sales commissions paid to intermediaries) mainly comprises fixed costs that do not vary in proportion to changes in stakes (see section 7.1.3.7 "Operating expenses").

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64 On 6 December 2018, Groupama acquired 50% of SGE; see section 5.7.3.3 “Société de Gestion de l’Échappée”.

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7.1.2 Key factors with a significant impact on the Group’s results

Certain key factors, past events and operations have had, and could continue to have or will have in the future, an impact on the Group’s operations and results as presented below and in future. Risk factors likely to have an impact on the Group’s operations are described in Chapter 3 of the Registration Document. The main factors that have had an impact on the Group’s results or will have an impact in the future in the new regulatory environment from 1 January 2020 include:

7.1.2.1 Regulatory environment

FDJ operates its activities in the gaming sector, which is highly regulated and monitored, under a general principle of prohibition, along with limited exemptions (see Chapter 9 “Legal and regulatory environment”).

Within this environment, and in application of these exemptions, FDJ holds exclusive rights for its lottery game activities (draw and instant) sold in points of sale and online and for sports betting sold in points of sale, and since the entry into force of French Law no. 2010-476 of 12 May 2010 on the liberalisation of competition and regulation of online gambling, and provides online sports betting services within a framework open to competition from other operators.

The Pacte Law, whilst confirming the scope of FDJ’s exclusive operating rights over lottery games sold in points of sale and on sports betting sold in points of sale, provided a significant remodelling of the regulation framework applicable to the gaming sector. The Pacte Law notably modified gambling taxation, by providing for a change in the base for public levies applicable to the lottery and to sports betting, both online and in the offline distribution network, which will be applicable from 1 January 2020. It also plans for the closure from 1 January 2020 of the counterparty funds, permanent fund and reserve fund, for which the amounts must be paid to the French State before a date set by decree and at the latest by 31 December 2025.

Lastly, the Order implementing the Pacte Law set the duration of FDJ’s exclusive operating rights at 25 years and specified that a financial consideration was payable by FDJ no later than 30 June 2020. Accordingly, in the interim financial statements at 30 June 2019, FDJ recognised an intangible asset corresponding to these rights, amortised with effect from 23 May 2019, the date of enactment of the Pacte Law, as well as a corresponding liability with respect to the French State.

The decree of the supreme administrative court (Conseil d’Etat) dated 17 October 2019 approving the Specification Document, after receiving the assent of the French Investments and Transfers Commission (Commission des Participations et des Transferts), set the amount of the financial consideration payable by FDJ at €380 million. The amortisation expense recognised in respect of this asset for the first half of 2019 amounted to €1.6 million, recorded under other recurring operating expenses.

Regulatory framework until 31 December 2019

PR and NGR

Within this highly regulated environment, the new legal provisions provide for a breakdown of the amount of stakes between the players, the coverage of so-called "counterparty" risks for certain games, the public finances and FDJ.

The payout ratio ("PR"), corresponding to the share of stakes allocated to prize winners, is set by the order on the breakdown of stakes dated 9 March 2006 as amended for games under exclusive rights, and by the implementation Decree of 12
May 2010 for online sports betting, signed by the minister in charge of the budget. This share applicable to the periods presented in the Registration Document varies based on the game ranges (all games grouped according to shared characteristics and to which common rules apply):

- for draw games, it is between 50% and 70%;
- for instant games, it is on average between 50% and 70%;
- for offline sports betting, it is a maximum of 76% over the year;
- for online sports betting, it is a maximum of 85% over the year.

The games included in each of these ranges each have their own PR, set by decree.

For sports betting, a PR ceiling must be complied with for each year. The PR is monitored on a daily basis in light of the results of competitions and in view of the authorised annual PR cap. During the year, it may vary above or below this limit.

The Group’s average consolidated historical PRs were 66.6% in 2016, 66.8% in 2017, 67.6% in 2018 and 68.4% in first-half 2019.

The amount received by FDJ corresponds to the compensation for its activities as operator of lottery games and sports betting, in compliance with its missions of public order protection (by guaranteeing the transparency and integrity of its gaming operations and by fighting against fraud and money laundering) and the preservation of social order (by preventing addiction and combating underage play) which were entrusted to it by the French State. This compensation, corresponding to net gaming revenue ("NGR"), is based on stakes.

FDJ’s compensation is set, per tranche of PR (see table below), for games operated under exclusive rights (offline lottery and online, and offline sports betting). Accordingly, for games operated under exclusive rights, changes in PR within each of the ranges above do not have an impact on NGR.

For games operated in competition – such as online sports betting – compensation is directly related to the PRs observed for each of the sports events.

Since 2016, the French State has set a compensation structure for FDJ for the organising and promoting games that varies according to the PR tranche:

<table>
<thead>
<tr>
<th>PR range</th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR&lt;65%</td>
<td>12.6%</td>
<td>12.6%</td>
<td>12.6%</td>
<td>12.7%</td>
</tr>
<tr>
<td>65%≤PR≤70%</td>
<td>11.3%</td>
<td>11.3%</td>
<td>11.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>70%≤PR&lt;75%</td>
<td>10.9%</td>
<td>10.9%</td>
<td>11.0%</td>
<td>11.3%</td>
</tr>
<tr>
<td>PR≥75%</td>
<td>10.1%</td>
<td>10.1%</td>
<td>10.3%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

Within the regulatory framework applicable up to 31 December 2019, changes in PR did not have a direct impact on the NGR of the games operated under exclusive rights, with FDJ’s compensation set as a fixed percentage of stakes, which may vary depending on the game category. As indicated below, in the new regulatory framework, changes in PR will have an impact on NGR, regardless of the game range concerned. NGR will correspond to a balance, calculated based on GGR (itself variable depending on the game category PR) less public levies. Accordingly, the level of NGR may vary based on the PR applied to each game by FDJ (margin effect), as well as the volume of stakes for each corresponding game category (volume effect).
Public levies, excluding corporate tax

Public levies, excluding corporate tax, in force up to 31 December 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSG (as a % of lottery stakes)</td>
<td>2.19%</td>
<td>2.19%</td>
<td>1.76%</td>
<td>1.76%</td>
</tr>
<tr>
<td>CRDS (as a % of lottery stakes)</td>
<td>0.77%</td>
<td>0.77%</td>
<td>0.77%</td>
<td>0.77%</td>
</tr>
<tr>
<td>CNDS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lottery levy (% of lottery stakes)</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Supplementary lottery levy (% of lottery stakes)</td>
<td>0.30%</td>
<td>0.30%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sports betting levy (as a % of sports betting stakes)</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Tax deduction on sports betting (as a % of sports betting stakes)</td>
<td>5.70%</td>
<td>5.70%</td>
<td>5.70%</td>
<td>5.70%</td>
</tr>
<tr>
<td>Social security deduction on sports betting (as a % of sports betting stakes)</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
</tr>
<tr>
<td>VAT (as % of NGR)</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>General State Budget (as % of total stakes)</td>
<td>Balance of stakes</td>
<td>Balance of stakes</td>
<td>Balance of stakes</td>
<td>Balance of stakes</td>
</tr>
</tbody>
</table>

The CSG (supplementary social security levy) was implemented to diversify the sources of financing for social security. The CRDS (social security debt retirement levy) was implemented as a temporary measure to be applied until the social security debt has been extinguished.

The CNDS (national centre for the development of sport) is a public body under the authority of the sports ministry, whose missions are social and environmental innovation through sport, accessibility of sport and additional support for deprived regions. The supplementary Lottery levy represents 0.3% of stakes and was set up in 2011 to contribute to financing the renovation of stadia for the UEFA Euro 2016 football tournament staged in France. This levy was abolished at the end of 2017.

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. For each game, this levy corresponds to the balance of stakes net of gains, structural allocations, tax (excluding income tax) and social security deductions, VAT, and net gaming revenue.

In addition to these public levies, FDJ is subject to value-added tax (VAT) at a rate of 20% applicable to NGR, corresponding to GGR after deduction of public levies (excluding VAT) and structural allocations to counterparty funds and counterparty spreads.

The General State Budget, CSG and CRDS are paid on a weekly basis, and all other levies are paid monthly.

Regulatory funds

Decree nos. 78-1067 of 9 November 1978 and 85-390 of 1 April 1985 provide for the setting aside of several funds. These funds are intended to cover counterparty risks (counterparty funds and permanent fund) and to deposit unclaimed prizes (reserve fund).
Counterparty funds and permanent fund\textsuperscript{65}

Some games (such as Amigo and Keno) 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 be effectively paid to prize winners cannot be precisely predetermined in advance. Sometimes the total amount will be greater than, and sometimes less than, the player payout as determined in the decree of the minister in charge of the budget.

Player payout for a given draw may vary between zero and several times total stakes. Potentially, there may therefore be a difference between the effective winnings and theoretical player payout. Depending on whether positive or negative, such differences may represent a financial risk for FDJ. This risk is covered by the counterparty funds, with a specific fund for each game, which allows the financial risk to be pooled across all gaming events.

At the launch of a game presenting a counterparty risk, an initial allocation may be deducted from the permanent fund, intended to cover the initial counterparty fund for new games. This transaction is neutral from the perspective of the statement of financial position. The amount of the initial allocation and the rate of the structural allocation are calculated in such a way that there is a 95\% probability that the fund is positive at the end of one year. For example, the structural allocation for Amigo is 0.05\%, while for Keno it is 1\%.

Counterparty risk is therefore managed via the counterparty funds (one fund for each game), which allows the financial risk to be pooled across all gaming events. For games in the competitive sector, counterparty risk directly affects the income statement.

The counterparty funds stood at €63 million at 31 December 2016, €54.2 million at 31 December 2017, €29.6 million at 31 December 2018 and €68.7 million at 30 June 2019.

The permanent fund represents a second line of defence against counterparty risk.

The permanent fund comprises the surpluses of the counterparty funds and is used to pool counterparty risks for all games concerned. In the event of the default of a counterparty fund, draw downs can be made from the permanent fund. At the end of each financial year, the surpluses from the counterparty funds are paid over to the permanent fund. The permanent fund is capped at 0.5\% of stakes for the year. At the subsequent year end, any surpluses are paid over to the General State Budget. The permanent fund stood at €71.7 million at 31 December 2016, €75.7 million at 31 December 2017, €79.1 million at 31 December 2018 and €79.1 million at 30 June 2019.

The counterparty funds and permanent fund provide FDJ with the requisite resources in the event that it has to pay out more in prizes than statistically projected.

\textsuperscript{65} Article 14 of Decree no. 78-1067 of 9 November 1978, amended by Decree no. 2006-174 of 17 February 2006 and Article 15 of Decree no. 85-390 of 1 April 1985, amended by Decree no. 2015-1858 of 30 December 2015.
**Reserve fund**

The reserve fund is used to deposit prizes that remain unclaimed within the time limits set out in the game regulations. This may finance additional prizes and other promotional activities. At the year end, the balance of unclaimed prizes for instant games is paid over to the General State Budget through the permanent fund surplus. The reserve fund stood at €119.3 million at 31 December 2016, €117.8 million at 31 December 2017, €100 million at 31 December 2018 and €115.5 million at 30 June 2019.

**Regulatory framework from 1 January 2020**

Within the scope of FDJ’s planned public offering, it became apparent that the existing tax regime applicable to lottery games and sports betting was not appropriate for a private company. Accordingly, the Pacte Law enacted in-depth reform of the tax regime applicable to FDJ, with effect from 1 January 2020.

**PR and NGR**

With effect from 1 January 2020, the Pacte Law provides that NGR will no longer be calculated based on stakes, with a fixed rate per PR tranche defined by decree, but will instead be based on GGR less public levies, with evolving calculation methods.

For each of the following game categories, PRs will be set within a minimum and maximum range:

- traditional draw games whose top prize is pooled (Loto® and Euromillions);
- other lottery games;
- offline sports betting; and
- online sports betting.

Accordingly, any changes in PR will have an impact on NGR, regardless of the game range concerned. NGR will correspond to a balance, calculated based on GGR (itself variable depending on the game category PR) less public levies. Accordingly, the level of NGR may vary based on the PR applied to each game by FDJ (margin effect), as well as the volume of stakes for each corresponding game category (volume effect).

At constant PR, the level of NGR as a ratio of stakes will nonetheless remain relatively close to the previous level, as shown in the tables below for four of the five games with stakes exceeding €1 billion:

<table>
<thead>
<tr>
<th></th>
<th>Payout Ratio (PR*)</th>
<th>NGR until 31 December 2019</th>
<th>NGR as of 1 January 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loto®</td>
<td>54.75%</td>
<td>12.60%</td>
<td>12.07%</td>
</tr>
<tr>
<td>Euromillions</td>
<td>50%</td>
<td>12.60%</td>
<td>13.33%</td>
</tr>
<tr>
<td>Amigo</td>
<td>67.55%</td>
<td>11.30%</td>
<td>12.03%</td>
</tr>
<tr>
<td>Cash</td>
<td>71%</td>
<td>10.90%</td>
<td>10.75%</td>
</tr>
</tbody>
</table>

---

(*) Theoretical PR set pursuant to the terms of the order dated 9 March 2006 relating to the distribution of stakes, as amended.

Public levies excluding income tax

With effect from 1 January 2020, the Pacte Law provides that GGR will replace stakes as the tax and social security base applicable to lottery games and sports betting activities.

The rate of public levies (excluding income tax) that will be applicable to the various games are set out below:

<table>
<thead>
<tr>
<th>As % of GGR</th>
<th>Loto®/Euromillions</th>
<th>Other lottery games</th>
</tr>
</thead>
<tbody>
<tr>
<td>CNDS</td>
<td>5.10%</td>
<td>5.10%</td>
</tr>
<tr>
<td>CSG</td>
<td>6.20%</td>
<td>6.20%</td>
</tr>
<tr>
<td>CRDS</td>
<td>2.20%</td>
<td>2.20%</td>
</tr>
<tr>
<td>General State Budget</td>
<td>54.50%</td>
<td>42.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>68.00%</strong></td>
<td><strong>55.50%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>As % of GGR</th>
<th>Point-of-sale sports betting</th>
<th>Online sports betting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax deduction on sports betting</td>
<td>27.90%</td>
<td>33.70%</td>
</tr>
<tr>
<td>CNDS</td>
<td>6.60%</td>
<td>10.60%</td>
</tr>
<tr>
<td>Social security deduction on sports betting</td>
<td>6.60%</td>
<td>10.60%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41.10%</strong></td>
<td><strong>54.90%</strong></td>
</tr>
</tbody>
</table>

Future public levies paid to the General State Budget will be fixed, and for each game will therefore no longer correspond the balance of stakes net of winnings, structural allocations, tax and social security deductions (excluding income tax), VAT and net gaming revenue.

VAT will remain unchanged at 20% of NGR.

All public levies will be paid on a monthly basis.

Disappearance of regulatory funds

In addition, the Pacte Law provides that the funds specified in Articles 13 and 14 of Decree no. 78-1067 of 9 November 1978 on the management of counterparty risk (see section 7.1.2.1 "Regulatory environment – Counterparty funds and permanent fund) will be closed as from 1 January 2020. The amounts deposited in these funds for which FDJ was up to now the depository will be repaid to the French State before a date set by decree, and at the latest by 31 December 2025. This concerns the counterparty funds and permanent fund, together with the reserve fund, with the exception of pooled top prizes and winnings and stakes on pooled sports betting games and traditional draw games, as well as top prizes and winnings from additional draw games. At 30 June 2019, the amount of these funds reclassified to debt stood at €256 million. To replace the counterparty risk management system using dedicated funds (counterparty funds and permanent fund), FDJ must take out with effect from 1 January 2020, an annual insurance policy to cover the cumulative counterparty risks, under certain conditions, up to a maximum amount in the region of €100 million to €150 million.

Unclaimed prizes will be paid over annually to the French State, with the exception of pooled top prizes and winnings and stakes on pooled sports betting games and
traditional draw games, as well as top prizes and winnings from additional draw games, which will be put back into play by FDJ. This annual payment will mean the inclusion of the promotions policy (in the form of free stakes or increased winnings) in the management NGR, whereas these promotional operations were previously directly financed by draw downs from the reserve fund.

**Payable to the French State with respect to the exclusive operating rights**

The Order set the duration of FDJ’s exclusive operating rights at 25 years and specified that a financial consideration was payable by FDJ no later than 30 June 2020. Accordingly, in the interim financial statements at 30 June 2019, FDJ recognised an intangible asset corresponding to these rights, amortised with effect from 23 May 2019, the date of enactment of the Pacte Law, as well as a corresponding liability with respect to the French State.

The decree of the supreme administrative court *(Conseil d’Etat)* dated 17 October 2019 approving the Specification Document, after receiving the assent of the French Investments and Transfers Commission *(Commission des Participations et des Transferts)*, set the amount of the financial consideration payable by FDJ at €380 million. The amortisation expense recognised in respect of this asset for the first half of 2019 amounted to €1.6 million, recorded under other recurring operating expenses.

7.1.2.2 **Seasonality – Effect of the game life cycle and the sports calendar**

Whilst the Group does not observe a marked seasonal effect from one half year to another during a given year, the level of stakes for draw games generally evolves depending on the life cycle of Loto® and Euromillions games. The higher the prize fund, the more these games attract the general public, as shown in the graph below for draws in 2018:

The minimum prize fund is €2 million for Loto® and €17 million for Euromillions. If the jackpot is not won, it increases the following draw by €1 million for Loto® and a percentage of the stakes on the last draw for Euromillions (21.6% for the first six draws that have not been won, then 13.5% from the seventh).

Statistically, the Loto® jackpot is won after an average of 4.2 draws (the probability of winning the Loto® jackpot is 1 in 19,068,840), and the Euromillions after an average of 5.5 draws (the probability of winning the Euromillions jackpot is 1 in 139,838,160). A cycle is considered to be "long" when the Loto® jackpot reaches €8 million (i.e. it has not been won for at least six consecutive draws) and when the
Euromillions jackpot reaches €75 million (i.e. it has not been won for at least six consecutive draws).

The duration of the game life cycle therefore has an impact on both the level of stakes and the Group’s GGR. In 2018, for example, Loto® had one fewer long cycle than in 2017, with a negative €14 million impact on stakes. In 2017, Euromillions had three long cycles (of which two were for €130 million super mega jackpots) compared to only two in 2016 (of which one was for a €130 million super mega jackpot). These long cycles generated €89 million in additional stakes compared to 2016.

Prize funds increase with each draw that is not won, up to a maximum of:

- 35 successive draws for Loto® (or €36 million); and
- 17 successive draws (excluding exceptional jackpots), or €190 million for Euromillions (amounts are redistributed to the next winning rank with at least one winner after being put into play four times, i.e. on the fifth draw after the €190 million ceiling has been reached).

The information systems are structured so that after the 35th Loto® draw and 17th Euromillions draw without a prize winner, the prize funds are redistributed to the prize winners of the lower ranks, i.e. to winners that have not found the five correct numbers and two stars for Euromillions, or the five correct numbers and lucky number for Loto®.

For Euromillions, although 2018 had more long cycles (5) than 2017 (3), their impact on stakes was smaller, as the amount of the related prize funds was lower. The average 2018 prize fund was €141 million compared to €160 million for 2017. The negative impact on stakes represented over €50 million. For Loto®, there was one fewer long cycle in 2018 (10) than 2017 (11), with a €14 million negative impact on stakes.

Moreover, the sports competition calendar also impacts the level of stakes and therefore GGR, as the major competitions, especially football tournaments such as the European Championships (UEFA Euro 2016 tournament generated €174 million in additional stakes) and FIFA World Cup, benefit from public and media fervour and generate higher stakes accordingly. The success of the French national team also has a significant impact: the longer it stays in the competition, the higher the stakes. For example, in 2018, by the end of FIFA World Cup, FDJ had generated €333 million in bets, including €32 million for the France against Croatia final alone (an FDJ record for a single match). The average amount of stakes per match during the World Cup was €4.9 million, and the average amount for France matches was €12.7 million due to the "supporter" effect.
7.1.2.3 Impact of the product mix on NGR

The following table shows changes in the mix of stakes across game ranges since 31 December 2016:

<table>
<thead>
<tr>
<th></th>
<th>First-half 2019</th>
<th>% of total stakes</th>
<th>2018</th>
<th>% of total stakes</th>
<th>2017</th>
<th>% of total stakes</th>
<th>2016</th>
<th>% of total stakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instant games</td>
<td>4,011.6</td>
<td>47.6%</td>
<td>7,620.0</td>
<td>48.2%</td>
<td>7,385.4</td>
<td>48.8%</td>
<td>6,792.8</td>
<td>47.4%</td>
</tr>
<tr>
<td>Draw games</td>
<td>2,598.0</td>
<td>30.9%</td>
<td>5,149.7</td>
<td>32.5%</td>
<td>5,240.9</td>
<td>34.0%</td>
<td>5,027.9</td>
<td>35.1%</td>
</tr>
<tr>
<td>Lottery</td>
<td>6,609.6</td>
<td>78.5%</td>
<td>12,769.7</td>
<td>80.7%</td>
<td>12,636.3</td>
<td>83.4%</td>
<td>11,820.8</td>
<td>82.5%</td>
</tr>
<tr>
<td>Sports betting</td>
<td>1,810.4</td>
<td>21.5%</td>
<td>3,047.3</td>
<td>19.3%</td>
<td>2,518.1</td>
<td>16.6%</td>
<td>2,510.0</td>
<td>17.5%</td>
</tr>
<tr>
<td>Total stakes</td>
<td>8,420.0</td>
<td>100.0%</td>
<td>15,817.0</td>
<td>100.0%</td>
<td>15,144.4</td>
<td>100.0%</td>
<td>14,330.8</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The increase in the share of sports betting in total stakes corresponds to significant growth in sports betting in the gaming market in France, from which FDJ has also benefited. The change in consumption habits towards more instant betting and entertainment favours instant game volumes over draw games and is notably reflected in the use of digital media.

FDJ monitors these changes carefully and, to better meet player expectations, has made significant investments to boost the digitisation of its points of sale. These investments notably concern point-of-sale terminals as well as the overall digital experience through mobile apps that can now be used to prepare play slips before they are validated by the point-of-sale distributor. The digitisation of the business has given rise to a non-linear change in certain expenses. This is the case notably for customer support and bank fees in the online business.

FDJ also regularly renews its offering, especially for instant games. In 2018, FDJ launched or relaunched 55 digital and 15 point-of-sale gaming products.

The upward trend in PRs due to the players opting for sports betting and, in the lottery channel, for instant games, has given rise to a lower growth rate for NGR than for stakes.

The PR and public levy rate differ depending on the game ranges:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% of stakes</td>
<td>w/o instant games</td>
<td>w/o draw games</td>
</tr>
<tr>
<td>PR</td>
<td>65.5%</td>
<td>70.0%</td>
<td>58.7%</td>
</tr>
<tr>
<td>Public levy rate</td>
<td>22.9%</td>
<td>18.9%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>11.6%</td>
<td>11.1%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

Accordingly, the product mix has an automatic impact on the amounts of these items. For example, the higher the increase in sports bets, the higher the overall proportion of player payout. The PR increased from 66.6% of stakes in 2016, to 66.8% in 2017, 67.6% in 2018 and 68.4% in first-half 2019.

The share of public levies is also impacted by changes in the product mix. Public levies accounted for 21.4% of stakes in 2016, 21.4% in 2017, 20.6% in 2018 and 20.1% in first-half 2019.

Changes in the product mix will continue to have similar impacts after the entry into force of the Pacte Law and the new tax framework in 2020.
7.1.2.4 Change in the distribution model and sales organisation

Historically, FDJ’s distribution network was managed by independent broker-agents remunerated on the basis of a commission based on stakes collected (1.31%). The broker-agents primarily provided a logistical function. As this system was no longer suited to the changes in services required for developing points of sale and to attract new players, in 2014, FDJ terminated the contracts of all the broker-agents and took back direct management of the sales sectors, via its wholly-owned FDP distribution subsidiary, by internalising two-thirds of the sales force. The remainder is managed by independent Commercial Distribution Companies (CDC). In parallel, the distribution mode changed gradually to an intermediary distribution (“ID”) model (with a rate of remuneration of intermediaries of 0.95%), then to a direct distribution (“DD”) model (with an average rate of remuneration of intermediaries of 0.5%). At the end of 2018, all sales sectors are in DD, with delivery to all points of sale from the central Ile de France warehouse, using 2 courier companies.

Over the December 2016 – December 2018 period, this sales’ transformation generated cost savings of €45 million in 2017 and €51 million in 2018.67

7.1.2.5 Change in distributor commissions

FDJ markets its lottery games and sports betting via an offline network, along with a digital offering. This distribution network mainly comprises distributors that operate a primary activity other than gaming (such as bar-tobacconist-newsagent).

Initially, the commissions for FDJ distributors were solely made up of a fixed 5% commission on stakes collected in the points of sale. Rent for equipment furniture paid by distributors was deducted from this commission. In 2013, a system of Responsible Gaming bonus was implemented, providing for additional remuneration for distributors equivalent to 0.2% of the amount of stakes conditional on compliance with 7 Responsible Gaming and security compliance criteria, with certain distributors losing up to all of this bonus in the event of non-compliance.

At the start of 2018, FDJ signed a new three-way agreement with the French Confederation of Tobacconists68 and Culture Presse69, intended to modify the method of compensating distributors and to align their interests with those of FDJ. Thus, a new remuneration system, which varies according to the games and is complementary to the previous system, was introduced over 2 years in 2018 and 2019. It is based on several levers:

- from 2018, rent paid by distributors for FDJ equipment and furniture was abolished (this represented €13 million in 2017 and €14 million in 2016, or the equivalent of 0.1% of commissions as a proportion of stakes);

67 This amount corresponds to the decrease in external costs related to sales intermediaries (including the effect related to the increase in network stakes since 2016), plus the increase in operating expenses relating to the development of the Group’s distribution operations (transportation costs, Saint-Witz warehouse costs, personnel costs and sales function operating costs).

68 The French Confederation of Tobacconists (Confédération des buralistes) is the sole representative organisation for the 25,000 tobacconists in France. It comprises 113 departmental associations and 16 regional federations, all chaired by active tobacconists, that promote the network of tobacconists and defend the interests of the profession in the spirit of modernisation.

69 Culture Press (formerly the National Union of Press Distributors - Union nationale des diffuseurs de presse) is the professional organisation representing national newspaper dealers.
FDJ introduced the remuneration of certain services, such as the management of vouchers and reduction coupons activated during 2018; and

- in 2019, the commission for draw games was increased to 5.5%, including the Responsible Gaming bonus, the commission for low-stake instant games was increased to 6% (Illiko range at €0.5, €1, €2 and €3) and the commission on sports betting was modulated (decrease to 4% of the commission on simple bets, increase to 5.5% of the commission on combined bets). At the same time, the commission on Loto®Foot, point-of-sale games and instant games of €5 and over (Illiko range at €5, €10 and €15) remained unchanged.

By the end of 2019, the entire system should increase the average remuneration of distributors by almost 0.3 points.70

This system adds to a continuous increase in the volume of commissions paid to distributors over the last few years, due to the increase in stakes and the simultaneous decrease in the number of points of sale. Thus, between 2010 and 2018, the average commission by point of sale went from €14,200 to €25,800, up over 80%.

7.1.2.6 Risk management through specific funds provided for by gaming regulations

In addition to the funds provided by the regulations, risk management is carried out by a certain number of funds designated to support the ongoing functioning of certain pooled games.

After 1 January 2020 and the entry into force of the Pacte Law, these funds will be retained by FDJ and continue to be used to feed super prize funds or dedicated jackpots (e.g. grand Christmas Loto®).

Carry-over fund

In the absence of a winner of a draw, carry-over funds enable draw sums to be carried over to a later draw when they are not allocated to the lower level of winners. The amounts allocated to the carry-over fund are part of the share allocated to the prize winners. For Euromillions, the carry-over fund, also called “Rollover Fund”, is shared between the participating lotteries.

The carry-over fund stood at €9.4 million at 31 December 2016, €6.8 million at 31 December 2017, €45.9 million at 31 December 2018 and €30.1 million at 30 June 2019. The increase between 31 December 2017 and 31 December 2018 is due to the absence of first rank Euromillions prize winners over several draws in 2018, and the absence of a first rank prize winner for the Loto® draw of 31 December 2018. The draws of these games saw different results over the first half year 2019 thus explaining the decrease.

Super Cagnotte (super prize) fund

The Super Cagnotte71 fund, concerns pooled games with a jackpot mechanism, i.e. draw games for which minimum guaranteed winnings exist for several prize ranks (jackpot).

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70 FDJ is giving up equipment rental income previously invoiced to distributors (0.1 point) and increasing commission expense by 0.2 points.

71 The Loto® and Bingo Live super prize funds are financed from the share of the PR allocated to the top-ranking winners and deducted when their respective rollover funds are insufficient to finance the jackpot. The Euromillions super jackpot is funded depending on the draw cycle. A percentage of
If the share of stakes allocated to the prize levels concerned by the jackpot does not cover the guaranteed minimum prizes, the difference is deducted from the Super Cagnotte fund. The Super Cagnotte fund can also be used to offer exceptional jackpots to players.

For certain games, the funds may also be fed by a dedicated percentage of stakes within the share allocated to prize winners. All of the amounts allocated to this fund are part of the share allocated to prize winners. Each pooled game with a jackpot mechanism has its own Super Cagnotte fund.

The Super Cagnotte fund stood at €39.2 million at 31 December 2016, €62.7 million at 31 December 2017, €68 million at 31 December 2018 and €66.9 million at 30 June 2019. The change between 31 December 2016 and 31 December 2017 is due to game life cycles, i.e. these funds have not required significant deductions compared to the percentage of stakes that have fed them.

7.1.3 Main income statement items

The following analysis is based on historical values, excluding the impact of regulatory and tax reforms.

7.1.3.1 Stakes

Stakes correspond to the amounts bet by customers and recorded by FDJ’s digital terminal systems, both in the point-of-sale network and online. They are recognised on a daily basis and recorded by unit for draw games and sports betting, by ticket booklet for instant games based on computerised parameters triggered based on its anticipated usage cycle.

Stakes are broken down into the player payout, counterparty risk cover where applicable, public levies and FDJ. Once stakes are recorded, FDJ is contractually committed to organising the games and to fulfilling the contract binding it to the players in accordance with the official regulations in force, with this contract formalising its commitment and provision of service. The obligation tied to the relevant stakes is fulfilled when the results are officially published.

7.1.3.2 Player payout

Player payout, or the "payout ratio" (PR), is set by the decree on the distribution of stakes dated 9 March 2006 as amended, and signed by the minister in charge of the budget. The share applicable to the periods presented in the Registration Document varies depending on the game ranges (see section 7.1.2.1 "Regulatory environment").

The games in each range each have their own PR, set by the decree signed by the minister in charge of the budget.

The average PR was 66.6% in 2016, 66.8% in 2017, 67.6% in 2018 and 68.4% in first-half 2019.

7.1.3.3 Gross gaming revenue (GGR)

the 4.80% prize winners’ share is allocated for the first six cycles without a top-ranking prize winner, rising to 21% as from the seventh cycle. This fund is drawn down using the same principle as the other games.
GGR corresponds to the difference between stakes and player payout. It represented on average 33.4% of stakes in 2016, 33.2% in 2017, 32.4% in 2018 and 31.6% in first-half 2019.

7.1.3.4 Public levies excluding income tax

Public levies (excluding income tax) represent the amounts deducted on behalf of the French State, corresponding to social security and tax deductions on stakes, VAT on net gaming revenue and payments to the General State Budget. Payments to the General State Budget comprise the balance of stakes net of player payout, structural allocations to counterparty funds and counterparty spreads, tax and social security deductions, VAT and NGR. Total public levies represented 21.4% of stakes in 2016, 21.4% in 2017, 20.6% in 2018 and 20.1% in first-half 2019.

7.1.3.5 Net gaming revenue (NGR)

NGR corresponds to FDJ’s remuneration. Based on stakes, NGR is fixed by tranche for monopoly games and varies depending on the PR for online sports betting (see section 7.1.2.1 “Regulatory environment”).

NGR is recognised once FDJ’s obligations have been fulfilled. Performance obligations vary depending on the game range:

- for draw games, FDJ’s performance obligation is fulfilled when it has recorded the bet, organised the draw, calculated the winnings and published the results;
- for instant games, player winnings are randomly pre-set for each ticket. Revenue is accounted for by ticket booklet with a value of between €150 and €300, based on computerised parameters triggered based on its anticipated usage cycle.

The recognition principles for sports betting are similar to draw games. FDJ’s performance obligation is fulfilled when the sports event is completed and the results and winnings are published.

7.1.3.6 Revenue

The Group’s revenue comprises NGR and revenue related to other activities, mainly other income arising from sales of maintenance services and software development provided by FGS group companies, a subsidiary of FDJ. Sales of maintenance services are recognised on a prorata temporis basis and development services are recognised by stage of completion.

7.1.3.7 Recurring operating expenses

Recurring operating expenses (including depreciation and amortisation of non-current assets) mainly comprise costs that are variable depending on the business (around 60% of the total on average over the 2016-2018 period).

They include cost of sales, marketing and communication expenses and general and administrative expenses.

Cost of sales represents approximately 70% of total recurring operating expenses on average over the 2016-2018 period and can exceed 80% depending on business levels. They correspond to the costs related to the distribution and sale of games as well as the related back office functions. They mainly include (in relative order of importance):
- commissions related to the offline distribution network (distributors and commercial distribution companies). These commissions are mainly based on stakes, as well as certain services such as the payment of prizes (see section 7.1.2.4 "Change in the distribution model and sales organisation" for commercial distribution companies and section 7.1.2.5 "Change in distributor commissions");

- costs of point-of-sale equipment: this concerns software development costs for online equipment, logistics for online equipment and furniture (management of the equipment and inventory, installation in and removal from points of sale), maintenance and depreciation of furniture and online equipment and point-of-sale internet connection costs. These costs are considered to be fixed relative to stakes, although they do vary depending on the number of points of sale; and

- steering and sales promotion costs: these are the costs of employees and operations for the sales force and the sales function activities (promotion, network development, etc), development and operation of commercial IT and depreciation of the sales force IT infrastructure. These costs are considered to be fixed relative to the stakes but with a variable component relative to the number of points of sale.

The balance comprises, in order of importance, game materials costs, logistics costs, distributor dispute and collection costs, sports betting rights72 and fees for lottery games under brand license, development and operating costs for the back-office CRM, bank fees for online payments, infrastructure costs for sales branches and the costs of staging draws and publishing results.

Marketing and communications expenses represented an average of approximately 20% of recurring operating expenses over the 2016-2018 period. The vast majority of these costs are fixed and mainly correspond, in relative order of size, to:

- IT development and operating costs relating to games and services for the lottery, sports betting and adjacent businesses (personnel costs, software licenses, maintenance and data centre depreciation/amortisation);

- advertising expenses (purchase of spaces and technical production expenses);

- personnel costs and operating costs of the marketing, advertising and customer support teams; and

- design and promotional expenses for product offerings and services (e.g. market research, creation of product offerings, compensation for the generation of digital traffic, creation of promotional campaigns, pricing services for sports betting, etc.).

These four items represent the bulk of marketing and communication expenses. The balance comprises, in relative order of size, costs of point-of-sale and online promotions, sponsorship expenses, production costs for TV draw programmes, corporate communication expenses and customer service costs.

72 Since the liberalisation of the online gaming market, France has opted to specifically protect sports events by introducing the concept of the “right to bet” as set out in the French Sport Code (Code du sport). Under this principle, sports federations and event organisers have the right to operate the sports events or competitions that they organise. This right includes the right to authorise betting on their sports events and competitions, in return for remuneration from betting operators (generally a percentage of the stakes recorded for the competition in question).
General and administrative costs represented approximately 10% of operating expenses on average over the 2016-2018 period and are fixed by definition. They mainly include, in relative order of size:
- personnel costs and operating costs of the corporate functions;
- property-related costs; and
- IT infrastructure and corporate telecommunications expenses.

These three cost items represent the bulk of general and administrative expenses. The balance comprises, in relative order of size, taxes, insurance and management costs, sponsorship and CSR-related (including Responsible Gaming) costs, and miscellaneous Group operating costs.

7.1.3.8 Recurring operating profit

Recurring operating profit corresponds to revenue net of recurring operating expenses.

7.1.3.9 Operating profit

Operating profit corresponds to recurring operating profit less other operating income and expenses, i.e. unusual and material income and expense items recognised during the period. Unusual and material income and expense items are presented within operating profit under "Other operating income" and "Other operating expenses". They essentially comprise restructuring costs, gains and losses on disposals of non-current assets, impairment of non-current assets and other non-recurring costs (see Appendix 1 “2016, 2017 and 2018 consolidated financial statements” – Note 3.2.3 “Other operating income and expenses”).

7.1.3.10 Net financial income / (expense)

Net financial income / (expense) includes:
- cost of financial indebtedness, which corresponds mainly to interest expense on the loan related to the acquisition of the headquarters. In November 2016, the Group subscribed to a long-term loan with BRED Banque Populaire to finance the acquisition of the Group’s headquarters. This fixed-rate loan with a nominal amount of €120 million will reach maturity on 20 December 2031 and is repayable in payments of €4 million on a half-yearly basis. From 30 June 2019, cost of financial indebtedness also includes the interest expense on the loan subscribed as part of the acquisition of Sporting Group. In May 2019, the Group subscribed to a syndicated loan of £100 million. The loan granted by a syndicate of banks (Barclays Bank PLC, Crédit Agricole Corporate & Investment Bank and Société Générale), with a final maturity of 15 May 2024 extendable twice for one year, charges interest at Libor increased by a variable margin based on the leverage ratio (Consolidated Net Financial Debt/Consolidated EBITDA) and is subject to interest rate hedging;

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).
In € millions

<table>
<thead>
<tr>
<th></th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds</td>
<td>738</td>
<td>698</td>
<td>652</td>
<td>767</td>
</tr>
<tr>
<td>Money-market funds</td>
<td>265</td>
<td>252</td>
<td>209</td>
<td>345</td>
</tr>
<tr>
<td>Equities</td>
<td>51</td>
<td>57</td>
<td>55</td>
<td>48</td>
</tr>
<tr>
<td>Diversification</td>
<td>28</td>
<td>32</td>
<td>25</td>
<td>13</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,082</td>
<td>1,039</td>
<td>941</td>
<td>1,173</td>
</tr>
</tbody>
</table>

The diversification portfolio corresponds to investments in innovation funds, mainly Partech and Raise, that support the development of start-ups.

- the change in fair value of derivative instruments;
- foreign exchange gains and losses. The currencies for which the Group has significant exposure are:
  - the US dollar for the years ended 31 December 2018, 2017 and 2016 for a maximum amount of USD 26.8 million in 2018, USD 30 million in 2017 and USD 25 million in 2016 (USD 29.2 million in first-half 2019) due to use by the Group of instant game ticket printers in the United States and Canada;
  - the pound sterling from the year ended 31 December 2018, for a maximum amount of GBP 4.3 million (GBP 6.1 million in first-half 2019), which is the currency used by FDJ Gaming Solutions UK, a wholly-owned subsidiary of FDJ located in the United Kingdom.

7.1.3.11 Income tax expense

Income tax expense includes current tax expense and deferred tax expense, mainly resulting from temporary differences.

7.1.4 Alternative performance indicators

7.1.4.1 Group indicators

In its financial statements, the Group presents performance indicators other than those provided for by IFRS. These indicators are defined in section 7.1.3 "Main income statement items" and are presented on the face of the income statement above revenue, are as follows:

- stakes;
- player payout;
- gross gaming revenue;
- public levies excluding income tax;
- structural allocations to counterparty funds;
- net gaming revenue; and
- revenue from other activities.

The Group presents several additional performance indicators, including (i) the digital stakes ratio, (ii) contribution margin of operating segments, (iii) EBITDA, (iv) CAPEX, (v) EBITDA-to-cash conversion ratio and (vi) net cash surplus.

These performance measures are not defined by IFRS and do not have standard definitions. Consequently, the definitions used by the Group may not correspond to
the definitions for these same terms used by other companies. These performance measures should not be used in isolation or instead of IFRS indicators. In particular, net cash may not be considered as a substitute for the analysis of cash and cash equivalents as presented in accordance with IFRS. The tables below present these indicators for the indicated periods, together with their calculation method.

✔ Digitalised stakes ratio

The digitalised stakes ratio corresponds to digitalised stakes as a percentage of total stakes. Digitalised stakes include online stakes and digitalised stakes placed in points of sale (prepared or executed using a digital service or app).

<table>
<thead>
<tr>
<th>Total stakes (€m)</th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digitalised stakes</td>
<td>1,652.3</td>
<td>2,428.6</td>
<td>1,669.0</td>
<td>933</td>
</tr>
<tr>
<td>Digitalised stakes ratio (%)</td>
<td>19.6%</td>
<td>15.3%</td>
<td>11.0%</td>
<td>6.5%</td>
</tr>
</tbody>
</table>

✔ Contribution margin of operating segments

Contribution margin corresponds to revenue attributable to the operating segments less the portion of cost of sales and marketing and communication expenses (excluding depreciation/amortisation) allocated to them (see section 7.1.1.3 "Segment reporting").

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery BU</td>
<td>243</td>
<td>476</td>
<td>481</td>
<td>426</td>
</tr>
<tr>
<td>Sports Betting BU</td>
<td>26</td>
<td>24</td>
<td>33</td>
<td>56</td>
</tr>
<tr>
<td>ABU</td>
<td>(2)</td>
<td>1</td>
<td>(3)</td>
<td>(2)</td>
</tr>
</tbody>
</table>

✔ EBITDA

EBITDA corresponds to recurring operating profit adjusted for depreciation and amortisation expense.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring operating profit</td>
<td>136</td>
<td>251</td>
<td>261</td>
<td>252</td>
</tr>
<tr>
<td>Net depreciation and amortisation</td>
<td>(41)</td>
<td>(64)</td>
<td>(54)</td>
<td>(48)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>177</td>
<td>315</td>
<td>316</td>
<td>301</td>
</tr>
</tbody>
</table>

✔ Capex

CAPEX represents the amounts invested to acquire (or improve) property, plant and equipment and intangible assets, or to acquire new businesses (see section 8.3.3.2 "Net cash flow used in investing activities") or to acquire minority interests. Capex does not include intangible assets corresponding to exclusive operating rights (see section 7.1.2.1 “Regulatory environment”).
<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions of property, plant and equipment and intangible assets</td>
<td>32.4</td>
<td>92.9</td>
<td>88.6</td>
<td>265.7</td>
</tr>
<tr>
<td>Acquisition of investments</td>
<td>111.8</td>
<td>-</td>
<td>15.6</td>
<td>-</td>
</tr>
<tr>
<td>Total CAPEX</td>
<td>144.2</td>
<td>92.9</td>
<td>104.2</td>
<td>265.7</td>
</tr>
</tbody>
</table>

✓ EBITDA-to-cash conversion ratio

The EBITDA-to-cash conversion ratio represents EBITDA net of investment expenditure (CAPEX) and changes in working capital (see section 8.3.1.1 "Net cash flow from operating activities") as a percentage of total EBITDA. To enable meaningful comparisons between periods, certain non-recurring items affecting CAPEX and changes in working capital may be restated in this indicator.

<table>
<thead>
<tr>
<th>First-half 2019(1)</th>
<th>2018</th>
<th>2017</th>
<th>2016(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA (€m)</td>
<td>328</td>
<td>315(3)</td>
<td>316</td>
</tr>
<tr>
<td>CAPEX(5) (€m)</td>
<td>(79)</td>
<td>(93)</td>
<td>(104)</td>
</tr>
<tr>
<td>Change in WC(6) (€m)</td>
<td>10</td>
<td>26</td>
<td>53</td>
</tr>
<tr>
<td>Total (€m)</td>
<td>258</td>
<td>248(1)</td>
<td>265</td>
</tr>
<tr>
<td>EBITDA-to-cash conversion (%)</td>
<td>79%</td>
<td>79%</td>
<td>84%</td>
</tr>
</tbody>
</table>

(1) 12-month rolling data; CAPEX adjusted for costs related to the acquisition of Sporting Group (€112 million).

(2) CAPEX adjusted for costs related to the acquisition of the head office (€207 million) and change in working capital adjusted for the capping of the permanent fund paid to the French State at the end of 2016 (€97 million) and the change in the payment schedule for certain public levies (€60 million)

(3) Adjusted for expenses relating to the planned public offering (€4 million), EBITDA amounts to €319 million and free cash flow comes out at €252 million.

Net cash surplus

The net cash surplus indicator is used internally to monitor the strength of the Group’s financial position (see section 8.1.2 "Group net cash"). It is calculated as follows:

- the sum of cash and cash equivalents, investment securities and term deposits that can be mobilised in the short term (excluding, therefore, cash in escrow and security deposits);

- less current and non-current borrowings and debt (excluding deposits and sureties paid), including IFRS 16 lease liabilities and the value of regulatory funds (permanent fund, permanent fund surplus, counterparty funds and reserve fund). Following the adoption of the Pacte Law, these funds will be paid over to the French State as from 1 January 2020 based on a schedule currently being determined. They are presented in the Group’s financial statements within current debt with effect from 30 June 2019.

---

74 In 2015 and 2014, the rates were 82% and 85%, respectively.
75 In 2015 and 2014, CAPEX was €80 million and €41 million, respectively.
76 In 2015 and 2014, the change in working capital was €23 million and 2 €million euros.
### Investments and Net Cash

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current available-for-sale financial assets</strong></td>
<td>-</td>
<td>-</td>
<td>716.7</td>
<td>664.1</td>
</tr>
<tr>
<td><strong>Non-current financial assets at amortised cost</strong></td>
<td>668.2</td>
<td>628.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-current assets at fair value through profit or loss</strong></td>
<td>125.0</td>
<td>111.2</td>
<td>21.0</td>
<td>20.0</td>
</tr>
<tr>
<td><strong>Other non-current financial assets excluding deposits</strong></td>
<td>24.2</td>
<td>16.6</td>
<td>10.8</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total non-current investments</strong></td>
<td>817.4</td>
<td>755.7</td>
<td>748.5</td>
<td>689.4</td>
</tr>
<tr>
<td><strong>Current available-for-sale financial assets</strong></td>
<td>-</td>
<td>-</td>
<td>50.0</td>
<td>75.0</td>
</tr>
<tr>
<td><strong>Current financial assets at amortised cost</strong></td>
<td>55.0</td>
<td>55.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current financial assets at fair value through profit or loss</strong></td>
<td>0.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current derivatives</strong></td>
<td>0.7</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total current investments</strong></td>
<td>56.3</td>
<td>55.6</td>
<td>50.2</td>
<td>75.2</td>
</tr>
<tr>
<td><strong>Total current and non-current investments</strong></td>
<td>873.7</td>
<td>811.3</td>
<td>798.7</td>
<td>764.6</td>
</tr>
<tr>
<td><strong>Investments, cash equivalents</strong></td>
<td>142.1</td>
<td>128.4</td>
<td>112.9</td>
<td>51.8</td>
</tr>
<tr>
<td><strong>Cash at bank and in hand</strong></td>
<td>36.9</td>
<td>38.8</td>
<td>52.9</td>
<td>147.8</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td>179.0</td>
<td>167.2</td>
<td>165.8</td>
<td>199.6</td>
</tr>
<tr>
<td><strong>Total gross investments and cash</strong></td>
<td>1,052.7</td>
<td>978.5</td>
<td>964.4</td>
<td>964.2</td>
</tr>
<tr>
<td><strong>Long-term financial debt</strong></td>
<td>(206.5)</td>
<td>(96.1)</td>
<td>(104.1)</td>
<td>(112.1)</td>
</tr>
<tr>
<td><strong>Non-current lease liabilities</strong></td>
<td>(27.1)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-current financial debt</strong></td>
<td>(233.6)</td>
<td>(96.1)</td>
<td>(104.1)</td>
<td>(112.1)</td>
</tr>
<tr>
<td><strong>Short-term financial debt</strong></td>
<td>(15.2)</td>
<td>(8.0)</td>
<td>(7.5)</td>
<td>(7.5)</td>
</tr>
<tr>
<td><strong>Current lease liabilities</strong></td>
<td>(7.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Current derivatives</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>(295.9)</td>
<td>(33.3)</td>
<td>(44.3)</td>
<td>(115.5)</td>
</tr>
<tr>
<td><strong>Total current financial debt</strong></td>
<td>(318.1)</td>
<td>(41.4)</td>
<td>(52.0)</td>
<td>(123.0)</td>
</tr>
<tr>
<td><strong>Total financial debt (B)</strong></td>
<td>(551.7)</td>
<td>(137.5)</td>
<td>(156.0)</td>
<td>(235.2)</td>
</tr>
<tr>
<td><strong>INVESTMENTS AND NET CASH</strong></td>
<td>501.0</td>
<td>841.0</td>
<td>808.4</td>
<td>729.0</td>
</tr>
<tr>
<td><strong>Payable to the French State with respect to the exclusive operating rights</strong></td>
<td>(380.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Player funds closed with effect from 1 January 2020 and to be repaid to the French State</strong></td>
<td>-</td>
<td>(204.7)</td>
<td>(239.7)</td>
<td>(240.3)</td>
</tr>
<tr>
<td><strong>Net liability associated with the permanent fund surplus</strong></td>
<td>(8.1)</td>
<td>(8.1)</td>
<td>(11.7)</td>
<td>(5.1)</td>
</tr>
<tr>
<td><strong>Sums allocated exclusively to Euromillions winners</strong></td>
<td>(38.1)</td>
<td>(53.4)</td>
<td>(43.7)</td>
<td>(18.3)</td>
</tr>
<tr>
<td><strong>Restricted cash</strong></td>
<td>(4.9)</td>
<td>(1.1)</td>
<td>(1.1)</td>
<td>(1.1)</td>
</tr>
<tr>
<td><strong>Total restrictions (D)</strong></td>
<td>(431.1)</td>
<td>(267.3)</td>
<td>(296.2)</td>
<td>(264.8)</td>
</tr>
<tr>
<td><strong>NET CASH SURPLUS (C) - (D)</strong></td>
<td>70.0</td>
<td>573.8</td>
<td>512.3</td>
<td>464.2</td>
</tr>
</tbody>
</table>

---

1. Permanent fund surplus net of the advance payment.
2 Correspond to UCITS units recorded under cash and cash equivalents.

As of 30 June 2019, the first-time application of IFRS 16 resulted in the recognition of a lease liability in the amount of €34 million, of which €27 million due in less than one year and €7 million due beyond one year. These two amounts are presented as two separate line items in the table above.

7.1.4.2 Adjustments related to the new tax framework applicable from 1 January 2020 and costs related to the planned public offering

To ensure that the key financial indicators remain comparable with those the Group will publish in future periods, the table below presents 2018 revenue and EBITDA adjusted for the upcoming impacts of the new tax framework applicable from 1 January 2020 (see section 7.1.2.1 "Regulatory environment"). Adjusted EBITDA presented below also includes the harmonised treatment of expenses related to the planned public offering.

I. Impacts related to the new tax framework applicable from 1 January 2020

The new tax framework adopted as part of the Pacte Law and applicable from 1 January 2020 presents a certain number of differences with the tax regime currently in force that will significantly impact the Group’s EBITDA:
- a change in the tax base used to calculate public levies;
- new tax rates, with different rates for the four game categories; and
- an insurance policy to cover counterparty risk.

The adjusted items set out below are based on constant player behaviour and FDJ management. They do not take into account any potential changes in gaming decisions by players or management decisions by FDJ that may arise further to the implementation of the new framework, as such changes cannot be modelled.

I. Definition of the new tax base

With effect from 1 January 2020, the Pacte Law provides that GGR will replace stakes as the tax and social security base applicable to lottery games and sports betting activities.

a. Adjustment of promotions on winnings and promotions on stakes

In order to determine the 2018 tax base that will be used to rebase 2018 for the new tax regime from 1 January 2020, the impacts of promotions on winnings and promotions on stakes must be taken into account.

In 2018, two types of promotions were carried out on lottery games and sports betting:
- promotions "on winnings" which consist of increasing the traditional level of winnings for a game or offering new prizes.

  For example, a discount of €1 applied to a €2.20 Loto® bet.
- promotions “on winnings” which consist of increasing the level of traditional winnings (i.e. higher payout) for a game or offering new ones.

  For example, Super-Pactole Loto Foot, additional winning ranks for Amigo
Both types of promotions are currently drawn from a reserve fund financed from unclaimed winnings after the expiry of the foreclosure time limits set by gambling regulations. According to Article 138 of the Pacte Law, from 1 January 2020, unclaimed winnings will be subject to a levy by the French State. Promotions on winnings will, therefore, directly impact the PR and promotions on stakes will be financed by the Group.

**Promotions on winnings: 2018 adjustment**

Promotions on winnings previously drawn from the reserve fund will now be financed by the PR and will impact player payout. The adjustment to promotions on winnings consists of adding back 2018 promotions drawn from the reserve fund to 2018 player payout. Promotions recognised and drawn from the 2018 reserve fund are set out in the following table:

<table>
<thead>
<tr>
<th>In € million</th>
<th>Promotions on winnings (2018)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery</td>
<td>9</td>
</tr>
<tr>
<td>Sports betting</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>15</td>
</tr>
</tbody>
</table>

**Promotions on stakes: 2018 adjustment**

Promotions on stakes previously drawn from the reserve fund will now be financed directly by the Group. In order to determine the tax base to be used to calculate the new tax for 2018, and in accordance with the definition of stakes set out in Article 138 of the Pacte Law, in addition to the value of these promotions, it is necessary to add back to the stakes tax base the stakes for this type of promotion for lottery games only. Accordingly, the amount of promotions on stakes for lottery games is divided by the theoretical PR for said lottery games.

Promotions on stakes recognised and deducted from the 2018 reserve fund, as well as the face value of stakes offered calculated based on these promotions are presented in detail below:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Promotions on stakes (2018)</th>
<th>Face value of stakes offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery</td>
<td>13</td>
<td>23</td>
</tr>
<tr>
<td>Sports betting</td>
<td>7</td>
<td>n/a</td>
</tr>
<tr>
<td>Total</td>
<td>20</td>
<td>23</td>
</tr>
</tbody>
</table>

b. Adjusted 2018 tax base

The following adjustments are used to determine the adjusted 2018 tax base (tax GGR) (in € millions):

<table>
<thead>
<tr>
<th>2018 – reported</th>
<th>Adjustments – tax view</th>
<th>2018 – adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stakes</td>
<td>Player payout</td>
</tr>
<tr>
<td>Lottery</td>
<td>12,770</td>
<td>8,398</td>
</tr>
<tr>
<td>Sports betting</td>
<td>3,047</td>
<td>2,300</td>
</tr>
<tr>
<td>Total</td>
<td>15,817</td>
<td>10,698</td>
</tr>
</tbody>
</table>

c. Presentation of GGR in the Group’s financial statements

Tax GGR as defined as the new tax base under Article 138 of the Pacte Law gives rise to a difference in accounting treatment between lottery games and sports betting.
From an accounting standpoint, the Group wishes to adopt a single definition for stakes, corresponding to the definition of stakes applicable to sports betting, i.e. excluding sums offered without consideration by the operator and without recognising the corresponding promotional costs in operating expenses.

Based on this assumption, GGR presented by the Group for accounting purposes would not include stakes relating to promotions on stakes, and would be impacted as follows:

<table>
<thead>
<tr>
<th>In € Million</th>
<th>2018 – reported</th>
<th>Adjustments – tax view</th>
<th>2018 – adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stakes</td>
<td>Player payout</td>
<td>GGR – reported</td>
</tr>
<tr>
<td>Lottery</td>
<td>12,770</td>
<td>8,398</td>
<td>4,372</td>
</tr>
<tr>
<td>Sports betting</td>
<td>3,047</td>
<td>2,300</td>
<td>748</td>
</tr>
<tr>
<td>Total</td>
<td>15,817</td>
<td>10,698</td>
<td>5,120</td>
</tr>
</tbody>
</table>

This accounting presentation would have no impact on the definition of GGR used as the calculation base within the scope of the new tax base.

II. Application of the new tax rates defined in the Pacte Law

As stated in section 7.1.2.1 "Regulatory environment", the Pacte Law introduces four new tax rates depending on the game category, calculated based on GGR recognised for tax purposes:

- Loto®/Euromillions: 68.0%
- Other lottery games: 55.5%
- Offline sports betting: 41.1%
- Online sports betting: 54.9%

The VAT rate remains unchanged at 20% of NGR.

The following table illustrates the calculation of public levies based on the new tax base (tax GGR) and the new tax rates, as well as the VAT rate that will also ultimately be included in public levies.

<table>
<thead>
<tr>
<th>In € Million</th>
<th>2018 – adjusted(1)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax GGR</td>
</tr>
<tr>
<td>Lottery</td>
<td>4,373</td>
</tr>
<tr>
<td>Sports betting</td>
<td>735</td>
</tr>
<tr>
<td>Total</td>
<td>5,108</td>
</tr>
</tbody>
</table>

Public levies (incl. VAT) reported: 3,262

Adjusted vs Reported: 3

(1) Excluding the impact of statistical counterparty risk treated separately (see "Cost of insurance and counterparty risk" below)

(2) Public levies (excluding VAT) = Tax GGR x Tax rate

(3) VAT = NGR incl. VAT - NGR incl. VAT / (1 + 20% VAT)
III. Structural allocations to counterparty funds

The abolition of the counterparty funds further to the adoption of the Pacte Law will give rise to the discontinuation of structural allocations to said funds, previously recognised in the Group’s income statement.

The following table presents the amount of the structural allocations to counterparty funds recognised in the income statement in respect of 2018:

<table>
<thead>
<tr>
<th>In € million</th>
<th>Structural allocations to counterparty funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lottery</td>
<td>11</td>
</tr>
<tr>
<td>Sports betting</td>
<td>73</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>84</strong></td>
</tr>
</tbody>
</table>

IV. Cost of insurance

The abolition of the counterparty funds on 1 January 2020 requires the Group to take out an external insurance policy to cover the counterparty risk of its draw games. Annual insurance premiums are estimated at €2.5 million, to be recognised in operating expenses.

V. Counterparty spreads

The statistical counterparty risk not covered by insurance (i.e. below the deductible) was estimated at €2.5 million annually. This impact is net of public levies and is deducted from the consolidated revenue and EBITDA.

2. Operating expenses related to the initial public offering (IPO)

Until the end of 2018, expenses relating to the planned initial public offering were recognised in recurring operating profit, in view of the as-then still uncertain nature of the transaction. Accordingly, these expenses impacted consolidated EBITDA. From the first half of 2019, these expenses have been recognised in Other operating expenses(1). In order to provide for meaningful comparisons, adjusted 2018 EBITDA excludes these expenses (€4 million).

(1) Excluding expenses related to the Offering Reserved for Employees, which impact recurring operating profit.

3. Summary of the restatements on 2018 Revenue and EBITDA

The following table summarises the different adjustments to consolidated 2018 revenue and EBITDA and the reconciliation with those same performance indicators as reported.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018 – reported</th>
<th>Promotions on winnings</th>
<th>Promotions on indices</th>
<th>New tax framework</th>
<th>Structural allocation counterparty funds</th>
<th>Insurance premiums</th>
<th>Statistical counterparty spread</th>
<th>Preparatory IPO expenses</th>
<th>2018 adjusted</th>
<th>Adjusted vs Reported</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,803</td>
<td>(15)</td>
<td>(20)</td>
<td>3</td>
<td>84</td>
<td>(3)</td>
<td>(3)</td>
<td>4</td>
<td>1,853</td>
<td>49</td>
</tr>
<tr>
<td>Recurring operating expenses (excluding depreciation and amortisation)</td>
<td>(1,488)</td>
<td>(1)</td>
<td>(3)</td>
<td>(3)</td>
<td>(1,487)</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>315</td>
<td>(43)</td>
<td>(20)</td>
<td>3</td>
<td>84</td>
<td>(3)</td>
<td>(3)</td>
<td>4</td>
<td>366</td>
<td>51</td>
</tr>
</tbody>
</table>

| In € millions | | | | | | | | | | |
| 2018 EBITDA – reported | 315 |
| Lottery NGR | (10) |
| Sports Betting NGR | 60 |
| Insurance premiums | (3) |
| Preparatory IPO expenses | 4 |
| 2018 EBITDA – adjusted | 366 |
### 7.2 Analysis of results for the half-years ended 30 June 2019 and 2018

<table>
<thead>
<tr>
<th>In € million</th>
<th>30.06.2019</th>
<th>30.06.2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>8,420.0</td>
<td>7,854.6</td>
</tr>
<tr>
<td>Player payout</td>
<td>(5,756.9)</td>
<td>(5,329.7)</td>
</tr>
<tr>
<td>% PR</td>
<td>68.4%</td>
<td>67.9%</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>2,663.0</td>
<td>2,524.9</td>
</tr>
<tr>
<td>% GGR</td>
<td>31.6%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Public levies</td>
<td>(1,692.4)</td>
<td>(1,615.0)</td>
</tr>
<tr>
<td>% PP</td>
<td>20.1%</td>
<td>20.6%</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>(39.1)</td>
<td>(28.5)</td>
</tr>
<tr>
<td>Other revenue from sports betting</td>
<td>1.9</td>
<td>0.0</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>933.4</td>
<td>881.4</td>
</tr>
<tr>
<td>% NGR</td>
<td>11.1%</td>
<td>11.2%</td>
</tr>
</tbody>
</table>

**Revenue from other activities**: 10.5 15.5

<table>
<thead>
<tr>
<th>Revenue</th>
<th>944.0</th>
<th>897.0</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of sales</td>
<td>(582.9)</td>
<td>(547.8)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(138.1)</td>
<td>(129.8)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(85.6)</td>
<td>(86.3)</td>
</tr>
<tr>
<td>Other recurring operating income</td>
<td>0.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Other recurring operating expenses</td>
<td>(1.8)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Recurring operating profit</strong></td>
<td>135.9</td>
<td>134.8</td>
</tr>
<tr>
<td>Other operating income</td>
<td>0.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(7.3)</td>
<td>(3.1)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>128.7</td>
<td>141.8</td>
</tr>
</tbody>
</table>

| Cost of debt | (0.8) | (0.3) |
| Other financial income | 12.2 | 3.3 |
| Other financial expenses | (0.5) | (1.5) |
| **Net financial income / (expense)** | 10.9 | 1.5 |
| Share of net income from joint ventures | 0.6 | 0.1 |
| **Profit before tax** | 140.2 | 143.4 |
| Income tax expense | (44.4) | (48.6) |
| **Net profit for the period** | 95.9 | 94.8 |

Attributable to:
- Owners of the parent | 95.9 | 94.4 |
- Non-controlling interests | 0.0 | 0.4 |

<table>
<thead>
<tr>
<th>In € million</th>
<th>First-half 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lottery BU</td>
</tr>
<tr>
<td>Stakes</td>
<td>6,610</td>
</tr>
<tr>
<td>Gross gaming revenue (GGR)</td>
<td>2,257</td>
</tr>
<tr>
<td>Net gaming revenue (NGR)</td>
<td>759</td>
</tr>
<tr>
<td>Revenue</td>
<td>761</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(456)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(62)</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>243</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(76)</td>
</tr>
</tbody>
</table>
First-half 2019

<table>
<thead>
<tr>
<th>In € million</th>
<th>Lottery BU</th>
<th>Sports betting BU</th>
<th>Holding company</th>
<th>Total before depr./amort.</th>
<th>Depr./amort.</th>
<th>Group total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>177</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(41)</td>
<td></td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>136</td>
</tr>
</tbody>
</table>

First-half 2018

<table>
<thead>
<tr>
<th>In € million</th>
<th>Lottery BU</th>
<th>Sports betting BU</th>
<th>Holding company</th>
<th>Total before depr./amort.</th>
<th>Depr./amort.</th>
<th>Group total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>6,281</td>
<td>1,574</td>
<td></td>
<td>7,855</td>
<td></td>
<td>7,855</td>
</tr>
<tr>
<td>Gross gaming revenue (GGR)</td>
<td>2,165</td>
<td>360</td>
<td></td>
<td>2,525</td>
<td></td>
<td>2,525</td>
</tr>
<tr>
<td>Net gaming revenue (NGR)</td>
<td>727</td>
<td>154</td>
<td>0</td>
<td>881</td>
<td></td>
<td>881</td>
</tr>
<tr>
<td>Revenue</td>
<td>730</td>
<td>156</td>
<td>6</td>
<td>6</td>
<td>897</td>
<td>897</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(430)</td>
<td>(101)</td>
<td>(1)</td>
<td>(0)</td>
<td>(532)</td>
<td>(548)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(57)</td>
<td>(40)</td>
<td>(6)</td>
<td>(19)</td>
<td>(122)</td>
<td>(130)</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>243</td>
<td>14</td>
<td>(1)</td>
<td>(13)</td>
<td>242</td>
<td>(23)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td></td>
<td></td>
<td></td>
<td>(78)</td>
<td>(78)</td>
<td>(6)</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>164</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(29)</td>
<td></td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>135</td>
</tr>
</tbody>
</table>

1. Stakes

Stakes amounted to €8,420 million in first-half 2019 compared to €7,854.6 million in the same year-ago period, an increase of €565.4 million or 7.2%. This was mainly driven by instant games and sports betting, which increased by €277 million and €236 million, respectively.

The breakdown in stakes between lottery games (distinguishing between instant games and draw games) and sports betting is presented in the table below:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
<th>% of total stakes</th>
<th>Change H1 2019/H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instant games</td>
<td>4,011.6</td>
<td>3,734.6</td>
<td>47.6%</td>
<td>47.5%</td>
</tr>
<tr>
<td>Draw games</td>
<td>2,598.0</td>
<td>2,545.9</td>
<td>30.9%</td>
<td>32.4%</td>
</tr>
<tr>
<td>Sports betting</td>
<td>1,810.4</td>
<td>1,574.1</td>
<td>21.5%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Total stakes</td>
<td>8,420.0</td>
<td>7,854.6</td>
<td>100.0%</td>
<td>100.0%</td>
</tr>
<tr>
<td>Digitalised stakes</td>
<td>1,652.3</td>
<td>1,180.7</td>
<td>19.6%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Offline stakes</td>
<td>7,916.4</td>
<td>7,490.1</td>
<td>94.0%</td>
<td>95.3%</td>
</tr>
<tr>
<td>Online stakes</td>
<td>503.3</td>
<td>364.5</td>
<td>6.0%</td>
<td>4.7%</td>
</tr>
</tbody>
</table>

Digitalised stakes include online stakes and digitalised stakes in points of sale (prepared or executed using digital services or an app)

Instant games

Stakes for instant games amounted to €4,011.6 million in the six months to 30 June 2019 compared to €3,734.6 million in first-half 2018, up €277 million, or 7.4%.

In first-half 2019, instant games represented 47.6% of FDJ’s total stakes compared to 47.5% in first-half 2018.

During the first half of 2019, this business line was supported by the launch of seven new one-off games, including three that were very successful: The Wall launched at the beginning of January, Quitte ou Double launched in March and Super 10 ou 200
launched in early May, with these three games generating almost €250 million in stakes during first half-2019.

**Draw games**

Stakes for draw games were relatively stable, totalling €2,598.0 million in first-half 2019 compared to €2,545.9 million in first-half 2018, an increase of 2.0%. This category was driven by *Amigo* for which playing stakes climbed over the period, notably as a result of network expansion (13,800 points of sale at the end of June 2019 compared to 12,406 one year earlier, due to a policy of expanding the distribution network via creations and additional authorisations). Factoring out *Amigo*, draw games were down slightly, with Loto® and Euromillions posting a slight decline due to a lower number of growth-supporting events than in first-half 2018 (first-half 2018 was notably lifted by a Friday 13th, a Super Loto® and a millionaires’ week).

**Sports betting**

Sports betting stakes grew by €236 million, up 15% from €1,574 million in first-half 2018 to €1,810 million in first-half 2019. Growth was mainly attributable to football (stakes up €105 million), tennis (stakes up €77 million) and basketball (stakes up €30 million). Momentum is robust, with growth of 28% excluding stakes related to FIFA World Cups (€190 million in first-half 2018 and €32 million in first-half 2019).

**Digitalised stakes**

In first-half 2019, digitalised stakes continued to record very strong growth (up 39.9%), from €1,180.7 million in first-half 2018 to €1,652.3 million in first-half 2019, i.e. close to the amount recorded in full-year 2017. This growth was mainly driven by the development of online stakes and the digitalisation of stakes in points of sale.

2. **Player payout**

Player payout rose by €427 million, up 8% (i.e. outstripping the 7.2% increase in stakes) from €5,330 million in first-half 2018 to €5,757 million in the first six months of 2019.

Accordingly, the average payout ratio (PR) came out at 68.4% of stakes in first-half 2019 versus 67.9% at the same prior-year period. This increase in the PR is attributable to the change in product mix (see section 7.1.2.3 "Impact of the product mix on NGR"), mainly reflecting growth in the sports betting and instant games segments, which have the highest PR (see section 7.1.2.1 "Regulatory environment"):

- stakes for instant games grew by €277 million million versus first-half 2018;
- stakes for sports betting grew by €236 million in first-half 2019 versus the same year-ago period, and their share of total stakes climbed from 20% to 21.5% at end-June 2019.

3. **Gross gaming revenue (GGR)**

GGR advanced by €138 million, up 5.5% from €2,525 million in first-half 2018 to €2,663 million in first-half 2019.

As a percentage of stakes, GGR decreased by 0.5 points, from 32.1% of stakes in first-half 2018 to 31.6% of stakes in first-half 2019. GGR corresponds to the
difference between stakes and player payout, and the decrease in this item reflects the greater increase in PR versus that of stakes.

4. Public levies

Public levies increased by €77 million, up 4.8% from €1,615 million in first-half 2018 to €1,692 million in first-half 2019. However, they represented 20.1% of stakes in first-half 2019 compared to 20.6% of stakes one year earlier. The 4.8% increase in this item was lower than growth in stakes (up 7.2%) due to the change in the product mix, with sports betting representing a greater share of total stakes. Public levies for sports betting are lower than for the lottery due to higher PRs.

5. Net gaming revenue (NGR)

NGR increased by €52 million, up 5.9% from €881 million in first-half 2018 to €933 million in first-half 2019. This increase was driven by the lottery and sports betting.

Lottery NGR grew by €32 million compared to first-half 2018 (up 4.4%) from €727 million in first-half 2018 to €759 million in first-half 2019. This increase was mainly attributable to the increase in stakes (up 5.2%), and was partly offset by:

- an unfavourable product mix with a decrease in the proportion of draw games compared to instant games (see section 7.1.2.3 "Impact of product mix on NGR"); and
- an increase in the PR for Keno at the end of 2018 (relaunch of Keno on 13 November 2018 with a PR of 65.5% compared to 63% previously).

Sports betting NGR also grew, by €19 million or 12.3%, from €154 million in first-half 2018 to €173 million in first-half 2019. This increase was attributable to the 15% increase in stakes versus first-half 2018, partly offset by the increase in the sports betting PR over the period (up 0.4%).

As a percentage of stakes, total NGR decreased by 0.1 points, from 11.2% of stakes in first-half 2018 to 11.1% of stakes in first-half 2019.

In first-half 2019, total NGR included a contribution of €1.9 million from Sporting Group (see section 7.1.1.2 "Basis of preparation and presentation of the consolidated financial statements").

6. Revenue from other activities

Revenue from other activities decreased by €5 million or 32%, from €15 million in first-half 2018 to €11 million in first-half 2019. This decrease was mainly attributable to SGE, for which the subsidy received from Groupama (€6 million in first-half 2018) was presented in revenue from other activities in first-half 2018.

7. Revenue

In the first half of 2019, revenue amounted to €944 million compared to €897 million in the first half of 2018, up €47 million or 5.2%. Revenue growth was attributable to the Lottery BU in an amount of €31 million and the Sports Betting BU in an amount of €17 million. The change in revenue for these BUs is correlated with the change in NGR.
8. Cost of sales

Cost of sales as at 30 June 2019 was up by €35 million (including €26 million in relation to lottery and €6 million in relation to sports betting), or 6.4%, from €548 million as at 30 June 2018 to €583 million at 30 June 2019. The increase in the cost of sales is mainly due to the higher level of stakes collected in points of sale (up 5.7%) which has a mechanical impact on distributor commissions (up €33 million or 8.4% compared to 30 June 2018). This change is due to a volume effect (growth in stakes within distribution network between 30 June 2018 and 30 June 2019: an increase of €263 million in lottery stakes and an increase of €164 million in sports bets) and a rate effect (see section 7.1.2.5 “Change in the commission of distributors”): distributors’ commissions rate averaged 5.3% as at 30 June 2019 (5.4% for the lottery and 5.1% for sport betting, given the mix of different bet offerings) compared to 5.2% as at 30 June 2018.

The increase in distributor remuneration was partly offset by the decrease in remuneration for the Commercial Distribution Companies (CDC) (down by €6 million) due to the sales transformation (see section 7.1.2.4 “Change in the distribution model and sales organisation”).

9. Marketing and communication expenses

Marketing and communication expenses increased by €8 million or 6.4%, from €130 million in first-half 2018 to €138 million in first-half 2019. This increase can be explained by the following factors:

- a €5 million increase in the Lottery BU, driven by the development of the offering targeted at players;
- a €5 million increase in the Acceleration BU, including €3 million stemming from Sporting Group and mainly resulting from the development of the offering;
- a €5 million decrease at the holding company, which can be explained by the change of control of SGE (see section 7.1.1.2 “Basis for the preparation and presentation of the consolidated financial statements – Main changes in scope”).

10. Contribution margin of operating segments

The contribution margin of the Lottery BU remained stable at €243 million in first-half 2019, on a par with first-half 2018. This performance was attributable to growth in revenue further to the growth in stakes, offset by an increase in expenses, mainly in connection with the remuneration of distributors and the development of the player offering. Distributor commissions for the lottery increased by €27 million due to growth in stakes in the network (volume effect) and to the change in the remuneration terms applicable from 1 January 2019 (rate effect) (see section 7.1.2.5 "Change in distributor commissions”).

The contribution margin of the Sports Betting BU grew by €12 million, from €14 million in first-half 2018 to €26 million in first-half 2019. The increase in this item was due to growth in stakes, partly offset by the increase in the distributor commission resulting from the growth in stakes in the network, with the other BU expenses remaining stable.

The contribution margin of the Acceleration BU decreased by €1 million, from a negative €1 million in first-half 2018 to a negative €2 million in first-half 2019, due to additional expenses in connection with the new businesses being developed by the Group.
11. General and administrative expenses

General and administrative expenses remained relatively flat at €86 million in first-half 2019, down slightly by 0.8%. Depreciation and amortisation expense increased by €5 million (from €6 million in first-half 2018 to €11 million in first-half 2019) while general and administrative expenses of the holding company decreased by €2 million from €78 million in first-half 2018 to €76 million in first-half 2019, mainly reflecting the first-time application at 1 January 2019 of IFRS 16 "Leases", which translated into a €2 million decrease in rental expense.

12. Recurring operating profit

In view of the above-mentioned factors, the Group’s recurring operating profit increased by €1 million, or 0.8%, from €135 million in first-half 2018 to €136 million in first-half 2019.

13. EBITDA

EBITDA for the six-month periods ended 30 June 2019 and 2018 breaks down as follows:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring operating profit</td>
<td>136</td>
<td>135</td>
</tr>
<tr>
<td>Net depreciation and amortisation</td>
<td>(41)</td>
<td>(29)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>177</td>
<td>164</td>
</tr>
</tbody>
</table>

EBITDA increased by €13 million or 7.9%, from €164 million in first-half 2018 to €177 million in first-half 2019. The increase in this item was due to the increase in net depreciation and amortisation expense, which was mainly attributable to an increase in expense for IT development and the new head office, as well as the first-time application of IFRS 16 which gave rise to a €2.9 million additional depreciation charge.

14. Other operating income and expenses

Other operating income and expenses represented a net expense of €7 million in first-half 2019 versus net income of €7 million in first-half 2018.

Other operating income for first-half 2018 mainly corresponded to the gain on the sale of the Moussy-le-Vieux site (€9 million).

In first-half 2019, other operating income and expenses mainly included fees related to corporate actions at FDJ and to the acquisition of Sporting Group.

15. Operating profit

Operating profit was down by €13 million or 9.2%, from €142 million in first-half 2018 to €129 million in first-half 2019, broadly impacted by the increase in operating expenses.

16. Net financial income / (expense)

Net financial income / (expense) in first-half 2019 and 2018 break down as follows:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of debt</td>
<td>(0.8)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Financial income</td>
<td>12.2</td>
<td>3.3</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>(0.5)</td>
<td>(1.5)</td>
</tr>
</tbody>
</table>
Net financial income / (expense) was up €9 million, from net income of €1.5 million in first-half 2018 to net income of €10.9 million in first-half 2019.

The significant increase in financial income was mainly due to the improved conditions on financial markets, notably equities. This market posted yields of 22.47% over the first half of 2019 compared to a negative 7.97% over the first half of 2018.

17. Profit before tax

Consolidated profit before tax decreased by €3 million, or 2.2%, from €143 million million in first-half 2018 to €140 in first-half 2019. This decline in profit before tax reflects the decrease in operating profit, partly offset by the increase in net financial income.

18. Income tax expense

Income tax expense decreased by €4 million, or 8.6%, from €49 million first-half 2018 to €44 million in first-half 2019, while profit before tax decreased by just €3 million. This change reflected an effective tax rate of 31.6% in first-half 2019 (compared to 33.9% in first-half 2018) in accordance with the 2019 Finance Law in force, which provided for a 2.4% decrease in tax rates compared to 2018.

19. Net profit

Consequently, net profit increased by more than €1 million, or a 1.2% increase, from €95 million in first-half 2018 to €96 million in first-half 2019.

7.3 Analysis of results for the years ended 31 December 2018, 2017 and 2016

7.3.1 Analysis of results for the years ended 31 December 2017 and 2018

The table below presents the Group’s consolidated income statements (in millions of euros) for the years ended 31 December 2017 and 2018.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>15,817.0</td>
<td>15,144.4</td>
</tr>
<tr>
<td>Player payout (%) PR</td>
<td>(10,697.5)</td>
<td>(10,122.4)</td>
</tr>
<tr>
<td>% PR</td>
<td>67.6%</td>
<td>66.8%</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>5,119.6</td>
<td>5,022.1</td>
</tr>
<tr>
<td>% GGR</td>
<td>32.4%</td>
<td>33.2%</td>
</tr>
<tr>
<td>Public levies (%) PL</td>
<td>(3,261.8)</td>
<td>(3,235.7)</td>
</tr>
<tr>
<td>% PL</td>
<td>20.6%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>(83.4)</td>
<td>(59.5)</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>1,774.3</td>
<td>1,726.8</td>
</tr>
<tr>
<td>% NGR</td>
<td>11.2%</td>
<td>11.4%</td>
</tr>
<tr>
<td>Revenue from other activities</td>
<td>28.3</td>
<td>35.2</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,802.6</td>
<td>1,762.0</td>
</tr>
<tr>
<td>Cost of sales (%)</td>
<td>(1,100.5)</td>
<td>(1,066.9)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(277.1)</td>
<td>(260.2)</td>
</tr>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>------------------------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(175.1)</td>
<td>(171.0)</td>
</tr>
<tr>
<td>Other recurring operating income</td>
<td>2.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Other recurring operating expenses</td>
<td>(0.8)</td>
<td>(4.2)</td>
</tr>
<tr>
<td><strong>Recurring operating profit</strong></td>
<td><strong>251.1</strong></td>
<td><strong>261.3</strong></td>
</tr>
<tr>
<td>Other operating income</td>
<td>10.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(4.7)</td>
<td>(3.3)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td><strong>256.7</strong></td>
<td><strong>258.0</strong></td>
</tr>
<tr>
<td>Cost of debt</td>
<td>(0.9)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Other financial income</td>
<td>6.3</td>
<td>10.2</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(6.8)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Net financial income/(expense)</strong></td>
<td>(1.5)</td>
<td>4.5</td>
</tr>
<tr>
<td>Share of net income from joint ventures</td>
<td>0.8</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td><strong>256.0</strong></td>
<td><strong>263.7</strong></td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(85.6)</td>
<td>(82.8)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td><strong>170.4</strong></td>
<td><strong>181.0</strong></td>
</tr>
<tr>
<td>Attributable to</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>170.4</td>
<td>180.7</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>0.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>
In € million

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lottery BU</td>
<td>Sports betting BU</td>
<td>ABU</td>
<td>Holding company</td>
<td>Total before depr./amort.</td>
<td>Depr./amort.</td>
</tr>
<tr>
<td>Stakes</td>
<td>12,770</td>
<td>3,047</td>
<td></td>
<td></td>
<td>15,817</td>
<td>15,817</td>
</tr>
<tr>
<td>Gross gaming revenue (GGR)</td>
<td>4,372</td>
<td>748</td>
<td></td>
<td></td>
<td>5,120</td>
<td>5,120</td>
</tr>
<tr>
<td>Net gaming revenue (NGR)</td>
<td>1,477</td>
<td>297</td>
<td></td>
<td></td>
<td>1,774</td>
<td>1,774</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,482</td>
<td>297</td>
<td>14</td>
<td>9</td>
<td>1,803</td>
<td>1,803</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(874)</td>
<td>(192)</td>
<td>(2)</td>
<td>0</td>
<td>(1,067)</td>
<td>(33)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(132)</td>
<td>(82)</td>
<td>(11)</td>
<td>(37)</td>
<td>(262)</td>
<td>(15)</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>476</td>
<td>24</td>
<td>1</td>
<td>(28)</td>
<td>474</td>
<td>(15)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td></td>
<td></td>
<td>(159)</td>
<td></td>
<td>(159)</td>
<td>(15)</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>315</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(64)</td>
<td></td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>251</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lottery BU</td>
<td>Sports betting BU</td>
<td>ABU</td>
<td>Holding company</td>
<td>Total before depr./amort.</td>
<td>Depr./amort.</td>
</tr>
<tr>
<td>Stakes</td>
<td>12,626</td>
<td>2,518</td>
<td></td>
<td></td>
<td>15,144</td>
<td>15,144</td>
</tr>
<tr>
<td>Gross gaming revenue (GGR)</td>
<td>4,398</td>
<td>624</td>
<td></td>
<td></td>
<td>5,022</td>
<td>5,022</td>
</tr>
<tr>
<td>Net gaming revenue (NGR)</td>
<td>1,474</td>
<td>253</td>
<td></td>
<td></td>
<td>1,727</td>
<td>1,727</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,491</td>
<td>256</td>
<td>13</td>
<td>3</td>
<td>1,762</td>
<td>1,762</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(871)</td>
<td>(162)</td>
<td>(3)</td>
<td>0</td>
<td>(1,037)</td>
<td>(30)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(139)</td>
<td>(60)</td>
<td>(12)</td>
<td>(37)</td>
<td>(248)</td>
<td>(12)</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>481</td>
<td>33</td>
<td>(3)</td>
<td>(34)</td>
<td>478</td>
<td>(43)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td></td>
<td></td>
<td>(162)</td>
<td></td>
<td>(162)</td>
<td>(12)</td>
</tr>
<tr>
<td>EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>316</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(54)</td>
<td></td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>261</td>
<td></td>
</tr>
</tbody>
</table>

Introductory comment: change of control of the Société de Gestion de L’Échappée (SGE) on 6 December 2018

On 6 December 2018, Groupama acquired 50% of the share capital of SGE, which manages the professional cycling team. This transaction did not give rise to any capital gains or losses. As from this date, SGE was jointly controlled by Groupama and FDJ. As a result, SGE is accounted for under the equity method and is no longer consolidated.

1. Stakes

Stakes amounted to €15,817 million for the year ended 31 December 2018 compared to €15,144.4 million for the year ended 31 December 2017, an increase of €672.6 million or 4.4% year on year. This growth was mainly the result of (i) higher stakes for instant games (up 3.2% over the period), with draw games down by 1.7% (i.e. aggregate growth of 1.1% compared to 2017), driven by investments in digital technologies and the success of the Mission Patrimoine game (€187 million in stakes), and (ii) a significant increase in sports betting stakes (up 21% compared to 2017), notably boosted by the impact of FIFA World Cup
The breakdown in stakes between lottery games (with a distinction between instant games and draw games) and sports betting is presented in the table below:

<table>
<thead>
<tr>
<th>In € million</th>
<th>2018</th>
<th>2017</th>
<th>% of total stakes</th>
<th>Change 2018/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018</td>
<td>2017</td>
<td>2018</td>
<td>2017</td>
</tr>
<tr>
<td>Instant games</td>
<td>7,620.0</td>
<td>7,385.4</td>
<td>48.2%</td>
<td>48.8%</td>
</tr>
<tr>
<td>Draw games</td>
<td>5,149.7</td>
<td>5,240.9</td>
<td>32.5%</td>
<td>34.6%</td>
</tr>
<tr>
<td>Sports betting</td>
<td>3,047.3</td>
<td>2,518.1</td>
<td>19.3%</td>
<td>16.6%</td>
</tr>
<tr>
<td><strong>Total stakes</strong></td>
<td><strong>15,817.0</strong></td>
<td><strong>15,144.4</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
<tr>
<td>Digitalised stakes</td>
<td>2,428.6</td>
<td>1,669.0</td>
<td>15.4%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Offline stakes</td>
<td>15,020.3</td>
<td>14,489.1</td>
<td>95.0%</td>
<td>96.0%</td>
</tr>
<tr>
<td>Online stakes</td>
<td>796.8</td>
<td>655.4</td>
<td>5.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

Digitalised stakes include online stakes and digitalised stakes in points of sale (prepared or executed using digital services or an app)

**Instant games**

Instant game stakes amounted to €7,620 million for the year ended 31 December 2018 compared to €7,385.4 million for the year ended 31 December 2017, an increase of €234.6 million or 3.2%. In 2018, instant games represented 48.2% of total stakes, compared to 48.8% in 2017.

The growth in instant game stakes in 2018 was mainly driven by offline stakes, and specifically by the €5 and over games segment.

Growth in the €5 and over games segment was mainly attributable to the success of the Mission Patrimoine event game released for the French Heritage days in September 2018 in an unprecedented €15 segment, and which generated over €172 million in stakes, as well as the success of the Multipliers (X20) game (€5) launched in September 2017.

The segment of games between €0.50 and €3 posted a slight decline due to a smaller number of launches (three games launched in 2018 compared to five in 2017) and an unfavourable calendar effect. New products in 2018 included launches in June for Pixel Aventure, September for Morpion (first game at under €1) and at the end of October for Défi Kosmik, whereas new products in 2017 included launches in January (Dobble), March (Desserts en or), April (10 ans Gagnants), May (Repaire de Pirates) and October (Yesss).

**Draw games**

Draw game stakes decreased to €5,149.7 million for the year ended 31 December 2018, compared to €5,240.9 million for the year ended 31 December 2017, down 1.7% or €91.2 million year on year. This decrease was mainly due to game life cycles, with players favouring high jackpot draws, events (Super Loto®, Super Jackpot, etc.) and rollover draws (draws following a consecutive series without the jackpot being won).

In 2018, draw games (including point-of-sale games Loto®, Euromillions - My Million, Keno gagnant à vie and Amigo) represented 32.5% of stakes versus 34.6% in 2017.

**Sports betting**

Sports betting continued to grow in 2018, representing more than 19% of stakes compared to 17% in 2017. Sports betting stakes totalled €3,047 million for the year.
ended 31 December 2018 compared to €2,518 million for the year ended 31 December 2017, with strong growth of €529 million or 21% over the period.

FIFA World Cup (14 June to 15 July 2018) and the French team’s successful campaign made a strong contribution to the growth in sports betting in 2018. Offline bets during 2018 FIFA World Cup totalled €333 million, compared to €181 million for the same event in 2014, up 84%, notably on the back of the French team’s success.

Taking churn\textsuperscript{77} into account, the number of Parions Sport players increased from 3 million to 3.4 million, notably due to FIFA World Cup.

### Digitalised stakes

The year ended 31 December 2018 benefited from the digitalisation of customer practices in all gaming segments, including sports betting and lottery. Digitalised stakes increased by almost 45.5% or €760 million, from €1,669 million for the year ended 31 December 2017 to €2,429 million for the year ended 31 December 2018. They represented 15% of total stakes compared to 11% in 2017, confirming the target of 20% of digitalised stakes by 2020 set out in the FDJ 2020 strategic plan.

This increase in digitalised stakes was attributable to the expansion of online gaming and the digitalisation of stakes in points of sale, notably:

- for lottery games: the simplification of online distribution, with all draw games and instant games now available in the same mobile app and for all types of game format, and with the "mobile first" strategy of the fdj.fr website whose functionalities and graphics have been enriched; and
- for sports betting: the success of the "mobile first" strategy with reworked ergonomics for mobile apps and websites.

### 2. Player payout

Player payout increased by €575 million or 5.7% (outpacing the 4.4% increase in stakes), from €10,122 million for the year ended 31 December 2017 to €10,697 million in the ended 31 December 2018.

Accordingly, the average PR came out at 67.6% of stakes in 2018 versus 66.8% one year earlier. This increase in the average PR was due to the change in the product mix (see section 7.1.2.3 "Impact of product mix on NGR"), which was mainly attributable to the growth in sports betting and instant games, which have the highest PR (see section 7.1.2.1 "Regulatory environment"):

- sports betting stakes increased by €529.2 million in 2018 compared to 2017, and their share of total stakes increased from 17% in 2017 to 19% in 2018; and
- instant game stakes increased by €234.6 million in 2018 compared to 2017, and the PR of instant games was revised upwards in 2018 for entry-level games (tickets sold between €0.50 and €3).

The lottery PR was also revised upwards due to several product launches and relaunches:

- the Loto\textsuperscript{\textregistered} was relaunched at the end of 2017, with a theoretical PR of 54.75% (versus 53% formerly);

\textsuperscript{77} Percentage of players that have not played over the last 12 months, as defined by the Médiamétrie annual market survey.
- on 31 December 2017, the PR for the My Million game was raised from 50% to 64%; and
- Keno was relaunched in November 2018 with a PR of 65.5% (versus 63% formerly).

3. Gross gaming revenue (GGR)

GGR grew by €98 million or 1.9%, from €5,022 million for the year ended 31 December 2017 to €5,120 million for the year ended 31 December 2018.

As a percentage of stakes, GGR decreased by 0.8 points, from 33.2% of stakes for the year ended 31 December 2017 to 32.4% of stakes for the year ended 31 December 2018. GGR corresponds to the difference between stakes and player payout, and the decrease in this item reflects the greater increase in PR versus that of stakes.

4. Public levies

Public levies increased by €26 million or 0.8%, from €3,236 million for the year ended 31 December 2017 to €3,262 million for the year ended 31 December 2018.

This item represented 20.6% of stakes for the year ended 31 December 2018 compared to 21.4% of stakes for the year ended 31 December 2017.

This 0.8% increase was lower than the growth in stakes (up 4.4%), due to the change in the product mix with sports betting representing a greater share of total stakes. Public levies for sports betting are lower than for the lottery due to higher PR (see section 7.1.2.3 "Impact of the product mix on NGR").

5. Net gaming revenue (NGR)

NGR increased by €47 million, an increase of 2.8% from €1,727 million at 31 December 2017 to €1,774 million at 31 December 2018. This increase was mainly attributable to the Sports Betting BU, where NGR advanced by €44 million or up 17.4%, from €253 million at 31 December 2017 to €297 million at 31 December 2018. This increase change was mainly due to a positive volume effect resulting from growth in stakes (positive impact of €673 million, of which €529 million attributable to Sports Betting), partly offset by the negative impact of changes in FDJ’s commission rates (see section 7.1.2.1 "Regulatory environment").

As a percentage of stakes, NGR decreased by 0.2 points, from 11.4% of stakes for the year ended 31 December 2017 to 11.2% of stakes for the year ended 31 December 2018.

6. Revenue from other activities

Revenue from other activities decreased by €7 million or 20%, from €35 million for the year ended 31 December 2017 to €28 million for the year ended 31 December 2018.

This decrease was mainly due to the discontinuation of equipment rental invoicing to point-of-sale distributors, which accounted for revenue of €13 million in 2017, partly offset by the €8 million subsidy received from Groupama in respect of Société de Gestion de l’Échappée (SGE), which manages the professional cycling team as part of a co-sponsorship deal entered into at the end of 2017.
7. **Revenue**

Revenue for the year ended 31 December 2018 totalled €1,802.6 million, versus €1,762 million for the year ended 31 December 2017, up €41 million or 2.3% year on year. This increase was mainly attributable to the Sports Betting BU, where revenue increased by €41 million, from €256 million at 31 December 2017 to €297 million at 31 December 2018.

The increase in revenue broadly correlated with the rise in NGR, and also includes the impact of the decline in revenue from other activities further to the discontinuation of equipment rental invoicing to point-of-sale distributors in 2018.

8. **Cost of sales**

Cost of sales for the year ended 31 December 2018 increased by €33 million, up 3%, from €1,067 million for the year ended 31 December 2017 to €1,100 million for the year ended 31 December 2018.

The increase in cost of sales was mainly due to the higher level of stakes collected in points of sale (up 3.7%) which mechanically impacted distributors’ commissions (up €30 million or 3.9% compared to the previous period). In 2018, cost of sales amounted to €785 million, comprising commissions payable to distributors (of which €636 million for lottery activities and €149 million for sports betting). In 2017, cost of sales totalled €755 million and comprised commissions payable to distributors (of which €630 million for lottery activities and €125 million for sports betting).

Excluding depreciation and amortisation, the balance (€282 million, comprising €238 million for lottery activities and €42 million for sports betting, versus €284 million in 2017, comprising €241 million for lottery activities and €37 million for sports betting) mainly comprises point-of-sale equipment costs, sales coordination and monitoring costs, and gaming materials and logistics costs.

9. **Marketing and communication expenses**

Marketing and communication expenses for the year ended 31 December 2018 increased by €17 million or 6.5%, from €260 million for the year ended 31 December 2017 to €277 million for the year ended 31 December 2018.

This change mainly relates to sports betting (for over €22 million). It is mainly attributable to the development of sport fronts (mobile apps and websites) to optimise the offering (in particular, the complete reworking of the website and the creation of two applications), digital promotions during the football World Cup, with the remainder corresponding to the reinforcement of skills in the Sport BU.

Over the same period, marketing and communication expenses for the Lottery BU decreased by €7 million, reflecting lower advertisement expenses (relaunch of the Loto® in 2017) and lower technology costs to develop the offering.

10. **Contribution margin of operating segments**

The contribution margin for the Lottery BU decreased by €5 million, from €481 million for the year ended 31 December 2017 to €476 million for the year ended 31 December 2018. This decrease was mainly attributable to:

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78 IT systems directly accessible by customers
- a €9 million decrease in revenue further to the discontinuation of equipment rental invoicing to point-of-sale distributors as from 1 January 2018;
- partly offset by an overall fall in expenses. Additional expenses incurred in 2017 that did not recur in 2018 related to the relaunch of Loto® and the development of the player offering, notably in respect of the Interactive Factory project.

The contribution margin of the Sports Betting BU decreased by €9 million, from €33 million for the year ended 31 December 2017 to €24 million for the year ended 31 December 2018. This decrease was mainly attributable to:

- revenue growth of €41 million due to higher stakes. However, at 16%, this increase was outpaced by growth in NGR (up 17.5%) due to the discontinuation of equipment rental invoicing to point-of-sale distributors as from 1 January 2018;
- more than offset by additional expenses relating to:
  o distributor commissions (due to the growth in stakes in the network and incentive travel vouchers awarded to the highest-performing distributors); and
  o advertising expenses incurred in connection with the Football World Cup, technology costs further to the development of the player offering (website revamp, creation of new sports apps), promotions distributed to players to accelerate player recruitment and the reinforcement of skills within the BU.

The contribution margin of the Acceleration BU increased by €4 million, from a negative €3 million for the year ended 31 December 2017 to a positive €1 million for the year ended 31 December 2018, reflecting revenue growth in the international segment (turnkey sports betting platform projects, notably for the lotteries in the Nordic countries) and lower IT project development costs.

11. General and administrative expenses

General and administrative expenses increased by €4 million or 2.4%, from €171 million for the year ended 31 December 2017 to €175 million for the year ended 31 December 2018.

This increase was mainly due to:

- higher fees for financial, legal and strategy consulting, notably in connection with the planned public offering and support for the preparation of the 2025 business plan, partly offset by lower corporate patronage expenses;
- the increase in digital and collaborative services made available to Group employees. These tools are designed to promote collaborative working practices internally and also externally, to support the promotion of remote working following the relocation of the new head office in May 2018 to a building with a flexible, modular layout.

12. Recurring operating profit

In view of the above-mentioned factors, the consolidated recurring operating profit declined by €10 million or 3.9%, from €261 million for the year ended 31 December 2017 to €251 million for the year ended 31 December 2018.

13. EBITDA

EBITDA for the years ended 31 December 2017 and 2018 breaks down as follows:
EBITDA decreased by €1 million or 0.3%, from €316 million for the year ended 31 December 2017 to €315 million for the year ended 31 December 2018, with higher depreciation and amortisation expense mainly due to capitalised IT development in connection with the development of the game and service offering to players offsetting the decline in recurring operating profit.

14. Other operating income and expenses

Other operating income and expenses improved from a net expense of €3 million for the year ended 31 December 2017 to net income of around €6 million for the year ended 31 December 2018.

The net change in this item mainly reflects the gain from the disposal of the Moussy-le-Vieux site.

15. Operating profit

In view of the above, recurring operating profit was broadly flat, registering a slight decrease of €1 million or 0.5% from €258 million for the year ended 31 December 2017 to €257 million for the year ended 31 December 2018.

16. Net financial income / (expense)

Net financial income / (expense) for the years ended 31 December 2018 and 2017 breaks down as follows:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of debt</td>
<td>(0.9)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Financial income</td>
<td>6.3</td>
<td>10.2</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(6.8)</td>
<td>(5.4)</td>
</tr>
<tr>
<td><strong>Net financial income/(expense)</strong></td>
<td><strong>(1.5)</strong></td>
<td><strong>4.5</strong></td>
</tr>
</tbody>
</table>

Net financial income / (expense) swung from net income of €4.5 million for the year ended 31 December 2017 to a net expense of €1.5 million for the year ended 31 December 2018, representing a movement of €6 million year on year.

The increase in net financial expenses for the year ended 31 December 2018 was due to the combined impact of an increase in the cost of debt and lower financial income.

The increase in the cost of debt, amounting to less than €0.7 million, was due to the combined impact of an increase in the cost of debt and lower financial income.

The €4 million decrease in financial income was mainly attributable to lower interest rates and the sharp fall in financial markets, especially equities, where FDJ nonetheless outperformed the benchmark index (Euro Stoxx 50) due to the composition of its portfolio (structured, flexible and long-term products, geographical diversification) which enabled it to mitigate the market decline.

Financial expenses mainly concerned the net fair value adjustments taken to income, reflecting market movements. In 2018, this item amounted to €5 million for equities markets.

FDJ is exposed to exchange rate risks on purchases denominated in foreign currency, chiefly US dollars in the context of purchases of game materials from
Canadian and US suppliers. The positive change in net foreign exchange differences over the period (gain of €2.1 million in 2018 versus 2017) was attributable to movements in the US dollar.

17. Profit before tax

Profit before tax declined by €8 million or 2.9%, from €264 million for the year ended 31 December 2017 to €256 million for the year ended 31 December 2018. The decline in profit before tax reflected lower net financial income and expenses and broadly flat operating profit.

18. Income tax expense

Income tax expense rose by €3 million or 3.4%, from €83 million for the year ended 31 December 2017 to €86 million for the year ended 31 December 2018, even though profit before tax declined by €8 million during the same period.

In 2017, income tax expense included a net tax benefit of €2 million resulting from:
- the reimbursement in 2017 of the 3% surtax on dividends in respect of 2015, 2016 and 2017, in an amount of €15 million;
- partly offset by the payment of the exceptional 15% surtax applicable in 2017 to companies with revenue exceeding €1 billion, in an amount of €13 million.

In addition, the tax credit related to corporate patronage expenses amounted to €2 million for the year ended 31 December 2018 (versus €8 million for the year ended 31 December 2017).

19. Net profit

In view of the above-mentioned factors, net profit declined by around €11 million or 6%, from €181 million for the year ended 31 December 2017 to €170 million for the year ended 31 December 2018.

7.3.2 Analysis of results for the years ended 31 December 2016 and 2017

The table below presents the Group’s consolidated income statements (in millions of euros) for the years ended 31 December 2016 and 2017.

<table>
<thead>
<tr>
<th>In € million</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>15,144.4</td>
<td>14,330.7</td>
</tr>
<tr>
<td>Player payout</td>
<td>(10,122.4)</td>
<td>(9,545.3)</td>
</tr>
<tr>
<td>% PR</td>
<td>66.8%</td>
<td>66.6%</td>
</tr>
<tr>
<td>Gross gaming revenue (GGR)</td>
<td>5,022.1</td>
<td>4,785.4</td>
</tr>
<tr>
<td>% GGR</td>
<td>33.2%</td>
<td>33.4%</td>
</tr>
<tr>
<td>Public levies</td>
<td>(3,235.7)</td>
<td>(3,061.6)</td>
</tr>
<tr>
<td>% PP</td>
<td>21.4%</td>
<td>21.4%</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>(59.5)</td>
<td>(63.3)</td>
</tr>
<tr>
<td>Net gaming revenue (NGR)</td>
<td>1,726.8</td>
<td>1,660.7</td>
</tr>
<tr>
<td>% NGR</td>
<td>11.4%</td>
<td>11.6%</td>
</tr>
<tr>
<td>Revenue from other activities</td>
<td>35.2</td>
<td>35.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,762.0</td>
<td>1,695.8</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(1,066.9)</td>
<td>(1,041.9)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(260.2)</td>
<td>(246.5)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(171.0)</td>
<td>(157.9)</td>
</tr>
<tr>
<td>Other recurring operating income</td>
<td>1.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Other recurring operating expenses</td>
<td>(4.2)</td>
<td>(3.2)</td>
</tr>
</tbody>
</table>
In € million | 2017 | 2016
---|---|---
Recurring operating profit | 261.3 | 252.4
Other operating income | 0.0 | 0.0
Other operating expenses | (3.3) | (9.6)
Operating profit | 258.0 | 242.8
Cost of financial debt | (0.2) | (0.2)
Other financial income | 10.2 | 20.2
Other financial expenses | (5.4) | (8.2)
Net financial income / (expense) | 4.5 | 11.9
Share of net income from joint ventures | 1.2 | 1.3
Profit before tax | 263.7 | 256.0
Income tax expense | (82.8) | (80.1)
Net profit for the period | 181.0 | 175.9
Attributable to - Owners of the parent | 180.7 | 176.0 - Non-controlling interests | 0.3 | (0.1)

1. **Stakes**

Stakes amounted to €15,144 million for the year ended 31 December 2017 compared to €14,331 million for the year ended 31 December 2016, up €814 million or 5.7% year on year. This increase was mainly driven by growth in instant games, which represented 73% of the total growth in stakes.

The breakdown in stakes between lottery games (distinguishing between instant games and draw games) and sports betting is presented in the table below:
Digitalised stakes include online stakes and digitalised stakes in points of sale (prepared or executed using digital services or an app)

### Instant games

Instant game stakes totalled €7,385.4 million for the year ended 31 December 2017 compared to €6,792.8 million for the year ended 31 December 2016, an increase of €592.6 million (or 8.7%) % year on year.

In 2017, instant games represented 48.8% of total stakes, versus 47.4% in 2016.

The growth in instant game stakes in 2018 was mainly driven by the new game launches in 2017 including 10 ans Gagnants (€5) in April and Multipliers X10 (€2) and X20 (€5) in August.

The instant game range was also boosted by other new game releases in the €3 segment, notably Dobble in January, Desserts en Or in April, Repaire de Pirates in May and Yesss in September.

In total, 13 games were launched in 2017 compared to 9 in 2016.

### Draw games

Draw game stakes totalled €5,240.9 million for the year ended 31 December 2017 compared to €5,027.9 million for the year ended 31 December 2016, up €213 million (or 4.2%) % year on year.

In 2017, draw games (including offline games Loto®, Euromillions - My Million, Keno gagnant à vie and Amigo) represented 34.6% of total stakes versus 34.7% in 2016.

The increase in draw game stakes reflected the following factors:

- the successful relaunch of Loto® in March, especially due to the addition of a raffle during each draw to enrich the player experience. Growth in stakes was also supported by one-off factors, including the Super Loto® on Friday 13 October and the Christmas grand Loto® with a €20 million jackpot (these two events generated over €70 million in additional stakes); and

- Euromillions - My Million registered a sharp rise in stakes, further to the new format launched at the end of 2016 with both higher-starting and faster-rising jackpots, helping re-establish the game's historical promise of exceptional winnings. In 2017, it benefited from five “long” draw cycles compared to only two in 2016, generating almost €90 million in additional stakes compared to the prior year.

### Sports betting
Sports betting stakes totalled €2,518 million for the year ended 31 December 2017 compared to €2,510 million for the year ended 31 December 2016, representing growth of €8.1 million or 0.3% year on year.

In 2017, sports betting represented over 16.6% of total stakes, remaining relatively flat year on year (17.5% in 2016).

This performance reflected the fact that a number of major sporting events were staged in 2016, including the Euro 2016 football tournament from 10 June to 10 July 2016 and the Rio Olympic Games from 5 to 21 August 2016, that did not recur during the year under review. Factoring out these events, sports betting stakes for the year ended 31 December 2017 increased by 9%, highlighting FDJ’s successful initiatives to promote this range. In an increasingly competitive environment, FDJ promoted the further digitisation of point-of-sale playing practices and implemented initiatives to improve the customer experience, particularly through the use of digitalised play slips in points of sale. It also enriched its offline and online offering with new betting formats and services, including combined bets in live betting. The Group rolled out a new advertising campaign for the Parions Sport brand and launched a French forecasting championship in partnership with the French Professional Football League (Ligue de Football Professionnel).

**Digitalised stakes**

Digitalised stakes increased by €736.0 million or around 79%, from €933.0 million for the year ended 31 December 2016 to €1,669 million for the year ended 31 December 2017, crossing the 10% of stakes milestone to reach 11% of total stakes.

Mobile use grew due to the digitalisation of play slips, the launch of an FDJ app for the entire game range and the indexing of FDJ apps in the Google Play Store.

**2. Player payout**

Player payout increased by €577 million or 6%, from €9,545 million for the year ended 31 December 2016 to €10,122 million for the year ended 31 December 2017. Accordingly, the average PR came out at 66.8% of stakes in 2017 versus 66.6% one year earlier. The 0.2-point increase in the average PR was mainly attributable to the increase in the Loto® PR in connection with its relaunch in March 2017 (54.75% versus 53% formerly) and to the greater share in the product mix of instant games, which have higher PRs (48.8% of total stakes versus 47.4% in the prior year). Player payout increased at a faster pace than stakes over the period (6% versus 5.7%).

**3. Gross gaming revenue (GGR)**

GGR increased by €237 million or 4.9%, from €4,785 million for the year ended 31 December 2016 to €5,022 million for the year ended 31 December 2017.

As a percentage of stakes, GGR decreased slightly from 33.4% of stakes for the year ended 31 December 2016 to 33.2% of stakes for the year ended 31 December 2017. Growth in GGR was lower than that for stakes (4.9% versus 5.7%) as a result of the faster pace of growth for player payout than for stakes.

**4. Public levies**

Public levies increased by €174 million or 5.7%, from €3,062 million for the year ended 31 December 2016 to €3,236 million for the year ended 31 December 2017.

Public levies represented 21.4% of stakes for the year ended 31 December 2017, unchanged on the prior year. The increase in public levies (up 5.7%) was in line with the growth in stakes.
5. Net gaming revenue (NGR)

NGR increased by €66 million or 4.0%, from €1,661 million for the year ended 31 December 2016 to €1,727 million for the year ended 31 December 2017.

As a percentage of stakes, NGR decreased by 0.2 points, from 11.6% of stakes for the year ended 31 December 2016 to 11.4% of stakes for the year ended 31 December 2017.

NGR increased at a slower pace than growth in stakes (4% versus 5.7%) due primarily to the decrease in FDJ commissions – see section 7.1.2.1 "Regulatory environment". Factoring out this item, NGR would have risen by 5.6% compared to the year ended 31 December 2016, in line with the growth in stakes.

6. Revenue from other activities

Revenue from other activities was flat year on year at €35 million. This item primarily included point-of-sale equipment rentals and sales of support and development services by FDJ Gaming Solutions.

7. Revenue

Revenue for the year ended 31 December 2017 totalled €1,762 million compared to €1,696 million for the year ended 31 December 2016, up by €66 million or 3.9%. The increase in revenue was in line with that of NGR.

8. Cost of sales

Cost of sales increased by €25 million or 2.4%, from €1,042 million for the year ended 31 December 2016 to €1,067 million for the year ended 31 December 2017.

The increase in this item was mainly driven by higher levels of stakes collected in points of sale (up 5.2%), with an automatic inflationary impact on distributor commissions (an increase of €37 million, of which €36 million for lottery activities and €1 million for sports betting) in order to reach €755 million for the year ended 31 December 2017, versus €720 million for the year ended 31 December 2016. This increase was partly offset by a decrease in remuneration paid to other segments as a result of the transformation of the sales function.

Sales coordination and promotion expenses increased by €9 million (from €86 million for the year ended 31 December 2016 to €95 million for the year ended 31 December 2017), mainly within the commercial distribution subsidiary FDP following the transfer of 49 sales sectors in 2016: notably personnel costs, delivery/preparation expenses during the transition from the former intermediated distribution model to a direct distribution model with property-related expenses (full year effect of 18 sites leased during 2016).

9. Marketing and communication expenses

Marketing and communication expenses for the year ended 31 December 2017 increased by €14 million (an increase of €20 million for sports betting, offset by a €9 million decrease for the Lottery BU), an increase of 5.6%, from €246 million for the year ended 31 December 2016 to €260 million for the year ended 31 December 2017.

The increase in these expenses was mainly attributable to the following expenses, in equal measure:
- development of the player offering, mainly concerning the online Parions Sport en Ligne (launch of the first version of the Android app) and points of sale (new points of sale apps on IOS and Android);

- sponsorship and partnership expenses, further to the renegotiation of professional cyclist contracts, FDJ’s new status as official sponsor of the Tour de France and support for Paris’ bid for the 2024 Olympic Games; and

- personnel expenses, with the creation of new businesses (such as open innovation, using collaboration with start-ups to drive transformation) and the strengthening of oversight of sports partnerships and the corporate brand.

10. Contribution margin of operating segments

The contribution margin for the Lottery BU increased by €55 million, from €426 million for the year ended 31 December 2016 to €481 million for the year ended 31 December 2017. This increase was mainly attributable to:

- revenue growth of €71 million (from €1,420 million for the year ended 31 December 2016 to €1,491 million for the year ended 31 December 2017), resulting from growth in NGR (and, therefore, stakes) and the fall in advertising expenses (sports betting and FDJ brand campaigns, sports partnerships in 2016 as part of the UEFA Euro 2016 tournament, and TV production expenses);

- partly offset by the increase in other expenses, and in particular:
  - rise in distributor commissions in line with growth in lottery stakes in the network (up 5.7%). However, this was itself mitigated by the decrease in commissions paid to commercial distribution companies (see section 7.1.2.4 “Change in the distribution model and sales organisation”);
  - the cost of point-of-sale equipment. In 2016, point-of-sale equipment was still under guarantee and did not therefore generate any costs; and
  - higher IT costs in connection with the development of the player offering.

The contribution margin of the Sports Betting BU decreased by €23 million, from €56 million for the year ended 31 December 2016 to €33 million for the year ended 31 December 2017. This decrease was mainly attributable to:

- the €5 million decrease in revenue, in line with the decline in NGR;
- the decrease in sports betting rights, which was accentuated in 2016 by the UEFA Euro 2016 tournament held in France; and

- more than offset by additional expenses relating to:
  - advertising and sports partnerships expenses (with national federations and professional sports leagues); and
  - IT costs in line with the development of the online and digital point-of-sale offering (launch of new mobile apps, development of terminal app systems in points of sale).

The contribution margin of the Acceleration BU contracted by €1 million, from a negative €2 million as at 31 December 2016 to a negative €3 million as at 31 December 2017. This change reflects the fact that IT expenses for project development exceeded additional revenue generated by international business (€1 million).
11. General and administrative expenses

General and administrative expenses increased by €13 million or 8.3%, from €158 million for the year ended 31 December 2016 to €171 million for the year ended 31 December 2017.

The increase in general and administrative expenses mainly resulted from the increase in fees, property-related expenses and IT infrastructure expenses, broadly in equal measure.

12. Recurring operating profit

Accordingly, consolidated recurring operating profit increased by around €9 million or 3.5%, from €252 million for the year ended 31 December 2016 to €261 million for the year ended 31 December 2017, powered by revenue growth.

13. EBITDA

EBITDA for the years ended 31 December 2017 and 2016 breaks down as follows:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring operating profit</td>
<td>261</td>
<td>252</td>
</tr>
<tr>
<td>Net depreciation and amortisation</td>
<td>(54)</td>
<td>(48)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>316</td>
<td>301</td>
</tr>
</tbody>
</table>

EBITDA increased by €15 million or 5%, from €301 million for the year ended 31 December 2016 to €316 million for the year ended 31 December 2017. EBITDA growth was driven by the rise in recurring operating profit (up €9 million) as well as the €6 million year on year decrease in depreciation and amortisation.

14. Other operating income and expenses

Other operating income and expenses swung from a net expense of €10 million for the year ended 31 December 2016 to net income of €3 million for the year ended 31 December 2017.

Net expenses included in this item mainly relate to the transformation of the sales organisation and the new head office. Costs relating to the transformation of the sales organisation (see section 7.1.2.4 "Change in the distribution model and sales organisation") arose mainly from the streamlining of the number of sales sectors and the transformation of the skill set of sales force, from logistics experts to salespeople. In the intermediated and direct distribution models, logistics are managed by couriers to enable the sales force to focus on selling and supporting distributors in developing their points of sale.

15. Operating profit

Consolidated operating profit rose by more than €15 million or 6.3% year on year, from €243 million for the year ended 31 December 2016 to €258 million for the year ended 31 December 2017. This growth in operating profit reflected the increase in recurring operating profit (up €9 million) and the €6 million decrease in other operating expenses.

16. Net financial income / (expense)

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of debt</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Financial income</td>
<td>10.2</td>
<td>20.2</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(5.4)</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Net financial income / (expense)</td>
<td>4.5</td>
<td>11.9</td>
</tr>
</tbody>
</table>
Net financial income / (expense) amounted to net income of €4.5 million for the year ended 31 December 2017, down €7.4 million or 62% from the year earlier figure of €11.9 million, reflecting a decrease in financial income.

The cost of debt remained flat (€0.2 million in 2016 and 2017), and mainly comprised interest expense on the borrowings taken out in connection with the acquisition of the new head office.

The year-on-year decline in interest income and proceeds on disposals of investments reflected falls in both volumes and rates:

- average outstanding cash decreased by €233 million compared to 2016, mainly due to €201 million in payments to the French State in 2016, in respect of the permanent fund (€170 million advance payment in December 2016 and €31 million corresponding to the payment of the balance of the 2015 surplus); in 2016, these payments amounted to €130 million (€125 million advance payment in December 2017 and €5 million corresponding to the payment of the balance of the 2016 surplus). Also in 2016, dividends paid (€229 million) included a special dividend amounting to €92 million. Dividends paid in 2017 amounted to €120 million; and
- a decrease in bond and money-market rates compared to the prior year (0.70% and -0.06%, respectively in 2017 versus 1.01% and 0.12% in 2016), applicable to the outstandings in the respective investment categories (€651 million and €209 million in 2017, versus €767 million and €345 million in 2016).

FDJ is exposed to exchange rate risks on purchases denominated in foreign currency, chiefly US dollars in the context of purchases of game materials from Canadian and US suppliers. The €1.5 million year-on-year decrease in net foreign exchange differences was attributable to changes in the US dollar.

17. Profit before tax

Profit before tax climbed €8 million or 3%, from €256 million for the year ended 31 December 2016 to €264 million for the year ended 31 December 2017. Growth in profit before tax reflected the €15 million increase in operating profit, partly offset by the more-than €7 million

18. Income tax expense

Income tax expense increased by €3 million or 3.4%, from €80 million for the year ended 31 December 2016 to €83 million for the year ended 31 December 2017. The rise in income tax expense was mainly due to the increase in profit before tax (up €8 million) and the introduction in 2017 of an exceptional 15% surtax on tax companies with revenue of more than €1 billion (€13 million in 2017); taken together, these items were partially offset by the abolition and reimbursement of the dividend surtax (€15 million in 2017).

The effective tax rate was 31.5% in 2017 versus 31.4% in 2016.

19. Net profit

Net profit increased by €5 million or 2.9%, from €176 million for the year ended 31 December 2016 to €181 million for the year ended 31 December 2017.
Chapter 8
Capital resources

8.1 General presentation

The Group structurally generates a working capital surplus, given (i) the specificities of its activity as an operator in the highly-regulated gaming sector, and (ii) the terms and conditions under which stakes are collected on the one hand and winnings payable and distributable and amounts with regard to public levies are disbursed on the other hand. The terms and conditions under which amounts are paid to and withdrawn from counterparty funds and other player funds (see section 8.1.1.3 “Player funds to be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law and reclassified as debt as at 30 June 2019”) also have a major impact on the Group’s cash level.

As at 30 June 2019, the Group had a net cash surplus of €70 million, versus €574 million as at 31 December 2018.

The Pacte Law relating to the growth and transformation of companies has brought about a significant remodelling of the regulatory framework applicable to the gaming and play sector, notably through amendments to the applicable taxation rules with effect from 1 January 2020 with a change in the base for the public levies applicable to lottery and sports betting, as well as through the closure of the counterparty funds, permanent fund and reserve fund, the balances of which must be repaid to the French State before a date set by decree, and no later than 31 December 2025.

8.1.1 Main financial resources and cash requirements

The Group’s main financial resources are:

- EBITDA and the EBITDA-to-cash conversion ratio (see section 7.1.4.1 “Group indicators”);
- the working capital surplus, including the specific player funds provided for under applicable game rules that will not be closed with effect from 1 January 2020 further to the application of the Pacte Law;
- until 31 December 2019, regulatory player funds which will be closed with effect from 1 January 2020 and repaid to the French State in accordance with an as yet undefined schedule, pursuant to Article 138 of the Pacte Law, and were reclassified as debt at 30 June 2019; and
- borrowings;
- payable to the French State with respect to the exclusive operating rights.

The Group main cash requirements consist of:

- dividends paid;
- investments;
- income tax paid;
- loan repayments and related interest paid.

8.1.1.1 EBITDA
The Group maintains solid profitability and generates significant cash flow, with a high EBITDA-to-cash conversion ratio (see section 5.3.1 “Group assets” and Chapter 7 “Operating and financial review” for a presentation of EBITDA). EBITDA amounted to €315 million in 2018, €316 million in 2017 and €301 million in 2016. In first-half 2019, it amounted to €177 million (€164 million in first-half 2018).

8.1.1.2 Working capital surplus, including player funds that will be maintained after 1 January 2020 further to the application of the Pacte Law

The working capital surplus mainly includes:
- winnings payable and distributable;
- receivables from and payables to the distribution network;
- payables relating to public levies, excluding the permanent fund surplus;
- player funds that will not be closed with effect from 1 January 2020;
- player funds that will be closed with effect from 1 January 2020 and will be given to the French State (see section 8.1.1.3 “Player funds to be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law and reclassified as debt at 30 June 2019”).

a. Winnings payable and distributable


Winnings payable are unexpired winnings still to be paid to players, and winnings distributable are the theoretical winnings on the stakes collected during a given financial year and for which the event (draw or match) will take place in the following financial year. They also correspond to online players’ cash, i.e. the sums available in players’ electronic wallets on their fdj.fr or parionsweb.fr accounts.

The draw calendar and the life cycle of Loto® and Euromillions games with the highest winnings are likely to have a material impact on the level of winnings payable and distributable at the end of the financial year.

Large prizes (in excess of €2,000) on the stakes played in the point of sale network are payable by bank transfer at the point of sales for prizes up to €30,000, or by bank transfer (or cheque for prizes exceeding €500,000) at the payment centre. They are payable within a prescribed period of 30 days following the close of the issue for instant games or 60 days following a draw or sports event.

Depending on the deadline and payment dates of large prizes, the amount recorded in the financial statements with respect to winnings payable may differ significantly. For example, winnings payable stood at €119 million at 31 December 2018, versus €151 million at 31 December 2017. The €32 million difference was due to the fact that, at the end of 2017, the Euromillions and Loto® jackpots (of 29 December 2017 for €39 million and of 30 December 2017 for €3 million, respectively) had been won (which was not the case at the end of 2018).

b. Distribution network receivables and payables

Distribution network receivables correspond to stakes collected by distributors at the end of the period and not yet deducted by FDJ. They are presented in the table below, net of provisions for impairment.
Distribution network payables correspond to prizes paid by the network and commissions payable in respect of stakes collected by the network but not yet paid by FDJ.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from the distribution network (net of impairment)</td>
<td>269.5</td>
<td>398.4</td>
<td>348.9</td>
<td>317.7</td>
</tr>
<tr>
<td>Payables to the distribution network</td>
<td>(180.7)</td>
<td>(266.9)</td>
<td>(215.6)</td>
<td>(190.4)</td>
</tr>
<tr>
<td>Net receivables from the distribution network</td>
<td>88.8</td>
<td>131.5</td>
<td>133.3</td>
<td>127.3</td>
</tr>
</tbody>
</table>

Every week, game distributors are debited for the amount of stakes collected, net of winnings paid out and their commissions.

The level of receivables from and payables to the distribution network may change significantly at the end of the period based on the calendar, and more specifically the day of the week on which 31 December or 30 June falls.

The network invoicing / deduction calendar is as follows:

<table>
<thead>
<tr>
<th>Distributors</th>
<th>Invoicing</th>
<th>Deductions / transfers</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monday</td>
<td>Wednesday</td>
<td>2 business days</td>
</tr>
<tr>
<td></td>
<td>(example: 10 December 2018 for the week of 3 to 9 December)</td>
<td>(i.e. 12 December 2018 in this example)</td>
<td></td>
</tr>
</tbody>
</table>

Therefore, if 31 December is a Monday (as was the case on 31 December 2018), the balance sheet as at 31 December will present one week and one day of distributor receivables and payables (corresponding to the amounts for the week of 24 to 30 December which will be withdrawn on 2 January and to the amounts for the day of 31 December).

However, if 31 December is a Wednesday, distributor receivables and payables will represent only three days (from Monday to Wednesday), and if 31 December is a Friday, will represent five days (from Monday to Friday).

c. **Payables relating to public levies excluding the permanent fund surplus**


Public levies, excluding income tax, as defined in section 7.1.2.1 “Regulatory environment”, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>06.2019</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
<th>Payment day</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSG (as a % of lottery stakes)</td>
<td>2.19%</td>
<td>2.19%</td>
<td>1.76%</td>
<td>1.76%</td>
<td>Friday</td>
</tr>
<tr>
<td>CRDS (as a % of lottery stakes)</td>
<td>0.77%</td>
<td>0.77%</td>
<td>0.77%</td>
<td>0.77%</td>
<td>Friday</td>
</tr>
<tr>
<td>CNDS:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lottery levy (% of lottery stakes)</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>Before 23rd of each month</td>
</tr>
<tr>
<td></td>
<td>06.2019</td>
<td>2018</td>
<td>2017</td>
<td>2016</td>
<td>Payment</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>---------</td>
<td>------</td>
<td>------</td>
<td>------</td>
<td>----------</td>
</tr>
<tr>
<td><strong>Supplementary Lottery levy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of lottery stakes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Before</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23rd of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>each month</td>
</tr>
<tr>
<td><strong>Sports Betting levy</strong></td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>Before</td>
</tr>
<tr>
<td>(as a % of sports betting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23rd of</td>
</tr>
<tr>
<td>stakes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>each month</td>
</tr>
<tr>
<td>**Tax deduction on sports</td>
<td>5.70%</td>
<td>5.70%</td>
<td>5.70%</td>
<td>5.70%</td>
<td>Before</td>
</tr>
<tr>
<td>betting**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23rd of</td>
</tr>
<tr>
<td>(as a % of sports betting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>each month</td>
</tr>
<tr>
<td>stakes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Social security deduction on</strong></td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>1.80%</td>
<td>Before</td>
</tr>
<tr>
<td>sports betting**</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23rd of</td>
</tr>
<tr>
<td>(as a % of sports betting</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>each month</td>
</tr>
<tr>
<td>stakes)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>VAT</strong></td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>20.00%</td>
<td>Before</td>
</tr>
<tr>
<td>(as % of NGR)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>23rd of</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>each month</td>
</tr>
<tr>
<td><strong>General State Budget</strong></td>
<td>Balance</td>
<td>Balance</td>
<td>Balance</td>
<td>Balance</td>
<td>Friday</td>
</tr>
<tr>
<td>(as % of total stakes)</td>
<td>of stakes</td>
<td>of stakes</td>
<td>of stakes</td>
<td>of stakes</td>
<td></td>
</tr>
</tbody>
</table>

The CSG (supplementary social security levy) was implemented to diversify the sources of financing for social security. The CRDS (social security debt retirement levy) was implemented as a temporary measure to be applied until the social security debt has been extinguished.

The CNDS (national centre for the development of sport) is a public body under the authority of the sports ministry, whose missions are social and environmental innovation through sport, accessibility of sport and additional support for deprived regions. The supplementary Lottery levy represents 0.3% of stakes and was set up in 2011 to contribute to financing the renovation of stadia for the UEFA Euro 2016 football tournament staged in France. This levy was abolished at the end of 2017.

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. For each game, this levy corresponds to the balance of stakes net of gains, structural allocations, tax (excluding income tax) and social security deductions, VAT, and net gaming revenue.

The calendar may have an impact on the amount of public levies payable to the General State Budget and on the social security deductions with respect to the lottery.

Therefore, if 31 December is a Monday (as was the case on 31 December 2018), the balance sheet as at 31 December will present eight days of payables (corresponding to the amounts for the week of 24 to 30 December – which will be deducted on 4 January – and to the amounts for the day of 31 December).

However, payables will cover 10 days (corresponding to the amounts for the week of 22 to 28 December – which will be deducted on 2 January – and to the amounts for the days of 29, 30 and 31 December) if 31 December is a Wednesday and five days (27 to 31 December) if 31 December is a Friday.

With effect from 1 January 2020 and pursuant to Article 138 of the Pacte Law, the sums paid to the General State Budget as well as all tax and social security deductions will be paid monthly (in M+1 for month M). In accordance with the
Pacte Law, an advance payment must be made for the month of December on the basis of the previous month payment. These changes to the payment calendar will have a positive effect on the Group average cash over the year. At the end of the financial year, this effect will be partially offset by the advance payment to be made for the month of December on the basis of the previous month payment.

d. Player funds that will not be closed with effect from 1 January 2020

There are two types of player funds: (i) player funds for which FDJ was purely the custodian and which will be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law (see section 8.1.1.3 “Player funds to be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law and repaid to the French State according to an as yet undefined schedule, and (ii) player funds that will not be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law and will remain on the Group consolidated statement of financial position (rollover funds and Super Cagnotte super prize funds).

The funds that will not be closed with effect from 1 January 2020, related to the specific functioning of certain pooled games, are rollover funds and Super Cagnotte (super prize) funds.

If a draw has no outright winner and the winnings are not reallocated to a lower rank winner, the rollover fund is used to carry sums over to a subsequent draw. Amounts allocated to the rollover fund form part of the player payout. For Euromillions, the rollover fund is shared between the participating lotteries.

The Super Cagnotte, or “booster” fund, concerns pooled games with a jackpot mechanism, i.e. draw games for which there is a minimum guaranteed prize for one or more ranks of winner. If the player payout allocated to the jackpot-eligible prize rankings does not cover the minimum guaranteed prizes, the difference is drawn from the Super Cagnotte fund. The Super Cagnotte fund may also be used to offer players special jackpots. For certain games, the funds may also be financed by a specific percentage of stakes drawn from the player payout. The overall amount allocated to this fund forms part of the player payout. Each pooled game with a jackpot has its own Super Cagnotte fund.

These funds amounted to €97 million in first-half 2019, €113 million at 31 December 2018, €69 million at 31 December 2017 and €49 million at 31 December 2016.

8.1.1.3 Player funds to be closed with effect from 1 January 2020 and repaid to the French State pursuant to Article 138 of the Pacte Law and reclassified as debt as at 30 June 2019

Article 138 of Law n° 2019-486 of 22 May 2019 states that the funds mentioned in Articles 13 and 14 of Decree n° 78-1067 of 9 November 1978 are to be closed with effect from 1 January 2020. The amounts deposited in these funds will be paid to the French State before a date set by decree and no later than 31 December 2025. As at the date hereof, the payment schedule is unknown; it will be set by decree.

This concerns the counterparty funds and permanent fund, together with the reserve fund, with the exception of pooled top prizes and winnings and stakes on pooled sports betting games and traditional draw games, as well as top prizes and winnings from additional draw games.
As at 30 June 2019, the amount of the funds that were reclassified as current financial liability\textsuperscript{79} totalled €256 million\textsuperscript{80}, resulting in an equivalent reduction in the working capital surplus compared with 31 December 2018.

These player funds are designed to cover counterparty risks (counterparty funds and permanent fund) and to record unclaimed prizes (reserve funds) (see section 7.1.2.1 “Regulatory environment” and Chapter 9 “Legal and regulatory environment”). They constitute liabilities for the Group.

**Counterparty funds and permanent funds**

An initial allocation is made to the counterparty funds when a game is launched that presents a counterparty risk. Counterparty risk is managed for each fund to which sums may be allocated or from which sums may be withdrawn. The counterparty funds represented €30 million as at 31 December 2018, €54 million as at 31 December 2017 and €63 million as at 31 December 2016.

A permanent fund, to which any counterparty fund surpluses are allocated, is used to pool the counterparty risks. Capped at 0.5% of stakes over the financial year since 31 December 2016, it was previously capped at 1% of stakes. Any surplus is repaid to the French State in two stages: an advance payment in December and the balance at the same time as the dividends. The surplus of the permanent fund and the corresponding deposit are not offset, as the liability only becomes payable after the approval of the financial statements by the General Shareholders’ Meeting.

For the years ended 31 December 2016, 2017 and 2018, the net liability for the permanent fund (permanent fund and permanent fund surplus net of the advance payment on the permanent fund surplus) was €87 million as at 31 December 2017 and 2018 and €77 million at 31 December 2016.

**Net liabilities for the permanent fund**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent fund (liabilities)</td>
<td>-</td>
<td>79.1</td>
<td>75.7</td>
<td>71.7</td>
</tr>
<tr>
<td>Permanent fund surplus (liabilities)</td>
<td>208.4</td>
<td>208.4</td>
<td>137.0</td>
<td>175.4</td>
</tr>
<tr>
<td>Advance payment on the permanent fund surplus (assets)</td>
<td>200.3</td>
<td>200.3</td>
<td>125.3</td>
<td>170.3</td>
</tr>
<tr>
<td>Net liabilities for the permanent fund</td>
<td>8.1</td>
<td>87.2</td>
<td>87.4</td>
<td>76.8</td>
</tr>
<tr>
<td>% of advance payment</td>
<td>96.1%</td>
<td>96.1%</td>
<td>91.5%</td>
<td>97.1%</td>
</tr>
</tbody>
</table>

**Reserve fund**

The reserve funds are used to record prizes not claimed by players within the time periods defined in the applicable game rules (see section 7.1.2.1 “Regulatory environment”).

As at 30 June 2019, the amount of the reserve funds reclassified as non-current debt was €108 million. The reserve funds stood at €100 million at 31 December 2018, €118 million at 31 December 2017 and €119 million at 31 December 2016.

\textsuperscript{79} In the absence of a schedule, the funds are deemed to be payable on 1 January 2020.

\textsuperscript{80} This represents €148 million of permanent and counterparty funds (presented previously as non-current player funds) and €108 million of reserve funds (presented previously as current player funds).
8.1.1.4 Borrowings

- **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 debt81/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 debt82/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 lottery games online and in points of sale and offline sports betting, 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.

8.1.1.5 Payable to the French State with respect to the exclusive operating rights

The Order reforming the regulatory framework applicable to the gaming sector set the duration of FDJ’s exclusive operating rights at 25 years. In accordance with the Pacte Law, the Order also specifies that a financial consideration is payable by FDJ no later than 30 June 2020. Accordingly, in the interim financial statements at 30 June 2019, FDJ recognised an intangible asset corresponding to these rights, amortised with

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81 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.

82 Consolidated net 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 Appendix 2 – Notes to the consolidated financial statements).
effect from 23 May 2019, the date of enactment of the Pacte Law, as well as a corresponding payable to the French State. At the date of adoption of the financial statements, and in accordance to discussions with the French State, the financial consideration payable was estimated at €380 million. This amount was confirmed by the decree of the supreme administrative court (Conseil d’Etat) dated 17 October 2019 approving the Specification Document, after receiving the assent of the French Investments and Transfers Commission (Commission des Participations et des Transferts).

8.1.1.6 Dividends paid

The dividends for 2018 were paid during the first half of 2019 (€122 million). The dividends for 2017 and 2016 were paid during the second half of the subsequent year, totalling €126 million and €120 million respectively.

8.1.1.7 Investments (see also section 5.7 “Investments”)

The Order reforming the regulatory framework applicable to the gaming sector set the duration of FDJ’s exclusive operating rights at 25 years. In accordance with the Pacte Law, the Order also specifies that a financial consideration is payable by FDJ no later than 30 June 2020. Accordingly, in the interim financial statements at 30 June 2019, FDJ recognised an intangible asset corresponding to these rights, amortised with effect from 23 May 2019, the date of enactment of the Pacte Law, as well as a corresponding payable to the French State. At the date of adoption of the financial statements, and in accordance with discussions with the French State, the financial consideration payable was estimated at €380 million. This amount was confirmed by the decree of the supreme administrative court (Conseil d’Etat) dated 17 October 2019 approving the Specification Document, after receiving the assent of the French Investments and Transfers Commission (Commission des Participations et des Transferts).

As this amount had not been paid as at 30 June 2019, it is not presented within cash flows from investing activities for the period in the Group consolidated cash flow statement for the first half of 2019.

Recurring investments

Recurring investments mainly include purchases of the property, plant and equipment and intangible assets required to continue the business under the same conditions as previously. They primarily include costs with respect to point-of-sale equipment and the development and maintenance of information systems and, to a lesser extent, costs with respect to warehouse distribution equipment and TV production.

They also include project costs associated with the development of the Group two main BUs and Acceleration BUs, compliance with current regulations and upgrades of the capacity and efficiency of information systems.

For the years ended 31 December 2016, 2017 and 2018, recurring investments breakdown as follows:

- investments in intangible assets of €31.6 million in 2018, €31.5 million in 2017 and €29.9 million in 2016. They mainly relate to developments to live and back-office information systems and gaming terminals; and

- investments in property, plant and equipment of €36.3 million in 2018, €36.1 million in 2017 and €28.9 million in 2016. They mainly represent the acquisition
costs of point-of-sale equipment and the cost of IT equipment (hosting and servers).

For the six months ended 30 June 2018 and 2019, recurring investments break down as follows:

- investments in intangible assets of €13.2 million in 2019 and €17.3 million in 2018. They mainly relate to development work on multi-channel architecture systems for the sports betting activity and commercial information systems; and
- investments in property, plant and equipment of €19.2 million in 2019 and €24.0 million in 2018. They mainly represent the acquisition costs of point-of-sale equipment.

**Strategic development investments**

Development investments correspond to strategic acquisitions of assets to expand the Group potential.

The Group decided to establish its head office in Boulogne-Billancourt, in order to bring together employees from the various sites and improve operational and financial efficiency. The cost of this acquisition and of the associated improvements amounted to €25 million in 2018, €21 million in 2017 and €207 million in 2016.

As part of its streamlining strategy, the Group also sold the Moussy-le-Vieux site in 2018 for an amount of €14.7 million, of which €3.7 million had been received as at 30 June 2018.

In 2017, the Group decided to buy back a portion of its shares (3% of the share capital) from Soficoma. The acquisition price of the shares was placed in escrow with the Caisse des Dépôts et Consignations due to a dispute over the buyback with Soficoma (see section 18.7 “Legal and arbitration procedures”).

In addition, FDJ Gaming Solutions, an FDJ subsidiary, announced on 24 June 2019 that it had acquired Sporting Group, whose assets and B2B expertise in sports betting management and global risk management are highly complementary with the Group’s current assets and expertise. The acquisition was completed for the amount of €121 million, of which €111.8 million had been paid as at 30 June 2019. Sporting Group employs over 300 people and generated revenue of £38.6 million in 2018 (see section 5.4.3.1 “International B2B services”). To finance the acquisition and refinancing, the Group took out a loan of GBP 100 million with a pool of banks (Barclays Bank PLC, Crédit Agricole Corporate & Investment Bank and Société Générale) on 15 May 2019. The balance was financed in equity.

8.1.2 Group net cash surplus

The indicators that represent the level of net cash generated by the Group are “investments and net cash” and “net cash surplus”. “Investments and net cash” include cash and cash equivalents and investment securities and term deposits, financial liabilities including IFRS 16 lease liabilities. “Net cash surplus” corresponds to “investments and net cash”, less:

(i) player funds that will be closed with effect from 1 January 2020 and will be given to the French State pursuant to Article 138 of the Pacte Law and repaid in accordance with an as yet undefined schedule. They were reclassified as financial liability as at 30 June 2019 (see section 8.1.1.3 “Player funds to be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law and reclassified as debt as at 30 June 2019”);
(ii) sums allocated exclusively to Euromillions winners (€38 million as at 30 June 2019, €54 million as at 31 December 2018), included in cash and cash equivalents; and

(iii) net liability associated with the permanent fund surplus (permanent fund surplus net of the advance payment on the permanent fund surplus).

(iv) payable to the French State with respect to the exclusive operating rights.

### Net cash surplus

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets (1)</td>
<td>-</td>
<td>-</td>
<td>716.7</td>
<td>664.1</td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost (1)</td>
<td>668.2</td>
<td>628.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Non-current assets fair value through profit or loss (1)</td>
<td>125.0</td>
<td>111.2</td>
<td>21.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Other non-current financial assets excluding deposits</td>
<td>24.2</td>
<td>16.6</td>
<td>10.8</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Total non-current investments (2)</strong></td>
<td>817.4</td>
<td>755.7</td>
<td>748.5</td>
<td>689.4</td>
</tr>
<tr>
<td>Current available-for-sale financial assets (1)</td>
<td>-</td>
<td>-</td>
<td>50.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Current financial assets at amortised cost (1)</td>
<td>55.0</td>
<td>55.0</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td>Current financial assets at fair value through profit or loss</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.7</td>
<td>0.6</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total current investments (3)</strong></td>
<td>56.3</td>
<td>55.6</td>
<td>50.2</td>
<td>75.2</td>
</tr>
<tr>
<td><strong>Total current and non-current investments</strong></td>
<td>873.7</td>
<td>811.3</td>
<td>798.7</td>
<td>764.6</td>
</tr>
</tbody>
</table>

- Investments, cash equivalents: 142.1 128.4 112.9 51.8
- Cash at bank and in hand: 36.9 38.8 52.9 147.8
- **Total cash and cash equivalents**: 179.0 167.2 165.8 199.6

- Total gross investments and cash: 1,052.7 978.5 964.4 964.2
- Long-term financial debt: (206.5) (96.1) (104.1) (112.1)
- Non-current lease liabilities (6): (27.1) - - -
- **Total non-current financial debt (4)**: (233.6) (96.1) (104.1) (112.1)
- Short-term financial debt: (15.2) (8.0) (7.5) (7.5)
- Current lease liabilities (6): (7.0) - - -
- Current derivatives: - (0.1) (0.2) -
- Other (7): (295.9) (33.3) (44.3) (115.5)
- **Total current financial debt (5)**: (318.1) (41.4) (52.0) (123.0)
- **Total financial debt (6)**: (551.7) (137.5) (156.0) (235.2)

### INVESTMENTS AND NET CASH

- Payable to the French State with respect to the exclusive operating rights (8): (380.0) - - -

- Player funds closed with effect from 1 January 2020 and to be repaid to the French State: (204.7) (239.7) (240.3)
- Net liability associated with the permanent fund surplus: (8.1) (8.1) (11.7) (5.1)

### Sums allocated exclusively to Euromillions winners

- (see section 8.3)
- (38.1) (53.4) (43.7) (18.3)

- Restricted cash (see section 8.3): (4.9) (1.1) (1.1) (1.1)

#### NET CASH SURPLUS

90 142.1 128.4 112.9 51.8

104 664.1 664.2 518 147.8

170 978.5 964.4 964.2

270 (96.1) (104.1) (112.1)

36.9 38.8 52.9 147.8

142.1 128.4 112.9 51.8

201 70.0 573.8 512.3 464.2

(1) Following the first-time application of IFRS 9 “Financial Instruments” on 1 January 2018:

83 Permanent fund surplus net of the advance payment made.

84 Correspond to UCITS units recorded under cash and cash equivalents.
term deposits (current and non-current financial assets) were reclassified from “available-for-sale” to “amortised cost”. The impact on the value of these instruments between 31 December 2017 and 1 January 2018 is negligible, given their short-term characteristics;

- UCITS units and transferable debt securities were reclassified from “available-for-sale” to “fair value through profit or loss”. This reclassification had no impact on the value of these instruments, measured at fair value under both IAS 39 and IFRS 9.

(2) Non-current investments correspond to non-current financial assets as set out in the consolidated statement of financial position in the notes to the 2016, 2017 and 2018 consolidated financial statements, excluding Euromillions deposits and guarantee deposits.

(3) Current investments correspond to current financial assets as set out in the consolidated statement of financial position in the notes to the 2016, 2017 and 2018 consolidated financial statements, excluding deposits and guarantees.

(4) Long-term financial debt corresponds to non-current financial liabilities as set out in the consolidated statement of financial position in the notes to the 2016, 2017 and 2018 consolidated financial statements.

(5) Short-term financial debt corresponds to current financial liabilities as set out in the consolidated statement of financial position in the notes to the 2016, 2017 and 2018 consolidated financial statements.

(6) Following the first-time application of IFRS 16 “Leases” on 1 January 2019, financial debt includes lease liabilities of €34 million as at 30 June 2019. The non-current portion amounts to €27 million, while the current portion amounts to €7 million.

(7) As at 30 June 2019, other financial debt mainly corresponds (€256 millions) to the reclassification of player funds that will be closed with effect from 1 January 2020 and paid to the French State before a date set by decree and no later than 31 December 2025.

(8) See section 8.1.1.6 “Dividends paid”.

Investments and net cash include:

- non-current investments (investment securities – mutual funds (FCP) and investment companies with variable capital (SICAV) – and term deposits), corresponding to non-current financial assets (as defined above), excluding Euromillions deposits and guarantee deposits;

- current investments (investment securities – mutual funds (FCP) and investment companies with variable capital (SICAV) – and term deposits) corresponding to current financial assets (as stated above);

- cash and cash equivalents (sight deposits and investments that mature less than three months after the date of acquisition, are highly liquid and are subject to an insignificant risk of change in value) as set out in the consolidated statement of financial position in the notes to the 2016, 2017 and 2018 consolidated financial statements; and
- long-term financial debt corresponding to non-current liabilities, as well as short-term financial debt and bank overdrafts corresponding to current financial liabilities (as stated above).

The Group has the option to recover the funds invested in term deposits, without penalty or capital risk, subject to 32 calendar days’ notice. The other investment securities (mutual funds FCP and investment companies with variable capital - SICAV) are readily available without notice or penalty.

The change in investments and net cash is presented in the consolidated statement of cash flows.

Reconciliation between “net cash surplus” in the consolidated statement of cash flows and “investments and net cash”

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents for the financial period</td>
<td>(* ) 179.0</td>
<td>167.2</td>
<td>165.8</td>
<td>199.6</td>
</tr>
<tr>
<td>Current bank overdrafts for the financial period</td>
<td>(*) (13.6)</td>
<td>(7.2)</td>
<td>(17.5)</td>
<td>(76.1)</td>
</tr>
<tr>
<td>Total net cash on the consolidated statement of cash flows</td>
<td>(*) 165.4</td>
<td>160.0</td>
<td>148.3</td>
<td>123.5</td>
</tr>
<tr>
<td>Non-current investments</td>
<td>817.4</td>
<td>755.7</td>
<td>748.5</td>
<td>689.4</td>
</tr>
<tr>
<td>Current investments</td>
<td>56.3</td>
<td>55.6</td>
<td>50.2</td>
<td>75.2</td>
</tr>
<tr>
<td>Long-term financial debt</td>
<td>(233.6)</td>
<td>(96.1)</td>
<td>(104.1)</td>
<td>(112.1)</td>
</tr>
<tr>
<td>Short-term debt, excluding deposits paid and overdrafts</td>
<td>(304.5)</td>
<td>(34.2)</td>
<td>(34.5)</td>
<td>(46.9)</td>
</tr>
<tr>
<td>Investments and net cash</td>
<td>501.0</td>
<td>841.0</td>
<td>808.4</td>
<td>729.0</td>
</tr>
<tr>
<td>Payable to the French State with respect to exclusive operating rights</td>
<td>(380.0)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Player funds closed with effect from 1 January 2020 and to be repaid to the French State</td>
<td>(204.7)</td>
<td>(239.7)</td>
<td>(240.3)</td>
<td></td>
</tr>
<tr>
<td>Net liability associated with the permanent fund surplus 85</td>
<td>(8.1)</td>
<td>(8.1)</td>
<td>(11.7)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Sums allocated exclusively to Euromillions winners (see section 8.3) 86</td>
<td>(38.1)</td>
<td>(53.4)</td>
<td>(43.7)</td>
<td>(18.3)</td>
</tr>
<tr>
<td>Restricted cash (see section 8.3)</td>
<td>(4.9)</td>
<td>(1.1)</td>
<td>(1.1)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Net cash surplus</td>
<td>70.0</td>
<td>573.8</td>
<td>512.3</td>
<td>464.2</td>
</tr>
</tbody>
</table>

(*) See the notes to the 2016, 2017 and 2018 consolidated financial statements.

8.2 Necessary future sources of funding

The Company may contract debt in the future, for instance in the form of syndicated loans, in particular to finance the financial consideration payable to the French State no later than 30 June 2020 in respect of the granting of exclusive operating rights for 25 years.

8.3 Group consolidated statement of cash flows

8.3.1 Consolidated statement of cash flows for the six months ended 30 June 2019 and 2018.

The table below summarises the Group’s consolidated cash flows for the six months ended 30 June 2019 and 2018.

85 Permanent fund surplus net of the advance payment made.
86 Correspond to UCITS units recorded under cash and cash equivalents.
The lease liabilities associated with the first-time application of IFRS 16 “Leases” on 1 January 2019 do not appear in the statement of cash flows for the six months ended 30 June 2019. The corresponding repayments of those lease liabilities are presented within cash flows used in financing activities.

<table>
<thead>
<tr>
<th>in € million</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from operating activities</td>
<td>208.3</td>
<td>197.6</td>
</tr>
<tr>
<td>Net cash flow used in investing activities</td>
<td>(191.0)</td>
<td>(75.2)</td>
</tr>
<tr>
<td>Net cash flow used in financing activities</td>
<td>(12.7)</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Increase/(decrease) in net cash</td>
<td>5.5</td>
<td>118.0</td>
</tr>
</tbody>
</table>

8.3.1.1 Net cash flow from operating activities

The table below summarises net cash flow from operating activities for the six months ended 30 June 2019 and 2018.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>177.1</td>
<td>164.1</td>
</tr>
<tr>
<td>Change in provisions (recurring profit)</td>
<td>6.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Other operating income/expenses (cash impact)</td>
<td>(5.1)</td>
<td>(2.0)</td>
</tr>
<tr>
<td>Interest received</td>
<td>2.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Use of provisions – payments</td>
<td>(4.5)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(31.9)</td>
<td>(45.9)</td>
</tr>
<tr>
<td>Change in trade receivables and other current assets*</td>
<td>124.2</td>
<td>207.1</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>(1.9)</td>
<td>0.6</td>
</tr>
<tr>
<td>Change in trade payables and other current liabilities**</td>
<td>(56.5)</td>
<td>(126.0)</td>
</tr>
<tr>
<td>Change in other components of working capital</td>
<td>(1.5)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Change in operating working capital</td>
<td>64.4</td>
<td>81.2</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>208.3</td>
<td>197.6</td>
</tr>
</tbody>
</table>

* The item “Change in trade receivables and other current assets” mainly comprises the change in the advance payment on the permanent fund surplus, the change in distribution network receivables and the change in trade receivables (see paragraph below)

** The item “Change in trade payables and other current liabilities” mainly comprises the change in payables linked to the permanent fund surplus and other public levies, the change in payables to players (winnings payable and distributable), the change in distribution network payables and the change in player funds (see paragraph below).

Net cash flow from operating activities amounted to €208 million for the six months ended 30 June 2019 and €198 million for the six months ended 30 June 2018.

**EBITDA**

EBITDA corresponds to current operating profit as reported in the financial statements, less depreciation and amortisation. It amounted to €177 million for the six months ended 30 June 2019 and €164 million for the six months ended 30 June 2018, an increase of 8%.
Change in operating working capital

Operating working capital includes: distribution network receivables and payables, public levies payable to the French State, social security bodies, local authorities and other public bodies, and trade receivables and payables.

The change in operating working capital amounted to €81 million for first-half 2018 and €64 million for first-half 2019, a decrease of €17 million due to:

- the change in working capital relating to trade receivables and other current assets, which represented €207 million for the first half of 2018 and €124 million for the first half of 2019, a decrease of €83 million that primarily reflects:
  - the change in advance payment on the permanent fund surplus, which totalled €125 million for the first half of 2018: there was no change in the advance payment on the permanent fund surplus or the permanent fund surplus in the first half of 2018 or in 2017 (advance payment of €125 million and surplus of €137 million). As at 30 June 2018, the consolidated financial statements present these items as a net position, giving rise to a change in the advance payment on the permanent fund surplus in the amount of €125 million for the first half of 2018 and nil for the first half of 2019, a decrease of €125 million;
  - the change in distribution network receivables, which was €75 million for the first half of 2018 and €128 million for the first half of 2019, an increase of €53 million, due to:
    - the variation in distributor receivables of -€11 million for the first half of 2018 and +€129 million for the first half of 2019, an increase of €140 million. This increase is predominantly explained by a calendar effect and more sustained activity in 2019 compared with 2018;
    - the variation in receivables from distribution intermediaries of +€90 million for the first half of 2018 and approximately nil for the first half of 2019, generating a decrease of €90 million. This change is explained by the internalisation of sales (see section 7.1.2.4 “Change in the distribution model and sales organisation”);
- the change in working capital relating to trade payables and other current liabilities, which represented a negative €126 million for the first half of 2018 and a negative €57 million for the first half of 2019, an increase of €69 million that mainly reflects:
  - the change in the permanent fund surplus which totalled a negative €125 million for the first half of 2018: there was no change in the advance payment on the permanent fund surplus or the permanent fund surplus in the first half of 2018 or in 2017 (advance payment of €125 million and surplus of €137 million). As at 30 June 2018, the consolidated financial statements present these items as a net position, giving rise to a change in the advance payment on the permanent fund surplus in the amount of €125 million for the first half of 2018) and equal to €125 million for the first half of 2019, an increase of €125 million;
  - the change in distribution network payables, which was a negative €48 million for the first half of 2018 and a negative €86 million for the first half of 2019, a decrease of €38 million that can be explained by the same reasons for distribution network receivables,
the change in public levies, which was a negative €27 million for the first half of 2018 and a negative €41 million for the first half of 2019, a decrease of €14 million primarily due to a calendar effect,

the change in winnings payable to players, which was €57 million for the first half of 2018 and €47 million for the first half of 2019, a decrease of €10 million.

**Income tax paid**

Income tax paid totalled €46 million for the first half of 2018 and €32 million for the first half of 2019, a decrease of €14 million due to a reimbursement of €10 million received during the first half of 2019 following excess advance payments in 2018.

**Change in provisions (recurring profit)**

The change in provisions (recurring profit) concerns the current portion of provisions covering litigation, personnel-related, operating and restructuring risks and represented €6 million for the six months ended 30 June 2019 and €3 million for the six months ended 30 June 2018.

**Other operating income/expenses (cash impact)**

Other operating income and expenses (cash impact) include unusual and material elements. Other operating expenses (cash impact) totalled €5 million for the six months ended 30 June 2019 and mainly include fees associated with the planned public offering and the external growth transaction. They amounted to €2 million for the six months ended 30 June 2018.

**Use of provisions - payments**

Payments out of provisions remained relatively stable at €5 million for the six months ended 30 June 2019 and 2018.

**Interest received**

Interest received is presented within cash flows from operating activities and interest paid is presented within cash flows from financing activities. Interest received remained stable at €2 million for the six months ended 30 June 2019 and 2018.

**8.3.1.2 Net cash flow used in investing activities**

The table below summarises net cash flow used in investing activities for the six months ended 30 June 2019 and 2018.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in current and non-current financial assets</td>
<td>(50.1)</td>
<td>(24.1)</td>
</tr>
<tr>
<td>Acquisitions of property, plant and equipment and intangible assets</td>
<td>(32.4)</td>
<td>(55.3)</td>
</tr>
<tr>
<td>Acquisitions of investments</td>
<td>(111.8)</td>
<td>0.0</td>
</tr>
<tr>
<td>Disposals of property, plant and equipment and intangible assets</td>
<td>0.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Change in loans and advances granted</td>
<td>2.8</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Dividends received from joint ventures</td>
<td>0.4</td>
<td>0.7</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>(191.0)</td>
<td>(75.2)</td>
</tr>
</tbody>
</table>
Net cash flow used in investing activities amounted to €75.2 million for the six months ended 30 June 2018 and €191.0 million for the six months ended 30 June 2019. This significant increase was due to the following factors:

**Change in current and non-current financial assets**

In the “gross investments and cash” analysis presented in section 8.1.2 “Group net cash”, current and non-current financial assets (mainly comprising investment securities, investment companies with variable capital SICAV and UCITS, term deposits and sight deposits) are components of Group cash.

In the consolidated statement of financial position, these same financial assets are classified as non-current financial assets, current financial assets or cash and cash equivalents according to their maturity and other criteria detailed in the notes to the consolidated financial statements.

In the consolidated statements of cash flows, the change in these financial assets are either presented in net cash flow used in investing activities or change in net cash and cash equivalents, depending on their original classification. The change in current and non-current financial assets may be linked to reclassifications to “cash and cash equivalents” if the financial assets are approaching maturity or to the Group’s cash requirements.

The change in current and non-current financial assets was a negative €50 million for the six months ended 30 June 2019 and a negative €24 million for the six months ended 30 June 2018. For the Group, these flows relate to changes in gross investments and cash (see section 8.1.2 “Group net cash surplus”).

**Acquisitions of property, plant and equipment and intangible assets**

Investments totalled €55 million for the first half of 2018 and €32 million for the first half of 2019, a decrease of €23 million. The level of investment during the first half of 2018 was linked to improvements to and fixtures and fittings for the new head office acquired at the end of 2016, where employees moved in May 2018.

**Acquisitions of investments**

On 30 May 2019, the Group acquired UK-based Sporting Group for €112 million (€35 million for the acquisition of the shares, plus €77 million of debt assumed net of cash acquired).

### 8.3.1.3 Net cash flow used in financing activities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of long-term debt</td>
<td>113.3</td>
<td>0.0</td>
</tr>
<tr>
<td>Repayment of the current portion of long-term debt</td>
<td>(4.0)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Repayment of lease liabilities</td>
<td>(2.9)</td>
<td>0.0</td>
</tr>
<tr>
<td>Dividends paid to ordinary shareholders of the parent company</td>
<td>(118.3)</td>
<td>0.0</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(0.8)</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Net cash flow used in financing activities</strong></td>
<td>(12.7)</td>
<td>(4.3)</td>
</tr>
</tbody>
</table>

Net cash used in financing activities represented a net outflow of €12.7 million for the six months ended 30 June 2019, compared to a net outflow of €4.3 million for the six months ended 30 June 2018. This change was due to:
**Issue of long-term financial debt**

As part of the acquisition of Sporting Group, a loan of £100 million was taken out (see section 8.1.1.4 “Borrowings”) during the first half of 2019.

**Dividends paid**

Dividends paid during the first half of 2019 totalled €118 million. No dividends were paid during the first half of 2018.

8.3.2 Consolidated cash flows for 2018 and 2017

The table below summarises net cash flow from operating activities for 2018 and 2017.

<table>
<thead>
<tr>
<th>in € million</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from operating activities</td>
<td>245.1</td>
<td>291.9</td>
</tr>
<tr>
<td>Net cash flow used in investing activities</td>
<td>(99.4)</td>
<td>(138.7)</td>
</tr>
<tr>
<td>Net cash flow used in financing activities</td>
<td>(134.5)</td>
<td>(128.5)</td>
</tr>
<tr>
<td>Net Increase/(decrease) in net cash</td>
<td>11.7</td>
<td>24.8</td>
</tr>
</tbody>
</table>

8.3.2.1 Net cash flow from operating activities

The table below summarises net cash flow from operating activities for 2018 and 2017.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>314.7</td>
<td>315.7</td>
</tr>
<tr>
<td>Change in provisions (recurring profit)</td>
<td>6.8</td>
<td>8.3</td>
</tr>
<tr>
<td>Other operating income/expenses (cash impact)</td>
<td>(3.5)</td>
<td>-</td>
</tr>
<tr>
<td>Interest received</td>
<td>2.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Use of provisions – payments</td>
<td>(8.7)</td>
<td>(10.1)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(92.9)</td>
<td>(83.6)</td>
</tr>
<tr>
<td>Change in trade receivables and other current assets*</td>
<td>(120.1)</td>
<td>0.5</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>1.4</td>
<td>0.1</td>
</tr>
<tr>
<td>Change in trade payables and other current liabilities**</td>
<td>145.9</td>
<td>55.4</td>
</tr>
<tr>
<td>Change in other components of working capital</td>
<td>(1.4)</td>
<td>(2.8)</td>
</tr>
<tr>
<td>Change in operating working capital</td>
<td>25.8</td>
<td>53.2</td>
</tr>
<tr>
<td>Net cash flow from operating activities</td>
<td>245.1</td>
<td>291.9</td>
</tr>
</tbody>
</table>

* The item “Change in trade receivables and other current assets” mainly comprises the change in the advance payment on the permanent fund surplus, the change in distribution network receivables and the change in trade receivables (see paragraph below)

** The item “Change in trade payables and other current liabilities” mainly comprises the change in payables linked to the permanent fund surplus and other public levies, the change in payables to players (winnings payable and distributable), the change in distribution network payables and the change in player funds (see paragraph below).

Net cash flow from operating activities totalled €245 million for 2018 and €292 million for 2017.
**EBITDA**

EBITDA corresponds to current operating profit as reported in the financial statements, less depreciation and amortisation. It remained stable at €315 million for 2018, versus €316 million for 2017.

**Income tax paid**

Income tax paid amounted to €84 million for 2017 and €93 million for 2018, an increase of €9 million due to excess advance payments in 2018. A reimbursement of the overpaid amount (€10 million) was received during the first half of 2019.

**Change in operating working capital**

Operating working capital includes: distribution network receivables and payables, public levies payable to the French State, social security bodies, local authorities and other public bodies, and trade receivables and payables.

The change in operating working capital amounted to €53 million for 2017 and €26 million for 2018, a decrease of €27 million owing to:

- the change in working capital relating to trade receivables and other current assets, which was approximately nil for 2017 and represented a negative €120 million for 2018, a decrease of €121 million principally reflecting:
  
  o the change in the advance payment on the permanent fund surplus, was a positive €45 million for 2017 and a negative €75 million for 2018, a decrease of €120 million (see section 8.1.1.2 “Working capital surplus, including player funds that will be maintained after 1 January 2020 following the application of the Pacte Law”),
  
  o the change in distribution network receivables, which was a negative -€29 million for 2017 and a negative €51 million for 2018, a decrease of €22 million, due to a calendar effect (at 31 December 2018, distribution network payables covered one week and one day of business compared with one week at 31 December 2017);

- the change in working capital relating to trade payables and other current liabilities, which represented €55 million for 2017 and €146 million for 2018, an increase of €91 million reflecting:
  
  o the change in the permanent fund surplus, which was a negative €38 million for 2017 and a positive €71 million for 2018, an increase of €109 million. The permanent fund surplus stood at €175 million, €137 million and €208 million at 31 December 2016, 2017 and 2018 respectively (see section 8.1.1.2 “Working capital surplus, including player funds that will be maintained after 1 January 2020 following the application of the Pacte Law”),
  
  o the change in distribution network payables, which was €25 million for 2017 and €51 million for 2018, an increase of €26 million due to a calendar effect (see change in distribution network receivables above), partly offset by the internalisation of the sales force (see section 7.1.2.5 “Change in distributor commissions”),
  
  o the change in winnings payable and distributable, which was a positive €21 million for 2017 and a negative €25 million for 2018, a decrease of €46 million, reflecting the fact that €41 million in prizes won at the end of 2017 (€39 million on Euromillions and €3 million on Loto®) was not paid out until early 2018. The jackpots for these games were not won at the end of 2018.
Use of provisions - payments

Interest received
Interest received is presented within cash flows from operating activities and interest paid is presented within cash flows from financing activities. Interest received decreased by €5 million from €8 million for 2017 to €3 million for 2018, due to changes in interest rates.

Change in provisions (recurring profit)
The change in provisions (recurring profit) concerns provisions covering litigation, personnel-related, operating and restructuring risks, as well as employee benefits corresponding to vested rights with respect to retirement benefits, length-of-service medals and health coverage, and amounted to €7 million for 2018 and €8 million for 2017.

Other operating income and expenses (cash impact)
Other operating income and expenses (cash impact) include unusual and material items. This item represented €3 million for 2018.

8.3.2.2 Net cash flow used in investing activities

The table below summarises net cash flow used in investing activities for 2018 and 2017.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions of property, plant and equipment and intangible assets</td>
<td>(92.9)</td>
<td>(88.6)</td>
</tr>
<tr>
<td>Acquisitions of investments</td>
<td>0.0</td>
<td>(15.6)</td>
</tr>
<tr>
<td>Disposals of property, plant and equipment and intangible assets</td>
<td>14.7</td>
<td>0.2</td>
</tr>
<tr>
<td>Change in current and non-current financial assets</td>
<td>(18.1)</td>
<td>(34.6)</td>
</tr>
<tr>
<td>Disposals of other financial assets</td>
<td>0.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Change in loans and advances granted</td>
<td>(3.6)</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Dividends received from joint ventures</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>Other</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>(99.4)</td>
<td>(138.7)</td>
</tr>
</tbody>
</table>

Net cash flow used in investing activities amounted to €139 million for 2017 and €99 million for 2018. This change was due to:

Acquisitions of property, plant and equipment and intangible assets
Acquisitions of property, plant and equipment and intangible assets correspond to investments net of payables and advances.

Investments in intangible assets amounted to €31 million for 2017 and €32 million for 2018, and related to developments to live and back-office information systems and gaming terminals. Investments in property, plant and equipment amounted to €56 million for 2017 and €55 million for 2018, and mainly related to improvements to the new head office in Boulogne and to the Villepinte site, as well as to point-of-sale equipment.
Acquisitions of investments

Following the sales transformation programme launched in May 2014, the Board of Directors noted on 15 December 2016 that Soficoma no longer met the requisite conditions to be an FDJ shareholder, because it was no longer held by FDJ brokers-agents. It consequently decided, in accordance with the provisions of FDJ’s Articles of Association, that FDJ would buy back the shares held by Soficoma (see section 18.7 “Legal and arbitration procedures”).

Change in current and non-current financial assets

In the “gross investments and cash” analysis presented in section 8.1.2 “Group net cash”, current and non-current financial assets (mainly comprising investment securities investment companies with variable capital SICAV and UCITS, term deposits and sight deposits) are components of Group cash.

In the consolidated statement of financial position, these same financial assets are classified as non-current financial assets, current financial assets or cash and cash equivalents according to their maturity and other criteria detailed in the notes to the consolidated financial statements.

In the consolidated statement of cash flows, the change in these financial assets are either presented in net cash flow used in investing activities or change in net cash and cash equivalents, depending on their original classification.

The change in current and non-current financial assets may be linked to reclassifications to “cash and cash equivalents” if the financial assets are approaching maturity or to the Group’s cash requirements.

The change in current and non-current financial assets was a negative €18 million for 2018 and a negative €35 million for 2017. For the Group, these flows relate to changes in gross investments and cash (see section 8.1.2 “Group net cash”).

Disposals of property, plant and equipment and intangible assets

On 3 May 2018, the Moussy-le-Vieux site was sold for €15 million. All employees were moved to rented site in Villepinte.

8.3.2.3 Net cash flow used in financing activities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCING ACTIVITIES</strong>-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repayment of the current portion of long-term debt</td>
<td>(8.0)</td>
<td>(8.0)</td>
</tr>
<tr>
<td>Dividends paid to ordinary shareholders of the parent company</td>
<td>(126.1)</td>
<td>(120.3)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(0.4)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.1</td>
</tr>
<tr>
<td>Issue of debt</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Net cash flow used in financing activities</strong></td>
<td>(134.5)</td>
<td>(128.5)</td>
</tr>
</tbody>
</table>

Net cash flow used in financing activities amounted to €134 million for 2018, compared to €128 million for 2017. This change was principally due to the amount of dividends paid (€120 million for 2017 and €126 million for 2018, representing an additional net outflow of €6 million).
**Repayment of the current portion of long-term debt**

In November 2016, the Group took out a long-term loan with BRED Banque Populaire to finance the acquisition of the Group’s head office. This fixed-rate loan has a nominal value of €120 million and will mature on 20 December 2031. It is repayable in six-monthly instalments. The repayments of €8 million in 2017 and 2018 relate to this loan.

**Dividends paid**

Dividends paid during 2018 in respect to 2017 totalled €126.1 million, while dividends paid in 2017 in respect to 2016 totalled €120.3 million.

8.3.3 Consolidated cash flows for 2017 and 2016

The table below summarises the Group’s consolidated cash flows for 2017 and 2016.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flow from/(used in) operating activities</td>
<td>291.9</td>
<td>(78.4)</td>
</tr>
<tr>
<td>Net cash flow used in investing activities</td>
<td>(138.7)</td>
<td>(234.1)</td>
</tr>
<tr>
<td>Net cash flow used in financing activities</td>
<td>(128.5)</td>
<td>(109.1)</td>
</tr>
<tr>
<td>Net Increase/(decrease) in net cash</td>
<td>24.8</td>
<td>(421.0)</td>
</tr>
</tbody>
</table>

8.3.3.1 Cash flow from operating activities

The table below summarises net cash flow from operating activities for 2017 and 2016.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>OPERATING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>315.7</td>
<td>300.8</td>
</tr>
<tr>
<td>Change in provisions (recurring profit)</td>
<td>8.3</td>
<td>8.6</td>
</tr>
<tr>
<td>Other operating income/expenses (cash impact)</td>
<td>-</td>
<td>1.7</td>
</tr>
<tr>
<td>Interest received</td>
<td>8.2</td>
<td>21.7</td>
</tr>
<tr>
<td>Use of provisions – payments</td>
<td>(10.1)</td>
<td>(130.6)</td>
</tr>
<tr>
<td>Income tax paid</td>
<td>(83.6)</td>
<td>(87.4)</td>
</tr>
<tr>
<td>Change in trade receivables and other current assets*</td>
<td>0.5</td>
<td>(174.5)</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>0.1</td>
<td>(4.3)</td>
</tr>
<tr>
<td>Change in trade payables and other current liabilities**</td>
<td>55.4</td>
<td>(13.7)</td>
</tr>
<tr>
<td>Change in other components of working capital</td>
<td>(2.8)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Change in operating working capital</td>
<td>53.2</td>
<td>(193.1)</td>
</tr>
<tr>
<td>Net cash flow from/(used in) operating activities</td>
<td>291.9</td>
<td>(78.4)</td>
</tr>
</tbody>
</table>

* The item “Change in trade receivables and other current assets” mainly comprises the change in the advance payment on the permanent fund surplus, the change in distribution network receivables and the change in trade receivables (see paragraph below).

** The item “Change in trade payables and other current liabilities” mainly comprises the change in payables linked to the permanent fund surplus and other public levies, the change in payables to players (winnings payable and distributable), the change in distribution network payables and the change in player funds (see paragraph below).
Net inflows and outflows arising from operating activities represented a net inflow of €292 million for 2017 and a net outflow of €78 million for 2016.

**EBITDA**

EBITDA corresponds to current operating profit as reported in the financial statements, less depreciation and amortisation. It stood at €316 million for 2017 and €301 million for 2016, an increase of 5%.

**Use of provisions - payments**

Payments from provisions totalled €131 million for 2016 and €10 million for 2017. In 2016, they mainly related (€122 million) to changes in the distribution model and the sales organisation (see section 5.5.1.2 “Sales Department and offline distribution network”) and, more specifically, to payments made to broker-agents as part of the internalisation of the sales force.

**Change in operating working capital**

Operating working capital includes: distribution network receivables and payables, public levies payable to the French State, social security bodies, local authorities and other public bodies, and trade receivables and payables.

The change in operating working capital amounted to a negative €193 million for 2016 and a positive €53 million for 2017, an increase of €246 million mainly due to:

- the change in trade receivables and other current assets, which represented a negative €175 million for 2016 and was approximately nil for 2017, an increase of €175 million reflecting:
  - the change in the advance payment on the permanent fund surplus, which was a negative €135 million for 2016 and a positive €45 million for 2017, an increase of €180 million (see section 8.1.1.2 “Working capital surplus, including player funds that will be maintained after 1 January 2020 following the application of the Pacte Law”),
  - the change in distribution network receivables, which was a negative €53 million for 2016 and a negative €29 million for 2017, an increase of €24 million linked to a calendar effect. The last week of 2016 comprised six days (as 31 December 2016 was a Saturday), whereas the last week of 2017 was a full seven days (as 31 December 2017 was a Sunday). Stakes collected on 31 December 2017 totalled €43 million,
  - the change in prepaid expenses was a positive €14 million for 2016 and a negative €8 million for 2017, a decrease of €22 million. Prepaid expenses correspond to expenses related to the stakes collected as at 31 December of each year, but for which the draws take place in the following financial year, including prizes won, public levies and distribution commissions. The change in prepaid expenses is correlated to that in prepaid income and is due to a calendar effect (Loto® of 1 January 2018);
- the change in trade payables and other current liabilities, which represented a negative €14 million for 2016 and a positive €55 million for 2017, an increase of €69 million owing to:
  - the change in player funds, which was a negative €74 million for 2016 and a positive €15 million for 2017, an increase of €89 million mainly due to the change in the permanent fund. The change in the permanent fund was a negative €65 million for 2016 and a positive €3 million for 2017, an increase
of €62 million (see section 8.1.1.2 “Working capital surplus, including player funds that will be maintained after 1 January 2020 following the application of the Pacte Law”),

- the change in the permanent fund surplus, which was a positive €109 million for 2016 and a negative €38 million for 2017, a decrease of €147 million (see section 8.1.1.2 “Working capital surplus, including player funds that will be maintained after 1 January 2020 following the application of the Pacte Law”),

- the change in other public levies, which was a negative €55 million for 2016 and a positive €15 million for 2017, an increase of €70 million primarily due to a calendar effect, with public levies paid more quickly at the end of 2016 than at the end of 2015,

- the change in winnings payable and distributable, which was €1 million for 2016 and €21 million for 2017, an increase of €20 million. The change was mainly attributable to Euromillions and Loto®, for which the jackpots of 29 and 30 December 2017 were won but had not yet been paid to players. These jackpots were not won at the end of 2016,

- the change in prepaid income, which was a negative €14 million for 2016 and a positive €8 million for 2017, an increase of €21 million. Prepaid income corresponds to stakes collected in one year for events (draws) taking place in the subsequent year. The change is linked to a calendar effect and, more specifically, to the Loto® draw of 1 January 2018.

**Income tax paid**

Income tax paid totalled €87 million for 2016 and €84 million for 2017. This correspond to advance payments on corporate tax for the current financial year and payment of the remaining tax for the previous financial year.

**Interest received**

Interest received is presented within cash flows from operating activities and interest paid is presented within cash flows from financing activities. Interest received fell by €14 million from €22 million for 2016 to €8 million for 2017, as a result of lower interest rates.

**Change in provisions**

The change in provisions concerns provisions covering litigation, personnel-related, operating and restructuring risks, as well as employee benefits corresponding to vested rights with respect to retirement benefits, length-of-service medals and health coverage, and amounted to €8 million for 2017 and €9 million for 2016.

**Other operating income and expenses (cash impact)**

Other operating income and expenses (cash impact) include unusual and material items. This item represented €2 million for 2016.

8.3.3.2 *Net cash flow used in investing activities*

The table below summarises net cash flow used in investing activities for 2017 and 2016.
Net cash flow used in investing activities amounted to €234 million for 2016 and €139 million for 2017. This decrease is largely attributable to the €177 million reduction in investments in property, plant and equipment and intangible assets (investments in 2016 included the acquisition of and improvements to the head office for €207 million).

**Acquisitions of property, plant and equipment and intangible assets**

Acquisitions of property, plant and equipment and intangible assets correspond to investments net of payables and advances.

Investments in intangible assets stood at €30 million for 2016 and €31 million for 2017, an increase of €2 million. They related to developments to live and back-office information systems and gaming terminals. Investments in property, plant and equipment stood at €234 million for 2016 and €55 million for 2017, a decrease of €179 million. Investments in 2016 mainly related to the acquisition of and improvements to the new head office (€207 million in 2016) and point-of-sale equipment.

**Change in current and non-current financial assets**

In the “gross investments and cash” analysis presented in section 8.1.2 “Group net cash”, current and non-current financial assets (mainly comprising investment securities, investment companies with variable capital SICAV and UCITS, term deposits and sight deposits) are components of Group cash.

In the consolidated statement of financial position, these same financial assets are classified as non-current financial assets, current financial assets or cash and cash equivalents according to their maturity and other criteria detailed in the notes to the consolidated financial statements.

In the consolidated statements of cash flows, the change in these financial assets are either presented in net cash flow used in investing activities or change in net cash and cash equivalents, depending on their original classification.

The change in current and non-current financial assets may be linked to reclassifications to “cash and cash equivalents” if the financial assets are approaching maturity or to the Group’s cash requirements.

The change in current and non-current financial assets was a negative €35 million for 2017 and a positive €33 million for 2016. For the Group, these flows relate to changes in gross investments and cash (see section 8.1.2 “Group net cash surplus”).
Acquisitions of investments

Following the sales transformation programme launched in May 2014, the Board of Directors noted on 15 December 2016 that Soficoma no longer met the requisite conditions to be an FDJ shareholder, because it was no longer held by FDJ brokers-agents. It consequently decided, in accordance with the provisions of FDJ’s Articles of Association, that FDJ would buy back the shares held by Soficoma in 2017 (see section 18.7 “Legal and arbitration procedures”).

8.3.3.3 Net cash flow used in financing activities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Long-term debt issue</td>
<td>0.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Repayment of the current portion of long-term debt</td>
<td>(8.0)</td>
<td>0.0</td>
</tr>
<tr>
<td>Dividends paid to ordinary shareholders of the parent company</td>
<td>(120.3)</td>
<td>(229.2)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(0.2)</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td>Issue of debt</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Net cash flow used in financing activities</strong></td>
<td>(128.5)</td>
<td>(109.1)</td>
</tr>
</tbody>
</table>

Net cash used in financing activities amounted to €128 million for 2017, compared to €109 million for 2016. This change was due to a €120 million debt issue in 2016 and the amount of dividends paid in 2017 (€120 million) and 2016 (€229 million).

Issue of long-term debt

In November 2016, the Group took out a long-term loan with BRED Banque Populaire to finance the acquisition of the Group’s head office. This fixed-rate loan has a nominal value of €120 million and will mature on 20 December 2031. It is repayable in six-monthly instalments in June and December. The repayment of €8 million in 2017 relate to this loan.

Dividends paid

Dividends paid during 2016 in respect of 2015 totalled €229 million, while dividends paid in 2017 in respect of 2016 totalled €120 million. The level of 2016 dividends is linked to the capital increase/reduction transactions approved at the General Shareholders’ Meeting of 25 May 2016:

- a €92 million share capital increase to increase the share capital to €168 million, through deductions from unrestricted reserves. The increase was carried out by increasing the nominal value of each of the 200,000 shares making up the share capital from €382 to €841; and

- a €92 million share capital reduction to reduce the share capital to €76 million, by reducing the nominal value of the shares from €841 to €382. The amount of the capital reduction was distributed to the shareholders in early July, at a rate of €459 per share (€91.8 million).
8.4 Restrictions on use of capital

The participating Euromillions lotteries\textsuperscript{87} 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 the Group, the sums deposited in a fund as guarantees are managed by the trustee (who is the only one with the capacity to make payments) and break down as follows:

- sums allocated exclusively to Euromillions prize winners (€38 million as at 30 June 2019, €54 million as at 31 December 2018), included in cash and cash equivalents;
- guarantee deposits (€11 million as at 30 June 2019 and 31 December 2018), presented under non-current financial assets; and
- restricted cash linked to an insurance deductible (€1 million as at 30 June 2019 and 31 December 2018), presented under non-current financial assets.

A trust was established to guarantee the assets of online players in France (€9 million as at 30 June 2019 and €10 million as at 31 December 2018). It is presented under current and non-current financial assets.

With regard to the sports betting activities of Sporting Group, the sums received from players are managed separately in accordance with the rules of the Financial Conduct Authority, the UK’s prudential and financial regulator. These sums totalled €4 million as at 30 June 2019 and are presented under non-current financial assets.

\textsuperscript{87} An Post (Ireland), Camelot (United Kingdom), FDJ, the National Lottery of Belgium, the National Lottery of Luxembourg, Österreichische Lotterien (Austria), Santa Casa (Portugal), Swisslos (Switzerland) and Lottery Romande (Switzerland).
Chapter 9
Legal and regulatory environment

Given its importance and weight on the Group’s activities, this chapter gives details of only the regulatory framework applicable to gambling activities in France, and the lottery and sports betting in particular. It should be noted that the Group is or may be subject to other regulations, in particular (i) in the context of its activities abroad, including the laws and regulations applicable to the activities of Sporting Group (see section 5.4.3.1 “B2B international services”) and (ii) as part of its payment and services activities in points of sale.

FDJ operates in the gaming sector, a highly regulated sector and strictly controlled by the French State, in terms of the specific risks to the preservation of public and social order, especially as regards the prevention of excessive gambling, underage gambling and money laundering.


This prohibition of gambling in principle is, however, subject to exceptions in certain sectors of gambling:
- horserace betting;
- landbased casinos;
- gambling clubs (currently authorised for experimental purposes);
- lotteries and sports betting;
- eSports (defined as video game competitions);
- lotteries for charitable purposes only, traditional lotteries and fairground lotteries; and
- online games open to compensation (sports and horse race betting, poker), pursuant to the Gambling Law No. 2010-476 of 12 May 2010 opening to competition and regulating the online gaming sector, which provides for the granting of licenses.

Within the context of these exemptions, gambling operations are subject to either an exclusive rights regime or a system of licenses or authorisations granted by the French State. In this framework, FDJ operates games under rights held exclusively (online lottery games and offline distribution networks, sports betting games in offline distribution networks) and in competition (online sports betting).

Even though various gambling segments are subject to different regulations, authorised gambling operators must comply with general objectives aiming at preventing excessive or pathological gambling and protecting minors, ensuring integrity, reliability and transparency of gambling operations and preventing fraudulent or criminal activities as well as money laundering and terrorist financing. Therefore, the games offered by these operators must help to channel the demand for gambling towards regulated offers controlled by the public authorities and prevent the development of illegal gambling offerings.

Oversight of the gambling operators currently falls and will continue to fall within the scope of competence of a number of public authorities or actors until the entry into force of the Order:
- FDJ activities under exclusive rights is subject to the control of the minister in charge of the budget and are exercised by the Budget Department, with the support of the Committee on Gambling and Betting under Exclusive Rights (COJEX);
- Pari Mutuel Urbain (PMU) activities under exclusive rights fall under the joint control of the ministers in charge of the budget and of agriculture, with the support of the COJEX;
- casino activities are under the exclusive jurisdiction of the ministry of internal affairs; and
- activities of online gaming operators are controlled by the French online gaming regulatory authority (ARJEL), an independent administrative authority created by the Law of 12 May 2010 mentioned above.

Starting on 1 January 2020, pursuant to the Order, the ANJ will be entrusted with the mission to regulate (i) lottery games, (ii) sports betting (iii) horserace betting regardless of the distribution channel, and (iv) online poker. It is expected that, at that date, COJEX will be dissolved and replaced by specialised commissions within ANJ. It is expected that the ANJ's competence with respect to casinos would a priori be limited to framing and control of obligations to prevent excessive gambling and underage gambling.

The table below presents the current regulatory framework for the gaming sector and its evolution as of 1 January 2020.

### 9.1 Regulation of activities under exclusive rights

#### 9.1.1 Overhaul of the general framework of the regulation of activities under exclusive rights

##### 9.1.1.1 Overview of the new general regulatory framework

Until the entry into force of the provisions of the Pacte Law and the Order, the exclusive rights granted to FDJ for the operation of lottery games online and in offline distribution networks and sports betting in offline distribution networks were based on several early texts:

- online and offline lottery activities were operated pursuant to Article 136 of the Finance Law of 31 May 1933, Article 48 of Law No 94-1163 of 29 December 1994 and Decree No 78-1067 of 9 December 1978; and
- sports betting activities in offline distribution networks were operated pursuant to Finance Law No. 84-1208 of 29 December 1984 and Decree No. 85-390 of 1 April 1985 on the organisation and operation of prediction sports betting games.

FDJ’s obligations pertaining to these activities were then set out in various regulations.

This legal system has undergone several successive changes since the entry into force of the Pacte Law and of the Order.
Paragraph 1 of Article 137 of the Pacte Law states that the rights to operate lottery games marketed both offline and online and offline sports betting games are entrusted for a limited period of time to a single legal person subject to the close control of the French State. Paragraph 2 of the same article designates FDJ as the sole legal person being granted these exclusive rights as from the publication of the Pacte Law.

The Pacte Law authorised the Government to legislate through orders to define the conditions for exercising the exclusive rights granted to FDJ. The purpose of the Order is to:

- define the scope of the exclusive rights, with a legal definition of the categories of authorised, games and the considerations owed by FDJ for the granting of the rights;
- define the conditions under which the exclusive rights are exercised, in particular the limited term of exercise of such rights, set at twenty-five years;
- frame the organisation and the exercise of the exclusive rights, as well as of the close control by the French State of FDJ by providing for the conclusion of a convention between the French State and FDJ;
- define the conditions for the French State’s approval required in the event of threshold crossings in FDJ’s share capital or voting rights;
- reform the conditions of the French State’s power of control and administrative oversight over the gaming sector as a whole, as well as of the regulation of the sector, in particular the provisions applying to ARJEL, in order to establish a new independent administrative supervisory and regulatory authority (ANJ); and
- modify or strengthen existing administrative and criminal penalties and provide for new penalties in the event of a failure to comply with the rules applicable to the gaming sector (including, but not limited to, the establishment of a fine for the sale or free offer of gambling to minors).

The Order makes further provision for the repeal, starting as of 1 January 2020, of the articles of the aforementioned Laws of 31 May 1933 and 29 December 1984 relating to the exclusive rights previously granted to FDJ.

It stems from the combination of the Pacte Law and the Order that FDJ holds from now on exclusive rights on lottery games offered both online and offline, as well as on offline sports betting, for a 25-year period starting as of the entry into force of the Pacte Law (23 May 2019).

Several implementing decrees were published in October 2019. These decrees clarify the terms of use of the exclusive rights reserved to FDJ and the close control of the French State over the sector, and to specify certain terms of operation of gambling activities:

- Decree relating to the supervision of the gaming offer of FDJ and the PMU (the Exclusive Rights Decree);
- Decree relating to the terms of application of the French State's close control over FDJ (the Close Control Decree).

The Exclusive Rights Decree, effective as of 1 January 2020, specifies the regulatory procedures implemented by the ANJ with respect to FDJ and PMU, as well as the conditions of supervision directly applicable to FDJ’s activities (see sections below).
The Close Control Decree, effective as of the date of the transfer to the private sector of the majority of FDJ's share capital, provides for the French State's close control over FDJ (see sections below). This decree also approves two documents, provided for in Article 16 of the Order, which set out the conditions for all operations under the exclusive rights.

In the first place, the Close Control Decree approves the Convention concluded between the French State and FDJ. This Convention addresses the consequences of events leading to a deterioration of economic conditions of operation under exclusive rights by FDJ (changes in laws or regulations), as well as the end of the exclusive rights period.

The Convention provides that it will enter into force starting as of the publication in the Official Journal of the French Republic of the Close Control Decree, the latter specifying that the article approving the Convention enters into force on 1 January 2020 and expires on 22 May 2044. FDJ's exclusive rights under the Pacte Law will terminate on that date.

It provides that in the event of a significant change in legislation or regulation which, either has a direct connection with the taxation applicable to lottery games or to offline sports betting, or is likely to affect such operation or, finally has the effect of reducing the scope or duration of the exclusive rights held by FDJ, the latter would approach the French State in order to examine whether this change is likely to substantially deteriorate the economic conditions under which FDJ operates its activities, assessed on a consolidated basis. If so, FDJ is entitled propose to the French State the measures it considers necessary to continue its activities under economic conditions that are not substantially deteriorated. The French State undertakes to examine such proposals. One or several experts will be designated by mutual agreement in order to inform discussions, but their opinions will not be binding upon the parties. The French State and FDJ gather every five years in order to consider necessary adjustments to the Convention.

With respect to the provisions governing the consequences of termination of exclusive rights, the Convention provides that assets strictly necessary for the operation under the exclusive rights are to be taken over by the French State in return for compensation amounting to the current 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 FDJ, in an adversarial manner, within one year from the date of entry into force of the Convention.

Upon normal or early term of the exclusive rights, FDJ 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 on designs, logos, domain names, effective in France and relating to activities operated under exclusive rights held by FDJ at the date of termination of the exclusive rights. Similarly, for software and patents, upon normal or early term of the exclusive rights, FDJ grants to the French State or the possible new holder of the exclusive rights a free license to use the software and patents strictly necessary for the exploitation of these rights in France and owned by FDJ, for a limited period of 18 months from the expiry date of FDJ's exclusive rights.
The Convention also specifies that, upon normal or early term of the exclusive rights, the French State and FDJ 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, FDJ reclassifies the employees in question.

The Convention terminates the convention currently in place between FDJ 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 FDJ in the event of termination of the exclusive rights.

In the second place, the Close Control Decree approves the Specification Document which provides for certain obligations of FDJ regarding the operation of games under exclusive rights, in particular with respect to underage gambling and the fight against excessive gaming.

The Specification Document also provides for the amount which FDJ will have to pay to the French State as consideration for the operation of exclusive rights, in accordance with provisions of Article 17 of the Order. This consideration is set at €380 million. This amount was set after approval by the Commission for Participations and Transfers (Commission des Participations et des Transferts).

The Specification Document enter into force on 1 January 2020, except for Article 3 relating to the financial consideration, which comes into force on the date of transfer of the majority of FDJ’s share capital to the private sector. The main provisions of the Specification Document are the following:

(i) 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;

(ii) obligation to carry out investigations in order to assess the concentration of gaming and the players’ gaming habits;

(iii) in order to contribute to the control of gambling, an obligation to limit the share of FDJ’s revenue or stakes derived from its players with most intense gaming activities, under conditions defined by the ministry in charge of the budget;

(iv) obligation to measure distributors’ satisfaction;

(v) obligation to implementing attention policy and measure players’ satisfaction and to publish regular qualitative surveys;

(vi) 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 distribution network in responsible gaming initiatives;
(vii) in addition to the authorization of the ANJ, an obligation to obtain the authorization of the minister in charge of the budget for the launch of games dedicated to cultural heritage;

(viii) obligation to subscribe the necessary insurance policies to adequately cover counterparty risks relating to games operated by FDJ under the exclusive rights;

(ix) 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.

(x) obligation to draw up an annual report on the implementation of the Specification Document, addressed to the ministers in charge of the budget and economy, with a copy to the ANJ.

The provisions of the Specifications Document and their implementation are subject to evaluations every ten years. The French State ensures that the Specification Document remains consistent over time with the objectives set forth in Article L. 320-3 of the French Internal Security Code, as well as the consistency of the Specification Document with developments in the gaming sector.

9.1.1.2 Compatibility of the new general regulatory framework with European Union law

According to the case law of the Court of Justice of the European Union, a private operator may be granted exclusive rights in the gaming sector without a competitive process, provided that it is placed under the close supervision of the State. It is in this context that the French Parliament granted exclusive rights to FDJ through the Pacte Law, for a limited period of time, as it will remain effectively under the control of the French State after its privatisation.

As from the date of transfer of the majority of FDJ’s share capital to the private sector, the Order provides for the implementation of close control of gaming activities operated by FDJ under exclusive rights (see section 9.1.2 “Operation of gambling under exclusive rights”) and of the company by the French State, through the following measures:

- the FDJ articles of association and amendments thereto must first be approved by decree;

- a Government Commissioner appointed by the minister in charge of the budget will be appointed within FDJ to ensure that FDJ’s activities (i) prevent excessive or pathological gambling and prevent underage gambling; (ii) ensure the integrity, reliability and transparency of gaming operations; (iii) prevent fraudulent or criminal activities as well as money laundering and the financing of terrorism, and (iv) ensure the balanced operation of different types of gambling to avoid any economic destabilisation of the sectors affected. To that end, it may make arrangements to receive any form of information and have any verifications carried out as necessary for the accomplishment of its mission. This Government Commissioner will sit on the Board of Directors of FDJ in an advisory capacity and also in committees and commissions created by the Board of Directors of FDJ as from the transfer of the majority of its share capital to the private sector. It 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. The Government
Commissioner may also challenge the decision of the deliberative body of FDJ for reasons derived from the objectives of the gaming policy mentioned above under conditions specified by decree and challenge proceedings relating to projected income and operating or investment expense statements. The Government Commissioner will inform the 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;

- pursuant to the Close Control Decree, as from the date of transfer of the majority of FDJ’s share capital to the private sector, the deliberations of the Board of Directors of FDJ shall be automatically enforceable, provided that the Government Commissioner has not opposed them on grounds relating to the objectives defined in Article L. 320-3 of the French Internal Security Code, within five days of the meeting of the Board of Directors attended or, failing that, upon receipt of the minutes of deliberations. Similarly, the deliberations relating to the estimates of operating or investment revenue and expenditure are automatically enforceable, provided that the Government Commissioner has not objected to them within five days of the meeting of the Board of Directors attended or, failing that, upon receipt of the minutes of deliberations. The use by the Government Commissioner of either of these prerogatives is immediately reported to the ministry in charge of the budget;

- the assumption of office of the Chairman, the Chief Executive Officer and the Deputy Chief Executive Officers of FDJ shall be subject to prior approval by the ministers in charge of the budget and economy, after consulting the ANJ. Such approvals may be withdrawn by decree of the competent ministers, after consulting the ANJ. The Close Control Decree provides that ministers have a period of thirty days from the date of their referral to reply. 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 an authorisation. Any refusal or withdrawal of approval shall be motivated and delivered after the person concerned has been invited to provide comments;

- FDJ will remain subject to economic and financial control by the French State, under conditions set by a decree in the supreme administrative court (Conseil d’Etat). This decree has not been published as of the date hereof. The purpose of this control is notably to analyse risks and evaluate the performance of FDJ (see section 9.4.2 “Economic and financial control by the authorities”). FDJ will also be subject to supervision by the Cour des Comptes (French Court of Audits);

- the ownership, whether direct or indirect, of shares representing more than one-tenth or a multiple of one-tenth of the share capital or voting rights of FDJ by an individual or corporate entity, acting alone or in concert, shall require the prior authorisation by the ministers in charge of the budget and economy. This authorisation will be renewed if its beneficiary acts in concert with another party or undergoes a change of control within the meaning of Article L.233-3 of the French Commercial Code or if the identity of one of the persons acting in concert changes. It will also be renewed prior to any new crossing of the thresholds mentioned above.

The crossing of the relevant thresholds is deemed approved if the ministers in charge of economy and budget have not opposed it within one month starting either as of the notification of the projected threshold crossing, recorded by receipt issued by the administration, or within one month following the notification of effective crossing of the relevant thresholds, provided that such crossing results from a decrease of the
total number of shares issued by the company, a variation of the total number of voting rights, or the allocation of voting rights. This time period may be extended for 15 days, by decree of the ministers in charge of the economy and budget.

Authorisation may be refused only for a reason arising from the preservation of public order, the fight against money laundering and the financing of terrorism, public security requirements, and the fight against excessive or pathological gambling.

The refusal can also be justified by the fact that the applicant or, in case of a legal person, one of its directors or corporate directors, having been subject to a definitive conviction mentioned in Article 21 of the Order. Authorisation may be withdrawn for the same reasons.

In the event of withdrawal of an authorisation, the beneficiary cannot exercise voting rights corresponding to its shareholding.

When the relevant thresholds are crossed without prior authorisation, the holders of shareholdings improperly acquired cannot exercise corresponding voting rights as long as such shareholdings have not been approved by the ministers in charge of the economy and budget.

9.1.2 Operation of gaming activities under exclusive rights

9.1.2.1 Regime applicable to the organisation and operation of lottery games

Definition of lottery games and categories subject to exclusive rights

Lottery games are currently defined as games in which the allocation of prizes to the winners is determined overwhelmingly or entirely by chance, prior to, upon or subsequent to the provision of the gaming materials.

Regulations specify that authorised lottery games can be organized on a pool basis, on counterparty basis or on a combination of both. In pool games, total winnings, set as a percentage of stakes, is divided among the prize winners following the involvement of chance. In other games, the type and value of the prizes allocated to prize winners are set or are based on a probability calculation.

The lottery games authorised to be exploited by FDJ are based on events, results of random distributions or drawings, which may include numbers, letters, colours, signs or symbols or sequences of numbers, letters, colours, signs or symbols. Their rules may allow individual or group participation of several players and the ability to perform actions or choices that may affect the parameters of the games, such as the frequency or amount of winnings, or the share of the stakes allotted to them.

The new legislative and regulatory environment is not intended to change the scope of the lottery games operated under exclusive rights by FDJ, which are now defined in Article L. 322-9 of the French Internal Security Code. The Ordinance specifies, however, the types of games that can be operated by FDJ, by category and range.

The lottery games authorised to be operated by FDJ consist of two distinct categories, which are themselves subdivided into several ranges of games.

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88 Article 4 of Decree No. 78-1067 of 9 November 1978 relating to the organisation and operation of authorised lottery games.
# Categories

<table>
<thead>
<tr>
<th>Categories</th>
<th>Range of games</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw games (art. L. 322-9-1 of the French Internal Security Code): the involvement of chance, which takes the form of a drawing, is common to all players</td>
<td>Traditional draw games <em>(drawings occur once a day at the most)</em></td>
<td>Loto®, Euromillions</td>
</tr>
<tr>
<td></td>
<td>Successive draw games <em>(drawings occur more than once a day)</em></td>
<td>Amigo, Keno, Joker+, Bingo Live</td>
</tr>
<tr>
<td></td>
<td>Additional draw games <em>(games offered in addition to another game, optionally or otherwise)</em></td>
<td>My Million alongside Euromillions, Etoile+</td>
</tr>
<tr>
<td>Instant games (art. L. 322-9-2 of the French Internal Security Code): the involvement of chance is unique to each player, and the result can be determined instantaneously as a result of a player’s action</td>
<td>Scratch games <em>(games whose materials, physical or otherwise, are issued in blocks made up of a determined number of game units)</em></td>
<td>Mission Patrimoine, Mots Croisés</td>
</tr>
<tr>
<td></td>
<td>Instant random games <em>(games for which the involvement of chance is generated at the player’s individual request and is the result of an action by him or her)</em></td>
<td>Instant Loto, Keno Atlantia, Les Clés du Trésor</td>
</tr>
<tr>
<td></td>
<td>Additional instant games <em>(games which are only available as a complement to one or more other games, optionally or otherwise)</em></td>
<td>Super Jackpot</td>
</tr>
</tbody>
</table>

## Control of the lottery games offering

**Current control of the minister in charge of the budget**

The prior authorisation scheme applicable to FDJ lottery games is currently governed by the Decree of 30 April 2012 in relation to the FDJ commercial programme.

According to that decree, before 30 September of each year, FDJ must submit for the approval of the minister of budget its gaming programme for the following year, which will include the description of the new lottery games and sports betting that FDJ intends to launch, the duration and the period of their operation, an estimate of their probable earnings and top earnings, an estimate of expected stakes, the promotional policy related to them, the conditions for their online and offline marketing and an evaluation of their impact with regard to the objectives imposed on FDJ. The decree further states that the conditions for the continuation of existing games and any changes concerning them planned for the year of implementation of the gaming programme or beyond shall also be included in the gaming programme.

Moreover, the operation of new games or a new range of lottery games is subject to the prior authorisation of the minister in charge of the budget. Any application for authorisation of a new game must include a description of the characteristics and operating procedures of the game in question, in particular its name, theme and visual models of materials and mechanics, the unit amount to be wagered, the share of players’ stakes allocated to the winners and the distribution between the various ranks of winnings, an estimate of the probability or frequency of winnings, the duration and
the periods of marketing, an estimate of the projected stakes and the promotional policy. If the application relates to a range of games, the application for authorisation must include a description of their common characteristics and the conditions of their operation.

By 31 March of each year, FDJ will report on the implementation of the previous year’s gaming programme, as approved by the Minister.

*Control by the ANJ starting as of 1 January 2020*

Starting as of 1 January 2020, pursuant to the Exclusive Rights Decree, the lottery games operated by FDJ will be framed by regulatory provisions, where currently the maximum number of lottery games that can be operated is provided in a ministerial framework authorisations. The new legal framework shall ensure increased stability for FDJ.

The Exclusive Rights Decree provides the following limitations regarding the games offering:

- the number of lottery games, all ranges combined, simultaneously operated through an offline distribution network is limited to a maximum of 40 games;
- the number of lottery games, all ranges of games combined, simultaneously operated through an online distribution network is limited to a maximum of 100 games;
- the games’ regulation limits the total amount of winnings actually paid to winners, for each intervention of chance, to a maximum amount of €250 million for the first pool rank winnings in each lottery game and to €100 million for lottery games based on the counterparty basis.

As from 1 January 2020, the FDJ gaming programme will be submitted before 30 September of each year for approval by the ANJ. This programme will contain, as it currently does, the description of all new lottery games that FDJ plans to operate for the given year and the following years (including, but not limited to, information on the duration and the period of their operation, an estimate of expected stakes, the promotional policy related to them and the conditions for their online and offline marketing) and the conditions for continued operation of existing games. When it submits its annual gambling programme, FDJ will report on the execution of the previous year’s gaming and gambling programme, as approved by the ANJ. The board of the ANJ will issue the approval before 30 November of each year, and this decision will specify the terms of the implementation of gaming programmes.

The operation of new lottery games will be subject to prior authorisation by the ANJ. For new games that are part of a range of games already authorised by an ANJ framework decision, the application file will be streamlined as compared to those for other individual game authorisation applications.

The application for authorisation of a new game will be sent to the ANJ no later than three months before the start of operation. The ANJ will then be required to ensure that such applications for authorisation comply with the applicable legislative and regulatory framework and the year’s gaming programme. The ANJ will issue a decision within thirty days of receipt of the complete application for authorisation. In the absence of response from the ANJ within that time-period, the new game will be deemed refused if it is subject to an individual prior authorisation, and it will be deemed authorised if the game is part of a set of games which has already been authorised by a framework decision.
When FDJ wishes to resume the operation of a game previously authorised or operate a game or a set of games different from the ones previously authorised (i.e. differing by the look of its materials or by allocation of winnings between different ranks of winners), it will inform the ANJ one month at the latest before the beginning of operation of the given game or games.

The ANJ may also authorise a game on a trial basis, for a limited purpose and time-period to evaluate the safeguards offered in terms of preservation of public order for each of the relevant games. In this case, an evaluation of the game will be carried out by FDJ at the end of the experimental period. If the results of the experiment are conclusive, FDJ may request the authorisation of the games in question. This experimental authorisation procedure is meant in particular for games with new features.

Notice of the ANJ’s decision to authorise or to refuse to authorise a game under exclusive rights must be provided to the gaming operator and to the minister in charge of the budget. The Exclusive Rights Decree provides that the minister in charge of the budget may ask the ANJ to re-examine its decision to authorise a game, the ANJ then having a period of 15 days to decide on the game concerned, after having heard the operator.

The authorisations of lottery games granted before the date of entry into force of new regulatory provisions implementing the Order are deemed valid for an 18 months period starting from 1 January 2020. These authorisations will have to be renewed by the ANJ within this 18 months’ period.

**Control of winnings caps**

The payout ratio (PR) is currently capped. Decree No. 78-1067 of 9 November 1978 relating to the organisation and operation of authorised lottery games currently states that stakes are distributed in accordance with allocations decided by order of the minister in charge of the budget. Under this decree, on average for all games, the expected mathematical expectation of winnings must be, for players, between 45% and 75% of the total stakes. The decree further states the payout ratio (PR) for the main draw games, whereas it sets caps for all sports betting (fixed-odds betting and Loto Foot) and other ranges of lottery games.

The Monopoly Decree sets the PR ranges and/or caps per range of games.

On average, for the lottery games taken collectively or individually, the mathematical expectation of players winning must range between 45% and 75% of the total bets.

For all scratch games, offered both online and offline, the average share allocated to the winners amounts to at least 50% and at most 70.5% of the nominal value of the issues over a significant number of issues.

Under Article 10, the shares of the amounts wagered in lottery games are allocated to the winnings as follows:

- for draw games, the share allocated to winners ranges between 50% and 60% for each traditional draw game, between 59% and 70% for each additional draw game and between 65% and 72% for each successive draw game;

- for instant games, the share allocated to the winners ranges between 62% and 75% for each scratch game, between 65% and 75% for each immediate random game and between 60% and 70% for each additional instant game.

**Counterparty and reserve funds**
Counterparty risks funds, funds common to scratch games and reserve funds for lottery games, which are currently provided for in Articles 13 and 14 of Decree No. 78-1067 of 9 November 1978 (see section 8.1.1.3 “Player funds to be closed with effect from 1 January 2020 pursuant to Article 138 of the Pacte Law and reclassified as financial debt at 30 June 2019”), will be closed as from 1 January 2020, pursuant to the Pacte Law.

The sums deposited in these funds will be paid to the French State before a date set by decree, and no later than 31 December 2025.

Once the Order enters into force, it is expected that the counterparty risks incurred by FDJ for some lottery games in the offline distribution network and online and sports betting marketed in the offline distribution network, will be borne by FDJ.

The Exclusive Rights Decree provides that the game regulation limits the total amount of winnings actually paid to winners, for each intervention of chance, to a maximum amount of €250 million for the first rank pool winnings in each lottery game and to €100 million for lottery games based on the counterparty principle.

Starting 1 January 2020, the counterparty risks will be managed by FDJ through the purchasing of insurance policies (see section 3.6.4 “Procurement policy for insurance policies and the main insurance policies”).

Specific obligations regarding the lottery games and online bets offering

As part of its exclusive online games offering, FDJ is required to comply with certain general provisions of Law No. 2010-476 of 12 May 2010 relating to the opening to competition and regulation of the online gaming sector.

FDJ is required to impede the participation of persons who are prohibited or excluded at their request from gambling activities and to close any player account of a person affected by such prohibition or exclusion and refrain from sending them any commercial communications. FDJ must also prevent excessive or pathological gambling behaviour, in particular through the implementation of self-exclusion and moderation mechanisms (enabling a player to notify the operator of his or her willingness to be deprived from access to games during a temporary period of time of at least three months, or permanently, in which case such player’s gaming account is closed).

Starting 1 January 2020, FDJ will have to comply with a number of new measures stated in Law No. 2010-476 of 12 May 2010, as amended by the Order.

This means that FDJ will be required to evidence to the ANJ a process specifying the terms of access to and registration for its site for any new players, and the means by which it can confirm their identity, age, address, identification of banking account on which credits are paid, and compliance with the other requirements set by decree.

In addition, FDJ must set up a system for capturing, transferring and storing a certain amount of data relating to online lottery operations. This system, which has been mandatory since 2010 for online sports betting, consists of a sensor on the sites and applications containing the gaming offer and an electronic safe where all of the data is time-stamped and accessible only to the regulatory authority for control purposes. The data in question is the same as for online sports betting. This data consists of (i) the identity of each player, their postal address and their email address on an online public communication service; (ii) each player’s account, including the opening date of the account and the references of the associated payment account; (iii) gaming or betting events and related transactions, as well as any other data that contributes to
the formation of the player’s account balance; (iv) events relating to the development and maintenance of the gaming hardware, platforms and software used.

Finally, FDJ must obtain certification through an independent body for compliance with all of its technical obligations, as is already the case for its online sports betting offering. This certification must be updated annually and communicated to the ANJ.

9.1.2.2 Regime applicable to the organisation and operation of sports betting games in points of sale

Sports betting is betting with a monetary value where the players’ potential winnings depend on the accuracy of their predictions of the outcome of any genuine sports competition lawfully held in France or abroad. Like lottery games under exclusive rights, bets can be organised under the pool principle, as is the case for the Loto Foot 7 and 15 offerings, the counterparty principle (as with fixed-odds betting) or both. Sports betting may be based on the combination of chance and the results of sporting events or on the results of sporting events alone.

Sports betting authorised to be operated under exclusive rights by FDJ includes:
- fixed-odds betting, or betting for which the operator offers players odds corresponding to its assessment of the probabilities the results of the competitions on which the players bet will occur. The winnings are a fixed amount and expressed as a multiplier of the stakes and guaranteed to the players by the operator; and
- mutual betting, or betting in which the winning players share the full amount of the sums involved, which are gathered in the same pool before the event takes place, less deductions of any kind required by the laws and regulations in force on the part of the operator, which has a neutral and disinterested role as to the outcome of the bets.

Control of offline sports betting offerings

Offline sports betting offerings operated by FDJ are governed by Decree No. 85-390 of 1 April 1985 relating to the organisation and operation of sports betting games authorised by Article 42 of the Finance Law for 1985 and the Ministerial Decree of 28 December 2015 issued pursuant to Decree No 85-390 of 1 April 1985, as amended, relating to the organisation and operation by FDJ of sports betting games authorised by Article 42 of the Finance Law for 1985. These texts will be repealed as of 1 January 2020.

Pursuant to the Order, FDJ’s sports betting offerings will be governed by the regulatory provisions, which will, in particular, define:
- the number of sporting disciplines based on which bets can be organised and offered in points of sale; and
- the types of results and their number for sporting disciplines in points of sale.

As from the entry into force of the Order, FDJ betting programme will be notified to the ANJ. This programme must contain the description of all new sports betting games that FDJ plans to operate during a given year and the following years (including, but not limited to, information on the duration and the period of their operation, an estimate of their probable earnings and top earnings, an estimate of expected stakes, promotional policy related to them, conditions for their marketing in points of sale) and the conditions for continued operation of existing games. The
regulatory provisions implementing the Order shall determine the terms and conditions of approval of FDJ’s gaming programmes.

The list of sports and types of results on which offline sports betting will be defined by the ANJ under conditions set forth by the Decree 2010-483 dated 12 May 2010 relating to sports competitions and to types of sports results defined by the ANJ. The latter authority will be entitled to restrict the list of sports and of types of results underlying offline sports betting, as compared to online sport betting.

As with lottery games, the operation of new forms of sports betting will be subject to prior authorisation from the ANJ starting as of 1 January 2020.

Sports betting forms operated before the date of entry into force of the Decree issued pursuant to the Order shall be deemed authorised to operate for 18 months starting from 1 January 2020. These games will then have to be authorised by the ANJ.

Control of caps on winnings

Offline sports betting PRs are capped. Decree No. 85-390 of 1 April 1985 relating to the organisation and operation of sports betting games currently states that stakes are distributed in accordance with allocations by order of the minister in charge of the budget. Under that decree, the maximum proportion of sums paid on average to players as part of the operation of sports betting games is at most 78%. The Ministerial Decree of 9 March 2006 setting the distribution of sums wagered on games operated by FDJ states, in its current version, that for all sports betting games, the portion allocated to the winners is on average 76% and the portion allocated to the structural endowment of the counterparty funds for those games is 2.58%.

Following the entry into force of the Order, it is expected that the maximum PR of all offline sports betting will be set by decree. The Exclusive Rights Decree provides that for all offline sports betting, the maximum payout amounts to 76.5% of bets on average over a calendar year.

Counterparty and reserve funds

The counterparty risk hedging funds and sports betting reserve funds should therefore be eliminated. The counterparty risks incurred by FDJ in relation to offline sports betting may be controlled, as it is for lottery games. The sports betting terms and conditions set out by FDJ may also state that gaming services for a single combination or for an event, sporting event or combination of these may be interrupted upon achievement of a certain predetermined threshold.

9.1.2.3 Regime applicable to the organisation and operation of all gaming and betting under exclusive rights

Terms of offline gaming and betting operation under exclusive rights

For the operation of its gambling offerings, FDJ relies on a vast network of points of sale, authorising private individuals called distributors (bar-tobacconist-newsagent network and other local shops, service stations) to operate lottery game or sports betting registration terminals. This authorisation to operate can only be granted by FDJ with the approval by the ministry of interior, which takes into account issues of public policy, public safety and the protection of health and minors. As from the entry into force of the Order, it is now envisaged that the standard clauses of the contracts signed between FDJ and the private persons operating sports betting registration terminals will be approved by the ANJ. In addition, the Exclusive Rights Decree provides that FDJ is required to ensure that the contracts concluded with distributors
impose obligations to take necessary measures and perform due diligence in order to achieve the objectives of gaming regulation. FDJ must ensure that failure to comply with these obligations results in proportionate penalties.

**Protection of exclusive rights granted to FDJ**

The sale, export or operation in any form whatsoever of games operated under exclusive rights by FDJ are punishable by criminal penalties set forth in the French Internal Security Code.

**Establishment of points of sale**

The Order states that a perimeter may be established by departmental prefects around public or private educational establishments and youth training or leisure establishments within which new points of sale cannot be established, the acquired rights of the 30,000 existing FDJ points of sale being maintained. Within that scope, advertising, direct or indirect, for any form of gambling shall be prohibited with exceptions for signs and promotional messages on the front of FDJ points of sale, as well as displays within them.

**Control of points of sale**

The control and supervision of the operation of lottery games and sports betting terminals shall be carried out, in their respective areas of jurisdiction, by officers of the French national police (Police Nationale) in charge of the police of racing and games of the ministry of the interior and by departmental directors or, failing that, regional directors of public finances or their representatives. As from 1 January 2020, the operation of these terminals will be controlled and supervised by certified agents of the ANJ.

In addition, pursuant to Article L. 320-8 of the French Interior Security Code, as from 1 January 2020, direct access to FDJ gaming terminals without human intermediation (i.e. terminals that take sports bets without a retailer as an intermediary using a player account) shall be reserved for players whose identity and date of birth have been previously verified for the purpose of verifying their age and absence of registration on the lists of persons prohibited from gaming.

**Reporting to the regulatory authorities**

The Order states that FDJ must, for its activities in points of sale, provide the ANJ with data concerning (i) the players identified; (ii) events relating to the development and maintenance of the hardware, gaming platforms and software used; and (iii) the evaluation of the control policy put in place at the point of sale, particularly with regard to the objective of the protection of minors.

In addition, FDJ must also provide the ANJ with reports on and results of the controls performed by the persons operating a lottery and sports betting registration terminal. In the event of a serious breach by a terminal operator of its legal obligations, FDJ must inform the ANJ immediately.

Finally, FDJ must provide to the ANJ a quarterly report on the operation of games under the exclusive rights. A Decree of the minister in charge of the budget, issued upon proposal from the ANJ, must approve template dashboard for this quarterly report. This Decree has not yet been published as of the Date of the Registration Document.

**Payment of winnings**
Deadlines for the payment or provision of the winnings or prizes are set by the general and specific terms and conditions of sale for the games, within a limit comprised of between twenty days and one year after the most recent chance event in which the player participates or the announcement of the results of the most recent sporting event or from the closing of a block of a scratch game, as the case may be.

In addition, the Exclusive Rights Decree provides that, with respect to games operated under the exclusive rights, FDJ must evidence the existence of a guarantee, a trust, an insurance policy, an escrow account or any other instrument or mechanism guaranteeing, under any circumstances, the repayment of all funds payable to the players.

**Penalties incurred due to a breach of the legislative and regulatory obligations related to activities under exclusive rights**

The Order introduces a system of penalties due to a breach of the legislative and regulatory obligations by FDJ (including in the event of non-compliance with provisions of the Specification Document), in the context of its activities under exclusive rights.

Pursuant to the Order, the ANJ sanctions committee may punish FDJ with various penalties, after the giving of formal notice, depending on the seriousness of the breaches found. These penalties may take the form of (i) a warning, (ii) the temporary suspension for a period of six months at most from the operation of the game or set of games that gave rise to the breach, (iii) a ban on the operation of the game or set of games at issue, or (iv) submission of a request for withdrawal of approval from FDJ’s officers to the minister in charge of the budget.

In addition, the sanctions committee may, in lieu of or in addition to these penalties, impose a fine proportionate to the seriousness of the breach that may not exceed 5% of the revenue excluding VAT of the most recent financial year ended. This amount may be increased to 10% in the event of a repeat offence.

### 9.2 Regulation of activities carried out in competition

FDJ currently operates activities that are open to competition. This is especially the case for the organisation and operation of online sports betting.

The organisation and operation of online games in France is governed by the provisions of Law No. 2010-476 of 12 May 2010 relating to the opening to competition and regulation of online gambling. This law further states that the categories of games and bets authorised in France involve (i) horse race betting, which can only be offered in pooled form; (ii) online sports betting, either in pooled form or at fixed odds; and (iii) online circle games, which are restricted to poker.

The organisation and operation of these online games is subject by law to license issued by ARJEL. From the entry into force of the Order, such licenses will be granted by the ANJ.

To obtain a license, the online gaming operator is required to submit an application to ARJEL, in which it communicates all of the information relating to its legal structure, shareholding structure, financial strength and good reputation of its officers, as well as the characteristics of the game offering that it wants to develop, including the conditions of organisation of the game offering and use of computer operating tools. Moreover, the gaming operator must justify the means implemented to restrict access by minors to online games and the means put in place to fight against fraud, money laundering and the financing of terrorism. Approval is issued for an initial period of
five years and is renewable. Its delivery depends on compliance by the operator with the specification document (cahiers des charges) proposed by the ARJEL and approved by order of the competent ministers. The specification document (cahiers des charges) currently in force was adopted by the Decree of 27 March 2015 and a list of approved operators is available to the public on the ARJEL website.\(^89\)

FDJ is an authorised operator for the operation of online sports betting games. FDJ’s license was granted by a decision of the ARJEL board dated 5 June 2010\(^90\). It has been renewed for a period of five years starting 5 June 2015 in a decision dated 18 May 2015\(^91\). Pursuant to Article 49 of the Order, approvals granted before the date of publication of the Order shall be maintained until their expiry.

**Oversight by the regulatory authority**

Under the terms of its approval, FDJ is subject to the permanent control of the ARJEL and must submit several certifications to that authority concerning compliance with its legislative and regulatory obligations. Henceforth, these controls will be conducted by the ANJ as from 1 January 2020. To this end, FDJ will continue to provide ANJ on a permanent basis with:

1. Identity of each player, address and address on the online public communication service;
2. Account of each player, including its opening date, as well as the references of the payment account mentioned in the last paragraph of Article 17;
3. Gaming or betting events and, for each player, associated transactions, as well as any other data contributing to the computation of the balance of the player’s account; and
4. Events relating to evolution and maintenance of equipments, platforms and software of games used.

In the event of a failure by FDJ to meet its legislative and regulatory obligations, and after formal notice remained ineffective, penalties may be imposed by the regulatory authority. The implementation of the new legal framework does not create any additional risk of penalties for FDJ concerning its online sports betting offering, as the new legal framework does not affect the operating conditions for online sports betting.

**Penalties**

In the event of a breach of its legislative and regulatory obligations, the ARJEL sanctions committee may currently apply one of the following penalties: (i) a warning; (ii) a reduction of up to one year in the period of the license; (iii) suspension of the license for three months at the most; and (iv) the withdrawal of the license, which may be accompanied by the prohibition to apply for a new license for a maximum period of three years.

In addition, the sanctions committee may impose, in lieu of or in addition to such penalties, a monetary penalty whose amount may not exceed 5% of the revenue excluding VAT of the most recent financial year corresponding to its activities covered by the license. This amount will be increased to 10% in the event of a repeat


\(^90\) License No. 0013-PS-2010-06-05, granted by Decision No. 2010-014 of 5 June 2010.

\(^91\) ARJEL board decision No. 2015-013 of 18 May 2015.
offence. These penalties will not be modified by the Order, it being specified that the ANJ will replace the ARJEL starting 1 January 2020.

9.3 Shared regulation of all activities carried out under exclusive rights and in competition

**Protection of minors and persons prohibited or excluded from gaming**

FDJ is obliged to prevent the participation of (i) minors, emancipated or otherwise, in the gaming or betting activities it offers, and (ii) persons prohibited from gambling under the regulations in force or excluded at their request.

Article 139 of the Pacte Law further states that it is forbidden to sell or offer games of chance free of charge to minors in points of sale authorised to market lottery games and sports betting games and that evidence enabling the confirmation of the age of the player may be required.

FDJ shall refuse the opening of a player’s account in a point of sale to any person registered in the file of excluded players which is held by ANJ and the French Ministry of Interior, as it is already the case for online player accounts (sports betting and online lottery). Verification of the absence of excluded persons from gambling among player account holders will also be carried out periodically.

**Prevention of excessive or pathological gambling**

In accordance with the Ministerial Decree of 30 April 2012 relating to the limitation and supervision of the FDJ gaming offers and their consumption and the oversight of their operation, FDJ is required to put in place an action plan to prevent excessive and underage gambling and promote reasonable gambling practices for its exclusive rights activities. This plan, which is approved by the minister in charge of the budget, presents the information and prevention actions intended for the public and players as well as training actions for game distributors.

This action plan must now be submitted to the ANJ for approval, after consulting the permanent specialised advisory committee for the prevention of excessive or pathological gambling. This action plan, together with an assessment of the implementation of the plan for the previous year, will now cover all activities operated by FDJ under exclusive rights and competition. It will be prepared in accordance with the framework guidelines to be set by the ANJ, which will include stronger obligations for activities operated under exclusive rights.

Pursuant to this action plan, FDJ will be required to implement systems for the prevention of excessive or pathological gambling behaviours, as is already the case currently, in particular starting with the introduction of self-exclusion and self-limiting procedures for deposits and stakes. These prevention systems must include the terms of permanent communication to any player of the instant balance of his or her account and information for players on the risks related to excessive or pathological gambling. FDJ must identify those persons whose gambling is excessive or pathological and support them to moderate their practices, as is already done through the use of the Playscan™ tool (see section 3.6.3.2 “Prevention of excessive gambling”) that was put in place several years ago.

Similarly, it is expected that any commercial communications from FDJ will warn against excessive or pathological gambling and refers to an information and assistance system.
In the event of a failure to meet the obligations arising from the action plan or the enhanced obligations stated in the framework guidelines, the ANJ board may issue instructions on this topic. In case of non-compliance with its obligations, FDJ may be subject to penalties.

**Obligations in the fight against fraud, money laundering and the financing of terrorism**

As a gambling operator, FDJ is subject to the anti-money laundering and terrorist financing obligations set forth in Chapter I of Title VI of Book V of the French Monetary and Financial Code.

Accordingly, FDJ is required to apply consistent customer due diligence, including the identification of players with player accounts and verification of their identity. FDJ is also required to constantly monitor and carefully examine the operations performed by such players and ensure that they are consistent with the up-to-date knowledge that they have of their business relationship.

In addition, pursuant to Article L.561-13 of the French Monetary and Financial Code, FDJ must ensure, for occasional transactions which are not part of a business relationship, that a written document is submitted as evidence of the identity of players who bet or win amounts greater than €2,000 for the purpose of fighting money laundering and the financing of terrorism. On this occasion, FDJ is required to keep and maintain for five years a list of the names and addresses of such players, as well as the amount of money wagered or won.

Pursuant to the Ministerial Decree of 30 April 2012 relating to the limitation and supervision of the offering and consumption of La Françaises des Jeux games and the oversight of their operation, FDJ submits its action plan for the fight against fraud and money laundering for its exclusive rights gaming activities for the approval of the minister in charge of the budget. This plan presents the actions of FDJ to prevent risks of using gambling for fraudulent purposes, and in the fight against money laundering and reports on the execution of the action plan for the previous year.

The Order reaffirms this obligation by extending it to all gambling offered by FDJ. In this context, FDJ must now prepare an action plan for the fight against fraud and money laundering, in line with the framework guidelines set forth by the ANJ and submitted for approval to the ANJ’s college, upon consulting the permanent specialised advisory commission for the fight against fraud and money laundering.

**General prohibition of money lending to players**

Article 30 of Law No. 2010-476 relating to the opening to competition and regulation of online gambling provides that gambling on credit is prohibited. Accordingly, any licensed gaming operator and its officers, agents or employees cannot grant any credit to players and must ensure that players cannot grant loans to each other.

The Order provides for the extension of this prohibition to all gambling operators, it being specified that, for FDJ activities in points of sale, distributors may not grant credit to players and must refrain from facilitating loans between them.

Finally, the Order states that, in the context of the operation of its online lottery games and sports betting, FDJ shall ensure, like any other gaming operator, that no advertising for a company that may make loans to players or enable loans between players is displayed on its online electronic communications services.

**Information systems security obligations**
In accordance with the Law No. 2010-476 of 12 May 2010 relating to the opening to competition and regulation of the online gaming sector, the ARJEL has jurisdiction to periodically evaluate the level of security offered by FDJ’s online prediction gaming platforms.

Pursuant to the Order, this jurisdiction will now be vested in the ANJ and will extend to all of FDJ’s activities.

Accordingly, FDJ must comply with the technical requirements for the security and integrity of gaming operations and security of information systems determined by the ANJ in the specification document (cahiers des charges) adopted under the conditions defined by Ministerial Decree. The ANJ will evaluate and oversee the effectiveness of the internal controls implemented by FDJ. The Decree will also determine the conditions under which the ANJ may issue conditions to FDJ concerning the integrity of games and its information systems.

**Other general obligations not specifically related to the gaming sector**

**Fight against corruption**

Pursuant to Law No. 2016-1691 of 9 December 2016 relating to transparency, the fight against corruption and the modernisation of economic life, FDJ is required to put in place procedures to protect whistle blowers.

FDJ’s chairmen, chief executive officers and managers must also ensure the implementation of:

- a code of conduct defining and illustrating the different types of behaviours to be banned as being likely to characterise acts of corruption or trading in influence;
- internal whistleblowing procedures to enable the collection of reports from employees concerning the existence of behaviours contrary to the code of conduct;
- risk mapping in the form of documentation to identify, analyse and prioritise the risks of FDJ’s exposure to external solicitations for the purposes of corruption;
- procedures for evaluating the situation of customers, first-tier suppliers and intermediaries with regard to risk mapping;
- accounting control procedures designed to ensure that accounting items are not used to conceal acts of corruption or trading in influence;
- a training programme for management and employees most exposed to such risks; and
- a disciplinary regime to penalise violations of the code of conduct.

Likewise, they are required to set up a system for the internal control and evaluation of such measures.

**Processing of personal data**

FDJ collects and processes information classified as protected personal data.

As a result, FDJ is subject to compliance with (i) Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (“GDPR”) and (ii) Law No. 78-17 of 6 January 1978 relating to data, files and liberties (“French Data Protection Act”).

In this context, FDJ is required to comply with the GDPR, which includes, in particular, maintaining governance of data, appointing a data protection officer,
identifying the processing and establishment of registers of controllers and subcontractors and analysing the legal basis for processing the personal data being processed.

Failure to comply with the provisions of the GDPR could lead to the imposition of fines of up to €20 million or 4% of total revenue, whichever amount is higher.

9.4 Control by administrative authorities

9.4.1 Control by the ANJ

The French online gambling regulatory authority, the ARJEL, is currently an independent administrative authority the competence of which covers online games and betting open to competition. The Order provides for a change in the name and composition of the regulatory authority and an extension of the authority’s jurisdiction to games operated under exclusive rights by FDJ and the PMU, whether they are marketed online or in points of sale.

Missions of the ANJ

The Order states that the ANJ will be an independent administrative authority that will replace the current online gaming regulatory authority. Its mission will be to ensure that the objectives of gaming policy are heeded, namely: (i) preventing excessive or pathological gambling and preventing underage gambling; (ii) ensuring the integrity, reliability and transparency of gaming operations; (iii) preventing fraudulent or criminal activities as well as money laundering and the financing of terrorism, and (iv) ensuring the balanced operation of different types of gambling to avoid any economic destabilisation of the sectors affected.

Organisation of the ANJ

The ANJ will consist of a board, permanent consulting committees, a sanctions committee and a mediator.

The board will be comprised of nine members appointed for a period of six years due to their expertise in economic, legal and consumer protection matters, as well as in the fields of prevention of excessive or pathological gambling, information systems, digital economy and the fight against money laundering and financing of terrorism. The Chairman of the ANJ will be appointed by the President of the French Republic, six other members will be appointed by decree and gender parity must be ensured, and the two remaining members will be appointed, including one member of the supreme administrative court (Conseil d’Etat) or the Court of Cassation (Cour de cassation), respectively, by the President of the French National Assembly and by the President of the French Senate, also ensuring gender parity.

In addition, a Government Commissioner appointed by decree of the minister in charge of the budget will attend the meetings of the board in an advisory capacity, with the exception of agenda items on decisions exclusively relating to authorised operators of games or online betting. He or she will inform the board of the positions of the Government and may request a second deliberation from the board within five days following the initial deliberation.

Finally, for the exercise of its powers, the board will rely on three permanent specialised committees:

- the Excessive or Pathological Gambling Prevention Committee;
- the Gaming Operations Supervision Committee; and
- the Anti-Fraud and Money Laundering Committee.

The exact terms of organisation and functioning of the ANJ will be clarified by decree. This decree has not yet been published.

**Extent of supervision exercised by the ANJ**

In order to achieve these missions, the ANJ will be vested with important powers of oversight over FDJ.

With respect to online gambling, the Order provides that the ANJ monitors constantly FDJ’s business in the field of its online lottery activities (as the ANJ also does for other online gambling operators).

With respect to games operated under exclusive rights, the ANJ will carry out similar controls. To this end, starting as from 1 January 2020, FDJ will have to provide constantly to the ANJ the following information on a regular basis:

1. For identified players
   a) Identity of each player, address and address on the online public communication service;
   b) Account of each player, including its opening date;
   c) Gaming or betting events and, for each player, associated transactions, as well as any other data contributing to the computation of the balance of player’s account;

2. Events relating to evolution and maintenance of equipments, platforms and software of games used;

3. Evaluation of control policy implemented in points of sale, in particular as regards minors’ protection objective;

4. Reports and results of controls performed on distributors, as well as their compliance with their obligations; and

5. Quarterly reports on operation of games under exclusive rights. A decree of the minister in charge of the budget, adopted upon ANJ’s proposal, will specify the template of this quarterly report.

Standard terms of contracts between FDJ and its distributors will have to be approved by the ANJ.

In addition, the ANJ shall contribute to the monitoring of compliance with the Specification Document and the Convention between FDJ and the French State. In this context, it may inform the competent ministers of any failure by FDJ to comply with the Specification Document.

Notice of the annual promotional strategy for the games offered by FDJ will also be given to the ANJ. The ANJ may oppose by a reasoned decision to any commercial communication by a gaming operator involving an excessive incentive for the game or financial rewards to the players.

The ANJ may suspend or withdraw an authorisation to operate a lottery or sports betting game (including a tacit authorisation) if the conditions under which the authorisation was granted are no longer met.

The minister in charge of the budget will be able, at any time, to suspend or prohibit the operation of a game under exclusive rights for reasons derived from the safeguarding of public order, regardless of the type of the game, i.e., games expressly authorized, as well as those tacitly authorised.
In addition, the Order states that the ANJ shall monitor compliance by FDJ with its obligations in the fight against fraud and against money laundering and the financing of terrorism, as well as actions implemented to prevent excessive or pathological gambling and underage gambling.

The ANJ will approve the terms and conditions of FDJ’s authorised games. These terms and conditions, which constitute standard adhesion agreements, contain the conditions for participation in games and betting offered to the public. They will be published online on the ANJ’s website and continue to be published on the FDJ website. They will be available to players at each point of sale.

Finally, as is already the case with the ARJEL regarding online sports betting software, the ANJ will approve the gaming software offered by FDJ for its sports betting activities operated under exclusive rights and for its online and points of sale lottery activities.

In order to perform different controls within its responsibility, the ANJ will have authorised agents entitled to proceed with administrative inquiries necessary for the oversight of compliance with their obligations of operators of online games and online betting, as well as of those operators benefiting from exclusive rights.

Any failure to comply with legislative and regulatory obligations imposed on FDJ may result in penalties.

Penalties imposed by the ANJ

In the event of non-compliance with legislative or regulatory requirements, a gambling operator may be subject to sanctions imposed by the sanctions committee of the ANJ.

Such procedure before the sanctions committee is undertaken on the basis on referral by the board of ANJ. The sanctions committee comprises six members:

- two members of the supreme administrative court (Conseil d’Etat), appointed by the vice-president of the supreme administrative court (Conseil d’Etat);
- two counselors of the Court of Cassation (Cour de cassation), appointed by the first president of the Court of Cassation (Cour de cassation); and
- two judges of the Court of Auditors (Cour des comptes).

Before any sanction, an adversarial procedure takes place.

The sanctions committee may adopt, taking into account the seriousness of the non-compliance, one of the following sanctions against online gambling operators (including FDJ for its activities carried out in competition):

1. Warning;
2. Up to one-year reduction of the duration of the license;
3. Suspension of license for a maximum of three months; or
4. Withdrawal of the license.

Withdrawal of the license can be supplemented by the prohibition to apply for a new license for a maximum period of three years.

The sanctions committee can, in place of or in combination with sanctions described above, adopt a monetary sanction in an amount proportionate to the seriousness of non-compliance, the relevant operator’s situation, the extent of the damage caused and the benefits derived from it, without such monetary sanction exceeding 5% of the revenue, excluding tax, for the latest financial year ended corresponding to the
activities subject to the authorisation. This cap is set at 10% in the event of renewed non-compliance.

The sanctions committee of the ANJ can adopt, depending on the seriousness of the non-compliance, one of the following sanctions against the holder of exclusive rights:

1. Warning;
2. Temporary suspension for a maximum six-months period of the authorisation to operate the relevant game or set of games;
3. Prohibition of the operation of the relevant game or set of games; or
4. Withdrawal of the approval of the operator’s directors.

The sanctions committee can, in place of or in combination with sanctions described above, decide to impose a monetary sanction in an amount proportionate to the seriousness of non-compliance, the relevant operator’s situation, the extent of the damage caused and the benefits derived from it, without such monetary sanction exceeding 5% of the revenue excluding tax for the latest financial year ended corresponding to the activities subject to the authorisation. This cap is set at 10% in the event of renewed non-compliance.

In the event of communication of inaccurate information, refusal to communicate information requested by the ANJ or in the event of an impediment to investigations conducted by agents of the ANJ, the sanctions committee could, upon provision of a formal notice having remained without effect, impose a fine in an amount which may not exceed €100,000.

Criminal penalties incurred by FDJ

Primary criminal penalties incurred

The fact that an operator allows a person prohibited from gambling to participate in an online gambling activity or to send commercial communication to such a person may result in a fine of €10,000.

In addition, a fine of €100,000 is applicable in the event of the establishment of a new point of sale in violation of a perimeter set by the competent prefect around public or private educational establishments and youth training or recreation institutions (under such circumstances, the amount of the fine could be multiplied by four by judicial decision), or if direct access is allowed to gambling terminals with player accounts and without a human intermediary to a player whose identity and date of birth have not been previously verified.

A fine of €150,000 is provided against an operator in the event of non-compliance with the obligations relating to the prohibition against money lending to players (or the prevention of such acts) and the prohibition of advertisements related thereto.

Supplemental criminal penalties incurred

In the event of a failure to comply with its legislative and regulatory obligations, FDJ may, in addition to the fines presented above, be exposed to additional specific penalties that may consist of:

- with regard to online lottery, a prohibition to seek approval or the withdrawal of approval granted by the ANJ;
- closure, whether permanent or temporary for a period not exceeding five years, of one or several establishments having served for the commission of offences; or
- in the event of an objection to an offence found by an official authorised for that purpose, a fine of €300,000.
9.4.2 Controls by the minister in charge of the budget and the minister in charge of the economy

As previously reminded, for motives stemming from safeguarding of the public order, the minister in charge of the budget may at any time suspend or prohibit the operation of a game under exclusive rights. This suspension or prohibition is adopted after conducting an adversarial proceeding, upon opinion issued by the ANJ.

As part of close control, the minister in charge of the budget and the minister in charge of the economy hold several means of control (see section 9.1.1.2 “Compatibility of the new general regulatory framework with European Union law”).

9.4.3 Economic and financial supervision by the public authorities

Since the majority of FDJ’s share capital is currently owned by the French State, FDJ is subject to the French State control over the national publicly owned companies referred to in Decree No. 53-707 of 9 August 1953 relating to French State control over the national publicly owned companies and certain bodies with an economic or social purpose, and to the economic and financial control of the French State referred to in Decree No. 2012-1246 of 7 November 2012 relating to public budget and accounting management (which provides for the presence of a French State Controller).

As from the entry into force of the new legislative and regulatory framework, the minister in charge of the budget will also have control tools with respect to FDJ as part of its close control (see section 9.1.1.2 “Compatibility of the new general regulatory framework with European Union law”). It is envisaged that the Decree of 9 August 1953 will cease to apply to FDJ as from the transfer of the majority of FDJ share capital to the private sector. FDJ will then be subject to the economic and financial control of the French State within conditions set by regulation, which is not known as of the Date of the Registration Document.

Finally, pursuant to Article 19 of the Order, the Government commissioner may oppose to the deliberations of the corporate body that deliberates on FDJ’s budget (estimated receipts and operating) or investment expenses.

9.4.4 Audits by the Court of Auditors (Cour des Comptes)

As a company in which the French State holds the majority of the share capital, FDJ falls within the scope of Article L. 133-1 of the French Financial Jurisdictions Code. As such, FDJ is subject to periodic audits by the French Court of Audits (Cour des Comptes).

The Order states that the provisions of Article L. 133-1 of the French Financial Jurisdictions Code will apply to FDJ after the transfer of the majority of its share capital to the private sector.

9.4.5 Inspections by Inspectorate General of Finances (Inspection Générale des Finances)

Finally, in accordance with Article 43 of Law No. 96-314 of 12 April 1996 relating to various economic and financial provisions, FDJ is subject to the supervision of the Inspectorate General of Finances (Inspection Générale des Finances) and will remain so for as long as the French State retains portions of its share capital.
This supervision is performed on the basis of documents on-the-spot and covers all financial statements and the management of FDJ.

9.5 Taxation of gambling operated by the Group

Pursuant to Article 138 of the Pacte Law, the taxation regime applicable to gambling activities performed by FDJ is changing starting as of 1 January 2020. From that date onwards, tax and social levies on lottery and sports betting will be based on Gross Gaming Revenue, not stakes / wagers, clarifying the allocation of actual revenues of the business between the French State and FDJ (the French State and FDJ hence receiving amounts allocated to each of them after deduction of sums paid to players in compliance with the payout ratio (PR)).

Taxation of gambling operating by FDJ before 1 January 2020

Article 88 of the Amending Finance Law for 2012 of 29 December 2012 and the Ministerial Decree of 9 March 2006 setting the distribution of sums bet on games operated by FDJ specify that the sums wagered are allocated to (i) the games through the winnings that, where appropriate, fund allocations to cover counterparty funds (see sections 9.1.2.1 “Regime applicable to the organisation and operation of lottery games” and 9.1.2.2 “Regime applicable to the organisation and operation of sports betting games in points of sale”), (ii) the payment of applicable taxes of all kinds and (iii) the payment of the costs of organisation and investment.

Levies, taxes, contributions and organisation and investment fees applicable until 1 January 2020

FDJ is required to pay a number of levies, taxes and contributions for its various activities:

- under the French General Tax Code, offline and online sports betting are subject to a 5.7% levy on sums wagered by players;
- under the French Social Security Code, offline and online sports betting are subject to a 1.8% levy on sums wagered by players;
- offline and online sports betting games are subject to a 1.8% levy on the sums wagered in sports betting paid to the French National Sports Agency, which is responsible for high-performance sport and the expansion of access to sport. The total amount of this levy is capped at €34.6 million annually;
- lottery games operated by FDJ are subject to a contribution of 8.6% of a fraction equivalent to 25.5% of the sums wagered, for the supplementary social security tax;
- lottery games operated by FDJ are subject to a contribution of 3% of a fraction equivalent to 25.5% of the sums wagered, for the social security debt reduction tax;
- lottery games organised and operated by FDJ are subject to a 1.80% levy on the sums wagered paid to the French National Sports Agency, which is responsible for high-performance sport and the expansion of access to sport. The total amount of this levy is capped at €71,844,000 annually;
- in addition, an additional levy of 0.3% on these same sums has been in place since 2011 and will be until 2024; since 2019, it is paid into the General State Budget.
In addition, the portion of the sums allocated to organisational and investment expenses, i.e. the sums to cover compensation of FDJ and distributors, as well as distribution costs, are as follows:

- 12.6% for games whose portion allocated to prize winners is less than 65%;
- 11.3% for games whose portion allocated to prize winners is greater than or equal to 65% and less than 70%;
- 10.9% for games whose portion allocated to prize winners is greater than or equal to 70% and less than 75%; and
- 10.1% for games whose portion allocated to prize winners is greater than or equal to 75%.

Moreover, FDJ is subject to value-added tax (VAT), which only applies to the sums collected by FDJ for the purpose of covering the organisational and operating costs of its lottery games at the normal rate (20%). The same is true for sports betting. For the calculation of VAT, the FDJ tax base is determined after deducting all levies collected for the French State as well as the sums paid to the players.

Finally, Article 88 of Law No. 2012-1510 of 29 December 2012 amending the 2012 budget creates a levy paid to the French State on the sums wagered by players for lottery games and sports betting entrusted to FDJ.

This levy consists of remaining amounts from stakes after the deduction of (i) taxes of any kind applicable to the games or the organisation thereof; (ii) the portion of stakes allocated to the prize winners; (iii) the portion of stakes allocated to the risk hedge fund and the marketing of gaming and betting; and (iv) the portion of stakes allocated to cover the organisational and investment costs of the games.

**Changes made to levies, taxes and contributions on or after 1 January 2020**

Article 138 of the Pacte Law modifies the taxation regime applicable to gambling, changing the basis of the levies, taxes and contributions to the gross gaming revenue from lottery and sports betting. This kind of modification affects the taxation of all games operated by FDJ, both offline and online.

As a result, the base for taxes of all kinds now corresponds to gross gaming revenue as defined for each tax levied, not the sums wagered by players as before.

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. This levy replaces the levy introduced by Article 88 of Law No. 2012-1510 of 29 December 2012. 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.

In addition, Article 138(II) of the Pacte Law establishes a new levy paid to the French State as from 1 January 2020 on unclaimed lottery and offline sports betting prizes. The basis of this levy includes (i) all prizes and winnings not claimed by winners with the exception of first rank pool prizes distributed for traditional draw games and for additional draw games, which are put into play; (ii) for instant games, the remaining portion of stakes allocated to players through prizes and winnings after the prizes paid have been deducted; and (iii) prizes and winnings unclaimed after the expiry of the deadline for syndicated games between players, after any portions on which the players did not bet are deducted.
The conditions for the annual recovery of this levy shall be defined by decree.

The main amendments made by Article 138 of the Pacte Law to the taxation of games operated by FDJ are set out in the following table:

<table>
<thead>
<tr>
<th>Levy, tax or contribution</th>
<th>Rate applicable before 1 January 2020</th>
<th>New rate applicable starting 1 January 2020</th>
</tr>
</thead>
</table>
| Levy based on stakes paid to the French State on the sums wagered by players in lottery and sports prediction games entrusted to FDJ | Depending on PR from games and betting | - 54.5% of gross gaming revenue for traditional draw games for which the first prize level is distributed in a pooled way.  
- 42% of gross gaming revenue for other lottery games. |
| Prizes or winnings unclaimed after the expiry of the deadline (tax base: unclaimed prizes) | Assignment to a reserve fund per game for pooled games and to FDJ for counterparty games. | New levy paid to the French State (based on unclaimed prizes)  
The levy recovery conditions shall be defined by decree. |
| Levies based on stakes on sports betting organised and operated in offline distribution networks, as well as online sports betting under the French General Tax Code | 5.7% of the sums wagered by players | 27.9% of gross gaming revenue from sports betting marketed in the offline distribution network and 33.7% of gross gaming revenue from sports betting. |
| Levies based on stakes paid to the French National Sports Agency, which is responsible for high-performance sports and the expansion of access to the practice of sport | 1.8% of the sums wagered by players for both lottery games and sports betting, regardless of the format.  
Additional levy of 0.3% paid to the French State (since 2019). | 5.1% levy on gross gaming revenue from lottery games sold in points of sale.  
The additional levy is waived.  
6.6% levy on gross gaming revenue for sports betting marketed in points of sale and 10.6% levy for online sports betting.  
The amount of the levies is still capped at the same levels. |
| Supplementary social security tax based on stakes | 8.6% of a fraction equivalent to 25.5% of the sums wagered on lottery games | 6.2% of gross gaming revenue for lottery games marketed in points of sale and online. |
| Levy based on stakes per the French Social Security Code on the sums wagered by players in sports betting, regardless of the operational format | 1.8% of the sums wagered by players on sports betting | 6.6% of gross gaming revenue for sports betting marketed in points of sale and 10.6% of gross gaming revenue for online sports betting. |
| Social security debt retirement tax based on stakes | 3% of 25.25% of the sums wagered by players on lottery games. | 2.2% of gross gaming revenue from lottery games, regardless of the format. |
9.6 Regulation of gambling activities under exclusive rights in overseas territories

FDJ operates gambling activities in Guadeloupe, French Guiana, Martinique, Réunion, Saint-Barthélemy, Saint Martin, Saint-Pierre-et-Miquelon and French Polynesia.

In accordance with Article 73 of the French Constitution, FDJ’s activities in Guadeloupe, French Guiana, Mayotte, Martinique and Réunion are governed, by virtue of the principle of identity, by the same laws and regulations as in Metropolitan France. In these overseas departments and regions, FDJ operates gambling under the same conditions as in Metropolitan France.

In accordance with special laws and regulations, FDJ is authorised to operate online and offline lottery games and sports betting in Saint Barthélémy and Saint Martin on the basis of with a convention between the company and those overseas territories.92

Pursuant to special laws and regulations, FDJ is authorised to operate its games in Saint Pierre et Miquelon accordingly to a Convention between FDJ and that territory concluded on 29 November 1994.

For all of these overseas territories, the same gaming regulations as those applicable in Metropolitan France apply.

In French Polynesia, FDJ is authorised to offer gambling products pursuant to Article 43 of Law No. 89-935 of 29 December 1989 and Decree No. 90-1155 of 20 December 1990. Pursuant to Decree No. 90-155 of 20 December 1990 mentioned above, for the operation of its games in French Polynesia, FDJ relies on its local subsidiary, La Pacifique des Jeux. The operating conditions for those gambling activities are determined by convention between FDJ and French Polynesia entered into force on 27 December 2016 and by special regulations. This convention was concluded for a period of five years starting on 1 January 2017 and is renewable automatically twice for the same period. At this stage, online lottery games and offline sport betting are not available in French Polynesia.

The provisions of the Pacte Law and the Order are applicable, unless otherwise provided in the overseas regions and departments of Guadeloupe, French Guiana, Mayotte, Martinique and Réunion under the same conditions as in Metropolitan France.

Pursuant to the decrees implementing the Pacte Law, the operating conditions for gambling will continue to be governed, in the territories of French Polynesia, Saint-Pierre-et-Miquelon, Saint-Barthélemy and Saint-Martin, by conventions between FDJ and each of those overseas territories.

9.7 Regulation of Group activities abroad

Pursuant to article 18 of Decree No 78-1067 of 9 November 1978 and article 19 of Decree No 85-390 of 1 April 1985, FDJ is authorised to operate gambling activities in other territories than the French departments, under the conditions defined by agreement with the competent local authorities. This will remain unchanged under the future framework applicable as of 1 January 2020.

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92 Convention of 5 July 2011 between the collectivity of Saint-Barthélemy and FDJ and the convention between FDJ and the collectivity of Saint Martin of 28 June 2013.
FDJ entered into a convention with Société Hôtelière et de Loisirs de Monaco on 1 July 1995. FDJ offers its lottery games and sports betting products online and offline in the Principality of Monaco.

The terms and conditions set out by FDJ for the games it operates in France apply under the same conditions to the Principality of Monaco.

The convention authorising FDJ to operate in Monaco must be modified at the same time as the implementation of the new framework provided by the Pacte Law, the Order and the decrees.
Chapter 10
Trends

10.1 Recent developments since the end of the 2018 financial year

At the end of September 2019, stakes amounted to €12.54 billion, up 8% compared with the first nine months of 2018. The positive performance recorded in the 1st half (up 7%) continued in the third quarter (up 9%, to €4.12 billion).

Over the first nine months of 2019, prizes of €8.52 billion were paid out, an 8% increase, hence a player payout ratio of 68% vs. 67.8% over the same period in 2018, and 68.4% in the 1st half of this year. The increase in player payout ratio was attributable to changes in the product mix, owing to the strong performance of Sports Betting and growth in instant games.

On this basis, FDJ's gross gaming revenue was up 7% to €4.02 billion. FDJ's contribution to public finances was up 8% to €2.63 billion.

Net gaming revenue was €1.40 billion, i.e. 11.2% of stakes, stable vs. the end of June 2019 and the end of September 2018.

Accounting for other revenue of €25 million, FDJ Group revenue totalled €1.42 billion at the end of September, up 7% compared with the same period in 2018.

A detailed description of the Group's results for the financial year ended 31 December 2018 and the semester ended 30 June 2019 is provided in Chapter 7 “Review of the Group's financial position and results” of the Registration Document.

In accordance with the Pacte Law and the Order, the decree of 17 October 2019 setting forth the Specification Document applicable to FDJ, as holder of exclusive rights over offline and online lottery and offline sports betting, provides for the payment by FDJ of an amount of €380 million for the purpose of securing its exclusive rights for a 25 year period.

10.2 2020-2025 prospects and objectives

The prospects for the evolution of the Group's activities and the objectives presented below are based on data, assumptions and estimates, in particular regarding the developments of the gaming market, considered to be reasonable by the Group as at the Date of the Registration Document. In addition, the achievement of these objectives requires and its implementation the success of the Group's strategy.

FDJ has constructed its 2020-2025 prospects and objectives in accordance with the accounting methods applied in the Group's consolidated accounts for the financial year ended 31 December 2018 and for the six-month interim period ended 30 June 2019, including the application of IFRS 16 since 1 January 2019.

These objectives, which are the result of the Group's strategic orientations, do not constitute forecasts or estimates of the Group's profits. The figures, data, assumptions, estimates and objectives presented below may evolve or be amended in an unpredictable manner, depending, among other things, on changes in the legal, regulatory, tax, competitive and financial environment or on other factors that the Group may not be aware of as at the Date of the Registration Document.
In addition, the materialisation of certain risks described in Chapter 3 “Risk Factors” of the Registration Document could have a negative impact on the Group's activities, image, financial situation, results or prospects and therefore challenge its ability to achieve the objectives presented below.

As a result, the Group does not make any commitment or give any guarantee with respect to the achievement of the objectives set out in this chapter.

10.2.1 Assumptions

The prospects for the Group's activities and the objectives presented below are at constant scope, i.e. without considering the consequences of any external growth operations. They are mainly based on:

- assumptions concerning market prospects established based on the GGR and described in paragraph 5.2 “Markets” of the Registration Document: a dynamic French gaming market, maintaining its momentum, due to an average annual lottery growth rate of 3.5% with an average annual sports betting growth rate of 7.7% between 2018 and 2024 (source: H2GC and FDJ);

- the implementation and success of the Group's 2020-2025 strategy as described in paragraph 5.3.2 “Group Strategy”:

  o continue a loyalty strategy with the lottery customer base, based on a relationship approach facilitated by better customer identification and new innovative game offers;
  
  o accelerate the digitalisation of lottery customer usage above the 20% target between 2020 and 2025, by making the player journey more fluid and pursuing an omnichannel strategy;
  
  o accelerate the expansion of market share within online sports betting while maintaining a growth dynamic in offline sports betting, by accelerating the development of a distinctive offer and the recruitment of high-value players in the online market and by strengthening the offline offer and customer loyalty; and
  
  o strengthen the resilience of the Group's business model by developing adjacent activities: International B2B, Payment and Services in points of sale and Entertainment;

  o continue to modernise its distribution network and to transform its business model;
  
  o strengthen the Responsible Gaming policy according to a differentiated and proportionate approach based on customer behaviour.
- the assumptions set forth in paragraph 11.1 “Forecasts for the financial year ended 31 December 2019” and paragraph 11.2 “Forecasts for the financial year ended 31 December 2020”.

- the entry into force and implementation of the new regulations and tax regime regarding gaming, as described in Chapter 9 “Legislative and Regulatory Environment”, and the stability of the main characteristics of the regulation and tax regime; as well as an acceptance of the tax position by the competent authorities in line with FDJ;

- an assumption concerning the reimbursement of the players’ funds (permanent funds, counterparty and reserve funds, whose amounts, which are constantly changing, amounted to €256 million as at 30 June 2019) over 5 years as from 2020 but whose reimbursement schedule is still subject to the French State's determination. This determination will be formalized by a decree in the coming weeks (see paragraph 7.1.2.1 “The regulatory environment”);

- the payment by FDJ to the French State of a financial consideration of €380 million in accordance with the Pacte Law and the Order reforming the regulation of gaming market which sets the duration of exploitation of exclusive rights at 25 years. This consideration must be paid no later than 30 June 2020. In accounting terms, this element constitutes an intangible asset amortised over 25 years starting 23 May 2019, the effective date of the Pacte Law;

- an effective tax rate based on the announced change in the French corporate income tax rate, with a reduction from the current rate of 33% to 28% in 2020, and then to 25% from 2022;

- assumptions concerning the creation, relaunch and operation of games, including their characteristics such as the payout ratio (PR), which may require the regulator’s authorization, as it has been the case in the past;

- an assumption that the number of points of sale will remain at 30,000 as of 2025, which depends on other factors inherent to the points of sale and independent of FDJ's actions;

- an assumption of a remuneration system for distributors as a percentage of stakes, unchanged until 2025 compared to the one set up in 2019, as indicated in paragraph 5.5.1.2 “Commercial function and offline distribution network”;

- the implementation of a partnership with respect to the 2024 Olympic Games, for which the agreement has not been signed yet;

- assumptions of an average euro/dollar exchange rate of 1.28 and a euro/pound sterling exchange rate of 0.92 remaining stable over the period 2021 to 2025.

**10.2.2 Prospects for the evolution of activities and organic objectives**
Stakes

Over the 2020-2025 period, FDJ is targeting for an average annual growth rate of stakes comprised between 3% and 4%, with the objective of being at the top of the range.

The lottery should consolidate its growth by 2025 through the increase in the average stake per player (which is still at a moderate level compared to other European countries) and the development of omnichannel uses.

For draw games, the main source of growth will be the regular relaunch of existing games, the launch of innovations and the development of new services for players. In addition, appropriate and targeted advertising and promotional resources will gradually be implemented. Growth will also be based on continued efforts to modernise points of sale.

For instant games, dynamic growth should be driven by the continued regular renewal of games, through the launch of new games or relaunches, particularly for games with a stake of more than €5. Dynamics will also be supported by innovations, in particular through hybrid games combining the point of sale and digital experiences (such as “Quitte ou Double” for example).

The growth of the online lottery is expected to be driven by the launch of new games and the promotion of the mobile application.

Finally, all ranges should benefit from the customer-centric policy that will enhance the experience and retention of players.

Sports betting should continue to benefit from the dynamics of sports betting in France, supported by an increase in the number of players (player penetration is still lower than in the major European markets) and their average stake. FDJ’s goal is to gain market share online and continue to generate steady growth in points of sale.

The main drivers of the growth in sports betting are expected to be:

- for online sports betting: an improvement in the offer, customer experience, odds and services; and

- for offline sports betting: an increase in the offer, a better competitiveness of odds, a relaunch of historical products (Loto Foot®) and a continuous improvement in the digitalisation of the customer experience in points of sale.

Revenue

Over the 2020-2025 period, the Group is targeting for an average annual revenue growth rate of between 3% and 4%, with the objective of being at the top of the range, with sports betting growing faster than lottery and adjacent activities helping to sustain growth.

EBITDA margin

By 2025, the Group expects an EBITDA margin excluding external growth of more than 20%, driven by (i) the acceleration of the digitalisation of uses (particularly lottery) resulting in a reduction in distribution costs, after an investment phase (ii) the improvement of the associated operational leverage based on the historical fixed cost level of its model (40%) due to the growth of the lottery and sports betting activities, and the development of adjacent activities and (iii) the steering of the cost base and its further rationalisation.
This objective also includes (i) the possible need to increase the payout ratio for sports betting, in order to enable the Group to maintain a competitive offer (the development of sports betting being a strong strategic focus of the Group) and (ii) investments in player identification systems and processes and the associated relationship programme, which should weigh on the margin in the short term but constitute a springboard for the future development of the Group's activities and the associated margin.

**Investments and cash flow**

The cumulated planned investments (acquisitions of tangible and intangible fixed assets, excluding acquisitions of securities) should represent approximately €600 million over the 2020-2025 period (increasing each year in correlation with revenue) to finance the maintenance of the Group's assets and the development of activities excluding external growth. Investments will mainly relate to IT and the renewal of equipment in points of sale, as in recent years. This amount also includes the fee which could be paid to the Olympic Games Organisation Committee (COJO) in the context of a potential partnership relating to the 2024 Olympic Games.

The EBITDA to cash conversion ratio is expected to remain at around 80% each year, in line with past performance, excluding exceptional events and external growth.

**Financial debt ratio (Net debt to EBITDA) and external growth operations**

For the purposes of the financial debt ratio (or Net Debt/EBITDA), Net Debt, as defined in paragraph 8.1.1.4 “Loans”, corresponds to the total amount of principal and accrued interest of short, medium and long-term loans and financial debts (whatever their nature, including shareholders’ current accounts and any forms of sale or mobilisation of receivables not stipulated as without recourse) less current and non-current assets at amortised cost and cash and cash equivalents, divided by EBITDA.

The Group intends not to exceed a financial debt ratio of 2 over the 2020-2025 period, including as a result of external growth. The increase in the financial debt ratio could result from the financing of a selective and targeted acquisition strategy, without excluding more transformative transactions on a case-by-case basis, depending on opportunities.

FDJ intends to focus its strategy on its core activities, mainly to increase its market shares in B2C, primarily in France. Other opportunities could be explored to expand its online offering or international presence, on a case-by-case basis, for example in the context of the consolidation of the online sports betting market. For adjacent activities, such as international (services to foreign lottery and sports betting operators), payments and services in points of sale and entertainment, the Group intends to adopt a targeted approach with the objective of adding skills that will strengthen its legitimacy and expertise and accelerate the growth of these activities.

**Dividend**

FDJ's objective for the 2020-2025 period is to distribute dividends representing 80% of its consolidated net income, subject to approval by the annual general meeting of shareholders.

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93 The level of depreciation should increase from approximately €100 million in 2019 to €130 million in 2021, then it should overall remain stable at this level over the 2021-2025 period.
FDJ does not anticipate any exceptional events that could have a material impact on consolidated net income.
Chapter 11
Forecasts or estimates of profits

The forecasts for the financial years ended 31 December 2019 and 2020 set forth below are based on data, assumptions and estimates considered to be reasonable by the Group at the Date of the Registration Document. These data and assumptions may evolve or be amended due to uncertainties related to the economic, financial, accounting, competitive, regulatory and tax environment or other factors that the Group may not be aware of at the Date of the Registration Document. In addition, the occurrence of certain risks described in Chapter 3 “Risk Factors” of the Registration Document could have an impact on the Group's activities, financial situation, results or perspectives and could therefore challenge these forecasts. In addition, the fulfilment of forecasts requires the success of the Group's strategy (see section 5.3.2 "Group strategy"). The Group therefore makes no commitment or warranty regarding the fulfilment of the forecasts set out in this section.

The forecasts presented below and the underlying assumptions, have also been prepared in accordance with the provisions of Delegated Regulation (EU) No 2019/980 supplementing Regulation (EU) No 2017/1129 and the ESMA recommendations on forecasts.

11.1 Forecasts for the year ended 31 December 2019

11.1.1 Assumptions

FDJ has prepared its forecasts for the year ended 31 December 2019 in accordance with the accounting methods applied to the Group's consolidated financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019 (including IFRS 16, which the Group has applied as from 1 January 2019).

These forecasts are based mainly on the following assumptions for the year ended 31 December 2019:

- **Assumptions about factors that management can influence:**
  - the implementation of the 2015-2020 strategic plan, upon which the 2020-2025 plan is based;
  - stakes and revenue will continue to grow in line with the trend observed in the first half of the year and confirmed in the third quarter, despite the fact that 2019 is an odd-numbered year, i.e. without the impact on sports betting of a World Cup or a men’s Euro football tournament (see paragraph 5.4.2 “Sports betting”). This trend is expected to continue, driven by a still buoyant market, due in particular to the football events that took place in June (FIFA Women's World Cup, COPA America, African Cup of Nations), the continuation of actions to modernise and extend the offering in points of sale, and the results of the fundamental work undertaken in 2017 to improve the competitiveness of the online offering in all its components. Sports betting GGR may be impacted by the PR ratio which could be lowered due to an increasing unexpected sports scores. For Lottery, stakes should continue to increase, due to the exceptional long-life cycles that have benefited both Loto® and Euromillions and to the commercial policy of extending licenses to distributors;
- there will be no changes to the scope of consolidation compared to 30 June 2019;

- as explained in paragraph 5.5.1.2 "Sales Department and offline distribution network", the commission rate, i.e. the percentage of stakes paid to distributors from January 2019 will rise (with the average rate increasing from 5.2% in 2018 to 5.4% in 2019), with an expected impact of approximately €20 million in additional expenses in 2019 compared to the rates applied in 2018;

- expenses related to the planned initial public offering (including the offering reserved for employees) will amount to approximately €30 million in 2019, to be recorded as non-recurring items of operating income under EBITDA; it being specified that the actual cost will depend on the final terms of the employee offering (to be provided in the securities note) and the Group's employee participation rate.

- Assumptions about factors that are outside the influence of management:
  - the average annual euro/dollar exchange rate and the average annual euro/pound sterling exchange rate will remain stable at 1.17 and 0.91 respectively, in line with the average rates recorded since the beginning of the year;
  - payment by FDJ to the French State of financial consideration of €380 million in accordance with the Pacte Law and the Government Order reforming the regulation of the gaming sector and setting the duration of FDJ’s exclusive operating rights at 25 years; the payment of this consideration must be paid no later than 30 June 2020. It constitutes an intangible asset amortised over 25 years starting May 23, 2019, the effective date of the Pacte Law.

11.1.2 Forecasts for the year ended 31 December 2019

FDJ expects to record stakes of around €16.9 billion for the full 2019 financial year, up by over 7% compared to 2018 and driven by Sports Betting and Lottery.

The Group also expects revenue of around €1.9 billion, €2 billion on a restated basis. The restatements, permit for a better comparison with future years, and include:

- the application of the new tax framework that will enter into force as from 1 January 2020, representing a positive impact of around €50 million in revenue, corresponding to the new GGR-based taxation, the end of allocations to counterparty funds, which will require an insurance policy to be taken out to cover counterparty risks, and the change in the accounting treatment of promotions due to the closure of the player funds (see Chapter 9 “Legal and regulatory environment”);

- the inclusion of a full year of revenue for Sporting Group, which was acquired in May 2019 (see section 5.4.3.1 “International B2B services”), representing a positive impact of around €15 million (addition of the five missing months);

Based on restated revenue of €2 billion:

- Lottery should generate revenue in excess of €1.55 billion;
- Sports Betting should generate revenue of around €370 million;

- Revenue from other activities should amount to around €50 million, including the integration of Sporting Group over the whole financial year.

The Group expects to generate:

- actual EBITDA of approximately €325 million. It should be noted that expenses arising out of the initial public offering and the offering reserved for employees, which are expected to amount to approximately €30 million (the "IPO Expenses"), do not impact EBITDA as they should be recorded as non-recurring items of operating income;

- restated EBITDA of approximately €375 million, reflecting the restatements related to the new tax framework that will enter into force on 1 January 2020, which will impact revenue, and the cost of taking out insurance to cover counterparty risks, and including a full year of revenue for Sporting Group. Together these restatements represent an EBITDA improvement of €50 million.

Investments made during 2019 (acquisitions of property, plant and equipment and intangible assets, excluding acquisitions of securities) should amount to approximately €90 million, in line with investments made in 2018, corresponding mainly, as in 2018, to the cost of capitalised IT developments and the renewal and deployment of point of sale equipment.

FDJ intends to propose to the annual General Shareholders’ Meeting to be held in 2020 the distribution of a dividend of €122 million with respect to 2019, in line with the dividend distributed in 2019 with respect to 2018, despite the impact of the IPO expenses on the 2019 financial statements.

11.2 Forecasts for the year ended 31 December 2020

11.2.1 Assumptions

FDJ has prepared its forecasts for the year ended 31 December 2020 in accordance with the accounting methods applied to the Group's consolidated financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019 (including IFRS 16, which the Group has applied as from 1 January 2019).

These forecasts are based mainly on the following assumptions:

- **Assumptions about factors which management can influence:**

  - the Group's 2020-2025 strategy, as described in paragraph 5.3.2 “Group strategy”, will be successfully implemented;

  - there will be no changes to the scope of consolidation compared to 31 December 2019;

  - the structure of distributors’ remuneration will not change in comparison to the structure implemented in 2019 (see section 5.5.1.2 “Sales Department and offline distribution network”);
- a partnership will be implemented with respect to the 2024 Olympic Games, for which the agreement has yet to be signed;

- **Assumptions about factors outside of management’s control:**

- the assumptions concerning to market prospects described in paragraph 5.2 “Markets” of the Registration Document;

- the new regulations and tax rules regarding gaming market, as described in Chapter 9 "Legal and regulatory environment" will enter into force and the main characteristics of the regulatory framework and tax regime will remain stable, especially the regulatory payout ratio (PR) thresholds; the competent authorities’ interpretation of the new tax position will comply with that of FDJ;

- the players’ funds (permanent, counterparty and reserve funds, whose balances, which are constantly changing, amounted to €256 million as at 30 June 2019) will be reimbursed over five years as from 2020, bearing in mind that the reimbursement schedule has yet to be decided. This decision will be issued by decree in the coming weeks (see paragraph 7.1.2.1 “Regulatory environment”);

- payment by FDJ to the French State of financial consideration of €380 million in accordance with the Pacte Law and the Government Order reforming the regulation of the gaming sector and setting the duration of FDJ’s exclusive operating rights at 25 years. This consideration must be paid no later than 30 June 2020. This item constitutes an intangible asset amortised over 25 years starting 23 May 2019, the effective date of the Pacte Law;

- the effective tax rate in line with the change in French corporate income tax rate, which is expected to be reduced from 33% to 28% in 2020;

- assumptions that games are created or relaunched, requiring regulatory approval, including the relaunch of Loto® in 2019 and the approval of the 2020 gaming programme;

- the euro/dollar exchange rate and the euro/pound sterling exchange rate at 1.15 and 0.92 respectively.

**11.2.2 Forecasts for the year ended 31 December 2020**

**Stakes**

For 2020, the Group is targeting growth in stakes at the upper end of the +4% / +5% range, benefiting in particular from the UEFA Euro 2020 football tournament.

**Revenue**

For 2020, consolidated revenue is expected to increase by approximately 5% versus 2019 on a comparable basis (i.e. taking into account the new regulatory and tax environment and
inclusion of a full year of Sporting Group in the accounts for 2019). The lottery segment is expected to record a revenue increase of approximately 5% compared to 2019 and the sports betting segment is expected to record a revenue increase of approximately 6% compared to 2019, on a comparable basis.

**EBITDA margin**

In 2020, the EBITDA margin should remain in line with the restated 2019 EBITDA margin (see section 11.1.2 “Forecasts for the year ending 31 December 2019”).

**11.3 Statutory Auditors’ report on the “actual” EBITDA forecast for the year ending 31 December 2019 and the EBITDA margin forecast for the year ending 31 December 2020**

To the Chief Executive Officer,

In our capacity as Statutory Auditors of La Française des Jeux (the “Company”) and further to your request, we hereby report to you on the “actual” EBITDA forecast for the year ending 31 December 2019 and the EBITDA margin forecast for the year ending 31 December 2020 for the Company, set out in sections 11.1 and 11.2 of Chapter 11 of the Registration Document.

These forecasts and the underlying key assumptions have been prepared under your responsibility, in accordance with the requirements of European Regulation (EU) No 2017/1129 and ESMA’s recommendations on forecasts.

It is our responsibility to express a conclusion, based on our work, on the proper preparation of the forecasts on the basis described.

We performed the work that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (Compagnie nationale des commissaires aux comptes) for this type of engagements. This work included an assessment of the procedures implemented by management to prepare the forecasts, as well as the implementation of procedures to ensure that the accounting policies used are consistent with the policies applied by the Company for the preparation of the historical financial information. They also consisted in collecting the information and explanations that we deemed necessary to obtain reasonable assurance that the forecasts were properly prepared on the basis of the assumptions described.

We remind you that, as forecasts are by nature uncertain, actual results may differ from the forecasts presented, sometimes significantly, and we do not express a conclusion as to whether the forecasts will be confirmed by actual results.

In our opinion:

− the “actual” EBITDA forecast for the year ending 31 December 2019 and the EBITDA margin forecast for the year ending 31 December 2020 have been properly prepared on the basis described; and
− the basis of accounting used for the “actual” EBITDA forecast for the year ending 31 December 2019 and the EBITDA margin forecast for the year ending 31 December 2020 is consistent with the accounting policies applied by the Company.
This report has been issued solely for the purposes of:

− filing the Registration Document with the AMF, and
− filing with the AMF the prospectus prepared in view of the listing of the Company’s shares on a regulated market in France, and a public offering of the Company’s shares in France and in other EU member states in which notice of the prospectus approved by the AMF may be given.

It cannot be used for any other purpose.

Paris-La Défense and Neuilly-sur-Seine, 17 October 2019

The Statutory Auditors

Deloitte & Associés PricewaterhouseCoopers Audit

Jean-François Viat Nadège Pineau Philippe Vincent Jean-Paul Collignon
Chapter 12
Administration, management, supervisory and executive management bodies

As at the Date of the Registration Document, the Company is a semi-public limited liability company (the majority of its share capital is publicly held), with most of the share capital held by the French State. Therefore, the Company is governed in line with the provisions of Order no. 2014-948 of 20 August 2014 on governance and transactions involving the share capital of publicly-held companies.

Subject to the conditions precedent that the Company’s shares are admitted to trading on the regulated market of Euronext Paris and that the majority of the Company’s share capital is transferred to the private sector, the General Shareholders’ Meeting of 4 November 2019 must decide to adopt new Articles of Association as well as a new governance structure.

A summarised description of the main provisions of these Articles of Association relating to the FDJ board of directors (the “Board of Directors”), specifically its mode of operation and its powers, as well as a summarised description of the main provisions of the Board policy of the Board of Directors that the Company plans to implement subject to the same conditions precedent can be found in Chapter 14 “Operation of the administration and management bodies” and section 19.2 “Stipulations of the articles of association” of the Registration Document.

The information outlined in this chapter refers to the Company’s Board of Directors and Executive Management once the Company’s shares have been accepted for trading on the regulated market of Euronext Paris and once the transfer to the private sector of the majority of the Company’s share capital has taken place.

12.1 Composition of the Board of Directors and Executive Management

12.1.1 Composition of the Board of Directors

Subject to conditions precedent of admission for trading on the regulated market of Euronext Paris and transfer to the private sector of the majority of share capital of FDJ, FDJ is managed by a Board of Directors comprising eighteen members at most, including:

- if applicable, a representative of the French State, appointed in compliance with Article 4 of the 2014 Order;
- if applicable, members of the Board appointed by the General Shareholders’ Meeting on the proposal of the French State, in compliance with Article 6 of the 2014 Order;
- two members of the Board 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 member of the Board representing employee shareholders, appointed under Article L. 225-23 of the French Commercial Code.

As an exceptional and derogatory measure, as long as members of the Board representing employees of the Company and its subsidiaries have not been appointed under conditions stated in Article L.225-27-1 of the French Commercial Code, the five members of the Board representing employees appointed in compliance with the order n°2014-948 dated 20 August 2014 relating to governance and operations on the share capital of companies with public participation prior to transfer to the private sector of the majority of the Company’s share capital will continue to serve on the
Board of Directors for a maximum of six months following the transfer to the private sector of the majority of the Company’s share capital. Their mandates will become null and void by law at the date of appointment of two members of the Board representing employees of the Company and its subsidiaries designated under conditions set forth in Article L.225-27-1 of the French Commercial Code or the expiration of the said six-month term, whichever comes first.

At the date of transfer to the private sector of the majority of share capital of FDJ, the Board of Directors will comprise the following members:

<table>
<thead>
<tr>
<th>Identity</th>
<th>Members of the Board appointed by the General Shareholders’ Meeting*</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>- Ms. Stéphane Pallez (Chief Executive Officer)</td>
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<td></td>
<td>- L’Union des Blessés de la Face (UBFT) (association incorporated under 1901 Law), represented by Mr. Roussel Olivier</td>
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<td></td>
<td>- Fédération Nationale André Maginot des Anciens Combattants (FNAM), represented by Mr. Henri Lacaille</td>
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<td></td>
<td>- Ms. Marie-Ange Debon</td>
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<td></td>
<td>- Ms. Fabienne Dulac</td>
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<td></td>
<td>- Mr. Xavier Girre</td>
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<tr>
<td></td>
<td>- Ms. Corinne Lejbowicz</td>
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<tr>
<td></td>
<td>- Mr. Pierre Pringuet</td>
</tr>
<tr>
<td></td>
<td>**Mandates of these five members of the Board will terminate on the date of appointment of two members of the Board representing employees designated under conditions set forth in Article L. 225-27-1 of the French Commercial Code.</td>
</tr>
</tbody>
</table>

| Representative of the French State                                      | Mr. Emmanuel Boissière                                              |

| Members of the Board appointed by the General Shareholders’ Meeting on the proposal of the French State | Ms. Ghislaine Doukhan |
|                                                                                                         | Mr. Didier Trutt |

| Members of the Board representing employees **                                                   | Ms. Claire Baptiste (Videau)                                      |
|                                                                                                         | Mr. Michel Durand                                                 |
|                                                                                                         | Mr. Xavier Leehongre                                               |
|                                                                                                         | Ms. Agnes Lyon-Caen                                                |
|                                                                                                         | Mr. Philippe Pirani                                                |

| Member of the Board representing employee shareholders***                                        |                                                                 |

*Subject to appointment by the General Shareholders’ Meeting dated 4 November 2019 of Marie-Ange Debon, Fabienne Dulac, Xavier Girre, Corinne Lejbowicz and Pierre Pringuet as members of the Board, and Xavier. Girre, subject to the condition precedent of admission to trading on the regulated market of Euronext Paris and to the transfer to the private sector of the majority of the Company’s share capital.

**M成员dates of these five members of the Board will terminate on the date of appointment of two members of the Board representing employees designated under conditions set forth in Article L. 225-27-1 of the French Commercial Code.

***Member of the Board representing employee shareholders will be appointed by the General Shareholders’ Meeting called to approve the financial statements for the financial year ending 31 December 2019.

The appointment of one or two additional Independent members of the Board could be proposed at the General Shareholders’ Meeting called to approve financial statements for the year ending 31 December 2019, depending on the structure of the
share capital after the transfer to the private sector of the majority of the Company’s share capital.

Pursuant to Pacte Law and to the Order, the Board of Directors will also comprise a Government Commissioner (see Chapter 9 “Legal and regulatory environment”).

Nationality of the members of the Board of Directors

All members of the Board of Directors are French nationals.

Independent members of the Board of Directors

In line with the independence criteria of the Afep-Medef Code to which the Company intends to refer once the Company’s shares have been admitted to trading on the regulated market of Euronext Paris, the Board of Directors estimated five members of the Board of Directors to be independent.

Please see below for the Company’s analysis on the independence of each director appointed by the General Shareholders’ meeting, other than those appointed on the proposal of the French State, pursuant to the criteria of the Afep-Medef Code.

<table>
<thead>
<tr>
<th>Criteria (1)</th>
<th>Ms. Pallez</th>
<th>Mr. Roussel, Permanent representative of UBFT</th>
<th>Mr. La Caille, permanent representative of FNAM</th>
<th>Ms. Debon</th>
<th>Ms. Dulac</th>
<th>Mr. Girre</th>
<th>Ms. Lejbrowicz</th>
<th>Mr. Pringuet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criterion 1: Employee corporate director over the previous five years</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Criterion 2: Cross-directorships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Criterion 3: Significant business relationships</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Criterion 4: Family connection</td>
<td>✓</td>
<td>✓</td>
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<tr>
<td>Criterion 5: Statutory Auditors</td>
<td>✓</td>
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<tr>
<td>Criterion 6: Term of office in excess of 12 years</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Criterion 7: Status of non-executive corporate director</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Criterion 8: Status of significant shareholder</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>

(1) In this table, ✓ denotes an independence criterion that has been met and ✗ 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 is now appointed as member of the Board of Directors, 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.

**Balanced gender representation**

As of the settlement-delivery of the Company’s shares in the connection with their admission to trading on the regulated market of Euronext Paris, the Board of Directors will have five women and six men, accounting for 45% and 55% of the members of the Board, respectively (as a reminder, members of the Board representing employees and members of the Board representing employee shareholders are not taken into account). As such, the composition of the Board of Directors will comply with the provisions of Article L.225-18-1 of the French Commercial Code, which requires companies whose shares are traded on a regulated market to have balanced representation of women and men on their Boards of Directors.

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

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

<table>
<thead>
<tr>
<th>Name: Ms. Stéphane Pallez</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality:</td>
</tr>
<tr>
<td>First appointment:</td>
</tr>
<tr>
<td>Expiry of term of office:</td>
</tr>
<tr>
<td>Shares held:</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>
| Name: Mr. Olivier Roussel  
Permanent representative of l’Union des Blessés de la Face (UBFT) (association incorporated under 1901 Law) |  |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age and nationality:</strong></td>
<td>58 years old, French national</td>
</tr>
<tr>
<td><strong>First appointment:</strong></td>
<td>UBFT is member of the Board since 1980; Mr. Roussel has been a member of the Board since 2002</td>
</tr>
<tr>
<td><strong>Expiry of term of office:</strong></td>
<td>2024 (general shareholders meeting approving financial statements for the financial year ended 2023)</td>
</tr>
<tr>
<td><strong>Shares held:</strong></td>
<td>18,458 (UBFT) (including one share lent to the Chief Executive Officer)</td>
</tr>
<tr>
<td><strong>Involvement in Board committees:</strong></td>
<td>Mr. Roussel is currently a member of the Remuneration Committee, Sustainable Development Committee and the Strategic Committee. The composition of the different committees upon the listing of FDJ shares on the regulated market of Euronext Paris will be decided by the first Board of Directors’ meeting held after this date.</td>
</tr>
<tr>
<td><strong>Summary of main fields of expertise and experience:</strong></td>
<td></td>
</tr>
</tbody>
</table>
|  | - 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  
- Member of strategic committee CYP SAS, operating EHPAD “Résidence Colonet Picot” |
| **Ongoing terms of office:** |  |
|  | - Offices and Functions in Group companies |
|  | - 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 |
| **Terms of office that have expired over the past five years** |  |

| Name: Mr. Henri Lacaille  
Permanent representative of Fédération Nationale André Maginot des Anciens Combattants et Victimes de la Guerre (FNAM) |  |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age and nationality:</strong></td>
<td>83 years old, French national</td>
</tr>
<tr>
<td><strong>First appointment:</strong></td>
<td>FNAM is member of the Board since 2009 and Chairman since 2014</td>
</tr>
<tr>
<td><strong>Expiry of term of office:</strong></td>
<td>2024 (general shareholders meeting approving financial statements for the financial year ended 2023)</td>
</tr>
<tr>
<td><strong>Shares held:</strong></td>
<td>8,460 (FNAM)</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
<td>M. Lacaille does not sit on any Committee of the Board of Directors.</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
<td></td>
</tr>
</tbody>
</table>
| 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 |  |
| • 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 |
| Terms of office that have expired over the past five years |  |

<table>
<thead>
<tr>
<th>Name: Ms. Marie-Ange Debon</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality:</td>
<td>54 years old, French national</td>
</tr>
<tr>
<td>First appointment:</td>
<td>4 November 2019 (subject to condition precedent)</td>
</tr>
<tr>
<td>Expiry of term of office:</td>
<td>2023</td>
</tr>
<tr>
<td>Shares held:</td>
<td>-</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
<td>N/A</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
<td>Ms. Debon holds a Masters degree in law and graduated from HEC and from ENA. She worked as auditor, then as a conseiller référendaire at the Court of Auditors 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. She currently holds positions as General Director for France, Italy and Central and Southern Europe.</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
<td>General Director for France, Italy, Central and Southern Europe and member of the Executive Committee of Suez</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
<td></td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
<td></td>
</tr>
</tbody>
</table>
| • Offices and functions in companies outside the Group: (French | - Technip FMC (since 2010): member of the board, president of the audit committee since 2017  
- Arkema: member of the board and president of the audit committee since 2018 |
<table>
<thead>
<tr>
<th>Name: Ms. Fabienne Dulac</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age and nationality:</strong></td>
</tr>
<tr>
<td><strong>First appointment:</strong></td>
</tr>
<tr>
<td><strong>Expiry of term of office:</strong></td>
</tr>
<tr>
<td><strong>Shares held:</strong></td>
</tr>
<tr>
<td><strong>Involvement in Board committees:</strong></td>
</tr>
</tbody>
</table>

### Summary of main fields of expertise and experience:

Ms. Dulac holds a Masters in political sociology from the Paris Institute of Political Sciences and is a graduate from 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. In 2003, she works 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 clients’ relations at Orange, then in 2011, Operational Director for the North of France until 2013, when she became Director in charge of communication of the Group. Since 2015, Ms. Dulac works as Executive Director of Orange France. She is Deputy General Director of Orange and Chief Executive Officer of Orange France since 2018.

### 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**: -
- **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

- 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

**Listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies**

- Vice-President of MEDEF International (president of groups France-Marocco and France – Azerbaidjan
- Medical establishment Jeanne Garnier: member of the board
- Lydec, a company listed in Morocco (Suez group)
Name: Mr. Xavier Girre

<table>
<thead>
<tr>
<th>Age and nationality:</th>
<th>50 years old, French national</th>
</tr>
</thead>
<tbody>
<tr>
<td>First appointment:</td>
<td>In 2014 first appointed as member of the Board of FDJ – 4 November 2019 (subject to condition precedent) appointed as Independent member of the Board</td>
</tr>
<tr>
<td>Expiry of term of office:</td>
<td>2022 starting as of 4 November 2019</td>
</tr>
<tr>
<td>Shares held:</td>
<td>-</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
<td>Mr. Girre is currently president of the Audit Committee and member of the Strategic Committee. The composition of the different committees upon the listing of FDJ shares on the regulated market of Euronext Paris will be decided by the first Board of Directors’ meeting held after this date.</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
<td>Mr. Girre, a graduate from HEC (1990), holds a Masters degree in corporate law (1990), graduated from IEP Paris (1992) and is a former student of ENA (1995). He started his career at the Court of Auditors (Cour des Comptes) from 1995 to 1999. From 1999 to 2011, at Veolia group, Mr. Girre served as task officer with the president of Dalkia, has worked as risks and audit Director, has worked as DGA in charge of finance at Veolia Transport and Veolia Propreté. From 2011 to 2015, within La Poste group, Mr. Girre has worked as DGA in charge of finance of the group. He also served as President 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.</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
<td>Executive director of EDF group in charge of the finance department of the group</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
<td>-</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
<td>- RTE: President of the supervisory board since 2018</td>
</tr>
<tr>
<td></td>
<td>- CTE: Chief Executive Officer since 2017</td>
</tr>
<tr>
<td></td>
<td>- EDF Trading: President of the board since 2017</td>
</tr>
<tr>
<td></td>
<td>- DALKIA: member of the board and president of the audit committee since 2016</td>
</tr>
<tr>
<td></td>
<td>- EDF ENERGY HOLDING: member of the board and president of the audit committee since 2016</td>
</tr>
<tr>
<td></td>
<td>- ENEDIS: member of the supervisory board since 2015</td>
</tr>
<tr>
<td></td>
<td>- EDF RENOUVELABLES: member of the board since 2016</td>
</tr>
<tr>
<td></td>
<td>- EDISON: member of the supervisory board since 2019</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
<td>- Electricité de Strasbourg: member of the board until 2016</td>
</tr>
<tr>
<td></td>
<td>- EDF Assurances: member of the supervisory board until 2016</td>
</tr>
<tr>
<td></td>
<td>- RATP: member of the board and president of the audit committee until 2016</td>
</tr>
<tr>
<td>Name: Ms. Corinne Lejbowicz</td>
<td></td>
</tr>
<tr>
<td>Age and nationality: 59 years old, French national</td>
<td></td>
</tr>
<tr>
<td>First appointment: 4 November 2019 (subject to condition precedent)</td>
<td></td>
</tr>
<tr>
<td>Expiry of term of office: 2023</td>
<td></td>
</tr>
<tr>
<td>Shares held: -</td>
<td></td>
</tr>
<tr>
<td>Involvement in Board committees: N/A</td>
<td></td>
</tr>
</tbody>
</table>

### 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, 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 takes part in the launch of first partnerships with content editors and e-traders. From 1996 to 1998, she became project manager of the high-speed internet access projet at Numericable. In 1998, she was appointed as director in charge of strategy and new projects at the subsidiary AOL France. 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 delegate Director, then as General Director and as Chief Executive Officer of the company between 2007 and 2012. From 2015 to 2018, she served as general Director of PrestaShop. Ms. Lejbowicz is also mentor of Moovjee, association promoting entrepreneurship by young people, since 2011.

### Main activities outside the Company:
Member of the Board

### Ongoing terms of office:
- Offices and Functions in Group 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

### Offices and Functions in companies outside the Group:
- French listed companies, foreign listed companies, unlisted foreign companies
- 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

### 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
<table>
<thead>
<tr>
<th>Name: Pierre Pringuet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality: 69 years old, French national</td>
</tr>
<tr>
<td>First appointment: 4 November 2019 (subject to condition precedent)</td>
</tr>
<tr>
<td>Expiry of term of office: 2023</td>
</tr>
<tr>
<td>Shares held: -</td>
</tr>
<tr>
<td>Involvement in Board committees: N/A</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience: Mr. Pringuet, a graduate of the Ecole Polytechnique and the Ecole des Mines Mr. Pringuet started his career in the French civil service and occupied positions at minister in charge of the industry; he served within ministerial cabinets with Mr. Michel Rocard (ministry in charge of the plan, then ministry in charge of the agriculture) and became Director of Agricultural and Food Industries at the ministry in charge of the agriculture. He joined Pernod Ricard group in 1987 as Development Director, before successively becoming General Director SEGm, President-General Director for Europe, Co-Director General, Deputy General Director and General Director (from 2000 to 2015). He performed his duties as Chief Executive Officer until 11 February 2015, date of expiry of his term of office pursuant to the company’s bylaws. He is currently a member of the board of Pernod Ricard.</td>
</tr>
<tr>
<td>Main activities outside the Company: Member of boards of companies.</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)</td>
</tr>
<tr>
<td>- Pernod Ricard (since 2012): member of the board (until 8 November 2019) and vice-president of the board from 2012 to 2019</td>
</tr>
<tr>
<td>- Vallourec (since 2015): vice-president and lead member of the supervisory board</td>
</tr>
<tr>
<td>- Iliad (since 2007): member of the board</td>
</tr>
<tr>
<td>- Cap Gemini (since 2009): member of the board and lead member since 2017</td>
</tr>
<tr>
<td>- Avril gestion (since 2015): member of the board</td>
</tr>
<tr>
<td>- Agro Paris Tech (since 2014): member and President of the board (until 2015 due to age limit)</td>
</tr>
<tr>
<td>- Amicale du Corps des Mines ; President since 2015</td>
</tr>
<tr>
<td>- Association MichelROCARD.org : Vice-President since 2014</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
</tr>
<tr>
<td>- Association Francaise des Entreprises Privées (AFEP – French Association of Private Enterprises) : president between 2012 and 2017</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Mr. Emmanuel Bossière</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality: 29 years old, French national</td>
</tr>
<tr>
<td>First appointment: 3 September 2019</td>
</tr>
<tr>
<td>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)</td>
</tr>
<tr>
<td>Shares held: None (shares are held by the French State)</td>
</tr>
<tr>
<td>Involvement in Board committees: M. Bossière is currently a member of the Audit Committee,</td>
</tr>
<tr>
<td>committees:</td>
</tr>
</tbody>
</table>
| 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 (French Shareholding Agency), in charge of holdings in Orange and FDJ |
| Ongoing terms of office: |  |
| • Offices and functions in Group companies |  |
| • Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies) |  |
| 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 |

| Name: Ms. Ghislaine Doukhan |  |
| Age and nationality: | 52 years old, French national |
| First appointment: | 2017 |
| Expiry of term of office: | 2022 |
| Shares held: |  |
| Involvement in Board committees: | Ms. Doukhan is currently a member of the Strategic Committee. The composition of the different committees upon the listing of FDJ shares on the regulated market of Euronext Paris will be decided by the first Board of Directors’ meeting held after this date. |
| 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, from 1991 to 2000, within production department as officer in charge of treasury from 2000 to 2004, then as director at experimentation means division within technical department between 2004 and 2007. She served as director of high-power engine programmes at civil engines division from 2007 to 2010, then as director at services and recharges division from 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: | - Head of Safran Analytics |
| Ongoing terms of office: |  |
| • Offices and functions in Group companies |  |
- Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)

Terms of office that have expired over the past five years

<table>
<thead>
<tr>
<th>Name: Mr. Didier Trutt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality:</td>
</tr>
<tr>
<td>First appointment:</td>
</tr>
<tr>
<td>Expiry of term of office:</td>
</tr>
<tr>
<td>Shares held:</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
</tr>
<tr>
<td>Name: Ms. Claire Baptiste (Videau)</td>
</tr>
<tr>
<td>Age and nationality:</td>
</tr>
<tr>
<td>First appointment:</td>
</tr>
<tr>
<td>Expiry of term of office:</td>
</tr>
<tr>
<td>Shares held:</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group:</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years:</td>
</tr>
</tbody>
</table>

<p>| Name: Michel Durand |
| Age and nationality: | 60 years old, French national |
| First appointment: | 2009 |
| Expiry of term of office: | No change until the appointment of new members of the Board representing the employees (temporary provisions of the new by-laws) |
| Shares held: | Holding of shares through FCPE of FDJ |
| Involvement in Board committees: | Mr. Durand is currently member of Strategic Committee. The composition of the different committees upon the listing of FDJ shares on the regulated market of Euronext Paris will be decided by the first Board of Directors’ meeting held after this date. |
| Summary of main fields of expertise and experience: | Member of the Board and employee of FDJ |
| Main activities outside the Company: | - |
| Ongoing terms of office: | - |
| • Offices and functions in Group companies | Systems Engineer at FDJ |</p>
<table>
<thead>
<tr>
<th>Terms of office that have expired over the past five years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Mr. Xavier Lehongre</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality: 45 years old, French national</td>
</tr>
<tr>
<td>First appointment: 2017</td>
</tr>
<tr>
<td>Expiry of term of office: No change until the appointment of new members of the Board representing the employees (temporary provisions of the new by-laws)</td>
</tr>
<tr>
<td>Shares held: Holding of shares through FCPE of FDJ</td>
</tr>
<tr>
<td>Involvement in Board committees: -</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience: Member of the Board and employee of FDJ</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies: Officer in charge of Information Systems and Operations</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Ms. Agnès Lyon-Caen</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality: 50 years old, French national</td>
</tr>
<tr>
<td>First appointment: 2018</td>
</tr>
<tr>
<td>Expiry of term of office: No change until the appointment of new members of the Board representing the employees (temporary provisions of the new by-laws)</td>
</tr>
<tr>
<td>Shares held: Holding of shares through FCPE of FDJ</td>
</tr>
<tr>
<td>Involvement in Board committees: Ms. Lyon-Caen is currently member of the Audit Committee. The composition of the different committees upon the listing of FDJ shares on the regulated market of Euronext Paris will</td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
</tr>
<tr>
<td>---------------------------------------------------</td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name: Mr. Philippe Pirani</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age and nationality: 58 years old, French national</td>
</tr>
<tr>
<td>First appointment: 1999</td>
</tr>
<tr>
<td>Expiry of term of office: No change until the appointment of new members of the Board representing the employees (temporary provisions of the new by-laws)</td>
</tr>
<tr>
<td>Shares held: Holding of shares through FCPE of FDJ</td>
</tr>
<tr>
<td>Involvement in Board committees:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Summary of main fields of expertise and experience:</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Main activities outside the Company:</td>
</tr>
<tr>
<td>Ongoing terms of office:</td>
</tr>
<tr>
<td>• Offices and functions in Group companies</td>
</tr>
<tr>
<td>• Offices and functions in companies outside the Group: (French listed companies, French unlisted companies, foreign listed companies, unlisted foreign companies)</td>
</tr>
<tr>
<td>Terms of office that have expired over the past five years</td>
</tr>
</tbody>
</table>
12.1.2 Executive Management

The Executive Management at La Française des Jeux will be headed by a Chairwoman and Chief Executive Officer (Stéphane Pallez), there being no plans to separate the functions of Chairwoman of the Board of Directors and Chief Executive Officer, and a Deputy Chief Executive (Charles Lantieri).

Ms. Stéphane Pallez - Profile

Stéphane Pallez has been Chairwoman and Chief Executive Officer of FDJ since November 2014. 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.

Stéphane Pallez was previously Chairwoman and Chief Executive Officer 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’études 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 games and betting 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 companies’ director (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.
12.2 **Representations regarding members of the Board of Directors and the corporate directors**

As far as the Company is aware, at the time of writing the Registration Document, over the last five years:

- none of the Company’s directors or corporate directors had been convicted of fraud;
- none of the Company’s directors or corporate directors had been involved in or related to a bankruptcy, receivership, liquidation or court-ordered administration;
- none of the Company’s directors or corporate directors had been the subject of an accusation and/or official public penalty by a judiciary, administrative, statutory or regulatory authority (including an appointed professional body); and
- none of the Company’s directors or corporate directors had been prohibited by a court from sitting on an administrative, management or supervisory board of an issuer, or from being involved in the management or business of an issuer.

12.3 **Conflicts of interest involving administrative bodies and corporate directors**

To the Company’s knowledge as at the Date of the Registration Document, there were no potential conflicts of interest between the duties towards the Company of members of the Board of Directors and the corporate directors and their private interests.
Chapter 13
Directors’ remuneration and benefits

13.1 Remuneration and benefits paid to Company’s directors and corporate directors

13.1.1 Remuneration and benefits paid to Company’s executive directors and corporate directors

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 2017 and 31 December 2018.

_Table no. 1 (AMF Nomenclature) - Summary table of the remuneration and options and shares allocated to each executive corporate director_

<table>
<thead>
<tr>
<th>Name</th>
<th>2017 financial year</th>
<th>2018 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stéphane Pallez, Chairwoman and Chief Executive Officer</td>
<td>€321,540</td>
<td>€321,278</td>
</tr>
<tr>
<td>Remuneration due in respect of the reporting period (detailed in table 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of the options allocated during the reporting period (detailed in table 4)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Value of the performance-based shares allocated during the reporting period (detailed in table 6)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Value of the other long term remuneration plans</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>€321,540</td>
<td>€321,278</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name</th>
<th>2017 financial year</th>
<th>2018 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charles Lantieri, Deputy Chief Executive</td>
<td>€251,219</td>
<td>€250,671</td>
</tr>
<tr>
<td>Remuneration due in respect of the reporting period (detailed in table 2)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of the options allocated during the reporting period (detailed in table 4)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Value of the performance-based shares allocated during the reporting period (detailed in table 6)</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Value of the other long term remuneration plans</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>€251,219</td>
<td>€250,671</td>
</tr>
</tbody>
</table>
### Table no.2 (AMF nomenclature) - Summary table of the remuneration paid to each executive corporate director

<table>
<thead>
<tr>
<th></th>
<th>2017 financial year</th>
<th>2018 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amounts due</td>
<td>Amounts paid</td>
</tr>
<tr>
<td><strong>Stéphane Pallez, Chairwoman and Chief Executive Officer</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed remuneration</td>
<td>€260,004 gross</td>
<td>€260,004 gross</td>
</tr>
<tr>
<td>Annual variable remuneration</td>
<td>€56,400 gross</td>
<td>€56,400 gross</td>
</tr>
<tr>
<td>Exceptional remuneration</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Attendance fees</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Benefits in kind</td>
<td>€5,136</td>
<td>€5,136</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>€321,540</td>
<td>€321,540</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2017 financial year</th>
<th>2018 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amounts due</td>
<td>Amounts paid</td>
</tr>
<tr>
<td><strong>Charles Lantieri, Deputy Chief Executive</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed remuneration</td>
<td>€202,008 gross</td>
<td>€202,008 euros gross</td>
</tr>
<tr>
<td>Annual variable remuneration</td>
<td>€44,180 gross</td>
<td>€44,180 gross</td>
</tr>
<tr>
<td>Exceptional remuneration</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Attendance fees</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Benefits in kind</td>
<td>€5,031</td>
<td>€5,031</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>€251,219</td>
<td>€251,219</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2018 financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Plan no. and date</td>
</tr>
<tr>
<td><strong>Stéphane Pallez</strong></td>
<td>None</td>
</tr>
<tr>
<td><strong>Charles Lantieri</strong></td>
<td>None</td>
</tr>
</tbody>
</table>
Table no. 5 (AMF nomenclature) - Share subscription or purchase options exercised during the financial year by each executive corporate director

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of options exercised during the reporting period</th>
<th>Exercise price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stéphane Pallez</td>
<td>None</td>
<td></td>
</tr>
<tr>
<td>Charles Lantieri</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of shares allocated during the reporting period</th>
<th>Value of the shares according to the method used for the consolidated financial statements</th>
<th>Vesting date</th>
<th>Availability date</th>
<th>Performance conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stéphane Pallez</td>
<td>None</td>
<td>none</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charles Lantieri</td>
<td>None</td>
<td>none</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Plan no. and date</th>
<th>Number of shares becoming available during the financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stéphane Pallez</td>
<td>None</td>
</tr>
<tr>
<td>Charles Lantieri</td>
<td>None</td>
</tr>
</tbody>
</table>
### Table no.8 (AMF nomenclature) – Past share subscription or purchase option allocations

<table>
<thead>
<tr>
<th></th>
<th>Plan no. 1</th>
<th>Plan no. 2</th>
<th>Plan no. 3</th>
<th>Etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of the Board meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of shares that can be subscribed for or purchased, including the number that can be subscribed for or purchased by:</td>
<td></td>
<td></td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>Opening date to exercise options</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expiry date</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subscription or purchase price</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exercise methods (when the plan has several tranches)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares subscribed at [...] (most recent date)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated number of share subscription or purchase options cancelled or void</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share subscription or purchase options remaining at year-end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>Total number of options allocated/subscribed or purchased</th>
<th>Weighted average price</th>
<th>Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>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)</td>
<td>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)</td>
<td>None</td>
<td></td>
</tr>
</tbody>
</table>
### Table no.10 (AMF nomenclature) – Past performance-based share allocations

<table>
<thead>
<tr>
<th></th>
<th>Plan no. 1</th>
<th>Plan no. 2</th>
<th>Plan no. 3</th>
<th>Etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date of meeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of the meeting of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board of Directors or Executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board as applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date of the meeting of the</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board of Directors or Executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board as applicable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number of shares</td>
<td></td>
<td></td>
<td></td>
<td>None</td>
</tr>
<tr>
<td>allocated, including those</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>allocated to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share vesting date</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Holding period end date</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance conditions</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of shares vested on [...]</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cumulative number of cancelled or</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>void shares</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance-based shares remaining</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>at year-end</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table no.11 (AMF nomenclature)

<table>
<thead>
<tr>
<th>Executive corporate directors</th>
<th>Employment contract</th>
<th>Additional pension scheme</th>
<th>Indemnities or benefits due or likely to become due as a result of a cessation or change of function</th>
<th>Indemnities relating to a non-competition clause</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stéphane Pallez</td>
<td>yes</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Chairwoman and Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start of term of office:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of term of office:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charles Lantieri</td>
<td>yes</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Deputy Chief Executive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Start of term of office:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>End of term of office:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

As of the date of this Registration Document, and since 5 June 2019, remunerations of Ms. Stéphane Pallez and of Mr. Charles Lantieri are as follows (on an annual basis):

Ms. Stéphane Pallez:

- fixed remuneration amounts to €286,000 gross (this remuneration includes the benefit of her affiliation to FDJ collective pension scheme and staff health plan), to which are added benefits in kind amounting to €5,604;

- variable remuneration of €71,500 gross, subject to achievement of quantitative and qualitative criteria set by the Board of Directors.
Mr. Charles Lantieri:

- fixed remuneration of €222,000 gross (this remuneration includes the benefit of his affiliation to FDJ collective pension scheme and staff health plan), to which are added benefits in kind amounting to €4,488;

- variable remuneration of €55,500 gross, subject to achievement of quantitative and qualitative criteria set by the Board of Directors.

In the event of admission of the Company’s shares to trading on the regulated market of Euronext Paris, the next general meeting of shareholders will decide on principles and criteria of determination, distribution and allocation of elements of remuneration and benefits of any kind to executive corporate directors for the financial year 2020.

13.1.2 Remuneration and benefits paid to Company non-executive corporate directors

On the proposal of the Board of Directors, the General Meeting of 2 February 2017 set at €100,000 the annual total attendance fees to be distributed by the Board to its members.

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.

As a reminder, the Chairwoman and Chief Executive Officer 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 upon suggestion from the French State, Xavier Girre 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 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. These are Claire Videau, Michel Durand, Philippe Pirani, Xavier Lehongre, Raphaël Rignault (until 21 February 2018) and Agnès Lyon-Caen (as of 22 February 2018).

The table below shows the attendance fees paid to Company directors by the Company or by any Group company in the financial years ending 31 December 2017 and 2018:
### Table no.3 (AMF nomenclature) - Table on the attendance fees and other remunerations received by non-executive corporate directors

<table>
<thead>
<tr>
<th>Non-executive corporate directors</th>
<th>Amounts paid in 2017*</th>
<th>Amounts paid in 2018**</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name:</strong> Didier Trutt</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance fees</td>
<td>7,143 euros</td>
<td>7,933 euros</td>
</tr>
<tr>
<td>Other remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Name:</strong> Ghislaine Doukhan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance fees</td>
<td>5,714 euros</td>
<td>6,233 euros</td>
</tr>
<tr>
<td>Other remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Name:</strong> Catherine Delmas-Comolli</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attendance fees</td>
<td>8,571 euros</td>
<td>7,367 euros</td>
</tr>
<tr>
<td>Other remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Name:</strong> Henri Serres</td>
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<tr>
<td>Attendance fees</td>
<td>15,000 euros</td>
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<tr>
<td>Other remuneration</td>
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<tr>
<td><strong>Name:</strong> UBFT</td>
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<tr>
<td>Attendance fees</td>
<td>10,924 euros</td>
<td>8,667 euros</td>
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<tr>
<td>Other remuneration</td>
<td></td>
<td></td>
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<tr>
<td><strong>Name:</strong> FNAM</td>
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<td></td>
</tr>
<tr>
<td>Attendance fees</td>
<td>3,361 euros</td>
<td>4,000 euros</td>
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<tr>
<td>Other remuneration</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>50,713 euros</td>
<td>45,533 euros</td>
</tr>
</tbody>
</table>

*Amounts due in respect of the 2017 and 2018 financial years and paid in 2019 before deduction of the amounts withheld for tax and social security contributions.

**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.

The draft Board policy of the Board of Directors, which will be submitted for approval to the Company’s Board of Directors at its meeting called after the Company’s shares have been admitted to trading on the regulated market of Euronext Paris, stipulates that directors shall receive remuneration of a total per financial year, as set by the General Meeting, will be divided into two parts - one fixed, and one variable.

The fixed part will have to represent 40% of total remuneration amount at most.

The variable part will be allocated among the directors according to their diligence at meetings of the board and of any committees of which they are members.

Under the conditions provided for by law and on the proposal of the remunerations committee, the Board of Directors may allocate exceptional remuneration to directors in respect of the exceptional offices or tasks it entrusts to them.

### 13.2 Company provisions for the purpose of payment of pensions and other benefits to corporate directors

Not applicable.
Chapter 14
Operation of the administration and management bodies

14.1 Operation of the administration and management bodies

14.1.1 Board of Directors

Powers

Under the terms of the draft Board policy to be proposed to the Board of Directors which will be convened after the admission of FDJ shares to trading on the regulated market of Euronext Paris:

- 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.

In addition, the Board of Director will gather upon admission of the shares of FDJ for trading on the regulated market of Euronext Paris in order to determine the list and thresholds of decisions for which executive corporate directors will need an authorisation of the Board of Directors.

**Information**

The Chairman 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 gambling and the gambling of minors and to promote reasonable gambling;
- the policy implemented to combat fraud and money laundering and terrorist financing; and
- the human resources policy including, in particular, the compensation policy within the Group.

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.

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 fulfill 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 of Directors 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.

**Lead Director**
When the functions of Chief Executive Officer and Chairman of the Board of Directors are combined, the Board of Directors may appoint, upon recommendation from the Nominations and Remuneration Committee, a Lead Director from among the Independent members of the Board. The Lead Director is appointed for the duration of his term of office as member of the Board, unless the Board of Directors otherwise decides to appoint him for a shorter term.

**Evaluation of the Board of Directors**

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; and
- 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 Nominations and Remuneration Committee with the assistance of an external consultant and the Lead Director if one has been appointed; and
- 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.

14.1.2 Executive Management

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

- **Business Steering Committee**, which manages the business and oversees proper pursuit of the strategy. It comprises the following persons:
  - Stéphane Pallez, Chairwoman and Chief Executive Officer
  - Charles Lantieri, Deputy Chief Executive Officer of FDJ and Chairman of FDP and FDJ Corporate Foundation
  - Patrick Buffard, Deputy General Director, responsible for Commercial Activities, Business Unit Sport, Media, TV Production and Events
  - Pascal Chaffard, Deputy General Director, responsible for Finance, Performance and Strategy
  - Xavier Etienne, Deputy General Director, responsible for Technology and International Activities
  - Cécile Lagé, Deputy General Director, responsible for the Lottery Business Unit, the Accelerated Business Unit and the Clients Department
Group Management Committee, which shares operational and financial objectives and steers corporate functions as well as their coordination with Business Units. In addition to members of the Business Steering Committee, it comprises the following persons:

- Pierre-Marie Argouarc’h, Director responsible for Collaboration 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 Payments of the Accelerated Business Unit and Services
- 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
- Raphaëlle Rabatel, Director in charge of Communication and Sustainable Development

14.2 Absence of service contracts

To the Company’s knowledge, there were no service contracts binding the members of the Board of Directors of the Company or any of its subsidiaries stipulating that benefits be granted at the end of such a contract.

14.3 Operation of the corporate governance bodies

In accordance with the draft Board policy, the Board of Directors may set up specialist committees within the Board structure. Their role is to prepare the work of the Board of Directors and promote the quality of debates. The Chairwoman may propose to the Board of Directors the creation of any committee considered useful for the satisfactory operation of the Company.

The committees set up by the Board of Directors prepare the Board’s work, via in-depth technical work. The committees act under the authority of the Board of Directors. Subject to legal provisions, they do not have their own responsibility or decision-making powers and their members do not have greater responsibility than that conferred upon them by their role as members of the Board.

In its area of competence, each committee makes proposals, recommendations or gives opinions as applicable, to the Board of Directors. It can decide, with the ascent of the Chairman of the Board of Directors, to commission any external study or expert assessment likely to enlighten the deliberations of the Board of Directors, the cost of which (if applicable) is covered by the Company. The committee requests a quote from the experts in question; the quote is then submitted to the Board of Directors for prior approval.

Appointment of committee members and duration of functions

Each committee must be comprised of members of the Board who are competent in the committee’s specialist field. Committee members may not be represented.

The Board of Directors appoints the members and the Chairman of each committee.
The duration of the terms of office of committee members is set by the Board of Directors up to the duration of their terms of office as members of the Board of Directors.

**Common operating rules**

Each committee meets as often as necessary, upon convening by the Committee Chairman or upon the request of the Board of Directors or the Chairman of the Board. The agenda for committee meetings is set by the Committee Chairman.

The committee meets prior to any Board meeting with items on the agenda involving examination of one or more matters covered by the committee’s tasks, except in cases of emergency (with explanations provided).

Meetings may be convened by any means, even verbally.

The committee may meet in any place and via any means, including by video conference or any other means of telecommunication which enables its members to be identified.

A committee may validly meet only if at least half of its members are present. If the Committee Chairman is absent, it shall be chaired by a member elected by the members present.

The Committee Chairman or a member designated by him reports to the Board of Directors on the committee’s work.

The committee may convene the members of the Board and Statutory Auditors to its meetings; it may hear them separately. It may hear other persons, from within or outside the Company.

Each committee may suggest topics to the Board of Directors that fall within its specialist area.

Each committee appoints a secretary, which may be a Company employee. The committee secretary prepares the meetings and minutes of the committee’s work. These minutes must be sufficiently detailed, but do not have to be exhaustive. They are submitted to the members of the committee for approval and, after formal approval by the Committee Chairman. They are available to any members of the Board of Directors who request them.

**Board Committees**

The draft Board policy sets up four committees:

- Audit and Risks Committee
- Strategic Committee
- Nominations and Remuneration Committee
- Responsible Gaming and Sustainable Development Committee

These committees already exist, under different names, on the Date of the Registration Document. The future composition of these committees will be determined by the Board of Directors, which will be held after the transfer of FDJ’s share capital to the private sector.

14.3.1 Audit and Risks Committee

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.
**Composition**

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 Appointments and Remuneration Committee, is subject to the specific review of the Board of Directors.

**Responsibilities**

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 methods 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 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.

Functionning

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.

14.3.2 Nominations and Remuneration Committee

Composition

The Nominations and Remuneration Committee 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.

Responsabilities

- With respect to the selection of new members of the Board

The Nominations and Remuneration Committee 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 shall organize a procedure to select future Independent members of the Board and perform its own review of potential candidates before the latter are approached in any manner.

- With respect to the succession of executive corporate directors

The Nominations and Remuneration Committee sets up a succession plan for the executive corporate directors.

- With respect to the compensation of executive corporate directors

The Nominations and Remuneration Committee is responsible for reviewing and proposing to the Board of Directors all compensation and benefits components of the 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 Nominations and Remuneration Committee shall involve the executive corporate directors in its work.
Finally, the Nominations and Remuneration Committee is informed, by the Chairman, of appointments concerning the Executive Management.

Fuctioning

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

14.3.3 Strategic Committee

Composition

The Strategic Committee is comprised of at least four members of the Board. The share of Independent members of the Board in the Strategic Committee, must be at least half.

Responsibilities

The Strategic Committee gives its opinion to the Board of Directors on major strategic orientations of the Company. In particular, it:

- prepares discussion of the multi-year strategic plan at the Board of Directors and examines its implementation;
- is referred with significant issues and facts that may have an impact on the strategic plan;
- gives its opinion to the Board of Directors on 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; and
- provides any recommendation it deems useful to the Board of Directors.

Fuctioning

The Strategic Committee is chaired by the Chief Executive Officer; it meets as needed and at least twice a year.

14.3.4 Responsible Gaming and Sustainable Development Committee

Composition

The Responsible Gaming and Sustainable Development Committee is comprised of at least four members of the Board. It must include at least one Independent member of the Board.

Responsibilities

The Responsible Gaming and Sustainable Development Committee has the following missions:

- ensure 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;
- review CSR policy and, more broadly, address issues essential for the business model;
- examine the relationship between the steps taken and
  ➢ the Company's strategic approach,
➢ the Company's management processes,
➢ the promotion of the Company's essential assets.
- support the actions and evolution of the Corporate Foundation's policy;
- validates the action plan to prevent excessive gambling and gambling by minors and to promote a reasonable practice of the gaming;

Each year, it validates the action plan to combat fraud and money laundering that is transmitted to the 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 of Directors. In addition, it can suggest that the Board of Directors refer to it any issue that it deems necessary or relevant.

**Fuctioning**

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

### 14.4 Corporate governance regime

From the time its shares are admitted to trading on the regulated market of Euronext Paris, the Company intends to refer to the recommendations of the French Association of Private Enterprises (AFEP’s) corporate governance code for listed companies and those of the leading network of entrepreneurs in France (MEDEF) (the “Afep-Medef Code”), particularly when the Board of Directors prepares its report on corporate governance as required by Article L.225-37 of the French Commercial Code.

The Afep-Medef Code, to which the Company intends to refer, can be found online at the following address: http://www.medef.com. The Company always has copies of this code available for members of its corporate bodies to review.

For aspects of its corporate governance of which it is aware at the Date of the Registration Document, the Company will comply with all recommendations of the Afep-Medef Code with the exception of the following points:

- during several months, until the next general meeting of shareholders, the Board of Directors will be composed of 16 then 13⁹⁴ members of the Board, 45% of whom are independent within the meaning of the Afep-Medef Code. The Board of Directors may be supplemented by one or two additional Independent members of the Board depending on the future composition of the Company's share capital;
- the resolution relating to the allocation of free shares to employees and/or corporate directors of FDJ as proposed to the general meeting of shareholders to be held on 4 November 2019 does not provide for a sub-cap for corporate directors.

The Board of Directors, in its composition as described in Chapter 12 of the Registration Document, will meet after the Company’s initial public offering to

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⁹⁴ After the beginning of mandates of the two new members of the Board representing employees, who will replace the five members of the Board representing the employees appointed under the order n°2014-948 dated 20 August 2014 relating to governance and operations on the share capital of companies with public participation.
examine the procedures for implementing the recommendations of the Afep-Medef Code according to the “comply or explain” principle.

14.5 Internal Control

The internal control procedures in place within the Group are outlined in section 3.6 “Risk Management” of the Registration Document.

In addition, pursuant to the Decree No. 2017-1265 of 9 August 2017 implementing the Order No. 2017-1180 of 19 July 2017 on the publication of non-financial information by certain large companies and groups of companies, FDJ is required to prepare a non-financial performance statement, which is the subject of a report by an independent body. This report is provided in Appendix 6 of the Registration Document.
Chapter 15
Employees and Human Resources management policy

Aware that employee engagement is a major driver of its short, medium and long term performance, the Group is dedicated to implementing an ambitious, innovative human resources policy.

The Employee Experience and Transformation Department (EETD) works in all areas which contribute to the Group’s success and long-term performance, notably by comparing it with companies of the same size and using the resources made available to it to improve:

- anticipation, attractiveness and development of talent and career paths, both as regards expertise and management as part of a distinctive employer brand policy;
- diversity and inclusion in terms of parity, inclusion of people with disabilities, age, but also breakdown of the age curve;
- high degree of social dialogue, reflected by many agreements which support the Group’s necessary transformations;
- recognition and remuneration designed to sustain individual and collective performance, as well as loyalty to the group by combining internal fairness and market competitiveness; and
- economic monitoring of employee costs as part of a responsible employment policy suited to changes in activity.

The EETD believes that the usual performance indicators used to evaluate each policy aspect, as stated above, are at very satisfactory levels. Further, the EETD builds and manages ambitious action plans to ensure the success of the Group’s strategic plan.

15.1 Social policy: a CSR pillar at the heart of the Group’s strategic ambition

The Group places the same importance on skills development, employee engagement and their quality of life at work, as it does on the quality of the service it provides to each of its customers and partners. In a competitive environment characterised by profound changes, it is essential that the Group has committed teams and the best expertise in order to develop its operations and meet its performance objectives.

The Human Resources and Transformation function, which serves the Group’s strategy, aims at optimising the efficiency and performance of the organisation of the various departments within the Group. For this purpose, it supports the Group’s profound transformation, by managing its impacts on the Group’s business lines and structural organisation. It oversees the orderly adoption of new technology and ensures that all teams make full use of digital possibilities.

Therefore, the Group’s human resources policy is built around five priorities:

- implement forward-looking management of jobs and skills to serve the Group’s strategic plan;
- develop managerial performance and the results-driven culture;
- accelerate and develop collective and individual performance;
- build and maintain a high degree of social dialogue to establish an employee base consistent with the Group’s objectives and commitments, which also enables cohesion and real employee engagement; and
- develop digital resources, new working environments and the associated modes of operation among all Group employees.

Closely related to the priorities above, on 1 January 2019, the Human Relations and Transformation Department became the Employee Experience and Transformation Department.

Regular surveys and monitoring by a third body (employee engagement survey twice a year and social survey every two years) are used to measure satisfaction and engagement among the Group’s teams. For several years the participation rates in these surveys and the engagement indicators have been better than market references. Their detailed results are studied and are used to devise highly targeted action plans. Human resources are also audited as part of the Group’s internal control and risk management process and are the focus of action and prevention plans monitored by Executive Management.

The Group’s CSR ambition is also accomplished through the principles and introduction of a range of programmes outlined below and is regularly assessed by Vigéo-Eiris.

FDJ adheres to and enforces the principles and fundamental rights of the International Labour Organisation in all Group entities: freedom of association, effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labour, effective abolition of child labour and the elimination of discrimination in respect of employment and occupation.

FDJ aims to set an example in terms of diversity and quality of life at work.

- In December 2015, FDJ sought to drastically improve workplace gender equality by signing its second three-year agreement 2015-2018. The main objective was to increase the number of women in managerial positions while improving gender diversity in the company’s various business lines. In 2018, 40% of managers were women (compared to 34% in 2016), while 43% of employees across all grades were women. FDJ’s aim is to achieve total parity in this area. Further, in 2017 FDJ once again obtained the Diversity label (French national organisation for standardisation certification) and for the first time obtained its Gender Equality label. Finally, the “Building your professional future” law and the implementing decree 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 the first year of application, in March 2019, FDJ scored 84 out of 100.

- While capitalising on its partnerships with Nos Quartiers Ont des Talents and Mozaïk RH for the inclusion of candidates from disadvantaged areas, in 2019 FDJ also signed up to the new PAQTE (Pact with the neighbourhoods for all companies) initiative launched by the French State. Around forty employees help young graduates from disadvantaged areas into work through work-study contracts/internships at the Group and through mentoring programmes.

- Since 2017, as part of its co-generations initiative, FDJ overhauled the approach to the employment of seniors, by creating “jeniors”, (contraction of “young” and “seniors”), employees aged 45 and over, who want to actively extend their commitment to their career (career monitoring and suggestions as well as individual action plans).

- As an employer, FDJ is fully committed to the workplace inclusion of people with disabilities. The Company desires to act on two fronts: integrating new employees with disabilities and ensuring the continued employment of employees
whose health deteriorates. For the past five years, the rate of direct and indirect employment of people with disabilities is approximately 6%. FDJ is one of a few companies in France to have such a high employment rate of people with disabilities.

### 15.2 Social information

#### 15.2.1 Headcount

As at 31 December 2018, the Group employed 2,218 employees in the companies within its scope of consolidation.

The FDJ entity, with 1,412 employees, represented almost 63% of the Group headcount, while FDP, the lottery games and sports betting distribution subsidiary in mainland France, with 529 people represented 24% of the Group’s employees. FDJ Gaming Solutions France and FDJ Gaming Solutions UK, technology subsidiaries which develop game software, had 130 employees.

<table>
<thead>
<tr>
<th>EMPLOYEES ON SHORT TERM WORK AND LONG TERM WORK CONTRACTS AT 31 DECEMBER OF THE REPORTING PERIOD</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>1,293</td>
<td>1,345</td>
<td>1,412</td>
</tr>
<tr>
<td>FDP</td>
<td>611</td>
<td>563</td>
<td>529</td>
</tr>
<tr>
<td>FDI</td>
<td>28</td>
<td>27</td>
<td>27</td>
</tr>
<tr>
<td>FDM</td>
<td>15</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>PACIFIQUE</td>
<td>19</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>FGS France</td>
<td>62</td>
<td>81</td>
<td>89</td>
</tr>
<tr>
<td>SGE</td>
<td>62</td>
<td>64</td>
<td>71</td>
</tr>
<tr>
<td>FDJD</td>
<td>16</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>FGS UK</td>
<td>31</td>
<td>33</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,137</strong></td>
<td><strong>2,163</strong></td>
<td><strong>2,218</strong></td>
</tr>
</tbody>
</table>

A breakdown of the headcount between the two Business Units, the ABU and the other functions is provided below.

<table>
<thead>
<tr>
<th>Group headcount - paid end of 2018</th>
<th>Managers - Long Term Work Contract</th>
<th>Non-managers - Long Term Work Contract</th>
<th>Short Term Work Contract</th>
<th>Total</th>
</tr>
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<tbody>
<tr>
<td>Lottery BU</td>
<td>108</td>
<td>5</td>
<td>18</td>
<td>131</td>
</tr>
<tr>
<td>Sports betting BU</td>
<td>82</td>
<td>4</td>
<td>15</td>
<td>101</td>
</tr>
<tr>
<td>ABU</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>24</td>
</tr>
<tr>
<td>Other</td>
<td>1,096</td>
<td>727</td>
<td>139</td>
<td>1,962</td>
</tr>
<tr>
<td><strong>Total headcount at 31/12/2018</strong></td>
<td><strong>1,310</strong></td>
<td><strong>736</strong></td>
<td><strong>172</strong></td>
<td><strong>2,218</strong></td>
</tr>
</tbody>
</table>

Between 2016 and 2018 there was a 3.8% increase in employee headcount, with a decrease of 13.4% at FDP and an increase of 9.2% at FDJ.

---

95 Headcount presented in this section takes into account CDI and CDD employment agreements only, whilst the information provided in the financial statements includes all types of employment agreements, including interim and intermittent contracts.
The average years of service for Group employees on permanent contracts was 11.2 at the end of 2018, and 12.4 at the end of 2016.

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average years of service for Group employees</td>
<td>11.2 years</td>
<td>11.8 years</td>
<td>12.4 years</td>
</tr>
</tbody>
</table>

At 30 June 2019, the Group had 2,247 employees (excluding Sporting Group).

The recent acquisition of Sporting Group, which is headquartered in London, is not included in the scope dealt with in the rest of this chapter. Sporting Group had 321 employees as at 30 September 2019 (280 excluding temporary contracts). Sporting Group is a recent enterprise; over 55% of Sporting Group employees are aged 35 or under.

15.2.2 Employee status

In 2018, management accounted for 63% of the Group’s total employees, and just over 57% in 2016. This growth in proportion and volume reflects the Group’s transformation towards enhanced added value combined with the technological amplification it is engaged in.

<table>
<thead>
<tr>
<th>Employees on Long Term &amp; Short Term Work Contracts at 31 December of the reporting period listed by category: management – non-management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entity</td>
</tr>
<tr>
<td>-------------------</td>
</tr>
<tr>
<td>Management</td>
</tr>
<tr>
<td>Non-management</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

15.2.3 New recruits

To ensure it has the skills it requires to meet its strategic objectives, in 2018, the Group recruited almost 200 new employees on long-term work contracts, an increase of 18% compared to the previous reporting period, and 190 on short-term work contracts, an increase of just over 7 compared to 2017.

Most of these new employees were recruited to roles related to the company’s digital projects which require major efforts in the field of new customer recruitment and development of the Group’s business (customer experience managers, data analysts, web engineers and developers, project managers, traders for sports betting, logisticians, sales employees, etc.) and the introduction of the new operating model which took effect on 1 January 2019. Therefore, most of the new recruits were employed by FDJ, FDP, FDJ Gaming Solutions France and FDJ Gaming Solutions UK:
## 15.2.4 Departures, redundancies and early retirement

In 2018, a total of 167 people left the Group, for all reasons combined, compared with 275 in the previous reporting period.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>112</td>
<td>108</td>
<td>98</td>
<td>133</td>
<td>131</td>
<td>135</td>
</tr>
<tr>
<td>FDP</td>
<td>10</td>
<td>28</td>
<td>33</td>
<td>29</td>
<td>30</td>
<td>35</td>
</tr>
<tr>
<td>FDI</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>POM</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>LOTSYS</td>
<td>9</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>SGE</td>
<td>2</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>FDJD</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>LV5</td>
<td>11</td>
<td>8</td>
<td>8</td>
<td>11</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Total</td>
<td>147</td>
<td>148</td>
<td>167</td>
<td>177</td>
<td>197</td>
<td>190</td>
</tr>
</tbody>
</table>

Total turnover, including Short Term and Long Term Work Contracts and all reasons for departure, was 8.2% in 2018, a decrease from 10.2% recorded in 2017. The number of resignations remained stable over the 2016-2018 period, with 25 in 2016, 27 in 2017 and 28 in 2018.

The Group has decided to differentiate between the “seniors”, who are actively preparing for retirement and jeniors, employees aged 45 and over, to capitalise on the experience and commitment of the latter group of employees. An analysis has been carried out in-house, with Harris Interactive, and work has been undertaken with the employees.

Pilot projects, “Point 50” for the employees in their fifties and “Cap 60” for future pensioners have been undertaken since 2017.

The Group’s age pyramids are shown below:

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>60 and older</td>
<td>86</td>
</tr>
<tr>
<td>55 to 59</td>
<td>280</td>
</tr>
<tr>
<td>50 to 54</td>
<td>329</td>
</tr>
<tr>
<td>45 to 49</td>
<td>360</td>
</tr>
<tr>
<td>40 to 44</td>
<td>356</td>
</tr>
<tr>
<td>35 to 39</td>
<td>332</td>
</tr>
<tr>
<td>30 to 34</td>
<td>255</td>
</tr>
<tr>
<td>25 to 29</td>
<td>191</td>
</tr>
<tr>
<td>20 to 24</td>
<td>29</td>
</tr>
<tr>
<td>15 to 19</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>2,218</td>
</tr>
</tbody>
</table>

## 15.2.5 Overtime

Within the Group, the legal definition applies to overtime.
As such, only hours worked in excess of the legal, conventional or contractual duration of work on the employer’s request or with their agreement are considered as overtime and paid as such, in line with legal provisions, agreements or standard procedure at Group companies. In total, the number of overtime hours worked is extremely low.

15.2.6 Temporary employees

FDJ and FDP have the most temporary employees, as part of a Group procurement policy; the focus is on replacing foreseeable absences and supporting departures. Temporary workers are mostly recruited to logistics, sales, accounting and gaming security roles.

From 2016 to 2018, the average monthly number of temporary employees fell from 70 to 37 in the Group’s two main entities, and the average contract duration was halved.

<table>
<thead>
<tr>
<th>Average monthly number of temporary workers and average duration of temporary employment contracts (days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>FDJ</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>FDP</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

15.2.7 Information on redundancy plans and job-saving plans

The Group has not implemented any redundancy plans or job-saving plans for over 20 years.

15.2.8 Organisation and duration of working hours - absenteeism

15.2.8.1 Organisation and duration of working hours

In 2018, at FDJ, 84% of employees worked full days, 5% worked flexible hours (badge system) and 11% have annualised working hours, according to the schedules prepared by the teams (due to the need for continuous operations, 7 days a week and 24 hours a day, notably in the IT departments).

Most of the Group’s subsidiaries are covered in France by a branch agreement on working hours, and often also a company agreement on the same subject matter (FDJ, FDP, FDJ Gaming Solutions France, FDI).

Working time conventions stipulate either that working time be calculated over 35 hours, or that annualised conventions be introduced. Employees also have a certain number of reduction of working time (RTT) days, over and above the legal and contractual days of paid holiday and any other days of leave relating to long service.

The Group aims to offer real quality of life at work to all of its employees. Therefore, at the same time as equipping them with digital tools needed as part of its digital transformation, the company is supporting them in adopting appropriate working methods. For example, at the end of 2016, FDJ signed an agreement on the right to disconnect with all the trade union organisations. It is the first stage in a more general project on “Living better and working together in the digital age”.
FDJ has also redesigned its premises to work differently, as exemplified by the Group’s new headquarters, which opened in 2018. The workspaces are designed to encourage sharing and collaboration, which ensure the organisation’s efficiency.

Remote working is also on the rise, for which a new agreement will come into force in 2020 as part of the human resources policy which aims to boost employee engagement and accountability. This agreement is intended to further enhance the appeal of the FDJ employer brand.

### 15.2.8.2 Absenteeism

In 2018, the absenteeism rate in the various subsidiaries was as follows:

<table>
<thead>
<tr>
<th>Absenteeism (as a %)</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>2.56%</td>
<td>3.13%</td>
<td>3.44%</td>
</tr>
<tr>
<td>FDI</td>
<td>0.51%</td>
<td>3.32%</td>
<td>1.31%</td>
</tr>
<tr>
<td>FDP</td>
<td>4.40%</td>
<td>3.09%</td>
<td>4.51%</td>
</tr>
<tr>
<td>FDM</td>
<td>1.44%</td>
<td>0.77%</td>
<td>1.24%</td>
</tr>
<tr>
<td>FJDJD</td>
<td>0.64%</td>
<td>2.50%</td>
<td>1.02%</td>
</tr>
<tr>
<td>LOTSYS</td>
<td>1.70%</td>
<td>1.61%</td>
<td>2.48%</td>
</tr>
<tr>
<td>PACIFIQUE</td>
<td>1.20%</td>
<td>1.73%</td>
<td>0.89%</td>
</tr>
<tr>
<td>SGE</td>
<td>1.91%</td>
<td>2.51%</td>
<td>1.81%</td>
</tr>
<tr>
<td>LVS</td>
<td>2.05%</td>
<td>2.21%</td>
<td>2.34%</td>
</tr>
</tbody>
</table>

### 15.2.9 Wages and salaries – social security contributions

The Group’s gross payroll expense was €214.8 million in 2018.

<table>
<thead>
<tr>
<th>In € thousand</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>Variable</td>
</tr>
<tr>
<td>FDJ</td>
<td>120,426</td>
</tr>
<tr>
<td>FDJ Développement</td>
<td>1,053</td>
</tr>
<tr>
<td>FDP</td>
<td>34,738</td>
</tr>
<tr>
<td>Images</td>
<td>5,347</td>
</tr>
<tr>
<td>FGS France</td>
<td>4,498</td>
</tr>
<tr>
<td>FGS UK</td>
<td>2,865</td>
</tr>
<tr>
<td>Motivation</td>
<td>1,054</td>
</tr>
<tr>
<td>Pacifique</td>
<td>1,513</td>
</tr>
<tr>
<td>SGE</td>
<td>11,997</td>
</tr>
<tr>
<td>TOTAL</td>
<td>183,492</td>
</tr>
</tbody>
</table>

In 2018, social security contributions were €66.7 million for the Group, €45.5 million for FDJ and €11.4 million for FDP.

The remuneration policy is part of the overall policy of the FDJ Employee Experience and Transformation Department, which is intended to serve the company strategy. It is designed to encourage employees to meet the company’s performance targets:

- by valuing contribution;
- by acknowledging performance;
- by encouraging progress; and
- by implementing retention systems to ensure employees’ loyalty.

The remuneration and employee benefit policies reflect benchmark practices in the markets in which the Group operates, with a constant pursuit for internal fairness and
external competitiveness. These policies are based on a mapping of the functions, to define the remuneration principles for each sector business line and level of responsibility and importance of the role. It also enables internal analyses and makes it possible to compare the Group’s practices each year with those of the market via updated remuneration surveys.

The starting salaries of new employees are compared against a market benchmark and the internal remuneration benchmark. Salaries are then reviewed yearly when setting the wage policy and during employee reviews.

The rules and principles of the remuneration policy are circulated at least once a year when the wage policy is set, with a specific communication for managers, a communication to all employees and regular updates on the Human Resources area of the internal social network accessible to all. These communications are complemented with on-site meetings.

A reminder of the overall performance evaluation of each employee is included in each manager’s wage policy decision tables, so that these decisions are consistent with the performance evaluation. The positioning of the employee’s remuneration in relation to the company’s benchmarks is also taken into account.

Changes in the monthly median base remuneration for each entity since 2016 were as follows:

<table>
<thead>
<tr>
<th>Median FTE base salary - Long Term and Short Term Work Contracts on 31 December</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>€3,760</td>
<td>€3,807</td>
<td>€3,850</td>
</tr>
<tr>
<td>FDP</td>
<td>€2,540</td>
<td>€2,550</td>
<td>€2,675</td>
</tr>
<tr>
<td>FDI</td>
<td>€3,914</td>
<td>€3,904</td>
<td>€3,864</td>
</tr>
<tr>
<td>FDM</td>
<td>€2,770</td>
<td>€2,825</td>
<td>€3,227</td>
</tr>
<tr>
<td>PACIFIQUE</td>
<td>€2,190</td>
<td>€2,200</td>
<td>€2,198</td>
</tr>
<tr>
<td>FGS France</td>
<td>€4,470</td>
<td>€4,440</td>
<td>€4,500</td>
</tr>
<tr>
<td>SGE</td>
<td>€4,800</td>
<td>€5,007</td>
<td>€5,250</td>
</tr>
<tr>
<td>FDJD</td>
<td>€2,520</td>
<td>€2,568</td>
<td>€2,647</td>
</tr>
<tr>
<td>FGS UK</td>
<td>€5,350</td>
<td>€5,166</td>
<td>€5,450</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>€3,461</strong></td>
<td><strong>€3,497</strong></td>
<td><strong>€3,583</strong></td>
</tr>
</tbody>
</table>

Furthermore, for the last four years, a variable portion system linked to performance has been gradually introduced at FDJ for all managers on Long Term Work Contracts, i.e. 80% of employees. All employees of FDP and FDJ Gaming Solutions France already have a variable component to their salaries. They are based on individual and team objectives where relevant.

The remuneration also includes employee profit-sharing and incentives, which are designed to share the results of performance and sustain employee engagement. For the first time in 2018, a Group profit-sharing agreement was entered into (see section 15.4.1 “Employee incentive and profit-sharing agreements”). The company may make an additional contribution to profit sharing, pursuant to the various agreements signed by the Group entities (see section 15.4.2 “Employee savings schemes and employee shareholding policy”).

All employees receive a yearly development and performance review. It is an ideal opportunity for managers and employees to discuss a range of topics: evaluate performance and set targets for the coming year, quality of life at work, work-life balance, training, mobility requests.
15.2.10 Gender equality

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. In 2019, a QVT (Quality of Life at Work) and diversity agreement will add to FDJ’s commitment to enhancing the company through workplace equality.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>725</td>
<td>697</td>
<td>769</td>
<td>576</td>
<td>800</td>
<td>612</td>
</tr>
<tr>
<td>FDP</td>
<td>303</td>
<td>308</td>
<td>273</td>
<td>290</td>
<td>248</td>
<td>281</td>
</tr>
<tr>
<td>FDI</td>
<td>19</td>
<td>9</td>
<td>17</td>
<td>10</td>
<td>18</td>
<td>9</td>
</tr>
<tr>
<td>FDM</td>
<td>4</td>
<td>11</td>
<td>4</td>
<td>11</td>
<td>5</td>
<td>8</td>
</tr>
<tr>
<td>PACIFIQUE</td>
<td>7</td>
<td>12</td>
<td>7</td>
<td>12</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>FGS France</td>
<td>53</td>
<td>9</td>
<td>70</td>
<td>11</td>
<td>76</td>
<td>13</td>
</tr>
<tr>
<td>SGE</td>
<td>58</td>
<td>4</td>
<td>60</td>
<td>4</td>
<td>66</td>
<td>5</td>
</tr>
<tr>
<td>FDJD</td>
<td>11</td>
<td>5</td>
<td>10</td>
<td>6</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td>FGS UK</td>
<td>25</td>
<td>6</td>
<td>28</td>
<td>5</td>
<td>34</td>
<td>7</td>
</tr>
<tr>
<td>By number</td>
<td>1,205</td>
<td>932</td>
<td>1,238</td>
<td>925</td>
<td>1,266</td>
<td>952</td>
</tr>
<tr>
<td>As a %</td>
<td>56.4%</td>
<td>43.6%</td>
<td>57.2%</td>
<td>42.8%</td>
<td>57.1%</td>
<td>42.9%</td>
</tr>
</tbody>
</table>

At the end of 2018, 43% of FDJ employees and 40% of managers were women. 34% of managers were women in 2015:

<table>
<thead>
<tr>
<th>Proportion of women among employees and managers</th>
<th>2015 %</th>
<th>2018 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of female managers</td>
<td>34</td>
<td>40</td>
</tr>
<tr>
<td>% of female employees</td>
<td>44</td>
<td>43</td>
</tr>
</tbody>
</table>

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.

FDJ ensures that promotions are offered based on contributions and competence; it is working to break down gender stereotypes and to respect the 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:

| Rate of Long Term Work Contract promotion (change of coefficient) FDJ – Women Men |
|---------------------------------|---------|--------|--------|
|                                 | 2016 %  | 2017 %  | 2018 %  |
| % of women promoted             | 15.5%   | 13.4%   | 19.9%   |
| % men promoted                  | 13.0%   | 12.3%   | 17.6%   |
| Overall promotion rate          | 14.1%   | 12.8%   | 18.6%   |

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 its current figure of 7.10%. 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.

A specific budget for correcting the wage gap is set aside each year, so that wage inequalities can be further reduced during the yearly increase campaign. The table below shows changes in the average monthly gender pay gap at FDJ since 2016:

<table>
<thead>
<tr>
<th>Gender pay gap before/after application of the yearly wage policy</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender pay gap before wage policy</td>
<td>9.75%</td>
<td>9.20%</td>
<td>7.60%</td>
</tr>
<tr>
<td>Gender pay gap after wage policy</td>
<td>9.52%</td>
<td>8.67%</td>
<td>7.10%</td>
</tr>
<tr>
<td>Cap reduction in basis points</td>
<td>23</td>
<td>53</td>
<td>50</td>
</tr>
</tbody>
</table>

Law no. 2018-771 of 5 September 2018 on freedom in career choices and the implementing decree of 8 January 2019 created a gender equality index with an obligation to score at least 75 points out of 100 as of 2019. From its first year of application, in March 2019, FDJ has scored 84 out of 100. An action plan has been introduced, making it possible to dramatically improve this score as of 2020 to score closer to 100/100 as soon as possible.

15.2.11 Professional relationships and collective agreements

FDJ adheres to and enforces the principles and fundamental rights of the International Labour Organisation in all of its entities: freedom of association, effective recognition of the right to collective bargaining, elimination of all forms of forced or compulsory labour, effective abolition of child labour and elimination of discrimination in respect of employment and occupation. Due to the diversity of its operations and locations, the Group has organised its social dialogue with employee representation bodies at the national level or among the relevant entities.

- Within the main FDJ entities (FDJ SA and FDP), the high degree of social dialogue is guaranteed via negotiation meetings held twice a month. Major agreements have been negotiated on the right to disconnect, working hours, remote working, diversity and the employee savings plan. (see below for a list of the most recent agreements).

- Moreover, for the first time, in 2018, a Group profit-sharing framework agreement was entered into; it is the first stage in building a Group employee base. Negotiations are currently in progress to introduce a Group savings plan, following the implementation of the Group profit-sharing agreement.

- A list of the main labour related agreements entered into at FDJ and FDP since 2018 is provided below
  - For FDJ:
    - annual agreements for 2018 and 2019 on negotiations on remuneration, working hours and sharing added value signed on 28 February 2018 and 5 March 2019 respectively;
    - profit-sharing agreement covering financial years 2018-2019-2020 signed on 29 June 2018;
    - incentive agreement covering financial years 2018-2019-2020 signed on 29 June 2018;
    - agreement on standby shifts and other hours signed on 28 June 2018; and
agreement on remote working signed on 25 June 2019.

- For FDP:
  - annual agreement for 2019 on negotiations on remuneration, working hours and added value signed on 13 March 2019;
  - agreement on connected social dialogue signed on 12 June 2018;
  - profit-sharing agreement covering financial years 2018-2019-2020 signed on 29 June 2018;
  - incentive agreement covering financial years 2018-2019-2020 signed on 29 June 2018; and
  - agreement on the introduction of the Social and Economic Committee signed on 19 October 2018.

15.2.12 Employee and trade union representation

FDJ and its subsidiaries will have set up an SEC (Social and Economic Committee) by the end of 2019 in accordance with Law no. 2018-217 of 29 March 2018 which ratifies the orders of 22 September 2017, either because the existing terms of office have or will have ended, or because the elections will have been held or brought forward.

A list of the main employee representative bodies in the Group’s main entities is provided below:

- a Group committee combining employee representatives from FDJ, FDP, FGS France, FDI and l’Échappée;
- at FDJ, a Central Works Council (CWC), Works Committees (WC), employee representatives (ER) and Health and Safety and Working Conditions Committees (HSWCC);
- at FDP, a Social and Economic Committee (SEC);
- at FGS France, Française d’Images and l’Échappée, a Single Employee Delegation, combining WC, ER and HSWCC; and
- at FDJ Développement and la Française de Motivation, an SEC.

The employee representative bodies generally meet once a month. A Group Committee was also set up, in which most of the Group entities (FDJ, FDP, FDI, FDJ Gaming Solutions and L’Échappée) are represented by elected employees.

As of 31 December 2018, the trade union representation at FDJ was as follows: FO obtained 54.28% of the votes in the first round of the latest elections for employee representatives, CFE-CGC 29.25% and UNSA 16.47%.

All projects relating to the general running of the company are regularly presented to these bodies. It was in this context, for example, that several projects were presented for the moving and redevelopment of the Company’s premises, and for the changing of internal operating methods. Finally, at the end of 2018, the Management notified employee representatives of the FDJ Group’s plans for a new operating model, involving a move towards a BU model to accelerate the development of jobs, enhance agility and delivery capacity.

Social dialogue is nourished by a philosophy of consultation and information on all reorganisation plans, which must be presented to the employee representative bodies:
- a meeting to present/discuss the general principles of the reorganisation;
- a meeting to present/discuss the main tasks envisaged for the entities; and
- a detailed meeting to present the organisation with the associated change management plan (communication plan, training plan, launch seminar, etc.)

This methodology, shared with the social partners, has allowed to collect at the right time all the advisory opinions of the Group’s employee representative bodies on the projects put forward.

15.2.13 Health, Safety and working conditions

The Group considers that employee health, security, safety and quality of life at work are key to securing its long-term future.

In addition to overseeing regulatory monitoring for all institutions covered by the economic and territorial intelligence (IET) state operations, FDJ conducts a Regulatory Compliance audit each year. The areas covered are as follows:

- environment: air, noise, waste, water, environmental taxation; risk; Installation classified for environmental protection (ICPE); town planning and nature;
- energy: the energy performance of equipment, production and distribution of energy, audits and diagnostics, etc.;
- transport; and
- health and safety: planning of work premises, Workplace Accidents / Occupational Disease, HSWCC or similar body, specific working conditions, internal company document, EE, working equipment, electrical installation, prevention, product, system for moving around at height, occupational health department.

Until December 2017, FDJ had OHSAS 18001 certification. In 2019, an audit will take place by the French national organisation for standardisation (ANFOR) based on the management manual.

In 2018, the number of accidents occurring in the workplace or when commuting for each entity were as follows:

| Number of workplace or commuting accidents for each entity in 2018 |
|---------------------|---------------------|---------------------|
|                     | 2018                |                     |
| Number of workplace accidents with lost time | Number of commuting accidents with lost time | No. lost days (workplace and commuting accidents) |
| FDJ                  | 5                   | 11                   | 263                  |
| FDI                  | 0                   | 0                    | 0                    |
| FDP                  | 5                   | 1                    | 361                  |
| FDM                  | 0                   | 0                    | 0                    |
| FDJD                 | 0                   | 0                    | 0                    |
| FGS France           | 1                   | 1                    | 90                   |
| PACIFIQUE            | 0                   | 0                    | 0                    |
| SGE                  | 2                   | 1                    | 67                   |
| FGS UK               | 1                   | 0                    | 4                    |
| Group                | 14                  | 14                   | 785                  |
Their frequency rate and severity rate for FDJ are as follows:

<table>
<thead>
<tr>
<th>Frequency and severity rate of Workplace Accidents – FDJ 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. WA</td>
</tr>
<tr>
<td>--------</td>
</tr>
<tr>
<td>5</td>
</tr>
</tbody>
</table>

* Frequency rate: no. WA per million hours worked
** Severity rate: no. days lost per 1,000 hours worked

These results, significantly lower than INSEE data, including those for service industries, are the result of numerous successful initiatives. For example, to promote health and safety at work, the Group hands out safety briefing booklets, good driving booklets and an ergonomics booklet. All of these are freely accessible on the company intranet. Safety briefing films are also shown to new recruits to the group. Each entity has its own film according to its infrastructures. The safety training plan is implemented each year; in 2018, 364 employees received training.

As part of its quality of life at the workplace initiative, since March 2019, FDJ has offered its employees the option to download and use the Wittyfit application. This application makes it possible to measure in real time satisfaction levels and areas for improvement, to help the company, employees and managers, capitalise on team strengths and identify, when necessary, remedial actions to be taken. Built in partnership with the Clermont-Ferrand University Hospital, this tool provides FDJ with objective indicators on such matters as atmosphere, values, purpose, workloads and autonomy.

No occupational illness has been identified to date. Training on workstation ergonomics takes place regularly and an ergonomics specialist advises on certain specific posts (logistics/warehouses).

15.2.14 Training

The training policy is part of the Group’s wider transformation ambitions, as a way to introduce strategic priorities and as a key factor in strengthening the abilities and skills of employees.

The Group strives to promote a real employees retention policy, by enabling all its employees to develop their skills throughout their career. Each year, over 80% of FDJ employees follow a training programme. Training needs are analysed with local management and cover five key areas:

- skills directly related to the business line (the Group pays special attention to training on safety, integrity and Responsible Gaming);
- digital and data management skills;
- “soft skills” and management (15% of the training plan is for managerial training with an adapted curriculum for new managers and coach training for the digital era for all FDJ Group managers);
- operational performance and project management; and
- languages and intercultural aspects.

Internal support for the digital transformation occupies an important place within the skills development policy. Since 2017, as part of the Num-In! business programme,
employees receive support in taking up and using digital resources (electronic payslip and digital safe, online performance reviews, etc.). Approximately 60 volunteer “Digital Mentors” provide regular support to their colleagues in becoming proficient with the use of digital tools and, in particular, Office 365. In 2018, “DigiLearn”, an e-learning course, will enable each employee to assess their level of knowledge as regards digital tools and to undertake suitable training.

The Group’s training offering, with the main associated programmes, is accessible on the company’s HR information system. The change in the number of total training hours in each entity reflects the Group’s effort:

<table>
<thead>
<tr>
<th>Entity</th>
<th>2016 Total training hours</th>
<th>2017 Total training hours</th>
<th>2018 Total training hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>23,524</td>
<td>26,927</td>
<td>26,387</td>
</tr>
<tr>
<td>FDP</td>
<td>8,054</td>
<td>12,415</td>
<td>14,095</td>
</tr>
<tr>
<td>FDI</td>
<td>350</td>
<td>52</td>
<td>169</td>
</tr>
<tr>
<td>FDM</td>
<td>56</td>
<td>34</td>
<td>57</td>
</tr>
<tr>
<td>PACIFIQUE</td>
<td>33</td>
<td>125</td>
<td>164</td>
</tr>
<tr>
<td>FGS France</td>
<td>1,219</td>
<td>1,700</td>
<td>3,263</td>
</tr>
<tr>
<td>SGE</td>
<td>370</td>
<td>1,112</td>
<td>948</td>
</tr>
<tr>
<td>FDJD</td>
<td>206</td>
<td>35</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33,812</strong></td>
<td><strong>42,400</strong></td>
<td><strong>45,120</strong></td>
</tr>
</tbody>
</table>

In 2018, the training budget represented 4.3% of payroll for FDJ and 6.04% for FDP:

<table>
<thead>
<tr>
<th></th>
<th>2016 % of payroll</th>
<th>2017 % of payroll</th>
<th>2018 % of payroll</th>
</tr>
</thead>
<tbody>
<tr>
<td>FDJ</td>
<td>4.34%</td>
<td>4.64%</td>
<td>4.30%</td>
</tr>
<tr>
<td>FDP</td>
<td>3.95%</td>
<td>5.22%</td>
<td>6.04%</td>
</tr>
</tbody>
</table>

In order to take into account individual situations and target its actions, the skills development plan combines several approaches:

- individual mobility plan in the event of a change in role and/or allocation;
- access to a skills assessment and/or training designed to help employees with their career plans (Imagine Programme);
- specific development programmes for women (transitioning into management, returning to work after maternity leave, etc.);
- expertise development pathways, such as project management, ordered by level; and
- language pathways at the required level.

15.2.15 Employment and integration of workers with disabilities

FDJ employs approximately 60 people with disabilities in France and works every day to promote their workplace inclusion and help them stay in employment. 5.89% of the company’s direct or indirect employees had a disability at the end of 2018; the figure has been at this level or above since 2012. This policy is being deployed in the subsidiaries.
Direct and indirect disability rate

<table>
<thead>
<tr>
<th></th>
<th>Direct rate</th>
<th>Indirect rate</th>
<th>Total rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group</td>
<td>3.07%</td>
<td>1.40%</td>
<td>4.48%</td>
</tr>
<tr>
<td>FDJ</td>
<td>3.84%</td>
<td>2.05%</td>
<td>5.89%</td>
</tr>
</tbody>
</table>

Being aware of the difficulties of recruiting employees with disabilities, FDJ has created a club of companies, the Hangagés association, combining 12 disability missions and two advisory partners for the purpose of sharing best practice in employing people with disabilities. Its main objectives are: change the way disabilities are viewed by companies through training and awareness-raising, organising dedicated events, and facilitating the circulation of CVs.

FDJ has joined Tremplin, an association of over 200 companies who support students with disabilities in their education and training. The member companies meet to examine applications from students before offering them an internship or apprenticeship.

FDJ also supports the protected sector by making significant purchases from ESATs or EAs as part of a partnership approach that enables them to set up quality educational projects.

Alongside the initiatives to increase the employment rate of people with a disability, FDJ has also worked to improve the acceptance conditions of people with disabilities. These employees may receive mobility assistance, additional days of leave for medical appointments, universal service employment voucher (CESU) credits and, if they wish, amended working conditions.

FDJ’s three geographical sites (the headquarters in Boulogne-Billancourt, the logistics centre in Saint-Witz and the data center in Vitrolles) have been made fully accessible for people with reduced mobility. To facilitate their integration within the departments, all FDJ employees have received diversity training.

15.2.16 Social welfare organisations

The Group entrusts the following to its Works Councils and Works Committees (WC), which are gradually being replaced by Social and Economic Committees (SEC):

- a legal operations budget, which amounts to 0.2% of payroll of the entity concerned; and
- a social and cultural activities budget which varies depending on the entity (0.9% to 2.31% of payroll).

| 2018 WC budget for FDJ – FDP – FGS France: operation and social welfare organisations (€ thousand) |
|---------------------------------------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|
| Total WC budget | of which operations | of which social welfare organisations |
| FDJ              | 2,116              | 230                              | 1,886                                   |
| FDP              | 516                | 54                               | 462                                    |
| FGS France       | 78                 | 13                               | 65                                     |

In 2018, these budgets represented €2.1 million for FDJ, €594,000 for FDP, €78,000 for FDJ Gaming Solutions France and €89,000 at FDI.

Some of the subsidiaries which do not have a WC can participate in the FDJ WC. To date, only la Française de Motivation (FM) offers its employees the opportunity to
participate in the FDJ WC. In this case, FM joins the FDJ WC and participates in its operation by paying it a contribution calculated based on the payroll.

15.2.17 Subcontracting

In 2018, payments to outside companies amounted to just over €161 million for FDJ. These payments break down as follows:

<table>
<thead>
<tr>
<th>Service</th>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building security</td>
<td>4,217,576</td>
</tr>
<tr>
<td>Advertising fees</td>
<td>5,114,036</td>
</tr>
<tr>
<td>Other fees</td>
<td>27,736,033</td>
</tr>
<tr>
<td>Temps</td>
<td>460,291</td>
</tr>
<tr>
<td>Service providers</td>
<td>59,751,418</td>
</tr>
<tr>
<td>Subcontracting (excluding building security)</td>
<td>28,335,940</td>
</tr>
<tr>
<td>Subcontracting call centre</td>
<td>5,802,210</td>
</tr>
<tr>
<td>Studies</td>
<td>7,433,499</td>
</tr>
<tr>
<td>Subcontracting televised draws</td>
<td>21,422,158</td>
</tr>
<tr>
<td>Restaurant subcontracting (restaurant staff at Moussy/Cafétéria Boulogne)</td>
<td>865,240</td>
</tr>
<tr>
<td><strong>LA FRANÇAISE DES JEUX</strong></td>
<td><strong>161,138,399</strong></td>
</tr>
</tbody>
</table>

15.3 Share subscription and purchase options and allocation of free shares

As at the Date of the Registration Document, the FDJ Group had not granted any share subscription or purchase options or allocated any free shares.

The general meeting of shareholders to be held on 4 November 2019 will be called to authorise, for a 38-month period, the Board of Directors to allocate, free of charge, new or existing shares to employees and/or executive corporate directors of the Company and of its subsidiaries in the amount of up to 0.6% of its share capital. As at the Date of the Registration Document, it is expected that the Board of Directors will use this authorisation in the coming months in order to implement a directors’ incentive plan, in compliance with legal and regulatory provisions.

15.4 Employee incentives

15.4.1 Employee incentive and profit-sharing agreements

On 29 June 2018, FDJ signed with all its subsidiaries a framework agreement defining the arrangements for profit-sharing, incentives and employer contributions for the first time on the Group-wide level. This agreement is part of building a Group employee base, a factor in developing fairness for all and engagement of all employees.

15.4.1.1 Incentives (excluding employer’s contributions)

The aforementioned framework agreement, establishes for each Group company a threshold of 6% of the payroll concerned. The targets and criteria are negotiated each year, on an entity by entity basis.
For the financial year ended 31 December 2018, the Group paid a total of €6.2 million, an average amount per beneficiary employee of around €2,500.

Further, the employees of some Group entities who pay all or some of their incentive into an employee savings scheme or PERCO receive an additional incentive contribution.

15.4.1.2 Shareholdings

The framework agreement of 29 June 2018 provides for an derogatory arrangement for the introduction of an incentive which is calculated based on the Group’s consolidated results. This agreement applies to all subsidiaries that are more than 50% owned by FDJ.

For the reporting period ended 31 December 2018, the Group paid a total of €16.9 million in profit-sharing, an average amount per beneficiary employee of approximately €6,700.

15.4.2 Employee savings schemes (ESS) and employee shareholding policy

15.4.2.1 Employee savings

All Group employees have company savings plans (PEE – Plan d’Epargne Entreprise), and some entities (FDJ, FDP, FDJ Développement) also offer PERCOs (Collective retirement savings plan - Plan d’Epargne pour la Retraite Collectif) to hold the amounts saved as incentives and profit-sharing.

Some Group companies (FDJ, FDP, FDM, FDJD and FDJ Gaming Solutions France) stipulate that voluntary payments into company savings plans (PEE – Plan d’Epargne Entreprise) are made in line with the rules set out in the agreements (100% of the contribution made within a limit of €900 per year).

Certain Group companies have also introduced a time savings account; in such cases, the transfer of leave days saved in the time savings account to the PERCO (Collective retirement savings plan - Plan d’Epargne pour la Retraite Collectif) results in a contribution in line with the rules set out in the agreements.

As an extension of the agreement signed for a Group profit-sharing initiative in 2018 and within the framework of the Pacte Law, a PEG (Group Savings Plan – Plan d’Epargne Groupe) is currently under negotiation.

15.4.2.2 Employee shareholding

FDJ employees have access to a “Shareholding” mutual fund which currently holds 5% of FDJ’s capital. As it currently works, subscriptions are regularly organised, in order to enable employees who wish to do so to acquire units in this fund.

In the event of an initial public offering, the functioning of this fund would change considerably, and a Group Employee Shareholding Fund (FCPE Actionnariat Groupe) would be offered to all Group employees.
Chapter 16
Main shareholders

16.1 Shareholding structure

16.1.1 Breakdown of share capital and voting rights

As of the Date of the Registration Document, the Company’s share capital is allocated as follows:

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

* The General Meeting to be held on 4 November 2019 will be called to decide subject to the condition precedent and with effect on the date of approval by the Financial Markets Authority of the prospectus for admission of FDJ shares on the regulated market 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.

** See section 18.7 “Legal proceedings and arbitration”: Soficoma’s holding of 6,000 FDJ shares is subject to current legal proceedings before the Aix-en-Provence Court of Appeal.

16.1.2 Shareholdings of corporate directors and transactions carried out by members of the Board of Directors involving Company shares

As of the Date of the Registration Document, the corporate directors hold no Company shares, with the exception of Stéphane Pallez who holds, in her capacity as director, one share.

16.2 Changes in the shareholding structure

Subject to repurchase of the shares held by Soficoma, which is the subject of legal proceedings (see section 18.7 “Legal proceedings and arbitration”), the Company’s shareholding structure has not changed since 1988.

The planned admission of the Company’s shares for trading on the regulated market of Euronext Paris the French State intents to dispose of the majority of the share
capital of the Company and hold approximately 20% of FDJ share capital going forward.

16.3 Statement regarding control of the Company

As of the Date of the Registration Document, the Company is controlled by the French government, which holds the absolute majority at the Ordinary and Extraordinary General Meetings. It is envisaged that once the initial public offering is completed, the French State will hold approximately 20% of the Company’s share capital. Pursuant to Pacte Law, the French State will preserve close control over the Company (see Chapter 9 “Legal and regulatory environment”).

16.4 Agreements that could lead to a change in control of the Company

As of the Date of the Registration Document, there was no agreement in place whose implementation would result in a change of control of the Company.

16.5 Relationships with the French State and administrative authorities

See Chapter 9 “Legal and regulatory context”.

16.6 Agreements between shareholders

On 16 October 2019, FDJ was notified by the Fédération Nationale André Maginot ("FNAM") and the Union des Blessés de la Face et de la Tête ("UBFT") 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 FDJ (hereinafter the "Shareholders' Agreement").

This Shareholders' Agreement has an initial duration of 10 years from the date of FDJ’s initial public offering, renewable for a period of 5 years.

The objectives pursued by the FNAM\(^\text{96}\) and the UBFT\(^\text{97}\) 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;

\(^{96}\) The FNAM has entered into a shareholders' agreement constituting a concerted action within the meaning of Article L. 233-10 I of the French Commercial Code with other shareholders of FDJ (the "FNAM Block"), which will be effective as from the acquisition by the members of the FNAM Block of FDJ shares as part of its initial public offering.

\(^{97}\) UBFT would enter into a shareholders' agreement with the association Les Ailes Brisées constituting a concerted action within the meaning of Article L. 233-10, I of the French Commercial Code, which would be effective as from the acquisition by Les Ailes Brisées of FDJ shares as part of its initial public offering.
- 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;

- a mutual pre-emption right applicable to certain transfers of shares of FDJ will be implemented between UBFT and FNAM.
Chapter 17
Related party transactions

Parties related to the Group include shareholders of the Company, its unconsolidated subsidiaries, the companies held by the same shareholders as well as the Company’s corporate directors.

Figures on the relationships with these related parties can be found in note 8.2 to the consolidated financial statements in Appendix 1 “Consolidated financial statements for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018”.

This chapter contains the conventions concluded between the Company and its shareholders or corporate directors. Conventions concluded between the Company and its subsidiaries are outlined in section 6.3 “Main intra-group flows”. There are no other conventions in place between the Company and a party related to the Group having procedure for regulated agreements.

Convention concluded with the French gaming observatory (Observatoire des Jeux), a French State public body

The Board of Directors, at its meeting on 22 March 2016, authorised FDJ to sign, with the Observatoire des Jeux, a framework agreement to exchange, free of charge, information and data to improve analysis and awareness of players’ behaviour and add to the measures to prevent excessive gambling. This convention was signed on 3 March 2016 for an indefinite period.

The only financial impact for the Company amounts to the expenses it will have to bear to produce and circulate the information and data concerned.

Convention concluded with the French online gaming regulatory authority (ARJEL), a public body of the French State

The Board of Directors, at its meeting on 1 July 2015, authorised FDJ to sign, with the minister in charge of finances and public accounts and ARJEL, a protocol to exchange, free of charge, information on preventing the manipulation of sporting competitions in relation to sports betting. Under this protocol, FDJ has been entrusted with overseeing all of the company’s gambling transactions and tackling fraud, money laundering and the associated criminal activities. This convention was signed on 1 July 2015 for an indefinite period.

The only financial impact for the Company amounts to the expenses it will have to bear to secure the alert and information exchange system in place with ARJEL.

Convention entered into with the French State

On 16 October 2019, the Board of Directors authorised FDJ to sign the Convention with the French State.

The purpose of this Convention is to anticipate the consequences of the occurrence of events likely to deteriorate the economic conditions for operation of FDJ’s exclusive rights (changes in laws or regulations) and to anticipate the end of the period of the exclusive rights.

The Convention shall terminate on 22 May 2044. On this date, the exclusive rights granted to FDJ pursuant to the Pacte Law shall terminate.

The Convention provides that in the event of a significant change in legislation or regulations either directly related to taxation of lottery games or sports betting operated through offline distribution network, or likely to affect such operation or, finally, reducing the scope or duration of the exclusive rights held by FDJ, the Group shall approach the French State in order to examine whether this change is likely to substantially deteriorate the economic
conditions under which the FDJ operates its business, assessed on a consolidated basis. If so, FDJ may propose to the French State 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 assets strictly necessary for the operation under 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 FDJ, in an adversarial manner, within one year from the date of entry into force of the Convention.

Upon normal or early term of the exclusive rights, FDJ 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 on designs, logos, domain names, effective in France and relating to activities operated under exclusive rights. Similarly, for software and patents, upon normal or early term of the exclusive rights, FDJ grants to the French State or the possible new holder of the exclusive rights a free license to use the software and patents strictly necessary for the exploitation of these rights in France and owned by FDJ, for a limited period of 18 months from the expiry date of FDJ's exclusive rights.

The Convention also specifies that, upon normal or early term of the exclusive rights, the French State and FDJ 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, FDJ reclassifies the employees in question.

The Convention terminates the convention currently in place between FDJ 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 FDJ in the event of termination of the exclusive rights.
Chapter 18
Financial information concerning assets and liabilities, financial position and results

18.1 IFRS consolidated financial statements for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018

18.1.1 Financial statements

18.1.1.1 Change of date of reference financial statements

Not applicable.

18.1.1.2 Applicable accounting standards/Changes in accounting standards

IFRS. The Group’s consolidated annual financial statements for the financial years ended 31 December 2018, 2017 and 2016 presented in three-year form were prepared specifically for the Registration Document.

18.1.1.3 Financial statements

The annual financial statements for the financial years ended 31 December 2016, 31 December 2017 and 31 December 2018 appear in Appendix 1.

18.2 Statutory Auditors’ report on the consolidated financial statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018

The Statutory Auditors’ report on the annual consolidated financial statements for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 appears in Appendix 2.

18.3 Pro forma financial information

Not applicable.

18.4 Interim financial information

The Group’s half-yearly financial statements as of 30 June 2019 prepared in accordance with IFRS appear in Appendix 4.

The statutory auditors’ report on the Group’s half-yearly financial statements as of 30 June 2019 appears in Appendix 5.

18.5 Date of the most recent financial information

30 June 2019

18.6 Dividend distribution policy

18.6.1 Dividends paid during the past three financial years

The dividends paid during the past three financial years are as follows:
- €124 million for the 2016 financial year (€620 per share);
- €130 million for the 2017 financial year (€650 per share);
- €122 million for the 2018 financial year (€610 per share).

18.6.2 Distribution policy

For the period of 2020-2025, FDJ’s objective is to distribute an amount of dividends representing 80% of its net consolidated profit, subject to approval by the annual general meeting of shareholders.

18.6.3 Limitation period

In accordance with the law, dividends not claimed within five years of their payment date are forfeited for the benefit of the French State.

18.7 Legal and arbitration procedures

The main disputes in which the Group is involved are detailed below. The Company is not aware of other governmental, judicial or arbitration procedures (including any procedure of which the Company is aware of, that is imminent or threatened), for the 12-months period preceding the date of the Registration Document, which could have or have recently had material effects on the financial situation or profitability of the Group. As of the Date of the Registration Document, when the amounts claimed against FDJ were very significant, FDJ has always been sentenced to pay much smaller amounts.

**Broker-agent litigation related to FDJ’s distribution network**

Until 2015, FDJ used an intermediate distribution network of broker-agents to market its games to the offline distribution network.

Over the past twenty years, the agreements entered into with each broker-agent have been subsequently amended, decreasing the number of sectors from over three hundred to one hundred in 2014. As a result of negotiations conducted in 2003, an amendment to the standard broker-agent agreement was signed that improved the efficiency of the distribution channel by reducing the number of geographical sectors. Seeking to continue streamlining and modernising its sales structure, FDJ entered into new negotiations with the broker-agent network in 2010 and 2011, but an agreement could not be reached.

In 2012, when the broker-agent status celebrated its 66th anniversary, FDJ offered increased contractually stipulated compensation to broker-agents, in connection with the expiration of a number of broker-agent contracts. This coincided with further modifications to its geographical sectors. The new geographical sectors resulted in the departure of 25 broker-agents out of a total 133 broker-agents.

In 2014, FDJ made the decision to restructure its distribution network and to implement its new sales policy. On 22 May 2014, it sent broker-agents a letter terminating their contracts with 18 to 30 months’ notice and the payment of a contractual indemnity.

- Individual disputes

  Following the changes in sectoring implemented in 2012, 12 legal proceedings were brought by broker-agents on an individual basis between 2012 and 2015. These brokers made claims based on FDJ’s contractual liability for non-compliance with the provisions relating to the assignment of the contracts and
their potential resumption. They demanded the payment of an indemnity in excess of the stated contractual rate. The broker-agents whose contracts were assigned also considered FDJ’s rejection of the assignees to be allegedly abusive. These disputes are currently pending before the Nanterre Commercial Court, the Court of Appeal of Versailles and the Court of Cassation (Cour de cassation).

- Collective disputes
  
  Broker-agents also brought three collective proceedings.

106 broker-agents (BA) dispute

On 16 May 2012, 106 broker-agents initiated proceedings against FDJ before the Nanterre Commercial Court seeking a ruling on the court-ordered termination of the amendment implementing the sectoring agreement negotiated in 2003. Some broker-agents withdrew from proceedings. 91 plaintiffs currently remain.

A stay was issued pending the decision to be taken in the UNDJ dispute described below.

On 11 December 2011, the French lottery distributors’ syndicate (UNDJ - Union Nationale des Diffuseurs de Jeux), the professional association representing the broker-agents’ interests, summoned FDJ to appear before the Paris Tribunal de Grande Instance seeking an order whereby the July 2003 amendment would be ruled invalid. The UNDJ claimed that the amendment created a significant imbalance between the rights and obligations of the parties and asked that FDJ be ordered to pay damages. In a judgement dated 27 March 2018, the Paris Tribunal de Grande Instance Court declared the UNDJ’s claims inadmissible and dismissed them. The UNDJ appealed against the decision. The Paris Court of Appeal declared the UNDJ’s declaration of appeal invalid in an order dated 19 December 2018.

The UNDJ proceeding was declared inadmissible due to a lack of standing by the professional association, but the 91 broker-agents may continue the proceeding before the Nanterre Commercial Court for the purpose of deciding the merits of the case.

67 broker-agents (BA) dispute

On 22 May 2014, FDJ terminated the contracts of all broker-agents on the basis of Article 7 of the 2003 amendment.

On 6 August 2015, 67 broker-agents summoned FDJ to appear before the Paris Commercial Court to challenge the termination of their contracts and to claim damages for failure to observe the notice period related to the seniority of the commercial relationship and brought an additional claim related to the value of their sector, which was valued at four times the previous year’s commissions. In a judgement dated 3 October 2016, the Court dismissed their claims in entirety.

On 23 November 2016, the broker-agents appealed against this judgement to the Paris Court of Appeal, which upheld all provisions of the judgement in a decision dated 27 March 2019. On 14 June 2019, the broker-agents filed an appeal against this decision before the Court of Cassation (Cour de cassation).

5 broker-agents (BA) dispute

On 28 June 2016, six retired broker-agents summoned FDJ to appear before the Paris Commercial Court.

The brokers claimed that by improperly terminating the contracts of all active broker-agents on 22 May 2014, FDJ made it impossible to assign the contracts of the brokers
who were retiring. Their claim for damages is valued at four times the amount of the commissions perceived in the year preceding the termination. Since one broker-agent withdrew from the proceedings, there are currently five claimants.

The dispute is currently pending before the Paris Commercial Court. The case was postponed until 5 November 2019 for the oral pleadings.

**Soficoma dispute involving FDJ share ownership**

As at the Date of the Registration Document, the share capital of FDJ is strictly closed and reserved for five categories of individuals or corporate entities, all of which are listed in the Articles of Association. This list includes partnerships or commercial companies whose capital is held exclusively by individuals or corporate entities with broker-agent status. The broker-agents purchased a 3% stake in FDJ in 1988 through Soficoma, a company which was incorporated for that purpose.

The reorganisation of its distribution network caused FDJ to notify its broker-agents on 22 May 2014 of the termination of their contracts. On 21 November 2016, the notice period for the termination of the most recent broker-agents contracts expired. As of that date, FDJ no longer had broker-agents in its network.

On 15 December 2016, the Board of Directors therefore found that Soficoma no longer met the requirements to be a shareholder of the company and decided that FDJ should buy the shares held by Soficoma at a price of €2,607.99 per share, for a total of €15,647,940 which corresponded to the price set at the most recent FDJ General Meeting held on 25 May 2016, in accordance with Article 15 of FDJ’s Articles of Association. Soficoma contested the requirement to sell its FDJ shares and rejected the sale. On 18 May 2017, FDJ registered the sale price at Caisse des Dépôts et Consignations.

In this context, on 23 May 2017, FDJ summoned Soficoma to appear before the Marseilles Commercial Court seeking a ruling that, pursuant to FDJ’s Articles of Association, Soficoma was required to sell its 6,000 FDJ shares for a total price of €15,647,940 within three months of the decision of the Board of Directors stating that Soficoma had lost its status of FDJ shareholder on the date of registration of the sale price, and authorising the transcription of the share transfer in its records.

On 10 January 2018, Soficoma summoned the French State, represented by the Agence des Participations de l’Etat, to appear as a third party in front of the Marseille Commercial Court for abuse of its voting rights and requested that the decisions of the General Meetings of 27 May 2015, 25 May 2016 and 15 June 2017 be declared null and void. Soficoma further requested the convening of a new General Meeting in order to vote on a resolution setting the value of the FDJ shares, the appointment of a proxy before the meeting for the purpose of voting at the General Meeting in lieu of the French State and the appointment of an expert before the meeting to value the shares comprising the capital of FDJ.

By decision dated 23 May 2019, the Marseille Commercial Court found that Soficoma no longer met the requirements to remain a shareholder of FDJ given the termination of the broker-agent contracts on 22 May 2014 and the expiry of the most recent notice period on 21 November 2016, declared that Soficoma was required to sell the 6,000 shares that it held to FDJ for a total price of €15,647,940 within the three-month period following the meeting of the Board of Directors on 15 December 2016, declared the undertaking to sell contained in the FDJ Articles of Association valid, found that Soficoma lost its status as an FDJ shareholder as from the date of deposit of the funds with the Caisse des Dépôts et Consignations (18 May 2017) and
authorised FDJ to transcribe in its records the transfer by Soficoma of the 6,000 shares to FDJ.

On 20 June 2019, Soficoma lodged an appeal against that decision before the Court of Appeal of Aix-en-Provence.

In the meanwhile, on 27 December 2017 Soficoma summoned FDJ to appear before the Nanterre Commercial Court seeking confirmation of its FDJ shareholder status on the day of the Annual General Meeting of 15 June 2017 and ordering to FDJ to pay it the sum of €3,720,000 corresponding to the amount of its dividends due for the 6,000 shares corresponding to its shareholding. A stay of proceedings was issued on the matter of dividends on 26 December 2018, pending the outcome of the litigation before the Marseille Commercial Court. The stay of proceedings is still in effect given that the litigation is currently pending before the Court of Appeal of Aix-en-Provence.

18.8 Significant change in financial position

Except for setting at €380 million of the financial consideration owed by FDJ to the French State as result of grant of its exclusive rights for a 25-year period, no significant changes in the Group’s financial position have occurred since 30 June 2019.
Chapter 19
Additional information concerning the share capital and provisions of the articles of association

19.1 Information about the share capital

19.1.1 Share capital

As at 31 December 2018, the Company’s share capital totalled €76,400,000, divided into 200,000 ordinary shares with a nominal value of €382 each, fully paid-up and all of the same class. The share capital has remained unchanged since then. The General Meeting to be held on 4 November 2019 has been called to decide 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.

19.1.2 Shares held by the Company or on its behalf

See section 18.7 “Legal and arbitration procedures” concerning the litigation relating to the decision of the Board of Directors to purchase the shares held by Soficoma following the implementation of the statutory exclusion clause in effect at this date.

The Ordinary and Extraordinary General Meeting to be held on 4 November 2019 has been called to authorise the Board of Directors, subject to the condition precedent of the admission to trading of the Company’s shares on the regulated market of Euronext Paris:

- to implement a buyback programme for the Company’s shares in accordance with Article L.225-209 of the French Commercial Code and the General Regulations of the Autorité des Marchés Financiers; and

- cancel the treasury shares acquired under the repurchase programme.
The main conditions of these financial authorisations are described in the table below:

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Duration</th>
<th>Possible objectives of the Company’s share repurchase programme</th>
<th>Special ceiling</th>
<th>Price or terms of price determination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorisation to trade in the Company’s shares</td>
<td>18 months</td>
<td>- Implementation of the Company’s stock option plans; - Allocation or assignment of shares to employees; - Allocation of free shares to employees or corporate directors; - Cancellation of some or all of the shares repurchased in this manner; - Delivery of shares in the context of external growth transactions, mergers, demergers or contributions; - Transactions on the secondary market or the liquidity of the Company’s shares through an investment services provider under a liquidity agreement in accordance with the Code of Ethics recognised by the Autorité des Marchés Financiers.</td>
<td>- The Company may not hold a number of shares representing more than 10% of its share capital as adjusted to the result of transactions modifying it after this meeting - The number of shares acquired for the purposes of retention or subsequent delivery in the context of a merger, demerger or contribution may not exceed 5% of the share capital - Total amount allocated to the repurchase programme: €250 million</td>
<td>Maximum purchase price per share: 150% of the share’s opening price on Euronext Paris</td>
</tr>
<tr>
<td>Reduction of the Company’s capital</td>
<td>18 months</td>
<td>Cancellation of treasury shares</td>
<td>No cancellation of more than 10% of capital per 24-month period</td>
<td></td>
</tr>
</tbody>
</table>

This resolution would be used in order to implement the employee reserved offering in the event of initial public offering transaction, as such issuance technically required FDJ to purchase shares from the French State in order to allocate them to the employees’ mutual fund (FCPE) of the group, which is the depositary of beneficiaries of the employee reserved offering.

19.1.3 Authorised unissued share capital

The table below lists the delegations of authority proposed to the Extraordinary General Meeting to be held on 4 November 2019 subject to the condition precedent of
admission of the Company’s shares to trading on the regulated market of Euronext Paris.

<table>
<thead>
<tr>
<th>N° of the resolution</th>
<th>Type of the authorization</th>
<th>Authorized amount</th>
<th>Global cap</th>
<th>Duration of the authorization</th>
</tr>
</thead>
<tbody>
<tr>
<td>16</td>
<td>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)</td>
<td>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</td>
<td>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</td>
<td>12 months</td>
</tr>
<tr>
<td>17</td>
<td>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)</td>
<td>10% of the share capital + 300M€ in nominal value of securities representing debt instruments</td>
<td>Deducted from the Global Cap of the 16th resolution</td>
<td>12 months</td>
</tr>
<tr>
<td>18</td>
<td>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)</td>
<td>10% of the share capital + 300M€ in nominal value of securities representing debt instruments</td>
<td>Deducted from the Global Cap of the resolution 16 and from cap provided for in resolution 17</td>
<td>12 months</td>
</tr>
<tr>
<td>19</td>
<td>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</td>
<td>Relating to the resolutions 17 and 18 Within the limit of 10% of the share capital of the</td>
<td>Deducted from the Global Cap of the resolution 16 and from the caps of the resolutions</td>
<td>12 months</td>
</tr>
<tr>
<td>N° of the resolution</td>
<td>Type of the authorization</td>
<td>Authorized amount</td>
<td>Global cap</td>
<td>Duration of the authorization</td>
</tr>
<tr>
<td>----------------------</td>
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</tr>
<tr>
<td>20</td>
<td>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)</td>
<td>Limit provided by the applicable regulation (or to this day 15% of the initial issuing)</td>
<td>Cap provided for in the resolution pursuant to which the issuing is decided, as well as the Global Cap set by the resolution 16</td>
<td>12 months</td>
</tr>
<tr>
<td>21</td>
<td>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)</td>
<td>Cap set at the amount that can be legally integrated</td>
<td>Not deducted from the Global Cap of resolution 16</td>
<td>12 months</td>
</tr>
<tr>
<td>22</td>
<td>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)</td>
<td>Within the limit of 10% of the share capital of the Company</td>
<td>Deducted from the Global Cap of resolution 16</td>
<td>12 months</td>
</tr>
<tr>
<td>23</td>
<td>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)</td>
<td>Within the limit of 10% of the share capital of the Company</td>
<td>Deducted from the Global Cap of the resolution 16 and from the cap of resolution 17</td>
<td>12 months</td>
</tr>
<tr>
<td>24</td>
<td>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</td>
<td>Within the limit of 0.6% of the share capital of the Company</td>
<td>N/A</td>
<td>38 months</td>
</tr>
<tr>
<td>N° of the resolution</td>
<td>Type of the authorization</td>
<td>Authorized amount</td>
<td>Global cap</td>
<td>Duration of the authorization</td>
</tr>
<tr>
<td>---------------------</td>
<td>---------------------------</td>
<td>-------------------</td>
<td>------------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>25</td>
<td>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)</td>
<td>Within the limit of 0.6% of the share capital of the Company</td>
<td>Deducted from the Global Cap of resolution 16 and from the cap of resolution 17</td>
<td>12 months</td>
</tr>
<tr>
<td>26</td>
<td>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 suppression of the preferential right to their benefit, pursuant to Articles L. 3332-18 et seq. of the French Labour Code (subject to condition precedent)</td>
<td>Within the limit of 1% of the share capital of the Company</td>
<td>Deducted from the Global Cap of resolution 16 and from the cap of resolution 17</td>
<td>12 months</td>
</tr>
</tbody>
</table>

19.1.4 Other securities giving access to the share capital

As of the Date of the Registration Document, the Company has not issued any securities giving access to the share capital other than the shares.

19.1.5 Changes in share capital

There have not been any changes in the share capital in the past five years.

19.1.6 Options on the Company’s share capital

As of the Date of the Registration Document, there are no options on the Company’s share capital.
19.1.7 Non-equity securities

The Company has not issued any non-equity securities.

19.2 Provisions of the articles of association

The following provisions will come into force on the date of transfer to the private sector of the majority of the share capital of FDJ.

19.2.1 Corporate purpose

The General Meeting to be held on 4 November 2019 has been called to adopt the corporate purpose of the Company as follows:

The purpose of the company is the design, organisation and operation of gambling games, within the framework of the laws and regulations in force providing it with the necessary authorisations in this matter. More broadly, it can pursue any entertainment activity to the public’s attention.

Its corporate purpose, in France and abroad, directly or indirectly, also consists of:

- provision of products and services in relation to the activities it operates, in particular provision of products and services through its technological assets, know-know or distribution network;

- acquisition of stakeholdings and any interests in any company whose corporate purpose relates to gambling activity or any other activity which tends to enhance its development, whether on stand-alone basis, or as association, joint-venture, company group or company, with any other persons.

It may pursue any transactions of tangible or intangible assets and any commercial or financial transactions useful for the accomplishment of the above purposes, or for any similar or related purposes, or any purpose that may facilitate the functioning or growth of the company.

19.2.2 Financial year

The Company’s financial year begins on 1 January and ends on 31 December of each year.
19.2.3 Voting rights

As of the Date of the Registration Document, one voting right is attached to each share. The General Meeting to be held on 4 November 2019 is invited to decide to confer double voting rights on each share registered for two years effective as of the date of this General Meeting.

19.2.4 Changes in share capital and voting rights

The share capital may be increased, depreciated or reduced pursuant to the conditions and means provided for in the laws and regulations in force.

19.2.5 Provisions of the Articles of Association delaying, deferring or preventing a change of control

In accordance with the Pacte Law and the Order, regardless of its stake, the French State will exercise close control over FDJ starting as from the date of transfer of the majority of FDJ’s share capital to the private sector, which will take 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 approval solely for reasons relating to the existence of certain criminal convictions or the failure to comply with the objectives mentioned in the Order); and

- 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).

19.2.6 Crossing of thresholds

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 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.

19.2.7 Identification of holders of securities

In accordance with Article L.228-2 of the French Commercial Code, subject to the condition precedent that shares be admitted to trading on the regulated market of Euronext Paris, for the purpose of identification of holders of bearer shares, the Company or its agent shall be entitled to request at any time, in return for compensation at its own expense, that either the central depository who keeps the account having issued the securities, or one or more of the intermediaries mentioned in Article L.211-3 of the French Monetary and Financial Code directly, give information concerning the owners of its shares and securities conferring immediate or future voting rights in its own shareholders’ meetings.

19.2.8 General Meetings

*Holding of general meetings (Article 24 of the Articles of Association)*

General or special meetings are convened and deliberate under the conditions provided for by law.

Meetings are held at the headquarters or at any other place specified in the notice of meeting.

By decision of the Board of Directors, the meeting can be broadcast by any videoconference or teletransmission means. This is mentioned in the notice of meeting, as the case may be.

General or special meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, a director specifically delegated for that purpose by the Board. Failing either of these, the meeting will elect its own chairman.

The meeting will appoint a bureau composed of the chairman of the meeting, two scrutineers and one secretary, who may be chosen from outside the shareholders.

The duties of the scrutineers are performed by the two members of the meeting representing the largest number of votes and, if they refuse, by those who rank after them until someone accepts.

*Participation in meetings (Article 25 of the Articles of Association)*

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.
Chapter 20
Important contracts

See:
- the convention entered into with the French State on 17 October 2019, described in section 9.1.1.1 “Overview of the new general regulatory framework” (also see Chapter 17 “Related-party transactions”).
Chapter 21
Documents available to the public

The Articles of Association, minutes of general meetings and other corporate documents of the Company, as well as historical financial information and any valuation or statement prepared by an expert at the request of the Company, to be made available to the shareholders in accordance with the regulations in force, may be consulted at the headquarters of the Company.

As from the admission of the Company’s shares to trading on the regulated market of Euronext Paris, regulated information within the meaning of the General Regulations of the Autorité des Marchés Financiers will also be available on the Company’s website (www.groupefdj.com).
## APPENDIX 1 2016, 2017 AND 2018 CONSOLIDATED FINANCIAL STATEMENTS

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(unless otherwise stated, all amounts are in millions of euros)

### 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.

The historical income statements for the years ended 31 December 2017 and 31 December 2016 are presented in accordance with the new income statement by function presentation adopted by the Group as from 1 January 2018 (see Note 2.1).

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Note</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>3.1</td>
<td>15,817.0</td>
<td>15,144.4</td>
<td>14,330.7</td>
</tr>
<tr>
<td>Player payout</td>
<td>3.1</td>
<td>(10,697.5)</td>
<td>(10,122.4)</td>
<td>(9,545.3)</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>3.1</td>
<td>5,119.6</td>
<td>5,022.1</td>
<td>4,785.4</td>
</tr>
<tr>
<td>Public levies</td>
<td>3.1</td>
<td>(3,261.8)</td>
<td>(3,235.7)</td>
<td>(3,061.6)</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>3.1</td>
<td>(83.4)</td>
<td>(59.5)</td>
<td>(63.3)</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>3.1</td>
<td>1,774.3</td>
<td>1,726.8</td>
<td>1,660.7</td>
</tr>
<tr>
<td>Revenue from other activities</td>
<td>3.1</td>
<td>28.3</td>
<td>35.2</td>
<td>35.1</td>
</tr>
<tr>
<td>Revenue</td>
<td>3.1</td>
<td>1,802.6</td>
<td>1,762.0</td>
<td>1,695.8</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>3.2.1</td>
<td>(1,100.5)</td>
<td>(1,066.9)</td>
<td>(1,041.9)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>3.2.1</td>
<td>(277.1)</td>
<td>(260.2)</td>
<td>(246.5)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>3.2.1</td>
<td>(175.1)</td>
<td>(171.0)</td>
<td>(157.9)</td>
</tr>
<tr>
<td>Other recurring operating income</td>
<td>2.1</td>
<td>2.1</td>
<td>1.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Other recurring operating expenses</td>
<td>(0.8)</td>
<td>(4.2)</td>
<td>(3.2)</td>
<td></td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td>3.2.1</td>
<td>251.1</td>
<td>261.3</td>
<td>252.4</td>
</tr>
<tr>
<td>Other operating income</td>
<td>3.2.3</td>
<td>10.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>3.2.3</td>
<td>(4.7)</td>
<td>(3.3)</td>
<td>(9.6)</td>
</tr>
<tr>
<td>Operating profit</td>
<td></td>
<td>256.7</td>
<td>258.0</td>
<td>242.8</td>
</tr>
<tr>
<td>Cost of debt</td>
<td>7.3</td>
<td>(0.9)</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Other financial income</td>
<td>7.3</td>
<td>6.3</td>
<td>10.2</td>
<td>20.2</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>7.3</td>
<td>(6.8)</td>
<td>(5.4)</td>
<td>(8.2)</td>
</tr>
<tr>
<td>Net financial income/(expense)</td>
<td>7.3</td>
<td>(1.5)</td>
<td>4.5</td>
<td>11.9</td>
</tr>
<tr>
<td>Share of net income from joint ventures</td>
<td>8</td>
<td>0.8</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Profit before tax</td>
<td></td>
<td>256.0</td>
<td>263.7</td>
<td>256.0</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>9.1</td>
<td>(85.6)</td>
<td>(82.8)</td>
<td>(80.1)</td>
</tr>
<tr>
<td>Net profit for the period</td>
<td></td>
<td>170.4</td>
<td>181.0</td>
<td>175.9</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td></td>
<td>170.4</td>
<td>180.7</td>
<td>176.0</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>0.0</td>
<td>0.3</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Basic earnings per share (in €)</td>
<td>10</td>
<td>852.01</td>
<td>903.66</td>
<td>880.20</td>
</tr>
<tr>
<td>Diluted earnings per share (in €)</td>
<td>10</td>
<td>852.01</td>
<td>903.66</td>
<td>880.20</td>
</tr>
</tbody>
</table>
Consolidated statement of comprehensive income

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>170.4</td>
<td>181.0</td>
<td>175.9</td>
</tr>
<tr>
<td>Change in available-for-sale assets</td>
<td></td>
<td>0.5</td>
<td>(4.2)</td>
</tr>
<tr>
<td>Taxes related to the change in available-for-sale assets</td>
<td></td>
<td>(0.2)</td>
<td>1.5</td>
</tr>
<tr>
<td>Cash flow hedging</td>
<td></td>
<td>0.3</td>
<td></td>
</tr>
<tr>
<td>Taxes related to cash flow hedging</td>
<td></td>
<td>(0.2)</td>
<td></td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td></td>
<td>(0.1)</td>
<td>(0.9)</td>
</tr>
<tr>
<td><strong>Items that may subsequently be recycled to profit</strong></td>
<td>0.0</td>
<td>(0.6)</td>
<td>(3.1)</td>
</tr>
<tr>
<td>Actuarial gains and losses</td>
<td>4.6</td>
<td>3.3</td>
<td>2.9</td>
</tr>
<tr>
<td>Taxes related to actuarial gains and losses through other comprehensive income</td>
<td>(1.2)</td>
<td>(1.1)</td>
<td>(1.6)</td>
</tr>
<tr>
<td><strong>Items that may not subsequently be recycled to profit</strong></td>
<td>3.3</td>
<td>2.2</td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Other comprehensive income/(expense)</strong></td>
<td>3.3</td>
<td>1.6</td>
<td>(1.9)</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>173.7</td>
<td>182.6</td>
<td>174.0</td>
</tr>
</tbody>
</table>

Attributable to:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners of the parent</td>
<td>173.7</td>
<td>182.3</td>
<td>174.1</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>0.3</td>
<td>(0.1)</td>
<td></td>
</tr>
</tbody>
</table>

IFRS 9 removed the concept of held-for-sale financial assets as of 1 January 2018.
## Consolidated statement of financial position

### In € millions

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intangible assets</td>
<td>5.1</td>
<td>104.8</td>
<td>96.4</td>
<td>87.2</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>5.2</td>
<td>378.8</td>
<td>373.1</td>
<td>349.4</td>
</tr>
<tr>
<td>Non-current financial assets</td>
<td>7.1</td>
<td>780.6</td>
<td>770.2</td>
<td>708.8</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>8</td>
<td>12.8</td>
<td>12.7</td>
<td>12.9</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td><strong>1,277.0</strong></td>
<td><strong>1,252.4</strong></td>
<td><strong>1,158.3</strong></td>
</tr>
<tr>
<td>Inventories</td>
<td>3.8</td>
<td>8.7</td>
<td>10.5</td>
<td>10.6</td>
</tr>
<tr>
<td>Trade and distribution network receivables</td>
<td>3.5.1</td>
<td>411.5</td>
<td>373.5</td>
<td>336.4</td>
</tr>
<tr>
<td>Other current assets</td>
<td>3.4.2</td>
<td>268.3</td>
<td>187.2</td>
<td>222.4</td>
</tr>
<tr>
<td>Tax payable assets</td>
<td>9.2</td>
<td>18.6</td>
<td>9.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Current financial assets</td>
<td>7.1</td>
<td>55.8</td>
<td>50.2</td>
<td>75.2</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>7.2</td>
<td>167.2</td>
<td>165.8</td>
<td>199.6</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td><strong>930.2</strong></td>
<td><strong>796.7</strong></td>
<td><strong>854.0</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td><strong>2,207.2</strong></td>
<td><strong>2,049.2</strong></td>
<td><strong>2,012.3</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th>Note</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>11.1</td>
<td>76.4</td>
<td>76.4</td>
<td>76.4</td>
</tr>
<tr>
<td>Reserves and retained earnings</td>
<td>11.2</td>
<td>314.8</td>
<td>254.8</td>
<td>200.8</td>
</tr>
<tr>
<td>Other reserves</td>
<td>11.2</td>
<td>0.2</td>
<td>5.6</td>
<td>5.3</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>11.2</td>
<td>2.1</td>
<td>2.2</td>
<td>3.1</td>
</tr>
<tr>
<td>Net profit attributable to owners of the parent</td>
<td>11.2</td>
<td>170.4</td>
<td>180.7</td>
<td>176.0</td>
</tr>
<tr>
<td><strong>Equity attributable to owners of the parent</strong></td>
<td></td>
<td><strong>563.9</strong></td>
<td><strong>519.8</strong></td>
<td><strong>461.7</strong></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>0.0</td>
<td>0.4</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td></td>
<td><strong>563.9</strong></td>
<td><strong>520.2</strong></td>
<td><strong>461.8</strong></td>
</tr>
<tr>
<td>Provisions for pensions and other employee benefits</td>
<td>4.3</td>
<td>45.6</td>
<td>47.2</td>
<td>47.0</td>
</tr>
<tr>
<td>Non-current provisions</td>
<td>6</td>
<td>37.6</td>
<td>36.7</td>
<td>36.7</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>9.2</td>
<td>19.2</td>
<td>17.5</td>
<td>17.2</td>
</tr>
<tr>
<td>Non-current player funds</td>
<td>3.4</td>
<td>108.7</td>
<td>129.9</td>
<td>134.7</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>7.1</td>
<td>96.1</td>
<td>104.1</td>
<td>112.1</td>
</tr>
<tr>
<td><strong>Non-current liabilities</strong></td>
<td></td>
<td><strong>307.2</strong></td>
<td><strong>335.4</strong></td>
<td><strong>347.7</strong></td>
</tr>
<tr>
<td>Current provisions</td>
<td>6</td>
<td>24.9</td>
<td>30.9</td>
<td>35.6</td>
</tr>
<tr>
<td>Trade and distribution network payables</td>
<td>3.6.1</td>
<td>369.3</td>
<td>324.0</td>
<td>295.9</td>
</tr>
<tr>
<td>Tax payable liabilities</td>
<td>9.2</td>
<td>1.3</td>
<td>0.9</td>
<td>0.9</td>
</tr>
<tr>
<td>Current player funds</td>
<td>3.4</td>
<td>213.8</td>
<td>187.3</td>
<td>167.9</td>
</tr>
<tr>
<td>Public levies</td>
<td>3.6.2</td>
<td>357.2</td>
<td>265.9</td>
<td>289.8</td>
</tr>
<tr>
<td>Winnings payable and distributable</td>
<td>3.6.3</td>
<td>171.7</td>
<td>196.4</td>
<td>175.1</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>3.6.4</td>
<td>155.9</td>
<td>135.8</td>
<td>114.0</td>
</tr>
<tr>
<td>Current financial liabilities</td>
<td>7.1</td>
<td>41.8</td>
<td>52.5</td>
<td>123.7</td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td><strong>1,336.0</strong></td>
<td><strong>1,193.6</strong></td>
<td><strong>1,202.8</strong></td>
</tr>
<tr>
<td><strong>TOTAL EQUITY AND LIABILITIES</strong></td>
<td></td>
<td><strong>2,207.2</strong></td>
<td><strong>2,049.2</strong></td>
<td><strong>2,012.3</strong></td>
</tr>
</tbody>
</table>
# Consolidated statement of cash flows

<table>
<thead>
<tr>
<th>in € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net consolidated profit for the period</td>
<td>170.4</td>
<td>181.0</td>
<td>175.9</td>
</tr>
<tr>
<td>Change in depreciation, amortisation and impairment of non-current assets</td>
<td>64.5</td>
<td>55.2</td>
<td>47.9</td>
</tr>
<tr>
<td>Change in provisions (a)</td>
<td>6.3</td>
<td>8.4</td>
<td>19.0</td>
</tr>
<tr>
<td>Disposal gains or losses</td>
<td>(9.5)</td>
<td>2.5</td>
<td>1.4</td>
</tr>
<tr>
<td>Income tax expense (b)</td>
<td>85.6</td>
<td>82.8</td>
<td>80.1</td>
</tr>
<tr>
<td>Net financial (income)/expense</td>
<td>1.5</td>
<td>(4.5)</td>
<td>(11.9)</td>
</tr>
<tr>
<td>Interest received</td>
<td>2.9</td>
<td>8.2</td>
<td>21.7</td>
</tr>
<tr>
<td>Share of net income from joint ventures</td>
<td>(0.8)</td>
<td>(1.2)</td>
<td>(1.3)</td>
</tr>
<tr>
<td>Non-cash items</td>
<td>150.5</td>
<td>151.4</td>
<td>156.8</td>
</tr>
<tr>
<td>Use of provisions – payments (a)</td>
<td>(8.7)</td>
<td>(10.1)</td>
<td>(130.6)</td>
</tr>
<tr>
<td>Income taxes paid (b)</td>
<td>(92.9)</td>
<td>(83.6)</td>
<td>(87.4)</td>
</tr>
<tr>
<td>Change in trade receivables and other current assets</td>
<td>(120.1)</td>
<td>0.5</td>
<td>(174.5)</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>14.7</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Change in trade payables and other current liabilities (c)</td>
<td>145.9</td>
<td>55.4</td>
<td>(13.7)</td>
</tr>
<tr>
<td>Change in other components of working capital</td>
<td>(1.4)</td>
<td>(2.8)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Change in operating working capital</td>
<td>25.8</td>
<td>53.2</td>
<td>(193.1)</td>
</tr>
<tr>
<td><strong>Net cash flow from/(used in) operating activities (d)</strong></td>
<td>245.1</td>
<td>291.9</td>
<td>(78.4)</td>
</tr>
<tr>
<td><strong>INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Acquisitions of property, plant and equipment and intangible assets (c)</td>
<td>(92.9)</td>
<td>(88.6)</td>
<td>(265.7)</td>
</tr>
<tr>
<td>Acquisitions of investments</td>
<td>0.0</td>
<td>(15.6)</td>
<td>0.0</td>
</tr>
<tr>
<td>Disposal of property, plant and equipment and intangible assets</td>
<td>14.7</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Change in current and non-current financial assets (d)</td>
<td>(18.1)</td>
<td>(34.6)</td>
<td>32.8</td>
</tr>
<tr>
<td>Disposals of other financial assets</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Change in loans and advances granted</td>
<td>(3.6)</td>
<td>(0.8)</td>
<td>(2.3)</td>
</tr>
<tr>
<td>Dividends received from joint ventures</td>
<td>0.7</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Other</td>
<td>(0.2)</td>
<td>(0.2)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Net cash flow used in investing activities</strong></td>
<td>(99.4)</td>
<td>(138.7)</td>
<td>(234.1)</td>
</tr>
<tr>
<td><strong>FINANCING ACTIVITIES (e)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Issue of long-term debt</td>
<td>0.0</td>
<td>0.0</td>
<td>120.0</td>
</tr>
<tr>
<td>Repayment of the current portion of long-term debt</td>
<td>(8.0)</td>
<td>(8.0)</td>
<td>0.0</td>
</tr>
<tr>
<td>Dividends paid to ordinary shareholders of the parent company</td>
<td>(126.1)</td>
<td>(120.3)</td>
<td>(229.2)</td>
</tr>
<tr>
<td>Interest paid</td>
<td>(0.4)</td>
<td>(0.2)</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.0</td>
<td>0.1</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Net cash flow used in financing activities</strong></td>
<td>(134.5)</td>
<td>(128.5)</td>
<td>(109.1)</td>
</tr>
<tr>
<td>Impact of exchange rate changes</td>
<td>0.5</td>
<td>0.1</td>
<td>0.6</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in net cash (e)</strong></td>
<td>11.7</td>
<td>24.8</td>
<td>(421.0)</td>
</tr>
<tr>
<td>Cash and cash equivalents as at 1 January</td>
<td>165.8</td>
<td>199.6</td>
<td>562.5</td>
</tr>
<tr>
<td>Cash and cash equivalents as at 31 December</td>
<td>167.2</td>
<td>165.8</td>
<td>199.6</td>
</tr>
<tr>
<td>Current bank overdrafts as at 1 January</td>
<td>(17.5)</td>
<td>(76.1)</td>
<td>(18.0)</td>
</tr>
<tr>
<td>Current bank overdrafts as at 31 December</td>
<td>(7.2)</td>
<td>(17.5)</td>
<td>(76.1)</td>
</tr>
<tr>
<td><strong>Increase/(decrease) in net cash</strong></td>
<td>11.7</td>
<td>24.8</td>
<td>(421.0)</td>
</tr>
</tbody>
</table>

(a) the portion paid out of provisions is now presented on a separate line in cash flow from operating activities

(b) the paid portion of taxes is now presented on a separate line in cash flow from operating activities

(c) cash flows related to investment advances are now presented in investment activities

(d) the change in current and non-current financial assets is now included in net cash flow used in investing activities

(e) net cash now includes current bank overdrafts

this change in presentation applies to the years 2018, 2017 and 2016.
Investments net of corresponding payables and advances stood at €92.9 million in 2018 (€88.6 million in 2017 and €265.7 million in 2016), of which:
- investments in intangible assets of €31.6 million in 2018 (€31.5 million in 2017 and €29.9 million in 2016), covering developments to live and back-office information systems, as well as points of sale terminals;
- investments in property, plant and equipment of €54.6 million in 2018 (€55.5 million in 2017 and €234.1 million in 2016) relating to the headquarters (2016), its fixtures and fittings (2018, 2017 and 2016) and point of sale equipment (2018, 2017 and 2016); and
- changes in the corresponding payables and advances (€6.6 million in 2018, €1.6 million in 2017 and €1.7 million in 2016).

The gains on disposals of non-current assets of €14.7 million in 2018 mainly stem from the disposal of the Moussy-le-Vieux site.

The positive €25.8 million and €53.2 million change in operating working capital in 2018 and 2017, respectively, relates mainly to the distribution network (see Notes 3.5.1 and 3.6).

The negative €193.1 million change in operating working capital in 2016 is attributable mainly to:
- an increase in tax payments; and
- an increase in the advance payment to the permanent fund surplus. An advance payment is made to the permanent fund surplus; it amounted to €170 million at the end of 2016, compared with €35 million at the end of 2015. This increase in the advance payment followed the change in the ceiling of the permanent fund, which was reduced from 1% to 0.5% of stakes between 2016 and 2015 (see Note 3.4 “Player funds”).

In 2017, the Group initiated the annual repayment of €8 million on the original long-term debt of €120 million, subscribed in 2016 in order to partially finance the acquisition of the headquarters.

### Consolidated statement of changes in equity

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Share capital</th>
<th>Reserves and retained earnings</th>
<th>Other reserves (transferable equity)</th>
<th>Currency translation differences</th>
<th>Net profit/(loss) attributable to owners of the parent</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Equity as at 31 December 2015</strong></td>
<td>76.4</td>
<td>309.2</td>
<td>7.6</td>
<td>3.1</td>
<td>159.1</td>
<td>556.0</td>
<td>0.3</td>
<td>556.3</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>176.0</td>
<td>176.0</td>
<td>(0.1)</td>
<td>175.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income/(expense) for the period</td>
<td>0.0</td>
<td>1.2</td>
<td>(0.2)</td>
<td>0.0</td>
<td>1.2</td>
<td>(0.2)</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Equity as at 31 December 2016</strong></td>
<td>76.4</td>
<td>310.4</td>
<td>7.6</td>
<td>3.1</td>
<td>159.1</td>
<td>557.2</td>
<td>0.2</td>
<td>557.8</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>180.7</td>
<td>180.7</td>
<td>0.3</td>
<td>181.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td>(0.9)</td>
<td>(0.9)</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income/(expense)</td>
<td>2.2</td>
<td>0.3</td>
<td>2.5</td>
<td>2.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive income/(expense) for the period</strong></td>
<td>0.0</td>
<td>2.5</td>
<td>0.3</td>
<td>2.8</td>
<td>183.2</td>
<td>183.2</td>
<td>0.3</td>
<td>183.5</td>
</tr>
<tr>
<td>Appropriation of 2016 profit/(loss)</td>
<td>176.0</td>
<td>176.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016 dividends paid</td>
<td>(229.2)</td>
<td>(229.2)</td>
<td>(229.2)</td>
<td>(229.2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity as at 31 December 2017</strong></td>
<td>76.4</td>
<td>251.8</td>
<td>5.3</td>
<td>3.1</td>
<td>159.1</td>
<td>519.8</td>
<td>0.4</td>
<td>520.2</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>170.4</td>
<td>170.4</td>
<td>0.0</td>
<td>170.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other comprehensive income/(expense)</td>
<td>3.5</td>
<td>0.1</td>
<td>3.5</td>
<td>3.5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total comprehensive income/(expense) for the period</strong></td>
<td>0.0</td>
<td>3.5</td>
<td>0.1</td>
<td>0.1</td>
<td>170.4</td>
<td>170.4</td>
<td>0.0</td>
<td>170.7</td>
</tr>
<tr>
<td>Appropriation of 2017 profit/(loss)</td>
<td>180.7</td>
<td>180.7</td>
<td>0.0</td>
<td>180.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 dividends paid</td>
<td>(130.0)</td>
<td>(130.0)</td>
<td>(130.0)</td>
<td>(130.0)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Equity as at 31 December 2018</strong></td>
<td>76.4</td>
<td>314.8</td>
<td>0.2</td>
<td>2.1</td>
<td>170.4</td>
<td>563.9</td>
<td>0.0</td>
<td>563.9</td>
</tr>
</tbody>
</table>
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.

Income and expenses recognised directly in equity consist primarily of changes in the fair value of financial assets (2016 and 2017) and actuarial gains and losses on pension obligations (2016, 2017 and 2018). Non-transferable equity (actuarial gains and losses net of deferred taxes), included in reserves and retained earnings, amounted to a negative €4.4 million, a negative €8.1 million, a negative €7.4 million and a negative €9.4 million as at 31 December 2018, 2017, 2016 and 2015, respectively.

Additional notes

1. Overview of the Group

1.1. General information

FDJ is a semi-public limited liability company incorporated under French law and 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. It is 72% held by the French State.

The consolidated financial statements for the years ended 31 December 2018, 2017 and 2016 reflect the financial position of FDJ 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 2018, the Group, which comprises 14 consolidated entities (13 consolidated entities as at 31 December 2017 and 31 December 2016), is a gaming operator in France, mainland France and French overseas departments, four French overseas territories and Monaco. It is present internationally through shareholdings in the following companies:

- Beijing Zhongcai Printing (BZP), a lottery ticket printer located in China;
- SLE (Services aux Loteries en Europe), the Belgian cooperative company created as part of the Euromillions lottery to provide draw services and administration for the participating lotteries;
- LEIA (Lotteries Entertainment Innovation Alliance AS), a Norwegian company that operates a digital gaming platform, included in the scope of consolidation from October 2018; and
- FGS UK (formerly named LVS), a British company that notably acts as a technology developer for the Group’s sports betting.

1.2. Regulatory environment 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 advisory body for 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 anti-money laundering action plans are thus subject to the approval of the minister in charge of the budget and to the prior opinion of the COJEX.

Lastly, FDJ’s online sports betting activities are operated in open competition under a license that was issued in June 2010 by the French online gambling regulator (Autorité de Régulation des Jeux En Ligne – ARJEL). This license was renewed in June 2015 for a period of five years.

1.3. Highlights of the years ended 31 December 2018, 2017 and 2016

In 2018:
- Financial year 2018 was marked by parliamentary debates on Law no. 2019-486 of 22 May 2019 relating to the growth and transformation of companies, which includes a certain number of provisions relating to gaming and betting activities over which FDJ has exclusive rights. Article 137 of the new law authorises the French government to proceed by decree with the transfer of the majority of the share capital of FDJ to the private sector, while keeping the Company under the strict control of the French State, allowing the latter to continue to prevent excessive play, protect vulnerable people (notably minors) and combat fraud and money laundering. Article 138 of the same law changes the tax regime applicable to lottery games, as well as to sports betting marketed in both the offline and online distribution networks. One of the key changes made by these provisions is a change in the base on which public levies from its gaming and betting activities are assessed, which will be gross gaming and betting revenue from 1 January 2020, as opposed to stakes, as will be the case until that date.
- A new, game-modulated model for distributors’ commission complementing the existing system (5% of network stakes and an additional 0.2% commission related to responsible gaming objectives) will be implemented over two years in 2018 and 2019. By 2019, the entire system will allow an increase in the average distributors’ commission by 0.2 points, with the impact of the end of rents adding an extra 0.1 points. Since 1 January 2018, point of sale equipment has been made available free of charge to distributors (it was previously rented to them, representing €13 million in revenue for FDJ in 2017 and €14 million in 2016).
- The new headquarters in Boulogne-Billancourt, as well as in Villepinte (following the disposal of the site at Moussy-le-Vieux), opened in June 2018.

On 11 December 2017, the Group signed the pre-sale agreement on the Moussy-le-Vieux site for €15 million. The sale became effective in 2018.

In 2016, the Group acquired its new headquarters for €207 million. The acquisition was funded in part by a €120 million long-term debt subscribed on 22 November 2016. This fixed-rate loan matures on 20 December 2031, and is repayable in an annual amount of €8 million, paid in two instalments on 20 June and 20 December of each year starting in 2017.
2. Accounting principles and framework

2.1. Basis for preparation of the financial statements

These consolidated financial statements for the years ended 31 December 2018, 2017 and 2016 have been prepared in view of the planned public offering and listing of the Company’s shares on the regulated market of Euronext Paris. They have been prepared specifically for the purpose of the Registration Document submitted for approval by the AMF. They have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and interpreted by the IFRS Interpretations Committee (IFRIC) and the Standard Interpretations Committee (SIC) as at 31 December 2018.

This three-year set of consolidated financial statements is not a substitute for the historical statutory consolidated financial statements for each of the years ended 31 December 2018, 2017 and 2016, as approved by the Board of Directors on 28 February 2019, 24 May 2018 and 15 March 2017 respectively.

Events occurring after the Board of Directors meetings approving the statutory financial statements for the years ended 31 December 2018, 2017 and 2016 are not reflected in the financial statements as presented. This three-year set of consolidated financial statements was approved by the Board of Directors on 9 September 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.

They also include two additional notes:
- Note 3.3 on segment reporting; and
- Note 10 on earnings per share.

In addition, as of 1 January 2018, in order to improve the monitoring of the Group’s performance and the analysis of its components, the Group has opted to present its consolidated income statement by function: recurring operating expenses are broken down into “cost of sales”, “marketing and communication expenses” and “general and administrative expenses”, “other operating income” and “other operating expenses”, which are monitoring indicators for the Group. This does not substantially change net gaming income, revenue, recurring operating profit or operating profit. The 2017 and 2016 financial statements are presented in the new format.

Previously, the Group published an income statement by category. Amounts by type of depreciation, amortisation and provisions and employee expenses are shown in the cash flow statement (“Change in depreciation, amortisation and impairment of non-current assets”) and in Note 4.2 respectively.
<table>
<thead>
<tr>
<th>In € millions</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>15,144.4</td>
</tr>
<tr>
<td>Player payout</td>
<td>(10,122.4)</td>
</tr>
<tr>
<td><strong>Gross gaming revenue</strong></td>
<td>5,022.1</td>
</tr>
<tr>
<td>Public levies</td>
<td>(3,235.7)</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>(59.5)</td>
</tr>
<tr>
<td><strong>Revenue from gaming activities</strong></td>
<td>1,726.8</td>
</tr>
<tr>
<td><strong>Revenue from other activities</strong></td>
<td>34.9</td>
</tr>
<tr>
<td><strong>Revenue from ordinary activities</strong></td>
<td>1,761.8</td>
</tr>
<tr>
<td>External purchases and expenses</td>
<td>(1,194.9)</td>
</tr>
<tr>
<td><strong>Taxes and duties</strong></td>
<td>(23.6)</td>
</tr>
<tr>
<td><strong>Personnel costs</strong></td>
<td>(213.1)</td>
</tr>
<tr>
<td><strong>Depreciation, amortisation and provisions</strong></td>
<td>(57.3)</td>
</tr>
<tr>
<td>Other recurring operating income and expenses</td>
<td>(12.2)</td>
</tr>
<tr>
<td><strong>Recurring operating profit</strong></td>
<td>260.7</td>
</tr>
<tr>
<td><strong>Other net operating expenses</strong></td>
<td>(2.8)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>257.9</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td>(6.5)</td>
</tr>
<tr>
<td><strong>Net financial income</strong></td>
<td>4.5</td>
</tr>
<tr>
<td><strong>Share of net income from joint ventures</strong></td>
<td>1.2</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>263.5</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(82.6)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>181.0</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>0.3</td>
</tr>
<tr>
<td>owners of the parent</td>
<td>180.7</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>14,330.7</td>
</tr>
<tr>
<td>Player payout</td>
<td>(9,545.3)</td>
</tr>
<tr>
<td><strong>Gross gaming revenue</strong></td>
<td>4,785.4</td>
</tr>
<tr>
<td>Public levies</td>
<td>(3,061.6)</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>(63.3)</td>
</tr>
<tr>
<td>Miscellaneous revenue</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Revenue from gaming activities</strong></td>
<td>1,660.7</td>
</tr>
<tr>
<td><strong>Revenue from other activities</strong></td>
<td>35.6</td>
</tr>
<tr>
<td><strong>Revenue from ordinary activities</strong></td>
<td>1,696.3</td>
</tr>
<tr>
<td>External purchases and expenses</td>
<td>(1,164.8)</td>
</tr>
<tr>
<td><strong>Taxes and duties</strong></td>
<td>(20.1)</td>
</tr>
<tr>
<td><strong>Personnel costs</strong></td>
<td>(196.8)</td>
</tr>
<tr>
<td><strong>Depreciation, amortisation and provisions</strong></td>
<td>(53.8)</td>
</tr>
<tr>
<td>Other recurring operating income and expenses</td>
<td>(8.6)</td>
</tr>
<tr>
<td><strong>Recurring operating profit</strong></td>
<td>252.3</td>
</tr>
<tr>
<td><strong>Other net operating expenses</strong></td>
<td>(9.7)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>242.6</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(1,041.9)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>(246.5)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(157.9)</td>
</tr>
<tr>
<td>Other recurring operating income</td>
<td>6.2</td>
</tr>
<tr>
<td>Other recurring operating expenses</td>
<td>(3.2)</td>
</tr>
<tr>
<td><strong>Recurring operating profit</strong></td>
<td>252.3</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td>(9.6)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>242.8</td>
</tr>
<tr>
<td><strong>Cost of debt</strong></td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Other financial income</strong></td>
<td>20.2</td>
</tr>
<tr>
<td><strong>Other financial expenses</strong></td>
<td>(8.2)</td>
</tr>
<tr>
<td><strong>Net financial income</strong></td>
<td>11.6</td>
</tr>
<tr>
<td><strong>Share of net income from joint ventures</strong></td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td>256.0</td>
</tr>
<tr>
<td><strong>Income tax expense</strong></td>
<td>(80.1)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>175.9</td>
</tr>
<tr>
<td><strong>Attributable to:</strong></td>
<td></td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>(0.1)</td>
</tr>
<tr>
<td>owners of the parent</td>
<td>176.0</td>
</tr>
</tbody>
</table>
The accounting principles and methods used to prepare the consolidated financial statements for the year ended 31 December 2018 are identical to those used by the Group to prepare the consolidated financial statements for the years ended 31 December 2017 and 31 December 2016, with the exception of IFRS 9 and IFRS 15, applicable from 1 January 2018 and described in Note 2.1.1.

The accounting principles and methods used to prepare the consolidated financial statements for the year ended 31 December 2017 are identical to those used by the Group to prepare the consolidated financial statements for the financial year ended 31 December 2016, with the exception of the amendments and interpretations applicable from 1 January 2017 and described in Note 2.1.2.

2.1.1.  Mandatory standards, interpretations and amendments as at 1 January 2018

As of 1 January 2018, the Group has applied IFRS 9 “Financial Instruments”, with the exception of hedging transactions (IAS 39 maintained), and IFRS 15 “Revenue from Contracts with Customers”.

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

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

The Group had not opted for the early adoption of any standards or interpretations as at 31 December 2018.

2.1.2.  Mandatory standards, interpretations and amendments as at 1 January 2017

The following amendments and interpretations, approved by the European Union and applicable for the first time to reporting periods beginning on or after 1 January 2017, either did not have a material impact on the Group’s financial statements or were not applicable to the Group, with the exception of the disclosure initiative:

- IAS 7 “Statement of Cash Flows”; and
- IFRS 12 “Disclosure of Interests in Other Entities” (adoption by the EU of the 2014-2016 cycle planned for 2017).

2.1.3.  Texts adopted by the European Union and not applied in advance by the Group

The Group had not opted for the early adoption of any standards or interpretations as at 31 December 2018, 31 December 2017 or 31 December 2016.

IFRS 16 “Leases”, applicable to reporting periods beginning on or after 1 January 2019, requires lessees to recognise a liability for the present value of future lease payments and a corresponding right-of-use asset.

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

On this basis, the amount of rights-of-use assets as at 1 January 2019, corresponding to the amount of lease liabilities, is estimated at between €30 million and €35 million. The underlying assets correspond to property assets in most cases.

The difference between the performance commitments on property and vehicle leases of €37 million (Note 5.2.2) and the estimated value of the rights-of-use assets corresponds mainly to
the low-value leases excluded from the rights-of-use assets recorded on the balance sheet, in line with the exemptions provided by the standard.

IFRIC 23 “Uncertainty over Income Tax Treatments”, applicable to reporting periods beginning on or after 1 January 2019, has no impact on the Group’s financial statements.

2.1.4. Texts not yet adopted by the European Union

✓ Annual Improvements to IFRS Standards 2015-2017 Cycle, applicable on 1 January 2019
✓ Amendments to IAS 28, applicable on 1 January 2019
✓ Amendments to IAS 19, applicable on 1 January 2019

These texts are currently being analysed. At this stage, the Group does not anticipate a material impact.

2.2. First-time application of IFRS 9 and IFRS 15

2.2.1. IFRS 9

2.2.1.1. Accounting principles

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

▪ amortised cost;
▪ fair value through profit or loss; and
▪ 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.

At initial recognition, financial assets are measured:

▪ at fair value, for financial assets measured at fair value through profit or loss; and
▪ at nominal value for receivables, taking into account payment due dates.

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 whose 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.

2.2.1.2. Impact of the first-time application

The first-time application of IFRS 9 had no significant impact on the amount of shareholders’ equity or on the Group’s consolidated statement of financial position as at 1 January 2018.

The only impacts are related to the classification of financial assets:

▪ reclassification of non-current available-for-sale financial assets for €717 million:

- Reclassification of term deposits in the amount of €712 million from the available-for-sale category to the amortised cost category including €593 million of non-current financial assets, €50 million of current financial assets and €69 million within cash and cash equivalents.

The Group’s objective for the term deposits is to collect the principal and interest, which represent all the contractual cash flows. The impact on the value of these instruments between 31 December 2017 and 1 January 2018 is negligible, given their short-term characteristics.
- Reclassification of investment securities in the amount of 5 million from the available-for-sale category to the fair value through profit or loss category (see below).

  ▪ reclassification of investment securities from the available-for-sale category to the fair value through profit or loss category for €190 million.

- €146 million of non-current financial assets:

  ▪ €124 million to “non-current financial assets at fair value through profit or loss”, including €5 million of investment securities (see above);
  ▪ €22 million to “other non-current financial assets”;

- €44 million within cash and cash equivalents.

The Group’s objective for these instruments is to collect the cash flows, both contractual and related to disposal; collected cash flows are not only repayments of the principal and interest. This reclassification had no impact on the value of these instruments, measured at fair value under IAS 39 as under IFRS 9; the corresponding items included in other comprehensive income have been reclassified to consolidated reserves in the amount of €9 million before the tax effect (€6 million net).

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2017</th>
<th>Reclassifications</th>
<th>1 January 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>716.7</td>
<td>(716.7)</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>a</td>
<td>593.0</td>
<td>593.0</td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>b</td>
<td>21.0</td>
<td>123.7</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>c</td>
<td>32.6</td>
<td>32.6</td>
</tr>
<tr>
<td><strong>Total non-current financial assets</strong></td>
<td><strong>770.2</strong></td>
<td><strong>770.2</strong></td>
<td></td>
</tr>
<tr>
<td>Current available-for-sale financial assets</td>
<td>50.0</td>
<td>(50.0)</td>
<td></td>
</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>d</td>
<td>(0.0)</td>
<td>50.0</td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to third parties</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total current financial assets</strong></td>
<td><strong>50.2</strong></td>
<td><strong>50.2</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>820.5</strong></td>
<td><strong>820.5</strong></td>
<td></td>
</tr>
<tr>
<td>Long-term debt</td>
<td>104.1</td>
<td>104.1</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current financial liabilities</strong></td>
<td><strong>104.1</strong></td>
<td><strong>104.1</strong></td>
<td></td>
</tr>
<tr>
<td>Current debt</td>
<td>7.5</td>
<td>7.5</td>
<td></td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.2</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>44.9</td>
<td>44.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total current financial liabilities</strong></td>
<td><strong>52.5</strong></td>
<td><strong>52.5</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>156.6</strong></td>
<td><strong>156.6</strong></td>
<td></td>
</tr>
</tbody>
</table>

(a) Reclassification of term deposits related to the change in category from available-for-sale (IAS 39) to amortised cost (IFRS 9)

(b) Reclassification of mutual funds from available-for-sale (IAS 39) to fair value through profit or loss (IFRS 9)

(c) The EuroMillions security deposit is now presented in other non-current financial assets in the consolidated balance sheet

(d) Reclassification of term deposits related to the change in category from available-for-sale (IAS 39) to amortised cost (IFRS 9)
The application of an impairment model based on expected credit losses required by IFRS 9 is applicable to two types of the Group’s financial assets:

- trade receivables; and
- term deposits.

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

Credit risk on term deposits, measured at amortised cost, is not considered material, given the low probability of default by the issuers and their ability to fulfil their obligations within 12 months.

2.2.2. IFRS 15

2.2.2.1. Accounting principles

See Note 3.1

2.2.2.2. Impact of first-time application

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

This new standard does not change the way in which the Group recognises its revenue and had no impact either on the Group’s equity as at 1 January 2016 or on the consolidated statement of financial position or the income statement for 2017 and 2016.

The entry into force of IFRS 15 led the Group to update its explanations of its revenue accounting principles.

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

- the notion of revenue remains FDJ SA’s remuneration, which is largely comprised of the income from its activities as an operator of lottery games and sports betting. However, on this occasion, FDJ modified certain items on its income statement (2018 and 2017), replacing “revenue from gaming activities” (RGA) with “net gaming revenue” (NGR), which is the revenue from its activity as a gaming operator, and replacing “revenue from ordinary activities” (ROA) with “revenue”, including NGR and the income from the Group’s other activities;
- the analysis of performance obligations towards players showed no change in the pattern of revenue recognition as described in the accounting principles.

2.3. 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 on a going concern basis in accordance with the independence of financial years. They have been prepared on a historical cost basis, with the exception of financial assets and liabilities (see Notes 3.4, 3.5, 3.6, 7.1 and 7.2 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.

2.3.1. **Consolidation**

The consolidated financial statements for the years ended 31 December 2018, 2017 and 2016 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 direct 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.

2.3.2. **Conversion**

The consolidated financial statements are presented in millions of euros, unless otherwise stated.

Transactions denominated in foreign currency are converted at the prevailing exchange rate at the time of the transaction. Receivables and payables denominated in foreign currency are converted 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 converted 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 for 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 for the year during which the business is sold.

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

- property, plant and equipment and intangible assets (useful life and recoverable amount) (see Notes 5.1 and 5.2); and
- financial assets (fair value of assets not listed on capital markets) – (see Notes 7.1 and 7.2.)

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

3. Operating data

3.1. Net gaming revenue and revenue

Stakes are distributed between the players, the hedging of counterparty risk when applicable, public finances and FDJ.

Share returned to winners
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 as amended, signed by the minister in charge of the budget. It varies depending on the game:

- for draw games, it is between 50% and 70%;
- for instant games, it is between 50% and 70% on average;
- for offline sports betting, it is a maximum of 76% over the year; and
- for online sports betting, it is a maximum of 85% over the year.

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 intended for the General State Budget are governed by Article 88 of Law no. 2012-1510 of 29 December 2012 amending the 2012 budget.

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 Decree no. 96-50 dated 24 January 1996. In 2018, 2017 and 2016, 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**: deduction defined by Articles L.136-7-1 and L.136-8 of the French Social Security Code. The rate of CSG is calculated by applying a rate of 8.6% (6.9% in 2017 and 2016) to a tax base of 25.5% of stakes in metropolitan France and in the overseas departments, on the games operated by FDJ. CSG is therefore 2.193% of stakes (1.76% in 2017 and 2016).

**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 2018, 2017 and 2016.
- **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 2018, 2017 and 2016.

**National Centre for the Development of Sport**: deduction defined by Articles 1609 (29) and 1609 (30) of the French Tax Code and 46 of Law no. 2011-1977 dated 28 December 2011 (2012 budget). The CNDS deduction corresponded to 1.8% of lottery stakes in 2018 (2.1% in 2017 and 2016) and 1.8% of sports betting in 2018, 2017 and 2016, 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 3.4).

**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 are all met. 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:

<table>
<thead>
<tr>
<th>PR range</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR&lt;65%</td>
<td>12.6%</td>
<td>12.6%</td>
<td>12.7%</td>
</tr>
<tr>
<td>65%≤PR≤70%</td>
<td>11.3%</td>
<td>11.4%</td>
<td>11.5%</td>
</tr>
<tr>
<td>70%≤PR≤75%</td>
<td>10.9%</td>
<td>11.0%</td>
<td>11.3%</td>
</tr>
<tr>
<td>PR&gt;75%</td>
<td>10.1%</td>
<td>10.3%</td>
<td>10.6%</td>
</tr>
</tbody>
</table>

For Parions Sport online, NGR depends on the profit on the stakes. NGR is therefore net of winnings paid to players and amounts contributed to the French State. It corresponds to FDJ’s remuneration for the organisation and placement of games.

**Revenue**

The Group’s revenue is composed of NGR and revenue derived from other activities, mainly other income derived from partnerships entered into by Société de Gestion de l’Echappée (SGE) and sales of development and maintenance services for the software provided by the companies of 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 by type of game, amounted to €1,774 million in 2018 (€1,727 million in 2017 and €1,661 million in 2016).

<table>
<thead>
<tr>
<th>Year</th>
<th>Draw games</th>
<th>Instant games</th>
<th>Sport</th>
<th>Total Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>624.2</td>
<td>853.2</td>
<td>296.9</td>
<td>1,774.3</td>
</tr>
<tr>
<td>2017</td>
<td>639.7</td>
<td>834.4</td>
<td>252.7</td>
<td>1,726.8</td>
</tr>
<tr>
<td>2016</td>
<td>612.5</td>
<td>790.2</td>
<td>258.0</td>
<td>1,660.7</td>
</tr>
</tbody>
</table>

Revenue from other activities totalled €28 million in 2018. In 2017 and 2016, it also included revenue from the rental by FDJ of sales support equipment to intermediaries and distributors (€13.2 million in 2017 and €13.8 million in 2016). Following the agreement signed in early 2018 between FDJ, the French confederation of tobacconists (Confédération des Buralistes) and Culture Presse, point of sale equipment is, from 2018, provided free of charge to distributors.
Revenue amounted to €1,803 million in 2018, an increase of 2.3% compared to 2017. This increase was driven by an increase in stakes (mainly sports betting), partially offset by a reduction in FDJ’s remuneration from 1 January 2018 and the free provision of point of sale equipment.

The growth of 3.9% in revenue in 2017 mainly reflects an increase in lottery stakes, partially offset by a reduction in FDJ’s remuneration from 1 January 2017.

3.2. Operating profit

3.2.1. Recurring operating profit

Recurring operating profit amounted to €251 million, €261 million and €252 million in 2018, 2017 and 2016 respectively.

Cost of sales amounted to €1,100 million in 2018 (up 3.1%) and €1,067 million in 2017 (up 2.3%). It mainly includes the remuneration of the distribution network (€785 million in 2018, i.e. up 4.0% and €755 million in 2017, i.e. up 5.2%), whose growth is proportional to that of operations.

The increase in marketing and communication expenses amounted to 6.4% in 2018, driven by growth in stakes and increased communication on sports betting. In 2017, growth in this item was attributable chiefly to IT developments related to the sports offering, partnerships/sponsorship (including contract renegotiations with the FDJ team’s cyclists, and new partnerships in eSports and with the French professional football league Ligue de Football Professionnel - LFP and the Olympic Games) and the airing of corporate advertising campaigns.

Costs incurred in preparing for the change in FDJ’s capital structure, which appear in general and administrative expenses, amounted to €4.1 million in 2018. The other components of general and administrative expenses were stable between 2017 and 2018. Growth in this item in 2017 was attributable mainly to IT infrastructure costs relating to digital services for Group employees, building costs with a full year of depreciation of the new headquarters (as opposed to 1 month in 2016) and support in development of the Group’s strategic plan.

3.2.2. Components of the income statement by category

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel costs</td>
<td>240.9</td>
<td>226.7</td>
<td>209.7</td>
</tr>
<tr>
<td>Net depreciation and amortisation</td>
<td>63.6</td>
<td>54.4</td>
<td>48.4</td>
</tr>
<tr>
<td>IT outsourcing expenses</td>
<td>30.5</td>
<td>42.8</td>
<td>37.5</td>
</tr>
</tbody>
</table>

Change in personnel costs is described in Note 4.2.

The increase in net depreciation and amortisation reflects investments, which are described in Notes 5.1 and 5.2.

IT outsourcing expenses increased in 2017 due to specific projects, notably related to sports betting, with the redesign of the website and applications, and to B2B projects, with the development of the Interactive Factory distribution platform provided to Nordic lotteries as part of the LEIA joint venture (see Note 16.2). They decreased in 2018 following the optimisation of the number of projects managed and the growth of the IS (Information Systems) workforce in 2017 and 2018.
3.2.3. 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 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.

In 2017, other operating expenses mainly included the costs incurred following the change of headquarters.

In 2016, other operating expenses related to costs incurred following the change of headquarters and the commercial transformation.

3.3. 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 company 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 constraints.

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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lottery BU</td>
</tr>
<tr>
<td>Stakes</td>
<td>12,770</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>4,372</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>1,477</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,482</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>476</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(159)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>315</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(64)</td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td>2017</td>
</tr>
<tr>
<td>---------------------------</td>
<td>------</td>
</tr>
<tr>
<td><strong>In € millions</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lottery BU</td>
</tr>
<tr>
<td>Stakes</td>
<td>12,626</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>4,398</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>1,474</td>
</tr>
<tr>
<td>Revenue</td>
<td>1,491</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>481</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(162)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>316</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>(54)</td>
</tr>
<tr>
<td>Recurring operating profit</td>
<td>261</td>
</tr>
</tbody>
</table>

| **In € millions**         | 2016 |      |
|                          |      |      |
|                          | Lottery BU | Sports Betting BU | Other segments ABU | Holding company | Total before depreciation and amortisation | Depreciation and amortisation | Total group |
| Stakes                   | 11,821 | 2,510 | 14,331 | 14,331 |      |      |      |
| Gross gaming revenue     | 4,167  | 618  | 4,785  | 4,785  |      |      |      |
| Net gaming revenue       | 1,402  | 258  | 1,661  | 1,661  |      |      |      |
| Revenue                  | 1,420  | 261  | 12     | 3      | 1,696 | 1,696 |      |
| Contribution margin      | 426    | 56   | (2)    | (33)   | 447   | (39)  | 407  |
| General and administrative expenses | (146) | (146) | (9)    | (155)  |      |      |      |
| **EBITDA**               | 301   |      |        |        |      |      |      |
| Depreciation and amortisation | (48) |      |        |        |      |      |      |
| Recurring operating profit | 252  |      |        |        |      |      |      |

The amount of revenue generated outside France in 2018, 2017 and 2016 was marginal.

Given the nature of its business, the Group does not have key accounts.

### 3.4. 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 a probability calculation, 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. As the case may be, these positive or negative differences 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 3.1). On competitive games, the counterparty risk directly affects the income statement.

At the launch of a game presenting a counterparty risk, an initial 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 0.5% of stakes for the year 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.
The balance of the permanent fund, limited to 0.5% of stakes, reflects changes in stakes. It amounted to €79.1 million as at 31 December 2018 (up 4.5%), €75.7 million as at 31 December 2017 (up 5.6%), and €71.7 million as at 31 December 2016. The counterparty funds totalled €29.6 million as at 31 December 2018, €54.2 million as at 31 December 2017 and €63 million as at 31 December 2016. The reduction in these funds in 2018 can be attributed in large part to the increase in the payout ratio (PR) to players of Keno Gagnant à Vie, and to My Million in 2017.

Current player funds (€214 million as at 31 December 2018, €187 million as at 31 December 2017 and €168 million as at 31 December 2016) include reserve funds (€100 million as at 31 December 2018, €118 million as at 31 December 2017 and €119 million as at 31 December 2016) and funds intended for the organisation of games (€114 million as at 31 December 2018, €69 million as at 31 December 2017 and €49 million as at 31 December 2016). Movements in current player funds are linked to the life-cycle of the games.

The increase of €27 million in 2018 is mainly attributable to Euromillions – My Million and Loto®, whose 28 December 2018 and 31 December 2018 jackpots were not won.

The increase of €19 million in 2017 relates chiefly to the Euromillions super-jackpot fund, which benefited from seven long cycles of more than six weeks in 2017 (as compared to five in 2016), two of which lasted more than 12 weeks. After six weeks, the percentage of stakes added to the super-jackpot fund increases.

### 3.5. **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.

#### 3.5.1. **Trade and distribution network receivables**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables (gross value)</td>
<td>13.1</td>
<td>24.6</td>
<td>18.7</td>
</tr>
<tr>
<td>Distribution network receivables (gross value)</td>
<td>411.2</td>
<td>359.8</td>
<td>330.6</td>
</tr>
<tr>
<td>IT outsourcing expenses</td>
<td>(12.7)</td>
<td>(10.9)</td>
<td>(12.9)</td>
</tr>
<tr>
<td><strong>Total trade and distribution network receivables</strong></td>
<td><strong>411.5</strong></td>
<td><strong>373.5</strong></td>
<td><strong>336.4</strong></td>
</tr>
</tbody>
</table>

Trade receivables are related to the Group’s activities with foreign lotteries for the delivery of IT and related services.
Every week, game distributors are debited 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. The change in 2018 can be attributed to a calendar effect and the commercial transformation. In 2017, the calendar effect was compounded by a business effect, with business at the end of 2017 stronger than at the end of 2016.

3.5.2. Other operating assets

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid expenses</td>
<td>52.9</td>
<td>43.5</td>
<td>32.2</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>215.4</td>
<td>143.8</td>
<td>190.1</td>
</tr>
<tr>
<td><strong>Total other operating assets</strong></td>
<td><strong>268.3</strong></td>
<td><strong>187.2</strong></td>
<td><strong>222.4</strong></td>
</tr>
</tbody>
</table>

Prepaid expenses relate for the most part (€39.5 million in 2018, €30.6 million in 2017 and €22.6 million in 2016) to expenses related 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 3.6.4), including prizes won, public levies and distribution commissions.

Other current receivables mainly include advance payment to the permanent fund surplus (€200 million at end-2018, €125 million at end-2017 and €170 million at end-2016). The permanent fund is limited to 0.5% of stakes. The surplus is transferred to the French State in two stages: an advance payment in December, then the balance in July of the following year.

3.6. 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.

3.6.1. Trade and distribution network payables

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>102.4</td>
<td>108.4</td>
<td>105.5</td>
</tr>
<tr>
<td>Distribution network payables</td>
<td>266.9</td>
<td>215.6</td>
<td>190.4</td>
</tr>
<tr>
<td><strong>Total trade and distribution network payables</strong></td>
<td><strong>369.3</strong></td>
<td><strong>324.0</strong></td>
<td><strong>295.9</strong></td>
</tr>
</tbody>
</table>

Distribution network payables correspond to winnings paid by distributors and network commissions at the end of the year. The change in 2018 can be attributed to a calendar effect and the commercial transformation. In 2017, the calendar effect was compounded by a business effect, with business at the end of 2017 stronger than at the end of 2016.

3.6.2. Public levies

These deductions are payable to the French State, social security bodies, local authorities and other public bodies (see Note 3.1).

Public levies to the French State (€357 million as at 31 December 2018, €266 million as at 31 December 2017 and €290 million as at 31 December 2016) mainly include the permanent
fund surplus (€208 million as at 31 December 2018, €137 million as at 31 December 2017 and €175 million as at 31 December 2016). The balance of €149 million as at 31 December 2018 (€129 million as at 31 December 2017 and €114 million as at 31 December 2016) mainly comprises:

- payables to the General State Budget of €83 million (€66 million as at 31 December 2017 and €61 million as at 31 December 2016);
- social security deductions (CSG, CRDS and the public levies on sports betting) of €21 million (€16 million as at 31 December 2017 and €11 million as at 31 December 2016); and
- payables to other local authorities of €45 million (€47 million as at 31 December 2017 and €42 million as at 31 December 2016), mainly consisting of payables to the CNDS (€27 million as at 31 December 2018, €31 million as at 31 December 2017 and €28 million as at 31 December 2016).

Excluding the permanent fund surplus, the change in French State gaming levies is in line with business at year-end.

### 3.6.3. Winnings payable and distributable

Winnings payable and distributable amounted to €172 million (€196 million as at 31 December 2017 and €175 million as at 31 December 2016) and include:

- winnings payable, which are non-expired winnings due to players (€119 million as at 31 December 2018, €151 million as at 31 December 2017 and €134 million at 31 December 2016); and
- winnings to be distributed, which mainly concern draw games. They correspond to theoretical player winnings on the stakes received during one financial period and for which the draw will occur in the following financial year (€25 million, €21 million and €15 million at the end of 2018, 2017 and 2016 respectively). They also correspond to online players’ cash equivalents (€28 million, €25 million and €26 million at the end of 2018, 2017 and 2016 respectively), i.e. the sums available in players’ electronic purses on their fdj.fr or parionsweb.fr accounts.

### 3.6.4. Other current liabilities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid income</td>
<td>42.7</td>
<td>34.0</td>
<td>25.0</td>
</tr>
<tr>
<td>Other payables</td>
<td>113.2</td>
<td>101.7</td>
<td>89.0</td>
</tr>
<tr>
<td><strong>Other current operating liabilities</strong></td>
<td><strong>155.9</strong></td>
<td><strong>135.8</strong></td>
<td><strong>114.0</strong></td>
</tr>
</tbody>
</table>

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 3.5.2 – Other operating assets).

In 2018, the increase of €9 million is attributable to Euromillions stakes received in 2018, but for which the draw took place on 1 January 2019. In 2017, the increase was linked to Loto® stakes for the draw of 1 January 2018. Other payables mainly include tax and social security payables (€105 million, €98 million and €90 million at the end of 2018, 2017 and 2016 respectively).
3.7. **Hedging of operating risks**

3.7.1. **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 FDL to market its games, distributors must pay a guarantee.

The risk attached to receivables from distributors is analysed by a monitoring committee, which meets regularly and consists of the persons 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 non-payment, and on whether to litigate over certain receivables. The impairment rules for receivables are based on their amount and age and are 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, 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, excluding receivables from associates, is as follows:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>Gross value</th>
<th>Provisions on past due receivables</th>
<th>Net value</th>
<th>Net past due</th>
<th>Maturity schedule of net past due receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not past due</td>
<td>Past due</td>
<td></td>
<td></td>
<td></td>
<td>&lt; 3 months</td>
</tr>
<tr>
<td>Trade and distribution network receivables</td>
<td>402.6</td>
<td>21.7</td>
<td>(12.8)</td>
<td>411.5</td>
<td>8.9</td>
<td>4.8</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>214.8</td>
<td>0.6</td>
<td>0.0</td>
<td>215.4</td>
<td>0.5</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Current receivables</strong></td>
<td>617.5</td>
<td>22.2</td>
<td>(12.8)</td>
<td>626.9</td>
<td>9.4</td>
<td>4.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2017</th>
<th>Gross value</th>
<th>Provisions on past due receivables</th>
<th>Net value</th>
<th>Net past due</th>
<th>Maturity schedule of net past due receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not past due</td>
<td>Past due</td>
<td></td>
<td></td>
<td></td>
<td>&lt; 3 months</td>
</tr>
<tr>
<td>Trade and distribution network receivables</td>
<td>365.8</td>
<td>19.2</td>
<td>(11.5)</td>
<td>375.3</td>
<td>7.6</td>
<td>5.5</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>141.9</td>
<td>1.9</td>
<td>(0.1)</td>
<td>143.8</td>
<td>1.8</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Current receivables</strong></td>
<td>551.2</td>
<td>21.1</td>
<td>(11.6)</td>
<td>560.7</td>
<td>9.5</td>
<td>6.5</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2016</th>
<th>Gross value</th>
<th>Provisions on past due receivables</th>
<th>Net value</th>
<th>Net past due</th>
<th>Maturity schedule of net past due receivables</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Not past due</td>
<td>Past due</td>
<td></td>
<td></td>
<td></td>
<td>&lt; 3 months</td>
</tr>
<tr>
<td>Trade and distribution network receivables</td>
<td>330.0</td>
<td>20.0</td>
<td>(13.7)</td>
<td>336.4</td>
<td>6.4</td>
<td>2.9</td>
</tr>
<tr>
<td>Other current receivables</td>
<td>186.6</td>
<td>1.6</td>
<td>(0.1)</td>
<td>190.1</td>
<td>1.5</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Current receivables</strong></td>
<td>516.6</td>
<td>21.6</td>
<td>(13.7)</td>
<td>532.8</td>
<td>7.9</td>
<td>3.9</td>
</tr>
</tbody>
</table>

3.7.2. **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 2018, 2017 and 2016), in a maximum equivalent amount of US$26.8 million (US$30 million in 2017 and US$25 million in 2016) and the pound sterling, in a maximum equivalent amount of £4.3 million in 2018.

The fair value of these derivative instruments was a positive €0.3 million at the end of 2018 (a negative €0.2 million at the end of 2017 and a positive €0.2 million at the end of 2016), corresponding to the amount that the Group would have received (2018 and 2016) or paid (2017) if it had terminated its position.
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.

In 2017, an increase of $0.10 per €1 in the EUR/USD exchange rate applicable to derivative instruments held for economic hedging purposes but not qualifying as such would have reduced the Group’s profit by €1.4 million. A decrease of $0.10 would have increased profit by €1.9 million.

In 2016, an increase of $0.10 per €1 in the EUR/USD exchange rate applicable to derivative instruments held for economic hedging purposes but not qualifying as such would have reduced the Group’s profit by €0.2 million. A decrease of $0.10 would have increased profit by €0.3 million.

3.8. 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 2018, as at the end of 2017 and 2016, inventories related primarily to gaming materials, i.e. instant game cards (€8.7 million as at 31 December 2018, €10.5 million as at 31 December 2017 and €10.6 million as at 31 December 2016).

4. Personnel costs and employee benefits

4.1. Group headcount

The weighted average headcount (WAH) for all types of contracts, including temporary contracts, for 2018, 2017 and 2016 for the Group was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total weighted average workforce</td>
<td>2,292</td>
<td>2,287</td>
<td>2,111</td>
</tr>
</tbody>
</table>

The WAH for 2018 included the employees of SGE, which was fully consolidated until 6 December 2018.

The increase of 176 in the WAH in 2017 mainly concerned FDP, with the full-year effect of the takeover of 49 commercial sectors in 2016 undertaken as part of the commercial transformation; and FDJ following the restructuring related to the FDJ 2020 strategic plan.

The end-of-period numbers are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total employees at the end of the period</td>
<td>2,258</td>
<td>2,390</td>
<td>2,366</td>
</tr>
</tbody>
</table>

The reduction in the end-of-period headcount between 2017 and 2018 can be attributed to the deconsolidation of the SGE workforce in 2018 (switch to equity accounting) and the discontinuation of the production of sports programmes at the end of 2018 (Française d’Images).
4.2. 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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>123.7</td>
<td>114.9</td>
<td>106.2</td>
</tr>
<tr>
<td>Social security expenses</td>
<td>66.7</td>
<td>61.4</td>
<td>56.5</td>
</tr>
<tr>
<td>Profit-sharing and incentive schemes</td>
<td>24.4</td>
<td>24.2</td>
<td>18.3</td>
</tr>
<tr>
<td>Long-term benefits</td>
<td>3.0</td>
<td>3.3</td>
<td>5.7</td>
</tr>
<tr>
<td>Other</td>
<td>23.1</td>
<td>22.9</td>
<td>23.0</td>
</tr>
<tr>
<td><strong>Total personnel costs</strong></td>
<td><strong>240.9</strong></td>
<td><strong>226.7</strong></td>
<td><strong>209.7</strong></td>
</tr>
</tbody>
</table>

The increase in personnel costs is due to changes in headcount and the implementation of wage policies.

4.3. 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 account of seniority, life expectancy, employee turnover by category, benefits negotiated under collective bargaining agreements, as well as economic assumptions such as inflation and the discount rate. The discount rate used for most subsidiaries is determined 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 in “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.

Provisions for pensions and other employee benefits totalled €45.6 million, €47.2 million and €47.0 million as at 31 December 2018, 2017 and 2016 respectively.

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

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retirement benefits</strong></td>
<td>32.0</td>
<td>33.3</td>
<td>32.6</td>
</tr>
<tr>
<td><strong>Length-of-service medals</strong></td>
<td>6.0</td>
<td>5.9</td>
<td>5.7</td>
</tr>
<tr>
<td><strong>Health coverage</strong></td>
<td>7.6</td>
<td>7.9</td>
<td>8.7</td>
</tr>
<tr>
<td><strong>Provisions for pensions and other employee benefits</strong></td>
<td>45.6</td>
<td>47.2</td>
<td>47.0</td>
</tr>
</tbody>
</table>

*Age-adjusted*
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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service costs</td>
<td>2.3</td>
<td>2.4</td>
<td>2.4</td>
</tr>
<tr>
<td>Interest on actuarial debt</td>
<td>0.4</td>
<td>0.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Benefits theoretically paid</td>
<td>0.0</td>
<td>(0.2)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Changes in scope of consolidation</td>
<td>(0.3)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Net cost in the income statement</strong></td>
<td><strong>2.4</strong></td>
<td><strong>2.7</strong></td>
<td><strong>5.3</strong></td>
</tr>
<tr>
<td>Recognised through non-transferable equity</td>
<td>(3.7)</td>
<td>(2.0)</td>
<td>(4.6)</td>
</tr>
</tbody>
</table>

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 is 14.8, 15.3 and 15.5 years as at 31 December 2018, 31 December 2017 and 31 December 2016 respectively.

5. Property, plant and equipment and intangible assets

5.1. Intangible assets

**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.

**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 expenditure 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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross</td>
<td>Amortisation/impairment</td>
<td>Net</td>
<td>Amortisation/impairment</td>
</tr>
<tr>
<td>Development costs</td>
<td>101.9 (54.5)</td>
<td>47.4</td>
<td>81.4 (40.2)</td>
</tr>
<tr>
<td>IT systems</td>
<td>136.2 (115.9)</td>
<td>20.2</td>
<td>134.2 (107.4)</td>
</tr>
<tr>
<td>Intangible assets in progress and other</td>
<td>39.5 (2.3)</td>
<td>37.2</td>
<td>30.1 (1.8)</td>
</tr>
<tr>
<td><strong>Total intangible assets</strong></td>
<td><strong>277.6 (172.8)</strong></td>
<td><strong>104.8</strong></td>
<td><strong>245.7 (149.3)</strong></td>
</tr>
</tbody>
</table>

Intangible assets in progress amounted to €34.9 million as at 31 December 2018, €26.1 million as at 31 December 2017 and €18.8 million as at 31 December 2016.

### Intangible assets

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development costs</td>
<td>81.4</td>
<td>6.3</td>
<td>(0.0)</td>
</tr>
<tr>
<td>IT systems</td>
<td>134.2</td>
<td>1.0</td>
<td>(0.1)</td>
</tr>
<tr>
<td>Intangible assets in progress and other</td>
<td>30.1</td>
<td>24.3</td>
<td>(0.0)</td>
</tr>
<tr>
<td><strong>Gross value</strong></td>
<td><strong>245.7</strong></td>
<td><strong>31.6</strong></td>
<td><strong>(0.1)</strong></td>
</tr>
</tbody>
</table>

**Amortisation/impairment**

- Development costs: (40.2) (14.4) 0.0 (54.5)
- IT systems: (107.4) (8.1) 0.1 (0.6) 0.0 (115.9)
- Intangible assets in progress and other: (1.8) (1.1) 0.0 0.6 0.1 (2.3)

**Net intangible assets**

96.4 8.0 (0.0) 0.4 (0.0) 104.8

* Reclassifications of assets in progress as assets put into service

** Particularly currency impact
In 2018, 2017 and 2016, major investments concerned the parent company and related to the development of live and back-office information systems and points of sale terminals.

5.2. **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**

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 5.1.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Gross</td>
<td>Depreciation/ impairment</td>
<td>Net</td>
</tr>
<tr>
<td>Land</td>
<td>96.6</td>
<td>96.6</td>
<td>96.6</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>218.0</td>
<td>(52.4)</td>
<td>165.6</td>
</tr>
<tr>
<td>Furniture, technical facilities and PoS equipment</td>
<td>230.2</td>
<td>(144.7)</td>
<td>85.6</td>
</tr>
<tr>
<td>IT equipment</td>
<td>65.5</td>
<td>(54.2)</td>
<td>11.3</td>
</tr>
<tr>
<td>Local service equipment</td>
<td>12.5</td>
<td>(10.2)</td>
<td>2.2</td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>38.6</td>
<td>(34.2)</td>
<td>4.5</td>
</tr>
<tr>
<td>Property, plant and equipment in progress</td>
<td>11.0</td>
<td>0.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Advances paid on orders of property, plant and equipment</td>
<td>2.0</td>
<td>2.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>674.5</td>
<td>(295.7)</td>
<td>378.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisitions – Additions</td>
<td>*</td>
<td>Other movements**</td>
</tr>
<tr>
<td>Land</td>
<td>96.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Fixtures and fittings</td>
<td>239.6</td>
<td>17.8</td>
</tr>
<tr>
<td>Furniture, technical facilities and PoS equipment</td>
<td>222.5</td>
<td>22.1</td>
</tr>
<tr>
<td>IT equipment</td>
<td>61.8</td>
<td>4.0</td>
</tr>
<tr>
<td>Local service equipment</td>
<td>12.1</td>
<td>1.3</td>
</tr>
<tr>
<td>Other property, plant and equipment</td>
<td>42.3</td>
<td>1.7</td>
</tr>
<tr>
<td>Property, plant and equipment in progress</td>
<td>28.7</td>
<td>7.7</td>
</tr>
<tr>
<td>Advances paid on orders of property, plant and equipment</td>
<td>4.1</td>
<td>0.0</td>
</tr>
<tr>
<td>Gross value</td>
<td>707.7</td>
<td>54.6</td>
</tr>
</tbody>
</table>

**Depreciation/impairment**

- **Fixtures and fittings**: (99.8) – (9.3) – (56.6) – 0.1 – 0.0 (52.4)
- **Furniture, technical facilities and PoS equipment**: (138.1) – (23.0) – 16.4 – 0.0 – 0.0 (144.7)
- **IT equipment**: (49.8) – (5.3) – 0.9 – 0.0 – 0.0 (54.2)
- **Local service equipment**: (9.7) – (1.4) – 0.9 – 0.0 – 0.0 (10.2)
- **Other property, plant and equipment**: (37.1) – (2.0) – 4.1 – 0.0 – 0.8 (34.2)
- **Property, plant and equipment in progress**: 0.0 – 0.0 – 0.0 – 0.0 – 0.0 0.0

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2016</th>
<th>31 December 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation/impairment</td>
<td>(334.6)</td>
<td>(40.9)</td>
</tr>
<tr>
<td>Total property, plant and equipment</td>
<td>373.1</td>
<td>13.6</td>
</tr>
</tbody>
</table>

* Reclassifications of assets in progress as assets put into service
In 2017, as in 2018, investments in property, plant and equipment were primarily related to the development of the new headquarters and to point of sale equipment.

Interest expense related to the loan contracted for the acquisition of the headquarters was capitalised in the amount of €0.9 million in 2017.

In 2016, the increase of €234 million in investments in property, plant and equipment mainly reflected the acquisition of the Group’s headquarters (€207 million).
6. 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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2017</th>
<th>Additions</th>
<th>Reversals</th>
<th>Other movements</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total non-current provisions</td>
<td>36.7</td>
<td>0.5</td>
<td>0.0</td>
<td>(0.3)</td>
<td>0.7</td>
</tr>
<tr>
<td>Total current provisions</td>
<td>30.9</td>
<td>9.5</td>
<td>(8.5)</td>
<td>(6.0)</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>Total provisions</strong></td>
<td><strong>67.6</strong></td>
<td><strong>10.0</strong></td>
<td><strong>(8.5)</strong></td>
<td><strong>(6.9)</strong></td>
<td><strong>0.3</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2015</th>
<th>Additions</th>
<th>Reversals</th>
<th>Other movements</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total non-current provisions</td>
<td>36.7</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>(0.0)</td>
<td>0.0</td>
</tr>
<tr>
<td>Total current provisions</td>
<td>35.6</td>
<td>9.1</td>
<td>(9.8)</td>
<td>(4.0)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total provisions</strong></td>
<td><strong>72.3</strong></td>
<td><strong>9.0</strong></td>
<td><strong>(9.8)</strong></td>
<td><strong>(4.0)</strong></td>
<td><strong>0.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2015</th>
<th>Additions</th>
<th>Reversals</th>
<th>Other movements</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total non-current provisions</td>
<td>37.8</td>
<td>7.8</td>
<td>(4.4)</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total current provisions</td>
<td>181.8</td>
<td>9.3</td>
<td>(125.7)</td>
<td>(4.7)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total provisions</strong></td>
<td><strong>219.6</strong></td>
<td><strong>17.1</strong></td>
<td><strong>(130.0)</strong></td>
<td><strong>(4.7)</strong></td>
<td><strong>0.0</strong></td>
</tr>
</tbody>
</table>

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. In 2016, reversals of used provisions reflected the payment of contractual indemnities in the amount of €122 million to former broker-agents, following the termination of their respective contracts.

7. Cash and financial instruments

7.1. Financial assets and liabilities

Investment securities
Upon initial recognition and subsequent measurement, securities at fair value through profit and loss are measured by reference to prices in organised markets at the 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.

**Euromillions Deposits – My Million and deposits and guarantees**

The deposit linked to the Euromillions – 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.
With interest rates at all-time lows or even negative, FDJ continued its policy of investing in five-year term accounts in 2018 and 2017, whenever the conditions were appealing, mainly when renewing maturing investments. In accordance with the Company’s asset allocation policy, other medium- and long-term UCITS investments were also made, often resulting from arbitrations of existing instruments. These two factors explain the increase in non-current financial assets in 2018 and 2017, in the amount of €10 million and €62 million respectively.

The deposit under the surety trust agreement, designed to protect the assets of online players, amounted to €9.6 million as at 31 December 2018, an increase of €4 million compared with 31 December 2017 and 31 December 2016 (same amount as at both 31 December 2017 and 2016), due to business growth.

Long-term debt of €96 million (€104 million as at 31 December 2017 and €112 million as at 31 December 2016) relates to the acquisition of the new Group headquarters. This loan is at a fixed rate maturing on 24 November 2031.

Current financial liabilities mainly include bank credit balances and borrowings related to FDJ’s commitment to buy back its own shares.

The annual change in long-term debt of €8 million between 2016, 2017 and 2018 reflects the reclassification of the Bred Banque Populaire loan subscribed to finance the acquisition of the new headquarters to current debt.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>0.0</td>
<td>716.7</td>
<td>664.1</td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>628.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>111.2</td>
<td>21.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Other</td>
<td>41.4</td>
<td>32.6</td>
<td>24.7</td>
</tr>
<tr>
<td><strong>Total non-current financial assets</strong></td>
<td><strong>780.6</strong></td>
<td><strong>770.2</strong></td>
<td><strong>708.8</strong></td>
</tr>
<tr>
<td>Current available-for-sale financial assets</td>
<td>0.0</td>
<td>50.0</td>
<td>75.0</td>
</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>55.0</td>
<td>(0.0)</td>
<td>0.0</td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.6</td>
<td>0.2</td>
<td>0.2</td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total current financial assets</strong></td>
<td><strong>55.8</strong></td>
<td><strong>50.2</strong></td>
<td><strong>75.2</strong></td>
</tr>
<tr>
<td><strong>Total financial assets</strong></td>
<td><strong>836.4</strong></td>
<td><strong>820.5</strong></td>
<td><strong>784.0</strong></td>
</tr>
<tr>
<td><strong>Long-term debt</strong></td>
<td>96.1</td>
<td>104.1</td>
<td>112.1</td>
</tr>
<tr>
<td><strong>Total non-current financial liabilities</strong></td>
<td><strong>96.1</strong></td>
<td><strong>104.1</strong></td>
<td><strong>112.1</strong></td>
</tr>
<tr>
<td>Current debt</td>
<td>8.0</td>
<td>7.5</td>
<td>7.5</td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.1</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Other</td>
<td>33.8</td>
<td>44.9</td>
<td>116.3</td>
</tr>
<tr>
<td><strong>Total current financial liabilities</strong></td>
<td><strong>41.8</strong></td>
<td><strong>52.5</strong></td>
<td><strong>123.7</strong></td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>137.9</strong></td>
<td><strong>156.6</strong></td>
<td><strong>235.9</strong></td>
</tr>
<tr>
<td>2018 - in € millions</td>
<td>Less than one year</td>
<td>More than one year</td>
<td>More than 2 years</td>
</tr>
<tr>
<td>----------------------</td>
<td>-------------------</td>
<td>-------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>253.0</td>
<td>215.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>106.3</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>40.5</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Total non-current financial assets</strong></td>
<td><strong>0.0</strong></td>
<td><strong>399.8</strong></td>
<td><strong>215.0</strong></td>
</tr>
<tr>
<td>Current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>55.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.6</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total current financial assets</strong></td>
<td><strong>0.0</strong></td>
<td><strong>399.8</strong></td>
<td><strong>215.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017 - in € millions</th>
<th>Less than one year</th>
<th>More than one year</th>
<th>More than 2 years</th>
<th>Less than 4 years</th>
<th>Less than 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>203.7</td>
<td>228.0</td>
<td>210.0</td>
<td>40.0</td>
<td>15.0</td>
<td>766.7</td>
<td></td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>0.1</td>
<td>15.6</td>
<td>0.0</td>
<td>0.0</td>
<td>5.3</td>
<td>21.0</td>
<td></td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>32.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>32.6</td>
<td></td>
</tr>
<tr>
<td><strong>Total non-current financial assets</strong></td>
<td><strong>0.0</strong></td>
<td><strong>236.3</strong></td>
<td><strong>243.6</strong></td>
<td><strong>210.0</strong></td>
<td><strong>40.0</strong></td>
<td><strong>40.3</strong></td>
<td><strong>770.3</strong></td>
</tr>
<tr>
<td>Current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>50.0</td>
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<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>50.0</td>
<td></td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total current financial assets</strong></td>
<td><strong>0.0</strong></td>
<td><strong>236.3</strong></td>
<td><strong>243.6</strong></td>
<td><strong>210.0</strong></td>
<td><strong>40.0</strong></td>
<td><strong>40.3</strong></td>
<td><strong>820.5</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2016 - in € millions</th>
<th>Less than one year</th>
<th>More than one year</th>
<th>More than 2 years</th>
<th>Less than 4 years</th>
<th>Less than 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>131.2</td>
<td>70.0</td>
<td>228.0</td>
<td>210.0</td>
<td>25.0</td>
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<td></td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>0.0</td>
<td>0.0</td>
<td>15.0</td>
<td>0.0</td>
<td>4.9</td>
<td>20.0</td>
<td></td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>24.7</td>
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<td>0.0</td>
<td>24.7</td>
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</tr>
<tr>
<td><strong>Total non-current financial assets</strong></td>
<td><strong>0.0</strong></td>
<td><strong>155.9</strong></td>
<td><strong>70.0</strong></td>
<td><strong>243.0</strong></td>
<td><strong>210.0</strong></td>
<td><strong>29.9</strong></td>
<td><strong>708.8</strong></td>
</tr>
<tr>
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<td>75.0</td>
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<td>0.0</td>
<td>0.0</td>
<td>75.0</td>
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</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.2</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total current financial assets</strong></td>
<td><strong>75.2</strong></td>
<td><strong>155.9</strong></td>
<td><strong>70.0</strong></td>
<td><strong>243.0</strong></td>
<td><strong>210.0</strong></td>
<td><strong>29.9</strong></td>
<td><strong>784.0</strong></td>
</tr>
<tr>
<td>Non-current debt</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>52.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>52.5</strong></td>
<td><strong>155.9</strong></td>
<td><strong>70.0</strong></td>
<td><strong>243.0</strong></td>
<td><strong>210.0</strong></td>
<td><strong>29.9</strong></td>
<td><strong>784.0</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2018 - In € millions</th>
<th>Less than one year</th>
<th>More than one year</th>
<th>More than 2 years</th>
<th>Less than 4 years</th>
<th>Less than 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total non-current financial liabilities</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
</tr>
<tr>
<td>Current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>55.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>55.0</td>
<td></td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total current financial liabilities</strong></td>
<td><strong>55.8</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>55.8</strong></td>
</tr>
<tr>
<td>Non-current debt</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>8.0</td>
<td>41.2</td>
<td></td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>55.8</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>55.8</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2017 - In € millions</th>
<th>Less than one year</th>
<th>More than one year</th>
<th>More than 2 years</th>
<th>Less than 4 years</th>
<th>Less than 5 years</th>
<th>More than 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets at amortised cost</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets at fair value through profit or loss</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total non-current financial liabilities</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
</tr>
<tr>
<td>Current available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Current financial assets at amortised cost</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Current derivatives</td>
<td>0.1</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>Guarantees and deposits</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td><strong>Total current financial liabilities</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
</tr>
<tr>
<td>Non-current debt</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total financial liabilities</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
<td><strong>0.0</strong></td>
</tr>
</tbody>
</table>
7.2. 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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments, cash equivalents</td>
<td>128.4</td>
<td>112.9</td>
<td>51.8</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>38.8</td>
<td>52.9</td>
<td>147.8</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td><strong>167.2</strong></td>
<td><strong>165.8</strong></td>
<td><strong>199.6</strong></td>
</tr>
</tbody>
</table>

Investments, cash equivalents include interest-bearing term or sight deposits (€75 million, €69 million and €25 million in 2018, 2017 and 2016) and UCITS units, mainly comprising the Euromillions fund (€53 million, €44 million and €27 million in 2018, 2017 and 2016 respectively). Negative interest rates have the effect of limiting investments in cash and cash equivalents.

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

7.3. Net financial income and expense

**Net financial income and expense** includes:
- borrowing costs;
- income from financial investments;
- change in the value of derivatives;
- foreign exchange gains or losses.
Borrowing costs mainly correspond to interest expense on the loan related to the acquisition of the new headquarters.

The decline in interest income and income on disposal of investments stems from the fall in both interest rates and in the markets.

The net change in financial income and expense on securities measured at fair value through profit or loss (down €6.8 million in 2018 as compared to 2017, and up €6.9 million in 2017 as compared to 2016) reflects market trends.

FDJ is exposed to foreign exchange risk related to purchases denominated in foreign currency (mainly the US dollar). The positive change in net foreign exchange gains or losses over the period (up €2.1 million in 2018, as compared to 2017 and down €1.5 million in 2017, as compared to 2016) is attributable to fluctuations in that currency.

Other financial expense includes actuarial interest relating to pension obligations and the remeasurement of current financial liabilities.

### 7.4. 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.

### 7.4.1. Credit risk from investments and derivatives

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

As at 31 December 2018, investments consisted mainly of €143 million in UCITS (€163 million as at 31 December 2017 and €158 million as at 31 December 2016) and €780 million in investments with counterparties (€738 million as at 31 December 2017 and €653 million as at 31 December 2016). These include €697 million in term accounts (€662 million as at 31 December 2017 and €597 million as at 31 December 2016), €56 million in interest-bearing sight deposits (€50 million as at 31 December 2017 and €6 million as at 31 December 2016) and €27 million in EMTNs (€26 million as at 31 December 2017 and €50 million as at 31 December 2016).

The credit risk analysis breaks down as follows:

<table>
<thead>
<tr>
<th>Outstanding amount</th>
<th>Total outstanding amount in € millions, as at 31 December 2018</th>
<th>€0-25M</th>
<th>€25-50M</th>
<th>€50-100M</th>
<th>€100-150M</th>
</tr>
</thead>
<tbody>
<tr>
<td>RATING</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AA/ financial institutions</td>
<td>288</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>AA/ others</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A/ financial institutions</td>
<td>493</td>
<td>7</td>
<td>3</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>781</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.4.2. **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.
7.4.3. **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 2018, 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 2018, investments averaged €1,039 million, and the debt related to the acquisition of the Group’s headquarters was €104 million at the end of 2018.

7.4.4. **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 December 2018, no investments were exposed to this direct risk. A 0.5% increase or decrease across the entire yield curve would have no material impact on the fair value of investments.

7.5. **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.

7.5.1. **Impact on the statement of financial position**

Given the nature of the financial instruments (assets, liabilities), their accounting value corresponds to their fair value.
<table>
<thead>
<tr>
<th>In € millions</th>
<th>IAS 39 category (2017)/IFRS 9 category (2017) and measurement</th>
<th>31 December 2018 FV and carrying amount</th>
<th>31 December 2017 FV and carrying amount</th>
<th>31 December 2016 FV and carrying amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>Fair value through profit or loss</td>
<td>Lvl.1</td>
<td>38.8</td>
<td>52.9</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>Available-for-sale financial assets</td>
<td>0.0</td>
<td>0.0</td>
<td>112.9</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
<td>75.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Fair value through profit or loss</td>
<td>Lvl.2</td>
<td>53.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-current financial assets</td>
<td>Available-for-sale financial assets</td>
<td>Lvl.2</td>
<td>780.6</td>
<td>770.2</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
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<td>716.7</td>
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<tr>
<td></td>
<td>Loans and receivables at fair value profit or loss</td>
<td>Lvl.2</td>
<td>628.0</td>
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</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
<td>111.2</td>
<td>21.0</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at fair value profit or loss</td>
<td>Lvl.2</td>
<td>41.4</td>
<td>32.6</td>
</tr>
<tr>
<td>Current financial assets</td>
<td>Available-for-sale financial assets</td>
<td>Lvl.2</td>
<td>55.8</td>
<td>50.2</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
<td>55.0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at fair value profit or loss</td>
<td>Lvl.2</td>
<td>0.6</td>
<td>0.2</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
<td>0.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Trade and distribution network receivables</td>
<td>Available-for-sale financial assets</td>
<td>Lvl.2</td>
<td>411.5</td>
<td>373.5</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
<td>13.1</td>
<td>24.6</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at fair value profit or loss</td>
<td>Lvl.2</td>
<td>411.2</td>
<td>359.8</td>
</tr>
<tr>
<td>Other operating assets excl. tax and social security receivables and prepaid expenses</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>201.5</td>
<td>126.5</td>
</tr>
<tr>
<td>TOTAL FINANCIAL INSTRUMENTS - ASSETS</td>
<td></td>
<td>1,616.6</td>
<td>1,486.3</td>
<td>1,493.7</td>
</tr>
<tr>
<td>Non-current player funds</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>108.7</td>
<td>129.9</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>96.1</td>
<td>104.1</td>
</tr>
<tr>
<td>Trade and distribution network payables</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>369.3</td>
<td>324.0</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at amortised cost</td>
<td>Lvl.2</td>
<td>102.4</td>
<td>108.4</td>
</tr>
<tr>
<td></td>
<td>Loans and receivables at fair value profit or loss</td>
<td>Lvl.2</td>
<td>266.9</td>
<td>215.6</td>
</tr>
<tr>
<td>Current player funds</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>213.8</td>
<td>187.3</td>
</tr>
<tr>
<td>Winnings payable and distributable</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>171.7</td>
<td>196.4</td>
</tr>
<tr>
<td>Other operating liabilities excl. tax and social security receivables and prepaid income</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>8.4</td>
<td>3.9</td>
</tr>
<tr>
<td>Other current financial liabilities</td>
<td>Financial liabilities at amortised cost</td>
<td>Lvl.2</td>
<td>41.8</td>
<td>52.5</td>
</tr>
<tr>
<td>TOTAL FINANCIAL INSTRUMENTS - LIABILITIES</td>
<td></td>
<td>1,009.9</td>
<td>998.0</td>
<td>1,008.0</td>
</tr>
</tbody>
</table>

Lvl 1: quoted prices in active markets
Lvl 2: inputs, other than quoted prices for an identical instrument, that are directly or indirectly observable in active markets (market corroborated inputs: interest rate curve, swap rate, multiples method, etc.)
Lvl 3: measurement techniques based on on unobservable inputs such as forecasts or internal data

7.5.2. Impact on the income statement

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Net financial income/(expense)</th>
<th>Operating profit/(loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Interest</td>
<td>Fair value through profit or loss</td>
</tr>
<tr>
<td>Available-for-sale financial assets**</td>
<td>6.6</td>
<td>7.3</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>(0.6)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>(0.2)</td>
<td></td>
</tr>
<tr>
<td>Total as at 31 December 2016</td>
<td>6.6</td>
<td>(0.8)</td>
</tr>
<tr>
<td>Available-for-sale financial assets**</td>
<td>4.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss</td>
<td>0.6</td>
<td>(4.2)</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>(0.2)</td>
<td></td>
</tr>
<tr>
<td>Total as at 31 December 2017</td>
<td>4.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Available-for-sale financial assets**</td>
<td>6.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Loans and receivables</td>
<td>5.3</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Total as at 31 December 2018</td>
<td>5.3</td>
<td>(6.2)</td>
</tr>
</tbody>
</table>

* Losses on unrecoverable receivables
** Note 7.1
7.5.3. **Impact on transferable equity**

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.

As at 31 December 2016, disposal-related reclassification corresponded to the difference between the historical value and the fair value of investments being reclassified in the income statement following their sale.

8. **Investments in joint ventures**

Other non-current financial assets relate to investments in joint ventures.

8.1. **Value of securities in joint ventures**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Gross amount</th>
<th>Taxes</th>
<th>Net amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value as at 31 December 2015</strong></td>
<td>13.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net income 2016</td>
<td>1.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.9)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(0.4)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value as at 31 December 2016</strong></td>
<td>12.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net income 2017</td>
<td>1.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(0.8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value as at 31 December 2017</strong></td>
<td>12.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net income 2018</td>
<td>0.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>(0.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Value as at 31 December 2018</strong></td>
<td>12.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8.2. **Information about transactions with joint ventures (related parties)**

8.2.1. **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 €7.3 million in 2018.

8.2.2. **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.

8.2.3. **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 2018. BZP paid the Group dividends, net of currency translation effects and withholding taxes, of €0.6 million in 2018, €0.5 million in 2017 and €0.8 million in 2016.

8.2.4. **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 Euromillions 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.

8.2.5. **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.

9. **Income tax**

Income tax comprises current tax expense and deferred tax expense. It is recognised as income 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 deficits. 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.
9.1. Income tax expense

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred tax</td>
<td>(0.2)</td>
<td>1.1</td>
<td>7.0</td>
</tr>
<tr>
<td>Current tax</td>
<td>(85.3)</td>
<td>(83.8)</td>
<td>(87.0)</td>
</tr>
<tr>
<td><strong>Total income tax expense</strong></td>
<td><em>(85.6)</em></td>
<td><em>(82.8)</em></td>
<td><em>(80.1)</em></td>
</tr>
</tbody>
</table>

In 2018, the Group tax expense increased by €2.8 million. In 2017, the income tax expense included €13 million as an additional non-recurring contribution of 15% on corporate income tax for companies with revenue exceeding €1 billion, fully offset by the cancellation and repayment of the additional contribution on dividends of €15 million. After restatement for these items, the tax expense is stable.

9.2. Current tax payable

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax payable assets</td>
<td>18.6</td>
<td>9.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Tax payable liabilities</td>
<td>1.3</td>
<td>0.9</td>
<td>0.9</td>
</tr>
</tbody>
</table>

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.

9.3. Deferred tax

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-deductible provisions</td>
<td>10.6</td>
<td>11.7</td>
<td>11.7</td>
</tr>
<tr>
<td>Temporarily non-deductible expenses</td>
<td>5.8</td>
<td>5.8</td>
<td>4.9</td>
</tr>
<tr>
<td>Other consolidation restatements*</td>
<td>(37.3)</td>
<td>(36.0)</td>
<td>(35.1)</td>
</tr>
<tr>
<td>Other temporary differences</td>
<td>1.7</td>
<td>1.0</td>
<td>1.3</td>
</tr>
<tr>
<td><strong>Total deferred tax</strong></td>
<td>18.1</td>
<td>(37.3)</td>
<td>18.6</td>
</tr>
<tr>
<td><strong>Net deferred tax</strong></td>
<td>(19.2)</td>
<td>(17.5)</td>
<td>(17.2)</td>
</tr>
</tbody>
</table>

*Mainly accelerated amortisation*
9.4. Reconciliation of the theoretical tax rate and the effective tax rate

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated accounting profit before tax, excluding impact of equity-accounted companies</td>
<td>255.2</td>
<td>262.6</td>
<td>254.6</td>
</tr>
<tr>
<td>Theoretical standard tax rate</td>
<td>34.4%</td>
<td>34.4%</td>
<td>34.4%</td>
</tr>
<tr>
<td><strong>Theoretical tax expense</strong></td>
<td>87.9</td>
<td>90.4</td>
<td>87.7</td>
</tr>
<tr>
<td>Impact of items generating a difference with the theoretical tax:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanent differences</td>
<td>0.2</td>
<td>2.6</td>
<td>(6.7)</td>
</tr>
<tr>
<td>Tax rate effect</td>
<td>(0.4)</td>
<td>10.4</td>
<td>(2.6)</td>
</tr>
<tr>
<td>Tax credits</td>
<td>(2.1)</td>
<td>(5.2)</td>
<td>(5.3)</td>
</tr>
<tr>
<td>Non-capitalised tax loss carry-forwards, net of use</td>
<td>0.0</td>
<td>(0.4)</td>
<td>0.1</td>
</tr>
<tr>
<td>Additional contribution on dividends</td>
<td>(15.0)</td>
<td>6.9</td>
<td></td>
</tr>
<tr>
<td>Total difference between effective and theoretical tax</td>
<td>(2.3)</td>
<td>(7.6)</td>
<td>(7.6)</td>
</tr>
<tr>
<td><strong>Effective tax expense</strong></td>
<td>85.6</td>
<td>82.8</td>
<td>80.0</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>33.5%</td>
<td>31.5%</td>
<td>31.4%</td>
</tr>
</tbody>
</table>

2017 was marked by two non-recurring events with a major impact on tax, described in section 9.1.

10. Earnings per share

The Group applies IAS 33 on the presentation of earnings per share.

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.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit attributable to owners of the parent (in € millions)</td>
<td>170.4</td>
<td>180.7</td>
<td>176.0</td>
</tr>
<tr>
<td>Weighted average number of shares as at 31 December 2018</td>
<td>200,000</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td><strong>Basic earnings per share (in €)</strong></td>
<td>852.01</td>
<td>903.66</td>
<td>880.20</td>
</tr>
<tr>
<td><strong>Diluted earnings per share (in €)</strong></td>
<td>852.01</td>
<td>903.66</td>
<td>880.20</td>
</tr>
</tbody>
</table>

The weighted average number of ordinary shares outstanding corresponds at each reporting date to 200,000 as there have been no movements in the capital in the last three years.

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 Chapter 13 below and Note 18.7 “Legal and arbitration procedures” of the Registration Document).

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.

11. Shareholders’ equity

11.1. Share capital

As at 31 December 2018, FDJ’s share capital amounted to €76,400,000, consisting of 200,000 shares with a par value of €382 each. It has not changed over the past three financial years (subject to the points set out above).

As at 31 December 2018, 31 December 2017 and 31 December 2016, the shareholders were as follows:

<table>
<thead>
<tr>
<th>Number of Shares</th>
<th>% of capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>French State</td>
<td>144,000</td>
</tr>
<tr>
<td><em>Union des blessés de la Face et de la Tête</em></td>
<td>18,457</td>
</tr>
<tr>
<td>FDJ FCP employees</td>
<td>10,000</td>
</tr>
<tr>
<td>Other (individual interest &lt;5% of capital)</td>
<td>27,543</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>200,000</strong></td>
</tr>
</tbody>
</table>

Dividends in respect of 2018, submitted to the vote of the General Shareholders’ Meeting of 5 June 2019, amounted to €122 million, i.e. €610 per share.

Dividends in respect of 2017, approved by the General Shareholders’ Meeting of 18 June 2018, amounted to €130 million, i.e. €650 per share.

Dividends in respect of 2016, approved by the General Shareholders’ Meeting of 15 June 2017, amounted to €124 million, i.e. €620 per share.

11.2. Reserves

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

FDJ’s Articles of Association (Article 48) provide for the establishment of a reserve to cover rare risks (repeated peak risks with a very low frequency of occurrence and very high amount relating to multiple game events occurring over the same period) and extreme risks (peak risk, very low frequency of occurrence, very high amount). This reserve can 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 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 €45 million at the end of 2018, based on the 2017 financial statements (€43 million at the end of 2017, based on the 2016 financial statements and €41 million at the end of 2016, based on the 2015 financial statements); and
- rare and extreme counterparty risks, exceeding ordinary risk for which models are available and that are covered by counterparty funds and the permanent fund. These risks
are measured on a case-by-case basis as and when a major change occurs in the gaming offer or in player behaviour. At the end of 2018, 2017 and 2016, they were covered up to an amount of €40 million.

The reserve established under the Articles of Association amounted to €85 million as at 31 December 2018 (€83 million as at 31 December 2017 and €81 million as at 31 December 2016).

12. Transactions with related-parties

12.1. French State

The French State is the majority shareholder of FDJ with the ability to control decisions requiring shareholder approval.

The minister in charge of the budget determines how stakes are allocated, taking into account the statutory levies on gaming, including the levy to finance the national sports development programme (CNDS), the social security debt retirement levy (CRDS) and the supplementary social security levy (CSG).

The related amounts reported in the income statement and in the statement of financial position for the last three years are as follows:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of financial position – Liabilities</td>
<td>Public levies</td>
<td>357.2</td>
<td>265.9</td>
</tr>
</tbody>
</table>

An agreement between the French State and FDJ sets the legal and financial terms and conditions governing the transfer of the non-current assets required to carry out the mission entrusted to FDJ if FDJ were to lose its license to operate lottery games and sports betting.

Transactions between FDJ and other public sector entities (France Télévisions, EDF, SNCF, La Poste) are all conducted at normal market conditions.

12.2. 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 €7 million in 2016 and €8 million in 2017 (nil in 2018).

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

12.3. 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 Executive Committee, which has ten members.

In the consolidated income statement, the items relating to executive remuneration are as follows:
Short-term benefits include all remuneration and related social security contributions. Other long-term benefits include post-employment benefits (retirement indemnities), as well as service recognition medals and health insurance.

In the consolidated statement of financial position, payables to executives were as follows:

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>0.9</td>
<td>0.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
</tr>
</tbody>
</table>

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.

13. Ongoing legal proceedings and other disputes

In December 2011, the French lottery distributors’ syndicate (Union Nationale des Diffuseurs de Jeux – UNDJ) brought proceedings before the Court of First Instance (Tribunal de Grande Instance) in Paris. The Court dismissed the UNDJ’s action to invalidate the amendment to the agent-broker contract signed in 2003 and for damages from FDJ on grounds of inadmissibility. The UNDJ appealed this judgement in May 2018 and, on 19 December 2018, the Paris Court of Appeal found the UNDJ’s appeal to be invalid. Further, in May 2012, UNDJ members filed suit against Française des Jeux with the Commercial Court of Nanterre, seeking the termination of the 2003 amendment. 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, seeking damages following the termination of their broker-agent contracts. In October 2016, the Court dismissed all of the claims. The agent-brokers appealed this decision in November 2016 at the Paris Court of Appeal. The Court has heard the case and the deliberations have been set for 27 March 2019.

In May 2014, FDJ launched a sales transformation programme aimed at enhancing the performance of the Company and its network. As part of the restructuring, FDJ terminated the contracts of broker-agents who had, until that time, been paid solely based on the stakes collected, thus ending the former distribution system and, as a result, terminating the rights existing under the previous contract. The Board of Directors noted on 15 December 2016 that Soficoma no longer met the requisite conditions to be an FDJ shareholder, as it was no longer held by FDJ broker-agents. Therefore, in accordance with FDJ’s Articles of Association, the Board of Directors decided to arrange for FDJ to buy back Soficoma’s shares and make the corresponding payment. Soficoma disputed the transaction, leading FDJ to take legal action on 23 May 2017. The dispute is pending in the Commercial Court of Marseille.
14. Off-balance-sheet commitments

14.1. Commitment related to the employees’ mutual fund (FCPE)

In accordance with employee savings agreements and to guarantee the liquidity of the “FDJ Actionnariat” employees’ mutual fund, through which employees own 5% of the Company’s share capital, LCL granted the fund a first-demand guarantee for €8.8 million. In turn, FDJ granted LCL a counter-guarantee of the same amount, and the mutual fund signed an agreement with FDJ to repay funds received or to sell shares, with no obligation to purchase for FDJ. These commitments were renewed for a period of two years on 1 June 2016 and 1 June 2018.

In view of the prospective listing of FDJ’s shares on the regulated market of Euronext Paris, the mutual fund has been blocked for an indefinite period since 27 July 2018. This situation does not change FDJ’s commitments.

14.2. Other commitments

FDJ’s other commitments are described in the table below:

<table>
<thead>
<tr>
<th>In € millions</th>
<th>31 December 2018</th>
<th>31 December 2017</th>
<th>31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitments given</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guarantees and first-demand guarantees</td>
<td>12.0</td>
<td>7.3</td>
<td>5.6</td>
</tr>
<tr>
<td>Sponsorship contract</td>
<td>15.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment funds</td>
<td>20.0</td>
<td>20.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Performance commitments</td>
<td>79.1</td>
<td>122.5</td>
<td>173.5</td>
</tr>
<tr>
<td>Riders’ image rights and L’Echappée commitment</td>
<td>1.0</td>
<td>1.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Escrow account</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Property and vehicle rentals</td>
<td>37.3</td>
<td>32.4</td>
<td>35.8</td>
</tr>
<tr>
<td>Mortgages on assets acquired</td>
<td>113.8</td>
<td>123.1</td>
<td>132.6</td>
</tr>
<tr>
<td>Other commitments given</td>
<td>4.1</td>
<td>3.0</td>
<td>11.0</td>
</tr>
<tr>
<td><strong>Total commitments given</strong></td>
<td><strong>283.3</strong></td>
<td><strong>310.5</strong></td>
<td><strong>372.9</strong></td>
</tr>
<tr>
<td>Commitments received</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance commitments and repayment of advances</td>
<td>57.4</td>
<td>54.0</td>
<td>45.4</td>
</tr>
<tr>
<td>Repayment of stakes and payment of winnings</td>
<td>249.5</td>
<td>138.3</td>
<td>99.2</td>
</tr>
<tr>
<td>Equipment rentals</td>
<td>5.8</td>
<td>4.1</td>
<td></td>
</tr>
<tr>
<td>Other commitments received</td>
<td>33.3</td>
<td>4.5</td>
<td></td>
</tr>
<tr>
<td><strong>Total commitments received</strong></td>
<td><strong>306.9</strong></td>
<td><strong>231.3</strong></td>
<td><strong>153.1</strong></td>
</tr>
</tbody>
</table>

The schedule of lease liabilities in respect of property and vehicle assets, and lease liabilities in respect of property assets for the financial year are as follows:
Performance undertakings given correspond to irrevocable purchase commitments made by the Group to its suppliers. The decrease in these commitments in 2018 and 2017 mainly corresponds to gaming material printing contracts (three-year contracts signed at the end of 2016 for 2017-2019) and terminal maintenance contracts (one of which was not renewed in 2018).

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 2016 and 2018 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 primarily comprise Partech and Raise, innovation funds that support the development of start-ups.

14.3. Reciprocal commitments

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.

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

There were no reciprocal commitments in place as of 31 December 2016.

15. Subsequent events

15.1. Acquisition of Spynsol, the Sporting Group holding company

On 30 May 2019, FDJ Group acquired British group Sporting Group for a total of £107.3 million, or €121 million. Sporting Group is positioned on three business sectors offering significant synergies:

- provision of services to sports betting operators;
- a B2C sports betting offer in the United Kingdom and Ireland; and
- proprietary trading.

This acquisition, financed by a £100 million loan, will enable the Group to strengthen its B2B offering, in terms of both contents and management services, and to accelerate its international expansion.

Sporting Group reported approximately €40 million in revenue in 2018.
After the allocation of the purchase price to assets and liabilities (€33 million for customers and €19 million for technology), goodwill amounted to €67 million. The net cash flow related to the acquisition is an outflow of €111.8 million. The acquisition agreement includes an earn-out clause.

15.1.2. Adoption of the Pacte Law of 22 May 2019

Article 137 of Law no. 2019-486 of 22 May 2019 relating to the growth and transformation of companies authorises the French government to proceed by decree with the transfer of the majority of the share capital of FDJ to the private sector, while keeping the Company and its gaming activities under the strict control of the French State allowing the latter to continue to prevent excessive play, protect vulnerable people (especially minors) and combat fraud and money laundering.

The Pacte Law also authorises the government to issue a ministerial order based on Article 38 of the Constitution to reform the regulation of the gaming sector in general, and lottery games and sports betting in particular, for which the exclusive operating rights entrusted to FDJ have been confirmed for a period of 25 years. Among other reforms, the order is likely to establish a single regulator with the status of independent administrative authority, combining the powers currently held by the ARJEL on the one hand (regulation and control of online games open to competition in 2010) and the minister in charge of the budget on the other (regulation and control of gambling and betting operated exclusively by FDJ and PMU).

Article 138 of the Law amends the tax rules applicable to gaming, notably by providing for a change in the base on which public levies applicable to lotteries and sports betting, both online and in the offline distribution network, are assessed. The change in the tax base, from stakes to gross gaming and betting revenue, will come into effect as of 1 January 2020.

The same article also provides that the regulated funds referred to in Articles 13 and 14 of Decree no. 78-1067 of 9 November 1978 and Articles 14 and 15 of Decree no. 85-390 of 1 April 1985 will be closed as from 1 January 2020. Any sums deposited in these funds will be paid to the French State before a date set by decree, and no later than 31 December 2025. This applies to the counterparty and permanent funds, together with the reserve 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 debt as at 30 June 2019: €148 million in permanent funds and counterparty funds (previously presented as non-current player funds) and €108 million in reserve funds (previously presented in current player funds).

15.1.3. Approval of dividends in 2019

The General Shareholders’ Meeting of 5 June 2019 approved the payment of a dividend of €122 million in respect of 2018.

15.1.4. Developments in ongoing legal proceedings

On 6 August 2015, 67 agent-brokers brought proceedings against FDJ in the Commercial Court of Paris, seeking 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 before the Paris Court of Appeal. On 27 March 2019, the Paris Court of Appeal upheld the initial judgement in its entirety. The agent-brokers filed an appeal against this judgment to the French Supreme Court (Cour de Cassation) in June.

On 23 May 2017, FDJ filed a lawsuit against Soficoma, seeking legal recognition of the loss of its status as a shareholder of FDJ. On 23 May 2019, the Commercial Court of Marseille
granted FDJ’s application. Soficoma appealed this ruling on 20 June 2019 before the Court of Appeal of Aix-en-Provence.

16. Scope of consolidation – change in scope

16.1. 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.

<table>
<thead>
<tr>
<th>Entity name</th>
<th>Head Office</th>
<th>Activity</th>
<th>Consolidation method 2018</th>
<th>Consolidation method 2017</th>
<th>Consolidation method 2016</th>
<th>2018 % control</th>
<th>2017 % control</th>
<th>2016 % control</th>
</tr>
</thead>
<tbody>
<tr>
<td>La Française des Jeux</td>
<td>France</td>
<td>Organisation of lottery and sports betting games</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>FDJ Gaming Solutions France (FGS France)</td>
<td>France</td>
<td>Development and supply of digital lottery technologies</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>FDJ Gaming Solutions (FGS)</td>
<td>France</td>
<td>Holding company</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Beijing Zhongcai Printing</td>
<td>China</td>
<td>Printing of lottery tickets</td>
<td>EM</td>
<td>EM</td>
<td>EM</td>
<td>37%</td>
<td>37%</td>
<td>37%</td>
</tr>
<tr>
<td>La Française Motivation</td>
<td>France</td>
<td>Business tourism consulting agency, tourism agency</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>La Pacifique des Jeux</td>
<td>France</td>
<td>Operation of gambling in French Polynesia</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>99.99%</td>
<td>99.99%</td>
<td>99.99%</td>
</tr>
<tr>
<td>FDJ Développement</td>
<td>France</td>
<td>Operation of lottery games and sports betting in West Indian-Guyane</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>La Française d’Images</td>
<td>France</td>
<td>Audiovisual technical services</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Société de Gestion de l’Echappée</td>
<td>France</td>
<td>Management and animation of a cycling team</td>
<td>EM</td>
<td>FC</td>
<td>FC</td>
<td>50%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>FDP</td>
<td>France</td>
<td>Distribution of lottery and betting games in metropolitan France</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Services de Loteries en Europe</td>
<td>Belgium</td>
<td>Provision of services on behalf of national lottery operators in connection with the operation of Euromillions</td>
<td>EM</td>
<td>EM</td>
<td>EM</td>
<td>26.57%</td>
<td>26.57%</td>
<td>26.57%</td>
</tr>
<tr>
<td>FDJ Gaming Solutions UK (FGS UK)</td>
<td>U.K.</td>
<td>Development of sports betting technologies</td>
<td>FC</td>
<td>FC</td>
<td>FC</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>National Lotteries Common Services (NLCS)</td>
<td>France</td>
<td>Provision of services related to the operation of sports betting</td>
<td>EM</td>
<td>EM</td>
<td>EM</td>
<td>50%</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Lotteries Entertainment Innovation Alliance AS (LEIA)</td>
<td>Norway</td>
<td>Operation of digital gaming platforms</td>
<td>EM</td>
<td></td>
<td></td>
<td>25%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(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 (Lotys renamed FGS France; Internationale des Jeux renamed FGS; LVS renamed FGS UK).

16.2. Changes of scope

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.

There was no change in scope in 2017 or 2016.
## 17. STATUTORY AUDITORS’ FEES

The Statutory Auditors’ fees for the three financial years break down as follows:

### 2018 – In € thousands

<table>
<thead>
<tr>
<th></th>
<th>Statutory audit services</th>
<th>Non-audit services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PWC Audit</td>
<td>Deloitte</td>
</tr>
<tr>
<td>FDJ (issuer)</td>
<td>350</td>
<td>394</td>
</tr>
<tr>
<td>Subsidiaries (controlled entities)</td>
<td>76</td>
<td>87</td>
</tr>
<tr>
<td><strong>Statutory Auditors’ fees</strong></td>
<td><strong>426</strong></td>
<td><strong>481</strong></td>
</tr>
</tbody>
</table>

* benchmark closing process and NFIS governance and verification  
** of which benchmark closing process and Ecofolio governance and certification

### 2017 – In € thousands

<table>
<thead>
<tr>
<th></th>
<th>Statutory audit services</th>
<th>Non-audit services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PWC Audit</td>
<td>Deloitte</td>
</tr>
<tr>
<td>FDJ (issuer)</td>
<td>235</td>
<td>235</td>
</tr>
<tr>
<td>Subsidiaries (controlled entities)</td>
<td>104</td>
<td>135</td>
</tr>
<tr>
<td><strong>Statutory Auditors’ fees</strong></td>
<td><strong>339</strong></td>
<td><strong>370</strong></td>
</tr>
</tbody>
</table>

* due diligence work  
** Ecofolio certification

### 2016 – In € thousands

<table>
<thead>
<tr>
<th></th>
<th>Statutory audit services</th>
<th>Non-audit services</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PWC Audit</td>
<td>Deloitte</td>
</tr>
<tr>
<td>FDJ (issuer)</td>
<td>223</td>
<td>275</td>
</tr>
<tr>
<td>Subsidiaries (controlled entities)</td>
<td>51</td>
<td>123</td>
</tr>
<tr>
<td><strong>Statutory Auditors’ fees</strong></td>
<td><strong>274</strong></td>
<td><strong>398</strong></td>
</tr>
</tbody>
</table>

* debt certification  
** of which broker-agent inventories, Ecofolio certification
APPENDIX 2 STATUTORY AUDITORS’ REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

To the Board of Directors,

In our capacity as Statutory Auditors of La Française des Jeux (the “Company”) and in accordance with European Regulation (EU) No 2017/1129 in view of the planned public offering and listing of the Company’s shares on the Euronext Paris regulated market, we have conducted an audit of the accompanying consolidated financial statements of the Company for the years ended 31 December 2016, 2017 and 2018, prepared for the purposes of the Registration Document and in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union.

These consolidated financial statements are the responsibility of the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the consolidated financial statements prepared for the purposes of the Registration Document present fairly, in all material respects, the assets and liabilities and the financial position of the Group at 31 December 2016, 2017 and 2018 and the results of its operations for the years then ended in accordance with IFRS as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 1.2 “Regulatory environment of the FDI Group (the Group)” to the consolidated financial statements, which sets out the specific nature of the Company’s legal framework.
Paris-La Défense and Neuilly-sur-Seine, 14 October 2019

The Statutory Auditors

Deloitte & Associés PricewaterhouseCoopers Audit

Jean-François Viat Nadège Pineau Philippe Vincent Jean-Paul Collignon
APPENDIX 3 STATUTORY AUDITORS’ SPECIAL REPORTS ON RELATED-PARTY AGREEMENTS FOR THE YEARS ENDED 31 DECEMBER 2016, 2017 AND 2018

Statutory Auditors’ special report
on related-party agreements

General Shareholders’ Meeting held to approve the financial statements for the year ended 31 December 2016

This is a free translation into English of the Statutory Auditors’ special report on related-party agreements 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.

La Française des Jeux
126, rue Galliéni
92100 Boulogne Billancourt, France

To the General Shareholders’ Meeting,

In our capacity as Statutory Auditors of La Française des Jeux (the “Company”), we hereby report to you on related-party agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the main terms and conditions of the agreements brought to our attention or that we may have identified as part of our engagement, as well as the reasons given to us and justifying why they are in the Company’s interest, without commenting on their usefulness and appropriateness, or identifying any undisclosed agreements. Pursuant to Article R.225-31 of the French Commercial Code (Code de commerce), it is your responsibility to determine whether the agreements are appropriate for the purpose of approving them.

In addition and where applicable, it is our responsibility to provide you with the information stipulated in Article R.225-31 of the French Commercial Code in relation to the implementation during the year of the agreements already approved by the General Shareholders’ Meeting.
We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (Compagnie nationale des commissaires aux comptes) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements submitted for the approval of the General Shareholders’ Meeting

Agreements authorised during the year

In accordance with Article L.225-40 of the French Commercial Code, we were informed of the following agreements authorised by the Board of Directors.

With the French gambling observatory (Observatoire des Jeux – ODJ), a French government agency

Party concerned: The French State, a shareholder of the Company, holding more than 10% of voting rights.

- On 22 March 2016, the Board of Directors authorised the Company 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. 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.

- According to the Board of Directors, the agreement should enable the Company to enhance its measures to prevent excessive gambling by strengthening its collaboration with the ODJ.

Agreements already approved by the General Shareholders’ Meeting

Agreements approved in prior years that remained in force during the year ended 31 December 2016

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements, approved by the General Shareholders’ Meeting in prior years, remained in force during the year ended 31 December 2016.

With the French online gambling regulator (Autorité de Régulation des Jeux En Ligne – ARJEL), a French government agency
Party concerned: The French State, a shareholder of the Company, holding more than 10% of voting rights.

- On 1 July 2015, the Board of Directors authorised the Company to sign an agreement with the French Minister of Finance and Public Accounts and ARJEL providing for the free-of-charge exchange of information on preventing the betting-related manipulation of sporting competitions. 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 ARJEL are the only financial impacts for the Company.

- According to the Board of Directors, the agreement should lead to more effective prevention of betting-related match fixing by coordinating the efforts of the Company and the competent authorities. 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.

Neuilly-sur-Seine, 15 March 2017

The Statutory Auditors

PricewaterhouseCoopers Audit              Deloitte & Associés

Philippe Vincent  Laurent Daniel  Eric Gins  Anne
Philipona-Hintzy
Statutory Auditors’ special report
on related-party agreements

(General Shareholders’ Meeting held to approve the financial statements for the year
ended 31 December 2017)

This is a free translation into English of the Statutory Auditors’ special report on related-party
agreements 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.

La Française des Jeux
126, rue Galliéni
92100 Boulogne Billancourt, France

To the General Shareholders’ Meeting,

In our capacity as Statutory Auditors of La Française des Jeux (the “Company”), we hereby
report to you on related-party agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the
main terms and conditions of the agreements brought to our attention or that we may have
identified as part of our engagement, as well as the reasons given to us and justifying why
they are in the Company’s interest, without commenting on their usefulness and
appropriateness, or identifying any undisclosed agreements. Pursuant to Article R.225-31 of
the French Commercial Code (Code de commerce), it is your responsibility to determine
whether the agreements are appropriate for the purpose of approving them.

In addition and where applicable, it is our responsibility to provide you with the information
stipulated in Article R.225-31 of the French Commercial Code in relation to the
implementation during the year of the agreements already approved by the General
Shareholders’ Meeting.

We performed the procedures that we deemed necessary in accordance with the professional
guidance issued by the French national auditing body (Compagnie nationale des
commissaires aux comptes) for this type of engagement. These procedures consisted in
verifying that the information given to us is consistent with the underlying documents.
AGREEMENTS SUBMITTED FOR THE APPROVAL OF THE GENERAL SHAREHOLDERS’
MEETING
Agreements authorised and entered into during the year

We were not informed of any agreements authorised and entered into during the year to be submitted for the approval of the General Shareholders’ Meeting in accordance with the provisions of Article L.225-38 of the French Commercial Code.

AGREEMENTS ALREADY APPROVED BY THE GENERAL SHAREHOLDERS’ MEETING

Agreements approved in prior years that remained in force during the year ended 31 December 2017

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements, approved by the General Shareholders’ Meeting in prior years, remained in force during the year ended 31 December 2017.

With the French gambling observatory (Observatoire des Jeux – ODJ), a French government agency

Party concerned: The French State, a shareholder of the Company, holding more than 10% of voting rights.

- On 22 March 2016, the Board of Directors authorised the Company 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. 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.
  - According to the Board of Directors, the agreement should enable the Company to enhance its measures to prevent excessive gambling by strengthening its collaboration with the ODJ.

With the French online gambling regulator (Autorité de Régulation des Jeux En Ligne – ARJEL), a French government agency

Party concerned: The French State, a shareholder of the Company, holding more than 10% of voting rights.

- On 1 July 2015, the Board of Directors authorised the Company 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. 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.

- According to the Board of Directors, the agreement should lead to more effective prevention of betting-related match fixing by coordinating the efforts of the Company and the competent authorities. 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.

Neuilly-sur-Seine, 25 May 2018

The Statutory Auditors

PricewaterhouseCoopers Audit        Deloitte & Associés

Philippe Vincent        Laurent Daniel        Eric Gins        Anne Philipona-Hintzy
Statutory Auditors’ special report  
on related-party agreements

(General Shareholders’ Meeting held to approve the financial statements for the year ended 31 December 2018)

This is a free translation into English of the Statutory Auditors’ special report on related-party agreements 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.

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

To the General Shareholders’ Meeting,

In our capacity as Statutory Auditors of La Française des Jeux (the “Company”), we hereby report to you on related-party agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the main terms and conditions of the agreements brought to our attention or that we may have identified as part of our engagement, as well as the reasons given to us and justifying why they are in the Company’s interest, without commenting on their usefulness and appropriateness, or identifying any undisclosed agreements. Pursuant to Article R.225-31 of the French Commercial Code (Code de commerce), it is your responsibility to determine whether the agreements are appropriate for the purpose of approving them.

In addition and where applicable, it is our responsibility to provide you with the information stipulated in Article R.225-31 of the French Commercial Code in relation to the implementation during the year of the agreements already approved by the General Shareholders’ Meeting.

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (Compagnie nationale des commissaires aux comptes) for this type of engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.
Agreements submitted for the approval of the General Shareholders’ Meeting

Agreements authorised and entered into during the year

We were not informed of any agreements authorised and entered into during the year to be submitted for the approval of the General Shareholders’ Meeting in accordance with the provisions of Article L.225-38 of the French Commercial Code.

Agreements already approved by the General Shareholders’ Meeting

Agreements approved in prior years that remained in force during the year ended 31 December 2018

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements, approved by the General Shareholders’ Meeting in prior years, remained in force during the year ended 31 December 2018.

With the French gambling observatory (Observatoire des Jeux – ODJ), a French government agency

Party concerned: The French State, a shareholder of the Company, holding more than 10% of voting rights.

- On 22 March 2016, the Board of Directors authorised the Company 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

Party concerned: The French State, a shareholder of the Company, holding more than 10% of voting rights.

- On 1 July 2015, the Board of Directors authorised the Company 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.

In accordance with French law, we inform you that the Board of Directors has not carried out the annual review of the aforementioned agreements, as provided for under Article L.225-40-1 of the French Commercial Code.

Neuilly-sur-Seine and Paris-La-Défense, 1 March 2019

The Statutory Auditors

PricewaterhouseCoopers Audit          Deloitte & Associés

Philippe Vincent           Laurent Daniel Jean-François Viat     Anne Philipona-Hintzy
APPENDIX 4 HALF-YEARLY CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS AS AT 30 JUNE 2019

Consolidated income statement

The financial statements are presented in millions of euros, rounded to the nearest hundred thousand euros. The various financial statements may therefore contain rounding differences.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Note</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakes</td>
<td>4.1</td>
<td>8,420.0</td>
<td>7,854.6</td>
</tr>
<tr>
<td>Player payout</td>
<td>4.1</td>
<td>(5,756.9)</td>
<td>(5,329.7)</td>
</tr>
<tr>
<td><strong>Gross gaming revenue</strong></td>
<td>4.1</td>
<td>2,663.0</td>
<td>2,524.9</td>
</tr>
<tr>
<td>Public levies</td>
<td>4.1</td>
<td>(1,692.4)</td>
<td>(1,615.0)</td>
</tr>
<tr>
<td>Structural allocations to counterparty funds</td>
<td>4.1</td>
<td>(39.1)</td>
<td>(28.5)</td>
</tr>
<tr>
<td>Other revenue from sports betting</td>
<td>4.1</td>
<td>1.9</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Net gaming revenue</strong></td>
<td>4.1</td>
<td>933.4</td>
<td>881.4</td>
</tr>
<tr>
<td><strong>Revenue from other activities</strong></td>
<td>4.1</td>
<td>10.5</td>
<td>15.5</td>
</tr>
<tr>
<td>Revenue</td>
<td>4.1</td>
<td>944.0</td>
<td>897.0</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>4.2</td>
<td>(582.9)</td>
<td>(547.8)</td>
</tr>
<tr>
<td>Marketing and communication expenses</td>
<td>4.2</td>
<td>(138.1)</td>
<td>(129.8)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>4.2</td>
<td>(85.6)</td>
<td>(86.3)</td>
</tr>
<tr>
<td>Other recurring operating income</td>
<td>4.2</td>
<td>0.4</td>
<td>1.7</td>
</tr>
<tr>
<td>Other recurring operating expenses</td>
<td>4.2</td>
<td>(1.8)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Recurring operating profit</strong></td>
<td>4.2</td>
<td>(135.9)</td>
<td>134.8</td>
</tr>
<tr>
<td>Other operating income</td>
<td>4.2.4</td>
<td>0.1</td>
<td>10.1</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>4.2.4</td>
<td>(7.3)</td>
<td>(3.1)</td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td></td>
<td>128.7</td>
<td>141.8</td>
</tr>
<tr>
<td>Cost of debt</td>
<td>0.8</td>
<td>(0.8)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Other financial income</td>
<td>12.2</td>
<td>3.3</td>
<td></td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>0.5</td>
<td>(0.5)</td>
<td>(1.5)</td>
</tr>
<tr>
<td><strong>Net financial income</strong></td>
<td>6.3</td>
<td>10.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Share of net income from joint ventures</td>
<td>7</td>
<td>0.6</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td>140.2</td>
<td>143.4</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>12</td>
<td>(44.4)</td>
<td>(48.6)</td>
</tr>
<tr>
<td><strong>Net profit for the period</strong></td>
<td></td>
<td>95.9</td>
<td>94.8</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td></td>
<td>95.9</td>
<td>94.4</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Basic earnings per share (in €)</strong></td>
<td></td>
<td>479.27</td>
<td>471.96</td>
</tr>
<tr>
<td><strong>Diluted earnings per share (in €)</strong></td>
<td></td>
<td>479.27</td>
<td>471.96</td>
</tr>
</tbody>
</table>
## Consolidated statement of comprehensive income

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net profit for the period</strong></td>
<td>95.9</td>
<td>94.8</td>
</tr>
<tr>
<td>Cash flow hedging</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Taxes related to cash flow hedging</td>
<td>(0.2)</td>
<td>(0.2)</td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td>0.3</td>
<td>0.1</td>
</tr>
<tr>
<td><strong>Items that may subsequently be recycled to profit</strong></td>
<td>0.9</td>
<td>0.5</td>
</tr>
<tr>
<td>Actuarial gains and losses</td>
<td>(3.3)</td>
<td>0.6</td>
</tr>
<tr>
<td>Taxes related to actuarial gains and losses through other comprehensive income</td>
<td>1.0</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Items that may not be subsequently recycled to profit</strong></td>
<td>(2.3)</td>
<td>0.4</td>
</tr>
<tr>
<td><strong>Other comprehensive income/(expense)</strong></td>
<td>(1.4)</td>
<td>0.8</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the period</strong></td>
<td>94.5</td>
<td>95.6</td>
</tr>
<tr>
<td>Attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent</td>
<td>94.5</td>
<td>95.2</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>0.0</td>
<td>0.4</td>
</tr>
</tbody>
</table>
Consolidated statement of financial position

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>3</td>
<td>68.3</td>
<td>1.1</td>
</tr>
<tr>
<td>Exclusive operating rights</td>
<td>1.3.2</td>
<td>378.4</td>
<td>0.0</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>3</td>
<td>152.9</td>
<td>103.7</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td></td>
<td>408.7</td>
<td>378.8</td>
</tr>
<tr>
<td>Non-current financial assets</td>
<td>6.1</td>
<td>839.3</td>
<td>780.6</td>
</tr>
<tr>
<td>Other non-current financial assets</td>
<td>7</td>
<td>13.1</td>
<td>12.8</td>
</tr>
</tbody>
</table>

Non-current assets | 1,860.7 | 1,277.0 |

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventories</td>
<td></td>
<td>10.6</td>
<td>8.7</td>
</tr>
<tr>
<td>Trade and distribution network receivables</td>
<td>4.4.1</td>
<td>304.6</td>
<td>411.5</td>
</tr>
<tr>
<td>Other current assets</td>
<td>4.4.2</td>
<td>264.6</td>
<td>268.3</td>
</tr>
<tr>
<td>Tax payable assets</td>
<td></td>
<td>10.4</td>
<td>18.6</td>
</tr>
<tr>
<td>Current financial assets</td>
<td>6.1</td>
<td>60.0</td>
<td>55.8</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6.2</td>
<td>179.0</td>
<td>167.2</td>
</tr>
</tbody>
</table>

Current assets | 829.3 | 930.2 |

TOTAL ASSETS | 2,690.0 | 2,207.2 |

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th>Note</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td></td>
<td>76.4</td>
<td>76.4</td>
</tr>
<tr>
<td>Reserves and retained earnings</td>
<td></td>
<td>360.7</td>
<td>314.8</td>
</tr>
<tr>
<td>Other reserves</td>
<td></td>
<td>0.8</td>
<td>0.2</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td></td>
<td>2.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Non profit attributable to owners of the parent</td>
<td></td>
<td>95.9</td>
<td>170.4</td>
</tr>
</tbody>
</table>

Equity attributable to owners of the parent | 8 | 536.2 | 563.9 |

Non-controlling interests | | 0.0 | 0.0 |

Equity | 536.2 | 563.9 |

Non-current assets | 359.1 | 307.2 |

<table>
<thead>
<tr>
<th>EQUITY AND LIABILITIES</th>
<th>Note</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for pensions and other employee benefits</td>
<td>4.6.3</td>
<td>51.2</td>
<td>45.6</td>
</tr>
<tr>
<td>Non-current provisions</td>
<td>5</td>
<td>49.2</td>
<td>37.6</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>12</td>
<td>25.2</td>
<td>19.2</td>
</tr>
<tr>
<td>Non-current player funds</td>
<td>4.3</td>
<td>0.0</td>
<td>108.7</td>
</tr>
<tr>
<td>Non-current financial liabilities</td>
<td>6.1</td>
<td>233.6</td>
<td>96.1</td>
</tr>
</tbody>
</table>

TOTAL EQUITY AND LIABILITIES | 2,690.0 | 2,207.2 |
Consolidated statement of cash flows

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net consolidated profit for the period</td>
<td>95.9</td>
<td>94.8</td>
</tr>
<tr>
<td>Change in depreciation, amortisation and impairment of non-current assets</td>
<td>43.1</td>
<td>30.3</td>
</tr>
<tr>
<td>Change in provisions</td>
<td>6.1</td>
<td>3.4</td>
</tr>
<tr>
<td>Disposal gains or losses</td>
<td>0.1</td>
<td>(10.1)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>44.4</td>
<td>48.6</td>
</tr>
<tr>
<td>Net financial (income)/expense</td>
<td>(10.9)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Interests received</td>
<td>2.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Share of net income from joint ventures</td>
<td>(0.6)</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Non-cash items</strong></td>
<td>84.5</td>
<td>72.4</td>
</tr>
<tr>
<td><strong>Use of provisions – payments</strong></td>
<td>(4.5)</td>
<td>(4.9)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(31.9)</td>
<td>(45.9)</td>
</tr>
<tr>
<td>Change in trade receivables and other current assets</td>
<td>124.2</td>
<td>207.1</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>(1.9)</td>
<td>0.6</td>
</tr>
<tr>
<td>Change in trade payables and other current liabilities</td>
<td>(56.5)</td>
<td>(126.0)</td>
</tr>
<tr>
<td>Change in other components of working capital</td>
<td>(1.5)</td>
<td>(0.4)</td>
</tr>
<tr>
<td><strong>Change in operating working capital</strong></td>
<td>64.4</td>
<td>81.2</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>208.3</td>
<td>197.6</td>
</tr>
</tbody>
</table>

| **INVESTING ACTIVITIES** | | |
| Acquisitions of property, plant and equipment and intangible assets (a) | (32.4) | (55.3) |
| Acquisitions of investments (b) | (111.8) | 0.0 |
| Disposals of property, plant and equipment and intangible assets | 0.0 | 3.7 |
| Change in current and non-current financial assets | (50.1) | (24.1) |
| Disposals of other financial assets | 0.0 | 0.0 |
| Change in loans and advances granted | 2.8 | (0.1) |
| Dividends received from joint ventures | 0.4 | 0.7 |
| Other | 0.0 | 0.0 |
| **Net cash flow used in investing activities** | (191.0) | (75.2) |

| **FINANCING ACTIVITIES** | | |
| Issue of long-term debt (c) | 113.3 | 0.0 |
| Repayment of the current portion of long-term debt | (4.0) | (4.0) |
| Repayment of lease liabilities (d) | (2.9) | 0.0 |
| Dividends paid to ordinary shareholders of the parent company | (118.3) | 0.0 |
| Interest paid | (0.8) | (0.3) |
| **Net cash flow used in financing activities** | (12.7) | (4.3) |
| Impact of exchange rate changes | 0.9 | (0.1) |
| **Net increase/(decrease) in net cash (e)** | 5.5 | 118.0 |

| | First-half 2019 | First-half 2018 |
| Cash and cash equivalents as at 1 January | 167.2 | 165.8 |
| Cash and cash equivalents as at 30 June | 179.0 | 289.7 |
| Increase/(decrease) in cash and cash equivalents | 11.8 | 123.9 |
| Current bank overdrafts as at 1 January | (7.2) | (17.5) |
| Current bank overdrafts as at 30 June | (13.6) | (23.4) |
| Increase/(decrease) in net cash | 5.5 | 118.0 |

(a) Acquisitions of tangible and intangible assets relate to development work on live and back office information systems and points of sale terminals, as well as the fitting out of the headquarters and
items of point of sale furniture
(b) Outflows relating to the acquisition of Sporting Group amounted to €111.8 million (acquisition of securities for €35.1 million and debt acquired in the amount of €76.7 million including cash acquired of €3.0 million, following the change of control)
(c) A loan of €100 million was taken out to finance the acquisition of Sporting Group
(d) Repayment of lease liabilities (IFRS 16) corresponds to the rents paid
(e) Net cash includes bank overdrafts

Consolidated statement of changes in equity

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Share capital</th>
<th>Reserves and retained earnings</th>
<th>Other reserves (transferable equity)</th>
<th>Currency translation differences</th>
<th>Net profit/(loss) attributable to owners of the parent</th>
<th>Equity attributable to owners of the parent</th>
<th>Non-controlling interests</th>
<th>Total equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity as at 31 December 2017</td>
<td>76.4</td>
<td>254.4</td>
<td>7.4</td>
<td>0.7</td>
<td>180.7</td>
<td>511.8</td>
<td>0.4</td>
<td>520.2</td>
</tr>
<tr>
<td>Net profit for first half 2018</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.1</td>
</tr>
<tr>
<td>Other comprehensive income/(expense)</td>
<td></td>
<td></td>
<td>0.4</td>
<td>0.1</td>
<td></td>
<td></td>
<td></td>
<td>-0.7</td>
</tr>
<tr>
<td>Total comprehensive income/(expense) for the period</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
<td>0.3</td>
<td>94.4</td>
<td>94.5</td>
<td>0.4</td>
<td>94.9</td>
</tr>
<tr>
<td>Appropriation of 2017 profit/(loss)</td>
<td>(180.7)</td>
<td>(180.7)</td>
<td>(0.4)</td>
<td>(0.4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017 dividends paid</td>
<td>(130.0)</td>
<td>(130.0)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other(*)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.0</td>
</tr>
<tr>
<td>Equity as at 30 June 2018</td>
<td>76.4</td>
<td>311.7</td>
<td>7.4</td>
<td>0.7</td>
<td>94.4</td>
<td>488.4</td>
<td>0.4</td>
<td>520.2</td>
</tr>
<tr>
<td>Equity as at 31 December 2018</td>
<td>76.4</td>
<td>314.8</td>
<td>7.4</td>
<td>0.7</td>
<td>170.7</td>
<td>543.1</td>
<td>0.4</td>
<td>543.9</td>
</tr>
<tr>
<td>Net profit for first half 2019</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in currency translation differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.3</td>
</tr>
<tr>
<td>Other comprehensive income/(expense)</td>
<td>(2.5)</td>
<td>0.5</td>
<td></td>
<td></td>
<td>(1.5)</td>
<td></td>
<td>(7.5)</td>
<td></td>
</tr>
<tr>
<td>Total comprehensive income/(expense) for the period</td>
<td>0.0</td>
<td>(2.5)</td>
<td>0.5</td>
<td>0.3</td>
<td>91.9</td>
<td>94.5</td>
<td>0.4</td>
<td>94.5</td>
</tr>
<tr>
<td>Appropriation of 2018 profit/(loss)</td>
<td>(170.4)</td>
<td>(170.4)</td>
<td>(0.4)</td>
<td></td>
<td>0.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018 dividends paid</td>
<td>(122.0)</td>
<td>(122.0)</td>
<td></td>
<td></td>
<td>(122.0)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>(0.1)</td>
<td>(0.1)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity as at 30 June 2019</td>
<td>76.4</td>
<td>360.7</td>
<td>7.4</td>
<td>0.7</td>
<td>95.9</td>
<td>536.2</td>
<td>0.0</td>
<td>536.2</td>
</tr>
</tbody>
</table>

(*) As at 30 June 2018, other comprehensive income related to the fair value of available-for-sale financial assets, net of tax, has been reclassified from “other reserves” to “reserves and retained earnings”, following the first-time application of IFRS 9 as at 1 January 2018

Income and expenses recognised directly in other comprehensive income (OCI) mainly consist of actuarial differences on retirement indemnities.
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. It is 72% held by the French State.

As at 30 June 2019, the Group, which comprises 27 consolidated entities, was a gaming operator in France, mainland France and French overseas departments, four French overseas territories and Monaco. It operates internationally through investments in the following companies:

- Beijing Zhongcai Printing (BZP), a lottery ticket printing company located in China;
- SLE (Services aux Loteries en Europe), the Belgian cooperative company created as part of the Euromillions 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; and
- British group Spynsol, which includes 12 companies, listed in note 3.

The condensed consolidated financial statements reflect the financial position and results of FDJ and its subsidiaries (“the Group”) and the Group’s shareholdings in joint ventures. They are prepared in euros, the functional currency of the parent company.

1.2. Regulatory background of the FDJ Group (the Group)

FDJ operates in the gaming sector, which is heavily regulated and closely monitored by the French State.

For the activities over which it enjoys exclusive rights, namely the sports bets that it sells in points of sale and its lottery games offered on line and in points of sale, FDJ is legally obliged to meet public service objectives including “ensuring the integrity, safety and reliability of gaming operations and ensuring the transparency of their operation; managing the demand for gambling through a channel controlled by the public authority in order to prevent risks of gambling operations being used for fraudulent or criminal purposes and combat money laundering and supervising gaming consumption in order to prevent the onset of addictions”.

The minister in charge of the budget is responsible for regulating all activities operated by FDJ under exclusive rights. For the exercise of his prerogatives, he benefits from the opinion of the COJEX, a gaming advisory body made up of representatives of public authorities and experts in addiction and gaming regulation, whose composition and remit were extended by the recently adopted Decree No. 2016-1488 of 3 November 2016. FDJ’s annual 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. All gambling and betting games offered by FDJ are subject to prior authorisation by this regulator.

While the regulatory framework is set to change in line with transactions on company’s share capital authorised by law 2019-486 of 22 May 2019 on the growth and transformation of companies, known as the Pacte law, the close control exercised by the government over gaming activities exercised under exclusive rights by Française des Jeux will be maintained and its terms strengthened.
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 gaming regulatory authority. This license was renewed in June 2015 for a period of five years.

1.3. Highlights

1.3.1. Acquisition of Spynsol, the entity holding all the activities of Sporting Group

On 30 May 2019, FDJ Group acquired British group Sporting Group (see note 3) for a total of £107.3 million, or €121 million. Sporting Group is positioned on three activities offering significant synergies:

- provision of services to sports betting operators;
- a B2C sports betting offer in the United Kingdom and Ireland; and
- proprietary trading.

This acquisition, financed by a £100 million loan, will enable the Group to strengthen its B2B offering, in terms of both content and management services, and to accelerate its international expansion.

1.3.2. Adoption of the Pacte law of 22 May 2019 and publication of the the Government Order of 3 October 2019

Article 137 of Law 2019-486 of 22 May 2019 on the growth and transformation of companies authorises the French government to proceed by decree with the transfer of the majority of the share capital of FDJ to the private sector, while maintaining the business and its gaming activities under strict control of the French State, allowing the government to continue to prevent excessive gambling, protect vulnerable populations (especially minors) and combat fraud and money laundering.

The law’s provisions also authorise the government to reform by government order based on Article 38 of the Constitution the regulation of the gaming sector in general, and lottery games and sports betting in particular, for which the exclusive operating rights, relating to lottery games commercialised through offline and online distribution networks, as well as sports betting games commercialised through offline network, entrusted to FDJ have been confirmed for a period of 25 years.

Article 138 of the law amends the taxation of gaming, notably by providing for a change in the base on which public levies applicable to lotteries and sports betting, both online and in the offline distribution network, are assessed. The change in the tax base, from stakes to gross gaming and betting revenue, is scheduled for 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 deposited in these funds will be paid to the French State before a date set by decree, and no later than 31 December 2025. This covers the counterparty and permanent funds, together with the reserve 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 at 30 June 2019: €148 million in permanent funds and counterparty funds (previously presented in non-current player funds) and €108 million in reserve funds (previously presented in current player funds).

Among other reforms, the government order establishes a single regulator with the status of independent administrative authority, combining the powers currently held by the online gaming regulatory authority on the one hand (regulation and control of online games open to competition in 2010) and the minister in charge of the budget on the other hand (regulation and control of gambling and betting operated exclusively by FDJ and PMU).
The order 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, reflecting the grant of such rights and depreciated as from 23 May 2019 (date of enactment of the legal reform stemming from the Pacte Law), as well as a debt owed to the French State for the corresponding amount, have been recorded in the financial statements as of 30 June 2019. As of this date, pursuant to communication with the French State, the financial consideration is estimated at €380 million. The depreciation over this period amounts to €1.6 million and is recorded as other recurring operating expenses.

This amount will be confirmed by decree of the supreme administrative court (Conseil d’État) approving the Specification Document, upon assent of the French Commission for Participations and Transfers (Commission des Participations et des Transferts).

This amount has not been paid as of 30 June 2019, hence it does not appear as an investment in the table of cash flows of the Group for the first semester 2019.

2. Accounting principles and framework

2.1. Basis for the preparation and presentation of the financial statements

These condensed consolidated financial statements for the six months to 30 June 2019 were prepared in view of the prospective public offering and admission of shares to trading on the regulated market of Euronext Paris. They have been prepared specifically for the purposes of the Registration Document submitted for approval by the AMF and pursuant to IAS 34 norm relating to intermediate information. As a result, they do not include all the information and notes required for the preparation of annual consolidated financial statements under IFRS, but only those bearing on the significant events of the period. These financial statements should be read in conjunction with the Group’s consolidated financial statements for the financial years ended 31 December 2018, 2017 and 2016, as approved by the Board of Directors on 9 September 2019.

The condensed financial statements as at 30 June 2019 were prepared in accordance with the same accounting principles and policies as those applied and described in the notes to the consolidated financial statements for the financial year ended 31 December 2018, except for the following:

- IFRS 16 “Leases”, a new standard applicable from 1 January 2019;
- IFRIC 23 “Uncertainty over Income Tax Treatments”, a new interpretation applicable from 1 January 2019, clarifying the principles of recognition and assessment of tax risks;
- employee benefits: the interim period expense related to pension and other employee benefits is determined by means of an extrapolation of the actuarial valuation performed as at 31 December 2018, with an update of the discount rate as at 30 June 2019; and
- income tax: the tax expense for the interim period is calculated by applying the estimated average effective rate for the year to the profit before tax of the financial year.

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

The Group had not opted for the early adoption of any standards or interpretations as at 30 June 2019.
2.3. **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.

2.3.1. **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:

- a lease liability representing the present value of future rents; and
- an asset corresponding to the right to use the leased property.

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 (€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 match 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 balance sheet, 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, excluded from the calculation of IFRS 16 given its intangible nature (total amount of €2.9 million) and the low value of the individual leases (€0.8 million). Other items, including accretion, are not material overall.

As at 30 June 2019, right-of-use assets (in gross value) break down as follows:

<table>
<thead>
<tr>
<th>Gross value (in € millions)</th>
<th>30 June 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-time application of IFRS 16 – Right-of-use assets (gross value)</td>
<td>33.5</td>
</tr>
<tr>
<td>Additions</td>
<td>0.4</td>
</tr>
<tr>
<td>Terminations</td>
<td>0.0</td>
</tr>
<tr>
<td>Change in scope of consolidation</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Right-of-use assets as at 30 June 2019</strong></td>
<td><strong>36.6</strong></td>
</tr>
<tr>
<td>Total lease payments</td>
<td>2.9</td>
</tr>
</tbody>
</table>

No deferred tax related to the first-time application of IFRS 16 has been recognised.
2.3.2. **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.

3. **Change in the scope of consolidation**

On 30 May 2019, FDJ finalised the acquisition of 100% of the share capital of Spynsol, fully consolidated, as are the sets of companies it owns (Spynsol Ltd, SpynsolIn Ltd, BGPH Ltd, Sporting Index Holdings Ltd, Sporting Index Ltd, SPIN Services Ltd, SPIN Services Canada Inc., Romney Holdco Ltd, Betstat Ltd, RPA Software Ltd, Touchbet Ltd, RPA Realtime Pricing Algorithm AB).

The group offers three activities:
- provision of services to sports betting operators (B2B): sale of pricing and risk management services to sports betting operations;
- B2C sports betting offer (offered in the United Kingdom and Ireland by Sporting Index, which has market share of 70% in the UK); and
- proprietary trading: Touchbet takes positions with its own funds in the betting exchange market via an automated system (algorithms) monitored by traders.

The acquisition enables the Group to strengthen its B2B services offering to sports betting operators and to accelerate its international development. These services include management of full lifecycle event, continuous quotes via with management of data relating to the status of matches as well as risk management.

Sporting Group reported £39 million (€43 million) in revenue in 2018. The Group’s revenue (before the acquisition of Sporting Group) amounted to €941 million as at 30 June 2019.

After the allocation of the purchase price to assets and liabilities (€33 million covering customers and €19 million covering technology), the amount of the acquisition spread amounted to €67 million. The net cash flow related to the acquisition is an outflow of €111.8 million. An earn-out mechanism is provided for in the acquisition agreement.

The customer relationships stemming from the purchase price allocation have been estimated based on the excess earnings method and amortised over durations running from 16 years to 18 years.

The impact of the transaction on the Group’s net income as at 30 June 2019 is negative in the amount of €1 million.

No change in scope occurred during the first half of 2018.
4. Operating data

4.1. Net gaming revenue (NGR) and revenue

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Draw games</td>
<td>310.4</td>
<td>309.3</td>
</tr>
<tr>
<td>Instant games</td>
<td>448.6</td>
<td>418.2</td>
</tr>
<tr>
<td>Sports betting</td>
<td>172.6</td>
<td>154.0</td>
</tr>
<tr>
<td>Other</td>
<td>1.9</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Total NGR</strong></td>
<td><strong>933.4</strong></td>
<td><strong>881.4</strong></td>
</tr>
<tr>
<td>Revenue from other activities</td>
<td>10.5</td>
<td>15.5</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td><strong>944.0</strong></td>
<td><strong>897.0</strong></td>
</tr>
</tbody>
</table>

NGR, monitored for each range of games, amounted to €933 million as at 30 June 2019 (as compared to €881 million as at 30 June 2018).

The Group’s revenue consists of net gaming revenue and revenues from other activities, including software development and maintenance services. It amounted to €944 million, an increase of €47 million compared with the first half of 2018 (+5.2%) thanks to growth of €52 million in NGR, partly undermined by a €5 million decline in other income, which included €6 million in Groupama grants to SGE as at 30 June 2018.

4.2. Operating profit

4.2.1. Recurring operating profit

*Cost of sales* (€583 million, as compared to €548 million as at 30 June 2018, an increase of 6.4%) includes €442 million in cost of sales intermediaries, which increased by 6.5% or €27 million, more than network stakes (+5.7%). This trend was driven by distributors commissions, which rose from €391 million to €424 million as at the end of June 2019 (+8.4%). This increase of more than €33 million reflected a volume effect prompted by growth in business and a rate effect (in 2018, distributors commissions represented 5.2% of network stakes; in 2019, they were game-modulated to align them with FDJ’s strategic priorities). The rate was 5.3% as at 30 June 2019.

The increase in distributors commissions was partially offset by lower commercial sector compensation as a result of business transformation.

*Marketing and communication expenses* amounted to €138 million, compared with €130 million as at 30 June 2018 (+6.2%). This trend stemmed from the development of the offering. As at 30 June 2019, they included nearly €3 million generated by Sporting Group, resulting from the development of the offering; as at 30 June 2018, they also included €4 million in SGE expenses.

*General and administrative expenses* were stable at €86 million.

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98 In the six months to 30 June 2018, SGE was fully consolidated. In the six months to 30 June 2019, it was accounted for under the equity method (since the sale of 50% of SGE’s shares to Groupama in early December 2018).
Other recurring operating expenses mainly comprise the amortisation of exclusive operating rights (€1.6 million) as at 30 June 2019.

In view of revenue trends and the aforementioned expenses, recurring operating profit amounted to €136 million, compared with €135 million as at 30 June 2018.

R&D expenses recorded in expenses in the first-half of 2019 and the first-half of 2018 amounted to €16 million and €12 million, respectively.

4.2.2. Components of the income statement by category

The details of personnel costs are shown in 4.6.2.

Net provisions for depreciation and amortisation on tangible assets and intangible assets amounted to €41 million as at 30 June 2019, compared with €29 million as at 30 June 2018. The increase was driven mainly by growth in IT developments and the new headquarters.

4.2.3. Other operating income and expenses

As at 30 June 2019, other operating income and expenses mainly included fees related to the FDJ capital transaction and the external growth transaction.

As at 30 June 2018, other operating income was derived mainly from the disposal of the Moussy-le-Vieux site, which generated a net capital gain of €9 million. Other operating expenses were related to the costs of changing headquarters and commercial restructuring.

4.2.4. Segment reporting

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lottery BU</td>
<td>Sports Betting BU</td>
<td>Other segments ABU</td>
<td>Holding company</td>
<td>Total before depreciation and amortisation</td>
<td>Depreciation and amortisation</td>
</tr>
<tr>
<td>Stakes</td>
<td>6,610</td>
<td>1,810</td>
<td></td>
<td></td>
<td>8,420</td>
<td>8,420</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>2,257</td>
<td>406</td>
<td></td>
<td></td>
<td>2,663</td>
<td>2,663</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>759</td>
<td>173</td>
<td>2</td>
<td></td>
<td>933</td>
<td>933</td>
</tr>
<tr>
<td>Revenue</td>
<td>761</td>
<td>173</td>
<td>11</td>
<td>0</td>
<td>944</td>
<td>944</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>243</td>
<td>26</td>
<td>2</td>
<td>(14)</td>
<td>253</td>
<td>(30)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(76)</td>
<td>(76)</td>
<td></td>
<td></td>
<td>(76)</td>
<td>(76)</td>
</tr>
</tbody>
</table>

EBITDA
Depreciation and amortisation
Recurring operating profit

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2018</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lottery BU</td>
<td>Sports Betting BU</td>
<td>Other segments ABU</td>
<td>Holding company</td>
<td>Total before depreciation and amortisation</td>
<td>Depreciation and amortisation</td>
</tr>
<tr>
<td>Stakes</td>
<td>6,281</td>
<td>1,574</td>
<td></td>
<td></td>
<td>7,855</td>
<td>7,855</td>
</tr>
<tr>
<td>Gross gaming revenue</td>
<td>2,165</td>
<td>360</td>
<td></td>
<td></td>
<td>2,525</td>
<td>2,525</td>
</tr>
<tr>
<td>Net gaming revenue</td>
<td>727</td>
<td>154</td>
<td>0</td>
<td></td>
<td>881</td>
<td>881</td>
</tr>
<tr>
<td>Revenue</td>
<td>730</td>
<td>156</td>
<td>6</td>
<td>6</td>
<td>897</td>
<td>897</td>
</tr>
<tr>
<td>Contribution margin</td>
<td>243</td>
<td>14</td>
<td>(1)</td>
<td>(13)</td>
<td>242</td>
<td>(23)</td>
</tr>
<tr>
<td>General and administrative expenses</td>
<td>(78)</td>
<td>(78)</td>
<td></td>
<td></td>
<td>(78)</td>
<td>(78)</td>
</tr>
</tbody>
</table>
EBITDA, an alternative performance measure of the Group, corresponds to the recurring operating profit before depreciation and amortisation.

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring operating profit</td>
<td>135.9</td>
<td>134.7</td>
</tr>
<tr>
<td>Net depreciation and amortisation</td>
<td>(41.2)</td>
<td>(29.4)</td>
</tr>
<tr>
<td>EBITDA</td>
<td>177.1</td>
<td>164.1</td>
</tr>
</tbody>
</table>

The increase in net depreciation and amortisation was driven mainly by growth in IT developments and the new headquarters.
As at 30 June 2019, the impact of the first-time application of IFRS 16 Leases on EBITDA was €2.9 million.

4.3. Player funds (non-current and current)

<table>
<thead>
<tr>
<th>In € millions</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-current player funds</td>
<td>0.0</td>
<td>108.7</td>
</tr>
<tr>
<td>Current player funds</td>
<td>104.2</td>
<td>213.8</td>
</tr>
<tr>
<td>Total player funds</td>
<td>104.2</td>
<td>322.5</td>
</tr>
</tbody>
</table>

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 2025 at the latest. As they are no longer part of the operating cycle, the funds closing on 1 January 2020 were reclassified as current financial liabilities in a total amount of €256 million as at 30 June 2019, breaking down into €148 million in non-current player funds and €108 million in current player funds.

4.4. Current receivables

4.4.1. Distribution network receivables

<table>
<thead>
<tr>
<th>In € millions</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables (gross value)</td>
<td>35.1</td>
<td>13.1</td>
</tr>
<tr>
<td>Distribution network receivables</td>
<td>282.7</td>
<td>411.2</td>
</tr>
<tr>
<td>Impairment</td>
<td>(13.3)</td>
<td>(12.7)</td>
</tr>
<tr>
<td>Total trade and distribution network receivables</td>
<td>304.6</td>
<td>411.5</td>
</tr>
</tbody>
</table>

Trade receivables mainly relate to the Group’s business with foreign lotteries for IT services (+ €10 million, of which €4 million relates to Sporting Group) and supplier receivables (+ €7 million, relating mainly to discounts due on advertising).
Distribution network receivables correspond to stakes collected by the network at the end of the year and not yet deducted by FDJ. The reduction in network receivables is attributable to a dual effect:
- business effect: business is slower in the last week of June than in the last week of December (-22%);
- calendar effect: at the end of June, they include 1 week of activity, as compared to 1 week and 1 day as at 31 December 2018; on 31 December 2018 alone, €51 million in stakes were registered.

4.4.2. Other current assets

Prepaid expenses for the most part (€31 million as at 30 June 2019 and €39 million as at 31 December 2018) related to charges on stakes received as at 30 June 2019, for which the draws will take place in the second half, including prizes won, state public levies and distribution commissions.

As at 30 June 2019 and 31 December 2018, other current receivables mainly included the advance on the permanent fund surplus in the amount of €200 million. The permanent fund is limited to 0.5% of stakes. The surplus is transferred to the French State in two stages: an advance payment in December, then the balance in July of the following year.

4.5. Current payables

4.5.1. Suppliers and distribution network payables

<table>
<thead>
<tr>
<th>In € millions</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>103.8</td>
<td>102.4</td>
</tr>
<tr>
<td>Distribution network payables</td>
<td>180.7</td>
<td>266.9</td>
</tr>
<tr>
<td><strong>Total trade and distribution network payables</strong></td>
<td><strong>284.5</strong></td>
<td><strong>369.3</strong></td>
</tr>
</tbody>
</table>

Distribution network payables correspond to winnings paid by distributors and network commissions at the end of the year. The change as at 30 June 2019 is attributable mainly to a calendar effect and a business effect (see 4.4.1).

4.5.2. Public levies

These levies are due to the French State, social security bodies, local authorities and other public bodies.

Levies due to the French State (€316 million as at 30 June 2019, as compared to €357 million as at 31 December 2018) mainly include, as was the case in 2018, the permanent fund surplus (€208 million).

The balance (€108 million, as compared to €149 million as at 31 December 2018) mainly included:
- General State Budget payables (€54 million, as compared to €83 million at the end of 2018), with change linked mainly to that of the lottery business, which was slower in the last week of June 2019 than in the last week of December 2018, with €160 million less in stakes (generating €29 million in additional public levies);
- taxes and social security public levies (CSG, CRDS and public levy on sports bets): €54 million, as compared to €66 million end 2018. The reduction was linked mainly to the decline of €40 million in sports betting between December 2018 and June 2019 (downward impact of €2 million); total stakes of more than €50 million in the last week of June 2019 as compared to the last week of December 2018 (downward impact of €5 million); and total stakes of €230 million between December 2018 and June 2019 (this item reduced the contribution to the CNDS by €4 million).

4.5.3. Winnings payable and distributable

Winnings amounted to €219 million (€172 million as at 31 December 2018). It includes:

- *winnings payable*, which are non-expired remaining winnings due to players (€124 million as compared to €119 million as at 31 December 2018);

- *winnings to be distributed* which mainly apply to the range of draw games. They correspond to the theoretical winnings of the players on the stakes received during the financial years for which the draw will take place only after 30 June 2019 (€19 million as compared to €25 million as at 31 December 2018), as well as the cash balances of online players (€25 million, as compared to €28 million as at 31 December 2018), i.e. the sums available in players’ electronic purses in their fdj.fr or parionsweb.fr accounts. As at 30 June, they also included unclaimed prizes on scratch games (€46 million), which, as was the case as at 31 December, are paid into the permanent fund for transfer to the government.

4.5.4. Other current liabilities

<table>
<thead>
<tr>
<th>In € millions</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid income</td>
<td>34.4</td>
<td>42.7</td>
</tr>
<tr>
<td>Other payables</td>
<td>120.5</td>
<td>113.2</td>
</tr>
<tr>
<td><strong>Other current operating liabilities</strong></td>
<td><strong>154.9</strong></td>
<td><strong>155.9</strong></td>
</tr>
</tbody>
</table>

Prepaid income on games corresponds to stakes collected as at 30 June 2019 relating to draws or events that will take place later. They are transformed into stakes within a maximum period of five weeks.

Other payables include tax and social security payables (€109 million as compared to €105 million as at 31 December 2018).

4.6. Personnel costs and employee benefits

4.6.1. Group headcount

The weighted average headcount (WAH) for all types of contracts, including temporary contracts for FDJ and the fully consolidated entities was as follows:

<table>
<thead>
<tr>
<th></th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total weighted average workforce</strong></td>
<td>2,328</td>
<td>2,271</td>
</tr>
</tbody>
</table>

The WAH as at 30 June 2018 included Société de Gestion de l’Echappée employees (62 employees), fully consolidated until 6 December 2018. As at 30 June 2019, it included Sporting Group (52 employees). WAH growth was also driven by the reorganisations that have taken place to support the Group in achieving its medium-term strategic objectives.

The paid workforce is 2,594:

<table>
<thead>
<tr>
<th></th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total paid workforce</strong></td>
<td>2,594</td>
<td>2,366</td>
</tr>
</tbody>
</table>
The increase of 228 employees in the paid workforce was driven mainly by external growth, with Sporting Group (311 people at the end of June), partially offset by SGE (reduction of 70, see above).

4.6.2. Personnel costs

The reduction in personnel costs stemmed mainly from the switch of SGE to the equity method in 2019, following the sale of 50% to Groupama at the end of 2018 (reduction of €7 million), partially offset by the rise in personnel costs resulting from the increase in the workforce.

4.6.3. Employee benefits

The discount rate used for determining pension and other employee benefits was 0.8% as at 30 June 2019 (1.55% as at 31 December 2018). The results of sensitivity tests performed over the three financial years show that a 25 basis point increase or decrease in the discount rate would result in a 4% decrease or increase respectively in the current provision for pension obligations.

5. Provisions

Non-current provisions cover collective and individual litigation with former agent-brokers, notably following the termination of their contracts in 2014. The analysis carried out by the Group has resulted in the recognition of this litigation as non-current provisions. The estimate corresponds to the difference between the amount of compensation offered by FDJ and the amount of compensation that may be imposed by a court.

Current provisions mainly cover litigation related to operations.

A total of €11.7 million was reclassified from current provisions to non-current provisions following an overall assessment of the litigation with former broker-agents, as collective and individual proceedings are linked.
6. Cash and financial instruments

6.1. Financial assets and liabilities

With interest rates at all-time lows or even negative, FDJ is continuing its policy of investing in 5-year term accounts in 2019, whenever the conditions are appealing, mainly when renewing maturing investments. 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. These two factors explain the increase of €59 million in non-current financial assets (at amortised cost and fair value through profit or loss).

The deposit paid under the surety trust agreement, which aims to protect the assets of online players, amounted to €8 million, as compared to €10 million as at 31 December 2018.

Non-current debt of €206 million mainly consists of a loan related to the acquisition of the Group’s headquarters in the amount of €92 million (with a nominal value of €120 million, fixed rate, amortising and expiring on 24 November 2031) and a loan with a nominal value of £100 million, or €112 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.

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Other financial liabilities mainly include bank accounts payable, debt linked to FDJ’s buyback commitment for its own shares, as well as permanent funds (€79 million), reserve funds (€108 million) and counterparty funds (€69 million) in a total amount of €256 million, following the adoption of the Pacte Law of 22 May 2019 (see Highlights).

6.2. **Cash and cash equivalents**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments, cash equivalents</td>
<td>142.1</td>
<td>128.4</td>
</tr>
<tr>
<td>Bank account and cash equivalents</td>
<td>36.9</td>
<td>38.8</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents</strong></td>
<td><strong>179.0</strong></td>
<td><strong>167.2</strong></td>
</tr>
</tbody>
</table>

Investments counting as cash equivalents include interest-bearing term or demand deposits (€74 million, as compared to €75 million as at 31 December 2018) and units of UCITS, mainly comprising the Euromillions fund (€38 million, as compared to €53 million as at 31 December 2018) and other UCITS (€30 million, as compared to nil as at 31 December 2018). Negative interest rates have the effect of limiting investments in cash and cash equivalents.

6.3. **Net financial income and expenses**

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of debt</td>
<td>(0.8)</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Disposal gains</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Interest income on investments</td>
<td>3.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Derivatives (income)</td>
<td>0.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Financial income on financial assets at fair value through profit or loss</td>
<td>8.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>0.0</td>
<td>0.4</td>
</tr>
<tr>
<td>Other financial income</td>
<td>0.0</td>
<td>0.2</td>
</tr>
<tr>
<td><strong>Financial income</strong></td>
<td><strong>12.2</strong></td>
<td><strong>3.3</strong></td>
</tr>
<tr>
<td>Financial expenses on financial assets at fair value through profit or loss</td>
<td>0.0</td>
<td>(1.2)</td>
</tr>
<tr>
<td>Foreign exchange losses</td>
<td>(0.1)</td>
<td>(0.0)</td>
</tr>
<tr>
<td>Other financial expenses</td>
<td>(0.3)</td>
<td>(0.3)</td>
</tr>
<tr>
<td><strong>Financial expenses</strong></td>
<td><strong>(0.5)</strong></td>
<td><strong>(1.5)</strong></td>
</tr>
<tr>
<td><strong>Net financial income</strong></td>
<td><strong>10.9</strong></td>
<td><strong>1.5</strong></td>
</tr>
</tbody>
</table>

Cost of financial indebtedness corresponds mainly to interest expense on the loan related to the acquisition of the headquarters.

Growth in interest income on investments stemmed mainly from the progressive nature of the remuneration of term deposits.

The net change in financial income and expense on securities measured at fair value through profit or loss (positive €8 million) stems from market trends.

FDJ is exposed to foreign exchange risk related to purchases and transactions denominated in foreign currency, mainly the US dollar and sterling.

Other financial expense includes actuarial interest relating to pension obligations.
7. Other non-current financial assets (investments in joint ventures)

<table>
<thead>
<tr>
<th>In € millions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value as at 31 December 2018</td>
<td>12.8</td>
</tr>
<tr>
<td>Share of net income for first-half 2019</td>
<td>0.6</td>
</tr>
<tr>
<td>Dividends</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Exchange rate fluctuations</td>
<td>0.1</td>
</tr>
<tr>
<td>Value as at 30 June 2019</td>
<td>13.1</td>
</tr>
</tbody>
</table>

8. Shareholders’ equity

8.1. Share capital

FDJ’s share capital is €76,400,000 consisting of 200,000 shares with a par value of €382.

8.2. Reserves

The Group’s business of organising and operating betting games involves specific risks and commitments particularly important which must be anticipated through appropriate coverage. FDJ’s articles of association (Article 48) provides the constitution of a statutory reserve to cope with rare risks (repeated peak risks, very low frequency of occurrence with very high amount of several game events which occur over a given period) and extreme risks (peak risk, very low frequency of occurrence, very high amount). This statutory reserve may be used in “rare and extreme” cases or when the counterparty fund and the permanent fund 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, or €47 million at the end of June 2019, based on the 2018 financial statements;
- rare and extreme-case counterparty risks, exceeding ordinary risk for which models are available, are covered by counterparty funds and the permanent fund. These risks are measured as and when a major change occurs in the gaming offer and in players’ behaviour. At year-end 2018, they were covered up to €40 million.

The statutory reserve therefore amounted to €87 million as at 30 June 2019.

9. Related-party transactions

9.1. French State

The French State is the major shareholder with the option to control decisions requiring the approval of shareholders.

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

The amounts reported on the income statement and in the statement of financial position for the last two financial periods are as follows:
An agreement between the French State and FDJ sets the legal and financial conditions governing the devolution of the fixed assets required to accomplish the mission entrusted to the Company if FDJ were to lose its lottery and sports betting operator’s license.

Transactions between FDJ and other public sector entities (France Télévisions, EDF, SNCF, La Poste) are all conducted at normal market conditions.

9.2. Other related parties

The Group’s transactions with related parties mainly concern:
- the compensation and similar benefits granted to the members of the management bodies;
- transactions with companies over which the Group exercises significant influence.

Related party transactions are carried out on an arm’s length basis. During the first half of 2019, there was no significant change in the nature of the transactions carried out by the Group with its related parties compared with 2018.

10. 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. 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 before the Court of Cassation (Cour de 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. In a ruling dated 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.

11. Off-balance-sheet commitments

11.1. Commitments related to the company investment fund (FCPE)

In accordance with employee savings agreements and to guarantee the liquidity of the “FDJ Actionnariat” investment fund, through which employees own 5% of the Company’s share capital, LCL granted the fund a first-demand guarantee for €8.8 million. FDJ has given LCL a counter-guarantee of the same amount, and the FCPE has signed with FDJ a promise to repay funds received or to sell shares, without obligation of purchase for FDJ. These commitments were renewed for periods of two years on 1 June 2016 and 1 June 2018.
In view of the planned privatisation of FDJ, the calculation of the fund’s net asset value has been suspended. It is therefore not possible to make any subscriptions or redemptions. This situation does not change FDJ’s commitments.

11.2. Other commitments

The other commitments are described in the table below:

<table>
<thead>
<tr>
<th>Commitments given</th>
<th>30 June 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guarantees and first-demand guarantees</td>
<td>9.0</td>
<td>12.0</td>
</tr>
<tr>
<td>Sponsorship contract</td>
<td>10.5</td>
<td>15.0</td>
</tr>
<tr>
<td>Investment funds</td>
<td>18.2</td>
<td>20.0</td>
</tr>
<tr>
<td>Performance commitments</td>
<td>66.7</td>
<td>79.1</td>
</tr>
<tr>
<td>Riders’ image rights and L’Échappée commitment</td>
<td>1.0</td>
<td>1.0</td>
</tr>
<tr>
<td>Escrow account</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Property and vehicle rentals</td>
<td>2.5</td>
<td>37.3</td>
</tr>
<tr>
<td>Mortgages on assets acquired</td>
<td>109.2</td>
<td>113.8</td>
</tr>
<tr>
<td>Other commitments given</td>
<td>1.1</td>
<td>4.1</td>
</tr>
<tr>
<td><strong>Total commitments given</strong></td>
<td><strong>219.2</strong></td>
<td><strong>283.3</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitments received</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance commitments and repayment of advances</td>
<td>50.7</td>
<td>57.4</td>
</tr>
<tr>
<td>Repayment of stakes and payment of winnings</td>
<td>296.5</td>
<td>249.5</td>
</tr>
<tr>
<td><strong>Total commitments received</strong></td>
<td><strong>347.2</strong></td>
<td><strong>306.9</strong></td>
</tr>
</tbody>
</table>

11.3. Reciprocal commitments

FDJ and Groupama are committed through put and call options to the reciprocal purchase and sale of SGE shares.

12. Tax

<table>
<thead>
<tr>
<th>In € millions</th>
<th>First-half 2019</th>
<th>First-half 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total income tax expense</td>
<td>(44.4)</td>
<td>(48.6)</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>140.2</td>
<td>143.4</td>
</tr>
<tr>
<td><strong>Effective tax rate</strong></td>
<td><strong>(31.6%)</strong></td>
<td><strong>(33.9%)</strong></td>
</tr>
</tbody>
</table>

The effective tax rate stands at 31.6%, pursuant to the 2019 Budget, still in force, which reduced the tax rate by 2.4 points in relation to that applied in 2018. It was 33.9% as at June 2018.

The 2019 tax rate is likely to be revised upwards, returning to the 2018 level; the parliamentary decision on the corrective measures confirming this is expected to be enacted or substantively enacted shortly. The change in rate will then be applicable.

The deferred tax liabilities related to the consolidation of Sporting Group amount to €7 million and are behind the increase in this item.
13. Subsequent events
At its meeting of 12 July 2019, the Board of Directors of FGS, which holds the BZP shares, authorised their sale to China Welfare Lottery for a minimum amount corresponding to the last known valuation.
APPENDIX 5 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS AS AT 30 JUNE 2019

La Française des Jeux
French semi-public limited company (société anonyme d’économie mixte)
3-7 quai du Point du Jour
92100 Boulogne-Billancourt, France

Statutory Auditors’ review report
on the condensed interim consolidated financial statements

For the six months ended 30 June 2019

This is a free translation into English of the Statutory Auditors’ review report on the condensed interim consolidated financial statements 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 Board of Directors,

In our capacity as Statutory Auditors of La Française des Jeux (the “Company”) and in accordance with European Regulation (EU) No 2017/1129 in view of the planned public offering and listing of the Company’s shares on the Euronext Paris regulated market, we have reviewed the accompanying condensed interim consolidated financial statements of the Company for the six months ended 30 June 2019.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

We conducted our review in accordance with professional standards applicable in France and the professional guidance issued by the French national auditing body (Compagnie Nationale des Commissaires aux Comptes) related to this engagement. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34 – the standard of the International Financial Reporting Standards (“IFRS”) as adopted by the European Union (EU) applicable to interim financial information.
Without qualifying our conclusion, we draw your attention to Note 1.2 “Regulatory environment of the FDJ Group (the Group)” and Note 1.3.2 “Adoption of the Pacte Law of 22 May 2019 and publication of the government order of 3 October 2019” to the condensed interim consolidated financial statements, which set out the specific nature of the Company’s legal framework and its evolution in connection with the Pacte Law.

Paris-La Défense and Neuilly-sur-Seine, 14 October 2019

The Statutory Auditors

Deloitte & Associés                     PricewaterhouseCoopers Audit

Jean-François Viat                     Nadège Pineau                   Philippe Vincent               Jean-Paul Collignon
APPENDIX 6 REPORT OF INDEPENDENT THIRD-PARTY ORGANISATION ON THE CONSOLIDATED DECLARATION OF NON-FINANCIAL PERFORMANCE INCLUDED IN THE GROUP’S MANAGEMENT REPORT

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

For the year ended 31 December 2018

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

To the Shareholders,

In our capacity as Statutory Auditor of La Française des Jeux (hereinafter the “entity”), appointed as an independent third party and certified 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 information statement for the year ended 31 December 2018 (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, which must include a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented in light of those risks and the outcome of said policies, including key performance indicators.

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

Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with the ethical requirements, French professional standards 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 reasoned opinion expressing a limited assurance conclusion on:
- the consistency 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 outcome of the policies, including key performance indicators, and the measures implemented in light of 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;
- the consistency 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 standards applicable in France 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 consistency 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, as well as the resulting policies and their outcomes;
- we assessed the appropriateness of the Guidelines with respect to their relevance, completeness, reliability, objectivity and understandability, with due consideration of industry best practices, where appropriate;
- we verified that the Statement includes each category of social and environmental information set out in Article L.225-102-1 III;
- we verified that the Statement includes an explanation for the absence of the information required under Article L.225-102-1 III, 2;
- we verified that the Statement presents the business model and the principal risks associated with all the consolidated entities’ activities, including where relevant and proportionate, the risks associated with their business relationships and products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators;
- we verified, where relevant with respect to the principal risks or the policies presented, that the Statement provides the information required under Article R.225-105 II;
- we assessed the process used to identify and confirm the principal risks;
- we asked what internal control and risk management procedures the entity has put in place;
- we assessed the consistency of the outcomes and the key performance indicators used with respect to the principal risks and the policies presented;
- we verified that the Statement covers the scope of consolidation, i.e. all the companies included in the scope of consolidation in accordance with Article L.233-16, within the limitations set out in the Statement;
- we assessed the data collection process implemented by the entity to ensure the completeness and fairness of the Information;
for the key performance indicators and other quantitative results that we considered to be the most important (see the list provided in the Appendix), we implemented:

- analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data,
- tests of details, 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, namely La Française des Jeux, and covers between 64% and 70% of the consolidated data relating to the key performance indicators and outcomes selected for these tests;
- we referred to documentary sources and conducted interviews to corroborate the qualitative information (measures and outcomes) that we considered to be the most important (see the list provided in the Appendix);
- we assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

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

Means and resources
Our work was carried out by a team of six people between early November 2018 and mid-February 2019 and took a total of five weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted some ten interviews with the people responsible for preparing the Statement, representing the Human Resources, Compliance and 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 information statement is not in accordance with the applicable regulatory provisions and that the Information, taken as a whole, is not presented fairly and in accordance with the Guidelines.

Neuilly-sur-Seine, 1 March 2019

One of the Statutory Auditors
PricewaterhouseCoopers Audit

Vincent Philippe
Partner

Pascal Baranger
Director
Sustainable Development Department
Appendix: List of information that we considered to be the most important

Key performance indicators and other quantitative results:
- Overall compliance rate with Responsible Gaming and Security criteria;
- Amounts paid with respect to Responsible Gaming partnerships;
- Playscan player rate;
- Number of games or game relaunches subject to the Universal Serenigame matrix;
- Number of suspicious transaction reports to Tracfin;
- Number of employees that have received awareness-raising on the GDPR;
- Number of employees that have received ethics training;
- Rate of employees that received sports integrity strategy training in 2018;
- Proportion of purchases from French suppliers;
- Proportion of purchases from SMEs and mid-sized companies;
- Amount of purchases from sheltered workshops (ESATs) and disability-inclusive companies (EAs);
- Proportion of payroll allocated to training;
- Proportion of employees who received training during the year;
- Number of agreements signed during the year;
- Overall employment rate of people with disabilities;
- Proportion of women in the company;
- Proportion of women managers;
- Number and proportion of work-study employees;
- Absenteeism rate;
- Average well-being at work score given by employees;
- Employee engagement rate;
- Amount of financial aid granted by the FDJ Corporate Foundation;
- Number of member organisations of the Social Laboratory (Laboratoire sociétal);
- Number of jobs created or made permanent;
- FDJ’s contribution to jobs in the bar-tobacconist-newsagent sector;
- FDJ’s contribution to gross domestic product (GDP);
- Greenhouse gas emissions.

Qualitative information (measures and outcomes):
- Excessive gambling: consultation of the minutes of the meetings of the dedicated Committee;
- Consultation of the Serenigame matrix;
- Anti-fraud and money-laundering: consultation of the Tracfin statement, Committee meeting minutes and the tracker;
- Data-sharing awareness-raising campaign;
- Consultation of the Ethics Charter;
- Relations with employee representative bodies: consultation of invitations and meeting minutes;
- Presentation of the Mix’It programme;
- Review of the Professional Equality Label.