

Financial Report 2016



Contents

.....

2

Balance sheet

3

Income statement

4

Cash flow statement

5

Statement of movements in equity
& Breakdown

6

Breakdown of profits by canton

7

Notes to financial statements

18

Auditors' report

Balance sheet

(in CHF)

	Notes	2016	2015
Assets			
Current assets			
Cash in hand	3	132,643,467	174,014,632
Short-term deposits	4	65,279,032	40,549,002
Retailers	5	20,347,095	12,411,201
Other short-term receivables	6	12,407,073	13,192,429
Net inventories	7	1,846,558	3,337,757
Pre-paid expenses and accrued income	8	8,748,215	5,521,281
		241,271,440	249,026,301
Fixed assets			
Tangible fixed assets	9	58,276,197	57,975,267
Financial fixed assets	10	50,210,021	25,661,872
Intangible fixed assets	11	14,520,783	16,666,904
		123,007,002	100,304,042
Total assets		364,278,442	349,330,343
Liabilities			
Current liabilities			
Winnings and prizes payables	12	15,099,955	16,078,331
Players' wallets	13	2,711,628	2,688,202
Trade accounts payables	14	4,204,958	3,233,547
Profit to be paid out	15	46,465,362	46,343,367
Other liabilities	16	4,870,868	4,814,463
Short-term provisions	17	2,900,000	2,803,592
Accrued charges and deferred income	18	21,758,348	20,623,711
		98,011,119	96,585,213
Equity			
Guarantee fund		862,000	862,000
Free reserve		42,348,868	47,348,868
Net profit		223,056,455	204,534,261
		266,267,323	252,745,130
Total liabilities		364,278,442	349,330,343

Income statement

(in CHF)

	Notes	2016	2015
Gross gaming revenues	20	398,339,061	376,822,634
Other operating income			
Regulatory duties and adjustments		6,534,104	5,225,013
Income from rebilling		387,428	437,567
Operating costs			
Comlot supervision fees		-904,826	-775,755
Levy for prevention of excessive gambling		-1,991,695	-1,884,113
Commission fees	21	-74,525,887	-70,463,545
Retailers' expenses		-618,677	-632,087
Producing games		-4,570,019	-4,962,429
Operating games		-12,958,683	-13,136,853
IT		-18,587,396	-19,053,989
Personnel costs		-27,985,821	-27,734,261
General overheads & administrative costs		-7,221,737	-7,567,842
Marketing, publicity & communications		-13,742,552	-13,817,968
Sales & promotional events		-2,714,506	-2,497,721
Depreciation & impairment		-15,748,785	-15,365,692
Operating costs	22	-104,148,177	-104,768,843
Operating profit		223,690,007	204,592,958
Financial expenses & income	23	247,157	291,053
Profit from ordinary operations		223,937,164	204,884,011
Non-operating expenses & income	24	-880,710	-349,750
Net profit		223,056,455	204,534,261

Cash flow statement

(in CHF)

	2016	2015
Cash as of the 1st of January	174,014,632	181,304,724
Cash flow from operating activities		
Net profit	223,056,455	204,534,261
+ Depreciation & impairment	15,748,785	15,365,692
+/- Allocation to/release of provisions	100,000	-
+/- Other non-cash items	-298,142	404
Cash flow from operating activities	238,607,098	219,900,358
+/- Trade accounts receivables	-7,935,895	-13,370
+/- Inventories	1,491,199	-309,821
+/- Other receivables and accrued assets	-2,441,578	3,621,226
+/- Trade accounts payables	971,411	-2,617,331
+/- Other short-term debts and accrued liabilities	232,499	997,569
Increase/decrease in working capital	-7,682,364	1,678,273
Cash from operating activities	230,924,734	221,578,631
Cash flow from investing activities		
+/- Short-term deposits	-24,730,030	-270,066
- Investment in tangible fixed assets	-8,520,787	-18,250,525
+/- Financial fixed assets	-24,250,008	-
- Investment in intangible fixed assets	-5,382,808	-4,033,384
Net cash from investments	-62,883,633	-22,553,975
Cash flow from financing activities		
- Distribution of prior-year profits	-209,412,266	-206,314,748
Net cash used in financing activities	-209,412,266	-206,314,748
Change in cash position	-41,371,165	-7,290,092
Cash as of the 31st of December	132,643,467	174,014,632

Statement of movements in equity

(in CHF)

	Guarantee fund	Profit to be paid out	Free reserve	Net profit
Equity as of the 1st of January 2015	862,000	211,444,570	45,848,868	
Profit to be paid out		-209,944,570		
Allocation to/Use of free reserve		-1,500,000	1,500,000	
Net profit for the year				204,534,261
Equity as of the 31st of December 2015	862,000	-	47,348,868	204,534,261
Equity as of the 1st of January 2016	862,000	204,534,261	47,348,868	
Profit to be paid out		-209,534,261		
Allocation to/Use of free reserve		5,000,000	-5,000,000	
Net profit for the year				223,056,455
Equity as of the 31st of December 2016	862,000	-	42,348,868	223,056,455

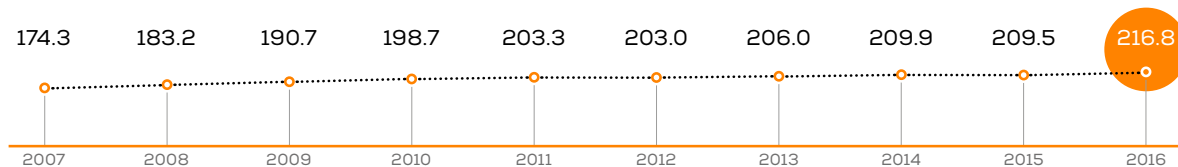
Breakdown

(in CHF)

Profit in 2016	223,056,455
+ Profit share for distribution	3,699,948
- Allocation to/+ Use of free reserve	-10,000,000
Total profit for distribution	216,756,403
- ADEC (Equestrian sport)	-3,752,897
Total profit for distribution	213,003,506
5/6ths to distributing bodies and agencies	177,502,921
1/6th allocated to sport	35,500,584
Detailed breakdown	
- Swiss Olympic; Swiss Football Association; National football and ice-hockey leagues	10,650,175
- Share allocated to cantonal distributing bodies for sport	24,850,409

Distribution

(in CHF million)



Basis for distribution of profit

(in CHF)

Gross gaming revenues (GGR)

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Instant/scratch-card games	43,254,073	11,488,184	23,805,549	11,640,310	16,619,613	4,730,220	111,537,949
Draw-based games	58,413,917	20,620,419	32,242,070	12,316,429	27,896,991	5,666,311	157,156,137
Sports betting	2,388,859	829,119	1,262,788	578,160	1,917,234	158,737	7,134,897
Loterie électronique	35,064,098	6,263,815	16,084,994	8,040,021	21,389,589	3,027,035	89,869,554
PMUR	12,690,387	1,701,929	4,185,934	3,749,776	8,750,460	1,562,039	32,640,524
Total	151,811,333	40,903,466	77,581,336	36,324,696	76,573,887	15,144,343	398,339,061

Population

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Population	773,407	307,461	335,696	178,107	484,736	72,782	2,152,189

Breakdown of profits by canton

(in CHF)

Shares allocated to cantonal distributing bodies and agencies

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Population	31,893,575	12,679,004	13,843,352	7,344,734	19,989,428	3,001,367	88,751,461
GGR	33,824,144	9,113,448	17,285,417	8,093,281	17,060,954	3,374,217	88,751,461
Total	65,717,718	21,792,452	31,128,770	15,438,015	37,050,382	6,375,584	177,502,921

Shares allocated to cantonal distributing bodies for sport

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Population	4,465,100	1,775,061	1,938,069	1,028,263	2,798,520	420,191	12,425,204
GGR	4,735,380	1,275,883	2,419,958	1,133,059	2,388,534	472,390	12,425,204
Total	9,200,481	3,050,943	4,358,028	2,161,322	5,187,054	892,582	24,850,409

Notes to annual financial statements

[With comparable 2015 data/expressed in Swiss francs (CHF)]

1. General information

Société de la Loterie de la Suisse Romande is a private-law non-profit-making association. It is governed by Articles 60ff of the Swiss Civil Code. Loterie Romande has its registered head office in Lausanne. Its business object is to organise and operate, with the due authorisations as laid down in legislation, lottery games and betting involving draws in money and in kind, and to re-deploy net profits generated from this to public-service institutions and associations – social-welfare, cultural, research or sporting – working for the community in the cantons of French-speaking Switzerland.

2. Accounting and valuation principles

Basis on which the accounts have been compiled

The annual accounts for the 2016 financial year have been compiled in compliance with all Swiss GAAP Accounting & Reporting Recommendations (ARR). As a result, the company's annual accounts represent a true and fair view of the company's assets, financial position and results.

These accounts have been drawn up on the basis of the 'going concern' principle. The accounts are prepared according to the historical cost principle. The accounting years are defined in accordance with the accrual basis of accounting.

Transactions in foreign currencies

Transactions in foreign currencies are converted at the exchange rate at the end of the previous month. Currency gains and losses resulting from completion of such transactions, as well as the revaluation of balance-sheet items in foreign currencies to the exchange rate on the period-closing date, are booked in the income statement for the period.

Transactions with associated parties

Associated parties should be understood to mean: associated bodies, occupational-pension institutions, and individuals (physical persons) such as Members of the General Management or Board of Directors.

In 2016, a transaction was undertaken in favour of the Fondation du personnel de la Loterie Romande (Loterie Romande's Staff Pension Foundation). A detailed explanation can be found in Note 24.

Cash/liquid assets

Cash and liquid assets are valued at their nominal value. Assets in foreign currencies are valued at the exchange rate applicable on the period-closing date.

Short-term deposits

Financial investments extend up to a maximum duration of one year. These are valued at their nominal value.

Retailers' current-account balances

Current-account balances of our lottery games retailers represent, at nominal value, the total stake money cashed on the company's behalf, after deduction of winnings paid out by retailers and retailers' commission fees. A provision for losses on accounts receivable is calculated each year. The principle for calculating is as follows:

	% of amount receivable
15%	up to 30 days
50%	up to 60 days
100%	over 60 days

Other short-term receivables

Other short-term receivables are booked at nominal value with due account being taken of any requisite value adjustments.

Inventories

Inventories bought are valued at acquisition cost after correction for any necessary value adjustments. Discounts or rebates are treated as reductions in the acquisition cost.

Pre-paid expenses and accrued income

This item covers costs paid in advance chargeable to the following financial year, together with income relating to the current financial year that will only be cashed at a later date. Prepaid expenses and accrued income are valued at their nominal value.

Tangible and intangible fixed assets

Tangible and intangible assets are valued at their acquisition cost, less any required depreciation charges. Depreciation of fixed assets is calculated using the straight-line method over their economically useful lifetimes.

	Lifetimes for various assets:
Buildings	33 to 60 years
Installations & equipment	10 to 40 years
IT hardware	4 to 8 years
Furniture, fixtures & fittings	2 to 10 years
Fixtures & fittings at points of sale	5 years
Audiovisual equipment	4 to 5 years
Vehicles	4 years
Software	4 to 6 years

Depreciation commences as soon as the fixed asset starts being used.

Lifetimes of the refurbished building and of installations and equipment at the Avenue de Provence premises are estimated at 60 years and 20-40 years, respectively. Depreciation of this building and its installations and equipment began as from the 1st of April 2016. Prior to renovation, the building had been depreciated over 33 years and its installations and equipment over 10 years.

The value of tangible and intangible fixed assets is subject to examination if signs are noticed indicating the asset's book value might be lower than its recoverable value. The detailed examination is presented in Notes 9 and 11.

Financial fixed assets

Financial fixed assets are valued at acquisition cost after deduction for economically necessary value adjustments. Those denominated in foreign currencies are booked at the exchange rate applicable on the period-closing date.

Current liabilities

These liabilities are booked at their nominal value. Current liabilities comprise all debts with maturities of less than 12 months.

Pension liabilities

Pension liabilities are calculated on the basis of the balance sheet of the occupational retirement benefit plan established in accordance with Swiss GAAP/ARR Standard No.26.

Provisions

Probable liabilities based on a past event and the amount and timing of which cannot be stipulated with any certainty, but can be estimated reliably, are booked under provisions. For instance, this could relate to liabilities connected with legal or other such proceedings.

Accrued charges and deferred income

This item comprises expenses or costs chargeable to the current financial year, but which will only be paid at a later stage, as well as any income received in advance, but relating to the subsequent financial year. Accrued charges and deferred income are valued at their nominal value.

Equity – Guarantee fund

This item corresponds to the sum at historical cost paid by the five French-speaking cantons when Loterie Romande was set up in 1937. It also includes the sum paid in by the Canton of Jura when it was created in 1979.

Free reserve

The free reserve corresponds to a fund the General Assembly may decide to pay into or draw down. Allocated from profits generated in the annual accounts, sums considered appropriate are set aside for the free reserve necessary for sound long-term management of the company's funds. Redeploying this free reserve must meet this goal. The Board of Directors submits a proposal to set aside or use these free reserves for approval by the General Assembly.

Gross gaming revenues

Gross gaming revenues (GGR) constitute the difference between the money staked by players and the winnings paid out, adjusted for the theoretical payout ratio as defined in the draw schedule.

Approval of accounts

The annual accounts were approved by the Board of Directors at its meeting on 28 March 2017.

Events that occurred after the year-end closing date

The value of assets and liabilities is adjusted when and if events, which were generated or conditions for which existed at the time of the balance-sheet date, would modify values as of the year-end closing date. Such adjustments can occur up to the date when the financial accounts are approved by the Board of Directors. Events not altering balance-sheet values are presented in these Notes to the accounts.

For the 2016 financial year, no event occurred after the year-end closing date.

3. Cash/liquid assets

	2016	2015
Cash in hand	15,741	22,701
PostFinance	35,096,763	66,172,150
Cash held at banks	97,530,964	107,819,780
	132,643,467	174,014,632

The ceiling for assets, fixed by banks, above which interest expenses amounted to a charge of CHF 119.094 (CHF 33,142 in 2015). As a corollary, Loterie Romande contracted more short- and long-term deposits so as

to reduce as much as possible the level of interest expenses being charged on cash balances (see Notes 4 and 10).

4. Short-term deposits

	2016	2015
Short-term deposits	65,279,032	40,549,002
	65,279,032	40,549,002

Such deposits are contracted with financially sound counterparties in accordance with a stringent in-house procedure ratified by the Board of Directors. There are no deposits held in foreign currencies.

Given the prevailing level of interest rates in 2016, most of these cash deposits were contracted at zero percent.

5. Retailers' current-account balances

	2016	2015
Retailers' current-account balances	20,747,095	12,811,201
Provision for losses on receivables	-400,000	-400,000
Net retailers' balances	20,347,095	12,411,201

Invoicing is done weekly, except for sales outlets operating horse-race betting (PMU), for which billing is done three times a week. Payments are collected at the end

of the week, except for sizeable accounts, where the payment deadline is 30 days.

6. Other short-term receivables

	2016	2015
Société simple Euro Millions	2,031,968	2,919,343
Distributing bodies and ADEC	7,727,378	7,968,490
Withholding tax paid at source	741,302	951,235
Other receivables	1,906,426	1,353,360
	12,407,073	13,192,429

The current account of the Société simple Euro Millions, relating to the Euro Millions game, is denominated in euros and valued at the euro/Swiss franc exchange rate in force on the last day of the financial year. This is mainly money paid into banks in connection with the Euro Millions game.

Receivables for the distributing bodies include primarily contributions allocated directly to various associations for which financing is drawn down from profits for the current year. Such amounts are subsequently deducted from the profits to be distributed once the accounts are

definitively approved. The allocation to ADEC is also an advance on profits which is reconciled once the profit distribution is determined.

This 'Withholding tax paid at source' item constitutes withholding tax calculated on winnings paid and won during the draws (online games). Withholding tax is then paid to the Swiss Federal Tax Administration (FTA) in the month following the month in which the draws take place, regardless of whether the winner has claimed their winnings or not.

7. Inventories

	2016	2015
Consumables	1,306,825	1,551,605
Value adjustments on inventories	-50,000	-
Finished products	589,734	1,786,152
	1,846,558	3,337,757

Inventories are comprised of the following:

1. consumables, in particular spare parts needed for repairing and maintaining gaming machinery and terminals on our retailers' premises, as well as rolls of paper and blank tickets for the gaming equipment;
2. finished products, i.e. batches of cards/tickets already printed and waiting to be put on sale (their value comprises the cost of printing and the paper).

Value adjustments on inventories

So as to reflect their residual lifetimes, varying between 2 and 5 years, the value of spare parts for PMU devices and game terminals was adjusted. The gross value of these items is CHF 193,732.

8. Pre-paid expenses and accrued income

	2016	2015
Winnings calculated on stakes booked in advance	1,050,350	1,166,695
Adjustments to GGR	5,276,625	1,539,203
Pre-paid expenses	2,141,323	1,809,861
Accrued interest and other income to be booked	73,604	322,005
Other accrued assets	206,313	683,517
	8,748,215	5,521,281

This item covers, in particular, invoiced charges paid in advance by the closing date for the accounts, but relating to the following financial year. Adjustments to GGR are also included under this item. These adjustments constitute the difference between the actual rate of

payout on winnings and the theoretical payout ratio as defined in the draw schedule. The GGR figure in the operating account is thus the theoretical GGR from games.

9. Tangible fixed assets

	Property & buildings	Installations & equipment	Furniture, fixtures & vehicles	IT hardware	Fixed assets under construction	Total
Gross values						
Position as of 01.01.2015	13,147,701	9,134,509	13,268,875	46,729,840	15,909,969	98,190,894
Additions	-	17,923	218,739	744,202	17,269,662	18,250,525
Disposals	-	-1,910,319	-792,251	-1,109,387	-	-3,811,956
Reclassification	-	-	142,249	821,766	-3,048,238	-2,084,223
Position as of 31.12.2015	13,147,701	7,242,113	12,837,611	47,186,422	30,131,392	110,545,239
Accumulated depreciation						
Position as of 01.01.2015	-4,640,205	-8,426,311	-10,496,332	-24,033,345	-801,791	-48,397,984
Depreciation	-371,101	-196,984	-1,060,980	-6,319,063	-	-7,948,127
Disposals	-	1,910,319	792,251	1,109,387	-	3,811,956
Reclassification	-	-	-	8,369	-	8,369
Impairment	-	-	-30,912	-13,275	-	-44,187
Position as of 31.12.2015	-5,011,305	-6,712,976	-10,795,973	-29,247,927	-801,791	-52,569,972
Net values as of 31.12.2015	8,136,396	529,136	2,041,638	17,938,495	29,329,601	57,975,267

Gross values						
Position as of 01.01.2016	13,147,701	7,242,113	12,837,611	47,186,422	30,131,392	110,545,239
Additions	-	23,432	157,704	358,202	7,981,449	8,520,787
Disposals	-	-3,855,851	-1,798,988	-731,882	-	-6,386,721
Reclassification	21,375,291	10,584,612	2,148,870	1,842,302	-35,651,075	300,000
Position as of 31.12.2016	34,522,992	13,994,306	13,345,198	48,655,043	2,461,766	112,979,305
Accumulated depreciation						
Position as of 01.01.2016	-5,011,305	-6,712,976	-10,795,973	-29,247,927	-801,791	-52,569,972
Depreciation	-750,324	-463,976	-860,128	-6,091,727	-	-8,166,155
Disposals	-	3,855,851	1,798,987	731,882	-	6,386,720
Reclassification	-300,000	-	-	3,983	-	-296,017
Impairment	-801,791	-	-46,398	-11,285	801,791	-57,683
Position as of 31.12.2016	-6,863,420	-3,321,101	-9,903,512	-34,615,074	-	-54,703,107
Net values as of 31.12.2016	27,659,572	10,673,204	3,441,686	14,039,969	2,461,766	58,276,197

Impairment on asset values

In 2016, no category of fixed asset required any significant value writedown.

Property and mortgages

	2016	2015
Total value of buildings in the balance sheet	27,659,572	8,136,396
Mortgage notes on such property assets are as follows:		
First-ranked mortgage notes	2,500,000	2,500,000
Second-ranked mortgage notes	500,000	500,000
Total of guarantee-free mortgage notes	3,000,000	3,000,000

10. Financial fixed assets

	2016	2015
Long-term loan (9 years)	23,000,000	23,000,000
Participation in SLE Euro Millions	2,877,890	2,579,748
Rent guarantee & securities	82,132	82,124
Deposits with banks	20,000,000	-
Deposits with local authorities	4,250,000	-
	50,210,021	25,661,872

The long-term loan, contracted in 2011, has a term of 9 years. It is secured by property and bears interest in accordance with the revised contract terms.

The value of the SLE Euro Millions stake has been adjusted to factor in, from now on, money earmarked for designing the game. These funds will be recouped once the game is no longer being operated. Comparable figures for 2015 have been duly restated on a like-for-like basis.

Long-term deposits were made in 2016, with a maximum term of 3 years. These deposits, with banks and local authorities, are a response to the need to scale down cash balances held in bank accounts that are incurring interest charges.

11. Intangible fixed assets

	Software	Fixed assets under construction	Total
Gross values			
Position as of 01.01.2015	72,579,980	-	72,579,980
Additions	4,033,384	-	4,033,384
Disposals	-	-	-
Reclassification	29,539	2,054,684	2,084,223
Position as of 31.12.2015	76,642,903	2,054,684	78,697,587
Accumulated depreciation			
Position as of 01.01.2015	-54,648,936	-	-54,648,936
Depreciation	-7,368,790	-	-7,368,790
Disposals	-	-	-
Reclassification	-8,369	-	-8,369
Impairment	-4,588	-	-4,588
Position as of 31.12.2015	-62,030,684	-	-62,030,684
Net values as of 31.12.2015	14,612,220	2,054,684	16,666,904

Gross values

Position as of 01.01.2016	76,642,903	2,054,684	78,697,587
Additions	741,165	4,641,643	5,382,808
Disposals	-32,186	-	-32,186
Reclassification	1,875,414	-1,875,414	-
Position as of 31.12.2016	79,227,296	4,820,913	84,048,210

Accumulated depreciation

Position as of 01.01.2016	-62,030,684	-	-62,030,684
Depreciation	-7,004,439	-	-7,004,439
Disposals	32,186	-	32,186
Reclassification	-3,983	-	-3,983
Impairment	-520,507	-	-520,507
Position as of 31.12.2016	-69,527,426	-	-69,527,426

Net values as of 31.12.2016

Net values as of 31.12.2016	9,699,870	4,820,913	14,520,783
------------------------------------	------------------	------------------	-------------------

Impairment on asset values

In 2016, some items underwent a revaluation reappraisal and the length of their useful lifetimes was reassessed. The useful lifetimes of online games systems on the Internet platform, along with assets associated with the TV game, were reappraised and shortened.

The total amount of writedowns on values of intangible assets came to CHF 520,507.

12. Winnings and prizes payables

	2016	2015
Winnings and prizes payables	15,099,955	16,078,331
	15,099,955	16,078,331

Winnings and prizes payables represent those winnings and prizes that can still be claimed by the winners in the

six months following the date of the draw, as well as the jackpot reserve fund.

13. Players' wallets (Internet)

	2016	2015
Players' wallets (Internet)	2,711,628	2,688,202
	2,711,628	2,688,202

The 'Players' wallets' item is the balance on accounts of players using the online games platform. Funds for these accounts are supplied by the players themselves who use the money in their accounts to play the various games offered by Loterie Romande on its Internet

platform. Once their accounts are credited, the players can access the games offered by Loterie Romande. Winnings of up to CHF 1,000 are directly credited to players' wallets whereas winnings in excess of that figure are paid into their bank accounts.

14. Trade accounts payables

	2016	2015
Trade accounts payables	4,204,958	3,233,547
	4,204,958	3,233,547

15. Profit to be paid out

	2016	2015
Profit to be paid out	46,465,362	46,343,367
	46,465,362	46,343,367

Profits are paid out in four quarterly instalments once the accounts have been finally validated by the General Assembly. Payments start from the second half of the year following the accounting year. As of the year-end

closing date, the final quarter of profits for the 2015 financial year still remained to be paid out. It was paid in January 2017.

16. Other liabilities

	2016	2015
Withholding tax payable	2,624,211	2,653,255
VAT payable	514,201	574,243
Partner companies' current-account balances	1,535,868	1,482,849
Other debts	196,587	104,117
	4,870,868	4,814,463

The 'Withholding tax payable' item consists of withholding tax to be paid for winnings in the month of December. Partner companies' current-account balances

relate to services undertaken related to joint running of various games.

17. Short-term provisions

	Provisions for legal costs	Other provisions	Total
Position as of 01.01.2015	2,000,000	871,884	2,871,884
Allocation	-	-	-
Use	-	-68,292	-68,292
Release	-	-	-
Position as of 31.12.2015	2,000,000	803,592	2,803,592
Allocation	-	100,000	100,000
Use	-	-3,592	-3,592
Release	-	-	-
Position as of 31.12.2016	2,000,000	900,000	2,900,000

As this pertains to a civil-law case as part of an application for dispute-resolution arbitration, the degree of

uncertainty as regards the outcome of the legal case cannot be estimated.

18. Accrued charges and deferred income

	2016	2015
Stakes booked in advance	2,014,463	2,227,493
Other accrued liabilities	3,707,357	3,308,228
Provision for invoices to be received	3,055,075	3,214,145
Adjustments to GGR	12,981,453	11,873,845
	21,758,348	20,623,711

Adjustments to GGR constitute the difference between the actual rate of payout on winnings and the theoretical payout ratio as defined in the draw schedule. The GGR figure in the Income statement is thus the theoretical GGR from games. This adjustment implies that winnings paid out effectively compared to sales for the period are lower than the theoretical payout ratio.

This stems primarily from new tickets and games being launched at the end of the year, as well as the time-lag between the sale of a ticket/card and payment of any winnings relating to it. The most striking example of this is the Millionnaires scratch-card, when the bulk of the sales occur at the end of Year N whereas the major prizes can only be cashed in at the start of Year N+1.

19. Pension liabilities

LoRo employee Pension Foundation surplus cover	Economic benefit	Economic benefit	Change during the year	Personnel costs	Personnel costs
2016	2016	2015		2016	2015
-	-	-	-	2,523,900	2,434,555

As of 31 December 2016, the employee Pension Fund Foundation's provisory results showed surplus cover. However, this cover did not reach the targeted fluctu-

ation reserving rate as defined in the Foundation's regulations. Nor are there any employer contribution reserves.

20. Gross gaming revenues (GGR)

	2016	2015
Gross gaming revenues	398,339,061	376,822,634
	398,339,061	376,822,634

Gross gaming revenues (GGR) constitute the money staked by players less the winnings paid out, adjusted for theoretical winnings, so as to reflect the theoretical level of GGR as defined in the draw schedule published in the Official Gazettes.

Owing to Loterie Romande's weekly invoicing period, the 2016 financial year books sales from 27 December 2015 to 31 December 2016 (2015: from 28 December 2014 to 26 December 2015).

21. Commission fees

	2016	2015
Commission fees	74,525,887	70,463,545
	74,525,887	70,463,545

These constitute commission fees paid out to our retailers from sales of lottery products and games.

22. Operating expenses

	2016	2015
Retailers' expenses	618,677	632,087
Producing games	4,570,019	4,962,429
Operating games	12,958,683	13,136,853
IT	18,587,396	19,053,989
Personnel costs	27,985,821	27,734,261
General overheads & administrative costs	7,221,737	7,567,842
Marketing, publicity & communications	13,742,552	13,817,968
Sales & promotional events	2,714,506	2,497,721
Depreciation & impairment	15,748,785	15,365,692
	104,148,177	104,768,843
Operating costs/GGR ratio	26.1%	27.8%

Operating costs are all expenses and costs needed to operate Loterie Romande's games and run its business.

23. Financial expenses & income

	2016	2015
Financial costs	194,145	639,425
Financial income	-441,302	-930,478
	-247,157	-291,053

Financial costs and income include interest on bank and postal accounts, interest on the long-term loan and on fixed-term placements. Also included under this item

are currency gains/losses on accounts denominated in foreign currencies.

24. Non-operating expenses and income

	2016	2015
Non-operating & exceptional expenses	1,004,471	452,840
Non-operating & exceptional income	-123,761	-103,091
	880,710	349,750

In some financial years, some income and/or expenses may not be directly charged to the operation of lottery games. This might relate to one-off expenses which will not recur.

In 2016, exceptional expenses were booked, related, in the main, to Loterie Romande's contribution to offsetting the accounting loss incurred by the Staff Pension

Foundation as an upshot of the sale of the premises at 13, rue Marterey.

In 2015, exceptional expenses were booked, these charges being related to the Game Print SA company ceasing trading; Loterie Romande gave assistance to the company with its closure programme.

25. Off-balance-sheet operations

	2016	2015
Total amount of guarantees, deposits and other pledges in favour of third parties	100,000	100,000
Leasing debts of less than 1 year	604,023	632,518
Leasing debts between 1 and 4 years	561,849	814,987
Total sum of leasing debts	1,165,871	1,447,505

The pledges are collateral security with a bank acting as cover for exchange-rate risks on forward currency purchases to pay our European suppliers.

Leasing debts relate to the company's fleet of vehicles, in agreements primarily concluded with Amag Leasing SA.

26. Fees for auditors' services

	2016	2015
Auditors' fees	68,728	70,800
Fees for other services	-	20,925
	68,728	91,725

27. Number of full-time-equivalent employees (FTEs)

	2016	2015
Number of full-time-equivalent employees	237	236
	237	236



Deloitte SA
Av. De Montchoisi 15
Case Postale 460
CH – 1001 Lausanne

Tel: +41 (0)58 279 92 00
Fax: +41 (0)58 279 93 00
www.deloitte.com

Report of the statutory auditor

To the General Meeting of the members of
Société de la Loterie de la Suisse Romande, Lausanne

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Société de la Loterie de la Suisse Romande, which comprise the balance sheet as at December 31, 2016, and the statement of income, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of these financial statements in accordance with Swiss GAAP FER, the requirements of Swiss law, intercantonal agreements and the articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended December 31, 2016 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law, intercantonal agreements and the articles of incorporation.

Deloitte.

Société de la Loterie de la Suisse Romande
Report of the statutory auditor
for the year ended
December 31, 2016

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Deloitte SA

Annik Jaton Hüni
Licensed Audit Expert
Auditor in Charge



Jürg Gehring
Licensed Audit Expert

Lausanne, March 29, 2017

Enclosures

- Financial statements (balance sheet, statement of income, statement of changes in equity, statement of cash flows and notes)



Société de la Loterie
de la Suisse Romande
14, avenue de Provence
Case postale 6744 • CH-1002 Lausanne
Tél. + 41 21 348 13 13 • Fax + 41 21 348 13 14
info@loro.ch • www.loro.ch

#AvecLoRo – follow us on:

