

Financial Report

2017

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BALANCE SHEET

Balance sheet

(in CHF)

	Notes	2017	2016
ASSETS			
Current assets			
Cash/liquid assets	3	165,019,568	132,643,467
Short-term deposits	4	7,250,000	65,279,032
Retailers	5	16,632,027	20,347,095
Other short-term receivables	6	12,115,922	12,407,073
Net inventories	7	1,616,183	1,846,558
Pre-paid expenses and accrued income	8	4,715,945	8,748,215
		207,349,645	241,271,440
Fixed assets			
Tangible fixed assets	9	52,437,052	58,276,197
Financial fixed assets	10	86,299,285	50,210,021
Intangible fixed assets	11	20,382,341	14,520,783
		159,118,678	123,007,002
Total assets		366,468,323	364,278,442
LIABILITIES			
Current liabilities			
Winnings and prizes payables	12	18,330,509	15,099,955
Players' wallets	13	2,977,320	2,711,628
Trade accounts payables	14	3,189,465	4,204,958
Profit to be paid out	15	42,770,894	46,465,362
Other liabilities	16	5,047,832	4,870,868
Short-term provisions	17	2,900,000	2,900,000
Accrued charges and deferred income	18	21,825,449	21,758,348
		97,041,469	98,011,119
Equity			
Guarantee fund		862,000	862,000
Free reserve		52,348,868	42,348,868
Net profit		216,215,985	223,056,455
		269,426,854	266,267,323
Total liabilities		366,468,323	364,278,442

Income statement

(in CHF)

	Notes	2017	2016
GROSS GAMING REVENUES	20	386,486,537	398,339,061
Other operating income			
Regulatory duties and adjustments		3,204,330	6,534,104
Income from rebilling		407,242	387,428
Operating expenses			
Comlot supervision fees		-870,924	-904,826
Levy for prevention of excessive gambling		-1,932,433	-1,991,695
Commission fees	21	-71,623,833	-74,525,887
Retailers' expenses		-591,910	-618,677
Producing games		-3,944,661	-4,570,019
Operating games		-12,569,754	-12,958,683
IT		-17,076,562	-18,587,396
Personnel costs		-29,344,361	-27,985,821
General overheads & administrative costs		-6,969,973	-7,221,737
Marketing, publicity & communications		-14,041,487	-13,742,552
Sales & promotional events		-2,592,704	-2,714,506
Depreciation & impairment		-13,578,176	-15,748,785
Operating expenses	22	-100,709,588	-104,148,177
OPERATING PROFIT		214,961,330	223,690,007
Financial expenses & income	23	791,714	247,157
PROFIT FROM ORDINARY OPERATIONS		215,753,045	223,937,164
Non-operating expenses & income	24	462,941	-880,710
NET PROFIT		216,215,985	223,056,455

CASH FLOW STATEMENT

Cash flow statement

(in CHF)

	2017	2016
CASH AS OF 1ST JANUARY	132,643,467	174,014,632
Cash flow from operating activities		
Net profit	216,215,985	223,056,455
+ Depreciation & impairment	13,578,176	15,748,785
+/- Allocation to/Release of provisions	-	100,000
+/- Other non-cash items	8,279	-298,142
+/- Proceeds from sale of fixed assets	-7,463	-
Cash flow from operating activities	229,794,977	238,607,098
+/- Trade accounts receivables	3,715,068	-7,935,895
+/- Inventories	230,376	1,491,199
+/- Other receivables and accrued assets	4,323,421	-2,441,578
+/- Trade accounts payables	-1,015,492	971,411
+/- Other short-term debts and accrued liabilities	3,740,311	232,499
Increase/Decrease in working capital	10,993,684	-7,682,364
Net cash from operating activities	240,788,661	230,924,734
Cash flow from investing activities		
+/- Short-term deposits	58,029,032	-24,730,030
- Investment in tangible fixed assets	-2,455,825	-8,520,787
+/- Financial fixed assets	-36,097,542	-24,250,008
- Investment in intangible fixed assets	-11,144,765	-5,382,808
+ Sale of tangible assets	7,463	-
Net cash from investments	8,338,363	-62,883,633
Cash flow from financing activities		
- Distribution of prior-year profits	-216,750,923	-209,412,266
Net cash used in financing activities	-216,750,923	-209,412,266
CHANGE IN CASH POSITION	32,376,101	-41,371,165
NET CASH AS OF 31ST DECEMBER	165,019,568	132,643,467

Statement of movements in equity

(in CHF)

	Guarantee fund	Profit to be paid out	Free reserve	Net profit
Equity as at 1 st 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 at 31st December 2016	862,000	-	42,348,868	223,056,455
Equity as at 1 st January 2017	862,000	223,056,455	42,348,868	
Share of profit to be distributed		3,699,948		
Profit to be paid out		-216,756,403		
Allocation to/Use of free reserve		-10,000,000	10,000,000	
Net profit for the year				216,215,985
Equity as at 31st December 2017	862,000	-	52,348,868	216,215,985

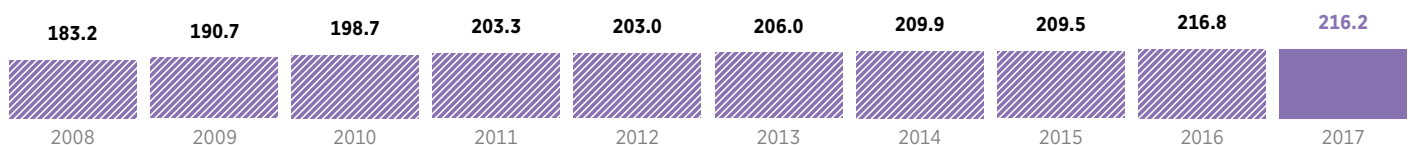
Breakdown

(in CHF)

Profit in 2017	216,215,985
- Allocation to/+ Use of free reserve	-
Total profit for distribution	216,215,985
- ADEC (Equestrian sport)	-3,573,387
Balance of profit for distribution	212,642,598
5/6^{ths} to distributing bodies and agencies	177,202,165
1/6th allocated to sport	35,440,433
Detailed breakdown	
- Swiss Olympic; Swiss Football Association; National football and ice-hockey leagues	10,632,130
- Share allocated to cantonal distributing bodies for sport	24,808,303

Distribution

(in CHF millions)



Basis for distribution of profit

(in CHF)

GROSS GAMING REVENUES (GGR)

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Scratch-card games	43,189,455	11,547,933	23,123,106	11,307,647	16,591,099	4,580,831	110,340,072
Draw-based games	57,395,367	19,735,210	30,927,732	11,852,157	27,987,042	5,468,798	153,366,306
Sports betting	2,520,957	721,977	1,090,335	641,635	1,878,482	163,031	7,016,417
Loterie électronique	32,935,406	6,260,631	14,641,372	7,803,757	20,282,527	2,655,709	84,579,402
PMUR	12,501,876	1,549,256	3,778,288	3,448,109	8,613,822	1,292,989	31,184,340
Total	148,543,061	39,815,007	73,560,833	35,053,306	75,352,972	14,161,357	386,486,537

POPULATION

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Population	784,822	311,914	339,176	178,567	489,524	73,122	2,177,125

Breakdown profits by canton

(in CHF)

SHARES ALLOCATED TO CANTONAL DISTRIBUTING BODIES AND AGENCIES

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Population	31,939,406	12,693,767	13,803,232	7,267,029	19,921,849	2,975,800	88,601,083
GGR	34,053,129	9,127,492	16,863,639	8,035,884	17,274,483	3,246,456	88,601,083
Total	65,992,535	21,821,259	30,666,871	15,302,912	37,196,332	6,222,256	177,202,165

SHARES ALLOCATED TO CANTONAL DISTRIBUTING BODIES FOR SPORT

	Vaud	Fribourg	Valais	Neuchâtel	Geneva	Jura	Total
Population	4,471,517	1,777,127	1,932,452	1,017,384	2,789,059	416,612	12,404,152
GGR	4,767,438	1,277,849	2,360,909	1,125,024	2,418,428	454,504	12,404,152
Total	9,238,955	3,054,976	4,293,362	2,142,408	5,207,486	871,116	24,808,303

Notes to annual financial statements

(With comparable 2016 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 redeploy 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 2017 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, recognised in the income statement, are converted at the average exchange rate as recommended by the Swiss Federal Tax Administration (FTA). 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.

No transaction of any significance was undertaken with associated parties.

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

Short-term deposits 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, after residual risks have been analysed, is calculated each year.

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. The detailed examination is presented in Note 7. 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. Pre-paid 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	3 to 5 years
Audiovisual equipment	4 years
Vehicles	4 years
Software	4 to 6 years

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

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.

NOTES TO FINANCIAL STATEMENTS

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 this free reserve for approval by the General Assembly.

Gross gaming revenues

Gross gaming revenues (GGR) constitute the difference between the money staked by players and winnings, 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 20 March 2018.

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 2017 financial year, no event occurred after the year-end closing date.

3. CASH/LIQUID ASSETS

	2017	2016
Cash in hand	19,195	15,741
PostFinance	65,902,449	35,096,763
Cash held at banks	99,097,924	97,530,964
	165,019,568	132,643,467

The ceiling for assets, fixed by banks, above which interest expenses amounted to a charge of CHF 25,873 (CHF 119,094 in 2016). Loterie Romande contracted more long-term deposits so as to reduce as

much as possible the level of interest expenses being charged on cash balances (see Note 10).

4. SHORT-TERM DEPOSITS

	2017	2016
Short-term deposits	7,250,000	65,279,032
	7,250,000	65,279,032

Such deposits are contracted with financially sound counterparties in accordance with a stringent in-house procedure. There are no deposits held in foreign currencies.

Given the prevailing level of interest rates in 2017, these cash deposits were contracted at rates between 0% and 0.1%.

5. RETAILERS

	2017	2016
Retailers	17,032,027	20,747,095
Provision for losses on receivables	-400,000	-400,000
Net retailers' balances	16,632,027	20,347,095

Invoicing is done weekly. Payments are collected at the end of the week, except for sizeable accounts, where the payment deadline is 30 days.

NOTES TO FINANCIAL STATEMENTS

6. OTHER SHORT-TERM RECEIVABLES

	2017	2016
Société simple Euro Millions	4,029,734	2,031,968
Distributing bodies and ADEC	5,635,781	7,727,378
Withholding tax paid at source	315,359	741,302
Other receivables	2,135,048	1,906,426
	12,115,922	12,407,073

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 and sports events. 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. NET INVENTORIES

	2017	2016
Consumables	1,379,693	1,306,825
Value adjustments on inventories	-100,000	-50,000
Finished products	336,489	589,734
	1,616,183	1,846,558

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 193,711.

8. PRE-PAID EXPENSES AND ACCRUED INCOME

	2017	2016
Winnings calculated on stakes booked in advance	1,161,571	1,050,350
Adjustments to GGR	901,590	5,276,625
Pre-paid expenses	2,290,537	2,141,323
Accrued interest and other income to be booked	92,538	73,604
Other accrued assets	269,708	206,313
	4,715,945	8,748,215

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 01.01.2016	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	13,345,197	48,655,043	2,461,765	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	3,441,685	14,039,969	2,461,765	58,276,197
GROSS VALUES						
Position as of 01.01.2017	34,522,992	13,994,306	13,345,197	48,655,043	2,461,765	112,979,305
Additions	42,532	58,228	896,597	493,836	964,632	2,455,825
Disposals	-	-	-516,781	-581,063	-	-1,097,845
Reclassification	-4,208,420	230,551	273,148	2,897,888	-3,213,410	-4,020,244
Position as of 31.12.2017	30,357,104	14,283,084	13,998,161	51,465,704	212,987	110,317,041
ACCUMULATED DEPRECIATION						
Position as of 01.01.2017	-6,863,420	-3,321,101	-9,903,512	-34,615,074	-	-54,703,107
Depreciation	-687,393	-499,616	-826,839	-4,724,007	-	-6,737,856
Disposals	-	-	516,781	581,063	-	1,097,845
Reclassification	3,969,085	-	-	4,309	-	3,973,395
Impairment	-	-	-28,311	-1,481,954	-	-1,510,265
Position as of 31.12.2017	-3,581,728	-3,820,718	-10,241,880	-40,235,662	-	-57,879,988
Net values as of 31.12.2017	26,775,376	10,462,366	3,756,282	11,230,042	212,987	52,437,052

Impairment on asset values

Shelving of the pilot project on self-service terminals (SSTs), together with a shortening of the useful lifetime of gaming equipment routers, which will be replaced at end-2018, were the main factors behind value writedowns totalling CHF 1,510,265.

NOTES TO FINANCIAL STATEMENTS

PROPERTY AND MORTGAGES

	2017	2016
Total value of buildings in the balance sheet	26,775,376	27,659,572

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

	2017	2016
Long-term loan (9 years)	23,000,000	23,000,000
Participation in SLE Euro Millions	3,186,069	2,877,890
LODH bond funds & securities	20,031,077	1
Long-term investments	40,000,000	24,250,000
Rent guarantee	82,139	82,131
	86,299,285	50,210,021

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 contract terms.

The value of the SLE Euro Millions stake also factors in money earmarked for designing the game. These funds will be recouped once the game is no longer being operated.

The long-term deposits, with a maximum term of 5 years, are a response to the need to scale down cash balances held in bank accounts that are incurring interest charges. Investments in bond funds invested with Lombard Odier Darier Hentsch (LODH) also fulfil this need.

11. INTANGIBLE FIXED ASSETS

	Software	Fixed assets under construction	Total
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	84,048,209
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	9,699,870	4,820,913	14,520,783
GROSS VALUES			
Position as of 01.01.2017	79,227,296	4,820,913	84,048,209
Additions	656,921	10,487,844	11,144,765
Disposals	-	-	-
Reclassification	9,419,260	-9,368,101	51,158
Position as of 31.12.2017	89,303,478	5,940,655	95,244,133
ACCUMULATED DEPRECIATION			
Position as of 01.01.2017	-69,527,426	-	-69,527,426
Depreciation	-4,185,488	-	-4,185,488
Disposals	-	-	-
Reclassification	-4,309	-	-4,309
Impairment	-1,144,568	-	-1,144,568
Position as of 31.12.2017	-74,861,792	-	-74,861,792
Net values as of 31.12.2017	14,441,686	5,940,655	20,382,341

Impairment on asset values

In 2017, some items underwent a revaluation reappraisal and the length of their useful lifetimes was reassessed. Useful lifetimes for gaming systems, in particular relating to previous sports betting offers, were reassessed and shortened. The various software programmes associated with the SST initiative were fully written down.

The total amount of writedowns on values of intangible assets came to CHF 1,144,568.

NOTES TO FINANCIAL STATEMENTS

12. WINNINGS AND PRIZES PAYABLES

	2017	2016
Winnings and prizes payables	18,330,509	15,099,955
	18,330,509	15,099,955

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 or the sports event, as well as the jackpot reserve fund.

13. PLAYERS' WALLETS

	2017	2016
Players' wallets	2,977,320	2,711,628
	2,977,320	2,711,628

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

	2017	2016
Trade accounts payables	3,189,465	4,204,958
	3,189,465	4,204,958

15. PROFIT TO BE PAID OUT

	2017	2016
Profit to be paid out	42,770,894	46,465,362
	42,770,894	46,465,362

Profit is paid out in three instalments once the accounts have been finally validated by the General Assembly. Payments start in June. As of the year-end closing date, the final quarter of profits for the

2016 financial year still remained to be paid out. It was paid in January 2018.

16. OTHER LIABILITIES

	2017	2016
Withholding tax payable	2,340,404	2,624,211
VAT payable	485,607	514,201
Partner companies' current-account balances	754,885	1,535,868
Other debts	1,466,936	196,587
	5,047,832	4,870,868

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. The 'Other debts' item comprises,

in particular, payroll expenses which are settled at the start of the next financial year once the final statements of account have been received.

17. SHORT-TERM PROVISIONS

	Provisions for legal costs	Other provisions	Total
Position as of 01.01.2016	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
Allocation	-	87,934	87,934
Use	-	-87,934	-87,934
Release	-	-	-
Position as of 31.12.2017	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

	2017	2016
Stakes booked in advance	2,230,420	2,014,463
Other accrued liabilities	3,522,348	3,707,357
Provision for invoices to be received	3,858,325	3,055,075
Adjustments to GGR	12,214,357	12,981,453
	21,825,449	21,758,348

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 as from 24 December.

19. PENSION LIABILITIES

LoRo employee Pension Foundation surplus cover	Economic benefit	Economic benefit	Change during the year	Personnel costs	Personnel costs
2017	2017	2016		2017	2016
-	-	-	-	3,431,418	2,523,900

As of 31 December 2017, the employee Pension Fund Foundation's provisional results showed surplus cover. However, this cover did not reach the targeted fluctuation reserving rate as defined in the

Foundation's regulations. Nor are there any employer contribution reserves.

NOTES TO FINANCIAL STATEMENTS

20. GROSS GAMING REVENUES (GGR)

	2017	2016
Gross gaming revenues	386,486,537	398,339,061
	386,486,537	398,339,061

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 2017 financial year books sales from 1st January to 30 December 2017 (2016: from 27 December 2015 to 31 December 2016).

21. COMMISSION FEES

	2017	2016
Commission fees	71,623,833	74,525,887
	71,623,833	74,525,887

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

22. OPERATING EXPENSES

	2017	2016
Retailers' expenses	591,910	618,677
Producing games	3,944,661	4,570,019
Operating games	12,569,754	12,958,683
IT	17,076,562	18,587,396
Personnel costs	29,344,361	27,985,821
General overheads & administrative costs	6,969,973	7,221,737
Marketing, publicity & communications	14,041,487	13,742,552
Sales & promotional events	2,592,704	2,714,506
Depreciation & impairment	13,578,176	15,748,785
	100,709,588	104,148,177

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

23. FINANCIAL EXPENSES & INCOME

	2017	2016
Financial costs	59,018	194,145
Financial income	-850,732	-441,302
	-791,714	-247,157

Financial expenses and income include interest on bank and postal accounts, interest on the long-term loan and on fixed-term place-

ments. Also included under this item are currency gains/losses on accounts denominated in foreign currencies.

24. NON-OPERATING EXPENSES AND INCOME

	2017	2016
Non-operating & exceptional expenses	-	1,004,471
Non-operating & exceptional income	-462,941	-123,761
	-462,941	880,710

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.

The Sport-Toto (SST) company paid back the balance on the reserve set aside in 2006 in conjunction with Swisslos. The purpose of this reserve was to develop the offering of sports betting from the two lottery companies. The sum reimbursed totalled CHF 394,298.

In 2016, exceptional expenses were booked, related, in the main, to Loterie Romande's contribution to offsetting the accounting loss incurred by the employee Pension Fund Foundation as an upshot of the sale of the premises at 13, rue Marterey.

25. OFF-BALANCE-SHEET OPERATIONS

	2017	2016
Total amount of guarantees, deposits and other pledges in favour of third parties	100,000	100,000
Leasing debts of less than 1 year	539,453	604,023
Leasing debts between 1 and 4 years	429,194	561,849
Total sum of leasing debts	968,647	1,165,871

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 concluded with Amag Leasing SA.

26. FEES FOR AUDITORS' SERVICES

	2017	2016
Auditors' fees	76,728	68,728
Fees for other services	96,282	-
	173,010	68,728

27. NUMBER OF FULL-TIME-EQUIVALENT EMPLOYEES (FTEs)

	2017	2016
Number of full-time-equivalent employees	241	237
	241	237



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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 31 December 2017, 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 31 December 2017 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.

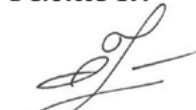
Société de la Loterie de la Suisse Romande
Report of the statutory auditor
for the year ended
31 December 2017

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, 21 March 2018

Enclosures

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