



Interim consolidated financial
statements for the half year ended
June 30, 2006

Unaudited draft

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1. INTERIM CONDENSED CONSOLIDATED INCOME STATEMENTS

For the period from January 1 to June 30 (in thousands of euros)	Notes	2006	2005
Revenue	5	255,208	207,353
Cost of sales		(175,997)	(147,525)
Gross profit		79,211	59,829
Other operating income		0	21
Distribution costs		(16,126)	(15,622)
Research and development expenses		(21,511)	(17,758)
Administrative expenses		(26,868)	(25,360)
Other operating expenses		(1)	(25)
Profit from ordinary activities	5	14,704	1,085
Other income	6	6,889	29
Other expenses	6	(5,105)	(24,030)
PROFIT FROM OPERATIONS		16,488	(22,916)
Net finance costs	7	(3,754)	(942)
Other financial income and expenses	7	(2,505)	(75)
Share of profits of associates			52
Profit before income taxes		10,229	(23,880)
Income taxes	8	(1,975)	(758)
Net profit/(loss)		8,254	(24,638)
Attributable to:			
• INGENICO S.A. shareholders		8,268	(24,737)
• Minority interests		(14)	99
Earnings per share (in euros)			
Net earnings:			
• basic		0.28	(0.84)
• fully diluted	19	0.28	(0.84)

2. INTERIM STATEMENT OF RECOGNIZED INCOME AND EXPENSE

For the period from January 1 to June 30

(in thousands of euros)	Notes	2006	2005
Translation adjustments	2	(1,568)	2,988
Cash flow hedges ⁽¹⁾	13	109	(85)
Net income recognized directly in equity		(1,459)	2,903
Profit/loss for the period		8,268	(24,737)
Total recognized income and expense for the period		6,809	(21,833)
Attributable to:			
• INGENICO S.A. shareholders		6,820	(22,041)
• Minority interests		(11)	207

(1) Changes in the value of interest-rate swaps on bank borrowings are recognized in equity.

3. INTERIM CONDENSED BALANCE SHEETS

Assets

(in thousands of euros)

Notes June 30, 2006 Dec. 31, 2005

NON-CURRENT ASSETS

Goodwill	9	65,711	65,413
Other intangible assets		16,111	19,913
Property, plant and equipment		15,662	17,087
Non-current financial assets		1,628	1,221
Deferred tax assets		18,155	18,083
Other non-current assets		9,105	8,274

Total non-current assets **126,371** **129,990**

CURRENT ASSETS

Inventories	10	52,940	40,128
Trade receivables and related accounts		131,201	138,505
Current tax receivables and other current assets		6,558	5,028
Derivative financial instruments	13	407	301
Short-term investments	12	57,509	56,457
Cash and cash equivalents	12	40,693	52,754
Assets held for sale		0	9,238

Total current assets **289,308** **302,410**

Total assets **415,679** **432,401**

Shareholders' equity and liabilities

(in thousands of euros)

Notes June 30, 2006 Dec. 31, 2005

	Notes	June 30, 2006	Dec. 31, 2005
EQUITY	11		
Share capital		30,137	29,924
Share premium account		86,992	85,924
Retained earnings and other reserves		(16,295)	(20,331)
Translation differences		2,977	5,805
Equity attributable to INGENICO S.A. shareholders		103,811	101,321
Minority interests		55	9
Total equity		103,865	101,330
LIABILITIES			
Borrowings and long-term debt	12	125,633	134,045
Provisions for retirement benefit obligations		8,404	8,091
Other non-current provisions	15	1,640	5,415
Deferred tax liabilities		784	804
Other non-current liabilities		2,854	837
Total non-current liabilities		139,315	149,191
CURRENT LIABILITIES			
Short-term borrowings	12	37,119	40,963
Current provisions	15	3,406	7,287
Trade payables and related accounts		102,929	100,223
Income tax expense		1,884	1,322
Other liabilities		25,113	29,631
Derivative financial instruments	13	2,048	
Liabilities held for sale		0	2,454
Total current liabilities		172,498	181,879
Total liabilities		311,814	331,070
Total equity and liabilities		415,679	432,401

4. INTERIM CONSOLIDATED CASH FLOW STATEMENTS

For the period from January 1 to June 30

(in thousands of euros)	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/(loss)	8,254	(24,638)
Adjustments for:		
• Share of profits of associates	0	(52)
• Income tax expense	1,975	758
• Depreciation, amortization and provisions (a)	324	15,518
• Gains/(losses) on disposal of assets	1,296	0
• Gains/(losses) on fair value adjustments	(3,664)	(350)
• Net interest expense	3,680	1,188
• Share-based payment	2,486	1,020
• Interest paid	(3,456)	(923)
• Income tax paid	(1,050)	(1,568)
Cash flow from operating activities before change in working capital requirements	9,845	(9,047)
Change in working capital requirements		
Inventory	(14,140)	11,431
Short-term receivables	1,358	(9,095)
Short-term payables	5,732	(11,945)
Net cash flow from operating activities	2,795	(18,656)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of assets	(4,079)	(7,653)
Gains on disposals of assets	170	526
Acquisition of subsidiaries, net of cash acquired	(775)	(1,279)
Disposals of subsidiaries, net of cash disposed of	10,504	0
Changes in short-term investments	(300)	(15,022)
Loans and advances granted	(973)	(373)
Loan repayments received	80	174
Interest received	1,835	507
Changes in short-term investments	(614)	(643)
Net cash flow from investing activities	5,849	(23,762)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from share issue	1,270	44
Purchase of own shares	(7,483)	0
Issuance of debt	265	111,632
Repayment of debt	(13,820)	(30,703)
Changes in other financial liabilities	0	28,000
Changes in derivative financial instruments	-407	129
Payment of cash dividends	0	60
Net cash flow from financing activities	(20,176)	109,161
Effect of changes in exchange rates	(1,102)	1,565
Cash equivalents reclassified as “Assets held for sale” (in 2005)	167	(55)
Change in cash and cash equivalents	(12,466)	68,253
Cash and cash equivalents at beginning of period	31,091	7,598
Cash and cash equivalents at end of period (1)	19,024	75,852

(a) Depreciation and amortization expense in the first half of 2006 was offset by the reversal of provisions during the period.

(1) Cash and cash equivalents		
UCITS (only portion readily convertible into cash)	4,022	67,918
Cash on hand	36,592	19,279
Demand deposits	(21,590)	(11,345)
Financial instruments		
Total cash and cash equivalents	19,024	75,852
UCITS (portion qualifying as short-term investments)	57,509	15,000
Total cash, cash equivalents and short-term investments	76,533	90,852

5. NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

The preceding consolidated financial statements present the financial position of the company INGENICO and its subsidiaries (together referred to as “the Group”), as well as the Group’s share of the profits of associated companies and joint ventures. INGENICO is a publicly listed company incorporated under French law, with its registered office in Neuilly-sur-Seine.

The interim condensed consolidated financial statements were approved by the Board of Directors on September 20, 2006.

2. ACCOUNTING PRINCIPLES AND METHODS

The interim condensed consolidated financial statements were drawn up in accordance with the International Financial Reporting Standard IAS 34, Interim Financial Statements. They do not include all the information required for complete annual financial statements and should be read in conjunction with the Group’s financial statements for the year ended December 31, 2005.

The accounting methods applied to these interim financial statements are the same ones used in the financial statements for the year ended December 31, 2005.

No actuarial gains or losses were recorded at June 30, 2006 for the preceding 6 month-period; the Group did not revise the actuarial assumptions applied to its defined-benefit retirement obligations because there were no changes in the nature of retirement plans and no material changes in market conditions during the period.

Translation of financial statements expressed in foreign currency

The conversion rates for the main currencies used by the Group in fiscal years 2005 and 2006 are as follows:

Closing rate	June 30, 2006	Dec. 31, 2005
U.S. dollar	1.2713	1.1797
Canadian dollar	1.4132	1.3725
Australian dollar	1.7117	1.6109
British pound	0.6921	0.6853

Average rate	June 30, 2006	Dec. 31, 2005
U.S. dollar	1.2292	1.2448
Canadian dollar	1.3997	1.5097
Australian dollar	1.6546	1.6326
British pound	0.6872	0.6839

Estimates

In preparing these intermediate financial statements, Group management was led to exercise a fair amount of judgment and to make use of assumptions and estimates affecting the application of the accounting methods, the assets and liabilities recorded on the balance sheet, and the income and expenses in the income statement. Actual results may differ materially from the estimates and assumptions.

The cases in which management exercised a significant degree of judgment in applying the accounting methods adopted by the Group in these intermediate financial statements and the main sources of uncertainty regarding estimates are the same as those described in the consolidated financial statements for the year ended December 31, 2005.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign exchange and interest rate exposure arising from its operating, financing and investing activities.

During the 6-month period ended June 30, 2006, the Group maintained its policy of hedging purchases denominated in U.S. dollars. As a result, most of the Group's exposure in 2006 to estimated exchange rate risk on purchases in U.S. dollars has been hedged.

Derivative instruments that do not meet hedge accounting criteria are recognized as speculative instruments. As such, they are measured at fair value, and any gain or loss from remeasuring the instruments at fair value is immediately recognized in profit or loss.

In all other respects, the Group's financial risk management objectives and policies remain unchanged in relation to the information provided in the consolidated financial statements for the year ended December 31, 2005.

3. CHANGES IN REPORTING ENTITY

4. ACQUISITIONS AND DIVESTITURES

Acquisitions

In May 2006, INGENICO bought out the remaining 49 percent of the share capital of its Swiss subsidiary XA, thereby gaining total control over the entity. The entire cost of this May 2006 transaction was recognized in goodwill (€770,000).

Divestitures

The divestiture program initiated in 2005 was completed in the first quarter of 2006 when the Group disposed of three subsidiaries: Ingenico Transaction System (United Kingdom), Debitek (United States) and Ingenico AB (Sweden).

The assets and liabilities of these companies were recorded in the 2005 balance sheet under Assets and Liabilities Held for Sale.

The divestiture program generated a net gain of €2839,000, given that these companies are no longer included in the Group's consolidated accounts. The net increase in cash, net of cash disposed of, was €10,504,000.

Proposed merger between INGENICO S.A. and MONEYLINE S.A.

At a meeting held on June 29, 2006, the INGENICO S.A. Board of Directors and the MoneyLine S.A. Board of Directors approved a project for merging the two companies. The merger should be completed in the fourth quarter of 2006 and will be recorded at that time in the consolidated accounts.

The merger of these two companies will give rise to the world leader in electronic payment solutions for multi-lane and chain-store retail through the combination of MoneyLine's Axis C3 system with the INGENICO payment terminal range.

In 2005, MoneyLine booked an operating profit of €35 million on revenue of €26.8 million. In the same year, INGENICO recorded an operating profit of €8.2 million on revenue of €436.9 million.

The proposed exchange ratio for the merger is 2.08 INGENICO S.A. shares for 1 MoneyLine S.A. share. This amounts to a 22.85-percent premium for MoneyLine S.A. shareholders based on the average price quoted for the company's shares over the 20 trading days preceding the date on which the transaction was announced.

INGENICO S.A., MoneyLine S.A. and Mr. Marc Bonnemoy, the founder of MoneyLine S.A., who holds 50.23 percent of the share capital and 66.76 percent of the voting rights in the company, signed an agreement in principle on June 29, 2006. Under the agreement, both companies undertake to implement a merger program leading to the absorption of MoneyLine into INGENICO. The transaction is expected to accelerate the merger and full integration of the two companies.

Once the exchange ratio has been confirmed by the merger auditors, the merger will be submitted for approval to the Extraordinary Meetings of Shareholders that both companies are to hold by October 31, 2006. The employee representative bodies at both companies shall be duly informed and consulted on the proposed merger. Mr. Marc Bonnemoy, who holds 66.76 percent of the MoneyLine voting rights, has undertaken to vote in favor of the proposed merger at the MoneyLine Meeting of Shareholders.

In addition, the agreement in principle stipulates that if the merger has not been completed by October 31, 2006 at the latest, Mr. Marc Bonnemoy shall contribute his majority stake in MoneyLine S.A. to INGENICO S.A. at the exchange ratio previously agreed upon. In this case, pursuant to stock market regulations, this contribution in kind shall be followed by a public exchange offer filed by INGENICO S.A. for the entire share capital of MoneyLine. The INGENICO S.A. Board of Directors has been delegated the necessary powers to issue new INGENICO S.A. shares and use them as consideration for the contribution in kind and the public exchange transaction.

5. SEGMENT INFORMATION

The primary criterion – by geographical location of operations – reflects the Group's management structure.

- Northern Europe (Germany, United Kingdom, etc.)
- Southern Europe (France, Spain, Italy, etc.)
- Asia-Pacific
- North America (United States, Canada)
- Latin America
- Central and Eastern Europe, Middle East, Africa and India.

(i) Performance breakdown by segment

At June 30, 2006 segment profits or losses are broken down as follows

(in thousands of euros)	Northern Europe	Southern Europe	Asia/Pacific	North America	Latin America	Cemea	Unalloc.	Elim.	Consolidated
External revenue	53 417	73 371	15 818	55 802	56 007	792			255 208
inter-segment revenue	593	75 731	708	111	2 367	0		-79 510	0
Total Revenue	54 010	149 102	16 527	55 913	58 374	792	0	-79 510	255 208
Profit from ordinary activities	3 471	4 897	-851	2 778	8 608	-1 524	-2 674		14 704
Profit from operations	3 189	7 651	-1 699	4 326	8 683	-1 528	-4 135		16 488
Total finance costs									-6 259
Income tax									-1 975
Consolidated net profit/loss									8 254
Attributable to Ingenico shareholders									8 268

At June 30, 2005 segment profits or losses are broken down as follows

(in thousands of euros)	Northern Europe	Southern Europe	Asia/Pacific	North America	Latin America	Cemea	Unalloc.	Elim.	Consolidated
External revenue	57 613	74 635	9 042	39 294	26 766	3			207 353
inter-segment revenue	543	60 421	367	1 383	903	0		-63 617	0
Total Revenue	58 156	135 056	9 409	40 677	27 669	3	0	-63 617	207 353
Profit from ordinary activities	4 550	481	-4 167	-1 871	2 746	190	-843		1 085
Profit from operations	-13	-17 168	-5 555	-2 961	2 646	190	-52		-22 913
Total finance costs									-1 016
Shares of profits or losses of associates accounted for using the equity method									52
Income tax									-758
Consolidated net profit/loss									-24 634
Attributable to Ingenico shareholders									-24 737

At June 30, 2006, the Group booked €255,208,000 in revenue, up 23 percent in relation to the first half of 2005. This increase can be attributed in large part to extremely strong growth in Latin America, North America, Australia and Italy.

6. OTHER OPERATING INCOME AND EXPENSES

Other operating income and expenses include:

(in thousands of euros)	June 30, 2006	June 30, 2005
Restructuring charges	(2,265)	(2,577)
Litigation expenses and costs related to quality issues	2,076	(11,374)
Impact of applying the new inventory depreciation method	0	(8,837)
Gains/(losses) on disposal of assets (subsidiaries)	2,839	0
Gains/(losses) on disposal of assets	(539)	0
Goodwill impairment	0	(63)
Impairment of other plant, property and equipment or intangible assets	(361)	0
Other	35	(1,150)
TOTAL	1,784	(24,001)

Other operating income and expenses include primarily:

- Restructuring charges incurred in connection with the disposal or discontinuation of a consolidated business, as well as costs related to compensation for personnel impacted by workforce adjustment measures: - €2,265,000.
- Costs related to quality issues, entirely offset by a reversal of provisions, and litigation income and expenses.
The net reversal gain of €2,076 is attributable primarily to the reversal of a provision for litigation that exceeded the award negotiated with and paid to a third party during the period.
- The net gain of €2,839,000 on the disposal of subsidiaries: ITS, INGENICO Sweden and Debitek, part of the disposal plan initiated in 2005.
- Gains (losses) on the disposal of other non-current assets and depreciation expense recorded for this type of asset.

7. NET FINANCE COSTS

Net finance costs are broken down as follows:

(in thousands of euros)	June 30, 2006	June 30, 2005
Interest expense on convertible bonds	(1,918)	(607)
Other interest expense	(3,466)	(1,088)
Gross borrowing costs	(5,384)	(1,695)
Income from cash and cash equivalents	1,630	753
Net financing costs	(3,753)	(942)
Other financial income	3 602	3 308
Other financial expenses	(6,107)	(3,383)
Total finance costs	(6,259)	(1,016)

For the first half of 2006, financing costs include:

- Interest expense on “Oceane”-type convertible bonds
- Interest expense, primarily on medium-term and bank borrowings contracted by the parent company in mid-2005.

Income from cash and cash equivalents related to interest on cash equivalents and short-term investments.

Other interest income and expenses correspond primarily to exchange gains and losses recorded during the period, in particular an unrealized loss of €2,048,000 from remeasuring at fair value the financial instruments used to hedge exchange foreign exchange exposure outstanding at June 30, 2006. These instruments were used to hedge U.S. dollar purchases until the end of 2006 and are considered speculative instruments under IAS 39.

8. INCOME TAX EXPENSE

Income tax expense for the period

(in thousands of euros)	June 30, 2006	June 30, 2005
Income tax expense for the period	(2,276)	(1,571)
Deferred tax	301	814
Total	(1,975)	(757)

For consolidated companies, for the six months ended June 30, 2006, the effective income tax rate is 19.31% (- 6.65% for the year ended December 31, 2005, -3.17% for the six months ended June 30, 2005). This change mainly reflects the use of tax loss carry-forwards not previously capitalized.

9. INTANGIBLE ASSETS

Goodwill

(in thousands of euros)	June 30, 2006	December 31, 2005
At January 1	65,413	69,989
Investments	770	2,387
Disposals	0	0
Impairment losses	0	(3,221)
Translation differences	(73)	307
Other	(399)	(4,049)
At December 31	65,711	65,413

Breakdown of goodwill

(in thousands of euros)	June 30, 2006			Dec. 31, 2005
	Gross carrying amount	Accumulated impairment losses	Net carrying amount	Net carrying amount
North America	57,078	0	57,078	57,477
Asia	4,228	0	4,228	4,228
INGENICO Italia	814	(96)	718	718
INGENICO Ireland Ltd.	989	(127)	861	870
Europa Pty Ltd.	4,324	(3,295)	1,029	1,093
XA	1,797	0	1,797	1,027
Total	69,229	(3,518)	65,711	65,413

- The increase in goodwill (€770,000) is due to the acquisition by INGENICO S.A. of an additional equity interest in its Swiss subsidiary, XA.
- The adjustment in goodwill for North America (- €399,000) reflects the use by the U.S. subsidiary of tax losses generated prior to the acquisition and carried forward.

INGENICO conducts goodwill impairment tests annually, in the second half of the year.

10. INVENTORIES

(in thousands of euros)	June 30, 2006	December 31, 2005
Raw materials and consumables	12,852	14,254
Work in progress	225	112
Finished products	51,178	37,279
Depreciation	(11,316)	(11,517)
Net total	52,940	40,128

11. SHAREHOLDERS' EQUITY AND LIABILITY

	Share capital	Share premiums	Translation differences	Effective portion of hedging instruments	Treasury shares	Reserves and retained earnings	Total consolidated equity
Balance at January 1, 2005	29,803	84,841	(256)	0	(1,804)	17,632	130,215
Dividends paid to shareholders (1)						(3,574)	(3,574)
Purchase of treasury shares (2)					(725)		(725)
Share-based payment (3)	8	35				1,020	1,063
Equity component of OCEANE, net of tax (4)						6,965	6,965
Total gain/loss recognized for the period			2,988	(85)		(24,737)	(21,833)
Other						96	96
Balance at June 1, 2005	29,811	84,876	2,733	(85)	(2,529)	(2,598)	112,207
Balance at January 1, 2006	29,924	85,924	5,805	166	(3,877)	(16,620)	101,321
Purchase of treasury shares (2)					(8,097)		(8,097)
Share-based payment	213	1,068				2,486	3,767
Total gain/loss recognized for the period			(1,568)	109		8,268	6,809
Other						11	11
Balance at June 1, 2006	30,137	86,992	4,237	275	(11,974)	(5,855)	103,811

(1) Dividend payout: no dividend payout in 2006.

(2) Treasury shares: the decrease in this account reflects the retirement of treasury shares held by the company. On January 1, 2006, the company owned 319,310 treasury shares. On June 30, 2006, the company owned 783,270 treasury shares, acquired by virtue of the authorizations granted at shareholders' meetings.

(3) Share-based payments:

- The increase in retained earnings reflects the fair value of options and free shares granted and recognized each year as "Administrative expenses" and "Other operating income and expenses."

- The increase in share capital and share premium reflects the exercise of share subscription options.

(4) Reflects the value, net of tax, of the equity component of "OCEANE" convertible bonds.

Shares outstanding

	June 30, 2006	December 31, 2005
Shares issued at January 1st	29,924,312	29,803,117
Shares issued in connection with options exercised and 2005 dividend distribution	213,000	121,195
Shares issued at June 30, 2006	30,137,312	29,924,312
Treasury shares at June 30, 2006	783,270	319,310
Shares outstanding at June 30, 2006	29,354,042	29,605,002

INGENICO's shares have a par value of €1.

Treasury shares

In 2006, the Company directly purchased its own shares on the stock market, as part of the share repurchase program authorized by the shareholders during the Combined Ordinary and Extraordinary Meeting. In connection with the aims pursued by these repurchase programs, the portfolio of shares purchased directly by the Company totaled 249,310 shares at December 31, 2005. At the June 30, 2006 reporting date, this portfolio contained 693,770 shares. The portfolio of shares purchased on the basis of the liquidity contract totaled 70,000 shares at December 31, 2005. It contained 89,500 actions at June 30, 2006.

Stock subscription option plans and free share grants

Plans in force at June 30, 2006

At June 30, 2006:

a) Stock subscription option plans

On May 4, 2000 and October 18, 2004, the shareholders authorized the Board of Directors to grant a certain number of employees options to subscribe for shares during a five-year or a 24-month period. On May 5, 2006, the shareholders authorized the Board of Directors to grant a certain number of employees options to subscribe for shares during a 26-month period.

No additional stock subscription option plans to those that existed at the December 31, 2005 year-end closing date have been set up since that time.

b) Free share grants

The Annual Shareholders' Meeting of April 19, 2005 authorized the Board of Directors to grant free existing or new shares to the Group's employees or executive officers, up to a maximum of two percent of the company's share capital (596,062 shares on the date of the meeting).

The Annual Shareholders' Meeting of May 5, 2006 authorized the Board of Directors to grant free existing shares or new shares to the Group's employees or executive officers, up to a maximum of three percent of the company's share capital (898,569 shares on the date of the meeting).

At December 31, 2005, 65,000 shares were granted.

At June 30, 2006:

100,000 free shares were granted to the Chief Executive Officer, divided into quarterly grants throughout 2006 of one-fourth of this total at the end of each quarter.

On March 15, 2006, the Board of Directors approved the rollout of a free share grant plan for key managers of the company: 635,000 shares were granted to 41 such employees in several sub-groups. Of this total, 150,000 free shares were granted to members of the Executive Committee. These shares will not be considered as definitively granted until a period of two years has expired and provided that, on this date, the grantee is still an employee of the INGENICO Group. Grantees are required to hold their freely allotted shares for a further period of two years after they have been definitively acquired.

Fair value of options granted

INGENICO measured the fair value of the goods and services received during the period based on the fair value of the equity instruments granted.

Share subscription options:

The initial value of the share is the grant date value.

The assumed volatility is the volatility calculated over a one-year period preceding the grant date, except for Tranches A and B, for which volatility was calculated based on a multi-criteria analysis taking into account the implicit volatility of financial instruments on the calculation date. The interest rate curve is calculated using Bloomberg currency rates and swap rates. INGENICO decided not to rely wholly on past experience without assessing the extent to which past experience may be considered a reasonable indicator of future trends.

Free share grants:

The fair value of the service corresponds to the grant date value of the share.

Financial statement impact

On the basis of the parameters used to calculate fair value (see above), the recognized expense related to share subscription options granted and free share grants in the first half of 2006 totaled €2.49 million (€2.37 million recognized in “Profit from ordinary operations” and €0,12 million charged to “Other operating income and expenses”).

12. NET DEBT

For the INGENICO Group, net debt consists of short-term and long-term financial liabilities, less short-term investments and cash and cash equivalents.

(in thousands of euros)	June 30, 2006	December 31, 2005
Cash and cash equivalents	40,693	55,087
Short-term investments	57,509	56,457
Financial liabilities	(162,752)	(175,007)
Net financial liabilities	(64,550)	(63,463)

In the first half of 2006, the €57,509,000 of short-term investments pertain to current financial assets used for cash management purposes.

Breakdown of cash and cash equivalents and short-term investments

(in thousands of euros)	June 30, 2006	December 31, 2006
Banks	36,592	29,329
UCITS classified as cash	4,101	25,758
Cash and cash equivalents	40,693	55,087
UCITS classified as short-term investments	57,509	56,457
Cash and cash equivalents and short-term investments	98,202	111,544

UCITS are classified as cash when they meet the requirements set forth in IAS 7. Otherwise, they are classified as short-term investments.

Breakdown of financial liabilities

Financial liabilities are broken down into long-term and short-term liabilities. The latter include the portion of less than one year of long-term debt as well as financial liabilities with a term of less than one year.

(in thousands of euros)	June 30, 2006	December 31, 2006
Bonds convertible into or exchangeable for new or existing shares (OCEANE)	69,207	68,374
Bank borrowings	12,849	20,451
Short-term notes	40,000	40,000
Finance lease obligations	3,489	4,348
Other financial liabilities	88	872
Total non-current financial liabilities	125,633	134,045
Short-term bank and related borrowings	14,324	16,931
Finance lease obligations (current position)	1,204	2,111
Bank overdrafts	21,590	21,920
Total current financial liabilities	37,119	40,962
Total financial liabilities	162,752	175,007

Finance lease obligations mainly reflect finance leases in Brazil with the bank SAFRA, generally for terms of three to five years, as well as finance leases by INGENICO Iberia with the bank SABADELL, also for terms of three to five years.

INGENICO's commitments with respect to the refinancing of debt totaling €72.5 million that was set up in 2005.

INGENICO undertakes to comply with the following requirements regarding financial ratios R2 and R4, which are calculated annually based on the consolidated financial statements at December 31st of each year and also at June 30th of each year on a 12-month basis.

Refinancing is subject to compliance with requirements under two ratios defined as follows:

- R2 = net debt/EBIT
- R4 = net debt/equity

The applicable requirements at December 31, 2005 were as follows:

- R2 less than 2.3
- R4 less than 0.5

At December 31, 2005, these requirements were not met:

- R2 = net debt/EBIT = 7.69
- R4 = net debt/equity = 0.62

After negotiations were held with the lenders, on April 13, 2006 the pool of banks involved agreed unanimously that:

- It would not take action in light of the observed default based on the failure to meet the ratio requirements set for 2005.
- It would adapt the financial ratio requirements to new accounting standards (IFRS).
- It would revise the financial ratio grids as indicated below:
 - at 06/30/2006: R2 < 4.8 and R4 < 0.7
 - at 12/31/2006: R2 < 2.5 and R4 < 0.7
 - at 06/30/2007: R2 < 2.0 and R4 < 0.7
 - at 12/31/2007: R2 < 2.0 and R4 < 0.7

In return, the following changes to the loan repayment and schedule have been made:

- The loan repayment schedule is shortened by one installment (last payment is now 10/15/2008 in lieu of 04/15/2009)
- The repayment scheduled for 10/15/2006 is increased by €4,062,500, bringing it to €8,125,000.

Accordingly, the level of each ratio was satisfied at June 30, 2006.

13. DERIVATIVE FINANCIAL INSTRUMENTS

(i) Interest rate hedging

Interest rate hedges		
(in thousands of euros)	At December 31, 2005	At June 30, 2006
Current assets	253	407
Current liabilities		
Total	253	407

After the terms and conditions of the loan were renegotiated, the swap agreement was also renegotiated during the first half of 2006. Considered to be an effective hedge against interest rate exposure, the changes in the fair value of this agreement impact shareholders' equity.

(ii) Exchange rate hedging

Exchange rate hedges		
(in thousands of euros)	At December 31, 2005	At June 30, 2006
Current assets	48	
Current liabilities		2,048
Total	48	2,048

At June 30, 2006, foreign exchange rate hedges totaled USD37.4 million, maturing at the end of December 2006. The assessed value of foreign exchange rate contracts outstanding at June 30, 2006 show an unrealized loss of €2,048,000. The instruments used for hedging purposes are considered to be non-effective under IAS39. As a result, any changes in the fair value of these contracts must be fully charged against or credited to income.

14. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Total compensation paid to Company directors and executive officers in the first six months of 2006 is itemized below:

(in thousands of euros)	June 30, 2006
Basic salary	666
Variable compensation	712
Stock subscription options and free shares granted	738
Total	2,116

15. OTHER PROVISIONS

(in thousands of euros)	Balance at January 1, 2006	Translation difference	Additions	Deductions of amounts used	Deductions of unused amounts	Other	Balance at June 30, 2006
Provisions for warranties	7,287	(65)	398	(4,394)		43	3,269
Provisions for litigation and claims	4,943	0	334	(1,395)	(2,760)	0	1,122
Provisions for restructuring	65	(1)	166	0		0	230
Other provisions	408	(19)	109	(72)		0	426
Total, other provisions	12,703	(85)	1,007	(5,861)	(2,760)	43	5,047

(i) Warranties

The provision for warranties reflects the estimated foreseeable costs related to a one-year product warranty given at the time of sale. A special provision of €3,778,000 was also recorded in 2005 to cover risks related to a specific engineering problem encountered in large-scale deployment of a new product. This provision was almost fully exhausted at June 30, 2006.

(ii) Litigation and claims

INGENICO is engaged in a number of claims and arbitration proceedings arising in connection with the Company's ordinary business. INGENICO believes that adequate provisions have been recorded to cover all outstanding disputes.

INGENICO records provisions for litigation and claims when the Group has a present legal or constructive obligation related to lawsuits, government inquiries, legal disputes and other claims as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and provided that the amount of the outflow can be reliably estimated.

The reversal of a provision that was no longer necessary (- €2,760,000) relates to the difference between the amount provisioned in 2005 and the actual cost incurred and recorded when major litigation was settled in the first half of 2006.

16. OFF-BALANCE SHEET COMMITMENTS

Compared with the year ended December 31, 2005, off-balance sheet commitments are the following:

Commitments given and received:

Issuance by one of the parent company's banks of a stand-by letter of credit letter on behalf of an equipment supplier, in the amount of USD 10,000,000 (€7,866,000).

Following talks with the minority shareholders of the subsidiary XA, INGENICO acquired additional shares in XA, and as of June 30, 2006 has full equity ownership. The remaining balance payable for the acquisition of these shares will be made in the second half of 2006, and is contingent upon achieving certain earnings targets.

In addition, in light of disposals made in the first half of 2006, INGENICO provided the usual guarantees on assets and liabilities:

Liabilities guaranteed	Maximum guarantee	Due date (*)
Disposal of Debitek	USD 5.2 million	4/1/2007
Disposal of INGENICO Sweden	EUR 2.4 million	4/1/2007
Disposal of ITS	EUR 2,8 million	5/31/2007

(*) Except for guarantees on tax liabilities, which are dependent on local time limits for claiming such liabilities