



**Consolidated financial statements**  
December 31, 2016

Free translation into English of the consolidated financial statements as of December 31, 2016 issued in French, provided solely for the convenience of the English speaking users.

## I. CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	Notes	<b>2016</b>	2015
<b>REVENUE</b>	4	<b>2 311 941</b>	<b>2 197 283</b>
Cost of sales	5.a.	(1 336 535)	(1 237 014)
<b>GROSS PROFIT</b>		<b>975 406</b>	<b>960 269</b>
Distribution and marketing costs		(204 535)	(202 576)
Research and development expenses		(178 270)	(156 698)
Administrative expenses		(231 531)	(212 453)
<b>PROFIT FROM ORDINARY ACTIVITIES</b>		<b>361 070</b>	<b>388 542</b>
Other operating income	5.b.	3 865	1 371
Other operating expenses	5.b.	(8 425)	(9 131)
<b>PROFIT FROM OPERATING ACTIVITIES</b>		<b>356 510</b>	<b>380 782</b>
Finance income	9.a.	76 521	84 091
Finance costs	9.a.	(84 321)	(102 700)
<b>NET FINANCE COSTS</b>		<b>(7 800)</b>	<b>(18 609)</b>
Share of profits in equity-accounted investees	11.a.	(729)	(2 626)
<b>PROFIT BEFORE INCOME TAX</b>		<b>347 981</b>	<b>359 547</b>
Income tax expense	10	(97 150)	(124 846)
<b>NET PROFIT</b>		<b>250 831</b>	<b>234 701</b>
Attributable to:			
- Ingenico Group SA shareholders		244 276	230 315
- non-controlling interests		6 555	4 386
<b>EARNINGS PER SHARE (in euros)</b>	12.b.		
<b>Net earnings:</b>			
- basic earnings per share		<b>4,00</b>	<b>3,81</b>
- diluted earnings per share		<b>3,91</b>	<b>3,76</b>

## II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in thousands of euros)</i>	Notes	2016	2015
<b>Profit for the period attributable to Ingenico Group SA shareholders</b>		<b>244 276</b>	<b>230 315</b>
Translation differences (1)		(3 483)	23 572
Gains or losses of derivative hedging instruments (2)	9.c.	(407)	(393)
Gains or losses of available-for-sale financial assets (3)		(7 657)	7 697
Actuarial gains/(losses) on defined benefit plans	6.c.	(7 801)	1 002
Income tax on gains/(losses) accounted in other comprehensive income		3 934	(3 617)
<b>TOTAL GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME AND ATTRIBUTABLE TO INGENICO GROUP SA SHAREHOLDERS (4)</b>		<b>(15 414)</b>	<b>28 261</b>
Profit for the period and other comprehensive income attributable to Ingenico Group SA shareholders		228 862	258 576
Profit for the period and other comprehensive income attributable to non-controlling interests		6 555	4 386
Translation differences attributable to non-controlling interests		(353)	(988)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>235 064</b>	<b>261 974</b>
<i>(in thousands of euros)</i>	Notes	2016	2015
Income tax on translation adjustments		3	(1 157)
Income tax on change in value of financial assets available for sale		2 225	(2 223)
Income tax on gains or losses on hedging instruments		157	136
Income tax on actuarial gains and losses on defined benefit plans		1 549	(373)
<b>TAXES ON GAINS/(LOSSES) ACCOUNTED IN OTHER COMPREHENSIVE INCOME</b>		<b>3 934</b>	<b>(3 617)</b>

<sup>(1)</sup> In 2015, translation differences mainly arose from subsidiaries reported in US dollars. In 2016, translation differences were partly due to the decline in the pound sterling.

<sup>(2)</sup> The effective portion of changes in the fair value of interest rate swaps on bank loans and on cash flow currency hedges is recognized in "Other comprehensive income".

<sup>(3)</sup> In 2015, a gain was recorded in "Other comprehensive income" in relation with the revaluation of Visa Europe shares. In 2016, this gain is recycled to the consolidated income statement, as shares have been sold (see Note 3 Significant events).

<sup>(4)</sup> All items recognized in "Other comprehensive income", except for actuarial gains or losses on defined benefit plans, will subsequently be recycled to the consolidated income statement.

### III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<b>ASSETS</b> <i>(in thousands of euros)</i>	<b>Notes</b>	<b>2016</b>	<b>2015</b>
Goodwill	7.a.	1 409 291	1 350 519
Other intangible assets	7.b.	488 151	508 524
Property, plant and equipment	7.c.	74 893	55 857
Investments in equity-accounted investees	11.a.	8 636	12 293
Financial assets		16 633	11 250
Deferred tax assets	10.c.	58 109	48 880
Other non-current assets	5.f.	27 491	31 316
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2 083 204</b>	<b>2 018 639</b>
Inventories	5.d.	172 483	143 625
Trade and related receivables	5.e.	501 061	461 435
Receivables related to intermediation activities	5.k.	28 525	10 308
Other current assets	5.f.	23 972	32 475
Current tax assets		26 962	7 441
Derivative financial instruments	9.c.	12 444	10 487
Funds related to intermediation activities	5.k.	273 086	256 159
Cash and cash equivalents	9.b.	1 013 854	919 882
<b>TOTAL CURRENT ASSETS</b>		<b>2 052 387</b>	<b>1 841 812</b>
<b>TOTAL ASSETS</b>		<b>4 135 591</b>	<b>3 860 451</b>

**EQUITY AND LIABILITIES***(in thousands of euros)*

	Notes	2016	2015
Share capital		61 493	60 991
Share premium account		762 360	722 397
Other reserves		840 986	681 931
Translation differences		37 827	40 677
<b>Equity for the period attributable to Ingenico Group SA shareholders</b>	12.a.	<b>1 702 666</b>	<b>1 505 996</b>
<b>Non-controlling interests</b>		<b>4 238</b>	<b>4 858</b>
<b>TOTAL EQUITY</b>		<b>1 706 904</b>	<b>1 510 854</b>
Non-current borrowings and long-term debt	9.b.	896 440	885 016
Provisions for retirement and benefit obligations	6.c.	24 804	17 024
Other long-term provisions	8	24 164	20 573
Deferred tax liabilities	10.c.	133 780	142 484
Other non-current liabilities	5.h.	126 866	97 691
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1 206 054</b>	<b>1 162 788</b>
Short-term loans and borrowings	9.b.	243 742	286 922
Other short-term provisions	8	29 797	31 190
Trade and related payables	5.g.	504 601	438 579
Payables related to intermediation activities	5.k.	301 611	266 467
Other current liabilities	5.i.	119 045	134 560
Current tax liabilities	10.d.	20 036	27 605
Derivative financial instruments	9.c.	3 801	1 486
<b>TOTAL CURRENT LIABILITIES</b>		<b>1 222 633</b>	<b>1 186 809</b>
<b>TOTAL LIABILITIES</b>		<b>2 428 687</b>	<b>2 349 597</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4 135 591</b>	<b>3 860 451</b>

#### IV. CONSOLIDATED CASH FLOW STATEMENT

<i>(in thousands of euros)</i>	Notes	2016	2015
<b>Profit for the period</b>		<b>250 831</b>	<b>234 701</b>
Adjustments for:			
- Share of profits in equity-accounted investees		729	2 626
- Income tax expense		97 150	124 846
- Depreciation, amortization and provisions		93 027	105 874
- Change in fair value		(3 805)	3 063
- (Gains)/losses on disposal of assets		100	1 729
- Net interest costs/(income)		3 296	12 910
- Share-based payment expense (1)		23 994	17 557
Interest paid		(11 867)	(14 972)
Income tax paid		(131 066)	(137 475)
<b>Cash flows from operating activities before change in net working capital</b>		<b>322 389</b>	<b>350 859</b>
Inventories		(25 595)	(24 212)
Trade and other receivables		(12 075)	(32 833)
Trade payables and other payables		25 397	43 075
<b>Change in net working capital</b>	<b>5.j.</b>	<b>(12 273)</b>	<b>(13 970)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>310 116</b>	<b>336 889</b>
Acquisition of fixed assets		(76 570)	(62 397)
Proceeds from sale of tangible and intangible fixed assets		8 650	683
Acquisition of subsidiaries, net of cash acquired	3	(53 460)	(3 711)
Disposal of subsidiaries, net of cash disposed of	3	3 283	-
Loans and advances granted and other financial assets		(15 646)	(4 593)
Loan repayments received		987	1 308
Interest received		8 017	9 457
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(124 739)</b>	<b>(59 253)</b>
Proceeds from share capital issues		-	2 039
Purchase/sale of treasury shares		180	151
Proceeds from loans and borrowings	9.b.	-	755 509
Repayment of loans and borrowings	9.b.	(37 731)	(600 689)
Change in the Group's ownership interests in controlled entities		575	94 393
Changes in other financial liabilities		(281)	(498)
Effect of financial derivative instruments		(13 703)	(390)
Dividends paid to shareholders		(36 284)	(29 858)
Taxes on financing activities		(1 063)	(8 260)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(88 307)</b>	<b>212 397</b>
Currency translation effect on cash and bank overdrafts		6 271	(1 917)
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>103 341</b>	<b>488 116</b>
Net cash and cash equivalents at beginning of the year		899 902	411 786
Net cash and cash equivalents at year end		1 003 243	899 902

*(in thousands of euros)*

	<b>2016</b>	<b>2015</b>
Short-term investments and short-term deposits (only for the portion considered as cash equivalents)	285 130	295 081
Cash	728 724	624 801
Bank overdrafts	(10 611)	(19 980)
<b>TOTAL NET CASH AND CASH EQUIVALENTS</b>	<b>1 003 243</b>	<b>899 902</b>

Funds collected in connection with intermediation activities are not included in the cash flow statement (see Note 5.k.).

<sup>(1)</sup> The share-based payment expense of €24 million includes €15.1 million paid in equity instruments and €8.9 million paid in cash.

## V. CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>(in thousands of euros)</i>	Share capital	Share premium account	Translation reserve	Effective portion of hedging instruments	Treasury shares	Retained earnings and other reserves	Total equity attributable to Ingenico SA Group shareholders	Non-controlling interests	Total equity
<b>Balance at January 1, 2015</b>	<b>57 437</b>	<b>575 227</b>	<b>24 204</b>	<b>(101)</b>	<b>(7 167)</b>	<b>424 239</b>	<b>1 073 839</b>	<b>2 100</b>	<b>1 075 939</b>
Profit for the period 2015						230 315	230 315	4 386	234 701
Other comprehensive income			23 572	(257)		4 946	28 261	(988)	27 273
<b>Total comprehensive income for the period</b>			<b>23 572</b>	<b>(257)</b>		<b>235 261</b>	<b>258 576</b>	<b>3 398</b>	<b>261 974</b>
Dividends paid to shareholders (1)						(29 283)	(29 283)	(589)	(29 872)
Stock dividends paid to shareholders: payment of dividend in shares (2)	314	29 727				(30 041)			
Treasury shares (3)					133	12	145		145
Share-based payments and exercise of stock options (4)	24	2 011				8 219	10 254		10 254
Revaluation of put options (5)						(3 627)	(3 627)		(3 627)
Dilutions (6)			(7 099)			41 157	34 058	(51)	34 007
OCEANE bond conversions (7)	3 216	115 432				(4 432)	114 216		114 216
OCEANE bond issue (8)						48 143	48 143		48 143
Others						(325)	(325)		(325)
<b>Balance at December 31, 2015</b>	<b>60 991</b>	<b>722 397</b>	<b>40 677</b>	<b>(358)</b>	<b>(7 034)</b>	<b>689 323</b>	<b>1 505 996</b>	<b>4 858</b>	<b>1 510 854</b>
Profit for the period 2016						244 276	244 276	6 555	250 831
Other comprehensive income			(3 483)	(250)		(11 681)	(15 414)	(353)	(15 767)
<b>Total comprehensive income for the period</b>			<b>(3 483)</b>	<b>(250)</b>		<b>232 595</b>	<b>228 862</b>	<b>6 202</b>	<b>235 064</b>
Dividends paid to shareholders (1)						(34 475)	(34 475)	(4 540)	(39 015)
Stock dividends paid to shareholders (2)	502	43 951				(44 454)	(1)		(1)
Treasury shares (3)		(3 988)			4 289	(9 065)	(8 764)		(8 764)
Share-based payments and exercise of stock options (4)						15 147	15 147		15 147
Revaluation of put options (5)						(7 252)	(7 252)		(7 252)
Accretions (6)			633			2 484	3 117	(2 282)	835
Others					1	35	36		36
<b>Balance at December 31, 2016</b>	<b>61 493</b>	<b>762 360</b>	<b>37 827</b>	<b>(607)</b>	<b>(2 745)</b>	<b>844 338</b>	<b>1 702 666</b>	<b>4 238</b>	<b>1 706 904</b>

### 2016:

(1) Cash dividend of €1.30 per share paid out on June 3, 2016.

(2) Stock dividend financed through incorporation of reserves and issuance of 502,641 new shares.

(3) Recognition of the option premium on Ingenico Group shares in the amount of €13.7 million, with €4.7 million in deferred tax liability (see Note 3 "Significant events"). The treasury share portfolio and movements are disclosed in Note 12 "Equity and Earnings per Share".

(4) Share-based payments: the increase in consolidated reserves reflects fair value adjustments to free share awards recognized each year in "Profit from operating activities".

(5) Revaluation of the put option granted to Fosun in 2015.

(6) Including the purchase of 1.16% of the shares of Ingenico Holdings Asia Ltd from High Champion (see Note 3 "Significant events").

### 2015:

(1) Cash dividend of €1 per share paid on June 10, 2015.

(2) Stock dividend financed through incorporation of reserves and issuance of 313,580 new shares.

(3) As of December 31, 2015, the Company held 276,294 treasury shares bought back by virtue of authorizations granted at Shareholders' Meetings.

(4) Share-based payments: the increase in consolidated reserves reflects fair value adjustments to free share awards recognized each year in "Profit from operating activities". The increase in share capital and reduction in the share premium account reflects the issuance of new shares to meet obligations to beneficiaries of free share award plans that expired in 2015.

(5) Revaluation of the put option held by Fosun.

(6) Including the transfer of 20% of the Group's Chinese companies to FOSUN.

(7) Conversion of 3,169,040 Ingenico 2011/2017 OCEANE bonds to 3,216,566 shares.

(8) OCEANE Ingenico 2015/2022 issue disclosed in Note 9.b Net Financial Debt (Equity component of €73.3 million, with €25.2 million in deferred tax liability).



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. THE GROUP

These consolidated financial statements present the operations and financial position of Ingenico Group SA (hereinafter referred to as “the Company”) and its subsidiaries, as well as the Group’s share of the profit or loss of jointly controlled entities and entities over which the Group has significant influence (together referred to as “the Group”).

Ingenico Group is a global leader in seamless payment services, and offers payment solutions across all channels (in-store, mobile, online and cross-channel). Its offering is built around three brands: Ingenico Smart Terminals, Ingenico Payment Services, and Ingenico ePayments.

Ingenico Group SA is a company incorporated under French law, with its head office in Paris, whose securities were admitted for trading on the Paris Stock Exchange in 1985.

The consolidated financial statements were approved by the Board of Directors on February 23, 2017. They will be submitted for approval to the shareholders at their Annual General Shareholders’ Meeting of May 10, 2017.

### 2. ACCOUNTING PRINCIPLES AND METHODS

The consolidated financial statements for fiscal year 2016 were prepared in accordance with the IFRS (International Financial Reporting Standards) as published by the IASB (International Accounting Standards Board) and as adopted by the European Union on December 31, 2016. These standards are available on the European Union’s website:

[http://ec.europa.eu/internal\\_market/accounting/ias/index\\_en.htm](http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

The new standards in effect as of January 1, 2016, that concern the Group are as follows:

- Annual Improvements 2010-2012;
- Annual Improvements 2012-2014;
- Amendment to IAS 19: employee contributions to defined benefit plans;
- Amendments to IAS 16 and IAS 38: clarification regarding acceptable methods of depreciation and amortization;
- Amendment to IAS 1: disclosure initiative;
- Amendments to IFRS 11: acquisition of an interest in a joint operation.

The adoption of these standards did not result in material changes to the accounting methods of subsidiaries and associates.

In 2015 and 2016, the Group has conducted analysis to assess the impact of new IFRS rule IFRS 15 regarding revenue recognition. It is not expected to have any material impact on the consolidated financial statements.

The Group will apply IFRS 15 retrospectively. Throughout 2017, the Group will assess the necessary changes to its quarterly financial statements that will be used as reference in 2018.

The Group has not decided the early adoption of IFRS 16 yet.

The Group has not applied in advance those standards, amendments or interpretations which, as of December 31, 2016, had been adopted by the IASB or IFRIC but not yet adopted by the European Union. These are as follows:

- IFRS 9, Financial Instruments;
- IFRS 14, Regulatory Deferral Accounts;
- IFRS 16, Leases;
- Amendments to IAS 12, Income Taxes: recognition of deferred tax assets for unrealized losses;
- Amendments to IAS 7: disclosure initiative;
- Amendments to IFRS 2: classification and measurement of share-based payment transactions;

The subsequent application of these standards, amendments and interpretations is not expected to have a significant impact on the Group’s consolidated financial statements.

**Basis of preparation**

The consolidated financial statements are presented in euros, the Group's functional currency. Unless otherwise indicated, all amounts are rounded to the nearest thousand euros.

The financial statements were prepared on a historical cost basis, except for the following assets and liabilities, stated at fair value: derivative financial instruments, available for sale financial assets, cash and cash equivalents, and bank overdrafts. Assets and liabilities related to a business combination are measured at fair value at the acquisition date, with the fair value constituting the historical cost in the Group financial statements.

The preparation of these financial statements requires Group management to make assumptions and estimates affecting the application of the accounting methods, and the reported amounts of assets, liabilities, income and expenses. These estimates involve, mainly:

- asset impairment tests (Note 7);
- put option debt (Note 5);
- available-for-sale financial assets (Note 5);
- the methods and assumptions used to identify intangible assets acquired as part of business combinations;
- the expenses related to share-based payments (Note 6);
- the determination of the useful lives of intangible assets (Note 7);
- the estimation of provisions, especially for litigation (Note 8);
- assets and liabilities arising from finance lease contracts (Note 5);
- the assumptions used in recognizing deferred income tax assets (Note 10);
- in respect of revenue recognition, the allocation of revenue in proportion to the value of specific components of a multiple-element agreement (Note 5); and
- revenue presentation as gross or net in respect of service activities (Note 5).

Actual results may differ from these estimates under different assumptions or conditions.

The accounting methods set forth below were consistently applied to all the reporting periods presented in the consolidated financial statements.

These accounting methods were uniformly applied by all Group entities.

**Translation of transactions denominated in foreign currencies**

Revenues and expenses denominated in foreign currency are translated at the euro equivalent on the date of transaction.

Monetary assets and liabilities denominated in foreign currency are translated using the exchange rate in effect on the reporting date. Non-monetary assets and liabilities denominated in foreign currency that are measured in terms of historical cost are translated using the exchange rate in effect at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency that are measured at fair value are translated using the exchange rate in effect at the date when the fair value was determined. Any resulting unrealized exchange gains or losses are reported in profit or loss for the period.

Translation differences arising on ordinary operating activities that are denominated in foreign currency are now recognized in "Profit from ordinary activities". These ordinary operating activities are related to working capital items, as are the related hedging instruments.

Apart from such translation differences on ordinary operating activities, all other translation differences are recognized in "Net finance costs".

**Translation of financial statements denominated in foreign currencies**

The consolidated financial statements are presented in euros.

Assets and liabilities of foreign subsidiaries whose functional currency differs from the Group's presentation currency are translated into euros at the exchange rate in effect on the reporting date, except for shareholders' equity, which is stated at historical value. Income and expenses of foreign operations are translated into euros at the average rates for the period, except in cases of major fluctuations. Exchange differences resulting from conversions are recognized in other comprehensive income and accumulated in the reserves.

### 3. SIGNIFICANT EVENTS

#### *Acquisition of Think&Go*

On April 7, 2016, the Group acquired Think&Go NFC, a start-up specializing in connected screens. Founded in 2010 and employing about 15 people, Think&Go NFC has developed a technology that allows any type of digital screen to exchange information with any connected object such as a smartphone, travel card, etc. Think&Go NFC enables connected screens to be used for marketing purposes (drive-to-store, couponing, loyalty, download, etc.). Since 2015, Ingenico Group and Think&Go NFC have integrated contactless payments, enabling advertising screens to become real point-of-sale devices and ushering the age of “screen-commerce”. These solutions can be installed in store, or wherever there are lots of digital screens (shopping malls, railway stations and airports).

Think&Go has been included in the Group’s consolidated financial statements since its acquisition. The company is part of the Central Operations segment.

#### *Acquisition of Lyudia*

On April 26, 2016, the Group acquired a 70% interest in Lyudia, its distribution partner in Japan since 2013. Lyudia distributes and maintains the Group’s payment terminals in Japan and develops payment applications to meet local certification requirements. Based in Tokyo, Lyudia has approximately 30 employees. The acquisition of Lyudia will allow Ingenico Group to accelerate the certification of its payment applications and represents an important step towards the Group becoming a major player in Japan.

The previous shareholder of Lyudia keeps a 30% stake in the company, and a put option for these shares. A liability has therefore been accounted for this put option (see Note 5.h. Other non current liabilities).

Lyudia has been included in the Group’s consolidated financial statements since its acquisition. The company is part of the APAC & Middle East operating segment.

#### *Divestment of High Champion Holdings Ltd from Ingenico Holdings Asia Ltd*

In 2013, the Group increased the capital of its subsidiary Ingenico Holdings Asia Ltd. High Champion Holdings Ltd, a minority shareholder, held an option to sell its securities, which constituted a liability on the Group’s books. In May 2016, High Champion Holdings Ltd sold its securities back to the Group. This created an accretion in the Group’s accounts, and the liability relating to the put option was extinguished.

#### *Sale of Visa Europe securities*

In November 2015, the American company Visa Inc announced its intention to buy Visa Europe. On June 30, 2016, the Group sold its shares in Visa Europe to Visa Inc. The capital gain amounted to €12.2 million and was recognized in net financial income.

#### *Brexit*

In June 2016, the announcement that the United Kingdom was leaving the European Union led to sharp fluctuations in some economic indicators, such as interest rates, the share prices of many British companies, and the sterling exchange rate. The decrease of the sterling exchange rate had an impact on revenues and net profits of the British subsidiaries of the Group, and the drop in interest rates led to an increase of the retirement provision.

#### *Acquisition of Nera*

On August 31, 2016, the Group finalized the acquisition of Nera Payment Solutions Pte. Ltd, a subsidiary of Nera Telecommunications Ltd.

The Group took over the payment solutions business of Nera Telecommunications Ltd, which produces an annual revenue of 47 million Singapore dollars and employs more than 250 people. Nera Telecommunications Ltd is one of the main developers of payment, distribution and maintenance software for terminals in South-East Asia. It has a leading position in Thailand and significant market shares in South-East Asia.

With the acquisition of Nera Payment Solutions, the Group will be able to expand its portfolio of payment applications and use Nera’s distribution and services network (call centers, customer services), which will allow it to roll out its full range of products more effectively in South-East Asia and to achieve major distribution synergies.

Nera Payment Solutions has been included in the Group’s consolidated financial statements since its acquisition. The company is part of the APAC & Middle East operating segment.

### *Acquisition of call options*

As part of its share repurchase program (approved by vote at the Annual General Shareholders' Meeting of April 29, 2016), on November 8, 2016, Ingenico Group bought 1,500,000 call options exercisable at any time before expiry (US options) covering 1,503,000 shares.

The acquisition of these call options will allow Ingenico Group to partially cover its obligations to deliver treasury shares in the event of the conversion of its OCEANE bonds, which are convertible into or exchangeable for new or existing shares and mature on June 26, 2022. These call options would cover 51.6% of the 2,904,443 outstanding OCEANE bonds.

Under IAS 32, this call option is considered to be an equity instrument. Therefore, the premium paid upon purchase of the option is recorded directly in Group equity.

### *Renegotiation of the syndicated loan: increase in credit line and extension of maturity*

On July 29, 2014, Ingenico Group SA contracted a €600 million syndicated credit facility maturing on July 29, 2019, structured as an amortizing term loan of €100 million (fully repayable in July 2015) and a revolving credit facility of €500 million.

In June 2016, the maturity of the syndicated loan (revolving credit facility of €500 million) was extended by 2 years, i.e., until July 29, 2021.

Furthermore, on December 21, 2016, the syndicated credit facility was amended. The amount of the facility was increased from €500 million to €750 million, two additional extension options (of one year each) were granted, and the bank syndicate was expanded.

The syndicated credit facility was undrawn as at December 31, 2016, and is no longer subject to any financial covenants since July 2016.

#### 4. SEGMENT REPORTING

Segments are profit centers whose performance can be fully measured. The information presented below is based on the management reporting used by the Executive Committee, which is the main operating decision-maker as defined by IFRS 8.

The operating segments as at December 31, 2016 were as follows:

- Central Operations, the division that provides cross-functional and support services, in particular the distribution of products and services to the Regions identified below;
- ePayments includes the companies resulting from the acquisitions of the Ogone (now Ingenico eCommerce Solutions) and GlobalCollect groups;
- Europe & Africa;
- Asia-Pacific & Middle East;
- North America;
- Latin America.

Business activities are grouped geographically based on where those activities are carried out

#### *Revenue and profit from ordinary activities by activity and segment*

<i>(in thousands of euros)</i>	2016						
	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	Central Operations	Consolidated
<b>External revenue</b>	846 668	530 259	276 220	172 080	488 258	(1 544)	2 311 941
Terminals							1 584 031
Transactions							727 910
<b>Profit from ordinary activities</b>	98 628	73 426	16 850	9 138	20 401	142 627	361 070

  

<i>(in thousands of euros)</i>	2015						
	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	Central Operations	Consolidated
<b>External revenue</b>	764 656	437 007	319 194	228 581	448 400	(555)	2 197 283
Terminals							1 532 270
Transactions							665 013
<b>Profit from ordinary activities</b>	58 682	65 751	29 086	9 323	38 126	187 574	388 542

*Depreciation and amortization expense and expenses with no impact on cash flow*

	2016						
<i>(in thousands of euros)</i>	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	Central Operations	Consolidated
Depreciation and amortization expenses	21 065	5 613	3 150	1 731	40 718	18 153	90 430
Additions to provisions, net of reversals and share-based payments	2 539	11 728	(1 649)	(4 582)	971	17 584	26 591

	2015						
<i>(in thousands of euros)</i>	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	Central Operations	Consolidated
Depreciation and amortization expenses	30 158	3 911	2 926	1 536	39 451	12 948	90 930
Additions to provisions, net of reversals and share-based payments	759	6 028	5 120	2 697	2 837	15 060	32 501

*Acquisition costs for property, plant and equipment and intangible assets*

	2016						
<i>(in thousands of euros)</i>	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	Central Operations	Consolidated
Cost of acquisitions of intangible assets and property, plant and equipment	(9 599)	(10 374)	(3 871)	(2 064)	(31 413)	(19 249)	(76 570)

	2015						
<i>(in thousands of euros)</i>	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	Central Operations	Consolidated
Cost of acquisitions of intangible assets and property, plant and equipment	(15 185)	(2 087)	(4 861)	(1 858)	(18 066)	(20 340)	(62 397)

## 5. OPERATIONAL INFORMATION

### **Sale of goods and services**

The Group earns most of its revenue from the sale of payment terminals and the rendering of services related to payment terminals or to the processing of payment transactions carried out through a variety of methods.

No revenue is recognized if there is significant uncertainty regarding (i) the recoverability of the consideration due, (ii) the costs associated with the service that have been incurred or are to be incurred, or (iii) the possible return of goods when the customer has the right to cancel the purchase, or when the Group has continuing management involvement with the goods.

Revenue is recognized according to the type of transaction involved.

### **Sale of goods**

How sales are recorded depends on the nature of the contract:

#### Firm sales

Independent of the Group's customer (retailer or end customer), revenue from the sale of terminals is recognized in profit or loss when the significant risks and rewards of ownership of the goods have been transferred to the buyer. The Group operates in international markets and makes its sales predominantly ex-works (EXW - Incoterms). Revenue is therefore recognized at the factory gate. When other Incoterms are used, the Group recognizes revenue when the risks inherent in the sale have been transferred to the buyer.

#### Leasing

Terminals are available for lease in some markets. These contracts are considered simple leases or finance leases in the sense of IAS 17. In the case of simple leases, revenue is recognized as and when the payments are received. In the case of finance leases, the entire revenue is recognized at the beginning of the lease agreement. Sales are recognized when the risks and rewards of ownership of the goods have been transferred; that revenue is equal to the fair value of the leased asset or, if lower, to the present value of the lease payments accruing to the lessor. The lease term is generally the lifetime of the terminal. Finance income is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability owed by the customer. Revenue from operating leases is recognized as income on a straight-line basis over the lease term.

### **Rendering of services**

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the service at the reporting date, which is based on the work performed. When services are performed by an indeterminate number of acts, revenue is recognized on a straight-line basis over the specified period.

#### Hardware maintenance and servicing

Revenue generated from terminal service contracts is allocated over the life of the contract on a pro rata basis in the case of equipment maintenance contracts that the customer entered into when purchasing the terminals. Otherwise, revenue is recognized as soon as the services are rendered (when the terminals are installed, for example).

#### Transactions

Revenue arising on service contracts related to payment transactions is recognized as the services are performed. It usually varies with transaction volume and/or amounts.

For certain services, the Group determines whether it is acting as principal or as agent using the IAS 18 criteria, such as the responsibility for the rendering of the service, inventory risk, price-setting, credit risk, etc. The analysis is mainly made on the basis of a review of the sale or purchase contracts. When it is determined that the Group acts as agent in respect of the provision of services, the revenue recognized is restricted to the net margin on the provision of the services. When it is determined that the Group acts as principal, revenue is recognized on a gross basis.

### **Multiple-element arrangements**

Revenue arising on multiple-element arrangements, *i.e.* including the simultaneous sale of goods, services and a license agreement, is broken down between each item in the contract using the residual value method, based on the fair value of undelivered items.



### a. Costs by nature

Because the Group presents its profit or loss by function, this note shows the main operating costs and expenses by nature.

Depreciation and amortization expense and impairment break down as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Provisions/(reversals)		
Depreciation and amortization of intangible assets	66 226	66 968
Depreciation and amortization of property, plant and equipment	24 204	23 960
Provision for inventories	(3 656)	(2 266)
Impairment for trade receivables	8 703	4 994
<b>Total</b>	<b>95 477</b>	<b>93 656</b>

Provisions for inventory only relate to inventory that is actually held and recognized. The Group has commitments to its suppliers (EMS) on firm price orders of parts or terminals, which do not give rise inventory. However, when there is a risk of unsold parts or terminals ordered from suppliers, the Group recognizes a provision for risk as described in Note 8 "Other provisions." Upon recognition of the purchase of inventory from EMS, this provision for risk (liability) becomes a provision for inventory (asset) in the balance sheet.

Cost of sales breaks down as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Cost of terminals	(860 693)	(804 987)
Cost of services and software	(475 842)	(432 027)
<b>Total cost of sales</b>	<b>(1 336 535)</b>	<b>(1 237 014)</b>

The capitalized portion of development costs is as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Amount of development capitalized	27 873	12 792
Total R&D expenditure (costs and investment)(1)	206 143	169 490
<b>Share of capitalized R&amp;D expenditure (in %)</b>	<b>14%</b>	<b>8%</b>

(1) Net of a €3.7 million French research tax credit and €13.2 million in tax credits of a similar nature that were received outside France and have an equivalent impact on research and development expenses (respectively €3.3 million and €12.5 million in 2015).

The Group's R&D expenses mainly concern the following projects:

- At the head office (Central Operations region), development projects for new terminals and operating systems, as well as projects to upgrade terminals that have already been sold;
- Also in the Central Operations region, service projects related to payments, such as Axis. These are mainly software development expenses;
- At terminal distributor subsidiaries, R&D projects are in place to develop applications installed on the terminals, in accordance with local standards and regulations;

- At subsidiaries selling payment services (typically the ePayments region), R&D projects are generally aimed at improving the computer systems that run the transaction services.

In accordance with IAS 38, terminal-related R&D expenses may only be capitalized if they apply to the development of new terminals. This is considered new product development, and not for upgrades, maintenance or adjustments of existing products or software.

#### b. Other operating income and expenses

Other operating income and expenses include non-recurring income or expenses, such as gains or losses on disposal of consolidated subsidiaries or businesses, gains or losses on the disposal of property, plant and equipment and intangible assets, restructuring charges approved by management and publicly announced, litigation expenses, costs associated with business combinations, asset and goodwill impairment, the cost of integrating newly acquired subsidiaries, adjustments to earn-out liabilities related to those acquisitions, and the remeasurement to fair value of equity interests held by the Group in an entity acquired as part of a business combination implemented through a step acquisition and considered non-recurring.

Other operating income and expenses are as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Restructuring and business combination costs	(6 377)	(6 910)
Disputes	945	-
Insurance reimbursement	1 571	-
Revaluation of earn-out payables	-	(46)
Others	(699)	(804)
<b>Total</b>	<b>(4 560)</b>	<b>(7 760)</b>

In 2016, other operating income and expenses mainly comprise the following:

- Costs of €6.4 million incurred in connection with the restructuring of the Group, of which:
  - costs of €4 million were incurred in connection with the reorganization of the Group,
  - costs of €2.4 million were incurred in connection with acquisitions and divestitures;
- An insurance reimbursement of €1.6 million was recorded following a fire at a repair center in Italy in 2015;
- Additions to and reversals of provisions for disputes amounted to €0.9 million.

In 2015, other operating income and expenses mainly comprised the following:

- Costs of €6.9 million were incurred in connection with the restructuring of the Group, of which:
  - costs of €3.9 million were incurred in connection with the reorganization of the Group,
  - costs of €3.0 million were incurred in connection with acquisitions and divestitures;
- a total of -€0.6 million was recorded in relation to the scrapping of assets following a fire at a repair center in Italy.

c. Reconciliation of financial performance indicators with the consolidated financial statements

<i>(in thousands of euros)</i>	<b>2016</b>		
	<b>Cash-flow statement</b>	<b>Free cash-flow</b>	<b>Items from CF statement not in FCF</b>
<b>Profit for the period</b>	<b>250 831</b>	<b>250 831</b>	<b>-</b>
Adjustments for:			
- Share of profits in equity-accounted investees	729	729	-
- Income tax expense	97 150	97 150	-
- Depreciation, amortization and provisions	93 027	93 027	-
- Change in fair value	(3 805)	2 963	(6 768)
- (Gains)/losses on disposal of assets	100	100	-
- Net interest costs/(income)	3 296	3 296	-
- Share-based payment expense	23 994	23 994	-
Interest paid	(11 867)	(11 867)	-
Income tax paid	(131 066)	(131 066)	-
<b>Cash flows from operating activities before change in net working capital</b>	<b>322 389</b>		
- Inventories	(25 595)	(25 595)	-
- Trade and other receivables	(12 075)	(12 075)	-
- Trade payables and other payables	25 397	25 397	-
<b>Change in net working capital</b>	<b>(12 273)</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>310 116</b>		
Acquisition of fixed assets	(76 570)	(76 570)	-
Proceeds from sale of tangible and intangible fixed assets	8 650	95	8 555
Acquisition of subsidiaries, net of cash acquired	(53 460)	-	(53 460)
Disposal of subsidiaries, net of cash disposed of	3 283	-	3 283
Loans and advances granted and other financial assets	(15 646)	-	(15 646)
Loan repayments received	987	-	987
Interest received	8 017	8 017	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(124 739)</b>		
Proceeds from share capital issues	-	-	-
Purchase/sale of treasury shares	180	-	180
Repayment of loans and borrowings	(37 731)	-	(37 731)
Change in the Group's ownership interests in controlled entities	575	-	575
Changes in other financial liabilities	(281)	-	(281)
Effect of financial derivative instruments	(13 703)	-	(13 703)
Dividends paid to shareholders	(36 284)	-	(36 284)
Taxes on financing activities	(1 063)	-	(1 063)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(88 307)</b>		
Currency translation effect on cash and bank overdrafts	6 271	-	6 271
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>103 341</b>		
<b>Free Cash Flow</b>		<b>248 426</b>	

(in thousands of euros)

2016

	Income statement	Amortization of Purchase Price Allocation	Reconciliation to EBIT	Cost of share-based payment	Other amortization and provision expenses	Reconciliation to EBITDA
<b>REVENUE</b>	<b>2 311 941</b>	-	<b>2 311 941</b>	-	-	<b>2 311 941</b>
Cost of sales	(1 336 535)	12 140	(1 324 395)	1 030	16 566	(1 306 799)
<b>GROSS PROFIT</b>	<b>975 406</b>					
Distribution and marketing costs	(204 535)	29 232	(175 303)	3 124	1 955	(170 224)
Research and development expenses	(178 270)	1 013	(177 257)	690	18 564	(158 003)
Administrative expenses	(231 531)	-	(231 531)	19 150	11 924	(200 457)
<b>PROFIT FROM ORDINARY ACTIVITIES</b>	<b>361 070</b>					
<b>EBIT</b>			<b>403 455</b>			
<b>EBITDA</b>						<b>476 458</b>

#### d. Inventories

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories is determined using the weighted average cost method and includes the costs incurred to acquire the inventories and bring them to their existing location and condition. A provision is recorded if the carrying amount exceeds the net realizable value.

(in thousands of euros)

2016

2015

Raw materials and consumables	37 861	34 442
Finished products	150 822	128 866
Write-downs on raw materials and consumables	(6 923)	(10 515)
Impairments on finished products	(9 277)	(9 168)
<b>Carrying amount</b>	<b>172 483</b>	<b>143 625</b>

The increase in the Group's inventories is consistent with the growth in its business.

## e. Trade and related receivables

Trade and related receivables are recognized initially at fair value and subsequently measured at amortized cost less any impairment losses. In general, the fair value corresponds to the face value, given the quick payment terms, except in the case of finance leases. A provision for impairment is recognized when there is objective evidence that the Group will not be able to collect all amounts due according to the contractual terms of the receivable.

Trade and related receivables break down as follows:

<i>(in thousands of euros)</i>	2016	2015
Trade receivables on the sales of goods and services	470 914	438 688
Finance lease receivables	24 601	25 196
Tax receivables other than current income tax	40 335	26 792
Other receivables	16 149	13 514
Impairment for trade receivables	(41 899)	(34 341)
Impairment for finance lease receivables	(1 779)	(1 238)
Impairment for other receivables	(7 260)	(7 176)
<b>Total</b>	<b>501 061</b>	<b>461 435</b>

The aging schedule of trade receivables is as follows:

<i>(in thousands of euros)</i>	Closing value	Not due	2016		
			Overdue		
			<120 days	120-180 days	>180 days
Trade receivables	470 914	362 806	81 783	7 064	19 261
Impairment for trade receivables and related accounts	(41 899)	(2 057)	(20 223)	(3 448)	(16 171)
<b>Net</b>	<b>429 015</b>	<b>360 749</b>	<b>61 560</b>	<b>3 616</b>	<b>3 090</b>

Receivables more than 180 days overdue but not depreciated (amounting to €3.1 million) are primarily attributable to clients of Fujian Landi (€1.6 million). None of these receivables are contentious, and the Group does not expect any difficulty in recovering the amounts due.

<i>(in thousands of euros)</i>	Closing value	Not due	2015		
			Overdue		
			<120 days	120-180 days	>180 days
Trade receivables	438 688	328 314	88 950	6 142	15 282
Impairment for trade receivables and related accounts	(34 341)	(702)	(20 045)	(1 387)	(12 207)
<b>Net</b>	<b>404 347</b>	<b>327 612</b>	<b>68 905</b>	<b>4 755</b>	<b>3 075</b>

#### f. Other current and non current assets

As of December 31, 2016 and 2015, other current assets were as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Accrued income	14 736	16 704
Available for sale financial assets	-	7 983
Loans, guarantee instruments and other financial assets	9 236	7 788
<b>Total</b>	<b>23 972</b>	<b>32 475</b>

As disclosed in Note 3 "Significant events", the Group held shares in Visa Europe. In November 2015, the American company Visa Inc. announced its intention to buy Visa Europe. In the Group's accounts, these Visa Europe shares were valued at €8 million on December 31, 2015. Sold in June 2016, they no longer appear in the current assets as of December 31, 2016.

As of December 31, 2016 and 2015, other non-current assets were as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Receivables	1 821	1 021
Finance lease receivables	24 175	26 328
Income tax receivables	600	2 902
Accrued income	895	1 065
<b>Total</b>	<b>27 491</b>	<b>31 316</b>

#### g. Trade payables and related accounts

Trade and related payables are recognized initially at fair value and subsequently measured at amortized cost.

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Trade payables	361 951	299 186
Other operating liabilities	142 650	139 393
- of which customer advances	9 268	10 371
- of which dividend debt toward minority shareholder	2 867	-
- of which other tax liabilities	23 076	21 312
- of which employee-related liabilities	107 439	107 710
<b>Total</b>	<b>504 601</b>	<b>438 579</b>

The increase in trade payables is consistent with the increase in business

#### h. Other non-current liabilities

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Tax, personnel and social security liabilities	17 750	10 515
Deferred income	33 373	28 193
Other liabilities	75 743	58 983
<b>Total</b>	<b>126 866</b>	<b>97 691</b>

The increase in other non-current liabilities is principally due to:

- the increase in social security liabilities, in connection with the long-term compensation plans in various Group subsidiaries;
- the increase in deferred income, in connection with the increase in sales with extended warranties;
- the recognition of the put options held by external minority shareholders of Think&Go and Lyudia on December 31, 2016 (see Note 3 “Significant events”).

Other non-current liabilities also include the put liability recorded at Fosun, which holds 20% of the Group's Chinese business.

The valuation method used for the liabilities related to put options is described in Note 9.d. “Financial assets and liabilities classified by accounting category”.

#### i. Other current liabilities

Other current liabilities are broken down as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Deferred income	115 620	125 548
Other liabilities	3 425	9 012
<b>Total</b>	<b>119 045</b>	<b>134 560</b>

This deferred income primarily originates from the subsidiary Fujian Landi, for goods invoiced but not yet delivered, and from Ingenico Inc in the United States, for deferred income on sales of warranties.

In 2013, the Group increased the capital of its subsidiary Ingenico Asia Holdings Ltd to the benefit of an external shareholder by the name of High Champion Holdings Ltd. This minority shareholder held a put option which allowed it to sell back the shares it had subscribed in 2013. Accordingly, the Group recognized a liability in connection with this put option under other current liabilities. This liability was settled in 2016 by the Group's purchase of the shares.

j. Reconciliation between the balance sheet and changes in working capital requirement

		<b>2016</b>					
Balance sheet (in thousands of euros)		January 1	Net Change in working capital	Change in cash flows of non-working capital items	Changes in consolidation scope	Translation differences and other movements	December 31
<b>Inventories</b>	<b>(1)</b>	<b>143 625</b>	<b>25 595</b>	<b>-</b>	<b>2 833</b>	<b>430</b>	<b>172 483</b>
Trade and related receivables		461 435	28 025	-	13 110	(1 509)	501 061
Other non-current assets		31 316	(2 146)	(752)	60	(987)	27 491
Other current assets		32 475	(13 804)	12 825	236	(7 760)	23 972
<b>Trade and other receivables</b>	<b>(2)</b>	<b>525 226</b>	<b>12 075</b>	<b>12 073</b>	<b>13 406</b>	<b>(10 256)</b>	<b>552 524</b>
Trade and related payables		438 579	42 876	2 331	21 424	(609)	504 601
Other non-current liabilities		97 691	678	9 490	7 825	11 182	126 866
Other current liabilities		134 560	(18 157)	-	9 450	(6 808)	119 045
<b>Trade and other creditors</b>	<b>(3)</b>	<b>670 830</b>	<b>25 397</b>	<b>11 821</b>	<b>38 699</b>	<b>3 765</b>	<b>750 512</b>
<b>Change in working capital</b>	<b>-(1)-(2)+(3)</b>		<b>(12 273)</b>				

		<b>2015</b>					
Balance sheet		January 1	Net Change in working capital	Change in cash flows of non-working capital items	Changes in consolidation scope	Translation differences and other movements	December 31
<b>Inventories</b>	<b>(1)</b>	<b>118 131</b>	<b>24 212</b>	<b>-</b>	<b>-</b>	<b>1 282</b>	<b>143 625</b>
Trade and related receivables		426 473	27 887	-	-	7 075	461 435
Other non-current assets		27 616	2 003	1 902	-	(205)	31 316
Other current assets		35 155	2 943	(604)	-	(5 019)	32 475
<b>Trade and other receivables</b>	<b>(2)</b>	<b>489 244</b>	<b>32 833</b>	<b>1 298</b>	<b>-</b>	<b>1 851</b>	<b>525 226</b>
Trade and related payables		413 499	36 538	3 927	-	(15 385)	438 579
Other non-current liabilities		36 084	4 910	5 859	53 993	(3 155)	97 691
Other current liabilities		126 214	1 627	(3 708)	-	10 427	134 560
<b>Trade and other creditors</b>	<b>(3)</b>	<b>575 797</b>	<b>43 075</b>	<b>6 078</b>	<b>53 993</b>	<b>(8 113)</b>	<b>670 830</b>
<b>Change in working capital</b>	<b>-(1)-(2)+(3)</b>		<b>(13 970)</b>				



#### k. Funds, receivables and payables related to intermediation activities

As part of its online payment services, the Group provides intermediation between consumers, credit card issuers, and merchants. Funds held on behalf of merchants correspond to the cash surpluses that the Group holds when the amounts received from credit card issuers or consumers in respect of purchases made precede the obligation to pay the merchants.

The balance sheet distinguishes two types of asset:

- Receivables against credit card issuers, in connection with transactions conducted on behalf of merchants but not yet settled by the companies that issued the cards;
- The funds received for unsettled transactions reimbursable to consumers.

Liabilities on the balance sheet related to intermediation activities comprise mainly:

- liabilities in connection with transactions for which the funds paid by credit card issuers or consumers have not yet been transferred to the merchants;
- liabilities in connection with deposits made by merchants at the start of, or during, the client relationship with the Group.

The presentation of the Group's cash flow statement excludes funds held by the Group on behalf of merchants as part of its online payment services.

These funds cannot be used by the Group to finance its own cash requirements. Funds held on behalf of merchants are also subject to large periodic fluctuations depending on the day of the week on which the period ends. The cash flows relating to these funds are therefore not included in the Group's cash flow statement, resulting in a better representation of the nature and substance of these transactions and an improved understanding of the Group's independent cash flows.

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Receivables related to intermediation activities	28 525	10 308
Funds related to intermediation activities	273 086	256 159
<b>TOTAL ASSETS</b>	<b>301 611</b>	<b>266 467</b>
Payables related to intermediation activities	301 611	266 467
<b>TOTAL LIABILITIES</b>	<b>301 611</b>	<b>266 467</b>

## 6. EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION (RELATED PARTIES)

### a. Payroll costs

Payroll costs are broken down as follows:

<i>(in thousands of euros)</i>	2016	2015
Wages and salaries	360 368	338 181
Social security contributions	92 378	87 613
Service cost (operating component of retirement expenses)	1 587	1 626
Cost of share-based payments	23 994	17 557
<b>Total</b>	<b>478 327</b>	<b>444 977</b>

### b. Cost of share-based payments

#### Fair value of free shares awarded

The Group has measured the fair value of the goods and services received during the year based on the fair value of the equity instruments granted (share price on the date of award).

#### Impact on financial statements

The fair value of free share awards is recognized in payroll costs, with a corresponding increase in equity. Fair value is measured at the grant date and is expensed over the vesting period. The fair value of the free share award plans granted is measured using standard measurement techniques, which are adapted to the specific characteristics of each plan, with reference to the terms and conditions defined at the grant date (using the Black-Scholes and/or the Monte-Carlo models). The amount recognized as an expense is adjusted to reflect the actual number of shares vested for the portion corresponding to internal performance conditions.

#### Other share-based payments

The Group may award some of its employees compensation indexed to the share price of Ingenico Group SA or to the shares of other Group entities, and settled in cash.

These share appreciation rights are measured at fair value. The fair value of the sums payable is recognized as an operating expense over the course of the vesting period and offset by other liabilities. This liability is remeasured at fair value through profit or loss until it is settled.

<i>(in thousands of euros)</i>	Date of board	2016				
		Options/Free shares outstanding at January 1	Options/shares granted during the year	Options exercised/shares vested during the year	Other movements	Options/free shares outstanding at Dec 31.
Free share awards	October 29, 2014	28 800	-	(14 700)	(2 950)	11 150
Joint investment	October 29, 2014	182 190	-	(141 560)	(5 310)	35 320
Free share awards	July 29, 2015	186 900	-	(3 500)	(5 500)	177 900
Free share awards	October 22, 2015	2 000	-	-	-	2 000
Free share awards	July 26, 2016	-	18 610	-	-	18 610
<b>Total</b>		<b>399 890</b>	<b>18 610</b>	<b>(159 760)</b>	<b>(13 760)</b>	<b>244 980</b>

(in thousands of euros)	Date of board	2015				
		Options/Free shares outstanding at January 1	Options/shares granted during the year	Options exercised/shares vested during the year	Other movements	Options/free shares outstanding at Dec 31.
Free share awards	June 22, 2012	5 500	-	(4 500)	(1 000)	-
Free share awards	October 29, 2014	31 200	-	-	(2 400)	28 800
Joint investment	October 29, 2014	199 470	-	-	(17 280)	182 190
Free share awards	July 29, 2015	-	186 900	-	-	186 900
Free share awards	October 22, 2015	-	2 000	-	-	2 000
<b>Total</b>		<b>236 170</b>	<b>188 900</b>	<b>(4 500)</b>	<b>(20 680)</b>	<b>399 890</b>

On July 26, 2016, the Board of Directors decided to establish a free share award plan. Share awards are dependent on continuous service and internal and external performance criteria. The maximum number of free shares to be awarded is 18,610.

The main features of the compensation plans are described in Chapter 3 of the Registration Document.

On the basis of the parameters used to calculate the fair value of free shares awarded under free share and joint investment plans, and after assessing the internal and external valuation criteria (fulfillment of service conditions and, where applicable, performance conditions), the Group recognized an expense of €15.1 million under profit from operating activities in 2016 for share-based payments (against €8.2 million in 2015).

An expense was also booked in 2016 for other cash-settled share-based payments in the amount of €8.9 million, against €9.4 million in 2015.

### c. Provisions for retirement and benefit obligations

The Group's net obligation in respect of defined-benefit pension plans and other long-term benefits is measured separately for each plan; it is determined by the difference between the discounted present value of the obligation and the fair value of any plan assets.

The discount rate applied is the yield at the reporting date on high-quality corporate bonds with terms consistent with those of the Group's obligations. Calculations are performed by independent actuaries using the projected unit credit method. The amount of the Group's obligation is determined by calculating the amount of future benefits due to employees at retirement and performing an actuarial valuation of the projected future salary levels and the number of years of service of beneficiaries estimated to be part of the plan at the time of retirement.

The Group's entire obligation in respect of defined benefit plans is recognized immediately. Any actuarial gains and losses arising during the period are recognized in other comprehensive income. To determine the return on plan assets, the Group uses the rate applied to determine the discounted present value of the obligation.

There are two categories of retirement benefit plans described as follows:

#### *Defined contribution plans*

These plans exist in most European countries in which the Group operates (France, Benelux, Germany, Italy and Spain), and in the United States and Asia-Pacific countries. Under these plans, Group entities make payments, expensed as incurred, on a regular basis to organizations authorized to manage the retirement plans.

#### *Defined benefit plans*

There are two types of defined benefit plans recognized in provisions for retirement benefit obligations:

- Unfunded defined benefit plans: under these plans, provisions for retirement benefits are recognized as a liability in the balance sheet under "Provisions for retirement benefit obligations";

- Funded defined benefit plans. Provisions for retirement benefits are also recognized as a liability in the balance sheet, minus the value of the assets;

The Group recognized the following provisions:

- supplementary pension services (United Kingdom, Germany);
- retirement or severance benefits (France, Italy, Turkey, the Netherlands);
- Length of service bonuses (the Netherlands).

The obligations under these defined benefit plans have been measured by independent actuaries.

The Group is not under any long-term obligation to provide medical benefits.

Changes in the provisions for retirement benefits and similar commitments break down as follows:

	<b>2016</b>						
	<b>Unfunded plans</b>						
<i>(in thousands of euros)</i>	<b>France</b>	<b>Germany</b>	<b>Italy</b>	<b>Turkey</b>	<b>Netherlands</b>	<b>Others</b>	<b>Total</b>
	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>	<b>Liability</b>	
<b>At January 1</b>	<b>7 268</b>	<b>5 095</b>	<b>2 964</b>	<b>216</b>	<b>77</b>	<b>419</b>	<b>16 039</b>
Change in consolidation scope	-	-	-	-	-	82	82
Translation differences and other movements	-	-	-	(32)	-	162	130
Current service cost	992	45	332	27	10	181	1 587
Interest on obligation	150	104	59	21	-	27	361
Benefits paid	(222)	(132)	(474)	(7)	-	-	(835)
Revaluation of the net defined benefit liability	387	332	436	(41)	(35)	109	1 188
<b>At December 31</b>	<b>8 575</b>	<b>5 444</b>	<b>3 317</b>	<b>184</b>	<b>52</b>	<b>980</b>	<b>18 552</b>

	<b>2016</b>			<b>2016</b>
	<b>Funded plans</b>			<b>Total</b>
<i>(in thousands of euros)</i>	<b>United Kingdom</b>	<b>Total</b>		<b>Balance sheet provision</b>
	<b>Liability</b>	<b>Assets</b>		
<b>At January 1</b>	<b>28 916</b>	<b>(27 931)</b>	<b>985</b>	<b>17 024</b>
Change in consolidation scope	-	-	-	82
Translation differences and other movements	(4 490)	4 105	(385)	(255)
Return on plan assets	-	(984)	(984)	(984)
Current service cost	-	-	-	1 587
Interest on obligation	1 000	-	1 000	1 361
Benefits paid	(540)	540	-	(835)
Contributions to pension funds	-	(977)	(977)	(977)
Revaluation of the net defined benefit liability	7 907	(1 294)	6 613	7 801
<b>At December 31</b>	<b>32 793</b>	<b>(26 541)</b>	<b>6 252</b>	<b>24 804</b>

## Unfunded plans

<i>(in thousands of euros)</i>	France	Germany	Italy	Turkey	Netherlands	Others	Total
	Liability	Liability	Liability	Liability	Liability	Liability	
<b>At January 1</b>	<b>7 798</b>	<b>5 223</b>	<b>2 730</b>	<b>297</b>	<b>518</b>	<b>224</b>	<b>16 790</b>
Assignment of obligation	-	-	-	-	(445)	-	(445)
Translation differences and other movements	-	-	-	(27)	-	6	(21)
Current service cost	1 052	167	147	38	4	218	1 626
Interest on obligation	119	81	39	23	-	9	271
Benefits paid	(441)	-	(58)	(24)	-	-	(523)
Revaluation of the net defined benefit liability	(1 260)	(376)	106	(91)	-	(38)	(1 659)
<b>At December 31</b>	<b>7 268</b>	<b>5 095</b>	<b>2 964</b>	<b>216</b>	<b>77</b>	<b>419</b>	<b>16 039</b>

<i>(in thousands of euros)</i>	2015		2015
	Funded plans		Total
	United Kingdom Liability	Assets	Total Balance sheet provision
<b>At January 1</b>	<b>28 863</b>	<b>(27 549)</b>	<b>1 314</b>
Assignment of obligation	-	-	(445)
Translation differences and other movements	1 785	(1 700)	85
Return on plan assets	-	(1 076)	(1 076)
Current service cost	-	-	1 626
Interest on obligation	1 107	-	1 107
Benefits paid	(2 468)	2 468	-
Contributions to pension funds	-	(1 102)	(1 102)
Revaluation of the net defined benefit liability	(371)	1 028	657
<b>At December 31</b>	<b>28 916</b>	<b>(27 931)</b>	<b>985</b>

*Breakdown of fair value of plan assets*

<b>Plan investments</b>	<b>In thousands of euros</b>	<b>In %</b>	<b>Yield</b>
Shares	17 830	67%	2,70%
Bonds	8 477	32%	2,70%
Other	234	1%	2,70%
<b>Total</b>	<b>26 541</b>	<b>100%</b>	<b>2,70%</b>

Plan assets do not include any land or buildings occupied by Group entities or any other assets used by the Group. There are no separately identifiable assets.

### *Main actuarial assumptions*

	<b>Eurozone</b>	<b>Turkey</b>	<b>United Kingdom</b>
Discount rate	1,65%	11,80%	2,70%
Expected future salary increases	1,5% - 2,5%	7,00%	N/A

### *Best estimate of plan contributions payable in 2017*

Expected contributions for the fiscal year ended December 31, 2017, break down as follows:

<i>(in thousands of euros)</i>	<b>2017</b>
Employer contributions	934
Plan participants' contributions	-

### *Sensitivity of assets and liabilities to the main assumptions as of December 31, 2016*

A 0.5% increase or decrease in the discount rate or the inflation rate for all the plans would not significantly change the value of net surplus/deficit.

In the United Kingdom, if a fund is liquidated, any surplus of assets over obligations is returned to the Group.

#### d. Related party transactions

Total compensation and benefits paid to the Executive Committee in 2016 and 2015 break down as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Total compensation and benefits(1)	8 741	12 248
Free share awards(2)	3 467	2 548
<b>Total</b>	<b>12 208</b>	<b>14 796</b>

(1) Includes all compensation paid during the period (gross salary, including fixed and variable compensation, bonuses and benefits in kind, incentive programs and profit-sharing).

(2) Expense recorded in the profit and loss account under free share award and joint investment plans.

This table only shows the compensation and benefits paid to members of the Executive Committee, whose role is to set Group strategy, create the conditions to implement that strategy and ensure that objectives are met. The Executive Committee is chaired by the Chairman & Chief Executive Officer.

As of December 31, 2016, the Executive Committee had 10 members, which was fewer than in 2015.



## 7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

### Goodwill impairment tests

Ingenico tested the net carrying amounts of goodwill for impairment. This procedure, chiefly based on the discounted net future cash flow method, consists of measuring the recoverable amount of each cash-generating unit (CGU) that generates independent cash flows. These CGUs reflect the Group's current organizational structure as described in Note 4 "Segment reporting". Impairment tests are performed every year on November 30 and whenever there is any indication that an asset may be impaired.

In accordance with IAS 36, the recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Only in those rare cases in which a recent transaction involving the assets under consideration provides relevant and reliable information does the Group opt for calculating fair value less costs to sell. In most other cases, the Group calculates value in use by estimating cash flow projections based on existing business forecasts for a five-year period, including growth and profitability rates based on reasonable assumptions.

### Impairment of other non-financial assets

The carrying amounts of the Group's other non-financial assets are reviewed at each reporting date to determine whether there is any indication that an asset may be impaired. If such indication exists, the asset's recoverable amount is estimated.

For intangible assets that are not yet available for use, the recoverable amount is estimated annually or as soon as there is any indication of impairment.

At each reporting date, the Group assesses whether any events and circumstances indicate that an asset may be impaired. Such events and circumstances include significant changes adversely affecting the economic environment and the Group's assumptions and objectives (budget monitoring, three-year plan, cost-benefit studies, market share, orders on the books, etc). If such events and circumstances are identified, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, which is the present value of the expected future cash flows estimated by discounting the expected future cash flows, based on a discount rate of the CGU to which the asset is assigned.

If the carrying amount exceeds its recoverable amount, an impairment is recognized in operating income.

### a. Goodwill

#### Determination of goodwill

On the acquisition date, goodwill is measured as the difference between:

- the sum of the fair value of the consideration transferred (price complements included), plus the amount of any non-controlling interests in the acquiree and, in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquiree, revalued accordingly in the profit and loss account under "Other operating income and expenses";
- the total net assets at the acquisition date, measured at fair value.

All other costs directly attributable to the acquisition are expensed as incurred in "Other operating income and expenses".

Adjustments to provisional amounts (earn-out, deferred payment) are measured at their fair value on the date of acquisition. Subsequently, those adjustments are measured at fair value at each future reporting date. Any revaluation is recognized in profit or loss in "Other operating income and expenses".

Group management monitors goodwill at the operating segment level, particularly with respect to long-range strategic planning, resource allocation and performance tracking.

The CGUs identified by the Group are as follows:

- Central Operations, a division that brings together the distribution of products and services to the Regions identified below;
- ePayments includes the companies resulting from the acquisitions of the Ogone (now Ingenico eCommerce Solutions) and GlobalCollect groups;
- Europe & Africa;
- Asia-Pacific & Middle East;
- North America;
- Latin America.

Impairment tests are performed for each CGU or for groups of CGUs as defined above.

### Breakdown of goodwill

The following tables show the breakdown of goodwill among CGUs:

<i>(in thousands of euros)</i>	2016	2015
<b>At January 1</b>	<b>1 350 519</b>	<b>1 342 759</b>
Investments	61 016	-
Translation differences	(2 244)	7 586
Adjustments	-	174
<b>Net value at December 31</b>	<b>1 409 291</b>	<b>1 350 519</b>

<i>Cash generating units (in thousands of euros)</i>	2016			2015		
	Gross amount	Total impairment losses	Net carrying amount	Gross amount	Total impairment losses	Net carrying amount
APAC & Middle East	139 769	-	139 769	83 027	-	83 027
North America	71 785	(21 392)	50 393	70 768	(21 392)	49 376
Latin America	4 496	-	4 496	3 577	-	3 577
Europe & Africa	244 924	(1 484)	243 440	246 704	(2 402)	244 302
ePayments	798 782	-	798 782	798 782	-	798 782
Central Operations	172 411	-	172 411	171 455	-	171 455
<b>Total</b>	<b>1 432 167</b>	<b>(22 876)</b>	<b>1 409 291</b>	<b>1 374 313</b>	<b>(23 794)</b>	<b>1 350 519</b>

In 2016, the increase in goodwill came from the acquisitions of Think&Go, Lyudia and Nera Payment Solutions. These acquisitions, disclosed in Note 3 "Significant events", totaled €53.5 million, net of cash acquired. The acquisition prices were provisionally allocated at the end of 2016 and will be finalized within 12 months following the takeover of each of the three companies. This provisional allocation indicates total goodwill of €61 million, mainly reflecting the value of expected synergies among the three acquired companies and the Group. Acquisition-related costs amounted to €2.4 million and were recognized in other operating income and expenses. Impairment tests conducted in the fourth quarter of 2016 did not lead the Group to recognize any goodwill impairment as of December 31, 2016. Had the three companies been acquired on January 1, 2016, the Group estimates that revenue and operating profit would have amounted to €2,323.5 million and €355.6 million, respectively.

### Goodwill impairment tests

The main assumptions used to calculate the recoverable value of goodwill are as follows:

Cash-generating units	2016						
	APAC & Middle East	North America	Latin America	Europe & Africa	ePayments	Central Operations	Total
Valuation method for the cash generating unit	139 769 Value in use	50 393 Value in use	4 496 Value in use	243 440 Value in use	798 782 Value in use	172 411 Value in use	1 409 291
Number of years over which cash flows are estimated	5	5	5	5	5	5	
Long-term growth rate	1,0%	1,0%	1,0%	1,4%	2,5%	1,0%	
Weighted average cost of capital used at December 31	9,7%	7,3%	15,2%	7,8%	7,6%	8,1%	

Cash-generating units	2015						
	APAC & Middle East	North America	Latin America	Europe & Africa	ePayments	Central Operations	Total
Valuation method for the cash generating unit	83 027 Value in use	49 376 Value in use	3 577 Value in use	244 302 Value in use	798 782 Value in use	171 455 Value in use	1 350 519
Number of years over which cash flows are estimated	5	5	5	5	5	5	
Long-term growth rate	1,0%	1,0%	1,0%	1,5%	2,5%	1,0%	
Weighted average cost of capital used at December 31	9,0%	7,2%	15,1%	7,8%	7,6%	8,0%	

The assumptions concerning growth rates and weighted average cost of capital (WACC) used in the determination of the recoverable amounts of all CGUs have been reassessed in the light of changes in global market information.

It should be emphasized that the long-term growth rate used by the Group does not exceed those of its business sector.

The weighted average cost of share capital is a long-term rate. The movements in the discount rates stem from changes in the three underlying components: the risk-free rate, the risk premium, and the volatility of Ingenico's share price in relation to the sectoral index (beta). Furthermore, applying a discount rate before tax to pre-tax cash flows would have led to a similar valuation of the cash-generating units.

Sensitivity tests show that a 100 basis-point increase in the discount rate would not lead to impairment.

Finally, a sensitivity analysis regrouping key parameters, namely the discount rate and the long-term growth rate, has shown that, under all reasonable changes in assumptions, there is no probable scenario in which the recoverable amount of a CGU would be less than its carrying amount.

## Sensitivity of recoverable amounts

	2016				
	Discount rate		Perpetuity growth rate		Cash flow
	Rate applied (%)	Discount rate which makes recoverable amount equal carrying amount (%)	Rate applied (%)	Perpetuity growth rate which makes recoverable amount equal carrying amount (%)	Cash flow decrease required for recoverable amount to equal carrying amount (%)
Latin America	15,2%	16,8%	1,0%	-1,0%	-13,8%
ePayments	7,6%	8,8%	2,5%	0,6%	-25,8%

	2015				
	Discount rate		Perpetuity growth rate		Cash flow
	Rate applied (%)	Discount rate which makes recoverable amount equal carrying amount (%)	Rate applied (%)	Perpetuity growth rate which makes recoverable amount equal carrying amount (%)	Cash flow decrease required for recoverable amount to equal carrying amount (%)
Europe & Africa	7,8%	18,1%	1,5%	-19,8%	-65,0%
ePayments	7,6%	8,7%	2,5%	1,2%	-19,0%

As of December 31, 2016, the recoverable amounts for APAC & Middle East, North America, Europe & Africa and Central Operations were significantly greater than their carrying amounts. This precluded the need to increase the discount rate, decrease the perpetuity growth rate, or reduce the cash flow required to ensure that their respective recoverable amounts were equal to their respective carrying amounts.

Business forecasts are based on the business plans developed by the management of the various cash generating units. Group financial management has reviewed these plans, performing stress tests on the assumptions as to long-term growth and discount rates.

As of December 31, 2015, the recoverable amounts for APAC & Middle East, North America, Latin America and Central Operations were significantly greater than the carrying amounts. This precluded the need to increase the discount rate, decrease the perpetuity growth rate, or reduce the cash flow required to ensure that their respective recoverable amounts were equal to their respective carrying amounts.

### b. Intangible assets

#### Research and Development

Research costs are expensed as incurred.

Development costs for the production of new or substantially improved products and processes are recognized as an asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset, the Group's intention to complete it, and the Group's ability use it or sell it;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- the Group's ability to reliably measure the expenditure attributable to the intangible asset during its development;
- how the intangible asset will generate probable future economic benefits (through the existence of a market for the output of the intangible asset or the usefulness of the intangible asset for internal use).

Other development costs, net of subsidies, are expensed as incurred.

#### Other intangible assets

Licenses, brand names, customer contracts, software and user rights over which the Group has full ownership, as well as software developed for internal use that has a positive, lasting and measurable impact on future results are capitalized and amortized over their estimated useful lives.

Other intangible assets include assets in progress. Those include R&D projects in progress, such as improvements of IT payment platforms in operating segment ePayments.

#### Subsequent expenditure

Subsequent expenditure on intangible assets is only capitalized when it increases the future economic benefits of the specific asset to which it relates. Otherwise, it is expensed as incurred.

#### Depreciation and amortization

The straight-line method is used to amortize intangible assets over their estimated useful lives.

Intangible assets under development are not amortized, but are tested annually for impairment. Other intangible assets are amortized from the date they are available for use.

The estimated useful lives are as follows:

- capitalized development costs .....3 to 10 years;
- licenses.....3 years\*;
- customer relationships.....5 to 20 years;
- other intangible assets.....5 years\*.

\* or contractual term

#### Impairment losses

An impairment loss recognized in respect of a non-current asset can be reversed if its recoverable amount again becomes greater than its net carrying amount.

<i>(in thousands of euros)</i>	<b>2016</b>				
	<b>Licenses, trademarks, technology</b>	<b>Development expenses (incurred internally)</b>	<b>Customer relationships</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>GROSS AMOUNT</b>					
<b>At January 1</b>	<b>176 257</b>	<b>87 700</b>	<b>478 486</b>	<b>22 453</b>	<b>764 896</b>
Investments	6 127	7 264	-	29 932	43 323
Divestitures	(982)	(5 265)	-	(2 871)	(9 118)
Changes in consolidation scope	1 433	-	-	890	2 323
Translation differences	665	93	888	(9)	1 637
Reclassifications and others	26 489	(5 333)	(30 853)	(9 514)	(19 211)
<b>At December 31</b>	<b>209 989</b>	<b>84 459</b>	<b>448 521</b>	<b>40 881</b>	<b>783 850</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES</b>					
<b>At January 1</b>	<b>(75 946)</b>	<b>(52 010)</b>	<b>(130 362)</b>	<b>1 946</b>	<b>(256 372)</b>
Depreciation and amortization	(22 790)	(12 429)	(29 323)	(910)	(65 452)
Divestitures and impairment losses	934	4 521	-	2 794	8 249
Changes in consolidation scope	(515)	-	-	-	(515)
Translation differences	(445)	(41)	(341)	58	(769)
Reclassifications and others	(12 854)	12 161	31 153	(11 300)	19 160
<b>At December 31</b>	<b>(111 616)</b>	<b>(47 798)</b>	<b>(128 873)</b>	<b>(7 412)</b>	<b>(295 699)</b>
<b>NET CARRYING AMOUNT</b>					
<b>At January 1</b>	<b>100 311</b>	<b>35 690</b>	<b>348 124</b>	<b>24 399</b>	<b>508 524</b>
<b>At December 31</b>	<b>98 373</b>	<b>36 661</b>	<b>319 648</b>	<b>33 469</b>	<b>488 151</b>

## 2015

<i>(in thousands of euros)</i>	Licenses, trademarks, technology	Development expenses (incurred internally)	Customer contracts	Other intangible assets	Total
<b>GROSS AMOUNT</b>					
<b>At January 1</b>	<b>172 354</b>	<b>109 695</b>	<b>480 566</b>	<b>18 438</b>	<b>781 053</b>
Investments	8 228	6 772	-	17 852	32 852
Divestitures	(10 463)	(26 988)	-	(1 760)	(39 211)
Translation differences	430	543	665	(141)	1 497
Reclassifications and others	5 708	(2 322)	(2 745)	(11 936)	(11 295)
<b>At December 31</b>	<b>176 257</b>	<b>87 700</b>	<b>478 486</b>	<b>22 453</b>	<b>764 896</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES</b>					
<b>At January 1</b>	<b>(59 011)</b>	<b>(77 272)</b>	<b>(97 856)</b>	<b>(2 361)</b>	<b>(236 500)</b>
Depreciation and amortization	(25 130)	(5 870)	(34 821)	(424)	(66 245)
Divestitures and impairment losses	10 453	26 265	-	1 337	38 055
Translation differences	(599)	(517)	(430)	60	(1 486)
Reclassifications and others	(1 659)	5 384	2 745	3 334	9 804
<b>At December 31</b>	<b>(75 946)</b>	<b>(52 010)</b>	<b>(130 362)</b>	<b>1 946</b>	<b>(256 372)</b>
<b>NET CARRYING AMOUNT</b>					
<b>At January 1</b>	<b>113 343</b>	<b>32 423</b>	<b>382 710</b>	<b>16 077</b>	<b>544 553</b>
<b>At December 31</b>	<b>100 311</b>	<b>35 690</b>	<b>348 124</b>	<b>24 399</b>	<b>508 524</b>

At December 31, 2016, as at December 31, 2015, there was no indication of impairment of intangible assets. The Group takes into account the following main indications of impairment:

- Sales prospects for products whose development costs have been capitalized;
- Changes in customer portfolio;
- Obsolescence or abandonment of internally developed software.

*Allocation of goodwill on assets of acquired companies*

**Carrying amount at December 31, 2016**

<i>(in thousands of euros)</i>	GlobalCollect (2014)	Ogone (2013)	Easycash (2009)	Others	Total
Hardware and software technology	74 555	2 520	-	-	77 075
Long-term customer contracts	261 813	22 800	19 087	15 947	319 647
<b>Total identified and allocated assets</b>	<b>336 368</b>	<b>25 320</b>	<b>19 087</b>	<b>15 947</b>	<b>396 722</b>
<b>Amortization for the period</b>	<b>(24 370)</b>	<b>(6 570)</b>	<b>(4 227)</b>	<b>(7 218)</b>	<b>(42 385)</b>

**Carrying amount at December 31, 2015**

<i>(in thousands of euros)</i>	GlobalCollect (2014)	Ogone (2013)	Easycash (2009)	Others	Total
Hardware and software technology	84 175	5 040	59	863	90 137
Long-term customer contracts	276 563	26 850	23 255	21 456	348 124
<b>Total identified and allocated assets</b>	<b>360 738</b>	<b>31 890</b>	<b>23 314</b>	<b>22 319</b>	<b>438 261</b>
<b>Amortization for the period</b>	<b>(24 371)</b>	<b>(6 570)</b>	<b>(7 588)</b>	<b>(9 682)</b>	<b>(48 211)</b>

### c. Property, plant and equipment

#### Assets owned by the Group

Property, plant, and equipment are stated at cost, less any accumulated depreciation and impairment losses.

When components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The replacement cost of a component is immediately capitalized under Property, plant and equipment if it is probable that the future economic benefits arising from the asset will flow to the Group and its cost can be reliably measured. All routine maintenance and repair costs are expensed as incurred.

The terminals recognized as property, plant and equipment are terminals leased to merchants under simple leasing agreements as defined in IAS 17.

Gains or losses on disposals are recognized in "Profit from operating activities – Other operating income and expenses" if they are unusual and significant.

#### Depreciation and amortization

Depreciation is computed using the straight-line method over the estimated useful life of each type of item. The useful lives and residual values of property, plant and equipment are reviewed and adjusted where necessary at each reporting date.

Land is not depreciated. The estimated useful lives are as follows:

- building improvements.....5-10 years\*;
- equipment.....3-5 years;
- vehicles.....4-5 years;
- terminals.....4-5 years;
- furniture, fittings, office & computer equipment.....3-10 years\*.

\* or the contractual term of the lease

<i>(in thousands of euros)</i>	<b>2016</b>					
	<b>Land and buildings</b>	<b>Plant and equipment</b>	<b>Leased terminals</b>	<b>IT equipment</b>	<b>Others</b>	<b>Total</b>
<b>GROSS AMOUNT</b>						
<b>At January 1</b>	<b>17 368</b>	<b>32 517</b>	<b>9 844</b>	<b>36 202</b>	<b>20 430</b>	<b>116 361</b>
Investments	1 610	7 275	5 671	15 436	3 765	33 757
Divestitures	(12)	(547)	(604)	(3 492)	(764)	(5 419)
Changes in consolidation scope	71		17 768	751	525	19 115
Translation differences	(519)	763	399	(430)	110	323
Other movements	2 878	8 273	(3 239)	37 484	79	45 475
<b>At December 31</b>	<b>21 396</b>	<b>48 281</b>	<b>29 839</b>	<b>85 951</b>	<b>24 145</b>	<b>209 612</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES</b>						
<b>At January 1</b>	<b>(8 321)</b>	<b>(22 350)</b>	<b>(7 923)</b>	<b>(11 110)</b>	<b>(10 800)</b>	<b>(60 504)</b>
Depreciation and amortization	(2 126)	(5 094)	(2 108)	(12 306)	(2 507)	(24 141)
Divestitures and impairment	12	542	602	3 394	713	5 263
Changes in consolidation scope	(17)		(9 327)	(423)	(391)	(10 158)
Translation differences	499	(515)	(106)	266	(46)	98
Other movements	(2 517)	(6 986)	2 044	(35 967)	(1 851)	(45 277)
<b>At December 31</b>	<b>(12 470)</b>	<b>(34 403)</b>	<b>(16 818)</b>	<b>(56 146)</b>	<b>(14 882)</b>	<b>(134 719)</b>
<b>NET CARRYING AMOUNT</b>						
<b>At January 1</b>	<b>9 047</b>	<b>10 167</b>	<b>1 921</b>	<b>25 092</b>	<b>9 630</b>	<b>55 857</b>
<b>At December 31</b>	<b>8 926</b>	<b>13 878</b>	<b>13 021</b>	<b>29 805</b>	<b>9 263</b>	<b>74 893</b>

	2015					
<i>(in thousands of euros)</i>	Land and buildings	Plant and equipment	Leased terminals	IT equipment	Others	Total
<b>GROSS AMOUNT</b>						
<b>At January 1</b>	<b>14 123</b>	<b>29 975</b>	<b>11 998</b>	<b>31 586</b>	<b>21 487</b>	<b>109 169</b>
Investments	4 169	5 808	1 352	12 413	6 221	29 963
Divestitures	(1 320)	(2 424)	(3 570)	(9 619)	(3 639)	(20 572)
Translation differences	218	(1 057)		200	6	(633)
Other	178	215	64	1 622	(3 645)	(1 566)
<b>At December 31</b>	<b>17 368</b>	<b>32 517</b>	<b>9 844</b>	<b>36 202</b>	<b>20 430</b>	<b>116 361</b>
<b>ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES</b>						
<b>At January 1</b>	<b>(7 180)</b>	<b>(20 857)</b>	<b>(10 382)</b>	<b>(5 811)</b>	<b>(13 228)</b>	<b>(57 458)</b>
Depreciation and amortization	(2 269)	(4 583)	(1 040)	(13 708)	(2 353)	(23 953)
Divestitures and impairment	1 291	2 331	3 570	8 692	3 313	19 197
Translation differences	(163)	770	(1)	(252)	3	357
Other		(11)	(70)	(31)	1 465	1 353
<b>At December 31</b>	<b>(8 321)</b>	<b>(22 350)</b>	<b>(7 923)</b>	<b>(11 110)</b>	<b>(10 800)</b>	<b>(60 504)</b>
<b>NET CARRYING AMOUNT</b>						
<b>At January 1</b>	<b>6 943</b>	<b>9 118</b>	<b>1 616</b>	<b>25 775</b>	<b>8 259</b>	<b>51 711</b>
<b>At December 31</b>	<b>9 047</b>	<b>10 167</b>	<b>1 921</b>	<b>25 092</b>	<b>9 630</b>	<b>55 857</b>



## 8. OTHER PROVISIONS

### **Provisions**

Provisions are recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### **Litigation and claims**

Provisions for litigation and claims are recognized when the Group has a current obligation in respect of litigation in progress, administrative inquiries, disputed proceedings and other claims arising from past events not yet settled, and when it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The Group obtains legal advice to assess the probability of the outcomes and to measure the provisions for litigation and claims.

### **Restructuring**

A provision for restructuring is recognized when the Group has approved a formal and detailed restructuring plan and has:

- either commenced the restructuring;
- or has publicly announced the plan.

Provisions are not recognized for future operating costs.

### **Warranties**

A provision for warranties is recognized when the underlying goods or services are sold.

The provision is based on historical warranty data.

### **Supplier inventory buyback commitments**

A provision for commitments to buy back inventory from suppliers is recognized to cover the risk that components held by suppliers may become obsolete and the risk that supplies may exceed planned output.

A provision for the full value of components declared obsolete is recognized. The Group estimates excess supplies by comparing the procurement plan with the production plan.

### **Product quality risk**

A provision for product quality risk is recognized when this risk is not covered by the provision for warranties.

### **Onerous contracts**

A provision for onerous contracts is recognized when the expected economic benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

### *Warranties*

The sale of terminals is usually accompanied by a 12-month warranty. The provision for warranties on the balance sheet reflects the costs expected by the Group to meet its terminal repair obligations. This statistical calculation is based on historical data. Increases in provisions for warranties may therefore reflect one of two causes:

- growth of sales accompanied by warranties; or
- an adjustment of the provision's calculation.

### *Litigation and claims*

Ingenico is engaged in a number of claims and judicial and arbitral proceedings that have arisen in the normal course of its business. These claims and proceedings are regularly reviewed by the Legal Department and are covered by provisions if the Group considers that it is probable that an outflow of resources will be necessary to cover the risk incurred and that such an outflow can be reliably estimated, it being understood that events that occur during the proceedings may necessitate a reassessment of the risk. Reversals of unused amounts chiefly reflect the resolution of such disputes that were settled in the Group's favor, or in which the amount of the damages awarded proved to be lower than originally estimated.

- Tax disputes

During fiscal year 2016 and previous years, Group companies were subject to tax audits and, on occasion, correction proposals. The financial consequences of such additional tax assessments and taxes are recognized through provisions for the amounts that have been notified and accepted or are considered as presenting a probable outflow of resources which can be reliably estimated.

The Group periodically reviews the assessment of this risk as audits or litigations progress, and is of the opinion that there are no ongoing audits that will have a material impact on its financial position or liquidity.

- Tax disputes in Brazil

The tax assessment procedures in respect of a Brazilian subsidiary are still in progress. They relate to the ICMS tax, and the sum in question amounted to approximately €72 million as of December 31, 2016 (covering principal, interest and penalties from 2004 to 2009). The “tax war” currently pitting Brazilian states against one another may affect Ingenico as well as a large number of foreign and domestic companies. Against this background, the tax authorities of the State of Sao Paulo have contested the deduction by Ingenico do Brasil of a portion of the ICMS tax on the sales invoices of one of its suppliers, on the grounds that the State of Minas Gerais, in which the supplier operates, had granted the supplier a tax concession that violates federal law. All notified ICMS-related assessments are still being contested in the administrative courts in Brazil. As of December 31, 2016 Ingenico had not been notified of any final decision by the Brazilian administrative courts and consequently had not received any demand for payment. In addition, the subsidiary, on the advice of tax experts, believes it has serious grounds for contesting the claims of the authorities. Based on an analysis of the risks involved and on the criteria set out in IAS 37, no provision has been recognized in the consolidated financial statements as at December 31, 2016.

<i>(in thousands of euros)</i>	<b>Balance at January 1, 2016</b>	Translation differences	Changes in consolidation scope	Additions	Reversals of amounts used	Reversal of unused amounts	Other movements	<b>Balance at December 31, 2016</b>
Provisions for warranties	20 031	172	64	14 975	(15 416)	-	-	19 826
Provisions for litigation and claims	9 810	73	239	2 641	(1 976)	(2 529)	(3)	8 255
Provisions for restructuring	-	-	-	2 136	-	-	-	2 136
Others	21 922	360	-	10 658	(5 972)	(3 227)	3	23 744
<b>Total other provisions</b>	<b>51 763</b>	<b>605</b>	<b>303</b>	<b>30 410</b>	<b>(23 364)</b>	<b>(5 756)</b>	<b>-</b>	<b>53 961</b>

<i>(in thousands of euros)</i>	<b>Balance at January 1, 2015</b>	Translation differences	Changes in consolidation scope	Additions	Reversals of amounts used	Reversal of unused amounts	Other movements	<b>Balance at December 31, 2015</b>
Provisions for warranties	15 073	133	-	20 224	(14 861)	(511)	(27)	20 031
Provisions for litigation and claims	10 296	(122)	-	994	(248)	(210)	(900)	9 810
Provisions for restructuring	584	-	-	-	(539)	-	(45)	-
Others	17 284	(1 067)	-	16 178	(4 517)	(3 570)	(2 386)	21 922
<b>Total other provisions</b>	<b>43 237</b>	<b>(1 056)</b>	<b>-</b>	<b>37 396</b>	<b>(20 165)</b>	<b>(4 291)</b>	<b>(3 358)</b>	<b>51 763</b>

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Supplier inventory buyback commitments	3 363	2 769
Product quality risk	8 726	10 250
Employee indemnities and benefits	6 883	5 105
Customer sales indemnities	2 037	823
Other expenses	2 735	2 975
<b>Total other provisions</b>	<b>23 744</b>	<b>21 922</b>

The €5.8 million reversal of unused provisions relates primarily to business disputes that were settled in the Group's favor, and to commitments to buy back supplier inventories.

## 9. FINANCING AND FINANCIAL INSTRUMENTS

### a. Net finance cost

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Interest expense on financial liabilities at amortized cost and bond loan	(20 763)	(20 541)
Interest expense on finance lease contracts	(165)	(179)
<b>Total interest expense</b>	<b>(20 928)</b>	<b>(20 720)</b>
Income from cash and cash equivalents	3 186	5 026
Interest income on finance lease contracts	4 829	4 458
<b>Net interest expense</b>	<b>(12 913)</b>	<b>(11 236)</b>
Foreign exchange gains	55 962	74 546
Foreign exchange losses	(59 937)	(79 227)
<b>Foreign exchange gains and losses, net</b>	<b>(3 975)</b>	<b>(4 681)</b>
Financial component of retirement expenses and the cost of other post-employment benefits	(377)	(302)
Gains/(losses) on equity interests	-	(571)
Other financial income	12 544	61
Other financial expenses	(3 079)	(1 880)
<b>Other financial income and expenses, net</b>	<b>9 088</b>	<b>(2 692)</b>
<b>Net finance costs</b>	<b>(7 800)</b>	<b>(18 609)</b>
<b>Total financial income</b>	<b>76 521</b>	<b>84 091</b>
<b>Total financial expenses</b>	<b>(84 321)</b>	<b>(102 700)</b>

Net finance costs in 2016 are broken down as follows:

Interest expense on borrowings is related to the borrowings described in paragraph b. Interest expense on the new convertible bond (OCEANE) amounted to €10.4 million.

Interest expense on the bond and embedded swap was €8.7 million;

The interest expense incurred relating to the amortization of the costs for the set-up and non-use of the syndicated loan amounted to €1.5 million.

Interest income on finance lease contracts (where the Group is the lessor) mainly concerned Ingenico Payment Services GmbH, Ingenico France SA, Ingenico Group SA and Ingenico Italia SpA.

The foreign exchange loss of €4 million is the result of foreign exchange gains and losses following the revaluation of loans and borrowings as well as on revaluations of the related hedging instruments.

Other income and expenses from financing activities include a capital gain on the disposal of Visa shares in the amount of €12.2 million (see Note 3 "Significant events"), factoring expenses in the amount of €1.7 million, and expenses related to retirement benefit obligations (see Note 6.c "Employee Benefits").

Net finance costs in 2015 are broken down as follows:

Interest expense on the new convertible bond (OCEANE) amounted to €5.1 million. Interest expense of €0.6 million was recorded in January 2015 for the full conversion of the previous convertible bond issued in 2011.

Interest expense on the bond and embedded swap was €9.4 million.

Interest expense on bank loans totaled €4.6 million.

Interest expense on commercial paper totaled €0.6 million.

Interest income on finance lease contracts (where the Group is the lessor) mainly concerned Ingenico Payment Services GmbH, Ingenico Group SA and Ingenico Italia SpA.

The foreign exchange loss of €4.7 million was the result of foreign exchange gains and losses following the revaluation of loans and borrowings as well as on revaluations of the related hedging instruments.

Other financial income and expenses concern the impairment of non-consolidated securities and expenses related to retirement obligations.

## b. Net financial debt

### Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, together with short-term, highly liquid investments that are easily convertible to a known amount of cash, which are subject to an insignificant risk of changes in value and that have a short maturity.

Bank overdrafts are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

### Financial liabilities

The Group's financial liabilities consist primarily of current and non-current bank borrowings and a convertible bond issue. In accordance with IAS 39, the former are measured at amortized cost, and the latter is accounted for as a compound financial instrument.

### Borrowings at amortized cost

Borrowings are initially recognized at fair value less any directly attributable transaction costs. They are subsequently measured at amortized cost using the effective interest method.

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
"OCEANE" convertible bond issue	437 288	427 757
Bond issue	458 509	456 773
Bank borrowings	(2 161)	(3 008)
Finance lease obligations	249	520
Other financial liabilities	2 555	2 974
<b>Non-current borrowings and long-term debt</b>	<b>896 440</b>	<b>885 016</b>
Bank and similar borrowings	405	-
Commercial papers	225 000	259 500
Finance lease obligations	663	679
Bank overdrafts	10 611	19 980
Other financial liabilities	1 659	1 279
Interest accrued but not due	5 404	5 484
<b>Short-term loans and borrowings</b>	<b>243 742</b>	<b>286 922</b>
<b>Total financial borrowings and debt</b>	<b>1 140 182</b>	<b>1 171 938</b>

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Cash	728 724	624 801
Marketable securities and short-term deposits	285 130	295 081
<b>Cash and cash equivalents</b>	<b>1 013 854</b>	<b>919 882</b>
<b>Net debt</b>	<b>126 328</b>	<b>252 056</b>

As of December 31, 2016, long-term and short-term bank borrowings and bond debt amounted to €1,140.2 million, including:

- €437.3 million in respect of an OCEANE convertible bond issued on June 26, 2015.
- €458.5 million in respect of a bond issued in May 2014.

- €225 million in respect of commercial paper.
- A credit of €2.2 million corresponding to the unamortized capitalized interest on the €750 million syndicated credit facility which was undrawn at the reporting date.
- €5.4 million in interest accrued but not due, primarily related to the convertible bond issued in 2014.

As of December 31, 2015, long-term and short-term bank borrowings and bond debt amounted to €1,171.9 million, including €427.8 million relating to the OCEANE convertible bond, €456.8 million relating to the bond, €259.5 million relating to commercial paper, a €3 million credit in unpaid interest not yet amortized on the €500 million syndicated loan unused as of year-end, and €5.5 million in interest accrued but not due.

### *Convertible bond issue*

On June 26, 2015 the Group completed a new issue of (OCEANE) bonds, which are convertible into and/or exchangeable for new or existing Ingenico shares, maturing on June 26, 2022 (ISIN: FR0012817542). The par value of the bond was €500 million, or 2,904,443 bonds each with a nominal value of €172.15. On December 31, 2016, the conversion rate was 1.002 shares for one bond.

This OCEANE bond is classified as a compound financial instrument and, as such, falls within the scope of IAS 32, which requires separate accounting in the balance sheet of the equity component (the holder's call option to convert the bonds into shares) and of the liability component (the contractual arrangement to deliver cash).

The fair value of the debt and the portion allocated to equity is calculated as of the OCEANE's issue date, June 26, 2015.

The fair value of the recognized liability classified as long-term debt is calculated using the average market rate for a straight bond. The difference between the nominal value and the fair value of the bond was recognized in equity under "Retained earnings and other reserves", net of deferred tax.

The OCEANE is a zero-coupon bond. The average market rate for a bond of equivalent maturity at issuance would have been 2.31%. The fair value of the liability component was €422.7 million upon issuance, and the fair value of the equity component amounted to €73.3 million, after deduction of the issuer's call option and issuance costs (€4.1 million prorated between liability and equity components).

After deduction of issuance costs and reclassification of the equity component of the bonds, the effective interest rate is 2.41%.

As disclosed in Note 3 "Significant events", the Group partially hedged its obligation to deliver treasury shares and, therefore, the potential dilution of the OCEANE bonds in the event of a conversion, by buying 1,500,000 call options in November 2016 for an equivalent of 1,503,000 Ingenico Group SA shares.

### *Bond issue*

On May 20, 2014, the Group issued a bond maturing on May 20, 2021. The par value of the bond was €450 million, or 4,500 bonds with a nominal value of €100,000 each. The bonds pay an annual coupon of 2.5%. The debt was recognized at amortized cost. Issuance costs and the issue premium are amortized in profit or loss over the life of the bond.

### *Bank borrowings*

In July 2014, the Group signed a syndicated credit facility for a total of €600 million. This was used primarily in the acquisition of GlobalCollect and was broken down as follows:

- A €500 million revolving credit facility with an initial term of 5 years;
- A term loan of €100 million, amortized over 5 years and repaid ahead of schedule in July 2015.

In June 2016, the maturity of the syndicated loan (revolving credit facility of €500 million) was extended by 2 years, i.e., until July 29, 2021.

Furthermore, on December 21, 2016, the syndicated credit facility was amended. The amount of the facility was increased from €500 million to €750 million, two additional extension options (of one year each) were granted, and the bank syndicate was expanded.

The interest rate of the loan is variable and is based on Euribor (1 to 6 months) plus margin.

At December 2016, as well as December 2015, the syndicated credit loan is not used.

In connection with the documentation signed in 2014, the Group committed to satisfying the Net Debt/EBITDA financial ratio, which is tested annually, based on pro forma consolidated financial statements. As of December 31, 2016, the Group is no longer bound by this financial ratio.

Early redemption is possible at the initiative of Ingenico, or of the lenders in certain usual circumstances.

#### **Bank overdrafts**

Bank overdrafts totaled €10.6 million, of which €10.3 million were attributed to Ingenico Payment Services GmbH.

#### **Finance lease obligations**

At December 31, 2016, finance lease obligations amounted to €0.9 million and mainly concerned Ingenico Italia SpA.

#### **Maturity of financial debt**

<i>(in thousands of euros)</i>	<b>2016</b>			
	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
“OCEANE” convertible bond issue	437 288	-	-	437 288
Bond issue	458 509	-	458 509	-
Bank borrowings	(1 756)	405	(2 161)	-
Finance lease obligations	912	663	249	-
Bank overdrafts	10 611	10 611	-	-
Commercial papers and other financial liabilities	229 214	226 659	2 543	12
Accrued interest on borrowings	5 404	5 404	-	-
<b>Total financial borrowings and debt</b>	<b>1 140 182</b>	<b>243 742</b>	<b>459 140</b>	<b>437 300</b>

<i>(in thousands of euros)</i>	<b>2015</b>			
	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
“OCEANE” convertible bond issue	427 757	-	-	427 757
Bond issue	456 773	-	-	456 773
Bank borrowings	(3 008)	-	(3 008)	-
Finance lease obligations	1 199	679	520	-
Bank overdrafts	19 980	19 980	-	-
Commercial papers and other financial liabilities	263 753	260 779	2 974	-
Accrued interest on borrowings	5 484	5 484	-	-
<b>Total financial borrowings and debt</b>	<b>1 171 938</b>	<b>286 922</b>	<b>486</b>	<b>884 530</b>

### Breakdown by currency

<i>(in thousands of euros)</i>	2016	2015
Euro	1 138 573	1 171 662
US Dollar	153	276
Other currencies	1 456	-
<b>Total financial borrowings and debt</b>	<b>1 140 182</b>	<b>1 171 938</b>

### Changes in financial borrowings and debt

<b>Balance at January 1, 2015</b>	<b>1 190 584</b>
New borrowings	682 230
Repayments	(600 689)
Bond conversions	(111 628)
Capitalized interest	7 864
Net change on bank overdrafts	5 335
Change in fair value	(445)
Translation differences and other variations	(1 313)
<b>Balance at December 31, 2015</b>	<b>1 171 938</b>
Repayments	(37 731)
Capitalized interest	11 734
Net change on bank overdrafts	(9 369)
Change in fair value	1 972
Changes in consolidation scope	2 250
Translation differences and other variations	(612)
<b>Balance at December 31, 2016</b>	<b>1 140 182</b>

In 2016, the Group issued and redeemed commercial paper for a net amount of €34.5 million.

Changes in fair value relate to the recognition of the bond issued in 2014.

Changes in consolidation scope reflect the inclusion of Lyudia and Think&Go.

In 2015, the Group:

- Issued a convertible bond (OCEANE) for €495.9 million, net of issuance costs. As explained above, the portion of the bond reclassified under equity amounted to €73.3 million;
- Issued and redeemed commercial paper for a net amount of €259.5 million;
- Repaid the syndicated loan (€100 million amortizing portion and €500 million revolving portion) set up in 2014.

Conversions of OCEANE bonds issued in 2011 reduced debt by €111.6 million.

Capitalized interest related to the bond issue, the convertible bond issue, and bank loans.

Changes in fair value related to the recognition of the bond issued in 2014.

### Undrawn credit facilities as of December 31, 2016

The Group has two undrawn credit facilities:

- syndicated credit facility of €750 million;
- short-term credit facility of €60 million.



### c. Derivative financial instruments

#### **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. Those instruments are initially measured at fair value, *i.e.* the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the risk of default by the counterparty to the swap.

The fair value of forward exchange contracts is their quoted market price at the reporting date, *i.e.* the present value of the quoted forward price.

Initial recognition of foreign exchange and interest rate hedging instruments and subsequent accounting for changes in their value are carried out in accordance with IAS 39.

In accordance with IFRS 13, which came into effect on January 1, 2013, the Group takes default risk into account in measuring its hedging derivatives. That involves the following:

- the risk of default by the Group on a derivative that is a liability (own credit risk);
- the risk of counterparty default on a derivative that is an asset (counterparty credit risk).

The Group's method for assessing own and counterparty credit risk is based on a calculation of the implied credit risk on senior fixed-rate bonds traded in the secondary market.

#### **Cash flow hedges**

When a derivative financial instrument is designated as a hedging instrument whose cash flows are expected to offset changes in the cash flows of a highly probable forecast transaction, the Group uses hedge accounting. The effective portion of any gain or loss on the hedging instrument is recognized directly in "Other comprehensive income" until the hedged item itself is recognized in profit or loss. The effective portion is then recognized in profit or loss. The ineffective portion of any gain or loss is recognized in "Net finance costs" for the period.

If a hedging instrument is used to hedge risk arising from the Group's operating activities, its impact on profit or loss is reported in "Profit from operating activities". If such an instrument is used to hedge risk arising from the Group's financing activities, its impact on profit or loss is reported in "Net finance costs".

#### **Fair value hedges**

If a derivative financial instrument is used to hedge the foreign currency risk on a recognized monetary asset or liability, hedge accounting is not applied and the gains or losses on the financial instrument are recognized in profit or loss.

If a hedging instrument is used to hedge risk arising from the Group's operating activities, its impact on profit or loss is reported in "Profit from operating activities". If such an instrument is used to hedge risk arising from the Group's financing activities, its impact on profit or loss is reported in "Net finance costs".

*Fair value of derivative instruments at the reporting date*

<i>(in thousands of euros)</i>	2016	2015
<b>Interest rate derivative instruments</b>		
Current assets	11 380	9 225
Current liabilities	-	(496)
<b>Foreign exchange derivative instruments</b>		
Current assets	1 064	1 262
Current liabilities	(3 801)	(990)
<b>Total</b>	<b>8 643</b>	<b>9 001</b>

*Breakdown of instruments by hedging policy*

<i>(in thousands of euros)</i>	Balance at January 1, 2016			Balance at December 31, 2016
	Fair value of the derivative financial instruments	Variation through net income	Variation through equity	Fair value of the derivative financial instruments
<b>Instruments designated as cash flow hedges</b>				
Foreign exchange forward contracts	23	(158)	(914)	(1 049)
Foreign exchange options	(441)	491	(12)	38
Foreign exchange swaps	-	(6)	2	(4)
<b>Instruments not designated as cash flow hedges</b>				
Foreign exchange forward contracts	35	(602)	-	(567)
Foreign exchange options	-	(118)	-	(118)
Foreign exchange swaps	655	(1 692)	-	(1 037)
Interest rate swaps	8 729	2 651	-	11 380
<b>Total</b>	<b>9 001</b>	<b>566</b>	<b>(924)</b>	<b>8 643</b>

<i>(in thousands of euros)</i>	Balance at January 1, 2015			Balance at December 31, 2015
	Fair value of the derivative financial instruments	Variation through net income	Variation through equity	Fair value of the derivative financial instruments
<b>Instruments designated as cash flow hedges</b>				
Foreign exchange forward contracts	(155)	161	17	23
Foreign exchange options	-	48	(489)	(441)
<b>Instruments not designated as cash flow hedges</b>				
Foreign exchange forward contracts	174	(139)	-	35
Foreign exchange swaps	(395)	1 050	-	655
Interest rate swaps	7 708	1 021	-	8 729
<b>Total</b>	<b>7 332</b>	<b>2 141</b>	<b>(472)</b>	<b>9 001</b>

Changes in the fair value of ineffective hedging instruments or the ineffective portions of effective hedging instruments are directly recognized in net financial income and expenses. For foreign exchange hedges, these

changes mainly reflect the effect of interest rate differentials between the currency of the hedged items and the euro.

In 2014, the Group put in place an interest rate swap for 50% of the nominal value of the bond issued in 2014, or €225 million, with a seven year life. This swap turns the Group's fixed-rate exposure into variable-rate exposure. This hedge is recognized as a fair value hedge, and changes in the fair value of the derivative are recognized in profit and loss, as are changes in the fair value of its underlying asset.

The Group's derivatives contracts contain compensation clauses for each bank. In accordance with IFRS 7, a presentation of derivative assets and liabilities that includes such compensation would be as follows:

<i>(in thousands of euros)</i>	<b>2016</b>		
	<b>Gross amounts in the balance sheet</b>	<b>Impact of compensation</b>	<b>Net amounts</b>
FV of derivative financial instruments (assets)	12 444	(2 804)	9 640
FV of derivative financial instruments (liabilities)	(3 801)	2 804	(997)
<b>Net position</b>	<b>8 643</b>	<b>-</b>	<b>8 643</b>

  

<i>(in thousands of euros)</i>	<b>2015</b>		
	<b>Gross amounts in the balance sheet</b>	<b>Impact of compensation</b>	<b>Net amounts</b>
FV of derivative financial instruments (assets)	10 487	(844)	9 643
FV of derivative financial instruments (liabilities)	(1 486)	844	(642)
<b>Net position</b>	<b>9 001</b>	<b>-</b>	<b>9 001</b>

d. Financial assets and liabilities classified by accounting category

2016							
Asset and liability categories (in thousands of euros)	Assets/liabilities measured at fair value through profit or loss	Loans and receivables	Liabilities at amortized cost	Assets & liabilities measured at fair value through equity	Derivative financial instruments designated for future cash flow hedges	Total net carrying amount	Fair value of the asset or liability category
Financial assets	-	7 400	-	9 233	-	16 633	16 633
Other non-current assets	-	25 816	-	-	-	25 816	25 816
Trade and other current receivables	-	469 198	-	-	-	469 198	469 198
Cash and cash equivalents	1 013 854	-	-	-	-	1 013 854	1 013 854
Receivables related to intermediation activities	-	28 525	-	-	-	28 525	28 525
Funds related to intermediation activities	273 086	-	-	-	-	273 086	273 086
Derivative financial instruments	11 839	-	-	-	605	12 444	12 444
<b>Total financial assets</b>	<b>1 298 779</b>	<b>530 939</b>	<b>-</b>	<b>9 233</b>	<b>605</b>	<b>1 839 556</b>	<b>1 839 556</b>
"OCEANE" Convertible bond issue (1)	-	-	437 288	-	-	437 288	477 723
Bond issue	-	-	458 509	-	-	458 509	468 360
Long-term loans	-	-	643	-	-	643	643
Other non-current liabilities	-	-	33 389	75 727	-	109 116	109 116
Short-term borrowings	-	-	243 742	-	-	243 742	243 742
Trade payables and other current liabilities	-	-	489 134	-	-	489 134	489 134
Payables related to intermediation activities	-	-	301 611	-	-	301 611	301 611
Derivative financial instruments	2 181	-	-	-	1 620	3 801	3 801
<b>Total financial liabilities</b>	<b>2 181</b>	<b>-</b>	<b>1 964 316</b>	<b>75 727</b>	<b>1 620</b>	<b>2 043 844</b>	<b>2 094 130</b>

(1) The fair value of the OCEANE bond encompasses both its liability component and its equity component.

Asset and liability categories (in thousands of euros)	Assets/liabilities measured at fair value through profit or loss	Loans and receivables	Liabilities at amortized cost	Assets & liabilities measured at fair value through equity	Derivative financial instruments designated for future cash flow hedges	Total net carrying amount	Fair value of the asset or liability category
Financial assets	-	7 154	-	4 096	-	11 250	11 250
Other non-current assets	-	27 143	-	-	-	27 143	27 143
Trade and other current receivables	-	442 253	-	7 983	-	450 236	450 236
Cash and cash equivalents	919 882	-	-	-	-	919 882	919 882
Receivables related to intermediation activities	-	10 308	-	-	-	10 308	10 308
Funds related to intermediation activities	256 159	-	-	-	-	256 159	256 159
Derivative financial instruments	10 198	-	-	-	289	10 487	10 487
<b>Total financial assets</b>	<b>1 186 239</b>	<b>486 858</b>	<b>-</b>	<b>12 079</b>	<b>289</b>	<b>1 685 465</b>	<b>1 685 465</b>
"OCEANE" Convertible bond issue	-	-	427 757	-	-	427 757	541 853
Bond issue	-	-	456 773	-	-	456 773	453 825
Long-term loans	-	-	486	-	-	486	486
Other non-current liabilities	-	-	28 449	58 726	-	87 175	87 175
Short-term borrowings	-	-	286 922	-	-	286 922	286 922
Trade payables and other current liabilities	-	-	436 080	6 764	-	442 844	442 844
Payables related to intermediation activities	-	-	266 467	-	-	266 467	266 467
Derivative financial instruments	779	-	-	-	707	1 486	1 486
<b>Total financial liabilities</b>	<b>779</b>	<b>-</b>	<b>1 902 934</b>	<b>65 490</b>	<b>707</b>	<b>1 969 910</b>	<b>2 081 058</b>

The fair value of bonds and convertible bonds corresponds to their market value (as quoted on December 31, 2016).

#### *Fair value hierarchy*

The objective criteria used for analyzing financial instruments by valuation method are based on the definition of fair value levels under IFRS 13.

The asset and liability categories carried at fair value subsequent to their initial recognition are:

- assets and liabilities measured at fair value through profit or loss and equity;
- available-for-sale assets;
- derivative financial instruments designated as cash flow hedges.

The fair value hierarchy is as follows:

- inputs used are (non-adjusted) quoted market prices in active markets for identical assets or liabilities (Level 1);

- inputs used are inputs other than quoted market prices, as in Level 1, that are observable either directly, by reference to market prices for similar assets and liabilities, or indirectly, by reference to inputs derived from quoted market prices (Level 2);
- valuation techniques based on unobservable inputs are used (Level 3).

These assets and liabilities can correspond to any of the three levels of fair value set out in the tables below for 2016 and 2015.

The Group did not make any transfers between levels from 2015 to 2016.

<i>(in thousands of euros)</i>	<b>2016</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets	9 233	-	-	9 233
Derivative financial instruments (1)	12 444	-	12 444	-
Funds related to intermediation activities	273 086	273 086	-	-
Cash and cash equivalents	1 013 854	1 013 854	-	-
<b>Total financial assets</b>	<b>1 308 617</b>	<b>1 286 940</b>	<b>12 444</b>	<b>9 233</b>
Other non-current liabilities	75 727	-	-	75 727
Derivative financial instruments (1)	3 801	-	3 801	-
<b>Total financial liabilities</b>	<b>79 528</b>	<b>-</b>	<b>3 801</b>	<b>75 727</b>

(1) Derivative financial instruments are assets and liabilities, measured at fair value through profit or loss, or designated cash flow hedges.

Other Level 3 non-current liabilities include two put option liabilities on the non-controlling shareholder in Ingenico Holdings Asia Ltd. The latter holds 20% of the Company's share capital and a put option on all of its shares in the Group. This liability was recognized at fair value.

<i>(in thousands of euros)</i>	<b>2015</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets	4 096	-	-	4 096
Other current assets	7 983	-	-	7 983
Derivative financial instruments	10 487	-	10 487	-
Funds related to intermediation activities	256 159	256 159	-	-
Cash and cash equivalents	919 882	919 882	-	-
<b>Total financial assets</b>	<b>1 198 607</b>	<b>1 176 041</b>	<b>10 487</b>	<b>12 079</b>
Other non-current liabilities	58 726	-	-	58 726
Other current liabilities	6 764	-	-	6 764
Derivative financial instruments	1 486	-	1 486	-
<b>Total financial liabilities</b>	<b>66 976</b>	<b>-</b>	<b>1 486</b>	<b>65 490</b>

In 2015, other Level 3 current assets included the valuation of Visa Europe shares held by the Group.

Other Level 3 non-current liabilities included two put option liabilities on the non-controlling shareholders in Ingenico Holdings Asia Ltd. The latter hold 20% and 1.16%, respectively, of the Company's share capital and a put option on all of their shares in the Group.

#### **e. Financial risk management**

##### *Liquidity and counterparty risk*

Liquidity risk is managed at Group level by the Treasury Department. This centralized approach makes it possible to use cash surpluses generated in one part of the Group to cover cash needs elsewhere.

The Group's financing policy is to ensure sufficient liquidity available at any time to meet the Group's investment and cash requirements, while maintaining a satisfactory relationship between its assets and liabilities in terms of maturities, currencies and interest rates.

#### *Financial assets as of December 31, 2016*

Counterparty risk is the risk of financial loss for the Group arising from failure by one of its customers or counterparties to a financial instrument to meet its contractual obligations. This risk could arise principally from trade receivables, investments and bank counterparties.

The carrying amount of the Group's financial assets at the end of the period represents the Group's maximum exposure to credit risk. The Group's maximum exposure as of December 31, 2016 is as follows:

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	1 013 854	919 882
Funds related to intermediation activities	273 086	256 159
Financial assets	16 633	11 250
Trade receivables on the sales of goods and services	429 015	401 092
Finance lease receivables	46 997	50 286
Other current receivables	8 128	15 141
Receivables related to intermediation activities	28 525	10 308
Other current assets	9 233	10 046
Other non-current assets	1 641	814
Derivative financial instruments (assets)	12 444	10 487
<b>Total</b>	<b>1 839 556</b>	<b>1 685 465</b>

To manage counterparty risk with respect to trade receivables, an impairment loss may be recognized for the entire amount or for a part of the amount of said receivables, reflecting the probability of collection.

Credit risk is monitored at Group level by Group Credit Management. The Group tracks terms of payment at its subsidiaries on a monthly basis and recognizes a provision for any receivables it considers fully or partially uncollectible. To protect against credit risk and reduce its exposure to non-payment, the Group determines the credit risk for each customer, and fixes specific credit limits and payment terms. The Group ensures that warranties are provided in sensitive countries. Such warranties may be in the form of notified or confirmed letters of credit.

Further information on trade receivables and their impairment can be found in Note 5.f, "Trade and related receivables".

The growth of transaction services, particularly the acquisition business, exposes the Group to counterparty risk. If a merchant defaults and is unable to meet its service obligations to end customers, the Group might be required to reimburse those customers for certain payments to the merchant, with no guarantee of recovery from the latter.

The Group has developed a methodology for detailed analysis of the risks associated with each type of service it offers in order to improve risk monitoring and be able, if necessary, to calibrate the warranties demanded of counterparties more effectively. The primary purpose of this approach is to limit the impact of counterparty risk on the Group.

Lastly, as part of its online payment services, the Group, primarily through GlobalCollect Services and Ingenico Payment Services GmbH, provides intermediation services between buyers, credit card issuers, and merchants. Funds held on behalf of merchants correspond to the cash surpluses that the Group holds when the amounts received from credit card issuers in respect of purchases made precede the obligation to pay the merchants. Deposits are also made by merchants at the start, or during the course, of the client relationship with the Group.

At GlobalCollect Services, all funds received on behalf of merchants or entrusted to the Group are isolated in a Dutch foundation that ring-fences them and protects buyers from any insolvency of GlobalCollect Services. Through this mechanism, registered and supervised by the Dutch central bank, the funds may not, under any circumstances, be distributed to founders and are only available for payment to merchants.

It should also be noted that, on the one hand, the payment cycle for these activities is short, as credit card issuers or consumers remit funds to the Group and the Group pays merchants within a period of no more than two weeks, and that on the other hand, almost all amounts are collected from credit card issuers and consumers prior to the obligation to pay merchants, which thus entails the recognition of funds collected as assets (receivables associated with intermediation activities and funds associated with intermediation activities), offset by an equivalent debt

included in liabilities (payables associated with intermediation activities) (see Note 5.k., "Funds, receivables and payables associated with intermediation activities").

#### *Financial liabilities as of December 31, 2016*

The Group's ability to service its debt depends on its business performance and on its capacity to generate adequate cash from operations.

If future cash flow proves to be insufficient, the Group might be obliged to:

- issue debt securities or new shares;
- restructure or refinance all or part of its debt;
- reduce or delay new investments;
- dispose of assets.

The Group has performed a specific review of its liquidity risk, and has concluded that it can repay its debt as it falls due. In particular, the Group believes that its future cash flows will be adequate to meet its debt repayment commitments and financing requirements.

It should be noted that the Group has:

- the ability to generate significant recurring cash flows for its investing requirements (see Consolidated cash flow statements);
- access to unused loan facilities totaling €810 million;
- a low debt ratio.

The maturities of the Group's financial liabilities as of December 31, 2016 were as follows:

<i>(in thousands of euros)</i>	<b>2016</b>				
	<b>Carrying amount</b>	<b>Contractual cash flow</b>	<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>More than 5 years</b>
<b>Non-derivative financial liabilities</b>					
"OCEANE" Convertible bond issue	437 288	500 000	-	-	500 000
Bond issue	458 509	506 250	11 250	495 000	-
Bank borrowings	(1 756)	1 141	405	736	-
Finance lease obligations	912	912	663	249	-
Bank overdrafts	10 611	10 611	10 611	-	-
Other financial liabilities	229 214	229 214	226 659	2 542	13
Interest accrued but not due	5 404	5 404	5 404	-	-
Trade payables and other current liabilities	489 134	489 134	489 134	-	-
Payables related to intermediation activities	301 611	301 611	301 611	-	-
Other non-current liabilities	109 116	109 116	-	109 116	-
<b>Total</b>	<b>2 040 043</b>	<b>2 153 393</b>	<b>1 045 737</b>	<b>607 643</b>	<b>500 013</b>
<b>Derivative financial liabilities</b>					
Exchange rate instruments	3 801	3 801	3 801	-	-
Interest rate instruments	-	-	-	-	-
<b>Total</b>	<b>3 801</b>	<b>3 801</b>	<b>3 801</b>	<b>-</b>	<b>-</b>

The Group believes it has only limited exposure to bank counterparty risk, because its banks are of premium standing.

The Group's financial liabilities and their maturities are described in Note 9.b, "Net Financial Debt".



The maturities of the Group's financial liabilities as of December 31, 2015 were as follows:

<i>(in thousands of euros)</i>	2015				
	Carrying amount	Contractual cash flow	Less than 1 year	1 to 5 years	More than 5 years
<b>Non-derivative financial liabilities</b>					
"OCEANE" Convertible bond issue	427 757	500 000	-	-	500 000
Bond issue	456 773	517 500	11 250	45 000	461 250
Bank borrowings	(3 008)	-	-	-	-
Finance lease obligations	1 199	1 199	679	520	-
Bank overdrafts	19 980	19 980	19 980	-	-
Other financial liabilities	263 753	263 753	260 779	2 974	-
Interest accrued but not due	5 484	5 484	5 484	-	-
Trade payables and other current liabilities	442 844	442 844	442 844	-	-
Payables related to intermediation activities	266 467	266 467	266 467	-	-
Other non-current liabilities	87 175	87 175	-	87 175	-
<b>Total</b>	<b>1 968 424</b>	<b>2 104 402</b>	<b>1 007 483</b>	<b>135 669</b>	<b>961 250</b>
<b>Derivative financial liabilities</b>					
Exchange rate instruments	990	990	990	-	-
Interest rate instruments	496	496	496	-	-
<b>Total</b>	<b>1 486</b>	<b>1 486</b>	<b>1 486</b>	<b>-</b>	<b>-</b>

#### *Foreign exchange risk*

A large share of Ingenico's revenue and expenses is denominated in foreign currencies. The Group is therefore exposed to foreign exchange risk arising from purchases from payment terminal suppliers and on transactions between subsidiaries and the parent company. The main currencies in which that exposure is significant are the US dollar (USD), the British pound (GBP), the Canadian dollar (CAD) and the Australian dollar (AUD).

Foreign-currency denominated purchases and sales for which there is no "natural" hedge may be covered by a hedge instrument. The Group's objective is to hedge future risks (purchase or sale commitments) and risks already on the balance sheet (currency payables and receivables). The hedging strategy therefore covers both forward and balance sheet exposure.

The main foreign exchange risks hedged by the Group are generated by:

- The purchase and sale in foreign currencies of goods and services associated with the Company's operations (purchases from suppliers, sales to customers);
- Financial assets or liabilities in foreign currencies (in particular, in relation to the financing of subsidiaries);
- Investments in foreign subsidiaries.

The Group uses financial instruments such as forward purchase and sale contracts, currency swaps, options, and foreign lending/borrowing. Monitoring foreign exchange risk is the responsibility of the Treasury Department, which reports to the Chief Financial Officer. In addition, the Group uses specialized software that allows it to track its mark-to-market positions on a daily basis.

The closing rates and average foreign exchange rates used by the Group in 2016 and 2015 are as follows:

<b>Closing rate</b>	<b>2016</b>	<b>2015</b>	<b>Average rate</b>	<b>2016</b>	<b>2015</b>
US Dollar	1,0541	1,0887	US Dollar	1,1066	1,1096
Canadian dollar	1,4188	1,5116	Canadian dollar	1,4664	1,4176
Australian dollar	1,4596	1,4897	Australian dollar	1,4886	1,4765
Pound sterling	0,8562	0,7340	Pound sterling	0,8189	0,7260
Brazilian real	3,4305	4,3117	Brazilian real	3,8616	3,6916
Chinese yuan	7,3202	7,0608	Chinese yuan	7,3496	6,9730

### *Sensitivity to foreign exchange risk*

The following tables show sensitivity to transactional exchange risk. The first table shows balance sheet exposure as of December 31, net of existing hedges. These hedges are classed as fair value hedges. The second table shows hedges on future flows, or cash flow hedges, as of December 31.

<b>Hedges of firm commitments (fair value hedges)</b>	<b>2016</b>			
	<b>US Dollar</b>	<b>Pound sterling</b>	<b>Canadian dollar</b>	<b>Australian dollar</b>
<i>(in thousands of foreign currencies)</i>				
Trade receivables	196 199	28 151	13 801	9 506
Trade payables	(174 347)	(17 487)	(11 875)	(4 026)
<b>Gross balance sheet exposure</b>	<b>21 852</b>	<b>10 664</b>	<b>1 926</b>	<b>5 480</b>
Foreign exchange derivative instruments	-	-	-	-
Forward sales	(13 300)	(6 505)	(3 722)	(2 363)
Collars	-	(2 000)	(1 600)	-
<b>Net balance sheet exposure</b>	<b>8 552</b>	<b>2 159</b>	<b>(3 396)</b>	<b>3 117</b>

<b>Hedges of futures cash-flows Budget 2017</b>	<b>2016</b>			
	<b>US Dollar</b>	<b>Pound sterling</b>	<b>Canadian dollar</b>	<b>Australian dollar</b>
<i>(Cash flow hedge)</i>				
<i>(in thousands of foreign currencies)</i>				
Forward sales	(21 500)	(8 000)	(10 000)	(6 937)
Collars	(3 500)	(2 500)	(4 000)	(4 000)
Call options	(4 500)	(5 000)	(2 000)	-
<b>Hedging of future transactions</b>	<b>(29 500)</b>	<b>(15 500)</b>	<b>(16 000)</b>	<b>(10 937)</b>

<i>(in thousands of foreign currencies)</i>	<b>2015</b>			
	<b>US Dollar</b>	<b>Pound sterling</b>	<b>Canadian dollar</b>	<b>Australian dollar</b>
Trade receivables	204 956	23 954	8 086	25 210
Trade payables	(184 278)	(14 513)	(11 607)	(9 105)
<b>Gross balance sheet exposure</b>	<b>20 678</b>	<b>9 441</b>	<b>(3 521)</b>	<b>16 105</b>
Foreign exchange derivative instruments				
Forward sales	(1 900)	(8 482)	(5 613)	(7 600)
<b>Net balance sheet exposure</b>	<b>18 778</b>	<b>959</b>	<b>(9 134)</b>	<b>8 505</b>

The transactional exchange risk sensitivity table shows the impact of a 10% appreciation or depreciation of the euro against the other currencies on the Group's trade receivables, trade payables and derivative financial hedging instruments. It also shows how those changes would impact the balance sheet and income statement.

**2016**

<i>(in thousands of euros)</i>	<b>10% appreciation of the euro in relation to foreign currencies</b>	<b>10% appreciation of foreign currency in relation to the euro</b>
USD	(16 921)	20 681
GBP	(2 989)	3 653
CAD	(884)	1 081
AUD	(592)	724
<b>Trade receivables</b>	<b>(21 386)</b>	<b>26 139</b>
USD	15 036	(18 378)
GBP	1 857	(2 269)
CAD	761	(930)
AUD	251	(306)
<b>Trade payables</b>	<b>17 905</b>	<b>(21 883)</b>
USD	(1 489)	1 032
GBP	(1 315)	665
CAD	(435)	314
AUD	(169)	170
<b>Derivative financial instruments</b>	<b>(3 408)</b>	<b>2 181</b>
<b>Total</b>	<b>(6 889)</b>	<b>6 437</b>

<i>(in thousands of euros)</i>	<b>10% appreciation of the euro in relation to foreign currencies</b>	<b>10% appreciation of foreign currency in relation to the euro</b>
USD	(17 114)	20 918
GBP	(2 967)	3 626
CAD	(486)	594
AUD	(1 538)	1 880
<b>Trade receivables</b>	<b>(22 105)</b>	<b>27 018</b>
USD	15 388	(18 807)
GBP	1 798	(2 197)
CAD	698	(853)
AUD	556	(679)
<b>Trade payables</b>	<b>18 440</b>	<b>(22 536)</b>
USD	4 236	(3 393)
GBP	2 894	(2 392)
CAD	(894)	891
AUD	(167)	205
<b>Derivative financial instruments</b>	<b>6 069</b>	<b>(4 689)</b>
<b>Total</b>	<b>2 404</b>	<b>(207)</b>

The exchange rate risk on intra-Group financing is always hedged.

The Group may also find it appropriate to hedge certain investment operations abroad.

### Interest rate risk

Interest rate risk is managed at Group level by the Treasury Department. The Group's hedging policy reflects a concern for both security and optimal financing cost management. Based on the trends expected in consolidated debt and in interest rates, the Group sets targets for the mix between fixed-rate and variable-rate debt.

Senior management regularly reviews these targets and resets them for upcoming periods after conferring with the Audit and Finance Committee. The targets are subsequently implemented by the Treasury Department. Interest rate swaps are the main instruments used.

In 2014, the Group put in place an interest rate swap for 50% of the nominal value of the bond issued in 2014, or €225 million, with a 7-year life. This swap turns the Group's fixed-rate exposure into variable-rate exposure.

The table below presents the exposure to interest rate risk of the gross debt (defined as the sum of non-current financial debts, current financial debts and short-term bank borrowings or bank overdrafts) before and after economic hedging:

<i>(in thousands of euros)</i>	2016		2015	
	Outstanding Debt	%Total Debt	Outstanding Debt	%Total Debt
Fixed rate	904 571	79,3%	892 458	76,2%
Variable rate	235 611	20,7%	279 480	23,8%
<b>Gross debt before hedging</b>	<b>1 140 182</b>	<b>100,0%</b>	<b>1 171 938</b>	<b>100,0%</b>
Fixed rate	679 571	59,6%	667 458	57,0%
Variable rate	460 611	40,4%	504 480	43,0%
<b>Gross debt after hedging</b>	<b>1 140 182</b>	<b>100,0%</b>	<b>1 171 938</b>	<b>100,0%</b>

The gross debt exposed to interest rate fluctuations amounted to approximately €460 million at December 31, 2016, compared with €504 million at December 31, 2015.

The decline in the share of the gross debt exposed to interest rate fluctuations is mainly due to the decreased financing by commercial paper at December 31, 2016.

### Sensitivity to interest rate risk

The Group is subject to fluctuations in interest rates on commercial paper and on the portion of bond issues hedged by swaps.

A 100 bp (+/-1%) rise or fall in all the yield curves would lead to an increase or decrease of €4.6 million in gross financial expenditure.

At the same time, the Group has placed its short-term investments in products paying variable rates. The impact on net financial expenditure of a 100 bp rise or fall in the 1-month or 3-month Euribor rate is negligible, as the interest produced by the investments largely offsets this rate risk exposure.

## 10. INCOME TAX

### Income tax

Income tax is recognized in the income statement except to the extent that it relates to a business combination or to items recognized directly in "Equity" or in "Other comprehensive income", in which case it is also recognized respectively in "Equity" or "Other comprehensive income".

Current tax is (i) the expected tax payable on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date; (ii) any adjustment to the amount of current tax payable in respect of previous periods and (iii) all other taxes calculated on a net amount of revenue and expenses.

Deferred tax is recognized for all temporary differences between the carrying amounts of assets and liabilities and their tax bases. No deferred tax is recognized for the following: (i) taxable temporary differences arising on initial recognition of goodwill, (ii) temporary differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future and (iii) the initial recognition of an asset or liability in a transaction which is not a business combination, which affects neither the accounting nor the taxable result. The measurement of deferred tax assets and liabilities depends on the manner in which the Group expects to recover or settle the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available to the Group against which it can be utilized. This assessment is made principally on the basis of the following criteria:

- realization of taxable profits before the expiry of tax losses;
- existence of sufficient temporary differences in the same tax jurisdiction and taxable entity which will result in taxable income against which the tax losses carried forward may be utilized;
- non-recurring nature of the reasons for the existence of the tax losses.

Deferred tax assets are depreciated to the extent that it is no longer probable that sufficient taxable profits will be available.

### Business research and development tax credits

The method used to account for research and development tax credits depends on the tax treatment that applies to them in the various countries:

- if the tax credit is calculated solely on the amount of research and development expenditure, if it does not affect the calculation of taxable income for a subsidiary, if it is not limited by that subsidiary's tax liability and if it can be received in cash, it meets the definition of a government grant given in IAS 20, Accounting for Government Grants and Disclosure of Government Assistance, and is recognized in "Profit from operating activities".
- Otherwise, it is recognized as a reduction of corporate income tax.

### Recent tax regulations in France

The Group classifies the CVAE (French value added tax) as income tax.

#### a. Income tax expense

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Current income tax France	(64 826)	(78 544)
Current income tax foreign	(41 038)	(58 236)
<b>Current income tax</b>	<b>(105 864)</b>	<b>(136 780)</b>
Deferred income tax France	7 987	(3 721)
Deferred income tax foreign	727	15 655
<b>Deferred income tax</b>	<b>8 714</b>	<b>11 934</b>
<b>Total</b>	<b>(97 150)</b>	<b>(124 846)</b>

In 2016, income tax expense for the period consisted primarily of:

- current tax payable in France, China, Germany and Italy;
- the deferred tax gain from the recognition of deferred tax assets – mainly in France, Germany, Spain and Belgium – to account for temporary differences between the carrying amounts of assets and liabilities and their tax bases.

In 2015, income tax expense for the period consisted primarily of:

- current tax payable in France, the United States, the Netherlands, the United Kingdom, and China;
- the deferred tax gain from the recognition of deferred tax assets – mainly in France, Brazil, the United States and the Netherlands – to account for temporary differences between the carrying amounts of assets and liabilities and their tax bases.

The current tax payable by the Group decreased significantly in 2016, mainly reflecting the reduction in the rate of income tax in France from 38% to 34.43%.

In accordance with Article 235 ter ZCA of the French Tax Code, the Group paid additional tax of €1.1 million (€0.9 million in 2015) on dividend distributions to Ingenico Group SA shareholders other than stock dividends, equal to 3% of the amount distributed.

#### b. Group tax reconciliation

The current tax rate for French companies in the Group was 34.43% in fiscal year 2016.

The 2017 Finance Act applies a digressive tax rate for French companies. This will affect the Group's French companies starting 2020. The applicable rate will be 28.92%. The deferred French tax due in 2020 and thereafter is immaterial.

The following table shows a reconciliation of the theoretical tax expense calculated at the applicable rate and the recognized income tax expense.

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
<b>Profit before income tax (excl. share of profits in equity-accounted investees)</b>	<b>348 710</b>	<b>362 173</b>
Tax rate in France	34,43%	38,00%
<b>Theoretical tax expense</b>	<b>(120 061)</b>	<b>(137 625)</b>
Difference between the French tax rate and that of foreign subsidiaries	31 430	26 619
Tax losses and temporary differences for the period not recognized as deferred tax assets	(5 456)	(4 580)
Prior period temporary differences and tax losses recognized as deferred tax assets in the period	3 198	861
Use of prior period tax losses not recognized as deferred tax assets	2 697	396
Tax credits	5 422	3 249
Effect of permanent differences and others	(14 380)	(13 766)
<b>Total</b>	<b>(97 150)</b>	<b>(124 846)</b>
Effective tax rate	27,9%	34,5%

The reconciling items reflect the effect of tax rate differentials and changes as well as the tax effects of non-taxable income or non-deductible expenses arising from permanent differences between local tax bases and the financial statements presented under IFRS.

In 2016 and 2015, permanent differences and other differences included:

- the impact of the French QPFC and withholding taxes related to dividends received from subsidiaries by Ingenico Group SA;
- the impact of the additional tax on dividend payments made in France;
- the effect of classifying the French CVAE tax as an income tax;
- the non-deductibility of the payroll expense arising from the award of stock options and free shares.

### c. Deferred taxes

#### Change in deferred tax assets and liabilities

<i>(in thousands of euros)</i>	<b>Deferred tax assets from tax losses</b>	<b>Deferred tax assets from temporary differences</b>	<b>Total deferred tax assets</b>	<b>Total deferred tax liabilities</b>	<b>Total deferred tax, net</b>
<b>Balance at January 1, 2015</b>	<b>10 376</b>	<b>30 436</b>	<b>40 812</b>	<b>(118 938)</b>	<b>(78 126)</b>
Deferred tax recognized in profit	(4 175)	12 189	8 014	3 920	11 934
Deferred tax recognized in equity and business combinations	-	325	325	(25 896)	(25 571)
Translation differences	(44)	(227)	(271)	136	(135)
Other movements	-	-	-	(1 706)	(1 706)
<b>Balance at December 31, 2015</b>	<b>6 157</b>	<b>42 723</b>	<b>48 880</b>	<b>(142 484)</b>	<b>(93 604)</b>
Deferred tax recognized in profit	2 880	4 303	7 183	1 531	8 714
Deferred tax recognized in equity and business combinations	1 475	(449)	1 026	7 312	8 338
Translation differences	(44)	1 064	1 020	(139)	881
Other movements	(1 233)	1 233	-	-	-
<b>Balance at December 31, 2016</b>	<b>9 235</b>	<b>48 874</b>	<b>58 109</b>	<b>(133 780)</b>	<b>(75 671)</b>

As of December 31, 2016, the change in deferred taxes recognized in equity included the impact of deferred taxes of incoming companies, the recognition of post-employment benefits, and the option premium described in Note 3, "Significant events".

As of December 31, 2015, the change in deferred taxes recognized in equity included the tax liability related to the OCEANE 2015 issue premium amounting to €25.2 million.

#### Breakdown by nature

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
<b>Deferred tax assets by nature of temporary differences</b>		
Property, plant and equipment and intangible assets	8 735	8 627
Employee benefits	11 508	9 042
Inventories, receivables, payables and provisions	79 066	57 780
Unutilized tax losses and credits	9 235	6 157
Others (including financial instruments)	436	1 229
<b>DEFERRED TAX ASSETS</b>	<b>108 980</b>	<b>82 835</b>
Netting effect	(50 871)	(33 955)
<b>TOTAL DEFERRED TAX ASSETS</b>	<b>58 109</b>	<b>48 880</b>
<b>Deferred tax liabilities by nature of temporary differences</b>		
Property, plant and equipment and intangible assets	(105 882)	(113 151)
Employee benefits	(309)	(284)
Inventories, receivables, payables and provisions	(78 367)	(62 824)
Others (including financial instruments)	(93)	(180)
<b>DEFERRED TAX LIABILITIES</b>	<b>(184 651)</b>	<b>(176 439)</b>
Netting effect	50 871	33 955
<b>TOTAL DEFERRED TAX LIABILITIES</b>	<b>(133 780)</b>	<b>(142 484)</b>
<b>NET TOTAL</b>	<b>(75 671)</b>	<b>(93 604)</b>

#### Breakdown of unrecognized deferred tax assets

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
Deferred tax from tax losses and tax credits of less than 1 year	99	-
Deferred tax from tax losses and tax credits of between 1 and 5 years	1 423	1 379
Deferred tax from tax losses and tax credits of over 5 years	29 274	29 176
Deferred tax from temporary differences	2 000	2 416
<b>Total</b>	<b>32 796</b>	<b>32 971</b>

#### d. Current tax payable

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
France	1 926	12 879
Foreign countries	18 110	14 726
<b>Total</b>	<b>20 036</b>	<b>27 605</b>



## 11. EQUITY-ACCOUNTED INVESTEEES AND NON-CONTROLLING INTERESTS

### a. Interests in associate companies

<i>(in thousands of euros)</i>	<b>Nanjing ZTE- Ingenico Network Technology Co., Ltd.</b>	<b>Fixed &amp; Mobile Pte Ltd</b>	<b>Total</b>
% interest at January 1, 2015	39,5%	30,0%	
% interest at December 31, 2015	39,5%	27,3%	
% interest at December 31, 2016	N/A	27,3%	
<b>Balance at January 1, 2015</b>	<b>7 159</b>	<b>6 768</b>	<b>13 927</b>
Share of profit or loss	(1 073)	732	(341)
Impairment loss	(2 285)	-	(2 285)
Translation differences	-	740	740
Accretion	-	252	252
<b>Balance at December 31, 2015</b>	<b>3 801</b>	<b>8 492</b>	<b>12 293</b>
Share of profit or loss	-	(129)	(129)
Impairment loss	(600)	-	(600)
Translation differences	-	273	273
Disposal	(3 201)	-	(3 201)
<b>Balance at December 31, 2016</b>	<b>-</b>	<b>8 636</b>	<b>8 636</b>

On December 31, 2015, an impairment loss was recognized on the investment in ZTE.

This company was sold in 2016.

### b. Non-controlling interests

The share of profit or loss attributable to non-controlling shareholders is recognized in equity attributable to "Non-controlling interests", as is the share of dividends payable to non-controlling shareholders.

#### **Put options (share purchase commitments) on non-controlling interests**

Put options on non-controlling interests in Group subsidiaries are initially recognized as a financial liability for the present value of the exercise price, with a corresponding entry in "Equity attributable to Ingenico SA shareholders". The unwinding of the discount to that liability and the effect of any changes in estimates are recognized in "Equity attributable to Ingenico SA shareholders".

In 2016, as described in Note 3, "Significant events", High Champion Holdings Ltd, a 1.16% non-controlling shareholder in Ingenico Holdings Asia Ltd, sold its interest to the Group.

Since 2015, Fosun Group has held a 20% interest in Ingenico Holdings Asia Limited, the Group's holding company for its entities in China.

Name of subsidiary	Location	Balance at December 31, 2016		Balance at December 31, 2015	
		Percentage of capital and voting rights held by non-controlling interests	Profit for the period - Share of non-controlling interests (in thousands of euros)	Percentage of share capital and voting rights held by non-controlling interests	Profit for the period - Share of non-controlling interests (in thousands of euros)
Ingenico Holdings Asia Limited	Hong Kong	20,0%	(1 110)	21,2%	(67)
Fujian Landi Commercial Equipment Co., Ltd.	China	20,0%	8 139	21,2%	4 784
Ingenico Electronic Equipment Co., Ltd.	China	20,0%	303	21,2%	379
Nanjing ZTE-Ingenico Network Technology Co., Ltd.	Netherlands	0,0%	(127)	8,5%	(710)
Lyudia	Japan	30,0%	(371)	N/A	-
Think&Go NFC	France	20,0%	(279)	N/A	-
<b>Non-controlling interests</b>			<b>6 555</b>		<b>4 386</b>

## 12. EQUITY AND EARNINGS PER SHARE

### Treasury shares

Own shares acquired by Ingenico are classified as treasury shares, and their acquisition cost is deducted from equity.

#### a. Total equity

##### Number of outstanding shares

	2016	2015
<b>Issued on January 1</b>	<b>60 990 600</b>	<b>57 436 781</b>
Shares issued in connection with dividend distributions (1)	502 641	313 580
Shares issued in connection with the conversion of OCEANE bonds into shares (2)	-	3 216 566
Shares issued in connection with options exercised and shares acquired	-	-
Shares issued in connection with a capital increase reserved for employees	-	23 673
<b>Shares issued at the end of the period</b>	<b>61 493 241</b>	<b>60 990 600</b>
Treasury shares at the end of the period	116 534	276 294
<b>Shares outstanding at the end of the period</b>	<b>61 376 707</b>	<b>60 714 306</b>

(1) See section V, "Statement of changes in equity".

(2) Conversion of 3,169,040 2011-2015 OCEANE bonds.

The par value of an Ingenico Group share is €1.

### Treasury shares

<i>(in euros)</i>	2015	Acquisitions	Divestitures and cancellations	2016
Number of securities	276 294	928 167	(1 087 927)	116 534
Average purchase price	25,46	90,03	90,20	23,56
<b>Total</b>	<b>7 034 657</b>	<b>83 558 838</b>	<b>(87 847 450)</b>	<b>2 746 044</b>

<i>(in euros)</i>	2014	Acquisitions	Divestitures and cancellations	2015
Number of securities	280 794	571 303	(575 803)	276 294
Average purchase price	25,53	106,56	106,82	25,46
<b>Total</b>	<b>7 167 308</b>	<b>60 877 401</b>	<b>(61 010 052)</b>	<b>7 034 657</b>

### Shares repurchased to be awarded or retired

The portfolio of treasury shares totaled 276,294 shares as of December 31, 2015. As of December 31, 2016, there were 116,534 treasury shares at an average price of €23.56.

Over the course of the year, 10,200 treasury shares were used for share-based compensation plans. 149,560 treasury shares were cancelled.

### Treasury shares repurchased under the liquidity contract

In 2016, 928,167 shares were repurchased at an average price of €90.03 and 928,167 shares were sold at an average price of €90.20.

The Group held no treasury shares under its liquidity contract as of December 31, 2016 and 2015.

### b. Earnings per share

	2016	2015
Net profit or loss attributable to Ingenico SA shareholders (in thousands of euros)	244 276	230 315
Weighted average number of ordinary shares	61 030 782	60 494 391
<b>Basic earnings per share (in euros)</b>	<b>4,00</b>	<b>3,81</b>

### Basic earnings per share

Basic earnings per share are calculated by dividing the profit for the period attributable to Ingenico Group SA shareholders by the average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares. The average number of ordinary shares is a weighted annual average calculated by adjusting the shares in issue at the beginning of the period for the number of shares bought back or issued during the period, prorated on the basis of the transaction dates.

### Diluted earnings per share

Diluted earnings per share are calculated using the treasury stock method, which

- in the numerator, adjusts the net interest income on bonds convertible to or exchangeable for new or existing shares (OCEANE);
- in the denominator, adds the new shares that are potentially created by dilutive instruments (OCEANE, free shares, and joint investment) to ordinary shares, and subtracts the number of shares that could be repurchased on the market with the proceeds from the exercise of the relevant instruments. The market price used is the average exchange rate on shares during the year.

The diluted number of ordinary shares does not include the purchase of the 1,500,000 options described in Note 3, "Significant events". The acquisition of these call options will allow Ingenico Group to partially cover its obligations to deliver treasury shares in the event of the conversion of its OCEANE bonds, which are convertible into or exchangeable for new or existing shares and mature on June 26, 2022.

<i>(in thousands of euros)</i>	2016	2015
<b>Net profit or loss attributable to Ingenico SA shareholders</b>	<b>244 276</b>	<b>230 315</b>
Interest expense related to OCEANE convertible bond debt (net of income tax)	6 746	3 720
<b>Diluted net profit or loss attributable to Ingenico SA shareholders</b>	<b>251 022</b>	<b>234 035</b>
<b>Weighted average number of existing shares</b>	<b>61 030 782</b>	<b>60 494 391</b>
Impact of dilutive instruments:		
- free shares granted	264 971	130 266
- conversion of convertible bonds	2 910 252	1 593 413
<b>Diluted weighted average number of ordinary shares</b>	<b>64 206 005</b>	<b>62 218 070</b>
<b>Diluted earnings per share (in €)</b>	<b>3,91</b>	<b>3,76</b>

### 13. OFF BALANCE-SHEET ITEMS

<i>(in thousands of euros)</i>	<b>2016</b>	<b>2015</b>
<b>COMMITMENTS RECEIVED</b>		
Various guarantees	2 791	3 106
Liability warranty as part of the acquisition of an 83.86% interest in Roam Data Inc.: unlimited duration (commitment: USD 700,000).	664	643
Liability warranty as part of TNET acquisition: unlimited duration and amount.	unlimited	unlimited
Liability warranty as part of Paycom acquisition. Expiry dates as follows: July 1, 2021 for corporate warranties, December 31, 2015 for tax warranties and July 1, 2013 for other warranties.	12 381	12 381
Liability warranty as part of PT Payment Indonesia acquisition. Total Liability warranties amount to USD 4.5 million. Expiry dates as follows: - tax: until January 2018 - corporate: unlimited duration - other warranties: until July 2014	4 269	4 133
Liability warranty as part of Ogone acquisition The net asset warranty (not including the special warranty) totaled €89.3 million. Expiry dates as follows: - tax until December 31, 2016 - corporate: unlimited duration - other warranties until September 2014 - an additional special warranty for tax losses on the acquisition of the holding company in Luxembourg, expiring December 31, 2016.	89 325	89 325
Liability warranty in connection with the acquisition of Think & Go. - The overall cap is €500,000 and a duration of 12 months, with the exception of social security and payroll expenses for which the maximum duration is 3 years. - The tax and social security cap is €150,000. - The basic warranties are unlimited in duration and amount.	500	-
Liability warranty in connection with the acquisition of Lyudia. It covers general warranties for a duration of 24 months from April 26, 2016, and tax warranties for a duration of 5 years.	3 647	-
Basic warranties unlimited in duration and amount, received in connection with the repurchase of Ingenico Holdings Asia shares.	unlimited	-
Liability warranty in connection with the acquisition of Nera Payment Services. It covers tax warranties for a duration of 6 years, and other warranties for a duration of 1 year. The basic warranties are unlimited in duration and amount.	13 846	-
<b>OTHER COMMITMENTS RECEIVED</b>		
As part of the disposal of Fixed & Mobile Pte Ltd, 16,650 shares in the company were provided to the Group as collateral for its receivable and the loan granted to the acquirers. The collateral interest will end when both amounts have been paid in full.	-	-
<b>COMMITMENTS GIVEN</b>		
Various guarantees	21 973	21 485
Liability warranty as part of Sagem Denmark disposal in 2009: - tax warranty valid until expiration of time limit for tax claims (May 2013, except for transfer pricing until January 2016)	-	20 254
Liability warranty as part of disposal of 20% of Ingenico Holdings Asia. Total Liability warranties amount to USD 26.1 million. Expiry dates as follows: - Standard warranties until October 2016 - Tax warranties until June 2022 - Basic warranties valid until expiration of time limit for tax claims	24 795	24 007
Liability warranty as part of the disposal of 12% of Beamm Inc. in November 2015. Unlimited amount and covering the basic warranties until expiration of time limit for tax claims, on November 17, 2018.	unlimited	unlimited

Liability warranty as part of the disposal of ZTE shares. It is unlimited in duration and amount and covers the basic warranties.	unlimited	-
<b>OTHER COMMITMENTS GIVEN</b>		
The Group has committed to contributing €15 million to an investment fund. Cash calls subscribed are recorded in the balance sheet for a total of €6.3 million.	8 751	10 618

In 2016, the Group had the following commitments in connection with its business activities:

- approximately €121.1 million in firm price orders placed by the Group with its manufacturers as of December 31, 2016;
- future payments under non-cancelable operating leases.

The table below shows future minimum lease payments due at year-end under non-cancelable operating leases.

<i>(in thousands of euros)</i>	2016	2015
Commitments given on non-cancelable leases	83 686	97 442

The following table presents the breakdown by maturity and operational segment of commitments given by the Group under non-cancelable operating leases as of December 31, 2016:

<i>(in thousands of euros)</i>	2016						Total
	Central Operations	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	
Y+1	7 342	5 531	3 373	468	139	4 446	21 299
Y+2	8 567	3 530	2 352	433	-	4 028	18 910
Y+3	8 556	2 264	2 142	425	-	1 841	15 228
Y+4	8 555	1 465	1 670	393	-	1 482	13 565
Y+5 and following	2 185	7 270	890	2 852	-	1 487	14 684
<b>Total</b>	<b>35 205</b>	<b>20 060</b>	<b>10 427</b>	<b>4 571</b>	<b>139</b>	<b>13 284</b>	<b>83 686</b>

The following table presents the breakdown by maturity and operational segment of commitments given by the Group under non-cancelable operating leases as of December 31, 2015:

<i>(in thousands of euros)</i>	2015						Total
	Central Operations	Europe & Africa	APAC & Middle East	North America	Latin America	ePayments	
Y+1	10 384	4 668	2 357	473	96	5 101	23 079
Y+2	8 554	3 730	1 860	484	-	2 358	16 986
Y+3	8 303	2 701	493	448	-	2 358	14 303
Y+4	8 276	1 312	322	439	-	2 358	12 707
Y+5 and following	13 525	8 828	949	3 293	-	3 770	30 365
<b>Total</b>	<b>49 042</b>	<b>21 239</b>	<b>5 981</b>	<b>5 137</b>	<b>96</b>	<b>15 945</b>	<b>97 440</b>

The Group is entitled, in connection with its business activities, to receive future minimum rental income in respect of non-cancelable operating leases amounting to €9.4 million in 2016 and €10.2 million in 2015.

## 14. MAIN CONSOLIDATED SUBSIDIARIES OF THE GROUP

### **Principles of consolidation**

#### **Fully-consolidated subsidiaries**

A subsidiary is an entity controlled by the Group. The Group controls an entity when it has power over that entity, is exposed to variable benefits from that entity and, due to its power over that entity, has the ability to influence the benefits that it draws from it.

The Group takes account of substantial voting rights in assessing control, i.e., rights that are currently exercisable or exercisable at the time that decisions on relevant business are taken.

The financial statements of all subsidiaries are included in the consolidated financial statements from the date on which the Company gains control until the date on which this control ceases.

#### **Associates**

An associate is an entity over whose financial and operating policies the Group has significant influence, without having control or joint control over those policies. The consolidated financial statements include the Group's share of the profit or loss and of the other comprehensive income of all associates accounted for using the equity method, from the date on which the Group gains significant influence until the date on which this influence ceases.

#### **Jointly controlled operations**

A jointly controlled operation is a joint venture operated by a company and one or more other parties under the terms of a contractual agreement which grants it rights to its net assets. There are no joint ventures within the Group's consolidation scope.

#### **Transactions eliminated in the consolidated financial statements**

Intragroup balances, income and expenses arising from intragroup transactions are eliminated in full in the consolidated financial statements.

Corporate name	Country	% interest	Consolidation method
INGENICO GROUP SA	France	Parent company	
<b>Main consolidated subsidiaries</b>			
DI Deutsche Ingenico Holding GmbH	Germany	100%	Full
Ingenico e-Commerce Solutions GmbH	Germany	100%	Full
Ingenico GmbH	Germany	100%	Full
Ingenico Healthcare GmbH	Germany	100%	Full
Ingenico Marketing Solutions GmbH	Germany	100%	Full
Ingenico Payment Services GmbH	Germany	100%	Full
Ingenico International (Pacific) Pty Ltd	Australia	100%	Full
Ingenico e-Commerce Solutions SPRL	Belgium	100%	Full
Ingenico Financial Solutions SA	Belgium	100%	Full
Ingenico do Brasil Ltda.	Brazil	100%	Full
Ingenico Canada Ltd.	Canada	100%	Full
Fujian Landi Commercial Equipment Co., Ltd.	China	80%	Full
Ingenico Electronic Equipments (Beijing) Co., Ltd.	China	80%	Full
Ingenico Colombia Ltda.	Colombia	100%	Full
Ingenico Iberia, S.L.	Spain	100%	Full
Ingenico (Latin America) Inc.	United States	100%	Full
Ingenico Corp.	United States	100%	Full
Roam Data Inc.	United States	100%	Full
Ingenico Business Support SAS	France	100%	Full
Ingenico Connected Screens SAS	France	80%	Full
Ingenico e-Commerce Solutions SAS	France	100%	Full
Ingenico France SAS	France	100%	Full
Ingenico Prepaid Services France SAS	France	100%	Full
Ingenico Terminals SAS	France	100%	Full
Think & Go NFC SAS	France	80%	Full
Ingenico (UK) Ltd.	United Kingdom	100%	Full
Ingenico e-Commerce Solutions Ltd.	United Kingdom	100%	Full
Ingenico Holdings Asia Limited	Hong Kong	80%	Full
Ingenico Hungary Kft.	Hungary	100%	Full
Ingenico International India Pvt Ltd.	India	100%	Full
E-Billing Solutions Pvt Ltd.	India	100%	Full
PT. Ingenico International Indonesia	Indonesia	100%	Full
Ingenico Italia SpA	Italy	100%	Full
Lyudia K.K.	Japan	70%	Full
Ingenico Payment Systems Africa SARLAU	Morocco	100%	Full
Ingenico Mexico S.A. de C.V.	Mexico	100%	Full
GCS Holding BV	Netherlands	100%	Full
Global Collect BV	Netherlands	100%	Full
Ingenico e-Commerce Solutions BV	Netherlands	100%	Full
Ingenico Philippines Corp.	Philippines	100%	Full



<b>Corporate name</b>	<b>Country</b>	<b>% interest</b>	<b>Consolidation method</b>
Ingenico Polska Sp. z o.o	Poland	100%	Full
Ingenico CZ S.r.o.	Czech Republic	100%	Full
Ingenico LLC	Russia	100%	Full
Ingenico International (Singapore) Pte Ltd.	Singapore	100%	Full
Ingenico Payment Solutions Pte Ltd.	Singapore	100%	Full
Ingenico (Suisse) SA	Switzerland	100%	Full
Ingenico e-Commerce Solutions GmbH	Switzerland	100%	Full
Ingenico International (Thailand) Co., Ltd.	Thailand	100%	Full
Ingenico Ödeme Sistem Çözümleri AS	Turkey	100%	Full
FIXED & MOBILE Pte Ltd.	Singapore	27,3%	Equity associates

## 15. SUBSEQUENT EVENTS

On January 30, 2017, the Group announced that it had signed an agreement in principle to acquire 100% of TechProcess.

Founded in 2000, TechProcess is a leading player in online and mobile payments, based in Mumbai and employing approximately 600 people across 40 cities in India. The company has developed solutions and acquired significant positions in multiple market segments, notably in online payment platforms, invoice payments, mobile payments, and "recurring" payments via the NACH system (automated clearing house).

The acquisition of TechProcess will strengthen Ingenico Group's strategy in India.

The transaction is expected to be finalized in the first quarter of 2017.

## 16. AUDIT FEES

Ingenico Group's auditors' fees for 2016 and 2015 break down as below:

<i>(in thousands of euros)</i>	KPMG				MAZARS			
	2016			2015	2016			2015
	KPMG SA	KPMG affiliates	Total	Total	Mazars	Mazars affiliates	Total	Total
Certification of accounts	204	684	888	1 191	213	490	703	667
Other services	79	418	497	422	50	1	51	7
<b>Total</b>	<b>283</b>	<b>1 102</b>	<b>1 385</b>	<b>1 613</b>	<b>263</b>	<b>491</b>	<b>754</b>	<b>674</b>