Consolidated financial statements

December 31, 2017

Free translation into English of the consolidated financial statements as of December 31, 2017 issued in French, provided solely for the convenience of the English speaking users.

I. CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	2017	2016
REVENUE	4	**2 510 437**	**2 311 941**
Cost of sales	5.a.	(1 475 043)	(1 336 535)
GROSS PROFIT		**1 035 394**	**975 406**
Distribution and marketing costs		(223 891)	(204 535)
Research and development expenses		(186 389)	(178 270)
Administrative expenses		(223 553)	(231 531)
PROFIT FROM ORDINARY ACTIVITIES		**401 561**	**361 070**
Other operating income	5.b.	302	3 865
Other operating expenses	5.b.	(30 379)	(8 425)
PROFIT FROM OPERATING ACTIVITIES		**371 484**	**356 510**
Finance income	9.a.	46 545	76 521
Finance costs	9.a.	(69 410)	(84 321)
NET FINANCE COSTS		**(22 865)**	**(7 800)**
Share of profits in equity-accounted investees	11.a.	(1 419)	(729)
PROFIT BEFORE INCOME TAX		**347 200**	**347 981**
Income tax expense	10	(87 013)	(97 150)
NET PROFIT		**260 187**	**250 831**
Attributable to:			
- Ingenico Group SA shareholders		256 167	244 276
- non-controlling interests	11.b	4 020	6 555
EARNINGS PER SHARE (in euros)	12.b.		
Net earnings:			
- basic earnings per share		**4,14**	**4,00**
- diluted earnings per share		**4,06**	**3,91**

II. STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Notes	2017	2016
Profit for the period attributable to Ingenico Group SA shareholders		**256 167**	**244 276**
Translation differences (1)		(58 917)	(3 483)
Gains or losses from derivative hedging instruments (2)	9.c.	1 065	(407)
Gains or losses from available-for-sale financial assets		1 109	(7 657)
Actuarial gains/(losses) on defined benefit plans	6.c.	(1 404)	(7 801)
Income tax on gains/(losses) accounted in other comprehensive income		(473)	3 934
TOTAL GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME AND ATTRIBUTABLE TO INGENICO GROUP SA SHAREHOLDERS (3)		**(58 620)**	**(15 414)**
Profit for the period and other comprehensive income attributable to Ingenico Group SA shareholders		197 547	228 862
Profit for the period and other comprehensive income attributable to non-controlling interests		4 020	6 555
Translation differences attributable to non-controlling interests		(3 520)	(353)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**198 047**	**235 064**

(in thousands of euros)	Notes	2017	2016
Income tax on translation adjustments			3
Income tax on gains or losses from derivative hedging instruments		(350)	157
Income tax on gains or losses from available-for-sale financial assets		(342)	2 225
Income tax on actuarial gains and losses on defined benefit plans		219	1 549
TAXES ON GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME		**(473)**	**3 934**

(1) In 2017, translation differences mainly arise from subsidiaries reported in US dollars. In 2016, translation differences were partly due to the decline in the pound sterling.
(2) 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”.
(3) All items recognized in “Other comprehensive income”, except for actuarial gains and losses on defined benefit plans, will subsequently be recycled to the consolidated income statement.

III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	Notes	2017	2016
Goodwill	7.a.	2 478 521	1 409 291
Other intangible assets	7.b.	957 504	488 151
Property, plant and equipment	7.c.	88 365	74 893
Investments in equity-accounted investees	11.a.	7 565	8 636
Financial assets		19 833	16 633
Deferred tax assets	10.c.	61 062	58 109
Other non-current assets	5.f.	39 416	27 491
TOTAL NON-CURRENT ASSETS		**3 652 266**	**2 083 204**
Inventories	5.d.	170 573	172 483
Trade and related receivables	5.e.	556 507	501 061
Receivables related to intermediation activities	5.k.	172 708	28 525
Other current assets	5.f.	38 776	23 972
Current tax assets		21 000	26 962
Derivative financial instruments	9.c.	8 303	12 444
Funds related to intermediation activities	5.k.	460 555	273 086
Cash and cash equivalents	9.b.	595 939	1 013 854
TOTAL CURRENT ASSETS		**2 024 361**	**2 052 387**
TOTAL ASSETS		**5 676 627**	**4 135 591**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes	2017	2016
Share capital		62 363	61 493
Share premium account		817 990	762 360
Other reserves		981 523	840 986
Translation differences		(22 090)	37 827
Equity for the period attributable to Ingenico Group SA shareholders	12.a.	**1 839 786**	**1 702 666**
Non-controlling interests		**11 130**	**4 238**
TOTAL EQUITY		**1 850 916**	**1 706 904**
Non-current borrowings and long-term debt	9.b.	1 549 115	896 440
Provisions for retirement and benefit obligations	6.c.	25 132	24 804
Other long-term provisions	8	24 417	24 164
Deferred tax liabilities	10.c.	226 546	133 780
Other non-current liabilities	5.h.	66 520	126 866
TOTAL NON-CURRENT LIABILITIES		**1 891 730**	**1 206 054**
Short-term loans and borrowings	9.b.	552 619	243 742
Other short-term provisions	8	19 026	29 797
Trade and related payables	5.g.	510 708	504 601
Payables related to intermediation activities	5.k.	598 323	301 611
Other current liabilities	5.i.	226 309	119 045
Current tax liabilities	10.d.	24 340	20 036
Derivative financial instruments	9.c.	2 656	3 801
TOTAL CURRENT LIABILITIES		**1 933 981**	**1 222 633**
TOTAL LIABILITIES		**3 825 711**	**2 428 687**
TOTAL EQUITY AND LIABILITIES		**5 676 627**	**4 135 591**

IV. CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euros)	Notes	2017	2016
Profit for the period		**260 187**	**250 831**
Adjustments for:			
- Share of profits in equity-accounted investees		1 419	729
- Income tax expense/(income)		87 013	97 150
- Depreciation, amortization and provisions		110 698	93 027
- Change in fair value		3 223	(3 805)
- (Gains)/losses on disposal of assets		74	100
- Net interest costs/(income)		18 802	3 296
- Share-based payment expense(1)		13 315	23 994
Interest paid		(11 578)	(11 867)
Income tax paid		(96 921)	(131 066)
Cash flows from operating activities before change in net working capital		**386 232**	**322 389**
Inventories		(9 594)	(25 595)
Trade and related receivables		(65 380)	(12 075)
Trade and related payables		7 259	25 397
Change in net working capital	**5.j.**	**(67 715)**	**(12 273)**
Change in working capital of merchants prefinancing (2)		21 003	-
CASH FLOWS FROM OPERATING ACTIVITIES		**339 520**	**310 116**
Acquisition of fixed assets		(87 784)	(76 570)
Proceeds from sale of tangible and intangible fixed assets		778	8 650
Acquisition of subsidiaries, net of cash acquired	3	(1 257 079)	(53 460)
Disposal of subsidiaries, net of cash disposed of	3	-	3 283
Loans and advances granted and other financial assets		(4 337)	(15 646)
Loan repayments received		7 596	987
Dividend income		6 138	-
Interest received		7 464	8 017
CASH FLOWS FROM INVESTING ACTIVITIES		**(1 327 224)**	**(124 739)**
Proceeds from share capital issues *		1 769	-
(Purchase) sale of treasury shares *		178	180
Proceeds from loans and borrowings	9.b.	919 377	-
Repayment of loans and borrowings	9.b.	(274 791)	(37 731)
Change in the Group’s ownership interests in controlled entities *		8 822	575
Financing of merchant prefinancing (2)		(21 003)	-
Changes in other financial liabilities	9.b.	(702)	(281)
Effect of financial derivative instruments *		-	(13 703)
Dividends paid to shareholders *		(40 479)	(36 284)
Taxes on financing activities *		(1 724)	(1 063)
CASH FLOWS FROM FINANCING ACTIVITIES		**591 447**	**(88 307)**
Currency translation effect on cash and bank overdrafts		(18 414)	6 271
CHANGE IN CASH AND CASH EQUIVALENTS		**(414 671)**	**103 341**
Net cash and cash equivalents at beginning of the year		1 003 243	899 902
Net cash and cash equivalents at year end		588 572	1 003 243

(in thousands of euros)	**2017**	**2016**
Short-term investments and short-term deposits (only for the portion considered as cash equivalents)	89 966	285 130
Cash	505 973	728 724
Bank overdrafts	(7 367)	(10 611)
TOTAL NET CASH AND CASH EQUIVALENTS	**588 572**	**1 003 243**

(1) In 2017, the share-based payment expense of €13.3 million includes €8.1 million paid in equity instruments and €5.2 million paid in cash.

(2) In the scope of its transactional services activity, the Group provides intermediation between merchants, credit card issuers, and end consumers. The expected funds corresponding to the end consumer's payment are recorded as receivables related to intermediation activities whilst funds received and not yet remitted to merchants are recorded as funds related to intermediation activities, i.e. excluded from cash and cash equivalents. The counterparty is a payable due to merchants. The receipt and remittance of these funds are neutral transactions on the Group's cash flow statement and are recorded on the balance sheet as assets and liabilities and presented in the Group's consolidated Statement of financial position.

In the scope of Bambora's activities, some funds happen be remitted to merchants even before they have been received by the Group, from credit card issuers. The duration of this "merchant pre-financing" is generally one or two days. To avoid drawing on its cash to provide this upfront remittance to merchants, the Group uses a specific and dedicated bank financing. The cash requirement impact and its immediate financing are included in operational activities and in financing transactions on the cash flow statement.

* Cash flows from financing activities without effect on the changes in gross financial debt (equity items).

V. CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

(in thousands of euros)	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
Balance at January 1, 2016	**60 991**	**722 397**	**40 677**	**(358)**	**(7 034)**	**689 323**	**1 505 996**	**4 858**	**1 510 854**
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)
Total comprehensive income for the period			**(3 483)**	**(250)**		**232 595**	**228 862**	**6 202**	**235 064**
Dividends paid to shareholders (1)						(34 475)	(34 475)	(4 540)	(39 015)
Stock dividends paid to shareholders: payment of dividend in shares (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
Remeasurement effect 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
Balance at December 31, 2016	**61 493**	**762 360**	**37 827**	**(607)**	**(2 745)**	**844 338**	**1 702 666**	**4 238**	**1 706 904**
Profit for the period 2017						256 167	256 167	4 020	260 187
Other comprehensive income			(58 917)	715		(418)	(58 620)	(3 520)	(62 140)
Total comprehensive income for the period			**(58 917)**	**715**		**255 749**	**197 547**	**500**	**198 047**
Dividends paid to shareholders (1)						(37 740)	(37 740)		(37 740)
Stock dividends paid to shareholders (2)	732	54 004				(54 736)			
Treasury shares (3)					48	85	133		133
Share-based payments and exercise of stock options (4)	138	1 626				8 104	9 868		9 868
Remeasurement effect of put options (5)						(35 810)	(35 810)		(35 810)
Dilutions			(1 000)			3 979	2 979	5 577	8 556
Accretions (7)						(815)	(815)	815	
Others (8)						958	958		958
Balance at December 31, 2017	**62 363**	**817 990**	**(22 090)**	**108**	**(2 697)**	**984 112**	**1 839 786**	**11 130**	**1 850 916**

<u>2017:</u>

(1) Cash dividend of €1.50 per share paid out on June 12, 2017.

(2) Stock dividend financed through incorporation of reserves and issuance of 731,856 new shares.

(3) The treasury shares portfolio is described in Note 12 “Equity”.

(4) Share-based payments:

- The increase in consolidated reserves reflects the fair value adjustments to free share awards and other instruments 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 during the financial year.

(5) Revaluation of put options granted to minority shareholders of the subsidiaries Ingenico Holdings Asia Ltd and Ingenico Japan Co. Ltd.

(6) Transfer of 3% of Ingenico Holdings Asia Ltd to managers of the Group’s Chinese activities.

(7) Acquisition of minority interests in Think&Go (via Ingenico Connected Screens).

(8) Includes the effect of decrease in French tax rate on deferred taxes recognized in equity (from 2019).

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. The treasury shares portfolio is described in Note 12 “Equity”.

[4] Share-based payments:

- The increase in consolidated reserves reflects fair value adjustments to free share awards and other instruments recognized each year in “Profit from operating activities”.

[5] Revaluation of put option granted to the minority shareholder of Ingenico Holdings Asia Ltd.

[6] Including the buyout of 1.16% of the shares of Ingenico Holdings Asia Ltd from High Champion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 shares were admitted for trading on the Paris Stock Exchange in 1985.

The consolidated financial statements were approved by the Board of Directors on February 21, 2018. They will be submitted for approval to the shareholders at their Annual General Shareholders’ Meeting of May 16, 2018.

2. ACCOUNTING PRINCIPLES AND METHODS

The consolidated financial statements for fiscal year 2017 were prepared in accordance with IFRS (International Financial Reporting Standards) as published by the IASB (International Accounting Standards Board) and as adopted by the European Union on December 31, 2017. These standards are available on the European Union’s website:

http://ec.europa.eu/internal_market/accounting/ias/index_en.htm.

The new standards in effect as of January 1, 2017 that concern the Group are as follows:

- Amendment to IAS 7: Initiative concerning information to be provided;
- Amendment to IAS 12: Recognition of deferred tax assets for unrealized losses;
- Annual improvements to IFRS – Cycle 2014-2016;

The adoption of these standards did not result in material changes to the Group’s consolidated financial statements.

The Group has not applied in advance those standards, amendments or interpretations which, as of December 31, 2017, had been adopted by the IASB or IFRIC as well as by the European Union and whose application is not mandatory. These concern:

- IFRS 15: Income from ordinary activities derived from contracts concluded with customers;
- Clarification of IFRS 15: Income from ordinary activities derived from contracts concluded with customers;
- IFRS 9: Financial instruments;
- Amendment to IFRS 4: Application of IFRS 9 and IFRS 4;
- IFRS 16: Leasing contracts.

In 2015 and 2016, the Group conducted qualitative and quantitative analyses to assess the impact of the new IFRS 15 standard on revenue recognition.

On the topic of payment services contracts, the Group considers it is acting as principal, and does not foresee a change of its position. Indeed, the services provided by the subsidiaries are full services, a global solution that includes payment processing, via the Ingenico platform, the success of the transaction through collecting, and the remittance of funds on the merchant’s bank accounts. In the frame of the Bambora acquisition in 2017, the Group will keep investigating the matter, in accordance with issued Clarifications of IFRS 15.

The other provisions of the standard marginally affect the Group’s revenue recognition and only relate to specific contracts on which part of the revenue will be deferred.

The Group will apply IFRS 15 retrospectively. To this end, from 2017, the Group began to identify the necessary restatements to its quarterly financial statements that will be used for reference in 2018. The first results of these restatements corroborate those of the analysis previously conducted.

As a result, the Group does not anticipate any major impacts from the application of IFRS 15 and its financial indicators should be marginally affected. This applies to the terminal distribution activity, for which revenue is generally recognized at a point in time, as well as to the transactional services activity, for which revenue is generally recognized over time.

IFRS 9 will be applied from January 1, 2018, with retrospective effect. The Group plans to apply the exemption on the restatement of the comparative information and intends to account for potential adjustments to its 2018 opening balance sheet through equity.

The expected impacts of IFRS 9 on the financial statements of the Group are listed below:

(a) Classification and measurement of financial instruments

IFRS 9 defines 3 categories to classify financial assets: (1) at amortized cost, (2) at fair value through profit and loss, and (3) at fair value through comprehensive income. After analysis, financial assets at amortized costs will still be classified and measured as such.

(b) Depreciations

The new “expected loss model” replaces the previous “incurred loss” method in IAS 39. The Group expects receivable depreciations to be accounted for earlier in the expected loss model. Based on a first assessment, the Group does not anticipate material changes in its financial statements.

(c) Hedge accounting

The Group essentially initiates micro-hedging transactions. The Group has decided to apply phase 3 of IFRS 9 starting January 1, 2018, after putting in balance the limited cost of implementation and the benefits of the method.

Finally, the Group chose not to opt for early application of IFRS 16 at the same time as IFRS 15.

The Group has not applied in advance those standards, amendments or interpretations which, as of December 31, 2017, had been adopted by the IASB or IFRIC but not yet adopted by the European Union. These are as follows:

- IAS 40: Transfers of investment properties;
- Annual improvements to IFRS: Cycle 2014-2016;
- Interpretation of IFRIC 22: Transactions in foreign currency and early counterparty;
- Interpretation of IFRIC 23: Uncertainty relating to tax treatment.

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 that may affect the application of the accounting methods, and the reported amounts of assets and liabilities, as well as certain income and expenses for the period. These estimates involve, mainly:

- asset impairment tests (Note 7);
- put option debt (Note 5);
- available-for-sale financial assets (Note 5);
- valuation assumptions used to identify intangible assets acquired as part of business combinations;
- expenses related to share-based payments (Note 6);
- determination of the useful lives of intangible assets (Note 7);
- estimation of provisions, especially for litigation (Note 8);
- assets and liabilities arising from finance lease contracts (Note 5);
- assumptions used for the recognition of deferred 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);
- 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 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

Group reorganization

On February 23, 2017, Ingenico Group announced its reorganization based on two customer-centric Business Units that address the distinct needs of physical and online retailers as well as banks & acquirers.

The Retail Business Unit helps large retailers and e-merchants to support consumers in their omnichannel purchasing journey, to develop their cross-border activities and increase their conversion rate. It combines payment terminals, in-store and online payment services and omnichannel payment solutions to offer a unified customer experience.

The Banks and Acquirers ("B&A") Business Unit allows banks and acquirers to reduce the complexity of payment management and differentiate their offer to merchants. It offers an optimized range of terminals, as well as value-added services, built around terminals.

Consequently, the Group's operating segments and cash generating units (CGU) have been changed.

According to IFRS 8, an operating segment is a component of an entity:

- (a) that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) ;
- (b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and ;
- (c) for which discrete financial information is available.

Under the three above criteria, the operating segments are Banks and Acquirers on the one hand and Retail on the other.

Under IAS 36, a cash generating unit is the smallest identifiable group of assets that generates cash inflows independently of cash inflows generated by other assets or groups of assets.

Each unit or group of units to which goodwill is thereby allocated:

- (a) must represent within the entity the lowest level at which goodwill is tracked for internal management purposes; and
- (b) must not be larger than an operating segment as defined by IFRS 8.

Banks and Acquirers form a single operating segment, whose financial performance is monitored by the Executive Committee as a single BU. However, within Banks and Acquirers, each geographic region is considered on a stand-alone basis from organizational, commercial, and investment stand of point. This segment is thus divided into several CGUs: North America, Latin America, Europe and Middle East, and Asia Pacific & China.

There are thus five Group CGUs in the new organization: Retail and each of the four geographic regions of Banks and Acquirers.

Acquisition of TechProcess

On February 20, 2017, the Group acquired Indian company TechProcess. Founded in 2000, TechProcess has developed solutions and acquired significant positions in multiple market segments, notably in online payment platforms, invoice payments, mobile payments, and "recurring" payments. The acquisition of TechProcess will strengthen Ingenico Group's strategy in India.

TechProcess is part of the Retail operational segment.

Acquisition of SST

On April 27, 2017, the Group acquired System of Secure Transactions LLC ("SST"), a partner and distributor of Ingenico Group in Ukraine since 1997.

SST is integrated within the Group's accounts in the Banks and Acquirers operational segment.

Acquisition of Bambora

On November 14, 2017, the Group finalized the acquisition of the Swedish group Bambora, for a total consideration of €1.5 billion.

Bambora specializes in payment, in-store, mobile and online services, addressing the large companies' market as well as that of small and medium-sized merchants. The group employs more than 700 people in Europe, North America, and Australia.

Bambora is initially integrated within the Retail operational segment.

Acquisition of IECISA

In October 2017, the Group announced the acquisition of IECISA Electronic Payment System, a leading supplier of payment services in Spain. IECISA Electronic Payment System is the division of Informática El Corte Inglés, S.A. (IECISA), the technology and digital division of El Corte Inglés. The transaction includes a cooperation agreement with IECISA to offer innovative payment services to merchants.

This acquisition was made in the form of the purchase of assets, which are integrated within the Retail operational segment.

Pro forma information is included in Note 17 of this document.

Exit from European Union of United Kingdom (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 provision for retirement.

In 2017, the sterling exchange rate continued to increase, from 0.8562 at December 31, 2016 to 0.8872 at December 31, 2017. The same net profit recorded in subsidiaries whose accounting is held in pound sterling therefore contributed less to the Group 2017 consolidation.

Furthermore, the Group's conversion reserves recorded a negative impact of €2.3 million.

At December 31, 2017, Brexit did not incur any impairment of assets or restructuring expense to the Group.

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.

As described in Note 3, "Significant events", the Group's reorganization in 2017 had the effect of changing operating segments. The operating segments used at December 31, 2017 are therefore Banks and Acquirers on the one hand and Retail on the other. The figures relating to 2016 were restated in order to present comparable financial information.

Revenue and profit from ordinary activities by activity and segment

(in thousands of euros)	2017		
	Banks & acquirers	**Retail**	**Consolidated**
External revenue	**1 411 084**	**1 099 353**	**2 510 437**
Terminals			1 661 545
Transactions			848 892
Profit from ordinary activities	**338 755**	**62 806**	**401 561**

(in thousands of euros)	2016		
	Banks & acquirers	**Retail**	**Consolidated**
External revenue	**1 300 644**	**1 011 297**	**2 311 941**
Terminals			1 584 031
Transactions			727 910
Profit from ordinary activities	**291 062**	**70 008**	**361 070**

In 2016, the revenue generated by the Group's French entities amounted to €229.7 million. It rises to €262.8 million in 2017.

Expenses without counterparty in cash

(in thousands of euros)	2017		
	Banks & acquirers	**Retail**	**Consolidated**
Depreciation and amortization expenses	35 694	89 327	125 021
Additions to provisions, net of reversals and share-based payments	(1 750)	742	(1 008)

(in thousands of euros)	2016		
	Banks & acquirers	**Retail**	**Consolidated**
Depreciation and amortization expenses	28 379	62 051	90 430
Additions to provisions, net of reversals and share-based payments	18 409	8 182	26 591

5. OPERATIONAL DATA

Sale of goods and services

The Group earns most of its revenue from the sale and rental 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 provision of services, 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. In contrast, when it is determined that the Group acts as principal, revenue is recognized on a gross basis.

Multiple-element arrangements

Revenue arising from 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 income statement by function, this note shows the main operating costs and expenses by nature.

Depreciation and amortization expense and impairment break down as follows:

(in thousands of euros)	2017	2016
Provisions/(reversals)		
Depreciation and amortization of intangible assets	93 645	66 226
Depreciation and amortization of property, plant and equipment	31 376	24 204
Provision for inventories	321	(3 656)
Impairment for trade receivables	(2 466)	8 703
Total	**122 876**	**95 477**

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 to 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:

(in thousands of euros)	2017	2016
Cost of terminals	(884 636)	(860 693)
Cost of services and software	(590 407)	(475 842)
Total cost of sales	**(1 475 043)**	**(1 336 535)**

The capitalized portion of development costs is as follows:

(in thousands of euros)	2017	2016
Amount of development capitalized	32 135	27 873
Total R&D expenditure (costs and investment) (1)	218 524	206 143
Share of capitalized R&D expenditure (in %)	**15%**	**14%**

(1) Net of a €4.7 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 €3.7 million and €13.2 million in 2016).

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

- at the head office, development projects for new terminals and operating systems, as well as projects to upgrade terminals that have already been sold;
- 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 terminals, in accordance with local standards and regulations;
- at subsidiaries selling payment services (mainly in Retail), 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 are by nature one-time income or expenses, i.e. income or expenses that are of an unusual nature and of a significant amount. As such, other operating income and expenses include 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 revaluation 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:

(in thousands of euros)	2017	2016
Restructuring and business combination costs	(29 314)	(6 377)
Disputes	175	945
Insurance reimbursement	-	1 571
Others	(938)	(699)
Total	**(30 077)**	**(4 560)**

In 2017, other operating income and expenses mainly comprise the costs of €29.3 million incurred in connection with the restructuring of the Group, of which:

- costs of €9.0 million incurred in connection with the reorganization of the Group;
- costs of €20.3 million incurred in connection with acquisitions and divestitures.

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

- costs of €6.4 million incurred in connection with the restructuring of the Group, of which:
  - costs of €4.0 million incurred in connection with the reorganization of the Group;
  - costs of €2.4 million 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.

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

The aim of this note is to make the link between the performance indicators used in financial communication and the Group's consolidated financial statements.

EBITDA is not an accounting term; it is a financial metric defined here as profit from ordinary activities before depreciation, amortization and provisions, and before expenses for share-based payments.

EBIT is the equivalent of profit from ordinary activities, adjusted for amortization of the purchase prices allocated to assets acquired in business combinations.

Free cash flow is equal to EBITDA, less: cash and other operating income and expenses, changes in working capital requirements, investments net of disposal of tangible and intangible fixed assets, financial expenses net of financial income, and tax paid.

	2017		
(in thousands of euros)	**Cash-flow statement**	**Free cash-flow**	**Items from CF statement not in FCF**
Profit for the period	**260 187**	**260 187**	**-**
Adjustments for:			
- Share of profits of equity-accounted investees	1 419	1 419	-
- Income tax expense/(income)	87 013	87 013	-
- Depreciation, amortization and provisions	110 698	110 698	-
- Change in fair value	3 223	3 571	(348)
- (Gains)/losses on disposal of assets	74	74	-
- Net interest costs/(income)	18 802	18 802	-
- Share-based payment expense	13 315	13 315	-
Interest paid	(11 578)	(11 578)	-
Income tax paid	(96 921)	(96 921)	-
Cash flows from operating activities before change in net working capital	**386 232**		
Inventories	(9 594)	(9 594)	-
Trade and other receivables	(65 380)	(65 380)	-
Trade and other payables	7 259	7 259	-
Change in net working capital	**(67 715)**		**-**
Working capital of merchants prefinancing	21 003	-	21 003
CASH FLOWS FROM OPERATING ACTIVITIES	**339 520**		
Acquisition of fixed assets	(87 784)	(87 784)	-
Proceeds from sale of tangible and intangible fixed assets	778	778	-
Acquisition of subsidiaries, net of cash acquired	(1 257 079)	-	(1 257 079)
Loans and advances granted and other financial assets	(4 337)	-	(4 337)
Loan repayments received	7 596	-	7 596
Dividend income	6 138	-	6 138
Interest received	7 464	7 464	-
CASH FLOWS FROM INVESTING ACTIVITIES	**(1 327 224)**		

(in thousands of euros)	2017		
	Cash-flow statement	Free cash-flow	Items from CF statement not in FCF
Proceeds from share capital issues	1 769	-	1 769
(Purchase) sale of treasury shares	178	-	178
Proceeds from loans and borrowings	919 377	-	919 377
Repayment of loans and borrowings	(274 791)	-	(274 791)
Change in the Group’s ownership interests in controlled entities	8 822	-	8 822
Financing of merchant prefinancing	(21 003)	-	(21 003)
Changes in other financial liabilities	(702)	-	(702)
Dividends paid to shareholders	(40 479)	-	(40 479)
Taxes on financing activities	(1 724)	-	(1 724)
CASH FLOWS FROM FINANCING ACTIVITIES	**591 447**		
Currency translation effect on cash and bank overdrafts	(18 414)	-	(18 414)
CHANGE IN CASH AND CASH EQUIVALENTS	**(414 671)**		

Free Cash Flow		**239 323**	

(in thousands of euros)	2017					
	Income statement	Amortization of Purchase Price Allocation	**Reconciliation to EBIT**	Cost of share-based payment	Other amortization and provision expenses	**Reconciliation to EBITDA**
REVENUE	**2 510 437**	-	**2 510 437**	-	-	**2 510 437**
Cost of sales	(1 475 043)	16 141	(1 458 902)	883	14 566	(1 443 453)
GROSS PROFIT	**1 035 394**					
Distribution and marketing costs	(223 891)	35 490	(188 401)	2 349	158	(185 894)
Research and development expenses	(186 389)	-	(186 389)	896	39 932	(145 561)
Administrative expenses	(223 553)	-	(223 553)	9 187	4 975	(209 391)
PROFIT FROM ORDINARY ACTIVITIES	**401 561**					
EBIT			**453 192**			
EBITDA						**526 138**

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)	**2017**	**2016**
Raw materials and consumables	35 941	37 861
Finished products	150 140	150 822
Write-downs on raw materials and consumables	(5 393)	(6 923)
Impairments on finished products	(10 115)	(9 277)
Carrying amount	**170 573**	**172 483**

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:

(in thousands of euros)	2017	2016
Trade receivables on the sales of goods and services	530 694	470 914
Finance lease receivables	24 899	24 601
Tax receivables other than current income tax	30 321	40 335
Other receivables	18 125	16 149
Impairment for trade receivables	(39 864)	(41 899)
Impairment for finance lease receivables	(464)	(1 779)
Impairment for other receivables	(7 204)	(7 260)
Total	**556 507**	**501 061**

The aging schedule of trade receivables is as follows:

			2017		
(in thousands of euros)	Closing value	Not due	Overdue		
			<120 days	120-180 days	>180 days
Trade receivables	530 694	379 083	116 137	10 339	25 135
Impairment for trade receivables and related accounts	(39 864)	(4 657)	(21 014)	(1 936)	(12 257)
Net	**490 830**	**374 426**	**95 123**	**8 403**	**12 878**

Receivables more than 180 days overdue but not depreciated (amounting to €12.9 million) are primarily attributable to customers of Fujian Landi (€6.0 million). None of these receivables are contentious, and the Group does not expect any difficulty in recovering the amounts due.

			2016		
(in thousands of euros)	Closing value	Not due	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)
Net	**429 015**	**360 749**	**61 560**	**3 616**	**3 090**

f. Other current and non-current assets

As of December 31, 2017 and 2016, other current assets were as follows:

(in thousands of euros)	2017	2016
Accrued income	24 068	14 736
Loans, guarantee instruments and other financial assets	14 708	9 236
Total	**38 776**	**23 972**

Prepaid expenses increased in 2017 as a result of acquisitions made in the period.

As of December 31, 2017 and 2016, other non-current assets were as follows:

(in thousands of euros)	2017	2016
Receivables	1 672	1 821
Finance lease receivables	23 362	24 175
Tax receivables other than current income tax	9 461	-
Income tax receivables	2 972	600
Accrued income	1 949	895
Total	**39 416**	**27 491**

g. Trade and related payables

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

(in thousands of euros)	2017	2016
Trade payables	359 752	361 951
Other operating liabilities	150 956	142 650
- of which customer advances	*8 934*	*9 268*
- of which dividend debt toward minority shareholder	-	*2 867*
- of which other tax liabilities	*20 235*	*23 076*
- of which employee-related liabilities	*121 787*	*107 439*
Total	**510 708**	**504 601**

h. Other non-current liabilities

(in thousands of euros)	2017	2016
Tax, personnel and social security liabilities	19 706	17 750
Deferred income	28 169	33 373
Other liabilities	18 645	75 743
Total	**66 520**	**126 866**

The reduction in non-current liabilities is linked primarily to the reclassification of the put liability recorded at Fosun as a current liability.

Furthermore, non-current liabilities include earn-out debts, i.e. additional prices to be paid in the scope of past acquisitions made by Bambora.

i. Other current liabilities

Other current liabilities are broken down as follows:

(in thousands of euros)	**2017**	**2016**
Deferred income	124 242	115 620
Other liabilities	102 067	3 425
Total	**226 309**	**119 045**

This deferred income primarily originates from terminal distribution subsidiaries, for deferred income on sales of warranties, and from Fujian Landi, for goods invoiced but not yet delivered.

At December 31, 2017, other current liabilities include the put liability recorded at Fosun, which holds a minority stake of 20% in the Group’s Chinese activities. As described in Note 15, “Subsequent events”, the Group completed the buyout of units held by Fosun in January 2018.

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

Balance sheet (in thousands of euros)		2017 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
Inventories	**(1)**	**172 483**	**9 594**	**-**	**2 573**	**(14 077)**	**170 573**
Trade and related receivables		501 061	70 481	-	21 211	(36 246)	556 507
Other non-current assets		27 491	254	563	2 149	8 959	39 416
Other current assets		23 972	(5 355)	(6 236)	18 846	7 549	38 776
Trade and other receivables	**(2)**	**552 524**	**65 380**	**(5 673)**	**42 206**	**(19 738)**	**634 699**
Trade and related payables		504 601	1 544	(1 285)	30 026	(24 178)	510 708
Other non-current liabilities		126 866	(5 726)	5 641	12 343	(72 604)	66 520
Other current liabilities		119 045	11 441	3 344	6 036	86 442	226 308
Trade and other creditors	**(3)**	**750 512**	**7 259**	**7 700**	**48 405**	**(10 340)**	**803 536**
Change in working capital	**-(1)-(2)+(3)**		**(67 715)**				

Balance sheet (in thousands of euros)		2016 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
Inventories	**(1)**	**143 625**	**25 595**	**-**	**2 833**	**430**	**172 483**
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
Trade and other receivables	**(2)**	**525 226**	**12 075**	**12 073**	**13 406**	**(10 256)**	**552 524**
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
Trade and other creditors	**(3)**	**670 830**	**25 397**	**11 821**	**38 699**	**3 765**	**750 512**
Change in working capital	**-(1)-(2)+(3)**		**(12 273)**				

k. Funds, receivables and payables related to intermediation activities

In the scope of its transactional services activity, the Group provides intermediation between merchants, credit card issuers, and end consumers. The expected funds corresponding to the end consumer's payment as well as funds received and not yet remitted to merchants are recorded as balance sheet assets in the specific accounts, i.e. excluded from cash and cash equivalents. The counterparty is a payable due to 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;
- funds received for transactions not yet settled for merchants and transactions reimbursable to consumers.

Liabilities on the balance sheet related to intermediation activities comprise mainly:
- liabilities in connection with funds from consumers that have not yet been transferred to merchants;
- liabilities in connection with merchant warranty deposits.

In the scope of Bambora's activities, some funds happen to be remitted to merchants even before they have been received by the Group, from credit card issuers. The duration of this "merchant pre-financing" is generally one or two days. To avoid drawing on its cash to provide this upfront remittance to merchants, the Group uses a specific and dedicated bank financing. This bank financing is included in the short term financial loans and borrowings in the balance sheet.

(in thousands of euros)	**2017**	**2016**
Receivables related to intermediation activities	172 708	28 525
Funds related to intermediation activities	460 555	273 086
TOTAL ASSETS	**633 263**	**301 611**
Payables related to intermediation activities	598 323	301 611
Financing of merchant prefinancing	34 940	-
TOTAL LIABILITIES	**633 263**	**301 611**

6. EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION (RELATED PARTIES)

a. Payroll costs

Payroll costs are broken down as follows:

(in thousands of euros)	2017	2016
Wages and salaries	393 934	360 368
Social security contributions	103 857	92 378
Service cost (operating component of retirement expenses)	2 162	1 587
Cost of share-based payments	13 315	23 994
Total	**513 268**	**478 327**

b. Share-based payment expense

Fair value of free shares awarded
The Group has measured the fair value of the goods or 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 in which the employees acquire the rights definitively. 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.

	2017					
(in thousands of euros)	Date of board	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	11 150	-	-	(850)	10 300
Joint investment	October 29, 2014	35 320	-	-	(11 160)	24 160
Free share awards	July 29, 2015	177 900	-	(112 600)	(11 500)	53 800
Free share awards	October 22, 2015	2 000	-	(1 200)	-	800
Free share awards	July 29, 2016	18 610	-	-	-	18 610
Free share awards	May 10, 2017	-	23 639	-	-	23 639
Joint investment	June 20, 2017	-	89 710	-	-	89 710
Free share awards	June 20, 2017	-	24 000	-	(1 600)	22 400
Free share awards	August 28, 2017	-	23 200	-	(5 000)	18 200
Joint investment	August 28, 2017	-	26 000	-	(6 050)	19 950
Total		**244 980**	**186 549**	**(113 800)**	**(36 160)**	**281 569**

(in thousands of euros)	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 29, 2016	-	18 610	-	-	18 610
Total		**399 890**	**18 610**	**(159 760)**	**(13 760)**	**244 980**

In 2017, free share award plans and co-investment plans were put in place. Share awards are dependent on continuous service and internal and external performance criteria. The maximum number of free shares to be awarded is 186,548.

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 €8.1 million under profit from operating activities in 2017 for share-based payments (against €15.1 million in 2016).

An expense was also booked in 2017 for other cash-settled share-based payments in the amount of €5.2 million, against €8.9 million in 2016.

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 qualified 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:

	2017						
	Unfunded plans						
(in thousands of euros)	France Liability	Germany Liability	Italy Liability	Turkey Liability	Netherlands Liability	Other Liability	Total
At January 1	**8 575**	**5 444**	**3 317**	**184**	**52**	**854**	**18 426**
Change in consolidation scope	-	-	-	-	-	220	220
Translation differences and other movements	-	-	-	(42)	-	(134)	(176)
Current service cost	848	49	352	20	-	280	1 549
Interest on obligation	141	89	53	20	-	53	356
Benefits paid	(189)	(134)	(93)	(28)	(2)	(27)	(473)
Revaluation of the net defined benefit liability	859	(200)	(244)	97	-	274	786
At December 31	**10 234**	**5 248**	**3 385**	**251**	**50**	**1 520**	**20 688**

	2017					2017
	Funded plans					Total
	United Kingdom		Belgium		Total	Balance sheet provision
(in thousands of euros)	Liability	Assets	Liability	Assets		
At January 1	**32 793**	**(26 541)**	**1 944**	**(1 818)**	**6 378**	**24 804**
Change in consolidation scope	-	-	-	-	-	220
Translation differences and other movements	(1 172)	975	-	-	(197)	(373)
Return on plan assets	-	(731)	-	(42)	(773)	(773)
Current service cost	-	-	613	-	613	2 162
Interest on obligation	859	-	49	-	908	1 264
Benefits paid	(385)	385	(27)	27	-	(473)
Contributions to pension funds	-	(2 559)	-	(544)	(3 103)	(3 103)
Revaluation of the net defined benefit liability	1 638	(911)	(105)	(4)	618	1 404
At December 31	**33 733**	**(29 382)**	**2 474**	**(2 381)**	**4 444**	**25 132**

	2016						
	Unfunded plans						
(in thousands of euros)	France Liability	Germany Liability	Italy Liability	Turkey Liability	Netherlands Liability	Other Liability	Total
At January 1	**7 268**	**5 095**	**2 964**	**216**	**77**	**419**	**16 039**
Change in consolidation	-	-	-	-	-	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
At December 31	**8 575**	**5 444**	**3 317**	**184**	**52**	**980**	**18 552**

(in thousands of euros)	2016			2016
	Funded plans			Total
	United Kingdom		Total	Balance sheet provision
	Liability	Assets		
At January 1	**28 916**	**(27 931)**	**985**	**17 024**
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
At December 31	**32 793**	**(26 541)**	**6 252**	**24 804**

Breakdown of fair value of plan assets

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.

Plan investments	In thousands of euros	In %	Yield
Shares	18 752	59%	2,40%
Bonds	8 561	27%	2,40%
Other	4 450	14%	2,40%
Total	**31 763**	**100%**	**2,40%**

Main actuarial assumptions

	Eurozone	Turkey	United Kingdom
Discount rate	1,65%	11,40%	2,40%
Expected future salary increases	1,5% - 3,25%	7,00%	N/A

Best estimate of plan contributions payable in 2018

Expected contributions for fiscal year ending December 31, 2018, break down as follows:

(in thousands of euros)	
Employer contributions	2 663
Plan participants' contributions	-

Sensitivity of assets and liabilities to the main assumptions as of December 31, 2017

A 0.5% increase or decrease in the discount rate or the inflation rate for all 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 2017 and 2016 break down as follows:

(in thousands of euros)	2017	2016
Total compensation and benefits (1)	9 139	8 741
Free share awards (2)	2 321	3 467
Total	**11 460**	**12 208**

(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 income statement under free share awards 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, 2017, the Executive Committee had 15 members.

7. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Goodwill impairment tests

The Group tests 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. Impairment tests are performed every year on November 30 and whenever there is any indication that an asset may be impaired. Therefore, any material event observed during December would prompt fresh impairment tests to be conducted.

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, order book, etc.). If such events and circumstances are identified, the asset's recoverable amount is re-estimated.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use, 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 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 income statement 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".

As described in Note 3, "Significant events", the Group's reorganization in 2017 had the effect of changing the Group's CGUs. There are now five:

- B&A – North America
- B&A – Latin America
- B&A – Europe and Middle East
- B&A – Asia Pacific region & China
- Retail

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

The figures relating to 2016 were restated in order to present comparable financial information.

Breakdown of goodwill

The following tables show the breakdown of goodwill among CGUs:

(in thousands of euros)	2017	2016
Net value at January 1	**1 409 291**	**1 350 519**
Investments	1 110 454	61 016
Translation differences	(33 109)	(2 244)
Adjustments	(8 115)	-
Net value at December 31	**2 478 521**	**1 409 291**

	2017			2016		
Cash generating units (in thousands of euros)	Gross amount	Total impairment losses	Net carrying amount	Gross amount	Total impairment losses	Net carrying amount
B&A NAR	61 492	(12 621)	48 871	64 105	(12 621)	51 484
B&A LAR	12 728	-	12 728	13 349	-	13 349
B&A EMEA	186 156	(946)	185 210	182 864	(946)	181 918
B&A APAC & China	122 754	-	122 754	139 140	-	139 140
Retail	2 118 267	(9 309)	2 108 958	1 032 709	(9 309)	1 023 400
Total	**2 501 397**	**(22 876)**	**2 478 521**	**1 432 167**	**(22 876)**	**1 409 291**

The fair value of net assets and debts acquired in 2017 breaks down as follow (all acquisitions, including purchase price allocation exercise):

(in thousands of euros)	Fair value of acquired net assets in 2017
Total non-current assets	543 672
Total current assets	356 850
Total non-current liabilities	125 444
Total current liabilities	278 869
Acquired net assets excluding acquired financial debts (A)	**496 209**
Goodwill (B) - (A)	1 110 454
Fair value of the consideration paid (B)	1 606 663
Financial debts acquired (C)	325 000
Cash and cash equivalents of the acquired companies (D)	24 584
Net cash effect (B) - (C) - (D)	**1 257 079**

Investments and adjustments during the period

As described in Note 3 “Significant events”, in November 2017 the Group acquired Bambora Group.

An acquisition price allocation exercise was conducted, in order to recognize at their fair value the assets and liabilities of the company acquired, pursuant to IFRS 3 revised. Bambora group specializes in payment services. The Group has therefore recognized three types of intangible assets in its balance sheet: technologies relating to the IT platforms that enable Bambora to operate, portfolios of customer relationships, as well as the Bambora trademark. The valuation method used in the scope of this exercise is the relief from royalty and excess earnings method. The Group initially recognized customer portfolios at €283 million, technologies at €189 million, and the trademark at €12 million. The deferred tax liability recognized amounted to €111 million.

Goodwill net of the provisional price allocation amounts to €1,037 million. This acquisition price allocation for Bambora will be finalized in 2018. Net goodwill mainly includes:

- Workforce;
- Capacity to generate new business opportunities by winning new clients and developing new offers;
- Synergies expected from the integration with the rest of the Group.

Furthermore, as described in Note 3, “Significant events”, the Group acquired TechProcess in 2017. A purchase price allocation was conducted. TechProcess is a company specializing in payment services in India. The Group has therefore recognized two types of intangible assets in its balance sheet: technologies relating to the IT platform that enables the company to operate and a portfolio of customer relationships. The valuation method used in the scope of this exercise is the relief from royalty and excess earnings method. The Group has therefore recognized intangible assets of €20 million and a deferred tax liability of €7 million. Net goodwill amounted to €52 million.

Finally, the acquisition price allocation for Nera Payment Services, acquired in 2016, was finalized. Nera group’s main activity is the distribution of terminals in Southeast Asia. Intangible assets recognized at €12 million represent the portfolio of customer relationships brought to the Group by Nera. The valuation method used in the scope of this exercise is the excess earnings method. A deferred tax liability of €2 million has been recognized. Nera’s net goodwill is therefore reduced by €10 million.

Goodwill impairment tests

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

Cash-generating units	2017 B&A NAR	B&A LAR	B&A EMEA	B&A APAC & China	Retail	Total
Net carrying amount of goodwill (in thousands of euros)	48 871	12 728	185 210	122 754	2 108 958	2 478 521
Valuation method for the cash generating unit	Value in use	Value in use	Value in use	Value in use	Value in use	
Number of years over which cash flows are estimated	5	5	5	5	5	
Long-term growth rate	1,1%	1,0%	1,0%	1,0%	2,2%	
Weighted average cost of capital used at December 31	8,3%	14,9%	8,8%	9,7%	7,8%	

Cash-generating units	2016 B&A NAR	B&A LAR	B&A EMEA	B&A APAC & China	Retail	Total
Net carrying amount of goodwill (in thousands of euros)	51 484	13 349	181 918	139 140	1 023 400	1 409 291
Valuation method for the cash generating unit	Value in use	Value in use	Value in use	Value in use	Value in use	
Number of years over which cash flows are estimated	5	5	5	5	5	
Long-term growth rate	1,1%	1,0%	1,0%	1,0%	2,2%	
Weighted average cost of capital used at December 31	7,8%	15,8%	8,6%	9,4%	7,8%	

In 2017, Bambora was not tested based on its value in use, given the absence of indication it may be impaired, and the expected finalization of the purchase price allocation exercise.

Goodwill impairment tests were conducted based on the carrying amounts of November 30, 2017. No material event likely to change the relevance of these tests has been observed since then.

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 rates used by the Group do 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 50 base 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

	2017				
	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 (%)
B&A APAC & China	9,7%	10,3%	1,0%	0,3%	-7,5%

At December 31, 2017, the recoverable amounts of Retail (excluding Bambora), B&A North America, B&A Latin America, and B&A Europe and Middle East are significantly higher 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.

b. Other 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 to 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, customer portfolios, software, technological assets, trademarks, 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 also include assets in progress. Those include R&D projects in progress, such as improvements of IT payment platforms in Retail operating segment.

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.

(in thousands of euros)	2017				
	Licenses, trademarks, technology	Development expenses (incurred internally)	Customer relationships	Other intangible assets	Total
GROSS AMOUNT					
At January 1	**209 989**	**84 459**	**448 521**	**40 881**	**783 850**
Investments	8 155	35 133	-	9 216	52 504
Divestitures	(5 433)	(13 213)	-	(2 406)	(21 052)
Changes in consolidation scope	214 339	1	304 544	3 297	522 181
Translation differences	(5 572)	(606)	(6 262)	(267)	(12 707)
Reclassifications and others	5 014	26 237	1	(32 350)	(1 098)
At December 31	**426 492**	**132 011**	**746 804**	**18 371**	**1 323 678**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES					
At January 1	**(111 616)**	**(47 798)**	**(128 873)**	**(7 412)**	**(295 699)**
Depreciation and amortization	(27 341)	(17 176)	(35 469)	(402)	(80 388)
Divestitures and impairment losses	5 378	34	-	2 040	7 452
Changes in consolidation scope	(3 076)	(1)	-	(220)	(3 297)
Translation differences	2 107	233	1 393	68	3 801
Reclassifications and others	116	(275)	1 608	508	1 957
At December 31	**(134 432)**	**(64 983)**	**(161 341)**	**(5 418)**	**(366 174)**
NET CARRYING AMOUNT					
At January 1	**98 373**	**36 661**	**319 648**	**33 469**	**488 151**
At December 31	**292 060**	**67 028**	**585 463**	**12 953**	**957 504**

(in thousands of euros)	2016				
	Licenses, trademarks, technology	Development expenses (incurred internally)	Customer relationships	Other intangible assets	Total
GROSS AMOUNT					
At January 1	**176 257**	**87 700**	**478 486**	**22 453**	**764 896**
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)
At December 31	**209 989**	**84 459**	**448 521**	**40 881**	**783 850**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES					
At January 1	**(75 946)**	**(52 010)**	**(130 362)**	**1 946**	**(256 372)**
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
At December 31	**(111 616)**	**(47 798)**	**(128 873)**	**(7 412)**	**(295 699)**
NET CARRYING AMOUNT					
At January 1	**100 311**	**35 690**	**348 124**	**24 399**	**508 524**
At December 31	**98 373**	**36 661**	**319 648**	**33 469**	**488 151**

At December 31, 2017, as at December 31, 2016, there was no indication of impairment of intangible assets. The Group takes the following main indications of impairment into account:

- 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

As disclosed in note 7.a. a preliminary purchase price exercise has been led after the acquisition of Bambora. It will be finalized in 2018.

(in thousands of euros)	Carrying amount at December 31, 2017						
	Bambora (2017)	Techprocess (2017)	GlobalCollect (2014)	Ogone (2013)	Easycash (2009)	Others	Total
Hardware and software technology	183 506	7 277	64 935	-	-	-	255 718
Long-term customer contracts	276 276	10 323	247 063	18 750	14 919	18 132	585 463
Trademarks	11 764	-	-	-	-	-	11 764
Total identified and allocated assets	**471 546**	**17 600**	**311 998**	**18 750**	**14 919**	**18 132**	**852 945**
Amortization for the period	**(6 734)**	**(1 157)**	**(24 370)**	**(6 570)**	**(4 168)**	**(8 632)**	**(51 631)**

(in thousands of euros)	Carrying amount at December 31, 2016 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
Total identified and allocated assets	**336 368**	**25 320**	**19 087**	**15 947**	**396 722**
Amortization for the period	**(24 370)**	**(6 570)**	**(4 227)**	**(7 218)**	**(42 385)**

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 and IT equipment……………………………………………..3 – 10 years*.

* Or the contractual term of the lease.

(in thousands of euros)	2017 Land and buildings	Plant and equipment	Leased terminals	IT equipment	Others	Total
GROSS AMOUNT						
At January 1	**21 396**	**48 281**	**29 839**	**85 951**	**24 145**	**209 612**
Investments	3 589	8 942	2 371	15 342	5 729	35 973
Divestitures	(4 601)	(332)	(5 812)	(6 007)	(1 161)	(17 913)
Changes in consolidation scope	2 551	3	14 154	6 495	1 551	24 754
Translation differences	(814)	(1 363)	(1 697)	(1 864)	(784)	(6 522)
Other movements	1 483	997	(5 586)	567	(1 936)	(4 475)
At December 31	**23 604**	**56 528**	**33 269**	**100 484**	**27 544**	**241 429**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
At January 1	**(12 470)**	**(34 403)**	**(16 818)**	**(56 146)**	**(14 882)**	**(134 719)**
Depreciation and amortization	(4 135)	(6 766)	(3 075)	(13 943)	(3 098)	(31 017)
Divestitures and impairment losses	4 516	318	5 624	5 776	950	17 184
Changes in consolidation scope	(1 048)		(4 639)	(4 132)	(1 007)	(10 826)
Translation differences	492	919	518	1 227	464	3 620
Other movements	(431)	(15)	2 890	239	11	2 694
At December 31	**(13 076)**	**(39 947)**	**(15 500)**	**(66 979)**	**(17 562)**	**(153 064)**
NET CARRYING AMOUNT						
At January 1	**8 926**	**13 878**	**13 021**	**29 805**	**9 263**	**74 893**
At December 31	**10 528**	**16 581**	**17 769**	**33 505**	**9 982**	**88 365**

(in thousands of euros)	2016 Land and buildings	Plant and equipment	Leased terminals	IT equipment	Others	Total
GROSS AMOUNT						
At January 1	**17 368**	**32 517**	**9 844**	**36 202**	**20 430**	**116 361**
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
At December 31	**21 396**	**48 281**	**29 839**	**85 951**	**24 145**	**209 612**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
At January 1	**(8 321)**	**(22 350)**	**(7 923)**	**(11 110)**	**(10 800)**	**(60 504)**
Depreciation and amortization	(2 126)	(5 094)	(2 108)	(12 306)	(2 507)	(24 141)
Divestitures and impairment losses	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)
At December 31	**(12 470)**	**(34 403)**	**(16 818)**	**(56 146)**	**(14 882)**	**(134 719)**
NET CARRYING AMOUNT						
At January 1	**9 047**	**10 167**	**1 921**	**25 092**	**9 630**	**55 857**
At December 31	**8 926**	**13 878**	**13 021**	**29 805**	**9 263**	**74 893**

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 liability 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

The Group 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 2017 and previous years, Group companies were subject to tax audits and, on occasion, correction proposals. The financial consequences of such additional tax adjustments are recognized through provisions for the amounts that have been identified and accepted or are considered likely to result in an 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 €65.9 million as of December 31, 2017 (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, 2017, Ingenico had not been notified of any final decision by the Brazilian administrative courts and 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, 2017.

(in thousands of euros)	**Balance at January 1, 2017**	Translation differences	Changes in consolidation scope	Additions	Reversals of amounts used	Reversal of unused amounts	Other movements	**Balance at December 31, 2017**
Provisions for warranties	19 826	(1 323)	93	12 043	(14 470)	(13)	(114)	16 042
Provisions for litigation and claims	8 255	(138)	-	622	(931)	(423)	(1 280)	6 105
Provisions for restructuring	2 136	(55)	-	3 878	(1 626)	-	-	4 333
Others	23 744	(475)	1 820	6 525	(7 217)	(8 700)	1 266	16 963
Total other provisions	**53 961**	**(1 991)**	**1 913**	**23 068**	**(24 244)**	**(9 136)**	**(128)**	**43 443**

(in thousands of euros)	**Balance at January 1, 2016**	Translation differences	Changes in consolidation scope	Additions	Reversals of amounts used	Reversal of unused amounts	Other movements	**Balance at December 31, 2016**
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
Total other provisions	**51 763**	**605**	**303**	**30 410**	**(23 364)**	**(5 756)**	**-**	**53 961**

(in thousands of euros)	**2017**	**2016**
Supplier inventory buyback commitments	4 077	3 363
Product quality risk	5 921	8 726
Employee indemnities and benefits	-	6 883
Customer sales indemnities	2 963	2 037
Other expenses	4 002	2 735
Total other provisions	**16 963**	**23 744**

The €9.1 million reversal of unused provisions relates primarily to a business dispute relating to social contributions that was settled in the Group's favor and to commitments to buy back supplier inventories.

9. FINANCING AND FINANCIAL INSTRUMENTS

a. Net finance cost

(in thousands of euros)	2017	2016
Interest expense on financial liabilities at amortized cost and bond loan	(29 213)	(20 763)
Interest expense on finance lease contracts	(36)	(165)
Total interest expense	**(29 249)**	**(20 928)**
Income from cash and cash equivalents	2 909	3 186
Interest income on finance lease contracts	4 533	4 829
Net interest expense	**(21 807)**	**(12 913)**
Foreign exchange gains	34 761	55 962
Foreign exchange losses	(38 372)	(59 937)
Foreign exchange gains and losses, net	**(3 611)**	**(3 975)**
Financial component of retirement expenses and the cost of other post-employment benefits	(491)	(377)
Gains/(losses) on equity interests	20	-
Other financial income	4 322	12 544
Other financial expenses	(1 298)	(3 079)
Other financial income and expenses, net	**2 553**	**9 088**
Net finance costs	**(22 865)**	**(7 800)**
Total financial income	**46 545**	**76 521**
Total financial expenses	**(69 410)**	**(84 321)**

Net finance costs in 2017 are broken down as follows:

Interest expenses on borrowings of €29.2 million are related to loans described in paragraph b relating to net financial debt:

- interest expense relating to the convertible bond issue (OCEANE) is €10.7 million;
- interest expense on the bond issued in 2014 and the embedded swap is €9.4 million;
- interest expense relating to the bond issued in September 2017 is €3.1 million;
- interest expense relating to bank loans is €1.9 million (including the amortization of syndicated credit costs and the commitment fee);
- the repayment of bank borrowings borne by Bambora on its acquisition (see Note 3 “Significant events”) generated an interest expense of €3.9 million, corresponding to acceleration of the amortization of set-up costs.

Commercial paper, because of the negative rates, generates income rather than interest expense.

Income from cash and cash equivalents (€2.9 million) primarily comes from investments made in China, India, and Brazil.

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 €3.6 million (including €3.4 million at Bambora) 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 financial income and expenses include in particular interest receivable for delays relating to a tax dispute in Brazil, factoring expenses for €1.0 million and charges relating to retirement commitments (see Note 6.c “Employee benefits”).

Net finance costs in 2016 are broken down as follows:

Interest expense on loans (€20.8 million) related to the convertible bond (OCEANE) for €10.4 million, the bond issued in 2014 and the embedded swap for €8.7 million, amortization of set-up costs, and the costs of non-use of syndicated credit for €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 €4.0 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 included a capital gain on the disposal of Visa shares in the amount of €12.2 million, factoring expenses in the amount of €1.7 million and expenses related to retirement benefit 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 recognized 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.

(in thousands of euros)	2017	2016
Bond issues	1 050 904	458 509
"OCEANE" convertible bond issue	447 966	437 288
Other financial liabilities	52 310	2 555
Bank borrowings	(2 142)	(2 161)
Finance lease obligations	77	249
Long term financial debt	**1 549 115**	**896 440**
Commercial papers	500 000	225 000
Bank overdrafts	7 367	10 611
Other financial liabilities	1 470	1 659
Bank and similar borrowings	372	405
Interests accrued	8 323	5 404
Finance lease obligations	147	663
Short-term financial debt	**517 679**	**243 742**
Gross financial debt	**2 066 794**	**1 140 182**

(in thousands of euros)	2017	2016
Cash	505 973	728 724
Marketable securities and short-term deposits	89 966	285 130
Cash and cash equivalents	**595 939**	**1 013 854**
Net financial debt	**1 470 855**	**126 328**

Short-term loans and borrowings exclude the credit facility for merchant pre-financing, used at December 31, 2017 in an amount of €34.9 million.

Net financial debt excludes the financing of merchant pre-financing. In fact, this credit facility does not finance general Group requirements but only relates to Bambora's intermediation activities. Some funds may be remitted to merchants even before they have been received by the Group, from credit card issuers. The duration of this merchant pre-financing is generally one or two days. To avoid drawing on its cash to provide this upfront remittance to merchants, the Group uses a specific and dedicated bank financing. The counterparties of this bank debt are the funds receivable from card issuers, for which the risk of default is extremely limited.

As of December 31, 2017, long-term and short-term financial debt amounted to €2,066.8 million, including:

- €594.8 million in respect of the bond issued in September 2017;
- €456.1 million in respect of a bond issued in May 2014;
- €448.0 million in respect of an OCEANE convertible bond issued on June 26, 2015;
- €49.9 million in respect of a private investment contracted in December 2017;
- €500.00 million in respect of commercial paper. In May 2017, the Group increased the ceiling of its commercial paper program from €300 million to €500 million.

At December 31, 2016, long-term and short-term borrowings and bond debt amounted to €1,140.2 million, with €437.3 million relating to the OCEANE convertible bond, €458.5 million related to the bond issued in 2014, and €225.0 million in respect of commercial paper.

Bond debt

On September 13, 2017, the Group issued a bond maturing on September 13, 2024. The par value of the bond was €600 million, or 6,000 bonds with a nominal value of €100,000 each. The bonds carry an annual coupon of 1.625%. The debt was recognized at amortized cost. Issuance costs are amortized in profit or loss over the life of the bond.

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 carry an annual coupon of 2.5%. The debt was recognized at amortized cost. Issuance costs are amortized in profit or loss over the life of the bond.

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 with a nominal value of €172.15 each.

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%.

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.

On December 31, 2017 the conversion rate was 1.005 shares for one bond.

Bank borrowings

In December 2016, the Group renegotiated its syndicated credit facility maturing in July 2021 and the amount increased from €500 million to €750 million. Two additional extension options (of one year) were granted and the bank syndicate was slightly expanded. This facility is not subject to any covenant.

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

The loan has a variable interest rate based on Euribor (1-6 months) plus margin.

At end December 2017, as at end December 2016, the syndicated credit facility was unused.

In September 2017, the Group contracted a bank loan with a nominal value of €250 million, which can be activated until March 18, 2018, with a maturity of three years. The remuneration of the loan is variable and based on the Euribor 6 months plus margin. This loan was not drawn at December 31, 2017 and is therefore not in the Group's net debt. This loan is not subject to any covenant.

Other financial liabilities

In December 2017, the Group subscribed to a private investment in an amount of €50 million, with a maturity of three years, at a fixed rate of 0.647%.

Bank overdrafts

Bank overdrafts totaled €7.4 million, of which €5.6 million were attributed to Ingenico Payment Services GmbH.

Maturity of financial debt

	2017			
(in thousands of euros)	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
"OCEANE" convertible bond issue	447 966	-	447 966	-
Bond issues	1 050 904	-	456 085	594 819
Bank borrowings	(1 770)	372	(2 142)	-
Finance lease obligations	224	147	77	-
Bank overdrafts	7 367	7 367	-	-
Commercial papers and other financial liabilities	553 780	501 470	52 310	-
Accrued interest on borrowings	8 323	8 323	-	-
Gross financial debt	**2 066 794**	**517 679**	**954 296**	**594 819**

	2016			
(in thousands of euros)	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years
"OCEANE" convertible bond issue	437 288	-	-	437 288
Bond issues	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	-	-
Gross financial debt	**1 140 182**	**243 742**	**459 140**	**437 300**

Breakdown by currency

99% of this debt, mainly raised in euros, is held by Ingenico Group SA.

(in thousands of euros)	2017	2016
Euro	2 063 844	1 138 573
US Dollar	85	153
Other currencies	2 865	1 456
Gross financial debt	**2 066 794**	**1 140 182**

Changes in financial borrowings and debt

Balance at January 1, 2016	**1 171 938**
Repayments of bank loans and other financial debts	(38 012)
Changes in financial debts with an effect on the cash flow statement	(38 012)
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	(331)
Balance at December 31, 2016	**1 140 182**
Issuing of commercial papers	275 000
Issuing of bond loan	594 588
Issuing of other financial debts	49 789
Repayments of bank loans and other financial debts	(275 493)
Changes in financial debts with an effect on the cash flow statement	643 884
Capitalized interest	16 230
Net change on bank overdrafts	(3 244)
Change in fair value	(3 114)
Changes in consolidation scope	267 842
Translation differences and other variations	5 014
Balance at December 31, 2017	**2 066 794**

In 2017, the Group issued and redeemed commercial paper for a net amount of €275 million. The income from the bond issue conducted in 2017 was €600 million (or €594.6 million after deduction of issue costs and premium). The Group also contracted a private investment of €50 million (or €49.9 million after deduction of issue costs).

In 2017, all financial debts borne by Bambora (excluding financial debts related to the intermediation activity) were subject to a repayment on acquisition (‘Repayments’ and ‘Changes in consolidation scope’ lines in the table above).

Changes in fair value relate to the bond issued in 2014 and embedded swap.

In 2016, the Group had issued and redeemed commercial paper for a net amount of €34.5 million. Changes in fair value related to the recognition of the bond issued in 2014. Changes in consolidation scope marked the entry of Ingenico Japan (formerly Lyudia) and Think&Go into the Group.

Undrawn credit facilities as of December 31, 2017

The Group has two undrawn credit facilities:

- syndicated credit facility of €750 million;
- bank loan of €250 million.

c. 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

(in thousands of euros)	2017	2016
Interest rate derivative instruments		
Current assets	7 864	11 380
Current liabilities	-	-
Foreign exchange derivative instruments		
Current assets	439	1 064
Current liabilities	(2 656)	(3 801)
Total	**5 647**	**8 643**

Breakdown of instruments by hedging policy

(in thousands of euros)	Balance at January 1, 2017			Balance at December 31, 2017
	Fair value of the derivative financial instruments	Variation through net income	Variation through equity	Fair value of the derivative financial instruments
Instruments designated as cash flow hedges				
Foreign exchange forward contracts	(1 049)	991	60	2
Foreign exchange options	38	3	0	41
Foreign exchange swaps	(4)	3	(20)	(21)
Instruments not designated as cash flow hedges				
Foreign exchange forward contracts	(567)	567	-	0
Foreign exchange options	(118)	91	-	(27)
Foreign exchange swaps	(1 037)	(1 175)	-	(2 212)
Interest rate swaps	11 380	(3 516)	-	7 864
Total	**8 643**	**(3 036)**	**40**	**5 647**

(in thousands of euros)	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
Instruments designated as cash flow hedges				
Foreign exchange forward contracts	23	(158)	(914)	(1 049)
Foreign exchange options	(441)	491	(12)	38
Foreign exchange swaps	0	(6)	2	(4)
Instruments not designated as cash flow hedges				
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
Total	**9 001**	**566**	**(924)**	**8 643**

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 part of 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:

	2017		
(in thousands of euros)	**Gross amounts in the balance sheet**	**Impact of compensation**	**Net amounts**
FV of derivative financial instruments (assets)	8 303	(411)	7 892
FV of derivative financial instruments (liabilities)	(2 656)	411	(2 245)
Net position	**5 647**	**-**	**5 647**

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

d. Définition des classes d'actifs et de passifs financiers par catégorie comptable

	2017						
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	-	4 555	-	15 278	-	19 833	19 833
Other non-current assets	-	24 876	-	-	-	24 876	24 876
Trade and other current receivables	-	539 665	-	-	-	539 665	539 665
Cash and cash equivalents	595 939	-	-	-	-	595 939	595 939
Receivables related to intermediation activities	-	172 708	-	-	-	172 708	172 708
Funds related to intermediation activities	460 555	-	-	-	-	460 555	460 555
Derivative financial instruments	8 206	-	-	-	97	8 303	8 303
Total financial assets	**1 064 700**	**741 804**	**-**	**15 278**	**97**	**1 821 879**	**1 821 879**
"OCEANE" Convertible bond issue (1)	-	-	447 966	-	-	447 966	493 026
Bond issues	-	-	1 050 904	-	-	1 050 904	1 078 367
Long-term loans	-	-	50 245	-	-	50 245	50 245
Other non-current liabilities	11 948	-	28 217	6 648	-	46 813	46 813
Short-term borrowings	-	-	517 679	-	-	517 679	517 679
Financing of merchant prefinancing	-	-	34 940	-	-	34 940	34 940
Trade payables and other current liabilities	-	-	498 115	94 469	-	592 584	592 584
Payables related to intermediation activities	-	-	598 323	-	-	598 323	598 323
Derivative financial instruments	2 599	-	-	-	57	2 656	2 656
Total financial liabilities	**14 547**	**-**	**3 226 389**	**101 117**	**57**	**3 342 110**	**3 414 633**

Asset and liability categories (in thousands of euros)	2016 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
Total financial assets	**1 298 779**	**530 939**	**-**	**9 233**	**605**	**1 839 556**	**1 839 556**
"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
Total financial liabilities	**2 181**	**-**	**1 964 316**	**75 727**	**1 620**	**2 043 844**	**2 094 130**

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

The fair value of bonds and convertible bonds corresponds to their market value (as quoted on December 31, 2016 and 2017).

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 the income statement and equity;
- available-for-sale assets;
- derivative financial instruments designated as cash flow hedges.

The fair value hierarchy is as follows:

- Level 1: inputs used are (non-adjusted) quoted market prices in active markets for identical assets or liabilities;
- Level 2: 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 3: inputs relating to assets or liabilities that are not based on unobservable market inputs (unobservable inputs).

These assets and liabilities can correspond to any of the three levels of fair value set out in the tables below for 2017 and 2016.

The Group did not make any transfers between levels from 2016 to 2017.

	2017			
(in thousands of euros)	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets	15 278	-	-	15 278
Derivative financial instruments (1)	8 303	-	8 303	-
Funds related to intermediation activities	460 555	460 555	-	-
Cash and cash equivalents	595 939	595 939	-	-
Total financial assets	**1 080 075**	**1 056 494**	**8 303**	**15 278**
Other non-current liabilities	18 596	-	-	18 596
Other current liabilities	94 469	-	-	94 469
Derivative financial instruments (1)	2 656	-	2 656	-
Total financial liabilities	**115 721**	**-**	**2 656**	**113 065**

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

(1) Derivative financial instruments are assets and liabilities, measured at fair value through the income statement or designated as cash flow hedges.

The financial assets and liabilities on level 2 are recognized according to their category: derivative financial instruments are valued at their fair value, borrowings are recognized at amortized cost, and other assets and liabilities reflect their contractual value.

Other current and non-current liabilities on level 3 include put option liabilities relating to non-controlling shareholders. These liabilities are recognized at their fair value. They are valued primarily from the business plan provided by the subsidiaries, in conjunction with the contractual definition; each contract that binds the Group to the non-controlling shareholder is specific. Definitions of this calculation may include, for example, cash flow projections or results.

At the end of 2017, other current and non-current liabilities on level 3 included two put option liabilities relating to non-controlling shareholders, Ingenico Japan (formerly Lyudia) and 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 is classified as current as the put was exercised on January 22, 2018, as described in Note 15 Subsequent events.

Other non-current liabilities in 2017 also include earn-out debts, i.e. price complements to be paid in the scope of past acquisitions made by Bambora.

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

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, 2017 is as follows:

(in thousands of euros)	2017	2016
Cash and cash equivalents	595 939	1 013 854
Funds related to intermediation activities	460 555	273 086
Financial assets	19 833	16 633
Trade receivables on the sales of goods and services	490 830	429 015
Finance lease receivables	47 797	46 997
Other current receivables	9 692	8 128
Receivables related to intermediation activities	172 708	28 525
Other current assets	14 708	9 233
Other non-current assets	1 514	1 641
Derivative financial instruments (assets)	8 303	12 444
Total	**1 821 879**	**1 839 556**

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 monitors terms of payment at its subsidiaries on a monthly basis and makes a provision for any receivables that are fully or partially non-recoverable. 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.e, "Trade and related receivables".

The growth of transactional services exposes the Group to a counterparty risk in the case where a merchant defaults and might not be able to honor the service sold to consumers. In this situation, the Group might have to repay certain payments made by consumers, with no certainty of being able to recover these advances from the merchant concerned. This risk is commonly called "chargeback" and arises in particular when online merchants go bankrupt.

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, Bambora AB, 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 of, or during the course of, the customer 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, 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

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.

It should be noted that the Group has:

- the ability to generate significant recurring cash flows for its investment requirements (cf. Consolidated cash flow statements);
- undrawn credit facilities of €1,060 million;
- a debt ratio (Net Financial Debt/EBITDA) lower than 3.

The maturities of the Group's financial liabilities as of December 31, 2017 were as follows:

	2017				
(in thousands of euros)	Carrying amount	Contractual cash flow (1)	Less than 1 year	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
"OCEANE" Convertible bond issue	447 966	500 000	-	500 000	-
Bond issues	1 059 227	1 163 655	21 405	522 750	619 500
Bank borrowings	(1 770)	(1 770)	372	(2 142)	-
Finance lease obligations	224	224	147	77	-
Bank overdrafts	7 367	7 367	7 367	-	-
Other financial liabilities	553 780	553 780	501 470	52 310	-
Financing of merchant prefinancing	34 940	34 940	34 940	-	-
Trade payables and other current liabilities	592 584	592 584	592 584	-	-
Payables related to intermediation activities	598 323	598 323	598 323	-	-
Other non-current liabilities	46 813	46 813	46 813	-	-
Total	**3 339 454**	**3 495 916**	**1 803 421**	**1 072 995**	**619 500**
Derivative financial liabilities					
Exchange rate instruments	2 656	2 656	2 656	-	-
Total	**2 656**	**2 656**	**2 656**	**-**	**-**

(1) Nominal and interest

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, 2016 were as follows:

	2016				
(in thousands of euros)	Carrying amount	Contractual cash flow (1)	Less than 1 year	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
"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	-
Total	**2 040 043**	**2 153 393**	**1 045 737**	**607 643**	**500 013**
Derivative financial liabilities					
Exchange rate instruments	3 801	3 801	3 801	-	-
Total	**3 801**	**3 801**	**3 801**	**-**	**-**

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 2017 and 2016 are as follows:

Closing rate	2017	2016
US Dollar	1,1993	1,0541
Canadian dollar	1,5039	1,4188
Australian dollar	1,5346	1,4596
Pound sterling	0,8872	0,8562
Brazilian real	3,9729	3,4305
Chinese yuan	7,8044	7,3202

Average rate	2017	2016
US Dollar	1,1293	1,1066
Canadian dollar	1,4644	1,4664
Australian dollar	1,4729	1,4886
Pound sterling	0,8761	0,8189
Brazilian real	3,6041	3,8616
Chinese yuan	7,6264	7,3496

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 (Cash Flow Hedges) as of December 31. In the tables below, negative amounts correspond to sales of currencies and positive amounts to purchases.

Fair value hedge of firm commitments	**2017**			
(in thousands of foreign currencies)	**US Dollar**	**Pound sterling**	**Canadian dollar**	**Australian dollar**
Trade receivables	232 258	27 072	16 521	36 878
Trade payables	(195 564)	(14 787)	(13 561)	(9 834)
Gross balance sheet exposure	**36 694**	**12 285**	**2 960**	**27 044**
Foreign exchange derivative instruments				
Forward contracts	12 924	-	-	(6 189)
Net balance sheet exposure	**49 618**	**12 285**	**2 960**	**20 855**

Hedges of future cash flows Budget 2018 (Cash flow hedge)	**2017**			
(in thousands of foreign currencies)	**US Dollar**	**Pound sterling**	**Canadian dollar**	**Australian dollar**
Forward contracts	-	(4 785)	(6 000)	(3 000)
Collars	-	(4 000)	-	-
Hedging of future transactions	**-**	**(8 785)**	**(6 000)**	**(3 000)**

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

Hedges of future cash flows Budget 2017 *(Cash flow hedge)*	2016			
(in thousands of foreign currencies)	**US Dollar**	**Pound sterling**	**Canadian dollar**	**Australian dollar**
Forward contracts	(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)	-
Hedging of future transactions	**(29 500)**	**(15 500)**	**(16 000)**	**(10 937)**

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 income statement.

	2017	
	Impact on profit or loss	
(in thousands of euros)	10% appreciation of the euro in relation to foreign currencies	10% appreciation of foreign currency in relation to the euro
USD	(17 606)	21 518
GBP	(2 774)	3 390
CAD	(999)	1 221
AUD	(2 185)	2 670
Trade receivables	**(23 564)**	**28 799**
USD	14 824	(18 118)
GBP	1 515	(1 852)
CAD	820	(1 002)
AUD	583	(712)
Trade payables	**17 742**	**(21 684)**
USD	953	(1 201)
GBP	(138)	8
CAD	(6)	(10)
AUD	(383)	421
Derivative financial instruments	**426**	**(782)**
Total	**(5 396)**	**6 333**

	2016	
	Impact on profit or loss	
(in thousands of euros)	10% appreciation of the euro in relation to foreign currencies	10% appreciation of foreign currency in relation to the euro
USD	(16 921)	20 681
GBP	(2 989)	3 653
CAD	(884)	1 081
AUD	(592)	724
Trade receivables	**(21 386)**	**26 139**
USD	15 036	(18 378)
GBP	1 857	(2 269)
CAD	761	(930)
AUD	251	(306)
Trade payables	**17 905**	**(21 883)**
USD	(1 489)	1 032
GBP	(1 315)	665
CAD	(435)	314
AUD	(169)	170
Derivative financial instruments	**(3 408)**	**2 181**
Total	**(6 889)**	**6 437**

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:

	2017		**2016**	
(in thousands of euros)	**Outstanding Debt**	**%Total Debt**	**Outstanding Debt**	**%Total Debt**
Fixed rate	1 559 427	75,5%	904 571	79,3%
Variable rate	507 367	24,5%	235 611	20,7%
Gross debt before hedging	**2 066 794**	**100,0%**	**1 140 182**	**100,0%**
Fixed rate	1 326 017	64,2%	679 571	59,6%
Variable rate	740 777	35,8%	460 611	40,4%
Gross debt after hedging	**2 066 794**	**100,0%**	**1 140 182**	**100,0%**

The gross debt exposed to interest rate fluctuations amounted to approximately €741 million at December 31, 2017, compared with €461 million at December 31, 2016.

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, 2017.

Sensitivity to interest rate risk

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

A 100 bp (+/-1%) rise or fall in all the yield curves would lead to an increase or decrease of €7.4 million in gross financial expenditure.

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

(in thousands of euros)	2017	2016
Current income tax France	(57 060)	(64 826)
Current income tax foreign	(52 013)	(41 038)
Current income tax	**(109 073)**	**(105 864)**
Deferred income tax France	2 490	7 987
Deferred income tax foreign	19 570	727
Deferred income tax	**22 060**	**8 714**
Total	**(87 013)**	**(97 150)**

In 2017, income tax expense for the period consisted primarily of:

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

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.

The current tax payable by the Group decreased significantly in 2017. The tax rate benefits from the generally positive effect of local tax rates being lower than the parent company's tax rate. The decrease in non-deductible expenses such as payroll expenses relating to share-based payments and the portion of costs and charges on dividends received from foreign subsidiaries also contribute to the decrease in current tax. However, the classification of the French CVAE (company value-added contribution) as current tax and the withholding tax on dividends paid by the Group's subsidiaries contributes to downgrading the tax rate.

In accordance with Article 235 ter ZCA of the French Tax Code, the Group paid additional tax of €1 million (€1 million in 2016) on dividend distributions to Ingenico Group SA shareholders other than share dividends, equal to 3% of the amount distributed. The invalidation of the exceptional contribution of 3% on dividends by the Constitutional Board led to the repayment by the tax authorities of €4 million excluding interest. This income was offset by the introduction of the exceptional tax on corporation tax at 15% only in 2017, i.e. €6.8 million.

b. Group tax reconciliation

The current tax rate for French companies in the Group was 34.43% in fiscal year 2017.

The 2017 Finance Act applies a digressive tax rate for French companies. This will affect the Group's French companies starting 2019.

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

(in thousands of euros)	**2017**	**2016**
Profit before income tax (excl. share of profits in equity-accounted investees)	**348 619**	**348 710**
Tax rate in France	34,43%	34,43%
Theoretical tax expense	**(120 030)**	**(120 061)**
Difference between the French tax rate and that of foreign subsidiaries	30 403	31 430
Tax losses and temporary differences for the period not recognized as deferred tax assets	(4 500)	(5 456)
Prior period temporary differences and tax losses recognized as deferred tax assets in the period	13 604	3 198
Use of prior period tax losses not recognized as deferred tax assets	1 993	2 697
Tax credits	5 877	5 422
Effect of permanent differences and other	(14 360)	(14 380)
Total	**(87 013)**	**(97 150)**
Effective tax rate	25,0%	27,9%

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 2017 and 2016, permanent differences and other differences included:

- the impact of the share of costs and expenses 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

(in thousands of euros)	Deferred tax assets from tax losses	Deferred tax assets from temporary differences	Total deferred tax assets	Total deferred tax liabilities	Total deferred tax, net
Balance at January 1, 2016	**6 157**	**42 723**	**48 880**	**(142 484)**	**(93 604)**
Deferred tax recognized in profit or loss	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	-	-	-
Balance at December 31, 2016	**9 235**	**48 874**	**58 109**	**(133 780)**	**(75 671)**
Deferred tax recognized in profit or loss	12 889	(9 860)	3 029	19 031	22 060
Deferred tax recognized in equity and business combinations	3 450	(239)	3 211	(113 862)	(110 651)
Translation differences	(1 177)	(2 110)	(3 287)	2 065	(1 222)
Other movements	(228)	228	-	-	-
Balance at December 31, 2017	**24 169**	**36 893**	**61 062**	**(226 546)**	**(165 484)**

As of December 31, 2017, the change in deferred taxes recognized in equity included the impact of deferred taxes of incoming companies and the recognition of post-employment benefits. It is also explained by the recognition of the gradual reduction in the French tax rate from 2019.

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.

Breakdown by nature

(in thousands of euros)	2017	2016
Deferred tax assets by type of temporary difference		
Property, plant and equipment and intangible assets	6 970	8 735
Employee benefits	10 757	11 508
Inventories, receivables, payables and provisions	73 982	79 066
Unutilized tax losses and credits	24 169	9 235
Others (including financial instruments)	124	436
DEFERRED TAX ASSETS	**116 002**	**108 980**
Netting effect	(54 940)	(50 871)
TOTAL DEFERRED TAX ASSETS	**61 062**	**58 109**
Deferred tax liabilities by nature of temporary difference		
Property, plant and equipment and intangible assets	(207 051)	(105 882)
Employee benefits	(289)	(309)
Inventories, receivables, payables and provisions	(73 642)	(78 367)
Others (including financial instruments)	(504)	(93)
DEFERRED TAX LIABILITIES	**(281 486)**	**(184 651)**
Netting effect	54 940	50 871
TOTAL DEFERRED TAX LIABILITIES	**(226 546)**	**(133 780)**
NET TOTAL	**(165 484)**	**(75 671)**

Breakdown of unrecognized deferred tax assets

(in thousands of euros)	2017	2016
Deferred tax from tax losses and tax credits of less than 1 year	257	99
Deferred tax from tax losses and tax credits of between 1 and 5 years	357	1 423
Deferred tax from tax losses and tax credits of over 5 years	15 188	29 274
Deferred tax from temporary differences	92	2 000
Total	**15 894**	**32 796**

d. Current tax payable

(in thousands of euros)	2017	2016
France	1 332	1 926
Foreign countries	23 008	18 110
Total	**24 340**	**20 036**

11. EQUITY-ACCOUNTED INVESTEES AND NON-CONTROLLING INTERESTS

a. Interests in associate companies

(in thousands of euros)	JoinedApp Inc.	Nanjing ZTE-Ingenico Network Technology Co., Ltd.	Fixed & Mobile Pte Ltd	Total
% interest at January 1, 2016	0,0%	39,5%	30,0%	
% interest at December 31, 2016	0,0%	39,5%	27,3%	
% interest at December 31, 2017	15,0%	0,0%	27,3%	
Balance at January 1, 2016	**-**	**3 801**	**8 492**	**12 293**
Share of profit or loss	-	-	(129)	(129)
Impairment loss	-	(600)	-	(600)
Translation differences	-	-	273	273
Disposal	-	(3 201)	-	(3 201)
Balance at December 31, 2016	**-**	**-**	**8 636**	**8 636**
Acquisition	1 311	-	-	1 311
Impairment loss	-	-	(1 419)	(1 419)
Translation differences	-	-	(963)	(963)
Balance at December 31, 2017	**1 311**	**-**	**6 254**	**7 565**

In 2017, the Group invested in a Californian company called JoinedApp, specializing in e-Commerce solutions integrated into email applications. Having acquired 15% of the company's capital and with a presence on the management committee, the Group has a significant influence on JoinedApp, without having control. The investment is therefore recognized under the equity method.

a. 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 2017, the transfer of 3% of Ingenico Holdings Asia Limited to Group managers increased the percentage of capital and voting rights held by minority shareholders in the Group's Chinese activities.

Furthermore, in December 2017, the Group acquired the remaining minority shareholding in Think&Go (via Ingenico Connected Screens).

Name of subsidiary	Location	Balance at December 31, 2017		Balance at December 31, 2016	
		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	23%	(640)	20%	(1 110)
Fujian Landi Commercial Equipment Co., Ltd.	China	23%	5 270	20%	8 139
Ingenico Electronic Equipment Co., Ltd.	China	23%	265	20%	303
ZTE Ingenico N.V.	Netherlands	0%	-	0%	(127)
Lyudia	Japan	30%	(339)	30%	(371)
Think&Go NFC	France	0%	(536)	20%	(279)
			4 020		**6 555**

1. 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

	2017	2016
Issued on January 1	**61 493 241**	**60 990 600**
Shares issued in connection with dividend distributions (1)	731 856	502 641
Shares issued in connection with options exercised and shares acquired	112 000	-
Shares issued in connection with a capital increase reserved for employees	26 017	-
Shares issued at the end of the period	**62 363 114**	**61 493 241**
Treasury shares at the end of the period	114 734	116 534
Shares outstanding at the end of the period	**62 248 380**	**61 376 707**

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

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

Treasury shares

(in euros)	2016	Acquisitions	Divestitures and cancellations	2017
Number of securities	116 534	595 767	(597 567)	114 734
Average purchase price	23,56	83,02	83,32	23,52
Total	**2 746 044**	**49 463 039**	**(49 511 056)**	**2 698 027**

(in euros)	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
Total	**7 034 657**	**83 558 838**	**(87 847 450)**	**2 746 044**

Shares repurchased to be awarded or retired

The portfolio of treasury shares totaled 116,534 shares as of December 31, 2016. As of December 31, 2017, there were 114,734 treasury shares at an average price of €23.52.

Over the course of the year, 1,800 treasury shares were used for share-based compensation plans.

Treasury shares repurchased under the liquidity contract

In 2017, 595,767 shares were purchased at an average price of €83.02 and the same number of shares were sold at an average price of €83.32.

The Group held no treasury shares under its liquidity contract as of December 31, 2017 and 2016.

b. Earnings per share

	2017	2016
Net profit or loss attributable to Ingenico SA shareholders (in thousands of euros)	256 167	244 276
Weighted average number of ordinary shares	61 806 653	61 030 782
Basic earnings per share (in euros)	**4,14**	**4,00**

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 out or issued during the period.

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 share price of the year.

The diluted number of ordinary shares does not include the purchase of the 1,500,000 options described in Note 9.b. The acquisition of these call options will allow Ingenico Group to partially cover its obligations to deliver treasury shares, as well as the potential dilution, in the event of the conversion of its OCEANE bonds, which mature on June 26, 2022.

(in thousands of euros)	2017	2016
Net profit or loss attributable to Ingenico SA shareholders	**256 167**	**244 276**
Interest expense related to OCEANE convertible bond debt (net of income tax)	6 908	6 746
Diluted net profit or loss attributable to Ingenico SA shareholders	**263 075**	**251 022**
Weighted average number of existing shares	**61 806 653**	**61 030 782**
Impact of dilutive instruments:		
- free shares granted	138 426	264 971
- conversion of convertible bonds	2 918 965	2 910 252
Diluted weighted average number of ordinary shares	**64 864 044**	**64 206 005**
Diluted earnings per share (in €)	**4,06**	**3,91**

12. OFF-BALANCE SHEET COMMITMENTS

(in thousands of euros)	**2017**	**2016**
COMMITMENTS RECEIVED		
Various guarantees	22 843	2 791
Liability warranty as part of the acquisition of an 83.86% interest in Roam Data Inc.: unlimited duration (commitment: US$ 700,000).	584	664
Liability warranty as part of TNET acquisition: unlimited duration and amount.	unlimited	unlimited
Liability warranty as part of Paycom acquisition up to July 1, 2021 for corporate warranties.	12 381	12 381
Liability warranty as part of PT Payment Indonesia acquisition. Total liability warranties amount to US$ 4.5 million. Expiry dates are as follows: - fiscal: until January 2018 - corporate: unlimited duration	3 752	4 269
Liability warranties as part of Ogone acquisition The amount of liability warranties (excluding special warranty) was €89.3 million (for corporate warranties of an unlimited duration).	89 325 -	89 325 -
Liability warranty in connection with the acquisition of Think&Go. - The overall cap is €500,000 with a duration of 12 months, with the exception of social security and payroll expenses for which the maximum duration is set at 3 years. The tax and social security cap is €150,000. - The basic warranties are unlimited in duration and amount.	500 unlimited	500 unlimited
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.	3 333	3 647
Basic warranties unlimited in duration and amount, received in connection with the buyout of Ingenico Holdings Asia shares.	unlimited	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.	13 160	13 846
Liability warranty in connection with the acquisition of TechProcess. It covers basic warranties for an unlimited duration, and for other warranties until July 30, 2018, except for ongoing claims at July 30, 2018 until their final resolution.	4 169	-
Liability warranty in connection with the acquisition of IECISA. It covers basic warranties for 18 months from the acquisition date, and tax and social warranties for 2 years.	6 000	-
In the scope of the acquisition of Bambora, the Group has taken out insurance covering basic warranties (10 years), tax and social warranties (7 years), and other disputes (2 years) of up to €300 million. Above this amount, basic warranties are covered by the vendors for 10 years.	300 000	-
OTHER COMMITMENTS RECEIVED		
COMMITMENTS GIVEN		
Various guarantees	37 598	21 973
Liability warranty as part of disposal of 20% of Ingenico Holdings Asia. Total liability warranties amount to US$ 26.1 million. Expiry dates as follows: - Standard warranties until October 2016 - Tax warranties until June 2022 - Basic warranties until expiration of time limit.	21 793	24 795
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	unlimited

In the scope of the acquisition of Bambora, The Group took over responsibility for a warranty to credit card issuers, for an amount of US$ 20 million.	16 676	
OTHER COMMITMENTS GIVEN		
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 €9 million.	5 937	8 751

In 2017, the Group had the following commitments in connection with its business activities:

- approximately €89.5 million in firm price orders placed by the Group with its manufacturers as of December 31, 2017 ;
- future payments under non-cancelable operating leases.

The table below shows future minimum lease payments under non-cancelable operating leases, by maturity:

(in thousands of euros)	2017	2016
Less than a year	23 775	21 299
1-5 years	51 832	47 703
More than 5 years	39 808	14 684
Total	**115 415**	**83 686**

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 €5.6 million in 2017.

13. 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	
Main consolidated subsidiaries			
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 BVBA/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	77%	Full
Ingenico Electronic Equipments (Beijing) Co., Ltd.	China	77%	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	100%	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	100%	Full
Ingenico (UK) Ltd.	United Kingdom	100%	Full
Ingenico e-Commerce Solutions Ltd.	United Kingdom	100%	Full
Ingenico Holdings Asia Limited	Hong Kong	77%	Full
Ingenico Hungary Kft.	Hungary	100%	Full
Ingenico International India Pvt Ltd.	India	100%	Full
E-Billing Solutions Pvt Ltd.	India	100%	Full
Techprocess Payment Services Private Ltd	India	100%	Full
PT. Ingenico International Indonesia	Indonésia	100%	Full
Ingenico Italia SpA	Italy	100%	Full
Ingenico Japan Co Ltd	Japan	70%	Full
Ingenico Payment Systems Africa SARLAU	Morocco	100%	Full
Ingenico Mexico S.A. de C.V.	Mexico	100%	Full
GCS Holding BV	The Netherlands	100%	Full
Global Collect BV	The Netherlands	100%	Full
Ingenico e-Commerce Solutions BV	The Netherlands	100%	Full

Corporate name	Country	% interest	Consolidation method
Ingenico Philippines Corp	Philippines	100%	Full
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
Bambora Top Holding AB (and its subsidiaries in Australia, the USA, Canada, Finland, Norway, Switzerland, and Denmark)	Sweden	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
Secure Transactions LLC	Ukraine	100%	Full
Ingenico Vietnam Co Ltd	Vietnam	100%	Full
FIXED & MOBILE Pte Ltd.	Singapore	27%	Equity method
JoinedApp Inc.	United States	15%	Equity method

14. SUBSEQUENT EVENTS

Acquisition of Paymark

On January 17, 2018, the Group announced the acquisition of Paymark, a New Zealand electronic payment network, for a total amount of NZ$190 million.

The transaction should be finalized during the first half of 2018. Consequently, this company's financial statements are not consolidated into those of the Group at December 31, 2017.

Buyout of Fosun shares in the Group's Chinese activities

In accordance with shareholder agreements signed on May 7, 2015 with Fosun, on January 22, 2018 the Group bought out 20% of shares held by Fosun in Ingenico Holdings Asia at the set price of US$104.6 million. As a result of this transaction, Ingenico Group holds 97% of the Chinese companies.

Acquisition of Airlink

On February 2, 2018, the Group concluded the acquisition of Airlink, a value-added distributor of payment solutions based in Taiwan. Airlink provides acquirers and retailers with payment terminals and associated services such as installation, maintenance, and software development.

This company's financial statement is not consolidated into that of the Group at December 31, 2017.

15. STATUTORY AUDITORS' FEES

Statutory auditors' fees break down as follows:

	2017						2016	
	KPMG			MAZARS			KPMG	MAZARS
(in thousands of euros)	KPMG SA	KPMG affiliates	Total	Mazars	Mazars affiliates	Total	Total	Total
Certification of accounts	262	827	1 089	278	587	865	888	703
Other services	101	125	226	68	42	110	497	51
Total	**363**	**952**	**1 315**	**346**	**629**	**975**	**1 385**	**754**

16. PRO FORMA FINANCIAL INFORMATION

The consolidated pro forma income statement for the year ended December 31, 2017 takes account of the integration of TechProcess, IECISA, ST, and Bambora Group. It has been prepared as if each of these acquisitions had taken place on January 1, 2017. It is published for illustrative purposes only. In this respect, it is not necessarily representative of the financial situation or performance of Ingenico Group if the acquisition of these companies had occurred at a date earlier than that of their actual occurrence. It is also without prejudice to the Group's financial situation or performance over future years.

(in thousands of euros)	2017
REVENUE	**2 714 315**
Cost of sales	(1 618 043)
GROSS PROFIT	**1 096 272**
Distribution and marketing costs	(273 044)
Research and development expenses	(186 320)
Administrative expenses	(252 129)
PROFIT FROM ORDINARY ACTIVITIES	**384 779**
Other operating income	302
Other operating expenses	(39 207)
PROFIT FROM OPERATING ACTIVITIES	**345 874**
Finance income	38 202
Finance costs	(67 255)
NET FINANCE COSTS	**(29 053)**
Share of profits in equity-accounted investees	(1 419)
PROFIT BEFORE INCOME TAX	**315 402**

The pro forma income statement is based on the consolidated income statement. Additions and adjustments are the followings:

- The income statement of each company acquired has been added for the period started on January 1, 2017 to the date of the acquisition. The accounting methods used are the same as accounting methods used by the Group for the year ended December 31, 2017.
- When a purchase price allocation has been performed, then the amortization charge of the recognized intangible assets has been recorded for a full year.
- When a share-based payment plan was set in the acquired subsidiary, the IFRS 2 charge is recorded for a full year.
- Financial cost has been adjusted to reflect the expected annual financial cost of the financings issued for those acquisitions.
- When the acquired company was previously engaged in a commercial relationship with the Group, then the intragroup eliminations from January 1 have been included.