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HALF-YEAR FINANCIAL REPORT

As of June 30, 2019

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I. INTERIM CONSOLIDATED STATEMENT

(in thousands of euros)	Notes	June 30, 2019	June 30, 2018
Revenue	5.a.	**1,610,688**	**1,229,384**
Cost of sales		(1,073,669)	(768,098)
Gross profit		**537,019**	**461,286**
Distribution and marketing costs		(149,477)	(130,912)
Research and development expenses		(97,728)	(86,535)
Administrative expenses		(152,325)	(131,913)
Profit from ordinary activities		**137,489**	**111,926**
Other operating income	5.b.	3,806	
Other operating expenses	5.b.	(17,015)	(17,702)
Profit from operating activities		**124,280**	**94,224**
Finance income	9.a.	18,916	48,795
Finance costs	9.a.	(40,359)	(68,235)
Net finance costs		**(21,443)**	**(19,440)**
Share of profits in equity-accounted investees			
Profit before income tax		**102,837**	**74,784**
Income tax expense	10	(20,978)	(20,117)
Net profit		**81,859**	**54,667**
Attributable to:			
- Ingenico Group SA shareholders		80,386	54,389
- non-controlling interests		1,473	278
Earnings per share (in euros)			
Net earnings:			
- basic earnings per share		**1.30**	**0.88**
- diluted earnings per share		**1.30**	**0.88**

II. INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	June 30, 2019	June 30, 2018
Profit for the period attributable to Ingenico Group SA shareholders	**80,386**	**54,389**
Translation differences [(1)]	(21,913)	(75,960)
Gains or losses of derivative hedging instruments [(2)]	181	550
Gains or losses of available-for-sale financial assets	667	730
Actuarial gains/(losses) on defined benefit plans		
Income tax on gains/(losses) accounted in other comprehensive income	(734)	(281)
TOTAL GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO INGENICO GROUP SA SHAREHOLDERS [(3)]	**(21,799)**	**(74,961)**
Profit for the period and other comprehensive income attributable to Ingenico Group SA shareholders	58,587	(20,572)
Total comprehensive income attributable to non-controlling interests	1,473	278
Translation differences attributable to non-controlling interests	43	148
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**60,103**	**(20,146)**

(in thousands of euros)	June 30, 2019	June 30, 2018
Income tax on translation adjustments	68	(63)
Income tax on gains or losses on hedging instruments	(43)	(218)
Income tax on change in value of financial assets available for sale	(523)	
Income tax on actuarial gains and losses on defined benefit plans	(236)	
TAXES ON GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME	**(734)**	**(281)**

[(1)] The translation differences in 2019 were for the most part generated by subsidiaries whose financial statements are presented in Swedish kronor. The translation differences in 2018 were for the most part generated by subsidiaries whose financial statements are presented in Swedish kronor.
[(2)] The portion of the gains or losses on interest rate swaps on bank loans and on foreign exchange forward contracts used to hedge cash flows that is determined to be an effective hedge is recognized directly in Other Comprehensive Income.
[(3)] Except for actuarial gains or losses on remeasurement of the Group's defined benefit liability and fair value changes in equity instruments recognized in Other Comprehensive Income (in accordance with IFRS 9), all items recognized in Other Comprehensive Income will subsequently be recycled to the consolidated income statement.

III. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

(in thousands of euros)	Notes	June 30, 2019	December 31, 2018
Goodwill	7	2,802,321	2,490,492
Other intangible assets		1,123,381	964,589
Property, plant and equipment		201,730	90,337
Investments in equity-accounted investees		1,311	7,841
Financial assets	9.d.	69,668	22,656
Deferred tax assets		51,122	53,345
Other non-current assets	9.d.	55,211	36,626
TOTAL NON-CURRENT ASSETS		**4,304,744**	**3,665,886**
Inventories	5.d.	213,924	188,150
Trade and related receivables		688,076	651,411
Receivables related to intermediation activities	5.f.	383,517	243,340
Other current assets	9.d.	40,458	38,293
Current tax assets		25,404	35,869
Derivative financial instruments	9.c.	8,190	15,565
Funds related to intermediation activities	5.f.	751,457	461,657
Cash and cash equivalents	9.b.	1,093,716	774,801
TOTAL CURRENT ASSETS		**3,204,742**	**2,409,086**
TOTAL ASSETS		**7,509,486**	**6,074,972**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes	June 30, 2019	December 31, 2018
Share capital	11	63,145	63,145
Share premium account		866,617	866,617
Other reserves		1,253,066	990,301
Translation reserves		(97,494)	(75,480)
Equity attributable to Ingenico Group SA shareholders		**2,085,334**	**1,844,583**
Non-controlling interests		**268,807**	**5,595**
TOTAL EQUITY		**2,354,141**	**1,850,178**
Non-current borrowings and long-term debt	9.b.	1,959,649	1,864,404
Provisions for retirement and benefit obligations		53,974	21,168
Other long-term provisions	8	21,133	23,159
Deferred tax liabilities		236,313	203,620
Other non-current liabilities		97,697	58,798
TOTAL NON-CURRENT LIABILITIES		**2,368,766**	**2,171,149**
Short-term loans and borrowings	9.b.	759,310	465,897
Other short-term provisions	8	22,122	15,719
Trade and related payables		680,592	626,172
Payables related to intermediation activities	5.f.	1,088,498	665,306
Other current liabilities	5.e.	189,486	252,080
Current tax liabilities		43,770	26,515
Derivative financial instruments	9.c.	2,801	1,956
TOTAL CURRENT LIABILITIES		**2,786,579**	**2,053,645**
TOTAL LIABILITIES		**5,155,345**	**4,224,794**
TOTAL EQUITY AND LIABILITIES		**7,509,486**	**6,074,972**

IV. INTERIM CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euros)	**June 30, 2019**	**June 30, 2018**
Profit for the period	81,859	54,667
Adjustments for:		
- Income tax expense/(income)	20,978	20,117
- Depreciation, amortization and provisions	111,038	82,960
- Change in fair value	5,295	1,194
- Gains/(losses) on disposal of assets	(3,742)	(40)
- Net interest costs/(revenue)	20,095	14,514
- Share-based payment expense (1)	4,714	859
Interest paid	(16,410)	(10,544)
Income tax paid	(24,702)	(48,445)
Cash flows from operating activities before change in net working capital	**199,125**	**115,282**
- Inventories	(22,925)	(22,825)
- Trade and other receivables	25,234	(45,116)
- Trade payables and other payables	(6,464)	23,636
Change in net working capital	**(4,155)**	**(44,305)**
Change in working capital of merchants prefinancing (2)	(8,115)	(25,684)
CASH FLOWS FROM OPERATING ACTIVITIES	**186,855**	**45,293**
Acquisition of fixed assets	(59,939)	(53,552)
Proceeds from sale of tangible, intangible and financial assets	6,086	311
Proceeds from divestment of investments in equity-accounted investees	4,828	
Acquisition of subsidiaries, net of cash acquired	(72,721)	(15,225)
Loans and advances granted and other financial assets	(2,907)	(1,090)
Loan repayments received	1,502	1,420
Dividends received	102	51
Interest received	4,439	3,733
CASH FLOWS FROM INVESTING ACTIVITIES	**(118,610)**	**(64,352)**
Proceeds from share capital issues (3)	(75)	
Purchase/(sale) of treasury shares (3)	55	(86,786)
Proceeds from loans and borrowings	126,500	304,231
Repayment of loans and borrowings	(69)	(69,404)
Change in the Group's ownership interests in controlled entities (4)		(93,123)
Financing of merchant prefinancing (2)	6,042	24,202
Changes in other financial liabilities	(14,935)	(58)
Effets des instruments financiers dérivés (3)	28	(418)
Dividends paid to shareholders (3)	(3,744)	(55,026)
Tax on financing activities (5)		4,449
CASH FLOWS FROM FINANCING ACTIVITIES	**113,802**	**28,067**
Currency translation effect on cash and bank overdrafts	3,332	2,520
CHANGE IN CASH AND CASH EQUIVALENTS	**185,379**	**11,528**
Net cash and cash equivalents at beginning of the period	762,665	588,572
Net cash and cash equivalents at period end	948,044	600,100

(in thousands of euros)	**June 30, 2019**	**June 30, 2018**
Short-term investments and short-term deposits (only for the portion classed as cash and cash equivalents)	140,187	95,265
Cash	953,529	510,852
Bank overdrafts	(145,672)	(6,017)
TOTAL CASH AND CASH EQUIVALENTS, NET	**948,044**	**600,100**

Funds collected in connection with intermediation activities are not included in the Cash Flow Statement.

(1) In 2019, the share-based payment expense of €4.7 million includes €3.3 million paid in equity instruments and €1.4 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 to be remitted to merchants even before they have been received by the Group, from credit card issuers. The duration of this merchant prefinancing is generally one or two days. To avoid drawing on its cash to provide this upfront remittance to merchants, the Group uses specific and dedicated bank financing with a possible marginal difference. The cash requirement impact and its immediate financing are included in operational activities and in financing transactions on the cash flow statement.

(3) Cash flows from financing activities without effect on gross financial debt (equity items).

(4) Once the interests of non-controlling shareholders in Ingenico Japan Co. Ltd. and Ingenico Holdings Asia Ltd. were repurchased, the liabilities for both put options were extinguished.

(5) Following the invalidation by the French Constitutional Council of the 3% tax surcharge levied on dividends, the tax administration reimbursed a total of €4 million, not including interest, in 2018.

V. CONSOLIDATED STATEMENT OF CHANGES 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 Group SA shareholders	Non-controlling interests	Total equity
Balance at December 31, 2017, restated	**62,363**	**817,990**	**(21,908)**	**108**	**(2,697)**	**975,695**	**1,831,551**	**10,974**	**1,842,525**
Adjustments made upon initial application of IFRS 9 (net of tax)						(580)	(580)		(580)
Adjusted balance at January 1, 2018	**62,363**	**817,990**	**(21,908)**	**108**	**(2,697)**	**975,116**	**1,830,972**	**10,974**	**1,841,946**
Profit for the period ended Dec. 31, 2018						188,233	188,233	614	188,847
Other comprehensive income			(56,218)	(738)		4,249	(52,707)	92	(52,615)
Total comprehensive income			**(56,218)**	**(738)**		**192,482**	**135,526**	**706**	**136,232**
Dividends paid to shareholders (1)						(48,146)	(48,146)	(6,880)	(55,026)
Stock dividends paid to shareholders (2)	782	48,627				(49,909)			
Treasury shares (3)					(86,065)	(505)	(86,570)		(86,570)
Share-based payments and exercise of stock options (4)						5,596	5,596		5,596
Remeasurement of put options						5,948	5,948	700	6,648
Accretions (5)			2,646			6	2,652	95	2,747
Other						(1,395)	(1,395)		(1,395)
Balance at December 31, 2018	**63,145**	**866,617**	**(75,480)**	**(630)**	**(88,762)**	**1,079,693**	**1,844,583**	**5,595**	**1,850,178**
Adjustments made upon initial application of IFRS 16 (net of tax)						(2,907)	(2,907)	(198)	(3,105)
Adjusted balance at January 1, 2019	**63,145**	**866,617**	**(75,480)**	**(630)**	**(88,762)**	**1,076,786**	**1,841,676**	**5,397**	**1,847,073**
Profit for the period ended June 30, 2019						80,386	80,386	1,473	81,859
Other comprehensive income			(21,913)	181		(67)	(21,799)	43	(21,756)
Total comprehensive income			**(21,913)**	**181**		**80,319**	**58,587**	**1,516**	**60,103**
Dividends paid to shareholders (1)						(36,388)	(36,388)	(1,747)	(38,135)
Stock dividends paid to shareholders (2)									
Treasury shares (3)						36	36		36
Share-based payments and exercise of stock options (4)						3,310	3,310		3,310
Accretions			(101)			101			
Change in holdings in subsidiaries without loss of control over the assets contributed (5)						218,131	218,131	263,641	481,772
Other						(18)	(18)		(18)
Balance at June 30, 2019	**63,145**	**866,617**	**(97,494)**	**(449)**	**(88,762)**	**1,342,277**	**2,085,334**	**268,807**	**2,354,141**

June 2019:

(1) Cash dividend of €1.10 per share scheduled for distribution in 2019.

(2) Stock dividend financed through incorporation of retained earnings into share capital, scheduled for distribution in July 2019 and corresponding to the issuance of 534,871 new shares.

(3) Movements in the treasury share portfolio are disclosed in Note 11, Equity of the Parent Company.

(4) Share-based payments:

- The increase in retained earnings and other reserves reflects fair value adjustments to free share awards and other instruments recognized each year in Profit from Operating Activities.
- The increase in share capital and the decrease in the share premium account reflect the issuance of new shares to meet obligations to beneficiaries of free share award plans that vested during the year.

(5) Net impact of the business combination of BS Payone with Ingenico Retail assets in Germany, Austria and Switzerland; see Note 7.a. Goodwill.

December 2018:

[1] Cash dividend of €1.60 per share paid on June 21, 2018.
[2] Stock dividend financed through incorporation of retained earnings into share capital and issuance of 781,413 new shares.
[3] Movements in the treasury share portfolio are disclosed in Note 11, Equity of the Parent Company.
[4] Share-based payments:

- The increase in retained earnings and other reserves reflects fair value adjustments to free share awards and other instruments recognized each year in Profit from Operating Activities.
- The increase in share capital and the decrease in the share premium account reflect the issuance of new shares to meet obligations to beneficiaries of free share award plans that vested during the year.

[5] Acquisition of a non-controlling interest in Ingenico Holdings Asia Ltd.

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. THE GROUP

These condensed interim 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, offering payment solutions across all sales 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 whose securities have been admitted for trading on the Premier Marché of the Paris Stock Exchange. Its head office located in Paris.

The condensed interim consolidated financial statements were approved by the Board of Directors on July 23, 2019.

2. ACCOUNTING PRINCIPLES AND METHODS

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Statements. They do not include all the information required for annual financial statements under IFRS and should be read in conjunction with the Group’s financial statements for the year ended December 31, 2018.

The condensed interim consolidated financial statements for the period from January 1, 2019 to June 30, 2019 were prepared using the same accounting principles and methods used in the consolidated financial statements for the fiscal year ended December 31, 2018, except for the new accounting standards applicable as of January 1, 2019.

Apart from IFRS 16, Leases, the new standards in effect as of January 1, 2019 and applicable to the Group had no material impact on the consolidated financial statements. They are as follows:

- IFRIC 23, Uncertainty over Income Tax Treatments;
- the Amendment to IFRS 9, Financial Instruments, titled Prepayment Features with Negative Compensation;
- the Amendment to IAS 28, Investments in Associates and Joint Ventures, titled Long-term Interests in Associates and Joint Ventures;
- the Amendment to IAS 19, Employee Benefits, titled Remeasurement on a Plan Amendment, Curtailment or Settlement/Availability of a Refund from a Defined Benefit Plan;
- Annual Improvements to IFRS Standards 2015–2017 Cycle.

The Group has not applied in advance the following standards, amendments and interpretations which, as of June 30, 2019, had been issued by the IASB or the IFRSIC (IFRS Interpretations Committee) and adopted by the European Union but whose application was not mandatory as of June 30, 2019.

Initial application of IFRS 16, Leases.

IFRS 16, Leases, replaces IAS 17, and specifies how a reporting entity will recognize, measure, present and disclose leases.

- *Description of the Group’s leasing activities*

The Group is solely a lessee, renting buildings for its offices and warehouses in most of the countries in which it operates. The lease conditions are negotiated on an ad hoc basis and thus contain a wide variety of provisions. The Group is also a lessee of data centers, motor vehicles and equipment required to pursue its business operations. The Group’s building leases generally have terms of between 1 year and 12 years. For vehicle leases, terms are generally 3 years.

- *Application of the modified retrospective transition approach*

The primary impact of IFRS 16 on the Group's financial statements is that it requires the lessee to use a single model to account for right-of-use assets and lease liabilities under lease contracts. The Group has elected to use the modified retrospective approach. This consists of recognizing the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings for 2019, while measuring any right-of-use asset under a lease at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease. Payments on leases where the underlying asset has a value when new of below US$ 5,000 are recognized, as previously, as an expense, in keeping with the standard's pursuit of simplicity. Payments on leases with a term of 12 months or less have not been restated. In transitioning to IFRS 16, for leases previously classified as operating leases under IAS 17, the Group measures the lease liability as the present value of the remaining lease payments, discounted at the interest rate implicit in the lease or at the incremental borrowing rate in the relevant country as of January 1, 2019. To determine whether the Group is reasonably certain to exercise its lease extension options, the Group has assessed its actual lease payments against market rates for comparable leases, and any termination penalties against the lease payments that would apply in the event of a lease extension.

As of January 1, 2019, the whole Group had an incremental borrowing rate of 3.2%, determined on the basis of the remaining lease term and the weighted-average rate for its lease liabilities.

Under the modified retrospective approach, the Group has not presented comparative financial information for 2018, considering the impacts of IFRS 16 restatement and all the practical expedients mentioned above have been applied. The accounting standards applied to fiscal year 2018 are thus still in accordance with the principles of IAS 17.

- *Impact as of January 1, 2019*

The Group's application of IFRS 16 entails recognition as of January 1, 2019 of a right-of-use equal to €87.5 million, lease liabilities of €97.9 million, and various other effects (deferred taxes, lease franchise, and incentives) of €7.3 million. Consequently, the initial application of the standard has decreased equity by €3.1 million.

The assets underlying that right-of-use are recognized in property, plant and equipment, with details presented in Note 7, while the lease obligations are recognized in current and non-current borrowings and other financial liabilities, as summarized in Note 9. In the consolidated Cash Flow Statement, cash payments for the principal portion of a lease liability are classified within cash flows from financing activities, whereas cash payments for the interest portion are classified, as previously, within cash flows from operating activities.

The new accounting principles introduced by IFRS 16 are also summarized in Note 7.

- *Reconciliation of lease obligations as at transition date with off-balance sheet commitments as at December 31, 2018*

(in millions of euros)

Lease obligations from lease contracts as at December 31, 2018	**146.2**
Discounting effect	(11.2)
Lease obligations after discounting effect	**135.0**
Impact from renewal options excluded from off-balance sheet commitments as at December 31, 2018 and from contracts excluded from lease obligatons as at January 1, 2019	(37.1)
Lease obligations as at January 1, 2019 upon initial application of IFRS 16	**97.9**

Initial application of IFRIC 23, Uncertainty over Income Tax Treatments:

The IFRIC Interpretation IFRIC 23, Uncertainty over Income Tax Treatments, is applicable for annual reporting periods beginning on or after January 1, 2019.

IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments.

A reporting entity should recognize uncertain liabilities and assets as income tax payables/receivables according to the probability that the tax authority will not accept an uncertain tax treatment, without considering the probability of non-detection. To reflect the best estimate as to the effect of that uncertainty, measurement should be based on either the most likely outcome or the probability-weighted average of all possible outcomes.

The application of IFRIC 23 has had no material impact on the Group's consolidated financial statements.

Translation of financial statements

The conversion rates for the main currencies used by the Group in fiscal year 2018 and the half-year periods ended June 30, 2018 and 2019 are as follows:

Closing rate	**June 30, 2019**	**Dec. 31, 2018**
US Dollar	1.1380	1.1450
Canadian dollar	1.4893	1.5605
Australian dollar	1.6244	1.6220
Pound sterling	0.8966	0.8945
Russian rubble	71.5975	79.7153
Swedish krona	10.5633	10.2548
Turkish lira	6.5507	6.0422
Brazilian real	4.3610	4.4366
Chinese yuan	7.8185	7.8751

Average rate	**June 30, 2019**	**June 30, 2018**
US Dollar	1.1298	1.2108
Canadian dollar	1.5067	1.5464
Australian dollar	1.6002	1.5693
Pound sterling	0.8736	0.8797
Russian rubble	73.7215	71.9802
Swedish krona	10.5187	10.1519
Turkish lira	6.3437	4.9499
Brazilian real	4.3437	4.1467
Chinese yuan	7.6670	7.7100

Estimates and judgments

In preparing these condensed interim consolidated financial statements, Group management was led to exercise a fair amount of judgment and to make assumptions and estimates affecting the application of the accounting methods and the reported amounts of assets, liabilities, income and expenses. Actual results may differ materially from the estimates and assumptions.

The cases in which management exercised a significant degree of judgment in applying the accounting methods adopted by the Group in these interim condensed consolidated financial statements and the main sources of uncertainty regarding estimates are the same as those described in the consolidated financial statements for the year ended December 31, 2018.

Determination of income tax expense

Income tax expense for each interim period is recognized based on the best estimate of the weighted average annual effective income tax rate expected for the full fiscal year.

Estimate for retirement benefit obligations

In its interim financial statements, the Company estimates its retirement benefit obligations as half of the projected annual amount, calculated for the current fiscal year on the basis of actuarial valuations performed at the end of the preceding fiscal year, unless the occurrence of significant events warrants an updated estimate.

3. SIGNIFICANT EVENTS

Completion of the Paymark acquisition

In November 2018, the final condition precedent to the acquisition of Paymark was satisfied, and on January 11, 2019, Ingenico Group completed the acquisition of this New Zealand electronic payment network announced on January 17, 2018 for total consideration of 191 million New Zealand dollars.

Creation of Ingenico Payone Holding GmbH

The Group completed the closing of an agreement to merge BS Payone, a Sparkassen-Finanzgruppe subsidiary, with the assets of Ingenico Retail in Germany, Austria and Switzerland on January 8, 2019 after receiving all the regulatory approvals required.

Deutscher Sparkassenverlag has a 48% interest in the new joint venture, renamed Ingenico Payone Holding GmbH, while Ingenico Group has a 52% interest. The entity has accordingly been fully consolidated as of January 1, 2019 in the Group’s financial statements within the current Retail business.

4. SEGMENT REPORTING

The criteria used to determine reportable segments are set out in Note 4, Segment Reporting, of the consolidated financial statements for the year ended December 31, 2018. The information presented below is based on the management reporting used by the Executive Committee, the chief operating decision-maker as defined by IFRS 8, to evaluate the performance of the different segments.

	June 30, 2019		
(in thousands of euros)	Banks & acquirers	Retail	**Consolidated**
External revenue	704,839	905,849	**1,610,688**
Terminals and related services			**861,360**
Transactions			**749,328**
Profit from ordinary activities	106,636	30,853	**137,489**

	June 30, 2018		
(in thousands of euros)	Banks & acquirers	Retail	**Consolidated**
External revenue	599,199	630,185	**1,229,384**
Terminals and related services			**711,611**
Transactions			**517,773**
Profit from ordinary activities	101,461	10,465	**111,926**

5. OPERATING DATA

a. Revenue

Sale of payment terminals and other products

Revenue earned by the Group from contracts with customers for the sale of payment terminals and other products represents the satisfaction of a performance obligation. Such revenue is recognized when control of the asset is transferred to the customer, usually upon delivery of the equipment.

Where other contractual undertakings constitute separate performance obligations, a portion of the transaction price is allocated to them.

Sale of extended service warranties

The Group provides warranties as required by the laws and standard practices of the countries in which it operates, and accounts for them using the guidance in IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

The Group additionally provides extended warranties of anywhere from one to five years that are already accounted for as service-type warranties and recognized as separate performance obligations, and therefore allocates a portion of the contract transaction price based on relative stand-alone selling price. The allocated revenue is then recognized over time commencing after the expiration of the standard warranty required by law.

Transaction price

To determine the transaction price for the sale of a piece of equipment or a related service, the Group takes into account the impact of variable consideration, the existence of a financial component and, if applicable, payments made to the customers.

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration it is entitled to for transferring the products to the customer. The variable consideration is estimated at contract inception and remains applicable until the uncertainty has been resolved. Volume discounts are forms of variable consideration that the Group may offer its customers on products purchased under certain conditions. Those discounts are then offset against the amounts payable by the customer on subsequent purchases.

The Group receives advances from its customers for certain services, in particular payments for extended warranties at the inception of a contract. These payments constitute an advance from customers containing a material financing component, given the time between the payment and the satisfaction of the extended warranty performance obligation.

Sale of payment solutions services

Where a third party is involved in supplying goods or rendering services, the Group determines whether it is the principal or agent by assessing the nature of the promise to the customer. The Group is the principal to the transaction and recognizes the revenue on a gross basis if it controls the goods and services promised until their transfer to the customer.

To satisfy its obligations arising from the acquisition and settlement of bank card payments collected by merchants, Ingenico Group enters into contracts with third parties (financial institutions and card schemes) that take charge of part of the services ensuring proper completion of the underlying transactions. The consideration paid for those services typically take the form of interchange fees, which are passed on to the other institutions in the transaction chain, with final payment made by the merchant.

The Group deems that it acts as the principal for the performance of the services constituting the full performance obligation, which include payment processing, completion of the transaction by guaranteeing the receipt of those payments, and the payment of the amount into the merchant’s bank account. The Group’s position in the payment chain necessarily makes it the principal to the transactions that lead to crediting the merchant’s account for the payment made by the end consumer. The Group manages the various stages that contribute to the satisfaction of what is a single performance obligation, and that include services rendered by third parties involved in the payment chain such as the issuing bank. There is a transformative relationship between those stages, given that the level and nature of the tasks performed by Ingenico depend on the tasks performed and information provided by other third parties involved in the payment chain.

In fulfilling the promise made to merchant customers of guaranteed payment for their provision of goods or services to cardholders, the Group satisfies a single performance obligation extending from payment acceptance to the crediting of merchant accounts. The Group accordingly considers itself to be in a position to control the services rendered by third parties until such time as control of the specified service is finally transferred to the merchant.

Non-refundable upfront fees and development work on behalf of customers

In the Group's Retail business, a merchant customer must first be onboarded into the Group's IT systems prior to execution of the first transactions. This activity does not constitute a performance obligation distinct from the performance obligation of ensuring guaranteed payment to merchant customers. The Group accordingly defers recognition of the revenue from such non-refundable upfront fees until the first transactions are carried out, after which it recognizes the revenue on a straight-line basis over the life of the contract with the customer.

Moreover, in some cases the Group previously develops a number of applications to meet customers' specific needs. The Group deems that the related development work does not constitute a separate performance obligation. The Group therefore defers recognition of the revenue from such development contracts until the first transactions have been carried out, and subsequently recognizes it on a straight-line basis over the life of the contract. Any development expenses borne by the Group are capitalized as contract performance costs until inception of the contract, and subsequently amortized on a straight-line basis over the life of the contract.

The Group's revenue recorded for customer contracts has been broken down by category of performance obligation.

(in thousands of euros)	June 30, 2019	June 30, 2018
Sale of terminals, accessories, shipping	705,584	573,478
Services associated with terminals	155,776	138,133
Payment processing and acquisition	729,769	504,742
Processing services	19,559	13,031
Total	**1,610,688**	**1,229,384**

In connection with its business activities, the Group recognized interchange fees of €231.1 million in cost of sales as of June 30, 2019, versus €150.1 million as of June 30, 2018. That increase is attributable to the consolidation of Payone and to organic growth in that business.

b. Other operating income and expenses

Other operating income and expenses are as follows:

(in thousands of euros)	June 30, 2019	June 30, 2018
Restructuring and business combination costs	(17,015)	(16,549)
Others	3,806	(1,153)
Total	**(13,209)**	**(17,702)**

In the first half of 2019, other operating income and expenses mainly comprised costs incurred in connection with restructuring and business combinations, and totaled €17.0 million compared to €16.5 million in the first half of 2018. In the first half of 2019, other operating income mainly comprised an unpaid earn-out liability reversal.

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 payment. EBITDA as indicated below takes into account the impact of applying IFRS 16.

EBIT is equal to profit from ordinary activities, adjusted for amortization of the purchase price for newly acquired entities allocated to the identifiable assets acquired.

Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income, tax paid and the reimbursement of lease liabilities arising on application of IFRS 16.

(in thousands of euros)	June 30, 2019					
	Income statement	**Amortization of Purchase Price Allocation**	**Reconciliation to EBIT**	**Share-based payment expense**	**Other amortization and provision expenses**	**Reconciliation to EBITDA**
Revenue	**1,610,688**		**1,610,688**			**1,610,688**
Cost of sales	(1,073,669)	16,918	(1,056,751)	585	17,736	(1,038,430)
Gross profit	**537,019**					
Distribution and marketing costs	(149,477)	33,564	(115,913)	577	2,504	(112,832)
Research and development expenses	(97,728)		(97,728)	607	24,029	(73,092)
Administrative expenses	(152,325)		(152,325)	2,961	16,991	(132,373)
Profit from operating activities	**137,489**					
EBIT			**187,971**			
EBITDA (1)						**253,961**

(1) As at June 30, 2019, Group EBITDA includes a €16.8 million impact from IFRS 16 application, of which €2.6 million in Gross profit.

(in thousands of euros)	June 30, 2019 Cash-flow statement	Free cash-flow	Items from cash-flow statement not in free cash-flow
Profit for the period	**81,859**	**81,859**	
Adjustments for:			
- Share of profit of equity-accounted investees			
- Income tax expense/(income)	20,978	20,978	
- Depreciation, amortization and provisions	111,038	111,038	
- Change in fair value	5,295	893	4,402
- (Gains)/losses on disposal of assets	(3,742)	(3,742)	
- Net interest costs/(revenue)	20,095	20,095	
Share-based payment expense	4,714	4,714	
Interest paid	(16,410)	(16,410)	
Income tax paid	(24,702)	(24,702)	
Cash flows from operating activities before change in net working capital	**199,125**		
- Inventories	(22,925)	(22,925)	
- Trade and other receivables [1]	25,234	25,234	
- Trade payables and other payables	(6,464)	(6,464)	
Change in net working capital	**(4,155)**		
Change in working capital of merchants prefinancing	(8,115)		(8,115)
CASH FLOWS FROM OPERATING ACTIVITIES	**186,855**		
Acquisition of fixed assets	(59,939)	(59,939)	
Proceeds from sale of tangible, intangible and financial assets	6,086	136	5,950
Proceeds from divestment of investments in equity-accounted investees	4,828		4,828
Acquisition of subsidiaries, net of cash acquired	(72,721)		(72,721)
Loans and advances granted and other financial assets	(2,907)		(2,907)
Loan repayments received	1,502		1,502
Dividends received	102		102
Interest received	4,439	4,439	
CASH FLOWS FROM INVESTING ACTIVITIES	**(118,610)**		
Proceeds from share capital issues	(75)		(75)
Purchase/sale of treasury shares	55		55
Proceeds from loans and borrowings	126,500		126,500
Repayment of loans and borrowings	(69)		(69)
Change in the Group's ownership interests in controlled entities			
Financing of merchants prefinancing	6,042		6,042
Changes in other financial liabilities	(14,935)	(14,925)	(10)
Effect of financial derivative instruments	28		28
Dividends paid to shareholders	(3,744)		(3,744)
Taxes on financing activities			
CASH FLOWS FROM FINANCING ACTIVITIES	**113,802**		
Currency translation effect on cash and bank overdrafts	3,332		3,332
CHANGE IN CASH AND CASH EQUIVALENTS	**185,379**		
Free Cash Flow		**120 279**	

[1] Trade and related receivables include €59.7 million of PayOne and Paymark entries in consolidation scope for €53.2 million and €6.5 million respectively.

d. Inventories

(in thousands of euros)	June 30, 2019	December 31, 2018
Raw materials and consumables	42,286	41,855
Finished products	196,387	170,599
Write-downs on raw materials and consumables	(7,218)	(6,807)
Impairments on finished products	(17,531)	(17,497)
Total	**213,924**	**188,150**

e. Other current liabilities

Other current liabilities are broken down as follows:

(in thousands of euros)	June 30, 2019	December 31, 2018
Contract liabilities	140,962	154,574
Other liabilities	48,524	97,506
Total	**189,486**	**252,080**

Contract liabilities originate with payment terminal distribution subsidiaries; they include deferred income on sales of warranties and goods already invoiced but that have not yet been delivered.

As of June 30, 2019, other liabilities mainly comprised €33.5 million cash dividends payable to Company shareholders in July 2019.

As of December 31, 2018, other liabilities consisted of the €89.5 million liability to Paymark vendors.

f. Funds, receivables and payables related to intermediation activities

The principles governing receivables, funds and payables related to intermediation activities are set out in note 5, Operational Data, to the Group's consolidated financial statements for the year ended December 31, 2018.

(in thousands of euros)	June 30, 2019	December 31, 2018
Receivables related to intermediation activities	383,517	243,340
Funds related to intermediation activities	751,457	461,657
Total assets related to intermediation activities	**1,134,974**	**704,997**
Payables related to intermediation activities	1,088,498	665,306
Financing of merchants prefinancing	42,580	37,663
Total liabilities related to intermediation activities	**1,131,078**	**702,969**

6. EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION (RELATED PARTIES)

a. Related party transactions

Total compensation and benefits paid to the Executive Committee in the first half of 2019 and the first half of 2018 break down as follows.

(in thousands of euros)	June 30, 2019	June 30, 2018
Total compensation and benefits [(1)]	2,122	6,073
Free share awards [(2)]	1,211	1,678
Total	**3,333**	**7,751**

[(1)] Includes all compensation paid during the period (gross salary, including any variable portion, bonuses and benefits in kind, and amounts received under incentive programs and profit-sharing schemes, and severance costs).

[(2)] Expense recognized in the income statement for free share awards and the joint investment plan.

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

As of June 30, 2019, the Executive Committee had 8 members, versus 15 members as of June 30, 2018.

b. Share-based payment expenses

Free share awards and joint investment plan

The shares awarded under free share plans in existence as of June 30, 2019 that had been set up in previous years were as follows:

- 43,000 shares under the plan set up on July 29, 2015 (including an award of 800 shares in October 2015);
- 14,516 shares under the plan set up on July 29, 2016;
- 40,305 shares under the plans set up on May 10, June 20 and August 28, 2017;
- 145,664 shares under the plan set up on May 16, 2018;
- 451,802 shares under the plan set up on June 11, 2019.

As of June 30, 2019, 77,190 shares awarded under the joint investment plans of June 20, and August 28, 2017 were outstanding, as were 224,052 shares distributed under the joint investment plan of May 16, 2018.

A new free share award program was set up in the first half of 2019. It is open to members of the Executive Committee and Group managers. The award of shares under that plan is subject to the fulfillment of continuous service conditions and internal (financial performance based on EBITDA) and external (evolution of the share price) performance conditions. A maximum of 996,529 shares may be awarded.

Other share-based payment arrangements

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

These share appreciation rights are measured at fair value. The fair value of the amounts to be paid is recognized over the vesting period as an operating expense and offset in other non-current liabilities. This liability is remeasured at fair value through profit or loss until it has been settled.

Impact on financial statements

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 estimating the internal and external valuation criteria (fulfillment of service conditions and, where applicable, performance conditions), the Group recognized an expense of €3.3 million paid in equity instruments in profit from ordinary activities for the half year ended June 30, 2019 (compared to €3.1 million as of June 30, 2018). The expense for other cash-settled share-based payments was €1.4 million (versus €2.3 million for the first half of 2018).

7. PROPERTY, PLANT & EQUIPMENT AND INTANGIBLE ASSETS

a. Goodwill and other intangible assets

The principles used to account for property, plant and equipment and intangible assets are presented in Note 7 of the Group's consolidated financial statements for 2018, particularly as regards the determination of goodwill, the capitalization of research and development costs and the determination of depreciation and amortization schedules by asset category.

(in thousands of euros)	June 30, 2019	December 31, 2018
At January 1 (net value)	**2,490,492**	**2,478,521**
Investments	380,316	123,263
Translation differences	(14,429)	(39,355)
Adjustments	(54,058)	(71,937)
At June 30 (net value)	**2,802,321**	**2,490,492**

Investments and adjustments during the period

As described in Note 3, Significant Events, Paymark is a New Zealand electronic payment network. As of December 31, 2018, a €111.4 million provisional goodwill was recognized. In the first semester of 2019, the Group carried out the purchase price allocation of Paymark, recognizing a technology asset valued at €17.5 million, reflecting the connectivity capabilities offered by Paymark to its customers and partners, and portfolios of customer relationships valued at €33.5 million. The valuation method used in this case was the relief from royalty and excess earnings method. The deferred tax liability recognized amounted to €14.3 million. Goodwill net of the purchase price allocation amounted to €61.0 million.

The creation of Payone Holding GmbH involved two concurrent transactions: 48% of Ingenico Retail's assets in Germany, Austria and Switzerland were divested at cost to non-controlling shareholders without loss of control; and the Group recognized at fair value the assets contributed by BS Payone, of which the Group owns 52%. BS Payone specializes in payment services. The Group therefore recognized in its balance sheet a €10.4 million IT platform technologies, and €114.8 million portfolios of customer relationships. The valuation method used in this case was the relief from royalty and excess earnings method. A €40.0 million deferred tax liability has been recognized. Goodwill net of this purchase price allocation amounted to €380.3 million, while the net impact of the sale of the assets contributed by the Group without loss of control and of the fair value valuation of the assets received has been recognized in the Group's consolidated reserves as the line item "Change in holdings in subsidiaries without loss of control over the assets contributed."

This residual goodwill mainly includes:

- the workforce;
- the ability to generate new business opportunities by winning new customers and developing new offers;
- synergies expected from integration with the rest of the Group;
- the ability to safeguard the existing assets.

b. Property, plant and equipment

Right-of-use assets under IFRS 16

At inception of any contract, the Group assesses whether the contract is or contains an operating lease. This assessment requires a certain degree of judgment to determine whether a specifically identified asset is the subject of the contract, whether the contract gives the Group the right to obtain substantially all the economic benefits from use of the asset and the right to direct its use.

The Group recognizes a right-of-use and a corresponding lease liability at the lease commencement date, except in the case of short-term and low-value leases, which are recorded on a straight-line basis in profit or loss over the life of the lease.

The lease liability is initially measured at an amount equal to the present value of the lease payments that are not yet paid, using a discount rate that is the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses an incremental borrowing rate specific to the relevant country in accordance with the lease conditions and in the currency used in the lease. Lease payments may include both fixed payments and payments related to extension options or purchase options. The lease liability is then recognized at amortized cost using the effective interest method and remeasured (with a corresponding adjustment to the carrying amount of the right-of-use) in the event that the amount of future lease payments has changed through renegotiation.

The right-of-use initially includes the initial lease liability, plus any initial direct costs incurred by the Group and any restoration obligations it may have, minus any rent incentives granted by the lessor. The right-of-use is depreciated over the lease term or its estimated useful life, whichever is shorter. As required by IAS 36, the Group performs an impairment test if there is any indication that the asset may be impaired, as it would with the assets it owns outright.

Assets owned by the Group

	2019					
(in thousands of euros)	**Land and buildings**	**Plant and equipment**	**Leased terminals**	**IT equipment**	**Others**	**Total**
GROSS AMOUNT						
At January 1	**29,227**	**63,122**	**37,457**	**113,737**	**28,140**	**271,683**
Investments	932	3,566	2,519	3,751	2,332	13,100
Divestitures	(331)	(178)	(1,708)	(176)	(669)	(3,062)
Changes in consolidation scope	2,276	9,174		30,271	389	42,110
Translation differences	59	92	(209)	58	118	118
Other movements	1,365	(125)	2,443	(2,371)	(2,872)	(1,560)
At June 30	**33,528**	**75,651**	**40,502**	**145,270**	**27,438**	**322,389**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
At January 1	**(15,558)**	**(46,150)**	**(20,207)**	**(80,068)**	**(19,365)**	**(181,348)**
Depreciation and amortization	(1,518)	(4,339)	(4,933)	(8,388)	(1,266)	(20,444)
Divestitures and impairment losses	224	106	2,317	117	5	2,769
Changes in consolidation scope	(1,625)	(4,158)		(23,014)	(253)	(29,050)
Translation differences	(37)	(54)	(1)	(12)	(69)	(173)
Other movements	1,283	393	(2,862)	(123)	2,787	1,477
At June 30	**(17,231)**	**(54,202)**	**(25,686)**	**(111,488)**	**(18,161)**	**(226,768)**
NET CARRYING AMOUNT						
At January 1	**13,669**	**16,972**	**17,250**	**33,669**	**8,775**	**90,335**
At June 30	**16,297**	**21,449**	**14,816**	**33,782**	**9,277**	**95,620**

Right of use upon application of IFRS 16

	2019					
(in thousands of euros)	Land and buildings	Plant and equipment	Leased terminals	IT equipment	Others	Total
GROSS AMOUNT						
At January 1						
Initial application of IFRS16	**164,131**	**139**		**4,889**	**6,145**	**175,305**
Investments	11,207	201		468	6,125	18,001
Divestitures					(244)	(244)
Changes in consolidation scope	16,509	10			1,365	17,884
Translation differences	(572)	2		(19)	(5)	(594)
Other movements	6			(7)	186	185
At June 30	**191,281**	**352**		**5,331**	**13,572**	**210,537**
ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES						
At January 1						
Initial application of IFRS16	**(80,510)**	**(7)**		**(2,931)**	**(4,236)**	**(87,684)**
Depreciation and amortization	(11,761)	(42)		(776)	(2,305)	(14,884)
Divestitures and impairment losses	1				244	245
Changes in consolidation scope	(1,544)	(8)			(829)	(2,381)
Translation differences	268			8	1	277
Other movements						
At June 30	**(93,546)**	**(57)**		**(3,700)**	**(7,125)**	**(104,427)**
NET CARRYING AMOUNT						
At January 1						
At June 30	**97,735**	**295**		**1,631**	**6,448**	**106,110**

8. Other Provisions

(in thousands of euros)	Balance at January 1, 2019	Translation differences	Changes in consolida-tion scope	Additions	Reversals of amounts used	Reversals of unused amounts	Other move-ments	Balance at June 30, 2019
Provisions for warranties	16,472	131		5,895	(6,328)		5	16,175
Provisions for litigation and claims	8,236	18	1,076	973	(722)		(256)	9,326
Provisions for restructuring	2,291	(3)			(1,497)			790
Other provisions	11,879	47	4,300	3,855	(2,725)	(648)	256	16,964
Total	**38,878**	**193**	**5,376**	**10,723**	**(11,272)**	**(648)**	**5**	**43,255**

a. Warranties

The sale of terminals is usually accompanied by a 12-month warranty. The provision for warranties on the balance sheet reflects the estimated cost to the Group of meeting its terminal repair obligations. This statistical calculation is based on historical data. A change in provisions for warranties may therefore stem from one of two causes:

- an increase or decrease in sales accompanied by warranties in some subsidiaries; or
- an adjustment to the way the provision is calculated.

b. Litigation and claims

The Group is engaged in a number of claims and legal 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 economic benefits 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 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 and uncertain tax liabilities

During fiscal year 2019 and prior years, Group companies were subject to tax audits and, on occasion, proposals for adjustments. The financial consequences of such 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 litigation 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, where the amount in question was approximately €64.5 million as of June 30, 2019 (covering principal, interest and penalties from 2004 to 2009). The "Tax War" currently pitting Brazilian States against each other may affect Ingenico Group 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 a supplier, 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 June 30, 2019, Ingenico Group 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 believes, on the advice of tax experts, that 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 of June 30, 2019.

c. Other provisions

Other provisions include provisions for expenses incurred in the course of business (commitments made to suppliers to purchase inventories, customer quality risks, customers' sales indemnities, etc.).

9. FINANCING AND FINANCIAL INSTRUMENTS

a. Net finance costs

(in thousands of euros)	June 30, 2019	June 30, 2018
Interest expense on financial liabilities at amortized cost and bond loan	(20,142)	(17,525)
Interest expense on finance lease contracts		(3)
Total interest expense	**(20,142)**	**(17,528)**
Interest income long term debt	81	77
Income from cash and cash equivalents	2,454	1,475
Interest income on finance lease contracts	2,096	2,048
Net interest expense	**(15,511)**	**(13,928)**
Foreign exchange gains	13,310	44,874
Foreign exchange losses	(15,254)	(47,830)
Foreign exchange gains and losses, net	**(1,944)**	**(2,956)**
Financial component of retirement expenses and the cost of other post-employment benefits	(476)	(230)
Other financial income	975	321
Other financial expenses	(4,487)	(2,647)
Other financial income and expenses, net	**(3,988)**	**(2,556)**
Net finance costs	**(21,443)**	**(19,440)**
Total financial income	**18,916**	**48,795**
Total financial expenses	**(40,359)**	**(68,235)**

Net finance costs for the first half of 2019 are broken down as follows:

The Group's interest expense on borrowings was related to the borrowings described in Section 9b below.

- Interest expense on the OCEANE convertible bond was €5.6 million.
- Interest expense on the bond issued in 2014 and the embedded swap was €4.1 million.
- Interest expense on a bond issued in 2017 was €4.8 million.
- Interest expense on bank borrowings was €3.2 million (including amortization of the cost of the syndicated loan and the related commitment fee).

Due to negative interest rates, commercial paper now generates interest income of €0.3 million rather than interest expense.

The €1.9 million net foreign exchange loss for the half year ended on June 30, 2019 (versus €3.0 million for the first half of 2018) was the result of gains and losses on remeasurement of loans and borrowings as well as on remeasurement of the related hedging instruments. It also includes the ineffective portion of operational hedges.

Other financial income and expenses comprised financial invoice discounting expenses, interests connected to lease liabilities, the impact of the financing component from sales of extended warranties, and post-employment benefit obligations.

b. Net debt

(in thousands of euros)	June 30, 2019	December 31, 2018	June 30, 2018
Bond issues	1,051,218	1,051,042	1,051,229
"OCEANE" convertible bond issue	464,492	458,896	453,431
Bank and similar borrowings	106,201	106,338	107,181
Finance lease obligations	248,069	248,051	247,727
Other financial liabilities	77	77	77
Non-current borrowings and long-term debt	**1,870,057**	**1,864,404**	**1,859,645**
"OCEANE" convertible bond issue	531,500	405,000	431,000
Bank and similar borrowings	145,672	12,134	6,017
Commercial papers	3,770	1,317	1,542
Finance lease obligations			1
Bank overdrafts	9,037	9,637	9,325
Interest accrued but not due	147	147	147
Short-term loans and borrowings	**690,126**	**428,235**	**448,032**
Total financial borrowings and debt	**2,560,183**	**2,292,639**	**2,307,677**
Cash	953,529	671,805	510,852
Marketable securities and short-term deposits	140,187	102,996	95,265
Cash and cash equivalents	**1,093,716**	**774,801**	**606,117**
Net debt	**1,466,467**	**1,517,838**	**1,701,560**

Borrowings and debt do not include the merchant pre-financing credit facility, on which €42.6 million had been drawn down as of June 30, 2019, nor does it include the current and non-current lease liabilities arising on the Group's adoption of IFRS 16, which as of June 30, 2019 were €26.6 million and €89.6 million respectively.

As of June 30, 2019, long- and short-term bank borrowings and bond debt totaled €2,560.2 million (versus €2 292,6 million as of December 31, 2018). They primary included:

- €595.2 million in respect of a bond issued in September 2017;
- €456.0 million in respect of a bond issued in May 2014;
- €464.5 million in respect of an OCEANE convertible bond issued on June 26, 2015;
- €104.9 million in respect of private placements subscribed for in May 2018 and December 2017;
- €531.5 million in respect of commercial paper, in May 2018, the Group increased the ceiling for its commercial paper program to €750 million;
- €248.1 million in respect of a bank loan activated in March 2018.

Bond issues

On September 13, 2017, the Group issued a bond maturing on September 13, 2024. The total principal amount of the issue is €600 million, or 6,000 bonds with a face value of €100,000 each. The bonds carry an annual coupon of 1.625%. The Group's liability is measured at amortized cost, with bond issuance costs 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 total principal amount of the issue is €450 million, or 4,500 bonds with a face value of €100,000. The bonds carry an annual coupon of 2.5%. The Group's liability is measured at amortized cost, with bond issuance costs amortized in profit or loss over the life of the bond.

Convertible bond issue

On June 26, 2015, the Group issued an OCEANE bond, i.e., convertible into and/or exchangeable for new or existing Ingenico Group shares, maturing on June 26, 2022 (ISIN: FR0012817542). The total principal amount of the issue is €500 million, or 2,904,443 bonds with a face value of €172.15 each.

The OCEANE bond is classified as a compound financial instrument and therefore falls within the scope of IAS 32, which requires separate presentation on the issuer's balance sheet of the instrument's equity component (the holder's option to convert the instrument into an equity instrument of the entity) and liability component (the contractual arrangement to deliver cash).

The fair values of the OCEANE bond's liability and equity components were calculated on the issue date, which was 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 face value and the fair value of the bond is recognized in equity under retained earnings and other reserves, net of deferred tax.

The OCEANE was issued with a nominal interest rate of 0%. As of the issue date, the average market rate for a straight bond with the same term was 2.31%. At that time, the fair value of the OCEANE's liability component was €422.7 million and that of its equity component was €73.3 million, after deduction of the cost of the issuer's call option and issuance costs (€4.1 million, prorated between the 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%.

In November 2016, the Group partially hedged its obligation to deliver treasury shares and therefore the potential dilution of Ingenico Group stock in the event of conversion of the OCEANEs by purchasing 1,500,000 call options.

On June 30, 2019, the conversion rate was 1.009 shares for one bond.

Bank borrowings

On July 6, 2018, the Group renegotiated its €750 million syndicated credit facility, exercising both of its one-year extension options and thus extending the maturity to July 29, 2023. This facility is not subject to any covenant. Early redemption is possible at the initiative of Ingenico Group, or of the lenders in certain usual circumstances. The loan has a variable interest rate based on Euribor (1 to 6 months) plus a margin. At end-June 2019, as at end-December 2018, the syndicated credit facility remained unused.

In September 2017, the Group contracted a bank loan with a nominal value of €250 million and a maturity of three years, which was activated on March 14, 2018. The loan has a variable interest rate based on the 6-month Euribor rate plus a margin. The loan is not subject to any covenant.

Other financial liabilities

In December 2017, the Group contracted a private investment in an amount of €50 million with a maturity of three years and a fixed rate of 0.647%.
In May 2018, the Group contracted two private investments, one in an amount of €25 million and the other in an amount of €30 million, with a maturity of seven years and a fixed rate of 1.677%.

Bank overdrafts

Bank overdrafts totaled €145.7 million, with Ingenico Group S.A. accounting for €93.1 million.

c. Derivative financial instruments

Fair value of derivative financial instruments at the reporting date

(in thousands of euros)	June 30, 2019	December 31, 2018
Interest rate derivative instruments		
Current assets	6,367	6,639
Current liabilities		
Foreign exchange derivative instruments		
Current assets	1,822	8,929
Current liabilities	(2,800)	(1,656)
Total	**5,389**	**13,912**

As of June 30, 2019, the Group's exchange rate hedging instruments consisted of futures, forwards, swaps and options.

Changes in the fair value of ineffective hedging instruments or the ineffective portions of effective hedging instruments are directly recognized in net finance costs. For foreign exchange hedges, they 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, equal to 50% of the principal amount of the bond issued in 2014, or €225 million, with a 7-year life. This swap converts part of the Group's fixed-rate exposure into variable-rate exposure. This hedge is accounted for as a fair-value hedge, since any changes in the fair value of the derivative are recognized in profit or loss, as are any changes in the fair value of the underlying liability.

d. Financial assets and liabilities classified by accounting category

Financial instruments measured at fair value subsequent to their recognition are:

- assets and liabilities measured at fair value through profit or loss;
- assets and liabilities measured at fair value through OCI, non-recyclable;
- derivative financial instruments designated as cash-flow hedges

	June 30, 2019					
Asset and liability categories (in thousands of euros)	**Assets and Liabilities measured at fair value through the income statement**	**Assets and Liabilities at amortized cost**	**Assets and Liabilities measured at fair value through non-recyclable OCI**	**Derivative financial instruments designated for future cash flow hedges**	**Total net carrying amount**	**Fair value of the asset or liability category**
Financial assets		6,251	63,417		69,668	69,668
Other non-current assets		43,366			43,366	43,366
Trade and other current receivables		655,401			655,401	655,401
Cash and cash equivalents	1,093,716				1,093,716	1,093,716
Receivables related to intermediation activities		383,517			383,517	383,517
Funds related to intermediation activities	751,457				751,457	751,457
Derivative financial instruments	7,759			431	8,190	8,190
Total financial assets	**1,852,932**	**1,088,535**	**63,417**	**431**	**3,005,315**	**3,005,315**
Convertible bond issue (OCEANE) [(1)]		464,492			464,492	488,565
Bond issue		1,051,218			1,051,218	1,062,933
Long-term loans		354,347			354,347	354,347
Other non-current liabilities	635	140,602	46,052		187,290	187,290
Short-term borrowings		690,126			690,126	690,126
Financing of merchant prefinancing		42,580			42,580	42,580
Trade payables and other current liabilities		758,909			758,909	758,909
Payables related to intermediation activities		1,088,498			1,088,498	1,088,498
Derivative financial instruments	2,275			526	2,801	2,801
Total financial liabilities	**2,910**	**4,590,773**	**46,052**	**526**	**4,640,261**	**4,655,973**

December 31, 2018

Asset and liability categories (in thousands of euros)	Assets and Liabilities measured at fair value through the income statement	Assets and Liabilities at amortized cost	Assets and Liabilities measured at fair value through non-recyclable OCI	Derivative financial instruments designated for future cash flow hedges	Total net carrying amount	Fair value of the asset or liability category
Financial assets		4,270	18,386		22,656	22,656
Other non-current assets		25,174			25,174	25,174
Trade and other current receivables		613,121			613,121	613,121
Cash and cash equivalents	774,801				774,801	774,801
Receivables related to intermediation activities		243,340			243,340	243,340
Funds related to intermediation activities	461,657				461,657	461,657
Derivative financial instruments	14,752			812	15,564	15,564
Total financial assets	**1,250,210**	**885,905**	**18,386**	**812**	**2,156,314**	**2,156,314**
Convertible bond issue (OCEANE) [1]		458,896			458,896	469,648
Bond issue		1,051,042			1,051,042	1,009,782
Long-term loans		354,466			354,466	354,466
Other non-current liabilities	7,003	36,338			43,341	43,341
Short-term borrowings		428,235			428,235	428,235
Financing of merchant prefinancing		37,663			37,663	37,663
Trade payables and other current liabilities	1,250	622,064	89,118		712,432	712,432
Payables related to intermediation activities		665,306			665,306	665,306
Derivative financial instruments	1,872			84	1,956	1,956
Total financial liabilities	**10,125**	**3,654,010**	**89,118**	**84**	**3,753,337**	**3,722,829**

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

The fair value of the Group's bonds and convertible bonds is equal to their quoted prices on December 31, 2018 and June 30, 2019.

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:

- 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 prices for similar assets and liabilities quoted in active markets, or indirectly, by reference to inputs derived from quoted markets prices;
- Level 3 – valuation techniques based on non-observable inputs are used.

These assets and liabilities can correspond to any of the three levels of fair value set out below for 2019 and 2018.

The Company did not make any transfers between levels from 2018 to 2019.

	June 30, 2019			
(in thousands of euros)	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets	63,417			63,417
Derivative financial instruments [1]	8,190		8,190	
Funds related to intermediation activities	751,457	751,457		
Cash and cash equivalents	1,093,716	1,093,716		
Total financial assets	**1,916,780**	**1,845,173**	**8,190**	**63,417**
Other non-current liabilities	46,687			46,687
Other current liabilities				
Derivative financial instruments [1]	2,801		2,801	
Total financial liabilities	**49,488**		**2,801**	**46,687**

	December 31, 2018			
(in thousands of euros)	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets	18,386			18,386
Derivative financial instruments [1]	15,565		15,565	
Funds related to intermediation activities	461,657	461,657		
Cash and cash equivalents	774,801	774,801		
Total financial assets	**1,270,409**	**1,236,458**	**15,565**	**18,386**
Other non-current liabilities	7,003			7,003
Other current liabilities	90,368			90,368
Derivative financial instruments [1]	1,956		1,956	
Total financial liabilities	**99,327**		**1,956**	**97,371**

[1] Derivative financial instruments are assets and liabilities measured at fair value through profit or loss or qualifying cash flow hedges.

As of December 31, 2018, other Level 3 current liabilities included an amount owed to Paymark vendors and settled in January 2019.

10. INCOME TAX

(in thousands of euros)	June 30, 2019	December 31, 2018	June 30, 2018
Profit before income tax (excl. Share of profits in equity-accounted investees)	**102,837**	**240,512**	**74,784**
Income tax expense	**(20,978)**	**(51,792)**	**(20,117)**
Effective tax rate	**20.4%**	**21.5%**	**26.9%**

Income tax expense for the half-year ended June 30, 2019 has been estimated based on the information known to or anticipated by the Group at the reporting date, using the rate expected to be incurred in the full year. This method allows for more accurate estimates of income tax expense for half-year periods.

For the first half of 2019, the ratio of income tax expense to profit before tax was 20.4%, which is the effective tax rate, down from 21.5% for the fiscal year 2018 and 26.9% for the half-year ended June 30, 2018. This decrease in the tax rate compared to June 30, 2018 is in large part attributable to a decrease in the tax rate in the Netherlands.

Furthermore, because a number of foreign subsidiaries were taxed at a lower rate than the parent company, the overall impact was to reduce the tax rate projected as of June 30, 2019. At the same time, classification of the CVAE as a current tax liability and the withholding taxes on dividends paid by Group subsidiaries have increased the effective tax rate.

11. SHARE CAPITAL OF THE PARENT COMPANY

Number of outstanding shares

	June 30, 2019	December 31, 2018
Issued on January 1	**63,144,527**	**62,363,114**
Shares issued in connection with dividend distributions [1]		781,413
Shares issued in connection with options exercised and shares acquired		
Shares issued in connection with a capital increase reserved for employees		
Shares issued at the end of the period	**63,144,527**	**63,144,527**
Treasury shares at the end of the period	1,360,354	1,360,354
Shares outstanding at the end of the period	**61,784,173**	**61,784,173**

[1] See V. Consolidated Statements of Changes in Equity.

As of June 30, 2019, Ingenico Group SA's authorized share capital consisted of 63,144,527 shares with a par value of €1 each.

Treasury shares

(in euros)	January 1, 2019	Acquisitions	Divestitures	June 30, 2019
Number of securities	1,360,354	260,932	(260,932)	1,360,354
Average purchase price	65.25	63.62	63.83	65.25
Total	**88,763,099**	**16,600,494**	**(16,655,290)**	**88,763,099**

The Group's treasury share portfolio totaled 1,360,354 shares as of December 31, 2018.

Ingenico Group held no shares under its liquidity contract as of June 30, 2019. During the first half of 2019, the Group repurchased 260,932 shares and also sold 260,932 shares.

The treasury share portfolio therefore totaled 1,360,354 as of June 30, 2019.

12. OFF-BALANCE SHEET COMMITMENTS

On the December 31, 2018 reporting date, €146.2 million in future commitments related to minimum lease payments under non-cancelable leases and to other commitments under service contracts were recorded in off-balance sheet commitments. As indicated in Note 2, the bulk of those commitments are now accounted for as lease obligations in the Group's balance sheet, as prescribed by IFRS 16.

As of June 30, 2019, the Group's other off-balance sheet commitments were similar as compared to the December 31, 2018 reporting date.

13. Main Consolidated Entities

Entity	Country	% interest	Consolidation method
INGENICO GROUP SA	**France**	**Parent company**	
Principales sociétés consolidées			
Ingenico Payone Holding GmbH	Germany	52%	IG
Ingenico e-Commerce Solutions GmbH	Germany	52%	IG
Ingenico GmbH	Germany	100%	IG
Ingenico Healthcare GmbH	Germany	100%	IG
Ingenico Marketing Solutions GmbH	Germany	52%	IG
Ingenico Payone GmbH	Germany	52%	IG
Ingenico International (Pacific) Pty Ltd	Australia	100%	IG
Ingenico e-Commerce Solutions SPRL	Belgium	100%	IG
Ingenico Financial Solutions SA	Belgium	100%	IG
Paymark Limited	New Zealand	100%	IG
Ingenico do Brasil Ltda.	Brazil	100%	IG
Ingenico Canada Ltd.	Canada	100%	IG
Fujian Landi Commercial Equipment Co., Ltd.	China	97%	IG
Ingenico Electronic Equipments (Beijing) Co., Ltd.	China	97%	IG
Ingenico Inc.	USA	100%	IG
Ingenico Business Support SAS	France	100%	IG
Ingenico e-Commerce Solutions SAS	France	100%	IG
Ingenico France SAS	France	100%	IG
Ingenico Prepaid Services France SAS	France	100%	IG
Ingenico Terminals SAS	France	100%	IG
Ingenico (UK) Ltd.	United Kingdom	100%	IG
Ingenico e-Commerce Solutions Ltd.	United Kingdom	100%	IG
PT. Ingenico International Indonesia	Indonesia	100%	IG
Ingenico Italia SpA	Italy	100%	IG
GCS Holding BV	Netherlands	100%	IG
Global Collect BV	Netherlands	100%	IG
Ingenico e-Commerce Solutions BV	Netherlands	100%	IG
Ingenico Solutions Philippines Inc.	Philippines	100%	IG
Ingenico Polska Sp. z.o.o	Poland	100%	IG

14. Subsequent events

On July 19, 2019, the Group executed the full anticipated repayment of the bank loan contracted in September 2017.

2/ Half-year management report

The consolidated interim financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS). In order to provide meaningful comparable information, these data have been presented on an adjusted basis, i.e. restated to reflect the depreciation and amortization expenses arising on the acquisition of new entities. Pursuant to IFRS3R, the purchase price for new entities is allocated to the identifiable assets acquired and subsequently amortized over specified periods.
The main financial data for 2019 has been analyzed on an adjusted basis, i.e., before purchase price allocation (PPA). Please see below.
The adjusted gross margin and the adjusted operational expenses disclosed are excluded from depreciation and amortization, provisions, expenses for shares distributed to employees and officers and purchase price allocation ("PPA"). – Please see below.
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 shares distributed to employees and officers. EBITDA considers the impacts of IFRS 16. The reconciliation of adjusted profit from ordinary operations to EBITDA is available below.
EBIT (Earnings Before Interest and Taxes) is equal to profit from ordinary activities, adjusted for amortization of the purchase price for newly acquired entities allocated to the identifiable assets acquired.
Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income, tax paid and the reimbursement of lease liability resulting from IFRS 16.
The financial net debt disclosed excludes the financing line of merchants pre-financing as well as lease liabilities resulting from the first application of IFRS 16.

Key figures

(in millions of euros)	**H1'19**	IFRS 16 impact	H1'19 excl. IFRS 16	H1'18 PF*	H1'18	*H1'19 excl. IFRS 16 vs. H1'18 PF**
Revenue	**1,611**	-	1,611	1,413	1,229	*+14%*
Adjusted gross profit	**572**	3	570	547	489	*+4%*
As a % of revenue	***35.5%***	-	*35.4%*	*38.7%*	*39.7%*	*(3.3) pts*
Adjusted operating expenses	**(318)**	14	(332)	(335)	(295)	*-1%*
As a % of revenue	***-19.8%***	-	*-20.6%*	*-23.7%*	*-24.0%*	*+3.1 pts*
EBITDA	**254**	17	237	212	193	*+12%*
As a % of revenue	***15.8%***	-	*14.7%*	*15.0%*	*15.7%*	*-0.3 pts*
Profit from ordinary activities, adjusted (EBIT)	**188**	2	186	170	159	*+9%*
As a % of revenue	***11.7%***	-	*11.5%*	*12.1%*	*12.9%*	*(0.6) pts*
Operating income	**124**	2	122	107	94	*+14%*
Net profit	**82**	0	82	64	55	*+28%*
Net profit attributable to Group shareholders	**80**	0	80	61	54	*+32%*

(in millions of euros)	**H1'19**	IFRS 16 impact	H1'19 excl. IFRS 16	H1'18 PF*	H1'18	*H1'19 vs. H1'18*
Free cash flow	**120**	-	120	-	23	*+422%*
% FCF/EBITDA conversion	***47.4%***	-	*50.6%*	-	*11.7%*	*+35.7 pts*
Net debt	**1,466**	-	1,466	-	1,702	*-14%*
Net debt-to-EBITDA ratio[1]	**2.7x**	-	2.8x	-	3.6x	*(0.9)x*
Equity attributable to Group shareholders	**2,085**	-	2,085	-	1,686	*+24%*

** H1 2018 PF figures including acquisitions made during the year at 100%, notably the BS Payone and Paymark operations closed in January 2019*

[1] *On a LTM basis*

2.1 Financial data

	H1 2019			Q2 2019		
	€m	% Change		€m	% Change	
		Comparable[1]	Reported		Comparable[1]	Reported
Retail	**906**	**11%**	**44%**	**471**	**10%**	**43%**
SMBs	164	13%	12%	85	10%	10%
Global Online	274	11%	14%	141	12%	14%
Enterprise	195	20%	36%	104	20%	36%
Payone	272	4%	172%	142	3%	174%
B&A	**705**	**16%**	**18%**	**387**	**20%**	**21%**
EMEA	240	-3%	-1%	130	0%	1%
Latin America	143	104%	99%	78	108%	106%
North America	73	-9%	-4%	42	-13%	-8%
Asia-Pacific	248	18%	19%	136	27%	27%
TOTAL	**1,611**	**13%**	**31%**	**858**	**14%**	**32%**

Performance in the first half

In the first half of 2019, revenue totalled €1,611 million, representing a 13% increase on a comparable basis. On a reported basis revenue was 31% higher than in the first half of 2018 and included a positive foreign exchange impact of €12 million.

Over the semester, the Retail Business Unit reported a revenue of €906 million, showing an increase of 11% on a comparable basis. On a reported basis, revenue increased by 44% during the semester and included a positive foreign exchange impact of €4 million.

The B&A Business Unit posted a revenue of €705 million, a 16% increase on a comparable basis. On a reported basis the activity increased by 18% and included a positive foreign exchange impact of €8 million.

Note: all below P&L analysis versus last year are based on H1'18 proforma figures (including BS Payone and Paymark since January 1st, 2018).

Adjusted gross profit

In the first half of 2019, adjusted gross profit reached €572 million (€570 million excluding IFRS 16), representing 35.5% of revenue (35.4% of revenue excluding IFRS 16) to be compared with €547 million in the first half of 2018, or 38.7% of revenue. Retail adjusted gross profit rate was stable, while investing into growth initiatives and B&A adjusted margin was impacted by an unfavourable geographical mix, mainly driven by the 104% organic growth in Latin America, and isolated pricing pressure in some mature countries, as expected.

Operating expenses

In the first half 2019, reported operating costs came in at €400 million compared to €349 million last year.

(in millions of euros)	H1'18 reported	H1'19 reported	Restatement related to PPA amortization	H1'19 restated from PPA	Impact of depreciation amortization and provisions and	H1'19 adjusted
Sales & Marketing	131	149	(34)	116	(3)	113
Research & Development	87	98	-	98	(25)	73
General & Administrative	132	152	-	152	(20)	132
Total operating expenses	349	400	(34)	366	(48)	318
As a % of revenue	28.4%	24.8%		22.7%		19.7%

Adjusted from the amortization costs of purchase price allocations of €34 million and from the items not affecting cash (depreciation, amortization, provisions and other one-off items) adjusted operating expenses have reached €318 million. Excluding the positive IFRS 16 effect of €14 million, adjusted operating expenses were €332 million, stable compared to H1'18 while revenue base increased by c. €200 million. Adjusted operating expenses rate has decreased from 23.7% to 20.6% down 310 bps excluding the IFRS 16 positive effect. These results have been achieved through a strong cost control initiated first in Retail in H2'18, then rolled out and accelerated in B&A and Group support functions through the implementation of the Fit for Growth plan.

EBITDA margin

EBITDA came in at €254 million including a positive IFRS 16 effect of €17 million. Without this effect, EBITDA would be €237 million, against €212 million like-for-like in the first half of 2018 (€193 million on reported basis), thus an improvement of €25 million, of which €8 million is derived from the Fit for Growth plan. Excluding the €5 million investment in Retail growth initiatives as communicated on February 12th, this improvement represents €30 million up 14% versus last year, fully in line with revenue growth.

The Retail EBITDA came in at €122 million. Excluding positive IFRS 16 impact of €10 million, the EBITDA reached €112 million (12.4% of revenue) to be compared with €96 million (11.8% of revenue) in H1'18, an increase of 60 bps. Excluding the €5 million growth initiatives investment, EBITDA would have reached €117 million, at 12.9% of revenue, increasing by 110 bps. This overall performance is fully in line with our annual Retail EBITDA objective to be above €285 million.

The B&A EBITDA stood at €132 million. Excluding positive IFRS 16 impact of €7 million, the EBITDA reached €125 million (17.7% of revenue) to be compared with €116 million (19.4% of revenue) in H1'18, decreasing by 170 bps. This EBITDA improvement of €9 million is derived from an over-performance in revenue in both Latin America and Asia. In line with the B&A revival plan as previously communicated, the Fit for Growth positive EBITDA impact in H1'19 (€8 million) has compensated the pressure on the gross profit coming from geographical mix evolution and isolated pricing pressure in some mature countries. As a consequence, we raise our B&A EBITDA objective for the year from c. €295 million to c. €305 million.

EBIT margin

EBIT margin reached €188 million, compared to €170 million in the first half of 2018 (€159 million on reported basis).

After the impact of PPA, the profit from ordinary activities totaled €138 million compared to €112 million last year at the same period. Profit from ordinary activities included Purchase Price Allocation expenses of €50 million.

Impact of purchase of price allocation (PPA)

(in millions of euros)	**H1 2019 adjusted**	Other D&A	**H1 2019 excl. PPA**	PPA Impact	**H1 2019 incl. PPA**
Gross profit	**572**	(18)	**554**	(17)	**537**
Operating expenses	**(318)**	(48)	**(366)**	(34)	**(400)**
EBITDA/Profit from ordinary activities	**254**	(66)	**188**	(50)	**138**

Profit from operating activities

The other income and expenses (OIE) reached €-13 million compared to €-16 million in H1'18 (€-18 million on reported basis), this includes an exceptional non-cash profit of €5 million. On a like-for-like basis the OIE for the first semester represents €-18 million.

(in millions of euros)	**H1'19 reported**	H1'18 reported
Profit from ordinary activities	**138**	112
Other operating income and expenses	**(13)**	(18)
Profit from operating activities	**124**	94
As a % of revenue	***7.7%***	*7.7%*

After other income & expenses and price purchase allocation described above, operating income came in at €124 million, compared to €107 million in the first half of 2018 (€94 million on reported basis).

Reconciliation of profit from ordinary activities to EBITDA

(in millions of euros)	**H1'19 reported**	H1'18 reported
Profit from ordinary activities	**138**	112
Amortization of assets acquired	**50**	47
EBIT	**188**	159
Other D&A and changes in provisions	**61**	34
Share-based payment expenses	**5**	1
EBITDA	**254**	193

Financial results

(in millions of euros)	**H1'19 reported**	H1'18 reported
Interest expenses	**(20)**	(18)
Income from cash and cash equivalents	**5**	4
Net finance costs	**(16)**	(14)
Foreign exchange gains/losses	**(2)**	(3)
Other financial income	**(4)**	(3)
Financial result	**(21)**	(19)

Profit attributable to shareholders

(in millions of euros)	**H1'18 reported**	H1'18 reported
Profit from ordinary activities	**124**	94
Financial result	**(21)**	(19)
Profit before income tax	**103**	75
Income tax	**(21)**	(20)
Net profit	**82**	55
Net profit attributable to shareholders	**80**	54

The financial result accounted for €-21 million compared to €-20 million in H1'18 (€-19 million on reported basis).

Income tax landed at €21 million in this first half from €23 million in the first half of 2018 (€20 million on reported basis). The latter has benefited from a general decline of the taxation rates and a more favourable mix in terms of taxes. Those changes led to an effective tax rate of 20.4%, against 26.9% in H1'18.

The net profit attributable to Ingenico's shareholders in the first half of 2019 came in at €80 million, up 32% compared to €61 million in the first half of 2018 (up 48% vs. €54 million on reported basis).

Cash Generation

The free cash flow improved very significantly during the first half of 2019 at €120 million compared to €23 million in the first half of 2018. The major elements of the free cash-flow improvement were:

- Contribution of EBITDA increase of €44 million on reported basis, net of non-cash IFRS 16 effect;
- Strong improvement of change in working capital by €40 million, resulting from a fully redesigned cash control process with a better efficiency on cash collection;
- Increase of capital expenditure by €7 million reaching €60 million (€18 million in B&A and €42 million in Retail), against €53 million in H1'18. The level of capital intensity is fully in line with the Group mid-term investment policy, i.e. c. €30 million of investments per year for B&A and, for Retail, c. 4% to 5% of its own revenue;
- OIE increased by €2 million reaching €18 million as already mentioned
- Interests paid stable at €10 million
- Tax paid decreased by €23 million, from €48 million in the first half of 2018 to €25 million in the first half of 2019 benefiting from a €25 million one-off reimbursement of the French tax authority.

In consequence, netted from this one-off reimbursement free cash-flow for the first half 2019 would have represented €95 million, leading to a sustainable first half conversion rate of c. 37%.

Group net debt

The Group's net debt decreased to €1,466 million against €1,518 million at the beginning of the year. The major elements of this decrease are the €120 million free cash-flow generation and the €73 million net cash-out mainly related to the Paymark acquisition. The ratio of net debt to EBITDA[3] is down to 2.7x from 3.1x at the end of 2018 and 3.6x end of June last year.

In July 2019:

- The Group has paid the cash portion (€34 million) of its 2018 dividend to the 49.4% of shareholders who elected a distribution in cash. 50.6% of the total dividend amount has been paid in stock (534,871 shares);
- The Group has decided to immediately optimize its overall financing cost with an early redemption of the €250 million term loan maturing in 2020 as a result of the improved regularity in cash generation derived from a reinforced cash control process implemented in H1'19.

2.2 Significant events occurred since June 30, 2019

All significant events which occurred since June 30, 2019 are described in the Note 14 on “Subsequent events“ in the notes to the consolidated financial statements as of June 30, 2019.

2.3 Principal risks and uncertainties in the second half of 2019

Ingenico Group faces the same risks as described in the 2018 registration document, chapter 1.2 (*Document de Référence*).

2.4 Related-party transactions

In the first half of 2019, there were no material transactions liable to be considered new regulated agreements See Note 6a. on “Related-party transactions” in the notes to the interim consolidated financial statements as of June 30, 2019.

2.5 2019 Objectives

All 2019 objectives raised:

- Revenue: The Group raises its 2019 expectations to achieve an organic growth above 9% compared to c. 6% previously communicated. B&A revenue is expected to grow organically above 7% (vs. c. 2%) and Retail to achieve a double-digit organic growth.
- EBITDA (after application of IFRS 16): The Group increases its target to reach an EBITDA above €590 million (vs. >€580 million). This target factors in €20 million EBITDA positive impact related to the Fit for Growth plan. The group expects the Retail EBITDA to be above €285 million (unchanged) and the B&A EBITDA to be at c. €305 million (vs. c. €295 million).
- Free cash-flow: The Group raises its cash generation objective to reach a free cash-flow conversion rate of c. 50% (vs. c. 47%) leading to free cash-flow of c. €300 million.

2.6 Trends

Ingenico Group has set itself the following 2021 financial objectives (after IFRS 16):

- Revenue: The group expects to achieve an organic CAGR 2018-2021 above 6%.
- EBITDA: The group targets an EBITDA of c. €700 million in 2021, including €100 million of savings derived from the Fit for Growth plan.
- Free cash-flow: The group has the ambition to reach a free cash-flow conversion rate of 45-50%.
- A pay-out ratio above 35%.

3/ Attestation of the party responsible for the condensed interim financial statements

I certify that to the best of my knowledge the interim condensed financial statements for the first half-year of 2019 were drawn up in accordance with the applicable accounting standards and give a true and fair view of the assets liabilities financial position and results of the Company and the consolidated group of entities and that the management report included herein gives a fair and true view of the significant events that occurred during the first six months of the year of their effect on the Group's accounts and of the Group's principal related-party transactions as well as a description of the principal risks and uncertainties confronting the Group in the remaining six months of the year.

Paris – July 23, 2019

Nicolas HUSS
Chief Executive Officer

4/ Statutory Auditors' Report on the H1 2019 condensed interim financial statements

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the Group's half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

Ingenico Group S.A.

Registered office: 28/32 boulevard de Grenelle - 75015 Paris
Share capital: €.63 679 398

Statutory Auditors' Review Report on the Half-yearly Financial Information 2018

For the period from January 1 to June 30, 2019

To the Shareholders of Ingenico Group S.A.,

In compliance with the assignment entrusted to us by your Annual General Shareholders' Meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Ingenico Group S.A., for the period from January 1 to June 30, 2019,
- the verification of the information presented in the half-year management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 2 "Accounting principles and methods" to the condensed interim consolidated financial statements regarding the adoption of standard IFRS 16 "Leases" and interpretation IFRIC 23 "Uncertainty over Income Tax Treatments".

II. Specific verification

We have also verified the information presented in the half-year management report on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris La Défense, on the 23 July 2019	Paris La Défense, on the 23 July 2019
Frederic Quelin *Partner*	Ariane Mignon *Partner*