# 2018

# REGISTRATION DOCUMENT

including the annual financial report

ingenico GROUP

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All financial information is available on our website
www.ingenico.com/fr

# 2018

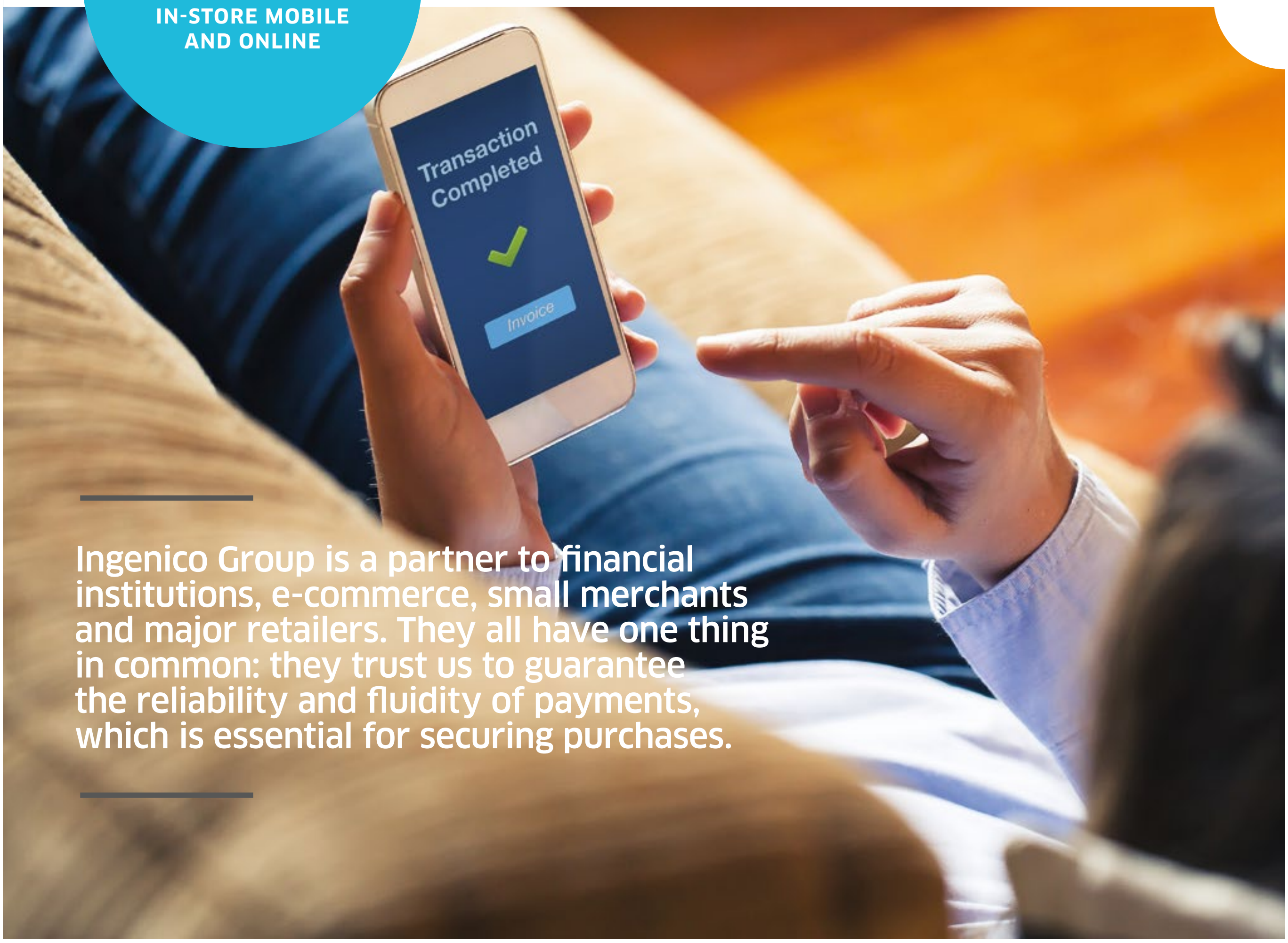
# REGISTRATION DOCUMENT

**Including the annual financial report**

1,000+
BANKS AND ACQUIRERS

550,000+
MERCHANTS

3
ENVIRONMENTS IN-STORE MOBILE AND ONLINE




Ingenico Group is a partner to financial institutions, e-commerce, small merchants and major retailers. They all have one thing in common: they trust us to guarantee the reliability and fluidity of payments, which is essential for securing purchases.

# Ingenico Group, global leader in seamless payment

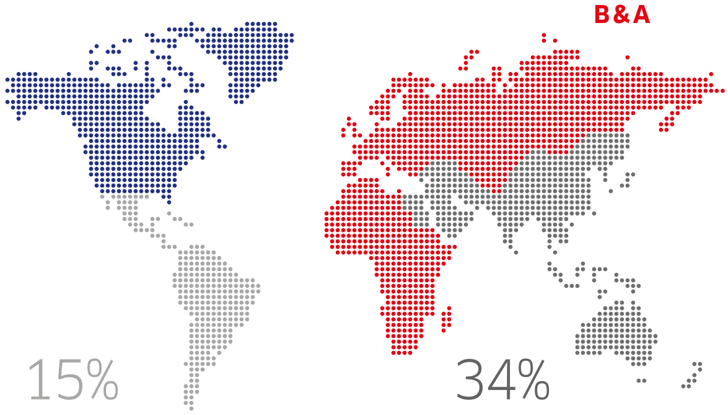
For almost 40 years, Ingenico Group has supported the evolution of commerce through a comprehensive offering of payment acceptance solutions and services. Our solutions cover the whole payment value chain and all sales channels, and are suited to our customers' local requirements and international ambitions. Ingenico is at the heart of commerce, and its goal is to help merchants to develop their business.

**BREAKDOWN OF REVENUE BY REGION IN 2018**

**B&A**
**€1,305M**

13%
**NORTH AMERICA B&A**

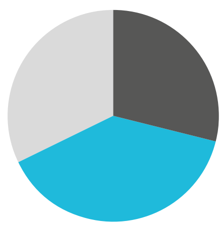
38%
**EUROPE & AFRICA B&A**



15%
**LATIN AMERICA B&A**

34%
**ASIA-PACIFIC & MIDDLE EAST B&A**

**RETAIL**
**€1,339M**



39%
**GLOBAL ONLINE**

32%
**ENTERPRISE**

29%
**SMB**

| nearly 8,000 employees | 170 countries | €2.6 BILLION in revenue |
|---|---|---|

"Ingenico is a strong company today, with potential to become highly successful in the future."

**BERNARD BOURIGEAUD**
Chairman of the Board of Directors

**Reflecting on 2018, how would you summarize Ingenico's performance?**

2018 was a difficult year yielding disappointing results due to a lack of anticipation in our terminal business. However, our Retail activity has shown encouraging growth and an improving profitability fuelled by the integration of Bambora, which proved to be a powerful growth engine. The joint venture created in DACH is another promising asset for Retail to accelerate in one of the most attractive markets today.

**Why did the Board of Directors decide to separate the functions of Chairman and Chief Executive Officer?**

Play a more active part. The separation of these roles means that our CEO, Nicolas Huss, and I work much more closely together and the board is fully informed about everything, always up to speed and able to bring more value to the company.

**Why did the board appoint you as Chairman?**

Two key factors influenced the decision. I have deep experience and knowledge about the payments industry and truly understand its specific challenges and opportunities in the fast-changing environment that we have today. Secondly, I had previously managed a listed company, which is important when working closely with the CEO.

**Please, tell us about your role as Chairman.**

Ultimately, my job is to make sure the Board of Directors is well coordinated, fully informed, and able to work as one cohesive team with a unified view to support the CEO on topics such as strategy, business development, acquisitions, risks, and governance.

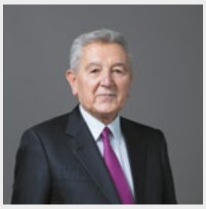
**What's your perspective on the future of Ingenico Group?**

Ingenico is a strong company today, with potential to become highly successful in the future. This conviction builds first on my firm trust in Ingenico's CEO. First, Nicolas Huss has exceptional management experience and payment knowledge. He has created a diverse, strong and international management team around him. Second, the company revamp has started and already improved operational efficiency and commercial culture - making it more sales-oriented. I strongly believe in our teams' dedication to clients around the world, which is a crucial prerequisite for our future growth. Third, we have established a joint venture with Deutscher Sparkassenverlag (DSV) in one of the most attractive markets. And last, deep transformation work has already been initiated across B&A to revive the unit.

**What is your expectation in 2019?**

2019 will be a critical year for Ingenico as the execution is the priority. We have to deliver what we have promised.

# BOARD OF DIRECTORS



**BERNARD BOURIGEAUD**
Chairman

**NICOLAS HUSS**
Chief Executive Officer

**DIAA ELYAACOUBI**
Independent Director

**ARNAUD LUCIEN**
Director representing employees

**XAVIER MORENO**
Independent Director

**CAROLINE PAROT**
Independent Director

**THIERRY SOMMELET**
Independent Director

**SOPHIE STABILE**
Independent Director

**ÉLIE VANNIER**
Independent Director

**WILLIAM NAHUM**
Independent Advisor

9 DIRECTORS
**including 1 Director representing employees**
1 INDEPENDENT ADVISOR

9 MEETINGS
**of the Board of Directors in 2018**

87%
**Independence rate**

90%
**Average attendance rate**
of directors at Board meetings

## 3 SPECIALIZED COMMITTEES

predominantly consisting of independent directors

1 ANNUAL SEMINAR
dedicated to the strategy with an attendance rate of 100%

**Audit and Finance Committee**
7 MEETINGS IN 2018
Attendance rate of 95%

**Compensation, Appointments and Governance Committee**
7 MEETINGS IN 2018
Attendance rate of 83%

**Strategic Committee**
8 MEETINGS IN 2018
Attendance rate of 98%

# 2019:
# A Year for Change

**NICOLAS HUSS**
Chief Executive Officer

**2018** has been a challenging year. Structural and cyclical factors were at play but we have missed our guidance following a lack of execution and unfavourable base effects in mature countries. The good news is, we have analysed the different drivers and implemented early 2019 a plan -Fit for Growth- to turnaround the situation.

Starting with B&A: 2018 has been difficult.

We have suffered, in our most mature markets, i.e. EMEA and North America. This situation has hampered our full-year EBITDA achievement.

Elsewhere, we have been able to achieve some good successes such as the launch of our Android range development outside of China, in countries such as Russia, Brazil, India and Indonesia.

We have regained market share in key countries such as Brazil and Indonesia, which highlights the strength of our products and offering.

Regarding Retail, the year has been completely in-line with our expectations:

We saw a significant acceleration of the growth in our SMB activities, driven by new merchant gains and the deployment of our Acquiring offer. This performance highlights the relevance of the Bambora acquisition in 2017.

We have also made a lot of organic development in Global Online with new products and solutions launched, strengthening the organic growth of the activity.

2018 was a key year for Enterprise with the signing of key deals and the refocus of the new management on ramping-up this Business line

Finally, during 2018 we also made two strategic moves, reinforcing our direct access to merchants. The closing of BSPayone and Paymark early 2019 reflect our ability to deliver smart deals with a direct positive impact on our operations and offerings, as the Retail business unit now serves more than 550 000 merchants.

In summary, in 2018:

We reached €2,643m in revenues, representing a 2% organic growth, which is disappointing. Though it is worth mentioning that we have experienced an interesting acceleration of the organic growth during the year with a first half down 3% while the second part of the year was up 6%.

Our final EBITDA came in at €488m, representing a 18.4% margin, in contraction due to the B&A underperformance. As for our net profit, it came at €188m.

It is also key to provide an update on management changes; with a new management structure in place focused on and committed to deliver.

When I took over as CEO, one of my first decisions was to refocus the Executive Committee, bringing in new talents, narrowing the number of people involved to accelerate decision-making and improve our operational control. A new international team is joining the Group, complementing the current management team and demonstrating our talent attractiveness. Seven out of eight members of the new Executive Committee have joined Ingenico in the past 18 months providing more gender balance and a more transactional oriented culture.

Lastly, as announced in November 2018, the Board has decided to separate the Chairman and CEO functions. As a CEO, it allows me to be more focused on the business and -in parallel- to benefit from Bernard Bourigeaud's strong industry know-how as a Chairman.

# For 2019,

at the beginning of the year, we initiated an action plan named “Fit for Growth”. This plan aims to restore B&A’s profitable growth and leverage our leadership position to deliver value, on the one hand, accelerate the Retail BU’s growth and deliver operating leverage, on the other hand, and finally, streamline our organization and support functions to better serve both BUs. In addition, the plan will deliver €35m net savings in 2019, but will reach its full potential in 2020.

The value creation goes beyond economic aspects, so to contribute in building tomorrow’s world, we have developed a new CSR programme based on our stakeholders’ feedback. It covers all our activities and business lines and aims to provide our customers and partners with the most innovative and trusted payment solutions so that we generate ethical, inclusive and transparent growth together. It will notably enable us to accelerate the development of positive impact solutions in areas where we can leverage our expertise such as fundraising or financial inclusion.

This global programme will be unveiled in 2019 and will drive our actions until 2023.

**Our people being key to our transformation,** we have launched a new leadership model based on the 5 following streams:

**1. Focus forward:** Align action on strategy – ensuring we have a strategy that we translate into workable plans to deliver what we are committed to.

**2. Think customer:** Maximize customer value through the anticipation of customers’ expectations to increase customer value and relationship.

**3. Drive:** Execution towards performance to foster a high-performing culture within the group.

**4. Inspire:** Motivate others to go beyond and create a climate benefiting all stakeholders.

**5. Team-up:** Succeed together, creating a team-up culture and successful teams.

This new leadership model is in motion today and will be part of the success of Ingenico going forward.


## EXECUTIVE COMMITTEE

From left to right

**MICHEL-ALAIN PROCH**
Chief Financial Officer

**AGNÈS BENSOUSSAN**
EVP Human Resources & Communications

**EGLANTINE DELMAS**
SVP Internal Audit and Controls

**JOHAN TJÄNBERG**
EVP Retail

**NICOLAS HUSS**
Chief Executive Officer

**PAULA FELSTEAD**
Chief Technology Officer

**MATTHIEU DESTOT**
EVP B&A

**JACQUES GUÉRIN**
EVP Strategy & Transformation

# A complete offer that creates value for our customers

## B & A

**"Being the most trusted technology partner in the new world of payment acceptance"**

- Industrial & commercial redesign
- Worldwide leadership & scale
- Global reach and local know-how
- Market innovator with Android capacity

## RETAIL

**"Shaping the most customer focused payment experience in the new world of commerce"**

- Strategic accelerators
- Dedicated growth model
- Technology transformation
- Business optimization & synergies

## SUCCESS STORY AND TRANSFORMATION

**2007**

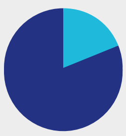
- Worldwide leader In the POS market
- Ingenico provides a full set of instore payment services

**2014**

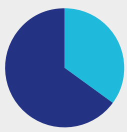
- Successful entry in the online payment market through domestic gateway
- Enlarging online offer through X-border capability and collecting assets
- Direct access to merchants expansion and full integration along the value chain through acquiring

**2018**

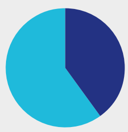
- Accelerating the direct access to merchant strategy with a DACH leading position



**81%**
POINT OF ACCEPTANCE
PAYMENT SERVICES
19%



**65%**
POINT OF ACCEPTANCE
PAYMENT SERVICES
35%



**58%**
PAYMENT SERVICES
POINT OF ACCEPTANCE
42%

# OUR AMBITIONS

We provide end to end payment acceptance solutions

We sell our solutions directly to merchants or through complementary partners willing to share value

We are client centric solution provider offering a unique solution

We focus on selected merchant verticals where we can build leading positions

We drive our offering strategy towards services platforms and easy to integrate in the merchant environment


## OUR PRIORITIES

**Fit for Growth enabling a more agile and flexible organization**

**Restore profitable growth and leverage our #1 position to drive value**

**Accelerate growth and deliver operating leverage**

## 2021 OBJECTIVES

Revenue
**> 6%**
organic growth CAGR

2021 EBITDA
**c. €700m***

**45-50%***
Free cash flow conversion rate

Pay-out ratio over 35%

* After application of IFRS 16 and €100 million positive EBITDA impact related to Fit for Growth Plan.

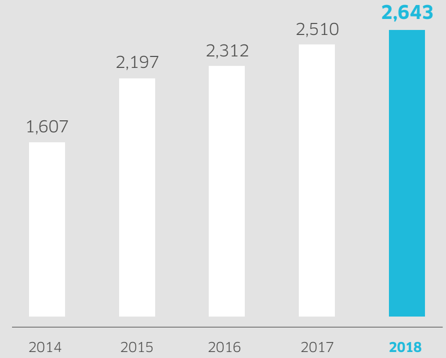
2018 was a challenging year for Ingenico both operationally and financially. Nevertheless, the company has great assets and perspectives. The transformation we have launched early 2019 is aiming at transforming these perspectives into realities by 2021.

**MICHEL-ALAIN PROCH**
**Chief Financial Officer**

**The execution of the Fit for Growth plan throughout the next three years is key for the Group to gain agility and flexibility thanks to a more efficient organization. Retail aims at accelerating its growth profile and B&A at restoring its competitive edge. The entire Group is focused at improving our cash generation.**

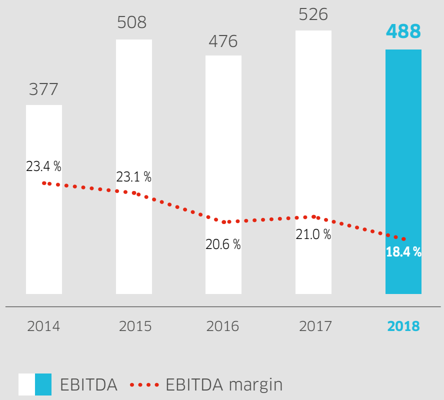
## REVENUE EVOLUTION

In millions of euros



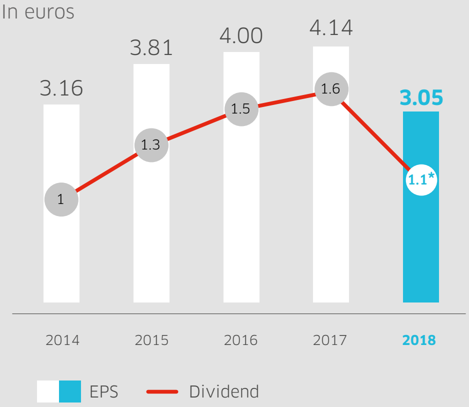

## EBITDA(1)

In millions of euros




## NET PROFIT AND DIVIDEND PER SHARE

In euros




* Dividend proposed at the AGM of June 11, 2019.

**€2,643M**
**REVENUE**

**€488M**
**EBITDA (1)**

(1) As defined on page 154 of this Registration Document.

## B&A

€1,305M
**Revenue**

€277M
**EBITDA (1)**

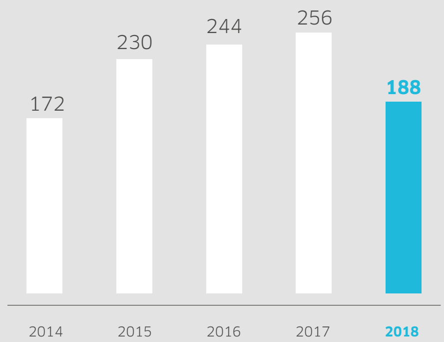
## RETAIL

€1,339M
**Revenue**

€210M
**EBITDA (1)**

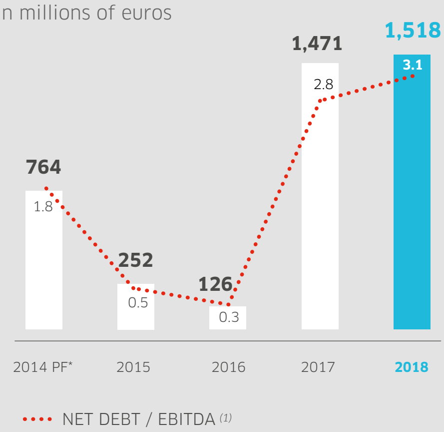
## NET PROFIT, ATTRIBUTABLE TO SHAREHOLDERS

In millions of euros




## NET DEBT

In millions of euros




* *Including GlobalCollect's contribution over the entire year.*

€188M
**NET PROFIT GROUP SHARE**

€238M
**FREE CASH FLOW**

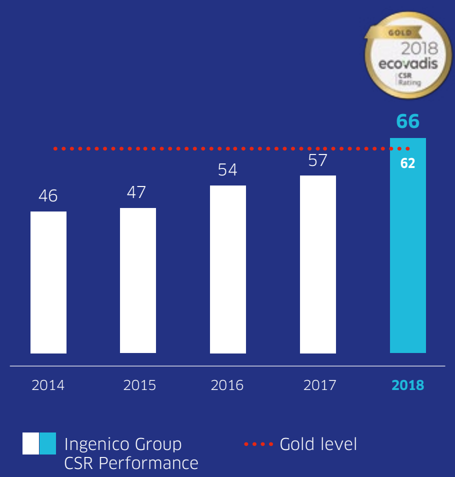
## CORPORATE SOCIAL RESPONSIBILITY

+€137 MILLION
**raised for charity using our payment services**

71%
**participation rate in the People IN survey**

342.1 TONS
**of end-of-life terminals collected and processed**

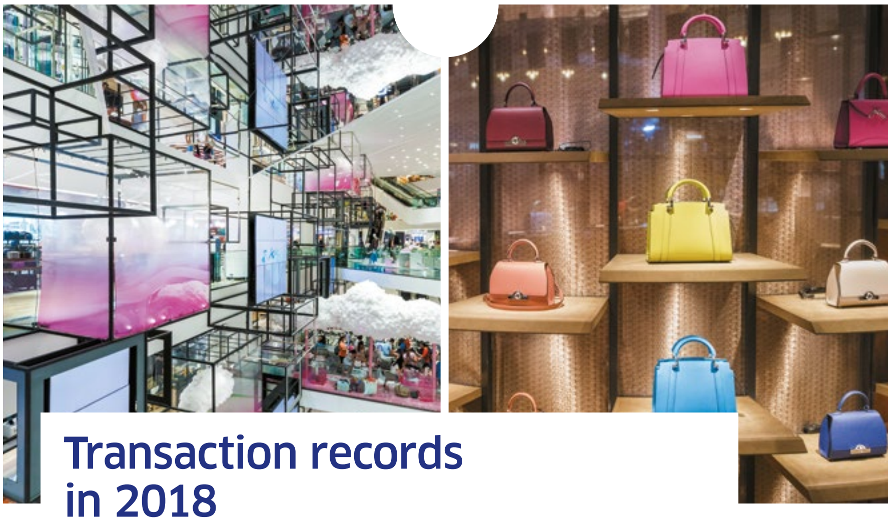
### ECOVADIS RATING



## Two strategic transactions

**Two strategic transactions were completed in 2018, strengthening our direct access to merchants: Paymark and BS Payone.** The acquisition of Paymark in New Zealand, which has 25 years' experience in processing secure transactions for banks and acquirers, will promote the use of the full range of Ingenico products in the Pacific region. Conducting more than 1 billion transactions per year, Paymark's network connects acquirers with all the issuers of payment cards, as well as more than 80,000 merchants.

A new market leader in payments will emerge in Germany, through the merger of BS Payone with the assets of Ingenico's Retail business. BS Payone, a Sparkassen-Finanzgruppe subsidiary, is the second largest international card acquirer in Germany and has a portfolio of 250,000 merchants. The high degree of synergy between BS Payone and the expertise of Ingenico Group within both the small-to-medium-sized merchants and the major retailers segments will enable the joint venture to accelerate its growth in the DACH region (Germany, Austria, Switzerland).



## Transaction records in 2018

Our Retail BU has reached significant milestones in 2018. The SMB business line now serves 550,000 merchant clients. Global Online, our global e-payment business line, processed 542 million transactions for a total value of 58 billion euros. As for Enterprise, it processed 6.3 billion transactions for a total value of 230 billion euros.

## Launch of OP2GO

OP2GO, a new open payment solution specifically for mass transport operators was launched at the beginning of 2019. Open payment technology is changing the way we travel by swapping paper-based tickets for NFC-enabled devices such as bank cards and mobile phones. Travelers simply tap their bank card or phone on the validators on entry and exit, then the system automatically calculates the best value ticket for them at the end of their journey.

## Taking our Android range international

Our customers across the world are increasingly interested in Android technology, as evidenced by the international expansion of our Android range in 2018. It was rolled out to four countries: Indonesia, India Brazil and Russia.

## Corporate Social Responsibility

In 2018, a survey was conducted with Ingenico Group's key stakeholders worldwide to identify their primary expectations in terms of CSR. A total of more than 1,200 responses confirmed, among other things, the importance of social and environmental issues as an area of focus, and enabled us to refine the Group's CSR strategy (see pages 51 and 58).

MAKING PROGRESS TOWARDS GENDER EQUALITY
EQUILEAP
TOP 200
2018

**RANKED IN THE EQUILEAP TOP 200 FOR GENDER EQUALITY**

GOLD
2018
ecovadis
CSR Rating

**ECOVADIS GOLD RATING**


## “Restore profitable growth and leverage our #1 position to drive value”

**MATTHIEU DESTOT**
EVP B&A

**In 2018, the B&A business unit went through significant market changes requiring a swift transformation of our business.** First, the market has matured from growth driven by demand to support penetration of net new equipment, to stable upgrades in estate renewal campaigns. Second, Android technologies are gaining traction as a client need for verticalized solutions and service applications. Third, our top clients are in a consolidation trend to drive global footprint and scale. All these market changes require a quick transformation of our go-to-market organization to support partners with a differentiated offering of innovative value-added products and solutions

### APOS A8 – An all-in-one point of sale that fits in the palm of the hand

A mobile and compact Android based point of sale device, the APOS A8 facilitates commerce. With it, merchants and consumers benefit from state-of-the-art user experiences and functionality derived from the smartphone industry. The APOS A8 speeds up the checkout and enables rich use cases such as integrated store management, loyalty, installments, bill payments, dynamic currency conversion, parcel delivery or location-based services. It also supports standard and new payment methods like Alipay and leverages existing Ingenico services and expertise.

Our priority in 2019 is to reposition the B&A business unit and revive profitable growth by leveraging our global leadership in the core terminal market with our Tetra range while capturing growth on the Android market by globally extending the success of our assets in China. We will drive this transformation through an industrial and commercial redesign, to increase efficiency and reassert Ingenico as more client-centric and solutions-oriented.

On the industrial side, we will streamline our portfolio into a single roadmap for the entire company and stop producing low value generating products. The result will be faster time to market and efficiency in the way we manage our technology. We will leverage and accelerate our in-house Android competency with Landi and our IMS product line, to extend our portfolio for existing clients and to address new market opportunities. Moreover, we will redesign our last mile application delivery to drive consistency and efficiency thanks to regionalized R&D Centres of Excellence. This also allows to operate and design applications from a global lens while keeping Ingenico assets and relationships closest to our clients – which is what our largest customers have been requiring.

On the commercial side, we will create an organization that provides industry leading support and service throughout clients’ interactions with Ingenico – regardless of where in the world they do business with us. This will be reinforced with a performance-based sales culture driven by a robust sales operations organization to ensure consistent sales methodology and forecasting. Finally, we will implement a value-based pricing proposition to win market share at the right profitability. The global terminal market is no longer growing at a double-digit pace, but it is growing. The B&A Business Unit is becoming “Fit to Compete” and positioned to win.

| 1,000+ **banks and acquirers** | 32 MILLION **terminals installed** | 2,500+ **payment applications** |
|---|---|---|

**Looking back at 2018, the Retail BU has undergone remarkable transformation and development both** from financial, strategic, management and organizational perspectives. Our revenues have doubled since 2016, and grew by 10% in the second half of 2018. We have strengthened our direct access to merchants with two strategic transactions, the creation of a joint venture BS Payone in DACH and the acquisition of Paymark in the Pacific region, and expanded our offerings to cover the full payment value chain. We have now successfully established a growth engine in the retail industry. Going forward, our job is to ensure the "wheels are oiled" and make the engine ready to grow faster than ever before.

Our objective for Retail BU in 2019 is to further accelerate revenue growth, by prioritizing our highest performing segments. We have defined a strategic agenda and identified five strategic initiatives. These include, first, the expansion of our SMB in-store footprint; second, the dedicated verticalization of our global e-commerce activities starting with travel; third, accelerating e-commerce in Asia; fourth, the expansion of our advanced acquiring capabilities both within and outside of Europe; fifth, expansion in the self-service vertical.

To achieve this, we have adjusted our operating model, focusing our end-to-end engagement on dedicated verticals. Moreover, we have implemented a new sales model, with 25 dedicated growth channels targeting specific customer segments or verticals. Besides, we have established a new sales and performance management model bolstering the commercial culture within Retail. And finally, we follow a strict portfolio approach, prioritizing our investments and dedicating €10 million to our growth acceleration initiatives in 2019.

Following the strategic and operational initiatives taken over the past 18 months, Ingenico Retail is well positioned today. Our clear agenda will enable us to increase our growth rate in a profitable way in 2019.

## "Accelerate growth and deliver operating leverage"

RETAIL

**JOHAN TJÄNBERG**
EVP Retail

### Adeo chooses Ingenico

Ingenico has been chosen by ADEO to roll out its pan-European omnichannel secure payment acceptance solution, which will enable ADEO's in-store and online transactions to be managed centrally across several European countries. This partnership is testament to our ability to leverage our geographical network and our payment infrastructure for the benefit of merchants.

### Ingenico, the new PSP for McDonald's UK and Ireland

Throughout its history, McDonald's has led the way in customer service innovation. The payment solution rolled out by Ingenico in the UK and Ireland gives the Golden Arches franchise the means to handle the increase in contactless payments and new payment technologies (such as Apple Pay and Google Pay), and offer customers a variety of payment experiences, including click-and-collect and in-restaurant self-service ordering.

### Global e-commerce

The travel industry is one of the Retail BU's markets for development. The contracts signed in this sector in 2018 include agreements with Trip.com and Xiamen Airlines. Trip.com, one of the world's leading online travel agencies, has turned to Ingenico to help accelerate its growth. Its booking services for flights, hotels, trains and cars are available in 13 different languages and a number of countries. Trip.com can now benefit from Ingenico's expertise in currency management and payment methods, as well as from its extensive network of local acquirers.
Xiamen Airlines is currently one of Asia's fastest-growing airlines. With customers in many different markets, it has a complex payments infrastructure. To support its growth and simplify payment operations, Xiamen Airlines has chosen Ingenico to be its Payment Service Provider (PSP). This is allowing the company to expand its portfolio of currencies, payment methods and local acquirers.

# INNOVATION

"From hardware security to software security"

ingenico LABS

**MICHEL LÉGER**
EVP Innovation

**Ingenico Labs, a department specialising in radical, disruptive and adjacent innovation, turned four in late 2018.** We can already make a very positive assessment of its contribution to the Group's various divisions and business lines. The Lab's first initiatives have been translated into solutions that have enriched our product lines. This is true of chatbots, PIN on glass, and value-added solutions around mobile digital payment in partnership with the digital giants, including Google (Google Smart Tap).

In 2018, particular attention was paid to the move from hardware security to software security, making it possible to integrate payment into connected objects like mass market mobiles and tablets. Mobile terminals (mPOS), which have grown rapidly over the last few years, are evolving towards PIN on Mobile and Tap on Phone technologies, thereby promoting a more standard use of smartphones and tablets for payment acceptance. A real leader in this field, Ingenico has developed a PIN on mobile solution, certified by the big payment card schemes like Visa and MasterCard, enabling users to enter their PIN securely on standard mobile devices. At MWC 2019 in January, we also presented a proof of concept (POC) of the Tap on Phone solution, which adds contactless payment functionality to standard mobiles or tablets. These two technologies illustrate Ingenico's ability to transfer its expertise in secure payment acceptance from secure payment terminals to secure payment applications that can be downloaded to mass market devices.

There are two distinct new trends in 2019. Ingenico Labs has invested in voice commerce and presented two POCs enabling voice-activated payment. The second concerns the in-store checkout revolution. In partnership with big retail players, Ingenico Labs is designing new no-checkout, self-checkout and free-checkout experiences, for instance with the Pick Me solution. The Group's constant investment in innovation is bolstering its leadership position with solutions addressing the new trends in the digital world.

## Voice Commerce

**Ingenico Labs is exploring voice commerce and the integration of secure payment acceptance into vocal bots. The two prototypes introduced at MWC 2019 set up simple and fun interactions between brands and their customers, using technologies such as ultrasound or one-time passwords for authentication. Users select specific products or services with their voice through a connected speaker and finalize their purchase by confirming their transaction on their mobile phone. Covering customer enrolment, speaker identification, customer authentication and secure payment processing, Ingenico handles all the steps in the process. These prototypes offer alternatives to natural language-based voice authentication and pave the way for the launch of this technology into a market that may not yet be ready for it.**


**“The high participation rate to our employee engagement survey, People In, reflects a real desire to help shape Ingenico’s future”**

**AGNÈS BENSOUSSAN**
EVP Human Resources & Communications

**You joined Ingenico in July 2018.
What did you find when you arrived?**

I discovered great, diverse talent throughout the Group, which is crucial in our area of business. This is the result of Ingenico’s various acquisitions since its creation and our global presence. However, these acquisitions did not all enjoy the same degree of integration. So my first task was to assess which HR practices could be shared across the Group with a view to optimization, while continuing to serve our different businesses as well as possible.

**You are part of the new management team.
What responsibilities have you taken on?**

All members of the new management team are involved in the transformation of Ingenico Group, namely the Fit for Growth programme. In this context, I have two main missions: to contribute to the optimization of support functions, especially in pursuing our efforts to harmonize human resources and communication functions, and to support the transformation as a whole, which may involve changes in our organization and the skills required. The challenges encountered vary considerably from one Group entity to another and from one country to another. The role of the HR function is to support this business transformation and adapt our efforts to each of the business areas.

**Could you tell us about the HR initiatives
launched in 2018?**

These initiatives have four components: compensation and benefits, HR information systems (HRIS), leadership development and employee engagement. For instance, we have set up a bonus system and a sales incentive plan, which are common to the entire Group. They will be deployed in 2019. We have also classified jobs and corresponding salary scales by country, in order to pay fairly and in line with the market.

In addition, we have developed a new leadership model for all Group employees. We created it internally by interviewing around sixty managers from different countries and entities of the Group, in order to identify the skills and behaviours they wanted to see fostered or curtailed. Five sets of key skills were identified: “Focus forward”, “Think customer”, “Drive”, “Inspire”, “Team-up”. They form the foundation of our new leadership model for all employees.

Finally, we launched an employee engagement survey, People In, in October 2018. The high participation rate (71%) reflects a real desire to help shape Ingenico’s future. The results will lead to the implementation of action plans to improve engagement, which we will continue to measure in 2019.

**What will be HR’s role
in Ingenico’s transformation in 2019?**

We are going to continue to build on the projects I just mentioned, especially all the transformation and optimization projects. 2019 will mark the transition to the activation phase of the leadership model, in order to make it a tool for dialogue during performance assessments and when discussing professional development.

Also, in 2019 we will focus on managing our talent in order to better understand them, help them develop and promote their internal growth. Finally, I would like to continue our efforts to take diversity into account in recruitment or promotion, because I am convinced that diversity is a significant factor in performance. In my opinion, this is also one of the major assets of Ingenico’s management teams today.

1

# PRESENTATION OF THE GROUP

# 1.1 ACTIVITY & STRATEGY

## 1.1.1 Ingenico Group, global leader in seamless payment services

Founded in 1980 by Jean-Jacques Poutrel and Michel Malhouitre, Ingenico Group offers secure payment services across all sales channels. The global leader in seamless payment services, the Group keeps in step with the future of commerce by relying on the largest acceptance network in the world, with solutions that adapt to both the local needs and international ambitions of its customers.

As a result of the merger with Sagem Monetel in March 2008 and entry into the Chinese market with the acquisition of Landi in June 2008, Ingenico Group became the leader in the payment terminals market, which is worth an estimated €4.5 billion worldwide. Since then, the Group has continued to expand the geographical presence of its traditional business by expanding its commercial network, in particular through acquisitions of distributors in emerging markets such as Japan, Russia and, more recently, Ukraine and Taiwan.

In 2008, the Group decided to build on its market-leading position and address merchants' changing needs by expanding its offering, in order to cover the whole of the payment value chain, irrespective of the sales channel. Ingenico Group began laying the groundwork for this expansion by acquiring easycash, a leading German in-store payment services provider. Then, in 2012, the Group strengthened its position in mPOS solutions through the takeover of Roam Data Inc. With the acquisition in 2013 of Ogone, the European leader in online payment services, followed by that of Global Collect, the world leader in fully integrated online payment services, in 2014, the Group accelerated the transformation of its business model towards payment services on a global scale, simplifying payment for merchants across all channels: in-store, online, and mobile. In 2017, Ingenico Group took a major step forward in progressing its strategy with the acquisition of Bambora, a fast-growing payment services company, meaning the Group can interact directly with small and medium-sized European merchants and offer a full range of services, including acquiring transactions.

In 2018, in order to expand its offering in the German market and continue its strategy of direct access to merchants, the Group decided to combine its Retail business in Germany, Switzerland and Austria with BS Payone, a German company serving more than 250,000 merchants and the country's second largest international payment methods acquirer. This joint venture, which was consolidated in January 2019, will occupy a unique position in the region, with a combined processing volume of €125 billion, and almost 335,000 payment terminals. Lastly, the Group has recently added to its range of transactional services with the purchase of Paymark, a New Zealand company that provides a network of redirection to card issuers (switch-type), enabling merchants to accept a wide range of card payments. This transaction means that Ingenico Group can now offer a comprehensive range of omnichannel services in the Pacific region.

Today, the Group, global leader in seamless payment services, boasts a network of over 1,000 banks and acquirers, a presence in 170 countries, and acceptance of more than 300 payment methods, with more than 550,000 [(1)] merchants connected to its platforms.

Ingenico Group has established a customer-focused organizational structure by creating two Business Units, B&A (Banks & Acquirers – indirect) and Retail (direct).

## 1.1.2 A comprehensive payment services offering across all channels

At a time when consumers are constantly switching between sales channels in order to find the right product at the right price, merchants need flexible payment services to offer the best purchase experience. Payment channels are becoming increasingly interconnected and complex and, as a result, require new expertise. The payment environment is therefore also becoming more complex, with more methods of payment and points of interaction between merchants and consumers (in-store, online and mobile).

In this complex ecosystem, the Group's combined expertise in payment terminals, the management of in-store transactions, and online payment services, allows it to provide a comprehensive global offering – a key differentiating factor.

### 1.1.2.1 In-store

Ingenico Group offers all its customers (banks, merchants and payment service providers) comprehensive, secure, centralized management of their electronic payments (acceptance, transactions and services), so that they can optimize payment system operating costs, efficiently manage payment flows, address ever-tightening security requirements, and generate new revenue streams. The Group is responsible for the end-to-end security, control, and surveillance of the entire payment process.

Ingenico Group therefore promotes centralized transaction flow management to ensure optimal service quality and integrity from payment terminal to acquirer.

*(1) Number of pro forma Retail merchants, including those provided by BS Payone.*

A pioneer in the payment terminals industry for nearly 40 years, Ingenico Group offers applications and secure solutions based on a unique proprietary Android-based operating system called Telium for merchants of all types and sizes. The Group provides its customers with a broad portfolio of 2,500 applications and accepts more than 300 payment methods.

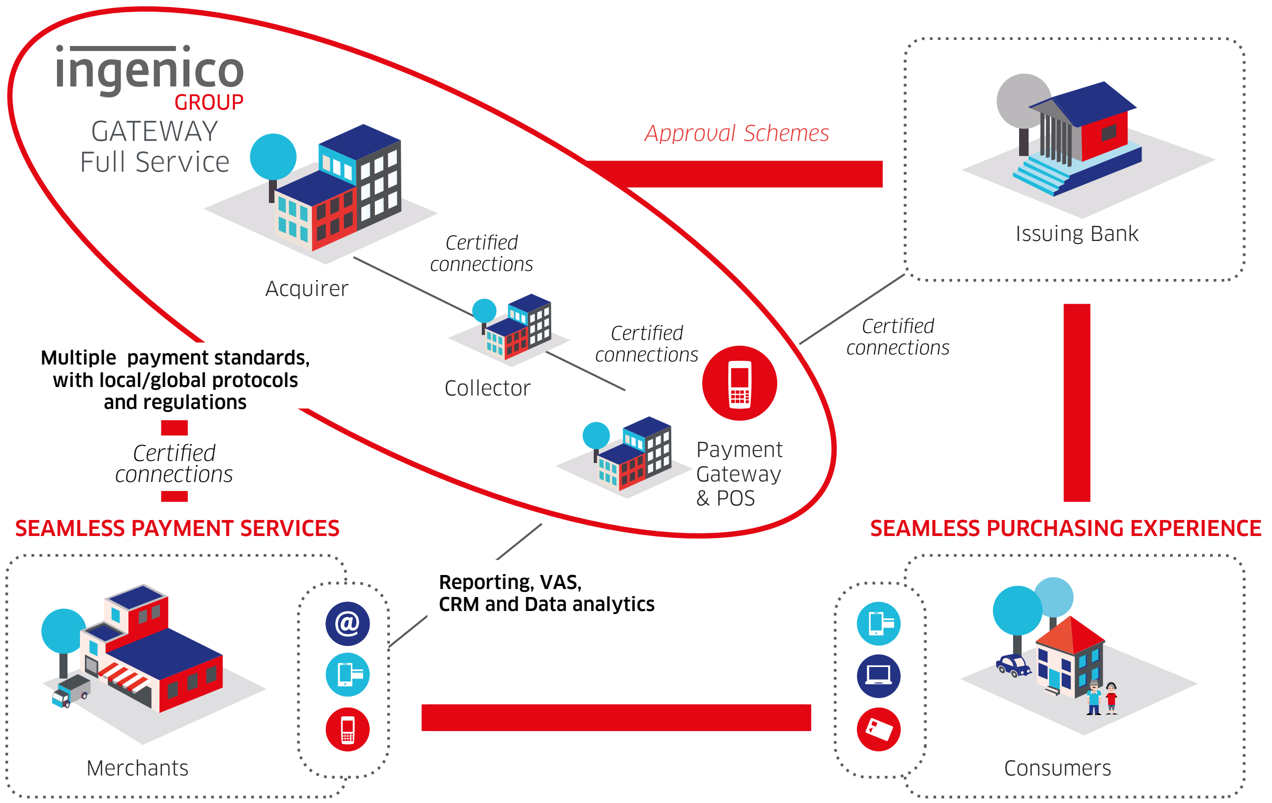
Ingenico Group's in-store solutions revolve around the following services:

- payment terminals and applications;
- the management of installed terminals, including security application updates;
- connectivity, ensuring the terminal-to-bank host connection;
- comprehensive, 24/7 after-sales service supporting every phase in the life cycle of terminals and software, from installation to upgrades and maintenance;
- centralization of transactions (Axis);
- end-to-end security – from terminal to bank or processor; and
- value-added services.

What differentiates the Group is its ability to meet its banking, retail and small and medium-sized merchant customers' need for optimized, cross-border and international solutions through its presence in many countries, and its payment service offering supported by the payment services expertise offered by easycash, Axis, Bambora and BS Payone, and its PCI DSS-certified international platform.

In addition, the Group also has a full range of customer loyalty solutions that aim to increase merchants' revenues, including: loyalty card and loyalty program management, prepaid card and gift card management, customer data analysis and marketing campaign management. These marketing solutions are available in eight European countries and are being used to manage over 140 card programs.

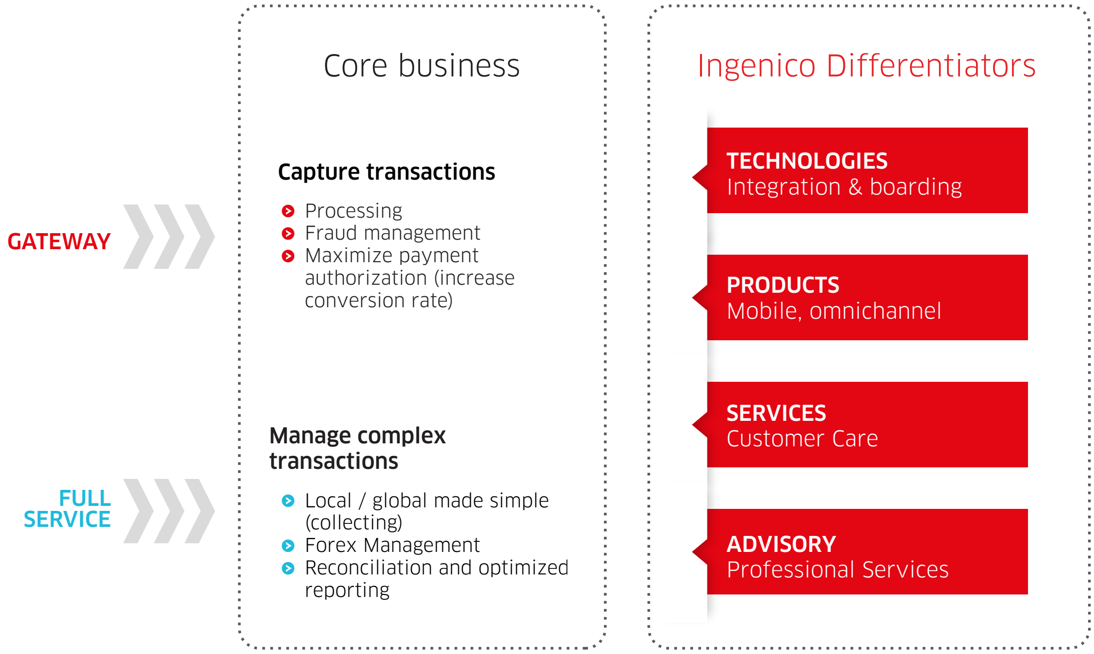
**Ingenico Group / at the center of the payment process**



### 1.1.2.2 Online

While the Internet is by definition borderless, global e-commerce is by no means uniform: many factors determine the success or failure of cross-border trade. The different regulatory environments, Internet access, consumer preferences and local payment methods contribute to the complexity of international commerce. Thanks to Ingenico Group's online offering, which combines Ingenico eCommerce Solutions, Global Collect, TechProcess and Bambora's online assets, the Group offers e-payment services to merchants of all sizes.

**● The online offering**




#### Online payment services for small and medium-sized merchants

With more than 150 international and local payment methods, the Group's online payment services allow merchants to manage and secure their online payment processes and digital transactions. Accessible online or *via* a mobile device, these services enable prompt, secure acceptance of any form of payment: as such, merchants can increase their sales, reach more consumers, and protect their businesses from online fraud.

Ingenico Group works directly with large merchants, as well as with banks, acquirers, and payment institutions. It also offers white-label solutions such as those provided for Barclaycard and BNP Paribas.

The Group's online offering revolves around three services:

- transaction capture (gateway):
  - processing online transactions,
  - offering an advanced fraud management system,
  - maximizing payment authorizations;
- complex transaction management (full service):
  - processing cross-border transactions,
  - collection and FX conversion services,
  - integrated reporting;
- acquiring transactions (acquiring):
  - rapid platform integration,
  - maximizing conversion rates,
  - comprehensive end-to-end offering.

#### Comprehensive payment services for large multinational companies

Ingenico Group now offers comprehensive payment services for large multinational companies and companies with a strong digital presence looking to expand into new regions. The offering of outsourced payment services removes complexity with a single commercial and technical interface that takes care of risk management, FX management, settlement of funds against approved orders, reporting and remittance of collected funds.

With a presence in 170 countries and boasting acceptance of 150 local payment methods, Ingenico Group has developed recognized expertise in payment services, especially in cross-border e-commerce, enabling major brands to sell their products online and worldwide.

### 1.1.2.3 Mobile payments

By accepting payments anywhere in a store, pop-up store or on board a plane, merchants with mobile payment services can adapt to mobile consumers and ensure their loyalty. Ingenico Group has developed a white-label mobile platform that enables customers of any size to offer secure mPOS solutions quickly, easily and at lower cost. This wide range of mobile payment services meets the specific needs of all types of merchant, including the world's largest brands, such as the iSMP deployed in Apple Stores. At the same time, white-label solutions let acquirers, processors and telecoms operators offer mobile services to smaller merchants. Ingenico Group's offering revolves around the following services:

- mobile payment terminals for all markets (Chip & PIN, Swipe & Sign, PIN on Glass, etc.);
- mobile applications for the merchant;
- security management;
- third platform interface;
- mobile payment gateway (connecting payment and pre-processing);
- fleet management;
- loyalty programs.

### 1.1.2.4 A comprehensive offering to easily address merchants' concerns

#### An integrated position throughout the entire payment value chain

Ingenico Group's recent acquisitions have helped to position the Group across the entire payment value chain. Historically speaking, the Group has been a major player in the sale of terminals, and so it has gradually diversified into payment services and is now able to offer its customers a full range of services. The Group's offerings start at the point of interaction (terminal or online platform) and extend as far as merchant acquiring, including transaction management, the provision of terminals and value-added services that enable the merchant to increase their commercial and management performance.

This integration of the payment value chain therefore means that Ingenico Group can now offer its customers turnkey solutions with clear pricing, while reducing the number of contracts and suppliers to just one, thereby simplifying the management of the merchant's e-payment requirements. This simplification and single point of contact now makes it possible for Ingenico Group to interact directly with most merchants, of all sizes.

#### Omnichannel

The Group's multichannel offering is enabled by its combination of expertise across a variety of services and solutions: terminals, in-store transaction management, transaction processing, online payment services, and mobile payment solutions.

Moreover, the consumer purchasing journey is becoming increasingly diverse; the different stages of a single purchase can take place on several sales channels. Thus, the number of interactions between consumers and merchants is growing, with these interactions crossing from one sales channel to another. Equipped with its expertise and solutions for each sales channel, the Group is also able to offer merchants omnichannel payment services, further improving the fluidity, speed, and ease of the shopping experience for consumers.

Ingenico Group's business model, which has evolved as the Group has developed, incorporates an ambition to create value for all its stakeholders.

## CAPITAL

**HUMAIN**
- **7,840** employees
- **88** nationalities
- **29.8%** women
- **Classroom-based** and e-learning **training programs**

**NATURAL**
- Electricity and natural gas
- Water
- Renewable energies
- Mineral ores

**INTELLECTUAL**
- **8%** of revenue devoted to R&D in 2018
- A dedicated **innovation** team
- **Partnerships** with players in the digital world
- Collaboration with **start-ups** and **business incubators**

**SOCIETAL**
- Development of **financial transparency**
- **Development** of financial inclusion
- **Technical expertise** for fundraising

**MANUFACTURING**
- **+180 sites** worldwide
- **Fabless** model (outsourced production)

**TECHNICAL**
- Data centers
- Acquisition platforms and licenses

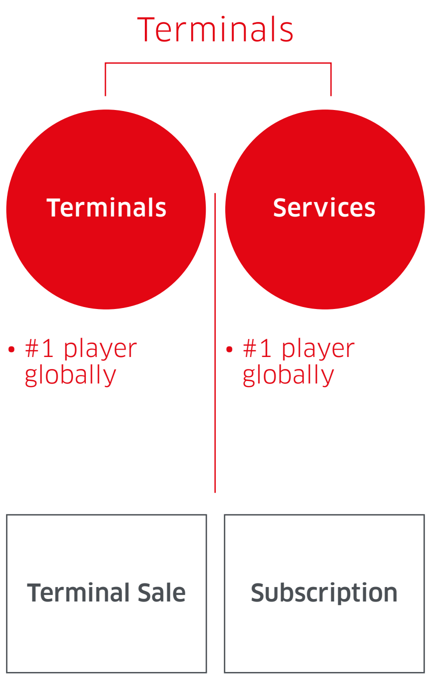
**FINANCIAL**
- **€2.6 billion** in revenue in 2018
- EBITDA of **€488 million** in 2018
- Free cash flow of **€238 million** in 2018

## OUR

### AMBITION

PROVIDING OUR CUSTOMERS AND PARTNERS WITH THE MOST INNOVATIVE AND RELIABLE PAYMENT SERVICES

### OFFER



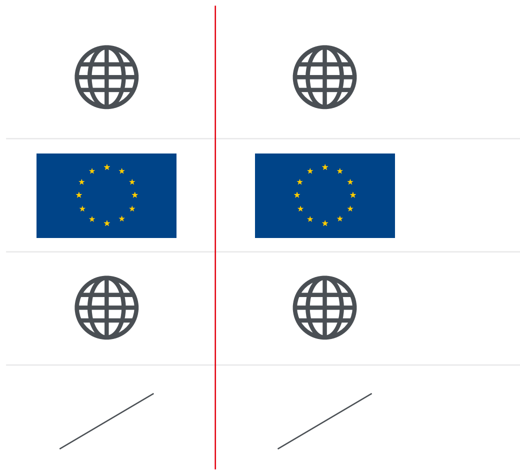

### CUSTOMERS

**BANKS & ACQUIRERS**

**SMB**

**ENTERPRISE**

**ONLINE**



## BUSINESS MODEL

## IN ORDER TO GENERATE ETHICAL, INCLUSIVE AND TRANSPARENT GROWTH

### Payment Services

**Transaction "Gateway"**
- In-store (Europe) & online (global)

**Subscription and/or fixed commission per transaction**

**Collecting**
- In-store (Europe) & online (global)

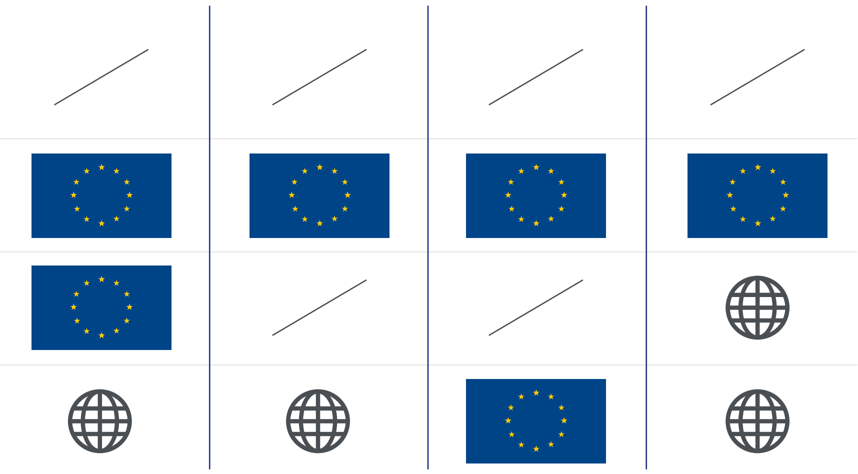
**Fixed commission per transaction or % of transaction value**

**Acquiring**
- Selected European countries

**% of transaction in value**

**Value-adde services**
- Presence in loyalty,fraud, FX and data analytics services

**Subscription + commission per transaction**



*employee Net Promoter Score, excluding Landi and Bambora

## IMPACTS FOR STAKEHOLDERS

**HUMAIN**
- **€436.4 million** in gross wages and salaries in 2018
- eNPS of **-11.6***
- **7 hours** of classroom training per employee in 2018

**NATURAL**
- **72 tons** of $CO_2e$ offset and **98 tons** of $CO_2e$ avoided thanks to recycling in 2018
- **342 tons** of end-of-life products collected and processed in 2018
- Improved **energy efficiency** of terminals

**INTELLECTUAL**
- **1,332** patents issued
- New **solutions developed** thanks to partnerships
- **2,500+** payment applications
- Software licenses

**SOCIETAL**
- Creation of microenterprises, more accessible and affordable financial services
- More than **€137 million** collected for charitable organizations via our solutions in 2018

**MANUFACTURING**
- **15 million** terminals produced in 2018, including 7 million mobile terminals
- **32 million** installed terminals, excluding mobile terminals

**TECHNICAL**
- **542 million** online transactions processed in 2018
- **6.3 billion** in-store transactions processed in 2018

**FINANCIAL**
- **€55 million** in dividends distributed to shareholders in 2018
- **2%** organic growth in 2018
- **5%** reported growth in 2018
- **18.4%** per year of the Total Shareholder Return over the last ten years

## 1.1.3 A global presence

### 1.1.3.1 Multi-local solutions

Payment processes are based on national protocols as well as variable local parameters such as the percentage of the population who bank, the quality of telecommunications infrastructure, the number and type of credit and debit cards in circulation, growth of organized retail, etc. It is therefore essential for the Group to develop a standard, generic offering that can be tailored to national specificities.

Accordingly, Ingenico Group has a strong presence throughout the world, across five continents and in 170 countries. This multi-local approach is a major differentiating factor: it allows the Group to work very closely with an extensive network of local partners, providing the most appropriate expertise, solutions, and services for their markets.

Finally, this international expertise enables the Group to support its customers in implementing cross-border solutions, by leveraging its global management systems.

### 1.1.3.2 A global organization and a strong regional presence

At the end of 2018, Ingenico Group employed some 8,000 people worldwide.

As well as creating two Business Units to focus on its customers' needs, the Group also takes a geographical approach to address the challenges of an international company and to bring it closer to the developments and specific features of each region in which the Group has a presence. The Group is structured around four geographical areas:

- North America;
- Latin America;
- Asia-Pacific;
- Europe, Middle East & Africa.

### 1.1.3.3 Outsourced production

Since 2006, Ingenico Group's business has been based on a "fabless" model, with the manufacturing of terminals fully outsourced (except for the Chinese market) to top-tier industry partners: the Group currently works with two of the world's five largest electronic sub-assembly subcontractors, Flex and Jabil. The Group regularly and rigorously audits the plants, *via* Ingenico employees present on site who carry out audits that cover, among other aspects, social data.

Ingenico Group is constantly striving to streamline its manufacturing process: today most plants are located in Asia (global market) and Brazil (Brazilian market). This manufacturing flexibility enables the Group to increase or decrease production to meet demand and to ensure an effective procurement policy.

## 1.1.4 Group strategy

On April 24, 2019, the Group will hold a Capital Market Day during which it will present its medium-term strategic plan and outlook, together with its financial targets for 2021, as detailed pages 8 and 9 and in chapter 4.2 in this Registration Document.

The press release and the presentation are available on the website of the Company : www.ingenico.com.

### 1.1.4.1 Ingenico Group's strategy in a fast-changing environment

The electronic payments market is constantly evolving as consumer usage grows and commercial needs multiply. At the same time, the complexity of e-payments is increasing as it expands geographically and sales channels proliferate. Consequently, in-store acceptance methods are a key element of the value proposition. They are now part of a broader set of solutions answering various merchants' needs. The value, therefore, extends beyond simple payment acceptance to business solutions that lie at the very heart of the points of interaction with consumers, and which are growing in number (cash desks, mobile merchants, vending machines, etc.). In this climate, Ingenico Group is gradually developing its offers from being simply a supplier of payment acceptance points to a partner who makes it possible for merchants to improve their performance.

The Group's growth in recent years has been organic, through numerous acquisitions which have enabled it to combine the right assets and skills to be able to offer the solutions, products and services to make merchants' customer experience that much easier. The Group has enhanced its offering with transactional services such as acquiring, a full online service, or the processing of in-store or online transactions, to offer comprehensive, integrated payment services.

### 1.1.4.2 A customer-focused structure to provide value across all distribution channels

Today, the business landscape is deeply enduring, with in particular the rapid growth in the use of mobile devices and e-commerce, a multiplication of acceptance points and a multiplicity of payment methods used. Ingenico Group supports merchants, directly or indirectly through acquirers, financial institutions or intermediaries, by enabling their customers to pay using today's or tomorrow's technologies. With over 550,000[(1)] merchants connected to its platforms (in-store and online), Ingenico Group optimizes payment services for all merchants, whatever their challenges.

Ingenico Group positions itself in the center of the merchant-consumer relationship as a facilitator for the development of payment acceptance solutions, building new sources of revenue for merchants, while also ensuring a personalized, seamless and differentiated customer experience.

The Group also directly or indirectly serves many other vertical market segments, with dedicated solutions to meet their specific needs:

- transportation: travel agencies, ticketing kiosks, car parks, etc.;
- petroleum: self-service pumps and stores at service stations;
- digital: digital products and services (music, cinema, social networks, etc.);
- hotels and restaurants;
- automated distribution.

By establishing partnerships with newcomers to the payment services market, Ingenico Group demonstrates its ability to develop cutting-edge innovations and new payment methods. The most innovative companies (Apple, Google, PayPal, Samsung, Intel, etc.) work in partnership with Ingenico Group to design and develop new and ever more ground-breaking customer experiences by leveraging the Group's vast acceptance network.

The Group's customer-focused organizational structure helps to address the requirements of all merchants, from small and medium-sized retailers to major organized distributors through digital players. This structure also allows us to address the requirements of merchants indirectly through the B&A (Banks & Acquirers) Business Unit and directly through the Retail Business Unit.

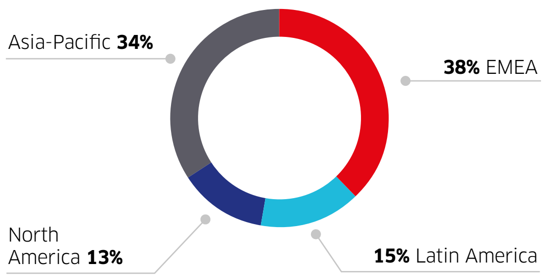
## B&A (Indirect)

**Allowing partners to differentiate through innovation and value-added services**

2018 FIGURES

- **€1,305m revenues**
- **€277m EBITDA**

Revenues by geographies (%)



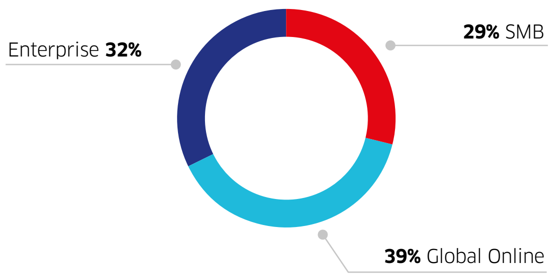

## Retail (Direct)

**Delivering value directly to all merchant segments**

2018 FIGURES

- **€1,339m revenues**
- **€210m EBITDA**

Revenues by business line (%)




(1) Number of pro forma Retail merchants, including those provided by BS Payone.

### B&A: allowing our partners to differentiate themselves through innovation and our value-added services.

Banks and acquirers are companies that manage payment service contracts with small and medium-sized merchants: banks, acquirers, telephone operators, processors, and solutions distributors.

Ingenico Group has therefore created a Business Unit to address the specific requirements of this indirect distribution channel. The Banks & Acquirers offering allows our partners to offer merchants secure payment solutions and services by reducing the complexity of payment management whilst differentiating their offering from the competition. To achieve this, the Business Unit relies on the capacity for innovation of Ingenico and Landi, the Group's Chinese subsidiary, to offer an optimized range of terminals as well as value-added solutions for the merchant. Its business activities therefore cover the complete scope from design of the offering to after-sales service.

Ingenico Group now works with the major financial institutions, with an acceptance network of more than 1,000 banks and acquirers around the world.

Some of the world's biggest banks place their trust in Ingenico Group, including Barclays, Crédit Agricole, Crédit Mutuel, Bank of China, Garanti Bank and Bank of America. Ingenico Group also works with major acquirers such as Cielo, Redecard, Elavon, First Data, etc.

### Retail: supporting merchants to enhance their performance

The e-payment market is evolving very rapidly as consumer usage expands. For merchants, this leads to growing complexity between geographical expansion, multiple distribution channels and services that must be available without interruption. They therefore have many specific requirements and their consumer experience must be frictionless and as straightforward as possible.

The Retail Business Unit helps large-scale distributors, small and medium-sized merchants, and e-merchants to support consumers in their omnichannel purchasing journey, to develop their cross-border activities and to increase their conversion rate. It combines a product offering comprising terminals and integrated in-store and online payment services with omnichannel payment solutions, to offer its customers free-flowing, unified services. The Retail Business Unit handles the full scope of activities, encompassing the design, preparation, marketing and operation of online and omnichannel payment services. It relies on its regional sales teams to develop its sales worldwide.

The Business Unit was, until now, organized into three divisions addressing the separate requirements of the various market segments:

- SMBs (small and medium-sized businesses): 550,000 merchants(1);
- Global Online (digital players): 542 million individual transactions billed, with a value of €58 billion;
- Enterprise (large-scale distribution and organized retail): 6.3 billion individual transactions billed, with a value of €230 billion.

The Business Unit will now include a fourth division called Payone. It was created through the joint venture between BS Payone and Ingenico's Retail assets in Austria, Germany and Switzerland.

## Creating value across different channels

**Key priorities : delivering value whatever the channel**

**BANKS & ACQUIRERS**

- **BRING** payments in every touchpoints, from desk to IoT
- **DELIVER** innovative solutions to banks and acquirers through tools and technology
- **DEEPEN** the relationship with our partners
- **ADAPT** our solutions according to markets maturity

**RETAIL**

- **DELIVER** differentiated value proposition to all merchants
- **DEPLOY** full service offering across all segments
- **EXPAND** our merchant base
- **LEVERAGE** geographical growth opportunities

*(1) Number of pro forma Retail merchants, including those provided by BS Payone.*

### SMBs

Building on the acquisition of Bambora, the division offers to its merchants solutions of acceptance, clear and shaped for their needs, fully integrated, to streamline the management of their e-payment solutions with transparent pricing. The goal of this division is to provide offerings that are simple to integrate to the existing infrastructures, omnichannel solutions to improve the consumer experience, and offerings that create value for the merchant in addition to e-payment alone, *via* business-focused value-added services.

The division uses the Group's assets by combining terminals and transactional services up to acquiring, and incorporating a full installation and maintenance service, including software updates and value-added services.

In 2018, the division had more than 550,000[(1)] merchant customers.

### Global Online

The e-commerce market is expanding rapidly and online players aim to take full advantage of sector trends. Their goal is to offer customers the best possible environment for conducting a transaction and so maximize the conversion rate (number of purchases completed compared to number of purchases started). With this in mind, the entire customer experience must be controlled, from the homepage to the transaction management page and from a visual as well as a technical point of view.

It is in this context that the division offers online payment services that allow major online merchants to maximize their performance without having to worry about the technical side, whatever the complexity of transactions made and whether they are domestic or cross-border. In addition to technical matters, Global Online helps its customers to optimize their e-commerce websites and makes recommendations with regard to the payment methods needed to maximize their performance.

In 2018, the division's activities billed €58 billion of transactions, or 542 million individual transactions.

### Enterprise

The customer relationship is evolving rapidly: consumers are now well-informed and seek the best product, at the best price, with the most comprehensive service package available. At the same time, the diversification of sales channels (in-store, e-commerce, mobile platform, connected commerce) creates new opportunities for retailers, who are thus reinventing the shopping experience and enhancing their brand promise.

Ingenico Group is leveraging its strong historical position in the payment terminals market, which it has expanded to incorporate in-store, online and mobile payment services, to provide merchants with innovative, omnichannel, secure and seamless solutions to meet the needs of a new generation of consumers.

The Group partners with many of the world's largest retailers and major multi-site brands, and counts among its customers: Ikea, Walmart, Sainsbury's, Starbucks, Home Depot, Best Buy, Tesco, Fnac, Coles, McDonald's, Burger King, Crate & Barrel, Staples, Picard, etc.

In 2018, the division's activities billed €230 billion of transactions, or more than 6 billion individual transactions.

## 1.1.4.3 Innovation at the heart of the strategy

Development of innovative solutions is at heart of the approach of Ingenico Group to continue to help merchants in the constantly changing world of commerce. It allows the Group to better respond to changing consumer lifestyles and buying behaviors, whatever the sales channel of the product or service.

Ingenico Group's innovation strategy is based on:

- internal R&D;
- selective partnerships;
- targeted acquisitions.

The dynamic internal R&D team is the backbone of the Group's technological advances, and is bolstered by innovative resources stemming from the Group's partnerships. Together, they generate the fast turnaround required to respond to the evolving market. In 2015, Ingenico Labs was created to support innovation across the Group.

### Ingenico Labs

An organization dedicated to innovation, Ingenico Labs was created to research future solutions for the Group. Composed of marketing experts, engineers, researchers, as well as decision-makers of strategic partners, this unit works closely with all Group entities to define the merchant practices of tomorrow.

To accomplish this, the Group has developed partnerships with major players in the digital world for the deployment of new contactless payment methods. These include Apple, Samsung, Google, and Intel.

In 2018, Ingenico Labs continued its work on the fundamental transformation of point-of-sale payment acceptance methods, continued to enhance the consumer checkout experience and continued developing services that will be central to future transactions.

In the current climate of simplifying the devices required to accept electronic means of payment, Ingenico Labs is working to develop mobile acceptance solutions for smartphones and tablets, such as Pin on Glass and Tap on Phone. Although this type of technology is not yet widely used and was developed predominantly for micro-merchants, this trend towards making it easier to accept electronic payments is set to foster an increase in the number of points of sale accepting electronic transactions. As a leader in the field of payment acceptance services, Ingenico Group is already benefitting from the Labs' work in this area.

Alongside this, and in partnership with major players in the digital world, such as Google (Google Pay Smart Tap), Ingenico Labs has developed services based on mobile payment solutions, to improve consumers' checkout experience. By using their smartphone to pay for their shopping, the consumer can automatically register for the merchant's loyalty scheme, and subsequently benefit from reductions, as a result of instant recognition and authentication through their smartphone.

Finally, Ingenico Labs continued its work on the major trends in the payment world of the future. The Group has therefore developed an innovative, invisible, in-store payment service called Pick-Me where consumers are automatically authenticated without having to use their usual electronic means of payment (bank cards, smartphone, etc.). At the same time, Ingenico Labs is working on the evolution of commerce to voice commerce and numerous Labs initiatives are under development.

*(1) Number of pro forma Retail merchants, including those provided by BS Payone.*

### Internal R&D

Research and development (R&D) lies at the heart of the Group's work on innovation and improvement of its products and services.

The Group dedicates considerable resources to innovation and R&D in order to maintain its leading position in the payment services market, where technological and regulatory changes occur constantly, but also to develop seamless payment services for merchants looking to simplify payment methods while facilitating the payment experience for consumers. In 2018, the Group continued to make significant investments in R&D, spending over 8% of its revenue and dedicating 26% of its workforce to this area.

The Group holds patents for all of the technologies essential to its business lines, in particular related to terminals, software, and security. The patent development policy combines in-house R&D with intellectual property rights acquired from third parties.

With multiple interaction points between the corporate and local R&D teams, the Group ensures that each region develops applications tailored to the specific requirements of its market. This has enabled the Group, for instance, to:

- deploy iSMP for Apple, a multiple payment solution (for EMV chip & PIN cards, magnetic stripe cards and contactless cards) that works with an iPhone® or an iPod Touch®. This solution combines the sale and payment in one transaction, increasing cash-out capabilities, and significantly reducing payment transaction time;
- work towards financial inclusion in Southeast Asia and Africa, and more specifically in India with Fino, to enable the unbanked population to access financial services and start small businesses;
- launch a new terminal in Turkey, in early 2014, that combines payment, cash register and fiscal memory functions, in response to the market reorganization required by the Turkish state;
- install nearly 50,000 Tetra terminals in Australia, enabling acquirers to provide innovative offers combining payment and value-added services to their merchant customers;
- deploy over 20,000 integrated POS solutions in Italy which allow merchants to seamlessly combine mPOS tablet solutions with payment services. Based on an innovative API offer, Integrated POS reduces complexity for merchants and helps them to better run their businesses;
- launch APOS, the first Android terminal compatible with Ingenico payment services, in China at the end of 2016.

### Selective partnerships

The Group's internal R&D, combined with selective technological partnerships, accelerate the penetration of certain markets or technologies. That is why the Group has partnered with:

- Atmel for silicon in secure processor cores;
- Morpho to integrate biometric identification into our terminals;
- other partners for non-payment technologies such as color touch screens, secure keypads, communication modules, etc.

The Group has also worked alongside specialist investor Partech to launch Partech Growth, a venture capital fund for future giants of the technology and digital worlds. The aim of this investment is to foster the sharing of ideas, experience, and expertise. It is also likely to lead to new partnerships. Finally, Ingenico Group signed a partnership in 2017 with European accelerator The Family, to offer its online services to start-ups as part of the benefits offered by the incubator and to further the Group's expertise in the field.

## 1.1.4.4 Technology and security expertise

Ingenico Group's ambition is to reduce the ecosystem's growing complexity while allowing merchants to increase their sales, whatever the channel, through smart and secure payment services.

### Security, enshrined in the Group's DNA

Security is a key factor in terminal design and a priority in every service offered. Payments are being made in new ways, becoming digitized, and making the role of security ever more important. Ingenico Group's R&D Department and its Research Division, Ingenico Labs, include teams that are dedicated exclusively to security and tasked with anticipating changes in standards. The Group continuously monitors compliance with the latest international and local standards, but it is also involved in creating them – whether for card services (*e.g.*, PCI SSC, EMVCo, etc.) or digital solutions (W3C).

Always at the cutting edge of secure payments, and regularly obtaining new certifications reinforcing requirements related to security, Ingenico Group offers its customers an unparalleled level of security. In November 2016, the Group became the first payment services provider to obtain PCI-PIN Transaction Security version 5.0 approval – the highest security standard in the industry. In addition, in 2014, the Group was one of the first players to obtain PCI DSS end-to-end encryption certification.

At the same time, since May 2013, Ingenico Group has been a member of the Board of Advisors of the PCI Security Standards Council, a forum on the development of security standards for bank cards.

For the Group's online business, ensuring the security of data transfers and online merchants' electronic payment transactions is a key part of its offering. Dedicated teams work daily to manage all the risks related to transactions, in accordance with current laws and regulations.

All solutions have PCI DSS Level 1 certification. In addition, Ingenico Group is a member of the PCI Security Standards Council and so contributes to new developments in the PCI Data Security Standard (DSS) and other payment card data protection standards. The division is in compliance with ISAE 3402 Type II for the processing of all payment products.

Ingenico Group is also involved in the development of new digital security standards, such as PIN on COTS, or Tap on Phone.

### EMV, historical expertise

Ingenico Group was founded nearly 40 years ago in France, the country that invented the chip card. All aspects of the payment and secured transactions management culture associated with the EMV standard are in the Group's DNA. This standard has been widely adopted throughout the world. Beyond its leading position in EMV Chip & Pin payment services, Ingenico Group is also involved in EMV migration as a technical associate member on EMVCo's Board of Advisors.

## 1.1.5 Payment: a competitive market

### 1.1.5.1 In-store

#### A concentrated payment terminal market

**Market consolidation**

The payment terminal market has been consolidated in recent years, mainly through the following major business deals:

- Verifone's buyout of Lipman in April 2006;
- Ingenico and Sagem Monétel's merger in March 2008;
- Hypercom's buyout of the Thales e-Transactions unit in April 2008;
- Verifone's buyout of Gemalto's payment terminal business in December 2010;
- Verifone's buyout of Hypercom's business (excluding the US, Spain and the UK) in August 2011.

Following these transactions, the market is consolidated around two key players. The Group also competes with more local players such as Pax.

In 2018, Ingenico Group consolidated its leading position, with an estimated market share of 37% [(1)] of the payment terminals market and over 32 million terminals installed worldwide.

**High barriers to entry**

Ingenico Group operates in a local and global ecosystem: its payment terminals and secure transaction systems must not only be certified to meet global standards – mainly those defined by the Payment Council Industry – but must also obtain the mandatory local certifications for the various applications used in each country.

In addition to these regulatory constraints, other obstacles include regional differences regarding payment customs and specific demands among banks/acquirers in terms of applications.

Ingenico Group's large portfolio of applications is a significant asset: it manages over 2,500 applications for its customers.

**Mobile payment services market expanding the traditional market**

The development of intelligent mobile platforms (smartphones and tablets) has given rise to the emergence of new suppliers of solutions (such as SumUp, iZettle and Square in North America). These suppliers' solutions enable payment transactions *via* smartphones and tablets, targeting what, until now, was essentially an underdeveloped market consisting of self-employed entrepreneurs, pop-up retailers, mobile business owners and artisans.

The solutions currently available are not always in line with global and local regulatory requirements, especially in relation to security. Nevertheless, these new methods of payment have revitalized the electronic payment market and provided a boost to the micro-business sector for which the Group provides solutions through its Mobile Solutions offering.

#### A local and fragmented payment processing market

The in-store electronic payment processing market is a key market, but it is local, fragmented, and has strict barriers to entry. Indeed, each country has its own payment protocols and applications, every type of merchant has different needs and consumers also have different payment habits (for instance: local credit cards or debit cards). In addition, payment processing is generally integrated into a global IT infrastructure and requires specific developments.

Many local players coexist, such as Nets or Point (Verifone) for small merchants in the Nordic countries, Worldline in France and Logic Group in the UK for the largest retailers, in parallel with Ingenico Group's presence in the Nordic countries (Bambora), in France (Axis) and in Germany (easycash and now Payone).

With regulatory changes and the implementation of the new European payment market (SEPA), large retailers need to standardize and manage their card payments based on European standards. Consequently, it is increasingly important for a payment platform to be able to manage cross-border transactions.

The size of this market is increasing around the world as the electronic payment industry matures, and it is driven by two main pillars: the development of electronic transactions in emerging countries and the expansion of payment infrastructure outsourcing in more mature countries. This phenomenon is fostered by the growing complexity of the payment ecosystem and increasing security requirements, which are pushing customers to work more and more with suppliers like Ingenico Group.

### 1.1.5.2 Online payment, a growing market

The strong organic growth registered by the online payment processing market is related to the expansion in e-commerce.

The online payment market is also local and fragmented, for the same reasons as the in-store payment market, as described above. Whether it is the gateways or full service segment, markets in which Ingenico Group is positioned, they are driven by purchases from mobile phones and digital tablets, which already account for more than 50% of online retail transactions and whose growth already exceeds that of traditional e-commerce. To meet this growing consumer need, the Group has developed a unique solution called "Ingenico Connect". In addition to offering a wide range of local payment methods, Ingenico Connect offers new APIs for an optimal payment experience on any device.

Finally, although the online payment market is still very fragmented, some global players have emerged in recent years, such as WorldPay, Wirecard, Adyen, and Ingenico Group.

*(1) Market share calculated based on the number of terminals delivered in 2018.*

#### 1.1.5.3 Unique omnichannel payment services

The interaction of all three payment channels (in-store, online, and mobile) is now a key challenge for all merchants, regardless of their size.

Currently, there are very few omnichannel solutions. Indeed, few players from the physical world are present in the online payments market, while few online payment players have a presence in the physical market. When this offering exists, it tends to be limited to a very small number of countries.

Thanks to its historical expertise in in-store electronic payments and its acquisitions in online payment, Ingenico Group is very well positioned to meet these new challenges.

## 1.2 RISK FACTORS

Ingenico Group conducts its business in a changing environment and is exposed to risks which, if they were to materialize, could have a significant adverse effect on its activities, its financial position, its assets and liabilities, its results, its outlook, or on the Company's share price.

This section presents the significant risks to which the Group believes that it is exposed. However, other risks that the Group is not aware of or whose realization is not considered, at this date, as likely to have a material adverse effect on its activities, its financial position, its assets and liabilities, its results, its outlook, or on the Company's share price, may exist or occur.

Each quarter, the Audit and Finance Committee reviews and conducts assessments of potential risks that could adversely affect the work carried out within the Group, as well as the suitability of the procedures in place. It reports its main findings to the Board of Directors, which approves the main risk factors included in the annual management report.

### 1.2.1 Business and strategic risks

#### Risk of not meeting targets

The Group's financial performance depends on a variety of factors, and specifically on its ability to do the following:

- increase revenue from the sale of payment terminals and services related to this business while maintaining margin levels;
- increase revenue from the Group's services business, in particular *via* the development of online payment and mobile payment transaction management services and the sales of these value-added services;
- streamline and effectively leverage the technical infrastructure and platforms used;
- control operating and development costs.

The Group's financial management carries out monthly performance analysis and regular earnings forecasts and regularly informs the Board of Directors of results and any changes.

However, the Group's business, results and financial position could be affected:

1) if the Group were to fail to achieve all or some of its targets;
2) if prices in the payment terminals market were to fall significantly and continuously;
3) if the growth in demand for payment terminals were to slow significantly or if the volume of business in Transaction Services were to decrease significantly due, for example, to unfavorable economic conditions which could result in a major decline in consumption.

The Group's objectives are described in section 4 of this Registration Document.

#### Counterparty risk

The acquisition and collection businesses expose the Group to counterparty risk, if a merchant defaults and is unable to meet its service obligations to end customers. The Group might be required to reimburse payments customers have made to this merchant, for which services have not been provided, with no guarantee of recovery from the said merchant, particularly if they have gone bankrupt.

The Group has developed a methodology for conducting a detailed analysis of the risks associated with each type of service it offers in order to ensure the risk is monitored on a regular basis. This approach is complemented by thorough analysis of the various counterparties to ensure their financial reliability and, if applicable, to be able to demand more appropriate guarantees. The primary purpose of this approach is to limit the impact of counterparty risk on the Group (see Note 9.e. "Financial risk management" to the consolidated financial statements as of December 31, 2018).

#### Risks related to development of new systems and business models

The payment industry is subject to rapid and significant changes in services and technology, with the development of new payment terminal technologies (QR codes, biometrics, facial recognition, etc.) and alternatives to payment terminals (*e.g.*, online and mobile payment).

Currently, microprocessor cards are the best platform for providing network services, personal identification, security, e-commerce and mobile commerce.

If, however, alternative solutions were adopted, this change could adversely affect its business, results of operations, financial position and ability to meet its objectives.

Adopting the Eurocard Mastercard Visa (EMV) standard worldwide and working closely with the leading suppliers of technology used in payment terminals (*e.g.*, contactless cards, mobile payment with Near Field Communication technology) mitigates the Group's exposure to risk should other systems and standards be developed that are incompatible with conventional secure payment systems. Moreover, Ingenico Group has undertaken to develop specific expertise in managing such risks.

The Group continually monitors trends in payment technology and usage among banks and merchants around the world. The acquisition of the Swedish group Bambora at the end of 2017 enabled the Group to increase its presence in the value chain, particularly *via* its acquirer business. In early 2019, the Group finalized an agreement with the German financial group Sparkassen-Finanzgruppe to combine their payment services subsidiary BS PAYONE with Ingenico Retail's assets in the DACH region, creating a joint venture which became the leader in a high-potential German market.

The Group also monitors the development of payment methods offered by new significant players in the ecosystem such as Google and Apple, as well as initiatives such as Amazon Go. To date, the Group has signed agreements with Google and PayPal in the United States to facilitate the development of these solutions.

However, the Group cannot rule out the emergence of alternative payment methods that might challenge the economic assumptions used in the Group business plan.

Therefore, and despite these initiatives, the Group might not succeed in anticipating demand for new payment methods accurately or at the right time. In fact, the consequences and pace of technological change and the emergence of new methods of payment are unpredictable. Such a development could adversely affect its business, financial performance and ability to meet its objectives.

## Risk related to the Group's expansion

The Group's development strategy involves both the expansion of its domestic businesses and external growth worldwide. Although the Group examines and investigates any investment project under a very stringent procedure involving the participation of a number of key functions, it is still possible that:

- assumptions underlying the profitability of investment projects are not verified;
- certain elements are not identified during the acquisition process and could subsequently have a negative impact;
- it does not successfully integrate acquired or merged companies.

As a consequence, the expected benefits from any future or completed external or internal growth efforts might not be realized within the expected periods or at the predicted levels, thus impacting the financial position of the Group.

The Group must also maintain an ability to adapt its structures swiftly in order to adjust to changing technology, payment methods and customer demand. To prevent these risks, the Group is launching and progressing a large number of projects in a limited time and with fixed resources. Various project management methodologies are used, such as the agile method, to help prioritize resources.

Nevertheless, the Group might fail to invest in products and services that respond to demand at competitive prices or to adjust its products and services, costs and organizational structure in a timely fashion, and might have trouble completing specific critical projects. Such a development could adversely affect its business, financial performance and ability to meet its objectives.

## Risks related to competition

### In the payment terminals business

Historically, the payment terminals market has been largely in the hands of two main global players.

These days, the success of new manufacturers in the terminals market is a reality, both in China and worldwide *via*, in particular:

- players in emerging countries may expand internationally;
- large companies that previously focused on secure electronic transaction processing may wish to move down the electronic payment value chain and include payment terminals in their offering;
- the emergence of new players who use disruptive solutions or develop technologies on open platforms (Android).

Such additional competition could adversely affect Ingenico Group's business, results of operations, financial position, and ability to meet its objectives.

The Group pays close attention to the development and positioning of its competitors, in order to be able to adapt and respond to these changes. This is reflected in the conduct of market research and the gathering of competitive intelligence.

### In the payment service business

The development of this business activity is contributing to the expansion of competition risks beyond the market for conventional payment terminals. The services provided by the Group (such as management of connectivity, transactions, management of installed terminals, transaction processing for in-store, online and mobile sales, and value-added services) are not generally offered by its traditional competitors, but by companies that may be partners or customers of the Group, or by companies with an established position as providers of one of these service packages. Payment services tend to be a competitive business involving fairly large companies (*e.g.* First Data International, Worldpay).

The Group offers customer-based and country-specific services and solutions that reflect local market structure and customer positioning.

Despite its credibility and the expertise it has gained in payment and value-added services through acquisitions, the Group may still be unable to achieve sufficient credibility as a payment service provider. Such a development could adversely affect its business, financial performance and ability to meet its objectives.

### Risk related to the Group's dependence on specific customers

Although the Group sells to a large number of customers, some generate a significant portion of its revenue. The Group's top customers, top five customers and top ten customers accounted for 2.0%, 7.6% and 12.4% of its revenue, respectively, in the year ended December 31, 2018. A loss of, or decrease in, business with one or more of these customers could result in a proportional reduction in total revenue.

Having become aware of this risk of dependence, Ingenico Group is endeavoring to manage it as far as possible, whether by strengthening its links with these major customers or by diversifying its customer portfolio.

| | 2018 | | 2017 (1) | |
|---|---|---|---|---|
| | In millions of euros | % Revenue | In millions of euros | % Revenue |
| Revenue derived from the top customer | 54.0 | 2.0% | 56.5 | 2.3% |
| Revenue derived from the top five customers | 199.9 | 7.6% | 237.8 | 9.5% |
| Revenue derived from the top ten customers | 327.0 | 12.4% | 386.4 | 15.4% |
| **GROUP REVENUE** | **2,643.4** | | **2,510.4** | |

*(1) Data not restated in light of IFRS 15.*

### Risk related to a global business

The Group markets its products and services in more than 170 countries around the world, and intends to grow its business.

The primary risks associated with its international business operations are the following:

- local economic and political conditions;
- exchange rate fluctuations;
- restrictions on capital repatriation;
- unexpected changes in the regulatory environment;
- a variety of tax regimes that may adversely affect the outcome of the Group's business or its cash flow, particularly regulations on transfer pricing, and withholding taxes on remittances and on other payments made by the Group's associates and subsidiaries;
- import restrictions;
- customs duties, controls on exports of products and services and other trade barriers.

The Group carries out an in-depth review of each country, studying the local market and assessing the possibilities for starting up operations. Consistently strict terms of payment are applied, especially in countries in Africa, the Middle East, Southeast Asia, and Eastern Europe.

Despite the procedures introduced by the Group, it cannot fully guard against or provide coverage for these risks, and may experience difficulties in any one of the countries where it does business. This could adversely affect its overseas employees and/or its results.

## 1.2.2 Environmental and social risks

In 2018, Ingenico Group conducted a wide-ranging consultation with its main stakeholders, as a result of which it updated its materiality matrix, enabling it to rank its main challenges according to their importance for stakeholders and their impact on the economic success of the Group (see 2.1.2.2 Materiality Analysis). Some of these challenges represent opportunities, while others represent risks. The main environmental and social risks to which Ingenico Group is exposed are set out below.

However, the Group has not identified any environmental litigation or environmental situations that may negatively impact its assets or its results or affect the use of its property, plant and equipment. Consequently, no provision for environmental risks was recorded for the 2018 fiscal year.

The policies implemented and action taken to address these risks are set out in Chapter 2 of this Registration Document.

### Risks related to the social and environmental practices of suppliers and subcontractors

Ingenico Group has a complex global supply chain. In order to identify the main social, environmental and ethical risks within it, in 2018 the Group conducted a mapping exercise of its suppliers and subcontractors in partnership with EcoVadis, a specialist in supply chain CSR. Various tools are in place to manage these risks, depending on the required level of control.

The Group requires its suppliers to abide by the rules set out in its code of ethics and business conduct, such as respect for human rights and protection of the environment. In addition, Ingenico Group writes social and environmental requirements into contracts that the Company signs with its industrial partners, whether with the assembly sites for Ingenico products or with strategic component suppliers.

In order to strengthen the transparency of its supply chain, the Group endeavors to trace the origin of so-called "3TG" minerals (tin, tantalum, tungsten and gold) that are included in the composition of its products to ensure that they do not benefit armed groups violating human rights in the Democratic Republic of the Congo and neighboring countries. It also intends to enhance its control of the provenance of cobalt, a controversial substance used in the electronics industry.

Despite the policies instituted by the Group and because the risks of harming the environment and human rights are not limited to the Group's business activity, it is not always possible to guard against social and environmental risks. If any one of these risks should arise, the Group's reputation, business, results of operations, financial position and ability to meet its objectives could be adversely affected.

## Risks linked to the Group's transformation in terms of human resources

Driving forward in a business sector that is governed by major technological changes and competitive pressures, Ingenico faces significant challenges in attracting, developing and retaining the skills necessary for its growth. By not having timely access to these skills, quantitatively and qualitatively, the Company could run a risk of slowing down the implementation of its strategy.

Rapid changes in the markets, more widely available information, the development of new technologies, and recent changes in governance mean that employees have to work in an uncertain environment.

The Company's transformation and strategic choices could have an impact on its perceived attractiveness by potential candidates, thus leading to a shortage in key talent.

This transformation may also have an impact on employees' health, particularly due to the stress and anxiety that can be caused by major changes to the Company structure, and a resulting impact on the Company (increased absenteeism, reduced productivity, deterioration in industrial relations).

The Group must therefore ensure that it:

- has the necessary skills at all times, particularly in the field of software engineering, which is central to the design of the payment services offering;
- develops managerial skills at all levels to drive its continued transformation;
- effectively integrates new employees, especially in the case of acquisitions;
- remains a benchmark employer in its sector;
- keeps employees informed of changes within the Group.

Several programs and initiatives have, therefore, been implemented to prevent this risk. These involve generating employee engagement through the People IN! engagement survey and the implementation of dedicated action plans, increased internal communication to clarify Group strategy, training for all employees, particularly *via* its e-learning platform, and retaining key talent, including through long-term Group compensation plans and specific plans in the case of acquisitions.

Ingenico Group thus has a proactive and multi-faceted approach so as to ensure that it has the talent and skills necessary for its future success – but with uncertainty about the level of impact these actions will have on recruiting the resources needed for its development, at the right time or under satisfactory conditions.

## Risks related to changes in legal environmental requirements

Ingenico Group undertakes to apply the various environmental regulations in force. Given that they are constantly changing, the risk of non-compliance cannot be totally ruled out. In this case, Ingenico Group could be required to pay fines and the authorities could even prohibit the market launch of products marketed by the Group.

To address such risks that could adversely affect the Group's reputation or its results, Ingenico Group has devised and developed a prevention policy for environmental risks as part of an environmental management system that is certified to ISO 14001:2015. This policy includes an environmental monitoring mechanism to help it anticipate regulatory changes that affect the way it does business.

Ingenico Group has implemented contractual measures to prevent the use by its suppliers of six substances deemed hazardous to human health and the environment by the EU's Restriction of Hazardous Substances directive (RoHS 2). The Group will also closely monitor any future changes to the list of prohibited substances or those currently under consultation.

Under REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) rules, Ingenico Group requires that its suppliers do not deliver components that contain substances identified as "Substances of Very High Concern" (SVHC) by the European Chemicals Agency (ECHA).

Laboratory analyses are conducted on certain products and accessories.

In accordance with the Waste Electrical and Electronic Equipment (WEEE) directive, the Group provides collection and recycling programs for end-of-life Ingenico products for its customers in Europe. Programs of this type are also established on a voluntary basis, outside the European Union.

## Financial risks linked to climate change effects

The financial risks linked to the effects of climate change are associated, on the one hand, with a significant increase in the number and severity of natural disasters over the last ten years and, on the other, with customer and market expectations that a leader in the electronics sector should be able to offer solutions that contribute to maintaining the rate of global warming below 2 °C between now and 2050.

The increase in the number and severity of extreme weather phenomena such as hurricanes, typhoons and floods could reduce the Group's income as a result of reduced production capacity (disruption to transportation, interruptions in the supply chain, etc.). Ingenico Group's terminal production plants are located in Brazil, Malaysia, Russia, China and Vietnam. Some plants, particularly those in Asia, could therefore be affected by these extreme phenomena.

Ingenico Group has decided to spread the manufacture of its products over several plants, which helps to limit the impact of this type of event and offers the possibility of transferring production from one plant to another. In addition, the Group ensures that production plants located in at-risk areas have a back-up plant to which business can very quickly be transferred.

Furthermore, the Company's head office is located in an area of Paris that is at risk of flooding, which could result in damage to property and assets. In order to address this risk, the Group has a business continuity plan that includes back-up solutions, particularly for IT Departments and departments deemed to be critical. In 2018, following the flooding of the Seine, enhanced monitoring was put in place in order to anticipate the possibility that the business continuity plan might need to be activated for the Paris site. However, no impact associated with natural disasters was recorded for any Group activities in 2018.

Customers' expectations regarding solutions to limit global warming could also lead to a change in the Group's commercial activities.

Ingenico Group has adopted an eco-design approach that takes environmental concerns into account right from the very early stages in the design and development of products. Using this approach, customers' energy consumption is an important factor for the Group (energy efficiency, low-energy supply, standby mode, etc.).

Ingenico Group is also working on developing digital receipts for electronic payment in order to minimize the environmental footprint of each transaction by replacing paper receipts with digital ones.

## 1.2.3 Risks related to operations and data security

### Risks related to IT security

#### Payment terminals

In the course of its business activities, the Group places a significant number of terminals with merchants that allow them to accept a variety of payment methods.

Payment terminals play a central role in ensuring the security of sensitive data transfers and electronic payment transactions. Ingenico Group manufactures terminals that incorporate cryptographic technology and comply with PCI PTS security standards.

The Group has established a procedure for tracking terminal quality and security throughout the life-cycle, including design and production at EMS (external manufacturing services) plants.

Notwithstanding all these security measures, it can make no assurances that Ingenico Group payment terminals are completely secure, despite the certification applicable at the time of manufacture of its terminals or IT systems. Any security breach or any claims with respect to the security of its IT systems or terminals could therefore damage its reputation and adversely affect its business, results of operations, financial position and ability to meet its objectives.

#### Transactional platforms

In connection with its business activities, the Group receives, processes, stores and transmits a significant volume of personal information and payment data in electronic form *via* its transactional platforms.

A transactional platform is a set of IT resources (networks and servers) that handle sensitive data. All Group platforms are subject to special attention in terms of security and are protected by a set of measures, including but not limited to firewalls, integrity verification systems, intrusion detection and prevention systems as well as a security event surveillance system. These systems help to secure the platform and contribute to the compliance and certification of PCI DSS platforms.

Despite all these security measures, the Group cannot guarantee that there is no risk of intrusion into platforms for the purposes of stealing confidential information, notwithstanding applicable certification. Any security breach or any claims with respect to the security of its platforms could therefore damage its reputation and adversely affect its business, results of operations, financial position and ability to meet its objectives.

### Risks related to data protection

In the course of its business, the Group collects, uses and processes various types of data, including personal data. The Group has taken steps to ensure the reliability of its data protection and data security systems and to reduce any potential risk caused by a breach of the personal data it processes.

Despite the measures adopted by the Group, in particular regarding the implementation of the European data protection regulation ("GDPR"), which aims to guarantee the confidentiality, integrity and security of data, there is still a risk that data processing systems may be hacked or breached. This risk, together with non-compliance with GDPR, could lead to sanctions and damage the Group's reputation.

The Group is also exposed to risk associated with regulatory changes, particularly in terms of the protection of personal data, as set out in this chapter.

### Risks related to information technology systems

The Group processes a large volume of data *via* its payment platforms and its IT systems in order to ensure the smooth running of the transactions for which it is responsible. In particular, these systems include collection, accounting and management services for incoming and outgoing financial flows on behalf of the various operators in the payment services chain.

An interruption of service, a technical fault or a fault in the translation of contractual rules in systems could therefore lead, for example, to accounting errors, incorrect redirection of financial flows or a suspension of transactions due to systems being unavailable, and could have a negative impact on the Group's business and damage its reputation. Such a situation could have various origins, such as a computer attack (virus, ransomware, denial of service, etc.), a technical malfunction, human error or inadequate configuration of the IT systems.

The Information Technology Systems Department is in charge of security for the networks and systems as well as the applications essential to the Group's activity, and performs periodic penetration tests or back-ups. Despite such vigilance, any one of these incidents could have a negative impact on the Group's business and performance.

The introduction of new technologies (Cloud Computing, Bring Your Own Device), the evolution of industrial control systems, and the development of new tools such as social networks, expose the Group to new threats. The cyber risk, which includes computer hacking and attempted breaches exploitation, are increasingly targeted and carried out by real experts who can attack the Company as well as its private or public partners. More generally, a systems failure could lead to the loss or the leak of information, delays, and additional costs that could be detrimental to the Group's strategy or its image.

The Group applies IT security measures that are tailored to the identified risks.

However, in spite of the risk assessment procedures implemented by the Group, it may not be possible to fully guard against all technological and IT risks. Were such a risk to materialize, it could adversely affect Ingenico Group's business, results of operations, financial position, image and ability to achieve its objectives.

## Risks related to PCI standards

The security standards established by the PCI SSC (Payment Card Industry – Security Standards Council) are designed to enhance card payment data security by promoting the broadest possible implementation of the specific standards relating to the various components of card payment transactions. The main standards are the PCI PTS (Payment Card Industry – PIN Transaction Security) and PCI DSS (Payment Card Industry – Data Security Standard). PCI PTS for PIN code entry aims to guarantee that the cardholder's PIN is always processed securely by the PIN entry device and ensures the highest level of payment transaction security. The aim of PCI DSS, which relates to the digital and electronic banking environments of merchants and payment service providers, is to ensure that private cardholder data and sensitive transaction data are always processed securely in systems and databases. This standard is mandatory for all systems that process, store or transmit such data, regardless of whether payment is made with a payment card.

Updates to these standards involving changes to existing requirements are managed by PCI SSC and its founding members (Visa, MasterCard, American Express, JCB, and Discover), in consultation with stakeholders from across the electronic payment industry (*e.g.*, local banking entities, payment terminals and services providers, regulators, merchants, banking associations, and banks). This organization offers manufacturers the opportunity to take part in shaping the standards and their implementing rules. Ingenico Group is a "participating organization" in the PCI SSC, with a seat on the Board of Advisors. As such, it has a say in defining specifications and ensuring their consistency with the requirements of the various stakeholders. These standards remain valid for a minimum of three years. Ingenico Group's product and solution development teams take these new standards into account right from the initial design stage.

Whenever these standards are modified, changes have to be made, not only in the kernel software that manages security components, but also in the terminal hardware. From one version to the next, the implications for Ingenico Group in terms of investment may therefore be quite significant.

Ingenico Group takes all the necessary financial and technical steps to ensure its new payment terminals comply with the current version of the PCI PTS standard, which has resulted in increased security for payment card interfaces (magnetic stripe, chip, and contactless) and stronger PIN protection.

Although the certification process is extremely robust, there is a risk that once in use, specific products might reveal defects that could subsequently lead the PCI Council to challenge their certification. In the event of a withdrawal of certification, such a challenge could lead to prohibition of sales of the product, resulting in decreased revenue and a financial loss.

As a provider of payment services, particularly centralized payment solutions for large-scale retail businesses, and online payment solutions (e-Commerce), Ingenico Group must also comply with the PCI DSS. Ingenico Group's payment services are all subject to an annual third-party audit by a Qualified Security Assessor (QSA) certified by PCI SSC. Again, this audit process provides a reasonable level of confidence in system security, but is not an absolute guarantee of the impossibility of a breach of networks and servers, which may lead to theft of sensitive data.

As with PCI PTS, changes in this standard would entail changes in the architecture of data processing systems, networks and servers. The investment implications for Ingenico Group would be substantial.

The Group maintains an ongoing relationship with those responsible for PCI SSC and payment schemes (international and national) to ensure that the Group can address all aspects of current and forthcoming standards in the best possible conditions, and to ensure that it is in a position to anticipate trends and prepare for future investments and corrective expenditures.

Despite this close relationship, Ingenico Group might not have all the information required to be able to avoid fraud or security breaches with regard to its certified payment terminals and solutions. Such occurrences could damage its reputation in a way that could affect the Group's corporate image and results.

## Risk related to transaction service provision and service availability

Ingenico Group aims to provide its customers with the best possible quality of service and this is achieved, in particular, through optimum availability of its services. Releasing new functionality to production, system updates, and human intervention can cause untimely shut-downs and a deterioration in the quality of service received by the customer.

Ingenico Group makes every effort to prevent this, particularly by setting up test environments and organizing pilot phases with customers.

In the event that there is a service outage, the Group has drawn up operating procedures and methods to ensure continuity of key services.

In the context of developing its Transaction Services activities, Ingenico Group makes increasing use of several service providers for its platforms.

Providers are selected through competitive bidding on the basis of Ingenico's operational and financial specifications. The Group's relations with its service providers are contractually stipulated.

However, any failure on their part to provide the services regularly required by the Group's operations, particularly with respect to online and point-of-sale payment capabilities, could affect Ingenico Group's service business and its customer relationships.

### Risk related to the Group's dependence on specific suppliers

The Group has entirely outsourced the production of its payment terminals to specialized leading electronic assembly companies known as EMS (External Manufacturing Services). The Group currently works with two of the world's five largest electronic sub-assembly subcontractors, Flex and Jabil, which handle the bulk of its production work at sites in Brazil, Malaysia, Russia, and Vietnam. Most of the payment terminals are produced at several sites, so that production could be shifted from one EMS to another in the event one of them fails. Alternative production sites are also identified in the business continuity plans. Although the geographical spread of the various EMS production facilities, takes geopolitical and natural risks into account, the Group cannot guarantee that in the event of major political problems, a shift in production site would not generate temporary hardware manufacturing difficulties.

As part of its payment services activities across all sales channels (in-store, online, and mobile), the Group engages in partnerships with a variety of Tier 1 acquirers. In the event of failure of one of its partners, the Group would turn to new suppliers identified within reasonable timeframes. However, the failure of several partners could affect the Group's ability to exercise its payment services activities.

### Component sourcing risk

The Group is dependent on adequate component sourcing from its EMS payment terminal manufacturers. Because component shortages are a clearly identified risk in the electronics industry, the Group takes all due care to monitor industry forecasts, and the Operations Department checks those forecasts against the Group's sales forecasts in order to anticipate the risk of component shortages. To better anticipate sourcing disruption risks caused by shortages, supplier failures or natural risks, a multi-sourcing policy is consistently applied where possible and, in certain cases, security stocks are created for critical components. Moreover, some key suppliers are required to have two production sites for sensitive components.

These preventive measures introduced by the Group cannot, however, entirely eliminate the risk of component shortages.

In December 31, 2018, the Group had placed approximately €143.1 million in firm price orders with its manufacturers (see Note 13 "Off-balance sheet commitments" to the consolidated financial statements as of December 31, 2018).

In addition, as part of the outsourcing of the production and assembly of its payment terminals to EMS (external manufacturing services), the Group has made several inventory buyout commitments to its suppliers. The Group recognizes a provision for supplier inventory buyout commitments to cover the risks associated with these agreements, particularly the risk that components held by suppliers may become obsolete and the risk that supplies may exceed planned output. A provision for the full value of components declared obsolete is recognized. The Group estimates excess supplies by comparing the procurement and production plans. The provision recorded in the consolidated financial statements as of December 31, 2018 for supplier inventory buyout commitments came to €4.4 million (see Note 8 "Other provisions" to the consolidated financial statements as of December 31, 2018).

### Risk related to hardware manufacturing

A single operating or manufacturing defect or the use of faulty components in any of the Group's products and systems could result in product liability lawsuits of varying size which could damage its reputation and adversely affect its business, results of operations, financial position, and ability to meet its objectives.

The Group has implemented a quality control procedure designed to reduce risks in situ at EMS sites.

In this respect, a provision for warranties is recognized by the Group when the corresponding goods or services are sold. As of December 31, 2018, the provision for warranties recorded in the consolidated financial statements amounted to €16.4 million (see Note 8 "Other provisions" to the consolidated financial statements as of December 31, 2018).

Moreover, a provision for product quality risk is recognized when this risk is not covered by the provision for warranties. As of December 31, 2018, the provision for product quality risks recognized in the consolidated financial statements amounted to €4.0 million.

## 1.2.4 Legal and compliance risks

### Regulatory risk

The Group's business activities are subject to many regulations, including commercial, customs, and tax regulations in France and internationally. Regulated payment services in particular are subject to stringent rules, especially at the European level.

Changes in any of these regulations or the terms of their application, especially the tightening of regulations governing payment and e-money institutions, may lead to some difficulties of application, or even different types of sanctions, which may have a material adverse effect on the Group's business, financial position, reputation and ability to meet its objectives.

Even if amendments to laws, regulations or standards did not apply directly to the Group, the impact on its financial institution customers may have indirect and significant repercussions on how the Group conducts business and the demand for the payment services it provides. In particular, the Group would need to adapt its systems and procedures to comply with new regulations.

The implementation of the second European directive on payment services (PSD2), is one such regulatory change that may involve the setting up of new systems. In this regard, the Group entities that are subject to this regulation have taken the necessary steps to comply with the applicable local regulatory provisions.

Due to the increasing place of the Internet, mobile and IP-based telecommunication networks, a variety of laws and regulations are being drafted or amended (particularly to fight against money laundering and fraud) to address the issues of privacy, security, pricing, content, and quality relating to products and services. Growing concern about these issues, as reflected in the adoption of additional laws and regulations, could conceivably slow down growth in these areas, possibly resulting in lower demand for Ingenico Group's products and therefore adversely affecting its business, results of operations, financial position and ability to meet its objectives.

As such, the Group can neither guarantee that it has been, or will be, in all circumstances, in compliance with such standards or regulations, nor that it will avoid any costs or significant liability to ensure future compliance with such regulations, nor that it will be able to finance any such future liabilities.

Within the Group's Legal Department, the Group Compliance Manager is responsible for supervising and monitoring all matters relating to ethics and compliance within Ingenico Group. This function ensures the implementation of the various aspects of the Group's code of ethics and business conduct, as well as the uniformity of ethics and compliance policies across the Group. In 2018, a Group-wide project to ensure compliance with the European General Data Protection Regulation (GDPR) provided the opportunity to reinforce best practice on the protection of personal data within the Group.

In addition, the Group may call on experts to conduct ad hoc checks on the compliance of some of its practices with applicable regulations.

### Risk of unethical conduct

Ingenico Group looks after that all of its employees act at all times in accordance with the values of integrity and respect for the internal and external standards that are the foundation of its corporate culture.

The Group's code of ethics and business conduct, which covers employees and business relations (including suppliers and subcontractors), defines the standards and behaviors that apply to the Group's businesses (such as the rights of employees and compliance with the laws and regulations in force, etc.).

Any behavior which, despite the Group's best efforts, violates these values, could lead to the Group being held liable for that conduct and may have serious repercussions on its reputation.

In 2018, Ingenico Group updated its corruption risk mapping in accordance with the anti-corruption measures set out in the "Sapin 2" law of December 9, 2016 relating to transparency, the fight against corruption and the modernization of economic life. These form the basis for a range of actions being taken by the Group with the aim of strengthening its anti-corruption mechanisms in line with the corruption risk mapping, particularly *via* its training program, which is specific to Ingenico's business.

Fraud risk mapping also helps to prevent this risk. It enables the identification of players and tools designed to protect the Group against the risks of internal and external fraud. The analysis and prevention of risks related to fraud fall within the responsibility of the Audit Department.

Moreover, as part of its payment services for online and mobile payment channels in particular, the Group has implemented fraud-detection measures to reduce the risk of substantial losses due to claims by holders of credit cards issued by its merchants.

### Risks related to intellectual property

If a third party were to consider that the Group's products made unauthorized use of their rights, any legal challenge lodged by these parties, if upheld, could result in the Group being prohibited from using the technology in question and banned from selling the products concerned. In the case of such a legal claim, the Group could be confronted with significant costs, production delays, or could even be forced to redesign its products. Any one of these developments could adversely affect its business, results of operations, financial position, and ability to meet its objectives.

To ensure that the rights of third parties are guaranteed, whenever necessary, the Group conducts research on existing intellectual property and keeps a close watch over its portfolio. Ingenico Group also works with patent lawyers to keep abreast of any possible infringement complaints and legal disputes that might arise from them. Recently, companies known as "patent trolls" have sprung up in the United States and France. Ingenico Group has implemented specific measures to monitor this trend, and with the assistance of law firms specializing in intellectual property rights, defends itself against such improper practices in both the United States and France.

Based on the risk assessment performed by Ingenico Group to date and in accordance with the applicable accounting standards, no provision was recognized for such claims in the consolidated financial statements as of December 31, 2018.

#### Risks related to contractual terms and conditions

In order to provide a structure for its customer relationships, Ingenico Group has drawn up contractual principles that set out the terms and conditions the Group is happy to accept.

However, it is possible that there will be business practices specific to certain regions or certain customers that contradict these principles and these could represent a stronger exposure to the risk.

## 1.2.5 Financial risks

A detailed analysis of market risk (interest and exchange rate risk), counterparty risk and liquidity risk is available in Note 9.e. "Financial risk management" to the consolidated financial statements as of December 31, 2018. Ingenico Group has performed a separate review of its liquidity risk and deems that it has the means to meet its future obligations.

#### Risk that additional financing will be needed

The Group could require additional financing, for example:

- if the Group maintains its policy of expanding through acquisitions in order to develop synergies with its businesses, to acquire installed terminal populations to accelerate the implementation of its service strategy, or to purchase payment technologies that complement payment terminals (*e.g.*, online and mobile technologies);
- if technological changes compel the Group to invest substantially in new technology and new terminal and service offerings;
- if revenue and margins contract as a result of events over which the Group has no control;
- or, more generally, if the electronic payment market undergoes major change.

The Group cannot always be sure that it has adequate financing in place at the right time, and without it, its ability to grow could be adversely affected. The Group does have unused sources of financing as described in Note 9.e. "Financial risk management" to the consolidated financial statements as of December 31, 2018, and has also introduced a decision-making process designed to anticipate future needs.

## 1.2.6 Non-recurring events and legal disputes

In the normal course of business, the Group may be involved in a number of administrative or judicial proceedings under which its responsibility may be engaged on a variety of bases.

### 1.2.6.1 Tax disputes

During fiscal year 2018 and previous years, Group companies were subject to tax audits and, on occasion, correction proposals. The financial consequences of such additional tax adjustments are recognized through provisions for the amounts that have been identified and accepted or are considered likely to result in an outflow of resources which can be reliably estimated.

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

These tax disputes are detailed in Note 8 to the consolidated financial statements as of December 31, 2018.

### 1.2.6.2 Commercial disputes

Disputes are regularly reviewed by the Group's Legal Department and are covered by provisions when the Group considers it probable that an outflow of resources will be necessary to cover the risk incurred, and that a reliable estimate of this amount can be made. Reversals of unused amounts chiefly reflect the resolution of such disputes that were settled in the Group's favor, or in which the amount of the damages awarded proved to be lower than originally estimated.

### 1.2.6.3 Conclusion

As of December 31, 2018, Ingenico Group recognized provisions for litigation and claims totaling €8.236 million, in respect of various commercial disputes and various industrial tribunal disputes. These disputes are described in Note 8 "Other provisions" to the consolidated financial statements as of December 31, 2018.

To the best of the Company's knowledge, for the period covering the last 12 months preceding December 31, 2018, there are no judicial or arbitration proceedings of which the Company is aware that could have or have recently had significant effects on the financial position or profitability of the Company and/or the Group.

### 1.2.7 Insurance

The Group's policy is to purchase insurance from external sources so as to cover insurable risks to the Group and its personnel at reasonable rates. The Group estimates that the kinds of risks covered and the guarantees provided by its insurance policies are consistent with standard industry practice.

Ingenico Group's global insurance program 2018 includes the following coverage:

- civil liability;
- damages and business interruption;
- MAT insurance for shipped goods;
- directors and executive officers' liability;
- fraud;
- cyber.

Any newly created subsidiary or company joining the Group during the year is immediately covered by this Group-wide insurance plan under the same terms and conditions, up to specific revenue and/or asset limitations.

The program operates on two levels:

- at the corporate level, there are worldwide insurance programs to cover the Group's main exposures;
- at the local level, subsidiaries have taken out insurance to comply with their local regulatory obligations, as well as coverage supplementing Group-wide insurance programs to cover their specific exposures.

The credit rating of the insurer is a key factor in the Group's choice of carrier.

It should be noted that the Company does not have separate insurance coverage for the risks of illness, resignation, or death of its key executives.

The cost of the Group's insurance cover increased slightly in 2018 but remains under control, bearing in mind recent integrations, such as Bambora. The premiums budget for the aforementioned global programs (including integrated local policies) was €1,704,199.

## 1.3 INTERNAL CONTROL AND RISK MANAGEMENT

The Company uses the international internal control framework developed by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and applies the framework's general principles in outlining the description of its risk management and internal control system for this report.

### 1.3.1 Definition and objectives

Ingenico Group's management approach strives for continuous dynamic adaptation of its internal control mechanism to the nature of its business activities, changes to its business model and its strategic objectives.

The Group's **risk management model** therefore strives to be comprehensive and to cover all its activities, processes, and assets. It must allow directors to maintain risk at acceptable levels. Risk is defined as both the absence of a positive event that was anticipated and the occurrence of a negative event, where the consequences could have an impact on people, assets, the environment, the Company's objectives or its reputation.

**Internal control** is a process implemented by the Board of Directors, executives and employees of the organization, to provide reasonable assurance as to the achievement of the following goals:

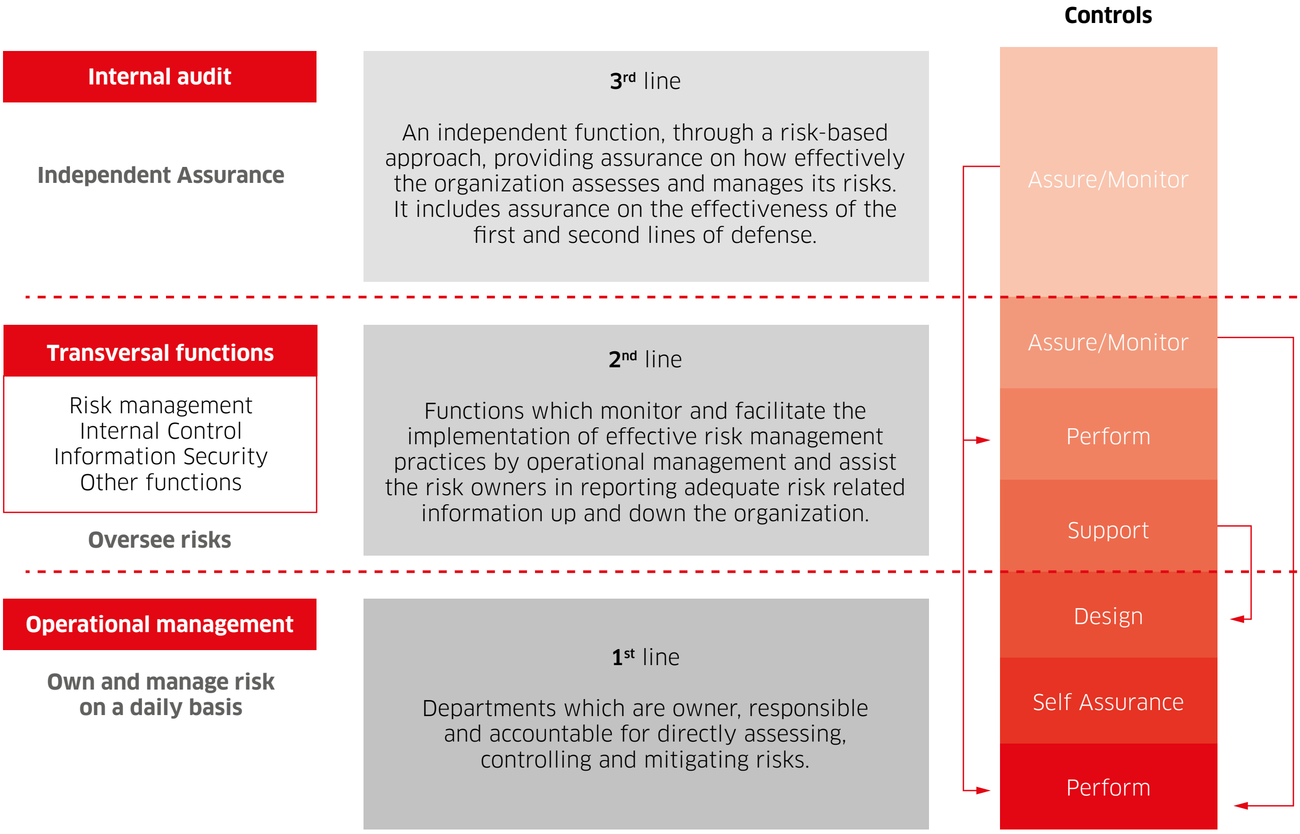
- with applicable laws and regulations;
- effectiveness and efficiency of operations;
- reliability of financial information.

The internal control system implemented in the Company, as well-designed and well-applied as it may be, can only give shareholders, executive officers and the Board of Directors reasonable assurance that the above objectives will be achieved.

Internal audit, internal control and enterprise risk management come under the Internal Audit, Internal Control and Enterprise Risks Department.

To execute its risk management and control activities, the Company has adopted an organizational structure based on the three-lines-of-defense model in accordance with the principles set out in the COSO framework, covering operational management, oversight functions, ongoing monitoring and the risk management and internal audit teams.

This model provides a governance structure by clarifying the roles and responsibilities of each agent in charge of risk management and internal control, with the goal of strengthening the directing ability of the Audit and Finance Committee and of management in general.




The internal control and risk management system set up by the Company encompasses all the companies included in the Group's scope of consolidation. The Group ensures the existence and proper functioning of internal control and risk management systems in its subsidiaries.

## 1.3.2 Description of internal control and risk management procedures

The Company takes the same approach to internal control and risk management as the COSO framework, in which five components are defined:

- control environment;
- risk assessment;
- control activities;
- information and communication;
- monitoring.

### Control environment

The control environment is the foundation for all other components of internal control. It encompasses the integrity, ethical values and competence of personnel; the management style of the executive team; policies on the assignment of authority and the organization and training of personnel; and the governance rules applied at the initiative of the Board of Directors.

The Company's **Board of Directors** includes an Audit and Finance Committee, the composition, meeting frequency and main responsibilities of which are described in this report. It plays a key role in monitoring internal control and risk management, since its responsibilities include:

- examining and assessing all points related to the preparation, auditing and publication of financial documents produced by the Company in connection with its financial reporting;
- reviewing the annual internal audit plan and **monitoring** the recommendations issued by the statutory auditors and the internal audit team;
- monitoring the performance of the internal control and risk management systems.

The **code of ethics and business conduct** sets out all the essential rules of conduct that the Group expects all employees, suppliers and subcontractors to abide by, and which apply to all business relationships. It is an important tool for maintaining the quality of the control environment within the Group.

A "**Gifts and Hospitality**" **policy** clarifies the rules applicable to all Group employees in terms of offering and accepting gifts and hospitality.

**The whistle-blowing system** provides a dedicated email address that can be used by any employee to report events that could be considered misconduct or in conflict with the code of ethics and business conduct, such as corruption or harassment. Reports are handled confidentially to protect the rights of those involved.

**Delegations of authority** are in place within the Group to define the scope of responsibilities, based on the skills, resources and proximity to operations that are necessary to the decision-making process. Thresholds and rules are in place for each manager on a wide range of matters, and these are set out in the delegation of authority, to enable effective and streamlined decision-making that addresses the challenges and risks faced by the Group. Delegations of authority are regularly updated to reflect organizational changes.

A declaration regarding **conflicts of interest** aimed at the management of the Group and the subsidiaries helps to ensure their independence in performing their duties, and to provide for continuous monitoring.

A **process of ongoing monitoring** was introduced in 2018, with the aim of monitoring the correct application of key controls across the Group. An initial list of key controls was drawn up in 2018 and will be rolled out to pilot countries from 2019.

## Risk assessment

Every entity faces a variety of risks from external and internal sources that may impact the achievement of its objectives and that have to be managed, *i.e.*, identified, assessed and dealt with *via* a suitable plan of action, in order to comply with the appetite for risk approved by the Audit Committee of the Board of Directors. The main risks faced by the Company are described above.

The Group's risk management policy defines the objectives of the process and the methodology for identifying, analyzing and managing risks. The Enterprise Risks Department is responsible for implementing this policy by consolidating analysis, working with the operational and functional departments to build action plans, and monitoring the implementation of these plans.

The process is presented annually to all Executive Committee members including the Chief Executive Officer and the Chief Financial Officer.

The Group updated its risk map in 2018. This revealed some major risks, which were assessed in terms of potential impact, the effectiveness of existing control measures and likelihood of occurrence. Action plans are defined and steered by the managers responsible for each risk, having been specifically tasked with control plans and actions designed to reduce risks.

The Audit and Finance Committee receives quarterly updates on risk management issues. A meeting is held once a year with the Audit and Finance Committee and the statutory auditors to discuss risk assessment and management and to review the Group's risk map and the related action plans.

To monitor the performance of the risk management process, the Board of Directors is informed by the Audit and Finance Committee of the main steps taken in risk monitoring, such as creating internal control and risk management positions in subsidiaries, introducing the code of ethics and delegations of authority.

## Control activities

Control activities can be defined as the application of policies and procedures that help ensure management directives are carried out. A set of rules and procedures was gradually introduced for each executive, business or functional unit. At the initiative of Company management, these rules and procedures are regularly reviewed to take account of developments in the field and in the challenges faced by the Group.

The internal control manual, "Redbook V3.0", provides a detailed list of the control objectives to be achieved. A list of key controls to be implemented includes controls in place among all Group entities as well as controls specifically developed for activities in connection with terminals and payment services.

In 2018, the Internal Audit, Internal Control and Enterprise Risks Department introduced ongoing checks to provide rigorous and active monitoring of the performance of each business unit and the application of the Group's policies. The aim of this project is to gradually redefine the range of key controls, so that they can be incorporated directly into the Group's rules and procedures, thus reinforcing their application on the ground by the first line of defense. From now on, the Internal Control Department, as the second line of defense, will regularly monitor the performance of these controls and will analyze their results, to give Company management a picture of the level of maturity of internal control within the Group.

## Information and communication

Pertinent internal control information must be identified, gathered and reported in a form that allows each relevant manager to be notified of the weaknesses identified while allowing them the time needed to take the necessary corrective actions.

Our information channels and organizational structure have been designed to make it easy for regional or business units to report any internal control weaknesses and share their best practices with all relevant managers.

The regions are organized in a similar manner to the Group's management, enabling faster decision-making, greater efficiency and smoother flow of information between the Group's management and the regions.

Information and communication regarding internal control closely follow the Group's organizational structure:

- budget control is ensured through monthly reporting on performance. Each region produces a report, which is consolidated centrally. The purpose of reporting is to track where sales and profits are being generated, analyze the resulting operating income and identify deviations from the budget;
- during periodic reviews, regional/country directors meet with the Executive Committee to analyze performance and operational issues requiring attention as well as the forecasts.

In addition, corporate functions are responsible for ensuring that the Group's business strategy is applied in their area of responsibility. Accordingly, the Operations Division ensures that production work is carried out in compliance with the standards set by the Group and handled by subcontractors that it has approved. The Marketing Division defines and validates the product and marketing policies adopted in the regions.

### Monitoring internal control and risk management

The Internal Audit, Internal Control and Enterprise Risks Department, which reports directly to the Chief Executive Officer, oversees internal control and ensures that the methodology is properly applied in the reviews carried out. The department also coordinates the risk assessment process at Group and subsidiary level each year and performs internal audits in all Group subsidiaries.

An internal audit plan is established each year, based on:

- the rotation of audit assignments, prioritized according to the risk attached to each entity and each process;
- the results of internal and external audits carried out in previous years;
- the risk mapping mentioned above;
- newly consolidated entities;
- large-scale projects and the main cross-functional processes;
- the operational activities of the Group's entities;
- risks identified during the year;
- requests from the Executive Committee and the Chairman and Chief Executive Officer.

In 2018, the Internal Audit Department carried out the audit plan approved by the Audit and Finance Committee. Audits are documented in reports that summarize the main findings and provide recommendations. Following approval by the audited entities and their management, these recommendations are turned into action plans. Every quarter, the Internal Audit, Internal Control and Enterprise Risks Department ensures the implementation of these corrective actions and prepares quarterly follow-up reports on the status of each point brought up by the audit, which are then presented to the Audit and Finance Committee of the Board of Directors.

The 2018 audit plan was as follows:

- 15 audits in subsidiaries;
- 6 audits of cross-functional processes within the Group;
- quarterly follow-ups on the implementation of action plans in respect of points raised by the audits.

These audits covered more than 44% of the Group's revenue (based on the revenue given in the rolling forecast). The work carried out in 2018 did not reveal any significant internal control weaknesses or deficiencies.

The Group's statutory auditors are kept informed of all the work performed in the areas of internal control, internal audit and risk management at regular meetings to strengthen the internal control and risk management system.

In 2018, the Group had approximately 21 specialized staff dedicated to risk management, internal control and internal audits. This number does not include the employees dedicated to managing operational risk in transaction entities.

## 1.3.3 Internal control procedures relating to the preparation and processing of accounting and financial information

### Group financial policy

The Group applies a rigorous financial policy and is careful to ensure the soundness of its financial structure *via* three principles:

- maintain a healthy balance sheet and financial ratios;
- have a long-term financing strategy and sufficient liquidity to fund development, repay loans over the medium term, and pay dividends to shareholders;
- optimize the use of its shareholders' equity and have a level of solvency compatible with its strategic objectives.

### Accounting and financial organization

In order to achieve complete transparency between operating departments and financial management and ensure that operations are reported to the fullest possible extent, the Group has adopted the following organization for its teams, resources and processes:

- financial controllers and chief financial officers at subsidiaries report to the regional chief financial officers, who in turn report to the chief financial officers of Business Units reporting to the Group Chief Financial Officer or directly to the Group Chief Financial Officer and not to the Chief Financial Officer of the subsidiary or region. Regular meetings of finance executives are held by the Group Finance Department;
- all the Group's main entities use the same accounting management system;
- the Group's chart of accounts is restated in line with IFRS, the basis for consolidation and reporting used by all Group entities.

This organization provides the accounting and financial function with all the data required to prepare the financial statements for the entire scope of operations.

Since 2015, the Accounting Standards and Processes Department is tasked with defining and circulating IFRS procedures. This department regularly updates the Group's accounting standards manual and relies on a network of local accountancy correspondents to ensure that accounting standards information is circulated properly. It also coordinates the implementation of new IFRS standards across the Group.

### Accounting and financial information systems

As mentioned earlier, one of Ingenico Group's goals in recent years has been to standardize its information systems (SAP, BFC).

The management reporting format, the primary tool for analyzing the operational performance of entities, includes information on the financial position and on cash flows.

This enables a more detailed analysis of Group performance for each product or service line and prepares Ingenico Group for the future developments of its markets.

Financial information is generated from monthly closing data.

### Disclosure of financial and accounting information

Financial and accounting information is not disclosed until it has been reviewed and approved by the Chief Financial Officer, the Audit and Finance committee and the Board of Directors.

The Company abides by a timetable of its accounting and financial disclosure and reporting obligations.

### Internal control over finance

The following steps are taken to monitor the accuracy of financial data on an ongoing basis:

- controllers are regularly provided with instructions on budgetary implementation, reporting and consolidation worksheets and memoranda on changes in IFRS;
- each month, all legal entities and operating units are required to perform and report on a closing process, followed by consolidation. These reports enable the monthly changes to the Group's main operating indicators to be measured. Every month the Group uses the reports to carry out a detailed analysis of its performance (EBIT, EBITDA, free cash flow) at different levels (entity, region, Group). This process allows the Group to verify the correct financial rendering of its business activity and to identify any possible operating risks (*e.g.*, delays in accounts receivable, credit notes to be issued, litigation, surplus stock, etc.). The Group's cash position is also analyzed monthly;
- a tax reconciliation is carried out four times a year and a comprehensive review of the Group's major assets is performed every six months;
- all Group funding, hedging transactions, bank account openings and closures, bank account signing authorizations and the Group's cash pooling system are centralized under the responsibility of the Chief Financial Officer.

Internal control is a top priority for Ingenico Group, which regularly invests in improving its system.

# 2

# CORPORATE SOCIAL RESPONSIBILITY

# 2.1 CSR FOR INGENICO GROUP

## 2.1.1 Commitments

### 2.1.1.1 Group CSR policy

Aware of the importance of sustainable development issues and the growing expectations of its stakeholders in terms of social responsibility, Ingenico Group has developed a CSR policy, which is tailored to its business model and environment and which draws on the description of the Group's activities given in its Registration Document. The aim of the policy is to provide customers and partners with the most innovative and reliable payment solutions to generate responsible and transparent growth for all.

This CSR policy, shared with all Ingenico Group employees, is based on five commitments, which they are invited to apply in their activities:

1. **Maintain responsible and ethical business practices**

Ingenico Group is committed to following the highest environmental, health, safety, labor conditions and social justice standards in its relationships with all its stakeholders and specifically through its supply chain management.

2. **Ensure the best level of security and safety when using Ingenico Group solutions**

Protecting sensitive payment data is part of Ingenico Group's DNA. Ingenico Group also believes that the protection of personal data and respect for an individual's right to privacy are of utmost importance. It is dedicated to providing the most secure and safest payment solutions for its customers, their clients, its partners and other stakeholders.

3. **Grow in harmony with society**

Ingenico Group wants to grow its business in harmony with its ecosystem. Therefore, the Group strives to develop regular and open dialogue with its stakeholders in order to foster collaborative innovation and meet the needs of the local markets, with a specific focus on solutions that can advance financial transparency and inclusion.

4. **Control its environmental footprint**

Ingenico Group is committed to the development of payment solutions that have a low impact on the environment. The Group also strives to minimize the environmental footprint resulting from the operation of its facilities and from its sales and distribution channels.

5. **Develop a blooming Ingenico Group community**

Ingenico Group strives to provide a respectful workplace that is safe, open and inclusive. CSR contributes to the positive corporate culture that the Group wants to promote in order to enhance employee engagement, which is key to driving improvements in the Company's performance and fostering innovation.

### 2.1.1.2 Other charters and policies

The Group has implemented policies to address the main non-financial risks it has identified (see Chapter 1). Some of these policies have been formally documented and are available to internal and even a number of external stakeholders on its website at ingenico.com:

- Group environmental policy;
- code of ethics and business conduct;
- gifts and hospitality policy;
- whistle-blowing policy;
- responsible purchasing policy;
- due diligence policy for external service providers;
- business continuity policy.

### 2.1.1.3 Membership of recognized international initiatives

Ingenico Group is a member of international initiatives, abiding by and applying the guiding principles they promote.

#### Main reference frameworks

| Reference frameworks | Ingenico Group commitment |
|---|---|
| United Nations Global Compact | Ingenico Group joined the Global Compact in 2015. In 2018, it published its annual Global Compact report (Communication On Progress) at GC Advanced level. |
| United Nations Sustainable Development Goals (SDG) | Ingenico Group will publish its contribution to the SDGs in the 2018 Registration Document and on its website |
| International Labour Organization (ILO)<br>Universal Declaration of Human Rights | Ingenico Group applies the key principles of the ILO Tripartite Declaration and the Universal Declaration of Human Rights through the principles outlined in its code of ethics and business conduct. |
| OECD | Ingenico Group follows the OECD's tax guidelines, including those of the BEPS (base erosion and profit shifting) Project. |

### Focus on the United Nations Global Compact and Sustainable Development Goals

Ingenico Group's support for the United Nations Global Compact since 2015 reflects its commitment to sustainable development.

WE SUPPORT UN GLOBAL COMPACT

Launched in July 2000 by UN Secretary-General Kofi Annan, the Global Compact is the world's largest corporate social responsibility initiative. As a supporter of the Global Compact, Ingenico Group is committed to respecting and promoting its 10 core principles relating to human rights, labor standards, the environment, and the fight against corruption. Each year, Ingenico Group reports on the progress made in respecting and promoting each of the ten principles. In 2018, the Group once again published its annual report (Communication On Progress) at GC Advanced level, which corresponds to a higher standard of social responsibility. This report is available on the Global Compact's website (www.unglobalcompact.org).

As part of this commitment, Ingenico Group decided to integrate the UN Sustainable Development Goals ("SDGs") into its CSR strategy in order for it to be part of this global movement. A survey of the Group's main stakeholders in 2018 confirmed the importance of taking SDGs into consideration (see 2.1.4.3)

The 17 SDGs, adopted in 2015 by the 193 member countries of the United Nations, in fact make up the "2030 Agenda for Sustainable Development". These goals call for action among governments and civil society, but also among businesses, which are crucial partners in this initiative. (For more information on the SDGs and their targets, visit the United Nations website: http://www.un.org/sustainabledevelopment/sustainable-development-goals/).

In view of its activities and its CSR approach, Ingenico Group contributes specifically to the following four SDGs:


In fact, through its financial inclusion solutions and the integration of social standards in the management of its supply chain, it encourages economic growth and the promotion of decent work (SDG 8).

Thanks to the implementation of prevention measures, in recycling and waste disposal, as well as to the development of an eco-design approach for its terminals, it contributes to sustainable consumption and production (SDG 12).

By annually assessing the greenhouse gas emissions of its entire value chain, and in setting itself goals to reduce them and actions to achieve this, it contributes to the fight against climate change (SDG 13).

Finally, by developing solutions that encourage financial transparency and traceability and by promoting ethical practices, it supports the implementation of effective and responsible institutions (SDG 16).

SDGs are covered by a dedicated page on the Group's website and an awareness campaign was conducted with all French employees during the European week on sustainable development in 2017 so that each person can assimilate them.

More broadly, Ingenico Group contributes both directly and indirectly to 14 SDGs and to 26 of their targets, as illustrated by the diagram below.

## Contribution of Ingenico Group to SDGs and their targets[(1)] across the value chain


(1) *More information on the 17 SDGs and their 169 targets can be found at the following address: https://www.globalcompact-france.org/images/un_global_compact/page_odd/Liste_des_17_ODD_et_169_cibles_-_web.pdf*

## 2.1.2 CSR strategy

### 2.1.2.1 Impacts, risks and opportunities

Ingenico Group is aware that the world is changing and constantly evolving. Strong global trends are set to change our lifestyles and behaviors by 2030:

- a demographic explosion is underway;
- the increasing pace of urbanization will change our behaviors;
- hyper-globalization is growing;
- innovation is set to soar.

We are now in a new era in terms of trade, where payment methods are completely separated from the location where purchases are made. The payments sector is one of the fastest-growing sectors and is experiencing rapid change, driven by innovations in technology and operations.

These new technologies are changing the businesses and redrawing the map of established payment players, with the advent of new Fintech systems in response to emerging trends. This technological development also raises questions about the challenges associated with data protection and information system security. Potent threats are emerging (fraud, corruption, money laundering, cyberterrorism, and so on) that pose risks to the business model. It is also essential to prepare employees for the business lines of the future, by enhancing their skills and increasing their engagement.

Thanks to innovation, systems reliability and data security, Ingenico Group aims to be an integral part of the transformation in payment methods. Taking a forward-looking, future-oriented approach, the Group has analyzed the main impacts, risks and opportunities associated with its growing businesses. In this technological revolution, it aims to find new ways of bringing progress to bear that will maximize the positive, sustainable impacts for its stakeholders while reducing the drawbacks.

The Group's CSR approach follows the guidelines for its business model and lends its full support, both in terms of strengthening technological, industrial and human capabilities, and in developing innovative products that meet the needs of a more inclusive, more responsible and more sustainable society. Digital payments have the potential to change the lives of many people in developing countries, by providing financial services to unbanked populations. In a context where two billion people in the world are unbanked, more than half of them women, financial inclusion can make a vital contribution to achieving the 17 United Nations Sustainable Development Goals (SDGs) by reducing poverty and hunger, as well as gender and income inequality.

### 2.1.2.2 Materiality analysis

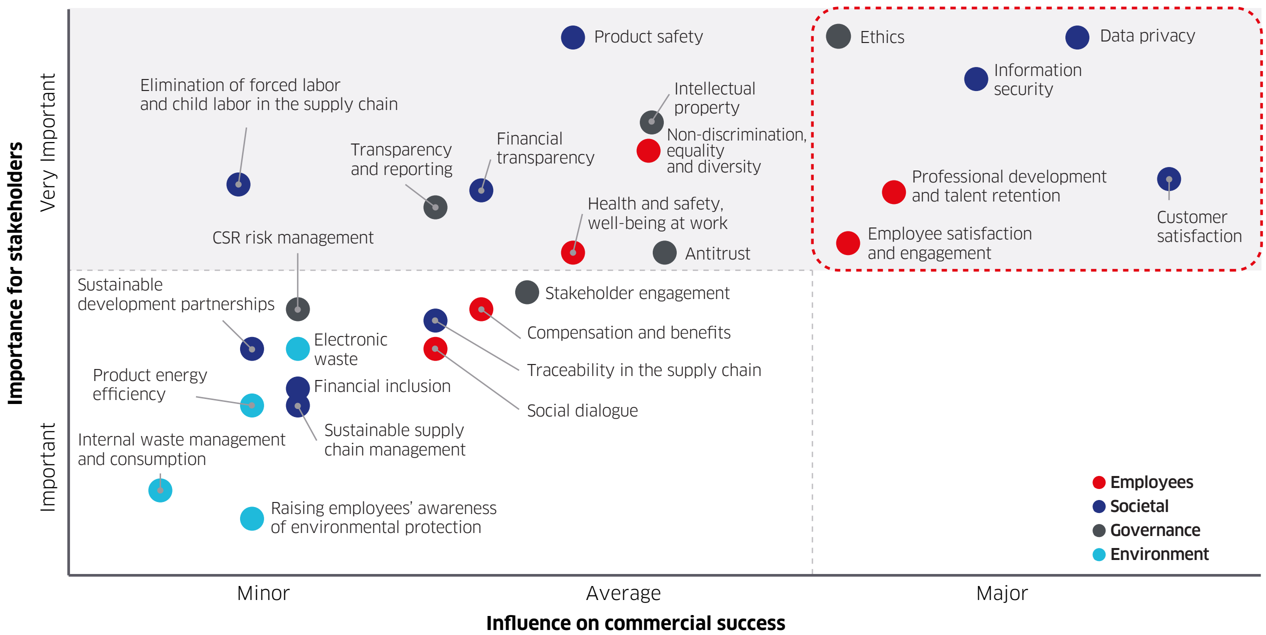
Supported by BSR (Business for Social Responsibility), a global network of companies and expertise dedicated to sustainable development, Ingenico Group conducted an initial materiality analysis in 2015, enabling it to develop a first version of its CSR strategy.

This analysis was updated in 2018 using the responses to a survey of the Group's stakeholders that asked them to give their opinion on the importance of a number of social, societal, environmental and governance issues (see 2.1.4.3 Stakeholder consultation). At the same time, members of the Executive Committee assessed the impact of these issues on the commercial success of the Company.

The results of this new analysis, which are generally in line with the results from 2015, confirmed the importance of information security, data privacy and ethical matters. It also highlighted the importance of customer satisfaction and human resources issues (professional development and talent retention, and employee satisfaction and engagement).

This analysis allowed the Group to refine its CSR strategy and develop an action plan focused on its most material issues, which will be shared in 2019. Objectives for 2023 are currently being developed.

## Representation of the main issues according to their importance for stakeholders and their influence on Ingenico Group's commercial success




This study helped identify the key opportunities, along with the major risks. The results of the Group's risk mapping, which incorporates these risks as listed below, are set out in Chapter 1 of this Registration Document.

- Risks linked to the environmental and social practices of suppliers and subcontractors;
- risks linked to the Group's transformation in terms of human resources;
- risks related to changes in legal environmental requirements;
- financial risks linked to climate change effects;
- risk of unethical conduct;
- risks related to intellectual property;
- risks related to IT security;
- risks related to data protection;
- risks related to information technology systems.

## Key issues

Stakeholders' key expectations are covered by three of the four spheres of action of the Group's CSR strategy (see 2.1.2.3).

| | Strategy | Key issues |
|---|---|---|
| **CORPORATE CITIZENSHIP** | **Secure, reliable payment solutions** | Data privacy<br>Information security<br>Product safety |
| | **Responsible supply chain management** | Elimination of forced labor and child labor in the supply chain |
| | **Positive impact solutions** | Financial transparency |
| **GOVERNANCE & MANAGEMENT** | **Responsible business practices** | Ethics<br>Prohibition of anti-competitive practices<br>Protection of intellectual property<br>Transparency and reporting |
| **EMPLOYEES** | **Employee engagement and development**<br>**Professional development** | Talent development and retention<br>Employee satisfaction and engagement |
| | **A fair, respectful and inclusive working environment** | Non-discrimination, diversity and equality<br>Health, safety and well-being at work |

Customer satisfaction, which is a central issue for the Group, is covered by a dedicated program, Ingage, which is outlined in section 2.4.10.2.

A number of initiatives have already been implemented to meet these expectations.

| | |
|---|---|
| **Customer satisfaction** *see 2.4.10.2* | • Customer satisfaction survey<br>• Ingage program |
| **Data privacy** *see 2.4.3* | • Raising employee awareness of data privacy<br>• Project to bring the Group into compliance with the obligations of the GDPR |
| **Information security** *see 2.4.5* | • Compliance with the security standards developed by PCI SSC<br>• Regular intrusion and backup testing by the Ingenico ISD |
| **Talent development and retention** *see 2.3.1.2 and 2.3.3.3* | • Ingenico University<br>• Training programs<br>• Retention of key talent |
| **Employee satisfaction and engagement** *see 2.3.1.3* | • Employee satisfaction survey<br>• Several engagement schemes available to employees by region |
| **Ethics** *see 2.4.1* | • Code of ethics<br>• Gifts and hospitality policy<br>• Whistle-blowing system<br>• Conflict of interest questionnaire |

| | |
|---|---|
| **Non-discrimination, diversity and equality** *see 2.3.5* | • Prohibition of discrimination in the code of ethics<br>• Initiatives to promote the integration of people with disabilities<br>• Partner of Women in Payments |
| **Prohibition of anti-competitive practices** *see 2.4.1.1* | • Code of ethics and business conduct |
| **Health, safety and well-being at work** *see 2.3.4.2* | • Health and Safety Committees<br>• Programs dedicated to health<br>• Evacuation exercises and on-site safety audit<br>• First aid training |
| **Product safety** *see 2.4.6* | • Quality control procedure for terminals |
| **Protection of intellectual property** *see 2.4.4* | • Monitoring of prior art claims on patents<br>• Use of specialist firms for intellectual property |

### 2.1.2.3 Four spheres of action

To uphold the commitments of its CSR policy while accounting for trends in its ecosystem and its stakeholders' expectations, Ingenico Group has developed a strategy based around the following spheres of action:

# PEOPLE

## The cornerstones of the Group's success

### A fair, respectful and inclusive work environment

- Promotion of diversity and inclusiveness
- Fair compensation practices

### Employee engagement and development

- A positive corporate culture
- Employee involvement through surveys and actions
- Professional development
- A global e-learning platform
- Training programs tailored to the digital sector

# ENVIRONMENT

## Preserving natural resources

### Eco-friendly products

- Development of eco-design practices
- Programs for end-of-life product collection and recycling

### Management of greenhouse gas emissions

- Assessment of our value chain's impact on the environment
- A range of actions to minimize our carbon footprint

# CORPORATE CITIZENSHIP

## Setting the example

### Secure, reliable payment solutions

### Products that comply with the highest safety standards

- Leading-edge information security practices to ensure that sensitive data is protected
- A strict data privacy policy

### Responsible supply chain management

- High environmental and social requirements on suppliers
- Better material content traceability for terminal manufacturing to safeguard human rights

### Positive impact solutions

- Electronic payment as a means to combat informal economy
- Innovative technologies that facilitate the collection of donations and provide unbanked people with access to financial services

# GOVERNANCE & MANAGEMENT

## Leading through engagement and responsibility

### A dedicated governance structure for CSR

- A CSR strategy supported by management, led by the CSR team and deployed via a network of ambassadors to provide a consistent approach at Group level
- Campaigns to raise employee awareness and promote corporate social responsibility

### Responsible business practices

- Consolidation of procedures relating to ethics and compliance, including the fight against corruption
- Stakeholder engagement to foster collaboration and innovation

## 2.1.3 CSR governance

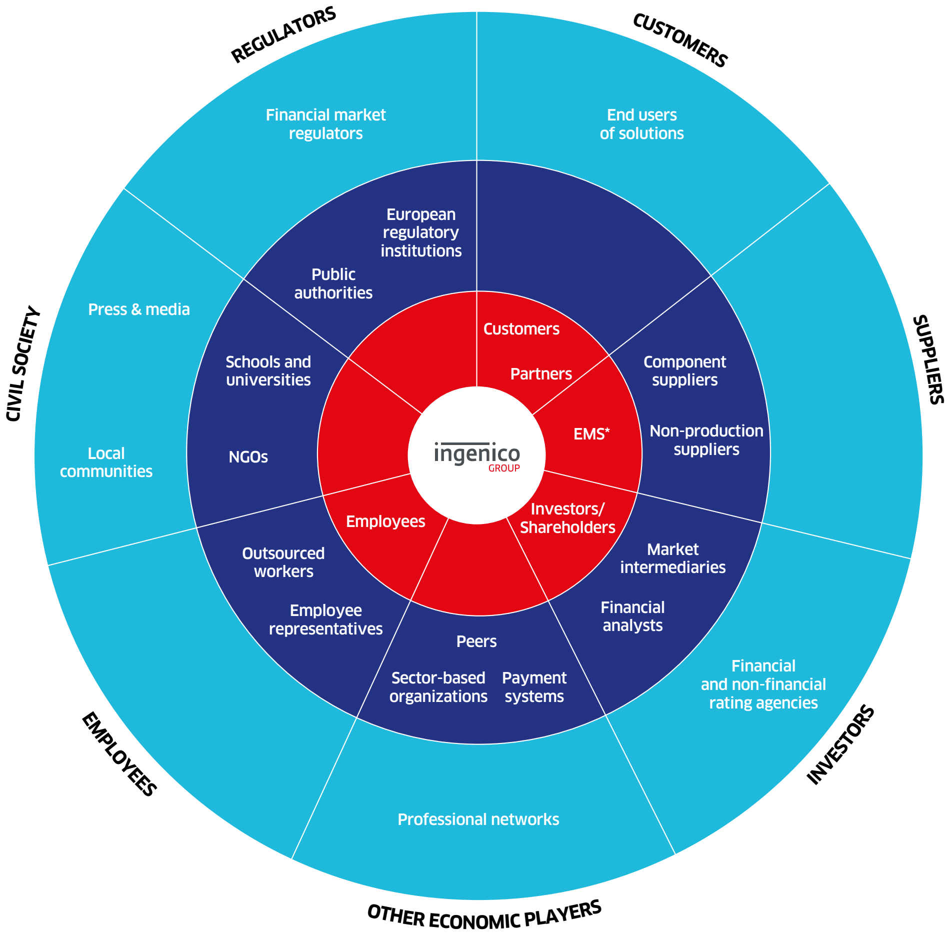
To provide a structure for its overall approach in terms of CSR, Ingenico Group set up a dedicated department that coordinates the Group's main activities in this area. In 2018, the department was moved to the Strategy and Transformation Division, which has direct representation on the Group's Executive Committee. It seeks ad hoc assistance from the CSR Core Team, a cross-disciplinary group of business experts which represents the main departments with a stake in environmental, social, and societal topics. Together, they are responsible for driving the implementation of Ingenico Group's CSR strategy.


*Contact: csr@ingenico.com*

## 2.1.4 Stakeholder engagement

### 2.1.4.1 Stakeholder mapping

Ingenico Group's various stakeholders are represented on the mapping below. They are grouped by broad categories and are positioned according to their degree of proximity to the Group.




EMS*: terminal assembly subcontractors

Ingenico Group strives to maintain open, transparent and regular dialogue with all its stakeholders.

### 2.1.4.2 Methods of stakeholder dialogue

| Stakeholders | Communication channels |
|---|---|
| Customers | Trade shows for Fintech and the payments sector, satisfaction surveys, after-sales service |
| Employees | Skyway Intranet, satisfaction surveys, announcements, performance reviews |
| Suppliers | Self-assessment questionnaires, audits and monitoring, guidelines via e-mail |
| Investors | Telephone conferences, investor meetings, roadshows, general meetings |
| Other economic players | Working groups, participation in charitable activities, round tables, presence on governance bodies |
| Civil society | Press releases, voluntary work, events, collections |
| Regulators | Regular direct contact |

The Group's interactions with its stakeholders are described in section 2.4.10. Interactions with stakeholders.

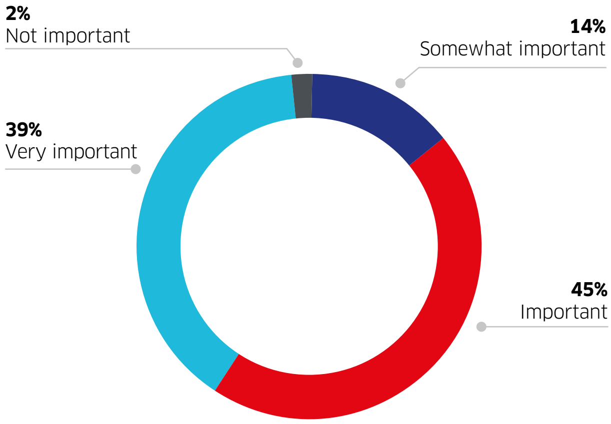
### 2.1.4.3 Stakeholder consultation

In 2018, Ingenico Group conducted a global survey of its key stakeholders – employees, customers, suppliers, investors, and partners – to gain a better understanding of their expectations in terms of CSR.

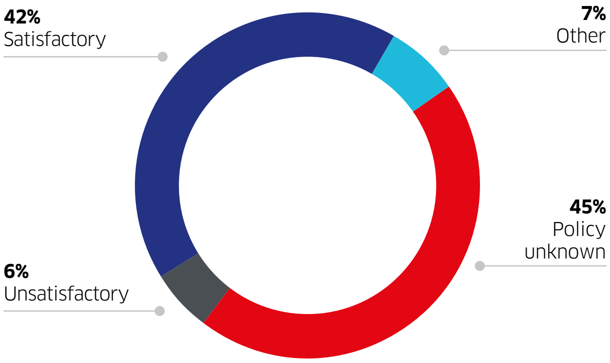
Based on more than 1,200 responses, the main learning points of this survey are as follows:

- all stakeholders expect the Group to deal with CSR matters. Taking account of CSR is considered important or very important by 84% of stakeholders, some of whom believe that Ingenico Group must "lead by example in the market" and set itself "ambitious goals and achievements";
- furthermore, the Group must increase the level of communication about its CSR policy and action undertaken. In fact, these are areas that are still unclear for the majority of stakeholders who would like "greater visibility in all countries of operation" and "to be able to share information on CSR with the end users of solutions";
- lastly, for most of the parties surveyed it is also important that the Group strategy be in line with the UN Sustainable Development Goals.

**How important is it for Ingenico to take CSR issues into account?**

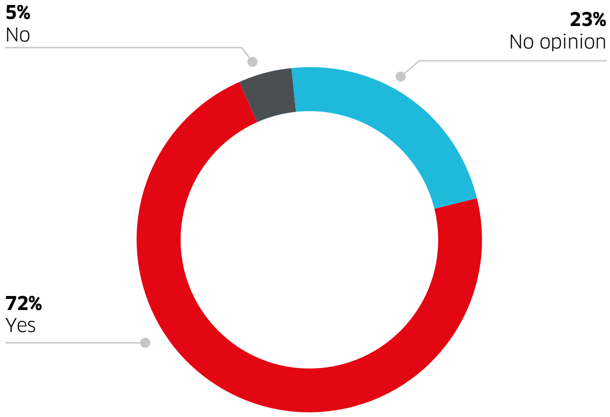



**Assessment of Ingenico Group's CSR policy**




The results of the survey were shared with all employees and other stakeholders that requested them. They are also available on the website at ingenico.com.

**Is it appropriate to align our CSR strategy with the UN Sustainable Development Goals?**



## 2.1.5 Performance

### 2.1.5.1 Main internal monitoring indicators

#### PEOPLE

**7,840** employees of whom **96%** are permanent employees

**7** training hours on average per employee

**73%** of employees have access to the Ingenico University platform

**2.11%** Group absenteeism rate

**71%** rate of participation in the People IN! survey

#### CORPORATE CITIZENSHIP

Code of Ethics translated into **12** languages and accessible to **100%** of employees on Skyway

**€137** million collected for charity using our payment solutions

**87%** of strategic components suppliers have signed the CSR agreement or are members of the RBA

**100%** of Ingenico components suppliers have been assessed with regard to traceability of the origins of minerals

#### ENVIRONMENT

**16,127.1** MWh of electricity used

**342.1** tons of end-of-life terminals collected and processed

**13%** energy optimization for the Lane/5000 terminal

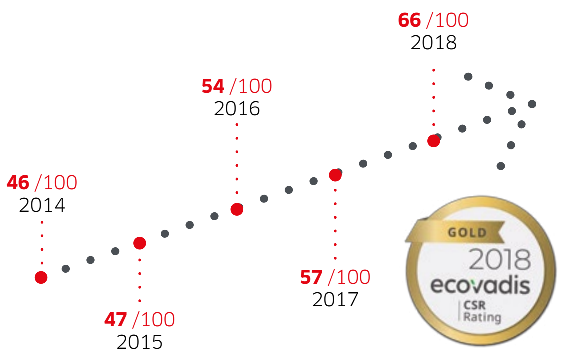
**100%** of terminals are RoHS2 and REACH compliant

GHG emissions: **30.3** kgCO2e/installed terminal

### 2.1.5.2 External assessments

#### EcoVadis assessment

To ensure a more effective response to the growing number of requests for information on CSR-related issues from prospective and existing customers, since 2014 the Group has been assessed by EcoVadis, a platform that specializes in evaluating the CSR performance of suppliers. This is improving with an overall score of 66 out of 100 in 2018, Ingenico Group is among the top 6% of companies assessed by EcoVadis in its sector. It also won recognition for its CSR commitment, achieving Gold standard for the first time.




#### SRI Indices[1]

Ingenico Group has featured in the following SRI indices, since 2016:

- Euronext Vigeo Eurozone 120;
- Dow Jones Sustainability Europe;
- Ethibel Sustainability Excellence Europe;
- FTSE4Good.

In 2018, the Group was also included in the following SRI indices:

- Euronext Vigeo Europe 120;
- MSCI ESG Indexes;
- Gaia Index.

These indices identify the companies with the best performance in terms of ESG (Environment, Social and Governance). Ingenico Group's inclusion rewards its commitment to sustainable development and its work in the area of sustainable development communications.

*(1) SRI: Socially Responsible Investment.*

# 2.2 REPORTING SCOPE AND METHOD

## 2.2.1 CSR reporting protocol

The social, societal and environmental reporting process is described in an internal document entitled "2018 CSR Reporting Protocol". This protocol presents the CSR reporting context and objectives, as well as the corresponding structure put in place by Ingenico Group. The description of the CSR reporting process includes a definition of the time frame, the scope, the levels of responsibility and control, as well as definitions, examples and various guidelines making it easier to understand the information that is expected for each indicator.

This report, which concerns the financial year ended December 31, 2018, presents information on the environmental, social and societal impacts of Ingenico Group entities' business. In line with the Group's desire to improve the transparency of its operations and its commitment to corporate responsibility, the CSR reporting scope is identical to the financial reporting scope and its methodological limitations are presented below. The report includes all entities acquired before the second half of 2018 that are more than 50%-owned by Ingenico Group and have more than 15 internal employees, for its social and societal reporting, and sites with more than 15 internal employees, for its environmental reporting (employees on permanent, fixed-term, apprenticeship, work/study, or internship contracts). Data related to the workforce and employee turnover are, however, provided for all Group entities, including those with 15 or fewer employees.

The terms "the Group" and "Ingenico Group" refer to all entities incorporated within the scope of this report.

The 2018 CSR reporting scope covers 33 countries: Argentina, Australia, Belgium, Brazil, Canada, China, Colombia, Denmark, Finland, France, Germany, India, Indonesia, Italy, Japan, Latvia, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Russia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, the United Kingdom, and the United States.

The coverage rates for the various types of indicators is specified below:

- social indicators related to the workforce, employee turnover, and remuneration: 100% of Ingenico Group's workforce;
- other social and societal indicators: more than 98% of the workforce and more than 95% of Ingenico Group's revenue;
- analysis of greenhouse gas emissions: 100% of Ingenico Group's workforce;
- environmental indicators: more than 93% of Ingenico Group's workforce.

The exclusions are specified in section 2.2.3.2 for social data and in section 2.2.4.2 for environmental data.

Ingenico Group's CSR reporting is managed by a project team that draws on a network of more than 60 contributors throughout the Group's various entities. The majority of the CSR data is collected using questionnaires *via* a dedicated online interface. This information is supplemented with data from the HR reporting system for the social section, data from the greenhouse gas emissions analysis for the environmental section, and information obtained through interviews or individual discussions. Data provided by the different contributors is then consolidated at Group level.

In accordance with the regulatory requirements arising from the transposition of the European Non-Financial Reporting directive, Ingenico Group's business model and the main risks related to its activities are set out in Chapter 1 of the 2018 Registration Document and further detail is given in Chapter 2. The policies adopted and the due diligence procedures implemented to prevent, identify and mitigate the occurrence of the main risks, together with the results of these policies, are set out in this chapter. Where relevant, the report includes the information required by Article R.225-105 of the French Commercial Code. However, the report does not cover the topics of the fight against food insecurity, the fight against food waste, respect for animal welfare or sustainable food production as set out in Article L.225-102-1 of the French Commercial Code because these subjects are not considered relevant. In fact, given the nature of its business, these issues do not involve Ingenico Group at all, or do so to only a very limited degree.

## 2.2.2 Declaration of compliance with the GRI

The GRI (Global Reporting Initiative) sets out a framework of indicators that measure the progress of companies' sustainable development programs and its guidelines are essential to high-quality CSR reporting. To ensure that its quality assurance process meets the expectations of the GRI, Ingenico Group is working with Materiality-Reporting, the GRI's DATA PARTNER for France, to ensure that the tests set out for each principle are applied.

The Group's report has been prepared in compliance with the GRI standards: CORE COMPLIANCE.

The GRI content index can be found on page 302.

## 2.2.3 Social reporting

### 2.2.3.1 Definitions

#### Workforce

There are six types of employment contract:

- permanent employees: employees on an open-ended employment contract with Ingenico Group, whose salary is ascertained *via* an Ingenico Group pay slip;
- fixed-term employees: employees on an Ingenico Group employment contract with a specified beginning and end date, whose salary is ascertained *via* an Ingenico Group pay slip;
- employees on an apprenticeship contract or undergoing professional training: this type of contract is reserved for students following a guided training program with a tripartite agreement (student, university and Ingenico Group). These apprentices have a fixed period indicated in their contract (from 9 to 24 months). Their salary is defined in the tripartite agreement and integrated in the Ingenico Group payroll system.

  In this report, they are included in the Group's workforce under the fixed-term category;
- interns: this category corresponds to students who need to complete a period of training in order to obtain or validate a diploma. During this time, they acquire experience under the management of an internship mentor. Students/interns are hired under a tripartite agreement (student, university and Ingenico Group) for a short term specified in the contract (from 3 to 9 months). If paid, their remuneration is defined by Ingenico Group and included in the Company payroll system.

  In this report, they are included in the Group's workforce under the fixed-term category;
- temporary workers: persons who are physically present at Ingenico Group offices but have been supplied by an outside company for a short and predetermined time period to replace an Ingenico Group employee;
- outsourced workers: persons who are physically present at Ingenico Group offices but have been provided by an outside company for a predefined service and time period established by a contract with Ingenico Group.

#### Layoffs

Individual and collective layoffs are reported by the different Group entities according to local regulations.

#### Training

Training refers to all types of training, certified or otherwise, organized by the Company or by external providers, but excludes e-learning (including on the Ingenico University platform) and internal coaching.

#### Absenteeism

Absenteeism refers to cases when employees are absent from the workplace due to being incapacitated. This definition does not include authorized absences, such as paid leave, public holidays, maternity or paternity leave, study-related leave, or leave for family reasons.

However, the following absences fall within the scope of absenteeism:

- absences due to ordinary illness;
- absences following an occupational accident;
- absences following a commuting accident;
- absences due to occupational illness;
- unjustified absences.

The absenteeism rate is a ratio that can be expressed as:

$$\frac{\textbf{Number of days of absence during a given time frame x 100}}{\textbf{Number of scheduled workdays during that same time frame x Number of employees}}$$

To standardize calculations at Group level, it is agreed that the absenteeism rate is calculated based on an average monthly work period of 21 days.

In 2018, the data relating to the annual rate of absenteeism in the Global Collect Services entity in the Netherlands was estimated on the basis of a monthly average.

#### Telecommuting

Telecommuting, or remote working, is an arrangement in which employees do not commute to a central place of work. This report only takes into account remote working hours that have been agreed in an amendment to an employment contract.

#### Part-time work

Part-time refers to cases when employees work for less than the statutory or standard working hours. The FTE (full-time equivalent) is calculated by dividing the actual hours worked by the total number of statutory working hours, in accordance with the laws defined by a country's government. This information is included in the work contracts of the relevant employees.

#### 2.2.3.2 Reporting scope

The social reporting scope includes all entities that are more than 50%-owned by Ingenico Group and that have more than 15 internal employees. The countries covered are listed in section 2.2.1.

Overall, the data related to workforce and employee turnover are provided for all Group entities, including those with 15 or fewer employees.

For other social indicators (excluding workforce and employee turnover), the following countries are excluded due to the lack of an entity with more than 15 employees: Austria, Chile, Czech Republic, Hungary, Ireland, Malta, Morocco, New Zealand, Portugal, Serbia, Slovakia and South Korea. Although there were more than 15 employees in Vietnam at December 31, 2018, this country is also excluded as it had only 14 employees when the annual reporting procedure was launched.

Lastly, data could not be provided by some entities with more than 15 employees for the indicators below.

| Indicator | Exclusions |
|---|---|
| Number of hours of training | Argentina (Global Collect), United States (Global Collect), Singapore (Global Collect), China (Global Collect) (1.6% of the workforce at December 31, 2018) |
| Absenteeism | Argentina (Global Collect), United States (Global Collect), Singapore (Global Collect), China (Global Collect) (1.6% of the workforce at December 31, 2018) |
| Number of occupational accidents and illnesses | Argentina (Global Collect), United States (Global Collect), Singapore (Global Collect), China (Global Collect) (1.6% of the workforce at December 31, 2018) |
| Telecommuting | Argentina (Global Collect), United States (Global Collect), Singapore (Global Collect), China (Global Collect), the Netherlands (Global Collect) (7% of the workforce at December 31, 2018) |

### 2.2.4 Environmental reporting

#### 2.2.4.1 Definitions

The greenhouse gas (GHG) emissions generated directly or indirectly by an entity can be classified into different categories of emissions, known as “scopes”:

- Scope 1: direct GHG emissions from the combustion of fossil fuels for facilities and vehicles that are owned or controlled by the Company;
- Scope 2: indirect GHG emissions caused by the purchase of electricity, refrigeration, heating or steam needed for the Company’s activities;
- Scope 3: indirect GHG emissions related to business activities such as the purchase of raw materials, employee travel, transport of goods by external providers, or the use of products by customers.

The amount of end-of-life products (WEEE – Waste electrical and electronic equipment) collected and treated refers to the weight of waste produced by end-of-life terminals or spare parts collected from customers or the Group’s repair centers for sorting, recycling, recovery, or destruction of the various components.

#### 2.2.4.2 Reporting scope

The environmental reporting scope covers sites with more than 15 employees located in 33 countries: Argentina, Australia, Belgium, Brazil, Canada, China, Colombia, Denmark, Finland, France, Germany, India, Indonesia, Italy, Japan, Latvia, Malaysia, Mexico, the Netherlands, Norway, the Philippines, Poland, Russia, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, Ukraine, the United Kingdom, and the United States.

The countries that are excluded because they do not have any sites with more than 15 employees are as follows: Austria, Chile, Czech Republic, Hungary, Ireland, Malta, Morocco, New Zealand, Poland, Portugal, Serbia, Slovakia, and South Korea. Although there were more than 15 employees in Vietnam at December 31, 2018, this country is also excluded as it had only 14 employees when the annual reporting procedure was launched.

In China, only the six largest sites, representing 88% of the workforce of Fujian Landi, are included in the environmental reporting scope. Seven sites with more than 15 employees are excluded from the reporting scope.

The indicators to which these exclusions apply are listed below. Data related to water consumption are not available on sites that have not been fitted with water meters, and for which water consumption is billed as part of an invoice for all expenses.

| Indicator | Exclusions |
|---|---|
| Water consumption | Colombia, Finland, Japan, Singapore (including Global Collect), Thailand, and the United States (Global Collect) (4.7% of the workforce at December 31, 2018) |
| Electricity consumption | China (Fujian Landi excluding Beijing, Chongqing, Fuzhou, Ji Nan, Shanghai, and Xiamen) and Singapore (Global Collect) (3.9% of the workforce at December 31, 2018) |
| Paper consumption | Singapore (Global Collect) (1.8% of the workforce at December 31, 2018) |

All indicators are published according to the scope defined for the reporting year on a like-for-like basis to enable data to be compared from one year to the next.

### 2.2.4.3 Accounting for greenhouse gas (GHG) emissions

#### 2.2.4.3.1 Methodology

The methodology used to calculate greenhouse gas or "GHG" emissions across Ingenico Group's entire value chain is based on the GHG Protocol's international accounting standard. The emission sources included in the calculation of GHG emissions are listed in section 2.5.3, entitled "Group greenhouse gas emissions".

The following assumptions are used to calculate GHG emissions:

**Energy consumption of buildings and employee business travel**

Direct emissions (Scope 1) associated with natural gas are calculated on the basis of information reported by entities with more than 15 employees and which use this resource, namely: Belgium, Canada, Denmark, Germany, Italy, Latvia, the Netherlands, Switzerland, Turkey, the United Kingdom and the United States.

Indirect emissions (Scope 2) associated with the production and distribution of the electricity used by the Group are calculated on the scope of the 33 countries listed previously. If a Group entity only partially occupies a building (alongside other companies) and does not directly purchase the energy it consumes, the share allocated to Ingenico Group is estimated in proportion to the floor area it occupies.

The distances flown (Scope 3) by employees based in France, Australia, China (except Landi), Italy, Poland and the United Kingdom are provided by the travel agency with which the Group has a partnership. Journeys are classified into three categories: short-, mid- and long-distance. For each distance, the class of travel is also identified (economy, business, first and premium), so that an emissions factor specific to the class of travel can be used.

Data regarding train travel (Scope 3) is provided by train companies or travel agencies. Distances traveled by train are currently available for entities in Belgium, France, Germany, India and the Netherlands.

Direct emissions (Scope 1) associated with the fuel consumed by vehicles owned or under the operational control of the Group are calculated on the scope of business of entities located in Belgium, France, Germany, India, the Netherlands and Taiwan. The data collected relates directly to fuel consumption or to associated costs. In the second case, fuel consumption is estimated on the basis of the average cost of the fuel (diesel and petrol).

Other business travel includes the following modes of transport: taxis, rented cars and employees' own vehicles (Scope 3). For taxis, the raw data collected relates either to expenses, or to distances traveled. In the first case, the distance traveled is estimated on the basis of an average cost (euros/km). Car rentals are managed by one agency, which provides a report of the total distance traveled. For travel using employees' own vehicles, the distance traveled in km is collected directly (on the basis of expense claims).

GHG emissions associated with business travel for the other Group entities are extrapolated in proportion to the workforce.

**Production of terminals, including the production and transportation of raw materials**

GHG emissions associated with component production (Scope 3) have been estimated on the basis of the average weight of the main components representing more than 90% of the total weight of terminals (plastics, printed circuit board, printer, display, cables, battery, keyboard, packaging, thermal paper, and user guide). Measurements have been taken for the three most representative terminals produced in 2018.

Transportation of the nine main components is taken into account when assessing the impact of transporting components between suppliers and assembly plants (Scope 3): plastics, printed circuit board, printer, display, battery, cables, power supply, keyboard, and packaging. For each component, the main suppliers' plants are identified and the transportation distances are then estimated. The transported weight of each component is estimated on the basis of an average weight per terminal multiplied by the total number of terminals manufactured by each assembly site. The transported tons/km are calculated for each mode of transport.

GHG emissions associated with the activities of the terminal assembly plants (Scope 3) have been calculated on the basis of information provided by the facilities in Brazil, Malaysia, Russia and Vietnam. They include total energy consumed, refrigerant gas emissions and on-site transportation. The contribution associated with Ingenico Group business is estimated using a surface area ratio (surface area dedicated to the manufacture of terminals/total surface area). GHG emissions associated with assembly plants located in China are extrapolated on the basis of production volumes.

**Transportation of terminals from assembly plants to customers**

International transportation from assembly plants is by air and sea (Scope 3). Detailed information (quantity, weight, distances) is provided by the two service providers with which Ingenico Group works. GHG emissions are calculated on the basis of the tons/km of terminals dispatched from assembly plants.

To calculate the GHG emissions associated with energy consumption at the storage sites (Scope 3), a consumption ratio in $kWh/m^2$ is calculated using the information obtained for two storage sites (in France and the United Kingdom). This ratio is used to calculate the electricity consumption of all storage sites worldwide on the basis of the storage surface area occupied.

In terms of delivery to customers (Scope 3), flows are analyzed using the data provided from France and the United Kingdom. In the first case, information on tons/km is provided by the road haulage company. For terminals dispatched from the United Kingdom, the quantity of terminals dispatched by country is used, together with the type of transportation (air or road). Based on this information, the tons/km by type of transportation are estimated and used to assess GHG emissions. Emissions associated with the delivery of terminals to other countries in which the Group markets its products are assessed on the basis of the number of terminals sold by country, an average national distance and a ratio in $kgCO_2e$/terminal delivered, calculated using data from France and the United Kingdom.

#### Use of terminals and services provided by the Group

The in-service terminal population is estimated on the basis of the volumes of terminals sold over the last five years (with the average useful life of a terminal estimated at five years). GHG emissions associated with terminal energy consumption (Scope 3) are estimated on the basis of the confirmed energy consumption of three of the most widely used terminals (1 Countertop, 1 Wireless and 1 Pinpad) in 2018. Energy consumption and the associated GHG emissions are calculated on the basis of usage scenarios for each type of terminal (number of days' use per year, average number of transactions per day, etc.).

To calculate the GHG emissions associated with the data centers used by the Group (Scope 3), electrical consumption for each data center is either reported by the service provider (in kWh), or estimated by multiplying the contractual kVA (theoretical maximum capacity) by the estimated operating time. This includes the power used by electrical equipment and cooling systems.

GHG emissions associated with the printing of payment receipts (Scope 3) are estimated on the basis of the number of terminals in the terminal population that are equipped with printers, a usage scenario and the average weight of a roll of thermal paper. GHG emissions associated with the production and transportation (average distance) of thermal paper to users is estimated using these quantities.

#### Maintenance of terminals

To calculate GHG emissions associated with maintenance (Scope 3), the transportation of terminals between maintenance centers and customers and the energy consumption of product maintenance centers in France, Italy and the United Kingdom are analyzed. It is assumed that nearly all transportation of defective terminals takes place by road from France, Italy and the United Kingdom to maintenance centers located in these same countries. In fact, only a fraction of the defective terminals from the French market are transported by air to the United Kingdom maintenance center. An average national distance is used for road haulage and GHG emissions are estimated on the basis of the volumes of terminals sent to maintenance centers in these three markets, before being extrapolated on the basis of the volumes of terminals sent to maintenance centers worldwide.

The electricity and natural gas consumption (Scopes 1 and 2) of the repair centers in Italy and the United Kingdom is used to calculate GHG emissions and thereby derive a standard value in kg$CO_2$e/repaired terminal. This value is then used to calculate global GHG emissions, based on the total number of terminals repaired by the Group's maintenance centers worldwide.

#### Processing of end-of-life terminals

To determine GHG emissions associated with the processing of end-of-life terminals (Scope 3), the procedure for collection and processing in France was analyzed. In 2018, two partners were appointed to manage the transportation and processing of waste from terminals. This analysis includes transportation to the processing centers, then the processing of waste electronic and electrical equipment. The study does not include emissions from processing waste that are managed directly by customers.

The number of tons/km transported is calculated on the basis of the quantities received and processed by the centers in France and an average national distance. Emissions associated with transportation are extrapolated from the number of terminals collected and processed in countries in which Ingenico Group has set up a recycling scheme.

The calculation of emissions generated by processing terminals is based on the information provided by the two recycling service providers in France. The type of processing (recycling of materials, energy recovery, disposal) was identified for each type of component (metals, plastics, printed circuit boards, cables, etc.). In order to extrapolate these emissions for the Group, it is assumed that all of the Group's waste processing procedures are similar to those in France, upon which the analysis was conducted. Group emissions are then extrapolated on the basis of the volumes of terminals that are collected and recycled worldwide. Terminals that are not collected and processed by an Ingenico Group recycling scheme are assumed to have been disposed of without processing or recycling.

### 2.2.4.3.2 Data and emission factors used

The GHG emissions assessment was carried out using the data collected for 2018. However, for some data, extrapolations were made on the basis of the 2017 data. These extrapolations represent less than 1% of the GHG emissions assessed in 2018.

The emission factors used to quantify the GHG emissions come primarily from two sources: the GHG Protocol, particularly for business and international travel; and the Base Carbone® database produced by ADEME (the French Environment and Energy Management Agency) for the energy consumption of terminals, the impact of thermal paper and a portion of the component production. The emission factors from the Ecoinvent database (EI 3.1) were also used for the portion related to component production.

# 2.3 THE INGENICO GROUP COMMUNITY

● **Key indicators 2018**

| | | | | |
|---|---|---|---|---|
| **7,840** employees of whom **96%** are permanent employees | **7** training hours on average per employee | **73%** of employees have access to the Ingenico University platform | **2.11%** Group absenteeism rate | **71%** rate of participation in the People IN! survey |

As a major player in the new world of trade, the Group needs to attract, retain and develop the best talent, while promoting diversity within its workforce. The Group has expanded considerably through external growth in recent years, and it is essential that the teams resulting from acquisitions are integrated. Faced with these challenges, the Group adopted a new HR strategy in 2018 and continued its efforts in terms of:

- professional development and talent retention;
- employee engagement;
- health and safety and well-being at work;
- diversity and gender equality.

The key areas of the new HR strategy and the policies in place on these various topics, as well as the resulting actions and outcomes, are set out below.

## 2.3.1 New HR strategy

To be an employer of choice in its industry, Ingenico Group has adopted a new HR strategy based on three pillars:

- strengthening HR fundamentals by providing a clear, structured and well-aligned offering within the Group;
- developing the skills to manage change;
- improving the engagement of all employees.

As part of this strategy, a number of global initiatives and work launched this year will come to fruition in 2019.

### 2.3.1.1 Strengthening HR fundamentals

The new HR strategy aims to align and optimize the human resources function within the Group while maintaining its focus on corporate requirements. It begins with a clear, structured offering aligned within the different Group entities which revolves around a number of fundamentals implemented in 2018 that will be extended in 2019.

The Group's efforts in 2018 were focused on reviewing the overall compensation and benefits policy to ensure it is competitive and provides internal equality by recognizing individual performance. The policy is based on a jobs structure and grading that is being rolled out at Group level.

To step up the standardization of HR practices and policies within the Group, an overall budget for the HR function was consolidated for the first time, allowing resources to be optimized according to priorities.

A new HR information system, PeopleDay, was rolled out at the end of 2018 to support this transformation. To begin with, it is offering functionality for the administrative management of employees and organizations. Other functionality will be released gradually throughout 2019 and 2020, and will include features for setting objectives, managing performance and compensation, and access to job offers and training.

### 2.3.1.2 Developing skills

#### Leadership model

In 2018, the Group conducted interviews with more than 50 people from various nationalities, entities and countries, across all the management functions within the organization. These individuals were encouraged to share their views on current leadership behaviors, and the behaviors to be promoted within the Group. A working group was set up on the basis of these interviews to create a new leadership model for the Company. The model is applicable to all employees. It is based on five key behaviors and details three maturity levels for each behavior, seeking to inspire every employee, develop a culture based on shared values and foster dialog on performance and development.

#### Professional development and career path management

To maintain its leadership in a changing sector, Ingenico Group places skills development at the heart of its Human Resources policy.

In 2018, a new Talent Organization and Development function was created within the Group to implement a common talent management policy. One of the aims is to have an overall approach to development skills and requirements so as to offer common training to all entities and provide effective career path management.

#### Ingenico University

Launched in 2015, development of Ingenico Group's Ingenico University e-learning platform continued, to provide the Group's employees with the best possible support in meeting their training needs. The catalog of digital training materials continues to grow, with more than 300 Group e-learnings, including training on its businesses, its solutions, its strategy and on payment.

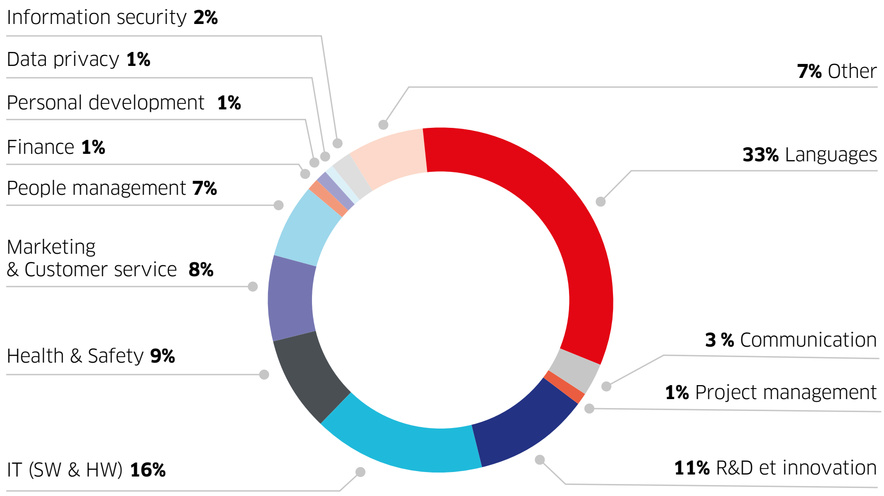
Special focus was given this year to training related to compliance and regulations, with new modules on the General Data Protection Regulation (GDPR). These will be joined at the start of 2019 by modules on the fight against corruption, to strengthen our anti-corruption program in accordance with France's Sapin 2 law. Ingenico Group has also developed new e-learnings on its solutions (Refund by Web, Click&Collect, and Estate Manager).

At December 31, 2018, of the 5,700 employees with access to Ingenico University, 45% had accessed the platform and 38% had signed off on at least one e-learning module during the year. The most popular training this year again covered topics related to compliance and security.

Ingenico University will be given a new look and feel in 2019, improving the way that modules are organized, to open up more locally created training to the entire Group and provide better support for employees in sharing their knowledge.

### Training topics in 2018

In 2018, the Group continued its training initiatives in all its business areas. A total of 53,926 training hours were delivered to employees in Group entities (80,424 in 2017 and 94,196 in 2016). The average number of training hours per employee was 7 hours in 2018.




The most popular training topics were technical programs (R&D and innovation, computer hardware and software) and language learning.

Two major training modules rolled out in 2017 were continued in 2018: Agile training, at the initiative of the Technology & Platforms entity, delivered mainly as classroom-based training to the Retail BU's software development teams; and Android Hardware training, for the R&D teams of the Banks & Acquirers BU.

In France, a Learning Week was convened for the second time, bringing together 240 participants for 20 workshops on three main topics: better insight into Ingenico Group's business, personal and career path development, and fun activities to gain a better understanding of disability.

In Australia, Curious Fridays allow employees to undertake training over lunch.

In general, employees undertake various types of training according to the Company's requirements and their own skills. Requirements are assessed and grouped together to create demand-based training sessions.

Within the Retail Enterprise business line, four Brown Bag Lunches were organized during 2018, providing training on technical topics such as continuous delivery, Spring Boot, Kubernetes and Istio with GoCD, as well as on distributed denial-of-service attacks.

The new employee induction program, roll-out of the Agile method within technical teams, compliance training and sales training will all be given special focus in 2019. These programs will be delivered *via* e-learning modules and classroom-based training.

### 2.3.1.3 Increasing employee engagement

#### People IN!

Any action in terms of engagement begins with listening to employees. As a result, a global internal survey, People IN!, was launched in October 2018. The survey comprised an assessment based on an overall score and 25 questions in three areas: Ingenico in general and the way its employees perceive the Company and its strategy, their interactions with their managers and, lastly, the working environment. More than 6,000 employees responded to the survey, a participation rate of 71%. This high level of participation is indicative of a desire to be involved in helping to progress the Company and shape its future.

Three positives came out of the survey. Ingenico Group is perceived as an employer that encourages equal opportunity by 72% of employees; they understand how they contribute to the implementation of its strategy; and they feel they receive constructive feedback from their manager. Among the areas of improvement mentioned, there was dissatisfaction with regard to resources to perform the work requested, the Company's systems, tools and processes, and in terms of the competitiveness of compensation compared with the market.

A number of measures will be taken at global and local levels in 2019 to meet employees' expectations as expressed in this survey.

Action plans will be implemented at the start of 2019 and another survey will be conducted in mid- to late 2019 to measure the change in employee engagement.

#### Internal communication

In order to involve its employees in its overall strategy, Ingenico Group is committed to developing regular, transparent internal communication. Numerous initiatives have been launched to boost the sharing of information with all employees.

Launched in June 2017, the Skyway global intranet indicates a desire to encourage cross-functional cooperation and to disseminate Group corporate culture more effectively. It pools all Group news related to its businesses and its organization; it brings together all employees and facilitates the integration of employees resulting from acquisitions. Its content was developed in 2018 with new pages to introduce the teams and dedicated sites at the local level, particularly for the United Kingdom and the Retail Business Unit. In 2018, Skyway focused on increased communication from Ingenico Group's Executive Committee to support employees during a period of major change for the Company. The intention is to extend this approach further in 2019 with plenty of videos. Skyway is also a collaborative work space that pulls together many applications, including a space for sharing documents and joint drafting with eShare.

Regular information and dialog meetings (Townhall sessions) are also held in a number of Group entities, for sharing the Company's plans and results. In Germany, a managers' circle meets each month to keep employees informed and engage them in the strategy. In Australia, monthly PacChats are arranged to present new business solutions to all employees.

A weekly newsletter (Week Starter) aimed at disseminating the main internal and market news was distributed to all employees of the Retail BU in 2018 and will be sent to all employees in 2019.

#### Community outreach events and initiatives

Ingenico Group takes a variety of actions to develop its employees' engagement, including team-building activities, sporting events, and annual dinners.

In addition to these regular events promoting fellowship and team spirit, Ingenico Group encourages community outreach initiatives, which, as well as having a positive societal impact, help strengthen employees' feeling of belonging. Charity collections are arranged regularly, particularly in the UK and Australia, while in the United States employees gave their time in 2018 to serve a Thanksgiving dinner and to help build houses for the homeless, in support of the Habitat for Humanity association. In France, employees wishing to participate in the national collection for *Restos du Cœur* (a charity providing hot meals) were offered a half-day's volunteering, helping the charity to supplement supplies and provide recipients with more varied, balanced meals.

Furthermore, Ingenico Group offers the "Salary rounding" system, which enables employees in France to support charities of their choice. In 2018, the Group held its first-ever Giving Week, an event dedicated to generosity and solidarity. The number of registrations for Salary rounding increased by 75% as a result of the campaign conducted by a selection of ambassadors during this week.

Ingenico Group has also been committed to equal opportunity alongside the NQT association (*Nos Quartiers ont des Talents – our neighborhoods have got talent*) since 2016, working with it to encourage Ingenico employees to sponsor young graduates from disadvantaged areas by providing them with support to find their first job. This year, 12 mentees were monitored by 8 mentors and 7 people took part in a coaching workshop within the Group.

## 2.3.2 A dynamic workforce for a dynamic Group

Ingenico Group continues to grow internationally. This expansion is reflected by strong growth in its workforce – from 2,830 employees in 2010 to 7,840 employees across 46 countries at the end of 2018.

### Total headcount per country (permanent employees and fixed-term contracts)

With 88 nationalities represented in its workforce, Ingenico Group boasts a highly diverse talent pool as a result of the increasing internationalization of its business.

At the end of 2018, the Group's total workforce stood at 7,840. Following the acquisition of Airlink, Taiwan now appears in the top 20 countries with the most employees.

| | 2016 | | 2017 | | 2018 | |
|---|---|---|---|---|---|---|
| **Location** | **Total** | **%** | **Total** | **%** | **Total** | **%** |
| China | 1,798 | 26.2% | 1,773 | 22.2% | 1,521 | 19.4% |
| France | 1,043 | 15.2% | 1,043 | 13.0% | 1,007 | 12.8% |
| Germany | 554 | 8.1% | 527 | 6.6% | 531 | 6.8% |
| India | 173 | 2.5% | 532 | 6.6% | 494 | 6.3% |
| United Kingdom | 388 | 5.7% | 463 | 5.8% | 485 | 6.2% |
| Netherlands | 485 | 7.1% | 479 | 6.0% | 449 | 5.7% |
| United States | 381 | 5.6% | 377 | 4.7% | 410 | 5.2% |
| Belgium | 347 | 5.1% | 331 | 4.1% | 311 | 4.0% |
| Australia | 75 | 1.1% | 289 | 3.6% | 290 | 3.7% |
| Sweden | - | - | 253 | 3.2% | 266 | 3.4% |
| Canada | 100 | 1.5% | 223 | 2.8% | 217 | 2.8% |
| Turkey | 157 | 2.3% | 169 | 2.1% | 166 | 2.1% |
| Italy | 144 | 2.1% | 167 | 2.1% | 155 | 2.0% |
| Spain | 129 | 1.9% | 155 | 1.9% | 148 | 1.9% |
| Russian Federation | 180 | 2.6% | 174 | 2.2% | 145 | 1.8% |
| Singapore | 131 | 1.9% | 140 | 1.7% | 131 | 1.7% |
| Brazil | 151 | 2.2% | 115 | 1.4% | 127 | 1.6% |
| Taiwan | - | - | - | - | 113 | 1.4% |
| Thailand | 96 | 1.4% | 93 | 1.2% | 113 | 1.4% |
| Indonesia | 125 | 1.8% | 104 | 1.3% | 94 | 1.2% |
| Mexico | 50 | 0.7% | 59 | 0.7% | 92 | 1.2% |
| Denmark | - | - | 80 | 1.0% | 64 | 0.8% |
| Philippines | 59 | 0.9% | 51 | 0.6% | 64 | 0.8% |
| Switzerland | 7 | 0.1% | 54 | 0.7% | 61 | 0.8% |
| Malaysia | 71 | 1.0% | 53 | 0.7% | 59 | 0.8% |
| Others | 209 | 3.0% | 299 | 3.7% | 327 | 4.2% |
| **TOTAL** | **6,853** | **100%** | **8,003** | **100%** | **7,840** | **100%** |

### Workforce at December 31, 2018 (breakdown between permanent and fixed-term contracts)

| | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Permanent** | **Fixed-term** | **Total** | **Permanent** | **Fixed-term** | **Total** | **Permanent** | **Fixed-term** | **Total** |
| Banks & Acquirers | 2,863 | 454 | 3,317 | 3,636 | 263 | 3,899 | 3,721 | 129 | 3,850 |
| Retail | 2,019 | 83 | 2,102 | 2,575 | 132 | 2,707 | 2,359 | 145 | 2,504 |
| NAR | 381 | 6 | 387 | 387 | 47 | 434 | 499 | 7 | 506 |
| Corporate functions | 973 | 74 | 1,047 | 917 | 46 | 963 | 915 | 65 | 980 |
| **TOTAL** | **6,236** | **617** | **6,853** | **7,515** | **488** | **8,003** | **7,494** | **346** | **7,840** |

## 2.3.3 Talent recruitment and retention

### 2.3.3.1 Recruitment policy

The Group is employing a variety of methods to ensure that Ingenico's recruitment policy is effective, including IT tools, communications *via* social media, cooptation, and partnerships with universities and schools. These measures enable Ingenico Group to recruit the best talent in the Fintech sector worldwide.

### 2.3.3.2 Hiring and departures

- **Hiring**

In 2018, workforces from acquisitions represented 6.4% of hiring.

| | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Permanent | Fixed-term | Total | Permanent | Fixed-term | Total | Permanent | Fixed-term | Total |
| Banks & Acquirers | 831 | 192 | 1,023 | 1,035 | 109 | 1,144 | 657 | 124 | 781 |
| Retail | 383 | 91 | 474 | 741 | 128 | 869 | 481 | 132 | 613 |
| NAR | 59 | 5 | 64 | 59 | 57 | 116 | 115 | 6 | 121 |
| Corporate functions | 223 | 74 | 297 | 231 | 67 | 298 | 172 | 82 | 254 |
| **TOTAL** | **1,496** | **362** | **1,858** | **2,066** | **361** | **2,427** | **1,425** | **344** | **1,769** |

- **Departures**

| | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Permanent | Fixed-term | Total | Permanent | Fixed-term | Total | Permanent | Fixed-term | Total |
| Banks & Acquirers | 340 | 112 | 452 | 478 | 112 | 590 | 638 | 285 | 923 |
| Retail | 214 | 40 | 254 | 303 | 37 | 340 | 578 | 65 | 643 |
| NAR | 45 | | 45 | 59 | 11 | 70 | 53 | 6 | 59 |
| Corporate functions | 139 | 48 | 187 | 189 | 80 | 269 | 245 | 50 | 295 |
| **TOTAL** | **738** | **200** | **938** | **1,029** | **240** | **1,269** | **1,514** | **406** | **1,920** |

- **Reasons for leaving**

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| Resignation | 458 | 766 | 1,259 |
| Dismissal | 110 | 122 | 187 |
| End of fixed-term contract | 247 | 189 | 183 |
| Disposal | - | - | - |
| Mutual agreement | 32 | 94 | 113 |
| Redundancies | 17 | 47 | 99 |
| End of probationary period (by employer) | 18 | 17 | 29 |
| Retirement | 11 | 12 | 22 |
| All others | 18 | 22 | 28 |
| **TOTAL** | **911** | **1,269** | **1,920** |

### 2.3.3.3 Talent retention

Ingenico Group focuses particular attention on retaining its talent. A number of measures are in place to foster employee retention: work/life balance, competitive compensation and benefits, flexible working environment, training, etc. The annual review process, conducted with 6,608 employees in 2018, allows the Group to listen to employees and ensure that their motivation and involvement is maintained throughout their career. The "continuous performance approach" module in the new PeopleDay tool helps employees to communicate regularly with their manager throughout the year, so that priorities can be adjusted in response to current events. Apart from dialog with their manager, employees can now give and receive assessments to/from other internal stakeholders, giving them a clearer understanding of their work and ensuring more regular dialog between the different teams.

In the context of a highly competitive sector and despite these efforts, the voluntary turnover rate[(1)] increased in 2018 to reach 12.3%, *versus* 8.73% in 2017. This increase is explained primarily by the growing demand for talent in the areas of High-tech and Fintech and by the difficulty of integrating employees resulting from acquisitions.

The People IN! survey conducted in 2018 (see 2.3.1.3), aims to address this issue of engagement and retention.

## 2.3.4 Optimal working conditions

### 2.3.4.1 Organization of working hours

- **Breakdown of full-time and part-time contracts**

The percentage of part-time staff remained stable between 2017 and 2018, representing 2.9% of the Group's total workforce in 2018.

| | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Full-time | Part-time | Total | Full-time | Part-time | Total | Full-time | Part-time | Total |
| Banks & Acquirers | 3,276 | 41 | 3,317 | 3,846 | 53 | 3,899 | 3,770 | 80 | 3,850 |
| Retail | 1,984 | 118 | 2,102 | 2,567 | 140 | 2,707 | 2,399 | 105 | 2,504 |
| NAR | 386 | 1 | 387 | 433 | 1 | 434 | 505 | 1 | 506 |
| Corporate functions | 991 | 56 | 1,047 | 898 | 65 | 963 | 936 | 44 | 980 |
| **TOTAL** | **6,637** | **216** | **6,853** | **7,744** | **259** | **8,003** | **7,610** | **230** | **7,840** |
| | **96.8%** | **3.2%** | **100.0%** | **96.8%** | **3.2%** | **100.0%** | **97.1%** | **2.9%** | **100.0%** |

- **Temporary workers and outsourcing**

In 2018, the number of outsourced and temporary workers totaled 1,895 FTE (full-time equivalent employees). The bulk of the work that is outsourced consists of application development, call center, maintenance and repair work.

| | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Outsourced workers | Temporary workers | Total | Outsourced workers | Temporary workers | Total | Outsourced workers | Temporary workers | Total |
| Banks & Acquirers | 428 | 69 | 497 | 806 | 243 | 1,049 | 847 | 146 | 993 |
| Retail | 198 | 273 | 471 | 225 | 179 | 403 | 226 | 294 | 520 |
| NAR | 159 | 64 | 224 | 133 | 108 | 241 | 103 | 115 | 217 |
| Corporate functions | 102 | 31 | 133 | 119 | 16 | 135 | 135 | 30 | 165 |
| **TOTAL** | **887** | **437** | **1,324** | **1,283** | **546** | **1,829** | **1,311** | **585** | **1,895** |

*(1) Total number of resignations divided by the average number of permanent employees over the whole year.*

### 2.3.4.2 Health and safety

Ingenico pays special attention to the health and safety of its employees.

26% of Group entities have a dedicated Health and Safety Committee. Through specific measures, these committees help to protect the health and safety of employees and so improve working conditions.

#### Health

Most entities offer full medical examinations for all their employees.

In France, collective bargaining agreements on health and welfare costs are in place. In China, employees have access to sickness insurance, including for industrial injuries, and supplementary insurance for salespeople.

Psychosocial risks are subject to particular attention. Several countries have implemented specific initiatives aimed at prevention, such as in Belgium with the Corporate Vitality program launched in 2015, and in the United Kingdom with the Employee Assistance Program. Nordic countries consider work-related stress and fatigue as occupational illnesses.

In accordance with the European regulations on the prevention of risks of employee exposure to electromagnetic fields, several European countries have assessed or planned to assess these risks. This is the case in France, Italy, the United Kingdom, Latvia and Germany.

Well-being initiatives have been rolled out in a number of Group entities and include sponsored races, training, and provision of fruit baskets.

The Group recorded an absenteeism rate of 2.11% in 2018, compared with 2.27% for 2017 and 1.96% in 2016. In 2018, 54 occupational accidents, of which 29.6% were road traffic accidents, and 13 occupational illnesses were recorded at Group level.

#### Safety

To ensure the safety of employees, the Group's entities carry out evacuation exercises, make first aid training available and conduct on-site safety audits.

In Mexico, a country regularly affected by earthquakes, Ingenico Group employees took part in preventive protection exercises against potential earthquakes. These exercises are also conducted in Canada. In the United States, a response team was set up to take appropriate action in the event of fire, an employee heart attack or intrusion of a gunman into the premises.

#### Management of employees in exceptional situations

The Group has a crisis management procedure to inform employees and allow them to take the necessary measures in the event of a major incident by using specific communication tools.

Exceptional circumstances in France in 2018 (extended transport strike, Seine flood risk) necessitated the implementation of advance notification and the activation of a toll-free number to plan ahead for potential impacts on employees and on business continuity.

An update of the business continuity plan and regular drills help to validate the new safety measures. This procedure, which has been integrated into Ingenico Group's management system, received ISO 22301[1] certification following an external audit.

### 2.3.4.3 Development of telecommuting

The Group continues to develop and support telecommuting on a part-time basis, which enables its employees who can work in this way to achieve a work-life balance. Currently, 58% of the Group's entities give their employees the opportunity to work remotely. In 2018, 398 employees on average used telecommuting every month, showing a stable situation since 2017.

In France, the charter relating to telecommuting, which entered into force in 2013, was revised in 2017 to relax the conditions of telecommuting for employees and to simplify the administrative processing of requests. In some entities, such as in the UK, Canada and Russia, there is no telecommuting policy in place. Employees may, however, be authorized by their manager to work from home. Several entities have planned to implement a telecommuting policy during 2019. These include the United States, Germany and entities in the Nordic countries.

### 2.3.4.4 Employee compensation and recognition

Because its people are crucial to Ingenico Group's success, its compensation policy aims to support their commitment, recognize their individual and collective contributions, win their loyalty, and attract new talents.

To sustainably support this dynamic approach, the Group's overall compensation policy is based on several core principles:

- a competitive and fair compensation policy based on a tailored job evaluation and classification system. In each of the Group's entities and countries of operation, compensation packages are benchmarked annually with Ingenico Group's market and calibrated in-house in order to assess and ensure fairness of pay within the Group;
- a compensation policy that aims to support and recognize employees' contributions to the Group's performance. This is achieved through annual pay review campaigns and a bonus policy governing the process for the setting and achievement of annual individual and collective objectives;
- a responsible compensation policy that aims to offer welfare benefits for all Group employees in line with local practices and regulations.

*(1) "Scope of application: business continuity management for the production of payment terminals and associated support, the provision of services and associated support, and the cross-functional activities of the head office."*

In most countries, these three core principles are tailored to local parameters and markets, such as social legislation and legal developments, as well as the economic conditions, the labor market and competition.

This policy is reinforced by an expanding communications approach aimed at helping employees to clearly identify and understand each component of their compensation.

Since 2015, all employees in France receive an individualized report in which their total compensation is broken down and explained. Through its communications, the Group also aims to make employees aware of various employment-related issues, such as health, benefits and retirement, and to encourage their use of all the tools available to them.

Payroll costs are shown in Note 6 "Employee benefits" to the consolidated financial statements at December 31, 2018.

#### 2.3.4.5 Social dialogue

In accordance with its code of ethics and business conduct, the Group observes the principle of freedom of association and staff representation, whether by direct representation or through unions. It promotes constructive dialog with employee representatives and unions, based on mutual respect, responsibility, and the keeping of commitments.

A number of Group subsidiaries have active employee representative bodies, such as "works councils", which cover 34% of Ingenico Group's total workforce, or union representatives, which cover a total of 42% of the Group's workforce.

Collective bargaining agreements are in place in France, Germany, Spain, Italy, India, Brazil, the Netherlands, and Sweden, representing 30% of the Group's workforce. In the main, these agreements cover employment conditions: working hours and profiles, paid leave and public holidays, the minimum wage, incentive programs, etc.

In France, 9 collective agreements were signed in 2018 (7 in 2017 and 17 in 2016).

Together, these collective bargaining agreements are investments that help to improve employees' working conditions and the Company's performance.

A significant impact of these agreements was noted in Brazil especially, with an improvement in employee compensation.

The Bambora entity in Sweden has seen positive impacts on salaries, working hours and leave as a result of collective agreements. There has been no negative impact on the business performance of the entity in comparison with the Bambora entities where no such agreements have been implemented.

In France, the GPEC (*gestion prévisionnelle des emplois et compétences* – forward jobs and skills management) agreement signed in 2018 and valid for a period of three years, provides Ingenico Group with a structural framework intended to anticipate the expected changes to the Company's business, support business transformation, minimize the impacts on employment and ensure the development of skills. A special morning was organized to tell employees about this agreement and its consequences.

## 2.3.5 Promotion of diversity

#### 2.3.5.1 Anti-Discrimination practices

Ingenico Group has put in place a code of ethics and business conduct which formalizes the core guidelines common to all Group entities. This code is based in particular on equal opportunity on the basis of merit and skill, and the prohibition of discrimination. By adhering to these principles, Ingenico Group is able to provide its employees with a fair and safe working environment.

The Group's subsidiaries use these guidelines to implement local initiatives, such as the introduction of policies specific to the fight against all forms of discrimination and promoting equal opportunity. The fight against discrimination is also highlighted within several entities *via* Employee Handbooks distributed to employees which set out the procedure to be followed to notify a case of harassment or discrimination within the entity. Others have introduced training to prevent the risks of discrimination and harassment, as well as formal complaint procedures.

Some Group entities offer employees the opportunity to consult dedicated people, as in Germany with the appointment of a legal representative on fair treatment, or the Netherlands with the existence of an external adviser acting in total confidentiality. Although it is not the language of the country where the Company is based, the designation of English as the language used within the various entities of Bambora encourages the inclusion of all employees. In fact, it makes inclusion easier for new employees who do not necessarily speak the local language fluently, while facilitating dialog between the various entities. In the United States, a positive discrimination plan has been implemented.

In general, the Group endeavors to create all the conditions of an environment encouraging integration and preventing any discriminatory practices.

In the Netherlands, for example, diversity awareness sessions are conducted for young employees. In Germany, employees have to read and acknowledge receipt of a document relating to the law on equal treatment (*Allgemeines Gleichbehandlungsgesetz*).

In 2017, the Economic and Social Unit (UES Ingenico in France) signed an agreement promoting the integration, retention and development of disabled persons. This agreement involves actions in four specific areas: recruitment, job retention, training and awareness, as well as stronger collaboration with the protected and disability-adapted sector. Several awareness activities were conducted during the course of Learning Week 2018, to provide information on and talk about the subject of access and the continuing employment of disabled persons.

In other Group entities, actions are also undertaken to encourage the integration of disabled persons into the world of employment: implementation of partnerships with specific providers, allowing the easier integration of disabled persons, provision of adapted workstations and deployment of action plans to encourage the employment of disabled persons, such as in the United States, where job offers are published on sites specifically for disabled people.

In 2018, there were 60 disabled persons in the Group's workforce (excluding entities with fewer than 16 employees). In France, the percentage of disabled persons rose to 1.81% of the workforce in 2018, compared with 1.2% in 2016.

## Workforce by age range

The average age of Group employees is 38.2, a figure that is relatively stable year-on-year.

| | 2016 | | | | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <30 | 30 & 50 | >50 | Total | <30 | 30 & 50 | ≥50 | Total | <30 | 30 & 50 | ≥50 | Total |
| Banks & Acquirers | 1,229 | 1,862 | 226 | 3,317 | 1,290 | 2,321 | 288 | 3,899 | 1,005 | 2,395 | 450 | 3,850 |
| Retail | 292 | 1,473 | 337 | 2,102 | 447 | 1,807 | 453 | 2,707 | 525 | 1,668 | 311 | 2,504 |
| NAR | 67 | 220 | 100 | 387 | 64 | 238 | 132 | 434 | 65 | 280 | 161 | 506 |
| Corporate functions | 179 | 707 | 161 | 1,047 | 136 | 676 | 151 | 963 | 148 | 679 | 153 | 980 |
| **TOTAL** | **1,767** | **4,262** | **824** | **6,853** | **1,937** | **5,042** | **1,024** | **8,003** | **1,743** | **5,022** | **1,075** | **7,840** |
| | **25.8%** | **62.2%** | **12.0%** | **100%** | **24.2%** | **63.0%** | **12.8%** | **100%** | **22.2%** | **64.1%** | **13.7%** | **100.0%** |

## Workforce by age range and by type of contract

| | 2016 | | | | | | 2017 | | | | | | 2018 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | <30 | | >30 to <50 | | >50 | | <30 | | >30 to <50 | | >50 | | <30 | | >30 to <50 | | >50 | |
| Banks & Acquirers | 1,037 | 192 | 1,603 | 259 | 223 | 3 | 1,199 | 91 | 2,151 | 170 | 286 | 2 | 949 | 56 | 2,344 | 51 | 428 | 22 |
| Retail | 251 | 41 | 1,435 | 38 | 333 | 4 | 387 | 60 | 1,748 | 59 | 440 | 13 | 461 | 64 | 1,592 | 76 | 306 | 5 |
| NAR | 66 | 1 | 217 | 3 | 98 | 2 | 60 | 4 | 216 | 22 | 111 | 21 | 64 | 1 | 277 | 3 | 158 | 3 |
| Corporate functions | 134 | 45 | 682 | 25 | 157 | 4 | 107 | 29 | 664 | 12 | 146 | 5 | 106 | 42 | 660 | 19 | 149 | 4 |
| **TOTAL** | **1,488** | **279** | **3,937** | **325** | **811** | **13** | **1,753** | **184** | **4,779** | **263** | **983** | **41** | **1,580** | **163** | **4,873** | **149** | **1,041** | **34** |
| | **84%** | **16%** | **92%** | **8%** | **98%** | **2%** | **91%** | **9%** | **95%** | **5%** | **96%** | **4%** | **91%** | **9%** | **97%** | **3%** | **97%** | **3%** |
| | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | |

Permanent   Fixed-term

### 2.3.5.2 Efforts to promote gender equality at work

In a highly technical business sector, where men are traditionally over-represented, Ingenico Group is promoting professional gender equality (SDG 5[1]) through a variety of initiatives.

In 2018, Ingenico Group joined the Equileap world ranking of the 200 most active companies in the field of gender equality. This recognition encourages the Group to continue its efforts to foster gender equality through actions such as its partnership with Women in Payments, a network that promotes and participates in the development of female leadership in the payment sector.

Ingenico Group strives to create the conditions for an even better representation of women in its workforce, and initiatives are being developed to this end at Group entities and around the world. These initiatives focus on recruitment, career advancement, compensation, and work-life balance.

By way of example, the Chinese entity encourages increased numbers of women on research and development teams. In Taiwan, a room is available for female employees to breastfeed and a contract is in place with a nursery close to the workplace to assist with daycare for young children. In France, Ingenico Group is a partner of the *Elles Bougent* association, which aims to encourage young girls to consider careers in the scientific and technology sectors. In 2018, seven Ingenico employees acted as sponsors, providing support to young girls. A joint development initiative for women wishing to develop as leaders was also launched.

In 2018, the percentage of women on the Executive Committee was 57%.

#### Workforce by gender

The number of women remained stable between 2017 and 2018 at 29.8% of the total workforce, and was close to parity within Corporate Functions (women 47.4% – men 52.6%). The difference between the number of women in top management positions and the number of women in the total workforce is 5%.

| | 2016 | | | 2017 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Women | Men | Total | Women | Men | Total | Women | Men | Total |
| Banks & Acquirers | 808 | 2,509 | 3,317 | 944 | 2,955 | 3,899 | 958 | 2,892 | 3,850 |
| Retail | 639 | 1,463 | 2,102 | 852 | 1,855 | 2,707 | 732 | 1,772 | 2,504 |
| Nar | 106 | 281 | 387 | 138 | 296 | 434 | 180 | 326 | 506 |
| Corporate functions | 491 | 556 | 1,047 | 461 | 502 | 963 | 464 | 516 | 980 |
| **TOTAL** | **2,044** | **4,809** | **6,853** | **2,395** | **5,608** | **8,003** | **2,334** | **5,506** | **7,840** |
| | **29.8%** | **70.2%** | **100%** | **29.9%** | **70.1%** | **100%** | **29.8%** | **70.2%** | **100.0%** |

#### Workforce by gender and by type of contract

| | 2016 | | | | 2017 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Women | | Men | | Women | | Men | | Women | | Men | |
| | Permanent | Fixed-term | Permanent | Fixed-term | Permanent | Fixed-term | Permanent | Fixed-term | Permanent | Fixed-term | Permanent | Fixed-term |
| Banks & Acquirers | 581 | 227 | 2,282 | 227 | 796 | 148 | 2,840 | 115 | 911 | 47 | 2,810 | 82 |
| Retail | 602 | 37 | 1,417 | 46 | 790 | 62 | 1,785 | 70 | 665 | 67 | 1,694 | 78 |
| Nar | 106 | | 275 | 6 | 110 | 28 | 277 | 19 | 177 | 3 | 322 | 4 |
| Corporate functions | 454 | 37 | 519 | 37 | 441 | 20 | 476 | 26 | 429 | 35 | 486 | 30 |
| **TOTAL** | **1,743** | **301** | **4,493** | **316** | **2,137** | **258** | **5,378** | **230** | **2,182** | **152** | **5,312** | **194** |
| | **85%** | **15%** | **93%** | **7%** | **89%** | **11%** | **96%** | **4%** | **93%** | **7%** | **96%** | **4%** |
| | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | | **100%** | |

*(1) For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

# 2.4 INGENICO GROUP'S CONTRIBUTION TO SOCIETY

- **Key indicators 2018**

| | | | |
|---|---|---|---|
| Code of Ethics translated into **12** languages and accessible to **100%** of employees on Skyway | **€137** million collected for charity using our payment solutions | **87%** of strategic components suppliers have signed the CSR agreement or are members of the RBA | **100%** of Ingenico components suppliers have been assessed with regard to traceability of the origins of minerals |

As a global company growing in influence and impact, Ingenico Group is increasingly committed to managing the societal impacts that stem from its operations, products and business relationships.

In a constantly changing and complex ecosystem, not only does the Group have to face a number of societal risks but it must also make the most of any opportunity that will enable it to evolve in a sustainable way. As a responsible corporate citizen, Ingenico Group seeks to maintain and enhance professional ethics, prevent corruption and respect human rights, both in terms of its own business activities and within its supply chain. Some of its activities expose Ingenico Group to risks associated with both the security of its information and the safety of its products. It must prevent security breaches and ensure the protection of personal data. It must also guarantee that its products have no adverse effects on the health of their users. In order for the Group to fulfill its ambition to become the global leader in omnichannel payment acceptance, it needs to meet the expectations of its various stakeholders and adapt to its environment, by taking into consideration the specific characteristics of certain local markets.

To meet these challenges, in 2018 the Group continued to develop its policies in the following areas:

- business ethics;
- ensuring the protection of personal data;
- ensuring the safety of its products and solutions;
- developing responsible practices within its supply chain;
- engaging stakeholders.

These policies and the actions taken as a result of them are set out below.

## 2.4.1 Promoting ethics and combating corruption

Ingenico Group is committed to ensuring that all its operations are conducted with honesty and integrity, and in compliance with applicable laws and regulations, in particular in terms of combating corruption (SDG 1[1]). This approach is subject to special attention by the Board of Directors and its Committees.

### 2.4.1.1 Business ethics

In addition to meeting its purely regulatory obligations, including those relating to the fight against money laundering and the financing of terrorism in its regulated entities, the Group's scrupulous ethical commitments are laid out in its code of ethics and business conduct[2], which is designed to create common principles that comply with all applicable laws and regulations. This is made available to all Ingenico Group employees in all the countries in which it operates. The code of ethics and business conduct, which includes a new preface by Nicolas Huss, Chief Executive Officer of Ingenico Group, is accessible to all employees *via* the Group's intranet and to third parties *via* the website.

For Ingenico Group, it is vital that its rigorous ethical culture is fully understood and put into practice throughout the Group. That is why the code of ethics and business conduct is available in 12 languages, accounting for most of those used by the Group's employees: French, English, Chinese, Spanish, Turkish, German, Dutch, Russian, Portuguese, Italian, Indonesian and Japanese.

The code of ethics and business conduct focuses on key principles that are based on texts and standards such as the Universal Declaration of Human Rights and the United Nations Global Compact, relating to environmental protection, its employees' fundamental rights (equal opportunities, prohibition on harassment and on child and forced labor, occupational health and safety, freedom of association, and collective bargaining), prohibiting any form of corruption and good corporate governance rules.

The code is the tool by which the Group aims to influence its entire ecosystem, and it sets out the standards the Group expects, not only from its own employees, but also from the third parties with whom it works. In the majority of entities, Group suppliers are required to accept the code of ethics and business conduct before they can be listed.

Potential breaches of the code of ethics and business conduct can be identified using a reporting procedure that is available to all employees or stakeholders in the Group who want to raise an issue, doubt or grievance with regard to this code (reporting hotline). This reporting hotline arrangement complements any local whistle-blowing procedures. The Group is committed to handling any reported incidents confidentially and equitably, and in accordance with the relevant legislation.

(1) *For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

(2) *https://www.ingenico.com/press-and-publications/library/code-of-ethics.html*

As a result of an internal communication campaign regarding the Group's ethics reporting hotline that used newsletters, posters and a dedicated page on the Group intranet, the number of reports increased slightly in 2018, and all cases have been processed.

Collaborative tools have also been rolled out to promote the Code, establish a Group-wide culture and facilitate the process for escalating information on the topics it covers. The code of ethics and business conduct is available on the Group intranet and website. An internal communications campaign specifically for the reporting hotline was launched in 2018, and various management teams received "ethics and compliance" training.

The code of ethics and business conduct will be updated in 2019 to reflect the action taken following the anti-corruption risk mapping exercise conducted in accordance with the provisions of the Sapin 2 law.

The gifts and hospitality policy has been updated to enhance employees' understanding, in line with the Sapin 2 law.

The principles set out in the code of ethics and business conduct and its associated policies, such as the gifts and hospitality policy, are covered in e-learning and/or classroom-based training courses.

The fight against corruption is one of the Group's top priorities. It conducted an anti-corruption risk mapping exercise which formed the basis for a range of measures to strengthen its anti-corruption efforts.

In 2018, the Compliance function delivered sessions to raise awareness and provide training in ethics and combating corruption for staff at particular risk, such as the Management Committees of the two Business Units, all the Sales teams of the Banks & Acquirers BU, the management of the Human Resources Department, and the management and key functions of countries such as Russia, India and Mexico. This training will be updated on an ongoing basis throughout 2019 so that it reflects the corruption risk mapping as closely as possible.

### 2.4.1.2 Other initiatives promoting ethical practices

In addition to the Group's code of ethics and business conduct, some entities have introduced measures tailored to the specific requirements of their local environment, such as external whistle-blowing hotlines in countries where this is permitted, or training programs on specific issues in high-risk countries, such as India, where employees receive training regarding sexual harassment at work. Apart from dedicated training programs, committees have been set up in each indian entity to combat the sexual harassment of women in the workplace in accordance with local regulations.

Within the ePayments Division, since 2015, all employees have been required to enroll in and complete a certain number of e-learning courses each year on various topics including the fight against money laundering, corruption, and harassment. Employees, and also some suppliers, are offered training aimed at identifying and combating corruption and money laundering.

Bambora introduced an anti-money-laundering policy to meet the requirements of local regulations on money laundering and combating the financing of terrorism, and the Company fulfills the reporting requirements imposed on it since 2017 by the Swedish supervisory authority (the Finansinspektionen). It has also rolled out a number of awareness-raising initiatives to reduce risks in this area. Several training courses on this subject are delivered every year to targeted groups of people within the Company to increase awareness of the issues of money laundering and combating the financing of terrorism. Finally, employees are required to freeze any suspect transactions and contact the customer to ask for an explanation of the expenditure.

In China, Fujian Landi has set up an Anti-Fraud Committee, as well as a policy and hotline for reporting unethical or illegal practices, particularly for corruption-related issues. Similarly, in accordance with local legislation in Italy, an oversight body supervises the business model, in order to combat corruption.

Some entities have internal regulations or an employee handbook that set out employees' rights and obligations regarding ethics and working conditions. In addition to these various tools, the Canadian entity complies with legislation on the rights of the person (The Ontario Human Rights Code) and its own code of ethics.

Finally, an annual training course on combating discrimination and harassment has been mandatory for all employees in the United States since 2016.

All Group entities have access to a reporting hotline.

## 2.4.2 Tax transparency

As a group with a global reach, Ingenico Group operates in 49 countries and is subject to taxation in each jurisdiction.

On a local level, the Group's entities are, without exception, committed to ensuring compliance with tax legislation. For Ingenico Group, compliance means paying the right amount in the right jurisdiction at the right time. Part of this commitment involves the Group using tax incentives, relief and exemptions offered by the State, but only insofar as these comply with tax legislation.

When it comes to matters of taxation, such as transfer pricing, tax residency and the tax implications of the digital economy, the Group follows the provisions of double tax treaties and the OECD's tax guidelines, including those of the BEPS (base erosion and profit shifting) Project.

Given the complexity of the international tax environment, some degree of fiscal risk and uncertainty is inherent in the Group's business activities. It employs in-house tax specialists who work in close collaboration with all parts of the Company to manage these tax risks and tries to ensure its fiscal team is fully involved in any significant commercial developments, so that all the tax implications of its actions can be assessed in advance. External advice will be sought in the event of uncertainty or complexity.

Ingenico Group manages its tax affairs transparently and responsibly. The sole aim of undertaking tax planning that is in keeping with its economic and commercial activity is to create long-term economic value for its shareholders. Consequently, the Group does not engage in aggressive tax planning. This also means that it conducts itself with honesty and integrity in its dealings with the tax authorities and seeks to be transparent and cooperative in its relationship with them.

In 2018, tax payable was €54.7 million, with an effective tax rate of 21.5%.

## 2.4.3 Data privacy

As digital technology develops, it is essential that personal data is protected and individuals' privacy is respected (SDG 16[(1)]).

In 2018, the Group completed its Group-wide project to ensure compliance with the General Data Protection Regulation (GDPR), which aims to implement GDPR obligations and provides the opportunity to reinforce best practice regarding the protection of personal data within the Group.

A network of Data Privacy Officers is in place to finalize local implementation of the Group's measures, give advice on the regulatory requirements, raise awareness and provide training for employees.

In addition to a dedicated intranet page and classroom-based training, an eLearning program about GDPR has been rolled out to ensure employees have a basic understanding of data privacy issues.

The measures put in place for the purpose of ensuring compliance with the GDPR, including policies and procedures or standard documents, serve as a basis for the compliance measures required by other countries which have enacted similar rules and regulations, such as Brazil or Turkey, and make it possible for best practice to be disseminated consistently to raise awareness throughout the Group, for enhanced data privacy.

In the United Kingdom, training on the protection of personal data and respect for privacy was delivered to members of the Executive Committee and the Operations Division, information security impact assessments are also carried out, where appropriate, while in the Netherlands, all employees were given training on the protection of personal data.

## 2.4.4 Intellectual property

Respect for intellectual property rights was identified as a major issue for the Group's stakeholders. To ensure that the rights of third parties are guaranteed, whenever necessary, the Group conducts research on existing intellectual property and keeps a close watch over its portfolio. It has also implemented a system for actively monitoring these matters (see Chapter 1).

## 2.4.5 Information security

Information security is a key issue for Ingenico Group and has developed into a core concern for the Company (see Chapter 1). In a world where employees, customers, partners and even competitors from all over the world can collaborate in the commercial innovation process, security strategies and practices now have the power to reach or exceed major commercial objectives. To give security a more strategic role in commercial innovation, Ingenico Group focuses on both technical value and critical commercial processes. The Group has developed a process for assessing threats to cybersecurity, a company-focused risk assessment process and an evidence-based control assurance process. The Group assesses information security risks on a regular basis and implements standardized countermeasures to combat them (see Chapter 1.2.3). It has also rolled out security awareness training available as an e-learning module, which aims to identify the risks associated with information security and ensure that employees and partners are trained and are capable of providing the best line of defense to counter the risks associated with information security.

The Group's policy is to select only those data centers with ISO 27001 certification for managing information security. It is currently undertaking an inventory and intends thereafter to monitor the number of data centers that have obtained this certification.

*(1) For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

## 2.4.6 Protecting the health and safety of customers and users

To protect the health and safety of its customers and the end users of its solutions, Ingenico Group provides detailed user guides that include, for example, information on terminal emissions and voltage levels, in line with the regulations in force in the various countries.

Ingenico Group's environmental requirements for its suppliers and subcontractors concerning the composition of its terminals also help protect user health and safety. In particular, the Group ensures that its products do not contain dangerous substances, as defined by the European regulations regarding RoHS (Restriction of Hazardous Substances, which aims to limit the use of 10 hazardous substances) and REACH (Registration, Evaluation, Authorization of Chemicals, which aims to improve health protection and enhance knowledge regarding chemical substances).

In addition, Ingenico Group is committed to rigorously testing its products and applications, not only during the research and development phases, but also when terminals are sent for repair.

Training is provided on product health and safety, particularly for staff in customer contact centers.

In Canada, Ingenico Group's local health and safety policy also covers its customers and suppliers, in accordance with the Ontario Health & Safety Act.

In the United States, Ingenico Inc. has set up a Safety Committee, which is working on a set of measures, including a dedicated safety manual and safety visits.

Lastly, the safety measures in place at the Group's various sites enable the protection of both employees and visitors. In Belgium and Mexico, for instance, safety guidelines are provided to all visitors.

## 2.4.7 Solutions for financial transparency and inclusion

Ingenico Group develops electronic payment services to promote transparency and financial inclusion. By providing these services in a way that is secure, suited to the needs of local markets and widely accessible, the Group is helping governments to lay the foundations of social development.

### 2.4.7.1 Financial transparency solutions

The collection and redistribution of tax is essential to the development of a society. Without a secure, transparent and inclusive system, the State does not have the means to stimulate growth and redistribute its wealth. Ingenico Group's fiscal transparency solutions give national public institutions the means to efficiently manage the country's wealth, thereby contributing to the fight against fraud and the informal economy (SDGs 16 and 17).

#### Transparent, secure tax collection solutions

In order to ensure sustainable economic development, it is important that the State collects taxes from its citizens efficiently and limits the risk of fraud. By its very nature, electronic payment contributes to the reduction of fraud and illicit financial flows (SDG 16[(1)]). Ingenico Group has strengthened its commitment by launching solutions to improve the traceability of monetary transactions and the transparency of the financial system in line with governments' anti-fraud requirements, both in emerging economies and in G20 countries.

By way of an example, the solution designed for Turkey enables merchants' transactions to be reported to the tax authorities in real time. At the point of sale, the product supplied to merchants combines cash register, payment terminal and printer features. All the merchants' card or cash sales are stored indelibly in a fiscal memory and electronic sales register, enabling the authorities to have better control over financial transactions and combat VAT fraud. This development was introduced following the adoption in 2012 of a law requiring all merchants to have a payment terminal with a fiscal module connected *via* the internet to the Ministry of Finance. At the time, Radisson Blu Şişli Hotel, one of the nine Radisson Blu Hotels in Turkey, wanted to set up a payment solution that met the new legal requirements. Ingenico Group, therefore, worked with Radisson Blu to implement its iWE280 solution. Since this first initiative, Ingenico Group has extended its range of financial traceability solutions with a new product, the IDE280, to cover larger numbers of merchants. 28,000 terminals were distributed in 2018, bringing the number of installed terminals to over 225,000. The potential replacement market of two million devices highlights the stakes involved with such a solution for Turkey.

New solutions are expected to be deployed in other countries over the coming years, in line with the regulations adopted. Specifications for the automatic capture of tax data are being drawn up in Poland, Russia, Egypt, in DRC and Ghana.

Apart from providing assistance with the collection of VAT, Ingenico offers solutions for the efficient collection of one-off, specific taxes. The best illustration of this is the Group's long-term collaboration with its Kenyan partner, Tracom, on a tax collection solution in Nyeri County. This initiative was sponsored by Equity Bank and reinforces the emerging culture of electronic payments in the country. Agents equipped with Ingenico terminals and an app developed for the collection of fees and taxes (parking fees, property taxes, market stall fees, etc.) can now collect payments directly from taxpayers. This system enables better traceability of the funds collected and effective cost reduction thanks to its fully electronic process. In this way, residents can pay local government fees from their workplace, without wasting time commuting or waiting in line.

*(1) For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

### Solutions for secure, inclusive redistribution of tax collected

In order to ensure society shares in the benefits of domestic growth, the State must be just as stringent in the payment of social benefits. In Zambia, Ingenico Group and its partner Paycode have implemented a system for the payment of subsidies to farmers. Ingenico's biometric solution has enabled the Zambian government to pay $27.2 million in aid to almost 200,000 farmers. Once registered on the system, which simply requires a fingerprint, farmers can spend their allocation in a secure, closed-loop environment and make the investments necessary to increase their productivity. Ingenico developed a similar system in Iraq, in partnership with QiCard. It involves the production of biometric cards that, once they have registered, holders can use to transfer funds, withdraw cash, receive their pension from the State or their salary from their private sector employer *via* Ingenico biometric terminals. Thanks to the partnership with Mastercard, the second generation cards are even capable of making in-store EMV transactions. Since it was launched, this program has been a resounding success, helping to reduce fraud significantly, while widening access to the service. At the end of 2018, more than 6 million biometric cards were in circulation and Ingenico Group had equipped the branches of 12 banks operating in Iraq with 15,000 biometric terminals.

In Egypt, SMART has been helping the Egyptian government with the distribution of food subsidies for a number of years. Since 2018, the Company has joined forces with Ingenico Group to roll out several thousand Move/2500 terminals to merchants who are members of the scheme. The poorest Egyptians can use their SMART family card at these merchants' stores, to receive basic foodstuffs according to their needs, such as bread or milk. A PIN code is used for identification and the data is then sent to the government, which reimburses the amounts advanced by the merchants. Twenty-five million Egyptian families currently hold a family card, with an increasing number of products being covered and devices installed in 25,000 grocery stores across the country.

## 2.4.7.2 Solutions for financial inclusion

These solutions aim to provide all individual and business customers with access to lower-cost financial services appropriate to their needs. Significant progress has been made in recent years. According to the World Bank, in 2017, 69% of adults had access to a bank account or a mobile banking service, compared to 51% in 2011. However, 1.7 billion adults are currently still financially excluded[(1)]. Ingenico Group's financial inclusion solutions meet this need and provide these populations with the tools they need to conquer poverty (SDG 1[(2)]). More specifically, the Group's involvement is two-fold; it provides access to financial services (transfers, savings, loans) for hard-to-reach communities (people on low incomes, rural households, senior citizens) (SDGs 1 and 8) and it supports the development of micro-businesses by providing appropriate credit solutions (SDGs 8 and 9).

### Providing the unbanked with access to financial services

Since 2013, Ingenico Group and its partner eMoney have been working in West Africa to roll out a solution that offers access to low-cost, secure financial services to those on low incomes. This solution, which is installed on Ingenico's iWL mobile terminals, enables users to transfer money, pay bills and access banking services, as well as purchase mobile phone top-up credit. It has been launched in several countries including Benin, Ivory Coast, Burkina Faso, Niger, the Republic of the Congo (Brazzaville), Cameroon, Togo, and Guinea. Based on this solution, a roaming savings and account-opening service was also launched nearly four years ago in Cameroon, in partnership with a local microfinance institution (MFI).

In East Africa, Ingenico Group provides Branchless Banking technology for local banks looking to provide services in rural areas, through a network of "agents" who are recruited among local merchants and trained by the bank. Using a mobile device, "agents" can register new customers, activate their cards and enable customers to make deposits or withdraw money. This branchless banking solution is giving financially excluded people access to banking services in remote areas, at a lower cost, thereby overcoming the barriers of geographic access, basic financial knowledge and language.

FINANCIAL INCLUSION

### Supporting the development of micro businesses

In recent years, Ingenico Group has expanded its partnership with FINCA, an international institution that provides micro-credit services to help low-income populations to set up social enterprises. To mitigate the risk of fraud, FINCA has equipped its agents with Ingenico biometric terminals, which capture applicants' fingerprints when they apply for a loan and confirm their identities through a finger scan prior to the loan disbursement and at each repayment. This program is expanding rapidly in several African countries such as Malawi, Nigeria, Democratic Republic of the Congo, Tanzania, Uganda, and Zambia. As part of a similar initiative, Ingenico Group is working with FINACOM, a microfinance institution in Burkina Faso. The solution in use there relies on iWL mobile terminals connected to a secure platform that enables FINACOM agents to register new customers. These customers can then save, withdraw or deposit cash easily, thus developing their micro companies, if they so wish.

*(1) Global Findex Database 2017: https://globalfindex.worldbank.org/*

*(2) For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

## 2.4.8 Responsible purchasing

With more than €1 billion spent in 2018 with around 5,000 suppliers, managing responsible purchasing plays an essential role in Ingenico Group's social responsibility.

Ingenico Group expects all its suppliers to meet the requirements set out in its code of ethics and business conduct, including the prohibition on child and forced labor, occupational health and safety, environmental protection, and the prevention of fraud and corruption.

For several years now, the Group has been developing its approach to responsible procurement through its purchasing policy, evaluations and monitoring of its suppliers, incorporating environmental and social criteria at different stages of its supply chain management, in order to minimize the risks and maximize the opportunities it provides. In 2019, this incremental approach, which involves a number of internal and external stakeholders, will be formally documented in an action plan, which will include specific objectives.

### 2.4.8.1 Different types of purchasing

Ingenico Group's supply chain falls into two main categories: direct purchases or production purchases that are required for the manufacture of terminals, and indirect purchases that are not associated with product manufacturing.

#### 2.4.8.1.1 Direct purchases

Direct purchases accounted for expenditure of €625 million in 2018.

As the production of all its terminals is outsourced, Ingenico Group pays particular attention to the responsible management of its supply chain. By imposing social and environmental standards on its Tier 1 and Tier 2 suppliers, the Group is helping to create decent work and economic growth (SDG 8) and reduce the impact of its activities on the environment (SDGs 12 and 13)[1].

Apart from Landi and Healthcare, Ingenico Group's two Tier 1 suppliers, known as EMS (Electronic Manufacturing Services), responsible for assembling its payment terminals, are the US firm Jabil and Singapore-based Flex. These two companies have signed up to the code of conduct of the RBA (Responsible Business Alliance), thereby ensuring a supply chain that meets the highest standards in terms of the environment, labor rights and social justice in the electronics sector. These suppliers' assembly plants also have ISO 14001 environmental certification.

Upstream from this assembly chain, Ingenico Group works with a community of Tier 2 suppliers based primarily in Hong Kong, China, Taiwan, Vietnam, Thailand, Malaysia and Brazil to produce its various components. Ingenico Group expects these component suppliers to comply with the same standards that the Group sets for itself. These have been documented in a CSR agreement that all active components suppliers must sign. It stipulates Ingenico Group's expectations vis-à-vis its suppliers regarding labor and human rights, health and safety, environmental protection, ethics, and their internal organization with regard to these issues. It lays out the minimum requirements that all suppliers must meet when working with Ingenico Group. This agreement also requires suppliers to cascade the Group's requirements down their own supply chains. 110 strategic components suppliers to Ingenico Group have been required to sign this agreement (or provide proof of membership of the RBA). At December 31, 2018, 82% of these suppliers had signed the agreement and 5% had provided proof of membership of the RBA. This program will be extended to Landi's component suppliers from 2019.

#### 2.4.8.1.2 Indirect purchases

Amounting to approximately €450 million in 2018, they are essential to the proper functioning of the Group. Indirect procurement covers various goods and services, from IT or office equipment to the services of external consultants.

### 2.4.8.2 Responsible purchasing policy and risk mapping

In 2018, Ingenico Group created two key tools for the development of its approach to responsible procurement: a specific policy and a supply-chain risk mapping.

#### 2.4.8.2.1 Responsible purchasing policy

In 2018, Ingenico Group introduced a responsible purchasing policy, in keeping with its ambition of creating sustainable growth and value for all its stakeholders. It is built on five commitments:

- maintain fair relations with our suppliers;
- promote high labor and human rights standards through our supply chain;
- promote high environmental standards through our supply chain;
- promote high ethical standards through our supply chain;
- avoid conflict minerals and other controversial substances in our terminals.

In 2019, this policy, which is available online[2] for consultation by all stakeholders, will be shared with all employees in the Group, so that everyone can understand the responsible purchasing approach and apply its principles in their day-to-day activities, whether they are a buyer by profession or an occasional purchaser.

#### 2.4.8.2.2 Supply-chain risk mapping

Having completed initial work to map the supply-chain risks associated with modern slavery, mainly to comply with British legislation (the UK Modern Slavery Act), Ingenico Group decided to extend this work to encompass its entire supply chain and all CSR issues.

In partnership with EcoVadis, a specialist in supply-chain CSR, Ingenico Group has produced a risk mapping covering all of its suppliers. Two studies were carried out for this purpose: firstly, an in-depth analysis of direct purchases, *i.e.* 17 types of purchase and 228 suppliers, and a second analysis of indirect purchases, covering 78 different types of purchase. Various criteria were considered, including country risk, sector and the Group's level of dependence on specific suppliers.

*(1) For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

*(2) https://cdn.ingenico.com/binaries/content/assets/corporate-en/about-ingenico/responsible-purchasing-policy.pdf*

This mapping covers social, environmental and ethical risks and has several objectives. These include providing a better understanding of the supply chain and being in a position to prioritize the action to be taken, according to the risks and suppliers identified.

This initial analysis showed that the greatest risks relate to direct purchasing and that the priority is for action to be taken in respect of production suppliers.

## 2.4.8.3 Assessment and monitoring of suppliers

Various communication and assessment tools are used to manage CSR risk within the supply chain, depending on the level of monitoring required.

For several years, the Quality teams have carried out assessments and audits of production suppliers.

In 2018, Ingenico Group and EcoVadis introduced a more comprehensive approach to supplier assessment, which provided access to the assessment results of around 50 suppliers, therefore making it possible to understand their CSR performance. In 2019, the Group will arrange for the CSR performance of some suppliers to be assessed by EcoVadis, in the light of lessons learned from the risk mapping exercise conducted in 2018. Action will be taken in respect of suppliers whose rating is considered to be inadequate.

### 2.4.8.3.1 Terminal assembly

The Group's terminal assembly process has now been fully outsourced, including in China, where the production plant ceased operations in 2018.

Ingenico Group ensures rigorous control over the assembly plants of Jabil and Flex, the two suppliers responsible for the assembly of Ingenico terminals, and has dedicated teams of employees at the main sites in Brazil, Malaysia and Vietnam. Their role is to oversee the assembly lines on a daily basis and ensure that operations comply with the rules set forth by Ingenico Group. Their constant presence at the EMS production facilities allows dozens of audits to be completed per year. In addition, Ingenico Group's Industrial Operations Division and its Quality Department visit the various plants at least once every quarter. When practices that breach the Group's principles are identified, the supplier is immediately informed. This is followed by a process of discussions and the implementation of corrective actions.

In China, the EMS facilities that handle the assembly of Landi terminals are also ISO 14001-certified. Consequently, in 2018, all Ingenico Group terminals were once again assembled at industrial sites with ISO 14001 environmental certification.

### 2.4.8.3.2 Component manufacturing

In order to assess the CSR performance of all its Tier 2 suppliers (excluding Landi), Ingenico Group has developed an assessment questionnaire which includes social, environmental, ethical, health and safety criteria. In 2018, the Group launched an assessment campaign, asking its strategic suppliers to complete the questionnaire. At December 31, 2018, 74 out of 110 suppliers had been assessed.

The Quality Department continuously audits the various component suppliers around the world, when assessing potential new suppliers or launching new projects. Ten specific CSR points have been assessed as part of the audit process since 2018. The auditors check a number of points relating to working conditions, health and safety, the environment and ethics. Where non-compliance is identified, the supplier is asked to take remedial action. In 2018, a total of 34 audits covering CSR topics were carried out.

### 2.4.8.3.3 Sourcing of minerals

Ingenico Group seeks to increase the traceability of its supply chain beyond its Tier 2 suppliers. Specifically, the Group ensures that the minerals that go into its terminal components do not benefit armed groups that violate human rights in the Democratic Republic of the Congo and neighboring countries (conflict minerals).

As initially requested by certain customers in the context of the US Dodd-Frank Act, the Group periodically assesses the supply chain with regard to the origins of "3TG" minerals (tin, tantalum, tungsten, and gold) in its products. In 2018, this assessment, which was carried out in close collaboration with one of Ingenico Group's two EMS using the reporting tool provided by the RMI (Responsible Minerals Initiative), covered 100% of suppliers of the components used in Ingenico terminals and 98% of suppliers of the components used in Landi terminals (Tier 2 suppliers).

Aware that 3TG minerals are not the only ones subject to controversy, the Group wishes to strengthen its oversight of the source of substances that may be present in its terminals, such as cobalt, which is controversial due to the use of child labor and dangerous working conditions in some mines. Driven by the RBA and the RMI, a standardized reporting template for cobalt was made available, as a pilot, in 2018. Ingenico Group tested this template on its suppliers, where relevant. A more extensive risk assessment on the use of cobalt in its terminals may be conducted in 2019, once the RMI's pilot has been completed and its list of refiners drawn up.

The Group's responsible purchasing policy includes a dedicated section on minerals sourced from conflict zones and other controversial substances.

### 2.4.8.3.4 Integrity of service providers

Ingenico Group has set up an internal policy to check the integrity of its service providers, further strengthening the resources deployed to combat any illegal or unethical practices. Ingenico Group has set up an internal policy to check the integrity of its service providers, further strengthening the resources deployed to combat any illegal or unethical practices.

## 2.4.8.4 Local initiatives

With regard to indirect purchasing, a large number of entities in the Group have put in place reasonable due diligence measures: evaluation of potential suppliers, application of social and environmental criteria as part of the selection process (40% of the Group's entities), CSR agreements or clauses and audits. The intention is that these will be standardized gradually. Some examples of best practice are set out below.

In Germany, the Group risk assesses its biggest suppliers and new suppliers. Suppliers must also comply with the local procurement policy, which includes observing the principles of the United Nations Global Compact, the conventions of the International Labour Organization, and the Group's code of ethics.

In China, suppliers wishing to work with Fujian Landi have to complete a questionnaire that includes a section dedicated to social responsibility. These suppliers are thus evaluated on a number of criteria relating to the environment, health and safety, child labor, working conditions or fraud. This is also the case in the UK, where certain potential major suppliers have to complete an evaluation that includes a section on social, environmental, and ethical issues.

In Mexico, as well as sending out a questionnaire on aspects of CSR, audits were carried out regarding the working conditions of suppliers and subcontractors.

In Russia, checks on aspects of work safety are carried out on suppliers or subcontractors during the course of a project by the engineer in charge of the project and by an external auditor.

Finally, some Group entities have implemented specific CSR agreements or CSR clauses, which their suppliers undertake to comply with.

In 2018, none of Ingenico Group's suppliers or subcontractors were considered to represent a risk of breaching the International Labour Organization conventions.

#### 2.4.8.5 Local sourcing

Several Group entities are committed to using local suppliers.

For example, 30% of the Group's purchasing in Canada is from local suppliers, and priority is given to Canadian suppliers, wherever possible.

In the Philippines, Ingenico Group promotes purchasing from suppliers in the metropolitan district (national capital region). Purchases from these suppliers accounted for 85% of all purchases in 2016, 90% in 2017 and 90% in 2018.

Ingenico Prepaid France SAS works primarily with local suppliers (based in the Caen area) to buy its merchandising items: local suppliers represented around 80% of purchases of this type of product in 2018.

The Australian entity endeavors, wherever it can, to work with providers located within a restricted radius of its facilities to organize its team events, which helps to raise awareness among its employees of the importance of working with small local firms to support the economy.

### 2.4.9 Contributing to local development

By prioritizing the hiring of local residents, Ingenico Group is committed to boosting employment in the countries in which it operates. The Group is also committed to supporting the development of communities around its facilities through a range of initiatives, as presented below.

#### 2.4.9.1 Supporting innovation

The payment ecosystem is constantly evolving. To meet the need for constant innovation, four years ago Ingenico Group created a dedicated Innovation Department, called Ingenico Labs. Composed of marketing experts, engineers, researchers, and decision-makers from strategic partners, the department works closely with all Group entities to define the merchant practices of tomorrow. This agile structure works with start-ups and experiments with other key stakeholders in the development of payment systems, such as Fintech corporations and leading digital technology firms. Start-ups are sometimes financed either by the Partech Ventures venture capital fund or by Ingenico Group directly, as was the case in 2018 for Navya, a specialist in the design and manufacture of driverless vehicles.

In 2018, Ingenico Group was a partner in the first hackadon, a charity hackathon, organized by microDON in partnership with the EEMI (the École européenne des métiers de l'internet, a university dedicated to web and digital expertise). Over one weekend, around 40 students worked on five projects to put forward technical solutions (platforms, applications, etc.) to make it easier for young people to engage voluntarily with charitable organizations.

#### 2.4.9.2 Technology for fundraising

Ingenico Group uses its payment services to collect donations to charitable organizations. The Group works either directly with the charities, or in partnership with its customers.

In 2018, an amount of €137,322,061 was raised for hundreds of charities, through terminals or online, using Ingenico Group payment services.

The most common solution is the micro-donation, which is made through payment terminals in partnership with retailers. In France, Ingenico Group has entered into partnership with microDON and this has made it possible to deploy the Arrondi solution on the payment terminals used by many of the Group's retail customers and connected to Axis, Ingenico's transaction centralization platform. In 2018, 7 million micro-donations were made, amounting to nearly €1.5 million raised by the end of the year for the benefit of the charities supported by the six partner retailers. As concerns its standalone terminals, a number of partners can install their own fundraising applications on Ingenico terminals. In the United Kingdom, the Pennies solution has been rolled out to nearly 6,500 terminals operated by more than 30 partner retailers and more than 1.2 million donations were made in 2018. It enables customers to make donations that are always less than £1, so as not to cannibalize donations that may be made by other means. Since 2011, this solution has been used to collect nearly £1,505,000 for 68 charities.

Operated in partnership with retailers or purchased directly by the charities, connected screens from Think & Go make donating quick and easy. Passers-by with contactless payment cards or NFC (near field communication) smartphones can make a donation directly *via* the screen. Ingenico Group and its customers carried out a number of such campaigns in 2018. The screens located at the Société Générale head office enabled donations to be collected for nine charities, including *Sport dans la Ville*, *Agence Don en Nature* and *La Cravate Solidaire*. Mediatransport used screens in Parisian metro stations for *Restos du Cœur*'s December fundraising campaign. Paris Charles de Gaulle Airport had screens collecting for *Aviation Sans Frontières*, a project led jointly by Ingenico Group and Common Cents. Finally, several thousand dollars were raised in aid of the World Food Programme by the Mastercard screens at the Australian Open. Connected screens can also be used by religious organizations to collect donations, as is the case with the screen in place at the basilica in Lisieux, and with the one owned by *Impact Centre Chrétien*. Making donations has never been so quick and easy, thanks to the interactive nature of connected screens and their ability to cope with payments of varying amounts to different payees.

The Group also lends terminals to support various fundraising initiatives. For example, in 2018, the French entity renewed its support for AMREF, the largest public health NGO in Africa, by providing TETRA payment terminals for events in Paris and Monaco. In the United Kingdom, the Group once again sponsored the Cards & Payment Awards, and the terminals and connected screen it provided helped to raise several hundred pounds in aid of the NSPCC, the National Society for the Prevention of Cruelty to Children. Since 2010, Ingenico Group has helped to raise more than £70,000 for various charities during this event. In 2018, Ingenico ePayments was the main sponsor of the Great British Entrepreneur Awards, where Ingenico provided terminals that helped to raise funds for The Prince's Trust, which provides support for young people.

In the Czech Republic, the Group again supported the fundraising campaign of Světluška, a major charity in the country that helps blind and visually-impaired individuals to remain active in society. For this initiative, it developed a donation app on its Tetra Telium payment platform and provided terminals to the organization free of charge. In Hungary, Ingenico Group ran a major campaign for WWF, using a kiosk, a mobile terminal linked to a tablet, a counter terminal and a terminal linked to a screen in the advertising space of a bus shelter operated by JC Decaux.

Ingenico Group makes an active contribution to fundraising through its online payment services, which it offers to NGOs at preferential rates. It is the market leader in online donations in France. In 2012, the Group joined forces with iRaiser, an online fundraising platform for non-profit-making organizations, providing a payment solution for accepting one-off or recurring donations in France and internationally. There are more than 150 NGOs on the platform, primarily located in France, Belgium, and in England. The number of transactions varies from 30,000 to 300,000 in December, when most online donations are made. In addition to its partnership with iRaiser, Ingenico Group also provides online donation services to 52 other NGOs, including Greenpeace and *Médecins Sans Frontières* (Doctors Without Borders).

These innovative charitable fundraising solutions are set to increase even more, with the creation in 2018 of a Positive Impact Offer Manager role responsible for developing payment services with a positive impact.

### 2.4.9.3 Philanthropic activities and support for charities

Ingenico Group supports various local associations through donations or at events and fundraisers.

Every year, Bambora raises funds for charitable organizations at events run by local ambassadors in the various countries in which it operates. In Canada, the Group supported the Toronto Food Bank (a charity benefiting local communities), while in Australia, it supported the Cancer Council, which provides help for people with cancer, and TLC for Kids, which works with sick children and provides support for their families. Bambora decided to send humanitarian New Year cards to its customers in aid of Clowns Without Borders.

In France, Ingenico Group employees also showed their support for the fight against cancer by taking part in two races in 2018: the *Course de la Jonquille* event for the Institut Curie, a leading cancer research organization, and the *La Parisienne* race in support of the fight against breast cancer. Twenty employees took part in the Chemins de Chatu race near Valence where the Group supported Coala 26, which aims to provide children with mental or psychological disabilities the chance to develop their physical and social skills and self-confidence through sport. The Group also renewed its financial support to Stop Hunger, a non-profit that fights against hunger and malnutrition around the world, awarding the charity €10,000 during its donor gala. Finally, a toy collection was organized in aid of the charity Rejoué.

In Singapore, Ingenico Group participated in the Bloomberg Square Mile Relay charity run for the fifth time and sponsored a charitable golf tournament organized by Focus on the Family, a non-profit that works to support families.

In the United States, Ingenico Group supports various charities, including Habitat for Humanity, Toys for Tots, Shepherd's Inn and Adopt-A-Family.

In the United Kingdom, the Group has supported charities for many years. In 2018, it raised funds during in-house events for the following charities: Children's Hospices Across Scotland (providing children with access to hospice care), The Blue Cross (finding homes for abandoned animals), Action for Pulmonary Fibrosis (helping patients and their families and raising awareness of pulmonary fibrosis), Findlay's Friend (providing moral support to parents whose children are in hospital and comfort kits for families when a child is admitted in an emergency). The Group is also a member of local residents' associations, and of the steering group for HADIE (Hillend and Donibristle Industrial Estate) which promotes a major industrial estate that is a hub for employment and the local economy.

In 2018, the Belgian entity launched the SMILE project (Social Mobilization at Ingenico for Life Enhancement), an initiative that helps inspire Group employees to improve the lives of others by supporting charities. Several initiatives such as raffles, bake sales and collections helped employees raise a total of €5,000. Ingenico Group matched 100% of the amount raised, and so a total of €10,000 will be donated to Viva for Life and Music for Life (charities that improve the living conditions of children aged between 0 and 6 who are living below the poverty line).

Finally, in India, Ingenico Group made multiple charitable donations in 2018, amounting to €56,250. A number of charities have benefited from the support of Ingenico Group as a result: SOS Children's Villages India (which works with orphans to offer them a loving family life), Akshay Patra (who leads a school meals scheme to combat child hunger in the classroom), Smile Foundation (working for the education of disadvantaged children) and the Ambattur Rotary Charitable Trust (which will be building a school for disadvantaged children).

### 2.4.9.4 Education-related initiatives

Education is of the utmost importance in our work environments. That is why Ingenico Group builds close relationships with the education and student sectors, as illustrated by its funding for doctoral students, its scholarships, its participation in careers events, partnerships and programs, as well as the opportunities it provides for apprentices and interns (SDG 4).

In France, the Group is a member of the Skills Development Committee of a partner school, ESILV, providing a professional expert perspective so that teachers can adapt their programs according to developments in the business world and the school can adapt its training to match the expectations of future employers. In 2018, Ingenico Group contacted the Global MBA Consulting Project at the EDHEC Business School in northern France, with the result that students were able to conduct market research into merchant and acquirer solutions for the payment sector and assess the perceived value of new Ingenico products and services. This reciprocal relationship between business and academia allows students to put theory into practice and the Group to harness new resources and knowledge.

Taking this approach a step further, the Group allowed an employee from its Valence site to be seconded to the ESISAR engineering school at Institut national polytechnique de Grenoble in Valence for a teaching assignment. Ingenico Labs is also providing funding to two doctoral students from the IT Security and Cryptology Department at the École normale supérieure.

The various entities of the Group regularly take on interns and those on work/study programs so that they can acquire new skills and develop their knowledge. In France, for example, 60 interns and work/study students were taken on during the year 2018.

For several years, Ingenico Group has been working closely with the Politecnico di Milano Management School in Italy, which provides consultancy services and market research. Ingenico Group supports the research programs undertaken at Politecnico di Milano's Digital Innovation Observatories (Osservatori) on mPayment, mCommerce, distribution innovation and the promotion of electronic payments in Italy.

In Germany, Ingenico Marketing Solutions has established a partnership with the Hamburg-based Nordakademie Graduate School.

In Turkey, Ingenico Group provided scholarships once again this year for five university students from Istanbul Technical University.

In Canada, Ingenico Group takes part in co-op programs with local organizations. These programs are primarily aimed at people who arrive in Canada and need to update their skills to find a job. Students spend around three months in a work environment in order to earn their diploma.

In the United States, Ingenico Inc. takes part in a program at a university in Georgia to promote careers in the payment industry.

### 2.4.9.5 Support for communities with specific needs

With the increasing use of touch screens in payment solutions, the R&D teams at Ingenico Group are working on an innovative solution to help visually impaired or blind people to enter their PIN on this type of technology. The solution is based on an add-on in the form of an intelligent grid linked to a software solution integrated into the payment application. By guiding the hand movements of blind or partially-sighted people, this solution makes touch screen keyboards as easy to use as physical ones. Having applied for a patent in 2017, in 2018 Ingenico Group worked closely with the Valentine Haüy association, a charity with a long history of providing assistance to those with visual impairments. This partnership made it possible for Ingenico Group to test and refine prototypes, to ensure they match the requirements. The Group intends to pilot this initiative in 2019. If these field tests confirm that there is a market for and benefits from this solution, industrial-scale production will be launched in the longer term.

In Germany, DI Deutsche Ingenico Holding GmbH is one of the founding members of Unternehmen integrieren Flüchtlinge, a network launched by the Düsseldorf Chamber of Commerce and Industry. This network of nearly 2,000 companies provides consultancy services and enables the sharing of information on best practices regarding the integration and vocational training of refugees.

In the United States, Ingenico Inc. ensures that all its job offers are published not only with the Labor Department, but also on employment sites for veterans and people with disabilities. Ingenico Inc. also works with businesses that are owned by people from minority backgrounds or women.

In France, Ingenico Group launched a partnership in 2016 with the association *Nos Quartiers ont des Talents*, which promotes the professional integration of young job seekers from priority neighborhoods and disadvantaged backgrounds. Through this initiative, Group employees can sponsor young graduates and support them in their job search. Seven young people found jobs through this program in 2018. Under this partnership, in 2018 Ingenico Group hosted a coaching workshop, which was delivered by 8 Ingenico Group mentors to 12 young graduates who were looking for employment. The aim of the workshop was to help them with their job search and prepare them for interviews.

In another area, through its work with specialist organizations such as Cèdre, the social enterprise in charge of the office waste sorting system in France, Ingenico Group contributes to the professional integration of people with disabilities. In 2018, the Group entered into a partnership with Handeco, a charity whose goal is to put ESATs (assisted employment centers) and EAs (adapted enterprises) in touch with private companies or public sector employers. Lastly, the Group has sponsored an employee who has been involved for several years in the *Croisière de Pen Bron*, which helps those left severely disabled as the result of an accident to enjoy a day's sailing.

## 2.4.10 Stakeholder interaction

Partners, distributors, shareholders, the financial community, customers, suppliers, participants in the payment industry, NGOs and public authorities are among the many external stakeholders with whom Ingenico Group maintains regular, open dialogue (see 2.1.4 Stakeholder engagement).

### 2.4.10.1 Making connections

Operating as it does in a BtoB environment, Ingenico Group participates in and organizes a number of key events to maintain or forge links with its various stakeholders: partners, customers or prospective customers. The Group makes sure it is represented at the major trade fairs for the payment and Fintech industries. In 2018, for example, it attended three out of the four Money2020 events: Money2020 Asia, Money2020 Europe and Money2020 USA.

As part of its transformation and the move towards focusing on services aimed directly at merchants, Ingenico Group is committed to increasing its presence at events dedicated to retail and e-commerce. In 2018, for example, it took part in NRF: Retail's Big Show in New York, the RBTE trade show in London and Paris Retail Week. The Group has also attended events targeting certain vertical markets in the SMB or Retail Enterprise segments, such as gaming (ICE London) and transport (Transport Ticketing Global).

Ingenico Group also took part in the Mobile World Congress in Barcelona, which enabled it to showcase its expertise in mobile payment and the mobile consumer experience.

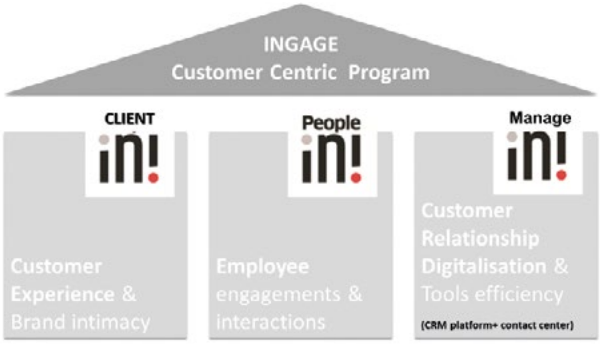
Some Group entities organize their own events with a view to discussing current or future developments in the commercial and payment sectors with their customers or prospective customers. By way of example, in 2018 the Global Online division organized three such events in Europe, Asia and Latin America, with around 50 people attending each one.

### 2.4.10.2 Customers

#### 2.4.10.2.1 Customer relationship management

The INGAGE program is central to the transformation of the customer experience within the Group. Ingenico Group has opted to step up this transformation by focusing it on three pillars:

- Manage IN!: rolling out the CRM (Customer Relationship Management) platform, with the aim of improving operational excellence, digitizing the customer experience and bringing teams in line around common practices and a customer-centered culture at a global level. By gradually migrating all the Group's customer-facing employees to the Salesforce.com CRM platform, the Manage IN! aspect of the program makes it possible to build a 360-degree view of customers and at the same time consolidate information, enabling the Group to better serve its customers and respond to their needs;
- Client IN!: measuring customer satisfaction worldwide, with the aim of assessing the power of the brand, the level of innovation offered to customers, the performance of the sales and customer service teams, as well as how products and services meet the needs of the Group's customers. Client IN! then assists with the preparation and implementation of action plans designed to have a direct bearing on customer satisfaction;
- People IN!: measuring our employees' engagement, with the aim of assessing their engagement with the Ingenico Group brand, their relationship with their management teams and their individual position within the Group. People IN! then assists with the preparation and implementation of action plans designed to have a direct bearing on employees who are ambassadors and developers of the brand.




In 2018, more than 1,060 people in over 20 countries in all 4 geographical regions (Europe & Africa, NAR, LAR, and APAC) migrated to this new CRM platform. The sales and management teams now manage their customer portfolios, the business opportunity pipeline and sales forecasts in exactly the same way. This enables Ingenico Group to significantly improve sales forecasts and better identify growth opportunities in order to tailor the Group's investments.

Teams in Retail can also manage their Marketing Campaigns on the CRM platform to boost the acquisition of new customers, and the teams responsible for after-sales service can respond more effectively to customer demands and immediately measure satisfaction using Csat (a transactional index to assess client satisfaction).

In 2019, the Group will continue its rollout of the CRM platform, so as to continue to improve our customers' experience from "acquisition to onboarding", increase the effectiveness of marketing campaigns and enhance their impact through targeted communication, provide a self-service solution to all Ingenico Group partners, and implement shared solutions to improve customer service center performance across the Business Units.

#### 2.4.10.2.2 Satisfaction surveys

In February 2018, for the sixth consecutive year, Ingenico Group launched a customer satisfaction survey, "Client IN!". This year, the survey was sent to all countries and regions within the Group, with the exception of China, but including recent acquisitions such as Bambora. The survey is available in 18 languages. The information collected from more than 5,000 questionnaires received (a response rate of 8%) made it possible to analyze customers' loyalty, their perception of the brand and their satisfaction with the relationship, looking at aspects such as innovation, performance, terminals, applications and services, sales and support.

The Net Promoter Score[1] (NPS) shows that Ingenico Group is seen as a strong brand globally, with quality products that are easy to use. The survey also enabled the Group to carry out concrete initiatives to continue its work on customer relationship management, by identifying opportunities for development.

*(1) NPS: An indicator of customer loyalty that consists of asking customers: "How likely is it that you would recommend Ingenico?" The answer is given on a scale of 0 ("Highly unlikely") to 10 ("Highly likely"). The NPS is obtained by taking the percentage of customers who have answered 9 or 10 (promoters) and subtracting the customers who have answered 0 to 6 (detractors).*

The NPS analyzed by market rose significantly year-over-year. This score measures not only the impact of the Group's initiatives but, first and foremost, the quality of the relationships established over the years with its customers, and their confidence in the Group.

The customer voice is essential to the development of Group strategy and customer focus is now its highest priority. Beyond words and the action undertaken so far, from 2019 these teams will have a variable component of their salary linked to their entity's NPS.

### 2.4.10.3 Partners

Ingenico Group has a large number of partners, including product distributors and technology partners. The Group believes that it is essential to share its expertise and know-how with them so that they can develop alongside Ingenico.

In order to share the latest innovations and inspirational initiatives of the B&A Business Unit with its partners and customers, Ingenico Group distributes an e-newsletter called in-Live NEWS.

In Italy, Ingenico Group takes part in events organized by its partners and by the associations it belongs to. In 2018, therefore, the Group once more supported its partner Lasersoft by giving presentations on POS systems at marketing events organized by Lasersoft in several Italian cities.

In Canada, the Group's partnerships have been widened in scope, to keep in step with developments in the payment ecosystem. In 2018, Ingenico Group therefore developed, in partnership with Prodigy Ventures, a demonstration of the "One Tap Proof of Age" concept. This solution has been developed on connected screens and makes it possible to check a customer's age when they pay for certain products, such as alcohol or cannabis, which was recently legalized in the country. Discussions are being held with government bodies and merchants regarding the roll-out of this solution. On another note, the Group continued working in partnership with MaRS, a specialist in digital transactions, virtual shopping and enhanced experience, and Communitech, a specialist in providing support to technology companies. It is also a partner of the Retail Council of Canada, which represents more than 45,000 retail stores in the country.

In the last few years, Ingenico Group has also developed strategic partnerships with key players in their respective fields to collaborate on mutually beneficial initiatives.

Ingenico Group is working with Intel to enable new connected devices to accept secure payments, thereby consolidating its expertise in the Internet of Things.

Lastly, Ingenico Group has been collaborating with Google since 2015 to facilitate international online sales. The Market Finder platform, based on the combined expertise of Google and Ingenico ePayments, enables merchants to explore and identify new opportunities for growth, establish their business internationally, and sell their products more easily outside of their home country. Since 2017, the Group has been involved in preparations for the launch of Market Finder. The launch of this platform, scheduled for 2019, will be the subject of local and international marketing campaigns.

### 2.4.10.4 Shareholders and investors

The support and loyalty of its private and institutional shareholders are crucial to Ingenico Group's long-term development. The Group's relationship with its shareholders is built around mutual confidence and trust, open dialogue, and regular contact.

#### 2.4.10.4.1 Extensive meetings with the financial community

Ingenico Group holds regular conference calls and investor meetings when publishing its interim and full-year financial statements (after close of trading). In addition, the Group frequently takes part in technology and payment sector conferences and roadshows, particularly in Europe and North America. In 2018, Ingenico Group took part in 20 investor conferences, 30 roadshows, and 2 trade shows in the United States, Canada and Europe (Paris, London, Frankfurt, Milan, Nordic countries, etc.). More than 520 face-to-face meetings or conference calls were held in total, enabling the Group to meet more than 550 financial institutions and 900 investors.

#### 2.4.10.4.2 Stronger financial communication tools

The Finance section of the website www.ingenico.com is regularly updated and is home to all financial documentation (publications, management reports, investor presentations) and regulated information (Registration Document). Here, investors can also find the Group's key figures in Excel format, as well as the consensus estimate, which is regularly updated. In addition, shareholders can also access a tool for calculating their average annual performance.

### 2.4.10.5 Ingenico Group's industry collaborations

Since its creation, Ingenico Group has been an active member of the Card Stakeholders Group (CSG), an organization linked to the European Payment Council (EPC) and responsible for the definition and maintenance of the main operating and security principles for card payments in the Single Euro Payments Area (SEPA). In 2016, CSG became independent of the EPC and was renamed European Card Stakeholders Group (ECSG); however, Ingenico Group maintains a very active role in its work and is a member of its Management Committee.

Furthermore, Ingenico Group is actively involved with the various missions of the Nexo standards body. Consequently, it is a member of the Board and of the nexo Fast, nexo IS, nexo Acquirer and nexo Retailer technical working groups. In addition to heading up the technical needs analysis working group, the group co-chairs the strategy working group, the nexo TMS technical working group and, since 2018, the security working group. Lastly, it offers 155 days' work per year for technical tasks at preferential rates.

For several years, Ingenico Group has served on the Board of Advisors of the PCI (Payment Card Industry) Security Standards Council, an open international forum on the development, improvement, storage, dissemination, and continuous implementation of safety standards to protect bank card data. The mission of the PCI security standards Board is to improve the security of this payment-related data by promoting education and raising awareness of the PCI security standards and conducting certification programs such as PCI PTS for payment terminals and PCI DSS for transactional platforms. The organization was founded by American Express, Discover Financial Services, JCB International, Mastercard and Visa Inc.

The Group is also a member of the World Wide Web Consortium (W3C), which sets web standards, especially for HTML5.

Since 2014, Ingenico Group has been part of Global Platform, a group that aims to improve the security and interoperability of multiple applications embedded in microprocessor technology. The Group aims to support the needs of smart device suppliers, such as smartphone and tablet application developers, and device manufacturers. The development of this technology is crucial for mobile wallets, NFC (near field communication) payments, premium content protection and "bring your own device" (BYOD) initiatives.

In connection with its business, the Group maintains regular dialogue with international payment schemes on regulatory and technical matters (Visa, Mastercard, American Express, CUP, etc.), both through its local entities and centrally.

In each country, the Group's local entities are also in contact with various key players in the payment and new technology sectors.

In France, Ingenico Group has been a member of the Mobile Marketing Association France since 2018. This is an organization that is dedicated to marketing, advertising, CRM and commerce on smartphones, tablets and connected devices.

Ingenico ePayments is also a member of the Fédération du e-commerce et de la vente à distance (FEVAD, the French e-commerce and distance selling federation), a non-profit-making organization that aims to support the ethical and sustainable development of e-commerce and distance selling in France.

Ingenico ePayments has also been a member of ACSEL for more than ten years. ACSEL is the association for online commerce and services and the French digital transformation hub.

In the Netherlands, Ingenico ePayments is a member of the Dutch payments association (Betaalvereniging Nederland) which campaigns for a secure, reliable and trustworthy national payment system.

In Australia, the Group is in contact with various industry organizations, including the Australian Payment Clearing Association (APCA).

In Canada, the CEO of Ingenico Group co-chairs ACT Canada, an association of key players in the secure payment and identity sector. She is also a member of the Consultative Committee of the Women in Payments network in Canada, which aims to promote the career development of women in the payment industry, and a member of the Board of the global mentoring program, of which Ingenico Group is one of the founding sponsors. Furthermore, the Group has a consultative role on the Steering Committee of the IAB (Interactive Advertising Bureau of Canada), an association that promotes interactive marketing and the advertising industry, where it takes part in discussions on including payment in Digital Out of Home advertising campaigns. The Group acts as advisor to the annual Canadian Innovation Exchange conference and to the Northwind Payments annual panel. Since 2018, it has also been involved with the center of excellence of the CQCD (Conseil Québécois du Commerce de Détail, the Quebec Board of Retail Trade) in the development of projects such as smart cities. Furthermore, it is now a member of and advisor to the Digital ID and Authentication Council of Canada's (DIACC) Innovation Expert Committee.

In Germany, Ingenico Group is a member of or in contact with numerous organizations, such as the BVZI (federal association of payment institutions), the EFA (the body representing the strategic interests of Fintech companies in Europe) and EPIF (the European Payment Institutions Federation). Ingenico Group is also a founding member of the Network Service Providers (NSP) association for electronic payment operators in Germany: Bundesverband der electronic cash-Netzbetreiber.

In Italy, the Group is a member of Club Italia, an organization that aims to promote Open Payment in the transport sector. The objective is to encourage travelers to operate payment and access systems using their bank card or mobile phone, by means of contactless validating machines embedded into ticketing platforms.

Finally, in India, Ingenico Group is a member of the PCI (Payment Council of India) within the IAMAI, the Internet and Mobile Association of India. Through this organization, it meets with other industry operators to discuss shared business and commercial issues.

# 2.5 INGENICO GROUP'S ENVIRONMENTAL APPROACH

- **Key indicators 2018**

| | | | | |
|---|---|---|---|---|
| **16,127.1** MWh of electricity used | **342.1** tons of end-of-life terminals collected and processed | **13%** energy optimization for the Lane/5000 terminal | **100%** of terminals are RoHS2 and REACH compliant | GHG emissions: **30.3** kgCO2e/installed terminal |

As a global leader in payment services, Ingenico Group has a key role to play in controlling the environmental impact of the payment chain. Given its core business, Ingenico Group helps to further the development of payment services that have less impact on the environment (especially in terms of the consumption of natural resources and greenhouse gas emissions) than other means of payment, such as cash or checks.

Nevertheless, the omnichannel approach developed by Ingenico Group coupled with global coverage of its payment services inevitably have environmental impacts that the Group strives to control.

To achieve this, an environmental policy applicable to all employees has been implemented, based on four key principles

- **Exemplary compliance with environmental regulation**

  Ingenico Group monitors the legal requirements relating to the environment and takes action to ensure the compliance of its business, products, and services with the applicable regulations;

- **Considering environmental impact from the product design stage**

  Ingenico Group promotes eco-design because the primary elements affecting the environmental performance of products are found at the development and design phase;

- **Implementing a responsible purchasing policy that incorporates environmental criteria**

  Ingenico Group incorporates environmental criteria into the procurement requirements it applies to its various suppliers and subcontractors;

- **Increasing environmental awareness among employees**

  Ingenico Group encourages its employees to adopt and develop an eco-responsible approach in all their activities.

The main environmental issues highlighted by the survey of its main stakeholders conducted in 2018 (detailed in section 2.4.10, "Stakeholder interaction") are as follows:

- appropriate management of waste resulting from end-of-life payment terminals;
- energy efficiency of the payment terminals that the Group places on the market;

These issues, already taken into account in the Group's environmental approach (see Chapter 2.5.2.2, "Impacts linked to the products and services offered"), will be factored into the CSR action plan to be released in 2019.

## 2.5.1 Environmental Management System

### 2.5.1.1 Compliance with applicable environmental regulations

Growing environmental concerns of recent years have led to a strengthening of the regulations in terms of protection of the environment. That is why Ingenico Group uses regulatory intelligence to monitor the environmental regulations applicable to the Group's business and to ensure strict compliance with the statutory requirements in force.

For Ingenico Group, the main regulatory texts applicable to the design and marketing of electronic payment terminals are the following:

- the RoHS2 (Restriction of Hazardous Substances in Electrical and Electronic Equipment) directive, which aims to reduce the use of certain substances that are hazardous to health and the environment and that can be found in electrical and electronic equipment (lead, mercury, cadmium, hexavalent chromium, and brominated flame retardants). In 2018, all Ingenico brand terminals complied with this directive;
- the REACH (Registration, Evaluation, Authorization, and restriction of Chemicals) regulation, which requires that information be provided throughout the supply chain if any so-called Substances of Very High Concern (SVHC) are used, and that, above a certain tonnage, the ECHA (European Chemicals Agency) be notified accordingly. In 2018, Ingenico Group conducted independent laboratory tests to ensure that none of these substances was present in Ingenico products in a concentration that exceeds the disclosure and/or notification thresholds provided for in the regulation;

- the WEEE (Waste Electrical and Electronic Equipment) directive, applicable in the European Union, which requires manufacturers of electrical and electronic equipment to organize and finance the collection, treatment and disposal of their end-of-life products. Ingenico Group provides its customers with a specific process for the collection and recycling of their end-of-life terminals and complies with the requirements to inform users, recyclers, and local authorities in accordance with this directive.

In respect of its operations in France, Ingenico Group does not operate any facilities classified for environmental protection (Installation Classée pour la Protection de l'Environnement or ICPE).

### 2.5.1.2 ISO 14001:2015 certification

Environmental protection is now an indisputable concern and controlling the environmental impact of a company's activities requires a structured approach if it is to be sustainable.

This is why Ingenico Group uses an Environmental Management System that is ISO 14001:2015-certified. As the recognized international standard for environmental management, ISO 14001 provides the framework for determining the program of measures and procedures that can help companies gain better control over the environmental impact of their business, products, and services.

It in fact lays down a number of environmental practices, such as compliance with the applicable regulations, the identification of environmental impacts, and the definition of objectives.

## 2.5.2 Environmental impacts

The environmental impacts of Ingenico Group are linked:

- first, to facilities the Group uses to carry out its business that have a direct impact in terms of their energy and natural resource consumption, and direct and indirect impacts in terms of greenhouse gas emissions;
- secondly, to marketing activities, distribution and use of the Group's products and related services that have an impact on the environment in terms of natural resource consumption, indirect greenhouse gas emissions, and waste production.

Ingenico Group is working to lessen its environmental impact through the initiatives and measures described below. These are reported annually at the highest level of the Company in the scope of an environmental management review.

### 2.5.2.1 Impacts related to infrastructure

#### Energy consumption

A study of data relating to energy consumption was performed at Group level. In 2018, the quantity of electricity consumed was 16,127.1 MWh. The quantity of natural gas consumed amounted to 4,786.0 MWh HHV over the same period.

| *(in MWh)* | 2018 | 2018 (like-for-like) | 2017 (like-for-like) | Like-for-like change |
|---|---|---|---|---|
| Electricity consumption | 16,127.1 | 15,209.6 | 15,305.8 | -1% |
| Natural gas consumption | 4,786.0 | 4,691.1 | 3,615.4 | +30% |

Electricity consumption was almost stable between 2017 and 2018, whereas natural gas consumption increased substantially (up 30%) on account of a hard winter in the United Kingdom.

Where possible, Ingenico Group uses high energy efficiency buildings only. This is the case for the Paris building (France), which is HQE (High Quality Environmental standard) certified, and the Valence building (also in France), which is BBC certified (low-energy building) by an external certifying body, ensuring that energy performance levels are well above those of standard buildings. In the US (Alpharetta, GA), Ingenico Group also works out of a LEED-certified (Leadership in Energy and Environmental Design) and Energy Star-certified building, guaranteeing high energy efficiency.

Thanks to a "green energy" agreement signed with its energy supplier, Ingenico Group was able to guarantee that in 2018 all of the energy used by its main site in Ratingen, Germany, came exclusively from renewable sources, thereby reducing the corresponding greenhouse gas emissions. This type of initiative is also in place on the Stockholm (Sweden) site.

For its IT services, Ingenico Group has implemented a cloud computing strategy that optimizes the energy efficiency of the data centers.

Other initiatives aimed at reducing energy consumption have been deployed at many Group sites, such as the use of high-efficiency electrical equipment, LED lighting, and movement detectors.

In the building located in Brussels, Belgium, the office lights switch off automatically from 9 pm and only emergency lighting is used to avoid any unnecessary consumption. The same principle is applied in Russia, where the electricity is cut from 10 pm on working days to reduce daily energy consumption.

### Water consumption

Given the Group's business activities, the consumption figures recorded are related to food and sanitary use. However, the quantities of water consumed are monitored locally at the different sites. The Group's total water consumption in 2018 was 88,800 m³.

| *(in thousands of m³)* | 2018 | 2018 (like-for-like) | 2017 (like-for-like) | Like-for-like change |
|---|---|---|---|---|
| Water consumption | 88.8 | 69.6 | 62.6 | +11% |

Group entities have undertaken various initiatives to reduce water consumption, such as automatic faucets and dual flush toilets.

### Paper consumption

GRI 301-1

Paper consumption related to Ingenico Group's activities represented 83.1 tons in 2018.

| *(in tons)* | 2018 | 2018 (like-for-like) | 2017 (like-for-like) | Like-for-like change |
|---|---|---|---|---|
| Paper consumption | 83.1 | 66.7 | 62.8 | +6% |

The Group's efforts to reduce paper consumption are reflected by configuring printers to print on both sides by default, the use of documentation in electronic rather than paper format and the reuse of paper. Electronic invoicing solutions have been deployed in Belgium.

In Belgium, France, Sweden and Brazil, employees need to log in to be able to confirm their printouts, thereby avoiding unnecessary printing.

### Employee transportation and business travel

To reduce business travel, Ingenico Group has installed video conferencing systems that enable work meetings to be held on several sites at the same time. Such systems are now installed at all of the Group's facilities.

A "carbon offset" was again undertaken in 2018 in connection with the Mobile World Congress in Barcelona (Spain), with the Group offsetting in full the 72 tons of $CO_2$ equivalent corresponding to transportation for 93 participants. This initiative, funded by the Group in partnership with the GoodPlanet Foundation, helped to support a project in Lomé (Togo) that recycles organic waste as compost for agriculture.

In Germany, Ingenico Group takes account of the level of $CO_2$ emissions in selecting its rental vehicles (maximum 126 g$CO_2$/km in 2018). A meaningful plan to reduce these emissions has been in place since 2015 and extends until 2020 (to reach 110 g$CO_2$/km).

In France, Management and Trade Unions signed an agreement containing eco-responsible and citizenship measures for employees. These measures, which aim to reduce the carbon footprint linked to car use, are as follows:

- 70% subsidy for public transportation passes;
- introduction of a bicycle mileage allowance for employees who cycle between their home and their place of work;
- introduction of a monthly carpooling allowance.

Telecommuting arrangements have also been put in place in France and Belgium, enabling any employees who wish to do so to work from home for one or two days a week.

### Preventive measures, recycling and waste disposal

Most of Ingenico Group's entities have set up sorting systems to collect and recycle internal waste such as electrical and electronic equipment, printer toners and cartridges, batteries and accumulators, plastic, glass, aluminum, paper, and cardboard.

In France, at the Paris site where the Group's head office is located, as well as in Valence, a comprehensive office waste sorting and recycling solution was put in place in partnership with a social enterprise in which workers with disabilities comprise 90% of the workforce. This end-to-end bespoke service enables traceability of the following forms of waste: paper, plastic cups, plastic bottles and drinks cans. In 2018, this service collected 15.2 tons of waste, including 13.5 tons of paper, and so enabled the saving of 239 trees, 422.8 m³ of water, 7.8 tons of $CO_2$e and 56.4 MWh of electricity.

A weekly waste report has been established at its repair center based in the United Kingdom. The results are displayed for personnel, which helps raise employees' awareness and promote waste sorting and recycling.

### Substance and noise pollution

In order to evaluate the greenhouse gas emissions generated by the Group's business, a Group-wide analysis of these emissions is carried out annually. This analysis is presented in detail in section 2.5.3.1, "Analysis of greenhouse gas emissions".

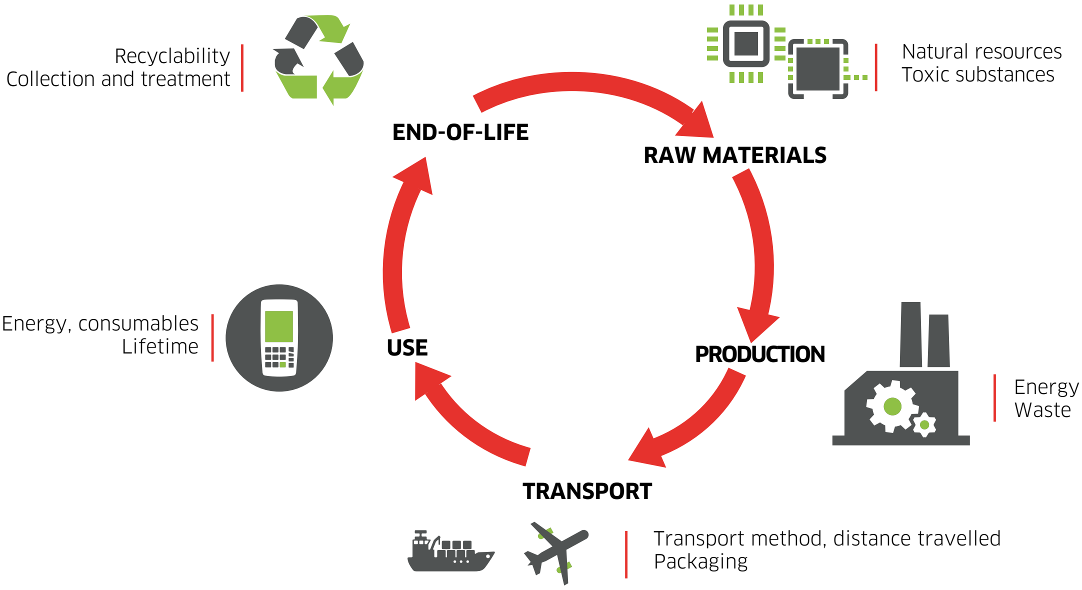
### 2.5.2.2 Impacts linked to the products and services offered

#### Eco-design

Eco-design is a preventive approach aimed at incorporating environmental concerns right from the product design stage. It requires that consideration be paid to environmental requirements (regulations, customer expectations, Group policy, etc.) as well as to the products' environmental impacts (energy and raw materials consumption and waste production).

Ingenico Group takes steps to reduce the environmental footprint of its products at each stage of their life cycle, from design to end-of-life. To this end, the Group has developed an eco-design process that aims in particular to reduce the consumption of resources and the production of waste (SDG 12[(1)]).

The process implemented by Ingenico Group is based on the "life cycle" approach to products, as shown in the following diagram:




To further embed this approach, the Group has developed an eco-design checklist derived from the most stringent international standards for electronic products (EPEAT, TCO, ECMA-341, etc.). With this tool, the environmental performance of the products is evaluated:

- by measuring a number of design indicators (weight, energy consumption, number of components, surface area of printed circuits, etc.);
- by verifying compliance with current regulatory requirements (WEEE, RoHS2, REACH, etc.);
- by identifying best design practices (compatibility and number of plastic materials, marking of parts, disassembly constraints, etc., for recycling purposes).

This evaluation of environmental performance provides the basis for an "eco-declaration", an environmental product profile that highlights its ecological aspect while meeting customers' expectations.

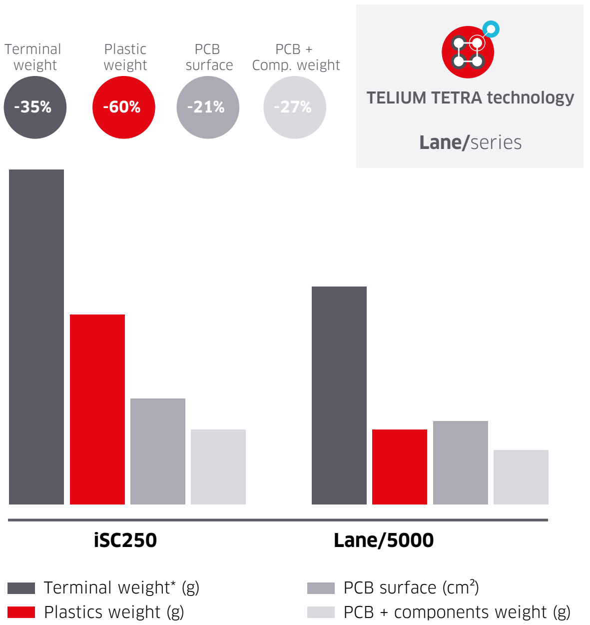
*(1) For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

## Example of an eco-declaration on a product (Lane/5000)

### Raw materials

The optimization of the design of new generations of terminals allows Ingenico Group to reduce its environmental footprint not only by limiting the use of natural resources but also indirectly by reducing the impacts due to transportation. This eco-design approach is all the more relevant since the use of raw materials required for manufacturing the Group's terminals is in third place in the analysis of GHG emissions (for more detailed information, please refer to section 2.5.3.1, "Analysis of greenhouse gas emissions").

Notable improvements have been made with the latest generation of the Telium Tetra range of terminals as, for example, in the case of the Lane/5000 terminal, where significant progress has been made in terms of the quantities of raw materials used compared to the previous range (iSC250).




* Excluding cables, power supply and thermal paper roll.

### Product manufacturing

With regard to the manufacturing of critical components supplied to it, the Group concludes agreements with its suppliers that clearly set out its requirements in terms of environmental protection. Regarding the assembly of its terminals, the two main Ingenico Group partners have signed the Responsible Business Alliance code of conduct (formerly EICC – Electronic Industry Citizenship Coalition), affirming their commitment to incorporate environmental concerns into the operation of their businesses (for more details, please refer to section 2.4.8, "Responsible purchasing").

These two partners are also ISO 14001-certified, as are the two subcontracted factories that assemble Landi terminals. This means that, in 2018, all Group terminals were assembled at industrial sites with ISO 14001 environmental certification.

### Product transportation

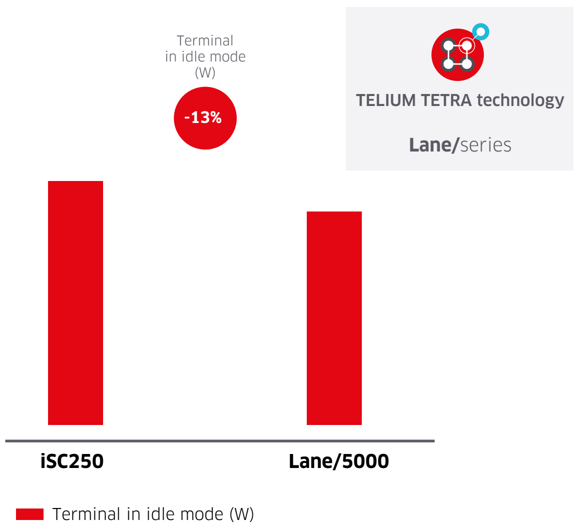
The Group works with two transportation firms that are market leaders in logistics. Both firms are ISO 14001-certified, enabling Ingenico Group to help ensure an environmentally friendly supply chain. They provide the Group with expertise regarding the development of logistics networks, load consolidation and optimization, and the selection of means of transportation, thereby ultimately helping to reduce the Group's carbon footprint.

In Brazil, the two main local carriers with whom Ingenico Group works use only biodiesel for their entire truck fleet.

### Product use

A significant part of the environmental impact of electronic products comes from their energy consumption during the use phase. Optimization of the energy efficiency of terminals has a dual benefit: firstly by reducing the Group's eco-footprint in marketing less energy-hungry products and secondly by alleviating that of end users, who benefit both economically and ecologically.

With the range of Telium Tetra terminals and particularly Lane/5000, the terminal's energy consumption in idle mode has consequently been optimized compared to the previous range (iSC250).




Another area where Ingenico Group seeks to be a pioneer is in paperless payment receipts. Here again, the benefit is twofold as, through this solution, the Group is helping to minimize the environmental footprint of each transaction by replacing the paper receipt with a digital one, and is also helping to reduce operating costs for the merchant.

This solution is already being used by many Italian banks, thanks to the iCMP mobile terminals supplied by Ingenico Group. With its Link/2500 range in particular, Ingenico Group is consolidating this ambition with a portable terminal that combines flexibility and versatility whilst offering a digital receipt solution.

These two initiatives are all the more relevant since the printing of receipts and the energy consumption of terminals are in first and second place respectively in the analysis of GHG emissions (for more detailed information, please refer to section 2.5.3.1, "Analysis of greenhouse gas emissions").

### Product end-of-life

As a global manufacturer of electronic products, the collection and recycling of electronic waste is a priority for Ingenico Group. This is why the Group delivers solutions that enable its customers to recycle responsibly the electronic waste resulting from the products it sells.

In accordance with the WEEE (Waste Electrical and Electronic Equipment) directive, recycling solutions for end-of-life Ingenico terminals are in place in EU member states, as well as in Australia, Brazil, Mexico, the Philippines, Turkey and, most recently, China and India.

This commitment to the circular economy helps:

- firstly, to protect the environment, since electronic waste may contain toxic and hazardous materials likely to pollute the soil and water for decades. The recycling of obsolete electronic products thus helps to reduce pollution and the risks to health and the environment;
- secondly, to conserve natural resources, since electronic waste contains many precious and recoverable materials, such as copper, gold, silver, plastics and ferrous metals. Recycling therefore helps to save resources by extracting fewer raw materials as well as helping to save energy and reduce greenhouse gas emissions.

In France, a new partnership has been put in place with a local recycler, itself ISO 14001-certified. Furthermore, this partner is also an accessible social and environmental business that employs staff with disabilities for the processing and recycling of WEEE.

The quantity of terminals collected and recycled is monitored at Group level, and reached a total of 342.1 tons in 2018.

| *(in tons)* | 2018 | 2018 (like-for-like) | 2017 (like-for-like) | Like-for-like change |
|---|---|---|---|---|
| End-of-life products (WEEE) collected and treated | 342.1 | 341.1 | 338.9 | +1% |

## 2.5.3 Group greenhouse gas emissions

### 2.5.3.1 Analysis of greenhouse gas emissions

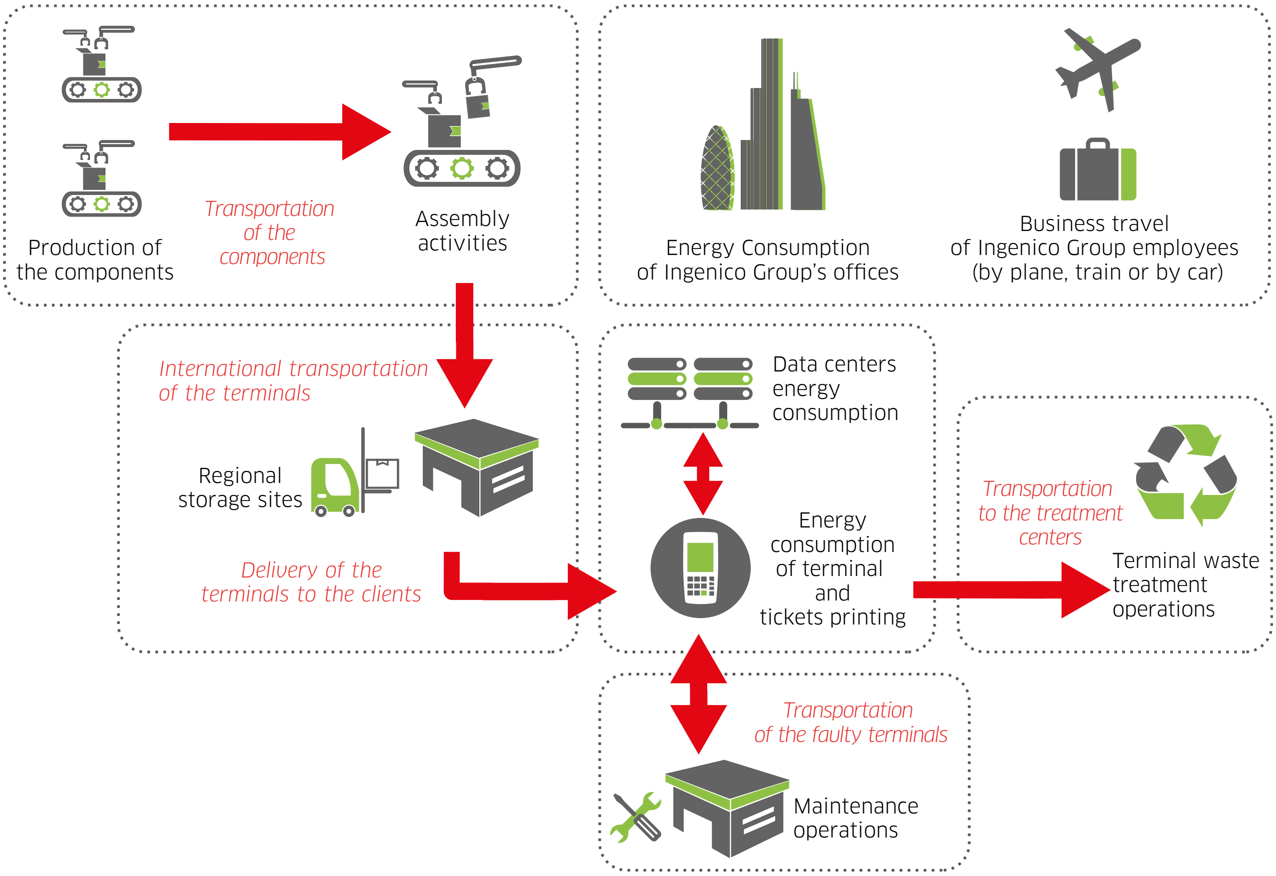
In 2018, Ingenico Group updated its analysis of greenhouse gas (GHG) emissions. This approach covers greenhouse gas emissions across a scope that extends to the entire Ingenico Group value chain, including Scopes 1, 2 and 3.

Scope 1 concerns direct greenhouse gas emissions generated by the Group's business, while Scope 2 concerns emissions associated with the consumption of electricity. Scope 3 relates to indirect emissions linked to activities upstream and downstream of the organization. Unlike Scopes 1 and 2, which take into account energy issues only, Scope 3 concerns all business flows.

As shown in the following illustration, the evaluation of greenhouse gas emissions is based on a six-step study of Ingenico Group's value chain:

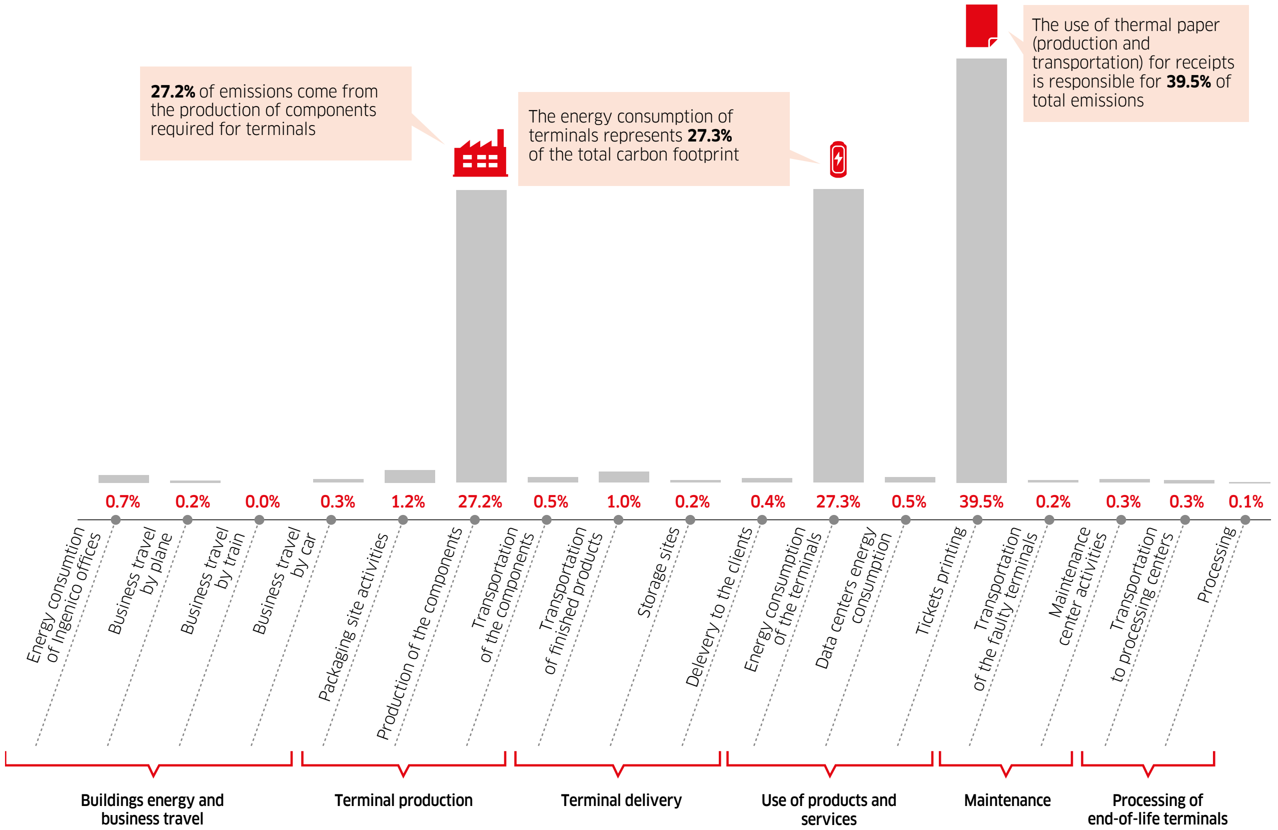
- energy consumption of buildings and employee business travel;
- production of terminals, including the production and transportation of raw materials;
- transportation of terminals from assembly plants to customers;
- use of terminals and services provided by the Group;
- maintenance of terminals;
- processing of end-of-life terminals.

● **Diagram of the elements included in the GHG emissions analysis**




This analysis identified the elements with the highest GHG emissions so that preventive action could be taken in the areas of greatest impact for the workstations which the Group has the means to control and influence. The results presented in the analysis below help Ingenico Group to refine and augment its action plans for reducing GHG emissions within its approach toward progress and the continuous improvement of environmental performance.

## Principal sources of $CO_2$ emissions in Ingenico Group's value chain in 2018




## Details of emissions in $CO_2$ equivalent per scope and per year

| *(in tons of $CO_2$ equivalent)* | 2018 | 2018 (like-for-like) | 2017 (like-for-like)* | Like-for-like change |
|---|---|---|---|---|
| Scope 1 (direct emissions from the combustion of fossil fuels) | 7,502 | 7,502 | 7,750 | -3% |
| Scope 2 (indirect emissions from electricity) | 10,424 | 10,371 | 9,640 | +8% |
| Scope 3 (other indirect emissions) | 1,665,984 | 1,665,642 | 1,525,534 | +9% |
| **TOTAL** | **1,683,910** | **1,683,515** | **1,542,924** | **+9%** |

* *The 2017 data was revised downwards due to the adjustment of certain emission factors.*

## Details of emissions in $CO_2$ equivalent per item and per year

| *(in tons of $CO_2$ equivalent)* | 2018 | 2018 (like-for-like) | 2017 (like-for-like)* | Like-for-like change |
|---|---|---|---|---|
| Buildings energy and business travel | 20,923 | 20,528 | 21,182 | -3% |
| Terminal production | 486,966 | 486,966 | 395,842 | +23% |
| Terminal delivery | 26,628 | 26,628 | 27,905 | -5% |
| Use of products and services | 1,134,477 | 1,134,477 | 1,086,484 | +4% |
| Maintenance | 8,652 | 8,652 | 7,094 | +22% |
| Processing of end-of-life terminals | 6,264 | 6,264 | 4,417 | +42% |
| **TOTAL** | **1,683,910** | **1,683,515** | **1,542,924** | **+9%** |

* *The 2017 data was revised downwards due to the adjustment of certain emission factors.*

GHG emissions related to buildings energy consumption and business travel were reduced (-3%) primarily due to the fall in business travel recorded in 2018. The various measures detailed in the paragraph relating to business travel (see 2.5.2.1, "Impacts related to infrastructure") largely contributed to this significant reduction.

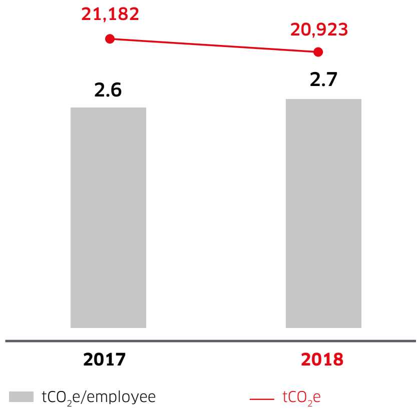
GHG emissions related to terminal production rose significantly (+23%) in connection with the number of terminals manufactured by the Group in 2018.

GHG emissions relating to the transportation of terminals were optimized (-5%) as a result of the initiatives described in the section on transportation in paragraph 2.5.2.2, "Impacts linked to the products and services offered", with the percentage of products transported by sea in particular increasing in 2018.

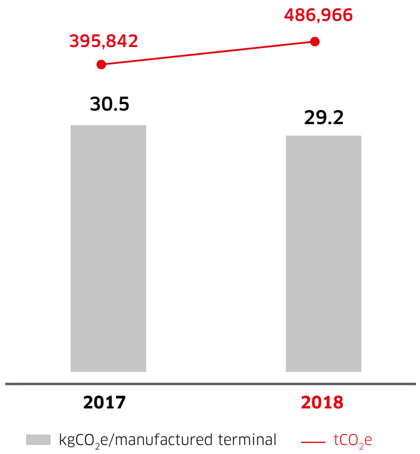
GHG emissions related to the use of the Group's products and services increased slightly (4%). However, this increase is lower than the growth of the installed terminal base (20%). This demonstrates the effectiveness of the measures outlined in the section on eco-design in paragraph 2.5.2.2, "Impacts linked to the products and services offered".

The graphs below, which display the data in absolute values but more importantly in relative values, highlight the Group's ability to minimize its GHG emissions in spite of the growth of its business. In fact, expressed in relative values, the emissions detailed in the preceding table follow an overall downward trend.

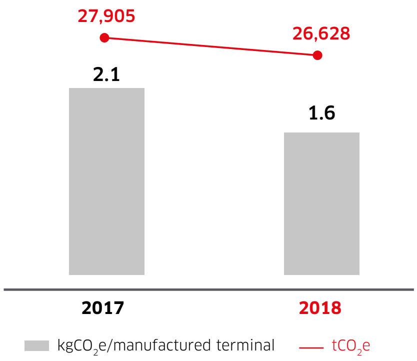
- **Buildings energy and business travel**



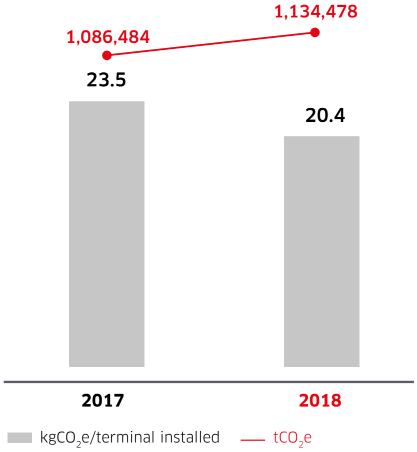

- **Terminal production**




- **Terminal delivery**

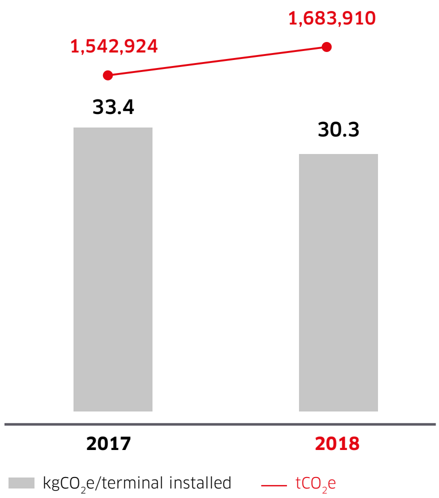



- **Use of products and services**




In 2018, the growth of the Group's business incurred a rise in GHG emissions in absolute value (on a like-for-like basis). However, this increase (11%) is less significant than the increase in the installed terminal base (20%) as shown by the GHG emissions trend in relative values (in $kgCO_2e$ per installed terminal).

- **Total GHG emissions**



### 2.5.3.2 Greenhouse gas reduction targets for 2020

Ingenico Group is keenly aware of the progression and impact of climate change across the globe and wants to participate in the collective drive to keep global warming below 2°C between now and 2050. This is why the Group decided in 2016 to set itself objectives for reducing greenhouse gas emissions by 2020, thereby contributing to SDG 13[(1)] (Take urgent action to combat climate change and its impacts).

However, given the internal reorganizations that occurred in 2018 and the definition of a new corporate strategy, it was decided to replace the objectives previously defined for the reduction of greenhouse gas emissions with new objectives for 2023 as part of the CSR action plan that will be released in 2019.

A progress report on the various objectives at December 31, 2018 is shown below.

| Scope | 2020 objectives (compared with 2015)* | Shares | Indicator | 2015 references** | 2018 results | Like-for-like change |
|---|---|---|---|---|---|---|
| Energy consumption of offices (Scope 2) | Reduce $CO_2$ emissions related to offices occupied by Ingenico Group in France by 50% | Increase the share of renewable energy supplying the main sites located in France | $tCO_2e$ | 202 | 186 | -8% |
| Use of terminals (Scope 3) | Reduce the $CO_2$ emissions per Ingenico terminal installed worldwide by 10% | Increase the energy efficiency of terminals and promote the use of paperless electronic payment receipts | $kgCO_2e$/ installed terminal | 24.2 | 20.2 | -17% |
| Terminal transport (Scope 3) | Reduce the $CO_2$ emissions per Ingenico terminal transported by 5% | Increase maritime transport and consolidated freight *via* the installation of a transport hub in Europe | $kgCO_2e$/ manufactured terminal | 2.5 | 1.6 | -36% |

* *All targets are set on a like-for-like basis.*

** *The values were calculated with emission factors updated in 2018.*

The target for GHG emissions associated with the data centers used by Ingenico Group could not be monitored and so was not reported in the previous table.

(1) *For more information on the United Nations Sustainable Development Goals, see http://www.un.org/sustainabledevelopment/sustainable-development-goals/*

## 2.5.4 Other environmental commitments

### United Nations Global Compact

By supporting the world's leading corporate social responsibility initiative, Ingenico Group commits to disclose the ways in which the Group is aligning its strategy and operations with the UN's universal principles relating to the environment:

- applying the precautionary approach to counter the problems affecting the environment;
- taking initiatives that tend to promote greater responsibility in terms of the environment;
- promoting the development and dissemination of technologies that respect the environment.

Ingenico Group's 2018 report (Communication on Progress) is available on the website of the United Nations Global Compact.

### We Mean Business

In 2015, Ingenico Group also committed to one of the initiatives proposed by the "We Mean Business" coalition to combat climate change. This voluntary commitment by Ingenico Group consists in providing public access to information on the impacts of the Group's business on climate change. This commitment is reflected by the information contained in section 2.5.3, "Group greenhouse gas emissions".

### CDP

In 2018, Ingenico Group once again took part in the CDP, an internationally recognized evaluation set up by an independent NGO that works with global investors to advance investment opportunities and mitigate the risks posed by climate change. This evaluation specifically enables institutional investors to assess the performance of more than 5,000 listed companies around the world in relation to their climate change policy, GHG emissions and energy consumption.

The Group confirmed its commitment to the fight against climate change, with a score of "B" (for "Management"). The average score is B-, whether for European companies or for companies in the IT sector. In 2018, Ingenico Group maintained its support for this initiative by becoming an official "CDP Supporter".

### Circular economy trajectories of the AFEP

Using the drivers of the circular economy defined by ADEME (the French Environment and Energy Management Agency), Ingenico Group was committed in 2017 through two actions: recycling and eco-design of products marketed by the Group. These two initiatives are part of the brochure published by the AFEP, which details the 100 commitments promoting the circular economy on the part of 33 French companies.

### Partnership with SPIE

Today, eco-responsible and sustainable mobility solutions are on the increase. With electric vehicles accounting for 10% of new car sales each year, it is therefore essential to provide the infrastructure to ensure that these vehicles can continue to run. In the scope of its partnership with SPIE Group, Ingenico Group has deployed an identification and payment solution across 1,200 electric vehicle charging stations throughout France. Ingenico Group is contributing to the success of SPIE Group through the self-service terminals range, helping to make the recharging of vehicle batteries as easy and accessible as going shopping.

### Connected business night

Ingenico Group participated in the retail event of the year by offering an innovative solution aimed at digitizing loyalty cards as simply as possible. Thanks to the Ingenico payment terminal, consumers now have an easy-to-use, secure means of creating and using their digital loyalty cards. What is more, there are also savings in the form of paper registration forms and plastic cards, representing an environmental benefit (savings in raw materials and waste reduction).

## 2.5.5 Employee awareness

The Group intends to improve environmental awareness among its employees. To this end, Ingenico Group encourages its employees to adopt and develop an eco-responsible approach in all their daily activities to reduce paper and water consumption, travel and energy consumption and to promote waste sorting.

In France, on the Valence site, Ingenico Group took part in the "sustainable mobility" day to promote alternative solutions to the private car, particularly for commuting.

Finally, in the UK, all new employees are made aware of the protection of the environment when they join the Group.

# 2.6 REPORT BY THE INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL PERFORMANCE STATEMENT IN THE MANAGEMENT REPORT

*This is a free English translation of the independent third party's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

**For the year ended 31 December 2018**

To the shareholders,

In our capacity as independent third party of Ingenico S.A., certified by the French Accreditation Committee *(Comité Français d'Accréditation or COFRAC)* under number 3-1049[1] and, as a member firm of the KPMG International network, one of your statutory auditors, we hereby report to you on the consolidated non-financial performance statement for the year ended 31 December 2018 (hereinafter the "Statement"), included in the Group Management Report, in accordance with the legal and regulatory provisions of Articles L.225 102-1, R. 225-105 and R.225-105-1 of the French Commercial Code *(Code de commerce)*.

## Responsibility of the company

It is the Board of Directors' responsibility to prepare a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of policies applied to mitigate these risks and the outcomes of those policies, including key performance indicators.

The Statement has been prepared applying the procedures of the company (hereinafter the "Guidelines"), the most significant aspects of which are presented in the Statement and available upon request at the company's headquarters.

## Independence and quality control

Our independence is defined by the provisions of Article L.822-11-3 of the French Commercial Code *(Code de commerce)* and the French Code of Ethics *(Code de déontologie)* for statutory auditors. Moreover, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable ethical rules, professional standards, laws and regulations.

## Independent third party's responsibility

On the basis of our work, it is our responsibility to express a limited assurance opinion about whether:

- the Statement complies with the provisions of Article R. 225-105 of the French Commercial Code *(Code de Commerce)*;
- the information provided (hereinafter the "Information") is fairly presented in accordance with Article R.225-105-I(3) and II of the French Commercial Code *(Code de commerce)* concerning policy outcomes, including key performance indicators and actions relating to the main risks.

However, it is not our responsibility to express an opinion on:

- the Company's compliance with any other applicable legal and regulatory provisions, relating, in particular, to the duty of care requirement and the fight against corruption and tax evasion;
- the compliance of products and services with applicable regulatory provisions.

## Nature and scope of our work

We performed our work described below in compliance with Article A.225-1 et seq. of the French Commercial Code *(Code de commerce)*, defining the conditions under which the independent third party performs its engagement, and with the professional guidance issued by the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) relating to this engagement, and with ISAE 3000 (International standard on assurance engagements other than audits or reviews of historical financial information).

We conducted work to form an opinion on the Statement's compliance with legal and regulatory provisions and the fair presentation of the Information therein:

- We gained an understanding of the activity of all companies in the consolidation scope, of the company's exposure to the main social and environmental risks relating to the business activity and, if applicable, of its effects on respect for human rights and the fight against corruption and tax evasion, including any related policies and their outcomes;
- We assessed the appropriateness of the Guidelines in terms of their relevance, completeness, reliability, neutrality and clarity, by taking into consideration, where relevant, the sector's best practices;
- We verified that the Statement covers every category of information required under Article L.225-102-1, Paragraph III concerning social and environmental matters as well as respect for human rights and the fight against corruption and tax evasion;
- We verified that the Statement presents the business model and the main risks relating to the activity of all companies in the consolidation scope, including – if relevant and proportionate – risks due to its business relationships, products or services, in accordance with the disclosures required under Article R. 225-105-I, and policies, due diligence procedures and outcomes, including key performance indicators;
- We verified that the Statement presents the disclosures required under article R. 225-105-II if they are relevant given the main risks or policies presented;

*(1) Scope available at www.cofrac.fr*

- We obtained an understanding of the process for identifying, prioritizing and validating the main risks;
- We enquired about the existence of internal control and risk management procedures implemented by the company;
- We verified that the Statement covers all companies in the consolidation scope in accordance with Article L. 233-16 within the limits specified in the Statement;
- We assessed the data collection process implemented by the entity to ensure the completeness and fair presentation of the policy outcomes and key performance indicators that must be mentioned in the Statement;
- For key performance indicators and the other quantitative outcomes(1) that we considered the most important, we set up:
  - analytical procedures to verify that data collected are correctly consolidated and that any changes to the data are consistent;
  - tests of details based on sampling to verify that definitions and procedures are correctly applied and to reconcile data with supporting documents. The work was carried out with a selection of entities contributing(2) to the reported data and represents between 15 and 100% of consolidated data of key performance indicators and outcomes selected for these tests;
- We referred to documentary sources and conducted interviews to corroborate the due diligence procedures that we deemed the most important(3) (organization, policies, actions, qualitative outcomes);
- We assessed the overall consistency of the Statement based on our understanding of the Company.

We believe that the sampling methods and sample sizes we have used, based on our professional judgment, are sufficient to provide a basis for our limited assurance opinion. A higher level of assurance would have required us to carry out more extensive procedures.

Due to the use of sampling techniques and other limitations inherent to information and internal control systems, the risk of not detecting a material misstatement in the Statement cannot be totally eliminated.

### Means and resources

Our work drew on the skills of five individuals. To assist us in conducting our work, we called on our firm's sustainable development and corporate social responsibility specialists. We conducted around ten interviews with the individuals responsible for preparing the Statement.

### Opinion

Based on our work, and given the scope of our responsibilities, we have no material misstatements to report that would call into question the Statement's compliance with the applicable regulatory provisions, or the fair presentation of the information, taken as a whole, in accordance with the Guidelines.

### Comments

Without qualifying our opinion, in accordance with article A. 225-3 of the French Commercial Code *(Code de commerce)*, we draw your attention to the following matters:

- The reporting scope does not include Ingenico Group's activities in China for the performance indicators "Share of suppliers who signed the CSR Agreement or provided proof of their RBA membership" and "Share of suppliers assessed regarding their CSR performance".
- Controls at Group level could be further strengthened regarding training hours and absenteeism data.

Paris-La Défense, 25 February 2019

KPMG SA

Anne Garans
*Partner*
*Sustainability Services*

Frédéric Quelin
*Partner*

*(1) Total headcount and breakdown of the workforce by gender and age range, Number of departures (including resignations), Total number of training hours, Average number of training hours per employee, Percentage of payment terminals assembled in ISO 14001 certified plants, Greenhouse gas emissions due to the use of terminals, Electricity consumption, End-of-life products (WEEE) collected and treated, Share of suppliers who signed the CSR Agreement or provided proof of their RBA membership, Share of suppliers assessed regarding their CSR performance.*

*(2) Ingenico Group headquarters and Ingenico Group S.A. (France), Ingenico Spain (Spain).*

*(3) Actions implemented regarding professional development and talent retention, Share of employees with access to the Ingenico University platform, Measures taken for health, safety and well-being at work, Consideration of employees satisfaction and engagement, Product compliance with applicable regulations, Environmental performance of products, Policies and measures against bribery and to promote ethics, Responsible procurement policy, Assessment framework regarding suppliers' social responsibility including their use of controversial substances, Results of the "Customer Experience Feedback" satisfaction survey, Measures taken for the protection of personal data and cybersecurity, Measures regarding the management of intellectual property risks.*

# 3

# CORPORATE GOVERNANCE

# 3.1 CORPORATE GOVERNANCE

## 3.1.1 Governance structure

### 3.1.1.1 Corporate Governance Code

In order to provide some structure for its corporate governance, the Company has put in place a set of measures that comply with the AFEP-MEDEF Code which inspired the drafting and updating of the Company's Articles of Association and the Rules of Procedure of the Board of Directors. In the same manner, the Company has opted to refer to the AFEP-MEDEF Corporate Governance Code for listed companies (the "AFEP-MEDEF Code") which was last updated in June 2018. The Code is available on the websites of both AFEP (www.afep.com) and MEDEF (www.medef.com).

### 3.1.1.2 Implementation of the "apply or explain" rule

Pursuant to the "apply or explain" rule laid down in Article L.225-37 of the French Commercial Code and Article 27.1 of the AFEP-MEDEF Code, the Company considers that the Company is compliant with the Corporate Governance Code in force in France, apart from the exceptions set out in the summary table below.

| AFEP-MEDEF recommendation set aside | Ingenico Group practice and justification |
|---|---|
| **Termination of employment contract on appointment as a corporate officer (§ 21)**<br>"[...] When an employee becomes a company officer, it is recommended to terminate his or her employment contract with the Company or with a group company, whether through contractual termination or resignation [...]" | Given the exceptional circumstances under which he was appointed as Chief Executive Officer, Nicolas Huss's employment contract has been suspended since November 5, 2018, the date of his appointment as Chief Executive Officer. This situation will be reviewed at the close of the Annual General Shareholders' Meeting to be held in 2020, depending on the resolutions that may be adopted regarding the compensation paid to directors and executive officers. |
| **Committee responsible for compensation (§ 17.1)**<br>"[...] It is recommended [...] that one of its members should be an employee director [...]" | The director representing employees appointed on September 27, 2018 is not a member of the Compensation, Appointments and Governance Committee, but attends meetings of the Board of Directors at which compensation is reviewed and discussed. Furthermore, the director representing employees is a member of the Strategic Committee. |

### 3.1.1.3 Organization of powers

The Company is a French limited liability company (*société anonyme*) managed by a Board of Directors that has opted for the separation of the offices of Chairman of the Board and Chief Executive Officer as decided by the Board of Directors on November 5, 2018.

Since April 2010, the roles of Chairman and CEO have been combined, with Philippe Lazare performing the role of Chairman and Chief Executive Officer. Following his departure on November 5, 2018, the Board of Directors decided to separate the roles of Chairman of the Board and Chief Executive Officer. Since this date, Bernard Bourigeaud has been Chairman of the Board with Nicolas Huss as Chief Executive Officer.

The Board of Directors considered that this separate governance structure was the best option for the Company.

The governance structure implemented within the Group is in strict compliance with the authority delegated to each of the Company's various bodies, as provided by French law. It includes:

- a Board of Directors where the large majority of members are independent directors (87.5% as of the date of this document);
- attendance on special focus committees of the Board of Directors that are largely made up of independent members;
- a high level of involvement of directors in special focus committees, the Strategic Committee in particular;
- a systematic annual assessment of the working conditions of the Board of Directors (see Chapter 3.1.4.4 of this document).

The Chief Executive Officer is not a member of any of the Board of Directors' special focus committees, but takes part in them as necessary.

#### Powers of the Chairman of the Board of Directors

The Chairman of the Board organizes and directs the work of the Board and reports on this to the Annual General Shareholders' Meeting. He ensures that the Company's various bodies are performing effectively and, in particular, that the directors are able to perform their duties.

#### Powers of the Chief Executive Officer

The Chief Executive Officer is vested with the broadest powers to act on the Company's behalf in all circumstances. He exercises these powers within the scope of the Company's corporate purpose and subject to the powers expressly granted by law to Shareholders' Meetings and to the Board of Directors.

He represents the Company in its relations with third parties. The Company is bound even by actions of the Chief Executive Officer that fall outside the scope of the corporate purpose, unless it can be proven that the third party knew the act exceeded that purpose or could not have been unaware of it under the circumstances, the mere publication of the Articles of Association being insufficient proof.

### Limits on the powers of the Chief Executive Officer

The limits placed by the Board of Directors on the powers of the Chief Executive Officer are described in Article 2 of the Board's Rules of Procedure and are reviewed below.

In accordance with the law, security, surety and guarantee commitments in the name of the Company may only be approved by the Chief Executive Officer after receiving the prior authorization of the Board of Directors, and the Board may set an overall annual amount, or an amount per commitment, below which its authorization is not required. The consent of the Board of Directors is required before the Chief Executive Officer may appoint any person to act as a permanent representative of the Company or companies it controls directly or indirectly, as defined in Article L.233-3 of the French Commercial Code, on the Board of Directors or the Supervisory Board of any company not directly or indirectly controlled by the Company. The Board of Directors will consider any proposals and opinions provided by the Compensation, Appointments and Governance Committee.

Prior authorization from the Board of Directors is also required for any related party agreement in accordance with Articles L.225-38 *et seq*. of the French Commercial Code. This includes any "Golden Parachute" or "Supplementary Pension" agreements with the Chairman, Chief Executive Officer or Deputy Chief Executive Officers involving compensation or benefits due upon the termination of their duties or thereafter.

The prior consent of the Board is also required for the following:

(i) setting the consolidated budget for the year;

(ii) setting the consolidated business plan;

(iii) any investment, divestiture, acquisition of equity interests or assets, contribution or disposal of assets, merger, demerger or partial contribution of assets in an amount exceeding €25 million;

(iv) any application for a loan, or any issuance of bond debt or other long-term liabilities exceeding €25 million and any application for a loan or issuance of bond debt or other long-term liabilities exceeding an annual aggregate limit of €100 million;

(v) any commercial transaction under normal conditions for conducting company business involving an amount in excess of €300 million; above this threshold, the Board of Directors shall quickly appoint an ad hoc committee composed of three of its members to decide whether or not to approve the transaction;

(vi) any transaction, agreement or compromise in the context of the resolution of a dispute involving an amount in excess of €25 million;

(vii) any capital increase or series of capital increases liable to modify the total share capital and/or voting rights in Ingenico Group, unless express delegation is granted to the Chief Executive Officer; and

(viii) any material transaction outside of Ingenico's normal business or materially impacting the Group's strategy as defined by the Board of Directors, or any strategic alliance or partnership that may have a major impact on the Group.

Neither the provisions of these Articles of Association nor any Board resolutions limiting the Chief Executive Officer's powers are enforceable against third parties.

### Powers of the Deputy Chief Executive Officers

The Board of Directors determines the scope and duration of the powers vested in Deputy Chief Executive Officers in agreement with the Chief Executive Officer. The Deputy Chief Executive Officers have the same powers as the Chief Executive Officer with respect to third parties.

As of the date that this document was prepared, the Board of Directors had not appointed a Deputy Chief Executive Officer.

## 3.1.2 Composition of the Board of Directors – directors and executive officers

### 3.1.2.1 Rules for the composition of the Board of Directors

The composition of the Company's Board of Directors and executive management bodies is determined by the applicable laws and regulations, by the Articles of Association of the Company, and by the Rules of Procedure of the Board of Directors, the main clauses of which are summarized or reproduced below.

**Appointment of directors:** in accordance with the Articles of Association, the Company is administered by a Board composed of at least three (3) and at most thirteen (13) members. Directors representing employees are not taken into account in determining the minimum and maximum number of directors under Article L.225-27-1 of the French Commercial Code.

The directors are appointed by the Annual General Shareholders' Meeting and can be removed by it. The term of office for directors is three (3) years. By way of exception and to allow the renewal of directors' terms of office to be staggered, the Ordinary Annual General Shareholders' Meeting may appoint or renew terms of office for one year or two years. Plurality of offices as a director and other corporate offices in several *sociétés anonymes* (limited liability companies) is allowed only within the limits permitted by law.

A Company employee may only be appointed to the Board of Directors if their employment contract predates this appointment and corresponds to an actual job position. The director representing employees does not lose the benefit of his or her employment contract. The number of directors bound to the Company by employment contracts may not exceed one third of all directors in office. Any appointment made in violation of the above provisions will be declared null and void. However, this does not render null and void the proceedings in which the improperly appointed director has taken part. The Annual General Shareholders' Meeting of May 16, 2018 amended the Articles of Association to include the terms for appointing the director representing employees pursuant to Article L.225-27-1 of the French Commercial Code.

In the event of the death or resignation of a director, the Board of Directors may make a provisional appointment between two Shareholders' Meetings. Any such provisional appointment must be ratified by the next Annual General Shareholders' Meeting. Even if the meeting does not ratify the appointment, the prior proceedings and acts of the Board of Directors shall be considered valid.

When the number of directors in office drops below three, the remaining directors must immediately convene a Shareholders' Meeting in order to restore Board membership to the required minimum.

**Age limit:** in accordance with the Articles of Association, the number of directors (individuals or representatives of legal entities) over 75 years of age may not exceed one third, rounded up to the next whole number, of the directors in office on the date of the Annual General Shareholders' Meeting convened to approve the Annual Financial Statements. When this recommended number has been exceeded, the oldest director, except for the Chairman, will be deemed to have resigned.

**Directorships held by legal entities**: in accordance with the Articles of Association, as soon as a company is appointed to the Board of Directors, it must designate a physical person as its permanent representative who will be subject to the same conditions and obligations and have the same duties as any individually appointed director, without prejudice to the joint and several liability of the legal entity represented. When a legal entity dismisses its permanent representative, it must immediately appoint a replacement. The same applies in the event of death or resignation of the permanent representative.

**Share ownership by Directors:** each Director must own at least ten (10) shares. These shares must be held in registered form and fully paid up.

Directors appointed during the life of the Company who were not shareholders at the time of their appointment must acquire the minimum number of shares required within six months of their appointment. Should this requirement not be fulfilled, said Directors shall be deemed to have resigned.

In addition to the ten (10) shares specified in Article 12 of the Articles of Association, each Director agrees to hold one thousand (1,000) shares for the first six months of office in accordance with the Rules of Procedure of the Board of Directors.

The Rules of Procedure also require independent advisors to promise to hold five hundred (500) shares for six months following their appointment.

These shares must be registered shares that are fully paid up.

These provisions do not apply to employee shareholders appointed as Directors pursuant to Article L.225-23 of the French Commercial Code, and will not apply to the employee representative appointed pursuant to Article L.225-27-1 of the French Commercial Code.

Specifically, a proposal will be put to the Annual General Shareholders' Meeting of June 11, 2019 that Article 12 of the Articles of Association should be amended to remove the Article of Association requirement for Directors to hold ten (10) shares (see Chapter 7 of this Registration Document for further details). It is specified that the provisions of the Rules of Procedure requiring Directors to hold at least 1,000 shares will continue to apply, as will the six-month vesting or adjustment period, failing which the Director concerned would be deemed to have resigned.

**Chairman of the Board of Directors**: the Board of Directors shall elect one of its members as Chairman for the term of office which it sets but which may not exceed their term of office as director. This position must be occupied by an individual, or the appointment will be declared null and void. The Chairman may be re-elected for an indefinite number of terms.

The Board may also appoint a secretary, who need not be Board member.

The Chairman's term of office expires by right at the first Annual Ordinary General Shareholders' Meeting held during the year of his seventy-fifth birthday. Specifically, a proposal will be put to the Annual General Shareholders' Meeting of June 11, 2019 that Article 13 of the Articles of Association should be amended to set the statutory age limit of the Chairman at 80 years (see Chapter 7 of this Registration Document for further details).

**Deputy Chairman:** in the event of the temporary unavailability or death of the Chairman, the Board of Directors may appoint a Director to fulfill the functions of the Chairman. If unavailable, this appointment is renewable. In the event of death, it shall be valid until a new Chairman is elected.

Specifically, a proposal will be put to the Annual General Shareholders' Meeting of June 11, 2019 that Articles 12 and 13 of the Articles of Association should be amended to replace the Deputy Chairman by a Vice-Chairman (see Chapter 7 of this Registration Document for further details).

**Independent advisors**: the Board may appoint one or more independent advisors for a term of four (4) years on the proposal of its Chairman. Their role is to advise the Board of Directors on Company policy and direction, based on their experience or particular skills. The independent advisor(s) may only take part in the proceedings of the Board of Directors in an advisory capacity. The Board of Directors therefore closely scrutinizes all appointment recommendations to ensure that the candidate possesses the skills and the expertise required to assist it.

### 3.1.2.2 Policy on diversity of backgrounds and experience

The Board of Directors aims to ensure that directors hail from a variety of backgrounds and have complementary skills, and to maintain a level of independence on the Board that is appropriate for the governance structure of the Company and its shareholders. It aims to achieve a balanced representation of its members.

This is reflected in the diversity of Board members, who complement one another in their range of skills, experience and training. The Board of Directors recently added a director representing employees and this has broadened its range of experience.

Special attention is paid to equality within the Board of Directors, and the Board ensures it is compliant with the principle of the equal representation of women and men. As of the date of this document, three of the eight members of the Board of Directors are women, *i.e.*, there is a gender gap of two between the directors. Pursuant to Article L.225-27-1 of the French Commercial Code, the ninth director (the director representing employees) is not taken into account in assessing the composition of the Board, which is therefore compliant with French Law No. 2011-103 of January 27, 2011 on the equal representation of men and women on Boards of Directors and Supervisory Boards and gender equality in the workplace.

The Board of Directors includes members of different ages, with an average age of 55. Members often have international experience, giving the Board greater relevance thanks to their complementary strengths.

The Board of Directors is also committed to the independence of its members and its committees. The level of independence of the Board of Directors and its committees is thus far greater than the majority recommended by the French AFEP-MEDEF Code.

The Board of Directors will continue to reflect on how best to diversify its composition for the future, with the aim of strengthening the international dimension of its membership while continuing to uphold its policy principles.

Ingenico Group's human resources and corporate social responsibility policies make diversity and gender equality at work an area for development at all levels of the organization. As of the date of this document, the Executive Committee comprises three women and five men. Representation in the most senior 10% of roles within the Company is 80% men and 20% women.

### 3.1.2.3 Employee representation on the Board of Directors

#### Directors elected to represent employees

As of December 31, 2018, the Company falls within the scope of application of law No. 2015-994 of August 17, 2015 amending Article L.225-27-1 of the French Commercial Code providing for employee representation on the Board of Directors of public limited companies that employ a certain number of permanent employees. Thus, the Annual General Shareholders' Meeting of May 16, 2018 amended the Company's Articles of Association to determine the appointment conditions in accordance with Article L.225-27-1 of the French Commercial Code and the director representing employees was appointed on September 27, 2018.

#### Directors elected to represent employee shareholders

The Company does not fall within the scope of application of Article L.225-23 of the French Commercial Code which provides that, in companies listed on a regulated market where the employee shareholding (as defined in Article L.225-102 of the French Commercial Code) exceeds three percent of the Company's share capital, the shareholders must appoint one or more directors representing the employee shareholders to the Board of Directors.

The Board of Directors therefore has no directors representing employee shareholders of the Company.

### 3.1.2.4 Composition of the Board of Directors

As of December 31, 2018, the Board of Directors was composed of nine (9) directors, including eight directors appointed by the Annual General Shareholders' Meeting and a director representing employees, as well as an independent advisor:

| Name | Nationality | Age | Independence | Other directorships and offices in listed companies | Year of first appointment | Year of expiry of term of office | Audit and Finance Committee | Compensation, Appointments and Governance Committee | Strategic Committee |
|---|---|---|---|---|---|---|---|---|---|
| Bernard BOURIGEAUD Chairman of the Board of Directors | French | 74 years | X | None | 2016 | 2020 | | X | Chairman |
| Nicolas HUSS Chief Executive Officer, director | French | 54 years | | 1 | 2018 | 2019 | | | |
| Diaa ELYAACOUBI | French | 48 years | X | None | 2011 | 2019 | | X | X |
| Arnaud LUCIEN Director representing employees | French | 41 years | | None | 2018 | 2021 | | | X |
| Xavier MORENO | French | 70 years | X | None | 2008 | 2021 | | Chairman | X |
| Caroline PAROT | French | 47 years | X | 1 | 2017 | 2020 | Chairman | | X |
| Thierry SOMMELET | French | 49 years | X | 3 | 2018 | 2021 | | X | X |
| Sophie STABILE | French | 48 years | X | 3 | 2018(1) | 2019 | X | | X |
| Élie VANNIER | Swiss | 69 years | X | None | 2008 | 2021 | X | | X |

(1) *This provisional appointment was ratified by the Annual General Shareholders' Meeting of May 16, 2018.*

William Nahum was first appointed as an independent advisor by the Board of Directors on March 15, 2006. He was reappointed for a term of four years by the Board of Directors on February 18, 2016. As of December 31, 2018, he holds 525 shares in the Company and is a member of the Compensation, Appointments and Governance Committee.

### 3.1.2.5 Changes in the composition of the Board of Directors in 2018

The changes in the composition of the Board of Directors and its committees in 2018 were as follows:

| | Departures | Appointments | Renewals |
|---|---|---|---|
| Board of Directors | Colette Lewiner<br>May 16, 2018<br>Jean-Louis Constanza<br>May 16, 2018<br>Philippe Lazare<br>November 5, 2018 | Sophie Stabile<br>March 27, 2018<br>Thierry Sommelet<br>May 16, 2018<br>Arnaud Lucien<br>Director representing employees appointed by the Works Council on September 27, 2018 | Xavier Moreno<br>May 16, 2018<br>Élie Vannier<br>May 16, 2018 |
| Audit Committee | Sophie Stabile joined the committee, replacing Colette Lewiner. | | |
| Compensation, Appointments and Governance Committee | Bernard Bourigeaud and Thierry Sommelet joined the committee on February 21, 2018 and May 16, 2018 respectively. | | |
| Strategic Committee | Arnaud Lucien joined the committee on December 13, 2018. | | |

### 3.1.2.6 Specific information on directors

#### Address of directors

For the purposes of their corporate functions, the members of the Board of Directors and senior management are domiciled at the Company's head office.

#### Directorships and offices

The list of each director's directorships and offices, and their duties, is shown below.

#### Convictions, bankruptcies, official public indictments and/or sanctions

To the best of the Company's knowledge and as of the date of this Registration Document, within the previous five years none of the members of the Board of Directors and none of the management:

- have been convicted of fraud;
- have been associated with a bankruptcy, receivership or liquidation;
- have been the subject of an official public indictment or sanction by any statutory or regulatory authority;
- have been disqualified by a court from acting as a member of an administrative, management or supervisory body or from acting in the management or conduct of the affairs of any issuer.

#### Conflict of interest

To the best of the Company's knowledge and on the date this document was prepared, no conflict of interest was identified between the corporate duties of any member of the Board of Directors or senior management and their private interests or other duties.

To the best of the Company's knowledge and on the date this document was prepared, no arrangement has been made or agreement reached with the main shareholders, customers or suppliers according to which one of the members of the Board of Directors or senior management has been selected in this capacity.

To the best of the Company's knowledge and on the date this document was prepared, members of the Board of Directors and senior management have not agreed any restrictions on the disposal of their equity interests in the Company's share capital.

#### Service contracts

During the last fiscal year, no Board member entered into a service contract with the Company or with Group companies providing benefits upon termination of the contract.

#### Family relationships

As of the date of this Registration Document, there are no family ties between any of the members of the Board of Directors.

### 3.1.2.7 Independence of directors

Ingenico Group is a widely held corporation without a controlling shareholder as defined in Article L.233-3 of the French Commercial Code. According to the AFEP-MEDEF Code, in this case, independent directors should account for at least half of the Board members.

The AFEP-MEDEF Code criteria to be fulfilled for the Board of Directors to qualify a director as independent are as follows:

- not to be or have been, within the previous five years, an employee or executive director of the Company or an employee, executive director, or Board member of an entity consolidated by it; or an employee, executive director, or Board member of its parent company or of an entity consolidated by that parent company;
- not to be an executive director of a company in which the Company holds a directorship, directly or indirectly, or in which an employee appointed as such or an executive director of the Company (either current or within the past five years) holds or has held a directorship;
- not to be a customer, supplier, investment banker, commercial banker or consultant that is material to the Company or Group, or for which the Company or the Group represents a material part of its business;

- not to be related by close family ties to an executive director;
- not to have been an auditor of the Company within the previous five years;
- not to have been a director of the Company for more than twelve years. The status of independent director lapses after twelve years.

A non-executive director may not be considered independent if he or she receives variable compensation in cash or shares or any compensation linked to the performance of the Company or the Group.

Directors representing major shareholders of the Company may be considered independent provided that they do not exercise control over the Company. However, when the shareholding exceeds 10% of the share capital or voting rights, the Board of Directors should systematically review whether the director still qualifies as independent, taking into consideration the Company's ownership structure and any potential conflict of interest.

The Compensation, Appointments and Governance Committee discusses the qualifications for being considered an independent director and writes a report on this question for the Board of Directors. Every year, on the basis of this report, the Board of Directors reviews the extent to which each director fulfills the criteria for independence mentioned above.

On February 25, 2019, the Board of Directors reviewed the degree of independence of the directors on the basis of the above criteria and the report by the Compensation, Appointments and Governance Committee.

To date, no director has had a business relationship with the Company and therefore the Board of Directors has not set criteria to assess the material nature of business relationships.

According to the independence criteria defined by the AFEP-MEDEF Code, the Board of Directors considers seven of its members as being independent:

| Independence criteria based on the AFEP-MEDEF Code[1] | Bernard Bourigeaud | Nicolas Huss | Diaa Elyaacoubi | Arnaud Lucien | Thierry Sommelet | Sophie Stabile | Xavier Moreno | Caroline Parot | Élie Vannier |
|---|---|---|---|---|---|---|---|---|---|
| 1. **Employee or executive director of the Company in the previous 5 years** | | | | | | | | | |
| • an employee or executive director of the Company; | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| • employee, executive director or Board member of an entity that the Company consolidates; | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ | ✓ | ✓ | ✗ |
| • employee, executive director or Board member of the Company's parent or of an entity consolidated by the parent. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 2. **Cross-directorships and offices** | | | | | | | | | |
| • Not to be an executive director of a company in which the Company holds, directly or indirectly, a directorship or in which an employee appointed as such or an executive director of the Company (either currently or within the past five years) holds or has held a directorship. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 3. **Material business relationships** | | | | | | | | | |
| • Not to be a customer, supplier, investment banker, commercial banker or consultant that is material to the Company or Group, or for which the Company or the Group represents a material part of its business. | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 4. **Family ties** | | | | | | | | | |
| • Not to be related by close family ties to an executive director: | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 5. **Statutory auditors** | | | | | | | | | |
| • Not to have been an auditor of the Company within the previous five years: | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 6. **Term of office in excess of 12 years** | | | | | | | | | |
| • Not to have been a director of the Company for more than twelve years: | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |

| Independence criteria based on the AFEP-MEDEF Code[1] | Bernard Bourigeaud | Nicolas Huss | Diaa Elyaacoubi | Arnaud Lucien | Thierry Sommelet | Sophie Stabile | Xavier Moreno | Caroline Parot | Élie Vannier |
|---|---|---|---|---|---|---|---|---|---|
| 7. **Status of major shareholder** | | | | | | | | | |
| • Not to be a shareholder taking part in the control of the Company or its parent company (beyond 10% of the capital and voting rights) | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| 8. **Status of non-executive directors and officers of the Company** | | | | | | | | | |
| • A non-executive director or officer of the Company may not be considered independent if they receive variable compensation in cash or shares or any compensation linked to the performance of the Company or the Group. | ✓[3] | | | | | | | | |
| **Conclusions[4]** | I | NI | I | NI | I | I | I | I | I[2] |

(1) *In this table, ✓ represents a criterion for independence that has been met and ✗ represents a criterion for independence that has not been met.*

(2) *Élie Vannier is a member of the Supervisory Board of Global Collect Services BV, a subsidiary of the Company. However, the Board of Directors considers that this position does not call into question his independence as he is expected to abstain from participating in the decisions of the Board of Directors of Ingenico Group SA when they concern a company in which he holds a directorship.*

(3) *It will be proposed to the Annual General Shareholders' Meeting of June 11, 2019 that the fixed compensation of Bernard Bourigeaud as Chairman of the Board be paid in free share awards rather than in cash. Given the recommendation of the French AFEP MEDEF Code, if this proposal is adopted, Bernard Bourigeaud will no longer be considered independent.*

(4) *NI = Not independent; I = Independent.*

The Board of Directors therefore has a majority of independent directors.

## 3.1.3 Ethical obligations imposed on directors

The Rules of Procedure of the Board of Directors lay out the main obligations imposed on directors; the rules thereof are presented below.

The members of the Board of Directors are appointed for their expertise, their shareholder representation and the contribution they can make to the work of the Board.

Each member of the Board must be able to perform the duties of his/her directorship in accordance with the rules of independence, ethics and integrity.

In accordance with corporate governance principles, all directors perform their duties in good faith, in the manner they deem appropriate to promote the best interests of the Company and with the care expected of a normally prudent person in carrying out such a mandate.

Board members undertake, in all circumstances, to maintain their freedom of analysis, judgment, decision and action, and to reject any pressure, whether direct or indirect, that may be exerted on them.

Each member of the Board of Directors ensures compliance by the Company with its obligations and commitments, compliance with laws and regulations, especially with regard to transparency and communication to shareholders and in the implementation of good governance principles.

### Information on members of the Board of Directors

Before accepting their assignment, each director must be aware of the laws and regulations related to their function, as well as any special requirements of the Company under its Articles of Association and the Rules of Procedure with which they undertake to comply.

### Defending the Company's interests

Each director represents all shareholders and must act at all times in the best interests of the Company. Each director undertakes to ensure that Company decisions do not favor one category of shareholders over another.

### Conflict of interest (Article 13 of the Rules of Procedure of the Board of Directors)

Each member of the Board of Directors is required to disclose to the Board any real or potential conflict of interest in which they could be directly or indirectly involved. In all such cases, the Compensation, Appointments and Governance Committee shall examine the related risks. Depending on the nature and significance of the conflict identified, the committee may recommend that the Board of Directors bar a particular director from taking part in discussions and decision-making by the Board on the specific issues in question or from attending Board meetings, for as long as the conflict of interest exists. The director concerned will be required to comply with the requests of the Board of Directors in this matter.

The director shall also accept all the consequences of the exercise of his directorship. Accordingly, he may:

- abstain from discussions and voting on the corresponding matter;
- or not attend Board of Directors' meetings during the period in which his conflict of interest exists;
- or resign his directorship.

Failure to respect these rules of abstention or resignation may leave the director liable to legal action.

Lastly, the Chairman of the Board of Directors shall refrain from disclosing to director(s) who he has serious grounds for believing are in a conflict of interest, any information or documents relating to the conflicting matter, and shall notify the Board of Directors thereof.

## Accountability of the Board of Directors

Directors must be attentive to how the powers and responsibilities of the Company's various bodies are defined and exercised.

In particular, they must ensure that no single person may have unlimited discretionary power over the Company; they must ensure the proper functioning of the special focus committees set up by the Board; they must ensure that the internal control bodies operate effectively and that the statutory auditors perform their duties satisfactorily.

The Board of Directors conducts an annual review of the internal control procedures implemented by the Company.

The Board of Directors also reviews its operations and those of its committees on an annual basis.

The evaluation aims to review the way the Board operates, check that important issues are properly prepared for and discussed and assess each director's effective contribution to the work of the Board.

The Board of Directors periodically, and at least once every three years, conducts a formal evaluation of its own performance. This process is led by the Chairman of the Board, assisted by another Board member who is also a member of the Compensation, Appointments and Governance Committee. These evaluations are primarily concerned with ensuring compliance with the rules of transparency, ethics and the prevention of risks encountered by the Company.

Information on what the work of the Board of Directors involves and how it is prepared and organized is provided in this report.

## Attendance of members of the Board of Directors

Each of the directors must devote the time and attention needed to perform their duties. They must ensure they attend Annual General Shareholders' Meetings.

## Transactions involving the Company's shares

In accordance with European regulation No. 596/2014 on market abuse, anyone exercising executive functions (the Chief Executive Officer, director or senior official[1]) and anyone with close personal ties to them must notify the AMF (the French financial markets authority) and simultaneously, the Company, under the conditions specified in the applicable regulations, of any transaction they have carried out involving the Company's shares (purchases, sales, subscriptions, exchanges of shares, transactions in financial instruments linked to the shares, etc.).

In its management report, the Board of Directors must inform the Annual General Shareholders' Meeting of such transactions carried out during the previous calendar year by the directors, people closely connected to them, as well as by senior officials.

As provided in the Company's Code of Stock Market Compliance, any Company shares owned by a Board member must be held in a registered account.

## Confidentiality – Inside information

The directors and any person attending meetings of the Board of Directors are bound by a duty of confidentiality regarding the proceedings of the Board and its committees.

Information provided to a member of the Board of Directors in his or her official capacity is said to be given on a personal basis (*intuitu personae*). He or she must protect its confidentiality and not disclose it under any circumstances. This obligation also applies to the representatives of any legal entity with a seat on the Board of Directors, as well as to independent advisors.

The information disclosed to members of the Board of Directors in their official capacity is subject to the provisions of regulation (EU) No. 596/2014 and related delegated regulations, as well as Articles L.465-1 and L.621-15 of the French Monetary and Financial Code relating to inside information, abstention requirements, and insider trading.

In particular, if the Board of Directors has received information of a precise nature that has not been made public, directly or indirectly regarding one or more issuers or one or more financial instruments which, if it were made public might markedly influence the price of the financial instruments concerned or associated derivatives, the members of the Board must abstain from:

- executing or attempting to execute insider trades, including:
  - either directly or indirectly buying or selling, for its own account or for a third party, the financial instruments to which that information relates,
  - canceling or altering orders previously placed on the Company's financial instruments;
- recommending or attempting to recommend to anyone to make insider trades or encouraging or attempting to encourage anyone to make insider trades based on Privileged Information;

(1) *A senior official is anyone who, without being a member of an administrative body, has regular access to privileged information directly or indirectly regarding the Company and can make management decisions regarding the Company's future development and corporate strategy (Article 3, §25 of regulation (EU) 596/2014). In accordance with this definition, the Company considers that the senior officials who meet this definition are the members of the Group's Executive Committee.*

- unlawfully disclosing or attempting to disclose privileged information, *i.e.*, disclosing such information to anyone unless the disclosure occurs in the normal course of work or the exercise of a profession or duties;
- making use of or communicating a recommendation or encouragement by an insider if the person knows or should know that it is based on privileged information.

Failure to comply with these obligations is punishable by administrative or criminal penalties.

## 3.1.4 Organization and functioning of administrative and management bodies

The functioning of the Company's Board of Directors and executive management bodies is determined by the applicable laws and regulations, by the Articles of Association of the Company as well as by the Rules of Procedure of the Board of Directors, the main clauses of which are summarized or reproduced below.

### 3.1.4.1 Executive management

In accordance with the Articles of Association, day-to-day management of the Company shall be the responsibility of either the Chairman of the Board of Directors, or any other individual appointed by the Board of Directors and bearing the title of Chief Executive Officer.

The Board of Directors decides between the alternative arrangements for managing the Company mentioned above, in accordance with the quorum and majority requirements set forth in Article 12 of the Articles of Association. The shareholders and third parties will be given notice of this decision, as provided for by a decree of the French Conseil d'État (Council of State).

As of the date that this document was prepared, the Company was managed by the Chief Executive Officer, the roles of Chairman of the Board and Chief Executive Officer having been separated as decided by the Board of Directors on November 5, 2018.

The Board of Directors can remove the Chief Executive Officer from office at any time.

An individual may not simultaneously hold more than one office as Chief Executive Officer of *sociétés anonymes* (limited liability companies) having their registered offices in France, except when the second office is held in a company controlled, within the meaning set forth in Article L.233-16 of the French Commercial Code, by the Company in which the first office is held.

The Chief Executive Officer may not be more than 75 years of age.

At least once a quarter, the Chief Executive Officer submits a report to the Board of Directors that includes the key figures for the main companies in the Group, most notably with respect to sales, profit, and performance in relation to forecasts.

The Chief Executive Officer also keeps the Board of Directors informed of any decision involving internal reorganization and any asset acquisition or disposal plans.

Once each half-year period, the Board of Directors examines the statement of the Group's off-balance sheet commitments presented by the Chief Financial Officer.

#### Deputy Chief Executive Officers

On the proposal of the Chief Executive Officer, the Board of Directors may appoint one or more individuals to assist the Chief Executive Officer and assume the title of Deputy Chief Executive Officer. The number of Deputy Chief Executive Officers may not exceed five.

The Board of Directors can remove a Deputy Chief Executive Officer from office on the proposal of the Chief Executive Officer. When removed without due cause, Deputy Chief Executive Officers may claim damages.

Deputy Chief Executive Officers may not be more than 75 years of age.

The Board of Directors has not appointed a Deputy Chief Executive Officer.

### 3.1.4.2 Board of Directors

**Convening meetings of the Board of Directors**: a Board meeting can be convened by the Chairman or by half of the Board members as often as required in the interests of the Company and at least once each quarter, at a place specified in the notice of meeting. The Board decides how notice of meetings is to be given.

The meetings may be convened using any means, by the Chairman or on the Chairman's behalf by any person designated by him, or at the request of half the members of the Board.

Specifically, a proposal will be put to the Annual General Shareholders' Meeting of June 11, 2019 that Article 12 of the Articles of Association should be amended to enable the Vice-Chairman to convene a meeting of the Board of Directors in the event that the Chairman is unavailable (see Chapter 7 of this Registration Document for further details).

At the end of each calendar year, the Board draws up a schedule of meetings for the following year, based on the Chairman's proposals.

The following persons are called to Board meetings:

- the members of the Board of Directors;
- the independent advisor;
- as of December 31, 2018, two Works Council members nominated by the Council and drawn from the managerial staff were attending meetings of the Board of Directors in an advisory capacity;
- the statutory auditors, but only if the meeting is called to examine or approve annual or interim financial statements (such as half-yearly statements) or for any other purpose that might require their presence.

Members of the Executive Committee, particularly the Chief Financial Officer, are regularly requested to take part in meetings when the agenda warrants it.

When the Board of Directors has not met for over two months, its members may request that the Chairman call a meeting with a specified agenda, provided that at least one third of all members sign the request.

The Chief Executive Officer may also request that the Chairman convene a Board meeting with a specific agenda.

The directors present at a Board meeting shall sign the attendance sheet.

**Proceedings of the Board of Directors**: the proceedings of Board meetings are not considered valid unless at least half of all Board members in office, and no fewer than two Board members, are present. Decisions are made by a majority vote of the members present or represented, with the exception of decisions that require a qualified majority pursuant to the delegation of powers ratified by an Annual General Shareholders' Meeting. If the votes are equal, the Chairman has a casting vote. When only two Board members are present, resolutions shall be passed by mutual agreement.

Pursuant to Article 12 of the Company's Articles of Association and Article 3 of the Rules of Procedure of the Board of Directors, directors are deemed to be present for the purpose of calculating the quorum and majority if they take part in Board meetings *via* videoconferencing or other telecommunications systems allowing them to be identified and guaranteeing their effective participation as per the conditions laid down in the relevant statutory provisions, except when the Board meets for the matters referred to in Articles L.232-1 and L.233-16 of the French Commercial Code.

In the event that a proposal to re-appoint or appoint the Chairman of the Board and/or the Chief Executive Officer is voted down, a new candidate must be proposed to the Board within five business days following said vote. In the event of a tie, the Chairman shall have a casting vote.

Minutes of the Board meeting proceedings shall be entered in a special minute book and signed by the Chairman and at least one director.

Extracts or copies of said minutes shall be validly certified by the Chairman of the Board, the Chief Executive Officer, the Deputy Chief Executive Officers, or the Vice-Chairman temporarily appointed as Chairman. In the event of liquidation, such extracts or copies shall be validly certified by the liquidator.

**Powers of the Board of Directors**: the Board of Directors determines the Company's strategy and oversees its implementation. Subject to the powers expressly granted to the Shareholders' Meetings and within the limit of the Company's corporate purpose, the Board deals with all matters concerning the smooth running of the Company and, through its decisions, manages the Company's business.

The Board strives to promote long-term value creation by the Company in considering the social and environmental issues related to its business and, where necessary, proposes any changes to the Articles of Association that it deems to be appropriate.

It is kept informed about market developments, the competitive environment and the main challenges facing the company, including in the area of social and environmental responsibility.

In line with the strategy that it has defined, the Board regularly examines opportunities and risks, including financial, legal, operational, social and environmental risks, as well as the measures taken to address them.

Where appropriate, the Board ensures that a system is put in place to prevent and detect corruption and influence peddling.

On the recommendation of the Compensation, Appointments and Governance Committee, the Board defines a diversity policy and applies it to the members of the Board.

It also ensures that the directors and executive officers implement a policy of non-discrimination and diversity, particularly with regard to the balanced representation of women and men in decision-making bodies.

In its relationships with third parties, the Company shall be bound even by Board actions that are outside the scope of the Company's purpose, unless it can prove that the third party was aware that the action was outside the Company's purpose or could not be unaware of this given the circumstances, provided the mere publication of these Articles will be inadequate proof.

The Board of Directors performs any checks and verifications it considers appropriate. The Chairman or the Chief Executive Officer of the Company must provide each director with any documents and information required for the performance of their duties.

The Chief Executive Officer shall inform the Board on a regular basis of the resolutions planned or implemented by him as part of the management of the Company.

Any security, surety or guarantee provided by the Company must be approved by a resolution of the Board, which may set an overall annual amount, or an amount per commitment, below which its authorization would not be necessary.

**Chairman**: the Chairman of the Board of Directors organizes and directs the work of the Board and reports on this to the Annual General Shareholders' Meeting.

As such, he/she may:

- take part in certain internal meetings with executives and in the meetings of some committees;
- consult, be consulted and discuss with the Chief Executive Officer certain events of significance and strategic importance for the Company;
- ensure that the Company's various bodies are performing effectively and that the Directors are able to perform their duties.

He regularly informs the Board of Directors of significant events and transactions related to the Company's strategy.

The Chairman presents the directors with the draft related-party agreements referred to in Articles L.225-38 *et seq.* of the French Commercial Code. He notifies the statutory auditors of all agreements that have been authorized and concluded before they are ratified by an Ordinary Annual General Shareholders' Meeting.

**Information provided to each director**: the ongoing provision of timely information to the members of the Board of Directors is a vital prerequisite for the fulfillment of their mandate.

At any time during the year, the Board of Directors may conduct the verifications and controls it deems appropriate. The Chairman or the Chief Executive Officer must provide directors with any documents and information required for the performance of their duties.

Insofar as it is possible, the Board members are informed no later than eight days prior to the date of the next Board meeting of all points to be discussed at that meeting, and they are supplied, within the same time limit, with any materials they may need to examine and understand the points on the agenda, so that they may properly fulfill their mandate. This obligation to provide timely, relevant and exhaustive information is the responsibility of the Chairman of the Board of Directors and the Chief Executive Officer.

Similarly, the Board members must make sure that they have all the information they need to fulfill their mandate. It is their duty to request any further information they may require.

**Representation of members of the Board of Directors**: any director has the option of providing written authorization for another director to represent them at a Board meeting. Each director is limited to having no more than one proxy at a given Board meeting.

### 3.1.4.3 Mandate of the Board of Directors

Within the framework of its legal prerogatives, the Board of Directors has the following responsibilities:

- to determine the Company's strategic policies and ensure that they are implemented;
- subject to the powers expressly assigned by law to the General Shareholders' Meetings, to concern itself with all issues related to the proper functioning of the Company and settle them through its proceedings;
- to examine all acts by which the various Group entities benefit from funding and guarantee instruments;
- to study all internal or external transactions likely to have a material impact on profits or to alter the balance sheet structure substantially;
- to carry out any controls and verifications it may deem appropriate.

Commitments by the Company to provide guarantee instruments may only be authorized by the Chief Executive Officer with the prior approval of the Board of Directors. In practice, each year, the Board of Directors sets a global amount and an amount per commitment, below which its prior approval is not required.

In accordance with the procedure described in Article L.225-38 of the French Commercial Code, the Board of Directors also approves the agreements concluded between the Company and any of its executive officers, directors or shareholders holding more than 10% of the Company's voting rights, as well as any commitment made in favor of the directors and executive officers in the form of compensation or benefits payable, awarded upon termination of their mandate or subsequent thereto.

It also makes the decisions in the aforementioned matters.

### 3.1.4.4 Activity of the Board of Directors during the year ended December 31, 2018

The Board of Directors met nine (9) times during the year ended December 31, 2018.

The attendance rate of Board members, including members participating *via* telecommunications, was 90% during the year.

Individual attendance by directors at Board and committee meetings – measured *prorata temporis* for members who were appointed or who left the Board of Directors or one of the committees during 2018 – was as follows:

| Attendance | Board of Directors | Audit and Finance Committee | Compensation, Appointments and Governance Committee | Strategic Committee |
|---|---|---|---|---|
| Philippe LAZARE<br>Chairman and Chief Executive Officer<br>until November 5, 2018 | 100% | | | |
| Bernard BOURIGEAUD<br>Independent director<br>Chairman of the Board<br>since November 5, 2018 | 100% | | 100% | 100% |
| Nicolas HUSS<br>Chief Executive Officer and director<br>since November 5, 2018 | 100% | | | |
| Jean-Louis CONSTANZA<br>Independent director<br>until May 16, 2018 | 75% | | | 100% |
| Diaa ELYAACOUBI<br>Independent director | 89% | | 100% | 87.5% |
| Colette LEWINER<br>Independent director<br>until May 16, 2018 | 25% | 100% | | 100% |
| Arnaud LUCIEN<br>Director representing employees<br>since September 27, 2018 | 100% | | | |
| Xavier MORENO<br>Independent director | 100% | | 100% | 100% |
| Caroline PAROT<br>Independent director | 100% | 100% | | 100% |
| Thierry SOMMELET<br>Independent director<br>since May 16, 2018 | 80% | | 100% | 100% |
| Sophie STABILE<br>Independent director<br>since March 27, 2018 | 100% | 67% | | 100% |
| Élie VANNIER<br>Independent director | 89% | 100% | | 100% |

In addition to reviewing the specific work prepared by the special focus committees, during its meetings in the year ended December 31, 2018, the Board of Directors also dealt with the following matters:

- the approval of the parent company and consolidated annual financial statements for the year ended December 31, 2018, and the appropriation of net profit or loss;
- preparation for the Annual Combined Ordinary and Extraordinary Shareholders' Meeting: the Board of Directors approved the text of the resolutions to be submitted to the Annual Combined Ordinary and Extraordinary Shareholders' Meeting held on May 16, 2018 as well as the management report and the corporate governance report;
- the compensation paid to the Chairman and Chief Executive Officer;
- conditions of departure for the Chairman and Chief Executive Officer;
- the change in the method of governance that led to the separation of the offices of Chairman of the Board and Chief Executive Officer;
- the Chief Executive Officer's compensation;
- the allocation of attendance fees for 2017;
- the capital increase as part of the payment of stock dividends;
- the performance evaluation of the Board of Directors and its committees;
- the review of the consolidated financial statements for the half-year ended June 30, 2018, and quarterly revenues;
- the approval of management planning documents;
- the review of various strategic projects;
- tax-related issues, including tax disputes in Brazil;
- Company policy on gender equality and equal pay;
- the selection and provisional appointment of Sophie STABILE as independent director replacing Florence PARLY, and of Thierry SOMMELET as independent director replacing Jean-Louis CONSTANZA;
- the approval of the annual budget for 2018;
- the free performance share award plan for 2018.

### Performance evaluation of the Board of Directors

In accordance with the AFEP-MEDEF Code and its Rules of Procedure, every year the Board of Directors evaluates how well it has met the expectations of its shareholders, having been appointed by them to run the Company. This evaluation reviews its composition, organization and performance as well as that of its committees, and the contribution of each individual member.

Once a year, the non-executive directors meet together in the absence of the Chief Executive Officer to evaluate his or her performance.

The non-executive directors meet several times per year, generally at the end of Board of Directors' meetings.

For 2018, following two years of external assessments, an internal assessment of the Board of Directors took place at the start of 2019. Questionnaires that had previously been approved by the Chairman of the Compensation, Appointments and Governance Committee were sent to all directors for this purpose. The questions concerned the general functioning of the Board, its duties, the way its meetings were conducted, the resources available to the Board, the major themes addressed, relations with management and committees.

The results of these questionnaires enabled the Board to review the way it operates and to check that important issues were being properly prepared for and discussed. They also made it possible to measure the actual contribution of each director to the Board's performance.

This assessment process resulted in a report that was presented to the Board of Directors on February 25, 2019.

The evaluation found that positive progress had been noted in the Board's performance, particularly since the change in governance.

The directors welcome independence and equality on the Board, but would like to see the addition of young professionals from the digital and payment services sectors. They also feel that the contributions to Board meetings by members of management are very positive, depending on the agenda.

Members of the Board and its committees consider meeting frequency and length to be satisfactory and that the resources available to them are adequate for performing their duties. They find that the matters that are covered are relevant, but would prefer the time to be allocated more appropriately depending on the item.

The directors feel that the presentations submitted are of good quality, but would benefit from being more specific and concise, and should be made available earlier. They unanimously highlighted the improvements in terms of the quality of responses to questions raised in Board meetings.

The Board was able to incorporate certain suggestions resulting from the evaluation for the previous year, particularly regarding the length of meetings and considerations related to strategy.

The main areas for improvement relate primarily to the timely provision of materials for Board and committee meetings and a more in-depth review of Group strategy beyond the work carried out in 2018. Furthermore, succession plans should be monitored more regularly, as should the management of human resources. The Board should maintain the good dialogue in place with the management, both during and outside of meetings.

### 3.1.4.5 Special focus committees

The Board of Directors has set up three special focus committees – the Strategic Committee, the Audit and Finance Committee, and the Compensation, Appointments and Governance Committee – to help it function more effectively and facilitate its decision-making.

On October 22, 2018, the Board of Directors entrusted a committee of independent directors working alongside Company management with reexamining the strategic options open to the Company and the changes to its governance. This committee completed its work in mid-December 2018.

The committees are composed mainly of directors, whether individuals or permanent representatives of legal entities, appointed by the Board of Directors.

They may also include one or more independent advisors, as well as one or more outside members selected for their particular skills, with the exception of the Audit and Finance Committee which includes only directors. All committee members are required to serve in a personal capacity; no alternatives or proxies are permitted.

The Chairman of each committee reports on its work at the next meeting of the Board of Directors.

Minutes of each committee meeting are taken by the secretary of the Board of Directors, presented to the committee members for approval and sent to the Chairman of the Board of Directors.

Each committee issues proposals, recommendations and opinions, as appropriate, in its area of specialization as described below. A committee has the authority to perform, or to have performed, any study that may facilitate the decision-making of the Board of Directors. It may also question Group employees as needed, strictly for the purpose of carrying out the checks and verifications it is required to perform.

The composition, responsibilities and work of the special focus committees in 2018 are described below.

## Strategic Committee

### Composition of the Strategic Committee

As of December 31, 2018, the committee was composed of eight (8) members as follows:

- Bernard BOURIGEAUD, Chairman of the committee and independent director;
- Diaa ELYAACOUBI, independent director;
- Arnaud LUCIEN, director representing employees;
- Xavier MORENO, independent director;
- Caroline PAROT, independent director;
- Thierry SOMMELET, independent director;
- Sophie STABILE, independent director;
- Élie VANNIER, independent director.

### Functioning of the Strategic Committee

The committee informs the Board of Directors of its work, research and recommendations. It is up to the Board to determine what use should be made of such information.

Each year, the committee holds at least two meetings called by its Chairman, who also has the option of calling further meetings as required.

To fulfill this mandate, the Strategic Committee may act in conjunction with the Chairman or Chief Executive Officer to enlist the cooperation of Group functional and operational directors.

The committee may also make use of outside consultants and experts, subject to the approval of the Board of Directors.

### Main responsibilities of the Strategic Committee

The Strategic Committee has been given the following mandate:

- to examine new investment projects and plans for expanding existing operations in France or abroad, as well as any possible asset acquisition or disposal plan, so that the Board of Directors may give the necessary approval;
- to monitor previous investments periodically and to carry out all appropriate research and assignments;
- to examine all proposals by financial investors or industrial groups for acquisition of a stake in the Company, particularly through merger and acquisition operations.

### Work performed by the Strategic Committee

The Strategic Committee met eight (8) times during the year ended December 31, 2018, including a day-long strategy session, and examined, in particular:

- the Group's ambitions, strategic directions and a comparative analysis of payment-ecosystem players;
- various M&A projects, especially the joint venture with BSPayone;
- the strategic rationale for and evaluation of potential mergers and acquisitions.

The attendance rate of committee members during the year ended December 31, 2018 was 98%.

## Audit and Finance Committee

### Composition of the Audit and Finance Committee

The Rules of Procedure of the Board of Directors specify that the Audit and Finance Committee must have no fewer than three (3) and no more than seven (7) members, with the exception of those exercising executive responsibilities. At least two thirds of its members must be independent as defined by the Company. It must be chaired by an independent director and both the Chairman and the members must have financial and accounting (or statutory audit) expertise and are appointed by the Board of Directors.

As of December 31, 2018, the committee was composed of three (3) members as follows:

- Caroline PAROT, Chair of the committee and independent director;
- Sophie STABILE, independent director;
- Élie VANNIER, independent director.

In accordance with section 15.1 of the AFEP-MEDEF Code, at least two-thirds of the Audit and Finance Committee members are independent.

Caroline PAROT's experience and expertise, especially in Finance, is described below.

The other committee members also have financial, accounting or statutory auditing skills, gained through their professional experience as described below.

### Functioning of the Audit and Finance Committee

Each year, the Audit and Finance Committee holds at least three meetings called by its Chairman, who also has the option of calling further meetings as required.

The Rules of Procedure of the Board of Directors and its committees state that the Audit and Finance Committee should evaluate its performance once a year.

In accordance with Article 6 of the Rules of Procedure, the Audit and Finance Committee may benefit from the assistance or participation of all departments in the Company and its subsidiaries (heads of finance, accounting, cash management, internal audit and risk control, etc.). To carry out its duties, the Audit and Finance Committee may, with the approval of the Board of Directors, seek any outside advice or expertise that it deems necessary.

#### Main responsibilities of the Audit and Finance Committee

The mandate of the Audit and Finance Committee is to assist the Board of Directors in continually monitoring the way in which the Company is managed, in compliance with the legislation and with the Company's Articles of Association, and to check the accuracy and clarity of the information provided to shareholders and the markets. The committee is also responsible for reporting any irregularities or anomalies it may detect in the Company's financial statements or internal control and risk management procedures.

It is responsible for monitoring and giving its opinion to the Board of Directors on the following topics:

- the audit of financial statements by the statutory auditors, which includes monitoring the auditor's due performance of its duties, and taking into account the findings and conclusions of H3C following the controls performed pursuant to Articles L.821-9 *et seq.* of the French Commercial Code;
- the close procedures and content of annual and half-year financial statements;
- the process of preparing financial information and may, if necessary, make recommendations to guarantee integrity;
- significant financial transactions (debt, shareholders' equity, quasi-equity, etc.) proposed by the Company;
- the effectiveness of internal control and risk management systems as well as, where applicable, the internal audit, specifically in relation to the procedures used to prepare and process accounting, financial and non-financial information, without such activities compromising its independence;
- the independence of the statutory auditors and notably, ensuring compliance by the auditor with the conditions relating to its independence, and, where applicable, taking the necessary measures to apply the provisions pertaining to the economic independence of auditors referred to in Article 4 §3 of regulation (EU) No. 537/2014, as well as compliance with the conditions mentioned in Article 6 of this same regulation;
- the relevance and the consistency of accounting methods, in particular for processing significant transactions;
- significant transactions that could involve a conflict of interest.

The committee is involved in proposing candidates to be appointed or to replace statutory auditors for the Company and its subsidiaries, and issues recommendations on these candidates. It also approves the provision of services other than certification of the financial statements.

For certain issues, such as accounting treatment or the financial aspects of major transactions, the input of other committees is required. In this case, the Audit and Finance Committee may ask the chairmen of the relevant committees to collaborate under the terms that they define with the approval of the Chairman of the Board of Directors.

The statutory auditors:

- inform the committee, at the beginning of the year, of the audit procedure that they intend to use;
- maintain contact with the committee, particularly *via* meetings to examine the process for preparing financial information and reviewing the financial statements, to report on the execution of their duties and the conclusions they have drawn as a result of their work;
- alert the committee to:
  - any changes that they believe should be made to the financial statements or other accounting documents, providing any useful observations about the valuation methods used to prepare them,
  - any irregularities or inaccuracies they may have discovered;
- submit to the committee their conclusions drawn from the above observations and changes on the earnings for the period compared with those for the previous period;
- inform the committee of any risks that could compromise their independence and the protective measures taken to reduce these risks;
- notify the committee of any significant weaknesses in internal control procedures relating to the preparation and processing of accounting and financial information.

Every year, they provide the Audit and Finance Committee with a statement of independence and an update regarding the total amount of fees received by their network in respect of the services rendered in performing the due diligence directly related to the work of the statutory auditors and services that are not directly related to that work.

The auditors submit to the Audit and Finance Committee, at the latest on the date of presenting the audit report, the additional report required by Article L.823-16 III of the French Commercial Code.

#### Work performed by the Audit and Finance Committee

The Audit Committee met seven (7) times during the year ended December 31, 2018.

The attendance rate of committee members during the year ended December 31, 2018 was 95.2%.

During its meetings of the year ended December 31, 2018, the committee examined:

- the financial statements:
  - the consolidated and annual financial statements for 2017,
  - financial statements for the first half of 2018,
  - the financial statements for the first and third quarters of 2018;
- all press releases on Group earnings;
- the assignments and fees of the statutory auditors;
- the management planning documents;
- the 2018 budget;
- the Group's financing;
- the internal audit assessment for 2017 and the schedule for 2018;
- internal control;
- the review of the risk management system;
- other cash management topics:
  - the Company's significant off-balance sheet risks and commitments,
  - the currency hedging policy,
  - currency hedging;
- tax matters;
- annual renewal of the authorization to issue warranties;
- the statutory auditors providing services other than the certification of financial statements.

### Compensation, Appointments and Governance Committee

This committee is composed of three (3) to six (6) directors. The majority of its members must be independent. It is chaired by an independent director.

#### Composition of the Compensation, Appointments and Governance Committee

As of December 31, 2018, this committee was composed of five (5) members as follows:

- Xavier MORENO, Chairman of the committee and independent director;
- Bernard BOURIGEAUD, Chairman of the Board of Directors, independent director;
- Diaa ELYAACOUBI, independent director;
- Thierry SOMMELET, independent director;
- William NAHUM, independent advisor.

In line with paragraph 16 and 17.1 of the AFEP-MEDEF Code, the committee Chairman and the majority of the committee members are independent directors. The committee does not include any executive directors.

#### Functioning of the Compensation, Appointments and Governance Committee

Under the Rules of Procedure, each year, the committee holds at least three meetings called by its Chairman, who also has the option of calling further meetings as required. The Chief Executive Officer is involved in the committee's work.

#### Main responsibilities of the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee makes recommendations to the Board of Directors on compensation of directors and executive officers, the total amount of their attendance fees and how they are distributed, as well as on performance share awards and stock options granted to Group employees and executive officers, and on employee shareholding policy in general. It also makes recommendations on the composition of the Board of Directors and its committees, prepares the annual evaluation of the Board and its committees and deliberates on all questions related to corporate governance, social and environmental responsibility and ethics within the Group.

It is also responsible for preparing and updating the succession plan for executives, proposing a diversity policy and making recommendations on appointments to the Group's management or Board of Directors.

The committee periodically informs the Board of Directors of its work, research and recommendations. It is up to the Board to determine what use should be made of such information.

#### Work performed by the Compensation, Appointments and Governance Committee

The Compensation, Appointments and Governance Committee met seven (7) times during the year ended December 31, 2018.

The attendance rate of committee members during the year ended December 31, 2018 was 83%.

In particular, it examined the following issues:

- review of changes to regulations and corporate governance practices;
- the process for evaluating the Board's performance in 2018 was carried out internally on the basis of a questionnaire. Its findings were presented to the Board of Directors on February 25, 2019; it was concluded that directors were satisfied overall with the Board's performance and the quality of information provided (for more details, see the section entitled "Performance evaluation of the Board of Directors" above);
- the analysis of the independence of directors with regard to the independence criteria set out in the AFEP-MEDEF Code;
- Company policy on gender equality and equal pay;
- the free performance share award plan;
- the compensation paid to the Chairman and Chief Executive Officer;
- conditions of departure for the Chairman and Chief Executive Officer;
- change in the method of governance;
- appointment and compensation of the Chairman of the Board of Directors and Chief Executive Officer;
- examination of the succession plan for directors;
- the selection of new independent directors;
- the compensation policy for executive officers and the preparation of the advisory opinion on Say on pay;
- the allocation of attendance fees for 2017;
- the allocation of attendance fees for 2019.

# 3.2 POSITIONS AND DUTIES AS OF DECEMBER 31, 2018, OF THE BOARD MEMBERS AT THE DATE OF THIS REGISTRATION DOCUMENT

## Bernard BOURIGEAUD

**Chairman of the Board of Directors**
**Independent director**
**Strategic Committee Chairman**
**Member of the Compensation, Appointments and Governance Committee**

**First appointed**: April 29, 2016

**Date of last renewal**: May 10, 2017

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2019

**Number of shares held as of December 31, 2018**: 17,254

### Experience and expertise

Bernard Bourigeaud was born on March 20, 1944 in Bordeaux, France. He is a French citizen.

Bernard Bourigeaud is behind the creation and development of one of the world's largest IT services and payments groups, Atos, which he chaired for 16 years. Prior to this, he was Chairman at Deloitte in France and had an international career at PricewaterhouseCoopers and Continental Grain, in particular in the United Kingdom. Today, he is an investor, consultant and operating partner of Advent International, a private equity fund. He is a Director of several companies, a member of the Advisory Board of Jefferies in New York and an operating partner of Aalto Invest in London. He is also an affiliate professor at HEC in Paris.

In addition to his previous roles within Atos and its subsidiaries, he has also served as a member of the Boards of Business Objects, SNT (a subsidiary of KPN), Hagemeyer, Neopost, Tibco Software, CCMX, Automic in Austria, and Oberthur Technologies. He was also a member of the Governing Board of the International Paralympic Committee (IPC) from September 2011 to September 2017. Bernard Bourigeaud is a qualified chartered accountant and holds a degree in Economics and Management. He is a Knight of the Legion of Honor and former President of CEPS (Center for Long-Term Strategic Studies).

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**

- Chairman of the Board of Directors since November 5, 2018

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**

- Chairman of BJB Consulting and Newton Partners (Belgium)

**Other current positions and duties:**

- Operating Partner at Advent International
- Member of the Advisory Board and of the Executive Committee of Jefferies New York (United States)

### Positions held in the past five years

**Director of:**

- CGI* (Canada) until January 2019
- Holistic Innovations (United States) until 2018
- Sierrabolics (United States) until 2018
- Automic (Austria) until January 2017
- Non-executive Chairman of Oberthur Technology SA until May 2017
- Non-Executive Vice-President of Oberthur Technology Holding until May 2017
- Member of the International Paralympic Committee until September 2017

* *Listed company.*

## Nicolas HUSS

**Chief Executive Officer**
**Director**

**First appointed**: November 5, 2018

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2018

**Number of shares held as of December 31, 2018**: 1,178

### Experience and expertise

Born in Nice, France on August 27, 1964, Nicolas Huss is a French citizen.

He was appointed Group Chief Executive Officer on November 5, 2018. He had previously held the office of Chief Operating Officer since July 2018 and headed up the Group's "Retail" and "B&A" Divisions. Prior to that, he was Executive Vice-Chairman and head of the Retail Division from September 2017.

Nicolas Huss has proven expertise in the field of financial services and business change. He recently served as Chairman and Chief Executive Officer of Visa Europe and was a member of the Executive Committee of Visa Inc. He also worked for GE Capital, Bank of America and Apollo Global Management in various countries.

Nicolas Huss holds an undergraduate degree in Law and a Master's degree in Political Science.

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**

**Legal representative:**
- Ingenico Eastern Europe I Sàrl (Luxembourg)
- Ingenico Group SA represented by Nicolas Huss, sole manager since November 5, 2018

**Board member and Chairman:**
- Fujian Landi Commercial Equipments Co., Ltd (China) Co., Ltd since December 5, 2018
- Bambora Top Holding AB (Sweden) Director since June 30, 2018 and Chairman since November 5, 2018

**Director:**
- Ingenico Holdings Asia Limited (Hong Kong) since November 30, 2018

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
None

**Other current positions and duties:**
- Independent director of Amadeus IT group, SA* (Spain) since June 15, 2017

### Positions held in the past five years

**Ingenico Group SA:**
- Chief Operating Officer, from July 2018 to November 5, 2018
- Executive Vice-Chairman of the Retail Division, from September 2017 to June 2018
- Executive Vice-Chairman Strategy and Performance, from July 2017 to September 2017

**Visa Europe Limited (UK):**
- Chairman and Chief Executive Officer, from October 28, 2013 to April 1, 2017

* *Listed company.*

## Diaa ELYAACOUBI

**Independent director**
**Member of the Strategic Committee**
**Member of the Compensation, Appointments and Governance Committee**

**First appointed**: April 28, 2011

**Date of last renewal**: April 29, 2016

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2018

**Number of shares held as of December 31, 2018**: 2,142

### Experience and expertise

Born in Morocco on November 8, 1970, Diaa Elyaacoubi is a French citizen.

Diaa Elyaacoubi has spent most of her career as an entrepreneur, mainly in new technologies. In 1999, she founded e-Brands, Europe's leading provider of white label connectivity solutions, such as Internet access and SMS, now a Vivendi subsidiary. In 2003, she founded and now chairs Streamcore, a manufacturer of telecoms networking equipment. She also co-founded *Esprits d'Entreprises*, a French think tank that brings together more than 400 entrepreneurs and business leaders, and is President of *100 Jours Pour Entreprendre*, a movement that sponsors and mentors young entrepreneurs. She is also a member of the Supervisory Board of Oddo & Cie. Diaa Elyaacoubi is a graduate of the École supérieure des télécommunications in Paris.

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**
None

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
- President of the holding company ODYSSEE 2045
- Director of AGORA Limited HK and OLAVIE SA (Belgium)
- Manager of ODYSEE SASU France
- Founder and Chairwoman of Esprits d'Entreprises since May 2013. This business association brings together over 400 entrepreneurs and managers of mid-cap companies and SMEs in a think tank to promote the ideas of its members and their companies
- Founder of the "*100 Jours Pour Entreprendre*" movement

**Other current positions and duties:**
- Member of the Supervisory Board of Oddo & Cie since May 2013
- Manager of SCI Delya 2
- Manager of SCI Delya 3
- Manager of SCI Immobilière 1

### Positions held in the past five years

- Manager of SCI Kat Mandou

## Arnaud LUCIEN

**Director representing employees**
**Member of the Strategic Committee**

**First appointed**: September 27, 2018

**Date of expiry of term of office**: September 27, 2021

**Number of shares held as of December 31, 2018**: NA

### Experience and expertise

Arnaud Lucien was born on February 25, 1977 and is a French citizen.

He is Continuous Integration and Development Tools Manager.

Arnaud Lucien has spent his whole career with Ingenico Group. From 2000 to 2003, he was a software development consultant working on integrated payment solutions for the "Retail & Petrol" market in France, then from 2003 he worked as a project manager on pan-European solutions. In 2007, he joined the team responsible for the software development environment within the Group's research and development unit. In 2012, he took responsibility for this team and helped it to gradually expand. The team's scope has now grown to encompass the full tool chain needed for the ongoing integration of embedded software, as well as the tools and professional APIs facilitating the roll-out of the new range of Android-based terminals.

Arnaud Lucien holds an "international curriculum" Engineering degree from ENSICAEN in France, specializing in e-banking and IT security.

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**

**Main position:**
- Continuous Integration and Development Tools Manager within the Ingenico Terminals entity

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
None

**Other current positions and duties:**
None

### Positions held in the past five years

- Head of Software Development Tools at Ingenico Group from 2014 to 2017

## Xavier MORENO

**Independent director**
**Chairman of the Compensation, Appointments and Governance Committee**
**Member of the Strategic Committee**

**First appointed**: May 14, 2008

**Date of last renewal**: May 16, 2018

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2020

**Number of shares held as of December 31, 2018**: 11,518

### Experience and expertise

Xavier Moreno was born on December 14, 1948 in Nice, France. He is a French citizen.

Xavier Moreno is Chairman of Astorg, a leading European private equity firm that invests in business transfers (LBOs) valued at between €100 million and €1,500 million. Founded in 1998 and controlled by its partners, Astorg manages approximately €4 billion in capital and has invested in 30 businesses in the last 15 years. Xavier Moreno began his career at the Treasury Department of the French Ministry of Finance. In 1985, he joined Sanofi then led the Agro Veterinary Division and became a member of the Executive Committee. In 1991, he joined the Suez group to lead investments in industry and private equity until the spin-off of Astorg in 1998.

Xavier Moreno is a graduate of the École polytechnique, the Paris Institute of Political Studies (IEP) and the École nationale d'administration (ENA).

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**
None

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
- Chairman of Astorg Partners SAS

**Other current positions and duties:**

**Managing director:**
- MRN Invest Sàrl

**Member of the Board of Directors:**
- HERA SAS

### Positions held in the past five years

**Chairman:**
- Financière Amaryllis IV SAS until December 2015
- Financière Muscaris IV SAS until December 2015
- Kiliteam V SAS until December 2014
- Megateam V SAS until December 2014
- Financière Ofic SAS until December 2017

**Supervisory Board Chairman:**
- Honorine SAS until July 2014

**Director:**
- Ethypharm SA until July 2016
- Financière Verdi SAS until July 2016
- Super Cristal de Luxe until March 2016
- Cristal de Luxe until March 2016
- Onduline until December 2017

**Supervisory Board member:**
- GS & Cie Groupe SA until December 2015

**Managing director:**
- Astorg Asset Management Sarl until May 2018
- Astorg Advisory Services Sarl until May 2018
- Astorg group Sarl until May 2018
- Representative of Astorg Partners SAS

**Chairman:**
- Astorg Team III SAS SCR until December 2018

## Caroline PAROT

**Independent director**
**Chair of the Audit and Finance Committee**
**Member of the Strategic Committee**

**First appointed**: March 21, 2017

**Date of last renewal**: May 10, 2017

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2019

**Number of shares held as of December 31, 2018**: 1,010

### Experience and expertise

Caroline Parot, born on January 27, 1972, is a French citizen.

Caroline Parot is Chair of the Board of Europcar Mobility group. She joined Europcar Mobility group in 2011 and was appointed Chief Financial Officer in March 2012, and was later named Chief Executive Officer of Finance.

Previously, she held senior finance and group control positions (2009-2011) and served on the Executive Committee (2010-2011) within the Technicolor group. She was notably in charge of restructuring the debt of Thomson Technicolor. With the same group, she also served as Chief Financial Officer of the Technology segment (2008-2009) and controller of the Intellectual Property and License Management Department (2005-2008). She began her career in 1995 as an auditor at Ernst & Young, where she worked until 2005.

Caroline Parot holds a Master's degree in Finance from ESCP Business School and a Post-Graduate degree in Economics & Mathematics from Paris I Pantheon Sorbonne. She also holds a Higher Diploma of Accounting and Management.

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**

None

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
- Chair of the Board of Europcar Mobility group*

**Other current positions and duties:**

**Chair:**
- Europcar Services, Unipessoal, Lda (Portugal)

### Positions held in the past five years

**Chair:**
- Europcar International SAS, until 2018
- Europcar Holding SAS, until 2018

**Director:**
- Europcar Australia Pty Ltd (Australia)
- CLA Trading Pty Ltd (Australia)
- BVJV Ltd (New Zealand) until May 2017
- PremierFirst Vehicle Rental EMEA Holdings Ltd (UK), until 2018

**Permanent representative:**
- Europcar International SAS in her capacity as Chair of Europcar France SAS, until 2018

**Supervisory Board member:**
- Europcar Autovermietung GmbH (Germany), until 2018
- Car2Go GmbH (Germany), until 2018

**Member of the Monitoring and Development Committee:**
- Ubeeqo International SAS until May 2017

* *Listed company.*

## Thierry SOMMELET

**Independent director**
**Member of the Strategic Committee**
**Member of the Compensation, Appointments and Governance Committee**

**First appointed**: May 16, 2018

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2020

**Number of shares held as of December 31, 2018**: 10

### Experience and expertise

Thierry Sommelet, was born on December 10, 1969. He is a French citizen.

Thierry Sommelet is Director of the Capital Development Department in charge of the Technology, Media and Telecom sector and member of the Executive Committee at Bpifrance Investissement, the private equity arm of the French public investment bank (formerly known as Fonds Stratégique d'Investissement). Thierry Sommelet has more than fifteen years of investment experience in listed and unlisted companies in the TMT sector.

Thierry Sommelet began his career working in capital markets at Crédit Commercial de France in 1992 in Paris, then in New York. He subsequently became Manager of the financial engineering team at Renaissance Software in London, then Deputy Chief Executive Officer of media company InfosCE in 2001. In 2002, he joined the Investments and Digital Participations Department of Caisse des Dépôts et Consignations, a French public entity, which he headed up in 2007.

After joining Fonds stratégique d'investissement in 2009, Thierry Sommelet became part of the team at Bpifrance Investissement when it was created in 2013.

Thierry Sommelet graduated from the ENPC (École nationale des ponts et chaussées) Civil Engineering School in Paris and also holds an MBA from INSEAD.

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**
None

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
- Director of the Capital Development Department at Bpifrance Investissement, Head of Technology, Media and Telecoms

**Other current positions and duties:**

**As Bpifrance Investissements' permanent representative:**
- Director of Idemia SAS

**As Bpifrance Participations' permanent representative:**
- Director of Technicolor SA*

**In his own name:**
- Chairman of the Board of Soitec SA*
- Director of Talend SA*
- Chairman of the Supervisory Board of Greenbureau SA

### Positions held in the past five years

**As Bpifrance Participations' permanent representative:**
- Member of the Supervisory Board of Inside Secure SA*
- Director of Tyrol Acquisition 1 SAS
- Director of Mersen*

**In his own name:**
- Member of the Supervisory Board of Sipartech SAS and Cloudwatt SA
- Director of TDF SAS

* *Listed company.*

## Sophie STABILE

**Independent director**
**Member of the Audit and Finance Committee**
**Member of the Strategic Committee**

**First appointed**: March 27, 2018

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2018

**Number of shares held as of December 31, 2018**: 10

### Experience and expertise

Sophie Stabile was born on March 19, 1970. She is a French citizen.

Sophie Stabile is founder of Révérence, consulting firm, equity investments in the real estate and hotel sector. She was Chief Executive Officer of HotelsServices France and Switzerland, within the AccorHotels group, from 2015 to 2018. She was also a member of the AccorHotels' Executive Committee.

Previously, she held the positions of Chief of Accor's Consolidation and Information Systems Department (1999-2006) and the group's Controller-General (2006-2010), before being appointed Chief Financial Officer and a member of Accor's Executive Committee (2010-2015).

She began her career in 1994 at Deloitte Touche, where she worked as an audit supervisor until 1999.

Sophie Stabile is a graduate of the École supérieure de gestion et finances.

### Other positions and duties

**WITHIN INGENICO GROUP IN 2018**
None

**OUTSIDE INGENICO GROUP IN 2018**

**Main position:**
- Founder of Révérence, consulting firm, equity investments in the real estate and hotel sector

**Other current positions and duties:**

**Supervisory Board member:**
- Altamir*(1)
- Unibail Rodamco Westfield*

**Director:**
- Spie*
- Sodexo*
- BPIFrance Participations SA, since December 19, 2018
- BPIFrance Investissement SAS, since December 19, 2018

### Positions held in the past five years

**Supervisory Board Chairwoman:**
- Orbis* (company listed on the Warsaw stock exchange), until 2016

* *Listed company.*

(1) *Ms. Sophie Stabile has informed the Company that she will step down from this role on March 12, 2019.*

## Élie VANNIER

**Independent director**
**Member of the Strategic Committee**
**Member of the Audit and Finance Committee**

**First appointed**: March 14, 2008

**Date of last renewal**: May 16, 2018

**Date of expiry of term of office**: Annual General Shareholders' Meeting called to approve the financial statements for 2020

**Number of shares held as of December 31, 2018**: 9,577

### Experience and expertise

Élie Vannier was born on June 15, 1949. He is a Swiss citizen.

Élie Vannier's career is marked by a variety of experiences in industry, investment banking and the media. After many years in broadcasting, Élie Vannier was appointed Diversification Manager at the metalworking group Strafor Facom until 1991, when he was named Chief Executive Officer of the French subsidiary of Deutsche Morgan Grenfell. In 1997, he joined GrandVision, eventually being appointed group CEO. Former Chairman of the Board of Directors of Flamel Technologies, over the years he has held many directorships in France and abroad. He was also a professor at the Paris Institute of Political Studies (IEP), lecturing on strategy and international business development, and served as President of the French center for the study of corporate governance.

Élie Vannier is now Chairman of the Board of Directors of fine chemicals group Hovione Holding (Hong Kong) and a professor at Peking University (School of Transnational Law) in China.

Élie Vannier holds a Master's degree in Law and a postgraduate degree in Political Science from the Sorbonne (University of Paris I).

### Other positions and duties

#### WITHIN INGENICO GROUP IN 2018

**Member of the Supervisory Board and Chairman of the Audit Committee:**
- Global Collect Services BV (Netherlands)

#### OUTSIDE INGENICO GROUP IN 2017

**Main position:**
- Chairman of the Board of Directors of Hovione Holding (Hong Kong)
- Visiting Professor, Peking University School of Transnational Law (China)

**Other current positions and duties:**

**Director:**
- Fondation Fondamental (Switzerland)
- New Cities Foundation (Switzerland and Canada)
- E-Front
- Gstaad Palace (Switzerland) since August 2018

### Positions held in the past five years

**Director:**
- Groupe PP Holding SA (Switzerland) until March 2016
- Pharmacie Principale SA (Switzerland) until March 2016
- Flamel Technologies until June 2014

**Member of the Supervisory Board and Chairman of the Audit Committee:**
- GCS Holding BV (Netherlands) until October 2017

## William NAHUM

**Independent advisor**

**Member of the Compensation, Appointments and Governance Committee**

### Experience and expertise

A certified accountant, statutory auditor, legal expert to the Court of Appeal of Paris, certified by the French Supreme Court, William Nahum has led a parallel professional and institutional career during which he has held almost all the elective offices in his profession. After an internship in an international audit firm and then several years with French and American companies, he established a law office more than thirty years ago, building up a team of partners, along with selected collaborators.

For twelve years, he was President of the Order of Certified Accountants of Paris (*Ordre des experts-comptables de Paris*) and of the Company of Statutory Auditors of Paris (*Compagnie des commissaires aux comptes de Paris*). He was also National President of the Order of Certified Accountants (*Ordre des experts-comptables*).

He served for nine years on the Board of IFAC, where he acquired expertise in auditing and governance standards particularly relevant to litigation or professional liability cases. He has created and chaired two international institutions for the accountancy profession: CILEA for South America and Latin Europe, and FCM, covering 16 countries located around the Mediterranean.

He has also held positions as a volunteer with the Accounting Standards Authority ("Autorité des normes comptables"), the Public Accounts Standards Committee ("Comité des normes de la comptabilité publique") and as a legal expert with the Government Shareholding Agency ("Agence des participations de l'État") and the Ministry of Defense.

In 2004, William Nahum founded the Academy of Accounting and Financial Sciences and Techniques, an organization chaired by him with more than 60,000 members in over 20 countries.

William Nahum is the national ombudsman for assigned funds to companies since 2009.

In 2013, William Nahum was elected National President of CIP (Information Center on the Prevention of Company Difficulties).

A government order of December 24, 2013 made him a member of the Accounting Standards Authority (*Autorité des normes comptables*), a position he held until 2016.

William Nahum is also a Director of the Fondation Gaz de France.

# Information about Ms. Agnès AUDIER, Ms. Nazan SOMER ÖZELGIN and Mr. Michael STOLLARZ, the appointment of whom as Directors is proposed to the Annual General Shareholders' Meeting

## Agnès AUDIER

### Experience and expertise

Agnès Audier, born on November 3, 1964, is a French citizen.

Agnès Audier is a Senior Advisor at the Boston Consulting Group (BCG) and a consultant supporting startups and digital transformation in the Tech and HealthTech sectors. She previously held the role of Partner and Associate Director in the Europe and Latin America team.

Before joining the BCG in 2007, Agnès Audier was a member of the Executive Committee of Havas, where she held the role of Executive Vice President, Chief Performance Officer from 2003 to 2005 before joining the Audit team of the French Ministry of Finance (Inspection Générale des Finances) in 2006.

Previously, she served as Chief Operational Officer of Vivendi Universal's Internet and Technology BU after being Chief Strategy and Business Development Officer, as well as Secretary of the Executive Committee.

Before taking up these positions, Agnès Audier worked in public service, first in the cabinet of the French Minister of Health and Social and Urban Affairs, and then as head of cabinet of the French Minister for SMEs.

Agnès Audier is a graduate of the Institut d'Etudes Politiques in Paris, an alumna of the École Normale Supérieure, and holds the highest French teaching qualification (agrégation) in physical sciences. She has a postgraduate degree (DEA) in materials science and spent two years writing a thesis on high-temperature superconductors. Agnès Audier is also a Chief Engineer of prestigious French state engineering institution the Corps des mines.

### Other positions and duties

**WITH INGENICO GROUP**
None

**OUTSIDE INGENICO GROUP**

**Main position:**
- Senior Advisor at the Boston Consulting Group
- Consultant for digital and data transformation

**Other current positions and duties:**
- Director at EUTELSAT*, member of the audit committee and of the compensation committee
- Chairman of the Board of Directors of SOS Seniors (non profit organization)

### Positions held in the past five years

**The Boston Consulting Group**
- Partner and managing Director

* *Listed company.*

## Nazan SOMER ÖZELGIN

### Experience and expertise

Nazan Somer Özelgin, born November 6, 1963, is a Turkish citizen.

Nazan Somer Özelgin is a Supervisory Board Member of Unicredit Romania, Zagrebacka Banka (Unicredit Croatia) and Mapfre Insurance (Turkey). She also holds Deputy Chair responsibility in Zagrebacka in addition to being a member of the Risk Committee and Audit Committee. In Unicredit Romania, in addition to being a Supervisory Board Member, she is the Audit Committee Chairperson and Risk Committee, Nomination Committee and Remuneration Committee member. In addition to these Supervisory Board responsibilities Nazan Somer Özelgin provides management consultancy services to some CEE banks. Furthermore, she is the Board Member and Deputy Chair of Istanbul Golf Club and as part of her social responsibility efforts holds a chair in the Advisory Committee of Darussafaka Foundation (a reputable Turkish foundation focusing on education).

Before, Nazan Somer Özelgin was the Executive Vice President in charge of Retail Banking and a member of the Executive Committee of Yapi Kredi (one of the three largest private banks of Turkey) from 2009 to 2018. She joined Yapi Kredi Bank in Turkey in 2000 as Executive Vice President in charge of Individual Banking. Between 2003 and 2009, she served as Executive Vice President in charge of credit cards and consumer lending. She was also the acting Chief Financial Officer for Yapi Kredi between December 2004 and October 2005.

From 1988 to 2000, she served as an Independent Auditor of Arthur Andersen Istanbul office and obtained her Certified Public Accountant Certificate in 1993. During her career with Arthur Andersen, Nazan Somer Özelgin assumed auditing and financial consultancy responsibilities for companies in banking and finance, manufacturing, commerce, construction and tourism. Furthermore, she ran many internal control and workflow reviews, restructuring and due diligence projects as well as company valuations especially in the financial sector. She was the partner in charge of financial sector in the last two years of her career with Arthur Andersen Turkey. During this period, she also held responsibilities for financial sector clients in Bucharest and Sofia.

She began her career with pharmaceutical company Pamer Sti, where she worked in the finance and accounting department.

Nazan Somer Özelgin completed her high school education in Istanbul American Robert College. She has an undergraduate degree from the Business Administration Faculty of Bosphorus University.

### Other positions and duties

**WITH INGENICO GROUP**
None

**OUTSIDE INGENICO GROUP**

**Current positions and duties:**

- Member of the Supervisory Board, Chairman of the Audit committee and member of Risk committee, Nomination and Remuneration committee of Unicredit* (Romania)
- Member of the Supervisory Board, Deputy Chair of the Supervisory Board, Risk and audit member of Zagrebacka Banka* (Croatia)
- Member of the Supervisory Board of Mapfre Sigorta A.S.
- Deputy Chair of Istanbul Golf Club
- Member of the Advisory Board of Darussafaka (Foundation)

### Positions held in the past five years

- Member of the Board of Directors and Audit, Risk and Finance committee member of Visa Europe (2003-2016)
- Member of the Board of Directors, Audit, Risk and Finance Committee Member and Chairperson of 441 Trust Company Limited, United Kingdom (2016-2017)
- Member of the Board of Directors and Chairperson of the Visa Turkish National Board (2003-2017)
- Member of the Board of Directors of Yapi Kredi Azerbaijan (2012-2017)
- Member of the Supervisory Board of Tani Pazarlama (Koç Holding CRM company) - (2014-2018)
- Executive Vice President of Yapi ve Kredi Bankasi (2000 to 2018)

* *Listed company.*

## Michael STOLLARZ

### Experience and expertise

Michael Stollarz, born on June 17, 1966, is a German citizen.

Dr. Michael Stollarz has been Chief Executive Officer of Deutscher Sparkassen Verlag GmbH (DSV Group) since January 2018.

Michael Stollarz began his professional career with an apprenticeship in banking. He also holds a doctorate in law. After several internships at Westdeutscher Handwerkskammertag and Hornblower Fischer, Dr. Michael Stollarz joined the publishing house Handelsblatt as legal counsel, and was quickly promoted to Head of the Investment Department. In 2007, Dr. Stollarz was appointed to the Executive Committee, where he was the youngest serving member. In particular, he was responsible for the digitization of the Group, specialized media, and corporate publishing. After 12 years at Handelsblatt, Dr. Michael Stollarz took over the management of Hubert Burda International GmbH, becoming its Director of Digital Strategy, where he set up the International Affairs branch. He was then appointed partner at Executive Interim Partners GmbH and manager at Flick Gocke Schaumburg shortly afterwards.

Dr. Stollarz then joined the DSV Group.

In addition to his role as Chief Executive Officer of the DSV Group, Dr. Stollarz is a member of several supervisory boards, advisory boards and committees.

He has also been manager of Otto Schmidt Beteiligungsgesellschaft since 2016.

### Other positions and duties

**WITH INGENICO GROUP**

- Member of the Supervisory Committee of BS Payone GmbH
- Member of the Shareholders' Committee of Ingenico Payone Holding GmbH

**OUTSIDE INGENICO GROUP**

**Main position:**

- Chief Executive Officer of Deutscher Sparkassen Verlag GmbH since 2018
- Manager of Otto Schmidt Beteiligungsgesellschaft GmbH since 2016

**Other current positions and duties:**

- Member of the Executive Committee of the German Savings Banks Association (DSGV), Berlin
- Chairman of the Advisory Board of S-Markt & Mehrwert GmbH & Co. KG
- Chairman of the Advisory Board of Sparkassen-Finanzportal GmbH
- Member of the Supervisory Board of PLUSCARD GmbH

### Positions held in the past five years

- Manager - Flick Gocke Schaumburg (2015-2016)
- Partner - Executive Interim Partners GmbH (2015-2017)
- Manager and Director of Digital Strategy - Burda International GmbH (2012-2015)

# 3.3 COMPENSATION AND BENEFITS

## 3.3.1 Compensation of directors and executive officers

Directors' and executive officers' compensation is determined by the Board of Directors on the recommendation of the Compensation, Appointments and Governance Committee. It is presented to and subject to approval by the Annual General Shareholders' Meeting, pursuant to Articles L.225-37-2 of the French Commercial Code.

In the context of the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer, which took place on November 5, 2018, the Board of Directors referred to the compensation policy applicable to the Chairman and Chief Executive Officer approved by the Annual General Shareholders' Meeting of May 16, 2018, in order to determine the compensation payable to the Chairman and Chief Executive Officer for 2018, prorated to November 5, 2018, and then to the Chief Executive Officer and to the Chairman of the Board of Directors from this date onwards.

It also revised the compensation policy applicable to directors and executive officers from January 1, 2019, as detailed in Chapter 3.3.1.2 below, and this will be submitted to the Combined Ordinary and Extraordinary Shareholders' Meeting of June 11, 2019.

### 3.3.1.1 Compensation paid or allocated to directors and executive officers for 2018

Summary of the compensation policy approved by the Annual General Shareholders' Meeting of May 16, 2018 for the Chairman and Chief Executive Officer

- **fixed annual compensation** of €800,000;
- **target annual variable compensation** of 150% of his fixed annual compensation, i.e., €1,200,000, which may rise to 200% of his fixed annual compensation, tied to performance.

  Variable compensation is based on the achievement of the following quantitative and qualitative targets:

  - quantitative targets, at 70%, (€840,000) of the target annual variable compensation:
    - 40% tied to consolidated EBITDA,
    - 15% tied to consolidated revenue growth,
    - 15% tied to free cash flow (excluding acquisitions, divestitures, and special dividends).

    The target annual variable compensation for these quantitative targets is capped at 150% (€1,260,000),
  - qualitative targets for 30% (*i.e.*, €360,000), based on specific predefined criteria in accordance with the 2020 strategic plan. For confidentiality reasons, they cannot be disclosed for this year. However, at the end of the performance appraisal period, the Group discloses these targets and their level of achievement. The target variable compensation for these qualitative targets is capped at 100% (€360,000);

  It should be noted that, in accordance with paragraph 2 of Article L.225-37-2 of the French Commercial Code, payment of the components of the variable compensation described above requires ratification by an Ordinary Annual General Shareholders' Meeting, in accordance with Article L.225-100 of the French Commercial Code;
- **Long-term compensation through the annual award of performance shares** subject to two performance criteria to be assessed over a three-year period; the value of the award will represent about 50% of the total annual target compensation. This percentage may be increased by a maximum of 10% in the event of the creation of a joint investment plan involving the Group's directors and subject to an additional condition of personal investment;
- **Severance package payable for forced termination**, which was approved by the Annual General Shareholders' Meeting of April 29, 2016, paid on November 5, 2018 as a result of the forced termination of Philippe Lazare, as detailed in the Statutory Auditors' report detailed to section 3.4 below;
- no special bonus;
- no supplementary pension plan;
- no attendance fees;
- no compensation under a non-compete clause.

  In addition, the Chairman and Chief Executive Officer is provided with a company car and insurance for loss of corporate office.

  There was no employment agreement between Philippe Lazare and the Company and he was not a member of the savings plan set up for employees of the Group.

#### 3.3.1.1.1 Philippe Lazare, Chairman and Chief Executive Officer up to November 5, 2018

The Board of Directors, on the recommendation of the Compensation, Appointments and Governance Committee, set out the components of compensation for 2018, as follows:

- **fixed annual compensation** of €800,000, prorated to November 5, 2018;
- **target annual variable compensation** of €1,200,000, with maximum variable compensation of 200% of the fixed annual salary, prorated to November 5, 2018.

  For 2018, the variable compensation is based on the achievement of quantitative and qualitative criteria as set by the Board of Directors. The relative weighting of these criteria remains unchanged from 2017:

  - quantitative targets, representing 70% (€840,000) of the target annual variable compensation, tied to the Company's financial performance:
    - 40% tied to consolidated EBITDA,
    - 15% tied to consolidated revenue growth,
    - 15% tied to free cash flow (excluding acquisitions, divestitures, and special dividends).

For 2018, the threshold for payment of variable compensation was set at:

- 100% achievement of the criteria tied to EBITDA and to consolidated revenue growth, at which point 100% of the variable compensation is paid; below this threshold, the variable compensation in respect of these two criteria is nil. It rises in a straight line from 100% to 110% of the target with a maximum of 150% at 110% of the target,
- 90% achievement of the criterion tied to the free cash flow, at which point 50% of the variable compensation is paid; below this threshold, the variable compensation in respect of financial criteria is nil. It reaches 100% at 100% of the target, then rises in a straight line from 100% to 120% of the target with a maximum of 150% at 120% of the target,

- qualitative targets representing 30% (€360,000), each representing one quarter of the package, linked to:
  - the business strategy,
  - the business of the B&A BU,
  - the business of the Retail BU,
  - human resources and social responsibility.

Philippe Lazare waived his right to variable compensation for 2018;

- **Long-term compensation**: 3,164 shares (valued at €203,477 as of December 31, 2018) after the 18,610 shares initially awarded under plan 2018-1 were prorated as a result of his departure on November 5, 2018.Final award of these shares is conditional on the achievement of two performance targets that are evaluated at the end of the three-year vesting period:
  - internal criterion tied to the Group's financial and operational performance: EBITDA in line with the plan announced to the market. Vesting thresholds for shares are as follows: 75% of shares vested at 100% achievement of the target; 100% of shares vested at or above 105% achievement of the target,
  - external criterion: change in the Company's share price compared to the SBF 120. Vesting thresholds for shares are as follows: 50% of shares vested at 100% achievement of the target; 75% of shares vested at 105% achievement of the target and 100% of shares vested at or above 110% achievement of the target;
- **no special bonus**;
- **no pension plan**;
- **no compensation** under a non-compete clause;
- **in addition, in respect of his position as Chairman and Chief Executive Officer, Philippe Lazare was provided with**:
  - a company car,
  - insurance for loss of corporate office, and
  - a contractual benefit in the event of early termination approved by the Annual General Shareholders' Meeting of April 29, 2016 in its sixth ordinary resolution, and taken on November 5, 2018, for which the conditions were as follows:
    - 18 months' Reference Compensation in the event of forced termination due to a change of control, or
    - 12 months' Reference Compensation in other cases of forced termination connected with a change of strategy, and subject to the performance conditions set for the calculation of his variable compensation being met.

The "Reference Compensation" will be equal to the average monthly fixed and variable compensation received by Philippe Lazare in respect of his position as Chairman and Chief Executive Officer over the last two fiscal years preceding the date of termination.

Payment of the termination benefit will be based on the average level of achievement of the targets set for Philippe Lazare's variable compensation over the last two fiscal years preceding the date of termination (see the table below).

He will maintain his entitlement to the free shares for which the vesting period has not expired, prorated to his length of service and subject to performance conditions.

This agreement was implemented in accordance with the Board of Directors' decision of November 5, 2018, the details of which are set out in the table below.

Finally, there was no employment agreement between Philippe Lazare and any of the Group companies. As an officer of the Company, he was not a member of the savings plan set up for employees of the Group.

## Summary table of compensation and stock options and shares awarded to Philippe Lazare, Chairman and Chief Executive Officer up to November 5, 2018

| | 2018 *(Gross amount in euros)* | 2017 *(Gross amount in euros)* |
|---|---|---|
| Compensation due for the year (detailed information in the table below) | 2,219,937 | 1,566,370 |
| Valuation of multi-year variable compensation awarded during the year | n/a | n/a |
| Valuation of options granted during the year | n/a | n/a |
| Valuation of free shares awarded (as explained above)(1) | 203,477 | 2,233,361 |
| **TOTAL** | **2,423,414** | **3,799,731** |

*(1) Amount prorated up to the date of termination, November 5, 2018.*

## Summary table of compensation paid to Philippe Lazare, Chairman and Chief Executive Officer up to November 5, 2018

| | 2018 *(Gross amount in euros)* | | 2017 *(Gross amount in euros)* | |
|---|---|---|---|---|
| | Accrued during the year | Paid during the year | Accrued during the year | Paid during the year |
| Fixed compensation(1) | 676,778 | 676,778 | 800,000 | 800,000 |
| Annual variable compensation(1)(2) | None | 753,397 | 753,397 | 1,097,377 |
| Multi-year variable compensation | None | None | None | None |
| Exceptional compensation | None | None | None | None |
| Benefit payable for forced termination | 1,531,214 | 1,531,214 | None | None |
| Directors' attendance fees | None | None | None | None |
| Benefits in kind: company car + insurance for loss of office | 11,945 | 11,945 | 12,973 | 12,973 |
| **TOTAL** | **2,219,937** | **2,961,389** | **1,566,370** | **1,910,350** |

(1) *Amounts prorated up to the date of termination, November 5, 2018.*

(2) *The variable compensation accrued during the year is paid in the following year. Payment is conditional on ratification by the Ordinary Annual General Shareholders' Meeting of the components of compensation paid or allocated in the previous year up to November 5, 2018 due to termination of his appointment.*

### Variable compensation paid in 2018 in respect of 2017

It should be noted that the Board of Directors set Philippe Lazare's target variable compensation for 2017 at €1,200,000 based on performance criteria, 70% of which were tied to the Group's results and 30% to qualitative criteria. Having assessed the achievement of the quantitative and qualitative criteria in light of the Group's financial performance in 2017, the Board of Directors set Philippe Lazare's variable compensation for 2017 at €753,397.

### Compensation paid or allocated to the Chairman and Chief Executive Officer up to November 5, 2018 subject to approval by the shareholders

In accordance with the provisions of Article L.225-100 of the French Commercial Code as amended by the Sapin II law and applying the compensation principles and criteria approved by the Annual General Shareholders' Meeting of May 16, 2018, the compensation paid or allocated in respect of the year ended December 31, 2018 to Philippe Lazare, Chairman and Chief Executive Officer up to November 5, 2018 is set out below, and will be subject to approval by the Company's Annual General Shareholders' Meeting of June 11, 2019 (14th resolution).

| Components of compensation paid or allocated for the fiscal year | Amounts or accounting estimates submitted to a vote | Description |
|---|---|---|
| **Fixed compensation** | €676,778 | Philippe Lazare's fixed annual compensation was set at €800,000 from January 1, 2016 for the duration of his term of office, which ended on November 5, 2018. The amount paid is prorated for the period January 1, 2018 to November 5, 2018. It had been determined based on a comparative study of the compensation structures and levels for directors and executive officers of a representative sample of comparable French and international companies operating in technology markets or in the payment industry. |
| **Annual variable compensation** | None | Philippe Lazare waived his right to variable compensation for 2018. |
| **Multi-year variable compensation (in cash)** | n/a | Philippe Lazare has not been paid any multi-year variable compensation. |
| **Exceptional compensation** | n/a | Philippe Lazare has not been paid any exceptional compensation. |
| **Stock options, performance shares and any other long-term forms of compensation** | Stock options = n/a | No stock options were granted in the past year. |
| | 3,164 performance shares = €203,477 (Book value as of December 31, 2018) *i.e.*, 0.005% of the share capital<br>Other components = n/a | Regarding long-term compensation, on May 16, 2018, the Board of Directors availed itself of the 30th resolution of the Extraordinary Annual General Shareholders' Meeting of April 29, 2016 to award 18,610 performance shares to the Chairman and Chief Executive Officer under the simple plan (2018-1); this number was reduced to 3,164 shares having been prorated to November 5, 2018 as a result of the termination of his appointment as Chairman and Chief Executive Officer.This award is subject to achievement of the two performance criteria described below and will be assessed at the end of the three-year vesting period:<br>• internal criterion tied to the Group's financial and operational performance: EBITDA in line with the plan announced to the market. Vesting thresholds for shares are as follows: 75% of shares vested at 100% achievement of the target; 100% of shares vested at or above 105% achievement of the target;<br>• external criterion: change in the Company's share price compared to the SBF 120. Vesting thresholds for shares are as follows: 50% of shares vested when 100% of the target is achieved; 75% when 105% of the target is achieved, and 100% of shares vested when 110% or more of the target is achieved. |
| **Directors' attendance fees** | n/a | No attendance fees were paid to Philippe Lazare. |
| **Value of all benefits in kind** | €11,945 | Philippe Lazare was provided with a company car and insurance for loss of corporate office. |

| Components of compensation and benefits of any kind in respect of related-party agreements subject to a vote by the Annual General Shareholders' Meeting | Amounts submitted to a vote | Description |
|---|---|---|
| **Termination benefits** | €1,531,214.30 | At its meeting of November 5, 2018 during which Philippe Lazare, at the request of the Board of Directors, vacated the posts of Chairman and Chief Executive Officer and director of Ingenico Group, the Board of Directors concluded that the conditions attached to Mr. Lazare's right to the termination benefits approved by the Annual General Shareholders' Meeting of April 29, 2016 (6th resolution) had been met and that he was, therefore, entitled to benefits in the amount of €1,531,214.30, calculated as follows:<br>• the average of the monthly fixed and variable compensation received by Philippe Lazare in respect of his position as Chairman and Chief Executive Officer for the last two full fiscal years ended prior to the date of termination of his position, *i.e.*, €1,988,590;<br>• multiplied by the average percentage to which the objectives set for Philippe Lazare's variable compensation for 2016 and 2017 had been achieved, *i.e.*, 77%.<br>Furthermore, the Board of Directors concluded that Philippe Lazare was entitled to retain his right to performance shares prorated to November 5, 2018, in accordance with the stipulations of the relevant plans and the authorization of the Annual General Shareholders' Meeting of April 29, 2016 (6th resolution). The performance conditions attaching to this right remain unchanged. The book value of these performance shares is not included in the amount of the termination benefit. |
| **Benefits in connection with a non-competition clause** | n/a | No non-competition clause applies. |
| **Supplementary retirement plan** | n/a | Philippe Lazare did not have a supplementary pension plan. |

### 3.3.1.1.2 Nicolas Huss, Chief Executive Officer from November 5, 2018

In accordance with the compensation principles approved by the Annual General Shareholders' Meeting of May 16, 2018 for the Chairman and Chief Executive Officer, the Board of Directors, on the recommendation of the Compensation, Appointments and Governance Committee, set the compensation payable to Nicolas Huss in his capacity as Chief Executive Officer as follows:

- **fixed annual compensation** of €650,000, payable monthly and prorated from November 5, 2018 to December 31, 2018;
- **target annual variable compensation** of €162,500 from November 5, 2018 to December 31, 2018 (*i.e.*, 150% of his fixed compensation for the months of November and December 2018), rising to a maximum of 200% of his fixed annual compensation.

  Nicolas Huss waived his right to variable compensation in his capacity as Chief Executive Officer for 2018 which amounted to 50% of its target annual variable compensation, *i.e.* €81,250;
- **long-term compensation**: Nicolas Huss was not awarded any performance shares in his capacity as Chief Executive Officer in 2018.

Furthermore, Nicolas Huss was granted benefits in kind, consisting of a company car and voluntary insurance against loss of earnings, amounting to a total of €1,749 in 2018, as well as a complementary health and welfare plan.

For information, it is specified that the directorship of Nicolas Huss did not entitle him to any compensation over and above the compensation he received in his capacity as Chief Executive Officer.

Finally, it should be noted that Nicolas Huss has received no additional compensation or attendance fees from companies controlled by the Company.

### Summary table of compensation paid and stock options and shares granted to Nicolas Huss, Chief Executive Officer (from November 5, 2018)

| | 2018 (Gross amount in euros) | 2017 (Gross amount in euros) |
|---|---|---|
| Compensation due for the year (detailed information in the table below) | 103,409 | n/a |
| Valuation of multi-year variable compensation awarded during the year | n/a | n/a |
| Valuation of options granted during the year | n/a | n/a |
| Valuation of free shares awarded | n/a | n/a |
| **TOTAL(1)** | **103,409** | **N/A** |

*(1) Par ailleurs, Nicolas Huss a perçu une rémunération fixe de 460 535 euros et variable de 235 959 euros au titre de 2018 en application de son contrat de travail suspendu depuis le 5 novembre 2018. 5 000 actions de performance (plan 2018-1) lui ont été attribuées au titre de ses fonctions salariées au cours de l'exercice 2018.*

### Summary table of compensation paid to Nicolas Huss, Chief Executive Officer (from November 5, 2018)

| | 2018 (Gross amount in euros) | | 2017 (Gross amount in euros) | |
|---|---|---|---|---|
| | Accrued during the year | Paid during the year | Accrued during the year | Paid during the year |
| Fixed compensation | 103,409 | 103,409 | n/a | n/a |
| Annual variable compensation(1) | None | None | n/a | n/a |
| Multi-year variable compensation | None | None | n/a | n/a |
| Exceptional compensation | None | None | n/a | n/a |
| Directors' attendance fees | None | None | n/a | n/a |
| Benefits in kind: company car, insurance for loss of office, health and welfare | 1,749 | 1,749 | n/a | n/a |
| **TOTAL(1)** | **105,158** | **105,158** | **N/A** | **N/A** |

*(1) Nicolas Huss waived his right to variable compensation in his capacity as Chief Executive Officer for 2018.*

#### Compensation paid or allocated to the Chief Executive Officer from November 5, 2018 subject to approval by the shareholders

In accordance with the provisions of Article L.225-100 of the French Commercial Code as amended by the Sapin II law and applying the principles approved by the Annual General Shareholders' Meeting of May 16, 2018, the compensation paid or allocated in respect of the year ended December 31, 2018 to Nicolas Huss, Chief Executive Officer from November 5, 2018 is set out below, and will be subject to approval by the Company's Annual General Shareholders' Meeting of June 11, 2019 (15th resolution).

| Components of compensation paid or allocated for the fiscal year | Amounts or accounting estimates submitted to a vote | Description |
|---|---|---|
| **Fixed compensation** | €103,409 | Nicolas HUSS's fixed annual compensation was set at €650,000 prorated from November 5, 2018 to December 31, 2018. |
| **Annual variable compensation** | None | Nicolas HUSS waived his right to variable compensation in his capacity as Chief Executive Officer for 2018. |
| **Multi-year variable compensation (in cash)** | None | Nicolas HUSS has not been paid any multi-year variable compensation. |
| **Exceptional compensation** | None | Nicolas HUSS has not been paid any exceptional compensation. |
| **Stock options, performance shares and any other long-term forms of compensation** | None | Nicolas HUSS was not granted any options or performance shares in 2018 in his capacity as Chief Executive Officer. |
| **Directors' attendance fees** | None | No attendance fees were paid to Nicolas HUSS. |
| **Value of all benefits in kind** | €1,749 | Nicolas HUSS was provided with a company car, insurance for loss of corporate office and a complementary health and welfare plan. |

| Components of compensation and benefits of any kind in respect of related-party agreements subject to a vote by the Annual General Shareholders' Meeting | Amounts voted on | Description |
|---|---|---|
| **Termination benefits** | None | No payments were made to Nicolas HUSS under this type of arrangement in 2018. |
| **Benefits in connection with a non-competition clause** | None | No payments have been made to Nicolas HUSS in connection with a non-competition clause. |
| **Supplementary retirement plan** | None | Nicolas HUSS does not have a supplementary pension plan. |

### 3.3.1.1.3 Bernard Bourigeaud, Chairman of the Board of Directors from November 5, 2018

On the recommendation of the Compensation, Appointments and Governance Committee, the Board of Directors appointed Bernard Bourigeaud as Chairman of the Board of Directors and set out the elements of compensation for 2018, as follows:

- gross fixed annual compensation of €150,000, payable monthly, prorated from November 5, 2018;
- attendance fees in respect of his participation in meetings of the Board of Directors and in respect of his participation in meetings of the committees of which he is a member and/or Chairman, under the same conditions as apply to the other directors of the Company.

**Summary table of compensation paid and stock options and shares granted to Bernard Bourigeaud, Chairman of the Board of Directors (from November 5, 2018)**

| | 2018 *(Gross amount in euros)* | 2017 *(Gross amount in euros)* |
|---|---|---|
| Compensation due for the year (detailed information in the table below) | 25,000 | n/a |
| Valuation of multi-year variable compensation awarded during the year | n/a | n/a |
| Valuation of options granted during the year | n/a | n/a |
| Valuation of free shares awarded | n/a | n/a |
| **TOTAL** | **25,000** | **N/A** |

**Summary table of compensation paid to Bernard Bourigeaud, Chairman of the Board of Directors (from November 5, 2018)**

| | 2018 *(Gross amount in euros)* | | 2017 *(Gross amount in euros)* | |
|---|---|---|---|---|
| | Accrued during the year | Paid during the year | Accrued during the year | Paid during the year |
| Fixed compensation | 25,000 | None(1) | n/a | n/a |
| Annual variable compensation | None | None | n/a | n/a |
| Multi-year variable compensation | None | None | n/a | n/a |
| Exceptional compensation | None | None | n/a | n/a |
| Directors' attendance fees(2) | 66,667 | 59,459 | 59,459 | 20,479 |
| Benefits in kind | n/a | n/a | n/a | n/a |
| **TOTAL(1)** | **91,667** | **59,459** | **59,459** | **20,479** |

(1) *The Annual General Shareholders' Meeting of June 11, 2019 will be asked to authorize the payment of these rights in the form of a free share award. In the event that approval is not given for the resolution on ex post voting, compensation for 2018 will be paid in cash.*

(2) *Attendance fees allocated in respect of his position as independent director, held since April 29, 2016.*

### Compensation paid or allocated to the Chairman of the Board of Directors from November 5, 2018 subject to approval by the shareholders

In accordance with the provisions of Article L.225-100 of the French Commercial Code as amended by the Sapin II law applying the compensation principles and criteria approved by the Annual General Shareholders Meeting of May 16, 2018, the compensation paid or allocated in respect of the year ended December 31, 2018 to Bernard Bourigeaud, Chairman of the Board of Directors from November 5, 2018, as set out below, will be submitted for approval by the Company's Annual General Shareholders' Meeting of June 11, 2019 (16th resolution).

| Components of compensation paid or allocated for the fiscal year | Amounts or accounting estimates submitted to a vote | Description |
|---|---|---|
| **Fixed compensation** | €25,000 (not paid) | Bernard BOURIGEAUD's fixed annual compensation was set at €150,000 prorated from November 5, 2018 to December 31, 2018, *i.e.*, €25,000. It is proposed to the Annual General Shareholders' Meeting that this compensation should be paid in the form of a free share award. The number of shares to be awarded will be determined on the basis of the book value of one Ingenico share.<br>The Board of Directors considers that this method of compensation, to the exclusion of any other, would bring the interests of the Chairman of the Board of Directors into line with those of the Company and its shareholders. In the event that the Annual General Shareholders' Meeting does not approve this resolution, this compensation for 2018 will be paid in cash, in accordance with the compensation policy in force. |
| **Annual variable compensation** | None | Bernard BOURIGEAUD has not been paid any variable compensation. |
| **Multi-year variable compensation (in cash)** | None | Bernard BOURIGEAUD has not been paid any multi-year variable compensation. |
| **Exceptional compensation** | None | Bernard BOURIGEAUD has not been paid any exceptional compensation. |
| **Stock options, performance shares and any other long-term forms of compensation** | None | Bernard BOURIGEAUD was not granted any options or performance shares in 2018 in his capacity as Chairman of the Board of Directors. |
| **Directors' attendance fees** | €66,667 | Attendance fees allocated in 2018 in respect of his position as independent director. |
| **Value of all benefits in kind** | None | Bernard BOURIGEAUD has not received any benefits in kind. |

| Components of compensation and benefits of any kind in respect of related-party agreements subject to a vote by the Annual General Shareholders' Meeting | Amounts voted on | Description |
|---|---|---|
| **Termination benefits** | None | Bernard BOURIGEAUD has not been paid any termination benefits. |
| **Benefits in connection with a non-competition clause** | None | No payments have been made to Bernard BOURIGEAUD in connection with a non-competition clause. |
| **Supplementary retirement plan** | None | Bernard BOURIGEAUD does not have a supplementary pension plan. |

### 3.3.1.1.4 Summary of employment status/pension plan and other benefits in 2018

| Directors and executive officers | Employment contract | Supplementary retirement plan | Indemnities or benefits due or likely to be due on termination or change of function | Benefits in connection with a non-compete clause |
|---|---|---|---|---|
| Philippe LAZARE, Chairman and Chief Executive Officer up to November 5, 2018 | No | No | Yes[1] | No |
| Nicolas HUSS, Chief Executive Officer from November 5, 2018 | Yes (Suspended)[2] | No | No[3] | No[4] |
| Bernard BOURIGEAUD, Chairman of the Board of Directors from November 5, 2018 | No | No | No | No |

*(1) This agreement, which was put into effect on November 5, 2018, is set out above.*

*(2) Nicolas Huss's employment contract was suspended on November 5, 2018, the date of his appointment as Chief Executive Officer. This situation will be reviewed at the close of the Annual General Shareholders' Meeting to be held in 2020, Nicolas Huss undertook to resign from his employment contract provided that this meeting approves the resolutions relating to his remuneration.*

*(3) An agreement regarding benefits payable in the event of forced termination was approved by the Board of Directors on February 25, 2019 and will be subject to the approval of the Annual General Shareholders' Meeting of June 11, 2019. The details of this agreement are set out in chapter 3.3.1.2 below.*

*(4) It should be noted that the suspended employment contract includes a provision for benefits payable under a non-competition clause, which can be waived by the Company. The amount of compensation payable would be the equivalent of six months' salary payable under the contract.*

### 3.3.1.1.5 Long-term incentive

- **Information on performance shares awarded to directors and executive officers**

| | Plan ref. No. and date | Number of shares granted during the year | Theoretical value of shares according to the method used for the consolidated financial statements *(in euros)* | Date granted | Date of availability | Performance conditions |
|---|---|---|---|---|---|---|
| Philippe LAZARE<br>Chairman and Chief Executive Officer up to November 5, 2018 | 2018-1 dated May 16, 2018 | 3,164[1] | 203,477 | May 16, 2021 | May 16, 2021 | See below |
| Nicolas HUSS, Chief Executive Officer from November 5, 2018[2] | None | None | None | None | None | None |
| Bernard BOURIGEAUD, Chairman of the Board of Directors from November 5, 2018 | None | None | None | None | None | None |
| **TOTAL** | | **3,164** | **203,477** | | | |

*(1) The number of performance shares initially awarded was 18,610. It was reduced to 3,164, having been prorated to November 5, 2018, the date of his departure.*

*(2) Nicolas Huss was awarded 5,000 performance shares (plan 2018-1) in respect of the salaried duties he performed up to November 5, 2018.*

The Board of Directors used the authorization granted by the Extraordinary Shareholders' Meeting on April 29, 2016 and, on the recommendation of the Compensation, Appointments and Governance Committee, set up the following performance share award plan (2018-1):

The vesting period is three years and final allocation is conditional upon the achievement of two performance targets (EBITDA in line with the 2020 strategic plan and change in the Company's share price compared to the SBF 120).

The number of performance shares finally granted at the end of the vesting period (three years) will therefore be calculated based on the level of achievement of these targets detailed below.

- internal criterion tied to the Group's financial and operational performance: EBITDA in line with the plan announced to the market. Vesting thresholds for shares are as follows: 75% of shares vested at 100% achievement of the target; 100% of shares vested at or above 105% achievement of the target;
- external criterion: change in the Company's share price compared to the SBF 120. Vesting thresholds for shares are as follows: 50% of shares vested at 100% achievement of the target; 75% of shares vested at 105% achievement of the target and 100% of shares vested at or above 110% achievement of the target.

### Performance shares finally granted or available in 2018

| | Plan ref. No. and date | Number of shares available | Plan ref. No. and date | Number of shares fully vested | Final grant conditions |
|---|---|---|---|---|---|
| Philippe LAZARE | 2014-2 of October 29, 2014 | 6,500 | None | None | None |
| Nicolas HUSS | None | None | None | None | None |
| Bernard BOURIGEAUD | None | None | None | None | None |

#### Number of shares available

6,500 shares issued under the joint investment plan 2014-2 authorized by the Board of Directors on October 29, 2014 became available in 2018.

#### Fully vested shares

There were no shares finally granted in 2018.

#### Mandatory holding period

Pursuant to Article L.225-197-1, II, paragraph 4, of the French Commercial Code, in relation to free performance shares awarded to the directors and executive officers, the Board of Directors must either prohibit the disposal of said shares until the end of their term of office, or specify the number of these shares that must be retained in registered form in their name until the end of their term of office.

For each performance share awarded to Philippe Lazare on or after April 18, 2016, the Board of Directors has resolved, pursuant to the aforementioned provision, that he shall be required to hold and maintain at all times in registered form no less than 40% (15% previously) of the total number of fully vested shares at the end of their holding period, until the end of his term of office. Moreover, any share disposals must be carried out in compliance with the applicable stock market regulations and the procedures implemented within the Company.

These mandatory holding periods also apply to Nicolas Huss and, if applicable, to Bernard Bourigeaud (for which the retention obligation has been increased to 100%) in respect of the share award plans to which they may be entitled as of the date of their appointment as officers.

Furthermore, as recommended by the AFEP-MEDEF Code, the executive corporate officers have undertaken not to use hedging instruments on the performance shares that have been or will be awarded to them by the Company in connection with their duties, for as long as they remain directors and executive officers of the Company.

### 3.3.1.2 Compensation policy for directors and executive officers

In accordance with the provisions of Article L.225-37-2 of the French Commercial Code, at the Combined Ordinary and Extraordinary Shareholders' Meeting of June 11, 2019, the Company's shareholders will be asked to approve the resolution submitted to them regarding the principles and criteria for the determination, allocation and payment of fixed, variable and exceptional components of the total compensation and benefits of any kind granted to directors and executive officers of the Company, which constitute the compensation policy applicable to them (ex-ante say on pay).

When making recommendations to the Board of Directors, the Compensation, Appointments and Governance Committee aims to propose a compensation policy that is in accordance with the practices of comparable major international groups in the SBF 120 in respect of similar positions and to ensure the interests of shareholders are aligned with those of the Company's executive officers.

The principles and criteria prepared by the Board of Directors at its meeting of February 25, 2019, on the recommendation of the Compensation, Appointments and Governance Committee, are as follows:

**For the Chief Executive Officer:**

Compensation for the Chief Executive Officer is composed of the following components:

(i) **fixed annual compensation** of €650,000 payable in 12 equal monthly installments during the year,

(ii) **target annual variable compensation** of 150% of his fixed annual compensation, *i.e.*, €975,000, rising to 200% of his fixed annual compensation, *i.e.*, €1,300,000, tied to performance.

Variable compensation is based on the achievement of the following quantitative and qualitative targets:

- quantitative targets for 70% (€682,500) of the target annual variable compensation:

— 40% tied to consolidated EBITDA,

— 15% tied to consolidated revenue growth,

— 15% tied to free cash flow (excluding acquisitions, divestitures, and special dividends).

The target annual variable compensation for these quantitative targets is capped at 150% (€1,023,750),

- qualitative targets for 30% (*i.e.*, €292,500), based on specific predefined criteria in accordance with the new medium-term strategic plan which will be presented on April 24, 2019 and which will include one or more CSR criteria. For confidentiality reasons, they cannot be disclosed for this year. However, at the end of the performance appraisal period, the Group discloses these targets and their level of achievement. The target variable compensation for these qualitative targets is capped at 100% (€292,500).

It should be noted that, in accordance with paragraph 2 of Article L.225-37-2 of the French Commercial Code, the payment of components of the variable compensation described above will require ratification by an Ordinary Annual General Shareholders' Meeting, in accordance with Article L.225-100 of the French Commercial Code;

(iii) **long-term compensation** *via* the award of 34,000 annual performance shares for 2019, given that he took office on November 5, 2018, and 30,000 shares per year for 2020 and 2021. These awards will be subject to conditions of continuous service and to demanding performance conditions, given the medium-term strategic plan, which will be presented by the Company on April 24, 2019;

(iv) **a severance package payable for forced termination**, which was approved by the Board of Directors on February 25, 2019 and will be subject to the approval of the Combined Ordinary and Extraordinary Shareholders' Meeting of June 11, 2019;

The benefit for forced termination will be payable:

(i) in the event of forced termination associated with a change of control, the change of control being taken to refer to the date of approval by the Annual General Shareholders' Meeting of any transfer, merger, demerger or any similar operation affecting Ingenico Group or the date upon which control of Ingenico Group is acquired, within the meaning of Article L.233-3 of the French Commercial Code (including subsequent to a public offer or exchange offer, as the case may be);

(ii) in the event of forced termination associated with a change of strategy;

(iii) in the event of any other forced termination for a reason other than gross negligence or serious misconduct.

No compensation will be payable to the Chief Executive Officer in the event of voluntary departure, change of duties, executive remit or salary, within the Group, or if Mr. Nicolas Huss has the opportunity to assert his pension rights;

The amount of the termination benefit paid to the Chief Executive Officer (I), will be calculated as follows: I = Basis x Coefficient, where:

the "Basis" is equal:

- prior to the Annual General Shareholders' Meeting in 2020:
  - in the event of forced termination associated with a change of control, to 18 months of the target compensation, fixed plus annual variable, *i.e.*, €2,437,500,
  - in the event of termination for a reason other than a change of control, gross negligence or serious misconduct, to 9 months of the target compensation, fixed plus annual variable, *i.e.*, €1,218,750,
- after the Annual General Shareholders' Meeting in 2020:
  - in the event of forced termination associated with a change of control, to 18 months of Reference Compensation,
  - in the event of forced termination associated with a change of strategy, to 12 months of Reference Compensation,
  - in the event of termination for a reason other than a change of control, a change of strategy, gross negligence or serious misconduct, to nine months of Reference Compensation.

"Reference Compensation" is the average target monthly compensation, fixed plus variable, paid to the Chief Executive Officer for his duties as Chief Executive Officer for the last two full financial years ended prior to the date when his employment is terminated;

the "Coefficient", which will be set by the Board of Directors, is equal:

- prior to the Annual General Shareholders' Meeting in 2020, to the level to which the targets set for the most recent variable compensation for the Chief Executive Officer have been achieved;
- after the Annual General Shareholders' Meeting in 2020, to the average level to which the targets set for the variable compensation of the Chief Executive Officer for the last two full financial years ended prior to the date when his employment is terminated have been achieved;

The termination benefits will be reduced by the amount of compensation payable for termination of the employment contract if the Chief Executive Officer departs before resigning from their salaried duties;

<u>Treatment of vesting performance shares</u>

In the event of the departure of the Chief Executive Officer, any performance shares which are vesting at the date of departure will be treated as follows, in accordance with the rules of the free performance share allocation plans in question:

In the event of death, retirement or incapacity, the Chief Executive Officer (or their beneficiaries) will retain entitlement to any shares which are vesting, in accordance with the procedures stipulated by the rules of the free performance share allocation plans in question;

In the event of forced termination associated with a change of control, the Chief Executive Officer will retain entitlement to all shares which are vesting and the service and performance conditions will no longer apply in this event;

In the event of departure under any other circumstances, the Chief Executive Officer will retain entitlement to any shares which are vesting (i) prorated to his length of service, and (ii) subject to the level to which the performance conditions set out in the rules of the free performance share allocation plans in question have been achieved;

(v) **benefits in kind**: the Chief Executive Officer is entitled to benefits in kind, including a company car and insurance for loss of corporate office, as well as the complementary health and welfare plans (incapacity/death) provided by the Company.

Finally, the directorship of the Chief Executive Officer will not entitle him to any compensation over and above that which he receives in his capacity as Chief Executive Officer, and the Chief Executive Officer will receive no additional compensation or attendance fees from companies controlled by the Company.

The employment contract of Nicolas Huss is suspended since his appointment as Chief Executive Officer, *i.e.* 5 November 2018.

Nicolas Huss undertook to resign from his employment contract at the end of the Annual General Shareholders' Meeting called to approve the annual financial statements for 2019, provided that this meeting approves all components of his compensation as Chief Executive Officer.

**For the Chairman of the Board of Directors:**

In his capacity as Chairman of the Board of Directors, the Chairman of the Board of Directors will receive annual fixed compensation of €180,000 gross, payable in shares during the year, subject to the adoption of the 24th resolution by the Annual General Shareholders' Meeting of June 11, 2019. Otherwise, compensation will be payable monthly in cash.

The Board of Directors considers that the payment of the Chairman's compensation with free shares promotes the alignment of the Chairman's interests with those of the Company and shareholders. In addition, the Chairman of the Board of Directors should retain all the shares definitely acquired until the end of the term of office.

Furthermore, the Chairman of the Board of Directors is eligible to be paid attendance fees in respect of his participation in meetings of the Board of Directors and of the committees of which he is a member, *i.e.*, currently the Strategic Committee and the Compensation, Appointments and Governance Committee, under the same conditions as apply to the directors of the Company.

In application of Article L.225-100 II of the French Commercial Code, the amounts resulting from the application of the principles and criteria set out above, which comprise the compensation policy for directors and executive officers for the current year closing on December 31, 2019, will be subject to the approval of shareholders at the Combined Ordinary and Extraordinary Shareholders' Meeting to be held in 2020.

It is also reiterated that, pursuant to Article L.225-37-2 of the French Commercial Code, payment of the variable and exceptional components of the compensation of directors and executive officers is conditional upon the compensation of the person concerned being approved by an Ordinary Annual General Shareholders' Meeting, in accordance with Article L.225-100 of the said Code.

### 3.3.1.3 Attendance fees and other compensation received by non-executive directors

The Combined Ordinary and Extraordinary Shareholders' Meeting of April 29, 2016 increased the maximum annual budget for attendance fees from €500,000 to €550,000. The annual total of attendance fees approved by the Annual General Shareholders' Meeting is individually allocated using a points-based formula designed to promote the independence of directors, the chairmanship of the special focus committees and members' attendance at meetings of the Board and the special focus committees. In meetings of the Board of Directors, points are awarded on a fixed basis (20 points for each independent director and 5 points for each non-independent director or advisor) and on a variable basis (2 additional points per attendance). With respect to special committees, a number of points is awarded to the Chair of each committee (an annual maximum of 25 points for the Chair of the Audit Committee and 20 points for the Chair of the two other special committees) having attended the meeting and chaired it. The Chairs of committees do not receive additional points for attendance at their special committees, because if they are absent the corresponding points are awarded to the member who chaired the committee meeting. The members of special committees, excluding the Chair, are awarded one point per attendance at their committee meeting.

As recommended by the AFEP-MEDEF Code, the variable portion of attendance fees is preponderant for directors.

It is specified that it will be proposed to the Shareholders' Meeting of June 11, 2019 to increase the total annual amount of attendance fees to be allocated to the Board from €550,000 to €750,000 to account for the increase in the number of Directors (for details, please refer to the section 7 of this Registration document).

The total amount of attendance fees awarded by the Company to directors and the compensation of the independent advisor amounted to €550,000 for 2018, paid out as follows (in euros):

| Non-executive directors | Gross amounts accrued in 2018 and paid in 2019 | Gross amounts accrued in 2017 and paid in 2018 |
|---|---|---|
| **Bernard BOURIGEAUD**<br>Independent director | €66,667 | €59,459 |
| **Jean-Louis CONSTANZA**<br>Independent director until May 16, 2018 | €18,954 | €56,757 |
| **Diaa ELYAACOUBI**<br>Independent director | €64,052 | €66,216 |
| **Colette LEWINER**<br>Independent director until May 16, 2018 | €18,964 | €71,622 |
| **Arnaud LUCIEN**(1)<br>Director representing employees since September 27, 2018 | €12,092 | - |
| **Xavier MORENO**<br>Independent director | €86,275 | €86,486 |
| **William NAHUM**<br>Independent advisor | €18,301 | €24,324 |
| **Caroline PAROT**<br>Independent director | €92,810 | €58,108 |
| **Thierry SOMMELET**<br>Independent director since May 16, 2018 | €39,869 | - |
| **Sophie STABILE**<br>Independent director since March 27, 2018 | €49,673 | - |
| **Élie VANNIER**(2)<br>Independent director | €82,363 | €90,541 |
| **Florence PARLY**<br>Independent director until June 21, 2017 | - | €36,487 |
| **TOTAL** | **€550,000** | **€550,000** |

*(1) Arnaud Lucien also receives compensation in his capacity as an employee of Ingenico Terminals.*

*(2) Élie Vannier also received gross compensation amounting to €55,000 accrued in 2018 and €55,500 accrued in 2017 for his duties as a member of the Supervisory Board and Chairman of the Audit Committee of Global Collect Services BV, a subsidiary of the Group.*

Except for the directors and executive officers for whom information is provided above, no other member of the Board of Directors received any additional compensation or other benefits in kind from the Company during 2018 other than as described above.

No compensation, other than the compensation mentioned above, was paid to directors and executive officers of the Company by other Group companies during 2018.

#### 3.3.1.4 Pensions, post-employment and other benefits paid to directors and executive officers

None.

## 3.3.2 Compensation of Executive Committee members

Compensation awarded to the members of the Executive Committee is composed of fixed compensation and annual variable compensation tied to the attainment of financial targets for the current year, as well as to targets related to the implementation of the business strategy that are modulated to reflect each member's position. Depending on the position, variable compensation for the year may be equal to anything between 50% to 100% of fixed compensation when targets are met.

From 2019, and for all executive officers except the Chief Executive Officer, 60% of the variable component is linked to the achievement of the financial targets of the Group, Business Unit or Region depending on the scope of responsibility; and 40% of the variable component is linked to the achievement of the strategic targets specific to their role. A "multiplier" is applied at the level to which this variable component has been achieved, the result of which has a direct correlation with the financial performance of the Group and the Business Units. The effect of this multiplier is to increase or reduce the amount of the variable component to be paid, depending on the level to which the Group's targets have been achieved.

As with the Chief Executive Officer, Company executives are linked to the Group's growth through the award of free shares. The number of shares granted depends on service conditions and the Company's medium-term performance.

These plans aim to encourage achievement of the Group's long-term objectives and the value creation associated with them.

Performance criteria apply to all shares awarded and take into account an assessment that is intrinsic and relative based on the Company's business and stock-market performance. Performance criteria and their rate of attainment are the same for all Executive Committee members, including the Chief Executive Officer.

A deferred compensation policy is applicable to all members of the Executive Committee.

A company car is provided to each Executive Committee member.

## 3.3.3 Shareholdings of executive officers and employees in Ingenico Group

Ingenico Group periodically grants performance shares to executives and to top and middle management. Shares are allotted either for attainment of specific operational results or on the basis of commitments made by the beneficiary. The conditions are decided by the Board of Directors on the recommendation of the Compensation, Appointments and Governance Committee.

### 3.3.3.1 Performance shares

Following the authorization granted at the Annual General Shareholders' Meeting, the Board of Directors decided, based on the recommendation of the Compensation, Appointments and Governance Committee, to establish a free share award policy based on performance and, where relevant, investment. Consequently, since 2010, Ingenico has been implementing this policy by developing the corresponding schemes to encourage involvement by employees in the Group's overall performance, in particular through retention programs aimed at management teams of companies recently acquired due to external growth.

The plans implemented by Ingenico Group SA share similar features. Free shares are not definitely allocated until the end of a minimum period (the vesting period). This was increased to three years by an authorization granted by the Annual General Shareholders' Meeting of April 29, 2016. Previous plans covered two or four years, depending on the country involved. At the end of this vesting period, subject to conditions determined by the relevant plan such as performance, continuous service within the Group or, where relevant, investment, these shares are vested and fully-owned by the beneficiaries.

For plans with a two-year vesting period, an additional two-year holding period is mandatory once the shares are fully vested. There is no mandatory holding period for plans with a four-year vesting period.

The goal of the free share allocation policy is to encourage the achievement of the Group's long-term objectives and the creation of shareholder value.

Since 2016, the long-term compensation policy of Ingenico Group has been structured around two complementary mechanisms introduced alternately every two years:

- a joint investment plan aimed at executive officers throughout the entire Group and its subsidiaries. Under this plan, beneficiaries personally invest a set amount in the shares of the Company. Depending on the degree to which the performance conditions and attendance conditions have been met, a number of free shares proportional to the number of shares invested become fully vested at the end of the vesting period;
- a simple performance share award plan for key managers and employees of the Group. In the same way as with the joint investment plan, beneficiaries are awarded free shares which become fully vested subject to performance and attendance conditions at the end of the vesting period.

Since 2016, the minimum vesting period under long-term compensation plans has been three years. The performance conditions for free performance share award plans, whether associated with an investment condition or not, are unchanged and are based on both the Group's internal performance (medium-term EBITDA target) and external performance (Ingenico Group share price performance relative to the SBF 120 during the vesting period). To continue this approach linking compensation to the Group's development, in accordance with this allocation policy alternating a joint investment plan and free performance share award plan, the Board of Directors, using the authorization granted by the Extraordinary Shareholders' Meeting of April 29, 2016, and on the recommendation of the Compensation, Appointments and Governance Committee, decided to set out the terms for free performance share award plans for 124 executive officers or middle managers as follows:

- simple free performance share award plan (2018-1)

  This plan is for the Chairman and Chief Executive Officer, executive officers or middle managers of the Group, and is subject to service conditions and correlated to the performance criteria below:

  - internal criterion linked to the Group's financial and operational performance (representing 70% of the shares awarded): EBITDA in line with the 2020 strategic plan,
  - external criterion (representing 30% of the shares awarded): change in the Company's share price compared to the SBF 120;
- joint investment plan (2018-2)

  This plan involves six managers of the Retail business arising as a result of the acquisition of Bambora. It requires each of them to invest in shares in the Company. That investment entitles them to be allocated a number of free shares, depending on the same level of achievement and performance criteria as set out below, with a maximum allocation of 3 shares per share invested for the internal criterion and a maximum of 1 share per share invested for the external criterion;
- simple free performance share award plan (2018-3)

  This plan involves 24 managers of the Retail business arising as a result of the acquisition of Bambora, and is subject to service conditions and correlated to the performance criteria below:

  - internal criterion linked to the financial and operational performance of the SMB Division (representing 75% of the shares awarded (SMB EBITDA)),
  - external criterion (representing 25% of the shares awarded): change in the Company's share price compared to the SBF 120.

These plans have a minimum 3-year vesting period and apply to 419,174 performance shares, *i.e.* 0.66% of the Company's share capital.

At the end of the vesting period, the beneficiaries must be either:

- an employee of the Company, a subsidiary, or an associated company;
- an executive officer of the Company, a subsidiary, or an associated company.

If this condition is not met (especially in the event that the beneficiary's employment contract or term of office is terminated for any reason before the end of the vesting period), the free share award lapses and the beneficiary forfeits any right to the allocation of shares[(1)].

The Group will be presenting its medium-term strategic plan and outlook to institutional investors and financial analysts on April 24, 2019.

To support the deployment of the Group's strategic objectives and ensure they will be achieved, the long-term compensation policy has been rolled out within the organization to staff who are key to its implementation.

Effective 2019, the principles of the policy of equity compensation through performance share allocations, defined by the Board of Directors based on the recommendation of the Appointments, Compensation and Governance Committee, have been amended as follows:

- Group executive officers and certain employees that the Group especially wishes to retain to be more closely linked to the Group's development and medium-term performance. The number of beneficiaries in 2019 is expected to be around 350, representing approximately 0.7% of the share capital;
- any allocation to be subject to a vesting period of at least three years;
- the vesting of performance shares to be conditional on compliance with three strict performance criteria – two internal criteria (EBITDA and revenue growth) and one external criterion (share price performance compared to that of the Euro Stoxx Tech 600) in line with the Group's medium-term strategic plan and financial objectives versus two criteria previously; the trigger thresholds of the performances criteria which the shares are based on will be decided on by the Board of Directors, and will not aim to reward underperformance of the objectives in any case;
- the allocation of rights to the Chief Executive Officer under the annual performance share allocation plans not to exceed 10% of all rights allocated under the annual plan.

## Performance shares granted to the top ten non-director employees in respect of 2018

| | |
|---|---|
| Plan 2018-1 | 35,000 |
| Plan 2018-2 | 226,264 |
| Plan 2018-3 | 9,000 |

## Summary of past free performance share awards

### Information on free shares awarded since the authorization of the Annual General Shareholders' Meeting of May 11, 2010

| Annual General Shareholders' Meeting of May 11, 2010 | 2012-1 | 2012-2 |
|---|---|---|
| Date of Board meeting | 06/22/2012 | 06/22/2012 |
| Total number of shares granted for free<br>of which shares granted to directors and executive officers: | 73,000 | 392,384 |
| Philippe Lazare | None | 17,448 |
| Vesting date | 06/22/2014 | 06/22/2014 |
| End of holding period | 06/22/2016 | 06/22/2016 |
| Number of shares vested at June 22, 2014 | 63,000 | 334,832 |
| Free shares outstanding as of December 31, 2018 | None | None |

| Annual General Shareholders' Meeting of April 29, 2013 | 2013-1 | 2014-1 | 2014-2 |
|---|---|---|---|
| Date of Board meeting | 10/30/2013 | 10/29/2014 | 10/29/2014 |
| Total number of shares granted for free<br>of which shares granted to directors and executive officers: | 5,500 | 31,200 | 199,470 |
| Philippe Lazare | None | None | 6,500 |
| Vesting date | 10/30/2015 | 10/29/2016 | 10/29/2016 |
| End of holding period | 10/30/2017 | 10/29/2018 | 10/29/2018 |
| Aggregate number of shares canceled or expired as of December 31, 2018 | 1,000 | 6,950 | 36,080 |
| Number of shares vested as of December 31, 2018 | 4,500 | 24,250 | 163,390 |
| Free shares outstanding as of December 31, 2018 | None | None | None |

(1) *Other than in exceptional circumstances as determined by the Board of Directors and excluding cases provided for in respect of the termination benefits of the Chief Executive Officer in the event of forced termination pursuant to section 3.3.1.2 above.*

On October 30, 2013, the Board of Directors decided to award 5,500 free shares, subject to conditions of continuous service and the level of attainment of performance criteria linked to the Group's consolidated EBITDA.

On October 29, 2014, the Board of Directors decided to award:

- 31,200 free shares, subject to conditions of service and intrinsic performance linked to consolidated EBITDA and the relative stock market performance;
- 199,470 free shares, subject to conditions of service, subscription of Company shares, and performance – both external (performance of the Company's share price compared to the SBF 120) and internal (Group consolidated EBITDA).

| Annual General Shareholders' Meeting of May 06, 2015 | 2015-1 | 2015-2 |
|---|---|---|
| Date of Board meeting | 07/29/2015 | 10/22/2015 |
| Total number of shares granted for free<br>of which shares granted to directors and executive officers: | 186,900 | 1,400<br>600 |
| Philippe Lazare | 10,000 | None |
| Vesting date | 07/29/2017 | 10/22/2017<br>11/02/2017 |
| End of holding period | 07/29/2019 | 10/22/2019<br>11/02/2019 |
| Aggregate number of shares canceled or expired as of December 31, 2018 | 24,300 | None |
| Number of shares vested as of December 31, 2018 | 116,100 | 600<br>600 |
| Free shares outstanding as of December 31, 2018 | 46,600 | 800 |

At its meetings of July 29, 2015 and October 22, 2015, the Board of Directors decided to award 186,900 and 2,000 free shares respectively (subject to conditions of service and the level of attainment of a performance criterion linked to the Group's consolidated EBITDA).

The end of the performance assessment period of the 2015 performance share plan (plan 2015-1) was July 29, 2017. The performance shares granted by the authorization of the Annual General Shareholders' Meeting of May 6, 2015 were conditional on the achievement of an internal performance criterion related to the Group's financial and operational performance: EBITDA target of €448 million as of December 31, 2016. Vesting thresholds for shares are as follows: 25% of shares vested at 90% achievement of the target; 50% of shares vested at 95% achievement of the target, and 75% of shares vested at 100% achievement of the target. The maximum number of free shares, *i.e.*, 100%, awarded for outperforming when performance is above 104% of the target.

The Board of Directors reported the following performance:

- EBITDA 2016: €476 million, *i.e.*, 106% of the target.

The vested shares will become fully available after a two-year lock-in period ("holding period"), *i.e.*, on July 29, 2019.

| Annual General Shareholders' Meeting of April 29, 2016 | 2016-1 |
|---|---|
| Date of Board meeting | 07/26/2016 |
| Total number of shares granted for free<br>of which shares awarded to directors and executive officers: | 18,610 |
| Philippe Lazare | 18,610 |
| Vesting date | 07/26/2019 |
| End of holding period | 07/26/2019 |
| Aggregate number of shares canceled or expired as of December 31, 2018 | 4,094 |
| Number of shares vested as of December 31, 2018 | None |
| Free shares outstanding as of December 31, 2018 | 14,516 |

At its meeting of July 26, 2016, the Board of Directors decided to award 18,610 free shares (reduced to 14,516 following the departure of Philippe Lazare on November 5, 2018) subject to performance conditions – both external (performance of the Company's share price compared to the SBF 120) and internal (Group consolidated EBITDA).

| Annual General Shareholders' Meeting of April 29, 2016 | 2017-1 | 2017-2 |
|---|---|---|
| Date of Board meeting | 05/10/2017<br>07/26/2017 | 05/10/2017<br>07/26/2017 |
| Total number of shares granted for free<br>of which shares granted to directors and executive officers: | 115,710 | 70,839 |
| Philippe Lazare | 6,040(1) | 18,610(1) |
| Vesting date | 05/10/2020<br>06/21/2020<br>08/28/2020 | 06/21/2020<br>08/28/2020 |
| End of holding period | 05/10/2020<br>06/21/2020<br>08/28/2020 | 06/21/2020<br>08/28/2020 |
| Aggregate number of shares canceled or expired as of December 31, 2018 | 24,880 | 25,734 |
| Number of shares vested as of December 31, 2018 | None | None |
| Free shares outstanding as of December 31, 2018 | 90,830 | 45,105 |

*(1) In accordance with the decision of the Board of Directors and in agreement with Philippe Lazare, the number of shares awarded was reduced from 23,639 to 18,610 on May 16, 2018. Then, following the departure of Philippe Lazare, the number of shares awarded was reduced to 2,900 (plan 2017-1) and 9,305 (plan 2017-2).*

On May 10, 2017 and July 26, 2017, the Boards of Directors decided to award the following, the conditions of which were set on March 21, 2017 as below:

- 70,839 free shares, subject to conditions of service and intrinsic performance linked to consolidated EBITDA and the relative stock market performance;
- 115,710 free shares, subject to conditions of service, personal acquisition of Company shares, and performance – both external (performance of the Company's share price compared to the SBF 120) and internal (Group consolidated EBITDA).

| Annual General Shareholders' Meeting of April 29, 2016 | 2018-1 | 2018-2 | 2018-3 |
|---|---|---|---|
| Date of Board meeting | 05/16/2018 | 05/16/2018 | 05/16/2018 |
| Total number of shares granted for free<br>of which shares granted to directors and executive officers: | 171,310 | 226,264 | 21,600 |
| Philippe Lazare(1) | 18,610 | None | None |
| Vesting date | 05/16/2021 | 05/16/2021 | 05/16/2021 |
| End of holding period | 05/16/2021 | 05/16/2021 | 05/16/2021 |
| Aggregate number of shares canceled or expired as of December 31, 2018 | 27,546 | None | None |
| Number of shares vested as of December 31, 2018 | None | None | None |
| Free shares outstanding as of December 31, 2018 | 143,764 | 226,264 | 21,600 |

*(1) Following the departure of Philippe Lazare, the number of shares awarded was reduced to 3,164.*

The meeting of the Board of Directors of May 16, 2018 decided to make the following awards:

- 171,310 free shares, subject to conditions of service and intrinsic performance linked to consolidated EBITDA and the relative stock market performance, as set out above;
- 226,264 free shares, subject to conditions of service, personal acquisition of Company shares, and performance – both external (performance of the Company's share price compared to the SBF 120) and internal (the EBITDA of the SMB Division), as set out above;
- 21,600 free shares, subject to conditions of service and intrinsic performance linked to the EBITDA of the SMB Division and the relative stock market performance, as set out above.

### 3.3.3.2 Stock options

As of December 31, 2018, there were no outstanding stock options.

#### Share subscription or purchase options granted by the Company or any Group company or subscribed by each director or executive officer in 2018

None.

### 3.3.3.3 Incentive programs and employee profit-sharing

In addition to the employee profit-sharing scheme required under French law, Ingenico Group has set up an optional incentive program based on economic metrics that enables all employees to participate in the Group's success.

Ingenico Group SA's incentive program was renegotiated as a collective agreement signed on June 4, 2015 with the employee representative bodies. It was then extended to Ingenico France SAS, Ingenico Terminals SAS and Ingenico Business Support SAS on June 23, 2016 following the spin-off of some of its activities, and covers fiscal years 2016, 2017 and 2018. A new agreement should be renegotiated before June 30, 2019 for the period 2019-2021.

### 3.3.3.4 Employee Savings Plan – Employee share offers

The employee share offers is a key part of the compensation and commitment policy for employees. It is built around two main mechanisms: free awards of performance shares and the capital increase reserved for employees.

To complete these mechanisms, a company savings plan enables employees of the subscribing entities to make voluntary deposits or invest the amounts received under the incentive program or employee profit-sharing scheme.

They are eligible to receive an employer's contribution of a maximum of €2,000 per year on the amount of incentive program rewards and voluntary payments deposited in the employee savings plan.

The investment structures available are the Ingenico Actionnariat France collective employee mutual fund (FCPE) entirely invested in the Company's shares, and a range of multi-company FCPE funds offering the choice of investment in different asset classes (equities, bonds, money market funds), thus allowing employees to diversify their savings.

As of December 31, 2018, the employees of the Group, within the meaning of Article L.225-102 of the French Commercial Code, held 0.25% of the share capital of Ingenico Group SA.

### 3.3.3.5 Collective pensions saving scheme

A collective pensions saving scheme (PERCO) also allows Company employees to save for their retirement with assistance from their employer.

Employees can choose to make voluntary payments or apply all or part of their incentive rewards to the scheme, with matching employer payments of up to 100% of each payment made up to €1,500 gross per year per employee and 50% beyond that, up to a limit of €2,500.

Thus, for €3,500 paid in, the deposits are matched by complementary employer contributions of €2,500 gross.

### 3.3.3.6 Trading restrictions on shares

The Board of Directors established Rules of Procedure and a Code of Stock Market Compliance relating to trading in Company shares and to the prevention of insider trading misconduct. These rules incorporate, inter alia, rules of corporate governance upheld by the Board, and in particular, rules related to the duties and operation of the Board and its committees and rules governing the conduct of Board members, for example, when trading in the Company's shares.

The information disclosed to members of the Board of Directors in their official capacity is subject to the provisions of regulation (EU) 596/2014.

The trading blackout periods surrounding the dates of publication of the Company's financial information are uploaded to the Company's website.

### 3.3.3.7 Share transactions by directors and executive officers of Ingenico Group

The following chart lists the transactions disclosed in 2018 by the directors and officers referred to in Article 3 §25 of regulation (EU) 596/2014:

| Declaring director or executive officer | No. of the AMF decision/notice | Financial instrument | Type of transaction | Transaction date | Date of receipt of declaration | Place of transaction | Unit price *(in euros)* | Volume |
|---|---|---|---|---|---|---|---|---|
| Jacques BEHR | 2018DD534592 | Shares | Disposal | January 17, 2018 | January 22, 2018 | Euronext Paris | 91.1600 | 14,800 |
| Jacques BEHR | 2018DD534874 | Shares | Disposal | January 19, 2018 | January 24, 2018 | Euronext Paris | 91.6853 | 5,662 |
| Philippe LAZARE | 2018DD539186 | Shares | Acquisition | February 23, 2018 | February 26, 2018 | Euronext Paris | 72.6268 | 5,000 |
| Xavier MORENO | 2018DD539350 | Shares | Acquisition | February 23, 2018 | February 27, 2018 | Euronext Paris | 72.0767 | 4,000 |
| Élie VANNIER | 2018DD539466 | Shares | Acquisition | February 23, 2018 | February 28, 2018 | Euronext Paris | 72.1851 | 1,000 |
| Nicolas HUSS | 2018DD539484 | Shares | Acquisition | February 26, 2018 | February 28, 2018 | Euronext Paris | 72.0900 | 573 |
| Bernard BOURIGEAUD | 2018DD540739 | Shares | Acquisition | March 5, 2018 | March 8, 2018 | Euronext Paris | 69.8200 | 1,020 |
| Bernard BOURIGEAUD | 2018DD543086 | Shares | Acquisition | March 22, 2018 | March 27, 2018 | Euronext Paris | 63.5400 | 1,125 |
| Élie VANNIER | 2018DD561229 | Shares | Acquisition | May 16, 2018 | May 19, 2018 | Euronext Paris | 68.8200 | 4,000 |
| Luciano CAVAZZANA | 2018DD565693 | Shares | Subscription | June 21, 2018 | June 25, 2018 | Euronext Paris | 63.2300 | 36 |
| Michel LEGER | 2018DD565694 | Shares | Subscription | June 21, 2018 | June 25, 2018 | Euronext Paris | 63.2300 | 191 |
| Jacques BEHR | 2018DD565706 | Shares | Subscription | June 21, 2018 | June 25, 2018 | Euronext Paris | 63.2300 | 354 |
| Élie VANNIER | 2018DD565708 | Shares | Subscription | June 21, 2018 | June 25, 2018 | Euronext Paris | 63.2300 | 236 |
| Bernard BOURIGEAUD | 2018DD565729 | Shares | Subscription | June 21, 2018 | June 25, 2018 | Euronext Paris | 63.2300 | 363 |
| Patrice LE MARRE | 2018DD583296 | Shares | Forward sales | November 5, 2018 | November 8, 2018 | Euronext Paris | 68.0000 | 6,500 |
| Thierry SOMMELET | 2018DD584279 | Shares | Acquisition | November 14, 2018 | November 15, 2018 | Euronext Paris | 65.1600 | 10 |

# 3.4 STATUTORY AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS

**Annual General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2018**

To the Annual General Shareholders' Meeting of Ingenico Group SA,

In our capacity as statutory auditors for your Company, we hereby present our report on regulated agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the nature and essential terms and conditions of the agreements and commitments that have been disclosed to us or identified in the course of our work, as well as the reasons given to justify their benefit to the Company. It is not our role to determine whether they are beneficial or appropriate, nor to ascertain whether any other agreements or commitments exist. It is your responsibility, pursuant to Article R.225-31 of the French Commercial Code, to assess the benefits associated with the conclusion of these agreements and commitments with a view to their approval.

In addition, we are required, where applicable, to inform you, in accordance with Article R.225-31 of the French Commercial Code, about the performance during the year of the agreements and commitments previously approved by the Annual General Shareholders' Meeting.

We performed the procedures we deemed necessary for the completion of this engagement, in accordance with the professional guidance provided by the Compagnie nationale des commissaires aux comptes, France's national organization of statutory auditors. Our work consisted in verifying the consistency of the information provided to us with the source documents on which it was based.

## Agreements and commitments subject to the approval of the Annual General Shareholders' meeting

### Agreements and commitments authorized and concluded in the past financial year

Pursuant to Article L.225-40 of the French Commercial Code, we have been informed that the following agreements and commitments were concluded during the past financial year and that these have the prior authorization of your Board of Directors.

#### Benefits in kind granted to the Chief Executive Officer

EXECUTIVE CONCERNED

Mr. Nicolas Huss, Chief Executive Officer and member of the Board of Directors from November 5, 2018.

NATURE AND PURPOSE

In its meeting of November 5, 2018, your Board of Directors authorized taking out health and welfare cover as well as "GSC" loss of employment cover for the Chief Executive Officer, under market conditions.

REASONS JUSTIFYING THE COMMITMENT'S BENEFITS FOR THE COMPANY

The decision to authorize the agreement relating to the commitments made by your Company to Mr. Nicolas Huss in terms of the benefits in kind described above was justified as follows: "In view of the suspension of his contract of employment, the Board of Directors decided that health and welfare cover as well as "GSC" loss of employment cover will be taken out for Mr. Nicolas Huss, under market conditions."

### Agreements and commitments authorized and concluded since the end of the financial year

We have been informed that the following agreements and commitments have been authorized and concluded since the end of the past financial year, and that these have the prior authorization of your Board of Directors.

#### Compensation in the event of forced termination in favor of Mr. Nicolas Huss, Chief Executive Officer from November 5, 2018

EXECUTIVE CONCERNED

Mr. Nicolas Huss, Chief Executive Officer of your Company and member of the Board of Directors from November 5, 2018.

NATURE AND PURPOSE

At its meeting of February 25, 2019, the Board of Directors, acting on the recommendation of the Compensation, Appointments and Governance Committee, in accordance with Article L.225-42-1 of the French Commercial Code, authorized the award of termination benefits in the event of forced termination for any reason other than gross or serious misconduct in favor of Mr. Nicolas Huss as Chief Executive Officer of your Company, under the terms and conditions set out below.

TERMS AND CONDITIONS

In the event of forced termination for any reason other than gross negligence or serious misconduct prior to the Annual General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019, the basis for the Chief Executive Officer's termination benefit will be equal, in the event of a forced termination associated with a change of control, to 18 months of the annual fixed and target variable compensation, or in the event of termination for any reason other than a change of control, serious misconduct or gross negligence, to 9 months of the annual fixed and target variable compensation.

In the event of forced termination for any reason other than gross negligence or serious misconduct after the Annual General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019, the basis for the Chief Executive Officer's termination benefit will be equal, in the event of a forced termination associated with a change of control, to 18 months of Reference Compensation, or in the event of a forced termination associated with a change of strategy, to 12 months of Reference Compensation, or in the event of termination for any reason other than a change of control, a change of strategy, serious misconduct or gross negligence, to 9 months of Reference Compensation.

"Reference Compensation" is the average target monthly compensation, fixed plus variable, paid to the Chief Executive Officer for his duties as Chief Executive Officer for the last two full financial years ended prior to the date when his employment is terminated.

In accordance with Article L.225-42-1 of the French Commercial Code, the Chief Executive Officer's termination benefits will be conditional on compliance with performance conditions, the achievement of which will be noted by the Board of Directors. Thus, the basis of the Chief Executive Officer's termination benefit will be multiplied by a coefficient equal to the level to which the targets set for the most recent variable compensation for the Chief Executive Officer have been achieved, in the event of his departure prior to the Annual General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019. In the event of termination after the Annual General Shareholders' Meeting called to approve the financial statements for the year ended December 31, 2019, the basis of the Chief Executive Officer's termination benefit will be multiplied by a coefficient equal to the average level to which the targets set for the variable compensation of the Chief Executive Officer for the last two full financial years ended prior to the date when his employment is terminated have been achieved.

The termination benefits will be reduced by the amount of compensation payable for termination of Mr. Nicolas Huss's employment contract if he departs before resigning from his salaried duties.

No compensation will be payable to the Chief Executive Officer in the event of voluntary departure, change of duties, executive remit or salary, within the Group, or if Mr. Nicolas Huss has the opportunity to assert his pension rights.

The Board of Directors also decided that, in the event of the departure of the Chief Executive Officer, any free share awards which are vesting at the date of departure will be treated as follows, in accordance with the rules of the free performance share allocation plans in question:

- in the event of death, retirement or incapacity, the Chief Executive Officer (or their beneficiaries) will retain entitlement to any shares which are vesting, in accordance with the procedures stipulated by the rules of the free performance share allocation plans in question;
- in the event of forced termination associated with a change of control, the Chief Executive Officer will retain entitlement to all shares which are vesting, and the service and performance conditions will no longer apply in this event.

In the event of departure under any other circumstances, the Chief Executive Officer will retain entitlement to any shares which are vesting, prorated to his length of service, and subject to the level to which the performance conditions set out in the rules of the free performance share allocation plans in question have been achieved.

REASONS JUSTIFYING THE COMMITMENT'S BENEFITS FOR THE COMPANY

The decision to authorize the agreement relating to the commitments made by your Company to Mr. Nicolas Huss in terms of the benefit payable in the event of forced termination described above was justified as follows: "This agreement is an incentive tool and part of the structure for the Chief Executive Officer's compensation."

## Agreements and commitments already approved by the Annual General Shareholders' Meeting

### Agreements and commitments approved during previous financial years that continued to apply in the past year

In accordance with Article R.225-30 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the Annual General Shareholders' Meeting in previous years, continued to apply during the past financial year.

#### Termination benefits payable to Mr. Philippe Lazare, Chairman and Chief Executive Officer until November 5, 2018

EXECUTIVE CONCERNED

Mr. Philippe Lazare, Chairman and Chief Executive Officer of your Company until November 5, 2018.

NATURE AND PURPOSE

At its meeting of February 29, 2016, the Board of Directors, acting on the recommendation of the Compensation, Appointments and Governance Committee, in accordance with Article L.225-42-1 of the French Commercial Code, authorized the renewal and amendment of the agreement governing your Company's commitments to Mr. Philippe Lazare as Chairman and Chief Executive Officer for termination benefits in the event of forced departure, under the terms and conditions set out below.

Mr. Philippe Lazare will receive termination benefits equivalent to eighteen months of his reference compensation if he is forced to leave in connection with a change of control, or twelve months of his reference compensation in other cases of forced departure relating to a change of strategy.

This reference compensation corresponds to the average gross monthly fixed and variable compensation received by Mr. Philippe Lazare in his position as Chairman and Chief Executive Officer for the last two full financial years ended prior to the date when his employment is terminated.

The termination benefits will only be paid if he is forced to leave in connection with a change of control or strategy initiated by the Board of Directors, subject to achievement of the performance conditions set out below. It will not be due in the event of gross misconduct or gross negligence.

Payment of these benefits will be based on the average level of achievement of the objectives set for the variable component of Mr. Philippe Lazare's compensation for the last two full financial years ended prior to the date when his employment is terminated.

In the event of his forced departure under the conditions presented above, Mr. Philippe Lazare will continue to be entitled to the performance shares vesting on the date of his departure, prorated based on his length of service and depending on the level of achievement of the aforementioned performance conditions.

TERMS AND CONDITIONS

At its meeting of November 5, 2018, the Board of Directors decided to relieve Philippe Lazare of his duties as Chairman and Chief Executive Officer of your Company for reasons associated with a change of strategy.

The Board of Directors concluded that the conditions attached to Mr. Philippe Lazare's right to the termination benefits approved by the Annual General Shareholders' Meeting of April 29, 2016 (6th resolution) had been met and that he was, therefore, entitled to benefits in the amount of €1,531,214.30, calculated as follows:

- the average of the monthly fixed and variable compensation received by Mr. Philippe Lazare in respect of his position as Chairman and Chief Executive Officer for the last two full financial years ended prior to the date of termination of his position, i.e., €1,988,590
- multiplied by the average percentage to which the objectives set for Mr. Philippe Lazare's variable compensation for 2016 and 2017 had been achieved, i.e., 77%.

Furthermore, the Board of Directors concluded that Mr. Philippe Lazare was entitled to retain his right to performance shares prorated to November 5, 2018, in accordance with the stipulations of the relevant plans and the authorization of the Annual General Shareholders' Meeting of April 29, 2016 ($6^{th}$ resolution). The performance conditions attaching to this right remain unchanged.

Paris – La Défense, April 12, 2019

| KPMG Audit | Mazars |
|---|---|
| *A division of KPMG S.A.* | |
| Frédéric Quélin | Thierry Blanchetier |
| *Partner* | *Partner* |

# 4

# COMMENTS ON THE FINANCIAL YEAR AND SUBSEQUENT EVENTS

# 4.1 ACTIVITY REPORT

*The financial statements for 2018 have been approved by the Board of Directors, which met on February 12, 2019. Ingenico Group SA's consolidated and annual financial statements for 2018 have been audited. The certification reports will be issued once the corporate governance report has been verified.*

*The consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards. In order to provide meaningful comparable information from one year to the next, the financial data in the activity report have been restated to reflect the depreciation and amortization expenses arising on the acquisition of new entities. Pursuant to IFRS 3R, the purchase price for new entities is allocated to the identifiable assets acquired and subsequently amortized over specified periods.*

*The data for adjusted gross profit and adjusted operating expenses are discussed before depreciation, amortization and provisions, and before expenses for share-based payments and purchase price allocation (PPA).*

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

*EBIT (Earnings Before Interest and Taxes) is the equivalent of profit from ordinary activities, adjusted for amortization of the purchase prices allocated to the assets acquired in business combinations.*

*Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income, and tax paid.*

*Free cash flow adjusted is equal to free cash flow restated for one-off items: acquisition and restructuring costs. Net debt excludes the credit facility for merchant pre-financing.*

## Key figures

| *(in millions of euros)* | 2018 | 2017[(1)] | Change in 2018 compared with 2017 |
|---|---|---|---|
| Revenue | 2,643 | 2,505 | +6% |
| Adjusted gross profit | 1,048 | 1,066 | -2% |
| *As a % of revenue* | *39.6%* | *42.5%* | *-290 bpts* |
| Adjusted operating expenses | (560) | (540) | +4% |
| *As a % of revenue* | *-21.2%* | *-21.6%* | *-40 bpts* |
| Gross operating surplus (EBITDA) | 488 | 526 | -7% |
| *As a % of revenue* | *18.4%* | *21.0%* | *-260 bpts* |
| Profit from ordinary activities, adjusted (EBIT) | 416 | 453 | -8% |
| *As a % of revenue* | *15.7%* | *18.1%* | *-240 bpts* |
| Profit from operating activities | 278 | 371 | -25% |
| Net profit | 189 | 257 | -26% |
| Net profit attributable to Group shareholders | 188 | 253 | -26% |
| Adjusted free cash flow | 285 | 269 | +6% |
| Free Cash Flow | 238 | 239 | -0% |
| Net debt | 1,518 | 1,471 | +3% |
| *Net debt-to-EBITDA ratio* | *3.1x* | *2.8x* | - |
| Equity attributable to Group shareholders | 1,845 | 1,832 | +1% |

*(1) Figures for 2017 have been restated to reflect the impact of IFRS 15.*

## 4.1.1 Financial data

- **2% organic growth in revenue**

| | FY 2018 | | | 4th quarter 2018 | | |
|---|---|---|---|---|---|---|
| | | % change | | | % change | |
| | In millions of euros | Comparable(1) | Reported | In millions of euros | Comparable(1) | Reported |
| **RETAIL** | **1,339** | **8%** | **22%** | **364** | **9%** | **12%** |
| SMBs | 393 | 16% | 125% | 105 | 20% | 46% |
| Global Online | 521 | 9% | 6% | 141 | 8% | 7% |
| Enterprise | 424 | 2% | -2% | 118 | 0% | -3% |
| **BANKS & ACQUIRERS** | **1,305** | **-4%** | **-8%** | **364** | **1%** | **-1%** |
| EMEA | 495 | -16% | -18% | 125 | -21% | -21% |
| Latin America | 199 | 36% | 17% | 69 | 61% | 43% |
| North America | 163 | -9% | -13% | 44 | -13% | -12% |
| Asia-Pacific | 447 | -4% | -2% | 126 | 12% | 13% |
| **TOTAL** | **2,643** | **2%** | **5%** | **727** | **5%** | **5%** |

(1) *On a like-for-like basis and at constant exchange rates.*

### Performance for the year

In 2018, revenue totaled €2,643 million, representing growth of 2% on a comparable basis, accelerating in the second half-year with an organic growth of 6%. On a reported basis, revenue increased by 5% compared to 2017, including a negative foreign exchange impact of €110 million.

Banks & Acquirers posted revenue of €1,305 million over the year, down by 4% on a comparable basis, returning to slight organic growth of 2% during the second half-year. Business fell by 8% on reported figures, including a negative foreign exchange impact of €62 million. The Retail business unit reported revenue of €1,339 million, representing growth of 8% over the year on a comparable basis, accelerating in the second half of the year with a strong double digit organic growth. Business grew by 22% over the year on a reported basis, including a negative foreign exchange impact of €48 million.

### Adjusted gross profit

In 2018, adjusted gross profit reached €1,048 million, or 39.6% of revenue, down by 2% on the figure of €1,066 million in 2017.

### Operating expenses controlled throughout the year

Reported operating expenses were €668 million in 2018, compared with €633 million in 2017, and represented 25.3% of revenue.

| *(in millions of euros)* | 2017(1) | 2018 reported | Restatement of PPA-related asset amortization charges | 2018 non-IFRS | Impact of depreciation, amortization and provisions, and expenses for share-based payments | 2018 adjusted |
|---|---|---|---|---|---|---|
| Distribution and marketing costs | 224 | 250 | (58) | 192 | (2) | 190 |
| Research and development expenses | 186 | 171 | - | 171 | (35) | 136 |
| Administrative expenses | 224 | 247 | - | 247 | (13) | 235 |
| **TOTAL OPERATING EXPENSES** | **633** | **668** | **(58)** | **611** | **(51)** | **560** |
| **As a % of revenue** | **25.3%** | **25.3%** | | **23.1%** | | **21.2%** |

(1) *Figures for 2017 have been restated to reflect the impact of IFRS 15.*

After accounting for the amortization cost of purchase price allocations of €58 million, adjusted non-IFRS operating expenses totaled €611 million, *i.e.* 23.1% of revenue, compared with 23.8% in 2017. Lastly, accounting for items that do not affect cash (depreciation, amortization, provisions and other one-off items), adjusted operating expenses totaled €560 million, *i.e.* 21.2% of revenue, compared with 21.5% in 2017. The short-term cost savings plan announced in July 2018 delivered €15 million in reductions during the second half of this year.

## EBITDA margin to represent 18.4% of revenue

EBITDA was €488 million compared to €526 million in 2017, *i.e.* an EBITDA margin of 18.4%, down by 190 basis points on a comparable basis and 260 basis points on a reported basis.

The Banks & Acquirers EBITDA was €277 million, down compared to 2017, when it stood at €371 million. The EBITDA margin was therefore 21.2%, down 480 basis points compared to the pro forma margin of 26% in 2017, significantly impacted by the negative change in the geographical mix.

Retail generated an EBITDA of €210 million, an increase of 18% compared to last year. The EBITDA margin this year was therefore 15.7%, up by 190 basis points on a comparable basis and benefiting from the reorganization of the business unit over the last two years.

## EBIT and operating income

The EBIT margin was €416 million, *i.e.* 15.7% of revenue, compared with €453 million in 2017.

In 2018, profit from ordinary activities was €326 million, compared with €401 million in 2017. Thus, the current operating margin was 12.3% of revenue. Profit from ordinary activities included the amortization costs relating to purchase price allocation of €90 million, compared with €52 million in 2017.

### Impact of purchase price allocation (PPA)

| *(in millions of euros)* | 2018 cash excluding PPA | Non-cash impact | 2018 adjusted Excl. PPA | Impact of PPA | 2018 reported |
|---|---|---|---|---|---|
| Gross profit | 1,048 | (21) | 1,027 | (32) | 995 |
| Operating expenses | (560) | (51) | (611) | (58) | (668) |
| **Profit from ordinary activities** | **488** | **(71)** | **416** | **(90)** | **326** |

## Profit from operating activities

Other operating income and expenses were -€48 million, compared with -€30 million in 2017. This increase largely relates to reorganization and acquisition expenses.

| *(in millions of euros)* | 2018 reported | 2017 (1) |
|---|---|---|
| Profit from ordinary activities | 326 | 401 |
| Other operating income and expenses | (48) | (30) |
| **Profit from operating activities** | **278** | **371** |
| As a % of revenue | 10.5% | 14.8% |

*(1) Figures for 2017 have been restated to reflect the impact of IFRS 15.*

After accounting for these other operating income and expense items, operating profit was €278 million (10.5% of revenue), compared with €371 million in 2017 (14.8% of revenue).

### Reconciliation of profit from ordinary activities with EBITDA

| *(in millions of euros)* | 2018 reported | 2017 (1) |
|---|---|---|
| **Profit from ordinary activities** | **326** | **401** |
| Amortization of assets linked to PPA | 90 | 52 |
| EBIT | 416 | 453 |
| Other D&A and provisions | 71 | 60 |
| Share-based compensation expenses | 0 | 13 |
| **EBITDA** | **488** | **526** |

*(1) Figures for 2017 have been restated to reflect the impact of IFRS 15.*

### Net financial income

| *(in millions of euros)* | 2018 reported | 2017[1] |
|---|---|---|
| Total interest expense | (37) | (29) |
| Income from cash and cash equivalents | 7 | 7 |
| Net interest expense | (30) | (22) |
| Foreign exchange gains/losses | (3) | (4) |
| Other income and expenses | (5) | (2) |
| Net financial income | (38) | (27) |

*(1) Figures for 2017 have been restated to reflect the impact of IFRS 15.*

### Net profit attributable to Group shareholders

| *(in millions of euros)* | 2018 reported | 2017[1] |
|---|---|---|
| Profit from operating activities | 278 | 371 |
| Net financial income | (38) | (27) |
| Share of profits in equity-accounted investees | 0 | (1) |
| Profit before income tax | 241 | 343 |
| Income tax | (52) | (86) |
| Net profit | 189 | 257 |
| Net profit attributable to Group shareholders | 188 | 253 |

*(1) Figures for 2017 have been restated to reflect the impact of IFRS 15.*

Net financial profit/loss for 2018 was -€38 million, compared to -€27 million in 2017.

Income tax expense fell to €52 million, from €86 million in 2017. This improvement can be explained primarily by the US fiscal reform, and by a significant change in the geographical mix. These changes resulted in the Group's effective tax rate falling to 21.5%, from 25.0% in 2017.

In 2018, the net profit attributable to Group shareholders was €188 million, compared with €253 million in 2017.

## Strong cash generation despite a rise in one-off items

Adjusted free cash flow was up 6% in 2018, standing at €285 million, *i.e.* an FCF to EBITDA conversion rate of 59%. Group transactions, after other income and operating expenses, generated a free cash flow of €238 million, which represents an FCF to EBITDA conversion rate of 49%. Investments increased, as expected, to stand at €117 million during the year, compared with €88 million in 2017.

The Group's net debt increased to €1,518 million, compared with €1,471 million last year. This increase is mainly linked to the buyout of a 20% minority interest in Ingenico Holdings Asia Limited, the acquisition of Airlink and the Group share repurchase program. The net debt-to-equity ratio was 82%, while the net debt-to-EBITDA ratio was 3.1x compared with 2.8x in 2017, but this was down compared with the first half of 2018, when it was 3.6x.

## Proposed dividend of €1.10 per share

In keeping with the Group's dividend policy, the Board of Directors will propose a dividend of €1.10 per share at the Annual General Shareholders' Meeting on June 11, 2019, representing a payout ratio of 36%. Dividends will be payable in cash or in shares, according to the holder's preference.

### 4.1.2 Significant events since December 31, 2018

Any significant events that have occurred since December 31, 2018 are described in Note 15 “Subsequent events” in the notes to the consolidated financial statements as of December 31, 2018.

### 4.1.3 Main risks and uncertainties in 2019

Ingenico Group faces the same risks and uncertainties in 2019 as those described in this document.

### 4.1.4 Main related-party transactions

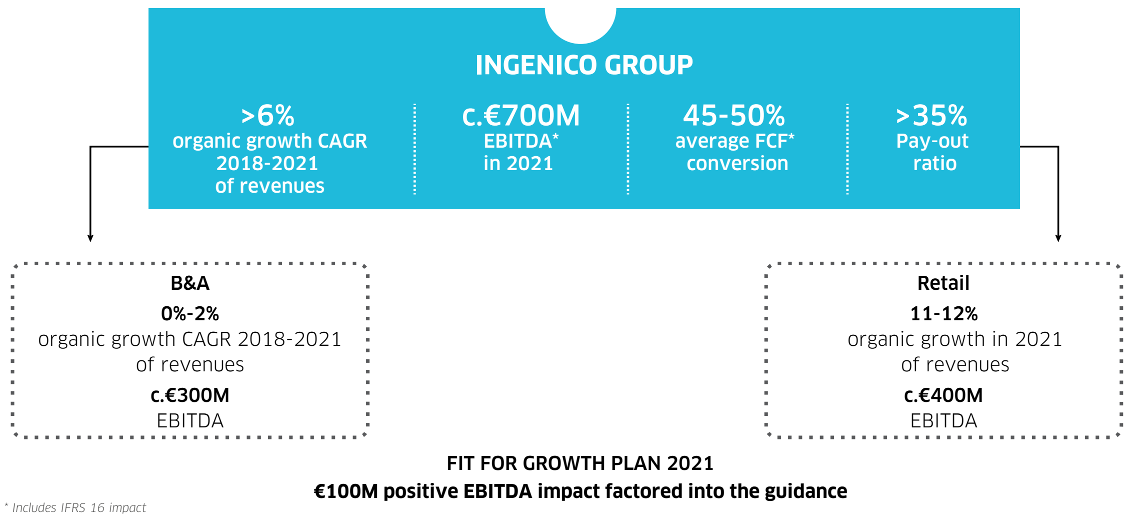
In 2018, there were no material transactions liable to be considered new regulated agreements. See Note 6d. “Related-party transactions” in the notes to the consolidated financial statements as of December 31, 2018.

## 4.2 OUTLOOK AND TRENDS

2019 objectives:

- Revenue: The Group raises its 2019 expectations to achieve an organic growth of c. 6% compared to the 4% to 6% initial range. B&A revenue is expected to grow by c. 2% (*vs.* flat initially) compared to last year and Retail to achieve a double-digit organic growth.
- EBITDA (before application of IFRS 16): The Group targets an EBITDA above €550 million. This target factors in c. €45 million derived from the contribution of BS Payone and Paymark and net savings of €20 million related to the Fit for Growth plan. The group expects the Retail EBITDA above €270 million before application of IFRS 16 (above €285 million after application of IFRS 16) and the B&A EBITDA at c. €280 million (c. €295 million after application of IFRS 16).
- Free cash-flow: The Group’s ambition is to reach a free cash-flow conversion rate of c. 50% (before application of IFRS 16).
- The Group estimates the impact of IFRS 16 to increase EBITDA by c. €30 million, with no impact on Free cash-flow, thus reducing the conversion rate to c. 47%

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



# 4.3 COMMENTS ON THE PARENT COMPANY FINANCIAL STATEMENTS

## 4.3.1 Key figures and information

Ingenico Group SA acts exclusively as the holding company for Ingenico Group. As such, Ingenico Group SA is the Group's parent company specifically tasked with:

- defining overall strategy;
- Group financing.

The relationships between Ingenico Group SA and its subsidiaries are covered by the following master agreements:

- contract for management fees;
- support services provision contract;
- terminals distribution contract;
- contract for trademark and domain names;
- cash management agreement;
- real estate sub-leasing contract;
- patent licensing contract;
- intellectual property and software licensing contract;
- research and development framework contract.

Additionally, the following agreements govern the relationships between Ingenico Group SA and its foreign subsidiaries:

- contracts for management fees;
- contracts for trademark and domain names;
- contracts for royalties.

Fiscal year 2018 was mainly impacted by the following transactions:

### Equity interests

- On January 18, 2018, the sole shareholder, Ingenico Group SA, approved the universal transfer of assets (UTA) and the dissolution without liquidation of its wholly owned subsidiary, Ingenico Ventures;
- In accordance with the shareholder agreements signed on May 7, 2015 with Fosun, Ingenico Group SA on January 22, 2018 bought out 20% of the shares held by Fosun in Ingenico Holdings Asia Limited, at the set price of US$104.6 million. Following this transaction, Ingenico Group SA owns 97% of the target company;
- On February 2, 2018, Ingenico Group SA finalized the acquisition of Airlink, a value-added distributor of payment services based in Taiwan. Airlink provides acquirers and retailers with payment terminals and associated services such as installation, maintenance, and software development;
- On February 19, 2018, the sole shareholder, Ingenico Group SA, approved the universal transfer of assets (UTA) and the dissolution without liquidation of its wholly owned subsidiary, Ingenico Connected Screens;
- On November 23, 2018, Ingenico Group SA recapitalized Think & GO NFC SAS for €3.3 million. On December 7, 2018, the sole shareholder, Ingenico Group SA, approved the sale of all 10,000 shares that made up the share capital of Think & GO NFC SAS to Ingenico France SAS for a total of €7.2 million;
- On December 12, 2018, Ingenico Group SA increased the capital of DI Deutsche Ingenico Holding GmbH by €47 million subscribed in full in cash.

### Repurchase of treasury shares

In accordance with the Annual General Shareholders' Meeting of May 10, 2017, which authorized the setting-up of a share repurchase program, Ingenico Group SA made net acquisitions of approximately 1.3 million shares for a total net amount of €86 million.

### Financing

Furthermore, in 2018, Ingenico Group SA conducted the following financing activities:

- in September 2017, the Group contracted a bank loan with a nominal value of €250 million, which was activated on March 14, 2018, for a maturity of three years. The remuneration of the loan is variable and based on the Euribor 6 months plus margin. Issue expenses were €0.7 million. They were recorded as assets and amortized over the life of the bond;
- on May 29, 2018, Ingenico Group SA made two private placements in amounts of €25 million and €30 million, with a maturity of seven years, at a fixed rate of 1.677%.;
- the Group renegotiated its syndicated credit facility of €750 million on July 6, 2018, exercising both of its one-year extension options, thus extending the maturity to July 29, 2023. This facility is not subject to any covenant.

Revenue for the year ended December 31, 2018 was €87.9 million, broken down as follows:

| **Revenue by geographical area** *(in millions of euros)* | 2018 | 2017 |
|---|---|---|
| France (mainland and overseas depts.) | 18.7 | 14.1 |
| APAC (Asia-Pacific) | 9.6 | 4.8 |
| EMEA (Europe, Middle East and Africa) | 44.3 | 28.3 |
| LAR and NAR (Latin America and North America) | 15.3 | 9.5 |
| **TOTAL** | **87.9** | **56.7** |

Net financial income totaled €89.7 million in 2018, compared with €58.4 million in 2017. Composed of:

| **Financial income and expenses** *(in millions of euros)* | **2018** | **2017** |
|---|---|---|
| Interest expense | (27.0) | (18.1) |
| Interest income | 15.3 | 7.8 |
| Income from financial investments | 3.0 | 0.2 |
| Net provisions/reversals on equity interests and loans and advances | (16.0) | 8.5 |
| Dividends and interest received from subsidiaries | 126.4 | 56.3 |
| Foreign exchange | (12.1) | 3.5 |
| Gains/losses on disposals of short-term investments | 0.1 | 0.2 |
| Gains/losses on equity interests and loans and advances to subsidiaries and associates | - | - |
| Other | - | - |
| **TOTAL** | **89.7** | **58.4** |

Non-recurring income and expenses for the year came to €1.6 million, broken down as follows:

| **Non-recurring income and expenses** *(in millions of euros)* | **2018** | **2017** |
|---|---|---|
| Gains/losses on disposal of assets | 0.5 | 6.4 |
| Litigation and quality expenses | 0.8 | 0.6 |
| Other | - | - |
| Tax-accelerated depreciation and amortization | 0.3 | 0.2 |
| **TOTAL** | **1.6** | **7.2** |

Income tax is -€15.5 million, including a business research tax credit of €1 million.

As a result, the parent company recorded a net profit of €158,758,762.07 for the year.

Non-tax-deductible expenses totaled €60,197 and reflect excess depreciation of passenger vehicles on long-term leases.

Shareholders' equity rose from €1,776.3 million in 2017 to €1,886.6 million in 2018. This €110.3 million increase in shareholders' equity was driven by the Company's €158.7 million net profit for the year.

In addition, a dividend of €97.5 million (not including treasury shares) was distributed during the first half of 2018, comprising €48.1 million in cash and €49.4 million in Ingenico Group shares.

## 4.3.2 Information on supplier and customer payment periods (Article L.441-6-1 of the French Commercial Code)

| | Article D.441 I. - 1° of the French Commercial Code: Invoices received not paid on the closing date of the period whose term is due | | | | | |
|---|---|---|---|---|---|---|
| | **0 days (indicative)** | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 days and more** | **Total (1 day and more)** |
| **(A) Late payment tranches** | | | | | | |
| Number of invoices concerned (Non-group & Group) | 132 | | | | | 85 |
| Total amount of invoices concerned (Non-group & Group; incl. tax in K€) | 503 | 1,653 | 467 | 188 | 44 | 2,352 |
| Percentage of the total amount of purchases for the period (Non-group & Group; incl. tax) | 0.26% | 0.84% | 0.24% | 0.10% | 0.02% | 1.20% |
| Percentage of revenue for the period | | | | | | |
| **(B) Invoices excluded from (A) relating to contentious or non-recognized debts or receivables** | | | | | | |
| Number of invoices excluded (Non-group & Group) | | | | | | 286 |
| Total amount of invoices excluded (Non-group & Group; incl. tax in K€) | | | | | | 2,583 |
| **(C) Reference payment deadlines used (contractual or statutory deadline – Article L.441-6 or Article L.443-1 of the French Commercial Code)** | | | | | | |
| Payment deadlines used for the calculation of late payments | - Contractual deadlines: framework contract deadlines within 45 days of the end of the month or according to the payment conditions negotiated with each supplier | | | | | |

| | Article D.441 I. - 2° of the French Commercial Code: Invoices issued not paid on the closing date of the period whose term is due | | | | | |
|---|---|---|---|---|---|---|
| | **0 days (indicative)** | **1 to 30 days** | **31 to 60 days** | **61 to 90 days** | **91 days and more** | **Total (1 day and more)** |
| **(A) Late payment tranches** | | | | | | |
| Number of invoices concerned | | 37 | 6 | 1 | 35 | 79 |
| Total amount of invoices concerned (excl. tax in K€) | | 5,957 | (165) | 4 | 1,209 | 7,006 |
| Percentage of the total amount of purchases for the period | | | | | | |
| Percentage of revenue for the period (excl. taxes in K€) | | 6.78% | -0.19% | 0.00% | 1.38% | 7.97% |
| **(B) Invoices excluded from (A) relating to contentious or non-recognized debts or receivables** | | | | | | |
| Number of invoices excluded | | | | | | |
| Total amount of invoices excluded | | | | | | |
| **(C) Reference payment deadlines used (contractual or statutory deadline – Article L.441-6 or Article L.443-1 of the French Commercial Code)** | | | | | | |
| Payment deadlines used for the calculation of late payments | Contractual deadlines: 30 days net and within 45 days of the end of the month | | | | | |

## 4.4 EVENTS SUBSEQUENT TO FINANCIAL YEAR-END

On April 23, 2019, Ingenico published details of its revenue for the first quarter of 2019.

On April 24, 2019, the Group held a Capital Market Day during which it presented its medium-term strategic plan and its 2021 financial targets, as set out on pages 8 and 9, as well as in Chapters 1.1.4 and 4.2 of this Registration Document.

The press releases and presentations are available on the Company's website: www.ingenico.com

# 5

# CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2018

*Free translation into English of the consolidated financial statements as of December 31, 2018 issued in French, provided solely for the convenience of the English speaking users.*

# 5.1 CONSOLIDATED INCOME STATEMENT

| *(in thousands of euros)* | Notes | 2018 | 2017 Restated* |
|---|---|---|---|
| **Revenue** | **4,5.a.** | **2,643,400** | **2,505,423** |
| Cost of sales | 5.b. | (1,648,605) | (1,471,140) |
| **Gross profit** | | **994,795** | **1,034,283** |
| Distribution and marketing costs | | (249,718) | (223,891) |
| Research and development expenses | | (171,183) | (185,681) |
| Administrative expenses | | (247,454) | (223,553) |
| **Profit from ordinary activities** | | **326,440** | **401,158** |
| Other operating income | 5.c. | 271 | 302 |
| Other operating expenses | 5.c. | (48,286) | (30,379) |
| **Profit from operating activities** | | **278,425** | **371,081** |
| Finance income | 9.a. | 74,122 | 46,545 |
| Finance costs | 9.a. | (112,035) | (73,519) |
| **Net finance costs** | | **(37,913)** | **(26,974)** |
| Share of profits in equity-accounted investees | 11.a. | 127 | (1,419) |
| **Profit before income tax** | | **240,639** | **342,688** |
| Income tax expense | 10 | (51,792) | (86,161) |
| **Net profit** | | **188,847** | **256,528** |
| Attributable to: | | | |
| • Ingenico Group SA shareholders | | 188,233 | 252,510 |
| • non-controlling interests | 11.b. | 614 | 4,018 |
| **Earnings per share** *(in euros)* | **12.b.** | | |
| **Net earnings:** | | | |
| • **basic earnings per share** | | **3.05** | **4.09** |
| • **diluted earnings per share** | | **2.99** | **4.00** |

* *In the consolidated financial statements for the year ended December 31, 2018, the comparative information has been restated for the retrospective impact of the application of IFRS 15. See Note 2.a.*

# 5.2 STATEMENT OF COMPREHENSIVE INCOME

| *(in thousands of euros)* | Notes | 2018 | 2017 Restated |
|---|---|---|---|
| **Profit for the period attributable to Ingenico Group SA shareholders** | | **188,233** | **252,510** |
| Translation differences(1) | | (56,218) | (58,735) |
| Gains or losses of derivative hedging instruments(2) | 9.c. | (910) | 1,065 |
| Gains or losses of available-for-sale financial assets | | 1,285 | 1,109 |
| Actuarial gains/(losses) on defined benefit plans | 6.c. | 3,438 | (1,404) |
| Income tax on gains/(losses) accounted in other comprehensive income | | (302) | (473) |
| **TOTAL GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME AND ATTRIBUTABLE TO INGENICO GROUP SA SHAREHOLDERS(3)** | | **(52,707)** | **(58,438)** |
| • **Profit for the period and other comprehensive income attributable to Ingenico Group SA shareholders** | | **135,526** | **194,073** |
| • **Profit for the period and other comprehensive income attributable to non-controlling interests** | | **614** | **4,018** |
| Translation differences attributable to non-controlling interests | | 92 | (3,516) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | **136,232** | **194,575** |

| *(in thousands of euros)* | Notes | 2018 | 2017 |
|---|---|---|---|
| Income tax on translation adjustments | | 574 | - |
| Income tax on gains or losses on hedging instruments | | 172 | (350) |
| Income tax on gains or losses of available-for-sale financial assets | | (232) | (342) |
| Income tax on actuarial gains and losses on defined benefit plans | | (816) | 219 |
| **TAXES ON GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME** | | **(302)** | **(473)** |

*(1) In 2018, translation differences mainly arose from subsidiaries reported in Swedish krona (SEK). In 2017, translation differences related mainly to subsidiaries reported in US dollars.*

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

*(3) In compliance with IFRS 9, the change in fair value of equity instruments recognized in other comprehensive income will not give rise to future recycling in the consolidated income statement.*

# 5.3 STATEMENT OF FINANCIAL POSITION

## Assets

| *(in thousands of euros)* | Notes | 2018 | 2017 Restated |
|---|---|---|---|
| Goodwill | 7.a. | 2,490,492 | 2,478,521 |
| Other intangible assets | 7.b. | 964,589 | 957,504 |
| Property, plant and equipment | 7.c. | 90,337 | 88,365 |
| Investments in equity-accounted investees | 11.a. | 7,841 | 7,565 |
| Financial assets | | 22,656 | 19,833 |
| Deferred tax assets | 10.c. | 53,345 | 62,723 |
| Other non-current assets | 5.g. | 36,626 | 39,416 |
| **TOTAL NON-CURRENT ASSETS** | | **3,665,886** | **3,653,927** |
| Inventories | 5.e. | 188,150 | 170,573 |
| Trade and related receivables | 5.f. | 651,411 | 556,507 |
| Receivables related to intermediation activities | 5.l. | 243,340 | 172,708 |
| Other current assets | 5.g. | 38,293 | 45,900 |
| Current tax assets | | 35,869 | 21,000 |
| Derivative financial instruments | 9.c. | 15,565 | 8,303 |
| Funds related to intermediation activities | 5.l. | 461,657 | 460,555 |
| Cash and cash equivalents | 9.b. | 774,801 | 595,939 |
| **TOTAL CURRENT ASSETS** | | **2,409,086** | **2,031,484** |
| **TOTAL ASSETS** | | **6,074,972** | **5,685,411** |

## Equity and liabilities

| *(in thousands of euros)* | Notes | 2018 | 2017 Restated |
|---|---|---|---|
| Share capital | | 63,145 | 62,363 |
| Share premium account | | 866,617 | 817,990 |
| Other reserves | | 990,301 | 973,107 |
| Translation differences | | (75,480) | (21,908) |
| **Equity for the period attributable to Ingenico Group SA shareholders** | **12.a.** | **1,844,583** | **1,831,551** |
| **Non-controlling interests** | | **5,595** | **10,974** |
| **TOTAL EQUITY** | | **1,850,178** | **1,842,525** |
| Non-current loans and borrowings | 9.b. | 1,864,404 | 1,549,115 |
| Provisions for retirement and benefit obligations | 6.c. | 21,168 | 25,132 |
| Other long-term provisions | 8 | 23,159 | 24,417 |
| Deferred tax liabilities | 10.c. | 203,620 | 226,529 |
| Other non-current liabilities | 5.i. | 58,798 | 66,520 |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,171,149** | **1,891,713** |
| Short-term loans and borrowings | 9.b. | 465,897 | 552,619 |
| Other short-term provisions | 8 | 15,719 | 19,026 |
| Trade and related payables | 5.h. | 626,172 | 510,708 |
| Payables related to intermediation activities | 5.l. | 665,306 | 598,323 |
| Other current liabilities | 5.j. | 252,080 | 243,501 |
| Current tax liabilities | 10.d. | 26,515 | 24,340 |
| Derivative financial instruments | 9.c. | 1,956 | 2,656 |
| **TOTAL CURRENT LIABILITIES** | | **2,053,645** | **1,951,173** |
| **TOTAL LIABILITIES** | | **4,224,794** | **3,842,886** |
| **TOTAL EQUITY AND LIABILITIES** | | **6,074,972** | **5,685,411** |

# 5.4 CONSOLIDATED CASH FLOW STATEMENT

| *(in thousands of euros)* | Notes | 2018 | 2017 Restated |
|---|---|---|---|
| Profit for the period | | 188,847 | 256,528 |
| Adjustments for: | | | |
| • Share of profits in equity-accounted investees | | (127) | 1,419 |
| • Income tax expense | | 51,792 | 86,161 |
| • Depreciation, amortization and provisions | | 161,976 | 110,698 |
| • Change in fair value | | (994) | 3,223 |
| • (Gains)/losses on disposal of assets | | 292 | 75 |
| • Net interest costs/(income) | | 35,492 | 22,930 |
| • Share-based payment expense[1] | | 197 | 13,315 |
| Interest paid | | (23,851) | (15,687) |
| Income tax paid | | (90,193) | (96,921) |
| **Cash flows from operating activities before change in net working capital** | | **323,431** | **381,741** |
| Inventories | | (21,738) | (9,594) |
| Trade and related receivables | | (93,893) | (72,566) |
| Trade and related payables | | 137,478 | 19,242 |
| **Change in net working capital** | **5.k.** | **21,847** | **(62,919)** |
| Change in working capital of merchants prefinancing[2] | | (5,990) | 21,003 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **339,288** | **339,825** |
| Acquisition of fixed assets | | (117,308) | (87,784) |
| Proceeds from sale of tangible and intangible fixed assets | | 726 | 778 |
| Acquisition of subsidiaries, net of cash acquired | 3 | (35,730) | (1,257,079) |
| Loans and advances granted and other financial assets | | (3,283) | (4,337) |
| Loan repayments received | | 5,833 | 7,596 |
| Dividend income | | 99 | 6,138 |
| Interest received | | 6,671 | 7,464 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **(142,992)** | **(1,327,224)** |

| *(in thousands of euros)* | Notes | 2018 | 2017 Restated |
|---|---|---|---|
| Proceeds from share capital issues[3] | | - | 1,769 |
| (Purchase) sale of treasury shares[3] | | (86,835) | 178 |
| Proceeds from loans and borrowings | 9.b. | 304,151 | 919,377 |
| Repayment of loans and borrowings | 9.b. | (95,485) | (274,791) |
| Change in the Group's ownership interests in controlled entities[4] | | (93,123) | 8,822 |
| Financing of merchant prefinancing[2] | | 4,122 | (21,003) |
| Changes in other financial liabilities | 9.b. | (462) | (702) |
| Effect of financial derivative instruments[3] | | (898) | - |
| Dividends paid to shareholders[3] | | (55,026) | (40,479) |
| Taxes on financing activities[5] | | 4,449 | (1,724) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | **(19,107)** | **591,447** |
| Currency translation effect on cash and bank overdrafts | | (3,096) | (18,414) |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | | **174,093** | **(414,671)** |
| Net cash and cash equivalents at beginning of the year | | 588,572 | 1,003,243 |
| Net cash and cash equivalents at year end | | 762,665 | 588,572 |
| Short-term investments and short-term deposits (only for the portion considered as cash equivalents) | | 102,996 | 89,966 |
| Cash | | 671,805 | 505,973 |
| Bank overdrafts | | (12,136) | (7,367) |
| **Total net cash and cash equivalents** | | **762,665** | **588,572** |

*(1) In 2018, the share-based payment expense of €0.2 million included €5.6 million paid in equity instruments and €(5.4) 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 the Group's gross financial debt (equity items).*

*(4) Following the acquisition of non-controlling interests in Ingenico Japan Co. Ltd and Ingenico Holdings Asia Ltd, the two put option liabilities have been settled.*

*(5) The invalidation by the French Constitutional Court of the exceptional surtax of 3% on dividends led to the repayment by the tax authorities of €4 million excluding interest.*

# 5.5 CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

| *(in thousands of euros)* | Share capital | Share premium account | Translation reserve | Effective portion of hedging instruments | Treasury shares | Retained earnings and other reserves | Total equity attributable to Ingenico SA Group shareholders | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at December 31, 2016** | **61,493** | **762,360** | **37,827** | **(607)** | **(2,745)** | **844,337** | **1,702,666** | **4,238** | **1,706,904** |
| Adjustments made upon first application of IFRS 15 (net of tax) | | | 182 | | | (4,756) | (4,574) | (159) | (4,730) |
| Profit for the period 2017, restated | | | | | | 252,510 | 252,510 | 4,020 | 256,530 |
| Other comprehensive income | | | (58,917) | 715 | | (418) | (58,620) | (3,520) | (62,140) |
| **Total comprehensive income for the period** | | | **(58,735)** | **715** | | **247,336** | **189,316** | **344** | **189,660** |
| Dividends paid to shareholders(1) | | | | | | (37,740) | (37,740) | | (37,740) |
| Stock dividends paid to shareholders(2) | 732 | 54,004 | | | | (54,736) | | | |
| Treasury shares(3) | | | | | 48 | 85 | 133 | | 133 |
| Share-based payments and exercise of stock options(4) | 138 | 1,626 | | | | 8,104 | 9,868 | | 9,868 |
| Remeasurement effect of put options(5) | | | | | | (35,810) | (35,810) | | (35,810) |
| Dilutions(6) | | | (1,000) | | | 3,979 | 2,979 | 5,577 | 8,556 |
| Accretions(7) | | | | | | (815) | (815) | 815 | |
| Others(8) | | | | | | 954 | 954 | | 954 |
| **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 the first-time 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 2018 | | | | | | 188,233 | 188,233 | 614 | 188,847 |
| Other comprehensive income | | | (56,218) | (738) | | 4,249 | (52,707) | 92 | (52,615) |
| **Total comprehensive income for the period** | | | **(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 | | | | (49,409) | | | |
| 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 effect of put options | | | | | | 5,948 | 5,948 | 700 | 6,648 |
| Accretions(5) | | | 2,646 | | | 6 | 2,652 | 95 | 2,747 |
| Others | | | | | | (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** |

*2018:*

*(1) Cash dividend of €1.60 per share paid out on June 21, 2018.*

*(2) Stock dividend financed through incorporation of retained earnings and issuance of 781,413 new shares.*

*(3) The treasury share portfolio is described in Note 12 "Equity".*

*(4) Share-based payments:*

- *the increase in consolidated reserves reflects fair value adjustments to free share awards and other instruments recognized each year in "Profit from operating activities";*
- *the increase in share capital and reduction in the share premium account reflects the issuance of new shares to meet obligations to beneficiaries of free share award plans that vested during the financial year.*

*(5) Acquisition of minority interests in Ingenico Holdings Asia Ltd.*

*2017:*

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

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

*(3) The treasury share portfolio is described in Note 12 "Equity".*

*(4) Share-based payments:*

- *the increase in consolidated reserves reflects fair value adjustments to free share awards and other instruments recognized each year in "Profit from operating activities";*
- *the increase in share capital and reduction in the share premium account reflects the issuance of new shares to meet obligations to beneficiaries of free share award plans that vested during the financial year.*

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

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

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

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

# 5.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS



## NOTE 1 —• The Group

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

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

Ingenico Group SA is a company incorporated under French law and its shares have been admitted for trading on the Premier Marché of the Paris Stock Exchange. Its head office is located in Paris.

The consolidated financial statements were approved by the Board of Directors on February 12, 2019. They will be submitted for approval to the shareholders at their Annual General Shareholders’ Meeting of June 11, 2019.

## NOTE 2 —• Accounting principles and methods

The consolidated financial statements for the 2018 financial year were prepared in accordance with international accounting standards in use by the European Union on December 31, 2018.

These international standards include the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), the International Accounting Standards (IAS), the interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The new standards in effect as of January 1, 2018 that concern the Group are as follows:

- amendments from AIP 2014-2016;
- amendments to IFRS 2: Classification and measurement of share-based transactions;
- interpretation IFRIC 22: Foreign Currency Transactions and Advance Consideration;
- IFRS 15: Revenue from Contracts with Customers;

The Group decided to adopt IFRS 15 using the full retrospective application method. To this end, from 2017, the Group began to identify the necessary restatements to its annual financial statements that would be used for reference in 2018.

- IFRS 9: Financial instruments;

Except for hedge accounting applied prospectively, the Group has applied IFRS 9 retrospectively, with the first application on January 1, 2018 without restating the comparative information that is still presented and measured in accordance with IAS 39.

The application methods and the impacts on the 2018 financial statements of the application of these two standards are detailed in paragraphs 2.a and 2.b of this section.

The Group has not applied in advance any standards, amendments or interpretations which, as of December 31, 2018, had been adopted by the IASB or IFRIC and by the European Union but whose application is not mandatory. In particular, these concern:

- IFRIC 23 Uncertainty over Income Tax Treatments.

The adoption of IFRIC 23 should not result in material changes to the Group's consolidated financial statements.

- IFRS 16: Leases.

Ingenico will adopt IFRS 16 from January 1, 2019. This standard treats leases using a single lessee accounting model. This model recognizes the lease obligation (discounted future payments representing the lessor's payment right) in liabilities (financial debt), and recognizes the right-of-use, amortized over the duration of the lease contracts (including payments to be made in optional periods if the lessee is reasonably certain to exercise an option) in assets (non-current assets).

The lease assets consist of:

- property rental, given that Ingenico rents its office premises and warehouses in most cities where it operates;
- the rental of data-centers, vehicles and office equipment.

Ingenico uses the simplified retrospective method, which consists in recognizing the cumulative effect of the first application as an adjustment to opening equity by considering the right-of-use asset to be equal to the lease obligation amount, adjusted for prepaid rents. Leases where the underlying asset has a replacement value of less than US$5,000 and where the initial period is less than or equal to 12 months will not be restated.

The Group has performed a simulation of the application of the standard on its 2018 financial statements based on an inventory taken on September 30, 2018. Real estate contracts were broken down into services contracts and lease contracts. The extension of the lease contract was taken into account where it is reasonably certain that the option will be exercised. For other contracts, it is not always possible to separate the rental component from the service component. In this case, the total value of the periodic lease payments is used as the basis for calculating the liability.

Based on this inventory, by projecting future lease payments and applying discount rates corresponding to the incremental debt level of each subsidiary, the impact of IFRS 16 on January 1, 2019 would be a lease liability of €100 million to €140 million and approximately the same for the right-of-use asset. The future minimum payment amounts under IAS 17 are, therefore, a relatively good indication of the future financial liability.

The 2018 income statement will not be restated. The Group will publish the half-yearly and annual results for 2019 including the application of IFRS 16, and will provide financial data before the application of this new standard for comparison with the 2018 performance.

### Basis of preparation

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

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

The preparation of these financial statements requires Group management to make assumptions and estimates that may affect the application of the accounting methods, and the reported amounts of assets and liabilities, as well as certain income and expenses for the period. These estimates involve, mainly:

- in respect of revenue recognition, the allocation of revenue in proportion to the value of each specific performance obligation in a multiple-element agreement (Note 5);
- asset impairment tests (Note 7);
- valuation assumptions used to identify intangible assets acquired as part of business combinations;
- expenses related to share-based payments (Note 6);
- determination of the useful lives of intangible assets (Note 7);
- put option debt (Note 5);
- available-for-sale financial assets (Note 5);
- assets and liabilities arising from finance lease contracts (Note 5);
- estimation of provisions, especially for litigation (Note 8);

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

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

These accounting methods were uniformly applied by all Group entities.

#### Translation of transactions denominated in foreign currencies

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

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

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

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

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

The consolidated financial statements are presented in euros.

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

### a. First application of IFRS 15: Revenue from Contracts with Customers

IFRS 15 was first published in 2014 and introduces a five-step model to recognize revenue from contracts with customers. Under IFRS 15, revenue is recognized to reflect the consideration to which an entity expects to be entitled in exchange for transferring the promised goods or services to a customer.

The Group adopted IFRS 15 using the full retrospective application method.

The impact on the statement of financial position at December 31, 2017 and at January 1, 2017 is presented below.

| *(in thousands of euros)* | 2017 | Restatements IFRS 15 | 2017 Restated |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 2,478,521 | - | 2,478,521 |
| Other intangible assets | 957,504 | - | 957,504 |
| Property, plant and equipment | 88,365 | - | 88,365 |
| Investments in equity-accounted investees | 7,565 | - | 7,565 |
| Financial assets | 19,833 | - | 19,833 |
| Deferred tax assets | 61,062 | 1,661 | 62,723 |
| Other non-current assets | 39,416 | - | 39,416 |
| **TOTAL NON-CURRENT ASSETS** | **3,652,266** | **1,661** | **3,653,927** |
| Inventories | 170,573 | - | 170,573 |
| Trade and related receivables | 556,507 | - | 556,507 |
| Receivables related to intermediation activities | 172,708 | - | 172,708 |
| Other current assets | 38,776 | 7,123 | 45,900 |
| Current tax assets | 21,000 | - | 21,000 |
| Derivative financial instruments | 8,303 | - | 8,303 |
| Funds related to intermediation activities | 460,555 | - | 460,555 |
| Cash and cash equivalents | 595,939 | - | 595,939 |
| **TOTAL CURRENT ASSETS** | **2,024,361** | **7,123** | **2,031,484** |
| **TOTAL ASSETS** | **5,676,627** | **8,784** | **5,685,411** |
| | | | |
| **Liabilities** | | | |
| Share capital | 62,363 | - | 62,363 |
| Share premium account | 817,990 | - | 817,990 |
| Other reserves | 981,523 | (8,416) | 973,107 |
| Translation differences | (22,090) | 182 | (21,908) |
| **Equity for the period attributable to Ingenico Group SA shareholders** | **1,839,786** | **(8,235)** | **1,831,551** |
| **Non-controlling interests** | **11,130** | **(156)** | **10,974** |
| **TOTAL EQUITY** | **1,850,916** | **(8,391)** | **1,842,525** |
| Non-current borrowings and long-term debt | 1,549,115 | - | 1,549,115 |
| Provisions for retirement and benefit obligations | 25,132 | - | 25,132 |
| Other long-term provisions | 24,417 | - | 24,417 |
| Deferred tax liabilities | 226,546 | (17) | 226,529 |
| Other non-current liabilities | 66,520 | - | 66,520 |
| **TOTAL NON-CURRENT LIABILITIES** | **1,891,730** | **(17)** | **1,891,713** |
| Short-term loans and borrowings | 552,619 | - | 552,619 |
| Other short-term provisions | 19,026 | - | 19,026 |
| Trade and related payables | 510,708 | - | 510,708 |
| Payables related to intermediation activities | 598,323 | - | 598,323 |
| Other current liabilities | 226,309 | 17,192 | 243,501 |
| Current tax liabilities | 24,340 | - | 24,340 |
| Derivative financial instruments | 2,656 | - | 2,656 |
| **TOTAL CURRENT LIABILITIES** | **1,933,981** | **17,192** | **1,951,173** |
| **TOTAL LIABILITIES** | **3,825,711** | **17,175** | **3,842,886** |
| **TOTAL EQUITY AND LIABILITIES** | **5,676,627** | **8,784** | **5,685,411** |

| *(in thousands of euros)* | 01/01/2017 | IFRS 15 restatements | 01/01/2017 Restated |
|---|---|---|---|
| **Assets** | | | |
| Goodwill | 1,409,291 | - | 1,409,291 |
| Other intangible assets | 488,151 | - | 488,151 |
| Property, plant and equipment | 74,893 | - | 74,893 |
| Investments in equity-accounted investees | 8,636 | - | 8,636 |
| Financial assets | 16,633 | - | 16,633 |
| Deferred tax assets | 58,109 | 810 | 58,919 |
| Other non-current assets | 27,491 | - | 27,491 |
| **TOTAL NON-CURRENT ASSETS** | **2,083,204** | **810** | **2,084,014** |
| Inventories | 172,483 | - | 172,483 |
| Trade and related receivables | 501,061 | - | 501,061 |
| Receivables related to intermediation activities | 28,525 | - | 28,525 |
| Other current assets | 23,972 | 2,512 | 26,484 |
| Current tax assets | 26,962 | - | 26,962 |
| Derivative financial instruments | 12,444 | - | 12,444 |
| Funds related to intermediation activities | 273,086 | - | 273,086 |
| Cash and cash equivalents | 1,013,854 | - | 1,013,854 |
| **TOTAL CURRENT ASSETS** | **2,052,387** | **2,512** | **2,054,899** |
| **TOTAL ASSETS** | **4,135,591** | **3,322** | **4,138,913** |

| | | | |
|---|---|---|---|
| **Liabilities** | | | |
| Share capital | 61,493 | - | 61,493 |
| Share premium account | 762,360 | - | 762,360 |
| Other reserves | 840,986 | (4,758) | 836,228 |
| Translation differences | 37,827 | 182 | 38,009 |
| **Equity for the period attributable to Ingenico Group SA shareholders** | **1,702,666** | **(4,575)** | **1,698,091** |
| **Non-controlling interests** | **4,238** | **(156)** | **4,082** |
| **TOTAL EQUITY** | **1,706,904** | **(4,731)** | **1,702,173** |
| Non-current borrowings and long-term debt | 896,440 | - | 896,440 |
| Provisions for retirement and benefit obligations | 24,804 | - | 24,804 |
| Other long-term provisions | 24,164 | - | 24,164 |
| Deferred tax liabilities | 133,780 | (16) | 133,764 |
| Other non-current liabilities | 126,866 | - | 126,866 |
| **TOTAL NON-CURRENT LIABILITIES** | **1,206,054** | **(16)** | **1,206,038** |
| Short-term loans and borrowings | 243,742 | - | 243,742 |
| Other short-term provisions | 29,797 | - | 29,797 |
| Trade and related payables | 504,601 | - | 504,601 |
| Payables related to intermediation activities | 301,611 | - | 301,611 |
| Other current liabilities | 119,045 | 8,069 | 127,114 |
| Current tax liabilities | 20,036 | - | 20,036 |
| Derivative financial instruments | 3,801 | - | 3,801 |
| **TOTAL CURRENT LIABILITIES** | **1,222,633** | **8,069** | **1,230,702** |
| **TOTAL LIABILITIES** | **2,428,687** | **8,053** | **2,436,740** |
| **TOTAL EQUITY AND LIABILITIES** | **4,135,591** | **3,322** | **4,138,913** |

Impact on the consolidated income statement for the year ending December 31, 2017:

| *(in thousands of euros)* | 2017 | IFRS 15 restatements | 2017 Restated |
|---|---|---|---|
| **Revenue** | **2,510,437** | **(5,014)** | **2,505,423** |
| Cost of sales | (1,475,043) | 3,903 | (1,471,140) |
| **Gross profit** | **1,035,394** | **(1,111)** | **1,034,283** |
| Distribution and marketing costs | (223,891) | - | (223,891) |
| Research and development costs | (186,389) | 708 | (185,681) |
| Administrative expenses | (223,553) | - | (223,553) |
| **Profit from ordinary activities** | **401,561** | **(403)** | **401,158** |
| Other operating income | 302 | - | 302 |
| Other operating expenses | (30,379) | - | (30,379) |
| **Profit from operating activities** | **371,484** | **(403)** | **371,081** |
| Financial income | 46,545 | - | 46,545 |
| Financial expenses | (69,410) | (4,108) | (73,519) |
| **Net finance costs** | **(22,865)** | **(4,108)** | **(26,974)** |
| Share of profits in equity-accounted investees | (1,419) | - | (1,419) |
| **Profit before income tax** | **347,200** | **(4,512)** | **342,688** |
| Income tax | (87,013) | 852 | (86,161) |
| **NET PROFIT** | **260,187** | **(3,659)** | **256,528** |

### Sale of payment terminals and other products

Income from contracts concluded by the Group with customers for the sale of payment terminals and other products represent a performance obligation. The Group deemed that these products must be recognized when control of the asset is transferred to the customer, which is generally when the equipment is delivered.

Therefore, the adoption of IFRS 15 did not have any impact on the moment the revenue was recognized.

### Volume discounts

The Group sometimes offers retrospective or prospective discounts on products when the quantity of products bought in a given period exceeds a threshold specified in the contract, and on the number and amount of transactions when this number or amount exceeds a threshold specified in the contract. Discounts are offset against the amounts payable by the customer on subsequent purchases

- Before the adoption of IFRS 15, the Group estimated volume discounts on the basis of the probability of reaching the thresholds.
- Under IFRS 15, volume discounts are a type of variable consideration which is estimated at the start of the contract and applicable until the uncertainty has been subsequently resolved. This leads to a treatment which is similar to the previous practice.

Hence, there is no adjustment relating to these volume discounts in the statement of financial position at December 31, 2017.

### Sale of extended warranty services

The Group offers legal warranties in accordance with the laws and practices applicable in the different countries in which it operates. These warranties are recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as per its practice before the adoption of IFRS 15. In certain contracts, the Group offers extended warranties of one to five years. These were already being recorded as service warranties and recognized as specific performance obligations, to which the Group allocates part of the transaction price based on the relative individual selling price. The revenue is then recognized over time based on the time elapsed from the end of the legal warranty. The adoption of IFRS 15, therefore, does not result in any change to the method by which extended warranties are recognized.

The Group deemed that extended warranty payments made at the beginning of the contract constituted an advance received from customers containing a financing component, given the time between the payment and the delivery of the "Extended warranty" performance obligation.

The statement of financial position at December 31, 2017 has been restated for the financing component, leading to an increase in current liabilities of €2.7 million and a decrease in retained earnings of €2.3 million.

### Sale of payment solutions services

In order to provide its full service with regard to the acquisition and settlement of bank card payments received by merchants, the Group enters into contracts with third-parties (financial institutions such as issuing banks, acquiring banks where the latter are external to the Group and credit card companies such as Visa/Mastercard) which are responsible for part of the performance of the operations enabling the proper completion of transactions. This performance of part of the operations is remunerated by way of interchange fees, among other methods. These fees are passed on across the chain of parties involved in the transactions and finally paid by the merchant.

Before the adoption of IFRS 15, the Group deemed that it was exposed to significant benefits and risks in relation to the sale of this service and thus recognized interchange fees on a gross basis as the principal. As a result, the revenue included the amount of interchange fees, which are also recognized as expenses in the Group's accounts (cost of sales).

Following the adoption of IFRS 15, the Group considers that it is still acting as the principal. The Group acts as the principal for the performance of these services, which form a comprehensive service including payment processing, proper completion of the transaction by guaranteeing the receipt thereof, and the payment of the amount into the merchants' bank account. The Group's position in the payment chain is such that it is the principal in the transactions leading to the payment to the merchant of the final consumer's payment. The Group integrates the different steps leading to the fulfillment of this single performance obligation and which include the services rendered by third parties involved in the payment chain, including the issuing bank. There is a transformative link between the different steps insofar as the level and nature of the tasks performed by Ingenico depend on tasks performed and information provided by other third parties involved in the payment chain.

By fulfilling the promise made to customers to provide a guaranteed payment for the delivery of their goods or services to card bearers, the Group fulfills a performance obligation from the acceptance of the payment to the payment of the funds into the merchant's account. Thus, the Group considers that it is in a position to control the services provided by third parties before the control of the specified service is finally delivered to the merchant.

In this context, the revenue is recognized as and when the processed transactions are invoiced.

Therefore, there is no impact on the statement of financial position at January 1 and December 31, 2017.

#### Initial non-refundable costs and developments on behalf of customers

In Retail, before the execution of the first transactions, the customer must be included in the Group's IT systems. Before the adoption of IFRS 15, revenue relating to these activities was recognized at the time they were carried out. With the adoption of IFRS 15, the Group deemed that these activities did not constitute a service obligation distinct from the performance obligation to ensure guaranteed payment to merchant clients. Therefore, revenue from these non-refundable advances is recognized on a deferred basis until the first transactions are carried out, with the revenue then allocated on a straight-line basis over the duration of the contract with the customer.

Furthermore, for certain contracts, a number of applications are developed beforehand to address the specific needs of customers. Before the adoption of IFRS 15, revenue from these development contracts was recognized on the basis of progress measured by technical milestones. With the adoption of IFRS 15, developments undertaken for this purpose are deemed not to constitute a specific performance obligation. Hence, revenue from these development contracts is deferred until the conduct of the first transactions, with the revenue then recognized on a straight-line basis over the duration of the contract. However, development costs incurred by the Group are capitalized as costs of performing the contract until the start of the contract, then amortized on a straight-line basis over the duration of the contract.

The impact on the statement of financial position at December 31, 2017 is as follows:

- an increase in current liabilities of €4.4 million and a decrease in retained earnings of €3.8 million;
- an increase in current liabilities of €14.5 million (deferred income) and a decrease in retained earnings of €6.1 million;
- an increase in current assets of €7.1 million (capitalized costs of performing the contract).

The statement of results for the year ended December 31, 2017 was also restated as follows:

- a decrease in revenue of €8.9 million;
- a decrease in cost of sales of €3.9 million and in R&D expenditure of €0.7 million.

#### Other restatements

In addition to the above restatements, the other items in the statement of financial position such as deferred taxes, income tax expense and retained earnings have been restated as necessary. Exchange rate differences on the translation of foreign operations have also been restated.

### b. First-time application of IFRS 9: Financial instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and measurement for annual periods starting on or after January 1, 2018, bringing together the three aspects of financial instrument accounting:

- classification and measurement;
- impairment;
- hedge accounting.

Except for hedge accounting applied prospectively, the Group has applied IFRS 9 retrospectively, with the first application on January 1, 2018 without restating the comparative information, which is still presented and measured in accordance with IAS 39.

#### Classification and measurement of financial instruments

The retrospective application of the component "Classification and measurement of financial instruments" had no material impact on the Group's accounting methods as regards the measurement of financial assets and liabilities at January 1, 2018.

#### Impairment of financial assets

The adoption of IFRS 9 changed the Group's recognition of the impairment of financial assets by replacing the previous "incurred loss" method in IAS 39 by a prospective "expected credit losses" method or "ECL".

IFRS 9 requires that the Group recognize an ECL impairment in respect of trade receivables, loans and other financial assets constituting debt instruments not held at fair value (changes in "Fair Value through Profit and Loss" or "FVPL").

The ECL is based on the difference between the contractual cash flows due under the contract and all cash flows expected by the Group. The shortfall is then discounted at the asset's initial effective interest rate.

For trade and other receivables, the Group applied the standard's simplified method and calculated ECL based on the expected credit losses over the life of the receivables (receivables are generally due within 12 months). The Group thus established impairment methods based on internal and external ratings or on the Group's history of credit losses, adjusted for prospective factors specific to the debtors and to the economic environment.

In the absence of other evidence, the Group considers a financial asset to be in default when the contractual payment is 90 days past due. However, in certain cases, the Group can also consider a financial asset to be in default when internal or external information indicates that it is very unlikely that the Group will receive the full contractual amounts outstanding before taking into account any increase in credit held by the Group.

The adoption of the ECL provisions of IFRS 9 led to an increase in the impairment of financial assets and an adjustment to retained earnings. The statement of financial position at January 1, 2018 has been restated, leading to a decrease of €1 million in trade and other receivables and retained earnings.

#### Hedge accounting

The Group has chosen to apply the new IFRS 9 hedge accounting provisions from January 1, 2018. This application is on a prospective basis. It has not had any impact on prior hedging relationships. The application of the new provisions of IFRS 9 on hedging, therefore, had no material impact on the financial statements.

## NOTE 3 —• Significant events

### Acquisition of Paymark

In November 2018, the last condition precedent to the acquisition of Paymark was lifted, and on January 11, 2019, Ingenico Group finalized the purchase of the New Zealand electronic payment network for a total of NZ$191 million. The acquisition was announced on January 17, 2018.

### Acquisition of Airlink

On February 2, 2018, the Group concluded the acquisition of Airlink, a value-added distributor of payment solutions based in Taiwan. Airlink provides acquirers and retailers with payment terminals and associated services such as installation, maintenance, and software development. This company's financial statements are consolidated into that of the Group at December 31, 2018.

### Buyout of Fosun shares in the Group's Chinese activities

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

### Merger of BS PAYONE with the DACH assets of Ingenico Retail

As announced on May 30, 2018, and after having received all regulatory authorizations, the Group finalized the completion of the merger between BS PAYONE, a subsidiary of Sparkassen-Finanzgruppe, and the assets of Ingenico's Retail business in the DACH region (Germany, Austria, Switzerland) at January 8, 2019.

The joint venture, renamed Ingenico Payone Holding GmbH, will be 48% held by the Deutscher Sparkassenverlag group and 52% by the Ingenico Group. As a result, the entity will be fully consolidated into the Ingenico Group financial statements as from January in the current Retail business.

### Exit from European Union of United Kingdom (Brexit)

Since June 2016 and the announcement that the United Kingdom was leaving the European Union, sharp fluctuations in some economic indicators, such as interest rates, the share prices of many British companies, and the sterling exchange rate, were observed. The decrease of the sterling exchange rate marginally impacted the revenue and profit of subsidiaries whose accounting is held in pound sterling.

At December 31, 2018, Brexit did not incur any impairment of assets or restructuring expense to the Group, which continues to follow the discussions between the European Union and the United Kingdom.

# NOTE 4 —• Segment reporting

Segments are profit centers whose performance can be fully measured.

The information presented below is based on the management reporting used by the Executive Committee, which is the chief operating decision-maker as defined by IFRS 8.

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

| *(in thousands of euros)* | 2018 | | |
|---|---|---|---|
| | **Banks & acquirers** | **Retail** | **Consolidated** |
| **Revenue** | **1,304,882** | **1,338,518** | **2,643,400** |
| Terminals | | | 1,545,736 |
| Transactions | | | 1,097,664 |
| **Profit from ordinary activities** | **246,495** | **79,945** | **326,440** |

| *(in thousands of euros)* | 2017 Restated | | |
|---|---|---|---|
| | **Banks & acquirers** | **Retail** | **Consolidated** |
| **Revenue** | **1,413,794** | **1,091,628** | **2,505,423** |
| Terminals | | | 1,658,084 |
| Transactions | | | 847,339 |
| **Profit from ordinary activities** | **342,175** | **58,984** | **401,158** |

In 2017, the revenue generated by the Group's French entities amounted to €260.4 million. It amounted to €259.3 million in 2018.

In 2018, the revenue generated by entities located in the Group's significant countries (Netherlands, China) represented a total of €745.3 million.

## ● Expenses without counterparty in cash

| *(in thousands of euros)* | 2018 | | |
|---|---|---|---|
| | **Banks & acquirers** | **Retail** | **Consolidated** |
| Depreciation and amortization expenses | 26,156 | 138,848 | 165,004 |
| Additions to provisions, net of reversals and share-based payments | (408) | (2,423) | (2,831) |

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

# NOTE 5 —• Operational data

## a. Revenue

### Sale of payment terminals and similar products

Income from contracts concluded by the Group with customers for the sale of payment terminals and other products represent a performance obligation. Revenue is recognized when control of the asset is transferred to the customer, which is generally when the equipment is delivered.

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

### Sale of extended warranty services

The Group offers legal warranties in accordance with the laws and practices applicable in the different countries in which it operates. These warranties are recognized in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group also offers extended warranties of one to five years which are recorded as service warranties and recognized as specific performance obligations, to which the Group allocates part of the transaction price based on the relative individual selling price. The revenue is then recognized over time based on the time elapsed as from the end of the legal warranty.

### Transaction price

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

If the consideration in a contract includes a variable amount, the Group estimates the consideration amount it is entitled to in exchange for transferring the goods to the customer. The variable consideration is estimated at the start of the contract and is applicable until the uncertainty has been subsequently resolved. Volume discounts are variable considerations which the Group sometimes offers to its customers on products purchased under certain conditions. These discounts are 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 start of a contract. These payments constitute an advance from customers containing a material financing component, given the time between the payment and the delivery of the "Extended warranty" performance obligation.

### Sale of payment solutions services

Where a third-party is involved in the supply of goods or 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 in the transaction and recognizes the revenue on a gross basis if it controls the goods and services promised before their transfer to the customer.

In order to provide its service with regard to the acquisition and settlement of bank card payments received by merchants, the Group enters into contracts with third parties (financial institutions and schemes) which are responsible for part of the performance of the operations enabling the proper completion of transactions. This part of the performance is remunerated by interchange fees, among other methods. These fees are passed on across the chain of parties involved in the transactions and finally paid by the merchant.

The Group deems that it acts as the principal for the performance of these services, which form a comprehensive service including payment processing, completion of the transaction by guaranteeing the receipt thereof, and the payment of the amount into the merchants' bank account. The Group's position in the payment chain is such that it is the principal in the transactions leading to the payment to the merchant of the final consumer's payment. The Group integrates the different steps leading to the fulfillment of this single performance obligation and which include services rendered by third parties involved in the payment chain, including the issuing bank. There is a transformative link between the different steps insofar as the level and nature of the tasks performed by Ingenico depend on tasks performed and information provided by other third parties involved in the payment chain.

By fulfilling the promise made to customers to provide a guaranteed payment for the delivery of their goods or services to card bearers, the Group fulfills a performance obligation from the acceptance of the payment to the payment of the funds into the merchant's account. Thus, the Group considers that it is in a position to control the services provided by third parties before the control of the specified service is finally delivered to the merchant.

### Initial non-refundable costs and developments on behalf of customers

In Retail, before the execution of the first transactions, the customer must be included in the Group's IT systems. This activity does not constitute a service obligation distinct from the performance obligation of ensuring a guaranteed payment to merchant clients. The revenue from these non-refundable advances is recognized on a deferred basis until the first transactions are carried out, with the revenue then allocated on a straight-line basis over the duration of the contract with the customer.

Furthermore, a number of applications are sometimes developed beforehand to address the specific needs of customers. The Group considers that the developments undertaken for this purpose do not constitute a specific performance obligation. Hence, revenue from these development contracts are deferred until the conduct of the first transactions, with the revenue then recognized on a straight-line basis over the duration of the contract. The development costs incurred by the Group are capitalized as costs of carrying out the work in the contract until the start of the contract, then amortized on a straight-line basis over the duration of the contract.

The part of the Group's revenue that is recognized under contracts with customers has been broken down by performance obligation category.

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Sale of terminals, accessories, transport | 1,282,369 | 1,445,191 |
| Services associated with terminals | 263,367 | 212,893 |
| Payment processing and acquisitions | 1,056,004 | 778,926 |
| Processing services | 41,660 | 68,413 |
| **TOTAL REVENUE** | **2,643,400** | **2,505,423** |

In connection with its business activities, the Group has recognized interchange fees of €323.1 million at December 31, 2018, in cost of sales.

## b. Costs by nature

Because the Group presents its income statement by function, this note shows the main operating costs and expenses by nature.

Depreciation and amortization expense and impairment are broken down as follows:

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Provisions/(reversals) | | |
| Depreciation and amortization of intangible assets | 129,804 | 93,645 |
| Depreciation and amortization of property, plant and equipment | 35,194 | 31,376 |
| Provision for inventories | 9,316 | 321 |
| Impairment for trade receivables | (12,395) | (2,466) |
| **TOTAL** | **161,919** | **122,876** |

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

Cost of sales breaks down as follows:

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Cost of terminals | (877,040) | (884,636) |
| Cost of services and software | (771,565) | (586,504) |
| **TOTAL COST OF SALES** | **(1,648,605)** | **(1,471,140)** |

The capitalized portion of development costs is as follows:

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Amount of development capitalized | 48,473 | 32,135 |
| Total R&D expenditure (costs and investment)(1) | 219,656 | 217,816 |
| **SHARE OF CAPITALIZED R&D EXPENDITURE (IN %)** | **22%** | **15%** |

*(1) Net of a €5.6 million French research tax credit and €11.1 million in tax credits of a similar nature that were received outside France and have an equivalent impact on research and development expenses (respectively €4.7 million and €13.2 million in 2017).*

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

- at the head office, development projects for new terminals and operating systems, as well as projects to upgrade terminals that have already been sold;
- service projects related to payments, such as Axis. These are mainly software development expenses;
- at terminal distributor subsidiaries, R&D projects are in place to develop applications installed on terminals, in accordance with local standards and regulations;
- at subsidiaries selling payment services (mainly in Retail), R&D projects are generally aimed at improving the computer systems that run the transaction services. This explains the increase in development activities in 2018, which primarily relate to acquisition services technology.

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

## c. Other operating income and expenses

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

Other operating income and expenses are as follows:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Restructuring and business combination costs | (40,330) | (29,314) |
| Disputes | - | 175 |
| Others | (7,685) | (938) |
| **TOTAL** | **(48,015)** | **(30,077)** |

In 2018, other operating income and expenses mainly comprised the costs of €40.3 million incurred in connection with Group restructuring and business combinations, of which:

- costs of €34.5 million incurred in connection with the internal restructuring of the Group;
- costs of €5.8 million incurred in connection with acquisitions and divestitures.

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

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

## d. Reconciliation of financial performance indicators with the consolidated financial statements

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

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

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

Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income, and tax paid.

| *(in thousands of euros)* | 2018 Cash-flow statement | 2018 Free cash-flow | 2018 Items from CF statement not in FCF |
|---|---|---|---|
| Profit for the period | 188,847 | 188,847 | - |
| Adjustments for: | | | |
| • Share of profits of equity-accounted investees | (127) | (127) | - |
| • Income tax expense | 51,792 | 51,792 | - |
| • Depreciation, amortization and provisions | 161,976 | 161,976 | - |
| • Change in fair value | (994) | 1,984 | (2,978) |
| • (Gains)/losses on disposal of assets | 292 | 292 | - |
| • Net interest costs/(income) | 35,492 | 35,492 | - |
| • Share-based payment expense | 197 | 197 | - |
| Interest paid | (23,851) | (23,851) | - |
| Income tax paid | (90,193) | (90,193) | - |
| **Cash flows from operating activities before change in net working capital** | **323,431** | | |
| Inventories | (21,738) | (21,738) | - |
| Trade and other receivables | (93,893) | (93,893) | - |
| Trade payables and other payables | 137,478 | 137,478 | - |
| **Change in net working capital** | **21,847** | | **-** |
| Change in working capital of merchants prefinancing | (5,990) | - | (5,990) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **339,288** | | |
| Acquisition of fixed assets | (117,308) | (117,308) | - |
| Proceeds from sale of tangible and intangible fixed assets | 726 | 726 | - |
| Acquisition of subsidiaries, net of cash acquired | (35,730) | - | (35,730) |
| Loans and advances granted and other financial assets | (3,283) | - | (3,283) |
| Loan repayments received | 5,833 | - | 5,833 |
| Dividend income | 99 | - | 99 |
| Interest received | 6,671 | 6,671 | - |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **(142,992)** | | |
| Proceeds from share capital issues | - | - | - |
| (Purchase) sale of treasury shares | (86,835) | - | (86,835) |
| Proceeds from loans and borrowings | 304,151 | - | 304,151 |
| Repayment of loans and borrowings | (95,485) | - | (95,485) |
| Change in the Group's ownership interests in controlled entities | (93,123) | - | (93,123) |
| Financing of merchant prefinancing | 4,122 | - | 4,122 |
| Changes in other financial liabilities | (462) | - | (462) |
| Effect of financial derivative instruments | (898) | - | (898) |
| Dividends paid to shareholders | (55,026) | - | (55,026) |
| Taxes on financing activities | 4,449 | - | 4,449 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | **(19,107)** | | |
| Currency translation effect on cash and bank overdrafts | (3,096) | - | (3,096) |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **174,093** | | |
| Free Cash Flow | | **238,345** | |

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Consolidated income statement | Amortization of Purchase price allocation | Reconciliation to EBIT | Cost of share-based payment | Other amortization and provision expenses | Reconciliation to EBITDA |
| **REVENUE** | **2,643,400** | **-** | **2,643,400** | **-** | **-** | **2,643,400** |
| Cost of sales | (1,648,605) | 32,142 | (1,616,463) | 595 | 20,289 | (1,595,579) |
| **GROSS PROFIT** | **994,794** | | | | | |
| Distribution and marketing costs | (249,718) | 57,574 | (192,144) | 764 | 1,722 | (189,658) |
| Research and development expenses | (171,183) | - | (171,183) | 148 | 35,097 | (135,938) |
| Administrative expenses | (247,454) | - | (247,454) | (1,310) | 14,083 | (234,681) |
| **PROFIT FROM ORDINARY ACTIVITIES** | **326,440** | | | | | |
| **EBIT** | | | **416,156** | | | |
| **EBITDA** | | | | | | **487,544** |

## e. Inventories

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

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

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Raw materials and consumables | 41,855 | 35,941 |
| Finished products | 170,599 | 150,140 |
| Write-downs on raw materials and consumables | (6,807) | (5,393) |
| Impairments on finished products | (17,497) | (10,115) |
| **CARRYING AMOUNT** | **188,150** | **170,573** |

## f. Trade and related receivables

Trade and related receivables are recognized initially at fair value and subsequently measured at amortized cost less any impairment losses. In general, the fair value corresponds to the face value, given the quick payment terms, except in the case of finance leases. In compliance with IFRS 9, the Group follows the simplified prospective method and recognizes a provision for credit losses determined on the basis of expected credit losses over the life of the receivables. The Group has thus established impairment methods based on internal and external ratings or on the history of losses, adjusted for prospective factors specific to the debtors and to the economic environment.

Trade and related receivables break down as follows:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Trade receivables | 591,488 | 530,694 |
| Finance lease receivables | 24,281 | 24,899 |
| Tax receivables other than current income tax | 54,367 | 30,321 |
| Other receivables | 16,093 | 18,125 |
| Impairment for trade receivables | (33,596) | (39,864) |
| Impairment for finance lease receivables | (829) | (464) |
| Impairment for other receivables | (393) | (7,204) |
| **TOTAL** | **651,411** | **556,507** |

The aging schedule of trade receivables is as follows:

| | | | 2018 | | |
|---|---|---|---|---|---|
| | | | Overdue | | |
| *(in thousands of euros)* | Closing value | Not due | <120 days | 120-180 days | >180 days |
| Trade receivables | 591,488 | 488,737 | 65,930 | 16,133 | 20,689 |
| Impairment for trade receivables | (33,596) | (19,991) | (2,248) | (406) | (10,950) |
| **NET** | **557,892** | **468,746** | **63,682** | **15,727** | **9,739** |

Receivables more than 180 days overdue (amounting to €9.7 million) are primarily attributable to customers of Fujian Landi (€4.2 million). None of these receivables is contentious, and the Group does not expect any difficulty in recovering the amounts due.

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

## g. Other current and non-current assets

As of December 31, 2018 and 2017, other current assets were as follows:

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Prepaid expenses | 20,016 | 24,069 |
| Contract assets | 7,715 | 7,123 |
| Loans, guarantee instruments and other financial assets | 10,562 | 14,708 |
| **TOTAL** | **38,293** | **45,900** |

Contract assets are capitalized costs on completion of contracts.

As of December 31, 2018 and 2017, other non-current assets were as follows:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Other receivables | 1,573 | 1,672 |
| Finance lease receivables | 23,782 | 23,362 |
| Tax receivables other than current income tax | 8,473 | 9,461 |
| Income tax receivables | 658 | 2,972 |
| Prepaid expenses | 2,140 | 1,949 |
| **TOTAL** | **36,626** | **39,416** |

## h. Trade and related payables

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

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Trade payables | 455,295 | 359,752 |
| Other operating liabilities | 170,877 | 150,956 |
| *Of which customer advances* | *6,019* | *8,934* |
| *Of which other tax liabilities* | *43,355* | *20,235* |
| *Of which employee-related liabilities* | *121,503* | *121,787* |
| **TOTAL** | **626,172** | **510,708** |

## i. Other non-current liabilities

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Tax, personnel and social security liabilities | 15,456 | 19,706 |
| Contract liabilities | 33,776 | 28,169 |
| Other liabilities | 9,565 | 18,645 |
| **TOTAL** | **58,798** | **66,520** |

The reduction in non-current liabilities is linked primarily to the cancellation of the commitment to purchase non-controlling interests in Ingenico Japan Co. Ltd.

Contract liabilities primarily originates from terminal distribution subsidiaries, for non-current deferred income on sales of warranties.

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

## j. Other current liabilities

Other current liabilities are broken down as follows:

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Contract liabilities | 154,574 | 141,434 |
| Other liabilities | 97,506 | 102,067 |
| **TOTAL** | **252,080** | **243,501** |

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

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

At December 31, 2017, other current liabilities included the share purchase commitment to Fosun, which was settled in the first half of 2018.

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

| Balance sheet *(in thousands of euros)* | | 2018 01/01 | Net Change in working capital | Change in cash flows of non-working capital items | Changes in consolida-tion scope | Translation differences and other movements | 12/31 |
|---|---|---|---|---|---|---|---|
| **Inventories** | **(1)** | **170,573** | **21,738** | **-** | **434** | **(4,593)** | **188,150** |
| Trade and related receivables | | 556,507 | 95,197 | - | 2,378 | (2,672) | 651,411 |
| Other non-current assets | | 39,416 | 463 | (1,994) | - | (1,259) | 36,626 |
| Other current assets | | 45,900 | (1,768) | (4,523) | 345 | (1,661) | 38,293 |
| **Trade and other receivables** | **(2)** | **641,822** | **93,893** | **(6,517)** | **2,723** | **(5,592)** | **726,328** |
| Trade and related payables | | 510,708 | 117,972 | (2,344) | 2,966 | (3,130) | 626,172 |
| Other non-current liabilities | | 66,520 | 8,485 | (12,969) | - | (3,239) | 58,798 |
| Other current liabilities | | 243,501 | 11,021 | (7,018) | 139 | 4,438 | 252,080 |
| **Trade and other creditors** | **(3)** | **820,729** | **137,478** | **(22,331)** | **3,105** | **(1,931)** | **937,057** |
| **CHANGE IN WORKING CAPITAL** | **-(1)-(2)+(3)** | | **21,847** | | | | |

| Balance sheet *(in thousands of euros)* | | 2017 Restated 01/01 | Net Change in working capital | Change in cash flows of non-working capital items | Changes in consolida-tion scope | Translation differences and other movements | 12/31 |
|---|---|---|---|---|---|---|---|
| **Inventories** | **(1)** | **172,483** | **9,594** | **-** | **2,573** | **(14,077)** | **170,573** |
| Trade and related receivables | | 501,061 | 70,481 | - | 21,211 | (36,246) | 556,507 |
| Other non-current assets | | 27,491 | 254 | 563 | 2,149 | 8,959 | 39,416 |
| Other current assets | | 23,972 | 1,831 | (6,236) | 18,846 | 7,487 | 45,900 |
| **Trade and other receivables** | **(2)** | **552,524** | **72,566** | **(5,673)** | **42,206** | **(19,800)** | **641,823** |
| Trade and related payables | | 504,601 | 1,544 | (1,285) | 30,026 | (24,178) | 510,708 |
| Other non-current liabilities | | 126,866 | (5,726) | 5,641 | 12,343 | (72,604) | 66,520 |
| Other current liabilities | | 119,045 | 23,424 | 3,344 | 6,036 | 91,652 | 243,501 |
| **Trade and other creditors** | **(3)** | **750,512** | **19,242** | **7,700** | **48,405** | **(5,130)** | **820,729** |
| **CHANGE IN WORKING CAPITAL** | **-(1)-(2)+(3)** | | **(62,918)** | | | | |

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

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

The balance sheet distinguishes two types of asset:

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

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

- liabilities in connection with funds from consumers that have not yet been transferred to merchants;
- liabilities in connection with merchant warranty deposits.

The funds can not be used by the Group to finance its own cash requirements.

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

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Receivables related to intermediation activities | 243,340 | 172,708 |
| Funds related to intermediation activities | 461,657 | 460,555 |
| **TOTAL ASSETS RELATED TO INTERMEDIATION ACTIVITIES** | **704,997** | **633,263** |
| Payables related to intermediation activities | 665,306 | 598,323 |
| Financing of merchant prefinancing | 37,663 | 34,940 |
| **TOTAL LIABILITIES RELATED TO INTERMEDIATION ACTIVITIES** | **702,969** | **633,263** |

## NOTE 6 —• Employee benefits and executive compensation (related parties)

### a. Payroll costs

Payroll costs are broken down as follows:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Wages and salaries | 436,411 | 393,934 |
| Social security contributions | 108,157 | 103,857 |
| Service cost (operating component of retirement expenses) | 2,643 | 2,162 |
| Cost of share-based payments | 197 | 13,315 |
| **TOTAL** | **547,408** | **513,268** |

## b. Share-based payment expense

### Fair value of free shares awarded

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

### Impact on financial statements

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

### Other share-based payments

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

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

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Date of Board | Options/ free shares outstanding at 01/01 | Options/ shares granted during the year | Options exercised/ shares vested during the year | Other movements | Options/ free shares outstanding at 12/31 |
| Free share awards | October 29, 2014 | 10,300 | - | (9,550) | (750) | - |
| Joint investment | October 29, 2014 | 24,160 | - | (21,830) | (2,330) | - |
| Free share awards | July 29, 2015 | 53,800 | - | - | (7,200) | 46,600 |
| Free share awards | October 22, 2015 | 800 | - | - | - | 800 |
| Free share awards | July 26, 2016 | 18,610 | - | - | (4,094) | 14,516 |
| Free share awards | May 10, 2017 | 23,639 | - | - | (14,334) | 9,305 |
| Joint investment | June 20, 2017 | 89,710 | - | - | (17,020) | 72,690 |
| Free share awards | June 20, 2017 | 22,400 | - | - | (3,200) | 19,200 |
| Free share awards | August 28, 2017 | 18,200 | - | - | (1,600) | 16,600 |
| Free share awards | May 16, 2018 | - | 192,910 | - | (27,546) | 165,364 |
| Joint investment | August 28, 2017 | 19,950 | - | - | (1,810) | 18,140 |
| Joint investment | May 16, 2018 | - | 226,264 | - | - | 226,264 |
| **TOTAL** | | **281,569** | **419,174** | **(31,380)** | **(79,884)** | **589,479** |

| | | 2017 | | | | |
|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Date of Board | Options/ free shares outstanding at 01/01 | Options/ shares granted during the year | Options exercised/ shares vested during the year | Other movements | Options/ free shares outstanding at 12/31 |
| Free share awards | October 29, 2014 | 11,150 | - | - | (850) | 10,300 |
| Joint investment | October 29, 2014 | 35,320 | - | - | (11,160) | 24,160 |
| Free share awards | July 29, 2015 | 177,900 | - | (112,600) | (11,500) | 53,800 |
| Free share awards | October 22, 2015 | 2,000 | - | (1,200) | - | 800 |
| Free share awards | July 29, 2016 | 18,610 | - | - | - | 18,610 |
| Free share awards | May 10, 2017 | - | 23,639 | - | - | 23,639 |
| Joint investment | June 20, 2017 | - | 89,710 | - | - | 89,710 |
| Free share awards | June 20, 2017 | - | 24,000 | - | (1,600) | 22,400 |
| Free share awards | August 28, 2017 | - | 23,200 | - | (5,000) | 18,200 |
| Joint investment | August 28, 2017 | - | 26,000 | - | (6,050) | 19,950 |
| **TOTAL** | | **244,980** | **186,549** | **(113,800)** | **(36,160)** | **281,569** |

In 2018, the Group put in place free share award and co-investment plans. Share awards are dependent on continuous service and internal and external performance criteria. The maximum number of free shares to be awarded is 419,174.

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

On the basis of the parameters used to calculate the fair value of free shares awarded under free share and joint investment plans and after assessing the internal and external valuation criteria (fulfillment of service conditions and, where applicable, performance conditions), the Group recognized an expense of €5.6 million under profit from operating activities in 2018 for equity-settled payments (against €8.1 million in 2017).

An expense was also booked in 2018 for other cash-settled share-based payments in the amount of €(5.4) million explained by share cancellations, against €5.2 million in 2017.

## C. Provisions for retirement and benefit obligations

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

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

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

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

### 1) Defined contribution plans

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

### 2) Defined benefit plans

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

- unfunded defined benefit plans: under these plans, provisions for retirement benefits are recognized as a liability in the balance sheet under "Provisions for retirement and benefit obligations";
- funded defined benefit plans. Provisions for retirement benefits are also recognized as a liability in the balance sheet, minus the value of the assets.

The Group recognized the following provisions:

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

The obligations under these defined benefit plans have been determined by qualified actuaries.

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

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

| | 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| | Unfunded plans | | | | | | |
| *(in thousands of euros)* | France Liability | Germany Liability | Italy Liability | Turkey Liability | Netherlands Liability | Other Liability | Total |
| **At January 1** | **10,234** | **5,248** | **3,385** | **251** | **50** | **1,520** | **20,688** |
| Change in consolidation scope | - | - | - | - | - | - | - |
| Translation differences and other movements | - | - | - | (61) | - | (79) | (140) |
| Current service cost | 1,200 | 43 | 366 | 25 | - | 263 | 1,896 |
| Interest on obligation | - | 85 | 54 | 23 | - | 176 | 338 |
| Benefits paid | (384) | (137) | (194) | (98) | - | (5) | (818) |
| Revaluation of the net defined benefit liability | (1,497) | (37) | (15) | 36 | - | 143 | (1,371) |
| **At December 31** | **9,552** | **5,202** | **3,596** | **176** | **50** | **2,018** | **20,593** |

| | 2018 | | | | | 2018 |
|---|---|---|---|---|---|---|
| | Funded plans | | | | | Total |
| | United Kingdom | | Belgium | | | Balance sheet provision |
| *(in thousands of euros)* | Liability | Assets | Liability | Assets | Total | |
| **At January 1** | **33,733** | **(29,382)** | **2,474** | **(2,381)** | **4,444** | **25,132** |
| Change in consolidation scope | - | - | - | - | - | - |
| Translation differences and other movements | (239) | 246 | 13 | - | 20 | (121) |
| Return on plan assets | - | (726) | - | (49) | (775) | (775) |
| Current service cost | 112 | - | 635 | - | 747 | 2,643 |
| Interest on obligation | 806 | - | 56 | - | 863 | 1,201 |
| Benefits paid | (370) | 370 | (92) | 43 | (48) | (866) |
| Contributions to pension funds | - | (2,035) | - | (572) | (2,607) | (2,607) |
| Revaluation of the net defined benefit liability | (3,873) | 1,851 | (94) | 48 | (2,068) | (3,438) |
| **At December 31** | **30,170** | **(29,677)** | **2,992** | **(2,910)** | **575** | **21,168** |

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

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

### Breakdown of fair value of plan assets

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

| Plan investments | In thousands of euros | In % | Yield |
|---|---|---|---|
| Shares | 21,930 | 65% | 2.72% |
| Bonds | 8,001 | 24% | 2.72% |
| Other | 3,847 | 11% | 2.72% |
| **TOTAL** | **33,778** | **100%** | **2.72%** |

### Main actuarial assumptions

| | Eurozone | Turkey | United Kingdom |
|---|---|---|---|
| Discount rate | 1.70% | 14.50% | 2.80% |
| Expected future salary increases | 2.1% - 3.25% | 7.00% | NA |

### Best estimate of plan contributions payable in 2019

The expected contributions for the fiscal year ending December 31, 2019, are broken down as follows:

| *(in thousands of euros)* | 2018 |
|---|---|
| Employer contributions | 2,766 |
| Plan participants' contributions | 108 |

### Sensitivity of assets and liabilities to the main assumptions as of December 31, 2018

A 0.25% increase or decrease in the discount rate for all plans would not significantly change the value of the net liabilities. A 0.25% increase or decrease in the inflation rate for the plan in the United Kingdom would not significantly change the value of the net liability.

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

### d. Related party transactions

Total compensation and benefits paid to the Executive Committee in 2018 and 2017 are broken down as follows:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Total compensation and benefits(1) | 15,945 | 9,139 |
| Free share awards(2) | 1,852 | 2,321 |
| **TOTAL** | **17,797** | **11,460** |

*(1) Include all compensation paid and to be paid during the period (gross salary, including fixed and variable compensation, bonuses and benefits in kind, incentive programs and profit-sharing, and severance costs).*

*(2) Expense recorded in the income statement under free share award and joint investment plans.*

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

In 2018, the change in total compensation and benefits is explained by the increase of the average number of members to the Executive Committee, and higher severance costs.

As of December 31, 2018, the Executive Committee had 7 members versus 15 members as of January 1, 2018.

## NOTE 7 —• Property, plant and equipment and intangible assets

### Goodwill impairment tests

The Group tests the net carrying amount of goodwill for impairment. This procedure, chiefly based on the discounted cash flow method, consists of measuring the recoverable amount of each Cash-generating Unit (CGU) that generates independent cash flows. Impairment tests are performed every year on November 30 and whenever there is any indication that an asset may be impaired. Therefore, any material event observed during December would prompt fresh impairment tests to be conducted.

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

### Impairment of other non-financial assets

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

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

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

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

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

## a. Goodwill

### Determination of goodwill

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

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

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

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

The Group is made up of five CGUs:

- B&A – North America;
- B&A – Latin America;
- B&A – EMEA;
- B&A – Asia-Pacific;
- Retail

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

### Breakdown of goodwill

The following tables show the breakdown of goodwill among CGUs:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| **Net value at January 1** | **2,478,521** | **1,409,291** |
| Investments | 123,263 | 1,110,454 |
| Translation differences | (39,355) | (33,109) |
| Adjustments | (71,937) | (8,115) |
| **NET VALUE AT DECEMBER 31** | **2,490,492** | **2,478,521** |

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| **Cash generating units** *(in thousands of euros)* | Gross amount | Total impairment losses | Net carrying amount | Gross amount | Total impairment losses | Net carrying amount |
| B&A NAR | 62,393 | (12,621) | 49,772 | 61,492 | (12,621) | 48,871 |
| B&A LAR | 12,425 | - | 12,425 | 12,728 | - | 12,728 |
| B&A EMEA | 176,965 | (946) | 176,019 | 186,156 | (946) | 185,210 |
| B&A Asia-Pacific | 207,559 | - | 207,559 | 122,754 | - | 122,754 |
| Retail | 2,054,026 | (9,309) | 2,044,717 | 2,118,267 | (9,309) | 2,108,958 |
| **TOTAL** | **2,513,368** | **(22,876)** | **2,490,492** | **2,501,397** | **(22,876)** | **2,478,521** |

### Investments and adjustments during the period

As described in Note 3 "Significant events", the Group's acquisition of Airlink and Paymark generated an increase in preliminary goodwill of €120 million. For Paymark, the provisional goodwill has been recorded when the last condition precedent to the acquisition was lifted for an amount corresponding to the cash-out payment and the €89.5 million residual liability to Paymark vendors. The purchase price allocation for Paymark will be applied by the Group in 2019.

The purchase price allocation for Bambora, acquired in November 2017, has been reviewed.

Bambora group specializes in payment services. The Group has therefore recognized three types of intangible assets in its balance sheet: technologies relating to the IT platforms that enable Bambora to operate, portfolios of customer relationships, and the Bambora trademark. The valuation method used in the scope of the application of this purchase price allocation is the relief from royalty and excess earnings method. The Group recognized customer portfolios at €333 million, technologies at €212 million, and the trademark at €12 million. The deferred tax liability recognized amounted to €128 million.

Following the reviewed purchase price allocation, goodwill net of the price allocation was down €64 million to €973 million, excluding foreign exchange impact. This residual goodwill mainly includes:

- the workforce;
- the capacity to generate new business opportunities by winning new clients and developing new offers;
- synergies expected from the integration with the rest of the Group.

## Goodwill impairment tests

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

| | 2018 | | | | | |
|---|---|---|---|---|---|---|
| **Cash-generating units** | **B&A NAR** | **B&A LAR** | **B&A EMEA** | **B&A Asia-Pacific** | **Retail** | **Total** |
| Net carrying amount of goodwill *(in thousands of euros)* | 49,772 | 12,425 | 176,019 | 207,559 | 2,044,717 | 2,490,492 |
| Valuation method for the cash generating unit | Value in use | Value in use | Value in use | Value in use | Value in use | |
| Number of years over which cash flows are estimated | 5 | 5 | 5 | 5 | 5 | |
| Long-term growth rate | 1.1% | 1.0% | 1.0% | 1.1% | 2.3% | |
| Weighted average cost of capital used at December 31 | 7.9% | 13.3% | 8.2% | 8.8% | 7.0% | |

| | 2017 | | | | | |
|---|---|---|---|---|---|---|
| **Cash-generating units** | **B&A NAR** | **B&A LAR** | **B&A EMEA** | **B&A Asia-Pacific** | **Retail** | **Total** |
| Net carrying amount of goodwill *(in thousands of euros)* | 48,871 | 12,728 | 185,210 | 122,754 | 2,108,958 | 2,478,521 |
| Valuation method for the cash generating unit | Value in use | Value in use | Value in use | Value in use | Value in use | |
| Number of years over which cash flows are estimated | 5 | 5 | 5 | 5 | 5 | |
| Long-term growth rate | 1.1% | 1.0% | 1.0% | 1.0% | 2.2% | |
| Weighted average cost of capital used at December 31 | 8.3% | 14.9% | 8.8% | 9.7% | 7.8% | |

Goodwill impairment tests were conducted based on the carrying amounts on November 30, 2018. No material event likely to change the relevance of these tests has been observed since then. Goodwill as well as intangible assets arising from the acquisition of Bambora were allocated between the Retail CGU and the B&A Asia-Pacific CGU.

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

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

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

Sensitivity tests show that a 50-base-point increase in the discount rate would not lead to impairment.

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

### Sensitivity of recoverable amounts

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Discount rate | | Perpetuity growth rate | | Cash flow |
| | Rate applied *(in %)* | Discount rate which makes recoverable amount equal carrying amount *(in %)* | Rate applied *(in %)* | Perpetuity growth rate which makes recoverable amount equal carrying amount *(in %)* | Cash flow decrease required for recoverable amount to equal carrying amount *(in %)* |
| B&A Asia-Pacific | 8.8% | 10.2% | 1.1% | -1.1% | -16.0% |

At December 31, 2018, the recoverable amounts of Retail, B&A North America, B&A Latin America, and B&A EMEA were significantly higher than their carrying amounts. This precluded the need to increase the discount rate, decrease the perpetuity growth rate or reduce the cash flow required to ensure that their respective recoverable amounts were equal to their respective carrying amounts.

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

## b. Other intangible assets

### Research and development

Research costs are expensed as incurred.

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

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

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

### Other intangible assets

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

Other intangible assets also include assets in progress. Those include R&D projects in progress, such as in the B&A business for the development of new products and in the Retail business for improvements to IT payment platforms.

### Subsequent expenditure

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

### Depreciation and amortization

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

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

The estimated useful lives are as follows:

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

* *Or contractual term.*

### Impairment losses

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

| | 2018 | | | | |
|---|---|---|---|---|---|
| *(in thousands of euros)* | Licenses, trademarks, technology | Development expenses (incurred internally) | Customer relationships | Other intangible assets | Total |
| **GROSS AMOUNT** | | | | | |
| **At January 1** | **426,492** | **132,011** | **746,804** | **18,371** | **1,323,678** |
| Investments | 8,199 | 54,758 | - | 14,652 | 77,609 |
| Divestitures | (12,538) | (1,040) | - | (349) | (13,927) |
| Changes in consolidation scope | 27,986 | - | 58,314 | (3,258) | 83,042 |
| Translation differences | (9,785) | (91) | (14,166) | (159) | (24,201) |
| Reclassifications and others | 6,177 | 535 | 1 | (5,949) | 764 |
| **At December 31** | **446,531** | **186,173** | **790,953** | **23,308** | **1,446,965** |
| **ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES** | | | | | |
| **At January 1** | **(134,432)** | **(64,983)** | **(161,341)** | **(5,418)** | **(366,174)** |
| Depreciation and amortization | (49,318) | (23,924) | (56,240) | (321) | (129,803) |
| Divestitures and impairment losses | 12,573 | 749 | - | 134 | 13,456 |
| Translation differences | 510 | 9 | 516 | 122 | 1,157 |
| Reclassifications and others | 770 | (1,703) | (1) | (78) | (1,012) |
| **At December 31** | **(169,897)** | **(89,852)** | **(217,066)** | **(5,561)** | **(482,376)** |
| **NET CARRYING AMOUNT** | | | | | |
| **At January 1** | **292,060** | **67,028** | **585,463** | **12,953** | **957,504** |
| **At December 31** | **276,634** | **96,321** | **573,887** | **17,747** | **964,589** |

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

At December 31, 2018, as at December 31, 2017, there was no indication of impairment of intangible assets. The Group takes the following main indicators of impairment into account:

- sales prospects for products whose development costs have been capitalized;
- changes in customer portfolio;
- obsolescence or abandonment of internally developed software.

### Allocation of goodwill on assets of acquired companies

As stated in Note 7 a., the purchase price allocation of Bambora was finalized in 2018.

| | Carrying amount at December 31, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|
| *(in thousands of euros)* | Bambora (2017) | Techprocess (2017) | GlobalCollect (2014) | Ogone (2013) | Easycash (2009) | Others | Total |
| Hardware and software technology | 178,135 | 6,229 | 53,215 | - | - | 2,986 | 240,565 |
| Long-term customer contracts | 266,000 | 9,401 | 232,313 | 14,700 | 10,751 | 40,720 | 573,885 |
| Brand names | 10,251 | - | - | - | - | - | 10,251 |
| **TOTAL IDENTIFIED AND ALLOCATED ASSETS** | **454,386** | **15,630** | **285,528** | **14,700** | **10,751** | **43,706** | **824,701** |
| Amortization for the period | (48,541) | (1,264) | (24,370) | (4,050) | (4,168) | (7,322) | (89,715) |

## c. Property, plant and equipment

### Assets owned by the Group

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

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

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

The terminals recognized as property, plant and equipment are terminals leased to merchants under operating leases as defined in IAS 17.

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

### Depreciation and amortization

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

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

- building improvements 5 - 10 years*;
- equipment 3 - 5 years*;
- vehicles 4 - 5 years;
- terminals 4 - 5 years;
- furniture, fittings, office and IT equipment 3 - 10 years*.

* *Or the contractual term of the lease.*

| (in thousands of euros) | Land and buildings | Plant and equipment | Leased terminals | IT equipment | Others | Total |
|---|---|---|---|---|---|---|
| | 2018 | | | | | |
| **GROSS AMOUNT** | | | | | | |
| **At January 1** | **23,604** | **56,528** | **33,269** | **100,484** | **27,544** | **241,429** |
| Investments | 6,617 | 7,881 | 6,250 | 14,357 | 3,965 | 39,070 |
| Divestitures | (668) | (712) | (2,481) | (1,231) | (1,784) | (6,876) |
| Changes in consolidation scope | - | - | 821 | 228 | 10 | 1,059 |
| Translation differences | (240) | (800) | 60 | (777) | (120) | (1,877) |
| Other movements | (86) | 225 | (462) | 676 | (1,475) | (1,122) |
| **At December 31** | **29,227** | **63,122** | **37,457** | **113,737** | **28,140** | **271,683** |
| **ACCUMULATED AMORTIZATION AND IMPAIRMENT LOSSES** | | | | | | |
| **At January 1** | **(13,076)** | **(39,947)** | **(15,500)** | **(66,979)** | **(17,562)** | **(153,064)** |
| Depreciation and amortization | (3,738) | (7,184) | (6,579) | (14,484) | (3,209) | (35,194) |
| Divestitures and impairment losses | 634 | 430 | 2,480 | (1,011) | 1,444 | 3,977 |
| Changes in consolidation scope | - | - | (807) | (183) | (10) | (1,000) |
| Translation differences | 88 | 561 | (133) | 381 | 62 | 959 |
| Other movements | 534 | (10) | 332 | 2,208 | (90) | 2,974 |
| **At December 31** | **(15,558)** | **(46,150)** | **(20,207)** | **(80,068)** | **(19,365)** | **(181,348)** |
| **NET CARRYING AMOUNT** | | | | | | |
| **At January 1** | **10,528** | **16,581** | **17,769** | **33,505** | **9,982** | **88,365** |
| **At December 31** | **13,669** | **16,972** | **17,250** | **33,669** | **8,775** | **90,337** |

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

## NOTE 8 —• Other provisions

### Provisions

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

### Litigation and claims

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

### Restructuring

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

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

Provisions are not recognized for future operating costs.

### Warranties

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

The provision is based on historical warranty data.

### Supplier inventory buyback commitments

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

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

### Product quality risk

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

### Onerous contracts

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

## Warranties

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

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

## Litigation and claims

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

### Tax disputes

During fiscal year 2018 and previous years, Group companies were subject to tax audits and, on occasion, correction proposals.

The financial consequences of such additional tax adjustments are recognized through provisions for the amounts that have been identified and accepted or are considered likely to result in an outflow of resources, which can be reliably estimated.

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

### Tax disputes in Brazil

The tax assessment procedures in respect of a Brazilian subsidiary are still in progress. They relate to the ICMS tax, and the sum in question amounted to approximately €62.5 million as of December 31, 2018 (covering principal, interest and penalties from 2004 to 2009). The "Tax War" currently pitting Brazilian states against one another may affect Ingenico as well as a large number of foreign and domestic companies. Against this background, the tax authorities of the State of Sao Paulo have contested the deduction by Ingenico do Brazil of a portion of the ICMS tax on the sales invoices of one of its suppliers on the grounds that the State of Minas Gerais, in which the supplier operates, had granted the supplier a tax concession that violates federal law. All notified ICMS-related assessments are still being contested in the administrative courts in Brazil. As of December 31, 2018, Ingenico had not been notified of any final decision by the Brazilian administrative courts and had not received any demand for payment. In addition, the subsidiary, on the advice of tax experts, believes it has serious grounds for contesting the claims of the authorities. Based on an analysis of the risks involved and on the criteria set out in IAS 37, no provision has been recognized in the consolidated financial statements as at December 31, 2018.

| *(in thousands of euros)* | Balance at January 1, 2018 | Translation differences | Changes in consolida-tion scope | Additions | Reversals of amounts used | Reversal of unused amounts | Other movements | Balance at December 31, 2018 |
|---|---|---|---|---|---|---|---|---|
| Provisions for warranties | 16,042 | (211) | 181 | 11,287 | (10,761) | - | (66) | 16,472 |
| Provisions for litigation and claims | 6,105 | (56) | - | 2,300 | (122) | - | 9 | 8,236 |
| Provisions for restructuring | 4,333 | (117) | - | 3,588 | (5,513) | - | - | 2,291 |
| Others | 16,963 | (35) | - | 3,760 | (3,187) | (3,918) | (1,704) | 11,879 |
| **TOTAL OTHER PROVISIONS** | **43,443** | **(419)** | **181** | **20,935** | **(19,582)** | **(3,918)** | **(1,761)** | **38,878** |

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

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Supplier inventory buyback commitments | 4,488 | 4,077 |
| Product quality risk | 4,034 | 5,921 |
| Customer sales indemnities | 1,685 | 2,963 |
| Other expenses | 1,672 | 4,002 |
| **TOTAL OTHERS** | **11,879** | **16,963** |

## NOTE 9 —• Financing and financial instruments

### a. Net finance costs

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Interest expense on financial liabilities at amortized cost and bond loan | (36,709) | (29,213) |
| Interest expense on finance lease contracts | (3) | (36) |
| **Total interest expense** | **(36,712)** | **(29,249)** |
| Income from cash and cash equivalents | 2,861 | 2,909 |
| Interest income on finance lease contracts | 3,959 | 4,533 |
| **Net interest expense** | **(29,892)** | **(21,807)** |
| Foreign exchange gains | 66,377 | 34,761 |
| Foreign exchange losses | (69,399) | (38,372) |
| **Foreign exchange gains and losses, net** | **(3,022)** | **(3,611)** |
| Financial component of retirement expenses and the cost of other post-employment benefits | (426) | (491) |
| Gains/(losses) on equity interests | 54 | 20 |
| Other financial income | 871 | 4,322 |
| Other financial expenses | (5,497) | (5,407) |
| **Other financial income and expenses, net** | **(4,998)** | **(1,556)** |
| **Net finance costs** | **(37,912)** | **(26,974)** |
| **TOTAL FINANCIAL INCOME** | **74,122** | **46,545** |
| **TOTAL FINANCIAL EXPENSES** | **(112,035)** | **(73,519)** |

Net finance costs in 2018 are broken down as follows:

Interest expenses on borrowings of €36.7 million are related to the loans described in paragraph 9.b relating to net financial debt:

- interest expense relating to the OCEANE convertible bond issue amounts to €10.9 million;
- interest expense relating to the bond issued in 2014 and the embedded swap amounts to €8.8 million;
- interest expense relating to the bond issued in September 2017 amounts to €10.5 million;
- interest expense relating to bank loans (of which the credit facility for merchant prefinancing), including the amortization of syndicated credit costs and the commitment fee, and contracted private investments amount to €7.0 million;
- commercial paper, because of the negative rates, generates income rather than interest expense.

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

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

The foreign exchange loss of €3.0 million is the result of foreign exchange gains and losses following the revaluation of loans and borrowings as well as on revaluations of the related derivative hedging instruments and the ineffective portion of hedging instruments.

Other financial income and expenses include, in particular, the €3.7 million impact of the financing component from sales of extended warranties, late-payment interest receivable in connection with delays relating to a tax dispute in Brazil, factoring expenses for €1.0 million and charges relating to retirement commitments (see Note 6.c "Employee benefits").

Net finance costs in 2017 are broken down as follows:

Interest expenses on borrowings of €29.2 million relate to net financial debt:

- interest expense relating to the OCEANE convertible bond issue amounts to €10.7 million;
- interest expense relating to the bond issued in 2014 and the embedded swap amounts to €9.4 million;
- interest expense relating to the bond issued in September 2017 amounts to €3.1 million;
- interest expense relating to bank loans amounts to €1.9 million (including the amortization of syndicated credit costs and the commitment fee);
- the repayment of bank borrowings owed by Bambora upon its acquisition generated an interest expense of €3.9 million, corresponding to acceleration of the amortization of set-up costs. Commercial paper, because of the negative rates, generates income rather than interest expense.

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

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

The foreign exchange loss of €3.6 million is the result of foreign exchange gains and losses following the revaluation of loans and borrowings as well as on revaluations of the related derivative hedging instruments.

Other financial income and expenses include, in particular, late-payment interest receivable in connection with delays relating to a tax dispute in Brazil, factoring expenses for €1 million and charges relating to retirement commitments.

## b. Net financial debt

### Cash and cash equivalents

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

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

### Financial liabilities

The Group's financial liabilities consist primarily of current and non-current bank borrowings and a convertible bond issue. In accordance with IFRS 9, the former are recognized at amortized cost and the latter is accounted for as a compound financial instrument.

### Borrowings at amortized cost

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

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Bond issues | 1,051,042 | 1,050,904 |
| "OCEANE" convertible bond issue | 458,896 | 447,966 |
| Other financial liabilities | 106,338 | 52,310 |
| Bank borrowings | 248,051 | (2,142) |
| Finance lease obligations | 77 | 77 |
| **Long-term debt** | **1,864,404** | **1,549,115** |
| Commercial papers | 405,000 | 500,000 |
| Bank overdrafts | 12,134 | 7,367 |
| Other financial liabilities | 1,317 | 1,470 |
| Bank and similar borrowings | - | 372 |
| Interest accrued but not due | 9,637 | 8,323 |
| Finance lease obligations | 147 | 147 |
| **Short-term debt** | **428,235** | **517,679** |
| **GROSS FINANCIAL DEBT** | **2,292,639** | **2,066,794** |

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Cash | 671,805 | 505,973 |
| Marketable securities and short-term deposits | 102,996 | 89,966 |
| **Cash and cash equivalents** | **774,801** | **595,939** |
| **NET FINANCIAL DEBT** | **1,517,838** | **1,470,855** |

Short-term debt exclude the credit facility for merchant prefinancing. The amount of this facility which had been used at December 31, 2018, and December 31, 2017, totaled €37.7 and €34.9 million, respectively.

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

As of December 31, 2018, gross financial debt amounted to €2,292.6 million, including:

- €595.6 million in respect of the bond issued in September 2017;
- €455.4 million in respect of a bond issued in May 2014;
- €458.9 million in respect of an OCEANE convertible bond issued on June 26, 2015;
- €104.8 million in respect of private investments contracted in December 2017 and May 2018;
- €248.1 million in respect of a bank loan activated in March 2018;
- €405.0 million in respect of commercial papers. In May 2018, the Group increased the ceiling of its commercial paper program from €500 million to €750 million.

At December 31, 2017, gross financial debt amounted to €2,066.8 million, with €448.0 million relating to the OCEANE convertible bond, €594.8 million relating to the bond issued in 2017, €456.1 million relating to the bond issued in 2014, and €500 million in respect of commercial papers.

### Bond issues

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

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

### Convertible bond issue

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

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

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

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

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

The Group partially hedged its obligation to deliver treasury shares and, therefore, the potential dilution of the OCEANE bonds in the event of a conversion, by buying 1,500,000 call options in November 2016.

At December 31, 2018, the conversion rate was 1.009 shares for one bond.

### Bank borrowings

On July 6, 2018, the Group renegotiated its syndicated credit facility of €750 million, exercising both of its one-year extension options, 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, or of the lenders in certain usual circumstances. The loan has a variable interest rate based on Euribor (1-6 months) plus margin. At the end of December 2018, as at the end of December 2017, the syndicated credit facility remained unused.

In September 2017, the Group contracted a bank loan with a nominal value of €250 million, which was activated on March 14, 2018, for a maturity of three years. The remuneration of the loan is variable and based on the Euribor 6 months plus margin. This 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, at a fixed rate of 0.647%.

In May 2018, the Group contracted two private investments in an amount of €25 million and €30 million, with a maturity of seven years, at a fixed rate of 1.677%.

### Bank overdrafts

Bank overdrafts totaling €12.1 million are attributed to Ingenico Payment Services GmbH.

## Maturity of financial debt

| | 2018 | | | |
|---|---|---|---|---|
| *(in thousands of euros)* | Carrying amount | Less than 1 year | 1 to 5 years | More than 5 years |
| "OCEANE" convertible bond issue | 458,896 | - | 458,896 | - |
| Bond issue | 1,051,042 | - | 455,451 | 595,591 |
| Bank borrowings | 248,051 | - | 248,051 | - |
| Finance lease obligations | 224 | 147 | 77 | - |
| Bank overdrafts | 12,134 | 12,134 | - | - |
| Commercial papers and other financial liabilities | 512,655 | 406,317 | 51,448 | 54,890 |
| Accrued interest on borrowings | 9,637 | 9,637 | - | - |
| **GROSS FINANCIAL DEBT** | **2,292,639** | **428,235** | **1,213,923** | **650,481** |

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

### Breakdown by currency

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

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Euro | 2,288,414 | 2,063,844 |
| US dollar | 1,373 | 85 |
| Other currencies | 2,852 | 2,865 |
| **GROSS FINANCIAL DEBT** | **2,292,639** | **2,066,794** |

### Changes in financial borrowings and debt

| | |
|---|---|
| **BALANCE AT JANUARY 1, 2017** | **1,140,182** |
| Repayments of bank loans and other financial debts | (275,493) |
| **CHANGES IN FINANCIAL DEBTS WITH AN EFFECT ON THE CASH FLOW STATEMENT** | **643,884** |
| Capitalized interest | 16,230 |
| Net change on bank overdrafts | (3,244) |
| Change in fair value | (3,114) |
| Changes in consolidation scope | 267,842 |
| Translation differences and other variations | 5,014 |
| **BALANCE AT DECEMBER 31, 2017** | **2,066,794** |
| Issuing of commercial papers | (95,000) |
| Issuing of bond loan | - |
| Issuing of other financial debts | 304,151 |
| Repayments of bank loans and other financial debts | (1,388) |
| **CHANGES IN FINANCIAL DEBTS WITH AN EFFECT ON THE CASH FLOW STATEMENT** | **207,763** |
| Capitalized interest | 12,412 |
| Net change on bank overdrafts | 4,767 |
| Change in fair value | (1,296) |
| Changes in consolidation scope | - |
| Translation differences and other variations | 2,199 |
| **BALANCE AT DECEMBER 31, 2018** | **2,292,639** |

In 2018, the Group issued and redeemed commercial paper for a net amount of €(95) million. The Group also contracted two private investments of €55 million (or €54.9 million after deduction of issue costs) and activated a €250 million bank loan.

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

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

## c. Derivative financial instruments

The Group uses derivative financial instruments to hedge its foreign exchange and interest rate exposure arising from its operating, financing and investing activities. Those instruments are initially measured at fair value, *i.e.* the price that would be received when selling an asset or paid when transferring a liability in an orderly transaction between market participants at the measurement date.

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

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

Initial recognition of foreign exchange and interest rate hedging instruments and subsequent accounting for changes in their value are carried out in accordance with IFRS 9.

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

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

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

### Cash flow hedges

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

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

### Fair value hedges

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

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

### Fair value of derivative instruments at the reporting date

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| **Interest rate derivative instruments** | | |
| Current assets | 6,639 | 7,864 |
| Current liabilities | - | - |
| **Foreign exchange derivative instruments** | | |
| Current assets | 8,926 | 439 |
| Current liabilities | (1,956) | (2,656) |
| **TOTAL** | **13,609** | **5,647** |

● **Breakdown of instruments by hedging policy**

| *(in thousands of euros)* | Balance at January 1, 2018 | Balance at December 31, 2018 | | |
|---|---|---|---|---|
| | Fair value of the derivative financial instruments | Variation through net income | Variation through equity | Fair value of the derivative financial instruments |
| **Instruments designated as cash flow hedges** | | | | |
| Foreign exchange forward contracts | 2 | - | 257 | 259 |
| Foreign exchange options | 41 | - | 83 | 124 |
| Foreign exchange swaps | (21) | - | 21 | - |
| **Instruments not designated as cash flow hedges** | | | | |
| Foreign exchange forward contracts | - | 760 | (168) | 592 |
| Foreign exchange options | (27) | 43 | 36 | 52 |
| Foreign exchange swaps | (2,212) | 8,457 | (304) | 5,941 |
| Interest rate swaps | 7,864 | (1,224) | - | 6,640 |
| **TOTAL** | **5,647** | **8,036** | **(74)** | **13,609** |

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

Changes in the fair value of ineffective hedging instruments or the ineffective portions of effective hedging instruments are directly recognized in net financial income and expenses. For foreign exchange hedges, these changes mainly reflect the effect of interest rate differentials between the currency of the hedged items and the euro.

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

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

| *(in thousands of euros)* | 2018 | | |
|---|---|---|---|
| | Gross amounts in the balance sheet | Impact of compensation | Net amounts |
| FV of derivatives in assets | - | - | - |
| FV of derivatives in liabilities | - | - | - |
| **NET POSITION** | **-** | **-** | **-** |

| | 2017 | | |
|---|---|---|---|
| *(in thousands of euros)* | Gross amounts in the balance sheet | Impact of compensation | Net amounts |
| FV of derivatives in assets | 8,303 | (411) | 7,892 |
| FV of derivatives in liabilities | (2,656) | 411 | (2,245) |
| **NET POSITION** | **5,647** | **-** | **5,647** |

## d. Financial assets and liabilities classified by accounting category

| | 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** | **1,251,210** | **885,905** | **18,386** | **812** | **2,156,314** | **2,156,314** |
| "OCEANE" Convertible bond issue[1] | - | 458,896 | - | - | 458,896 | 469,648 |
| Bond issues | - | 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 bond encompasses both its liability component and its equity component.*

| | 2017 Restated | | | | | |
|---|---|---|---|---|---|---|
| **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 | - | 4,555 | 15,278 | - | 19,833 | 19,833 |
| Other non-current assets | - | 24,876 | - | - | 24,876 | 24,876 |
| Trade and other current receivables | - | 546,788 | - | - | 546,788 | 546,788 |
| Cash and cash equivalents | 595,939 | - | - | - | 595,939 | 595,939 |
| Receivables related to intermediation activities | - | 172,708 | - | - | 172,708 | 172,708 |
| Funds related to intermediation activities | 460,555 | - | - | - | 460,555 | 460,555 |
| Derivative financial instruments | 8,206 | - | - | 98 | 8,304 | 8,304 |
| **TOTAL FINANCIAL ASSETS** | **1,064,700** | **748,927** | **15,278** | **98** | **1,829,003** | **1,829,003** |
| "OCEANE" Convertible bond issue[(1)] | - | 447,966 | - | - | 447,966 | 493,026 |
| Bond issue | - | 1,050,904 | - | - | 1,050,904 | 1,078,367 |
| Long-term loans | - | 50,245 | - | - | 50,245 | 50,245 |
| Other non-current liabilities | 11,948 | 28,217 | 6,648 | - | 46,813 | 46,813 |
| Short-term borrowings | - | 517,678 | - | - | 517,678 | 517,678 |
| Financing of merchant prefinancing | - | 34,940 | - | - | 34,940 | 34,940 |
| Trade payables and other current liabilities | - | 515,307 | 94,469 | - | 609,776 | 609,776 |
| Payables related to intermediation activities | - | 598,322 | - | - | 598,322 | 598,322 |
| Derivative financial instruments | 2,599 | - | - | 58 | 2,657 | 2,657 |
| **TOTAL FINANCIAL LIABILITIES** | **14,547** | **3,243,579** | **101,117** | **58** | **3,359,301** | **3,431,824** |

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

The fair value of bonds and convertible bonds corresponds to their market value (as quoted on December 31, 2018 and 2017).

### Fair value hierarchy

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

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

- assets and liabilities measured at fair value through the income statement and equity;
- assets and liabilities measured at fair value through non-recyclable OCI;
- derivative financial instruments designated as cash flow hedges.

The fair value hierarchy is as follows:

- level 1: inputs used are quoted (non-adjusted) 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 for the asset or liability, either directly, by reference to market prices or indirectly, by reference to inputs derived from quoted market prices;
- level 3: inputs relating to assets or liabilities that are not based on observable market inputs (unobservable inputs).

These assets and liabilities can correspond to any of the three levels of fair value set out in the tables below for 2018 and 2017. The Group did not make any transfers between levels from 2017 to 2018.

| | 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 the income statement or derivative instruments designated as cash flow hedges.*

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

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

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

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

At the end of 2018, other Level 3 liabilities included a liability towards Paymark sellers, and the put option liabilities as of December 31, 2017 were settled in 2018.

Other non-current liabilities also include earn-out debts, *i.e.* earn-outs to be paid in the context of past acquisitions.

## e. Financial risk management

### Liquidity and counterparty risk

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

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

#### Financial assets

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

The carrying amount of the Group's financial assets at the end of the period represents the Group's maximum exposure to credit risk. The Group's maximum exposure as of December 31, 2018 is as follows:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Cash and cash equivalents | 774,801 | 595,939 |
| Funds related to intermediation activities | 461,657 | 460,555 |
| Financial assets | 22,656 | 19,833 |
| Trade receivables on the sales of goods and services | 557,892 | 490,830 |
| Finance lease receivables | 47,234 | 47,797 |
| Other current receivables | 13,501 | 9,692 |
| Receivables related to intermediation activities | 243,340 | 172,708 |
| Other current assets | 10,559 | 14,708 |
| Other non-current assets | 1,393 | 1,514 |
| Derivative financial instruments (assets) | 15,565 | 8,303 |
| **TOTAL** | **2,148,598** | **1,821,879** |

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

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

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

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

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

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

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

It should also be noted that, on the one hand, the payment cycle for these activities is short, as credit card issuers or consumers remit funds to the Group and the Group pays merchants within a period of no more than two weeks, and, on the other hand, almost all amounts are collected from credit card issuers and consumers prior to the obligation to pay merchants, which thus entails the recognition of funds collected as assets (receivables associated with intermediation activities and funds associated with intermediation activities), offset by an equivalent debt included in liabilities, with a possible marginal difference (payables associated with intermediation activities) (see Note 5.l. "Funds, receivables and payables related to intermediation activities").

**Financial liabilities**

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

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

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

The Group has performed a specific review of its liquidity risk, and has concluded that it can repay its debt as it falls due.

It should be noted that the Group has:

- the ability to generate significant recurring cash flows for its investment requirements (cf. Consolidated cash flow statements);
- undrawn credit facilities of €750 million;
- a debt ratio (Net Financial Debt/EBITDA) at 3.

The maturities of the Group's financial liabilities as of December 31, 2018 were as follows:

| | 2018 | | | | |
|---|---|---|---|---|---|
| *(in thousands of euros)* | Carrying amount * | Contractual cash flow* | Less than 1 year | 1 to 5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | |
| "OCEANE" Convertible bond issue | 458,896 | 500,000 | - | 500,000 | - |
| Bond issues | 1,059,302 | 1,142,250 | 21,000 | 511,500 | 609,750 |
| Bank borrowings | 248,051 | 251,250 | 1,250 | 250,000 | - |
| Finance lease obligations | 525,013 | 532,845 | 419,916 | 56,031 | 56,898 |
| Financing of merchant prefinancing | 37,663 | 37,663 | 37,663 | - | - |
| Trade payables and other current liabilities | 626,172 | 626,172 | 626,172 | - | - |
| Payables related to intermediation activities | 665,306 | 665,306 | 665,306 | - | - |
| Other non-current liabilities | 58,798 | 58,798 | 58,798 | - | - |
| **TOTAL** | **3,679,201** | **3,814,284** | **1,830,105** | **1,317,531** | **666,648** |
| **Derivative financial liabilities** | | | | | |
| Exchange rate instruments | 6,970 | 6,970 | 6,970 | - | - |
| Interest rate instruments | 6,639 | 6,639 | 6,639 | - | - |
| **TOTAL** | **13,609** | **13,609** | **13,609** | **-** | **-** |

* *Nominal and interest.*

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

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

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

| | 2017 Restated | | | | |
|---|---|---|---|---|---|
| *(in thousands of euros)* | Carrying amount | Contractual cash flow* | Less than 1 year | 1 to 5 years | More than 5 years |
| **Non-derivative financial liabilities** | | | | | |
| "OCEANE" Convertible bond issue | 447,966 | 500,000 | - | 500,000 | - |
| Bond issue | 1,059,227 | 1,163,655 | 21,405 | 522,750 | 619,500 |
| Bank borrowings | (1,770) | (1,770) | 372 | (2,142) | - |
| Finance lease obligations | 224 | 224 | 147 | 77 | - |
| Bank overdrafts | 7,367 | 7,367 | 7,367 | - | - |
| Other financial liabilities | 553,780 | 553,780 | 501,470 | 52,310 | - |
| Financing of merchant prefinancing | 34,940 | 34,940 | 34,940 | - | - |
| Trade payables and other current liabilities | 609,776 | 609,776 | 609,776 | - | - |
| Payables related to intermediation activities | 598,323 | 598,323 | 598,323 | - | - |
| Other non-current liabilities | 46,813 | 46,813 | 46,813 | - | - |
| **TOTAL** | **3,356,646** | **3,513,108** | **1,820,613** | **1,072,995** | **619,500** |
| **Derivative financial liabilities** | | | | | |
| Exchange rate instruments | 2,656 | 2,656 | 2,656 | - | - |
| **TOTAL** | **2,656** | **2,656** | **2,656** | **-** | **-** |

* *Nominal and interest.*

### Foreign exchange risk

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

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

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

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

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

The closing rates and average foreign exchange rates used by the Group in 2018 and 2017 are as follows:

| Closing rate | 2018 | 2017 |
|---|---|---|
| US dollar | 1.1450 | 1.1993 |
| Canadian dollar | 1.5605 | 1.5039 |
| Australian dollar | 1.6220 | 1.5346 |
| Pound sterling | 0.8945 | 0.8872 |
| Brazilian real | 4.4366 | 3.9729 |
| Swedish krona | 10.2548 | 9.8438 |
| Chinese yuan | 7.8751 | 7.8044 |
| Russian rubble | 79.7153 | 69.3920 |

| Average rate | 2018 | 2017 |
|---|---|---|
| US dollar | 1.1815 | 1.1293 |
| Canadian dollar | 1.5302 | 1.4644 |
| Australian dollar | 1.5799 | 1.4729 |
| Pound sterling | 0.8847 | 0.8761 |
| Brazilian real | 4.3177 | 3.6041 |
| Swedish krona | 10.2567 | 9.6369 |
| Chinese yuan | 7.8074 | 7.6264 |
| Russian rubble | 74.0551 | 65.8877 |

### Sensitivity to foreign exchange risk

The following tables show sensitivity to transactional exchange risk. The first table shows balance sheet exposure as of December 31, net of existing hedges. These hedges are classed as Fair Value Hedges. The second table shows hedges on future flows or cash flow hedges as of December 31. In the tables below, negative amounts correspond to sales of currencies and positive amounts to purchases.

### Fair value hedge of firm commitments

| | 2018 | | | |
|---|---|---|---|---|
| *(in thousands of foreign currencies)* | US dollar | Pound sterling | Canadian dollar | Australian dollar |
| Trade receivables | 196,332 | 39,907 | 17,192 | 43,147 |
| Trade payables | (160,106) | (20,214) | (10,442) | (9,509) |
| **Gross balance sheet exposure** | **36,226** | **19,693** | **6,750** | **33,638** |
| Foreign exchange derivative instruments | | | | |
| Forward contracts | 44,225 | (4,043) | (5,733) | (6,573) |
| Collars | - | - | (2,200) | (1,800) |
| **NET BALANCE SHEET EXPOSURE** | **80,451** | **15,650** | **(1,183)** | **25,265** |

### Hedges of future cash-flows Budget 2019

| | 2018 | | | |
|---|---|---|---|---|
| *(in thousands of foreign currencies)* | US dollar | Pound sterling | Canadian dollar | Australian dollar |
| Forward contracts | - | (4,000) | (5,000) | (3,000) |
| Collars | - | (3,200) | (3,500) | (3,000) |
| **HEDGING OF FUTURE TRANSACTIONS** | **-** | **(7,200)** | **(8,500)** | **(6,000)** |

### Fair value hedge of firm commitments

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

### Hedges of future cash-flows Budget 2018

| | 2017 | | | |
|---|---|---|---|---|
| *(in thousands of foreign currencies)* | US dollar | Pound sterling | Canadian dollar | Australian dollar |
| Forward contracts | - | (4,785) | (6,000) | (3,000) |
| Collars | - | (4,000) | - | - |
| **HEDGING OF FUTURE TRANSACTIONS** | **-** | **(8,785)** | **(6,000)** | **(3,000)** |

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

| | 2018 | |
|---|---|---|
| | Impact on profit or loss | |
| *(in thousands of euros)* | 10% appreciation of the euro in relation to foreign currencies | 10% appreciation of foreign currency in relation to the euro |
| USD | (15,588) | 19,052 |
| GBP | (4,056) | 4,957 |
| CAD | (1,002) | 1,224 |
| AUD | (2,418) | 2,956 |
| **Trade receivables** | **(23,064)** | **28,189** |
| USD | 12,712 | (15,537) |
| GBP | 2,054 | (2,511) |
| CAD | 608 | (744) |
| AUD | 533 | (651) |
| **Trade payables** | **15,907** | **(19,443)** |
| USD | (646) | 282 |
| GBP | (1,315) | 665 |
| CAD | (435) | 314 |
| AUD | (169) | 170 |
| **Derivative financial instruments** | **(2,565)** | **1,431** |
| **TOTAL** | **(9,722)** | **10,177** |

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

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

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

### Interest rate risk

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

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

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

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

| | 2018 | | 2017 | |
|---|---|---|---|---|
| *(in thousands of euros)* | Outstanding Debt | %Total Debt | Outstanding Debt | %Total Debt |
| Fixed rate | 1,625,913 | 70.9% | 1,559,427 | 75.5% |
| Variable rate | 666,726 | 29.1% | 507,367 | 24.5% |
| **Gross debt before hedging** | **2,292,639** | **100.0%** | **2,066,794** | **100.0%** |
| Fixed rate | 1,400,913 | 61.1% | 1,326,017 | 64.2% |
| Variable rate | 891,726 | 38.9% | 740,777 | 35.8% |
| **Gross debt after hedging** | **2,292,639** | **100.0%** | **2,066,794** | **100.0%** |

The gross debt exposed to interest rate fluctuations amounted to approximately €892 million at December 31, 2018, compared with €741 million at December 31, 2017.

The €151 million increase in the share of the gross debt exposed to interest rate fluctuations is mainly due to the €250 million bank loan together with the €95 million decrease in commercial paper at December 31.

### Sensitivity to interest rate risk

The Group is subject to fluctuations in interest rates on commercial paper and the €250 million bank loan, and on the portion of the bond issue hedged by a swap.

A 100 bp (+/-1%) rise or fall in all the yield curves would lead to an increase or decrease of approximately €8.9 million in gross financial expenditure.

## NOTE 10 —• Income tax

### Income tax

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

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

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

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

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

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

### Business research and development tax credits

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

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

### Recent tax regulations in France

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

## a. Income tax expense

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Current income tax France | (31,868) | (57,060) |
| Current income tax foreign | (41,334) | (52,013) |
| **Current income tax** | **(73,202)** | **(109,073)** |
| Deferred income tax France | 12,186 | 2,965 |
| Deferred income tax foreign | 9,224 | 19,947 |
| **Deferred income tax** | **21,410** | **22,912** |
| **TOTAL** | **(51,792)** | **(86,161)** |

In 2018, income tax expense for the period consisted primarily of:

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

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

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

The current tax payable by the Group decreased mainly in France and in the United States in 2018. The tax rate benefits from the generally positive effect of local tax rates being lower than the parent company's tax rate. The decrease in non-deductible expenses such as payroll expenses relating to share-based payments and the portion of costs and charges on dividends received from foreign subsidiaries also contribute to the decrease in current tax. However, the classification of the French CVAE (company value-added contribution) as current tax and the withholding tax on dividends paid by the Group's subsidiaries contributes to downgrading the tax rate.

## b. Group tax reconciliation

The current tax rate for French companies in the Group was 34.43% in fiscal year 2018.

The 2018 Finance Act applies a gradual reduction in the tax rate for French companies. This would affect the Group's French companies from 2020.

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

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| **Profit before income tax (excl. share of profits in equity-accounted investees)** | **240,512** | **344,107** |
| Tax rate in France | 34.43% | 34.43% |
| **Theoretical tax expense** | **(82,808)** | **(118,476)** |
| Difference between the French tax rate and that of foreign subsidiaries | 29,153 | 30,403 |
| Tax losses and temporary differences for the period not recognized as deferred tax assets | (117) | (4,500) |
| Prior period temporary differences and tax losses recognized as deferred tax assets in the period | (184) | 13,604 |
| Use of prior period tax losses not recognized as deferred tax assets | 266 | 1,993 |
| Tax credits | 6,015 | 5,877 |
| Effect of permanent differences and others | (4,117) | (15,062) |
| **TOTAL** | **(51,792)** | **(86,161)** |
| Effective tax rate | 21.5% | 25.0% |

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

In 2018 and 2017, permanent differences and other differences included:

- the impact of the share of costs and expenses and withholding taxes related to dividends received from subsidiaries by Ingenico Group SA;
- the effect of classifying the French CVAE tax as an income tax;
- the non-deductibility of the payroll expense arising from the award of stock options and free shares.

## c. Deferred taxes

### Change in deferred tax assets and liabilities

| *(in thousands of euros)* | Deferred tax assets from tax losses | Deferred tax assets from temporary differences | Total deferred tax assets | Total deferred tax liabilities | Total deferred tax, net |
|---|---|---|---|---|---|
| **Balance at January 1, 2017** | **9,235** | **48,874** | **58,109** | **(133,780)** | **(75,671)** |
| Deferred tax recognized in profit or loss | 12,889 | (8,556) | 4,333 | 19,030 | 23,363 |
| Deferred tax recognized in equity and business combinations | 3,446 | 149 | 3,595 | (113,843) | (110,248) |
| Translation differences | (1,177) | (2,137) | (3,314) | 2,065 | (1,249) |
| Other movements | (228) | 228 | - | - | - |
| **Balance at December 31, 2017** | **24,165** | **38,558** | **62,723** | **(226,528)** | **(163,805)** |
| Deferred tax recognized in profit or loss | (8,882) | (2,875) | (11,757) | 33,807 | 22,050 |
| Deferred tax recognized in equity and business combinations | 9,646 | (6,754) | 2,892 | (15,867) | (12,975) |
| Translation differences | 88 | (600) | (512) | 4,970 | 4,458 |
| Other movements | 22 | (22) | - | - | - |
| **BALANCE AT DECEMBER 31, 2018** | **25,039** | **28,307** | **53,345** | **(203,620)** | **(150,273)** |

As of December 31, 2018, the change in deferred taxes recognized in equity primarily comprised the impact of deferred taxes in recently acquired subsidiaries and the recognition of post-employment benefits. It is also explained by the recognition of the gradual reduction in the French tax rate from 2020.

- **Breakdown by nature**

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| **Deferred tax assets by type of temporary difference** | | |
| Property, plant and equipment and intangible assets | 6,758 | 6,970 |
| Employee benefits | 10,069 | 10,757 |
| Inventories, receivables, payables and provisions | 60,214 | 77,131 |
| Unutilized tax losses and credits | 25,039 | 24,165 |
| Others (including financial instruments) | 764 | 124 |
| **DEFERRED TAX ASSETS** | **102,844** | **119,148** |
| Netting effect | (49,499) | (56,425) |
| **TOTAL DEFERRED TAX ASSETS** | **53,345** | **62,723** |
| **Deferred tax liabilities by nature of temporary difference** | | |
| Property, plant and equipment and intangible assets | (198,161) | (207,051) |
| Employee benefits | (382) | (289) |
| Inventories, receivables, payables and provisions | (47,906) | (75,110) |
| Others (including financial instruments) | (6,669) | (504) |
| **DEFERRED TAX LIABILITIES** | **(253,118)** | **(282,954)** |
| Netting effect | 49,499 | 56,425 |
| **TOTAL DEFERRED TAX LIABILITIES** | **(203,620)** | **(226,528)** |
| **NET TOTAL** | **(150,275)** | **(163,806)** |

- **Breakdown of unrecognized deferred tax assets**

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| Deferred tax from tax losses and tax credits of less than 1 year | - | 257 |
| Deferred tax from tax losses and tax credits of between 1 and 5 years | 844 | 357 |
| Deferred tax from tax losses and tax credits of over 5 years | 10,241 | 15,188 |
| Deferred tax from temporary differences | 458 | 92 |
| **TOTAL** | **11,544** | **15,894** |

## d. Current tax liabilities

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| France | 7,397 | 1,332 |
| Foreign countries | 19,118 | 23,008 |
| **TOTAL** | **26,515** | **24,340** |

## NOTE 11 —• Equity-accounted investees and non-controlling interests

### a. Interests in associate companies

| *(in thousands of euros)* | JoinedApp Inc. | Fixed & Mobile Pte Ltd | Total |
|---|---|---|---|
| % interest at January 1, 2017 | - | 27.3% | |
| % interest at December 31, 2017 | 15.0% | 27.3% | |
| % interest at December 31, 2018 | 15.0% | 26.7% | |
| **Balance at January 1, 2017** | **-** | **8,636** | **8,636** |
| Acquisition | 1,311 | - | 1,311 |
| Impairment loss | - | (1,419) | (1,419) |
| Translation differences | - | (963) | (963) |
| **Balance at December 31, 2017** | **1,311** | **6,254** | **7,565** |
| Impairment loss | - | 127 | 127 |
| Translation differences | - | 294 | 294 |
| Accretion | - | (144) | (144) |
| **Balance at December 31, 2018** | **1,311** | **6,530** | **7,841** |

In 2017, the Group invested in a Californian company called JoinedApp, specializing in e-Commerce solutions integrated into email applications. Having acquired 15% of the Company's capital and with a presence on the Management Committee, the Group has a significant influence on JoinedApp, without having control. Therefore, the investment is recognized under the equity method. JoinedApp has not yet reported its annual financial statements.

### b. Non-controlling interests

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

#### Share purchase commitments on non-controlling interests

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

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

Furthermore, in December 2017, the Group acquired the remaining minority shareholding in Think & Go.

| | | Balance at December 31, 2018 | | Balance at December 31, 2017 | |
|---|---|---|---|---|---|
| **Name of subsidiary** | **Location** | **Percentage of capital and voting rights held by non-controlling interests** | **Profit for the period - Share of non-controlling interests** *(in thousands of euros)* | **Percentage of share capital and voting rights held by non-controlling interests** | **Profit for the period - Share of non-controlling interests** *(in thousands of euros)* |
| Ingenico Holdings Asia Limited | Hong Kong | 3% | (86) | 23% | (640) |
| Fujian Landi Commercial Equipment Co., Ltd | China | 3% | 673 | 23% | 5,270 |
| Ingenico Electronic Equipment Co., Ltd | China | 3% | 27 | 23% | 265 |
| Ingenico Japan Co. Ltd (ex Lyudia) | Japan | - | - | 30% | (339) |
| Think&Go NFC | France | - | - | - | (536) |
| **TOTAL** | | | **614** | | **4,020** |

## NOTE 12 —• Equity

### Treasury shares

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

## a. Total equity

### ● Number of outstanding shares

| | 2018 | 2017 |
|---|---|---|
| **Issued on January 1** | **62,363,114** | **61,493,241** |
| Shares issued in connection with dividend distributions[(1)] | 781,413 | 731,856 |
| Shares issued in connection with options exercised and shares acquired | - | 112,000 |
| Shares issued in connection with a capital increase reserved for employees | - | 26,017 |
| **Shares issued at the end of the period** | **63,144,527** | **62,363,114** |
| Treasury shares at the end of the period | 1,360,354 | 114,734 |
| **Shares outstanding at the end of the period** | **61,784,173** | **62,248,380** |

(1) See V. *"Consolidated statement of change in equity".*

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

### ● Treasury shares

| *(in euros)* | 2017 | Acquisitions | Divestitures and cancellations | 2018 |
|---|---|---|---|---|
| Number of securities | 114,734 | 1,873,708 | (628,088) | 1,360,354 |
| Average purchase price | 23.52 | 69.26 | 69.59 | 65.25 |
| **TOTAL** | **2,698,027** | **129,773,016** | **43,708,644** | **88,763,099** |

| *(in euros)* | 2016 | Acquisitions | Divestitures and cancellations | 2017 |
|---|---|---|---|---|
| Number of securities | 116,534 | 595,767 | (597,567) | 114,734 |
| Average purchase price | 23.56 | 83.02 | 83.32 | 23.52 |
| **TOTAL** | **2,745,541** | **49,460,576** | **(49,789,282)** | **2,698,027** |

#### Shares repurchased to be awarded or retired

The portfolio of treasury shares totaled 114,734 shares as of December 31, 2017. As of December 31, 2018, there were 1,360,354 treasury shares at an average price of €65.25.

Over the course of the year, 31,380 treasury shares were used for share-based compensation plans.

#### Treasury shares repurchased under the liquidity contract

In 2018, 596,708 shares were purchased at an average price of €71.82 and 596,708 shares were sold at an average price of €71.96.

The Group held no treasury shares under its liquidity contract as of December 31, 2018 and 2017.

## b. Earnings per share

#### Basic earnings per share

| | 2018 | 2017 Restated |
|---|---|---|
| Net profit or loss attributable to Ingenico SA shareholders *(in thousands of euros)* | 188,233 | 252,510 |
| Weighted average number of ordinary shares | 61,730,967 | 61,806,653 |
| Basic earnings per share *(in euros)* | 3.05 | 4.09 |

Basic earnings per share are calculated by dividing the profit for the period attributable to Ingenico Group SA shareholders by the average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares. The average number of ordinary shares is a weighted annual average calculated on the basis of the issue or redemption date of the shares outstanding for the period.

#### Diluted earnings per share

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

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

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

| *(in thousands of euros)* | 2018 | 2017 Restated |
|---|---|---|
| **Net profit or loss attributable to Ingenico SA shareholders** | **188,233** | **252,510** |
| Interest expense related to OCEANE convertible bond debt (net of income tax) | 6,084 | 6,908 |
| **Diluted net profit or loss attributable to Ingenico SA shareholders** | **194,317** | **259,418** |
| **Weighted average number of existing shares** | **61,730,967** | **61,806,653** |
| Impact of dilutive instruments: | | |
| • free shares granted | 269,755 | 138,426 |
| • conversion of convertible bonds | 2,930,583 | 2,918,965 |
| **Diluted weighted average number of ordinary shares** | **64,931,305** | **64,864,044** |
| **Diluted earnings per share** *(in euros)* | **2.99** | **4.00** |

## NOTE 13 —• Off-balance sheet commitments

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| **Commitments received** | | |
| Various guarantees | 6,707 | 22,843 |
| In the scope of the acquisition of Paymark, the Group has taken out insurance covering basic warranties (7 years) and other disputes (2 years) of up to NZ$70 million. Above this amount, basic warranties are covered by the vendors for 10 years. | 41,041 | - |
| Liability warranty as part of the acquisition of an 83.86% interest in Roam Data Inc.: unlimited duration (commitment: US$700,000). | 584 | 584 |
| Liability warranty as part of TNET acquisition: unlimited duration and amount. | unlimited | unlimited |
| Liability warranty as part of Paycom acquisition up to July 1, 2021 for corporate warranties. | 12,381 | 12,381 |
| Liability warranty as part of PT Payment Indonesia acquisition. Total liability warranties amount to US$4.5 million. Expiry dates are as follows: | 3,752 | 3,752 |
| • fiscal: until January 2018; | | |
| • corporate: unlimited duration. | | |
| Liability warranties as part of Ogone acquisition The amount of liability warranties (excluding special warranty) was €89.3 million (for corporate warranties of an unlimited duration). | 89,325 | 89,325 |
| 'Liability warranty in connection with the acquisition of Think&Go. | | |
| • The overall cap is €500,000 with a duration of 12 months, with the exception of social security and payroll expenses for which the maximum duration is set at 3 years. The tax and social security cap is €150,000. | 500 | 500 |
| • The basic warranties are unlimited in duration and amount. | unlimited | unlimited |
| Liability warranty in connection with the acquisition of Lyudia. It covers general warranties for a duration of 24 months from April 26, 2016, and tax warranties for a duration of 5 years. | 3,333 | 3,333 |
| Basic warranties unlimited in duration and amount, received in connection with the buyout of Ingenico Holdings Asia shares. | unlimited | unlimited |
| Liability warranty in connection with the acquisition of Nera Payment Services. It covers tax warranties for a duration of 6 years, and other warranties for a duration of 1 year. The basic warranties are unlimited in duration and amount. | 13,160 | 13,160 |
| In connection with the TechProcess acquisition, the Group has a general warranty with no time limit, specific warranties with regard to administrative formalities and the Company's capitalization, which expire on February 20, 2020, and a warranty with regard to the Company's business activity, which expires on July 30, 2018. | 4,169 | 4,169 |
| Liability warranty in connection with the acquisition of IECISA. It covers basic warranties for 18 months from the acquisition date, and tax and social warranties for 2 years. | 6,000 | 6,000 |
| In the scope of the acquisition of Bambora, the Group has taken out insurance covering basic warranties (10 years), tax and social warranties (7 years), and other disputes (2 years) of up to €300 million. Above this amount, basic warranties are covered by the vendors for 10 years. | 300,000 | 300,000 |
| Liability warranty in connection with the acquisition of Airlink. It covers tax warranties for 7 years, social and legal warranties for 5 years, and other corporate warranties for 3 years. | 8,242 | - |
| **Commitments given** | | |
| Various guarantees | 29,018 | 37,598 |
| Liability warranty as part of disposal of 20% of Ingenico Holdings Asia. Total liability warranties amount to US$26.1 million. Expiry dates as follows: | 22,826 | 21,793 |
| • standard warranties until October 2016; | | |
| • tax warranties until June 2022; | | |
| • basic warranties until expiration of time limit. | | |
| Liability warranty as part of the disposal of 12% of Beamm Inc. in November 2015. Unlimited amount and covering the basic warranties until expiration of time limit for tax claims, on November 17, 2018. | - | unlimited |
| Lability warranty as part of the disposal of ZTE shares. It is unlimited in duration and amount and covers the basic warranties. | unlimited | unlimited |
| In the scope of the acquisition of Bambora, The Group took over responsibility for a warranty to credit card issuers, for an amount of US$20 million. | 21,834 | 16,676 |
| **Other commitments given** | | |
| The Group has committed to contributing €15 million to an investment fund. Cash calls subscribed are recorded in the balance sheet for a total of €9 million. | 4,020 | 5,937 |

In 2018, the Group had the following commitments in connection with its business activities:

- approximately €143.1 million in firm price orders placed by the Group with its manufacturers as of December 31, 2018;
- future payments under non-cancelable operating leases.

The table below shows future engagements related to minimum lease payments under non-cancelable operating leases and other engagements from service contracts, by maturity:

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Less than a year | 33,845 | 23,775 |
| 1-5 years | 72,045 | 51,832 |
| More than 5 years | 40,351 | 39,808 |
| **TOTAL** | **146,241** | **115,415** |

The Group is entitled, in connection with its business activities, to receive future minimum rental income in respect of non-cancelable operating leases amounting to €9.8 million in 2018 and €5.6 million in 2017.

## NOTE 14 —• Main consolidated subsidiaries of the Group

### Principles of consolidation

#### Fully-consolidated subsidiaries

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

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

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

#### Associates

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

#### Jointly controlled operations

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

#### Transactions eliminated in the consolidated financial statements

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

| Corporate name | Pays | % interest | Consolidation method |
|---|---|---|---|
| Ingenico Group SA | France | Parent company | |
| **Main consolidated subsidiaries** | | | |
| DI Deutsche Ingenico Holding GmbH | Germany | 100% | Full |
| Ingenico e-Commerce Solutions GmbH | Germany | 100% | Full |
| Ingenico GmbH | Germany | 100% | Full |
| Ingenico Healthcare GmbH | Germany | 100% | Full |
| Ingenico Marketing Solutions GmbH | Germany | 100% | Full |
| Ingenico Payment Services GmbH | Germany | 100% | Full |
| Ingenico International (Pacific) Pty Ltd (and its Bambora subsidiaries in Australia and New Zealand) | Australia | 100% | Full |
| Ingenico e-Commerce Solutions BVBA/SPRL | Belgium | 100% | Full |
| Ingenico Financial Solutions SA | Belgium | 100% | Full |
| Ingenico do Brasil Ltda. | Brazil | 100% | Full |
| Ingenico Canada Ltd (and its subsidiary Bambora Inc.) | Canada | 100% | Full |
| Fujian Landi Commercial Equipment Co., Ltd | China | 97% | Full |
| Ingenico Electronic Equipments (Beijing) Co., Ltd | China | 97% | Full |
| Ingenico Iberia, SL | Spain | 100% | Full |
| Ingenico (Latin America) Inc. | United States | 100% | Full |
| Ingenico Corp. | United States | 100% | Full |
| Ingenico Business Support SAS | France | 100% | Full |
| Ingenico e-Commerce Solutions SAS | France | 100% | Full |
| Ingenico France SAS | France | 100% | Full |
| Ingenico Prepaid Services France SAS | France | 100% | Full |
| Ingenico Terminals SAS | France | 100% | Full |
| Think & Go NFC SAS | France | 100% | Full |
| Ingenico (UK) Ltd | United Kingdom | 100% | Full |
| Ingenico e-Commerce Solutions Ltd | United Kingdom | 100% | Full |
| Ingenico Holdings Asia Limited | Hong Kong | 97% | Full |
| Ingenico Hungary Kft. | Hungary | 100% | Full |
| Ingenico International India Pvt Ltd | India | 100% | Full |
| E-Billing Solutions Pvt Ltd | India | 100% | Full |
| PT. Ingenico International Indonesia | Indonesia | 100% | Full |
| Ingenico Italia SpA | Italy | 100% | Full |
| Ingenico Japan Co Ltd | Japan | 100% | Full |
| Ingenico Solutions (Malaysia) Sdn. Bhd | Malaysia | 100% | Full |
| Ingenico Mexico SA de CV | Mexico | 100% | Full |
| GCS Holding BV | The Netherlands | 100% | Full |
| Global Collect BV | The Netherlands | 100% | Full |
| Ingenico e-Commerce Solutions BV | The Netherlands | 100% | Full |
| Ingenico Polska Sp. z o.o | Poland | 100% | Full |
| Ingenico CZ S.r.o. | Czech Republic | 100% | Full |
| Ingenico LLC | Russia | 100% | Full |
| Ingenico International (Singapore) Pte Ltd | Singapore | 100% | Full |
| Bambora Top Holding (and its subsidiaries in the United States, Finland, Norway, Switzerland and Denmark) | Sweden | 100% | Full |
| Ingenico (Suisse) SA | Switzerland | 100% | Full |
| Ingenico e-Commerce Solutions GmbH | Switzerland | 100% | Full |
| Airlink Technology Co., Ltd | Taiwan | 100% | Full |
| Ingenico (Thailand) Co., Ltd | Thailand | 100% | Full |
| Ingenico Ödeme Sistem Çözümleri AS | Turkey | 100% | Full |
| Ingenico Ukraine LLC | Ukraine | 100% | Full |
| Ingenico Vietnam Co Ltd | Vietnam | 100% | Full |
| Fixed & Mobile Pte Ltd | Singapore | 27% | Equity method |
| JoinedApp Inc. | United States | 15% | Equity method |

## NOTE 15 —• Subsequent events

There is no subsequent event post 2018 closing other than those included in Note 3. Significant events.

## NOTE 16 —• Statutory auditors' fees

The statutory auditors' fees are broken down as follows:

| | 2018 | | | | | | 2017 | |
|---|---|---|---|---|---|---|---|---|
| | KPMG | | | MAZARS | | | KPMG | MAZARS |
| *(in thousands of euros)* | KPMG SA | KPMG affiliates | Total | Mazars | Mazars affiliates | Total | Total | Total |
| Certification of accounts | 270 | 837 | 1,107 | 272 | 748 | 1,020 | 1,089 | 865 |
| Other services | 55 | 77 | 132 | 8 | 0 | 8 | 226 | 110 |
| **TOTAL** | **325** | **914** | **1,239** | **280** | **748** | **1,028** | **1,315** | **975** |

# 5.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Fiscal year ended December 31, 2018**

**To the Annual General Shareholders' Meeting of Ingenico Group SA,**

## Opinion

In compliance with the engagement entrusted to us by your Annual General Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Ingenico Group SA for the fiscal year ended December 31, 2018.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations for the last fiscal year as well as of the financial position and of the assets and liabilities, at the end of the fiscal year, of the consolidated group of entities, in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

## Justification of our opinion

### Auditing guidelines

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of this report on "Responsibilities of the statutory auditors regarding the auditing of the consolidated financial statements".

### Independence

We conducted our audit for the period from January 1, 2018 to the date of our report in compliance with the independence rules applicable to us, and specifically, we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de Déontologie) for statutory auditors.

## Emphasis of matter

We draw your attention to the changes of accounting methods related to the first application of IFRS 15: Income from ordinary activities derived from contracts concluded with customers and from IFRS 9: Financial instruments, shown in Notes 2a and 2b of the notes to the consolidated financial statements respectively. Our opinion is not modified in respect of this matter.

## Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de Commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and forming our opinion thereon. We do not express a separate opinion on individual items in the consolidated financial statements.

| Key points of our audit | Responses provided during our audit |
|---|---|
| ***Revenue recognition for the transactional services business***<br><br>As explained in Notes 2a, 5a and 5l of the notes to the financial statements, as part of its transactional services business, the Group provides intermediation between merchants, credit card issuers, and end consumers. This transactional services business is characterized by a large volume of transactions to be processed through complex information systems. The rules for the application of accounting standards concerning these services may be complex and require judgments and estimates, including the recording of income on a gross basis.<br><br>Revenue recognition procedures are described in Note 5a of the notes to the financial statements, in the section on "Sale of payment solutions services". The Group considers that its position in the payment chain is such that it is the principal in the transactions leading to the payment to the merchant of the final consumer's payment. The Group considers that it is in a position to control the services provided by third parties and records revenue on a gross basis.<br><br>We considered that revenue recognition and the reliability of the information systems involved in the recording of flows related to the transactional services business constitute a key point of our audit, given:<br>● the volume of transactions handled by this business;<br>● the judgments and estimates used to determine revenue, particularly the recording of income on a gross basis;<br>● the complexity of the information systems configured to process data and ensure the smooth running of transactions, including in the event of a service outage, a technical fault or an incorrect translation of contractual rules, originating from a cyber-attack, a technical malfunction, a human error or poor configuration of the information systems. | With the assistance of our information systems specialists, we have obtained an understanding of the process related to revenue recognition and the various flows related to these business activities, conducted an assessment of the information systems and the design of key controls, and then tested the operational effectiveness of these key controls relating to:<br>● the registration in databases of contractual information with the merchants and credit card issuers as well as subsequent amendments to this baseline data;<br>● the input of financial flows, conversion of flows denominated in foreign currencies and recording of revenue related to transactions;<br>● the implementation of controls that, in the event of an identified malfunction, enable continuity of part of the business and allow for the continued reliable recording of accounting transactions.<br><br>We have also:<br>● assessed whether revenue recognition, particularly including impacts relating to the first application of IFRS 15, is compliant with the accounting standards in force, in particular the assessment by the Group of the concept of agent or principal within the scope of its transactional services business;<br>● corroborated, by sampling, the rates used to account for revenue, by comparing them with the contractual rates agreed with merchants.<br><br>Finally, we assessed the appropriateness of the notes to the financial statements in the accounting principles applied and significant judgments exercised by the Group. |
| ***Provisions for litigation and claims***<br><br>The Group's business activities are subject to many regulations, including commercial, customs and tax regulations in France and internationally.<br><br>In this context, the Group's business activities may involve risks, disputes or litigation with third parties. As indicated in Note 8 of the notes to the consolidated financial statements, the claims and legal and arbitration proceedings arising in connection with the Company's business activities are regularly reviewed by the Group's Legal Department and are covered by provisions if it believes that it is likely that an outflow of resources will be required to cover the risk incurred and when such an outflow can be reliably estimated.<br><br>In particular, the Group is engaged in tax disputes and tax recovery procedures in Brazil; the situation as of December 31, 2018 is described in Note 8 of the notes to the consolidated financial statements.<br><br>We considered that this area was a key point of our audit given the significant nature of litigation and claims and the high level of judgment required by the management to determine such provisions in a context of multiple regulatory conditions and constant changes. | To obtain an understanding of existing litigation, claims and judgment-related factors, we interviewed the Group's management and that of its main subsidiaries, analyzed the procedures it implements to identify disputes and questioned the main legal firms used by the management.<br><br>For each of the major litigation proceedings and claims identified, we:<br>● reviewed the process used by the management to calculate the relevant provisions and determine which information to disclose in the notes;<br>● performed a critical review of internal analysis notes relating to the probability and the potential impact of the main risks, by examining the procedural elements (correspondence, claims, judgments, notifications, etc.) available and the legal or technical advice provided by the legal firms or external experts used by the management;<br>● obtained written consultations from the legal firms or external experts that assisted the Company;<br>● exercised our professional judgment, with the help of our own experts where necessary, to assess the positions used by the management and the suitability of any changes over time to these positions;<br>● assessed whether the information provided in Note 8 of the notes to the consolidated financial statements about the main litigation proceedings and claims identified is appropriate. |

| Key points of our audit | Responses provided during our audit |
|---|---|
| ***Assessment of goodwill*** | |
| In the scope of its development, the Group conducts external growth transactions and has recognized several goodwill amounts. As of December 31, 2018, goodwill was recorded on the balance sheet for a net carrying amount of €2,490 million in respect of total assets of €6,075 million.<br><br>Each year and whenever there is an indication of impairment, the management conducts impairment tests on the net carrying amounts of goodwill at the level of cash-generating units (CGU), using the procedures described in Note 7 of the notes to the consolidated financial statements.<br><br>The procedure relating to impairment tests, which relies mainly on the net future discounted cash flow method, involves the use of judgments and assumptions on the part of the management, particularly in respect of factors such as long-term growth rates, the weighted average cost of capital and the determination of CGUs.<br><br>We considered that the valuation of goodwill constitutes a key point of our audit due to its particular importance in the Group's financial statements and because the determination of its recoverable value is heavily based on assumptions, estimates or management assessments. | Our work consisted of:<br>● obtaining an understanding of the procedures used by the management to implement impairment tests;<br>● assessing whether the attachment of assets to CGUs is comprehensive and compliant with accounting standards in force;<br>● analyzing the reasonableness of cash flow projections in terms of our knowledge of the economic environments in which these CGUs operate and the latest operating forecasts relating to a five-year period set by the management;<br>● assessing the consistency between long-term growth rates and the weighted average cost of capital and market analyses, with the assistance of our valuation experts;<br>● testing the sensitivity of the value in use implemented by the management to various of the main assumptions used;<br>● assessing the appropriateness of the financial information provided in Note 7 of the notes to the consolidated financial statements. |

## Specific verifications

We have also performed, in accordance with professional standards applicable in France, the specific verification required by the laws and regulations of the information regarding the Group given in the Board of Directors' management report.

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

We attest that the consolidated non financial statemements required by Article L225-102-1 of the French Commercial Code *(Code de commerce)* is included in the Group's management report, it being specified that, in accordance with article L823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein. This information should be reported on by an independent third party.

## Information resulting from other legal and regulatory obligations

### Appointment of statutory auditors

KPMG were appointed as the statutory auditors of Ingenico Group SA by the Annual General Shareholders' Meeting of June 10, 1986; Mazars were appointed on April 23, 2013.

As at December 31, 2018, KPMG and Mazars were in the 33rd and 6th year of total uninterrupted engagement.

## Responsibilities of management and those charged with governance for the consolidated financial statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the IFRS reference standard as adopted in the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial information preparation process and monitoring the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit process, in terms of the procedures relating to the preparation and processing of accounting and financial information.

These consolidated financial statements were approved by the Board of Directors on February 12, 2019.

## Responsibilities of the statutory auditors regarding the auditing of the consolidated financial statements

### Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance whether the consolidated financial statements, taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of the management of the affairs of your Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout this audit. Furthermore, the statutory auditor:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management in the consolidated financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- with regard to financial information about persons or entities within the scope of consolidation, it collects elements that it deems sufficient and appropriate to express an opinion on the consolidated accounts. It is responsible for the management, supervision and completion of the audit of the consolidated accounts and for the opinion expressed on these accounts.

### Report to the Audit Committee

We present a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements for the period and therefore represent key audit matters. It is our responsibility to describe such risks in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The statutory auditors

Paris La Défense, February 26, 2019

| KPMG Audit | Mazars |
|---|---|
| *Department of KPMG SA* | |
| Frédéric Quélin | Thierry Blanchetier |
| *Partner* | *Partner* |

6

# PARENT COMPANY FINANCIAL STATEMENTS AT DECEMBER 31, 2018

# 6.1 ASSETS

| | 2018 | | | | 2017 |
|---|---|---|---|---|---|
| *(in thousands of euros)* | Notes | Gross | D&A and Impairment | Net | Net |
| **Non-current assets** | | | | | |
| **Intangible assets** | **5** | | | | |
| Research and development costs | | 89,553 | 56,303 | 33,250 | 28,835 |
| Licenses, patents and similar rights | | 4,781 | 4,395 | 386 | 840 |
| Goodwill | | 1,596 | 1,571 | 25 | 25 |
| Other intangible assets | | 686 | 686 | - | - |
| **Property, plant and equipment** | **5** | | | | |
| Facilities and equipment | | 221 | 221 | - | - |
| Other property, plant and equipment | | 53 | 41 | 12 | 18 |
| **Financial assets** | **5** | | | | |
| Equity interests | 6, 10 | 3,517,331 | 929 | 3,516,402 | 3,341,162 |
| Loans and advances to subsidiaries and associates | 6, 7 | 373,261 | - | 373,261 | 58,242 |
| Other financial assets | 6, 10 | 100,160 | 14,592 | 85,568 | 12,222 |
| **TOTAL I** | | **4,087,642** | **78,738** | **4,008,904** | **3,441,343** |
| **Current assets** | | | | | |
| **Trade receivables** | **7, 10, 13** | | | | |
| Advances and down-payments | | 122 | - | 122 | 77 |
| Trade receivables and related accounts | | 24,991 | 50 | 24,941 | 59,583 |
| Other receivables | | 134,755 | - | 134,755 | 499,390 |
| **Short-term investments** | **8, 10** | 68,736 | 8 | 68,728 | 68,967 |
| **Cash** | | 413,317 | - | 413,317 | 273,790 |
| **Prepaid expenses** | **7** | 1,216 | - | 1,216 | 3,164 |
| **TOTAL II** | | **643,137** | **58** | **643,079** | **904,972** |
| Bond issue premiums | 5 | 2,989 | - | 2,989 | 3,610 |
| Deferred charges | 5 | 7,955 | - | 7,955 | 9,724 |
| Translation differences (assets) | | 5,000 | - | 5,000 | 2,497 |
| **TOTAL ASSETS** | | **4,746,723** | **78,796** | **4,667,927** | **4,362,146** |

## 6.2 LIABILITIES

| *(in thousands of euros)* | Notes | 2018 | 2017 |
|---|---|---|---|
| **Equity** | **9** | | |
| Share capital | | 63,144 | 62,363 |
| Issue premiums | | 967,602 | 918,975 |
| **Reserves** | **9** | | |
| Legal reserve | | 6,240 | 6,150 |
| **Retained earnings** | **9** | 685,793 | 610,827 |
| **Profit for the year** | **9** | 158,757 | 172,604 |
| **Regulated provisions** | **9, 10** | 5,149 | 5,416 |
| **TOTAL I (EQUITY)** | | **1,886,685** | **1,776,335** |
| **Provisions for liabilities and charges** | | | |
| Provisions for liabilities and charges | 10 | 9,055 | 7,034 |
| **TOTAL II (PROVISIONS)** | | **9,055** | **7,034** |
| **Debts** | | | |
| Other bond issues | 11, 12, 13 | 1,558,317 | 1,558,322 |
| Bank borrowings and debt | 11, 12, 13 | 356,317 | 50,066 |
| Other borrowings and liabilities | 6, 11, 12 | 750,304 | 803,398 |
| Trade payables and related accounts | 12, 13 | 68,643 | 109,424 |
| Tax and social security liabilities | 12, 13 | 25,127 | 52,451 |
| Other debts | 12, 13 | 4,333 | 3,275 |
| Deferred income | 12 | 259 | 1,500 |
| **TOTAL III (DEBTS)** | | **2,763,300** | **2,578,436** |
| Translation differences (liabilities) | | 8,887 | 341 |
| **TOTAL LIABILITIES** | | **4,667,927** | **4,362,146** |

# 6.3 PROFIT AND LOSS ACCOUNT

| *(in thousands of euros)* | Notes | 2018 | 2017 |
|---|---|---|---|
| Resale of purchased goods | | - | - |
| Sales of goods produced | | - | - |
| Sales of services | | 87,860 | 56,737 |
| **Revenue** | **14** | **87,860** | **56,737** |
| Inventoried production | | - | - |
| Capitalized production | | 14,446 | 6,765 |
| Subsidies | | 6 | - |
| Other income | | 143,689 | 245,962 |
| Reversal of provisions and transfer of expenses | 10 | 2,236 | 10,162 |
| **TOTAL OPERATING INCOME** | | **248,237** | **319,626** |
| Purchases (incl. customs duties) | | - | - |
| Cost of inventories consumed | | - | - |
| Changes in inventories (raw materials and other supplies) | | - | - |
| Other purchases and external expenses | 16, 21 | 141,310 | 124,657 |
| Taxes and other related expenses | | 3,044 | 5,765 |
| Wages and salaries | 15, 20 | 25,250 | 21,840 |
| Social security contributions | | 11,300 | 11,475 |
| D&A on non-current assets | 5 | 12,991 | 13,116 |
| Provisions and impairment | 10 | 682 | 927 |
| Other expenses | | 1,379 | 1,626 |
| **TOTAL OPERATING EXPENSES** | | **195,956** | **179,406** |
| **Profit from operations** | | **52,281** | **140,220** |
| Financial income | | 193,526 | 91,730 |
| Financial expenses | | (87,845) | (41,917) |
| Reversals of provisions | | 4,252 | 12,606 |
| Provisions | | (20,220) | (4,056) |
| **Net financial income** | **17** | **89,713** | **58,364** |
| **Current profit/loss before taxes** | | **141,994** | **198,584** |
| Non-recurring income | | 200,256 | 9,499 |
| Non-recurring expenses | | (198,962) | (2,536) |
| Non-recurring reversals of provisions | | 268 | 334 |
| Non-recurring provisions | | - | (85) |
| **Non-recurring profit/loss** | **18** | **1,562** | **7,211** |
| Employee profit-sharing | | 330 | (44) |
| Income tax expense/(income) | 19 | (15,531) | 33,236 |
| **PROFIT FOR THE YEAR** | | **158,757** | **172,604** |

# 6.4 NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS



## NOTE 1 —• Major events of the period

In accordance with the Annual General Shareholders' Meeting of May 10, 2017, which authorized the setting-up of a share repurchase program, Ingenico Group SA made net acquisitions of 1.3 million shares for a total net amount of €86 million.

### Equity securities: purchases/sales/ valuation tests

**Transactions on equity securities:**

- on **January 18, 2018,** the sole shareholder, Ingenico Group SA, approved the universal transfer of assets (UTA) and the dissolution without liquidation of its wholly-owned subsidiary, Ingenico Ventures;
- in accordance with the shareholder agreements signed on May 7, 2015 with Fosun, on January 22, 2018, Ingenico Group SA bought out 20% of the shares held by Fosun in Ingenico Holdings Asia Limited, at the set price of US$104.6 million. Following this transaction, Ingenico Group SA owns 97% of the target company;
- on **February 2, 2018,** Ingenico Group SA finalized the acquisition of Airlink, a value-added distributor of payment solutions based in Taiwan. Airlink provides acquirers and retailers with payment terminals and associated services such as installation, maintenance and software development;
- on **February 19, 2018,** the sole shareholder, Ingenico Group SA, approved the universal transfer of assets (UTA) and the dissolution without liquidation of its wholly-owned subsidiary, Ingenico Connected Screens;
- on **November 23, 2018,** Ingenico Group SA recapitalized the company Think & GO NFC SAS for €3.3 million. On December 7, 2018, the sole shareholder, Ingenico Group SA, approved the sale of all 10,000 shares that made up the share capital of Think & GO NFC SAS to Ingenico France SAS for a total amount of €7.2 million;
- on **December 12, 2018,** Ingenico Group SA increased the capital of DI Deutsche Ingenico Holding GmbH for €47 million subscribed in full in cash.

**Provisions for impairment of shares**

In the context of the universal transfers of the assets of Ingenico Ventures SAS and Ingenico Connected Screens SAS, a provision of €3.2 million was reversed for the impairment of shares in Ingenico Ventures and €1.3 million for the impairment of shares in Ingenico Connected Screens SAS.

### Development financing for Ingenico Group SA

The following financing transactions were conducted in 2018:

**Bank loan of €250 million**

In September 2017, the Group contracted a bank loan with a nominal value of €250 million, which was activated on March 14, 2018, for a maturity of three years. The remuneration of the loan is variable and based on the Euribor 6 months plus margin. Issue expenses were €0.7 million. They were recorded as assets and amortized over the life of the bond. This loan is not subject to any covenant.

**Loan of €55 million**

On May 29, 2018, Ingenico Group SA made two private placements in amounts of €25 million and €30 million, with a maturity of seven years, at a fixed rate of 1.677%.

## NOTE 2 —• Subsequent events

### The following transactions took place at the start of the fiscal year 2019:

- on **January 8, 2019,** Ingenico Group announced the completion of the merger between BS PAYONE, a subsidiary of Sparkassen-Finanzgruppe, and the assets of Ingenico's Retail business in the DACH region (Germany, Austria, Switzerland). The joint venture, renamed Ingenico Payone Holding GmbH, will be 48% held by Deutscher Sparkassenverlag and 52% by Ingenico Group;
- on **January 11, 2019,** Ingenico Group SA announced the completion of the acquisition of Paymark, a New Zealand electronic payment network, for a total amount of NZ$190 million.

## NOTE 3 —• Accounting principles and methods

The accounting principles and methods used were applied in accordance with the conservatism principle and these basic assumptions:

- going concern;
- consistency principle;
- time period concept;

and according to the generally-accepted rules governing the preparation and presentation of annual financial statements.

Items in the accounts are generally valued at historical cost.

The main accounting principles applied by the Group are as follows:

### Research and development

Research costs are expensed as incurred.

The costs of development activities (*i.e.* costs related to the application of research findings to a plan or design for the production of new or substantially improved products or processes) are capitalized if the Company can demonstrate, in particular, that the product or process is technically and commercially feasible and that sufficient resources are available to complete its development.

Such capitalized costs include the cost of materials and direct labor, plus an appropriate share of production overhead costs. To arrive at reliable estimates for the costs attributable to specific assets, Ingenico Group SA has put in place tools to calculate the time required per project and an appropriate cost accounting system.

Other development costs are expensed as incurred. Capitalized development costs are stated at cost less accumulated depreciation and amortization and impairment losses.

The estimated useful lives range from one to five years.

### Other intangible assets

Other intangible assets acquired and constructed by the Company are stated at cost less accumulated depreciation and amortization and impairment losses. Depreciation and amortization is computed using the straight-line method.

The estimated useful lives are as follows:

- software and licenses: one to five years;
- other intangible assets: five years or contractual maturity.

### Goodwill

An impairment test (comparing the carrying amounts to the current value) is performed once a year for goodwill with an unlimited useful life, whether or not there is an indication of impairment. Goodwill impairment test procedures are identical to the procedures for equity securities impairment tests as described below.

### Property, plant and equipment

Property, plant, and equipment is carried at cost (purchase price and related expenses).

The cost of a self-constructed asset includes the cost of raw materials and direct labor, along with an appropriate share of production overhead costs. When components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The replacement cost of a component is immediately capitalized under property, plant and equipment if it is likely that the future economic benefits arising from the asset will flow to the Company and its cost can be reliably measured.

All routine maintenance and repair costs are expensed as incurred.

Depreciation and amortization is calculated based on the following depreciation methods and useful lives:

- technical equipment (R&D Department information systems): 4 years, declining balance depreciation;
- other machinery and equipment: 4 years, straight-line depreciation;
- other property, plant and equipment: 3 to 10 years, straight-line or declining balance depreciation.

## Financial assets

Equity interests and loans and advances to subsidiaries and associates recorded on the balance sheet are stated at cost, with acquisition expenses included until December 31, 2009. As of 2010, acquisition expenses are expensed.

When the net asset value of equity interests and loans and advances to subsidiaries is less than the carrying amount, an impairment loss is recognized for the difference. The net asset value is equal to the value in use.

Ingenico Group SA assesses the value in use of equity interests and loans and advances to subsidiaries and associates by applying the discounted cash flow method to each entity, less net debt or plus net cash, with a 5-year forecast period and discounted terminal value. The Company may also use the fair value method when an expert appraisal is available.

The discount rates used are based on the average cost of capital and the risk associated with the business.

The main assumptions used to determine the recoverable value of equity securities are as follows:

- valuation method: value in use;
- forecast period: 5 years;
- after-tax discount rate and perpetuity growth rate:

| | 12/31/2018 | 12/31/2017 |
|---|---|---|
| Average after-tax discount rate | 7.65% | 8.48% |
| Perpetuity growth rate | 1.80% | 1.66% |

The assumptions as to growth rate and weighted average cost of capital used in valuing equity securities have been reviewed against all available global market data.

The weighted average cost of capital is a medium-term rate.

The discount rates have been determined using market data on risk-free rates and specific risk premiums.

| After-tax discount rate | B&A EMEA | B&A NAR | B&A LAR | B&A APAC | Retail | Group |
|---|---|---|---|---|---|---|
| 2018 | 8.20% | 7.88% | 13.25% | 8.80% | 7.05% | 7.65% |

| After-tax discount rate | Europe & Africa | North America | Latin America | Asia-Pacific | ePayments | Central Operations |
|---|---|---|---|---|---|---|
| 2017 | 8.78% | 8.29% | 14.87% | 9.68% | 7.81% | 8.48% |

Furthermore, at previously troubled subsidiaries that are now on the path to recovery, the impairment losses recognized historically on equity securities may be temporarily maintained until such time as the subsidiary has demonstrated an independent ability to generate profits.

Impairment tests take into account the extent to which an equity investment is strategic and how resilient the entity's business and finances are.

## Tax-accelerated depreciation and amortization

Purchased software has been amortized using the rules of ordinary law, and software produced internally is still amortized over 12 months for tax purposes.

Tax-accelerated depreciation and amortization of acquisition expenses is calculated in accordance with current French tax regulations. It is equal to the difference between:

- the depreciation/amortization over the useful lives recorded until December 31, 2009 using the declining balance method;
- the depreciation/amortization recognized on the asset side of the balance sheet.

Tax-accelerated depreciation and amortization provisions and reversals are recognized in non-recurring income for the year.

## Trade and related receivables

Receivables are stated at their par value. Until December 31, 2017, an impairment loss has been recognized when the recoverable amount is less than the carrying amount.

Since January 1, 2018, Ingenico Group SA has changed the method used to determine provisions for impairment of trade receivables. The Company now recognizes a provision for credit losses determined on the basis of expected credit losses over the life of the receivables. The Company has thus established impairment methods based on internal and external ratings or on the history of losses, adjusted for prospective factors specific to the debtors and to the economic environment.

Expenses incurred in relation to multiple-year contracts for the supply of applications are accounted for as accrued receivables, with margin recognized on a percentage-of-completion basis. The percentage completion is determined through a budgetary review of project completion (actual expenses versus projected expenses) and on the basis of attainment of contractually stipulated milestones. A provision for losses on completion of the contract may be recognized, based on the estimated outcome of the transactions.

## Transactions in foreign currency

Revenues and expenses denominated in foreign currency are recorded at their euro equivalent on the date of transaction. The differences resulting from the translation of payables and receivables at the closing exchange rate are recorded on the balance sheet under "Translation differences". Hedged foreign-currency receivables and payables are recognized at their hedged rate. A provision is recorded for unrealized foreign exchange losses.

## Foreign exchange hedges

The main risks managed by Ingenico Group SA concern financial assets and liabilities in foreign currencies and investments in foreign subsidiaries.

Management of foreign exchange risk related to the depreciation of foreign currencies against the euro for all foreign currency invoices (foreign exchange transaction risk to hedge receivables and payables, as well as future cash flows from budgets) is primarily handled by Ingenico Terminals SAS.

## Retirement benefit obligations

Upon retirement, Company employees receive benefits as per the provisions of the collective bargaining agreement by which they are covered. The Company recognizes provisions for retirement benefit obligations. As of December 31, 2018, those obligations were estimated at €1.3 million.

The Company measures and recognizes its retirement benefit obligations in accordance with ANC recommendation 2013-02. The calculation is made using the retrospective method and takes into account the following assumptions:

- social security contribution rates estimated on the basis of actual contribution rates for the various categories of employees;
- voluntary retirement at age 62 for former Xiring employees, and at 63 for all other Ingenico Group SA employees;
- an inflation rate of 1.90%;
- a discount rate of 1.70% as at December 31, 2018, compared to 1.65% in the previous year;
- an annual wage adjustment rate of 2.40%, excluding inflation.

Any differences in valuation due to a change in the discount rate are recognized in profit or loss.

## Provisions for litigation and claims

### Commercial disputes

Provisions for litigation and claims are recognized when the Company has a current obligation in respect of litigation, administrative inquiries, disputes and other claims arising from past events not yet settled, where it is probable that an outflow of economic benefits will be required to settle the obligation and these benefits can be reliably estimated. Ingenico Group SA obtains expert legal advice to assess the probability of the outcomes and to estimate the provisions for litigation and claims.

### Tax disputes

During fiscal year 2018 and previous years, Ingenico Group SA was subject to tax audits and, on occasion, correction proposals. The financial consequences of such additional tax adjustments are recognized through provisions for the amounts that have been identified and accepted or are considered likely to result in an outflow of resources which can be reliably estimated.

Ingenico Group SA periodically reviews the estimate of this risk in light of the progress of audits and disputes and believes that current audits will not have a significant impact on its financial situation or its liquidity.

## Short-term investments

Financial instruments classified as short-term investments are carried at cost. When their net asset value, which is their market value, is less than cost, an impairment loss is recognized for the difference. Losses are not offset against unrealized gains.

## Deferred charges

This item pertains to bond issue expenses, which are amortized on a straight-line basis over the life of the bond.

## Business Research Tax Credit, Competitiveness and Employment Tax Credit

The Business Research Tax Credit and the Competitiveness and Employment Tax Credit (CICE) are accounted for as a reduction in corporate income tax.

The CICE for 2018 was €0.4 million. In addition, the CICE for fiscal year 2017 in the amount of €0.4 million was allocated to fund improvements to the Company's competitiveness.

## Free share awards

When the Company buys back its own free shares in the market to award them under free share award plans, the cost of any buybacks carried out or to be carried out in order to meet obligations to beneficiaries of such plans is covered by a provision allocated on a pro rata basis over the free share vesting period, as specified in each plan (two to four years, depending on the beneficiaries). A vesting period of three years was selected for new plans beginning in 2018. At the end of the vesting period, the award of the treasury shares to the plan beneficiaries becomes final. The loss on disposal recognized at that point must be offset by a reversal of the previously recognized provision for impairment of treasury shares.

The net expense related to award plans for free shares purchased on the market, not including expenses rebilled to Group subsidiaries, is reclassified under "Personnel expenses" by way of a credit to the non-recurring expense transfer account. Treasury shares meant to be allocated to employees are recognized in "Short-term investments".

When the Company issues new shares to be used in free share award plans, no provision is recognized.

### Treasury shares

Treasury shares that are not allocated to a free share award plan are recognized as financial assets.

Treasury shares allocated to a free share award plan or held under a liquidity contract are recognized as short-term investments.

At December 31, 2018, Ingenico holds 1,360,354 treasury shares recognized as financial assets. To date, an impairment of €14.5 million has been made, taking into account the average price of Ingenico shares over the 30 days immediately preceding the closing date.

### Tax consolidation

The tax consolidation agreements between Ingenico Group SA, the head of the tax consolidation group, and the other companies in the tax consolidation group specify that each subsidiary pays the parent company an amount equal to the income tax the subsidiary would have been required to pay if it had been taxed as a separate entity, net of any loss carry-forwards and carry-backs to which the subsidiary would have been entitled in the absence of tax consolidation.

At the end of a loss-making year for a subsidiary, that subsidiary will have no claim against the parent company, even if the parent company has established a claim against the French Treasury electing to carry back the entire loss of the tax consolidation group.

If a subsidiary withdraws from the tax consolidation group, the parent company and the subsidiary will determine by mutual agreement whether the subsidiary has incurred additional costs as a result of tax consolidation, and if so, whether this entitles the subsidiary to compensation from the parent company.

### Revenue recognition

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the service at the reporting date.

When an invoice for services covers a future period, deferred income is recognized on a pro rata basis.

### OCEANE Bonds

The decrease in financial liability and increase in capital resulting from the OCEANE conversions are recognized on the share delivery date.

OCEANE conversion requests received but not yet converted at the reporting date are not recognized.

### Premiums on Ingenico Group SA stock options

The call option qualifies as a hedge of the OCEANE bond and, as such, the premium is recorded in a cash-flow instruments account and amortized on a straight-line basis over the life of the bond, pursuant to ANC regulation 2015-05.

## NOTE 4 —• Changes to accounting methods

Until December 31, 2017, an impairment loss has been recognized when the recoverable amount is less than the carrying amount.

Since January 1, 2018, Ingenico Group SA has changed the method used to determine provisions for impairment of trade receivables. The Company now recognizes a provision for credit losses determined on the basis of expected credit losses over the life of the receivables. The Company has thus established impairment methods based on internal and external ratings or on the history of losses, adjusted for prospective factors specific to the debtors and to the economic environment.

This change in method has had no impact on the accounts of Ingenico Group SA.

## NOTE 5 —• Changes in non-current assets and depreciation and amortization

### ● Non-current assets

| Items *(in thousands of euros)* | Gross value at 01/01/2018 | Increase | Transfers between items | Decrease | Carrying amount at 12/31/2018 |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| R&D, services & applications expenses | 75,228 | 14,446(1) | - | (121) | 89,553 |
| Patents, licenses and trademarks | 4,902 | - | - | (121) | 4,781 |
| Goodwill | 1,596 | - | - | - | 1,596 |
| Other intangible assets: | | | | | |
| ● Other | 686 | - | - | - | 686 |
| ● Assets, R&D in progress Other | - | - | - | - | - |
| ● Other assets in progress | - | - | - | - | - |
| **Property, plant and equipment** | | | | | |
| Building fixtures | - | - | - | - | - |
| Technical installations, equipment and machinery | 221 | - | - | - | 221 |
| Other property, plant and equipment | 50 | 3 | - | - | 53 |
| **Financial assets** | | | | | |
| Equity interests | 3,346,572 | 227,599(2) | - | (56,840)(3) | 3,517,331 |
| Loans and adv to subsidiaries & associates | 58,242 | 496,741(4) | - | (181,722)(5) | 373,261 |
| Other financial assets | 12,222 | 88,842(6) | - | (904)(7) | 100,160 |
| **TOTAL** | **3,499,720** | **827,631** | **-** | **(239,709)** | **4,087,642** |

*(1) Includes €13,165 thousands in capitalized research and development costs in the Hardware business.*

*(2) Includes €19,759 thousands in Ingenico International Pacific shares;*
*Includes €5,500 thousands in Ingenico Do Brasil (Brazil) shares;*
*Includes €85,419 thousands in Ingenico Holdings Asia I Limited (Hong Kong) shares;*
*Includes €47,000 thousands in DI Deutsche Ingenico Holding GmbH (Germany) shares;*
*Includes €55,608 thousands in Ingenico Canada Ltd (Canada) shares;*
*Includes €6,207 thousands in Ingenico Think & Go (France) shares;*
*Includes €8,058 thousands in Ingenico Airlink Technology Co Ltd (Taiwan) shares.*

*(3) Includes €42,942 thousands in Ingenico Ventures (France) shares (merger);*
*Includes €2,410 thousands in Ingenico Connected Screens (France) shares;*
*Includes €6,207 thousands in Ingenico Think & Go (France) shares;*
*Includes €5,281 thousands in Ingenico Canada Ltd (Canada) shares (capital reduction).*

*(4) Includes €124,815 thousands loan to Ingenico E-Commerce Solutions SPRL;*
*Includes €7,311 thousands loan to Ingenico Iberia;*
*Includes €29,865 thousands loan to Ingenico Corp;*
*Includes €165,100 thousands loan to Global Collect Services Holding BV;*
*Includes €22,500 thousands loan to DI Deutsche Ingenico Holding GMBH;*
*Includes €31,309 thousands loan to Bambora APAC Holding;*
*Includes €2,589 thousands loan to Bambora Online;*
*Includes €44,505 thousands loan to Ingenico Canada Ltd;*
*Includes €67,161 thousands loan to Ingenico Pacifi;c*
*Includes €1,531 thousands loan to Ingenico Airlink Technology Co Ltd.*

*(5) Includes repayment of the €5,500 thousands loan to Ingenico Do Brasil:*
*Includes repayment of €171,085 thousands loan to Ingenico E-Commerce Solutions SPRL.*

*(6) Includes €1,917 thousands in holdings in Partech Growth FCPI and Partech Entrepreneur II FCPI investment funds;*
*Includes subscription for 1,277 thousands treasury shares for €86,917 thousands.*

*(7) Includes €852 thousands for cancellation of 31,380 treasury shares*

## Depreciation and amortization

| Items *(in thousands of euros)* | Depreciation and amortization accumulated at 01/01/2018 | Increase | Transfers between items | Decrease | Depreciation and amortization accumulated at 12/31/2018 |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Research and development expenses | 46,394 | 9,909 | - | - | 56,303 |
| Patents, licenses and trademarks | 4,063 | 454 | - | (122) | 4,395 |
| Goodwill | 1,571 | - | - | - | 1,571 |
| Other intangible assets | 686 | - | - | - | 686 |
| **Property, plant and equipment** | | | | | |
| Building fixtures | - | - | - | - | - |
| Technical installations, equipment and machinery | 221 | - | - | - | 221 |
| Other property, plant and equipment | 32 | 9 | - | - | 41 |
| **TOTAL** | **52,968** | **10,371** | **-** | **(122)** | **63,217** |

## Breakdown of provisions for depreciation and amortization

| Straight-line | Diminishing-balance | Non-recurring items |
|---|---|---|
| 10,103 | 268 | - |

## Changes in deferred charges

| *(in thousands of euros)* | Amount at the beginning of the year | Increases for the fiscal year | Additions for the fiscal year | Amount at the end of the year |
|---|---|---|---|---|
| Deferred charges | 9,724 | 873 | (2,643) | 7,955 |
| Share premium | 3,610 | - | (621) | 2,989 |

## NOTE 6 —• Equity interests

| Subsidiaries[(1)] | Currency of share capital and equity | Share capital | Reserves, retained earnings, and profit for the last fiscal year (before allocation) | Share of capital held | Carrying amount of shares held | | Loans and advances granted by the Company and not yet repaid at 12/31/2018 | Loans and advances received by the Company at 12/31/2018 | Revenue before tax last fiscal year ended | Profit/ (loss) of last fiscal year ended profit net or (loss) | Dividends recorded by the Company during the fiscal year 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Gross | Net | | | | | |
| *(in thousands of euros)* | *In thousands of currency units* | | | *In %* | *In thousands of euros* | | | | | | |
| DI DEUTSCHE INGENICO HOLDING GmbH<br>Ratingen - Germany | EUR | 259,874 | (78,155) | 100% | 267,063 | 267,063 | 33,000 | - | - | 16,045 | 11,500 |
| GCS HOLDING BV<br>The Netherlands | EUR | 19 | 190,437 | 100% | 665,010 | 665,010 | 165,100 | - | - | (5) | - |
| GCS HK PRIVATE LIMITED<br>Hong Kong | USD | 10 | 268 | 100% | 1 | 1 | - | - | - | 8 | - |
| INGENICO BUSINESS Support AMERICAS<br>Mexico | MXN | - | (1,861) | 99% | - | - | 1,291 | - | - | (82) | - |
| INGENICO BUSINESS Support SAS<br>Paris - France | EUR | 16,892 | 3,744 | 100% | 16,893 | 16,893 | 3,379 | - | - | 1,112 | - |
| INGENICO CANADA Ltd<br>Ontario - Canada | CAD | 44,230 | 66,003 | 100% | 84,287 | 84,287 | 43,203 | - | 61,658 | 7,027 | - |
| AIRLINK TECHNOLOGY<br>Taiwan | TWD | 30,540 | (11,661) | 100% | 8,058 | 8,058 | 1,624 | - | 4,138 | (633) | - |
| INGENICO CORP.[(2)]<br>Alpharetta - United States | USD | - | 53,246 | 100% | 86,229 | 86,229 | 31,386 | 48 | - | (1,309) | - |
| INGENICO CZ s.r.o.<br>Prague - Czech Republic | CZK | 3,750 | 45,559 | 100% | 142 | 142 | 713 | - | 9,352 | 456 | - |
| INGENICO DO BRASIL Ltda[(2)]<br>Barueri - Brazil | BRL | 85,772 | 69,413 | 99.94% | 29,984 | 29,984 | - | - | 131,868 | 10,040 | - |
| INGENICO E-COMMERCE SOLUTIONS BV<br>The Netherlands | EUR | 18 | 1,450 | 100% | 19,998 | 19,998 | - | - | 12,924 | 285 | - |
| INGENICO E-COMMERCE SOLUTIONS SAS France<br>Paris - France | EUR | 40 | 426 | 100% | 23,000 | 23,000 | - | - | 20,499 | 307 | 501 |
| INGENICO E-COMMERCE SOLUTIONS SPRL<br>Brussels - Belgium | EUR | 375,000 | 980,837 | 100% | 1,625,632 | 1,625,632 | 3,913 | 95,215 | 56,141 | 14,285 | - |
| INGENICO EASTERN Europe I SARL[(2)]<br>Luxembourg | EUR | 13 | 28 | 99% | 905 | 905 | 4,248 | 1,524 | - | (13) | 673 |
| INGENICO FINANCIAL SOLUTIONS SA<br>Brussels - Belgium | EUR | 1,781 | 4,520 | 100% | 8,738 | 8,738 | - | - | 20,577 | 1,896 | - |
| INGENICO France SAS<br>Paris - France | EUR | 83,479 | (6,340) | 100% | 83,924 | 83,924 | 2,004 | 7,728 | - | (2,147) | 4,442 |
| INGENICO GmbH<br>Ratingen - Germany | EUR | 3,607 | 3,204 | 100% | 3,611 | 3,611 | 737 | - | 32,837 | 3,100 | 4,400 |
| INGENICO HEALTHCARE GmbH<br>Flintbeck - Germany | EUR | 500 | 7,286 | 100% | 1,850 | 1,850 | - | 13,904 | 23,758 | 5,937 | 1,100 |
| INGENICO Holdings Asia Limited[(2)]<br>Wanchai - Hong Kong | USD | 114,847 | 32,066 | 97% | 154,685 | 154,685 | - | 28,195 | - | 27,070 | 14,149 |
| Ingenico Holdings Asia II Limited<br>Wanchai - Hong Kong | USD | 33,594 | (9,040) | 100% | 25,180 | 25,180 | - | 8,450 | - | 126 | - |
| INGENICO HUNGARY Ltd<br>Budapest - Hungary | HUF | 3,000 | 568,534 | 100% | 12 | 12 | 2,528 | - | 7,325 | 1,116 | 416 |
| INGENICO IBERIA, SL[(2)]<br>Madrid - Spain | EUR | 8,115 | 23,897 | 100% | 87,191 | 87,191 | 7,311 | 2,177 | 25,619 | 530 | - |
| INGENICO ITALIA SpA[(2)]<br>Milan (MI) - Italy | EUR | 2,000 | 46,519 | 100% | 2,588 | 2,588 | - | 2,624 | 110,643 | 12,172 | 14,400 |

| Subsidiaries[1] *(in thousands of euros)* | Currency of share capital and equity | Share capital | Reserves, retained earnings, and profit for the last fiscal year (before allocation) | Share of capital held | Carrying amount of shares held: Gross | Carrying amount of shares held: Net | Loans and advances granted by the Company and not yet repaid at 12/31/2018 | Loans and advances received by the Company at 12/31/2018 | Revenue before tax last fiscal year ended | Profit/(loss) of last fiscal year ended profit net or (loss) | Dividends recorded by the Company during the fiscal year 2018 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | *In thousands of currency units* | | *In %* | | | *In thousands of euros* | | | | |
| INGENICO INTERNATIONAL INDIA PVT Ltd New Delhi - India | INR | 325,702 | 512,513 | 100% | 3,902 | 3,902 | - | - | 31,947 | 1,323 | - |
| INGENICO INTERNATIONAL (PACIFIC) PTY Ltd[2] Belrose - Australia | AUD | 31,593 | 5,313 | 99.75% | 20,010 | 20,010 | 98,406 | 163 | 57,103 | 3,171 | 4,746 |
| INGENICO INTERNATIONAL (SINGAPORE) Pte Ltd Singapore | SGD | 157 | 28,972 | 100% | 46,208 | 46,208 | 7,022 | - | 69,044 | 4,361 | - |
| INGENICO LATIN AMERICA Inc.[2] Miami, Florida - USA | USD | 1 | 6,605 | 100% | 418 | 418 | 21,970 | 3,931 | 40,318 | 2,907 | 2,559 |
| INGENICO (UK) LIMITED[2] Northwich, Cheshire - United Kingdom | GBP | 1,000 | 55,095 | 100% | 1,544 | 1,544 | - | 73,875 | 110,780 | 16,667 | 27,338 |
| INGENICO LLC Saint-Petersburg - Russia | RUB | 3,448 | 729,234 | 100% | 15,178 | 15,178 | - | - | 68,835 | 8,009 | 5,816 |
| Ingenico Mexico SA de CV Mexico City - Mexico | MXN | 5 | 3,403 | 0% | - | - | - | - | 31,478 | (486) | - |
| INGENICO ÖDEME SISTEM ÇÖZÜMLERI AŞ[2] İstanbul - Turkey | TRY | 19,613 | 97,270 | 100% | 18,170 | 18,170 | - | - | 68,810 | 7,743 | - |
| Ingenico Payment Systems Africa SARLAU Casablanca-Anfa Morocco | MAD | 500 | 6,459 | 100% | 45 | 45 | - | - | 1,013 | 32 | - |
| INGENICO PREPAID SERVICES France SAS 75015 PARIS - France | EUR | 500 | 1,518 | 100% | 8,731 | 8,731 | - | - | 14,352 | 485 | - |
| INGENICO (SUISSE) Granges-Paccot, Switzerland | CHF | 140 | 1,454 | 100% | 1,810 | 1,810 | - | - | 7,872 | 1,143 | 2,747 |
| INGENICO TERMINALS SAS Paris - France | EUR | 193,227 | 7,561 | 100% | 193,246 | 193,246 | - | 102,247 | 538,037 | 32,927 | 31,645 |
| INGENICO BARCELONA SA Madrid - Spain | EUR | 7,302 | 1,401 | 0% | 3 | - | - | - | - | (15) | - |
| INGENICO VIETNAM CO Ltd Vietnam | USD | 4,538,000 | 8,173,202 | 100% | 189 | 189 | - | - | 1,784 | 296 | - |
| NATURAL SECURITY SAS 59044 Lille -France | EUR | 882 | (545) | 0% | 774 | - | - | - | - | - | - |
| M2M APPLICATIONS CARTES À MÉMOIRES SA Casablanca - Morocco | MAD | 2,250 | - | 31% | 152 | - | - | - | - | - | - |
| INGENICO 5 SAS Paris - France | EUR | 50 | (4) | 100% | 59 | 59 | - | - | - | (4) | - |
| INGENICO JAPAN CO Ltd Tokyo - Japan | JPY | 100,000 | (15,908) | 100% | 6,897 | 6,897 | 4,931 | - | 12,436 | 420 | - |
| INGENICO PAYMENT SERVICES INDONESIA Indonesia | USD | 3,446,750 | 7,270,814 | 100% | 53 | 53 | - | - | 48 | (18) | - |
| SECURE TRANSACTION LLC Ukraine | USD | 300 | 38,246 | 100% | 4,962 | 4,962 | - | - | 4,037 | 1,002 | - |
| SKYWAY WEALTH HK INVESTMENT LIMITED Hong Kong | USD | - | - | 1% | - | - | - | - | - | - | - |
| **TOTAL** | | **-** | **-** | **-** | **3,517,331** | **3,516,402** | **432,766** | **340,081** | **1,575,233** | **177,287** | **126,432** |

(1) *Profit or loss data for foreign subsidiaries is translated into euros at the average exchange rate for the year and balance sheet items are translated at the closing rate. Data provided based on provisional, unaudited accounting figures.*

(2) *Sub-group.*

## NOTE 7 —• Receivables

| Items *(in thousands of euros)* | Gross amount | Up to 1 year | More than 1 year |
|---|---|---|---|
| **Receivables on non-current assets** | | | |
| Loans and advances to subsidiaries and associates | 373,261 | 8,049 | 365,212 |
| **Receivables on current assets** | | | |
| Doubtful or disputed accounts | 49 | 49 | - |
| Other trade receivables | 24,942 | 24,942 | - |
| Income tax receivables | 26,382 | 26,382 | - |
| VAT receivables | 9,204 | 9,204 | - |
| Group current accounts – cash pooling[(1)] | 59,504 | 59,504 | - |
| Other receivables | 39,665 | 39,665 | - |
| Prepaid expenses | 1,216 | 802 | 414 |
| **TOTAL AT 12/31/2018** | **534,223** | **168,598** | **365,626** |
| **Total at 12/31/2017** | **620,678** | **568,326** | **52,352** |

*(1) Groups current accounts are comprised primarily of advances granted by Ingenico Group SA to its subsidiaries and current accounts with other Ingenico Group companies.*

## NOTE 8 —• Short-term investments

| Type of security *(in thousands of euros)* | Gross carrying amount | Net asset value | Impairment |
|---|---|---|---|
| UCITS and other instruments classified as short-term investments | 68,736 | 68,728 | 8 |
| **TOTAL SHORT-TERM INVESTMENTS** | **68,736** | **68,728** | **8** |

## NOTE 9 —• Changes in shareholders' equity and treasury shares

Ingenico's share capital consists of 63,144,527 shares of €1 each, including 6,018,823 shares with double voting rights and 1,360,354 treasury shares.

During the year, 781,413 new shares were issued through distributions of stock dividends.

### ● Changes in shareholders' equity

| *(in thousands of euros)* | Balance at January 1, 2018 | Allocation of profit in 2017 | Movements in 2018 | At December 31, 2018 |
|---|---|---|---|---|
| Share capital | 62,363 | 781 | - | 63,144 |
| Issue premiums | 918,975 | 48,627 | - | 967,602 |
| Legal reserve | 6,150 | 90 | - | 6,240 |
| Retained earnings | 610,828 | 74,959 | 6 | 685,793 |
| Profit for the year | 172,604 | (172,604) | 158,757 | 158,757 |
| Regulated provisions | 5,416 | - | (268) | 5,149 |
| 2017 dividends paid in 2018 | - | 48,145 | - | - |
| **TOTAL** | **1,776,335** | **-** | **158,495** | **1,886,685** |

- **Treasury shares**

| | 2018 | | 2017 | |
|---|---|---|---|---|
| *(in thousands of euros)* | Quantity | Net amount *(in thousands of euros)* | Quantity | Net amount *(in thousands of euros)* |
| Unallocated treasury shares | 1,360,354 | 88,763 | 114,734 | 2,698 |
| Treasury shares held under the liquidity contract | - | - | - | - |
| **TOTAL** | **1,360,354** | **88,763** | **114,734** | **2,698** |

- **Free share award plan and stock option plans**

| | 2018 | | | | |
|---|---|---|---|---|---|
| | Shares outstanding at January 1 | Shares granted during the year | Share awards exercised during the year | Shares cancelled or expired, other movements | Free shares outstanding at December 31 |
| Free share awards | 147,749 | 192,910 | 9,550 | 58,724 | 272,385 |
| Joint investment | 133,820 | 226,264 | 21,830 | 21,160 | 317,094 |
| **TOTAL** | **281,569** | **419,174** | **31,380** | **79,884** | **589,479** |

In 2018, the Group put in place free share award and joint investment plans. Share awards are dependent on continuous service and internal and external performance criteria. The maximum number of free shares to be awarded is 419,174.

As part of the free share award and joint investment plans launched in 2014, the vesting periods of which expired in 2018, 31,380 treasury shares were allocated to beneficiaries.

The remaining €0.9 million share award acquired by the beneficiaries were taken from treasury shares.

## NOTE 10 —• Provisions and impairment

| *(in thousands of euros)* | Amount at 01/01/2018 | Additions | Transfers between items | Reversals used | Reversals not used | Other movements[1] | Amount at 12/31/2018 |
|---|---|---|---|---|---|---|---|
| **I - Regulated provisions** | | | | | | | |
| Tax-accelerated depreciation and amortization | 5,416 | - | - | (268) | - | - | 5,149 |
| **TOTAL I** | **5,416** | **-** | **-** | **(268)** | **-** | **-** | **5,149** |
| **II - Provisions for liabilities and charges** | | | | | | | |
| Provisions for litigation in comm. courts & industrial tribunals | 2,345 | 351 | - | - | - | - | 2,695 |
| Provisions for warranties | - | - | - | - | - | - | - |
| Provisions for foreign exchange losses | 2,497 | 5,000 | - | (2,497) | - | - | 5,000 |
| Provisions for retirement benefit obligations | 2,098 | 332 | - | (1,165) | - | - | 1,265 |
| Provisions for taxes | 94 | - | - | - | - | - | 94 |
| Other provisions for liabilities and charges | - | - | - | - | - | - | - |
| **TOTAL II** | **7,034** | **5,682** | **-** | **(3,661)** | **-** | **-** | **9,055** |
| **III - Impairment** | | | | | | | |
| property, plant and equipment | - | - | - | - | - | - | - |
| financial assets | 5,409 | 14,592 [3] | - | (1,753) | - | (2,727)[2] | 15,521 |
| inventories | - | - | - | - | - | - | - |
| trade receivables | 50 | - | - | - | - | - | 50 |
| other receivables | 248 | - | - | - | (166) | (82) | - |
| short-term investments | 3 | 8 | - | (3) | - | - | 8 |
| **TOTAL III** | **5,710** | **14,600** | **-** | **(1,756)** | **(166)** | **(2,809)** | **15,579** |
| **TOTAL I+II+III** | **18,162** | **20,282** | **-** | **(5,685)** | **(166)** | **(2,809)** | **29,783** |
| Provisions and impairment | | | | | | | |
| • for operating items | - | 682 | - | 1,165 | 166 | - | - |
| • for financial items | - | 19,600 | - | 4,252 | - | - | - |
| • for non-recurring items | - | - | - | 268 | - | - | - |

*(1) These variations reflect UTA operations, see Note 1, Major events of the period.*
*(2) Includes reversal of a provision for €3,226 thousands following the UTA of Ingenico Ventures.*
*Includes reversal of a provision for €(499) thousands following the UTA of Ingenico Connected Screens.*
*(3) Allocations to provisions for impairment of treasury shares for €14,592 thousands.*

## NOTE 11 —• Bank borrowings and debt and other bond issues

| *(in thousands of euros)* | Balance at 12/31/2018 | Initial term | Maturity date |
|---|---|---|---|
| **Medium-term borrowings** | | | |
| 2017 bond issue | 600,000 | 7 years | September 13, 2024 |
| 2014 bond issue | 450,000 | 7 years | May 20, 2021 |
| 2015 OCEANE bond issue | 500,000 | 7 years | June 26, 2022 |
| Other 2017 financial debt | 50,000 | 3 years | December 19, 2020 |
| Bank loans 2018 | 250,000 | 3 years | May 29, 2021 |
| Other 2018 financial debt | 55,000 | 7 years | May 29, 2025 |
| Accrued interest on loan(1) | 9,634 | | |
| **Short-term borrowings** | | | |
| Bank overdrafts | - | | |
| Commercial papers | 405,000 | | |
| Cash instruments | - | | |
| **TOTAL** | **2,319,634** | | |

*(1) Includes €8,318 thousands in accrued interest on bond issues.*

### Bond issues

On September 13, 2017, Ingenico Group SA issued a bond maturing on September 13, 2024. The par value of the issue is €600 million (6,000 bonds with a par value of €100,000 each). The bonds carry a coupon of 1.625%. The bond issue expenses are amortized over the initial term of the bond.

On May 20, 2014, the Company launched a €450 million bond issue (4,500 bonds with a par value of €100,000 each). The projected redemption date is May 20, 2021 and the annual coupon is 2.50%. The bond issue expenses are amortized over the initial term of the bond.

### 2015 OCEANE bond

In 2015, Ingenico issued an OCEANE bond with a call date of June 26, 2015 and a maturity date of June 26, 2022. The total principal amount of the issue was €500 million, or 2,904,443 bonds with a par value of €172.15 each and a one-to-one conversion ratio. The bonds have no coupon.

The conversion ratio was adjusted after allocation of the 2015 dividend. One bond may now be converted into 1.002 new and/or existing Ingenico Group SA shares.

The issue costs of the OCEANE bond were recorded in "Deferred charges" for 2015 on the asset side of the balance sheet and amortized over the life of the bond (see Note 4).

In 2016, as part of the approval of the Ingenico Group SA demerger by the bondholders, additional costs were recorded in "Deferred charges" on the asset side of the balance sheet and amortized at the same rate and under the same conditions as the initial costs.

The risk of dilution that could result from this OCEANE bond was partially hedged in November 2016 by the purchase of 1,500,000 call options.

### Syndicated credit facility

On July 29, 2014, Ingenico Group SA contracted a €600 million syndicated credit facility maturing in 2019, structured as a €100 million term loan (fully repaid in July 2015) and a €500 million revolving credit facility. When drawn down, this facility bears interest at a variable rate (Euribor 1 to 6 months) plus margin.

In June 2016, the maturity of the syndicated credit facility was extended by two years to July 29, 2021.

On December 21, 2016, a rider was attached to the syndicated credit facility. The amount was increased to €750 million, two additional extension options (one year each) were granted and the bank syndicate was slightly expanded.

On July 6, 2018, the Group renegotiated its syndicated credit facility of €750 million, exercising both of its one-year extension options, thus extending the maturity to July 29, 2023. This facility is not subject to any covenant.

Note that the syndicated credit facility was undrawn at December 31, 2018 and is not subject to any financial covenants as of July 2016.

The initial issue expenses and renegotiation costs are amortized over the new term of the facility, *i.e.*, until July 29, 2021.

### Bank loan of €250 million

In September 2017, Ingenico Group SA contracted a bank loan with a nominal value of €250 million, which was activated on March 14, 2018, for a maturity of three years. The remuneration of the loan is variable and based on the Euribor 6 months plus margin. Issue expenses were €0.7 million. They were recorded as assets and amortized over the life of the bond. This loan is not subject to any covenant.

### Other financial liabilities

In December 2017, Ingenico Group SA made a private placement of €50 million, maturing in three years at a fixed rate of 0.647%.

In May 2018, Ingenico Group SA made two private placements in amounts of €25 million and €30 million, with a maturity of seven years, at a fixed rate of 1.677%.

### Commercial Paper

During 2018, Ingenico Group SA issued and repaid commercial paper for €95 million. On June 7, 2018, the Company increased the ceiling of its commercial paper program from €500 million to €750 million.

## NOTE 12 —• Liabilities

| *(in thousands of euros)* | Gross amount | Up to 1 year | More than 1 year and less than 5 years | More than 5 years |
|---|---|---|---|---|
| OCEANE bonds | 500,000 | - | 500,000 | - |
| Bond issues | 1,058,317 | 8,317 | 450,000 | 600,000 |
| Bank borrowings and debt | 356,317 | 1,317 | 300,000 | 55,000 |
| Other borrowings and liabilities | 750,304 | 750,304 | - | - |
| Trade payables and related accounts | 68,643 | 68,643 | - | - |
| Payroll and related expenses | 10,344 | 10,344 | - | - |
| Social security and related liabilities | 5,829 | 5,829 | - | - |
| Payables to government | 8,936 | 8,936 | - | - |
| Other taxes and similar duties | 18 | 18 | - | - |
| Other debts | 4,333 | 4,333 | - | - |
| Deferred income | 259 | 259 | - | - |
| **TOTAL AT 12/31/2018** | **2,763,300** | **858,300** | **1,250,000** | **655,000** |
| **Total at 12/31/2017** | **2,578,436** | **978,436** | **1,000,000** | **600,000** |

## NOTE 13 —• Accrued income and charges

| Statement of accrued income *(in thousands of euros)* | 12/31/2018 | 12/31/2017 |
|---|---|---|
| Trade receivables and related accounts | 2,544 | 47,026 |
| Accrued income from social security bodies | - | - |
| State - CVAE (French value added tax) | 980 | - |
| Other receivables: Supplier credits earned but not yet received | 3,963 | 259 |
| Cash | - | 90 |
| **TOTAL ACCRUED INCOME** | **7,487** | **47,375** |

| Statement of accrued charges *(in thousands of euros)* | 12/31/2018 | 12/31/2017 |
|---|---|---|
| Bank borrowings and debt | 9,634 | 8,322 |
| Trade payables and related accounts | 18,450 | 50,052 |
| Tax and social security liabilities | 16,189 | 13,830 |
| Other debts | 550 | 550 |
| **TOTAL ACCRUED CHARGES** | **44,823** | **72,754** |

## NOTE 14 —• Breakdown of revenue

| Breakdown by geographical area *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| France (mainland and overseas depts.) | 18,667 | 14,130 |
| APAC (Asia-Pacific) | 9,589 | 4,827 |
| EMEA (Europe, Middle East and Africa) | 44,273 | 28,296 |
| LAR and NAR (Latin America and North America) | 15,331 | 9,484 |
| **TOTAL** | **87,860** | **56,737** |

## NOTE 15 —• Average workforce

| Employees | 2018 | 2017 |
|---|---|---|
| Executives and engineers | 134 | 133 |
| Clerical staff, technicians and supervisors | 2 | 6 |
| **TOTAL** | **136** | **139** |

## NOTE 16 —• Capitalized research and development costs

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| Capitalized research and development costs | 13,165 | 7,027 |
| Total R&D expenditure (costs and investment) | 79,017 | 62,680 |
| **% of R&D costs capitalized** | **17%** | **11%** |

## NOTE 17 —• Net financial income

| Nature *(in thousands of euros)* | Notes | 2018 | 2017 |
|---|---|---|---|
| **Financial income** | | | |
| Income from equity interests | (1) | 126,432 | 56,322 |
| Foreign exchange gains | | 48,388 | 27,062 |
| Income from other receivables | (2) | 15,283 | 4,687 |
| Gains on disposal of short-term investments | | 388 | 352 |
| Reversal of provisions and account transfers | (3) | 4,252 | 12,606 |
| Other income | (4) | 3,035 | 3,307 |
| **TOTAL FINANCIAL INCOME** | | **197,778** | **104,337** |
| **Financial expenses** | | | |
| Foreign exchange losses | | 60,452 | 23,599 |
| Amortization and provisions | (5) | 20,220 | 4,056 |
| Interest expense | | 26,983 | 18,109 |
| Net losses on disposal of short-term investments | | 328 | 184 |
| Other financial expenses | | 82 | 25 |
| **TOTAL FINANCIAL EXPENSES** | | **108,066** | **45,973** |
| **Net financial income** | | **89,713** | **58,364** |

*(1) Includes €126,432 thousands in dividends received from subsidiaries (see Note 6).*
*(2) Interest on loans to subsidiaries and current accounts.*
*(3) Includes a €1,753 thousands reversal of provisions on equity interests.*
*(4) Includes €3,068 thousands in interest on interest rate swaps.*
*(5) Includes a €5,000 thousands provision for foreign exchange losses;*
*Includes a €14,592 thousands provision for depreciation of equity interests.*

## NOTE 18 —• Non-recurring profit/loss

| Nature *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| **Non-recurring income** | | |
| Gains on disposal of assets | 200,247 | 8,892 |
| Tax-accelerated depreciation and amortization reversals | 268 | 334 |
| Account transfers | 9 | 32 |
| Other | - | 575 |
| **TOTAL NON-RECURRING INCOME** | **200,524** | **9,833** |
| **Non-recurring expenses** | | |
| Losses on disposal of assets | 199,773 | 2,466 |
| Tax-accelerated depreciation and amortization provisions | - | 85 |
| Losses on buybacks of shares | 852 | 48 |
| Penalties | (1,663) | 22 |
| Other | - | - |
| **TOTAL NON-RECURRING EXPENSES** | **198,962** | **2,621** |
| **Non-recurring profit/loss** | **1,562** | **7,211** |

## NOTE 19 —• Corporate income taxes

### ● Income tax breakdown before and after non-recurring items

| *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| **Profit for the year** | **158,757** | **172,604** |
| Income tax on profit of current items | (14,993) | 33,623 |
| Income tax on non-recurring income and expenses | (538) | 2,843 |
| Contribution on dividends (3%) | 0 | (3,231) |
| **TOTAL INCOME TAX** | **(15,531)** | **33,236** |
| **Profit before income tax** | **143,226** | **205,839** |

### ● Changes in deferred tax liabilities

The decrease and increase in future tax liabilities for 2018 and 2017 were determined by taking into account the rate of corporation tax applicable on the likely date of the reversal.

| **Type of temporary difference** *(in thousands of euros)* | 2018 | 2017 |
|---|---|---|
| **Regulated provisions** | | |
| Tax-accelerated depreciation and amortization | 63 | 154 |
| **TOTAL INCREASE** | **63** | **154** |
| **Provisions and accrued charges not deductible in accounting period** | | |
| Solidarity contribution | 95 | 123 |
| Construction costs | 33 | 28 |
| Provision for retirement | 336 | 551 |
| Acquisition expenses | 2,841 | 1,892 |
| Equity interests | 224 | 223 |
| **Other** | | |
| Translation differences (liabilities) | 2,846 | 117 |
| **TOTAL TAX RELIEF** | **6,375** | **2,936** |

## NOTE 20 —• Executive compensation

Compensation paid to members of the administrative bodies in fiscal year 2018 amounted to €0.6 million. Compensation paid to management bodies amounted to €3.1 million.

## NOTE 21 —• Audit fees

| | 2018 | |
|---|---|---|
| *(in thousands of euros)* | KPMG SA | Mazars |
| Certification of annuals accounts | 270 | 188 |
| Other services | 55 | 8 |
| **TOTAL** | **325** | **196** |

## NOTE 22 —• Off-balance sheet commitments

| **Commitments given** *(in thousands of euros)* | | | **2018** | **2017** |
|---|---|---|---|---|
| **Various guarantees** | | | 6,556 | 6,200 |
| Liability warranty as part of the disposal of 20% stake in **Ingenico Holdings Asia**: Standard warranties until October 2016, Tax warranties until June 2022 and Basic warranties valid until expiration of time limit for tax claims | | | 22,826 | 21,793 |
| As part of the acquisition of **Bambora**, Ingenico Group SA took over a guarantee to credit card companies (USD 25 million) | | | 21,834 | 16,676 |
| **As part of policy to hedge foreign exchange exposure:** | | | | |
| On existing assets and receivables and on future flows (valued at closing exchange rates) | | | - | - |
| • Forward contracts to purchase/sell CNY | KCNY 90,000 | (KCNY 0 in 2017) | 11,428 | - |
| • Forward contracts to purchase/sell JPY | KJPY 2,000 | (KJPY 0 in 2017) | 16 | - |
| • Forward contracts to purchase/sell USD | KUSD (1,438) | (KUSD 0 in 2017) | (1,256) | - |
| • Forward contracts to purchase/sell SEK | KSEK 0 | (KSEK 200,000 in 2017) | - | 20,317 |
| • Forward contracts to purchase/sell MXN | KMXN 2,000 | (KMXN 0 in 2017) | 88 | - |
| • AUD currency swaps | KAUD 155,928 | (KAUD 41,596 in 2017) | 96,133 | 27,105 |
| • SEK currency swaps | KSEK 0 | (KSEK 255,708 in 2017) | - | 25,977 |
| • GBP currency swaps | KGBP (65,289) | (KGBP (81,303) in 2017) | (72,987) | (91,637) |
| • CAD currency swaps | KCAD 66,731 | (KCAD 73,087 in 2017) | 42,763 | 48,598 |
| • USD currency swaps | KUSD 29,225 | (KUSD (35,373) in 2017) | 25,524 | (29,495) |
| • JPY currency swaps | KJPY 617,609 | (KJPY 1,178 in 2017) | 4,908 | 1,178 |
| • NZD currency swaps | KNZD (62,000) | (KNZD (0) in 2017) | (36,351) | - |
| **As part of policy to hedge interest rate exposure:** | | | | |
| Interest rate swaps (Nominal at closing) | | | 225,000 | 225,000 |
| **Other commitments given** | | | | |
| Partech Growth | | | 3,892 | 5,649 |
| Partech Entrepreneur II | | | 128 | 288 |
| Minimum future rentals on non-cancellable contracts | | | 35,567 | 33,396 |

| **Commitments received** *(in thousands of euros)* | **2018** | **2017** |
|---|---|---|
| Liability warranty received as part of **Ogone** acquisition (out of special guarantee)<br>Corporate warranty: unlimited in time | 89,325 | 89,325 |
| **Lyudia**<br>General warranties 24 months from April 26, 2016<br>Tax warranties: 5 years | 3,333 | 3,333 |
| **Nera Payment Services**<br>Basic warranties: unlimited<br>Tax warranties: 6 years<br>Other warranties: 1 year | 13,160 | 13,160 |
| **Paymark**<br>Basic warranties: 7 years<br>Other disputes: 2 years up to NZ$ 70 million<br>After this amount, basic warranzies: 10 years | 41,041 | - |
| **Airlink Technology**<br>Liability warranty in connection with the acquisition of Airlink<br>Tax warranties: 7 years<br>Social and legal warranties: 5 years<br>Other corporate warranties: 3 years | 8,242 | - |

# 6.5 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY ANNUAL FINANCIAL STATEMENTS

**To the Annual General Shareholders' Meeting of Ingenico Group SA,**

## Opinion

In compliance with the engagement entrusted to us by your Annual General Shareholders' Meeting, we have audited the accompanying annual financial statements of Ingenico Group SA for the fiscal year ended December 31, 2018.

In our opinion, the parent company annual financial statements give a true and fair view of the assets, liabilities, financial position and results of the Company for the preceding fiscal year in accordance with generally accepted accounting principles in France.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

## Justification of our opinion

### Auditing guidelines

We conducted our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the section of this report on "Responsibilities of the statutory auditors regarding the auditing of the annual financial statements"

### Independence

We conducted our audit for the period from January 1, 2018 to the date of our report in compliance with the independence rules applicable to us, and specifically, we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (Code de Déontologie) for statutory auditors.

## Justification of assessments – Key audit matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the annual financial statements for the period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the annual financial statements, as a whole, and forming our opinion thereon. We do not express a separate opinion on individual items in these annual financial statements.

| Key points of our audit | Responses provided during our audit |
|---|---|
| ***Valuation of equity interests and loans and advances to subsidiaries and associates***<br><br>As of December 31, 2018, equity interests were recorded on the balance sheet at a net carrying amount of €3,516 million, and loans and advances to subsidiaries and associates at a net carrying amount of €373 million.<br><br>When the value in use of equity interests and loans and advances to subsidiaries and associates is less than their carrying amount, an impairment loss is recognized for the difference.<br><br>As indicated in Note 3 of the notes to the annual financial statements, the determination of the value in use of these equity interests requires a decision from the management to determine the items to take into consideration, which correspond mainly to forecasts of discounted net cash flows.<br><br>We have considered that the valuation of equity interests and loans and advances to subsidiaries and associates is a key point of the audit, due to their significance in the Company's accounts and as the calculation of their value in use is based on management assumptions, estimates or assessments. | Our work consisted of:<br>• obtaining an understanding of the procedures used by the management to implement impairment tests;<br>• analyzing the reasonable nature of cash flow projections based on the five-year business forecasts prepared by the management;<br>• assessing the consistency between long-term growth rates and the weighted average cost of capital and market analyses, with the assistance of our valuation experts;<br>• checking that the value resulting from cash flow forecasts has been adjusted to take into account the debt of the entity in question. |
| ***Provisions for litigation and claims***<br><br>The Company's business activities are subject to many regulations, including commercial and tax regulations in France and internationally.<br><br>In this context, the Company's business activities may involve risks, disputes or litigation with third parties. As indicated in Note 3 of the notes to the annual financial statements, the commercial and tax litigation proceedings arising in connection with the Company's business activities are regularly reviewed by the Company's Legal Department and are covered by provisions, if it believes that it is likely that an outflow of resources will be required to cover the risk incurred and when such an outflow can be reliably estimated.<br><br>We considered that this area was a key point of our audit given the significant nature of litigation and claims and the high level of judgment required by the management to determine such provisions in a context of multiple regulatory conditions and constant changes. | To obtain an understanding of existing litigation, claims and judgment-related items, we interviewed the Company's management, analyzed the procedures used to identify litigation and questioned the main legal firms used by the management.<br><br>For each of the major litigation proceedings and claims identified, we:<br>• reviewed the process used by the management to calculate the relevant provisions and determine which information to disclose in the notes;<br>• performed a critical review of internal analysis notes relating to the probability and the potential impact of each risk, by examining the procedural elements (correspondence, claims, judgments, notifications, etc.) available and the legal or technical advice provided by the legal firms or external experts used by the management;<br>• assessed the methodology used to calculate the provisions and tested the underlying data used;<br>• obtained written consultations from the legal firms or external experts that assisted the Company in the context of any litigation identified;<br>• exercised our professional judgment, with the help of our own experts where necessary, to assess the positions used by the management and the suitability of any changes over time to these positions. |

### Specific verifications

We have also performed the specific verifications required by the laws and regulations, in accordance with professional standards applicable in France.

### Information given in the management report and in other documents sent to shareholders on the financial position and annual financial statements

We have no matters to report regarding the fair presentation and the consistency with the parent company annual financial statements of the information given in the Board of Directors' management report and in other documents sent to shareholders with respect to the Company's financial position and annual financial statements.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in article D441-4 of the French Commercial Code *(Code de commerce)*.

### Report on corporate governance

We attest that the Board of Directors' report on corporate governance contains the disclosures required by Articles L.225-37-3 and L.225-37-4 of the French Commercial Code.

With regard to the information supplied pursuant to Article L.225-37-3 of the French Commercial Code on compensation and benefits paid to the Company's directors and executive officers and on commitments made to them, we verified its consistency with the parent company annual financial statements or with the data used as a basis for preparing these financial statements and, where relevant, with the evidence collected by your Company from companies controlling your Company or controlled by it. Based on our work, we attest to the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a takeover bid or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code *(Code de commerce)*, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

### Other information

In accordance with French law, we have ensured that the required information concerning the purchase of equity interests and controlling interests in the Company and the names of the holders of shares or voting rights have been properly disclosed in the management report.

## Information resulting from other legal and regulatory obligations

### Appointment of statutory auditors

KPMG were appointed as the statutory auditors of Ingenico Group SA by the Annual General Shareholders' Meeting of June 10, 1986; Mazars were appointed on April 29, 2013.

As at December 31, 2018, KPMG and Mazars were in the 33rd and 6th year of total uninterrupted engagement.

## Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation and fair presentation of the annual financial statements in accordance with French accounting rules and principles, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial information preparation process and monitoring the effectiveness of the internal control and risk management systems, as well as, where applicable, the internal audit process, in terms of the procedures relating to the preparation and processing of accounting and financial information.

These annual financial statements were approved by the Board of Directors on February 12, 2019.

## Responsibilities of the statutory auditors regarding the auditing of the annual financial statements

### Objective and audit approach

Our role is to issue a report on the annual financial statements. Our objective is to obtain reasonable assurance whether the annual financial statements, taken as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code, our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout this audit. Furthermore, the statutory auditor:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of failing to detect a material misstatement resulting from fraud is greater than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;

- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

### Report to the Audit Committee

We present a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the annual financial statements for the period and are considered key audit matters. It is our responsibility to describe such risks in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are laid down in particular by Articles L.822-10 to L.822-14 of the French Commercial Code and in the French Code of Ethics for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, February 26, 2019

The statutory auditors

| | |
|---|---|
| KPMG Audit | MAZARS |
| *Department of KPMG SA* | |
| Frédéric Quélin | Thierry Blanchetier |

# 6.6 FIVE-YEAR FINANCIAL SUMMARY

| Reporting date (12-month accounting period) *(in thousands of euros)* | 12/31/2014 | 12/31/2015 | 12/31/2016 | 12/31/2017 | 12/31/2018 |
|---|---|---|---|---|---|
| **Capital at year end** | | | | | |
| Share capital in thousands of euros | 57,437 | 60,991 | 61,493 | 62,363 | 63,144 |
| Number of ordinary shares issued | 57,436,781 | 60,990,600 | 61,493,241 | 62,363,114 | 63,144,527 |
| **Key income statement data** | | | | | |
| Revenue (excluding tax) | 676,637 | 832,112 | 324,842 | 56,737 | 87,860 |
| Profit before income taxes, profit-sharing, depreciation, amortization and provisions | 239,575 | 491,999 | 261,034 | 203,375 | 171,592 |
| Income tax (incl. contr. on dividends) | 56,587 | 88,096 | 46,080 | 33,236 | (15,531) |
| Employee profit-sharing for the year | 4,341 | 4,387 | 1,631 | (44) | 330 |
| EPS after income taxes, profit-sharing, depreciation, amortization and provisions | 174,214 | 369,939 | 202,929 | 172,604 | 158,757 |
| Dividends distributed | 57,437 | 79,288 | 92,240 | 99,781 | - |
| **Per-share data** *(in euros)* | | | | | |
| EPS after income taxes, profit-sharing but before depreciation, amortization and provisions | 3.11 | 6.55 | 3.47 | 2.73 | 2.96 |
| EPS after income taxes, profit-sharing, depreciation, amortization and provisions | 3.03 | 6.07 | 3.30 | 2.77 | 2.51 |
| Dividend per share(1) | 1.00 | 1.30 | 1.50 | 1.60 | - |
| **Personnel** | | | | | |
| Average number of employees | 835 | 909 | 328 | 139 | 136 |
| Total payroll | 77,582 | 75,489 | 37,226 | 21,840 | 25,250 |
| incl. free share awards | - | 118 | - | 32 | 10 |
| Total benefits incl. social security expenses | 45,099 | 48,865 | 21,230 | 11,475 | 11,300 |

(1) *The proposed dividend to be submitted to the Combined Ordinary and Extraordinary Shareholders' Meeting of June 11, 2019 was agreed by the Board of Directors on February 12, 2019.*

# 7

# COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF JUNE 11, 2019

# 7.1 DRAFT AGENDA AND PROPOSED RESOLUTIONS

## Draft agenda

### Ordinary resolutions

***First resolution*** – Approval of the Annual Financial Statements for the year ended December 31, 2018 and approval of non-tax-deductible expenses.

***Second resolution*** – Approval of the consolidated financial statements for the year ended December 31, 2018.

***Third resolution*** – Allocation of net profit for the year and dividend.

***Fourth resolution*** – Option to receive dividends in cash or in shares, determination of share price, rounding of fractional shares, option declaration period.

***Fifth resolution*** – Statutory auditors' special report on the agreements covered under Article L.225-38 *et seq.* of the French Commercial Code (*Code de commerce*) and approval of these agreements.

***Sixth resolution*** – Statutory auditors' special report on the agreements and commitments covered by Article L.225-42-1 of the French Commercial Code – Approval of the commitments made to Mr. Nicolas HUSS, Chief Executive Officer.

***Seventh resolution*** – Ratification of the provisional appointment of Mr. Nicolas HUSS as director.

***Eighth resolution*** – Reappointment of Mr. Nicolas HUSS as director.

***Ninth resolution*** – Reappointment of Ms. Diaa ELYAACOUBI as director.

***Tenth resolution*** – Reappointment of Ms. Sophie STABILE as director.

***Eleventh resolution*** – Appointment of Ms. Agnès AUDIER as director.

***Twelfth resolution*** – Appointment of Ms. Nazan SOMER ÖZELGIN as director.

***Thirteenth resolution*** – Appointment of Mr. Michael STOLLARZ as director.

***Fourteenth resolution*** – Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the previous year to Mr. Philippe LAZARE, Chairman and Chief Executive Officer until November 5, 2018.

***Fifteenth resolution*** – Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the previous year to Mr. Nicolas HUSS, Chief Executive Officer since November 5, 2018.

***Sixteenth resolution*** – Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the previous year to Mr. Bernard BOURIGEAUD, Chairman of the Board of Directors since November 5, 2018.

***Seventeenth resolution*** – Approval of the principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the Chief Executive Officer.

***Eighteenth resolution*** – Approval of the principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the Chairman of the Board of Directors.

***Nineteenth resolution*** – Amount of attendance fees allocated to Board members.

***Twentieth resolution*** – Authorization of the Board of Directors to repurchase Company shares, pursuant to Article L.225-209 of the French Commercial Code; duration, purpose, procedure, limit, and suspension of this authorization during a public offer period.

### Extraordinary resolutions

***Twenty-first resolution*** – Delegated authority to be granted to the Board of Directors to increase share capital through incorporation of retained earnings, net profit and/or premiums, duration of the delegation of authority, maximum nominal amount of the capital increase, outcome of fractional shares, suspension of this delegation of authority during a public offer period.

***Twenty-second resolution*** – Delegated authority to be granted to the Board of Directors to increase share capital by issuing ordinary shares and/or securities conferring entitlement to shares, with preferential subscription rights waived, to employees who are members of a company savings plan, pursuant to Articles L.3332-18 *et seq.* of the French Labor Code; duration of the delegation of authority, maximum nominal amount of the capital increase, issue price, possibility to grant free shares pursuant to Article L.3332-21 of the French Labor Code, suspension of this authorization during a public offer period.

***Twenty-third resolution*** – Delegated authority to be granted to the Board of Directors to issue ordinary shares, with preferential subscription rights waived, to employees, directors and executive officers of Group companies with registered offices outside France who are not members of a company savings plan; duration of the delegation of authority, maximum amount of the capital increase, issue price, suspension of this delegation of authority during a public offer period.

***Twenty-fourth resolution*** – Authorization to be given to the Board of Directors to allocate existing shares and/or to issue shares free of charge to salaried employees and/or certain directors and executive officers of the Company or of affiliated companies or economic interest groups, waiver by shareholders of their preferential subscription right, duration of the authorization, ceiling, duration of the vesting period, especially in case of disability.

***Twenty-fifth resolution*** – Amendment of Article 13 of the Articles of Association to raise the statutory age limit for performing the duties of Chairman of the Board of Directors.

***Twenty-sixth resolution*** – Amendment of Articles 12 and 13 of the Articles of Association on the appointment of a Vice-Chairman.

***Twenty-seventh resolution*** – Amendment of Article 12 of the Articles of Association to remove the statutory obligation for directors to hold Company shares.

***Twenty-eighth resolution*** – Powers for formalities.

# Proposed resolutions for the Annual General Shareholders' Meeting

## Ordinary resolutions

### First resolution – Approval of the Annual Financial Statements for the year ended December 31, 2018 and approval of non-tax-deductible expenses

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, and having reviewed the reports of the Board of Directors and the statutory auditors for the year ended December 31, 2018, hereby approves the Annual Financial Statements, as presented, which show a net profit of €158,756,762.07.

The Annual General Shareholders' Meeting approves the amount of expenses and charges as defined in Article 39-4 of the French General Tax Code, *i.e.*, €60,197, as well as the related tax liability.

### Second resolution – Approval of the consolidated financial statements for the year ended December 31, 2018

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, and having reviewed the reports of the Board of Directors and the statutory auditors on the consolidated financial statements as of December 31, 2018, hereby approves those financial statements as presented, which show a net profit (Group share) of 188,233 thousands of euros.

### Third resolution – Allocation of net profit for the year and dividend

The Annual General Shareholders' Meeting, upon the recommendation of the Board of Directors, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to allocate the net profit/(loss) for the year ended December 31, 2018 in the following manner:

**2018 net results**

| | |
|---|---|
| • Net profit for the year | €158,756,762.07 |
| • Retained earnings | €685,792,769.77 |

**Allocation**

| | |
|---|---|
| • Legal reserve | €75,000 |
| • Dividends(1) | €69,458,979.70 |
| Composed of: | |
| ◦ Initial dividend | €3,157,226.35 |
| ◦ Additional dividend | €66,301,753.35 |
| • Retained earnings | €775,015,552.14 |

The Annual General Shareholders' Meeting acknowledges that the total gross dividend per share is set at €1.10.

When the gross dividend is paid to an individual tax resident in France, the dividend is liable to (i) a flat tax (*prélèvement forfaitaire unique*) on the gross dividend at the flat rate of 12.8% referred to in Article 200 A of the French General Tax Code, or (ii) at specific and irrevocable request by the taxpayer, the normal income tax scale, after an income tax abatement of 40% on dividend income as referred to in Articles 200 A, 13 and 158 of the French General Tax Code. Social charges at the rate of 17.2% apply.

The ex-dividend date is June 17, 2019.

Dividends will be paid on July 9, 2019.

The total amount of the dividend paid and therefore the amount allocated to retained earnings will be adjusted for any difference between the number of shares entitled to dividends and the 63,144,527 shares that made up the share capital at December 31, 2018.

Pursuant to Article 243 *bis* of the French General Tax Code, the shareholders note that the dividends and income paid in respect of the last three fiscal years were as follows:

| | Dividends eligible for tax reduction | | |
|---|---|---|---|
| **Fiscal year** | **Dividends** | **Other amounts distributed** | **Dividends not eligible for tax allowance** |
| 2015 | €79,287,780.00(2) or €1.30 per share | - | - |
| 2016 | €92,239,861.50(2) or €1.50 per share | - | - |
| 2017 | €99,780,982.40(2) or €1.60 per share | - | - |

(1) *The total dividend amount of €69,458,979.70 is based on the number of shares with dividend rights (equal to 63,144,527), including shares owned by the Company. The dividend payable on the shares owned by the Company on the ex-dividend date shall be allocated to "Retained earnings" at the time of payment. The total dividend amount and consequently the amount of retained earnings shall be adjusted according to the number of shares held by the Company on the ex-dividend date and, if applicable, the new shares entitled to dividends vested until that date, resulting from new free share awards or OCEANE bond conversion.*

(2) *Including the amount of dividend not paid for treasury stock and allocated to retained earnings and the amount of dividend paid in shares.*

### Fourth resolution – Option to receive dividends in cash or in shares

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, after reviewing the report of the Board of Directors and in accordance with Article 23 of the Company's Articles of Association, having noted that the entire issued share capital has been fully paid up, hereby resolves to grant each shareholder, out of the total net dividend amount and in proportion to the shares held, the option to receive the dividend in cash or in new shares.

The price for shares issued as stock dividends will be equal to 90% of the average price quoted for the Company's shares over the 20 trading days preceding the date of this Annual General Shareholders' Meeting, less the net amount of the dividend, in accordance with Article L.232-19 of the French Commercial Code.

If the net dividend amount to be distributed in shares does not correspond to a whole number of shares, the shareholder may opt to receive:

- either the whole number of shares just below that amount, along with a cash payment for the difference paid on the date on which the option is exercised;
- or the whole number of shares just above that amount, with the difference paid in cash by the shareholder.

Shareholders opting for a dividend paid in shares must exercise this option between June 19, 2019 and July 3, 2019 inclusive, through the relevant financial intermediaries authorized to pay the dividend. Beyond this time limit, only cash dividends shall be paid.

Dividends for those shareholders who opt for a cash payment are payable on July 9, 2019. Shareholders who opt for a dividend in shares will receive the new shares on the distribution date for cash dividends, *i.e.*, July 9, 2019.

The shares issued in respect of the dividend payment will be entitled to dividends from January 1, 2019.

The Annual General Shareholders' Meeting hereby resolves to grant the necessary powers to the Board of Directors, with the option to sub-delegate, to perform all actions required to implement this resolution, to record the number of shares issued and the capital increase arising from the new shares issued as stock dividends, to amend the Articles of Association accordingly, and to proceed with all publication and filing formalities.

### Fifth resolution – Statutory auditors' special report on the agreements covered under Article L.225-38 *et seq.* of the French Commercial Code and approval of these agreements

Deliberating on the statutory auditors' special report on regulated agreements and commitments with which it was presented, with the quorum and majority required for ordinary shareholders' meetings, the Annual General Shareholders' Meeting hereby votes in favor of the new agreements mentioned therein.

### Sixth resolution – Statutory auditors' special report on the agreements and commitments covered by Article L.225-42-1 of the French Commercial Code – Approval of the commitments made to Mr. Nicolas HUSS, Chief Executive Officer.

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings and having reviewed the statutory auditors' special report, hereby approves, in accordance with the provisions of Article L.225-42-1 of the French Commercial Code, the agreement entered into with Mr. Nicolas HUSS regarding the compensation that may be payable on termination of employment and acknowledges that this decision will be deemed as approval under Article L.225-42-1, paragraph 4 of the French Commercial Code.

### Seventh resolution – Ratification of the provisional appointment of Mr. Nicolas HUSS as director.

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby ratifies the provisional appointment of Mr. Nicolas HUSS as a director, made by the Board of Directors at its meeting of November 5, 2018, to replace Mr. Philippe LAZARE for the remaining term of office of his predecessor, *i.e.*, until the end of the Annual General Shareholders' Meeting to be held in 2019, called to approve the financial statements for the preceding year.

### Eighth resolution – Renewal of Mr. Nicolas HUSS as a director

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to reappoint Mr. Nicolas HUSS as a director for a term of three years, expiring at the end of the Shareholders' Meeting held in 2022 to approve the financial statements for the previous year.

### Ninth resolution – Reappointment of Ms. Diaa ELYAACOUBI as a director

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to reappoint Ms. Diaa ELYAACOUBI as a director for a term of three years, expiring at the end of the Shareholders' Meeting held in 2022 to approve the financial statements for the previous year.

### Tenth resolution – Reappointment of Ms. Sophie STABILE as a director

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to reappoint Ms. Sophie STABILE as a director for a term of three years, expiring at the end of the Shareholders' Meeting held in 2022 to approve the financial statements for the previous year.

### Eleventh resolution – Appointment of Ms. Agnès AUDIER as director

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to appoint Ms Agnès AUDIER for a term of two years, expiring at the end of the Shareholders' Meeting held in 2021 to approve the financial statements for the previous year in order to stagger the renewal of Director's terms of office, in accordance with article 12 of the by-laws.

### Twelfth resolution – Appointment of Ms. Nazan SOMER ÖZELGIN as director

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to appoint Ms. Nazan SOMER ÖZELGIN for a term of one year, expiring at the end of the Shareholders' Meeting held in 2020 to approve the financial statements for the previous year in order to stagger the renewal of Director's terms of office, in accordance with article 12 of the by-laws.

### Thirteenth resolution – Appointment of Mr. Michael STOLLARZ as director

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, hereby resolves to appoint Mr. Michael STOLLARZ for a term of three years, expiring at the end of the Shareholders' Meeting held in 2022 to approve the financial statements for the previous year.

### Fourteenth resolution – Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the previous year to Mr. Philippe LAZARE, Chairman and Chief Executive Officer until November 5, 2018

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, pursuant to Article L.225-100, paragraph II of the French Commercial Code, approves the fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or awarded by virtue of his corporate functions in the past year to Mr. Philippe LAZARE, Chairman and Chief Executive Officer until November 5, 2018, as set out in the report on corporate governance in accordance with Article L.225-37 of the French Commercial Code and contained in section 3.3.1.1.1 of the 2018 Registration Document.

### Fifteenth resolution – Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the previous year to Mr. Nicolas HUSS, Chief Executive Officer since November 5, 2018

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, pursuant to Article L.225-100, paragraph II of the French Commercial Code, approves the fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or awarded by virtue of his corporate functions in the past year to Mr. Nicolas HUSS, Chief Executive Officer since November 5, 2018, as set out in the report on corporate governance in accordance with Article L.225-37 of the French Commercial Code and contained in section 3.3.1.1.2 of the 2018 Registration Document.

### Sixteenth resolution – Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the previous year to Mr. Bernard BOURIGEAUD, Chairman of the Board of Directors since November 5, 2018

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, pursuant to Article L.225-100, paragraph II of the French Commercial Code, approves the fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or awarded by virtue of his corporate functions in the past year to Mr. Bernard BOURIGEAUD, Chairman of the Board of Directors since November 5, 2018, as set out in the report on corporate governance in accordance with Article L.225-37 of the French Commercial Code and contained in section 3.3.1.1.3 of the 2018 Registration Document.

### Seventeenth resolution – Approval of the principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the Chief Executive Officer

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary meetings, in accordance with Article L.225-37-2 of the French Commercial Code, hereby votes in favor of the principles and criteria for calculating, splitting and allocating the fixed, variable and non-recurring components of compensation and benefits of any kind awarded to the Chief Executive Officer by virtue of his corporate functions, as detailed in the report mentioned in the final paragraph of Article L.225-37, of the French Commercial Code and contained in section 3.3.1.2 of the 2018 Registration Document.

### Eighteenth resolution – Approval of the principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the Chairman of the Board of Directors

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary meetings, in accordance with Article L.225-37-2 of the French Commercial Code, hereby votes in favor of the principles and criteria for calculating, splitting and allocating the fixed, variable and non-recurring components of compensation and benefits of any kind, awarded to the Chairman of the Board of Directors by virtue of his corporate functions, as detailed in the report mentioned in the final paragraph of Article L.225-37, of the French Commercial Code and contained in section 3.3.1.2 of the 2018 Registration Document.

### Nineteenth resolution – Amount of attendance fees allocated to Board members

The shareholders, deliberating with the quorum and majority required for ordinary meetings, hereby resolve to increase the total annual amount of attendance fees to be allocated to the Board of Directors from €550,000 to €750,000.

This decision, which will apply for the current fiscal year, will be maintained until decided otherwise.

### Twentieth resolution – Authorization for the Board of Directors to repurchase Company shares, pursuant to Article L.225-209 of the French Commercial Code

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary shareholders' meetings, and having reviewed the report of the Board of Directors, hereby authorizes the Board to trade in Company shares on the stock exchange or in any other way on one or more occasions for a period of 18 months, in accordance with Articles L.225-209 *et seq.* of the French Commercial Code.

This authorization is intended to allow the Company to do the following:

- hold and use Company shares as a means of exchange or consideration in external growth transactions, in compliance with current laws and regulations;
- use Company shares in connection with the exercise of rights attached to Company securities conferring immediate or future entitlement to Company shares through conversion, exercise, redemption or exchange, presentation of a warrant

or by any other means, and carry out any transactions required to hedge the Company's obligations in connection with these securities, in accordance with stock market regulations at the time that the Board of Directors or any person to whom the Board has delegated its powers may act;

- implement any Company stock option plan granted in accordance with Articles L.225-177 *et seq*. of the French Commercial Code, any award, in accordance with Articles L.225-197-1 *et seq*. of the French Commercial Code, of Company shares for free to employees, directors and executive officers, whether as part of their compensation, as a means to allow them to benefit from the Company's growth, in the context of Company or Group employee shareholding or savings plans and/or any other form of share allocation programs for employees and/or directors and executive officers of the Group, and to carry out any transactions required to hedge the Company's obligations in connection with these programs, in accordance with stock market regulations and at the time that the Board of Directors or any person to whom the Board has delegated its powers may act;
- maintain a liquid market for the Company's shares *via* a liquidity contract with an independent investment service provider that complies with the practice authorized by the regulations;
- cancel some or all of the Company's shares bought back with the intention of reducing the share capital, in accordance with an authorization granted or to be granted by the Extraordinary Shareholders' Meeting;
- and in general act for any legally authorized purpose.

The shareholders hereby resolve that the number of Company shares acquired under this authorization shall not exceed 10% of the total number of shares making up the share capital on the date of purchase, after deducting the number of shares resold during the program to maintain a liquid market for the Company's shares, while noting that the share acquisitions made by the Company may under no circumstances permit the Company to hold more than 10% of its total share capital, either directly or indirectly. Consequently, on the basis of the share capital as of December 31, 2018 (divided into 63,144,527 shares) and taking into account the 1,360,354 treasury shares held at that date, the Company would be authorized to purchase up to 4,954,098 shares.

Shares may be acquired by any means including, where applicable, trading in derivatives and options on regulated or over-the-counter markets, provided that use of such means does not significantly increase the volatility of the Company's share price.

The Board of Directors may not, unless previously authorized by a General Shareholders' Meeting, make use of this delegation of authority at any time during a public offer launched on the Company's shares by a third party.

Shares may be purchased by any means, including the acquisition of blocks of shares, and at such times as the Board of Directors decides.

The purchase price per share is not to exceed €180. On the basis of the share capital as of December 31, 2018, including the treasury shares held by the Company at that date, the maximum consideration the Company could pay, if purchasing shares at the maximum price of €180, would be €891,737,640.

In the event of capital increases carried out through incorporation of retained earnings or free share awards, or in the event of stock splits or reverse splits, depreciation or reduction of the share capital, or any other transaction affecting the share capital, the aforementioned prices shall be adjusted by a multiplier equal to the ratio between the number of shares that made up the share capital prior to the transaction and the number of shares after the transaction.

In order to ensure the implementation of the present authorization, the Board of Directors is hereby granted the necessary powers to proceed, with the option to sub-delegate, in particular to decide whether a repurchase program is appropriate and to determine the procedures for carrying out such a program, to draft and issue a fact sheet about the program, to place all orders on the stock market, to sign all deeds of transfer or assignment, to enter into any agreements required, particularly for the keeping of records of share purchases and sales, to carry out any filings with the AMF and any other body, as well as any other formalities, including allocating or reallocating purchased shares for their various intended purposes, and generally to do whatever is required.

The present authorization is hereby granted for a period of 18 months from the date of this Annual General Shareholders' Meeting and replaces the authorization granted to the same effect by the Annual General Shareholders' Meeting of May 16, 2018.

## Extraordinary resolutions

### Twenty-first resolution – Delegated authority to be granted to the Board of Directors to increase share capital through incorporation of retained earnings, net profit and/or premiums

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for ordinary general shareholders' meetings, having reviewed the Board of Directors' report, and in accordance with Articles L.225-129-2 and L.225-130 of the French Commercial Code, hereby:

- delegates to the Board of Directors its authority to increase the share capital, on one or more occasions, at the times and under the terms that it shall determine, by incorporating retained earnings, profits, premiums or other items for which this is permitted, by issuing and awarding free shares or by raising the nominal amount of existing ordinary shares, or by means of the combination of these two procedures;
- resolves that, should the Board of Directors exercise this delegated authority, in accordance with the provisions of Article L.225-130 of the French Commercial Code, in the event of a capital increase carried out in the form of the allocation of free shares, rights forming fractional shares will not be negotiable or transferable, and the corresponding shares will be sold; the proceeds of the sale will be allocated to the holders of the rights within the period prescribed by the regulations;
- grants this delegation of authority for a period of 26 months from the date of this meeting;
- resolves that the amount of the capital increase under this resolution may not exceed the nominal amount of €10,000,000, not taking account of the nominal amount of the capital increase necessary to safeguard, in accordance with the law and, if applicable, with any contractual provisions providing for other protection measures, the rights of the holders of securities conferring entitlement to the Company's share capital;
- resolves that, unless previously authorized by the Annual General Shareholders' Meeting, the Board of Directors may not make use of this delegation of authority at any time during a public offer period initiated on the Company's shares by a third party, until the end of the offer period;
- grants all necessary powers to the Board of Directors to implement this resolution and, more generally, to take all measures and to carry out all formalities required to ensure that each increase in the share capital is completed correctly,

to record such increases and to amend the Articles of Association accordingly;

- acknowledges that this delegation of authority cancels and replaces from this day the unused portion of any delegation of authority previously granted for the same purpose.

### Twenty-second resolution – Delegated authority to be granted to the Board of Directors to increase share capital by issuing ordinary shares and/or securities conferring entitlement to shares, with preferential subscription rights waived, to employees who are members of a company savings plan, pursuant to Articles L.3332-18 *et seq.* of the French Labor Code

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary meetings, having reviewed the Board of Directors' report and the statutory auditors' special report, and in accordance with Articles L.225-129-6, L.225-138-1 and L.228-92 of the French Commercial Code and Articles L.3332-18 *et seq.* of the French Labor Code, hereby resolves to:

1) delegate its authority to the Board of Directors, at the Board's discretion, to increase the share capital, on one or more occasions, by issuing ordinary shares or securities conferring entitlement to Company shares to employees who are members of one or more Company or Group savings plans established by the Company and/or the French or foreign entities under its control, as defined in Article L.225-180 of the French Commercial Code and in Article L.3344-1 of the French Labor Code;
2) waive, for the benefit of such people, any preferential subscription rights on shares that may be issued under this delegation of authority;
3) grant this delegation of authority for a period of 26 months from the date of this meeting;
4) limit the total nominal amount of any capital increase(s) that may be carried out under this delegation of authority to 2% of the share capital as of the date of the decision by the Board of Directors setting the start of the subscription period; this limit is independent of any other maximum limits of delegated authority to increase the share capital. This limit will include, where appropriate, the nominal amount of the capital increase necessary to safeguard, in accordance with the law and with any applicable contractual provisions providing for other protection measures, the rights of the holders of securities conferring entitlement to the share capital of the Company;
5) determine that the subscription price of the shares to be issued pursuant to paragraph 1/ of this delegation of authority may not be more than 20% lower than the average of the opening prices quoted for the Company's shares on the Euronext Paris stock market over the 20 trading days preceding the date of the decision setting the start of the subscription period, or more than 30% lower if the vesting period provided for in the savings plan in accordance with Articles L.3332-25 and L.3332-26 of the French Labor Code is 10 years or more (or lower by any other maximum percentage as may be provided for by the legal provisions that apply at the time the price is determined), nor may the subscription price exceed that average;
6) resolve, in accordance with Article L.3332-21 of the French Labor Code, that the Board of Directors will be authorized to award new or existing shares, or other securities conferring entitlement to the Company's share capital, for free, to the beneficiaries mentioned in the first paragraph above, either (i) to provide the matching contributions required by the Company or Group savings plan regulations and/or (ii) to offset any discount to the share price;
7) resolves that, unless previously authorized by the Annual General Shareholders' Meeting, the Board of Directors may not make use of this delegation of authority at any time during a public offer period initiated on the Company's shares by a third party, until the end of the offer period;
8) acknowledge that this delegation of authority cancels and replaces the unused portion of any delegation of authority previously granted for the same purpose.

The Board of Directors shall be empowered to decide whether or not to make use of this delegation of authority, and to perform all necessary acts and proceed with the requisite formalities.

### Twenty-third resolution – Delegated authority to be granted to the Board of Directors to issue ordinary shares, with preferential subscription rights waived, to employees, directors and executive officers of Group companies with registered offices outside France who are not members of a company savings plan

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary general shareholders' meetings, having reviewed the Board of Directors' report and the statutory auditors' special report, and in accordance with Articles L.225-129-2 and L.225-138 of the French Commercial Code, hereby:

1) delegates to the Board of Directors, with the option to sub-delegate as provided by law, its authority to issue, on one or more occasions, ordinary shares in the Company, with subscription for such shares to be reserved for employees, directors and executive officers of subsidiaries under the Company's control as defined in Article L.233-16 of the French Commercial Code, which have their head office outside France (hereinafter the "Subsidiaries"), which may be paid for either in cash or by offsetting receivables;
2) resolves that (i) the nominal amount of any capital increase(s) carried out under this delegation of authority will not exceed 2% of the Company's share capital on the date of the decision by the Board of Directors setting the start of the subscription period, it being specified that this limit does not include the nominal amount of any capital increase necessary, in accordance with the law and with any applicable contractual provisions, to protect the rights of the holders of securities or other rights conferring entitlement to shares; and (ii) the nominal amount of any increase(s) in the Company's share capital, carried out immediately or in the future, resulting from the issuance of shares under this delegated authority, is independent of any other limit with respect to delegated authority to increase the share capital;
3) acknowledges that the Board of Directors, with the option to sub-delegate as provided by law, may decide to issue shares reserved for employees, directors and executive officers of Subsidiaries concurrently with, or independently of, one or more share issues open to existing shareholders, to employees who are members of a Group savings plan, or to third parties;
4) resolves that the subscription price for the new shares will be determined by the Board of Directors on the date that it sets the start of the subscription period, using one of the following two methods, at the discretion of the Board of Directors:
   - the subscription price is equal to the average of the opening prices quoted for Ingenico Group shares on the Euronext Paris stock market over the twenty trading days preceding the date of the Board of Directors' decision, less a maximum discount of 20%, or

- the subscription price is equal to the opening price quoted for Ingenico Group shares on the Euronext Paris stock market on the date of the Board's decision, less a maximum discount of 20%; it being specified that the method to be used or the amount of discount to be deducted may vary according to the capital increases or the beneficiaries involved;

5) resolves to waive shareholders' preferential subscription rights to shares to be issued to employees, directors and executive officers of the Subsidiaries;
6) resolves that the Board of Directors will have the necessary powers, with the option to sub-delegate as provided by law, to implement this delegation of authority for the following purposes in particular:
   - to determine the date, terms and methods to be used in the issue of shares with or without premiums, and to determine the total number of shares to be issued,
   - to determine the list of beneficiaries among employees, directors and executive officers of the Subsidiaries,
   - to determine the number of shares that may be subscribed by each of them,
   - to set the subscription price of the shares, in compliance with the methods set out in paragraph 4 above,
   - to set the terms of payment for the shares within the statutory framework,
   - to set the date from which the shares to be issued shall be entitled to dividends,
   - to limit the amount of the issue to the amount of subscriptions, in accordance with any regulatory limits in force, if applicable,
   - if applicable, to charge any costs, particularly issuance costs, against the issue premium or premiums,
   - if applicable, to request the admission of the new shares to trading on the Euronext Paris stock market or on any other stock market,
   - to enter into any agreements required to ensure the successful completion of the planned issues and amend the Articles of Association accordingly,
   - to do whatever is necessary to safeguard the rights of holders of securities conferring future entitlement to Company share capital in compliance with applicable laws and regulations, and
   - generally determine the terms and conditions for the transactions carried out pursuant to this resolution, record the resulting capital increase and perform all legal formalities required in compliance with Articles L.225-129-2 and L.225-138 of the French Commercial Code;
7) resolves that, unless previously authorized by the Annual General Shareholders' Meeting, the Board of Directors may not make use of this delegation of authority at any time during a public offer period initiated on the Company's shares by a third party, until the end of the offer period;
8) resolves that this delegated authority is granted for a period of 18 months from the date of this meeting and cancels and replaces the unused portion of any delegation of authority previously granted for the same purpose.

### Twenty-fourth resolution – Authorization to be given to the Board of Directors to allocate free shares to salaried employees and/or certain directors and executive officers of the Company or of associated companies or economic interest groups, waiver by shareholders of their preferential subscription right, duration of the authorization, ceiling, duration of the vesting period notably in case of invalidity

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary general shareholders' meetings, after reviewing the Board of Directors' report and the statutory auditors' special report, hereby authorizes the Board of Directors to award, on one or more occasions, in accordance with Articles L.225-197-1 and L.225-197-2 of the French Commercial Code, existing or new ordinary Company shares to:

- salaried employees of the Company or of directly or indirectly associated companies or economic interest groups within the meaning of Article L.225-197-2 of the French Commercial Code,
- and/or directors and executive officers who meet the conditions set by Article L.225-197-1 of the French Commercial Code.

The total number of free shares awarded under this authorization may not exceed 3% of the share capital as of the date of this meeting. The total number of free shares that may be awarded to eligible directors and executive officers of the Company may not exceed 0.5% of the share capital within this allocation. In addition, the Board of Directors may decide that the definitive award of free shares to employees and/or executive officers will be subject to at least 3 performance conditions (2 internal criteria and 1 external criterion), assessed over a minimum vesting period of three years.

The shares awarded to beneficiaries will vest upon the expiry of a vesting period to be set by the Board of Directors and which may not be less than three years. The Annual General Shareholders' Meeting grants the Board of Directors the option of providing for a mandatory holding period upon the expiry of the vesting period without holding period after that the General Shareholders' Meeting decides to cancel.

On an exceptional basis, in the event that the beneficiary becomes classified as having a long-term disability under the second or third categories provided by Article L.341-4 of the French Social Security Code, these awards will be considered to be fully vested prior to the end of the vesting period.

All powers are granted to the Board of Directors to:

- set the conditions and, if necessary, the criteria for awarding the shares and the associated performance conditions;
- determine the beneficiaries of the shares and the number of shares awarded to each of them;
- where applicable:
  - establish that the Company has sufficient retained earnings to set aside in another reserve account the amount required to pay up the new shares, when these shares are awarded,

- decide, in due course, to increase the Company's share capital through incorporation of retained earnings, premiums or net profit corresponding to the award of free shares,
- acquire the requisite number of shares under the share repurchase program to be awarded as free shares,
- determine the effect on the recipients' rights of any transactions affecting the share capital or likely to affect the value of the shares awarded during the vesting period and, consequently, amend or adjust, if necessary, the number of shares awarded in order to preserve the recipients' rights,
- and, generally, within the legislative framework in force, take the measures required to implement this authorization.

This authorization automatically entails the waiver by shareholders of their preferential subscription right to the new shares issued through the incorporation of retained earnings, premiums and net profit.

It is granted for a period of 38 months starting from the date of this meeting.

It cancels and replaces the unused portion of any authorization previously granted for the same purpose.

### Twenty-fifth resolution – Amendment of Article 13 of the Articles of Association – Statutory age limit for performing the duties of Chairman of the Board of Directors

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary general shareholders' meetings, having reviewed the Board of Directors' report, hereby resolves:

- raise the statutory age limit for performing the duties of Chairman of the Board of Directors from 75 years to 80 years;
- consequently, amend as follows the third paragraph of Article 13 of the Articles of Association, the rest of the article remaining unchanged:

"Article 13 – Chairman – Chief Executive Officer

[...]

The Chairman's term of office automatically expires at the end of the first Ordinary Annual General Shareholders' Meeting held during the year of his/her eightieth birthday."

### Twenty-sixth resolution – Amendment of Articles 12 and 13 of the Articles of Association – Appointment of a Vice-Chairman

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary general meetings, after reviewing the Board of Directors' report, resolves:

- amend the fourth paragraph of Article 13 of the Articles of Association as follows, in order to provide for the appointment of a Vice-Chairman instead of the Deputy Chairman, the rest of the article remaining unchanged:

  "Vice-Chairman: The Board of Directors may elect from among its members a Vice-Chairman who must be a natural person, failing which the appointment will be null and void.

  The Vice-Chairman of the Board of Directors replaces the Chairman of the Board of Directors in the event of temporary unavailability or death. In the event of temporary unavailability, the replacement will be valid for the duration of unavailability; in the event of death, it will be valid until the election of a new Chairman of the Board of Directors."
- replace the third paragraph of the section entitled "Proceedings of the Board of Directors" of Article 12 as follows, in order to allow the Vice-Chairman to convene a Board meeting in the event of temporary unavailability of the Chairman:

  "A Board meeting can be convened by the Chairman, Vice-Chairman in the event of the unavailability of the Chairman, or by half of the Board members as often as required in the interests of the Company, at a place specified in the notice of meeting. The Board decides how notice of meetings is to be given."

### Twenty-seventh resolution – Amendment of Article 12 of the Articles of Association to remove the statutory obligation for directors to hold Company shares

The Annual General Shareholders' Meeting, deliberating with the quorum and majority required for extraordinary general shareholders' meetings, having reviewed the Board of Directors' report and the provisions of the Rules of Procedure of the Board of Directors stipulating that each director must hold at least 1,000 shares, hereby resolves:

- to remove the statutory obligation for directors to hold ten Company shares in accordance with the provisions of Article L.225-25 of the French Commercial Code as amended by law No. 2008-776 of August 4, 2008;
- consequently, to amend the paragraph "Share ownership by directors" of Article 12 of the bylaws as follows:

  "Article 12 – Share ownership by directors: Each Director must own shares, under the conditions and in accordance with the procedures stipulated by the Rules of Procedure of the Board of Directors. These shares must be held in registered form and fully paid up.

  This provision does not apply to employee shareholders appointed as directors pursuant to Article L.225-23 of the French Commercial Code.

  In the event that they no longer hold the required number of shares, the Director concerned shall, in accordance with the provisions of these Rules of Procedure, have a certain amount of time in which to resolve the situation, failing which they will be deemed to have automatically resigned."
- to remove the 13th subparagraph of paragraph entitled "Appointment of Directors" of article 12 of by-laws: "By exception to the rule described in this Article for directors appointed by the Annual General Shareholders' Meeting, the director representing employees is not required to hold a minimum number of shares.", the rest of the article remaining unchanged.

### Twenty-eighth resolution – Powers for formalities

The shareholders hereby grant all powers necessary to accomplish the filing and publication formalities required by law to anyone in possession of an original, copy or extract of this report.

# 7.2 PRESENTATION OF DRAFT RESOLUTIONS TO THE ANNUAL GENERAL SHAREHOLDERS' MEETING

## Ordinary resolutions

### Approval of the parent company and consolidated financial statements for the year ended December 31, 2018 and approval of non-tax-deductible expenses (first and second resolutions)

The Board of Directors requests that you approve the parent company financial statements for the year ended December 31, 2018, which show a net profit of €158,756,762.07, as well as the consolidated financial statements for the year ended December 31, 2018, which show a profit of 188,233 thousands of euros.

We also request that you approve the total expenses and charges as defined in point 4 of Article 39 of the French General Tax Code, *i.e.*, €60,197, as well as the related tax liability, *i.e.*, €20,726.

### Allocation of net profit for the year and dividend (third resolution)

The proposed allocation of our Company's net profit for the year is in compliance with the law and our Articles of Association.

We propose that the net profit for 2018 be allocated as follows:

#### 2018 net results

- Net profit for the year €158,756,762.07
- Retained earnings €685,792,769.77

#### Allocation

- Legal reserve €75,000
- Dividends(1) €69,458,979.70
  Composed of:
  - Initial dividend €3,157,226.35
  - Additional dividend €66,301,753.35
- Retained earnings €775,015,552.14

Accordingly, the gross dividend per share would be €1.10.

When the gross dividend is paid to an individual tax resident in France, the dividend is liable to (i) a flat tax (*prélèvement forfaitaire unique*) on the gross dividend at the flat rate of 12.8% referred to in Article 200 A of the French General Tax Code, or (ii) at specific and irrevocable request by the taxpayer, the normal income tax scale, after an income tax abatement of 40% on dividend income as referred to in Articles 200 A, 13 and 158 of the French General Tax Code. Social charges at the rate of 17.2% apply.

The ex-dividend date is June 17, 2019. The dividend would be paid out on July 9, 2019.

Please note that the total amount of the dividend paid and therefore the amount allocated to retained earnings would be adjusted for any difference between the number of shares entitled to dividends and the 63,144,527 shares that made up the share capital at December 31, 2018.

Pursuant to Article 243 *bis* of the French Tax Code, the shareholders note that the dividends and income paid in respect of the last three fiscal years were as follows:

| | Dividends eligible for tax reduction | | |
|---|---|---|---|
| Fiscal year | Dividends | Other amounts distributed | Dividends not eligible for tax allowance |
| 2015 | €79,287,780.00(2) or €1.30 per share | - | - |
| 2016 | €92,239,861.50(2) or €1.50 per share | - | - |
| 2017 | €99,780,982.40(2) or €1.60 per share | - | - |

(1) *The total dividend amount of €69,458,979.70 is based on the number of shares with dividend rights (equal to 63,144,527), including shares owned by the Company. The dividend payable on the shares owned by the Company on the ex-dividend date shall be allocated to "Retained earnings" at the time of payment. The total dividend amount and consequently the amount of retained earnings shall be adjusted according to the number of shares held by the Company on the ex-dividend date and, if applicable, the new shares entitled to dividends vested until that date, resulting from new free share awards or OCEANE bond conversion.*

(2) *Including the amount of dividend not paid for treasury stock and allocated to retained earnings and the amount of dividend paid in shares.*

### Option to receive dividends in cash or in shares (fourth resolution)

We propose, in accordance with Article 23 of the Company's Articles of Association, that you be given the option to receive dividends in cash or in shares for the total net dividend amount to which you are entitled.

The price for shares issued as stock dividends shall be equal to 90% of the average price quoted for the Company's shares over the 20 trading days preceding the date of this meeting, less the net amount of the dividend, in accordance with Article L.232-19 of the French Commercial Code.

If the net dividend amount to be distributed in shares does not divide up into a whole number of shares, the shareholder may opt to receive:

- either the whole number of shares just below that amount, along with a cash payment for the difference paid on the date on which the option is exercised;
- or the whole number of shares just above that amount, with the difference paid in cash by the shareholder.

Shareholders opting for a dividend paid in shares must exercise this option between June 19, 2019 and July 3, 2019 inclusive, through the relevant financial intermediaries authorized to pay the dividend. Beyond this time limit, only cash dividends shall be paid.

Dividends for those shareholders who opt for a cash payment are payable on July 9, 2019. Shareholders who opt for a dividend in shares will receive the new shares on the distribution date for cash dividends, *i.e.*, July 9, 2019.

The shares issued as stock dividends will be entitled to dividends from January 1, 2019.

The Board of Directors shall have the necessary powers to implement this resolution.

### Statutory auditors' report on related-party agreements (fifth resolution)

We request that you (i) acknowledge the agreement already approved by the Annual General Shareholders Meeting and which remained in effect during the year (ii) approve the agreement concluded during 2018 on granting health and welfare cover in accordance with the policy in force within Ingenico Group and a "GSC" loss of employment cover arrangement for the Chief Executive Officer. These agreements are as detailed in the statutory auditors' special report included in Chapter 3.4 of the 2018 Registration Document.

The agreement that was previously approved by the Annual General Shareholders' Meeting of April 29, 2016 and applied during the year ended December 31, 2018 concerns the contractual indemnity due in the event of early termination of the Chairman and Chief Executive Officer, which was taken on November 5, 2018.

These agreements are loyalty mechanisms included in the compensation structure for these directors and executive officers.

### Undertaking in favor of the Chief Executive Officer (sixth resolution)

The Board of Directors requests that, in accordance with the provisions of Article L.225-42-1 of the French Commercial Code, having read the statutory auditors' special report on the agreement entered into between the Company and its Chief Executive Officer identified in the said report, you approve this agreement and acknowledge that this decision will be regarded as approval under Article L.225-42-1, paragraph 4 of the French Commercial Code.

The agreement pertains to contractual compensation payable in the event of forced departure of the Chief Executive Officer. Payment of this compensation is subject to compliance by the beneficiary with the performance-related conditions assessed in light of the Company's performance conditions as specified in the statutory auditors' special report included in Chapter 3 of the 2018 Registration Document.

The implementation of this termination compensation mechanism is in the best interests of Ingenico Group in so far as it seeks to retain its Chief Executive Officer and align his/her personal financial interests with that of the Company.

### Directors' terms of office (seventh to thirteenth resolutions)

On the recommendation of the Appointments and Governance Committee, the Board of Directors proposes (i) to ratify the provisional appointment of Mr. Nicolas HUSS, which was made on November 5, 2018 to replace Mr. Philippe LAZARE and (ii) to renew Mr. Nicolas HUSS, Ms. Diaa ELYAACOUBI and Ms. Sophie STABILE as directors and (iii) to appoint Ms Agnès AUDIER, Ms. Nazan SOMER ÖZELGIN and Mr. Michael STOLLARZ as directors.

Should the shareholders vote in favor of the proposals below, the Board of Directors would be composed of 12 directors, including 5 women, *i.e.*, 45% female (the employee director is not included in the calculation of this ratio) with 75% of its members being independent, in compliance with the applicable legal requirements and the recommendations of the AFEP-MEDEF Code of June 2018.

Information and biographies for these proposed appointments are detailed in section 3.2 of this Registration Document.

### Ratification of the provisional appointment of Mr. Nicolas HUSS (seventh resolution)

We request that you ratify the provisional appointment of Mr. Nicolas HUSS by the Board of Directors, which was made on November 5, 2018 to replace Mr. Philippe LAZARE, for the remaining term of office of his predecessor, *i.e.*, until the end of this Annual General Shareholders' Meeting.

Information about Nicolas HUSS is given in section 3.2 of this Registration Document.

### Renewal of the term of office of Mr. Nicolas HUSS (eighth resolution)

In the eighth resolution, the Board of Directors proposes that you renew the term of office as director of Mr. Nicolas HUSS for a period of three years, expiring at the end of the Annual General Shareholders' Meeting to be held in 2022 to approve the financial statements for the preceding year.

Information about Mr. Nicolas HUSS is given in section 3.2 of this Registration Document.

### Renewal of the term of office of Ms. Diaa ELYAACOUBI (ninth resolution)

In the ninth resolution, the Board of Directors proposes that you renew the term of office as director of Ms. Diaa ELYAACOUBI for a period of three years, expiring at the end of the Annual General Shareholders' Meeting to be held in 2022 to approve the financial statements for the preceding year.

Information about Ms. Diaa ELYAACOUBI is given in section 3.2 of this Registration Document.

### Renewal of the term of office of Ms. Sophie STABILE (tenth resolution)

In the tenth resolution, the Board of Directors proposes that you renew the term of office as director of Ms. Sophie STABILE for a period of three years, expiring at the end of the Annual General Shareholders' Meeting to be held in 2022 to approve the financial statements for the preceding year.

Information about Ms. Sophie STABILE is given in section 3.2 of this Registration Document.

### Appointment of Ms. Agnès AUDIER as director (eleventh resolution)

In the eleventh resolution, the Board of Directors proposes that you appoint Ms. Agnès AUDIER for a period of two years, expiring at the end of the Annual General Shareholders' Meeting to be held in 2021 to approve the financial statements for the preceding year.

Information about Ms. Agnès AUDIER is set out in section 3.2 of this Registration document.

The Board of Directors finds that Ms. Agnès AUDIER should her candidacy be approved by the Annual General Meeting, would qualify as an independent director as defined in its rules of procedure and in accordance with the AFEP-MEDEF Code.

### Appointment of Ms. Nazan SOMER ÖZELGIN as director (twelfth resolution)

In the twelfth resolution, the Board of Directors proposes that you appoint Ms. Nazan SOMER ÖZELGIN for a period of one year, expiring at the end of the Annual General Shareholders' Meeting to be held in 2020 to approve the financial statements for the preceding year in accordance with article 12 of the by-laws to stagger the renewal of Director's terms of office.

Information about Ms. Nazan SOMER ÖZELGIN is given in section 3.2 of this Registration Document.

The Board of Directors finds that Ms. Nazan SOMER ÖZELGIN, should her candidacy be approved by the Annual General Shareholders' Meeting, would qualify as an independent director as defined in its rules of procedure and in accordance with the AFEP-MEDEF Code.

### Appointment of Mr. Michael STOLLARZ as director (thirteenth resolution)

In the thirteenth resolution, the Board of Directors proposes that you appoint Michael STOLLARZ for a period of three years, expiring at the end of the Annual General Shareholders' Meeting to be held in 2022 to approve the financial statements for the preceding year.

Information about Mr. Michael STOLLARZ is set out in section 3.2 of this Registration Document.

The Board of Directors finds that Mr. STOLLARZ, should his candidacy be approved by the Annual General Shareholders' Meeting, would not qualify as an independent director as defined in its Rules of Procedure and in accordance with the AFEP-MEDEF Code.

### Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the last fiscal year to Mr. Philippe LAZARE, Chairman and Chief Executive Officer until November 5, 2018 (fourteenth resolution)

Pursuant to Article L.225-100, paragraph II of the French Commercial Code, we submit for your approval the fixed, variable and non-recurring components comprising the total compensation and benefits of any kind for the year ended paid or awarded to Mr. Philippe LAZARE, Chairman and Chief Executive Officer until November 5, 2018 by virtue of his corporate office, which are described in section 3.3.1.1.1 *et seq.* of the 2018 Registration Document.

### Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the last fiscal year to Mr. Nicolas HUSS, Chief Executive Officer since November 5, 2018 (fifteenth resolution)

Pursuant to Article L.225-100, paragraph II of the French Commercial Code, we submit for your approval the fixed, variable and non-recurring components comprising the total compensation and benefits of any kind for the year ended paid or awarded to Mr. Nicolas HUSS, Chief Executive Officer since November 5, 2018 by virtue of his corporate office, which are described in section 3.3.1.1.2 *et seq.* of the 2018 Registration Document.

### Approval of fixed, variable and non-recurring components of the total compensation and benefits of any kind paid or allocated in respect of the last fiscal year to Mr. Bernard BOURIGEAUD, Chairman of the Board of Directors since November 5, 2018 (sixteenth resolution)

Pursuant to Article L.225-100, paragraph II of the French Commercial Code, we submit for your approval the fixed, variable and non-recurring components comprising the total compensation and benefits of any kind for the year ended paid or awarded to Mr. Bernard BOURIGEAUD, Chairman of the Board of Directors since November 5, 2018 by virtue of his corporate office, which are described in section 3.3.1.1.3 *et seq.* of the 2018 Registration Document.

### Approval of the principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the Chief Executive Officer (seventeenth resolution)

In accordance with Article L.225-37-2 of the French Commercial Code, the Board of Directors asks you to approve the principles and criteria for the calculation, splitting and allocation of the fixed, variable and non-recurring components of total compensation and benefits of any kind attributable to the Chief Executive Officer of the Company by virtue of his corporate office and constituting his compensation plan.

These principles and criteria adopted by the Board of Directors on the recommendation of the Compensation, Appointments and Governance Committee are set out in the corporate governance report and appear in Chapter 3.3.1.2 of the 2018 Registration Document.

We ask you to approve the principles and criteria presented in this report.

### Approval of the principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the Chairman of the Board of Directors (eighteenth resolution)

In accordance with Article L.225-37-2 of the French Commercial Code, the Board of Directors asks you to approve the principles and criteria for the calculation, splitting and allocation of the fixed, variable and non-recurring components of total compensation and benefits of any kind attributable to the Chairman of the Board of Directors of the Company by virtue of his corporate functions and constituting his compensation plan.

These principles and criteria adopted by the Board of Directors on the recommendation of the Compensation, Appointments and Governance Committee are set out in the corporate governance report and appear in Chapter 3.3.1.2 of the 2018 Registration Document.

We ask you to approve the principles and criteria presented in this report.

### Amount of attendance fees awarded to the Board members (nineteenth resolution)

We request that you increase the total annual amount of attendance fees to be awarded to the Board of Directors from €550,000 to €750,000, to account for the increase in the number of directors.

This decision would apply for the current fiscal year and would be maintained until decided otherwise.

### Authorization to set up a share repurchase program (Article L.225-209 of the French Commercial Code) – Suspension of this authorization during a public offer period (twentieth resolution)

The authorization granted by the Annual General Shareholders' Meeting of May 16, 2018 will soon expire; we therefore propose that you authorize your Board of Directors to trade in the Company's shares up to a maximum purchase price of €180 per share and a maximum aggregate amount of €891,737,840 on the basis of the shares held by the Company on December 31, 2018.

This authorization would be intended to allow the Company to do the following:

- hold and use Company shares as a means of exchange or consideration in external growth transactions, in compliance with current laws and regulations;
- use Company shares in connection with the exercise of rights attached to Company securities conferring immediate or future entitlement to Company shares through conversion, exercise, redemption or exchange, presentation of a warrant or by any other means, and carry out any transactions required to hedge the Company's obligations in connection with these securities, in accordance with stock market regulations at the time that the Board of Directors or any person to whom the Board has delegated its powers may act;
- implement any Company stock option plan granted in accordance with Articles L.225-177 *et seq.* of the French Commercial Code, any award, in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code, of Company shares for free to employees, directors and executive officers, whether as part of their compensation, as a means to allow them to benefit from the Company's growth, in the context of Company or Group employee shareholding or savings plans and/or any other form of share allocation programs for employees and/or directors and executive officers of the Group, and to carry out any transactions required to hedge the Company's obligations in connection with these programs, in accordance with stock market regulations and at the time that the Board of Directors or any person to whom the Board has delegated its powers may act;
- maintain a liquid market for the Company's shares *via* a liquidity contract with an independent investment service provider that complies with the practice authorized by the regulations;
- cancel some or all of the Company's shares bought back with the intention of reducing the share capital, in accordance with an authorization granted or to be granted by the Extraordinary Shareholders' Meeting;
- and in general act for any legally authorized purpose.

The number of Company shares acquired under this authorization shall not exceed 10% of the total number of shares in the share capital on the date of purchase, after deducting the number of shares resold during the program to maintain the liquidity of the Company's shares, while noting that the share acquisitions made by the Company may under no circumstances permit the Company to hold more than 10% of its total share capital, either directly or indirectly. Consequently, on the basis of the share capital as of December 31, 2018 (divided into 63,144,527 shares) and taking into account the 1,360,364 treasury shares held at that date, the Company would be authorized to purchase up to 4,954,098 shares. Shares may be acquired by any means that are in accordance with current stock market regulations, in particular by trading in derivatives and options on regulated or over-the-counter markets, provided that use of such means does not significantly increase the volatility of the Company's share price.

Such transactions may not be carried out, however, during a public offer launched on the Company's shares by a third party.

The present authorization would be granted for a period of 18 months from the date of this Annual General Shareholders' Meeting and would cancel and replace the authorization granted to the same effect by the Annual General Shareholders' Meeting of May 16, 2018.

# Extraordinary resolutions

## Financial delegations – Suspension in public offer period

The following resolutions, which are subject to your vote, primarily concern delegations of authority to be granted to the Board of Directors in matters of finance and employee share offers, some of which will soon expire.

The delegations of authority and authorizations submitted to you, and which receive a favorable vote, will take effect from the date of this Annual General Shareholders' Meeting, the delegations previously granted having the same purpose.

Furthermore, pursuant to the provisions of Article L.233-32 of the French Commercial Code emanating from the Florange law of March 29, 2014, the delegations and authorizations granted by the meeting before the offer period are no longer suspended in a public offer period initiated on the Company, unless the meeting expressly provides for this suspension.

This is why the delegations provided for by the 21st to 23rd resolutions provide for a suspension during a public offer initiated on the Company's shares by a third party.

## Delegated authority to be granted to the Board of Directors to increase the share capital through incorporation of retained earnings, net profit and/or premiums (twenty-first resolution)

The purpose of the twenty-first resolution is to grant the Board of Directors a delegation of authority to increase the share capital through incorporation of retained earnings, net profit, premiums or other amounts the capitalization of which is admitted.

The capital increases carried out pursuant to this resolution shall not exceed a maximum nominal amount of €10,000,000 (not including the nominal amount of the capital increase necessary to safeguard the rights of holders of securities conferring the right to shares).

The capital increases would be carried out in the form of free share awards to Company shareholders and/or by raising the par value of the shares.

The Board of Directors would have full powers to determine the amount and the nature of the amounts to be capitalized, and to set the number of new shares to be issued and/or the amount by which the par value of existing shares comprising the share capital will be raised.

The Board of Directors could not, unless previously authorized by the Annual General Shareholders' Meeting, make use of this delegation of authority at any time during a public offer initiated on the Company's shares by a third party.

This delegation of authority would be granted for a period of 26 months and would cancel and replace any previous delegation of authority with the same purpose.

## Delegation of authority to increase share capital by issuing shares to members of a Company savings plan (twenty-second resolution)

Your approval is requested for an extraordinary resolution submitted to the Annual General Shareholders' Meeting, which is required to vote, in accordance with Article L.225-129-6 of the French Commercial Code, on a resolution providing for a capital increase in compliance with the conditions stipulated in Articles L.3332-18 *et seq.* of the French Labor Code if any of its decisions result in a capital increase paid in cash.

We therefore propose that you authorize the Board of Directors to increase the share capital, on one or more occasions, by issuing ordinary Company shares or securities conferring entitlement to Company shares to be issued to employees who are members of one or more Company or Group savings plans established by the Company and/or the French or foreign entities under its control, as defined in Article L.225-180 of the French Commercial Code and in Article L.3344-1 of the French Labor Code.

Pursuant to Article L.3332-21 of the French Labor Code, the Board of Directors shall be authorized to grant new or existing shares, or other securities conferring entitlement to new or existing Company shares, for free to the above-mentioned beneficiaries, either (i) to provide the matching contributions required by the Company or Group savings plan regulations and/or (ii) to offset any discount to the share price.

As required by law, the shareholders shall waive their preferential right to subscribe for those shares.

The aggregate nominal amount of the capital increase or increases carried out under this delegation of authority shall be limited to 2% of the share capital as of the date of the date of the decision by the Board of Directors setting the start of the subscription period; this limit is independent of any other maximum limits set in authorizations to increase the share capital. This limit would include, where appropriate, the nominal amount of the capital increase necessary to safeguard, in accordance with the law and with any applicable contractual provisions providing for other protection measures, the rights of the holders of securities conferring entitlement to the share capital of the Company.

This delegation would be granted for a period of 26 months and would cancel and replace any previous delegation of authority with the same purpose.

Please note that pursuant to Article L.3332-19 of the French Labor Code, the subscription price of the shares to be issued may not be more than 20% lower than the average of the opening prices quoted for the shares on the Euronext Paris stock market over the 20 trading days preceding the date of the decision setting the start of the subscription period (or more than 30% lower if the vesting period provided for in the savings plan in accordance with Articles L.3332-25 and L.3332-26 of the French Labor Code is 10 years or more, or lower by any other maximum percentage as may be provided for by the legal provisions that apply at the time the price is determined), nor may the subscription price exceed that average.

The Board of Directors shall be granted the necessary powers, subject to the limits set forth above, to determine the terms and conditions for any and all issues carried out, to record the resulting capital increase(s), to amend the Articles of Association accordingly, to resolve, at its sole discretion, to charge the issue-related expenses against the related share premium accounts and to deduct from these share premium accounts the amount necessary to increase the legal reserve to one tenth of the share capital amount after each capital increase, and, generally, to do whatever is required in each case.

The Board of Directors may not, unless previously authorized by the Annual General Shareholders' Meeting, make use of the delegations of authority at any time during a public offer launched on the Company's shares by a third party.

### Delegation of authority to increase share capital, with preferential subscription rights waived, for employees, directors and executive officers of subsidiaries with registered offices outside France (twenty-third resolution)

We request that you renew the delegation of authority granted last year and thereby delegate to the Board of Directors the authority to issue ordinary Company shares, in one or more transactions, reserved for employees, directors and executive officers of Company subsidiaries with registered offices outside France, who are not members of a Group employee savings plan.

The subscription price for the newly-issued shares shall be determined by the Board of Directors using one of the following two methods, at the Board's discretion:

- subscription price equal to the average of the opening prices quoted for Ingenico Group's shares on the Euronext Paris stock market over the 20 trading days preceding the date of the Board's decision, less a maximum discount of 20%; or
- subscription price equal to the opening price quoted for Ingenico's shares on the Euronext Paris stock market on the date of the Board's decision, less a maximum discount of 20%; the method to be applied or the amount of discount to be deducted may vary according to the capital increases or the beneficiaries involved.

This delegation of authority would afford some flexibility to deal with tax or regulatory constraints in certain countries if the Board of Directors decides to make use of this authorization. That is why you are being asked to decide to waive preferential subscription rights for the benefit of employees, directors and executive officers of Group subsidiaries with registered offices outside France.

The value of the share capital increase carried out under this authorization shall not exceed 2% of the share capital as calculated on the date the authorization is exercised, and this maximum limit is independent of any other maximum limits set for capital increases. This limit would include, where appropriate, the nominal amount of the capital increase necessary to safeguard, in accordance with the law and with any applicable contractual provisions, the rights of the holders of securities conferring entitlement to the share capital of the Company.

This authorization would be granted for a period of 18 months and would cancel and replace any previous delegation of authority with the same purpose.

The Board of Directors may not, unless previously authorized by the Annual General Shareholders' Meeting, make use of the delegations of authority at any time during a public offer launched on the Company's shares by a third party.

### Authorization to grant free share awards for salaried employees and directors and executive officers (twenty-fourth resolution)

The Board of Directors requests that you authorize it, in accordance with the provisions of Articles L.225-197-1 *et seq.* of the French Commercial Code, to award existing or new Company shares free of charge on one or more occasions to beneficiaries or categories of beneficiaries, who would be salaried employees and eligible directors and executive officers of the Company or of companies or groupings related to it, within the meaning of Article L.225-197-2 of the French Commercial Code.

You are therefore requested to authorize the Board to award free shares to salaried employees and directors and executive officers of the Group, for a period of 38 months.

The total number of free shares that may be awarded may not exceed 3% of the share capital as of the day of the meeting and the total number of free shares that may be awarded to directors and executive officers may not exceed 0.5% of the share capital within this allocation.

In this regard, note that the free share awards for which the vesting period is in progress represent 0.9% of the Company's share capital.

The shares awarded to beneficiaries will vest upon the expiry of a vesting period to be set by the Board of Directors and which may not be less than three years this period will not be followed by a holding period.

Note that the shares awarded to employees and/or executive officers would be subject to a minimum of 3 performance criteria (2 internal criteria and 1 external criterion) assessed over a minimum vesting period of three years set by the Board of Directors, which will be used to determine the number of shares vested to the above-mentioned beneficiaries.

You are requested to authorize the Board of Directors to award free shares and grant it all necessary powers to set the conditions and, if appropriate the performance criteria and conditions, determine the list of beneficiaries and more generally make the necessary arrangements in this regard.

This authorization would entail the waiver by shareholders of their preferential subscription right to the new shares issued through incorporation of retained earnings, premiums and net profit, and would cancel the unused portion of the authorization currently in force.

### Amendment of Article 13 of the Articles of Association – Statutory age limit for performing the duties of Chairman of the Board of Directors (twenty-fifth resolution)

In respect of the twenty-fifth resolution, the Board of Directors proposes that you:

- raise the statutory age limit for performing the duties of Chairman of the Board of Directors from 75 years to 80 years;
- consequently, amend as follows the third paragraph of Article 13 of the Articles of Association, the rest of the article remaining unchanged:

  "Article 13 – Chairman – Chief Executive Officer

  [...]

  The Chairman's term of office automatically expires at the end of the first Ordinary Annual General Shareholders' Meeting held during the year of his/her eightieth birthday."

### Amendment of Articles 12 and 13 of the Articles of Association – Appointment of a Vice-Chairman (twenty-sixth resolution)

Under the twenty-sixth resolution, the Board of Directors proposes that you:

- amend the fourth paragraph of Article 13 of the Articles of Association as follows, in order to provide for the appointment of a Vice-Chairman instead of the Deputy Chairman, the rest of the article remaining unchanged:

  "Vice-Chairman: The Board of Directors may elect from among its members a Vice-Chairman who must be a natural person, failing which the appointment will be null and void.

  The Vice-Chairman of the Board of Directors replaces the Chairman of the Board of Directors in the event of temporary unavailability or death. In the event of temporary unavailability, the replacement will be valid for the duration of unavailability; in the event of death, it will be valid until the election of a new Chairman of the Board of Directors."
- replace the third and fourth paragraphs of the section entitled "Proceedings of the Board of Directors" of Article 12 as follows, in order to allow the Vice-Chairman to convene a Board meeting:

  "A Board meeting can be convened by the Chairman, Vice-Chairman in the event of the unavailability of the Chairman, or by half of the Board members as often as required in the interests of the Company, at a place specified in the notice of meeting. The Board decides how notice of meetings is to be given."

### Amendment of Article 12 of the Articles of Association to remove the statutory obligation for directors to hold Company shares (twenty-seventh resolution)

The Board of Directors proposes that, after reviewing the provisions of the Rules of Procedure of the Board of Directors stipulating that each director must hold 1,000 shares, you:

- remove the statutory obligation for directors to hold ten Company shares in accordance with the provisions of Article L.225-25 of the French Commercial Code as amended by law No. 2008-776 of August 4, 2008;
- consequently, to amend the paragraph "Share ownership by directors" of Article 12 of the bylaws as follows:

  "Article 12 – Share ownership by directors: Each Director must own shares, under the conditions and in accordance with the procedures stipulated by the Rules of Procedure of the Board of Directors. These shares must be held in registered form and fully paid up.

  This provision does not apply to employee shareholders appointed as directors pursuant to Article L.225-23 of the French Commercial Code.

  In the event that they no longer hold the required number of shares, the Director concerned shall, in accordance with the provisions of these Rules of Procedure, have a certain amount of time in which to resolve the situation, failing which they will be deemed to have automatically resigned."
- therefore remove the following 13th subparagraph of section entitled "Appointment of Directors" in this article. "By exception to the rule described in this Article for directors appointed by the Annual General Shareholders' Meeting, the director representing employees is not required to hold a minimum number of shares.", the rest of the article remaining unchanged.

### Powers for formalities (twenty-eighth resolution)

Lastly, the twenty-eighth resolution concerns the powers that have to be granted in order to complete the formalities ensuing from the Annual General Shareholders' Meeting, and in particular powers for filing and publication formalities.

# 7.3 STATUTORY AUDITORS' REPORTS ON THE CAPITAL TRANSACTIONS PROVIDED FOR UNDER RESOLUTIONS 22 TO 24 OF THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF JUNE 11, 2019

**Combined Ordinary and Extraordinary Shareholders' Meeting on June 11, 2019**

To the Shareholders,

In our capacity as your Company's statutory auditors, and pursuant to the duties set forth in the French Commercial Code, we hereby present to you our report on the capital transactions that will be submitted for your approval.

## 1 Report on issues of ordinary shares and/or securities conferring entitlement to the share capital reserved for employees belonging to a Company or Group savings plan, with preferential subscription rights waived (resolution 22)

Pursuant to Articles L.228-92 and L.225-135 et seq. of the French Commercial Code, we present our report on the proposal to authorize your Board of Directors to decide to issue, with preferential subscription rights waived, ordinary shares and/or securities conferring entitlement to equity securities to be issued, reserved for employees belonging to a Company or Group savings plan set up by the Company and/or associated French or international companies in accordance with Article L.225-180 of the French Commercial Code and Article L.3344-1 of the French Labor Code, which will be submitted for your approval.

The maximum nominal amount of the capital increases that may result from this authorization is 2% of the Company's share capital on the day of the Board of Directors' decision.

This issue is subject to your approval pursuant to Article L.225-129-6 of the French Commercial Code and Article L.3332-18 et seq. of the French Labor Code.

On the basis of its report, your Board of Directors proposes that you authorize it to carry out issues for a period of twenty-six months from the date of this meeting, and that you waive your preferential subscription rights to the ordinary shares and securities conferring entitlement to the share capital to be issued. If this authorization is granted, the Board of Directors will determine the definitive terms of issue for this transaction.

It is the responsibility of your Board of Directors to prepare a report in accordance with Articles R.225-113 et seq. of the French Commercial Code. It is our responsibility to give our opinion on the fair presentation of the accounting figures taken from the financial statements, on the proposal to waive preferential subscription rights, and on a variety of other information concerning the issue provided in this report.

We performed the procedures we deemed necessary for the completion of this engagement, in accordance with the professional guidance provided by the Compagnie nationale des commissaires aux comptes, France's national organization of statutory auditors.

Our work involved verifying the information in the Board of Directors' report concerning this transaction and the methods used to determine the issue price for the ordinary shares and securities conferring entitlement to the share capital to be issued.

Without prejudice to any further examination of the terms of the issues that may be decided on, we have no observations concerning the methods used to determine the issue price for the ordinary shares and securities conferring entitlement to the share capital to be issued, as indicated in the report of the Board of Directors.

Since the final terms of the issues have not been set, we cannot give an opinion on them, nor, therefore, can we give an opinion on the proposal that the shareholders waive their preferential subscription rights.

Pursuant to Article R.225-116 of the French Commercial Code, we will prepare an additional report, if necessary, when your Board of Directors makes use of this authorization.

## 2 Report on the capital increase with preferential subscription rights waived reserved for a specific category of beneficiaries (resolution 23)

Pursuant to Articles L.225-135 et seq. of the French Commercial Code, we present our report on the proposal to authorize your Board of Directors to increase the Company's share capital by issuing ordinary Company shares to the employees, directors and executive officers of Company subsidiaries, as defined by Article L.233-16 of the French Commercial Code, that have their head offices outside France, with preferential subscription rights waived, up to a maximum of 2% of the Company's share capital on the day of the Board of Directors' decision, a transaction that will be submitted for your approval.

On the basis of its report, your Board of Directors proposes that you authorize it to increase the share capital for a period of eighteen months from the date of this meeting, and that you waive your preferential subscription rights to the ordinary shares to be issued. If this authorization is granted, the Board of Directors will determine the definitive terms of issue for this transaction.

It is the responsibility of your Board of Directors to prepare a report in accordance with Articles R.225-113 and R.225-114 of the French Commercial Code. It is our responsibility to give our opinion on the fair presentation of accounting figures taken from the financial statements, on the proposal to waive preferential subscription rights and on a variety of other information concerning the issue provided in this report.

We performed the procedures we deemed necessary for the completion of this engagement, in accordance with the professional guidance provided by the Compagnie nationale des commissaires aux comptes, France's national organization of statutory auditors.

Our work involved verifying the information in the Board of Directors' report concerning this transaction and the methods used to determine the issue price for the ordinary shares.

Without prejudice to any further examination of the terms of the capital increase that may be decided on, we have no observations concerning the methods used to determine the issue price for the ordinary shares to be issued, as indicated in the report of the Board of Directors.

Since the final terms of the capital increase have not been set, we cannot give an opinion on them, nor, therefore, can we give an opinion on the proposal that the shareholders waive their preferential subscription rights.

Pursuant to Article R.225-116 of the French Commercial Code, we will prepare an additional report, if necessary, when your Board of Directors makes use of this authorization.

## 3 Statutory auditors' report regarding authority to allocate existing free shares or free shares to be issued to members of the salaried staff and/or directors and executive officers (resolution 24)

In our capacity as your Company's statutory auditors, and pursuant to the duties set forth in Article L.225-197-1 of the French Commercial Code, we hereby present our report on the proposal to authorize the allocation of existing free shares or free shares to be issued to members of the salaried staff and/or directors and executive officers of your Company and companies or economic interest groups associated with it, a transaction that will be submitted for your approval.

The total number of shares likely to be awarded under this authorization may not represent more than 3% of the Company's capital as of the day of this meeting and the total number of free shares that may be awarded to directors of the Company's Executive Committee may not exceed 0.5% of the share capital within this allocation.

On the basis of its report, your Board of Directors proposes that you authorize it to allocate existing free shares or free shares to be issued for a period of thirty-eight months from the date of this meeting.

It is the responsibility of your Board of Directors to prepare a report on this transaction it wishes to conduct. It is our responsibility to share with you, if necessary, our observations on the information provided to you with regard to the proposed transaction.

We performed the procedures we deemed necessary for the completion of this engagement, in accordance with the professional guidance provided by the Compagnie nationale des commissaires aux comptes, France's national organization of statutory auditors. Our work primarily involved verifying that the proposed procedures for this transaction, as set out in the Board of Directors' report, comply with the provisions of French law.

We have no comment to make regarding the information provided in the Board of Directors' report on the proposed transaction to authorize the allocation of free shares.

The statutory auditors

Paris – La Défense, April 23, 2019

| | |
|---|---|
| KPMG Audit | Mazars |
| *A division of KPMG S.A.* | |
| Frédéric Quélin | Thierry Blanchetier |
| *Partner* | *Partner* |

# 8

# INFORMATION ON THE COMPANY AND ITS SHARE CAPITAL

# 8.1 INFORMATION ON THE COMPANY

## 8.1.1 Company name

**Company name:** Ingenico Group

## 8.1.2 Head office

**Head office:** 28–32 boulevard de Grenelle, 75015 Paris, France

**Telephone:** +33 (0)1 58 01 80 00

## 8.1.3 Legal form

**Type of entity and governing legislation:** the Company is a French corporation (*société anonyme*) managed by a Board of Directors and governed by the laws and regulations applicable to commercial companies as set forth in Book II of the French Commercial Code.

**Date of incorporation:** June 10, 1980 for a period of 99 years starting from the date of registration with the Trade and Companies Register, except in the event of early dissolution or extension, as provided for in the Articles of Association.

**Financial year:** January 1 to December 31.

**Company registration number with the Paris Trade and Companies Register:** 317 218 758.

**Principal business activity code (APE):** 6202A.

**Principal place of business code (SIRET):** 317 218 758 00124.

**Legal entity identifier (LEI):** 969500C1KK5OLNWK1S69.

## 8.1.4 Articles of Association

The Articles of Association contain no conditions that are more restrictive than those set by law with respect to altering the rights of shareholders or the share capital.

### Purpose (Article 2 of the Articles of Association)

The Company's purpose is to carry out any business in France and in any other countries as follows:

- researching, designing, developing and producing any equipment, systems or devices based on new technologies;
- designing and/or selling any equipment and software relating to the electronic payment and transfer of funds, urban parking management systems, and public and private telephone systems;
- developing and/or selling, including on a rental basis, any systems for transmitting and receiving radio signals of any frequency and kind;
- operating, through any means and in any form, land, sea or space telecommunication networks from stationary or mobile stations, on its own behalf or on any third party's behalf;
- designing software for its own needs or for third parties' needs;
- providing consultancy and organizational services;
- providing technical support and maintenance for any and all devices and facilities produced or sold in connection with any of the Company's purposes;
- representing any companies, both French and non-French, whose products are related, directly or indirectly, to the above-mentioned purposes, including import or export operations.

To fulfil these purposes, the Company may set up, acquire, exchange, sell, or lease, with or without an agreement to sell, and manage and operate, directly or indirectly, any industrial or commercial businesses, plants, work sites, personal or real property; obtain or acquire and use, sell or contribute any patents, licenses, processes or trademarks; grant any licenses to manufacture or use; and generally carry out any commercial, industrial or financial transactions relating to personal and real property, that might be directly or indirectly related to, or serve, the Company's purposes. The Company may act directly or indirectly, on its own behalf or on behalf of any third party, either alone or in partnership, joint venture or association with any other corporate bodies or individuals and carry out in France or abroad, in any form whatsoever, any transactions falling within the scope of its purposes. It may acquire interests or stakes in any French or non-French organizations that have similar purposes or are likely to develop its own businesses.

### Determination, allocation and distribution of net profits (Article 22 of the Articles of Association)

For the purpose of forming the statutory legal reserve, an amount of 5% will be deducted from the net annual profit, less any retained losses, until the amount in the legal reserve reaches an amount equal to one-tenth of the share capital. Such deduction from the net profit shall be repeated whenever the legal reserve amount falls below that fraction for any reason whatsoever, and particularly in the event of an increase in the Company's share capital.

The remaining balance of the net profit, plus any amount of retained earnings, shall constitute the distributable profits.

The following shall be deducted from those net profits:

- any amounts that the Shareholders' Meeting decides to use for depreciation of the Company's assets or to allocate to reserve funds or as retained earnings;
- the amount required to pay an initial dividend based on issued and paid-up shares of 5% of the share capital amount; should net profits be insufficient to pay out this dividend, the shareholders shall not be entitled to claim such dividend in subsequent years;
- the remaining balance, if any, to be distributed among all shareholders as a complementary dividend.

The Shareholders' Meeting may also decide to distribute amounts deducted from non-statutory reserve funds, either to provide or supplement a dividend or as an extraordinary distribution. The Shareholders' Meeting must then specify the reserve account from which such deductions are made.

### Dividend payment (Article 23 of the Articles of Association)

Dividends on shares shall be paid within a maximum of nine months from the financial year end, unless such period has been extended by court order.

The time and place of dividend payments will be determined by the Board of Directors.

The Annual General Shareholders' Meeting deliberating on the annual financial statements may grant each shareholder an option to receive all or part of a dividend or interim dividend in cash or in shares, as provided for by law and by these Articles of Association.

### Rules for convening and attendance at Annual General Shareholders' Meetings (Article 19 of the Articles of Association)

Pursuant to Article 19 of the Articles of Association, Ordinary, Extraordinary and Special General Shareholders' Meetings shall be convened by the Board of Directors. They may also be convened by the statutory auditor, by a representative appointed by a court of law at the request of any interested party, in the event of an emergency or at the request of one or more shareholders holding at least 5% of the Company's share capital or by a group of shareholders fulfilling the requirements set out in Article L.225-120 of the French Commercial Code. Meetings may also be convened by the liquidator in the event of the dissolution of the Company.

The Annual General Shareholders' Meetings shall be held at the location specified in the notice. This may be the Company's head office or, if necessary, any other location within 50 km of the registered office.

Notice of Annual General Shareholders' Meetings shall be given in accordance with the applicable rules and regulations.

Should an Annual General Shareholders' Meeting be unable to deliberate due to lack of the required quorum, a second meeting shall be convened with at least ten clear days' prior notice, in the same manner as for the first call, reiterating the date and agenda of the initial meeting.

The initiator of the meeting notice shall prepare the agenda and the resolutions to be submitted to the Annual General Shareholders' Meeting. The Board shall add to the agenda any new items or draft resolutions requested by either one or more shareholders jointly representing at least the percentage of the Company's shares required by law, or by a group of shareholders fulfilling the requirements set out in Article L.225-120 of the French Commercial Code, or, exclusively for draft resolutions, by the Works Council. The initiators of requests shall supply any documents required by applicable laws and regulations in support of their request.

The right to attend Shareholders' Meetings shall be based upon registration, no later than midnight (Paris time), two working days before the meeting, of the shareholder's name or the name of the depository registered on the shareholder's behalf, either in the registered accounts held by the Company or in the bearer shares trading accounts held by the approved depository.

Shareholders may be represented by any legal or natural person they choose, subject to the regulatory conditions applicable. Proxies shall be appointed using a signed proxy form indicating the proxy's surname, first name and address. A proxy may not sub-delegate their proxy to another person. Proxy forms are valid exclusively for a single Shareholders' Meeting, or for adjourned meetings convened with the same agenda.

If the Board so decides when convening a meeting or sending a meeting notice, shareholders may also attend and vote at meetings *via* video conference or using any telecommunication systems enabling them to be identified as provided for by law.

At each Annual General Shareholders' Meeting, the attendance sheet will indicate the following:

- the surnames, first names and place of residence of each shareholder; the number of shares they hold and corresponding voting rights;
- the surnames, first names and place of residence of each proxy; the number of shares they hold and corresponding voting rights;
- the surnames, first names and place of residence of each shareholder represented; the number of shares they hold and corresponding voting rights.

The attendance sheet shall be signed by all shareholders present and by proxies. It will be certified as accurate by the Meeting's Reporting Committee. The attendance sheet with the proxy forms attached thereto shall be kept at the head office and made available upon request.

Once properly constituted, an Annual General Shareholders' Meeting represents all shareholders. Its resolutions shall be binding on all shareholders, even those who are absent, dissenting or incapacitated. At ordinary or extraordinary meetings, the quorum is calculated based on the total number of shares in the share capital. For special meetings, it is based on all the shares from the category concerned, less those deprived of voting rights under statutory or regulatory provisions.

Minutes shall be made of the proceedings of Annual General Shareholders' Meetings and signed by the Reporting Committee members. The minutes shall be either transferred to, or inserted into, a special minute book issued according to regulatory provisions, with each page initialed and signed.

### Quorum and majority requirements at Ordinary General Shareholders' Meetings

All shareholders may take part in the proceedings and vote on resolutions, provided that the shares they hold have been fully paid up.

For deliberations of the Annual General Shareholders' Meeting to be valid on first convening, a number of shareholders representing at least one-fifth of the share capital must be present. If this condition is not met, the Annual General Shareholders' Meeting held on second call can pass resolutions, regardless of the number of shares represented, but only on the items from the agenda for the initial meeting.

Resolutions of the Ordinary General Shareholders' Meeting are adopted by a majority of the votes of the shareholders present or represented, plus one vote. The members of the meeting have the same number of votes as the shares that they hold and represent, without limitation, except at Annual General Shareholders' Meetings convened for incorporation purposes, when each shareholder casts the votes of their principals on the same terms and within the same limits.

However, all fully paid-up shares that have been registered in a single shareholder's name for at least two years shall be granted twice the number of voting rights conferred on other shares relating to the portion of share capital they represent.

Furthermore, in case of a capital increase by incorporating retained earnings, net profits or share premiums, double voting rights shall be conferred upon the issue of registered shares allotted for free on the basis of existing shares holding such double voting rights.

### Quorum and majority requirements at Extraordinary General Shareholders' Meetings

Resolutions are adopted by a majority of two thirds of the votes of the shareholders present or represented. The members of the meeting have the same number of votes as the shares that they hold and represent, without limitation, except at Annual General Shareholders' Meetings called for incorporation purposes, when each shareholder casts the votes of their principals on the same terms and within the same limits. However, all fully paid-up shares that have been registered in a single shareholder's name for at least two years shall be granted twice the number of voting rights conferred on other shares relating to the portion of share capital they represent.

Furthermore, in case of a capital increase by incorporating retained earnings, net profits or share premiums, double voting rights shall be conferred upon the issue of registered shares allotted for free on the basis of existing shares holding such double voting rights.

An Extraordinary General Shareholders' Meeting is properly constituted and can validly deliberate when the number of shareholders present or represented represents at least one quarter of the share capital. Failing this, a new meeting shall be convened as required by law, specifying the agenda, date and outcome of the previous meeting. The reconvened meeting can validly deliberate if shareholders representing at least one fifth of the share capital are present or represented. If the required quorum is not achieved, the reconvened meeting may be adjourned until a later date within two months of the day that the initial meeting was convened, under the same conditions for convening and holding the meeting.

Notwithstanding the foregoing and by statutory dispensation, an Extraordinary General Shareholders' Meeting called to decide on a capital increase *via* incorporation of retained earnings, net profits or share premiums may proceed under the quorum and majority conditions for an Ordinary General Shareholders' Meeting.

### Quorum and majority requirements at Special General Meetings

Special General Meetings shall be convened and shall deliberate as provided for by law.

## Double voting rights

According to Article 19 of the Articles of Association:

"All fully paid-up shares that have been registered in a single shareholder's name for at least two years shall be granted twice the number of voting rights conferred on other shares relating to the portion of share capital they represent.

Furthermore, in case of a capital increase by incorporating retained earnings, net profits or share premiums, double voting rights shall be conferred upon the issue of registered shares allotted for free on the basis of existing shares holding such double voting rights."

This provision was included in the Articles of Association for the first time by the shareholders at their Extraordinary General Shareholders' Meeting on June 10, 1986, which resolved that double voting rights should be attached to all fully paid-up shares registered in a single shareholder's name for at least five years. Subsequently, at their meeting on June 8, 1988, the shareholders amended the Articles of Association, reducing the required term for registration in a single shareholder's name from five years to four years, which the shareholders finally reduced further to the current two-year term at their meeting on September 18, 1998.

Moreover, pursuant to Article L.225-124, paragraph 1, of the French Commercial Code, double voting rights are rendered null and void ipso jure when shares are converted into bearer form or if their ownership is transferred. However, transfers through inheritance, the liquidation of marital assets, inter vivos transfers to a spouse or direct relative and transfers resulting from the merger or demerger of a shareholding company do not result in the loss of double voting rights.

Subject to the double voting rights attached to all fully paid-up shares registered in a single shareholder's name for at least two years, no clause in the Articles of Association or in the issuer's internal rules of procedure shall have the effect of delaying, deferring or preventing a change of control over the Company.

### Major shareholding thresholds (Article 8 of the Articles of Association)

In addition to instances when the regulatory thresholds are exceeded, which must be reported to both the Company and the Autorité des marchés financiers as set out in Article L.233-7 of the French Commercial Code, any individual or legal entity owning a number of shares amounting to over 2% of the share capital or the voting rights, or any multiple thereof, shall, within four trading days (before close of trading) of the date on which each shareholding threshold is crossed, notify the Company of the total number of shares and voting rights held in a letter sent by recorded delivery with return receipt requested. Failing notification, the shares exceeding the fraction that should have been reported shall be deprived of voting rights at Shareholders' Meetings, as provided for by law, if failure to notify has been noted at the time of a Shareholders' Meeting, and if one or more shareholders, together holding at least 5% of the share capital, request this at the said meeting. Similarly, any person whose direct or indirect interest falls below each of the above-mentioned thresholds shall give notice thereof to the Company in the form and within the period specified above.

### Separation of ownership (Article 11 of the Articles of Association)

Unless an agreement otherwise is notified to the Company, the usufructuaries of shares may validly represent the bare owners at Extraordinary General Meetings, with the exception of voting rights belonging to the bare owner.

### Identifiable bearer securities (Article 11 of the Articles of Association)

At any time, the Company may ask the central depositary of financial instruments to identify holders of securities conferring immediate or long-term voting rights at Annual General Shareholders' Meetings, and the amount of securities held by each of them under the conditions set out in Article L.228-2 of the French Commercial Code.

## 8.1.5 Information relating to factors liable to affect a public offer

The Company's capital structure, the clauses of any agreements covered by Article L.233-11 of the French Commercial Code and any direct or indirect holdings in the Company's capital known to the Company under the provisions applicable for shareholding thresholds are described in section 8.3 of the 2018 Registration Document.

The Articles of Association do not provide for any restrictions concerning the exercise of voting rights (except for the penalty for failure to disclose when the legal shareholding thresholds are crossed) or the transfer of shares.

There are no shareholders entitled to any special rights of control.

The Company has no employee shareholding arrangements that provide for control mechanisms.

The powers of the Board of Directors and the rules that apply for the appointment and replacement of Board members are described above.

The shareholders are authorized at Extraordinary General Shareholders' Meetings to make any decisions and any changes to the provisions in the Articles of Association.

The agreements providing for compensation for directors and executive officers, particularly in the case of forced departure due to a change of control, are described above.

The Company has not entered into any significant agreements that would be amended or terminated in the event of a change of control over the Company.

In connection with the bond debt issued on May 13, 2014 and September 13, 2017, the bondholders (as defined in the "Terms and Conditions for the Bonds") are, in the event of a change of control over the issuer, entitled to ask the issuer to redeem or facilitate the purchase of their bonds at face value, plus accrued interest, under the "Terms and Conditions for the Bonds – Redemption option for Bondholders further to a change of control". In the same way, holders of bonds convertible into and/or exchangeable for new or existing shares (OCEANE) of Ingenico Group SA issued on June 26, 2015 have the right to redeem them in the event of a change of control of the issuer, as provided for in the terms and conditions of the said convertible bonds.

Otherwise, in the scope of the Group financing, early redemption is possible at the initiative of Ingenico or the lenders (see Note 9.b. to the consolidated financial statements as of December 31, 2018).

There are no agreements providing for compensation for employees of the Company who resign, are dismissed or have their employment terminated as a result of a public offer.

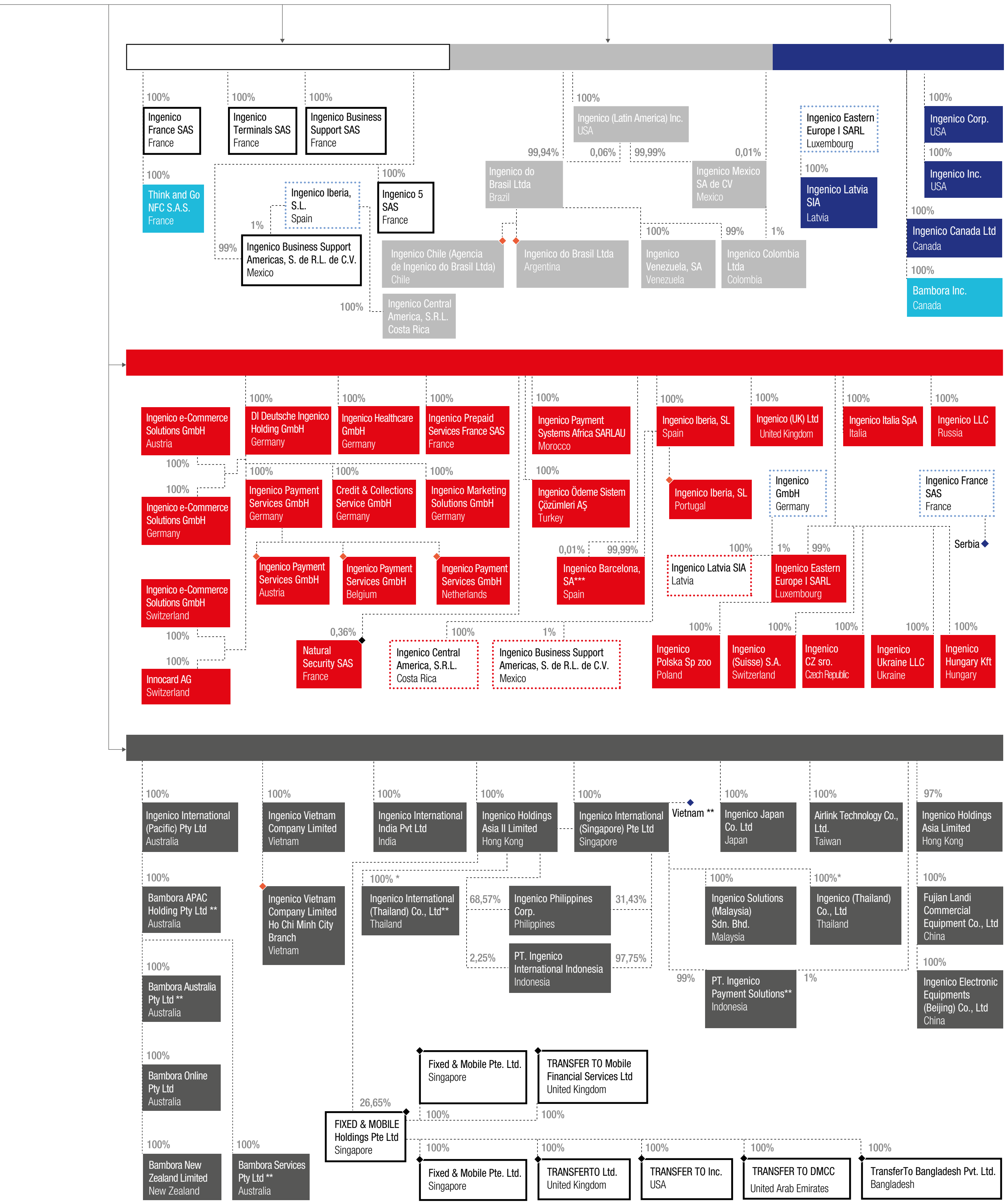
The Company is not aware of any agreement between the shareholders that may impose restrictions on the transfer of shares and the exercising of voting rights.

## 8.1.6 Organizational chart (as of December 31, 2018)

ingenico GROUP


- Equity interest
- Branch
- Representation Office
- Shareholder or entity outside region
- Central Operations
- LAR - Latin America Region
- APAC - Asia, Pacific & China
- EMEA - Europe, Russia-CIS, Ukraine, Turkey, Africa & Middle East
- Retail - SMB, Enterprise, Global Online
- NAR - North America Region

* Including direct and indirect equity interest or partners.
** In the process of liquidation or winding-up.
*** Dormant.
**** A stichting is a Dutch foundation used for separate management of merchants funds.
The Administrative Office Foundation (Stichting Administratie Kantoor or STAK) has a contractual relationship (trust conditions) with Global Collect Services B.V. as the holder of depositary receipts and therefore beneficial owner of the shares in Global Collect B.V.
The Administrative Office Foundation (STAK) has no shareholders and is controlled by Ingenico through its board of directors.


100%
Ingenico France SAS
France
100%
Ingenico Terminals SAS
France
100%
Ingenico Business Support SAS
France
100%
Think and Go NFC S.A.S.
France
Ingenico Iberia, S.L.
Spain
1%
99%
Ingenico Business Support Americas, S. de R.L. de C.V.
Mexico
100%
Ingenico 5 SAS
France
100%
Ingenico (Latin America) Inc.
USA
99,94%
0,06%
99,99%
0,01%
Ingenico do Brasil Ltda
Brazil
Ingenico Mexico SA de CV
Mexico
Ingenico Chile (Agencia de Ingenico do Brasil Ltda)
Chile
Ingenico do Brasil Ltda
Argentina
100%
Ingenico Venezuela, SA
Venezuela
99%
1%
Ingenico Colombia Ltda
Colombia
100%
Ingenico Central America, S.R.L.
Costa Rica
Ingenico Eastern Europe I SARL
Luxembourg
100%
Ingenico Latvia SIA
Latvia
100%
Ingenico Corp.
USA
100%
Ingenico Inc.
USA
100%
Ingenico Canada Ltd
Canada
100%
Bambora Inc.
Canada
Ingenico e-Commerce Solutions GmbH
Austria
100%
100%
Ingenico e-Commerce Solutions GmbH
Germany
Ingenico e-Commerce Solutions GmbH
Switzerland
100%
100%
Innocard AG
Switzerland
100%
DI Deutsche Ingenico Holding GmbH
Germany
100%
Ingenico Healthcare GmbH
Germany
100%
Ingenico Prepaid Services France SAS
France
100%
Ingenico Payment Services GmbH
Germany
100%
Credit & Collections Service GmbH
Germany
100%
Ingenico Marketing Solutions GmbH
Germany
Ingenico Payment Services GmbH
Austria
Ingenico Payment Services GmbH
Belgium
Ingenico Payment Services GmbH
Netherlands
0,36%
Natural Security SAS
France
100%
Ingenico Central America, S.R.L.
Costa Rica
1%
Ingenico Business Support Americas, S. de R.L. de C.V.
Mexico
100%
Ingenico Payment Systems Africa SARLAU
Morocco
100%
Ingenico Ödeme Sistem Çözümleri AŞ
Turkey
0,01%
99,99%
Ingenico Barcelona, SA***
Spain
100%
Ingenico Iberia, SL
Spain
Ingenico Iberia, SL
Portugal
100%
Ingenico (UK) Ltd
United Kingdom
Ingenico GmbH
Germany
100%
Ingenico Latvia SIA
Latvia
1%
99%
Ingenico Eastern Europe I SARL
Luxembourg
100%
Ingenico Italia SpA
Italia
100%
Ingenico LLC
Russia
Ingenico France SAS
France
Serbia
100%
Ingenico Polska Sp zoo
Poland
100%
Ingenico (Suisse) S.A.
Switzerland
100%
Ingenico CZ sro.
Czech Republic
100%
Ingenico Ukraine LLC
Ukraine
100%
Ingenico Hungary Kft
Hungary
100%
Ingenico International (Pacific) Pty Ltd
Australia
100%
Bambora APAC Holding Pty Ltd **
Australia
100%
Bambora Australia Pty Ltd **
Australia
100%
Bambora Online Pty Ltd
Australia
100%
Bambora New Zealand Limited
New Zealand
100%
Bambora Services Pty Ltd **
Australia
100%
Ingenico Vietnam Company Limited
Vietnam
Ingenico Vietnam Company Limited Ho Chi Minh City Branch
Vietnam
100%
Ingenico International India Pvt Ltd
India
100%
Ingenico Holdings Asia II Limited
Hong Kong
100% *
Ingenico International (Thailand) Co., Ltd**
Thailand
68,57%
Ingenico Philippines Corp.
Philippines
31,43%
2,25%
PT. Ingenico International Indonesia
Indonesia
97,75%
100%
Ingenico International (Singapore) Pte Ltd
Singapore
Vietnam **
100%
Ingenico Japan Co. Ltd
Japan
100%
Ingenico Solutions (Malaysia) Sdn. Bhd.
Malaysia
99%
PT. Ingenico Payment Solutions**
Indonesia
1%
100%
Airlink Technology Co., Ltd.
Taiwan
100%*
Ingenico (Thailand) Co., Ltd
Thailand
97%
Ingenico Holdings Asia Limited
Hong Kong
100%
Fujian Landi Commercial Equipment Co., Ltd
China
100%
Ingenico Electronic Equipments (Beijing) Co., Ltd
China
Fixed & Mobile Pte. Ltd.
Singapore
TRANSFER TO Mobile Financial Services Ltd
United Kingdom
26,65%
FIXED & MOBILE Holdings Pte Ltd
Singapore
100%
100%
100%
Fixed & Mobile Pte. Ltd.
Singapore
100%
TRANSFERTO Ltd.
United Kingdom
100%
TRANSFER TO Inc.
USA
100%
TRANSFER TO DMCC
United Arab Emirates
100%
TransferTo Bangladesh Pvt. Ltd.
Bangladesh

# 8.2 INFORMATION ON THE SHARE CAPITAL

## 8.2.1 Share capital

On December 31, 2018, the Company's total share capital amounted to €63,144,527, for an equivalent number of shares, representing 69,163,350 theoretical voting rights (including shares for which voting rights have been suspended) and 67,802,996 exercisable voting rights, the difference being the treasury shares at that date. The difference between the number of shares and the number of voting rights is due to the existence of double voting rights.

On March 31, 2018, the Company's total share capital amounted to €63,144,527, for an equivalent number of shares, representing €69,114,746 theoretical voting rights (including shares for which voting rights have been suspended) and €67,754,392 exercisable voting rights, the difference being the treasury shares at that date.

## 8.2.2 Changes in share capital over the past five years

| Date | Transaction | Shares issued/ cancelled | Par value | Number of shares | Share capital |
|---|---|---|---|---|---|
| June 11, 2014 | New shares issued in connection with the distribution of the stock dividend for 2013, placed on record by the Chairman and Chief Executive Officer | +398,304 | €1 | 53,484,613 | €53,484,613 |
| June 23, 2014 | New free shares issued, placed on record by the Chairman and Chief Executive Officer | +397,832 | €1 | 53,882,445 | €53,882,445 |
| July 7, 2014 | 661,146 new shares issued, with a par value of €1, in connection with the conversion of 651,377 Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +661,146 | €1 | 54,543,591 | €54,543,591 |
| September 1, 2014 | New shares issued in connection with the conversion of Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +1,131,016 | €1 | 55,674,607 | €55,674,607 |
| September 9, 2014 | New shares issued in connection with the conversion of Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +356,856 | €1 | 56,031,463 | €56,031,463 |
| October 9, 2014 | New shares issued in connection with the conversion of Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +79,170 | €1 | 56,110,633 | €56,110,633 |
| November 12, 2014 | New shares issued in connection with the conversion of Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +173,249 | €1 | 56,283,882 | €56,283,882 |
| December 9, 2014 | New shares issued in connection with the conversion of Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +1,152,899 | €1 | 57,436,781 | €57,436,781 |
| January 14, 2015 | New shares issued in connection with the conversion of Ingenico 2011/2017 OCEANE bonds, placed on record by the Chairman and Chief Executive Officer | +3,216,566 | €1 | 60,653,347 | €60,653,347 |
| June 10, 2015 | New shares issued in connection with the distribution of the stock dividend for 2014, placed on record by the Chairman and Chief Executive Officer | +313,580 | €1 | 60,966,927 | €60,966,927 |

| Date | Transaction | Shares issued/ cancelled | Par value | Number of shares | Share capital |
|---|---|---|---|---|---|
| July 31, 2015 | Shares created in connection with the issuance of 23,673 shares as part of a capital increase limited to Ingenico employees eligible for a company savings plan, placed on record by the Chairman and Chief Executive Officer, as delegated by the Board | +23,673 | €1 | 60,990,600 | €60,990,600 |
| June 3, 2016 | New shares issued in connection with the distribution of the stock dividend for 2015, placed on record by the Chairman and Chief Executive Officer | +502,641 | €1 | 61,493,241 | €61,493,241 |
| October 28, 2016 | Cancellation of 149,560 treasury shares | (149,560) | €1 | 61,343,681 | €61,343,681 |
| October 29, 2016 | Creation of 149,560 fully paid-up new shares at €1 each as part of the vesting of free shares allocated on October 29, 2014, placed on record by the Chairman and Chief Executive Officer | +149,560 | €1 | 61,493,241 | €61,493,241 |
| June 12, 2017 | New shares issued in connection with the distribution of the stock dividend for 2016, placed on record by the Chairman and Chief Executive Officer | +731,856 | €1 | 62,225,097 | €62,225,097 |
| July 26, 2017 | Shares created in connection with the issuance of 26,017 shares as part of a capital increase limited to Ingenico employees eligible for a company savings plan, placed on record by the Chairman and Chief Executive Officer, as delegated by the Board | +26,017 | €1 | 62,251,114 | €62,251,114 |
| July 29, 2017 | Creation of 112,000 fully paid-up new shares at €1 each as part of the vesting of free shares allocated on July 29, 2015, placed on record by the Chairman and Chief Executive Officer | +112,000 | €1 | 62,363,114 | €62,363,114 |
| June 21, 2018 | Creation of 781,413 new shares in connection with the distribution of the stock dividend for 2017, placed on record by the Chairman and Chief Executive Officer | +781,413 | €1 | 63,144,527 | €63,144,527 |

## 8.2.3 Shareholders' financial authorizations and delegations to the Board of Directors

### Authorized unissued capital

A summary of the effective delegations and authorizations granted by shareholders to the Board of Directors regarding share capital increases, and the use made of these authorizations during 2018, is provided hereunder. As some of these authorizations have expired or will expire soon, new authorizations will be submitted to the vote at the Annual General Shareholders' Meeting scheduled for June 11, 2019.

| Type of authorization/delegation | Maximum capital increase that may result from the authorization (par value) | Duration | Use made of authorizations during 2018 |
|---|---|---|---|
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Share capital reduction through cancellation of shares[4] | 10% of the share capital | 24 months | None |
| **Annual General Shareholders' Meeting of May 10, 2017**<br>Share capital increase *via* incorporation of retained earnings, profits and/or share premiums[1] [4] | €10,000,000<br>Independent ceiling | 26 months | None |
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Issue of ordinary shares conferring, as applicable, entitlement to ordinary shares or to the allocation of debt securities and/or securities conferring access to ordinary shares, with the retention of preferential subscription rights[4] | Aggregate par value of shares that may be issued: €30,000,000[3]<br>Nominal amount of debt securities that may be issued: €1,500,000,000. | 26 months | None |
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Issue of ordinary shares conferring, as applicable, entitlement to ordinary shares or debt securities and/or securities conferring access to ordinary shares, with preferential subscription rights waived, by public offer and/or in consideration for shares as part of a public exchange offer[4] | Aggregate par value of shares that may be issued: €6,236,311[2]<br>Nominal amount of debt securities that may be issued: €1,500,000,000[2] | 26 months | None |
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Issue of ordinary shares conferring, as applicable, entitlement to ordinary shares or to the allocation of debt securities and/or securities conferring access to ordinary shares, with preferential subscription rights waived, by means of an offer as described in Article L.411-2 II of the French Monetary and Financial Code[4] | Aggregate par value of shares that may be issued: €6,236,311[2]<br>Nominal amount of debt securities that may be issued: €1,500,000,000[2] | 26 months | None |
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Share capital increase in consideration for contributions in kind of shares or securities conferring access to the share capital[4] | 10% of the share capital[2] | 26 months | None |
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Issuance of ordinary shares, with preferential subscription rights waived, to employees, directors and executive officers of Group subsidiaries located outside France who are not members of a Company savings plan[1] [4] | 2% of the share capital<br>Independent ceiling | 18 months | None |
| **Annual General Shareholders' Meeting of May 16, 2018**<br>Share capital increase, with preferential subscription rights waived, reserved for employees belonging to a Company or Group savings plan[1] [4] | 2% of the share capital<br>Independent ceiling | 26 months | None |

| Type of authorization/delegation | Maximum capital increase that may result from the authorization (par value) | Duration | Use made of authorizations during 2018 |
|---|---|---|---|
| **Annual General Shareholders' Meeting of April 29, 2016**<br>Free awards of new or existing shares(1) | 5% of the share capital, with a limit of 2% of share capital for the Company's directors and executive officers | 38 months | Award of 419,174 shares on the basis of performance criteria (for more details, please refer to the section 3.3.3 of this Registration Document) |

(1) *New delegations and authorizations will be put to a vote at the Combined Ordinary and Extraordinary Shareholders' Meeting to be held on June 11, 2019.*

(2) *These delegations were provided within the following aggregate ceilings: Maximum nominal amount of capital increases: 10% of the share capital on the day of the Annual General Shareholders' Meeting of May 16, 2018 (i.e., €6,236,311). Any capital increases occurring under these resolutions will be deducted from the total nominal amount of shares that may be issued under the scope of the delegation, with retention of the above preferential subscription rights. Maximum total amount of debt securities that may be issued: €1,500,000.*

(3) *From this amount is deducted the nominal amount of any share capital increases (immediate or long-term) carried out on the basis of the delegations granted by the Annual General Shareholders' Meeting of May 16, 2018, for the purpose of carrying out issues with the removal of the preferential subscription right by public offer or in consideration for a public exchange offer,* via *private investment, as well as under the scope of the extension clause or in consideration for contributions in kind.*

(4) *Suspended during public offer periods.*

## Authorization to repurchase its own shares

### Company transactions to buy back its own shares during 2018 (Article L.225-211 of the French Commercial Code)

The Annual General Shareholders' Meeting of May 16, 2018 authorized the Company to launch a share repurchase program, a description of which was included in the Registration Document filed with the AMF on April 18, 2018. The launch of this program was decided by the Board of Directors on May 16, 2018.

This program replaces the program authorized by the Annual General Shareholders' Meeting on May 10, 2017.

### Number of treasury shares purchased and sold during 2018

In 2018:

- 596,708 shares were purchased under the liquidity contract at an average price of €71.82;
- 596,708 shares were sold under the liquidity contract at an average price of €71.96;
- 1,277,000 shares were purchased by the Company for an overall value of €86 million to hedge its commitments to the beneficiaries of free share awards, company savings plans or holders of OCEANEs (*obligations convertibles ou échangeables en actions nouvelles ou existantes*, bonds convertible or exchangeable for new or existing shares).

### Number and value of treasury shares as of December 31, 2018

As a result of trading activity during the year, the liquidity contract portfolio did not contain any shares as of December 31, 2018.

Furthermore, as of December 31, 2018, the portfolio of shares purchased for other reasons by the Company stood at 1,360,354 shares.

On December 31, 2018, the Company therefore held a total of 1,360,354 treasury shares, of which:

- none were purchased under the liquidity contract;
- 1,360,354 were purchased for other purposes, representing 2.15% of the total share capital of 63,144,527 shares with a face value of €1 each.

The values of this portfolio at that date were as follows:

- book value: €88,763,099;
- market value: €67,391,937.16 based on the closing price of €49.54 on December 31, 2018;
- total nominal value: €1,360,354.

### Use of treasury shares, including transfers, for other purposes

During 2018, 31,380 treasury shares were used for grants to beneficiaries of free share award plans.

No reallocation occurred during the 2018 reporting period.

## Authorization to reduce the share capital

At their Annual General Shareholders' Meeting on May 16, 2018, the shareholders authorized the Company to reduce the share capital by canceling treasury shares for a period of 24 months, *i.e.*, until May 15, 2020.

Some 149,560 shares held by the Company were canceled on October 28, 2016 under the authorization granted by the Annual General Shareholders' Meeting of April 29, 2016.

This authorization was not used during the 2018 reporting period.

### Open position on derivative products

| | Open call positions | | Open put positions | |
|---|---|---|---|---|
| | Call options bought | Forward purchases | Call options sold | Forward sales |
| Number of securities | 1,500,000 | - | - | - |
| Average maximum maturity | 6/26/2022 | - | - | - |
| Exercise price (in euros) | 172.15 | - | - | - |

Ingenico Group completed the purchase of 1,500,000 call options (US options) that may be exercised at any time until their expiration, covering 1,513,500 shares[(1)], which will allow it to partially cover its obligations to deliver treasury shares, as part of any conversion of bonds that are convertible or exchangeable for new or existing shares (OCEANE), maturing on June 26, 2022. These options cover 52.1% of the 2,904,443 outstanding OCEANE bonds.

## 8.2.4 Potential share capital

The potential share capital comprises free shares that may be newly issued or outstanding, as well as OCEANE convertible/exchangeable bonds issued on June 26, 2015.

As of December 31, 2018, this represents a maximum capital dilution of 5.57% (excluding OCEANE-related derivatives and treasury shares) and 1.02% (after deducting OCEANE-related derivatives and treasury shares).

### Stock options

As of December 31, 2018, there were no exercisable stock options.

### Performance shares

During 2018, the Company awarded 419,174 free shares to Group employees, which will be vested once the performance criteria have been achieved. These criteria are detailed in section 3.3.3 of this Registration Document.

As of December 31, 2018, there were 589,479 free shares outstanding for which the vesting period had not yet expired, representing a dilution rate of 0.93% of the Company's share capital.

The Board of Directors may decide to record these shares as either existing or new shares until the vesting date.

### OCEANE bond maturing June 26, 2022

On June 26, 2015, pursuant to the 12th resolution of the Extraordinary General Shareholders' Meeting of May 6, 2015, the Company launched a €500 million bond issue for private placement without preferential subscription rights. The issue comprised 2,904,443 bonds, convertible into and/or exchangeable for new or existing shares, with a face value of €172.15 each, at an original conversion rate of 1 share for 1 bond. These OCEANE bonds are listed on the open market and mature on June 26, 2022.

They do not bear a coupon. The Company may, at its discretion, deliver new shares or existing shares or a combination of both.

No new shares were issued in 2018 for the OCEANE bond issued on June 26, 2015.

As of December 31, 2018, the number of shares that could be issued was 2,930,583 following an adjustment of the conversion ratio, 1,009 shares for 1 bond, made after the dividend payout in 2018 for fiscal year 2017.

Taking into consideration the hedge transaction to cover the potential dilution connected with OCEANE convertible bonds, completed in November 2016 in the form of the purchase of 1,500,000 call options on 1,513,500 shares, the maximum capital dilution linked to the OCEANE bonds on that date is 2.24%.

*(1) Subject to future parity adjustments.*

# 8.3 SHARE OWNERSHIP

## 8.3.1 Changes in share ownership over the last three financial years

Share ownership is broken down based on a total of 63,144,527 shares as of December 31, 2018, which carry a total of 67,802,996 voting rights (including double voting rights and excluding treasury shares).

Shares that have been registered for over two years have double voting rights. These double voting rights are based on the information in the Shareholders' Register managed by Caceis Corporate Trust.

Pursuant to Article L.225-124, paragraph 1 of the French Commercial Code, double voting rights are rendered null and void ipso jure when shares are converted into bearer form or if their ownership is transferred.

However, transfers through inheritance, the liquidation of marital assets, inter vivos transfers to a spouse or direct relative and transfers resulting from the merger or demerger of a shareholding company do not result in the loss of double voting rights.

### Major shareholders

To the best of the Company's knowledge, share ownership as of December 31, 2018 was broken down as follows:

| As of December 31, 2018 | Number of shares | % shares | Number of voting rights | % actual voting rights | % theoretical voting rights(1) |
|---|---|---|---|---|---|
| **Shareholders** | | | | | |
| Allianz Global Investors GmbH(2) | 3,757,120 | 5.95% | 3,757,120 | 5.54% | 5.43% |
| BPI France Participations(3) | 3,317,081 | 5.25% | 6,634,162 | 9.78% | 9.59% |
| Blackrock Inc(4) | 3,009,202 | 4.77% | 3,009,202 | 4.44% | 4.35% |
| **MAJOR SHAREHOLDERS** | **10,083,403** | **15.97%** | **13,400,484** | **19.76%** | **19.38%** |
| Employee share offers (Article L.225-102 of the French Commercial Code) | 160,396 | 0.25% | 306,496 | 0.45% | 0.44% |
| Treasury shares | 1,360,354 | 2.15% | - | - | 1.97% |
| of which, shares held under liquidity contract | - | - | - | - | - |
| Other shareholders (bearer and registered) | 51,540,374 | 81.62% | 54,096,016 | 79.78% | 78.21% |
| **TOTAL** | **63,144,527** | **100%** | **67,802,996** | **100%** | **100%** |

*(1) Pursuant to Article 223-11 of the AMF General Regulations, the number of theoretical voting rights is calculated on the basis of all shares with voting rights, including shares with suspended voting rights.*

*(2) Based on the most recent information in the shareholding threshold crossing statement received on November 9, 2018 (position as of November 8, 2018).*

*(3) BPI France Participations is indirectly controlled by the Caisse des Dépôts et Consignations which indirectly holds 3,317,081 shares and 6,634,162 voting rights according to the latest shareholding threshold crossing statement received on May 31, 2017 (position as of May 25, 2017).*

*(4) Based on the information in the shareholding threshold crossing statement received on March 26, 2018 (position as of March 22, 2018).*

To the best of the Company's knowledge, there is no other shareholder who holds, directly or indirectly, either acting alone or in concert, over 2% of the share capital or voting rights as of December 31, 2018.

To the best of the Company's knowledge, there has been no significant change since December 31, 2018, with the exception of the threshold crossings disclosed below.

The Company is not controlled by another company within the meaning of Article L.233-3 of the French Commercial Code. To the best of the Company's knowledge, there are no agreements in place that could bring about a change in control at some future date.

To the best of the Company's knowledge, share ownership as of December 31, 2017 was broken down as follows:

| As of December 31, 2017 | Number of shares | % shares | Number of voting rights | % actual voting rights | % theoretical voting rights(1) |
|---|---|---|---|---|---|
| Shareholders | | | | | |
| Allianz Global Investors GmbH(2) | 4,910,776 | 7.88% | 4,910,776 | 7.20% | 7.19% |
| BPI France Participations(3) | 3,317,081 | 5.32% | 6,634,162 | 9.73% | 9.71% |
| Jupiter Asset Management Limited(4) | 2,470,854 | 3.96% | 2,470,854 | 3.62% | 3.62% |
| **MAJOR SHAREHOLDERS** | **10,698,711** | **17.16%** | **14,015,792** | **20.55%** | **20.51%** |
| Employee share offers (Article L.225-102 of the French Commercial Code) | 162,950 | 0.26% | 309,050 | 0.45% | 0.45% |
| Treasury shares | 114,734 | 0.18% | - | - | 0.17% |
| of which, shares held under liquidity contract | - | - | - | - | - |
| Other shareholders (bearer and registered) | 51,386,719 | 82.40% | 53,887,512 | 79.00% | 78.87% |
| **TOTAL** | **62,363,114** | **100%** | **68,212,354** | **100%** | **100%** |

*(1) Pursuant to Article 223-11 of the AMF General Regulations, the number of theoretical voting rights is calculated on the basis of all shares with voting rights, including shares with suspended voting rights.*

*(2) Based on the most recent information in the shareholding threshold crossing statement received on November 17, 2016 (position as of November 15, 2016).*

*(3) BPI France Participations is indirectly controlled by the Caisse des Dépôts et Consignations which indirectly holds 3,317,081 shares and 6,634,162 voting rights according to the latest shareholding threshold crossing statement received on May 31, 2017 (position as of May 25, 2017).*

*(4) Based on the information in the shareholding threshold crossing statement received on October 3, 2017 (position as of October 2, 2017).*

To the best of the Company's knowledge, share ownership as of December 31, 2016 was broken down as follows:

| Balance as of December 31, 2016 | Number of shares | % shares | Number of voting rights | % actual voting rights | % theoretical voting rights(1) |
|---|---|---|---|---|---|
| **Shareholders** | | | | | |
| Allianz Global Investors GmbH(2) | 4,910,776 | 7.99% | 4,910,776 | 7.52% | 7.51% |
| BPI France Participations(3) | 3,335,935 | 5.42% | 3,335,935 | 5.11% | 5.10% |
| Jupiter Asset Management Limited(4) | 3,189,054 | 5.18% | 4,404,847 | 6.75% | 6.73% |
| Amundi(5) | 2,365,271 | 3.85% | 2,365,271 | 3.62% | 3.62% |
| **MAJOR SHAREHOLDERS** | **13,801,036** | **22.44%** | **15,016,829** | **23.00%** | **22.96%** |
| Employee share offers (Article L.225-102 of the French Commercial Code) | 157,956 | 0.26% | 303,828 | 0.46% | 0.46% |
| Treasury shares | 116,534 | 0.19% | - | - | 0.18% |
| of which, shares held under liquidity contract | - | - | - | - | - |
| Other shareholders (bearer and registered) | 47,417,715 | 77.11% | 49,966,625 | 76.54% | 76.40% |
| **TOTAL** | **61,493,241** | **100%** | **65,287,282** | **100%** | **100%** |

*(1) Pursuant to Article 223-11 of the AMF General Regulations, the number of theoretical voting rights is calculated on the basis of all shares with voting rights, including shares with suspended voting rights.*

*(2) Based on the most recent information in the shareholding threshold crossing statement received on November 17, 2016 (position as of November 15, 2016).*

*(3) BPI France Participations is indirectly controlled by the Caisse des Dépôts et Consignations which indirectly holds 3,630,945 shares and voting rights according to the latest shareholding threshold crossing statement received on July 27, 2015 (position as of July 22, 2015).*

*(4) Based on the most recent information in the shareholding threshold crossing statement (pursuant to Article L.233-7 of the French Commercial Code) received on March 29, 2016 (position as of March 23, 2016).*

*(5) Based on the information in the shareholding threshold crossing statement received on July 22, 2016.*

## 8.3.2 Dividend policy

The Board of Directors decides on the amount of dividend payments, which are based on the Company's operational results, financial position and investment policy in particular. The Company's dividend policy is based on paying out a dividend representing 35% of its net profit.

Ingenico's Board of Directors has decided to submit a resolution to the Annual General Shareholders' Meeting of June 11, 2019, to pay a dividend for 2018 of €1.10 per share, payable in cash or in shares.

| Financial year for which dividends were paid | Net dividend per share *(in euros)* | Dividend payment date |
|---|---|---|
| 2018 | 1.10 | Subject to the approval of the Annual General Shareholders' Meeting of June 11, 2019 |
| 2017 | 1.60 | June 21, 2018 |
| 2016 | 1.50 | June 12, 2017 |
| 2015 | 1.30 | June 3, 2016 |
| 2014 | 1.00 | June 10, 2015 |

Five years after the distribution date, all unclaimed dividends will be forfeited and paid to the French Treasury.

## 8.3.3 Shareholding disclosure thresholds as of March 31, 2019

- **Regulatory thresholds**

The complete version of the following statements regarding the crossing of major shareholding thresholds can be viewed online on the AMF website.

| Shareholder | AMF ruling no. | AMF ruling date | Date threshold was crossed | Threshold | Threshold crossed by increase or decrease |
|---|---|---|---|---|---|
| BlackRock Inc. | 218C0513 | March 1, 2018 | February 28, 2018 | 5% of share capital | Increase |
| BlackRock Inc. | 218C0574 | March 12, 2018 | March 8, 2018 | 5% of share capital | Decrease |
| BlackRock Inc. | 218C0590 | March 14, 2018 | March 12, 2018 | 5% of share capital | Increase |
| BlackRock Inc. | 218C0611 | March 20, 2018 | March 16, 2018 | 5% of share capital | Decrease |
| BlackRock Inc. | 218C0621 | March 21, 2018 | March 20, 2018 | 5% of share capital | Increase |
| BlackRock Inc. | 218C0640 | March 26, 2018 | March 22, 2018 | 5% of share capital | Decrease |
| Allianz Global Investors GmbH | 219C0224 | February 6, 2019 | February 5, 2019 | 5% of share capital | Decrease |

- **Company statutory thresholds**

| Shareholder | Date threshold was crossed | Threshold crossed by increase or decrease | Threshold | Number of shares after threshold crossed | % of share capital after threshold crossed | % of voting rights after threshold crossed |
|---|---|---|---|---|---|---|
| Jupiter Asset Management Limited | January 18, 2018 | Decrease | 2% in voting rights | 1,296,156 | 2.078% | 1.896% |
| Jupiter Asset Management Limited | February 21, 2018 | Decrease | 2% in share capital | 1,116,156 | 1.789% | 1.635% |
| Allianz Global Investors GmbH | February 21, 2018 | - | - | 4,408,801 | 7.07% | 6.46% |
| Mondrian | June 8, 2018 | - | 2% | 1,443,435 | 2.31% | 1.68% |
| Moneta | June 13, 2018 | Increase | 2% in share capital | 1,284,189 | 2.06% | 1.88% |
| Moneta | July 23, 2018 | Decrease | 2% in share capital | 1,173,410 | 1.86% | 1.70% |
| Mondrian | October 8, 2018 | Decrease | 2% in share capital | 1,242,295 | 1.97% | 1.59% |
| Allianz Global Investors GmbH | October 11, 2018 | - | - | 4,345,973 | 6.88% | 6.29% |
| Allianz Global Investors Fund | October 11, 2018 | Decrease | 4% in share capital | 2,450,863 | 3.88% | 3.55% |
| Amundi | October 25, 2018 | Increase | 2% in share capital | 1,269,692 | 2.01% | - |
| Allianz Global Investors GmbH | October 31, 2018 | Decrease | 6% in voting rights | 4,052,085 | 6.42% | 5.87% |
| Allianz Global Investors GmbH | November 8, 2018 | Decrease | 6% in share capital | 3,757,120 | 5.95% | 5.44% |
| Amundi | December 24, 2018 | Decrease | 2% in share capital | 1,261,312 | 1.99 % | - |
| Amundi | January 3, 2019 | Increase | 2% in share capital | 1,274,614 | 2.01 % | - |
| FIL Limited | January 15, 2019 | Increase | 2% in share capital | 1,274,545 | 2.02% | 1.84% |
| FIL Limited | January 23, 2019 | Increase | 2% in voting rights | 1,541,648 | 2.44% | 2.23% |
| Amundi | February 5, 2019 | Decrease | 2% in share capital | 1,262,770 | 1.99% | - |
| Allianz Global Investors Fund | February 5, 2019 | Decrease | 2% in voting rights | 1,306,151 | 2.07% | 1.89% |
| Allianz Global Investors GmbH | February 19, 2019 | Decrease | 4% in voting rights | 2,687,809 | 4.26% | 3.89% |
| Allianz Global Investors Fund | February 19, 2019 | Decrease | 2% in share capital | 1,089,058 | 1.72% | 1.57% |

## 8.3.4 Shareholder agreements

To the best of the Company's knowledge, there is no agreement or shareholders' agreement as mentioned in Article L.233-11 of the French Commercial Code other than that published by the AMF under the number 206C2177, concluded on November 23, 2006 by Candel & Partners SAS(1), FBT SCA(2) (formerly Financière de Tayninh SCA), Consellior SAS(3) and Allan Green with Raiffeisen Centrobank AG(4) (hereinafter referred to as "RCB") in relation to Ingenico. This agreement restated and replaced the shareholders' agreement entered into on October 4, 2004 which constituted an action in concert between its signatories (refer to AMF Ruling and Notice No. 204C1192 of October 7, 2004 and AMF Ruling and Notice No. 204C1198 of October 11, 2004).

On November 8, 2011, Allan Green informed the Company and the AMF that, on November 4, 2011, the Consellior group and RCB had ended their action in concert and adherence to the shareholders' agreement of November 23, 2006. Since that date, the Consellior group has consisted only of Consellior SAS, Candel & Partners and Mr. Allan Green.

*(1) Company controlled by Mr. Allan Green, 4 Avenue Hoche, 75008 Paris, France.*
*(2) Limited partnership wholly owned by Candel & Partners, 4 avenue Hoche, 75008 Paris, France.*
*(3) Limited liability joint-stock company controlled by Mr. Allan Green, 4 avenue Hoche, 75008 Paris, France.*
*(4) Company of the banking Group Raiffeisen, Tegetthoffstrasse 1, A-1010 Vienna, Austria.*

# 8.4 MARKET FOR INGENICO GROUP SHARES

## 8.4.1 Listing

Ingenico Group shares are listed in France on Euronext Paris (Compartment A) and have been included since August 2015 in the CAC Next 20 Index.

Ingenico Group announced the reclassification of its ICB (Industry Classification Benchmark) category from "Industrial Goods and Services" to "Technology" as of March 19, 2012. Ingenico Group is also included in the Stoxx Europe 600 and SBF 120 stock market indexes.

At the end of December 2018, Ingenico's share price closed at €49.54 and its market capitalization was €3.1 billion.

## 8.4.2 Ingenico Group share price and volume of transactions (ISIN: FR0000125346)

- **Change in the share price and volume of transactions over 18 months**

| Month | **High** *(in €)* | **Low** *(in €)* | **Volume traded** *(in millions of shares)* | **Closing price** *(in €)* | **Capital traded** *(in € millions)* | **Average price** *(in €)* |
|---|---|---|---|---|---|---|
| July 2017 | 89.92 | 79.96 | 7.64 | 88.62 | 652.48 | 84.87 |
| August 2017 | 89.09 | 81.49 | 4.03 | 83.40 | 343.95 | 85.12 |
| September 2017 | 83.73 | 78.75 | 6.13 | 80.20 | 493.00 | 80.69 |
| October 2017 | 83.34 | 78.17 | 6.65 | 83.34 | 537.77 | 81.07 |
| November 2017 | 88.04 | 78.50 | 7.30 | 88.04 | 607.60 | 82.99 |
| December 2017 | 89.01 | 84.90 | 4.34 | 89.01 | 377.15 | 86.92 |
| January 2018 | 93.70 | 88.00 | 5.69 | 91.70 | 520.92 | 91.38 |
| February 2018 | 93.30 | 70.52 | 12.12 | 71.52 | 985.34 | 86.35 |
| March 2018 | 70.34 | 64.26 | 10.05 | 65.88 | 678.49 | 67.58 |
| April 2018 | 72.70 | 63.84 | 9.52 | 72.40 | 663.87 | 70.07 |
| May 2018 | 75.48 | 67.58 | 6.68 | 68.40 | 472.40 | 70.80 |
| June 2018 | 79.24 | 67.98 | 10.18 | 77.00 | 758.90 | 73.40 |
| July 2018 | 79.52 | 70.52 | 12.54 | 70.96 | 940.21 | 75.89 |
| August 2018 | 70.34 | 60.54 | 8.96 | 60.54 | 591.32 | 66.90 |
| September 2018 | 65.44 | 56.26 | 8.81 | 65.44 | 536.28 | 61.35 |
| October 2018 | 68.50 | 62.64 | 11.98 | 62.64 | 793.96 | 65.67 |
| November 2018 | 68.00 | 60.36 | 6.99 | 63.76 | 452.48 | 64.47 |
| December 2018 | 64.00 | 48.02 | 7.20 | 49.54 | 395.31 | 54.52 |
| January 2019 | 52.76 | 45.00 | 8.58 | 47.61 | 416.98 | 49.67 |
| February 2019 | 59.02 | 46.84 | 7.41 | 59.02 | 391.71 | 53.01 |
| March 2019 | 64.24 | 59.00 | 6.08 | 63.62 | 375.86 | 61.85 |

*Data: Bloomberg.*

### 8.4.3 OCEANE bonds and standard bonds

#### Bond debt

To improve its financial flexibility, Ingenico Group SA has issued two bonds:

- on May 20, 2014, the Group issued a bond maturing on May 20, 2021. The par value of the issue is €450,000,000, or 4,500 bonds with a face value of €100,000. The bonds pay a coupon of 2.50%;
- on September 13, 2017, issue of bonds maturing on September 13, 2024. The par value of the bond is €600,000,000, or 6,000 bonds with a face value of €100,000. The bonds pay a coupon of 1.625%.

The bond issue costs and issue premium are amortized on a straight-line basis over the term of the bond. The bonds are listed on the Euronext Paris market.

#### Convertible bond debt

Details of the OCEANE bonds issued on June 26, 2015 are included in section 8.2.4 of this Registration Document.

As of December 31, 2018, there were 2,904,443 OCEANE bonds outstanding, representing a par value of €172.15. On December 31, 2018 the conversion rate was 1.009 shares for one bond.

## 8.5 ADDITIONAL INFORMATION

### 8.5.1 Documents available to the public

The Articles of Association and the parent company and consolidated financial statements for the last three financial years may be consulted by appointment at the head office and viewed online at www.ingenico.com/finance.

### 8.5.2 Financial communication calendar for 2019

The financial communication calendar can be found on the website www.ingenico.com/finance.

### 8.5.3 Person responsible for the Registration Document

#### Certification of the person responsible for the Registration Document

"I hereby certify, having taken all reasonable care to ensure that such is the case, that the information contained in this Registration Document is, to the best of my knowledge, accurate and does not contain any omission that might affect its significance.

I hereby certify that, to the best of my knowledge, the financial statements have been prepared in accordance with the relevant accounting standards and give a true representation of the assets, financial position and operational results of the Company and all its consolidated entities, and that the Board of Directors' management report, for which a cross-reference table can be found on page 300 of this Registration Document, is a true reflection of changes in the business, operational results and financial position of the Company and all its consolidated entities, as well as a description of the main risks and uncertainties facing them.

I have obtained a letter from the statutory auditors confirming that they have completed their work and indicating that they have verified the financial position and the financial statements included in this Registration Document and reviewed the document as a whole."

**Nicolas Huss,**
**Chief Executive Officer**

#### Person responsible for the financial information as of the date of this Registration Document

Michel-Alain Proch, Chief Financial Officer (+33 (0) 1 58 01 84 33)

## 8.5.4 Person responsible for the audit of the financial statements and fees

### Information on the statutory auditors

#### Statutory auditors and Alternate Auditors

***Statutory auditor***
**KPMG SA**
(775 726 417 RCS Nanterre)
Tour EQHO – 2, avenue Gambetta
92066 Paris-La Défense Cedex, France
Represented by Mr. Frédéric Quelin

KPMG SA is a member of the Compagnie régionale des Commissaires aux comptes de Versailles (the Versailles Regional Association of Statutory Auditors).

***First appointed: April 29, 2016***

***Alternate auditor***
**SALUSTRO REYDEL**
(652 044 371 RCS Nanterre)
Tour EQHO – 2, avenue Gambetta
92066 Paris-La Défense Cedex, France

SALUSTRO REYDEL is a member of the Compagnie régionale des Commissaires aux comptes de Versailles (the Versailles Regional Association of Statutory Auditors).

***First appointed: April 29, 2016***

KPMG SA was appointed principal statutory auditor to replace KPMG Audit IS SAS, and Salustro Reydel was appointed to replace KPMG Audit ID at the Annual General Shareholders' Meeting of April 29, 2016, for a term of six fiscal years, *i.e.*, until the Annual General Shareholders' Meeting called to approve the financial statements for *the* year ending December 31, 2021.

***Statutory auditor***
**Mazars**
(784 824 153 RCS Nanterre)
Tour Exaltis – 61, rue Henri-Regnault
92075 Paris - La Défense, France
Represented by Mr. Thierry Blanchetier

Mazars is a member of the Compagnie régionale des Commissaires aux comptes de Versailles (the Versailles Regional Association of Statutory Auditors).

***First appointed: April 29, 2013***

***Alternate auditor***
**Mr. Jean-Louis Simon**
(784 824 153 RCS Nanterre)
Tour Exaltis – 61, rue Henri-Regnault
92075 Paris - La Défense, France

Mr. Jean-Louis Simon is a member of the Compagnie régionale des Commissaires aux comptes de Versailles (the Versailles Regional Association of Statutory Auditors).

***First appointed: April 29, 2013***

Mazars and Jean-Louis Simon were reappointed at the Annual General Shareholders' Meeting of April 29, 2016 for a period of six fiscal years, *i.e.*, until the Annual General Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2021.

#### Statutory auditors' fees

The statutory auditors' fees are presented in Note 16 of the consolidated financial statements as of December 31, 2018 and Note 21 of the parent company financial statements of Ingenico Group SA at the same date presented in sections 5 and 6 of this Registration Document.

# CROSS-REFERENCE TABLE TO THE REGISTRATION DOCUMENT

| Commission regulation (EC) No 809/2004 dated April 29, 2004 – Annex I | | Registration Document |
|---|---|---|
| **No.** | **Heading** | **Location in the 2018 Registration Document** |
| **1.** | **Persons responsible** | |
| 1.1. | Persons responsible for the information given in the Registration Document | 8.5.3 |
| 1.2. | Declaration by the persons responsible for the Registration Document | 8.5.3 |
| **2.** | **Statutory auditors** | |
| 2.1. | Names and addresses of the issuer's statutory auditors for the period covered by the financial statements | 8.5.4 |
| 2.2. | Statutory auditors that have resigned, been removed or not been reappointed during the period covered by the financial statements | 8.5.4 |
| **3.** | **Selected financial information** | |
| 3.1. | Selected historical financial information | 4.1 |
| 3.2. | Selected financial information for interim periods | n.a. |
| **4.** | **Risk factors** | **1.2** |
| **5.** | **Information about the issuer** | |
| 5.1. | History and development of the Company | 1.1 |
| 5.1.1. | Legal and commercial name of the issuer | 8.1.1 |
| 5.1.2. | Place of registration and registration number | 8.1.3 |
| 5.1.3. | Date of incorporation and duration | 8.1.3 |
| 5.1.4. | Head office, legal form, legislation under which the issuer operates, country of incorporation, address and telephone number of the registered office | 8.1.2 |
| 5.1.5. | Important events in the development of the business | 5.6 |
| 5.2. | Investments | 5.6 |
| 5.2.1. | Investments made | 5.6 |
| 5.2.2. | Investments in progress | 5.6 |
| 5.2.3. | Future investments | 4.2 |
| **6.** | **Business overview** | |
| 6.1. | Principal activities | 1.1 |
| 6.1.1. | Nature of the issuer's operations and principal activities | 1.1 |
| 6.1.2. | New products and/or services | 1.1 |
| 6.2. | Principal markets | 1.1 |
| 6.3. | Exceptional events affecting the information in items 6.1 and 6.2 | n.a. |
| 6.4. | Dependence of the issuer on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes | 1.2.1 |
| 6.5. | Basis for statements made by the issuer regarding its competitive position | 1.1.5 / 1.2.1 |
| **7.** | **Organizational structure** | **8.1.6** |
| 7.1. | Description of the Group and the issuer's position within the Group | 6.4 / 8.1.6 |
| 7.2. | List of the issuer's significant subsidiaries | 5.6 |
| **8.** | **Property, plant and equipment** | |
| 8.1. | Main tangible fixed assets (existing or planned) | 5.6 |
| 8.2. | Environmental issues that may affect the issuer's utilization of their tangible fixed assets | 2.5 |

| Commission regulation (EC) No 809/2004 dated April 29, 2004 – Annex I | | Registration Document |
|---|---|---|
| **No.** | **Heading** | **Location in the 2018 Registration Document** |
| **9.** | **Operating and financial review** | |
| 9.1. | Financial position of the issuer, changes in financial position and the results of operations for each financial year and interim period covered by the historical financial information | 4 |
| 9.2. | Profit from operations | 4 |
| 9.2.1. | Significant factors materially affecting the issuer's operating income | 4 |
| 9.2.2. | Material changes in net sales or revenues | 4.1 |
| 9.2.3. | Governmental, economic, fiscal, monetary or political policies or factors | 1.1.4 / 4 |
| **10.** | **Capital resources** | |
| 10.1. | Information concerning the issuer's capital resources | 5.6 |
| 10.2. | Sources and amounts of the issuer's cash flows and description of cash flows | 5.4 / 5.6 |
| 10.3. | Information on the issuer's borrowing requirements and funding structure | 5.4 / 5.6 |
| 10.4. | Information regarding any restrictions on the use of capital resources that have materially affected, or could materially affect, directly or indirectly, the issuer's operations | 5.4 / 5.6 |
| 10.5. | Information regarding the anticipated sources of funds needed to fulfill commitments referred to in items 5.2.3 and 8.1 | 5.4 / 5.6 |
| **11.** | **Research and development, patents and licenses** | **1.1.1 to 1.1.4 / 4.1 / 5.6** |
| **12.** | **Trend information** | **4.2** |
| 12.1. | Significant trends in production, sales and inventory, costs and selling prices since the end of the last financial year to the date of the Registration Document | n.a. |
| 12.2. | Information on any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the issuer's prospects for at least the current financial year | n.a. |
| **13.** | **Profit forecasts or estimates** | **None** |
| **14.** | **Administrative, management and supervisory bodies and senior management** | |
| 14.1. | Information concerning the members of the administrative, management and supervisory bodies | 3.2 |
| 14.2. | Conflicts of interest at the level of the administrative, management and supervisory bodies and senior management | 3.1.2.6 |
| **15.** | **Compensation and benefits** | |
| 15.1. | Amount of compensation paid and benefits in kind granted by the issuer and its subsidiaries | 3.3.1 and 3.3.2 |
| 15.2. | Total amounts set aside or accrued by the issuer or its subsidiaries to provide pension, retirement or similar benefits | 5.6 |
| **16.** | **Administration and Board practices** | |
| 16.1. | Expiration date of the current term of office and period over which the person has held office | 3.1.2.4 |
| 16.2. | Information about the service contracts of any member of the administrative, management or supervisory bodies with the issuer or any of its subsidiaries providing for benefits in kind, or a statement that this does not apply | 3.1.2.6 |
| 16.3. | Information about the issuer's Audit and Finance Committee and its Compensation, Appointments and Governance Committee | 3.1.4.5 |
| 16.4. | Statement as to whether or not the issuer complies with the corporate governance regime applicable to its country of incorporation | 3.1.1.1 |

| Commission regulation (EC) No 809/2004 dated April 29, 2004 – Annex I | | Registration Document |
|---|---|---|
| **No.** | **Heading** | **Location in the 2018 Registration Document** |
| **17.** | **Employees** | |
| 17.1. | Number of employees at the end of the relevant historical financial period or average number of employees for each financial year during this period and breakdown by main function and location | 2.3.2 / 6.4 |
| 17.2. | Profit-sharing and stock option awards | 3.3.3.2 / 5.6 / 6.4 |
| 17.3. | Any arrangements for involving the employees in the capital of the issuer | 3.3.3.4 |
| **18.** | **Major shareholders** | |
| 18.1. | The name of any person other than a member of the administrative, management or supervisory bodies who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of such interest or, if not applicable, a statement to this effect | 8.3 |
| 18.2. | Different voting rights or a statement that this does not apply | 8.3 |
| 18.3. | Indirect or direct ownership or control of the issuer | 8.3 |
| 18.4. | Arrangements known to the issuer, the implementation of which could at a later date result in a change of control of the issuer | 8.3.3 |
| **19.** | **Related-party transactions** | **5.6** |
| **20.** | **Financial information concerning the issuer's assets and liabilities, financial position and profits and losses** | |
| 20.1. | Historical financial information | 4.1 |
| 20.2. | Pro forma financial information | 5.6 |
| 20.3. | Financial statements | 5 et 6 |
| 20.4. | Audit of the historical financial information | 5.7 and 6.5 |
| 20.4.1. | Statement that the historical financial information has been audited | 5.7 and 6.5 |
| 20.4.2. | Other information audited by the statutory auditors | n.a. |
| 20.4.3. | Financial data not extracted from the issuer's audited financial statements | n.a. |
| 20.5. | Date of the latest financial information | 8.5.2 |
| 20.6. | Interim and other financial information | n.a. |
| 20.6.1. | Quarterly and half-yearly financial information | n.a. |
| 20.6.2. | Interim financial information covering the six first months of the financial year in progress | n.a. |
| 20.7. | Dividend policy | 8.3.2 |
| 20.7.1. | Amount of the dividend per share | 8.3.2 |
| 20.8. | Legal and arbitration proceedings | 1.2.6 |
| 20.9. | Significant changes in the financial or trading position | None |

| Commission regulation (EC) No 809/2004 dated April 29, 2004 – Annex I | | Registration Document |
|---|---|---|
| **No.** | **Heading** | **Location in the 2018 Registration Document** |
| **21.** | **Additional information** | |
| 21.1. | Share capital | 8.2.1 |
| 21.1.1. | Amount of issued share capital | 8.2.1 |
| 21.1.2. | Shares not representing capital | n.a. |
| 21.1.3. | Shares in the issuer held by the issuer itself or on its behalf or by its subsidiaries | 8.2.3 |
| 21.1.4. | Convertible or exchangeable securities or securities with warrants | 8.2.4 |
| 21.1.5. | Acquisition rights and/or obligations on the issued capital | n.a. |
| 21.1.6. | Amount of capital of any member of the Group which is under option or agreed conditionally or unconditionally to be placed under option | 5.2 |
| 21.1.7. | Share capital history | 8.2.2 |
| 21.2. | Instrument of Incorporation and Articles of Association | 8.1.4 |
| 21.2.1. | Company purpose | 8.1.4 |
| 21.2.2. | Members of the administrative, management and supervisory bodies | 3.1.2.1 à 3.1.2.5 / 3.2 |
| 21.2.3. | Rights, preferences and restrictions attached to each class of existing shares | 8.1.4 |
| 21.2.4. | Changes in shareholders' rights | 8.1.4 |
| 21.2.5. | Annual General Shareholders' Meetings | 7 / 8.1.4 |
| 21.2.6. | Provisions of the issuer's instrument of incorporation, Articles of Association, charter or rules of procedure that could delay, defer or prevent a change in control of the issuer | 8.1.5 |
| 21.2.7. | Provisions of the issuer's instrument of incorporation, Articles of Association, charter or rules of procedure governing the ownership threshold above which shareholder ownership must be disclosed | 8.1.4 |
| 21.2.8. | Conditions imposed by the instrument of incorporation and the Articles of Association, charter or rules of procedure governing changes in the capital | n.a. |
| **22.** | **Material contracts** | **n.a.** |
| **23.** | **Information from third parties, statements by experts and declarations of interests** | **n.a.** |
| 23.1. | Statement or report attributed to a person acting as an expert | - |
| 23.2. | Information sourced from a third party | - |
| **24.** | **Documents available to the public** | **8.5.1** |
| **25.** | **Information on subsidiaries and associates** | **5.6** |

# CROSS-REFERENCE TABLE TO THE ANNUAL FINANCIAL REPORT

This Registration Document includes all the items in the annual financial report mentioned in Article L.451-1-2 of the French Monetary and Financial Code, as well as in Article 222-3 of the AMF General Regulations.

1. Parent company financial statements
2. Consolidated financial statements
3. Management report containing as a minimum the information mentioned in Articles L.225-100-1 and L.225-211, paragraph 2, of the French Commercial Code, and including the report on corporate governance in accordance with Article L.225-37 of the French Commercial Code
4. Statement by the persons responsible for the annual financial report
5. Statutory auditors' report on the parent company financial statements
6. Statutory auditors' report on the consolidated financial statements

# CROSS-REFERENCE TABLES TO THE MANAGEMENT REPORT AND TO THE REPORT ON CORPORATE GOVERNANCE

This Registration Document includes all the items in the Company's management and corporate governance reports required under Articles L.225-100 et seq. of the French Commercial Code.

| Information | Location in the Registration Document |
|---|---|
| **POSITION AND ACTIVITIES OF THE COMPANY AND THE GROUP** | |
| Objective and comprehensive analysis of business performance, results and the financial position | 4 / 5 / 6 |
| Key events occurring since the financial year-end | 5.6 |
| Planned development, opportunities and outlook for the Company and the Group | 4.2 |
| Key financial and non-financial performance indicators for the Company and the Group | pages 10-11 |
| Main risks affecting the Company and the Group | 1.2 |
| Internal control and risk management procedures set up by the Company and Group relating to the preparation and processing of accounting and financial information | 1.3.3 |
| Financial risks related to the effects of climate change and measures taken by the Company and Group to reduce these | 1.2.2 |
| Research and development activities | 1.1.4.3 |
| Subsidiaries | 8.1.6 |
| **LEGAL, FINANCIAL AND TAX INFORMATION** | |
| Shareholder structure | 8.3 |
| Name of companies controlled and share of the Company's share capital held by them | 5.6 |
| Significant equity investments and cross shareholdings | 5.6 |
| Employee share ownership statutes | 3.3.3.3 |
| Outcome of share repurchase program | 7 |
| Adjustments made to securities giving access to share capital in case of financial operation | 7 |
| Adjustments made to securities giving access to share capital and stock-options in case of share repurchase | 7 |
| Dividends distributed during the last three financial years | 7 |
| Non-deductible expenses and charges | 7 |
| Injunctions or fines for anti-corruptive practices | - |
| Terms of payment and breakdown of the balance of suppliers and customers debt | 4.3 |
| Amount of intercompany loans | 6.4 |
| Information for companies operating a SEVESO facility (article L.515-8 of the French Environmental Code) | n.a. |
| Plan of vigilance | n.a. |

| Information | Location in the Registration Document |
|---|---|
| **INFORMATION REQUIRED BY THE CORPORATE GOVERNANCE REPORT** | |
| Principles and criteria governing the determination, split and basis of the fixed, variable and non-recurring components of total compensation and benefits of any kind awarded to the directors and executive officers for their mandate | 3.3.1 / 3.3.1.3 |
| Total compensation and benefits of any kind paid during the year to each director and executive officer by the Company, the controlled companies or the company that controls it | 3.3.1 |
| Commitments related to taking on, terminating, or changing functions | 3.3.1 / 3.4 |
| Choice of the Board relating to retention procedures by proxies for shares attributed free of charges and/or shares issued by the exercise of stock-options | 3.3.3 |
| List of all offices held and duties performed by the directors and executive officers during the year | 3.2 |
| Agreements concluded between a director or executive officer, or a shareholder holding more than 10% of voting rights and a subsidiary | 3.4 |
| Summary of the effective delegations granted by shareholders regarding capital increases | 8.2.3 |
| Choice made out of the two methods for exercising senior management | 8.1.3 |
| Composition of the Board of Directors, and how the Board prepares and organizes its work | 3.1.2.4 and 3.1.2.5 / 3.1.4 |
| Diversity policy | 3.1.2.2 |
| Limits on the powers of the Chief Executive Officer | 3.1.1.3 |
| Reference to a corporate governance code | 3.1.1.1 |
| Specific terms of shareholder participation in the Annual General Shareholders' Meeting or provisions of the Articles of Association setting out these terms | n.a. |
| Information relating to factors liable to affect a public offer | 8.1.5 |
| **INFORMATION ON HUMAN RESOURCES, THE ENVIRONMENT AND SOCIETY INVOLVEMENT** | |
| Consideration of labour and environmental impact, information on how the Company takes into account the social and environmental consequences of its operations, as well as the effect these operations have on human rights, the fight against corruption and tax evasion, including global warming consequences and use of goods and services, and community commitments in favour of sustainable development, circular economy, food waste prevention efforts, the fight against food insecurity, respect for animal welfare and responsible, fair and sustainable food, the collective agreements entered into by the company and their impact on the Company's economic performance and the working conditions of employees, actions taken to combat discrimination and promote diversity | 2 |
| **OTHER INFORMATION** | |
| Securities transactions entered into by directors and executives officers, senior managers and related parties during the previous year | 3.3.3.7 |
| Payments to governments' report | n.a. |
| Five-year financial summary | 6.6 |

# CROSS-REFERENCE TABLE FOR THE NON-FINANCIAL PERFORMANCE STATEMENT

| Information | Location |
|---|---|
| **INFORMATION REQUIRED UNDER ARTICLE R.225-105 OF THE FRENCH COMMERCIAL CODE ON THE NFPS** | |
| Overview of the company's business model | 1.1 |
| Description of the main risks associated with the company's operations | 1.2.2 / 2.1.2.2 |
| Description of the policies adopted by the company | 2.3 / 2.4 / 2.5 |
| Results of the policies, including key performance indicators | 2.3 / 2.4 / 2.5 |
| **RELEVANT INFORMATION INCLUDED IN THE NFPS UNDER ARTICLES R.225-105 AND L.225-102-1 OF THE FRENCH COMMERCIAL CODE** | |
| **HUMAN RESOURCES INFORMATION** | |
| **Employment** | |
| Total workforce and breakdown by gender, age and geographical region | 2.3.2 / 2.3.5 |
| Hirings and dismissals | 2.3.3 |
| Compensation and changes in compensation | 2.3.4.4 |
| **Work organization** | |
| Organization of working hours | 2.3.4.1 |
| Absenteeism | 2.3.4.2 |
| **Health and safety** | |
| Health and safety conditions at work | 2.3.4.2 |
| Workplace accidents, including frequency and severity, as well as occupational illnesses | 2.3.4.2 |
| **Labor relations** | |
| Organization of social dialogue, particularly procedures for informing, consulting and negotiating with employees | 2.3.4.5 |
| Outcome of collective agreements, particularly in terms of health and safety at work | 2.3.4.5 |
| **Training** | |
| Training policies implemented, particularly in terms of environmental protection | 2.3.1.2 |
| Total hours of training | 2.3.1.2 |
| **Equality in the workplace** | |
| Measures adopted to promote equality between men and women | 2.3.5.2 |
| Measures adopted to promote the employment and integration of people with disabilities | 2.3.5.1 |
| Anti-discrimination policy | 2.3.5.1 |
| **ENVIRONMENTAL INDICATORS** | |
| **General policy with regard to environmental matters** | |
| Organization of the company toward addressing environmental issues and any environment-related assessment or certification initiatives | 2.5.1 |
| Resources devoted to preventing environmental risks and pollution | 1.2.2 |
| Amount of provisions and guarantees for environmental risks, unless this information is likely to cause serious prejudice to the company in an ongoing dispute | 1.2.2 |
| **Pollution** | |
| Prevention, reduction or compensation measures for air, water or ground emissions that seriously affect the environment | 2.5.2 |
| Consideration of any form of operations-related pollution, particularly nuisance caused by noise or light | 2.5.2 |
| **Circular economy** | **2.5.2.2** |
| **Pollution and waste management** | |
| Measures for the prevention, recycling and reuse of waste and other forms of waste recovery and disposal | 2.5.2 |

| Information | Location |
|---|---|
| **Sustainability** | |
| Water consumption and supply on the basis of local constraints | 2.5.2.1 |
| Consumption of raw materials and measures taken to use them more efficiently | 2.5.2.1 |
| Energy consumption, measures taken to improve energy efficiency and use of renewable energies | 2.5.2.1 |
| **Climate change** | |
| Significant items associated with the greenhouse gas emissions generated by the company's operations, particularly through use of the goods and services it produces | 2.5.3.1 |
| Action taken to adapt to the consequences of climate change | 2.5.3.1 |
| Voluntary medium- and long-term targets for reducing greenhouse gas emissions and the measures in place to achieve them | 2.5.3.2 |
| **SOCIAL INVOLVEMENT** | |
| **Societal commitments to sustainable development** | |
| Impact of the company's operations on employment and local development | 2.4.9 |
| Impact of the company's operations on local and neighboring communities | 2.4.9 |
| Relations with the company's stakeholders and consultation procedures | 2.1.4.2 / 2.4.10 |
| Philanthropic or sponsorship initiatives | 2.4.9 |
| **Subcontracting and suppliers** | |
| Inclusion of social and environmental concerns in the procurement policy | 2.4.8 |
| Consideration of the social and environmental responsibility of suppliers and subcontractors in relationships with them | 2.4.8 |
| **Fair trade practices: action taken to promote consumer health and safety** | **2.4.6** |
| **Information on the fight against corruption: action taken to prevent corruption** | **2.4.1** |
| **Information on action taken to promote human rights** | **2.4.1** |
| **Information on the fight against tax evasion** | **2.4.2** |

# GRI CONTENT INDEX

The GRI reporting principles permit the provision of a high-quality sustainable development report. Each reporting principle consists of a requirement and guidelines on the procedures for applying the principle.

In order to ensure that its quality assurance process meets GRI expectations for the standards, INGENICO Group is working with MATERIALITY-Reporting, the GRI's DATA PARTNER for France, to ensure that the tests set out for each principle are applied.

INGENICO Group has prepared its report in accordance with the GRI standards: core compliance option.

| Gri standard | Disclosure | Description | Location |
|---|---|---|---|
| **GRI 101: FOUNDATION 2016** | | | |
| **GRI 102: GENERAL DISCLOSURES 2016** | | | |
| **Organization profile** | | | |
| | 102-1 | Name of the organization | 1.1.1 |
| | 102-2 | Activities, brands, products and services | 1.1.2 |
| | 102-3 | Location of headquarters | 8.1.2 |
| | 102-4 | Location of operations | 8.1.6 |
| | 102-5 | Ownership and legal form | 8.2.1 / 8.1.3 |
| | 102-6 | Markets served | 1.1.3 / 1.1.4 |
| | 102-7 | Scale of the organization | 1.1.2.4 |
| | 102-8 | Information on employees and other workers | 2.3 |
| | 102-9 | Supply chain | 1.1.3.3 |
| | 102-10 | Significant changes to the organization and its supply chain | 1.1.1 |
| | 102-11 | Precautionary Principle or approach | 2.3.1.2 / 2.5.2.2 |
| | 102-12 | External initiatives | 2.1.1.3 |
| | 102-13 | Membership of associations | 2.5.4 |
| **Strategy** | | | |
| | 102-14 | Statement from senior decision-maker | Message of the CEO, pages 6-7 |
| | 102-15 | Key impacts, risks and opportunities | 1.2 / 2.1.2.1 |
| **Ethics and integrity** | | | |
| | 102-16 | Values, principles, standards and norms of behavior | 2.3.1.2 |
| | 102-17 | Mechanisms for advice and concerns about ethics | 2.4.1 |
| **Governance** | | | |
| | 102-18 | Governance structure | 2.1.3 / 3.1.1.3 |
| | 102-19 | Delegating authority | 1.3.2 |
| | 102-32 | Highest governance body's role in sustainability reporting | Cross reference table to the management report |
| **Stakeholder engagement** | | | |
| | 102-40 | List of stakeholder groups | 2.1.2.2 |
| | 102-41 | Collective bargaining agreements | 2.3.4.5 |
| | 102-42 | Identifying and selecting stakeholders | 2.4.10 |
| | 102-43 | Approach to stakeholder engagement | 2.1.4.2 |
| | 102-44 | Key topics and concerns raised | 2.4.10 |

| Gri standard | Disclosure | Description | Location |
|---|---|---|---|
| **Reporting practice** | | | |
| | 102-45 | Entities included in the consolidated financial statements | 2.2.1 |
| | 102-46 | Defining report content and topic boundaries | 2.2.1 |
| | 102-47 | List of material topics | 2.1.2.2 |
| | 102-48 | Restatements of information | 2.2.1 |
| | 102-49 | Changes in reporting | 2.2.1 |
| | 102-50 | Reporting period | 2.2.1 |
| | 102-51 | Date of most recent report | 2.2.1 |
| | 102-52 | Reporting cycle | 2.2.1 |
| | 102-53 | Contact point for questions regarding the report | 2.1.3 |
| | 102-54 | Claims of reporting in accordance with the GRI standards | 2.2.2 |
| | 102-55 | GRI content index | Cf. GRI content index |
| | 102-56 | External assurance | 2.6 |
| **GRI 200-300-400: TOPIC-SPECIFIC DISCLOSURES 2016** | | | |
| **Economic performance** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4 |
| | 103-3 | Evaluation of the management approach | 2.4 |
| GRI 202: Market presence - 2018 | 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | 2.4.9 |
| | 202-2 | Proportion of senior management hired from the local community | 2.4.9 |
| **Indirect economic impacts** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4.2 / 2.4.7 |
| | 103-3 | Evaluation of the management approach | 2.4.2 |
| GRI 203: Indirect economic impacts - 2018 | 203-1 | Infrastructure investments and services supported | 2.4.2 / 2.4.7 |
| | 203-2 | Significant indirect economic impacts | 2.4.7 |
| **Procurement practices** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4.8 |
| | 103-3 | Evaluation of the management approach | 2.4.8 |
| GRI 204: Procurement practices 2018 | 204-1 | Proportion of spending on local suppliers | 2.4.8 |
| **Anti-corruption** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4.1 |
| | 103-3 | Evaluation of the management approach | 2.4.1 |
| GRI 205: Anti-corruption 2018 | 205-1 | Operations assessed for risks related to corruption | 2.4.1 |
| | 205-2 | Communication and training about anti-corruption policies and procedures | 2.4.1 |
| **Materials** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5 |

| Gri standard | Disclosure | Description | Location |
|---|---|---|---|
| GRI 301: Materials 2018 | 301-1 | Materials used by weight or volume | 2.5.2 |
| | | Recycled input materials used | 2.5.2 |
| | 301-3 | Reclaimed products and their packaging materials | 2.5.2 |
| **Energy** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5.2 |
| GRI 302: Energy 2018 | 302-1 | Energy consumption within the organization | 2.5.2 |
| | 302-5 | Reductions in energy requirements of products and services | 2.5.2 |
| **Water** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5.2 |
| GRI 303: Water 2018 | 303-1 | Water withdrawal by source | 2.5.2 |
| **Emissions** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5.3 |
| GRI 305: Emissions 2018 | 305-1 | Direct (Scope 1) GHG emissions | 2.5.3 |
| | 305-2 | Indirect (Scope 2) GHG emissions | 2.5.3 |
| | 305-3 | Other indirect (Scope 3) GHG emissions | 2.5.3 |
| | | GHG emissions intensity | 2.5.3 |
| | 305-5 | Reduction of GHG emissions | 2.5.3 |
| **Effluents and waste** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5.2 |
| GRI 306: Effluents and waste 2018 | 306-2 | Waste by type and disposal method | 2.5.2 |
| **Environmental compliance** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5.1 |
| GRI 307: Non-compliance with environmental laws and regulations | 307-1 | Non-compliance with environmental laws and regulations | 2.5.1 / 2.5.2 |
| **Supplier environmental assessment** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.5 |
| | 103-3 | Evaluation of the management approach | 2.5 |
| GRI 308 - 2018 | 308-1 | New suppliers that were screened using environmental criteria | 2.4.8 |
| | 308-2 | Negative environmental impacts in the supply chain | 2.4.8 |

| Gri standard | Disclosure | Description | Location |
|---|---|---|---|
| **Employment** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3.2 / 2.3.3 / 2.3.4.1 |
| GRI 401: Employment 2018 | 401-1 | New employee hires and employee turnover | 2.3.2 / 2.3.3 / 2.3.4.1 |
| **Occupational health and safety** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3.4.2 |
| GRI 403: Occupational health and safety 2018 | 403-1 | Occupational health and safety management system | 2.3.4.2 |
| | 403-2 | Hazard identification, risk assessment and incident investigation | 2.3.4.2 |
| | 403-3 | Occupational health services | 2.3.4.2 |
| | 403-5 | Worker training on occupational health and safety | 2.3.4.2 |
| | 403-6 | Promotion of worker health | 2.3.4.2 |
| **Training and education** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3 |
| GRI 404: Training and education 2018 | 404-1 | Average hours of training per year per employee | 2.3.1.2 / 2.5.4 |
| | 404-2 | Programs for upgrading employee skills and transition assistance programs | 2.3.1.2 / 2.3.4.4 / 2.5.5 |
| **Diversity and equal opportunity** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3.5 |
| GRI 405: Diversity and equal opportunity 2018 | 405-1 | Diversity of governance bodies and employees | 2.3.5.1 |
| **Non-discrimination** | | | |
| GRI 103: Management approach - 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3.5 |
| GRI 406: Non-discrimination - 2018 | 406-1 | Incidents of discrimination and corrective actions taken | 2.3.5 |
| **Freedom of association and collective bargaining** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3 |
| GRI 407 - 2018 | 407-1 | Operations and suppliers with the right of freedom of association | 2.3.4.5 |
| **Forced or compulsory labor** | | | |
| GRI 103: Management approach - 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3 |
| GRI 409: Forced or compulsory labor - 2018 | 409-1 | Operations and suppliers at significant risk for incidents of forced or compulsory labor | 2.4.1 |

| Gri standard | Disclosure | Description | Location |
|---|---|---|---|
| **Human rights assessment** | | | |
| GRI 103: Management approach - 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.3 |
| | 103-3 | Evaluation of the management approach | 2.3 |
| GRI 412: Human rights assessment - 2018 | 412-1 | Operations that have been subject to human rights reviews or impact assessments | 2.4.1 |
| **Local communities** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4 |
| | 103-3 | Evaluation of the management approach | 2.4 |
| GRI 413: Local communities 2018 | 413-1 | Operations with local community engagement (impact and programs) | 2.4.9 |
| **Supplier social assessment** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4 |
| | 103-3 | Evaluation of the management approach | 2.4 |
| GRI 414: Supplier social assessment 2018 | 414-1 | New suppliers that were screened using social criteria | 2.4.8 |
| | 414-2 | Negative social impacts in the supply chain and actions taken | 2.4.8 |
| **Customer health and safety** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | | Description of the management approach | 2.4 |
| | 103-3 | Evaluation of the management approach | 2.4 |
| GRI 416 - 2018 | 416-1 | Assessment of the health and safety impacts of products and services | 2.4.6 |
| **Customer privacy** | | | |
| GRI 103: Management approach 2018 | 103-1 | Explanation of the material topic and its boundary | 2.1.2 |
| | 103-2 | Description of the management approach | 2.4 |
| | 103-3 | Evaluation of the management approach | 2.4 |
| GRI 418: Customer privacy 2018 | 418-1 | Substantiated complaints concerning breaches of customer privacy and losses of customer data | 2.4.3 / 2.4.4 / 2.4.5 |

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