



**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.

I. CONSOLIDATED INCOME STATEMENT

<i>(in thousands of euros)</i>	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.

II. STATEMENT OF COMPREHENSIVE INCOME

	Notes	2018	2017 Restated
<i>(in thousands of euros)</i>			
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

	Notes	2018	2017
<i>(in thousands of euros)</i>			
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.

III. 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

IV. CONSOLIDATED CASH FLOW STATEMENT

<i>(in thousands of euros)</i>	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)
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

<i>(in thousands of euros)</i>	2018	2017 Restated
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 Holding 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.

V. CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>(in thousands of euros)</i>	Share capital	Share premium account	Translation reserve	Effective portion of hedging instruments	Treasury shares	Retained earnings and other reserves	Total equity attributable to Ingenico SA Group shareholders	Non-controlling interests	Total equity
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 Holding 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 Holding Asia Ltd and Ingenico Japan Co. Ltd.

⁽⁶⁾ Transfer of 3% of Ingenico Holding 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).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

ASSETS

(in thousands of euros)	2017	Restatements IFRS15	2017 Restated
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	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

ASSETS

(in thousands of euros)	01/01 2017	IFRS 15 restatements	01/01 2017 Restated
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:

<i>(in thousands of euros)</i>	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.

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 Holding 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.

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

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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)

<i>(in thousands of euros)</i>	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)

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.

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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.

<i>(in thousands of euros)</i>	2018		
	Cash-flow statement	Free cash-flow	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)		

<i>(in thousands of euros)</i>	2018		
	Cash-flow statement	Free cash-flow	Items from CF statement not in FCF
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	

<i>(in thousands of euros)</i>	2018					
	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.

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	Closing value	Not due	2018		
			Overdue		
			<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.

<i>(in thousands of euros)</i>	Closing value	Not due	2017		
			Overdue		
			<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:

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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.

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	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						
		Jan 1	Change in Net working capital	Change in cash flows of non- working capital items	Changes in consolida- tion scope	Translation differences and other movements	Dec 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						
	Jan 1	Net Change in working capital	Change in cash flows of non- working capital items	Changes in consolida- tion scope	Translation differences and other movements	Dec 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.

<i>(in thousands of euros)</i>	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

6. EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION (RELATED PARTIES)

a. Payroll costs

Payroll costs are broken down as follows:

<i>(in thousands of euros)</i>	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 January 1	Options/ shares granted during the year	Options exercised/ shares vested during the year	Other movements	Options/ free shares outstanding at Dec 31.
Free share awards	October 29, 2014	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	5/16/2018	-	192,910	-	(27,546)	165,364
Joint investment	8/28/2017	19,950	-	-	(1,810)	18,140
Joint investment	5/16/2018	-	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 January 1	Options/ shares granted during the year	Options exercised/ shares vested during the year	Other movements	Options/ free shares outstanding at Dec 31.
Free share awards	October 29, 2014	11,150	-	-	(850)	10,300
Joint investment	October 29, 2014	35,320	-	-	(11,160)	24,160
Free share awards	July 29, 2015	177,900	-	(112,600)	(11,500)	53,800
Free share awards	October 22, 2015	2,000	-	(1,200)	-	800
Free share awards	12/31/1899	18,610	-	-	-	18,610
Free share awards	12/31/1899	-	23,639	-	-	23,639
Joint investment	12/31/1899	-	89,710	-	-	89,710
Free share awards	12/31/1899	-	24,000	-	(1,600)	22,400
Free share awards	12/31/1899	-	23,200	-	(5,000)	18,200
Joint investment	July 26, 2016	-	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:

Defined contribution plans

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

Defined benefit plans

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

- unfunded defined benefit plans: under these plans, provisions for retirement benefits are recognized as a liability in the balance sheet under "Provisions for retirement 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						
	France	Germany	Italy	Turkey	Netherlands	Other	Total
(in thousands of euros)	Liability	Liability	Liability	Liability	Liability	Liability	
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		Total	Balance sheet provision
(in thousands of euros)	Liability	Assets	Liability	Assets		
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						
	France	Germany	Italy	Turkey	Netherlands	Other	Total
(in thousands of euros)	Liability	Liability	Liability	Liability	Liability	Liability	
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

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

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:

<i>(in thousands of euros)</i>	
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:

<i>(in thousands of euros)</i>	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.

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:

<i>(in thousands of euros)</i>	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

<i>Cash generating units (in thousands of euros)</i>	2018			2017		
	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					
	B&A NAR	B&A LAR	B&A EMEA	B&A Asia Pacific	Retail	Total
Cash-generating units						
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					
	B&A NAR	B&A LAR	B&A EMEA	B&A Asia Pacific	Retail	Total
Cash-generating units						
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 (%)	Discount rate which makes recoverable amount equal carrying amount (%)	Rate applied (%)	Perpetuity growth rate which makes recoverable amount equal carrying amount (%)	Cash flow decrease required for recoverable amount to equal carrying amount (%)
B&A 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.

(in thousands of euros)	2018				
	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

<i>(in thousands of euros)</i>	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.

<i>(in thousands of euros)</i>	Carrying amount at December 31, 2018						
	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

<i>(in thousands of euros)</i>	2018					
	Land and buildings	Plant and equipment	Leased terminals	IT equipment	Others	Total
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			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	(3,738)	(7,184)	(6,579)	(14,484)	(3,209)	(35,194)
Divestitures and	634	430	2,480	(1,011)	1,444	3,977
Changes in consolidation			(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						
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

<i>(in thousands of euros)</i>	2017					
	Land and buildings	Plant and equipment	Leased terminals	IT equipment	Others	Total
GROSS AMOUNT						
At January 1	21,396	48,281	29,839	85,951	24,145	209,612
Investments	3,589	8,942	2,371	15,342	5,729	35,973
Divestitures	(4,601)	(332)	(5,812)	(6,007)	(1,161)	(17,913)
Changes in consolidation	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	(4,135)	(6,766)	(3,075)	(13,943)	(3,098)	(31,017)
Divestitures and	4,516	318	5,624	5,776	950	17,184
Changes in consolidation	(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						
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

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.

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

9. FINANCING AND FINANCIAL INSTRUMENTS

a. Net finance costs

<i>(in thousands of euros)</i>	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.

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

(in thousands of euros)	2018			
	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

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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:

<i>(in thousands of euros)</i>	2018		
	Gross amounts in the balance sheet	Impact of compensation	Net amounts
FV of derivatives in assets	-	-	-
FV of derivatives in liabilities	-	-	-
NET POSITION	-	-	-

<i>(in thousands of euros)</i>	2017		
	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

Asset and liability categories (in thousands of euros)	2018					
	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

Asset and liability categories (in thousands of euros)	2017 Restated					
	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

	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:

<i>(in thousands of euros)</i>	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.I. "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				
	Carrying amount	Contractual cash flow ⁽¹⁾	Less than 1 year	1 to 5 years	More than 5 years
<i>(in thousands of euros)</i>					
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	-	-

⁽¹⁾ Nominal and interest

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

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

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

<i>(in thousands of euros)</i>	2017 Restated				
	Carrying amount	Contractual cash flow ⁽¹⁾	Less than 1 year	1 to 5 years	More than 5 years
Non-derivative financial liabilities					
"OCEANE" Convertible bond issue	447,966	500,000	-	500,000	-
Bond 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	-	-

⁽¹⁾ 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	Average rate	2018	2017
US Dollar	1.1450	1.1993	US Dollar	1.1815	1.1293
Canadian dollar	1.5605	1.5039	Canadian dollar	1.5302	1.4644
Australian dollar	1.6220	1.5346	Australian dollar	1.5799	1.4729
Pound sterling	0.8945	0.8872	Pound sterling	0.8847	0.8761
Brazilian real	4.4366	3.9729	Brazilian real	4.3177	3.6041
Swedish krona	10.2548	9.8438	Swedish krona	10.2567	9.6369
Chinese yuan	7.8751	7.8044	Chinese yuan	7.8074	7.6264
Russian ruble	79.7153	69.3920	Russian ruble	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.

<i>Fair value hedge of firm commitments</i> (in thousands of foreign currencies)	2018			
	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

<i>Hedges of future cash-flows Budget 2019</i> (Cash flow hedge) (in thousands of foreign currencies)	2018			
	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)

<i>Fair value hedge of firm commitments</i> (in thousands of foreign currencies)	2017			
	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

<i>Hedges of future cash-flows Budget 2018</i> (Cash flow hedge) (in thousands of foreign currencies)	2017			
	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.

<i>(in thousands of euros)</i>	2018	
	Impact on profit or loss	
	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

<i>(in thousands of euros)</i>	2017	
	Impact on profit or loss	
	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.

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

	2018	2017 Restated
<i>(in thousands of euros)</i>		
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.

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

<i>(in thousands of euros)</i>	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

	2018	2017
<i>(in thousands of euros)</i>		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

<i>(in thousands of euros)</i>	2018	2017
France	7,397	1,332
Foreign countries	19,118	23,008
TOTAL	26,515	24,340

11. EQUITY-ACCOUNTED INVESTEEES AND NON-CONTROLLING INTERESTS

a. Interests in associate companies

<i>(in thousands of euros)</i>	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.

Name of subsidiary	Location	Balance at December 31, 2018		Balance at December 31, 2017	
		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

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.

<i>(in thousands of euros)</i>	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 €)	2.99	4.00

13. OFF-BALANCE SHEET COMMITMENTS

<i>(in thousands of euros)</i>	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: USD 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 USD 4.5 million. Expiry dates are as follows: - fiscal: until January 2018 - corporate: unlimited duration	3,752	3,752
Liability warranties as part of Ogone acquisition The amount of liability warranties (excluding special warranty) was €89.3 million (for corporate warranties of an unlimited duration).	89,325	89,325
Liability warranty in connection with the acquisition of Think&Go. - The overall cap is €500,000 with a duration of 12 months, with the exception of social security and payroll expenses for which the maximum duration is set at 3 years. The tax and social security cap is €150,000. - The basic warranties are unlimited in duration and amount.	500 unlimited	500 unlimited
Liability warranty in connection with the acquisition of Lyudia. It covers general warranties for a duration of 24 months from April 26, 2016, and tax warranties for a duration of 5 years.	3,333	3,333
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 USD 26.1 million. Expiry dates as follows: - Standard warranties until October 2016 - Tax warranties until June 2022 - Basic warranties until expiration of time limit.	22,826	21,793
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
Liability warranty as part of the disposal of ZTE shares. It is unlimited in duration and amount and covers the basic warranties.	unlimited	unlimited
In the scope of the acquisition of Bambora, The Group took over responsibility for a warranty to credit card issuers, for an amount of USD 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:

<i>(in thousands of euros)</i>	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.

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, S.L.	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 S.A. de C.V.	Mexico	100%	Full
GCS Holding BV	The Netherlands	100%	Full
Global Collect BV	The Netherlands	100%	Full
Ingenico e-Commerce Solutions BV	The Netherlands	100%	Full
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

15. SUBSEQUENT EVENTS

There is no subsequent event post 2018 closing other than those included in note 3. SIGNIFICANT EVENTS.

16. STATUTORY AUDITORS' FEES

The statutory auditors' fees are broken down as follows:

<i>(in thousands of euros)</i>	2018						2017	
	KPMG			MAZARS			KPMG	MAZARS
	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