HALF-YEAR FINANCIAL REPORT

As of June 30, 2018

Free translation into English of the consolidated financial statements as of June 30, 2018 issued in French, provided solely for the convenience of the English speaking user

CONTENTS

I. INTERIM CONSOLIDATED INCOME STATEMENT

(in thousands of euros)	Notes	June 30, 2018	June 30, 2017 Restated*
Revenue	5.a.	**1 229 384**	**1 222 129**
Cost of sales		(768 098)	(714 718)
Gross profit		**461 286**	**507 411**
Distribution and marketing costs		(130 912)	(107 933)
Research and development expenses		(86 535)	(90 785)
Administrative expenses		(131 913)	(108 729)
Profit from ordinary activities		**111 926**	**199 964**
Other operating income	5.b.		
Other operating expenses	5.b.	(17 702)	(6 512)
Profit from operating activities		**94 224**	**193 452**
Finance income	9.a.	48 795	20 972
Finance costs	9.a.	(68 235)	(31 270)
Net finance costs		**(19 440)**	**(10 298)**
Share of profits in equity-accounted investees			310
Profit before income tax		**74 784**	**183 464**
Income tax expense	10	(20 117)	(51 323)
Net profit		**54 667**	**132 141**
Attributable to:			
- Ingenico Group SA shareholders		54 389	130 376
- non-controlling interests		278	1 765
Earnings per share (in euros)			
Net earnings:			
- basic earnings per share		**0,88**	**2,12**
- diluted earnings per share		**0,88**	**2,08**

* In these condensed interim consolidated financial statements, all comparative information has been restated to reflect the retrospective application of IFRS 15; see Note 2.

II. INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	June 30, 2018	June 30, 2017 Restated
Profit for the period attributable to Ingenico Group SA shareholders	**54 389**	**130 376**
Translation differences (1)	(75 960)	(28 028)
Gains or losses of derivative hedging instruments (2)	550	1 651
Gains or losses of available-for-sale financial assets	730	378
Actuarial gains/(losses) on defined benefit plans		
Income tax on gains/(losses) accounted in other comprehensive income	(281)	(585)
TOTAL GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO INGENICO GROUP SA SHAREHOLDERS (3)	**(74 961)**	**(26 584)**
Profit for the period and other comprehensive income attributable to Ingenico Group SA shareholders	(20 572)	103 792
Profit for the period and other comprehensive income attributable to non-controlling interests	278	1 765
Translation differences attributable to non-controlling interests	148	(2 658)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**(20 146)**	**102 899**

(in thousands of euros)	June 30, 2018	June 30, 2018 Restated
Income tax on translation adjustments	(63)	
Income tax on gains or losses on hedging instruments	(218)	(585)
Income tax on change in value of financial assets available for sale		
Income tax on actuarial gains and losses on defined benefit plans		
TAXES ON GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME	**(281)**	**(585)**

(1) The translation differences in 2018 were for the most part generated by subsidiaries whose financial statements are presented in Swedish kronor. Those in 2017 were for the most part generated by subsidiaries whose financial statements are presented in US dollars.
(2) The portion of the gains or losses on interest rate swaps on bank loans and on foreign exchange forward contracts used to hedge cash flows that is determined to be an effective hedge is recognized directly in other comprehensive income.
(3) All items recognized in other comprehensive income except for actuarial gains or losses on remeasurement of the Group's defined benefit liability will subsequently be recycled to the consolidated income statement.

III. INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS *(in thousands of euros)*	Notes	June 30, 2018	Dec. 31, 2017 Restated
Goodwill	7	2 367 134	2 478 521
Other intangible assets		983 278	957 504
Property, plant and equipment		87 729	88 365
Investments in equity-accounted investees		7 596	7 565
Financial assets	9.d.	20 821	19 833
Deferred tax assets		61 201	62 723
Other non-current assets	9.d.	36 274	39 416
TOTAL NON-CURRENT ASSETS		**3 564 033**	**3 653 927**
Inventories	5.d.	190 409	170 573
Trade and related receivables		596 223	556 507
Receivables related to intermediation activities	5.f.	171 390	172 708
Other current assets	9.d.	48 256	45 900
Current tax assets		33 360	21 000
Derivative financial instruments	9.c.	10 200	8 303
Funds related to intermediation activities	5.f.	574 456	460 555
Cash and cash equivalents	9.b.	606 117	595 939
TOTAL CURRENT ASSETS		**2 230 411**	**2 031 484**
TOTAL ASSETS		**5 794 444**	**5 685 411**

EQUITY AND LIABILITIES

(in thousands of euros)	**Notes**	**June 30, 2018**	**Dec. 31, 2017 Restated**
Share capital	11.	63 145	62 363
Share premium account		866 617	817 990
Other reserves		851 148	973 107
Translation reserves		(95 222)	(21 908)
Equity attributable to Ingenico Group SA shareholders		**1 685 688**	**1 831 551**
Non-controlling interests		**5 316**	**10 974**
TOTAL EQUITY		**1 691 004**	**1 842 525**
Non-current borrowings and long-term debt	9.b.	1 859 644	1 549 115
Provisions for retirement and benefit obligations		25 032	25 132
Other long-term provisions	8	24 408	24 417
Deferred tax liabilities		241 835	226 530
Other non-current liabilities		52 869	66 520
TOTAL NON-CURRENT LIABILITIES		**2 203 788**	**1 891 713**
Short-term loans and borrowings	9.b.	504 441	552 619
Other short-term provisions	8	18 180	19 026
Trade and related payables		559 100	510 708
Payables related to intermediation activities	5.f.	688 020	598 323
Other current liabilities	5.e.	118 403	243 501
Current tax liabilities		9 852	24 340
Derivative financial instruments	9.c.	1 656	2 656
TOTAL CURRENT LIABILITIES		**1 899 652**	**1 951 173**
TOTAL LIABILITIES		**4 103 440**	**3 842 886**
TOTAL EQUITY AND LIABILITIES		**5 794 444**	**5 685 411**

IV. INTERIM CONSOLIDATED CASH FLOW STATEMENT

(in thousands of euros)	Notes	June 30, 2018	June 30, 2017 Restated
Profit for the period		54 667	132 141
Adjustments for:			
- Share of profit of equity-accounted investees		-	(310)
- Income tax expense/(income)		20 117	51 323
- Depreciation, amortization and provisions		82 960	38 628
- Change in fair value		1 194	(7 010)
- (Gains) / losses on disposal of assets		(40)	265
- Net interest costs / (income)		14 514	6 973
- Share-based payment expense (1)		859	7 305
Interest paid		(10 544)	(9 609)
Income tax paid		(48 445)	(46 533)
Cash flows from operating activities before change in net working capital		**115 282**	**173 173**
inventories		(22 825)	567
trade and other receivables		(45 116)	(95 842)
trade payables and other payables		23 636	16 491
Change in net working capital		**(44 305)**	**(78 785)**
Change in working capital of merchants prefinancing (2)		(25 684)	-
CASH FLOWS FROM OPERATING ACTIVITIES		**45 293**	**94 388**
	-		
Acquisition of fixed assets		(53 552)	(37 666)
Proceeds from sale of tangible and intangible fixed assets		311	129
Acquisition of subsidiaries, net of cash acquired	3	(15 225)	(72 200)
Loans and advances granted and other financial assets		(1 090)	(2 034)
Loan repayments received		1 420	2 246
Dividends received		51	24
Interest received		3 733	3 992
CASH FLOWS FROM INVESTING ACTIVITIES		**(64 352)**	**(105 509)**
Proceeds from share capital issues (3)		-	2
Purchase/(sale) of treasury shares (3)		(86 786)	(451)
Proceeds from loans and borrowings		304 231	214 000
Repayment of loans and borrowings		(69 404)	(876)
Change in the Group's ownership interests in controlled entities (4)		(93 123)	8 822
Financing of merchant prefinancing		24 202	-
Change in other financial liabilities (3)		(58)	(158)
Effect of financial derivative instruments (3)		(418)	-
Dividends paid to shareholders (3)		(55 026)	(40 464)
Taxes on financing activities (5)		4 449	(584)
CASH FLOWS FROM FINANCING ACTIVITIES		**28 067**	**180 293**
Currency translation effect on cash and bank overdrafts		2 520	(8 147)
CHANGE IN CASH AND CASH EQUIVALENTS		**11 528**	**161 025**
Net cash and cash equivalents at beginning of the year		588 572	1 003 243
Net cash and cash equivalents at year end		600 100	1 164 269

(in thousands of euros)	**June 30, 2018**	**June 30, 2017 Restated**
Short-term investments and short-term deposits (only for the portion considered as cash equivalents)	95 265	145 750
Cash	510 852	1 027 432
Bank overdrafts	(6 017)	(8 913)
TOTAL CASH AND CASH EQUIVALENTS, NET	**600 100**	**1 164 269**

Funds collected in connection with intermediation activities are not included in the cash flow statement.

(1) Share-based payment expense of €0.9 million in 2018, including €3.1 million paid in equity instruments and €2.3 million paid in cash.

(2) In the scope of its transaction services business, 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, while 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 have a neutral impact on the Group's cash flow statement. They 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, funds may be remitted to merchants even before they have been received by the Group from credit-card issuers. The duration of this "merchant pre-financing" is generally one or two days. To avoid drawing on its cash to provide this upfront remittance to merchants, to the most extent possible, the Group uses a specific and dedicated bank credit facility. The resulting cash requirement and its immediate financing are included in operating activities and in financing activities on the cash flow statement.

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

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

(5) Following the invalidation by the French Constitutional Council of the 3% non-recurring tax on dividends, the tax administration provided a €4 million reimbursement, not including interest.

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Share capital	Share premium account	Translation reserves	Effective portion of hedging instruments	Treasury shares	Retained earnings and other reserves	Total equity attributable to Ingenico Group SA shareholders	Non-controlling interests	Total equity
Balance at Dec. 31 2016	**61 493**	**762 360**	**37 827**	**(607)**	**(2 745)**	**844 338**	**1 702 666**	**4 238**	**1 706 904**
Adjustment related to IFRS 15 first application (net of tax)			182			(4 756)	(4 574)	(156)	(4 730)
Restated profit for the period 2017						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)
Dilution (6)			(1 000)			3 979	2 979	5 577	8 556
Accretion (7)						(815)	(815)	815	
Others (8)						954	954		954
Restated balance at Dec. 31, 2017	**62 363**	**817 990**	**(21 908)**	**108**	**(2 697)**	**975 695**	**1 831 551**	**10 974**	**1 842 525**
Adjustment related to IFRS 9 norm first application (tax net)						(242)	(242)		(242)
Adjusted balance at Jan. 1, 2018	**62 363**	**817 990**	**(21 908)**	**108**	**(2 697)**	**975 453**	**1 831 309**	**10 974**	**1 842 283**
Profit for the half-year 2018						54 389	54 389	278	54 667
Other comprehensive income			(75 960)	550		449	(74 961)	148	(74 813)
Total comprehensive income for the period			**(75 960)**	**550**		**54 838**	**(20 572)**	**426**	**(20 146)**
Dividends paid to shareholders (1)						(48 147)	(48 147)	(6 880)	(55 027)
Stock dividends paid to shareholders (2)	782	48 627				(49 409)			
Treasury shares (3)					(86 917)	86	(86 831)		(86 831)
Share-based payments and exercise of stock options (4)						3 147	3 147		3 147
Remeasurement effect of put options						5 947	5 947	701	6 648
Accretion (5)			2 646			(2 292)	354	95	449
Others						481	481		481
Balance at June 30, 2018	**63 145**	**866 617**	**(95 222)**	**658**	**(89 614)**	**940 104**	**1 685 688**	**5 316**	**1 691 004**

June 2018 :

(1) Cash dividend of €1.60 per share paid on June 21, 2018.

(2) Stock dividend financed through incorporation of reserves and issuance of 781,413 new shares.

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

(4) Share-based payment:

- The increase in retained earnings and other reserves reflects fair value adjustments to free share awards and other instruments recognized each year in profit from operating activities.
- The increase in share capital and the decrease in share premium accounts reflect the issuance of new shares to meet obligations to beneficiaries of free share award plans that expired during the year.

(5) Acquisition of non-controlling interests in Ingenico Holdings Asia Ltd.

December 2017 :

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

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

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

(4) Share-based payment:

- The increase in retained earnings and other reserves reflects fair value adjustments to free share awards and other instruments recognized each year in profit from operating activities.
- The increase in share capital and the decrease in share premium accounts reflect the issuance of new shares to meet obligations to beneficiaries of free share award plans that expired during the year.

(5) Remeasurement of the put options granted to non-controlling shareholders of the subsidiaries Ingenico Holdings Asia Ltd and Ingenico Japan Co. Ltd.

(6) Transfer of a 3% interest in Ingenico Holdings Asia Ltd to managers of the Group's Chinese activities.

(7) Acquisition of non-controlling interests in Think & Go (via Ingenico Connected Screens).

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

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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. THE GROUP

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

Ingenico Group is the global leader in seamless payment services, offering its banking and merchant customers a complete range of secure, fluid, seamless payment solutions across all sales channels: in-store, online and mobile.

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

The condensed interim consolidated financial statements were approved by the Board of Directors on July 25, 2018.

2. ACCOUNTING PRINCIPLES AND METHODS

These condensed interim consolidated financial statements were prepared in accordance with the International Financial Reporting Standard IAS 34, Interim Financial Statements. They do not include all the information required for complete annual financial statements under IFRS and should be read in conjunction with the Group’s financial statements for the year ended December 31, 2017.

The condensed interim consolidated financial statements for the period from January 1, 2018 to June 30, 2018 were prepared using the same accounting principles and methods used in the consolidated financial statements for the fiscal year ended December 31, 2017, except for the new accounting standards applicable as of January 1, 2018.

Apart from IFRS 15 and Clarifications to IFRS 15 – Revenue from Contracts with Customers, and IFRS 9 – Financial Instruments, the new standards in effect as of January 1, 2018 had no material impact on the consolidated financial statements. They are as follows:

- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 – Foreign Currency Transactions and Advance Consideration.
- Annual Improvements to IFRS Standards 2014–2016 Cycle.

In preparing these consolidated financial statements, the Group did not apply in advance the following standards, amendments and interpretations issued by the IASB or the IFRSIC (IFRS Interpretations Committee) and adopted by the European Union at June 30, 2018. The main ones are as follows:

- IFRS 16 – Leases. The Group has continued with its assessment of this standard.

a. First-time application of IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014. It provides a five-step model to be applied to all contracts with customers. Under IFRS 15, an entity will recognize revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring promised goods or services to a customer.

The Group adopted IFRS 15 using the full retrospective method.

The impact of this change on the Group's financial position as of December 31, 2017 and as of January 1, 2017 is presented below.

ASSETS

(in thousands of euros)	Dec. 31, 2017	IFRS15 Restatements	Dec. 31, 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 intermedtiation activites	172 708	-	172 708
Other current assets	38 776	7 123	45 899
Current tax assets	21 000	-	21 000
Derivative financial instruments	8 303	-	8 303
Founds 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**

EQUITY AND LIABILITIES

(in thousands of euros)	Dec. 31, 2017	IFRS15 Restatements	Dec. 31, 2017 Restated
Share capital	62 363	-	62 363
Share premium account	817 990	-	817 990
Other reserves	981 523	(8 416)	973 107
Translation reserves	(22 090)	182	(21 908)
Equity attributable to Ingenico Group SA shareholders	**1 839 786**	**(8 235)**	**1 831 551**
Non-controlling interests	**11 130**	**(156)**	**10 974**
TOTAL EQUITY	**1 850 916**	**(8 391)**	**1 842 525**
Non-current borrowings and long-term debt	1 549 115	-	1 549 115
Provisions for retirement and benefit obligations	25 132	-	25 132
Other long-term provisions	24 417	-	24 417
Deferred tax liabilities	226 546	(17)	226 529
Other non-current liabilities	66 520	-	66 520
TOTAL NON-CURRENT LIABILITIES	**1 891 730**	**(17)**	**1 891 713**
Short-term loans and borrowings	552 619	-	552 619
Other short-term provisions	19 026	-	19 026
Trade and related payables	510 708	-	510 708
Payables related to intermediation activities	598 323	-	598 323
Other current liabilities	226 309	17 192	243 501
Current tax liabilities	24 340	-	24 340
Derivative financial instruments	2 656	-	2 656
TOTAL CURRENT LIABILITIES	**1 933 981**	**17 192**	**1 951 173**
TOTAL LIABILITIES	**3 825 711**	**17 175**	**3 842 886**
TOTAL EQUITY AND LIABILITIES	**5 676 627**	**8 784**	**5 685 411**

ASSETS

(in thousands of euros)	Jan 1, 2017	IFRS15 Restatements	Jan 1, 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 intermedtiation activites	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
Founds 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**

EQUITY AND LIABILITIES

(in thousands of euros)	Jan 1, 2017	IFRS15 Restatements	Jan 1, 2017 Restated
Share capital	61 493	-	61 493
Share premium account	762 360	-	762 360
Other reserves	840 986	(4 758)	836 228
Translation reserves	37 827	182	38 009
Equity 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**

The impact of this change on the income statement as of June 30, 2017 is as follows.

(in thousands of euros)	**June 30, 2017**	**IFRS 15 Restatements**	**June 30, 2017 Restated**
Revenue	**1 221 776**	**353**	**1 222 129**
Cost of sales	(716 213)	1 495	(714 718)
Gross profit	**505 563**	**1 848**	**507 411**
Distribution and marketing costs	(107 933)	-	(107 933)
Research and developments expenses	(91 122)	337	(90 785)
Administrative expenses	(108 729)	-	(108 729)
Profit from ordinary activities	**197 779**	**2 185**	**199 964**
Other operating income	-	-	-
Other operating expenses	(6 512)	-	(6 512)
Profit from operating activities	**191 267**	**2 185**	**193 452**
Finance income	20 972	-	20 972
Finance costs	(29 009)	(2 261)	(31 270)
Net finance costs	**(8 037)**	**(2 261)**	**(10 298)**
Share of profits in equity-accounted investees	310	-	310
Profit before income tax	**183 540**	**(76)**	**183 464**
Income tax expense	(51 323)	-	(51 323)
Net profit	**132 217**	**(76)**	**132 141**

Sale of payment terminals and other goods

The revenue earned by the Group from contracts with customers for the sale of payment terminals and other goods represents a performance obligation. The Group has deemed that such revenue shall be recognized when control of the asset is passed to the customer, usually upon delivery of the equipment.

Accordingly, the adoption of IFRS 15 has no impact on the timing of revenue recognition.

Volume rebates

Ingenico Group sometimes offers customers prospective or retrospective volume rebates when the quantity of products purchased over a given period exceeds a threshold specified in the contract and when the number or amount of transactions over the period exceeds a threshold specified in the contract. Those rebates are then deducted from the amounts owed by the customer on subsequent purchases.

- Prior to adopting IFRS 15, the Group estimated volume rebates based on the probability that such thresholds would be reached.
- Pursuant to IFRS 15, volume rebates are treated as variable consideration, with an estimate of the amount at the start of the contract that remains unchanged until the associated uncertainty has been resolved. This treatment is therefore similar to the Group's prior practice.

Accordingly, these volume rebates did not give rise to adjustments to the Group's statement of financial position as of December 31, 2017 or to its income statement for the half-year ended June 30, 2017.

Sale of extended service warranties

The Group provides standard warranties as required by the laws and standard practices of the countries in which it operates, and accounts for them using the guidance in IAS 37 – Provisions, Provisions, Contingent Liabilities and Contingent Assets, as it did prior to adopting IFRS 15. In certain contracts, the Group additionally provides extended warranties of anywhere from one to five years that are already accounted for as service-type warranties and recognized as separate performance obligations, and therefore allocates a portion of the contract price based on relative stand-alone selling price. The allocated revenue is then recognized over time commencing after the expiration of the standard warranty required by law. The adoption of IFRS 15 accordingly did not change the way in which the Group accounts for extended warranties.

The Group deemed that the extended warranty payment made by the customer at contract inception constituted an advance payment containing a financing component that reflected the length of time between when the customer paid for the warranty and when the Group satisfied its extended warranty performance obligation.

The statement of financial position as of December 31, 2017 was restated to account for that financing component, with the result that current liabilities increased by €2.7 million and retained earnings decreased by €2.3 million.

The income statement for the half-year ended June 30, 2017 was also restated, resulting in a €2 million increase in revenue and a €2.2 million increase in financial expenses.

Sale of payment solutions services

To satisfy in full its obligations arising from the acquisition and settlement of credit and debit card payments collected by merchants, Ingenico Group enters into contracts with third parties (issuing banks, third-party acquiring banks and schemes like Visa and Mastercard) that take charge of part of the services required to ensure successful completion of the underlying transactions. One of the forms of the consideration paid for those services is the interchange fee, which is passed on to the other institutions in the transaction chain, with final payment made by the merchant.

Prior to adopting IFRS 15, the Group deemed that it was exposed to the significant risk and rewards arising from the sale of this service, and accordingly recognized interchange fees at their gross amount, as the principal in the contract. The revenue recognized therefore included the amount of those interchange fees, which are also recognized in cost of sales in the Group's financial statements.

Since adopting IFRS 15, the Group still considers itself the principal in such contracts. The Group is a principal for the completion of the services constituting the full performance obligation, which include payment processing, successful completion of the transaction by ensuring collection, and payment to merchants' bank accounts. The Group's position in the payment chain necessarily makes it the principal to the transactions that lead to crediting the merchant's account for the payment made by the end consumer. The Group manages the various stages that contribute to the completion of what is a single performance obligation, and that includes services rendered by third parties involved in the payment chain such as the issuing bank. There is a transformative relationship between those stages, given that the level and nature of the tasks carried out by Ingenico depend on the tasks carried out and information provided by other third parties in the payment chain.

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

On this basis, revenue is recognized over time as the transactions processed are invoiced.

Accordingly, that approach had no impact on the Group's statement of financial position as of January 1, 2017 and December 31, 2017 or on its income statement for the half-year ended June 30, 2017.

Non-refundable upfront fees and development work for merchant customers

In the Group's Retail business, a merchant customer must first be onboarded into the Group's IT systems prior to executing the first transactions.

Prior to adopting IFRS 15, the Group accounted for revenue associated with those activities when they were completed.

With the adoption of the new standard, the Group deemed that those activities did not constitute a separate, guaranteed payment performance obligation to merchant customers. The Group accordingly defers recognition of the revenue from such non-refundable upfront fees until the first transactions are completed, after which it recognizes the revenue on a straight-line basis over the life of the contract with the customer.

Moreover, under certain contracts, the Group previously develops a number of application to meet customers' specific needs.

Prior to adopting IFRS 15, the Group accounted for those development contracts using the percentage-of-completion method based on technical milestones.

Since the adoption of the new standard, the Group deems that the related development work does not constitute a separate performance obligation. The Group therefore defers recognition of the revenue from such development contracts until the first transactions have been completed, and subsequently recognizes it on a straight-line basis over the life of the contract. In contrast, any development expenses borne by the Group are capitalized as contract performance costs until contract inception, and subsequently amortized on a straight-line basis over the life of the contract.

That approach had the following impact on the Group's financial position as of December 31, 2017:

- A €14.5 million increase in current liabilities (deferred revenue) and a €6.1 million decrease in retained earnings;
- A €7.1 million increase in current assets (due to capitalization of contract performance costs).

The income statement for the half-year ended June 30, 2017 was likewise restated as follows:

- An increase in revenue of less than €0.1 million;
- A €1.8 million decrease in revenue, a €1.5 million increase in cost of sales and a €0.3 million increase in R&D expenses.

Other adjustments

In addition to the adjustments described above, other items in the financial statements such as deferred tax, income tax expense and retained earnings were adjusted as needed. The translation differences arising on the conversion of operating activities abroad were also adjusted.

b. First-time application of IFRS 9 – Financial Instruments

IFRS 9 – Financial Instruments has replaced IAS 39 – Financial Instruments: Recognition and Measurement. Recognition and measurement for annual periods beginning on or after January 1, 2018, combining three aspects of accounting for financial instruments:

- Classification and measurement;
- Impairment;
- Hedge accounting.

With the exception of hedge accounting, which has been applied prospectively, the Group has applied IFRS 9 retrospectively with January 1, 2018 as date of initial application, without restating the comparative information, which is still presented and measured in accordance with IAS 39.

Classification and measurement of financial instruments

Retrospective application of the Classification and Measurement of Financial Instruments requirement had no material impact on the methods used by the Group to account for financial assets and financial liabilities held as of January 1, 2018.

Impairment of financial assets

Adoption of IFRS 9 has changed the way the Group accounts for impairment losses on financial assets. The incurred loss model prescribed by IAS 39 has been replaced by a forward-looking expected credit losses (“ECL”) approach.

Under IFRS 9, the Group is required to apply ECL impairment accounting to trade receivables, loan commitments and other financial assets not measured at fair value through profit or loss (“FVPL”).

An ECL is an estimate of the difference between all contractual cash flows that are due to an entity in accordance with the contract and all the cash flows that the entity expects to receive. That shortfall must then be discounted at the original effective interest rate for the asset.

For trade and related receivables, the Group has applied the simplified approach in the standard, estimating ECLs based on the expected credit losses over the lifetime of the receivables (whose term is generally shorter than 12 months). The Group has thus established impairment methodologies based on internal and external credit ratings or on the Group’s historical default rates, adjusted for forward-looking estimates regarding the specific debtor and the economic environment.

In the absence of other evidence, the Group considers a financial asset to be in default when a contractual payment is more than 90 days past due. In some cases, however, the Group may also consider a financial asset to be in default if internal or external information indicates that the Group is unlikely to receive in their entirety the contractual amounts outstanding before taking into account possible credit enhancements held by the Group.

Adoption of the ECL provisions in IFRS 9 has led to an increase in impairment of financial assets and an adjustment to retained earnings. The statement of financial position as of January 1, 2018 has been restated, resulting in a €1 million decrease in trade and related receivables and in retained earnings. The income statement for the half-year ended June 30, 2017 has not been restated, given that the Group opted for first-time retrospective application of IFRS 9 without restatement of comparative information.

Hedge accounting

The Group has elected to apply the new hedge accounting provisions in IFRS 9 as of January 1, 2018. Because this has been done prospectively, it has had no impact on previously designated hedging relationships. Application of the new hedge accounting provisions in IFRS 9 has accordingly had no material impact on the Group’s financial statements.

Translation of financial statements

The conversion rates for the main currencies used by the Group in fiscal year 2017 and half-year periods ended June 30, 2017 and 2018 are as follows.

Closing rate	**June 30, 2018**	**Dec. 31, 2017**
US Dollar	1,1658	1,1993
Canadian dollar	1,5442	1,5039
Australian dollar	1,5787	1,5346
Pound sterling	0,8861	0,8872
Brazilian real	4,4951	3,9729
Chinese yuan	7,7170	7,8044
Average rate	**June 30, 2018**	**June 30, 2017**
US Dollar	1,2108	1,0825
Canadian dollar	1,5464	1,4445
Australian dollar	1,5693	1,4356
Pound sterling	0,8797	0,8600
Brazilian real	4,1467	3,4393
Chinese yuan	7,7100	7,4418

Estimates and judgments

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

The cases in which management exercised a significant degree of judgment in applying the accounting methods adopted by the Group in these interim condensed consolidated financial statements and the main sources of uncertainty regarding estimates are the same as those described in the consolidated financial statements for the year ended December 31, 2017.

Determination of income tax expense

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

Estimate for retirement benefit obligations

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

3. SIGNIFICANT EVENTS

Acquisition of Paymark

On January 17, 2018, Ingenico Group announced the acquisition of Paymark, a New Zealand electronic payment network, for total consideration of 190 million New Zealand dollars.

Completion is expected to take place during the second half of 2018. As a consequence, the Group did not consolidate the entity in its financial statements as of and for the 6-month period ended June 30, 2018.

Acquisition of Airlink

On February 2, 2018, the Group completed the acquisition of Airlink, a Taiwan-based value-added reseller. Airlink offers tailored payment solutions to acquirers and retailers, including POS terminals, field services and software development.

The Group did not consolidate the entity in its financial statements as of and for the 6-month period ended June 30, 2018.

Repurchase of Fosun's interest in the Group's Chinese business

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

Merger of BS PAYONE with Ingenico Retail assets in Germany, Austria and Switzerland

On May 30, 2018, the Group announced that it had entered into exclusive negotiations to combine BS PAYONE with Ingenico Group's Retail assets in DACH (Germany, Austria and Switzerland). This is a non-cash business combination.

4. SEGMENT REPORTING

The criteria used to determine reportable segments are set out in Note 4, Segment Reporting, of the consolidated financial statements for the year ended December 31, 2017. The information presented below is based on the management reporting used by the Executive Committee, the chief operating decision-maker as defined by IFRS 8, to evaluate the performance of the different segments.

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

	June 30, 2017 Restated		
(in thousands of euros)	Banks & acquirers	Retail	**Consolidated**
External revenue	708 672	513 457	**1 222 129**
Terminals and related services			**828 769**
Transactions			**393 360**
Profit from ordinary activities	167 842	32 122	**199 964**

As of June 30, 2018, the revenue of the Banks & Acquirers Business Unit amounted to €599.2 million, compared to €708.7 million as of June 30, 2017. As of June 30, 2018, the revenue of the Retail Business Unit amounted to €630.2 million, compared to €513.5 million as of June 30, 2017.

5. OPERATING DATA

a. Revenue

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

(in thousands of euros)	June 30, 2018	June 30, 2017 Restated
Sales of terminals, accessories, transports	573 478	728 918
Terminal related services	138 133	99 851
Processing and acquisition of payments	504 742	359 108
Processing services	13 031	34 252
Total	**1 229 384**	**1 222 129**

b. Other operating income and expenses

Other operating income and expenses are as follows.

(in thousands of euros)	June 30, 2018	June 30, 2017 Restated
Restructuring and business combination costs	(16 549)	(5 457)
Others	(1 153)	(1 055)
Total	**(17 702)**	**(6 512)**

Other operating income and expenses mainly comprised restructuring costs incurred in connection with business combinations, and totaled €16.5 million in the first half of 2018, compared to €5.5 million in the first half of 2017.

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

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

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

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

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

(in thousands of euros)	**June 30, 2018**					
	Income statement	**Amortization of Purchase Price Allocation**	**Reconciliation to EBIT**	**Share-based payment expense**	**Other amortization and provision expenses**	**Reconciliation to EBITDA**
Revenue	**1 229 384**	-	**1 229 384**	-	-	**1 229 384**
Cost of sales	(768 098)	16 461	(751 637)	191	11 045	(740 401)
Gross profit	**461 286**					
Distribution and marketing costs	(130 912)	30 314	(100 598)	743	832	(99 023)
Research and development expenses	(86 535)	-	(86 535)	120	15 493	(70 922)
Administrative expenses	(131 913)	-	(131 913)	(195)	6 713	(125 395)
Profit from operating activities	**111 926**					
EBIT			**158 701**			
EBITDA						**193 643**

(in thousands of euros)	**June 30, 2018** Cash-flow statement	Free cash-flow	Items from CF statement not in FCF
Profit for the period	**54 667**	**54 667**	**--**
Adjustments for:			
- Share of profit of equity-accounted investees	--	--	--
- Income tax expense / (income)	20 117	20 117	--
- Depreciation, amortization and provisions	82 960	82 960	--
- Change in fair value	1 194	2 449	(1 255)
- (Gains)/losses on disposal of assets	(40)	(40)	--
- Net interest costs / (income)	14 514	14 514	--
Share-based payment expense	859	859	--
Interest paid	(10 544)	(10 544)	--
Income tax paid	(48 445)	(48 445)	--
Cash flows from operating activities before change in net working capital	**115 282**		
- Inventories	(22 825)	(22 825)	--
- Trade and other receivables	(45 116)	(45 116)	--
- Trade payables and other payables	23 636	23 636	--
Change in net working capital	**(44 305)**		
- Change in working capital of merchants prefinancing (2)	(25 684)	--	(25 684)
CASH FLOWS FROM OPERATING ACTIVITIES	**45 293**		
Acquisition of fixed assets	(53 552)	(53 552)	--
Proceeds from sale of tangible and intangible fixed assets	311	311	--
Acquisition of subsidiaries, net of cash acquired	(15 225)	--	(15 225)
Loans and advances granted and other financial assets	(1 090)	--	(1 090)
Loan repayments received	1 420	--	1 420
Dividends received	51	--	51
Interest received	3 733	3 733	--
CASH FLOWS FROM INVESTING ACTIVITIES	**(64 352)**		
Proceeds from share capital issues	--	--	--
Purchase / (sale) of treasury shares	(86 786)	--	(86 786)
Proceeds from loans and borrowings	304 231	--	304 231
Repayment of loans and borrowings	(69 404)	--	(69 404)
Change in the Group's ownership interests in controlled entities	(93 123)	--	(93 123)
Financing of merchant prefinancing	24 202	--	24 202
Change in other financial liabilities	(58)	--	(58)
Effect of financial derivative instruments	(418)	--	(418)
Dividends paid to shareholders	(55 026)	--	(55 026)
Taxes on financing activities	4 449	--	4 449
CASH FLOWS FROM FINANCING ACTIVITIES	**28 067**		
Currency translation effect on cash and bank overdrafts	2 520	--	2 520
CHANGE IN CASH AND CASH EQUIVALENTS	**11 528**		
Free Cash Flow		**22 724**	

d. Inventories

(in thousands of euros)	June 30, 2018	Dec 31, 2017 Restated
Raw materials and consumables	49 228	35 941
Finished products	157 846	150 140
Write-downs on raw materials and consumables	(6 400)	(5 393)
Impairments on finished products	(10 265)	(10 115)
Total	**190 409**	**170 573**

e. Other current liabilities

Other current liabilities are broken down as follows.

(in thousands of euros)	June 30, 2018	Dec 31, 2017 Restated
Deferred income	113 200	141 434
Other liabilities	5 203	102 067
Total	**118 403**	**243 501**

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

As of December 31, 2017, other current liabilities included a liability in relation to the put option owned by Fosun, a non-controlling shareholder with a 20% interest in the Group's Chinese business. As described in Note 3, Significant Events, the Group repurchased Fosun's interest.

f. Funds, receivables and payables related to intermediation activities

The principles governing receivables, funds and payables related to intermediation activities are set forth in Note 5, Operational Information, to the Group's consolidated financial statements for the year ended December 31, 2017.

(in thousands of euros)	June 30, 2018	Dec 31, 2017 Restated
Receivables related to intermediation activities	171 390	172 708
Funds related to intermediation activities	574 456	460 555
Total assets related to intermediation activities	**745 846**	**633 263**
Payables related to intermediation activities	688 020	598 323
Financing of merchant prefinancing	56 409	34 940
Total liabilities related to intermediation activities	**744 429**	**633 263**

6. EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION (RELATED PARTIES)

a. Related party transactions

Total compensation and benefits paid to the Executive Committee in the first half of 2018 and the first half of 2017 break down as follows:

(in thousands of euros)	June 30, 2018	June 30, 2017 Restated
Total compensation and benefits (1)	6 073	5 460
Free share awards (2)	1 678	836
Total	**7 751**	**6 296**

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

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

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

As of June 30, 2018, the Executive Committee had 15 members.

b. Share-based payment expenses

Free share awards and joint investment plan

The shares awarded under free share plans in existence as of June 30, 2018 that had been set up in previous years were as follows:

- 9,550 shares under the plan set up on October 29, 2014;
- 49,400 shares under the plan set up on July 29, 2015;
- 18,610 shares under the plan set up on July 29, 2016;
- 57,610 shares under the plans set up on May 10, June 20 and August 28, 2017.

As of June 30, 2018, 24,160 shares awarded under the joint investment plan of October 29, 2014 were outstanding, while 103,630 shares awarded under the joint investment plans of June 20 and August 28, 2017 were outstanding.

During the first half of the year, two free share award plans and one joint investment plan were put in place. They are open to members of the Executive Committee and Group managers. The award of shares under those plans is subject to the fulfillment of service conditions and internal (financial performance based on EBITDA) and external (evolution of the share price) performance conditions. A maximum of 411,874 shares may be awarded.

Other share-based payment arrangements

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

These share appreciation rights are measured at fair value. The fair value of the amounts to be paid is recognized over the vesting period as an expense in profit from operating activities, with a corresponding entry in other non-current liabilities. This liability is remeasured at fair value in profit from operating activities until it has been settled.

Impact on financial statements

On the basis of the parameters used to calculate the fair value of free shares awarded under free share and joint investment plans, and after estimating the internal and external valuation criteria (fulfillment of service conditions and possibly performance conditions), Ingenico recognized an expense of €3.1 million paid in equity instruments in profit from ordinary activities for the half-year ended June 30, 2018 (compared to €4 million as of June 30, 2017).

The expense for other share-based payment arrangements was €2.3 million (down from €3.3 million for the first half of 2017).

7. GOODWILL

(in thousands of euros)	June 30, 2018	Dec 31, 2017 Restated
At January 1 (net value)	**2 478 521**	**1 409 291**
Investments	11 195	1 110 454
Translation differences	(57 338)	(33 109)
Adjustments	(65 244)	(8 115)
At closing (net value)	**2 367 134**	**2 478 521**

Investments and adjustments during the period

As described in Note 3, Significant Events, the Group acquired Airlink in February 2018. The related goodwill amounted to €9 million as of June 30, 2018.

The Group also reviewed the Purchase Price Allocation on the November 2017 acquisition of Bambora.

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 this case is the relief from royalty and excess earnings method. The Group has valued the entity's customer portfolios at €333 million, its technologies at €212 million and its trademark at €12 million. The deferred tax liability recognized amounted to €128 million as of June 30, 2018.

Goodwill after purchase price allocation decreased by €56 million to €981 million, excluding foreign exchange impact. The net goodwill amount mainly includes the following:

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

8. OTHER PROVISIONS

(in thousands of euros)	Balance at January 1, 2018	Translation differences	Changes in consolida-tion scope	Additions	Rever-sals of amounts used	Rever-sals of unused amounts	Other move-ments	Balance at June 30, 2018
Provisions for warranties	16 041	(18)	181	6 042	(6 541)	2	(90)	15 617
Provisions for litigation and claims	6 104	(33)	-	951	(69)	-	-	6 953
Provisions for restructuring	4 332	(139)	-	4 196	(2 469)	-	1	5 921
Other provisions	16 967	(37)	-	2 360	(2 763)	(714)	(1 715)	14 098
Total	**43 444**	**(227)**	**181**	**13 549**	**(11 842)**	**(712)**	**(1 804)**	**42 589**

a. Warranties

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

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

b. Litigations and claims

Ingenico is engaged in a number of claims and legal and arbitral proceedings that have arisen in the normal course of its business. These claims and proceedings are regularly reviewed by the Legal Department and are covered by provisions if the Group considers that it is probable that an outflow of 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 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 prior years, Group companies were subject to tax audits and, on occasion, proposals for adjustments. The financial consequences of such tax adjustments are recognized through provisions for the amounts that have been identified and accepted or are considered likely to result in an outflow of resources which can be reliably estimated.

The Group periodically reviews the assessment of this risk as audits or 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, where the amount in question was approximately €60.0 million as of June 30, 2018 (covering principal, interest and penalties from 2004 to 2009). The "Tax War" currently pitting Brazilian States against each other may affect Ingenico Group as well as a large number of foreign and domestic companies. Against this background, the tax authorities of the State of Sao Paulo have contested the deduction by Ingenico do Brasil of a portion of the ICMS tax on the sales invoices of a supplier, on the grounds that the State of Minas Gerais, in which the supplier operates, had granted the supplier a tax concession that violates federal law. All notified ICMS-related assessments are still being contested in the administrative courts in Brazil. As of June 30, 2018, Ingenico Group had not been notified of any final decision by the Brazilian administrative courts and consequently had not received any demand for payment. In addition, the subsidiary believes, on the advice of tax experts, that it has serious grounds for contesting the claims of the authorities. Based on an analysis of the risks involved and on the criteria set out in IAS 37, no provision has been recognized in the consolidated financial statements as of June 30, 2018.

c. Other provisions

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

9. FINANCING AND FINANCIAL INSTRUMENTS

a. Net finance costs

(in thousands of euros)	June 30, 2018	June 30, 2017 Restated
Interest expense on financial liabilities at amortized cost and bond loan	(17 525)	(10 657)
Interest expense on finance lease contracts	(3)	(31)
Total interest expense	**(17 528)**	**(10 688)**
Interest income long term debt	77	331
Income from cash and cash equivalents	1 475	1 414
Interest income on finance lease contracts	2 048	2 387
Net interest expense	**(13 928)**	**(6 556)**
Foreign exchange gains	44 874	16 676
Foreign exchange losses	(47 830)	(17 417)
Foreign exchange gains and losses, net	**(2 956)**	**(741)**
Financial component of retirement expenses and the cost of other post-employment benefits	(230)	(233)
Other financial income	321	164
Other financial expenses	(2 647)	(2 932)
Other financial income and expenses, net	**(2 556)**	**(3 001)**
Net finance costs	**(19 440)**	**(10 298)**
Total financial income	**48 795**	**20 972**
Total financial expenses	**(68 235)**	**(31 270)**

Net finance costs for the first half of 2018 are broken down as follows.

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

- Interest expense on the OCEANE convertible bond was €5.5 million;
- Interest expense on the bond issued in 2014 and the embedded swap was €4.4 million;
- Interest expense on the bond issued in 2017 was €5.2 million;
- Interest expense on bank borrowings was €2.7 million (including amortization of the syndicated loan costs and the commitment fee).

Due to negative interest rates, commercial paper now generates interest income rather than interest expense.

The €2.9 million net foreign exchange loss for the half-year ended on June 30, 2018 (versus €0.7 million for the first half of 2017) was the result of gains and losses on remeasurement of loans and borrowings as well as on remeasurement of the related hedging instruments. It also includes the ineffective portion of operational hedges.

Other financial income and expenses comprised financial invoice discounting expenses and post-employment benefit obligations.

b. Net debt

(in thousands of euros)	June 30, 2018	Dec 31. 2017 Restated	June 30, 2017 Restated
Bond issues	1 051 229	1 050 904	456 468
"OCEANE" convertible bond issue	453 431	447 966	442 627
Other financial liabilities	107 181	52 310	2 537
Bank borrowings	247 727	(2 142)	(2 208)
Finance lease obligations	77	77	-
Long-term financial debt	**1 859 645**	**1 549 115**	**899 424**
Commercial papers	431 000	500 000	439 000
Bank overdrafts	6 017	7 367	8 913
Other financial liabilities	1 542	1 470	1 905
Bank and similar borrowings	1	372	391
Interest accrued	9 325	8 323	893
Finance lease obligations	147	147	488
Short-term financial debt	**448 032**	**517 679**	**451 590**
Gross financial debt	**2 307 677**	**2 066 794**	**1 351 014**
Cash	510 852	505 973	1 027 432
Marketable securities and short-term deposits	95 265	89 966	145 750
Cash and cash equivalents	**606 117**	**595 939**	**1 173 182**
Net financial debt	**1 701 560**	**1 470 855**	**177 832**

Short-term financial debt excludes the financing of merchant prefinancing used at June 30, 2018 in an amount of €56.4 million.

As of June 30, 2018, gross financial debt amounted to €2,307.7 million (versus €2,066.8 million as of December 31, 2017). They primary included:

- €595.2 million in respect of a bond issued in September 2017;
- €456.0 million in respect of a bond issued in May 2014;
- €453.4 million in respect of an OCEANE convertible bond issued on June 26, 2015;
- €104.8 million in respect of private investments contracted in May 2018 and December 2017;
- €431.0 million in respect of commercial paper. In May 2018, Ingenico Group raised the ceiling on its commercial paper issuance program from €500 million to €750 million;
- €249.4 million in respect of a bank loan drawn in March 2018.

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

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

The fair values of the OCEANE bond's liability and equity components were calculated on the issue date, which was June 26, 2015.

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

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

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

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

On June 30, 2018, the conversion rate was 1.005 shares per bond.

Bank borrowings

In December 2016, the Group renegotiated its syndicated credit facility maturing in July 2021. The amount was increased from €500 million to €750 million, two additional extension options (one year each) were granted and the bank syndicate was expanded. This facility has no covenants.

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

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

At June-end 2018, as at December-end 2017, the syndicated credit facility was undrawn.

In September 2017, the Group contracted a bank loan with a nominal value of €250 million and a maturity of three years, which was drawn down on March 14, 2018. The loan as variable interest rate based on the 6-month Euribor rate plus a margin. The loan has no covenant.

Other financial liabilities

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

In May 2018, the Group subscribed to two private investments, one in an amount of €25 million and the other in an amount of €30 million, both with a maturity of 7 years and a fixed rate of 1.677%.

Bank overdrafts

Bank overdrafts totaled €6.0 million, with Ingenico Payment Services GmbH accounting for €5.7 million of the total.

c. Derivative financial instruments

Fair value of derivative financial instruments at the reporting date

(in thousands of euros)	June 30, 2018	Dec. 31, 2017 Restated
Interest rate derivative instruments		
Current assets	7 446	7 864
Current liabilities	-	-
Foreign exchange derivative instruments		
Current assets	2 754	439
Current liabilities	(1 656)	(2 656)
Total	**8 544**	**5 647**

As of June 30, 2018, the Group's exchange rate hedging instruments consisted of futures, forwards, swaps and options.

Changes in the fair value of ineffective hedging instruments or the ineffective portions of effective hedging instruments are directly recognized in net finance costs. For foreign exchange hedges, they mainly reflect the effect of interest rate differentials between the currency of the hedged items and the euro.

In 2014, the Group put in place an interest rate swap, equal to 50% of the principal amount of the bond issued in 2014, or €225 million, with a 7-year life. It converts part of the Group's fixed-rate exposure into variable-rate exposure. This hedge is accounted for as a fair-value hedge, since any changes in the fair value of the derivative are recognized in profit or loss, as are any changes in the fair value of the underlying liability.

d. Financial assets and liabilities classified by accounting category

Asset and liability categories (in thousands of euros)	June 30, 2018					
	Assets/liabilities measured at fair value through profit or loss	Assets and liabilities at amortised cost	Assets & 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	-	4 664	16 157	-	20 821	20 821
Other non-current assets	-	25 834	-	-	25 834	25 834
Trade and other current receivables	-	577 332	-	-	577 332	577 332
Cash and cash equivalents	606 117	-	-	-	606 117	606 117
Receivables related to intermediation activities	-	171 390	-	-	171 390	171 390
Funds related to intermediation activities	574 456	-	-	-	574 456	574 456
Derivative financial instruments	9 944	-	-	256	10 200	10 200
Total financial assets	**1 190 517**	**779 220**	**16 157**	**256**	**1 986 150**	**1 986 150**
Convertible bond issue (OCEANE) (1)	-	453 431	-	-	453 431	484 525
Bond issues	-	1 051 229	-	-	1 051 229	1 058 447
Long-term loans	-	354 984	-	-	354 984	354 984
Other non-current liabilities	6 849	31 341	-	-	38 190	38 190
Short-term borrowings	-	448 032	-	-	448 032	448 032
Financing of merchant prefinancing	-	56 409	-	-	56 409	56 409
Trade payables and other current liabilities	1 250	526 996	-	-	528 246	528 246
Payables related to intermediation activities	-	688 020	-	-	688 020	688 020
Derivative financial instruments	1 643	-	-	13	1 656	1 656
Total financial liabilities	**9 742**	**3 610 442**	**-**	**13**	**3 620 197**	**3 658 509**

Asset and liability categories (in thousands of euros)	Dec. 31, 2017 Restated Assets/liabilities measured at fair value through profit or loss	Assets and liabilities at amortized cost	Assets & 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**
Convertible bond issue (OCEANE) (1)	-	447 966	-	-	447 966	493 026
Bond issues	-	1 050 904	-	-	1 050 904	1 078 367
Long-term loans	-	50 245	-	-	50 245	50 245
Other non-current liabilities	11 948	28 217	6 648	-	46 813	46 813
Short-term borrowings	-	517 678	-	-	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 convertible bond encompasses both its liability component and its equity component.

The fair value of the Group's bonds and convertible bonds is equal to the product of the number of bonds outstanding, times their quoted prices on June 30, 2018.

Fair value hierarchy

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

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

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

The fair value hierarchy is as follows:

- Level 1 – Inputs used are (non-adjusted) quoted market prices in active markets for identical assets or liabilities;
- Level 2 – Inputs used are inputs other than quoted market prices, as in Level 1, that are observable either directly, by reference to prices for similar assets and liabilities quoted in active markets, or indirectly, by reference to inputs derived from quoted markets prices;
- Level 3 – Valuation techniques based on non-observable inputs are used.

These assets and liabilities can correspond to any of the three levels of fair value set out below for 2018 and 2017.

The Company did not make any transfers between levels from 2017 to 2018.

	June 30, 2018			
(in thousands of euros)	Total	Level 1	Level 2	Level 3
Financial assets	16 157	-	-	16 157
Derivative financial instruments (1)	10 200	-	10 200	-
Funds related to intermediation activities	574 456	574 456	-	-
Cash and cash equivalents	606 117	606 117	-	-
Total financial assets	**1 206 930**	**1 180 573**	**10 200**	**16 157**
Other non-current liabilities	6 849	-	-	6 849
Other current liabilities	1 250	-	-	1 250
Derivative financial instruments (1)	1 656	-	1 656	-
Total financial liabilities	**9 755**	**-**	**1 656**	**8 099**

	Dec. 31, 2017 Restated			
(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 profit or loss or qualifying cash flow hedges.

At end-December 2017, other Level 3 current and non-current liabilities included two liabilities in relation to the put options owned by non-controlling shareholders of Ingenico Japan Co Ltd. and Ingenico Holdings Asia Ltd. The liabilities for both put options were extinguished in the first half of 2018.

10. INCOME TAX

(in thousands of euros)	June 30, 2018	June 30, 2017 Restated
Profit before income tax (excl. Share of profits in equity-accounted investees)	**74 784**	**183 154**
Income tax expense	**(20 117)**	**(51 323)**
Effective tax rate	**26,9%**	**28,0%**

Income tax expense for the half-year ended June 30, 2018 has been estimated based on the information known to or anticipated by the Group at the reporting date, using the rate expected to be incurred in the full year. This method allows for more accurate estimates of income tax expense for half-year periods.

For the first half of 2018, the ratio of income tax expense to profit before tax was 26.9%, which is the effective tax rate, down from 28.0% for the half-year ended June 30, 2017. This decrease in the tax rate is in large part attributable to a decrease in non-tax-deductible expenses, for example, employee benefit expenses arising on share-based payments, and the proportion of costs and expenses on dividends received from foreign subsidiaries and included in the Group's results.

Furthermore, because a number of foreign subsidiaries were taxed at a lower rate than the parent company, the overall impact was to reduce the tax rate projected as of June 30, 2018. At the same time, classification of the CVAE as a current tax liability and the withholding taxes on dividends paid by Group subsidiaries have increased the effective tax rate.

11. SHARE CAPITAL OF THE PARENT COMPANY

Number of outstanding shares

	June 30, 2018	Dec. 31, 2017 Restated
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	1 391 734	114 734
Shares outstanding at the end of the period	**61 752 793**	**62 248 380**

(1) See V. Consolidated statements of changes in equity

As of June 30, 2018, Ingenico Group SA's authorized share capital consisted of 63,144,527 shares with a par value of €1 each.

Treasury shares

(in euros)	January 1, 2018	Acquisitions	Divestitures	June 30, 2018
Number of securities	114 734	1 576 641	(299 641)	1 391 734
Average purchase price	23,52	69,81	77,71	64,39
Total	**2 698 027**	**110 071 499**	**(23 154 759)**	**89 614 767**

The Group's treasury share portfolio totaled 114,734 shares as of December 31, 2017.

Ingenico Group held no shares under its liquidity contract as of June 30, 2018. During the first half of 2018, the Group repurchased 1,576,641 shares and also sold 299,641 shares.

The treasury share portfolio therefore totaled 1,391,734 as of June 30, 2018.

12. OFF-BALANCE SHEET COMMITMENTS

As of June 30, 2018, Ingenico Group had similar off-balance sheet commitments as compared to the December 31, 2017 reporting date.

13. MAIN CONSOLIDATED ENTITIES

Corporate name	Country	% interest	Consolidation method
INGENICO GROUP SA	**France**	**Parent company**	
Consolidated subsidiaries			
DI Deutsche Ingenico Holding GmbH	Germany	100%	IG
Ingenico e-Commerce Solutions GmbH	Germany	100%	IG
Ingenico GmbH	Germany	100%	IG
Ingenico Healthcare GmbH	Germany	100%	IG
Ingenico Marketing Solutions GmbH	Germany	100%	IG
Ingenico Payment Services GmbH	Germany	100%	IG
Ingenico International (Pacific) Pty Ltd	Australia	100%	IG
Ingenico e-Commerce Solutions SPRL	Belgium	100%	IG
Ingenico Financial Solutions SA	Belgium	100%	IG
Ingenico do Brasil Ltda.	Brazil	100%	IG
Ingenico Canada Ltd.	Canada	100%	IG
Fujian Landi Commercial Equipment Co., Ltd.	China	97%	IG
Ingenico Electronic Equipments (Beijing) Co., Ltd.	China	97%	IG
Ingenico Colombia Ltda.	Colombia	100%	IG
Ingenico Iberia, S.L.	Spain	100%	IG
Ingenico (Latin America) Inc.	USA	100%	IG
Ingenico Corp.	USA	100%	IG
Ingenico Business Support SAS	France	100%	IG
Ingenico e-Commerce Solutions SAS	France	100%	IG
Ingenico France SAS	France	100%	IG
Ingenico Prepaid Services France SAS	France	100%	IG
Ingenico Terminals SAS	France	100%	IG
Think & Go NFC SAS	France	100%	IG
Ingenico (UK) Ltd.	United Kingdom	100%	IG
Ingenico e-Commerce Solutions Ltd.	United Kingdom	100%	IG
Ingenico Holdings Asia Limited	Hong Kong	97%	IG
Ingenico Hungary Kft.	Hungary	100%	IG
Ingenico International India Pvt Ltd.	India	100%	IG
E-Billing Solutions Pvt Ltd.	India	100%	IG
Techprocess Payment Services Ltd	India	100%	IG
PT. Ingenico International Indonesia	Indonesia	100%	IG
Ingenico Italia SpA	Italy	100%	IG
Ingenico Japan Co. Ltd.	Japan	100%	IG
Ingenico Mexico S.A. de C.V.	Mexico	100%	IG
Ingenico Support Business Americas	Morocco	100%	IG
Ingenico Payment Systems Africa SARLAU	Morocco	100%	IG
GCS Holding BV	Netherlands	100%	IG
Global Collect BV	Netherlands	100%	IG
Ingenico e-Commerce Solutions BV	Netherlands	100%	IG
Ingenico Philippines Corp.	Philippines	100%	IG

Corporate name	Country	% interest	Consolidation method
Consolidated subsidiaries			
Ingenico Polska Sp. z o.o	Poland	100%	IG
Ingenico CZ S.r.o.	Czech Republic	100%	IG
Ingenico LLC	Russia	100%	IG
Ingenico International (Singapore) Pte Ltd.	Singapore	100%	IG
Bambora Top Holding AB (and the Bambora entities in Australia, in the USA, in Canada, In Finland, in Norway, in Switzerland and in Denmark)	Sweden	100%	IG
OnSlip AB	Sweden	100%	IG
Ingenico (Suisse) SA	Switzerland	100%	IG
Ingenico e-Commerce Solutions GmbH	Switzerland	100%	IG
Ingenico International (Thailand) Co., Ltd.	Thaïland	100%	IG
Ingenico Ödeme Sistem Çözümleri AS	Turkey	100%	IG
Airlink	Taïwan	100%	IG
FIXED & MOBILE Pte Ltd.	Singapore	27%	MEE
Ingenico Payment Solutions Pte Ltd	Singapore	100%	IG
Ingenico Vietnam Co Ltd	Vietnam	100%	IG

14. SUBSEQUENT EVENTS

Ingenico Group requested the bank syndicate to use the two additional one-year extension options on the €750 million syndicated credit facility maturing on July 29, 2021. On July 6, 2018, the bank syndicate agreed to extend the maturity of the credit facility until July 29, 2023.

2/ Half-year management report

The consolidated interim financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRS). In order to provide meaningful comparable information, these data have been presented on an adjusted basis, i.e. restated to reflect the depreciation and amortization expenses arising on the acquisition of new entities. Pursuant to IFRS3R, the purchase price for new entities is allocated to the identifiable assets acquired and subsequently amortized over specified periods.
The main financial data for 2018 has been analyzed on an adjusted basis, i.e., before purchase price allocation (PPA). Please see Exhibit 4.
The adjusted gross margin and the adjusted operational expenses disclosed are excluded from depreciation and amortization, provisions, expenses for share distributed to employees and officers and purchase price allocation ("PPA"). – Please see Exhibit 4.
EBITDA is not an accounting term; it is a financial metric defined here as profit from ordinary activities before depreciation, amortization and provisions, and before expenses for shares distributed to employees and officers. The reconciliation of adjusted profit from ordinary operations to EBITDA is available in Exhibit 4.
EBIT (Earnings Before Interest and Taxes) is equal to profit from ordinary activities, adjusted for amortization of the purchase price for newly acquired entities allocated to the identifiable assets acquired.
Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income, and tax paid.
The financial net debt disclosed excludes the financing line of merchants pre-financing.

Key figures

(in millions of euros)	**H1'18**	H1'17 PF*	H1'17	*Changes vs. H1'17*
Revenue	**1,229**	1,345	1,222	*1%*
Adjusted gross profit	**489**	567	517	*(5)%*
As a % of revenue	***39.7%***	*42.2%*	*42.3%*	*(260) bps*
Adjusted operating expenses	**-295**	-307	-272	*8%*
As a % of revenue	***-24.0%***	*-22.8%*	*-22.3%*	*170 bps*
EBITDA	**193**	260	244	*(21)%*
As a % of revenue	***15.7%***	*19.3%*	*20.0%*	*(430) bps*
Profit from ordinary activities, adjusted (EBIT)	**159**	235	221	*(28)%*
As a % of revenue	***12.9%***	*17.5%*	*18.1%*	*(520) bps*
Operating margin	**94**	183	191	*(51)%*
Net profit	**55**	122	132	*(58)%*
Net profit attributable to Group shareholders	**54**	120	130	*(58)%*
Adjusted Free cash-flow[1]	**40**	-	76	*(47)%*
Free cash-flow	**23**	-	69	*(67)%*
Net debt	**1,702**	-	178	*N/A*
Net debt-to-EBITDA ratio[2]	**3.6x**	-	0.4x	*3.2x*
Equity attributable to Group shareholders	**1,686**	-	1,771	*(5)%*

** The H1 2017 PF figures include the acquisitions made during 2017 at 100%*

[1] Free Cash flow adjusted from non-recurring items (acquisition and restructuring costs)
[2] On an LTM basis

2.1 Financial data

	Q2 2018			H1 2018		
	€m	% Change		€m	% Change	
		Comparable[1]	Reported		Comparable[1]	Reported
Retail	**328**	**5%**	**21%**	**630**	**6%**	**22%**
SMBs	98	12%	150%	186	12%	146%
Global Online	126	5%	-1%	245	8%	3%
Enterprise	105	-1%	-1%	200	-2%	-1%
Banks & Acquirers	**319**	**-8%**	**-10%**	**599**	**-11%**	**-15%**
EMEA	128	-11%	-13%	243	-13%	-16%
Latin America	38	21%	3%	72	10%	-7%
North America	46	-9%	-15%	77	-8%	-17%
Asia-Pacific	107	-13%	-9%	208	-17%	-17%
TOTAL	**648**	**-2%**	**3%**	**1,229**	**-3%**	**1%**

*

Performance in the first half

In the first half of 2018, revenue totalled €1,229 million, up 1% on a reported basis, including a negative foreign exchange impact of €71 million. On a comparable basis, revenue was 3% lower than the first half of 2017. Restated from the impact coming from the PCI V1 to V3 migration in Europe and the demonetization process in India, revenue would have grown 3% on a comparable basis.

During the period, the **Retail Business Unit** reported a revenue of €630 million, an increase of 22% on reported figures, including a negative foreign exchange impact of €34 million. On a comparable basis, revenue was up 6%, driven by the strong SMB dynamic and the Global Online performance. In Enterprise, growth has been impacted by the tough comparison basis of the first semester 2017 related to the demonetization process in India and a contract that sifted to Q3.

The **Banks and Acquirers Business Unit** posted a revenue of €599 million, a 15% decline on reported figures including a negative foreign exchange impact of €37 million. On a comparable basis revenue declined by 11%, mainly impacted by the very tough comparison basis in India (demonetization process) and in Europe (PCI V1 to V3 migration), partially offset by the strong recovery in Latin America, especially in Brazil. Restated from these tough comparison basis, revenue would have been stable on a comparable basis.

Gross profit up

During the first half of 2018, adjusted gross profit reached €489 million, or 39.7% of revenue, representing a 250 basis points drop compared to the first half of 2017 pro forma adjusted gross profit. This fall is mainly attributable to the business mix evolution this semester that has weighed on the margin.

Operating expenses contained over the semester

In the first half 2018, reported operating costs came in at €349 million compared to €307 million last year.

(in millions of euros)	H1'17 reported	H1'18 reported	Restatement related to PPA amortization	H1'18 Non IFRS	Impact of depreciation amortization and provisions and expenses for share based	H1'18 adjusted
Sales & Marketing	**108**	131	(30)	101	(2)	99
Research & Development	**91**	87	-	87	(16)	71
General & Administrative	**109**	132	-	132	(7)	125
Total operating expenses	**307**	349	(30)	319	(24)	295
As a % of revenue	**25.1%**	28.4%		25.9%		24.0%

Adjusted from the amortization costs of purchase price allocations of €30 million and from the items not affecting cash (depreciation, amortization, provisions and other one-off items) the adjusted operating costs were €295 million, representing 24% of revenue compared to 22.3% in the first half of 2017. Compared to the same period last year on a pro forma basis, the adjusted operating costs have been reduced by €12 million during the first semester.

EBITDA margin

EBITDA was €193 million in the first half of 2018, equal to 15.7% and has been negatively impacted by €19 million of foreign exchange. The margin has been impacted this semester by an incompressible part of OPEX in a declining Banks & Acquirers business unit. The latter was facing two significant comparison bases that led to a strong fall this first half and so a compression of the EBITDA margin. Nevertheless, thanks to the growth acceleration we expect in both our business unit and the operating leverage, we remain confident with our adjusted full year EBITDA objective. Within the two business unit, the Retail EBITDA reached €77 million representing an EBITDA margin of 12.2% and the Banks & Acquirers EBITDA came in at €116 million, i.e. an EBITDA margin of 19.4%.

EBIT margin

In the first half 2018, adjusted EBIT came in at €159 million

After the impact of PPA and other operating results the profit from ordinary activities totaled €112 million. Profit from ordinary activities included Purchase Price Allocation expenses of €47 million.

Impact of purchase of price allocation (PPA)

(in millions of euros)	**H1'18 excl. PPA**	PPA Impact	H1'18
Gross Profit	**478**	(17)	461
Operating expenses	**(319)**	(30)	(349)
Profit from ordinary activities	**159**	(47)	112

Profit from operating activities

Other operating income and expenses represented a net expense of €17 million, up from €7 million in the first half of 2017.

(in millions of euros)	**H1'18**	H1'17
Profit from ordinary activities	**112**	198
Other operating income and expenses	**(17)**	(7)
Profit from operating activities	**94**	191
As a % of revenue	**7,7%**	15,7%

After accounting the other operating income and expenses, profit from operations totaled €94 million. The Group's operating margin was equal to 7.7% of revenue.

<u>Reconciliation of profit from ordinary activities to EBITDA</u>

(in millions of euros)	**H1'18**	H1'17
Profit from ordinary activities	**112**	198
Amortization of assets acquired	**47**	23
EBIT	**159**	221
Other D&A and changes in provisions	**34**	17
Share-based payment expenses	**1**	7
EBITDA	**193**	244

<u>Financial results</u>

(in millions of euros)	**H1'18**	H1'17
Interest expenses	**(18)**	(11)
Income from cash and cash equivalents	**4**	4
Net finance costs	**(14)**	(7)
Foreign exchange gains/losses	**(3)**	(1)
Other financial income	**(3)**	(3)
Financial result	**(19)**	(10)

Increase in profit attributable to shareholders

(in millions of euros)	**H1'18**	H1'17
Profit from ordinary activities	**94**	191
Financial result	**(19)**	(8)
Share of profit of equity-accounted investees	**0**	0
Profit before income tax	**75**	184
Income tax	**(20)**	(51)
Net profit	**55**	132
Net profit attributable to shareholders	**54**	130

Financial results reached €-19 million, against €-10 million last year on the same period.

Income tax expense decreased to €20 million compared to €51 million in the first half 2017. The reduction of the tax expenses is the consequence of the income before taxes decline as well as a weakening of the effective tax rate.

The net profit attributable to Ingenico's shareholders in the first half of 2018 reached €54 million.

Free cash flow and financial position

The adjusted free cash flow[3] reached €40 million, i.e. an EBITDA conversion rate of 20.7% compared to €76 million last year. Following a dynamic year in terms of acquisition, the first semester 2018 has been impacted by a non-recurring expenses increase. The Group's operations, post other income and expenses, generated a free cash flow of €23 million, i.e. an FCF/EBITDA conversion ratio of 11.7%. Investments increased to €53 million, related to the acquisition of Bambora.

The Group net debt increased to €1,702 million, against €1,471 million at the beginning of the year. The increase of the net debt level is mainly related to the Fosun stake repurchase, the share buyback and the dividend payment. The cash dividend paid in respect of 2017 was €48 million, whereas 50.3% of the total dividend amount was paid in stock (781,413 shares), reflecting the shareholder confidence. The ratio of net debt to equity is 101% and the ratio of net debt to EBITDA is up to 3.6x from 2.8x at the end of 2017.

2.2 Significant events occurred since June 30, 2018

All significant events which occurred since June 30, 2018 are described in the Note 14 on "Subsequent events" in the notes to the consolidated financial statements as of June 30, 2018.

2.3 Principal risks and uncertainties in the second half of 2018

Ingenico Group faces the same risks as described in the 2017 registration document, chapter 1.2 (*Document de Référence*).

2.4 Related-party transactions

In the first half of 2018, there were no material transactions liable to be considered new regulated agreements See Note 6a. on "Related-party transactions" in the notes to the interim consolidated financial statements as of June 30, 2018.

2.5 2018 outlook adjusted from the anticipated phasing out from Iran

In 2018 Ingenico Group expects an EBITDA of at least €545m vs. a range of €545 million and €570 million previously. Following the US withdrawal from the JCPOA[4] announced on 8th May 2018, the Group has anticipated the phasing out of its distribution partnership in Iran, in line with the US law. The Iran contribution excluded from the 2018 adjusted guidance represents €16 million. However, the EBITDA related to these sales to Iran is still possible to execute within the timeframe.

The guidance factors in a negative impact from currencies of c. €25-30 million.

Given the high comparison basis in the first half and the projects pipeline, the phasing of the year has resulted in a soft first half and we expect a stronger second half. The adjusted FCF[2] to EBITDA conversion ratio is expected to be above 45%.

Over the full year, our assumptions are based on a soft organic decline for the Banks & Acquirers business unit and a double-digit organic growth in Retail. The second half of the year will benefit from a higher growth, driven by an acceleration of growth in the Retail business unit and an improvement in the Banks & Acquirers business unit.

2.6 Trends

In an electronic payment market in the midst of a boom, driven by the rise of e-commerce, new regulations that restrict the use of physical money around the world and the continuous expansion of the middle class in the emerging economies, new consumption patterns and new payment methods have emerged.

Ingenico Group's unique status as a provider of smart terminals and both online and in-store payment services puts the company in an ideal position to offer its customers simple, secure, omni-channel payment acceptance solutions.

[3] Free Cash flow adjusted from non-recurring items (acquisition and restructuring costs)

[4] Joint comprehensive plan of action

To strengthen its global leadership in omni-channel payment acceptance, Ingenico Group has identified four strategic priorities:

- Strengthen its in-store leadership
- Further develop its position in full-service online payment services by developing cutting-edge features that respond to the needs of large-scale retailers and businesses in the digital economy
- Boost its presence across all channels to be able to offer one-stop omni-channel solutions
- Anticipate technological change and accelerate short-term, medium-term and long-term innovation

In this context and supported by its market leadership in smart terminals and the quality of its payment services offering, Ingenico Group has set itself the following financial objectives for 2020 term:
- EBITDA: above €700 million in 2020 at constant scope and currency
- EBITDA to FCF conversion rate: 45% as a floor
- Dividend policy confirmed: payout ratio of 35%

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

I certify that to the best of my knowledge the interim condensed financial statements for the first half-year of 2018 were drawn up in accordance with the applicable accounting standards and give a true and fair view of the assets liabilities financial position and results of the Company and the consolidated group of entities and that the management report included herein gives a fair and true view of the significant events that occurred during the first six months of the year of their effect on the Group's accounts and of the Group's principal related-party transactions as well as a description of the principal risks and uncertainties confronting the Group in the remaining six months of the year.

Paris – July 25, 2018

Philippe Lazare
Chief Executive Officer

4/ Statutory Auditors' Report on the H1 2018 condensed interim financial statements

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

Ingenico Group S.A.

Registered office: 28/32 boulevard de Grenelle - 75015 Paris
Share capital: €.63 144 527

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

For the period from January 1 to June 30, 2018

To the Shareholders of Ingenico Group S.A.,

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

- the review of the accompanying condensed interim consolidated financial statements of Ingenico Group S.A., for the period from January 1 to June 30, 2018,
- the verification of the information presented in the half-yearly management report.

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

I. Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to the matter set out in note 2 "Accounting principles and methods" to the condensed interim consolidated financial statements regarding the adoption of standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments".

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed interim consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Paris La Défense, on the 25 July 2018	Paris La Défense, on the 25 July 2018
Frederic Quelin *Partner*	Thierry Blanchetier *Partner*