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HALF-YEAR FINANCIAL REPORT

As of June 30, 2020

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I. CONSOLIDATED FINANCIAL STATEMENT

<i>(In millions of euros)</i>	Notes	30 June 2020	30 June 2019
Revenue	5.a.	1,398.8	1,610.7
Cost of sales		(861.6)	(1,073.7)
Gross profit		537.2	537.0
Distribution and marketing costs		(131.0)	(149.5)
Research and development expenses		(106.6)	(97.7)
Administrative expenses		(144.6)	(152.3)
Profit from ordinary activities		155.0	137.5
Other operating income	5.b.	6.2	3.8
Other operating expenses	5.b.	(30.6)	(17.0)
Operating profit		130.6	124.3
Financial income	9.a.	41.3	18.9
Finance expenses	9.a.	(55.9)	(40.4)
Financial income		(14.5)	(21.4)
Share of profits in equity-accounted investees		-	-
Profit before income tax		116.0	102.8
Income tax expense	10.	(24.4)	(21.0)
Net profit		91.7	81.9
Attributable to:			
- Ingenico Group SA shareholders		87.0	80.4
- non-controlling interests		4.7	1.5
Earnings per share (in euros)			
Net earnings:			
- basic earnings per share		1.39	1.30
- diluted earnings per share		1.38	1.30

II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(In millions of euros)</i>	30 June 2020	30 June 2019
Profit for the period attributable to Ingenico Group SA shareholders	87.0	80.4
Translation differences ⁽¹⁾	(55.2)	(21.9)
Changes in the value of derivative hedging instruments ⁽²⁾	(0.4)	0.2
Changes in the fair value of equity instruments ⁽³⁾	0.7	0.7
Revaluation of net liability on defined benefit plans ⁽⁴⁾	(1.8)	
Income tax on gains/(losses) accounted in other comprehensive income	0.3	(0.7)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO INGENICO GROUP SA SHAREHOLDERS⁽²⁾	(56.4)	(21.8)
<ul style="list-style-type: none"> • Profit for the period and other comprehensive income attributable to Ingenico Group SA shareholders • Profit for the period and other comprehensive income attributable to non-controlling interests 	30.6	58.6
Translation differences attributable to non-controlling interests	(0.0)	0.0
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36.0	60.0

<i>(In millions of euros)</i>	30 June 2020	30 June 2019
Income tax on translation adjustments	(0.6)	0.1
Income tax on gains or losses on hedging instruments	0.3	(0.0)
Income tax on change in value of equity instruments	0.3	(0.5)
Income tax on actuarial adjustments on defined benefit plans	0.3	(0.2)
TAXES ON GAINS/LOSSES ACCOUNTED IN OTHER COMPREHENSIVE INCOME	0.3	(0.7)

⁽¹⁾ The translation differences in 2020 were for the most part generated by subsidiaries whose financial statements are presented Brazilian real and in Canadian dollar. The translation differences in 2019 were for the most part generated by subsidiaries whose financial statements are presented in Swedish kronor.

⁽²⁾ The portion of the gains or losses on interest rate swaps on bank loans and on foreign exchange forward contracts used to hedge cash flows that is determined to be an effective hedge is recognized directly in Other Comprehensive Income. These items will subsequently be recycled to the consolidated income statement.

⁽³⁾ In application of IFRS9, the change in fair value of equity instruments recorded in other comprehensive income will not subsequently be recycled in the consolidated income statement.

⁽⁴⁾ This amount includes actuarial gains and losses attributable to shareholders of Ingenico Group S.A. and the effect of the UK asset ceiling. These items will not subsequently be recycled to the consolidated income statement.

III. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS <i>(In millions of euros)</i>	Notes	30 June 2020	31 Dec 2019
Goodwill	7.	2,780.5	2,800.2
Other intangible assets		1,060.1	1,105.0
Property, plant and equipment		171.4	186.9
Investments in equity-accounted investees		1.3	1.3
Financial assets	9.c.	28.9	32.1
Deferred tax assets		50.6	56.1
Other non-current assets	9.c.	52.9	58.9
TOTAL NON-CURRENT ASSETS		4,145.8	4,240.5
Inventories	5.d.	150.6	188.1
Trade and related receivables	5.e.	657.8	713.4
Receivables related to intermediation activities	5.g.	228.8	336.4
Other current assets	5.c.	57.5	42.8
Current tax assets		15.1	20.7
Derivative financial instruments	9.c.	7.8	5.7
Funds related to intermediation activities	5.g.	853.7	1,205.5
Cash and cash equivalents	9.d.	1,433.4	813.8
TOTAL CURRENT ASSETS		3,404.7	3,326.4
TOTAL ASSETS		7,550.5	7,566.9

LIABILITIES*(In millions of euros)*

	Notes	30 June 2020	31 Dec 2019
Share capital	11.	63.7	63.7
Share premium account		902.3	902.3
Other reserves		1,447.4	1,354.1
Translation adjustments		(137.0)	(81.8)
Equity attributable to Ingenico Group SA shareholders		2,276.5	2,238.3
Non-controlling interests		280.1	274.6
TOTAL EQUITY		2,556.6	2,512.9
Long-term debt	9.b.	1,653.8	1,652.7
Provisions for retirement and benefit obligations		63.9	63.0
Other long-term provisions	8.	28.2	21.1
Deferred tax liabilities		203.1	222.1
Other non-current liabilities	5.g.	49.5	59.1
TOTAL NON-CURRENT LIABILITIES		1,998.6	2,018.0
Short-term financial liabilities	9.b.	1,129.3	642.6
Other short-term provisions	8.	18.2	20.8
Trade and related payables		671.2	670.4
Payables related to intermediation activities	5.g.	1,016.7	1,469.9
Other current liabilities	5.f.	109.7	182.6
Current tax liabilities		39.4	44.8
Derivative financial instruments	9.c.	10.6	4.9
TOTAL CURRENT LIABILITIES		2,995.3	3,036.0
TOTAL LIABILITIES		4,993.9	5,054.0
TOTAL EQUITY AND LIABILITIES		7,550.5	7,566.9

IV. CONSOLIDATED CASH FLOW STATEMENT

(In millions of euros)

	30 June 2020	30 June 2019
Profit for the period	91.7	81.9
Adjustments for:		
- Income tax expense/(income)	24.4	21.0
- Depreciation, amortization and provisions	113.3	111.0
- Revaluation gains/losses (fair value and financial liabilities)	3.7	5.3
- Profits on disposal of assets	0.1	(3.7)
- Net interest costs/(revenue)	18.0	20.1
- Share-based payment expense ⁽¹⁾	9.2	4.7
Interest paid	(15.8)	(16.4)
Income tax paid	(31.5)	(24.7)
Cash flows from operating activities before change in net working capital	213.1	199.1
- Inventories	30.9	(23.0)
- Trade and other receivables	26.8	25.2
- Trade payables and other payables	(48.1)	(6.5)
Change in net working capital	9.7	(4.2)
Change in working capital of merchants pre-financing ⁽²⁾	(6.4)	(8.1)
CASH FLOW FROM OPERATING ACTIVITIES	216.4	186.9
Acquisition of tangible and intangible assets	(63.2)	(60.0)
Proceeds from sale of tangible, intangible and financial assets	11.9	6.1
Proceeds from divestment in equity-accounted investees and non-controlling interests	-	4.8
Acquisition of subsidiaries, net of cash acquired	(5.0)	(72.7)
Loans and advances granted	(1.6)	(2.9)
Loan repayments received	1.7	1.5
Dividends received	1.4	0.1
Interest received	6.3	4.4
CASH FLOW FROM INVESTING ACTIVITIES	(48.5)	(118.6)
Capital increases ⁽³⁾	-	(0.1)
Purchase/(sale) of treasury shares ⁽³⁾	-	0.1
Loans and borrowings issued	750.0	126.5
Repayment of loans and borrowings	(248.0)	(0.7)
Financing of merchant pre-financing ⁽²⁾	3.2	6.0
Changes in other financial liabilities	(14.6)	(14.9)
Dividends paid to shareholders ⁽³⁾	-	(3.8)
CASH FLOW FROM FINANCING ACTIVITIES	490.5	113.8
Currency translation effect	(19.6)	3.3
CASH FLOW VARIATION	638.9	185.4
Net cash and cash equivalents at beginning of the period	770.6	762.7
Net cash and cash equivalents at period end	1,409.7	948.0
Short-term investments and short-term deposits (only for the portion classed as cash and cash equivalents)	580.1	140.2
Cash	853.3	953.5
Bank overdrafts	(23.7)	(145.7)
Total cash and cash equivalents, net	1,409.7	948.0

⁽¹⁾ In 2020, the share-based payment expense of €9.2 million includes €8,0 million paid in equity instruments and €1.2 million paid in cash.

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

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

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

V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(In millions of euros)</i>	Share capital	Share premium account	Translation adjustments	Effective portion of hedging instruments	Treasury shares	Retained earnings and other reserves	Total consolidated equity attributable to the Group	Non-controlling interests	Total consolidated equity
Balance on December 31, 2018 restated	63.1	866.6	(75.5)	(0.6)	(88.8)	1,079.7	1,844.6	5.6	1,850.2
Adjustments made upon initial application of IFRS16 (net of tax)						(2.1)	(2.1)	(0.1)	(2.3)
Adjusted balance on January 1st, 2019	63.1	866.6	(75.5)	(0.6)	(88.8)	1,077.6	1,842.5	5.5	1,847.9
Net profit 2019						208.0	208.0	8.5	216.5
Other comprehensive income			(6.3)	(0.3)		(1.6)	(8.2)	(2.5)	(10.7)
Total comprehensive income			(6.3)	(0.3)		206.4	199.8	6.0	205.8
Dividends paid to shareholders ⁽¹⁾						(33.4)	(33.4)	(0.8)	(34.2)
Stock dividends paid to shareholders ⁽²⁾	0.6	34.0				(34.6)			
Treasury shares ⁽³⁾					2.0	(1.2)	0.8		0.8
Share-based payments and exercise of stock options ⁽⁴⁾		1.7				9.3	11.0		11.0
Accretions			(0.1)				(0.1)		(0.1)
Change in holdings in subsidiaries without loss of control over the assets contributed ⁽⁵⁾						218.4	218.4	264.0	482.4
Other						(0.7)	(0.7)		(0.7)
Balance on December 31, 2019	63.7	902.3	(81.8)	(0.9)	(86.8)	1,441.8	2,238.3	274.6	2,512.9
Net profit June 30, 2020						87.0	87.0	4.7	91.7
Other comprehensive income			(55.2)	(0.1)		(1.0)	(56.4)	0.6	(55.7)
Total comprehensive income			(55.2)	(0.1)		85.9	30.6	5.4	36.0
Dividends paid to shareholders ⁽¹⁾									
Stock dividends paid to shareholders ⁽¹⁾									
Treasury shares ⁽²⁾					1.5	(1.0)	0.5		0.5
Share-based payments and exercise of stock options ⁽³⁾						8.0	8.0		8.0
Accretions						(0.2)	(0.2)	0.2	
Other						(0.7)	(0.7)		(0.7)
Balance on June 30, 2020	63.7	902.3	(137.0)	(1.0)	(85.3)	1,533.7	2,276.5	280.1	2,556.6

June 2020:

⁽¹⁾ The Group decided at the Annual General Assembly on 11 June 2020 approving the parent company's financial statements not to distribute any dividend in order to take account of exceptional health circumstances and to comply with the conditions allowing it to benefit from government support measures.

⁽²⁾ The treasury share portfolio is described in Note 11, Equity of the Parent Company.

⁽³⁾ Share-based payments:

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

December 2019:

⁽¹⁾ Cash dividend of €1.10 per share paid on 7 July 2019.

⁽²⁾ Stock dividend financed through incorporation of reserves in July 2019 and issuance of 534,871 new shares.

⁽³⁾ The treasury share portfolio is described in Note 11, Equity of the Parent Company.

⁽⁴⁾ Share-based payments:

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

⁽⁵⁾ Net impact of the business combination of BS Payone with Ingenico Retail assets in Germany, Austria and Switzerland.

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APPENDICES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENT

1. THE GROUP

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

Ingenico Group is a global leader in seamless payment services, offering payment solutions across all sales channels (in-store, mobile, online and cross-channel).

Ingenico Group SA is a company incorporated under French law whose securities have been admitted for trading on the Premier Marché of the Paris Stock Exchange. Its head office located in Paris.

The condensed interim consolidated financial statements were approved by the Board of Directors on 22 July 2020.

2. ACCOUNTING PRINCIPLES AND METHODS

These condensed interim consolidated financial statements were prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Statements. They do not include all the information required for annual financial statements under IFRS and should be read in conjunction with the Group’s financial statements for the year ended 31 December 2019.

The condensed interim consolidated financial statements for the period from 1st January 2020 to 30 June 2020 were prepared using the same accounting principles and methods used in the consolidated financial statements for the fiscal year ended 31 December 2019, except for the new accounting standards applicable as of 1st January 2020.

The new standards in effect as of 1st January 2020 and applicable to the Group had no material impact on the consolidated financial statements.

They are as follows:

- The amendment to IFRS 3 "definition of a business";
- Amendments to IFRS 7, IFRS 9 and IAS 39 as part of the reform of reference interest rates;
- Amendments to IAS 1 and IAS 8, "Definition of *Materiality*";
- Modification of references to the conceptual framework in the standards.

The standards, amendments to standards and interpretations adopted by the IASB or IFRSIC ("International Financial Reporting Standard Interpretations Committee") and the European Union as of 30 June 2020, but which were not mandatory on 30 June 2020, have not led to an early application.

Translation of financial statements

The conversion rates for the main currencies used by the Group in fiscal year 2019 and the half-year periods ended 30 June 2019 and 2020 are as follows:

Closing rate	30 June 2020	31 Dec 2019
US Dollar	1.1198	1.1234
Canadian Dollar	1.5324	1.4598
Australian Dollar	1.6344	1.5995
Pound sterling	0.9124	0.8508
Russian ruble	79.6300	69.9563
Swedish krona	10.4948	10.4468
Turkish lira	7.6720	6.6621
Brazilian real	6.1320	4.5281
Chinese yuan	7.9219	7.8205

Average rate	30 June 2020	30 June 2019
US Dollar	1.1015	1.1298
Canadian Dollar	1.5031	1.5067
Australian Dollar	1.6775	1.6002
Pound sterling	0.8743	0.8736
Russian ruble	76.6825	73.7215
Swedish krona	10.6610	10.5187
Turkish lira	7.1407	6.3437
Brazilian real	5.4228	4.3437
Chinese yuan	7.7481	7.6670

Estimates and judgements

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

The cases in which management exercised a significant degree of judgement 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 31 December 2019.

The COVID 19 crisis has, however, required that significant judgements and assumptions be reassessed. In particular, the Group conducted in-depth analyses to determine the recoverable amount of its intangible assets as part of its asset impairment tests by including in its projections an update of the 2020 outlook considering the impact of the COVID19 crisis and the various scenarios for a return to normal activities (see Note 3 "Significant events" and Note 7 "Property, plant and equipment and intangible assets").

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.

Pension liabilities and related hedging assets have been recalculated to reflect the effects of changes (notably interest rate effects) when significant, in the context of the health crisis.

3. SIGNIFICANT EVENTS

Announcement of the proposed acquisition of Ingenico by Worldline

On 3 February 2020, Worldline SA and Ingenico Group SA announced the unanimous approval by their respective Boards of Directors of the Combination Agreement under which Worldline would launch a public offer for all Ingenico shares, paid 81% in shares and 19% in cash, based on the last trading price at the date of the launch of the offer, and for the outstanding OCEANEs.

The two groups continue to make progress in their merger, which is still expected to be completed in the third quarter of 2020.

Impact of the COVID19 health crisis

In the context of the COVID19 health crisis and the subsequent economic crisis, the Group's first responsibility was to protect the health of all its employees while continuing its activities and supporting its customers. The Group launched a strong action plan in mid-March to adapt its cost structure and protect its profitability and cash flow throughout the year, without jeopardizing its long-term growth profile and its ability to bounce back. The Group has limited staff travel, massively deployed alternative working methods and used remote working whenever possible. At the height of the pandemic and to cope with the decline in business caused by the crisis, the Group also resorted to partial unemployment in certain countries and was able to receive various forms of state aid in the amount of €4.9 million minus underlying expenses.

As a result of this unprecedented crisis, the format of the Group's 2020 half-year financial statements and the measurement of performance indicators have not been modified but have required that the Group reassessed judgements and assumptions. However, these reassessments did not have a material impact on the interim financial statements, in particular with respect to:

- Accounting for certain government measures,
- Recognition of asset depreciation,
- Recognition of deferred tax assets,
- Recognition of provisions and value losses,
- Recognition of impacts on credit and liquidity risk exposures and sensitivities and management of these risks.

Acquisition and collection activities within the Retail sector expose the Group to counterparty risk in the event that a merchant defaults and is unable to honour the service sold to the end customer. The Group may have to reimburse payments made by customers to this merchant for which the services have not been delivered, with no certainty of this being recovered from the merchant, particularly in the event of legal proceedings (bankruptcy, receivership, etc.). The Group is ensuring that any risk of default by merchants be closely monitored and is developing all measures necessary to cover this risk. No material impact has been recorded in this respect in the interim financial statements as of 30 June 2020.

Finalisation of the Group's legal reorganisation plan

As part of the initiatives of its "Fit for Growth" strategic plan aimed at ensuring growth and improving the performance of its operations, the Group completed the legal reorganisation of its entities at the end of 2019, thereby strengthening the consistency between its strategy and the management of its two business segments: "Banks and Acquirers" and "Retail".

On 1 January 2020, two dedicated holding companies were formed, to which the subsidiaries now operating in a single business segment are attached. Prior to this, the Group's mixed entities were first split and then attached to these two parent entities. These two holding companies are fully owned by the parent company Ingenico Group SA.

In the first half of 2020, this organisation was fully operational.

In view of this reorganisation, service agreements between the Group and the business units as well as within the different business units were put in place during the half-year, leading to changes in performance monitoring. Segment reporting has been amended accordingly, and the 2019 information has been restated to facilitate comparison. The Corporate related costs have not been allocated to the two business units and the generated margin within the "Terminals activities" stays allocated between Retail and B&A reflecting synergies that Retail benefits from the Group.

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 31 December 2019. 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.

As of June 30, 2020, the presentation of segment reporting information has been modified in order to reflect the juridical reorganisation as displayed in the “Main events”.

	30 June 2020			
(In millions of euros)	Banks & Acquirers	Retail	Corporate	Consolidated
External revenue	610.7	788.1		1,398.8
Terminals and related services Transactions				747.3
				651.5
EBITDA	154.0	141.1	(17.3)	277.7
Profit from ordinary activities	133.0	54.9	(32.9)	155.0

	30 June 2019			
(In millions of euros)	Banks & Acquirers	Retail	Corporate	Consolidated
External revenue	704.8	905.8		1,610.7
Terminals and related services Transactions				861.4
				749.3
EBITDA	149.5	131.4	(26.9)	254.0
Profit from ordinary activities	141.0	32.0	(35.5)	137.5

5. OPERATING DATA

a. Revenue

Sale of payment terminals and other products

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

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

Sale of extended service warranties

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

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

Transaction price

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

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

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

Sale of payment solutions services

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

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

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

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

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

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

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

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

<i>(In millions of euros)</i>	30 June 2020	30 June 2019
Sale of terminals, accessories, shipping	587.2	705.6
Terminal-related services	160.1	155.8
Payment processing and acquisition	622.9	729.7
Processing services	28.6	19.6
Total	1,398.8	1,610.7

b. Other operating income and expenses

Other operating income and expenses are non-recurring by nature, i.e. income or expenses that are unusual in nature and material in amount. Consequently, other operating income and expenses notably include capital gains or losses on divestment of consolidated companies or businesses, gains and losses on divestment of property, plant and equipment and intangible assets, restructuring costs approved by management and communicated externally, litigation costs, and costs relating to business combinations, assets and goodwill depreciation, integration costs of newly acquired subsidiaries, adjustments to earn-out liabilities relating to such acquisitions, and revaluations to fair value of equity-accounted interests in an investee acquired through a business combination performed in stages, which are considered to be non-recurring.

Other operating income and expenses are as follows:

<i>(In millions of euros)</i>	30 June 2020	30 June 2019
Restructuring and business combination costs	(30.6)	(17.0)
Other income	6.2	3.8
Total	(24.4)	(13.2)

As of 30 June 2020, other operating income and expenses do not include any impact relating to the COVID19 crisis recognized by the Group.

In 2020, other operating income and expenses mainly comprised the cost of €30.6 million incurred in connection with the restructuring of the Group:

- Costs of €18.3 million incurred in connection with the internal restructuring of the Group, aligned with the implementation of the "Fit for Growth" transformation plan;
- Costs of €9.2 million incurred in connection with acquisitions and divestitures and notably costs incurred in the framework of the merger with Worldline announced on February 3rd, 2020.

The €6.2 million of other income are related to a change in acquiring business regulation for some of the PayOne joint-venture activities which are no longer taxable for VAT purpose. These 6.2 million euros represent the reimbursement of the related overpaid amount of VAT over the years 2014 to 2018.

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.

Net revenues correspond to revenues adjusted for interchange fees.

EBITDA is not an accounting term; it is a financial metric which represents 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 allocated to the assets acquired through business combinations.

Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income and tax paid.

<i>(In millions of euros)</i>	June 2020	June 2019
Revenue	1,398.8	1,610.7
Interchange fees	(156.7)	(231.1)
Net revenue	1,242.1	1,379.6

(In millions of euros)

	30 June 2020					
	Income statement	Amortization of Purchase price Allocation	Reconciliation to EBIT	Share-based payment expense	Other amortization and provision expenses	Reconciliation to EBITDA
Revenue	1,398.8		1,398.8			1,398.8
Cost of sales	(861.6)	16.7	(844.9)	1.1	17.1	(826.7)
Gross profit	537.3					
Distribution and marketing costs	(131.0)	32.6	(98.4)	1.8	2.4	(94.2)
Research and development expenses	(106.6)		(106.6)	0.6	25.8	(80.3)
Administrative expenses	(144.6)		(144.6)	5.8	19.0	(119.9)
Profit from ordinary activities	155.0					
EBIT			204.3			
EBITDA						277.7

	30 June 2020		
	Cash flow statement	Free cash flow	Items from cash flow statement not in free cash flow
<i>(In millions of euros)</i>			
Profit for the period	91.7	91.7	
Adjustments for:			
- Income tax expense/(income)	24.4	24.4	
- Depreciation, amortization and provisions	113.3	113.3	
- Revaluation gains/losses (fair value and financial liabilities)	3.7	(3.8)	7.5
- Profits on disposal of assets	0.1	0.1	
- Net interest costs/(revenue)	18.0	18.0	
- Share-based payment expense	9.2	9.2	
Interest paid	(15.8)	(15.8)	
Income tax paid	(31.5)	(31.5)	
Cash flows from operating activities before change in net working capital	213.1		
- Inventories	30.9	30.9	
- Trade and other receivables	26.8	26.8	
- Trade payables and other payables	(48.1)	(48.1)	
Change in net working capital	9.7		
Change in working capital of merchants pre-financing	(6.4)		(6.4)
CASH FLOW FROM OPERATING ACTIVITIES	216.4		
Acquisition of tangible and intangible assets	(63.2)	(63.2)	
Proceeds from sale of tangible, intangible and financial assets	11.9	7.2	4.7
Proceeds from divestment in equity-accounted investees and non-controlling interests			
Acquisition of subsidiaries, net of cash acquired	(5.0)		(5.0)
Proceeds from sale of a subsidiary, net of cash transferred			
Loans and advances granted	(1.6)		(1.6)
Loan repayments received	1.7		1.7
Dividends received	1.4		1.4
Interest received	6.3	6.3	
CASH FLOW FROM INVESTING ACTIVITIES	(48.5)		
Proceeds from share capital issues			
Purchase/sale of treasury shares			
Loans and borrowings issued	750.0		750.0
Repayment of loans and borrowings	(248.0)		(248.0)
Financing of merchants pre-financing	3.2		3.2
Changes in other financial liabilities	(14.6)	(14.6)	
Impact of financial derivative instruments			
Dividends paid to shareholders			
CASH FLOW FROM FINANCING ACTIVITIES	490.5		
Currency translation effect	(19.6)		(19.6)
CASH FLOW VARIATION	638.9		
Free Cash Flow		150.9	

d. Inventories

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019
Raw materials and consumables	38.1	37.3
Finished products	137.3	177.1
Write-downs on raw materials and consumables	(10.4)	(9.3)
Impairments on finished products	(14.4)	(17.0)
Total	150.6	188.1

e. Trade and other operating receivables

Trade and other receivables are measured at fair value on initial recognition and subsequently at amortized cost less any impairment losses. Generally, fair value corresponds to face value, given the short payment period, except in the case of finance leases. In accordance with IFRS 9, the Group follows a simplified prospective approach and recognizes an impairment loss on trade receivables determined on the basis of expected credit losses over the life of the receivables. The Group has therefore established impairment methods based on internal and external ratings, or on historical losses, adjusted for prospective factors specific to the debtors and the economic environment related to the COVID19 crisis.

Days sales outstanding (DSO) represents the sum of trade receivables expressed in days of sales (on a "last-in, first-out" basis). The number of days is based on the calendar year.

Trade and other operating receivables are assessed as follows:

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019
Trade receivables on sales of goods and services	544.9	628.5
Finance lease receivables	31.0	33.3
Tax receivables excluding corporate income tax	86.9	67.4
Other receivables	34.3	26.9
Impairment on trade receivables	(37.8)	(41.5)
Impairment on receivables related to finance leases	(1.4)	(0.9)
Impairment on other receivables	(0.2)	(0.3)
Total	657.8	713.4
DSO	62	56

The DSO ratio was 62 days as of 30 June 2020 compared to 56 days as of 31 December 2019.

Ageing balance of trade accounts receivable is as follows:

<i>(In millions of euros)</i>	Closing	Not due	30 June 2020		
			Due		
			< 120 days	120 - 180 days	> 180 days
Accounts receivable	544.9	470.8	48.9	5.2	20.1
Impairment on trade receivables	(37.8)	(17.0)	(7.3)	(5.2)	(8.4)
Net	507.2	453.8	41.6	0.0	11.7

Receivables overdue by more than 180 days (€20.1 million) are mainly due from customers of Payone GmbH and Global Collect Services BV (respectively €1.9 million and €2.1 million). None of these receivables are the subject of a dispute and the Group does not anticipate any difficulty in collecting them.

<i>(In millions of euros)</i>	Closing	Not due	31 Dec 2019		
			Due		
			< 120 days	120 - 180 days	> 180 days
Accounts receivable	628.5	521.3	80.4	11.8	15.0
Impairment on trade receivables	(41.5)	(4.8)	(22.3)	(4.2)	(10.2)
Net	587.0	516.5	58.1	7.6	4.8

f. Other current liabilities

The current liabilities are calculated as follows:

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019
Contractual liabilities	105.8	157.2
Other liabilities	3.9	25.5
Total	109.7	182.6

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

As of 31 December 2019, other current liabilities include a €4.3 million debt to DSV in connection with the formation of the PayOne JV.

g. Funds, receivables and payables related to intermediation activities

The principles governing receivables, funds and payables related to intermediation activities are set out in note 5, Operational Data, to the Group's consolidated financial statements for the year ended 31 December 2019.

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019
Receivables related to intermediation activities	228.8	336.4
Funds related to intermediation activities	853.7	1,205.5
Total assets related to intermediation activities	1,082.5	1,541.9
Payables related to intermediation activities	1,016.7	1,469.9
Financing of merchants pre-financing	72.7	69.8
Total liabilities related to intermediation activities	1,089.4	1,539.7

6. EMPLOYEE BENEFITS AND EXECUTIVE COMPENSATION (RELATED PARTIES)

a. Related party transactions

The compensation and benefits paid to the Executive Committee from 1 January to 30 June 2020 and in 2019 break down as follows:

<i>(In millions of euros)</i>	30 June 2020	30 June 2019
Short term benefits ⁽¹⁾	5.5	2.1
Free share awards ⁽²⁾	1.0	1.2
Total	6.5	3.3

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

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

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

The compensation and benefits to the Chairman increased over the first half of 2020 as new members joined the committee during the first half of 2019 while 2019 bonuses were based on 2018 performance.

As of 30 June 2020, the Executive Committee had 9 members, compared to 8 members as of 30 June 2019.

b. Share-based payment expense

Free share awards and joint investment plan

The shares awarded under free share plans in existence as of 30 June 2020 that had been set up in previous years were as follows:

- 419,174 shares under the plan set up on 16 May 2018;
- 471,361 shares under the plan set up on 11 June 2019.

As of 30 June 2020, 250,766 shares awarded under the joint investment plans and free share awards of 16 May 2018 were outstanding, as were 409,075 shares distributed under the free share awards of 11 June 2019.

A free share award plan was established following the General Assembly on 11 June 2020. It is open to members of the Executive Committee and Group managers. The award of shares under that plan is subject to internal (financial performance based on EBITDA and organic growth) and external (evolution of the share price) performance conditions. A maximum of 321,232 shares may be awarded.

Other share-based payment arrangements

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

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

Impact on financial statements

On the basis of the parameters used to calculate the fair value of free shares awarded under free share and joint investment plans, and after estimating the internal and external valuation criteria (where applicable, presence and performance conditions), the Group recognized an expense of €8.0 million paid in equity instruments in profit from ordinary activities for the half year ended 30 June 2020 (compared to €3.3 million as of 30 June 2019). The expense for other cash-settled share-based payments was €1.2 million (versus €1.4 million as of 30 June 2019).

7. INTANGIBLE ASSETS

Goodwill and other intangible assets

The principles used to account for property, plant and equipment and intangible assets are presented in Note 7 of the Group's consolidated financial statements on 31 December 2019, particularly as regards the determination of goodwill, the capitalisation of research and development costs and the determination of amortization schedules by asset category.

The Group did not make any acquisitions during the first half of 2020. The finalisation of the accounting for Paymark and the combination of PayOne did not lead to any additional adjustments during the first half of 2020.

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019
On 1st January (net value)	2,800.2	2,490.5
Investments	-	380.3
Translation differences	(19.6)	(1.4)
Divestitures	-	(20.0)
Adjustments	-	(49.2)
Total (net value)	2,780.5	2,800.2

<i>Cash-Generating Units</i> <i>(In millions of euros)</i>	30 June 2020			31 December 2019		
	Gross value	Accumulated impairment losses	Net value	Gross value	Accumulated impairment losses	Net value
B&A North America	62.6	(12.6)	50	62.7	(12.6)	50.1
B&A Latin America	11.7		11.7	12.4	-	12.4
B&A EMEA	157.7	(0.9)	156.8	158.1	(0.9)	157.2
B&A South-East Asia	206.6	0.3	206.9	209.1	0.3	209.4
Retail	2,364.5	(9.3)	2,355.2	2,380.4	(9.3)	2,371.1
Total	2,803.1	(22.5)	2,780.5	2,822.8	(22.6)	2,800.2

Goodwill impairment test

As indicated in Notes 2 (Accounting principles and methods) and 3 (Significant events), in order to take into account the consequences of the health crisis, the Group has conducted asset impairment tests as of 30 June 2020 by including the updated 2020 outlook in its projections, which considers different scenarios for a return to normal business activity.

The main assumptions used to determine the recoverable amount of goodwill are as follows:

	30 June 2020					
	B&A North America	B&A Latin America	B&A EMEA	B&A South-East Asia	Retail	Total
Cash-Generating Units						
Net book value of goodwill (in millions of euros)	50	11.7	156.8	206.9	2,355.2	2,780.5
Valuation method for the Cash-generating unit	Value in use	Value in use	Value in use	Value in use	Value in use	
Number of years over which cash flows are estimated	5	5	5	5	5	
Long-term growth rate	1.0%	1.0%	1.0%	1.0%	2.3%	
Weighted Average Cost of Capital used by June 30, 2020	9.1%	13.9%	9.6%	10.1%	8.2%	

	31 Dec. 2019					
	B&A North America	B&A Latin America	B&A EMEA	B&A South-East Asia	Retail	Total
Cash-Generating Units						
Net book value of goodwill (in millions of euros)	50.1	12.4	157.2	209.4	2,371.1	2,800.2
Valuation method for the Cash-generating unit	Value in use	Value in use	Value in use	Value in use	Value in use	
Number of years over which cash flows are estimated	5	5	5	5	5	
Long-term growth rate	1.1%	1.0%	1.0%	1.0%	2.3%	
Weighted Average Cost of Capital used by December 31, 2019	8.4%	13.6%	8.7%	9.0%	7.3%	

Goodwill impairment tests were carried out on the basis of the book values as of June 30, 2020.

The growth rate and weighted average cost of capital assumptions used in the valuation of all cash-generating units were reviewed in line with changes in global market data. In particular, the weighted average cost of capital takes into account the increase in the risk premium inherent in the context of the health crisis. It should be noted that the long-term growth rates used by the Group do not exceed those of the business sector.

Furthermore, in view of the emergence of events generating risks specific to the health crisis and in application of the principles of IAS 36 concerning indicators of impairment, the Group has performed impairment tests on individual assets (in particular concerning its customer relationship portfolios).

As of June 30, 2020, no asset impairment was recorded by the Group for any of its intangible assets.

Sensitivity of recoverable amounts

Operating forecasts are based on business plans that have been prepared by the management of the CGUs (Cash-Generating Units). These plans have been reviewed by the Group's Finance Department, which notably performed sensitivity tests on the assumptions for long-term growth rates and discount rates that were more aggressive than usual given the crisis context.

Moreover, sensitivity tests show that an increase in the discount rate of 2 basis points would not lead to impairments.

In addition, a sensitivity analysis of the calculation to a joint change in key parameters (discount rate and long-term growth rate) based on reasonably possible assumptions was performed and did not reveal any probable scenario in which the recoverable amount of a CGU would become lower than its book amount, with the exception of the B&A APAC CGU for which an increase in the discount rate of 1.4 points or a decrease in the perpetual growth rate of -1.1 points or a decrease in cash flow of -12.1 points would lead to the determination of a recoverable value equal to the net book value.

	June 2020				
	Discount rate		Perpetual growth rate		Cash flow
	Rate used (In %)	Discount rate from which the recoverable value is equal to the book value (In %)	Rate used (In %)	Perpetual growth rate below which the recoverable value is equal to the book value (In %)	Reduction in cash flow needed for the recoverable value to be equal to the book value (In %)
B&A South-East Asia	10.1%	11.5%	1.0%	-1.1%	-12.1%

As of June 30, 2020, the recoverable values for Retail, B&A North America, B&A Latin America and B&A EMEA are significantly higher than their book values. Therefore, an increase in the discount rate, a decrease in the perpetual growth rate or a decrease in the cash flows required to ensure their recoverable values equal their respective book values is not relevant.

8. OTHER PROVISIONS

(In millions of euros)	Balance on 1 st January 2020	Translation difference	Additions	Reversals of amounts used	Reversals of unused amounts	Other movements	Balance on 30 June 2020
Provisions for warranties	16.9	(0.4)	5.1	(5.4)	-	(0.3)	15.8
Provisions for litigation and claims	8.9	(0.1)	2.0	(1.1)	-	0.1	9.8
Provisions for restructuring	1.2	(0.0)	-	(0.4)	-	(0.0)	0.8
Other provisions	14.9	(0.1)	3.4	(2.0)	(2.1)	5.9	20.0
Total	41.9	(0.6)	10.5	(8.9)	(2.1)	5.6	46.4

a. Warranties

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

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

b. Litigation and claims

The Group is engaged in a number of claims and legal and arbitral proceedings that have arisen in the normal course of its business. These claims and proceedings are regularly reviewed by the Legal Department and are covered by provisions if the Group considers that it is probable that an outflow of economic benefits will be necessary to cover the risk incurred and that such an outflow can be reliably estimated, it being understood that events that occur during the proceedings may necessitate a reassessment of the risk. Reversals of unused amounts chiefly reflect the resolution of disputes that were settled in the Group's favour, or in which the amount of the damages awarded proved to be lower than originally estimated.

Tax disputes and uncertain tax liabilities

During fiscal year 2020 and prior years, Group companies were subject to tax audits and, on occasion, proposals for adjustments. The financial consequences of such tax adjustments are recognized through provisions for the amounts that have been identified and accepted or are considered likely to result in an outflow of resources which can be reliably estimated.

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

Tax disputes in Brazil

The tax assessment procedures in respect of a Brazilian subsidiary are still in progress. They relate to the ICMS tax, where the amount in question was approximately 293 million Brazilian real (€49 million) as of June 30, 2020 (covering principal, interest and penalties from 2004 to 2009). Against the background of fiscal tension between States which has affected Ingenico as well as many other Brazilian and international companies, 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. This is 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. In June 2019, the tax authorities of the State of Sao Paulo adopted a resolution on the eligibility criteria for corporate amnesty. The subsidiary believes, on the advice of tax experts, that it is unlikely that it will not be eligible for this amnesty. 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 2020.

c. Other provisions

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

9. FINANCING AND FINANCIAL INSTRUMENTS

a. Net finance costs

(In millions of euros)

	30 June 2020	30 June 2019
Interest expense on financial liabilities at amortized cost and bond loan	(20.2)	(20.1)
Cost of financial liabilities	(20.2)	(20.1)
Interest income on finance loans	0.0	0.1
Income from cash and cash equivalents	1.9	2.5
Interest income on finance lease contracts	2.4	2.1
Net cost of financial liabilities	(16.0)	(15.5)
Foreign exchange gains	35.4	13.3
Foreign exchange losses	(31.6)	(15.3)
Foreign exchange gains and losses	3.8	(1.9)
Financial component of retirement expenses and the cost of other post-employment benefits	(0.4)	(0.5)
Other financial income	1.7	1.0
Other financial expenses	(3.6)	(4.5)
Other financial income and expenses	(2.3)	(4.0)
Net finance costs	(14.5)	(21.4)
Total financial income	41.3	18.9
Total financial expenses	(55.9)	(40.4)

Net finance costs at the end of June 30, 2020 are broken down as follows:

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

- Interest expense on the OCEANE convertible bond was €5.6 million;
- Interest expense on the bond issued in 2014 and the embedded swap was €4.3 million (including amortization of issuance costs);
- Interest expense on the bond issued in 2017 was €5.2 million (including amortization of issuance costs);
- Interest expense on bank borrowings was €3.5 million (including amortization of the cost of the syndicated loan and the related commitment fee).
- Due to negative interest rates, commercial paper now generates interest income of €0.1 million rather than interest expense.
- Forward points of expense hedges for €0.8 million

The €3.8 million net foreign exchange loss for the half year ended on June 30, 2020 (versus €1.9 million loss for the first half of 2019) was the result of gains and losses on remeasurement of loans and borrowings as well as on remeasurement of the related hedging instruments. It also includes the ineffective portion of operational hedges.

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

Income from cash and cash equivalents (€1.9 million) is mainly from investments in India and Brazil.

Interest income from finance leases (lessor) mainly relates to Payone GmbH, Ingenico France SAS, Ingenico Indonesia and Ingenico Italia Spa.

b. Net financial liabilities

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019	30 June 2019
Bond issues	1,049.2	1,049.0	1,051.2
“OCEANE” convertible bond issue	475.8	470.1	464.5
Other financial liabilities	55.6	55.4	106.2
Bank borrowings		0.1	248.1
Financial liabilities payable after more than one year	1,580.7	1,574.6	1,870.1
Commercial papers	192.0	440.0	531.5
Bank overdrafts	23.7	43.2	145.7
Other financial liabilities	803.7	54.5	3.8
Bank and similar borrowings	-	-	-
Interest accrued but not due	10.7	8.9	9.0
Financial liabilities payable after less than one year	1,030.2	546.6	690.1
GROSS FINANCIAL DEBT	2,610.8	2,121.2	2,560.2
Cash	853.3	624.2	953.5
Marketable securities and short-term deposits	580.1	189.6	140.2
Cash and cash equivalents	1,433.3	813.8	1,093.7
Net financial debt	1,177.5	1,307.4	1,466.5

The health crisis had a limited effect on the Group's liquidity, Gross debt increased due to the drawdown on the syndicated loan facility of €750 million.

Borrowings and debt do not include the merchant pre-financing credit facility, on which €72.7 million had been drawn down as of June 30, 2020, nor does it include the current and non-current lease liabilities arising on the Group's adoption of IFRS 16, which as of June 30, 2020 were €26.4 million and €73.1 million respectively.

As of June 30, 2020 long- and short-term bank borrowings and bond debt totalled €2,016.8million (versus €2,121.2 million as of December 31, 2019). They primarily included:

- €596.4 million in respect of a bond issued in September 2017;
- €452.5 million in respect of a bond issued in May 2014;
- €475.8 million in respect of an OCEANE convertible bond issued on June 26, 2015;
- €105.0 million in respect of private placements subscribed for in May 2018 and December 2017;
- €192.0 million in respect of commercial paper. In May 2018, the Group increased the ceiling for its commercial paper programme to €750 million;
- €749.3 million in respect of a drawdown on the syndicated loan facility in 2020.

Bond issues

On September 13, 2017, the Group issued a bond maturing on 13 September 2024.

The total principal amount of the issue is €600 million, or 6,000 bonds with a face value of €100,000 each. The bonds carry an annual coupon of 1.625%. The Group's liability is measured at amortized cost, with bond issuance costs amortized in profit or loss over the life of the bond.

On May 20, 2014, the Group issued a bond maturing on 20 May 2021. The total principal amount of the issue is €450 million, or 4,500 bonds with a face value of €100,000. The bonds carry an annual coupon of 2.5%. The Group's liability is measured at amortized cost, with bond issuance costs amortized in profit or loss over the life of the bond.

Convertible bond issue

On June 26, 2015, the Group issued an OCEANE bond, i.e., convertible into and/or exchangeable for new or existing Ingenico Group shares, maturing on 26 June 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 recognised 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 recognised in equity under 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, 2020, the conversion rate was 1.009 shares for one bond.

Bank borrowings

In March 2020, the Group fully drew down its syndicated credit line of €750 million for a period of 6 months. This line is not subject to any covenant. The interest rate of the loan is variable and is based on Euribor (1 to 6 months) plus a margin of 0.90%.

Usage fees of 0.4% are payable quarterly.

Other financial liabilities

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

In May 2018, the Group contracted two private investments, one for an amount of €25 million and the other for an amount of €30 million, with a maturity of seven years and a fixed rate of 1.677%.

Bank overdrafts

Bank overdrafts totalled €23.7 million, with Ingenico Terminals accounting for €12.7 million and with PayOne GmbH accounting for €10.8 million.

c. Derivative financial instruments

Fair value of derivative financial instruments at the reporting date

(In millions of euros)	30 June 2020	31 Dec 2019
interest rate derivative instruments		
Current assets	2.9	4.4
Current liabilities	-	-
Foreign exchange derivative instruments		
Current assets	4.9	1.3
Current liabilities	(10.6)	(4.9)
Total	(2.8)	0.8

As of June 30, 2020, 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 recognised in financial profit or loss. For foreign exchange hedges, they mainly reflect the effect of interest rate differentials between the currency of the hedged items and the Euro for foreign exchange hedges.

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

d. Financial assets and liabilities classified by accounting category

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

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

30 June 2020

Asset and liability categories <i>(In millions of euros)</i>	Assets and Liabilities measured at fair value through the income statement	Assets and Liabilities at amortized cost	Assets and Liabilities measured at fair value through non-recyclable OCI	Derivative financial instruments designated for future cash flow hedges	Total net carrying amount	Fair value of the category
Financial assets	-	6.7	22.2	-	28.9	28.9
Other non-current assets	-	52.3	-	-	52.3	52.3
Trade and other current receivables	-	730.4	-	-	730.4	730.4
Cash and cash equivalents	1,433.4	-	-	-	1,433.3	1,433.3
Receivables related to intermediation activities	-	228.8	-	-	228.8	228.8
Funds related to intermediation activities	853.7	-	-	-	853.7	853.7
Derivative financial instruments	7.9	-	-	-	7.9	7.9
Total assets	2,294.9	1,018.7	22.2	-	3,335.8	3,335.8
Convertible bond issue (OCEANE) ⁽¹⁾	-	475.8	-	-	475.8	535.0
Bond issues	-	1,049.2	-	-	1,049.2	1,056.3
Long-term loans	-	55.6	-	-	55.6	55.6
Other non-current liabilities	-	119.0	-	-	119.0	119.0
Short-term borrowings	-	1,056.6	-	-	1,056.6	1,056.6
Financing of merchants pre-financing	-	72.7	-	-	72.7	72.7
Trade payables and other current liabilities	-	564.3	-	-	564.3	564.3
Payables related to intermediation activities	-	1,016.7	-	-	1,016.7	1,016.7
Derivative financial instruments	10.6	-	-	-	10.6	10.6
Total liabilities	10.6	4,409.2	-	-	4,420.5	4,487.8

31 Dec 2019						
Asset and liability categories <i>(In millions of euros)</i>	Assets and Liabilities measured at fair value through the income statement	Assets and Liabilities at amortized cost	Assets and Liabilities measured at fair value through non-recyclable OCI	Derivative financial instruments designated for future cash flow hedges	Total net carrying amount	Fair value of the category
Financial assets	-	6.4	25.6	-	32.1	32.1
Other non-current assets	-	40.7	-	-	40.7	40.7
Trade and other current receivables	-	657.6	-	-	657.6	657.6
Cash and cash equivalents	813.8	-	-	-	813.8	813.8
Receivables related to intermediation activities	-	336.4	-	-	336.4	336.4
Funds related to intermediation activities	1,205.5	-	-	-	1,205.5	1,205.5
Derivative financial instruments	5.4	-	-	0.3	5.7	5.7
Total assets	2,024.7	1,041.1	25.6	0.3	3,091.7	3,091.8
Convertible bond issue (OCEANE) ⁽¹⁾	-	470.1	-	-	470.1	486.9
Bond issues	-	1,049.0	-	-	1,049.0	1,070.8
Long-term loans	-	55.5	-	-	55.5	55.5
Other non-current liabilities	0.6	118.7	-	-	119.3	119.3
Short-term borrowings	-	546.6	-	-	546.6	546.6
Financing of merchants pre-financing	-	69.8	-	-	69.8	69.8
Trade payables and other current liabilities	-	674.8	4.3	-	679.2	679.2
Payables related to intermediation activities	-	1,469.9	-	-	1,469.9	1,469.9
Derivative financial instruments	4.0	-	-	0.9	4.9	4.9
Total liabilities	4.6	4,454.4	4.3	0.9	4,464.3	4,502.9

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

The fair value of the Group's bonds and convertible bonds is equal to their quoted prices on December 31, 2019 and June 30, 2020.

Fair value hierarchy

The objective criteria used for analysing financial instruments by fair value level are based on the definition of fair value levels under IFRS 13:

- Level 1 – inputs used are (non-adjusted) quoted market prices in active markets for identical assets or liabilities;
- Level 2 – inputs used are inputs other than quoted market prices, as in Level 1, that are observable either directly, by reference to prices, or indirectly, by reference to inputs derived from prices;
- Level 3 – inputs relating to the asset or liability not based on observable market data (non-observable inputs).

These assets and liabilities can correspond to any of the three levels of fair value set out below for 2020 and 2019.

The Company did not make any transfers between levels from 2019 to 2020.

<i>(In millions of euros)</i>	30 June 2020			
	Total	Level 1	Level 2	Level 3
Financial assets	22.2	-	-	22.2
Derivative financial instruments ⁽¹⁾	7.8	-	7.8	-
Funds related to intermediation activities	853.7	853.7	-	-
Cash and cash equivalents	1,433.4	853.3	580.1	-
Total assets	2,317.1	1,706.8	587.9	22.2
Other non-current liabilities	-	-	-	-
Other current liabilities	-	-	-	-
Derivative financial instruments ⁽¹⁾	10.6	-	10.6	-
Total liabilities	10.6	-	10.6	-

<i>(In millions of euros)</i>	31 Dec 2019			
	Total	Level 1	Level 2	Level 3
Financial assets	25.6	-	-	25.6
Derivative financial instruments ⁽¹⁾	5.7	-	5.7	-
Funds related to intermediation activities	1,205.5	1,205.5	-	-
Cash and cash equivalents	813.8	638.8	130.0	-
Total assets	2,050.7	1,888.3	135.7	25.6
Other non-current liabilities	0.6	-	-	0.6
Other current liabilities	4.3	-	-	4.3
Derivative financial instruments ⁽¹⁾	4.9	-	4.9	-
Total liabilities	9.8	-	4.9	4.9

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

As of December 31, 2019, other Level 3 current liabilities included an amount owed to DSV as part of establishing the PayOne JV.

10. INCOME TAX

<i>(In millions of euros)</i>	30 June 2020	31 Dec 2019	30 June 2019
Profit before income tax (excl. equity-accounted investees)	116.0	271.2	102.8
Income tax expense	(24.4)	(54.7)	(21.0)
Effective tax rate	21.0%	20.2%	20.4%

Income tax expense as of June 30, 2020 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 provides a better estimate of the tax charge for the period by applying the forecast annual tax rate to the half-yearly results.

The ratio between the tax charge for the first half of 2020 and pre-tax income, i.e. the effective tax rate, is 21%. It was 20.2% on 31 December 2019 and 20.4% on 30 June 2019. The increase in the tax rate compared to June 30, 2019 is mainly due to the taxation of capital gains on securities recognized as part of the Group's legal reorganisation.

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, 2020. At the same time, classification of the CVAE as a current tax liability and 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

	30 June 2020	31 Dec 2019
Issued at the start of the period	63,713,047	63,144,527
Shares issued in connection with dividend distributions ⁽¹⁾	-	534,871
Shares issued in connection with options exercised and shares acquired	-	-
Shares issued in connection with a capital increase reserved for employees	-	33,649
issued at the end of the period	63,713,047	63,713,047
Treasury shares at the end of the period	1,294,974	1,315,400
Shares outstanding at the end of the period	62,418,073	62,397,647

⁽¹⁾ See V. Consolidated Statements of Changes in Equity

As of June 30, 2020, Ingenico Group SA's authorized share capital consisted of 63,713,047 shares with a face value of €1 each.

Treasury shares

<i>(In Euro)</i>	1st January 2020	Acquisitions	Divestitures	30 June 2020
Number of securities	1,315,400	67,449	(87,875)	1,294,794
Value	65.99	100.68	94.20	65.89
Total	86,803,548	6,790,586	(8,275,754)	85,329,248

The Group's treasury share portfolio totalled 1,315,400 shares as of December 31, 2019.

The portfolio of shares relating to the liquidity contract did not contain any shares as of June 30, 2020. The Group made 67,499 acquisitions of shares during the first half of 2020, and 87,875 disposals.

The treasury share portfolio therefore totalled 1,294,794 as of June 30, 2020.

12. OFF-BALANCE SHEET COMMITMENTS

As part of the Combination Agreement between Worldline and Ingenico, both parties have agreed that should the agreement be terminated due to a material breach:

- Due to Worldline: the company has undertaken to pay Ingenico a termination fee of €200 million.
- Due to Ingenico: reciprocally, the Group will then have to pay Worldline an indemnity of €100 million.

Other off-balance sheet commitments are of the same nature as those described at on December 2019.

13. MAIN CONSOLIDATED ENTITIES

Entity	Country	% interest	Consolidation method
INGENICO GROUP SA	France	Parent company	
Main consolidated entities			
Ingenico Payone Holding GmbH	Germany	52%	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	52%	IG
Ingenico Payone GmbH	Germany	52%	IG
Ingenico International (Pacific) Pty Ltd	Australia	100%	IG
Ingenico e-Commerce Solutions SPRL	Belgium	100%	IG
Ingenico Financial Solutions SA	Belgium	100%	IG
Paymark Limited	New Zealand	100%	IG
Ingenico do Brasil Ltda.	Brazil	100%	IG
Ingenico Canada Ltd.	Canada	100%	IG
Retail Entreprise Canada Ltd.	Canada	100%	IG
Fujian Landi Commercial Equipment Co.. Ltd.	China	97%	IG
Ingenico Electronic Equipments (Beijing) Co.. Ltd.	China	97%	IG
Ingenico Corp.	USA	100%	IG
Retail Entreprise US 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
Bank and Acquirers International Holding SAS	France	100%	IG
Retail International SAS	France	100%	IG
Ingenico Prepaid Services France SAS	France	100%	IG
Ingenico Terminals SAS	France	100%	IG
Ingenico (UK) Ltd.	United Kingdom	100%	IG
Retail Entreprise Ltd.	United Kingdom	100%	IG
PT. Ingenico International Indonesia	Indonesia	100%	IG
Ingenico Italia SpA	Italy	100%	IG
Retail Entreprise Italia SpA	Italy	100%	IG
GCS Holding BV	Netherlands	100%	IG
Global Collect BV	Netherlands	100%	IG
Ingenico e-Commerce Solutions BV	Netherlands	100%	IG
Ingenico Philippines Corp.	Philippines	100%	IG
Ingenico Polska Sp. z o.o	Poland	100%	IG

14. SUBSEQUENT EVENTS

The 2020, July 8th, Ingenico and Worldline key documents were filled to the AMF, concerning their business combination.

Worldline filed of the tender offer draft document related for all Ingenico shares. Ingenico filed of the draft document to answer this offer. The Ingenico Boards of Directors have unanimously given a positive opinion regarding the offer.

The combination of the two groups was announced the 2020, February 6th. Finalisation is expected for the third quarter.

2/ Half-year management report

The consolidated 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 IFRS 3R, the purchase price for new entities is allocated to the identifiable assets acquired and subsequently amortized over specified periods.

The main financial data for 2019 has been analyzed on an adjusted basis, i.e. before purchase price allocation ("PPA").

The adjusted gross margin and the adjusted operational expenses disclosed exclude the depreciation and amortization, provisions, expenses for the share distributed to employees and officers and purchase price allocation ("PPA").

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 below.

EBIT (Earnings Before Interest and Taxes) is equal to profit from ordinary activities, adjusted for amortization of the purchase price for newly acquired entities allocated to the identifiable assets acquired.

Free cash flow is equal to EBITDA less: cash and other operating income and expenses, changes in working capital requirements, investing activities net of disposals, financial expenses net of financial income, and tax paid.

The financial net debt disclosed excludes the financing line of merchants pre-financing and liabilities related to IFRS 16 lease obligations.

H1 2020 Key figures

(in millions of euros)	H1'20	H1'19 PF*	H1'19	H1'20 vs. H1'19 PF*
Revenue	1,399	1,602	1,611	-13%
Interchange fees	(157)	(231)	(231)	-32%
Net revenue	1,242	1,371	1,380	-9%
Adjusted gross profit	572	586	572	-2%
As a % of net revenue	46.1%	42.7%	41.5%	+3.4 pts
Adjusted operating expenses	(294)	(333)	(318)	-12%
As a % of net revenue	-23.7%	-24.3%	-23.1%	(0.6) pts
EBITDA	278	252	254	+10%
As a % of net revenue	22.4%	18.4%	18.4%	+4.0 pts
Profit from ordinary activities, adjusted (EBIT)	204	187	188	+9%
As a % of net revenue	16.4%	13.6%	13.6%	+2.8 pts
Operating income	131	124	124	+6%
Net profit	92	80	82	+14%
Net profit attributable to Group shareholders	87	80	80	+9%
(in millions of euros)	H1'20	H1'19 PF*	H1'19	H1'20 vs. H1'19
Free cash flow	151	-	120	+25%
% FCF/EBITDA conversion	54.3%	-	47.4%	+6.9 pts
Net debt	1,178	-	1,466	-20%
Net debt-to-EBITDA ratio ¹	1.9x	-	2.7x	(0.8)x
Equity attributable to Group shareholders	2,276	-	2,085	+9%

* H1 2019 PF figures include the restatement of Healthcare France contribution after the disposal of the entity in 2019 and costs reallocation related to the legal reorganization effective as of January 1st, 2020.

¹ On a LTM basis

2.1 Financial data

Net revenues	H1 2020			Q2 2020		
	€m	% Change		€m	% Change	
		Comparable ¹	Reported		Comparable ¹	Reported
Retail	631	-4%	-6%	291	-14%	-17%
SMBs	114	-2%	-2%	54	-9%	-10%
Global Online	169	-2%	-3%	78	-11%	-14%
Enterprise	170	-6%	-13%	77	-19%	-26%
Payone	179	-5%	-5%	83	-16%	-16%
B&A	611	-12%	-13%	293	-22%	-24%
EMEA	213	-12%	-11%	102	-21%	-21%
Latin America	89	-19%	-38%	40	-30%	-48%
North America	122	45%	67%	67	43%	57%
Asia-Pacific	187	-26%	-25%	84	-39%	-38%
TOTAL	1,242	-8%	-10%	584	-18%	-21%

2020 second quarter performance

In the second quarter of 2020, net revenue totalled €584 million, representing a 18% decrease on a comparable basis. On a reported basis net revenue was 21% lower than in the second quarter of 2019 and included a negative foreign exchange impact of €17 million and the effect of Healthcare France disposal.

Over the quarter, the Retail Business Unit reported a net revenue of €291 million, showing a decrease of 14% on a comparable basis. On a reported basis, net revenue decreased by 17% during the quarter and included a negative foreign exchange impact of €4 million and the effect of Healthcare France disposal. Compared with Q2'19, the various activities performed as follows on a like-for-like basis:

- **SMB (down 9%):** The second quarter performance came in above our expectations with gradual recovery across the quarter. On top, the business line has benefitted from its business model partly based on monthly subscriptions providing resilience despite the slowdown in transaction volumes. During the quarter, and despite the lockdowns, SMB has been able to deliver a steady onboarding rate of merchants on its platform with c.1,000 net new customers per months (above 4,000 gross new customers), thanks to a decrease of the churn rate during the period and a well-balanced online and instore merchants gains. During the second quarter, the all-in one instore offering, Bambora connect, tailored for ISVs is continuing to gain traction with two contracts signed that will ramp-up in the fourth quarter of 2020.
- **Global Online (down 11%):** The second quarter performance came in line with our expectations driven by a drop in transaction volumes in specific verticals related to the Covid-19 spread across the globe. Our travel vertical (c.35% of volumes pre-Covid) has been strongly impacted and represents today less than 10% (below 10% in April, exiting June above 15%) of overall volumes. Some recoveries have been identified on the last part of the quarter on regional travel but international travel is not planned to revive before 2021 as mentioned in Q1'20. In the meantime, Global Online has experienced a good dynamic on the non-travel verticals, such as digital goods, gaming, or marketplaces, growing double-digit, but not able to fully compensate the Travel impact. On the regional side, APAC and North America have been dynamic while LATAM has been impacted by its verticals exposure. Despite the Covid-19 environment, Global Online has pursued its commercial deployment with new client wins during the quarter such as Asos, Porter or Rappi.
- **Enterprise (down 19%):** Performance came slightly better than expectations during the second quarter despite the Covid-19 spread and the high comparison basis in Q2'19 driven by Healthcare Germany activities. Excluding this specific effect, Enterprise was down 13% on an organic basis. Both sale of POS and transaction activities have been hurt by the lockdowns in Europe, Pacific & Turkey. After a severe impact from mid-March to mid-May, transactions have grown back, reaching a normative level in End of June. In the meantime, all the local and pan-European omnichannel programs have been maintained by Retailers with an expected contribution during the second half 2020 to be back to normative levels of activity. In parallel, North American POS activities have been impacted in the same extend as Europe by the lockdowns.

- **Payone (down 16%):** The second quarter performance came in better than expected with a faster recovery in May and June of transaction activities fuelled by an acceleration of the shift towards electronic payments. During the Covid-19 spread, usage of card payment in the German market has strongly increased, thanks to the improvement of payment threshold leading to a higher usage of contactless payments that represents today c.60% of electronic payments vs c.50% pre-Covid. The conversion of saving banks customers to Payone payment solution continued during the quarter, driven by the one-stop shop offering and digital onboarding capabilities, with more than 1,000 net new merchants joining the platform every month. The DACH region shift acceleration towards electronic payments will benefit to Payone performance in the coming quarters.

The B&A Business Unit posted a net revenue of €293 million, a 22% decrease on a comparable basis. On a reported basis the activity decreased by 24% and included a negative foreign exchange impact of €12 million. Compared to H1'19, the various regions performed as follows on a like-for-like basis:

- **Europe, Middle-East & Africa (down 21%):** The second quarter performance came in line with our expectation in the Covid-19 spread in Europe, impacted by lockdowns in most countries. In Western Europe, some countries such as France has shown resilience in that environment, while countries such as DACH and Iberia has shown a good dynamic, fuelled by Terminal as a Service contract signed in Q1'20 for the latest. In the meantime, the UK and Italy have been strongly impacted by the lockdowns during the quarter. As expected, Eastern Europe, after being back to growth in Q1'20, has pursued on the same trajectory, while Russia has continued to suffer from a high comparison basis in Q2'20. This situation should normalize in the coming quarters on the overall performance.
- **Asia-Pacific (down 39%):** The dynamic in the region came in below our expectations during the quarter. China, after a Q1'20 fuelled by the delivery and deployment of end of year 2019 APOS orders, has been impacted by a very low pipeline due to the lack of projects initiated in Q1'20 in a lockdowns environment and a very high comparison basis as Q2'19 was the highest net revenue point last year. In parallel, India has been strongly impacted by the lockdowns that will be prolonged beyond the end of June. As during Q1'20, South East Asia came in softer on the back of Indonesia suffering from a high comparison basis. In the meantime, the Pacific region has shown resilience in that context, benefitting from the ongoing impact of commercial successes and pipeline of projects.
- **Latin America (down 30%):** The dynamic in the region came in line with our expectations with Brazilian market impacted by the Covid-19 spread during the quarter, combined with high comparison basis. This situation should continue to weight in the coming quarters. In other countries, such as Columbia, Argentina and Peru, the momentum keeps ongoing on the same trajectory as Q1'20, fuelled by the contracts signed and the pipeline of projects.
- **North America (up 43%):** As for Q1'20, net revenue from the region was strong throughout the quarter, with an acceleration in Canada after being back to a normative level of activity during the last quarter. Growth of US-based activity remained strong benefitting from the early implementation of our ISV vertical initiative showing a continuous strong dynamic fuelled by project delivery and development of partner programs. The ongoing demand on back of the EMV cycle renewals remains robust and some consolidation of market shares has been achieved. Overall, the pipe should sustain the level of activity in the coming quarters, becoming stable sequentially.

2020 first half-year performance and financial results

In the first half of 2020, net revenue totalled €1,242 million, representing a 8% decrease on a comparable basis. On a reported basis net revenue was 10% lower than in the first half of 2019 and included a negative foreign exchange impact of €20 million and the effect of Healthcare France disposal.

Over the semester, the Retail Business Unit reported a net revenue of €631 million, showing a decrease of 4% on a comparable basis. On a reported basis, net revenue decreased by 6% during the semester and included a negative foreign exchange impact of €4 million and the effect of Healthcare France disposal.

The B&A Business Unit posted a net revenue of €611 million, a 12% decrease on a comparable basis. On a reported basis the activity decreased by 13% and included a negative foreign exchange impact of €16 million.

Adjusted gross profit

In the first half of 2020, adjusted gross profit reached €572 million, representing 46.1% of net revenue to be compared with €586 million in the first half of 2019 pro-forma, or 42.7% of net revenue.

Retail adjusted gross profit rate was slightly up due to the mix of activities and B&A adjusted margin was positively impacted by an favourable geographical mix, mainly driven by the 45% organic growth in North America and a better relative performance in EMEA compared to emerging countries (Latin America and Asia-Pacific). Otherwise, the adjusted gross profit has benefitted as well from €25m positive impact derived from Fit for Growth and Covid-19 action plan execution during the first half 2020.

Adjusted operating expenses

During this first half of 2020, adjusted operating expenses have reached €294 million, down €39 million or 12% versus the first half of 2019 pro-forma. Adjusted operating expenses rate has decreased from 24.3% to 23.7% down 60 bps compared to the first half of 2019 pro-forma. Otherwise, the adjusted operating expenses have benefitted as well from €35m positive impact derived from Fit for Growth and Covid-19 action plan execution during the first half 2020.

EBITDA margin

EBITDA came in at €278 million (22.4% of net revenue), against €252 million (18.4% of net revenue) in the first half of 2019 pro-forma (€254 million on reported basis), thus an improvement of €26 million (up 400 bps on EBITDA margin), despite the impact of the Covid-19 crisis on revenues. The Group EBITDA has benefitted from the execution of the Fit for Growth plan and the Covid-19 action plan initiated during the semester. The combined effect of those two initiatives has delivered €60 million EBITDA impact in the first half of 2020, before €3 million investments dedicated for the PPaaS initiative of B&A.

The Retail EBITDA came in at €141 million (22.3% of net revenue) to be compared with €130 million (19.6% of net revenue) in H1'19 pro-forma, an increase of 270 bps. This overall performance is fully in line with our annual Retail EBITDA trajectory.

The B&A EBITDA stood at €154 million (25.2% of net revenue) to be compared with €150 million (21.1% of net revenue) in H1'19 pro-forma, increasing by 410 bps. This EBITDA margin improvement is derived from a strong performance in revenue in North America and costs savings initiatives.

The corporate costs during the first half of 2020 are down €10 million to €17 million (€27 million in H1'19 pro-forma), reflecting the strong action plan executed within Fit for Growth and Covid-19 aiming at reducing corporate costs to c.€45 million in 2020 versus €50 million in 2019. The first half 2020 achievement is fully in line with our full year 2020 trajectory.

Operating income

EBIT margin reached €204 million, compared to €187 million in the first half of 2019 pro-forma (€188 million on reported basis).

The other income and expenses (OIE) reached €-24 million compared to €-13 million in H1'19 pro-forma (€-13 million on reported basis), fully in line with our full year trajectory and under control.

The operating income also includes purchase price allocation amortization that represented €50 million in the first half of 2020 compared to €50 million in H1'19.

After other income & expenses and purchase price allocation described above, operating income came in at €131 million, compared to €124 million in the first half of 2019 pro-forma (€124 million on a reported basis).

Net profit attributable to shareholders

The financial result accounted for €-15 million compared to €-22 million in H1'19 pro-forma (€-21 million on reported basis).

Income tax landed at €-24 million in this first half from €-21 million in the first half of 2019 pro-forma (€-21 million on reported basis). The latter has benefited from the specific tax provisions related to the Covid-19 situation. The effective tax rate landed at 21%, against 20.8% in H1'19 pro forma (20.4% in H1'19 reported).

After accounting for €5 million of non-controlling interests, the 2020 first half Group net profit attributable to shareholders came in at €87 million, up 9% compared to €80 million in the first half of 2019 pro-forma (up 8% vs. €80 million on reported basis).

Cash generation

The free cash flow improved very significantly during the first half of 2020 at €151 million compared to €120 million in the first half of 2019. The major elements of the free cash-flow improvement were:

- Contribution of EBITDA increase of €24 million on reported basis;
- Strong improvement of change in working capital by €14 million, resulting from a continuous and strict cash control process with a better efficiency on cash collection;
- Decrease of capital expenditure by €4 million reaching €56 million, against €60 million in H1'19. The level of capital intensity is fully in line with the Group mid-term investment policy despite the Covid-19 crisis;
- OIE increased by €7 million reaching €24 million in line with our annual objective;
- Interests paid stable at €8 million;
- Tax paid increased by €7 million, from €25 million in the first half of 2019 to €32 million in the first half of 2020 due to a positive €16 million one-off reimbursement in H1'20 of the French tax authority and to €8 million tax payment delayed to H2'20 related to the Covid-19 situation.

In consequence, free cash-flow conversion rate for the first half 2020 came in at 54.3%, to be compared to 47.4% in the first half of 2019 (c.37% in H1'19 and c.46% in H1'20 netted from the one-off tax reimbursement and tax payment delay).

Group net debt

The Group's net debt decreased to €1,178 million against €1,307 million at the beginning of the year, or a €130 million decrease. The major element of this evolution is the €151 million free cash-flow generation. The ratio of net debt to EBITDA³ is down to 1.9x from 2.2x at the end of 2019 and 2.7x end of June 2019.

2.2 Significant events occurred since June 30, 2020

All significant events which occurred since June 30, 2020 are described in the Note 14 on "Subsequent events" in the notes to the consolidated financial statements as of June 30, 2020.

2.3 Principal risks and uncertainties in the second half of 2020

Ingenico Group faces the same risks as described in the 2019 Universal registration document, chapter 4.1.3.

2.4 Related-party transactions

In the first half of 2020, 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, 2020.

2020 objectives

- Net revenue: a mid to high single digit organic decline
- EBITDA: an EBITDA margin above 21% (20.9% in FY'19)
- Free cash-flow conversion: a FCF conversion above 50%

The 2020 objectives communicated in April have been built on the three following scenarios structured around different recovery curves and taking into account business assumptions unchanged, i.e. a progressive pick-up in consumption while stores re-open depending on sanitary constraints, a central scenario on travel with no recovery of international travel before end 2020 and a gradual pick-up on regional travel, and some possible short and local re-confinements in the countries in which the Group operates.

- Scenario 1: return to the pre-Covid-19 4% to 6% organic growth guidance in Q4'20 leading to a mid-single digit organic decline in FY'20;
- Scenario 2: return to the pre-Covid-19 4% to 6% organic growth guidance in December 2020 leading to a mid to high single digit organic decline in FY'20;
- Scenario 3: return to the pre-Covid-19 4% to 6% organic growth guidance in Q1'21 leading to a high single digit organic decline in FY'20.

Based on these scenarios, Ingenico Group has sized and activated in early March a strong and holistic action plan aimed at adapting its cost structure, protecting profitability and preserving cash. This sizing was decided upon the basis of the most conservative scenario (Scenario 3). Consequently, on top of the Fit for Growth plan that will deliver €35 million EBITDA impact in 2020, this C19 action plan implemented during Q1'20 will deliver €100 million added EBITDA impact in 2020. The combination of the two plans will reduce the Group's operating expenses and other cost of sales by up to 13 %.

As of end July 2020, the scenario 2 seems to be most likely. On that basis, the Group preserves the possibility to release a part of the savings expected in the frame of Covid-19 action plan if this scenario is confirmed in the course of the third quarter 2020.

Ingenico Group's long-term growth drivers remain intact and we are convinced that the Group should come out of the current crisis even stronger with the engagement of all of the teams serving our clients for the benefit of all of our stakeholders.

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 2020 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 22, 2020

Nicolas HUSS
Chief Executive Officer

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

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

Ingenico Group S.A.

Registered office: 28/32 boulevard de Grenelle - 75015 Paris
Share capital: €.63 713 047

Statutory Auditors' Review Report on the Half-yearly Financial Information 2020

For the period from January 1 to June 30, 2020

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, 2020,
- the verification of the information presented in the half-year management report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors and have been prepared on July 22, 2020 based on the information available at that date in the evolving context of the Covid-19 crisis and related difficulties to apprehend its impacts and outlooks. 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.

II. Specific verification

We have also verified the information presented in the half-year management report prepared on July 22, 2020 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 22 July 2020

Paris La Défense, on the 22 July 2020